

# STRATEGY TO RESOLVE THE JAMMU AND KASHMIR DISPUTE

By

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## *Synopsis*

*The genesis of the Jammu & Kashmir dispute is related to the partition of the country in 1947 on the basis of religion. However, though partition of the country was effected on the basis of religion, this applied to the provinces only and not to the princely states. In the case of the latter, their rulers could decide which country to accede to. Maharaja Hari Singh of Jammu & Kashmir could not decide for some time and so entered into a 'standstill agreement' with Pakistan. However, Jinnah being impatient launched a tribal invasion of Jammu & Kashmir on 22 October 1947. It was only on 26 October 1947 that Maharaja Hari Singh signed the Instrument of Accession merging the state with India. The British supported the view that rulers could decide which country to accede to using the legalistic argument that their relationship with the princely states was based on the treaties with them. "On this logic after the lapse of paramountcy the rulers should be free to decide the future of their states." This demolishes the belief that being a Muslim dominated state, Jammu & Kashmir should rightly have gone to Pakistan.*

*A dispute exists regarding the Siachen Glacier. A portion of the cease-fire line beyond NJ 9842 was not delineated as far as the Chinese border, leading to territorial claims by both the countries.*

*The Simla agreement was signed between India and Pakistan in July 1972 following the 1971 Indo-Pak war. This treaty has been the basis of all subsequent bilateral talks between India and Pakistan, though it has not prevented the relationship between the two countries from deteriorating to the point of armed conflict.*

*It is asserted that the main reason behind Pakistan's demand for Kashmir has very little to do with sympathy for a political cause and a lot more to do with water. In order to prevent a conflict between its Punjab and Sindh provinces and to prevent a possible secession of Sindh and Baluchistan, Pakistan needs physical control over the*

*Chenab catchment region in J & K. Thus J & K is a source of Pakistan's food and water security.*

*The Indus Water Treaty (IWT) was signed in September 1960 between the two nations to ensure equitable sharing of water of the Indus System of Rivers. Nonetheless, Pakistan feels that it needs to have physical control over the headwaters to ease fears about India's potential ability to turn a huge chunk of its land into desert. This is the prime reason why Pakistan is not agreeing to the LC becoming the formal border, because then the headwaters would continue to remain with India.*

*As part of its Kashmir policy, Pakistan prepared the blueprint of proxy war. The 'jihadis' initially 'bred' for Afghanistan were to be engaged in Kashmir lest they turn on Pakistan. Militant cadres were infiltrated across the border into Kashmir to create terror and mayhem.*

*Post–September 11 a major development was the US 'War on Terrorism'. Operation Enduring Freedom was launched to hunt down al Qaeda and Taliban in Afghanistan. After the terror attack on the Indian Parliament in December 2001, the US and West were willing to include India in its war on terror. As a result international pressure was applied on Pakistan with regard to her Kashmir policy.*

*It is clear that a long-term strategy is required to resolve the J & K dispute. This has to be comprehensively addressed on all fronts, political, economic, social and military and needs to be evolved from India's national aims and objectives to protect core values. India should maintain its position that it will no longer tolerate a proxy war strategy, but it should provide Pakistan with incentives to pursue a peaceful option.*

*For Pakistan it means changing its attitude and ending its mindless hostility of the past and entering into a more co-operative and beneficial relationship with India.*

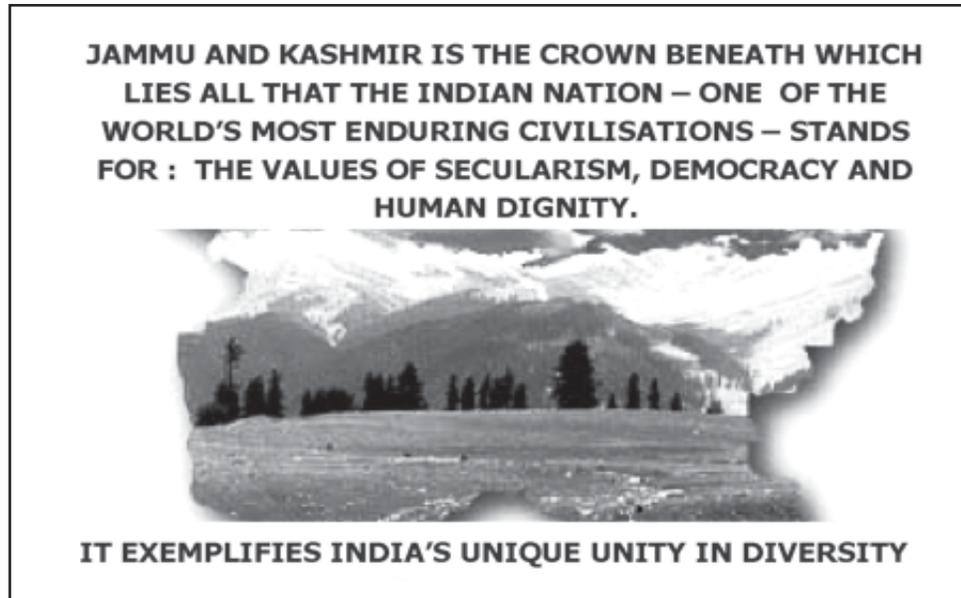
*The Siachen issue feeds into the peace process and any settlement would help to move the talks on J & K forward.*

*There is a lack of a consistent and comprehensive policy at the national level. India needs to respond efficiently and rationally to the emerging challenges as there are no easy answers to this intractable problem. A sustained political campaign must be launched to win the 'hearts and minds' of the Kashmiri people and restore their battered dignity. The Sufi tradition of tolerance and liberalism for which Kashmir is well-known should be allowed to flourish unhindered by the diktats of radical Islam. Public opinion must be mobilized to express the nation's solidarity with the Kashmiri people in their struggle against Pakistan sponsored proxy war. The people of J & K need to be convinced that their future lies with India.*

Map 1



Figure 1



## INTRODUCTION

### General

Kashmir's fate is still locked into the story of India's partition in 1947, when Pakistan was carved out as a home for Indian Muslims. Nothing divides India and Pakistan as Kashmir does, and nobody has suffered more in the process than the people of Kashmir. There have been nearly 40 official proposals for a solution, but not a single plan has yet been acceptable to all parties.

Given the latest peace initiatives by both, India and Pakistan, it appears that Jammu and Kashmir (J&K) is now firmly set on the road to normalcy - though this may remain elusive for a while as spoilers, internal and external, and vested interests, threaten to disorder and derail the peace process. By now it should be clear to Pakistan that its proxy war will not succeed under any circumstances and that it would be in its own interest to renounce this path and seek mutually beneficial co-operation with India.

## Aim

The aim of this dissertation is to analyse the various options open and recommend a strategy to resolve the J & K dispute.

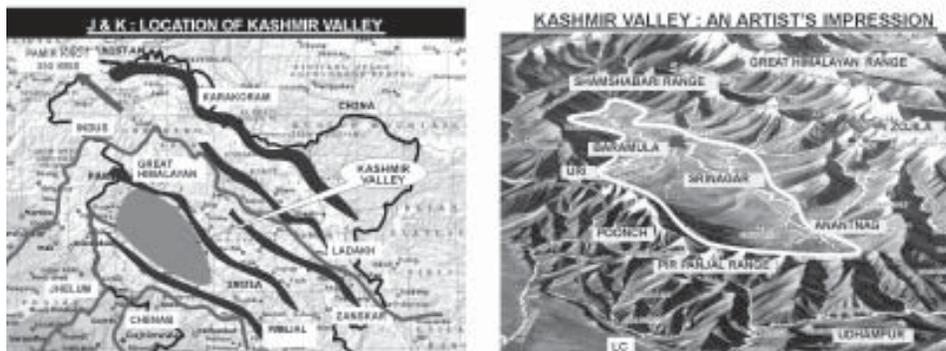
## Preview

The dissertation has been covered in the following parts :

- (a) Why the problem of J&K persists
- (b) Review of the Geopolitical Situation
- (c) Conduct of Proxy War by Pakistan and Ground Realities
- (d) Peace Initiatives
- (e) Recommendations

## *CHAPTER I* WHY THE PROBLEM OF J&K PERSISTS

Map 2



## Geography

Kashmir, a 222,236 square kilometres region in the northwestern part of the Indian subcontinent, is surrounded by China in the northeast, the Indian states of Himachal Pradesh and Punjab in the south, by Pakistan in the west, and by Afghanistan in the northwest. The region has been dubbed “disputed territory” between India and Pakistan since the partition of India in 1947. The southern and

*Asian Security Scenario*

southeastern parts of the region make up the Indian state of J&K, while the northern and western parts are controlled by Pakistan. A border called the Line of Control (LC), agreed to in 1972, divides the two parts. The eastern area of Kashmir comprising the northeastern part of the region (Aksai Chin), came under the control of China since 1962. The predominant religion in the Jammu area is Hinduism in the east and Islam in the west. Islam is also the main religion in the Kashmir valley and the Pakistan-controlled parts.

## **Genesis**

The origin and genesis of the J & K imbroglio is related to the partition of the country on the basis of religion. The Pakistani projection that J & K being a Muslim country, therefore found ready acceptance internationally, particularly during the Cold War period. However, though partition of the country was effected on the basis of religion, this applied to the provinces only and not to the princely states<sup>1</sup>. In the case of the latter, their rulers could decide which country to accede to. Whereas the Congress wanted this done in a democratic manner on the basis of the wishes of the people, Jinnah and the Muslim League favoured the decision being taken solely by the ruler of each state. The British supported this view using the legalistic argument that their relationship with the princely states was based on the treaties with them. *On this logic, after the lapse of paramountcy, the rulers should be free to decide the future of their states. This demolishes the belief that being a Muslim dominated state, J&K should have rightly gone to Pakistan.*

Maharaja Hari Singh of J&K, could not decide for sometime, and so entered into a “Standstill agreement” with Pakistan. However, Jinnah being impatient, launched a tribal invasion of J&K on 22 October 1947. It was only on 26 October 1947 that Maharaja Hari Singh signed the Instrument of Accession merging the state with India. Pakistan is of the view that the day the Instrument of Accession was signed, the ruler had fled to Jammu and was therefore not in control of the happenings in the Valley. However, this created a mess for Pakistan. Thereafter, the atrocities committed by the tribesmen alienated the Kashmiri people making Pakistan lose out on both counts, politically and militarily.

## **Pakistan’s Internal Dynamics and Unstable Security System**

Kashmir’s implications for Pakistan’s sovereignty and national identity, Pakistan’s internal divisions and weaknesses, the imbalance in institutional strength, and the development and fostering of a national psyche that believes it is under

siege, have led it to see Kashmir in uncompromising terms. Furthermore, the dispute has dual purposes. On one hand, it was an ideological struggle against India and its ambitions. On the other, it served to unite an otherwise fractured polity. Since it has both ideological and nationalist implications, neither of which is easily compromised, Pakistan's policy toward Kashmir has become rigid and unyielding.

### **India's Reactive and Limited Attitude**

India's bottom line on Kashmir has remained unchanged over the decades - the state of J&K is an integral part of the Indian Union, and any settlement of the crisis must be effected within the confines of the Indian constitution. India insists that the UN resolutions were redundant as the State had been acceded to it by the then ruler, Maharaja Hari Singh, in keeping with the provisions of partition. The unfinished agenda of partition according to India, has therefore been to evict Pakistan from its illegal occupation of territory, which unfortunately has been feebly articulated and has few takers.

While Pakistan has been very vocal in expressing its views in all regional and world forums, India has always been driven by polite diplomacy, and has not been able to respond in the correct manner. In brief, India's response has been reactive and very limited. Where Pakistani diplomacy has succeeded, the Indian attitude has been that of indifference till the situation went out of control.

Differences also abound within Indian policy circles on the future shape of a possible solution, from support for incorporating into India all of J&K, including territories presently under Pakistani and Chinese control, to the territorial status quo, to the increasingly apparent shift in official policy for recognition of the LC as the international border. India remains publicly opposed to any international involvement in the dispute. Any movement forward on Kashmir is also made more difficult by the lack of a national consensus in India on how the conflict within Kashmir and with Pakistan should be addressed. Sensationalisation of terrorist acts by the Indian media, acts as a further hurdle to arriving at a general consensus.

**United Nations (UN) Resolutions: Kashmir.** A few months into the war that started after partition, India brought the matter to the notice of UN Security Council. From April 1948 to 1957, the UN passed a series of resolutions. However, after 1957, the UN could not pass any resolution concerning Kashmir because the Soviet Union began using its right of veto against any of these.

The UN resolutions on J&K are flawed in many respects. There is no denying the fact that these were influenced by the West's perception that partition being on the basis of religion, J&K being a Muslim dominated state should have gone to Pakistan. The resolution of April 1948 demanded from India and Pakistan for a cease-fire and complete cessation of hostilities. The cease-fire was effected by the end of 1948, and the State was split into Indian Kashmir and POK. The cease-fire line or the LC was to be a temporary boundary till the matter was resolved according to the wishes of the Kashmiri people.

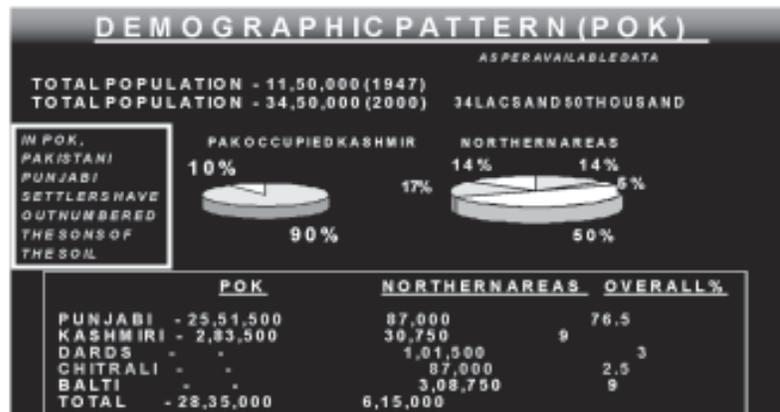
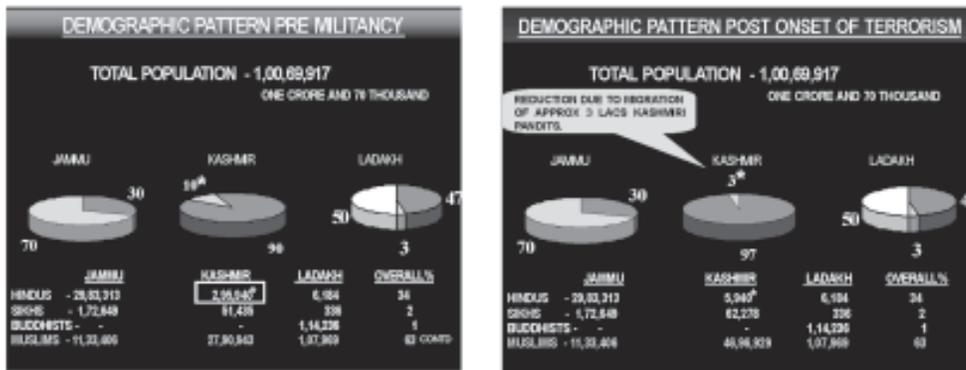
The UN resolution of April 1948 had also suggested a plebiscite for the people of Kashmir after it would be vacated by Pakistan, with India being allowed to retain some force to maintain law and order. However, this was never to be as Pakistan did not vacate the area and as a result, the referendum could not happen. Furthermore, the large-scale changes in the diplomatic, social, political, military situation over the years have rendered the UN resolution on Kashmir of 1948 obsolete.

**Demographic Characteristics.** Contrary to most reports in the media, J&K is not a state where only Kashmiri Muslims live. It is a multiethnic, multi-religious state with 64 per cent Muslims, 33 per cent Hindus, and 3 per cent Buddhists, Sikhs, Christians and others. There are three distinct geographical regions - Ladakh (with 58 per cent of the area, and 3 per cent of the population), Jammu (26 per cent area, 45 per cent population), and Kashmir (16 per cent area, 52 per cent population, of which over 90 per cent of the region's minorities, i.e. 3 per cent of the state's total population have been driven out). The primary languages of Ladakh are Ladakhi and Balti, of Jammu: Dogri, and of Kashmir: Kashmiri. In addition, Gujari, Pahari, Punjabi, Shina and various dialects and mixed languages are also spoken by different ethnic groups within the state.

Fifteen per cent of the state's Muslims live in the provinces of Jammu and Ladakh. They are non-Kashmiris, and by and large stand behind J&K's association with India except for a few in Doda district. Of the state's 49 per cent who reside in the Kashmir province, approximately 13 per cent are Shia Muslims. Shia Muslims do not wish to have anything to do with Sunni-dominated Pakistan, knowing fully well the fate that awaits them there. Fourteen per cent of the people in Kashmir province are the pastoral nomadic Gujar and Bakarwal people. They are strong supporters of association with India and have demonstrated this by organizing Militancy Mukhalif Morcha (Anti-Militancy Front) to assist the security forces in surveillance of terrorist activity<sup>2</sup>.

The support for secession in J&K is thus largely limited to the non-pastoral Sunni Muslim population of the Kashmir Valley who constitute 22 per cent of the state's population, (or about 1.9 million people). This segment of the population dominates the politics of the state. The reason that many believe separatism to be a widespread sentiment in J&K is because this dominant section has succeeded in completely drowning out all other voices in the state, and has the ability to cripple the normal functioning of the society in Kashmir province, either by inaction or insufficient action against Pakistani infiltration and terror or, worst still, by sabotage.

Figure 2



The plea of Pakistan that as J&K is a Muslim dominated state, it should be given to it, implies the theory that Muslims cannot stay with people of other religions. If the UN too accepts this, it implies acceptance of the 'Two-Nation' that Muslims and Hindus must live separately. In that case, there would be no justification for the presence of another 110 million Muslims presently in India, who according to the principle of partition in 1947, should have been sent to Pakistan, but have instead been allowed to stay on only because India being secular does not accept the 'Two-Nation' theory.

The problem between India and Pakistan persists because what was natural after partition of a country, that is, the exchange of population, never took place. Presently, while Pakistan and Bangladesh have driven out most of their non-Muslim population, Muslims are still in India, even after their homeland was created. In other cases of partition elsewhere in the world, there were always exchanges of population. The cases of Greece-Turkey, Germany-Czechoslovakia, Bulgaria-Turkey, Poland-Germany, Bosnia- Serbia, Croatia-Serbia, are recent examples where full-scale exchanges were organized along with partition. In fact, it is unnecessary to partition a country if the population is not to be exchanged. Ideally the UN Security Council should have overseen this and ensured that the issue was resolved permanently.

### **The Siachen Dispute**

The fight for the Siachen Glacier involves territory claimed by both states but not controlled by either until the mid-1980s. A Cease-Fire Line (CFL) was established as a result of the 1949 India-Pakistan agreement that concluded the war in Kashmir. The CFL ran along the international India-Pakistan border and then north and northeast until map grid-point NJ 9842, located near the Shyok River at the base of the Saltoro mountain range. Because no Indian or Pakistani troops were present in the geographically inhospitable northeastern areas beyond NJ 9842, the CFL was not delineated as far as the Chinese border. Both sides agreed, in vague language that is the root of the Siachen dispute, that the CFL extends to the terminal point, NJ 9842, and then north to the glaciers.

Siachen became a dispute with Pakistan starting a 'cartographic' aggression owing to erroneous American maps, and then by the Pakistan government permitting mountaineering and trekking expeditions into this region from its

side. There were reasons to believe that later in 1984 they would have moved into Siachen and presented India with a *fait accompli*. This is what led India to Operation Meghdoot and the Army occupying the Salto Ridge.

The Pakistani view is based on several factors. First, Siachen is a part of the Baltistan region of POK. The Pakistanis base their view on American maps. Second, the mountaineering and trekking expeditions sought permission from Pakistan, not India. Third, the Owen Dixon report 1950, submitted to the UN, located Siachen in the Northern Areas<sup>3</sup>. The last two reasons are the Karachi Agreement 1949, where the cease-fire line beyond NJ 9842 was not demarcated, and the Simla Agreement 1972, when it was agreed that the LC would not be unilaterally altered. Even during the Suchetgarh meetings between the two militaries in 1972, the LC beyond NJ 9842 was not demarcated. The problem therefore, persists.

### **The Tashkent Agreement**

The Tashkent Declaration of 10 January 1966 was a peace agreement between India and Pakistan after the 1965 War. Peace had been achieved by the intervention of the great powers who pushed the two nations to a cease-fire for fears the conflict could escalate and draw in other powers. A meeting was held in Tashkent in the USSR (now in Uzbekistan) beginning on 4 January 1966 to try to create a more permanent settlement. The Soviets, represented by Premier Kosygin moderated between Indian Prime Minister Lal Bahadur Shastri and Pakistani President Muhammad Ayub Khan.

After the signing of the agreement things began to deteriorate. The day after the declaration, Indian Prime Minister Shastri died of a sudden heart attack. In Pakistan many civilians felt that they had won the war - though Pakistan had suffered more casualties and territorial losses - and were disappointed at the return to the status quo. The agreement was criticized in India because it did not contain a no-war pact or any renunciation of the guerrilla warfare in Kashmir. The agreement was therefore nullified.

### **The 1972 Simla Summit**

The Simla Treaty, popularly known as the Simla Pact or the Simla Agreement, was signed between India and Pakistan on 2 July 1972 following the 1971 India-Pakistan War. The treaty was signed in Simla, by Zulfikar Ali Bhutto, the President of Pakistan, and Indira Gandhi, the Prime Minister of India. The agreement laid

down the principles that should govern their future relations. It also conceived steps to be taken for further normalization of mutual relations. It is significant that the Cease-Fire Line was changed to the LC during this summit. This was not merely a change of nomenclature but a consequence of an agreement, seeking to adhere to the status quo by all means. The treaty has been the basis of all subsequent bilateral talks between India and Pakistan, though it has not prevented the relationship between the two countries from deteriorating to the point of armed conflict.

Figure 3



### Water War: Sharing of the Indus Waters

“Issues of Kashmir and Indus are intertwined”, revealed General Pervez Musharraf in his dissertation while attending the prestigious course at the Royal College of Defence Studies, London.<sup>4</sup> *It is asserted that the main reason behind Pakistan’s demand for Kashmir has very little to do with sympathy for a political cause, and a lot more to do with water.* In order to prevent a conflict between its Punjab and Sindh, and to prevent a possible secession of Sindh and Baluchistan, Pakistan needs physical control over the Chenab catchment region in J&K. *Thus, J&K is a source of Pakistan’s water and food security.* It is a real estate dispute for strategic reasons.

The Indus Waters Treaty (IWT) was signed at Karachi by Field Marshal Mohammad Ayub Khan, the then President of Pakistan, and Shri Jawaharlal Nehru, the then Indian Prime Minister, on 19 September 1960. The Treaty however, is effective from 1 April 1960<sup>5</sup>. The Indus River rises from Mansarovar in Tibet and its principal tributaries are the Sutlej, the Beas, the Ravi, the Chenab and Jhelum. The Indus System of Rivers comprises three Eastern Rivers (Sutlej, Beas and the Ravi) and three Western Rivers (Indus, Jhelum and the Chenab). Under the Treaty, the waters of the Eastern Rivers stand allocated to India and those of the Western largely to Pakistan. The treaty has survived all the wars since then, even though the fact remains that India controls the headwaters. Unlike April 1948, when India stopped the supply of water to Pakistan from every canal flowing into Pakistan, for a month, the Geneva Conventions and the Indus Waters Treaty make such an action illegal today. The treaty also does not allow either country to opt out unilaterally. In fact, it explicitly prohibits linkage between the water issue and the general position of both parties on the Kashmir issue.

Map 3



Obviously not enough, Pakistan feels that it needs to have physical control over the concerned headwaters to ease fears about India's potential ability to turn a huge chunk of its land into desert. Today India and Pakistan are both faced with rapidly escalating problems of acute river resource scarcity. The Baglihar Dam project located on the Chenab River in Doda district in the Jammu division, is

presently the focus of intense diplomacy between India and Pakistan. Increased tensions over water will exacerbate or intensify overall tensions, creating a more favourable environment for interstate conflict, making resolution of security issues even more difficult. Pakistan's mounting water insecurity virtually ensures a still deeper and volatile nexus between water and Kashmir in coming years. *This is the prime reason why Pakistan is not agreeing to the LC becoming the formal border, because then the headwaters would continue to remain with India.*

## *CHAPTER II*

### **REVIEW OF THE GEOPOLITICAL SITUATION AND IMPLICATIONS FOR INDIA AND PAKISTAN**

#### **11 September 2001**

Both India and Pakistan have been quick to use the post-11 September “war on terrorism” to their advantage. India has attempted to portray the challenge in Kashmir as purely a matter of combating terrorism, and to make the case that it has a right to pursue extremists operating from Pakistan exactly as the US and its allies have hunted down al-Qaeda and the Taliban in Afghanistan. The Indian position and viewpoint on terrorism is much better understood now, and Pakistan's shady support to the Taliban and Kashmiri terrorists was exposed to the world, and more importantly, acknowledged by the USA.

Pakistan, for its part, has sought to use its broad co-operation with the US on operations in Afghanistan, to gain some leeway for maintaining the general policy of adventurism that seeks to bleed Indian resources in Kashmir.

#### **Operation Enduring Freedom**

This operation was another major development in the region that helped India greatly in its endeavour to counter the proxy war unleashed by Pakistan across the LC. Pakistan was forced to give support to the USA, in total contradiction of its long-term support to the Taliban. This was acknowledged as being invaluable for the success of the operation. Pakistan was forced to crack down on radical Islamic groups in the country, causing rifts in its society. It also led to the closure of militant training camps in Pakistan, though the ones in POK were still operative.

## **Attack on the Indian Parliament : 13 December 2001**

The US and the West were forced to condemn the attack and were now willing to include India in its war against terror. India's tough stance and diplomatic offensive put Pakistan under pressure and on the back foot with regard to her Kashmir policy. As a result, international pressure was applied on Pakistan to act against the perpetrators.

### **US Presence in Pakistan**

The presence of US troops in Pakistan in the war against terror, has had a significant effect on the politics of the region. USA will apply pressure on Musharraf to live up to his promise of not supporting terrorism, which is what India wants. This would keep Musharraf under pressure locally as it is resented by fundamentalists. However, as the Pakistan-US relationship develops, it could fructify resulting in tangible inflow of military hardware and economic assistance.

### **Cross Border Terrorism in India**

Contrary to the Musharraf-led Government's much-touted claims of having taken concrete measures to uproot the extremist jihadi mafia and its terror network in Pakistan, a cursory glance over the activities of four banned militant organizations in the country shows they are once again back in business, with changed names and identities, operating freely and advocating jihad. The jihadi groups were banned in two phases, on 12 January 2002, and 15 November 2003<sup>6</sup>. However, after the initial crackdown, the Lashkar-e-Toiba (LeT), Jaish-e-Mohammad (JeM), Harkatul- Mujahideen (HuM) and Hizb-ul-Mujahideen (HM), resurfaced and regrouped effectively to run their respective networks as openly as before, though under different names such as Jamaat ud Daawa for the LeT. Though most of the groups accepted the establishment's advice and adopted a 'lie low and wait and see' policy, the fact remains that no concrete step was taken by the authorities to dismantle the jihadi infrastructure. Presently there are 59 training camps still operational, with 27 being in Pakistan, 28 in POK, and four in Gilgit-Baltistan<sup>7</sup>.

The manner in which terrorist activities are being committed all over India, the latest one being the Mumbai blasts of 11 July 2006, suggests a different hue and change of strategy in the proxy war in India. No longer confined to J&K, economic infrastructure and ethno-religious sentiments, are now targets of

terrorism, designed to create mayhem throughout India. Since April 2006, terrorist activity in J&K has regained impetus, with the focus now on targeting tourists and civilians. Terrorist modules have surfaced within India with mentors still across the border, the idea being to give the movement a local colour. The *“jehadi flavour” is missing and targets being selected are state objectives, suggesting very clearly, the involvement of the Pakistani government.*

### **Internal Situation in Pakistan and its Implications on Regional Politics**

Clash of US-China interests in the region is a high probability with the entry of the latter in Baluchistan. While China is constructing the Gwadar port to ensure its energy requirements for the future do not get disrupted by the US, it is bound to interfere with the latter’s hegemonic intentions in South and West Asia. This confrontation that could convert into a new Baluch insurgency, along with the Taliban problem in Waziristan, will influence the geopolitics of the region, and could indirectly affect the J&K issue as well.

Map 4



### **Construction of Gwadar Port by China**

The arrival of the United States in late 2001 in Afghanistan, at China’s doorstep, nudged Beijing to step up its involvement in the Gwadar project. In March 2002, the Chinese vice premier, Wu Bangguo, laid the foundation for

Gwadar port. For Pakistan, the value of Gwadar's distance from India becomes evident if one considers how vulnerable Karachi port, which handled 90 per cent of Pakistan's sea-borne trade, is to Indian pressure. Gwadar is situated 725 kilometres to the west of Karachi, which makes it 725 kilometres further away from India than Karachi, and so provides Pakistan with crucial strategic depth vis-a-vis India along its coastline.

For China, Gwadar's strategic value stems from its proximity to the Strait of Hormuz. About 60 per cent of China's energy supplies come from the Middle East, and China has been anxious that the US, which has a very high presence in the region, could choke off these supplies to China in case of a conflict with Taiwan. According to its "string of pearls" strategy, China is building strategic relationships along the sea lanes from the Middle East to the South China Sea, in ways that suggest defensive and offensive positioning to protect China's energy interests. The port and naval base in Gwadar is part of the "string of pearls". The other "pearls" in the string include facilities in Bangladesh, Myanmar, Thailand, Cambodia and the South China Sea.

The network of rail and road links connecting Pakistan with Afghanistan and Central Asian republics that is envisaged as part of the Gwadar project and to which China will have access, would provide Beijing an opening into Central Asian markets and energy sources, in the process stimulating the economic development of China's backward Xinjiang region.

Map 5



## **The Baluch Uprising**

The extent to which Pakistan and China are able to reap economic and strategic gains from the Gwadar project would depend on the challenges to it from within their borders. The Gwadar project is bitterly opposed by Baluch nationalists who see it as yet another example of Pakistan's Punjabi dominated ruling elite siphoning away Baluchi wealth and resources without this backward region or its people gaining. Baluchis are desperate to be recognised as autonomous people, and to gain self-determination. Insurgency revived again in 2004<sup>8</sup>. The Pakistani army has led many incursions into the region, with the latest being the killing of Baluch leader, Nawab Bugti.

## **The Waziristan Problem**

A recent upsurge in violence in Pakistan's tribal regions or Federally Administered Tribal Areas of Pakistan's North-West Frontier Province is a cause for great concern for the US and her allies in the War on Terror. The tribal area of north Waziristan has seen an increase in clashes between Pakistani forces and pro al-Qaeda and Taliban forces. The government's writ has been forcefully replaced by that of the Taliban, which has enforced its rabidly conservative code as had been the vogue in Afghanistan when the Taliban ruled that country. This increasing influence of the Taliban could result in its revival and would worsen the situation in Afghanistan and J&K as well.

The Taliban is intact under the protection of the ISI, the latest being a peace deal between it and Musharraf. Taliban's organizational capabilities, the infrastructure has remained undecimated so that Pakistan could use them to protect its strategic interests. The Amir of the Taliban, Gulbuddin Hekmetyar and many of his senior colleagues and jihadi cadres have been given sanctuary in Pakistan's North West Frontier Province (NWFP) and Baluchistan. The Taliban is being funded by the Muttahida Majlis-e-Amal (MMA), the fundamental coalition of the NWFP and the ISI.

## **Impact on US Interests**

The Pentagon sees China's efforts to defend its interests along oil shipping sea lanes as "creating a climate of uncertainty" and threatening "the safety of all ships on the high seas". Think tanks in Pakistan are of the view that as China's power in the region will multiply with the completion of the Gwadar project, it would result in a deadly convergence of interests in a delicate geopolitical area. Therefore,

in order to keep Pakistan engaged and in constant fear, *there is a possibility that the US could attempt to disturb the peace in Baluchistan by putting a damper on growing Chinese presence there*<sup>9</sup>. With Waziristan already under the grip of the Taliban, the internal security situation in Pakistan will implode if a CIA and possible Indian-backed impetus is given to the Baluch uprising, whereby the Kashmir issue would then become a back burner issue. As to how Pakistan handles this, only time will tell.

## The Northern Areas

This mountain outback has been split into five districts, viz. Gilgit, Skardu, Diamir, Ghizer and Ghanche. A population of 1.5 million inhabits a vast area of 72,495 square kilometers. The Northern Areas have no status. They are neither a province of Pakistan nor a part of “Azad Kashmir”. They are ruled directly from Islamabad through a Northern Areas Council which is headed by Pakistan’s Minister for Kashmir Affairs. A chief executive, normally a retired Pakistani army officer, appointed by Islamabad, is the local administrative head. The reason why the Northern Areas have been kept by Pakistan is because of its unilateral ceding of 2,700 sq. miles to the Chinese through an agreement on 2 March 1963, in order to facilitate China to build the Karakorum Highway providing overland link between Beijing and Karachi.

Over the years, especially after the Simla Agreement in 1972, successive Pakistani Governments have sought to amalgamate these areas into Pakistan by declaring them “federally administered territories”. The Pakistani administration has also been involved in efforts to alter the demographic profile of the region, reducing the indigenous people to a minority. Unlike the rest of Pakistan, the Northern Areas have a Shia majority. The Pakistani establishment has long supported an anti-Shia programme in this region. Large numbers of Sunnis have been brought in from Punjab and the NWFP to settle down in Gilgit, radically altering the demographic profile of the area. Since 1988, the Northern Areas has witnessed sectarian violence that has claimed a number of lives. Kargil in 1999 added to the discontent in the region; 73 per cent of the Northern Light Infantry (NLI) of the Pakistan Army, which was primarily used for these incursions and suffered the maximum casualties, is drawn from the Shia sect hailing primarily from the Northern Areas. The situation in the Northern Areas is therefore very delicate, and being in a volatile state, is vulnerable for conversion to a separatist movement.

## CHAPTER III

# CONDUCT OF PROXY WAR BY PAKISTAN AND EXISTING GROUND REALITIES

Figure 4



### Proxy War

**Pakistan's Kashmir Policy.** Apart from the historical, geographical and ethnic causes, there were a few internal problems that helped Pakistan in preparation of the blueprint of proxy war. Political hegemony, mass poll rigging, gradual erosion of Article 370 and autonomy, squabbling between the National Conference and Congress (I) and imposition of President's rule twice, helped the Pakistani cause to a great extent. An effective propaganda system and the spread of disinformation by Pakistan, led to loss of faith on the political system by the Kashmiris. The withdrawal of the erstwhile USSR from Afghanistan in 1988, created huge surplus of military wherewithal for Pakistan to pursue the aim of seeking revenge for its defeat of 1971. It was also imperative that the 'jihadis' initially 'bred' for Afghanistan, be engaged in Kashmir lest they turn on Pakistan. All these conditions were catalytic in starting the proxy war by Pakistan.

### Ground Realities

**Political Situation.** The political situation in J&K has been stable ever since cease-fire was declared on 26 November 2003, with parliamentary, assembly, and municipal elections being held peacefully. Even in the trouble torn district of Kupwara, polling in the municipal elections was 87 per cent.

The APHC, which is a creation of the Pakistani ISI in 1993, does not represent the entire state of J&K. Even though Mr Manmohan Singh is talking with them, it is apparent that nothing fruitful will materialize as APHC members continue to remain, as before, under the threat of elimination by the ISI. The stance adopted by the APHC will therefore, always be in consonance with Pakistan's demands.

## Internal Security Situation in J&K

- (a) **LC Fence.** With the completion in construction of the 750 kilometre LC fence, that commenced in 2003 and was completed by 30 October 2004, there has been a profound effect on the levels of cross border infiltration into the state. The LC fence has helped reverse the earlier losses. In the face of unabated counter terrorism operations by India, and with a drop in sustenance from across the border, militant cadres have become easy prey. For instance, in 2004, while 516 militants are known to have infiltrated, 976 were eliminated. Similarly, in 2005, while 231 militants infiltrated, 917 were eliminated in the state.
- (b) **Coordination between Government Agencies and Local Populace.** Though the menace of Over Ground Workers (OGWs) still exists, ever since the cease-fire has come into effect, the local people have become more confident and are forthcoming as far as co-operation with government intelligence agencies and security forces are concerned.
- (c) **Role of the State Police.** A revamped and motivated police organisation now exists in the state. Being entrusted with new responsibilities that involve faith and trust, the force is now fully motivated and geared to take on their tasks effectively.

**Development Activities.** A number of development activities have been undertaken both, by the state government and the security forces in the form of Operation Sadhbhavana. The number of schools and colleges that have been opened in the last four years has been more than the total from 1947 to 2002. Similarly, economic projects such as the Baglihar Dam, the Rupees 1500 crore Asian Development Bank project over three years, completion of the Old Mughal Road by 2009, and four laning of the Jammu- Srinagar National Highway, to mention only a few, have all given a face-lift to the state.

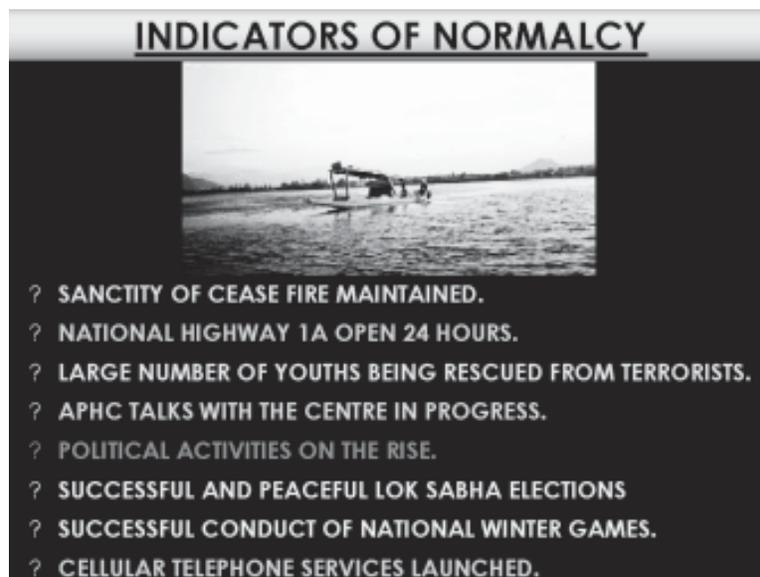
**Jammu-Srinagar Railway Link.** A new beginning in linking the state to the mainland is the planned Jammu-Srinagar railway link. While it took 25 years to link Pathankot to Jammu in 1972, and thereon to Udhampur only 56 kilometres away, another 21 years, the proposed link from Udhampur to Qazikund in the Valley, is expected to be complete by 2010. The line within the Valley is almost complete and this portion is expected to get operational by 2007. The railway link with the mainland is bound to have a profound effect on the psyche of the locals, removing the fear of being alienated from the rest of the country.

**Mainstreaming the Local Populace.** Militancy has in a way, been instrumental in assisting India in mainstreaming the local population of J&K with the mainland. Earlier Kashmiri traders were not known to leave the state for selling their wares.

However, militancy forced them to move out to other parts of India. Similarly, for education, due to the shutting down of schools and colleges, parents were forced to educate children in other cities of India.

As part of the Army's campaign to win the hearts and minds of locals, a number of educational and general awareness tours for school and college students have been conducted. The interest shown by the local youth during recruitment rallies is proof of the fact that militancy is on the decline.

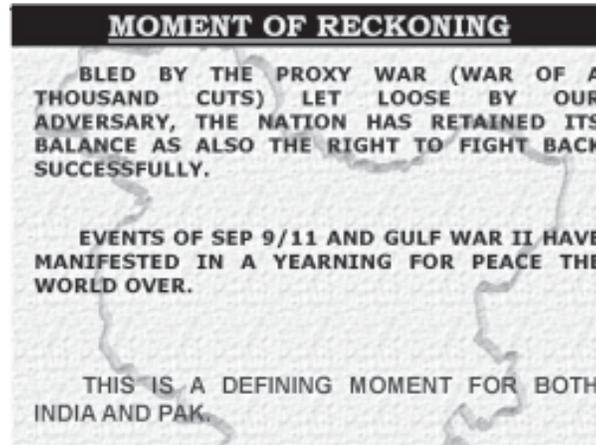
Figure 5



## *CHAPTER IV*

### PEACE INITIATIVES

Figure 6



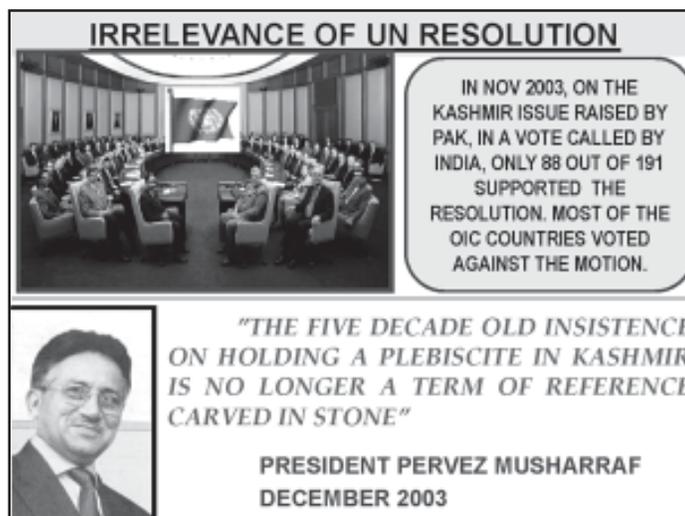
#### Peace Overtures

The manner in which peace overtures across the border have progressed, are as follows :

- (a) February 1999. Lahore-Delhi bus service takes Vajpayee across the border with the first comprehensive peace package.
- (b) July 1999. Kargil incursions by Pakistan lead to total breakdown in diplomatic ties.
- (c) May 2001. Vajpayee invites Musharraf for Agra Summit.
- (d) July 2001. Agra ends in disaster as Musharraf tries to make Kashmir the core issue.
- (e) May 2003. Vajpayee again extends hand of friendship to Pakistan. Peace process restarts.
- (f) November 2003. Musharraf says UN resolutions on Kashmir were redundant. Proposes unilateral ceasefire on 23 November. India accepts ceasefire the next day.
- (g) January 2004. Vajpayee goes to Islamabad. Composite dialogue restarted.

- (h) September 2004. Manmohan Singh and Musharraf sign joint statement in New York.
- (j) October 2004. Musharraf proposes dividing Kashmir along religious lines and distributing between India and Pakistan.
- (k) April 2005. Musharraf invites himself for cricket match to India, signs joint statement. Srinagar-Muzaraffarabad bus service inaugurated.
- (l) September 2005. Spurt in terror attacks in India makes New York meeting between Manmohan Singh and Musharraf a non starter.
- (m) January 2006. Musharraf asks India to demilitarise certain regions and asks for self-governance in J & K.
- (n) February 2006. First Round Table Conference called by PM Manmohan Singh, with the APHC is boycotted by the latter.
- (o) March 2006. Manmohan Singh proposes peace, security and friendship with Pakistan. Amritsar-Nankana bus service inaugurated.
- (p) May 2006. Second Round Table Conference between Delhi and the APHC is boycotted by the latter.
- (q) 11 July 2006. Serial bomb blasts in Mumbai. Foreign Secretary level talks take place on the sidelines of SAARC scheduled for end July 2006.

Figure 7



## Initiatives by Pakistan under Musharraf

**The Chenab Plan.** Musharraf has been keen on what he describes as the Chenab Plan, a partition of J&K along the flow of this river that matches its communal faultlines.<sup>10</sup> The entire Valley with its Muslim majority population, as well as the Muslim areas of Poonch, Doda and Rajouri in Jammu, would be brought within Pakistan's borders. India, with the inclusion of Ladakh which lies north of the Chenab River, would have to forgo all its claims to POK, and the Northern Areas of Gilgit and Baltistan. In turn, Pakistan would be called on to accept Indian sovereignty over the Hindu-majority Jammu region of the State.

**Comments.** The Chenab supplies 30 billion cubic metre or 17 per cent of the water flows in the Indus System in Pakistan. Compared to Punjab, Sindh receives water only from the enhanced Indus River, which is boosted up by the Chenab-Jhelum combine. Losing Chenab to India would thus mean drastic reduction in water supplies to Sindh, which is already on the brink of a water crisis. Therefore, if India loses the Kashmir Valley and in retaliation blocks the Chenab, it would dry up Sindh. This would then warrant a major rearrangement of the irrigation network in Punjab, *which clearly explains the reason for Pakistan's insistence on making Chenab the basis of the international border and including parts of Jammu and not merely the Kashmir Valley, under its jurisdiction.*

Furthermore, accepting the Chenab Formula implies that India would have to part with approximately 32,000 sq km of area, which includes the districts of Anantnag, Baramulla, Budgam, Doda, Kupwara, Pulwama, Poonch, Rajouri, Srinagar, and the Gool Gulabgarh and Reasi tehsils of Udhampur, that is giving away 57 per cent of the total land area of J&K, excluding Ladakh and the area under China and Pakistan. An interesting aspect of Pakistan's claim over these districts is that the catchment areas of all the rivers important to Pakistan—Indus, Jhelum and Chenab would come under Pakistan's jurisdiction.

**The Andorra Model.** Andorra is a co-principality of the Bishop of Urgel (Spain) and the French President. Under a 1993 agreement, Andorra has near autonomy with its own constitution and currency. France and Spain both share responsibility for its defence. This model suggests a semi-independent status for the Valley<sup>11</sup>. Applied to the Kashmir Valley, the defence and foreign affairs would be the joint responsibility of India and Pakistan. The Valley's borders would be soft enough to allow movements of both Indians and Pakistanis in and out of it.

There would be no change in the present LC, but the whole entity would become a demilitarised zone.

**Demilitarisation and Self-Governance.** Following the non-acceptance of partition of J&K on ethnic lines, Musharraf suggested demilitarization of selected areas in the Kashmir Valley as essential for furthering the peace process. His proposal was for India to withdraw troops from the sensitive towns of Srinagar, Baramulla and Kupwara, and that Pakistan would join India to ensure that no incidents of terrorism takes place<sup>12</sup>.

President Musharraf on 23 June 2006 again suggested that demilitarization is the only option to resolve the Kashmir problem. His suggestion was to demilitarize Kashmir, give self-governance to its people with a joint management arrangement on top<sup>13</sup>. Umar Farooq Mirwaiz, Chairman APHC has also supported this view, stating that self-governance and demilitarisation of Kashmir could be an interim arrangement under which the people of Kashmir could get a sense of ‘being masters of their own destiny’, as sticking to traditional positions was no solution and the idea of self-governance could provide the way out<sup>14</sup>.

**Comments.** Demilitarisation, then self-governance, followed by condominium or joint control, means handing over the Kashmir Valley on a platter to Pakistan. Pakistani trained militants are well-entrenched in these areas and the moment the Indian Army vacate these, they would be in full control. The Chief of Army Staff, General J.J.Singh, also disagreed with this proposal as the terrorist infrastructure across the border was still intact. The Indian Government also reacted promptly by categorically rejecting Musharraf’s suggestion, asserting that it was a “sovereign” decision to be taken by New Delhi based on the security situation and could not be “dictated by any foreign government”.<sup>15</sup>

### **India’s Response : The Neelam Plan**

The Neelam Plan suggests that India should stick to its present position of complete and equal integration of J&K into India and from that position could envisage shifting the LC to the west and north along the Neelam River, so that the Northern Areas become independent. The rest of POK could then join Pakistan. While the Chenab plan is based on the bigoted principles of division along ethnic lines, the Neelam Plan is focused on clamping down on terrorism and prevention of religious clashes in India.

The Neelam Valley is a 144 km long bow-shaped deeply forested region that

makes up much of what Pakistanis call Azad Kashmir. The Neelam River enters Pakistan from India in the Gurais sector of the LC, and then runs west till it meets the Jhelum north of Muzzafarabad.

According to the Neelam Plan, the Northern Areas of Gilgit and Baltistan, will become a free country. This would bring about a demilitarisation of the Deosai Plain and thus effect a natural stabilisation in places like Siachen, Kargil and Drass. The plan would also be appealing to the US, as being a strategic location, it will get direct access to the Deosai Plain, for actions against China. The independence of Gilgit and Baltistan to the north will bring about a closure of terrorist training and coordination camps in Gilgit, Astore, Skardu and the Deosai Plains area<sup>16</sup>.

### **Latest Initiative by India**

In an attempt to broaden the Kashmir dialogue process, Prime Minister Manmohan Singh, invited all separatist and non-separatist groups for a round table conference on 25 February 2006 in New Delhi, to find a solution to the Kashmir issue. India had made it clear that the APHC was not the sole representative of the Kashmiri people and therefore, it had initiated a broad dialogue in order to reach the hearts and minds of the people of the state by including groups outside the electoral process as well. Though the round table conference was a success, a number of leaders did not participate. The Second Round Table conference was held in Srinagar on 24 and 25 May 2006. This too was boycotted by the APHC due to a threat from the Hizbul Mujaheddin<sup>17</sup>.

### **Resolution of the Siachen Dispute**

India wants an iron-clad process since its soldiers dominate most of the heights, that can ultimately pave the way for demilitarization. The Indian Army has confirmed that first disengagement of forces from present locations would take place, to be followed by demilitarization. This too would be only after joint authentication of the AGPL which would then be made public both nationally and internationally. The Army is justifiably concerned that Pakistani troops might move into the positions vacated if some sort of joint authentication does not take place before disengagement. It would then be extremely difficult to dislodge them from these positions. Talks are now centred on the specific grid references to be followed.<sup>18</sup>

## Is Plebiscite in J&K an Option?

During the last fifty-seven years a lot of demographic changes have taken place, the most notable one being the expulsion of non-Muslim communities from POK by Pakistan. Pakistan has changed the demography of its occupied area in Kashmir by resettling large number of Punjabi ex- servicemen and Afghans from the North-West Frontier Province. In the Northern Areas too, there were negligible Muslims in 1947, presently there are no non-Muslims left. The original people of Kashmir have long since left, *thus making it impossible to determine who is now eligible to vote for the plebiscite as an original Kashmiri inhabitant.* This did not happen only in POK. In 1992, all Hindus from Indian Kashmir were also forcibly expelled by militants who had infiltrated from Pakistan. There have also been large-scale infiltrations of Muslims into the traditional Buddhist area Ladakh and the Hindu areas of Jammu<sup>19</sup>.

Notwithstanding the above, if the option of plebiscite was to be exercised and the undivided state including POK and the Northern Areas, were to have a referendum under truly neutral supervision, and the people were given three options - join India, join Pakistan or be independent — the results could be shocking to votaries of secession. The majority could very well go with India, because the separatists would split the vote between pro-Pakistan and pro-independence groups.

On the other hand, if the people of the state are given only two choices - join India or join Pakistan - the majority vote could still go in India's favour. Going by simple arithmetic, of the 12.8 million people in the undivided state, J&K's population is 8.5 million, POK's is 2.8 million and Northern Areas is 1.5 million. If the 1.9 million Sunni Muslims of the Kashmir Valley, and all of POK and Northern Areas vote for Pakistan, it still gives India a vote of 6.6 million and leaves Pakistan with 6.2 million. Even if provisions were made in this for erosion of support for India as a result of the current turmoil, and some sprinkling of support for Pakistan from other Muslim groups in the state, the results of the referendum would be too close to call.

## Views of China

In the last two decades, there has been a change in the Chinese Kashmir policy. This has much to do with its own internal compulsions. By the early 1980s, the new thinking in China developed an anathema for the word 'self-determination', lest it be applied by the West to the case of Tibet.

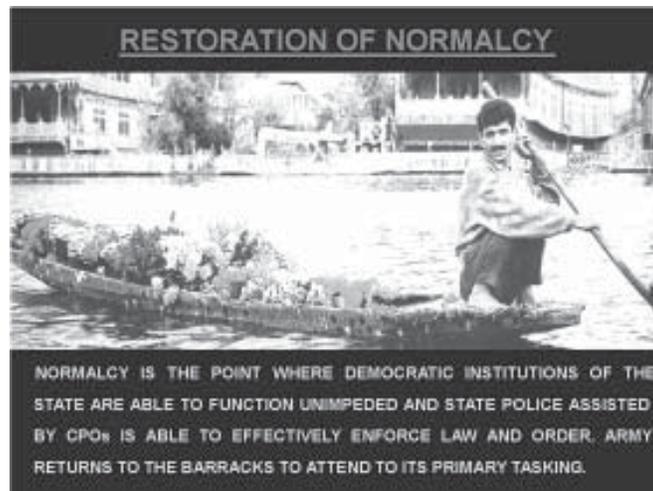
Moreover, by the late 1980s, China's own territorial disputes with the South-East Asian countries over the Spratly Group of Islands led to military clashes. Having shown its preference for bilateral talks to resolve the dispute, China could not deny the same principle in the case of Kashmir. Therefore, as relations between India and China improved by the end of the 1980s, China advocated bilateral talks between India and Pakistan on Kashmir.

Besides the above, the very foundation of Pakistan is based on Islam and therefore is a source of religious terrorism. The rise of secessionist tendencies in its Muslim province of Xinjiang also made China aware of the dangers of 'self-determination'. There are reports of Uighur Muslim terrorists getting trained in Pakistani camps. In fact, China has already protested to Pakistan on this issue. Besides, after the break-up of the Soviet Union, Muslim fundamentalism is on the increase in Central Asia. Any support to Pakistan on Kashmir, therefore, will only lead to more problems in the adjoining more vulnerable Chinese province of Xinjiang<sup>20</sup>.

## *CHAPTER V*

### THE RECOMMENDED STRATEGY

Figure 8



### General

The analogy that fits Kashmir best is that it is a problem like diabetes, which you can keep under control by taking shots of insulin but for which there is no

permanent cure. *The moral of the story is that both India and Pakistan must learn to live with the problem of Kashmir until such time that some cure is invented or discovered.* This line of thinking is probably closest to what India has in mind and perhaps the only way to make a paradigm shift in bilateral relations. A similar thought has been echoed by President Musharraf recently when he stated that UN resolutions on Kashmir were redundant and independence was not possible. With this as the backdrop, the ingredients of a possible strategy to resolve the J&K dispute, are given in the succeeding paragraphs.

### Long Term Proactive Strategy

It is clear that a long-term strategy is required to resolve the J&K dispute. This has to be comprehensively addressed on all fronts, political, economic, social and military, and needs to be evolved from India's national aims and objectives to protect core values. There have been some major achievements of the dialogue process such as continuation of the cease-fire and movement across the LC. People to people contact on both sides of the LC, other than with the establishment, has been restored. The strategy hereafter, must be realistic and cannot be evolved in an ad-hoc manner.<sup>74</sup> Furthermore, a deliberate attempt has to be made by India to de-hyphenate itself from Pakistan. India must get on with its development plan on all fronts to include defence, with the aim of delinking from Pakistan, leaving it far behind. India must endeavour to project itself as the leading power in the region, not to get intimidated by smaller countries like Pakistan. In doing this, a clear message should be conveyed to Pakistan to stop meddling in Indian affairs.

The recent spurt in terrorist acts is a calculated attempt to create terror by striking targets across the country. In reciprocation, if India were to reverse the peace process, it would be like rising to the bait and gifting a cause to the "jihadis"<sup>21</sup>. There would be international pressure on India to pull back from the brink, allowing Pakistan to extract its pound of flesh. *The India-Pakistan hyphen would get restored again.* India must therefore learn to get its act together as the "jihadis" fear development, normalcy and even talk of greater autonomy in J&K, and will use every trick in the book to subvert the peace process. This should not throw India off stride as striking at soft targets is not difficult and is imminent in the future as well. It should therefore not evoke knee-jerk protests that detract attention from the main task.

Revival of insurgency in Baluchistan, serves the interest of both, India and the US. *One such strategy could be covert support to the Baluchis to give further*

*impetus to their cause.* Global developments in the foreseeable future are likely to leave Pakistan behind and development is an essential answer to terrorism. India should enhance its economic and military capabilities so as to widen the gap with Pakistan sufficiently, which would then act as an economic and military deterrence. *The idea is to defeat Pakistan in every manner so that it is forced to come to the negotiating table on India's terms.*

## Domestic Strategy

India's policy of meeting its internal security requirements has not succeeded so far. It needs to move from a policy of appeasement and accommodation to firm action. For doing this, it must adopt proactive policies to confront terrorists militarily, and at the roots of terrorist ideology – fundamentalists, social evils and sources of terrorism e.g. narcotics / drug trade. India must ensure a crackdown on radical outfits, revive POTA forthwith, and identify and punish all those whom the ISI has been able to plant in its strategically important organizations. It must also modernise and enlarge its intelligence network, the state police and para military forces in training, equipment and ethos.

The need for support of the citizenry, intelligentsia and the people as a whole, in combating the menace of terrorism in all its forms, must be conveyed to the general public through awareness campaigns. *The "Bhagidari" campaign that means equal partnership, in which both, the government and the people meet halfway to solve problems, needs to be emphasised upon.* As citizens, the people have to understand that they have to reciprocate in the correct manner to the State. The people of India have shown tremendous unity in times of crises. Unfortunately, however, it is only after an incident happens. This quality needs to be channelised and made use of in the correct manner.

India's dealing tactic with the APHC also needs a review. Though claiming to represent the people of Kashmir, the APHC is basically an organization meant to appease Pakistan. An endeavour must therefore be made to win over members of both factions of the APHC by whatever means possible, so as to get rid of this menace and hurdle permanently.

## Track II and Track III Diplomacy

For Track I dialogue to succeed, India and Pakistan must pursue relentlessly the Track II and Track III forms as well. Both forms of dialogue are being currently implemented, but need to be given more emphasis to. A liberal visa regime

permitting exchange of student delegations, social workers, intellectuals, cross border train and bus services, and availability of medical services in India to Pakistanis, should be encouraged. *India must exercise the option of moving “into the Pakistani society”, thus leaving little space for manoeuvre for the military establishment.*

### **Attitudinal Change**

**Pakistan.** For Pakistan, learning to live with the Kashmir problem does not mean giving up the search for a solution. *What it means is changing its attitude and ending the mindless hostility of the past, entering into a more co-operative and beneficial relationship with India.* This means opening up in the matter of trade, travel, tourism, transit, investment, infrastructure development and energy-related cooperation with India.

**India.** India has a critical role in Pakistan’s continued shift away from proxy war. *It should not only maintain its position that it will no longer tolerate a proxy war strategy, but it also should provide Pakistan with incentives to pursue a peaceful option.* India’s willingness to discuss the issue and the initiation of a process that facilitates confidence building should provide Pakistan’s leaders with the necessary political capital to maintain this shift away from proxy war and to continue the peace process.

### **Resolution of the Siachen Dispute**

Resolution of the Siachen dispute would act as a catalyst to resolving the major issue of J&K. If successful, demilitarization of the Siachen region would be deemed to be the best possible CBM implemented by India so far. *The Siachen issue feeds into the peace process, and any settlement would help to move the J&K talks forward.* However, there are good military reasons why the Army insists that before any relocation takes place, the present deployment of troops of India and Pakistan, in other words the AGPL, is demarcated both on ground and maps. Unless the two sides agree where the line lies, only then is any redeployment possible.

### **Resolution of the Indus Waters Problem**

A recommended strategy for resolving this tangle could be an integrated development plan for the conservation of the Indus Basin. The plan, to be jointly developed by India and Pakistan, would involve a creative solution to the political dimension of the conflict in J&K. Water needs to be managed as an economic

good and thus it is essential to jointly set up an organisation with representatives from both countries<sup>22</sup>. Considering the severity of its internal water situation with regard to its Punjab and Sindh, Pakistan can do without the Kashmir Valley, but cannot let go of the Chenab river over which India has total control. *India being the upper riparian State, will always be on the winning side in the water-war.*

### **Expansion in India-US Relations**

With the India-US nuclear deal almost through, a radical shift has obviously occurred in American perceptions, since no pre-conditions are being insisted upon. This deal has therefore marked a new phase in India-US ties. The requirement now is for India to break away from being cast in the same mould as Pakistan. Once India-US relations expand, India would be well on the road to becoming a major power in Asia, way ahead of Pakistan. India must therefore take advantage of this relationship and skillfully institute a combination of a political, diplomatic and economic strategy to apply pressure on Pakistan to resolve the Kashmir issue. *At the same time, adequate care must be taken to ensure that improvement in India-US relations does not accentuate the India-Pakistan problem.* There is a possibility that Pakistan, could in a bid to highlight its existence in the region, give sudden impetus to the J&K problem.

### **Development of India-China Relations**

China is fully aware of the growing potential of India and it is for this reason that it has stated that if the two countries were together the 21st century would belong to Asia. It is also seeing India being tied up with the US in a long lasting relation that could jeopardise its monopoly and lead to its containment in Asia. As US is China's biggest trading partner and India too is developing as a potential market, it is unlikely that China would attempt to harm this developing relationship with India. Full advantage of this must be taken by India to exert pressure on Pakistan by China as well.

### **Return of Democracy in Pakistan**

It is a fact universally acknowledged that a democratic polity is best equipped to enable the people to fulfill their aspirations and govern their own destiny in an atmosphere of freedom. Participatory government, where the people choose their own representatives and leaders, is the most effective instrument for the social, economic, political and cultural development of a nation, providing also for the

preservation and strengthening of the identity of the various ethnic, religious and racial communities that constitute today's nation states.

While sympathy and support for the Kashmiri people is fairly widespread in Pakistan, the politically dominant military and the religious parties are the strongest proponents of claims to the state. If a society is not free, there could be developments that would destabilize the region. The Pakistani military continues to dictate the Kashmir policy, conversely, a democratic transition in Pakistan would likely improve the prospects of a substantive and sustainable dialogue between Pakistan and India on all contentious issues, including Kashmir. *People are the best arbiters of interstate disputes, and for their will to prevail, democracy and respect for human rights are the best recipes.*

### **Economic and Social Repair of Kashmir**

Kashmir has been changed forever by more than a decade of conflict. The endeavour should be to spread the fruits of development in the state, and promote moderate and secular polity by media, intelligentsia and religious institutions, and address the outdated education system of Madrassas by quality modernisation. Efforts must be made to upgrade communication systems so that television and telecommunication spreads to remote and border areas, which are currently under constant reach of Pakistani propaganda. There should be realistic psychological and information warfare so that the will of the anti-national elements is suffocated and the hearts of the populace are won.

### **Revival of SAARC**

A solution can also emerge in due course of time against the backdrop of political and economic trends in the world. With the birth of the European Union (EU), national boundaries in Europe have lost their importance and wars appear to have become an anachronism there. In the era of globalisation, multinationals have mushroomed that are not inhibited by national frontiers. Economics is competing for space and politics. In the modern cyber age, national borders have lost their significance. Given this scenario, SAARC can become a more vibrant version of the EU.

The conflict of today can be swamped by a tide of goodwill and harmony tomorrow. To realize this dream would imply a conscious effort on the part of the members of SAARC, and India in particular, to strengthen the organization through cohesion within the region, making it one solid entity. Economic synergy

leads more often than not to the solution of disputes, including political differences. Through unity would come peace and prosperity that would in all probability also solve the Kashmir issue.

## Developing a Credible Military Deterrent

The use of military power for coercive diplomacy has increased tremendously these days. This significance of the armed forces, makes it imperative to resort to enhanced use of military as a sharpened instrument for political purposes without an armed contest. India should always adopt a strategy of 'dissuasive deterrence' vis-a-vis Pakistan, thereby making no cuts in the existing favourable force level and pro-active military stance. To ensure this effectively, India must maintain highly capable conventional armed forces, constantly increasing its strategic space the world over, which demands a mix of deterrences, both nuclear and conventional.

In resolving the J&K issue, the option of a limited military venture confined to only the LC portion of the state, should not be lost sight of. A reactive response is not the answer. A reorientation of armed response is required so as to launch proactive and specific surgical military operations. An important element of a proactive effort is to increase the costs of proxy war to Pakistan, by undertaking 'Hot Pursuit Strikes' across the LC and into POK. India must also learn to call Pakistan's bluff in so far as the nuclear bogey is concerned, conveying appropriately that Pakistan faces possible annihilation if they ever make this mistake. *In Pakistan's turbulent politics, this would become particularly relevant if Musharraf gets assassinated or overthrown.*

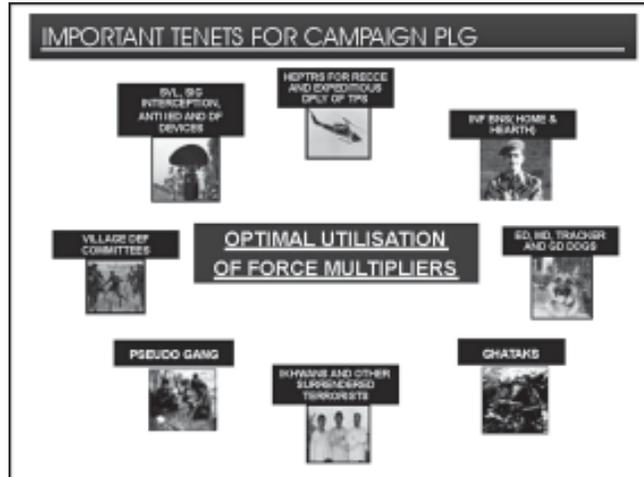
## Strategy to Tackle the Proxy War

India needs to clearly spell out its counter terrorism strategy / doctrine. This should tackle the causes and not just the symptoms. The aim of military operations should be to create a secure and suitable environment, so that social, economic and political issues can be addressed effectively. The evolution of a superior intelligence system is imperative. This should encompass human, technical, electronic intelligence, as also modernisation of data processing and dissemination, both external and internal.

**Perception Management and Public Information.** A well-planned psychological campaign to win the hearts and minds of the civil populace, must be launched by security forces. Public information techniques must be spruced up to counter false propaganda generated by agencies close to the militants.

Operation Sadhbhavana should be pursued relentlessly for developing infrastructure and spreading awareness. Youth in the impressionable age group of 12 to 18 years must be the target of all psychological campaigns.

Figure 9



## Media Strategy

The media that has a great reach today, should be used as a ‘Force Multiplier’ to shape public opinion and to counter false propoganda. The media must be taken along as a ‘weapon’ of the state and not of the terrorists. It should be the “positive content provider” of the achievements of the security forces and government apparatus in the state. Rather than highlighting human right aberrations by the security forces, the media must project the true colour of militancy.

## Options Available for Resolving the Issue

**Option 1.** Give impetus to the nationalist movement in Baluchistan and support the Shias in the Northern Areas. Abrogate the IWT of 1960. Apply the “water-war card” and threaten drying up Sindh. Exercise the military option and resolve the dispute militarily. Gains achieved due to India’s conventional superiority can be used as a bargaining tool to settle the J&K issue permanently. Attempt must be made to change the alignment of the LC, in keeping with the Neelam Plan.

The implications of this option are the following :

- (a) The peace process would get derailed.
- (b) China would get sucked into the J&K issue.

- (c) US influence may not be readily available due to Pakistan's involvement in the war against terror.
- (d) India would get branded as the perpetrator of instability in the region. This would invite severe international criticism. India's stand for a permanent seat in the UN Security Council would get that much weaker.
- (e) High probability of the water-war leading to a nuclear confrontation between India and Pakistan exists.
- (f) It could lead to a situation where third party mediation may become necessary. This would be disadvantageous to India.

**Option 2.** Adopt a neutral model of self governance that would be acceptable to all three parties - India, Pakistan and the people of both Kashmirs. This may seem utopian, but is not impossible, and could be modeled on the following lines :

- (a) Demilitarise on an incremental basis from both sides of the LC.
- (b) The LC would continue to exist but could then be termed instead as the Line of Cooperation.
- (c) Both, India and Pakistan, would continue to control their parts of J&K, but only so far as defence, foreign policy and communications are concerned. Communication is being included so that both Kashmirs do not feel landlocked.
- (d) The LC would be made 'soft' to enable citizens of the two sides to travel freely without any passports or travel documents.

**The Pros :**

- (a) Granted autonomy, the aspirations of the people of Kashmir would get taken care of.
- (b) If successful, it would lead to stabilizing of the situation in the subcontinent.
- (c) India would emerge as the benefactor, making its candidature for a permanent seat in the UN Security Council stronger.
- (d) A settlement of the J&K imbroglio would remove the threat of nuclear war from the subcontinent.

### The Cons :

- (a) Considering that J&K was acceded to India, acceptance of the proposal would imply loss of real estate. For Pakistan, it would be a tremendous gain.
- (b) India has been consistently maintaining its secular identity so far. This has been possible to a great extent, by her borders being secure. There is a possibility that with a “soft” LC and the Kashmir Valley being Sunni dominant, sectarian violence could spill over from neighbouring POK. As a sizeable portion of the 140 million Muslims in India are Shias, there is no stopping this evil from engulfing the whole country in the years ahead.
- (c) There is no guarantee that Musharraf would be able to rein in the militants, especially cadres of the Taliban and al Qaeda.
- (d) If the Taliban gets revived and stabilised in north Waziristan and southern Afghanistan, it could turn its focus onto J&K, which with a soft LC could once again come into the grip of a secessionist movement.
- (e) The proposal would have to be implemented over a period of time. Given the kind of suspicion that governs India-Pakistan relations, there is no surety of the plan being completed successfully.
- (f) Musharraf has survived two assassination attempts already. His presence to see the plan fructify is therefore questionable. Similarly, in India the political environment being extremely dynamic, a possible change in government could derail the entire process.
- (g) Even if democracy returns in Pakistan, the military would always have a role in all policy decisions. The Pakistani military establishment has never wanted anything short of liberation of Kashmir. Fissures within the Pakistani military and the ISI, could put an end to this proposal.
- (h) Implementation of the proposal in one state of India, would trigger off similar claims from states in the grip of secessionist movements. In present day coalition politics, this could become a major constraint.
- (j) Positions held by Indian troops in the Siachen Glacier region, act as a wedge between Pakistan and the area illegally acceded to China. It is therefore unlikely that Pakistan would agree to authentication of these actual held positions on ground and map. Demilitarization by India would thus not be possible.

**Option 3.** Follow the present line and maintain status quo. Contain Pakistan and through a “wait and watch” strategy, see how its internal security situation

develops. Stoke the problem in Baluchistan and the Northern Areas. Continue covert support to the Karzai regime. Apply the Indus water strategy discreetly. Continue dialogue and CBMs with Pakistan, giving a clear message at the same time, that terrorist infrastructure must be dismantled as a prerequisite. Encourage maximum people to people contact across the LC through Tracks II and III diplomacies. Support the move for restoration of democracy in Pakistan. Attempt reining in of the APHC, alternately, sideline it. Give top priority to mainstreaming the local populace. Pursue relentlessly, a synergised counter insurgency plan in J&K in order to contain militancy.

**The implications of this option are the following :**

- (a) Sends a strong message to Pakistan, not to meddle in Indian affairs.
- (b) The above message is conveyed from a position of dominance, as is warranted of a regional power.
- (c) The India-Pakistan hyphen does not get restored.
- (d) The problem of J&K can be tackled on terms favourable to India and would not result in a compromise on territorial integrity.
- (e) Military eliticism and invincibility of the Pakistan Army would get threatened. The Will of the people will begin to prevail paving the way for a return to democracy.
- (f) Chances of reining in the APHC, are better.
- (g) The problem of the Northern Areas would get adequately highlighted in international forums. This would become an issue for India to counter Pakistani claims to J&K, if any, in the future.
- (h) The option increases the chances of Pakistan imploding as a consequence of mis-management of its internal security situation. Though it could lead to instability in the region, the issue of J&K would be on the back-burner.
- (j) It would give time for the economic drive, mainstreaming and face-lifting efforts undertaken by the J&K government, to fructify.
- (k) It enables consideration of the global scenario post-US elections of 2008, for strategizing a solution to the J&K problem.
- (l) Finally, it would be a lesson for other states in India facing secessionist movements, not to take the government lightly on these issues.

**Recommended Option.** Option 1 is not recommended due to the instability

it would cause in the region. The US war on terror, would also not permit this. In cases of extreme provocation, however, it would be necessary to resort to a certain amount of “arm twisting” of Pakistan, for which this option should not be ruled out. Option 2, though ideally suited to solve the problem permanently, is plagued with a number of ‘ifs’ and ‘buts’. It also implies loss of real estate by India and giving away the Kashmir Valley on a platter, as it being Muslim (Sunni) dominated, would automatically identify itself more with Pakistan and tilt towards it in the years to come.

Furthermore, with the situation in Waziristan and Afghanistan concerning the Taliban, being very unstable, the time for Option 2 is not correct. This option would in any case, take at least five years if not more, to stabilize, by when the geopolitical situation in Asia could change as has been discussed already. It would therefore be worth the while to “wait and watch” and hence the strategy proposed in Option 3, is recommended.

### Conclusion

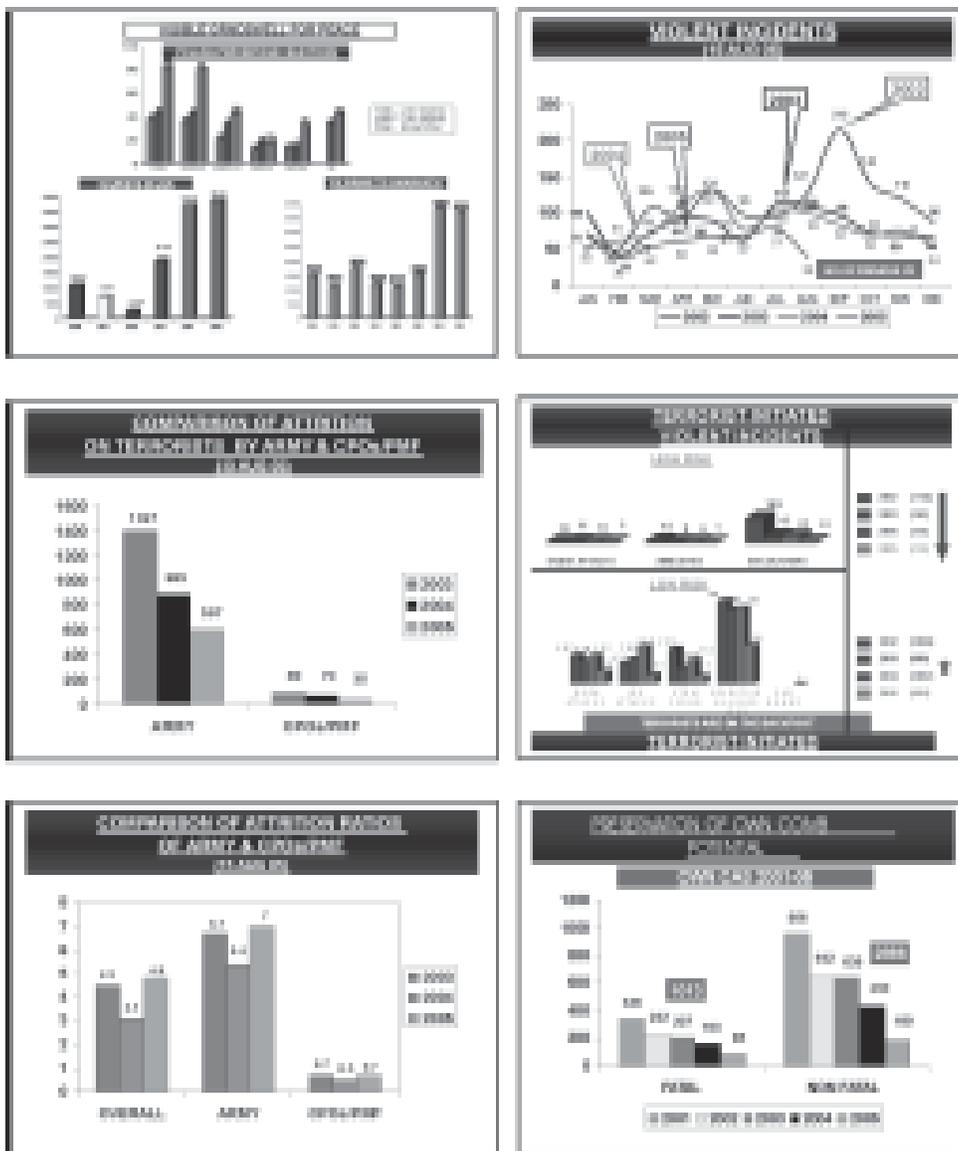
At present, there is a lack of a consistent and comprehensive policy at the national level. The core of the issue is that India needs to respond efficiently and rationally to the emerging challenges. It is difficult to see any light at the end of the tunnel as there are no easy answers to this intractable problem. A sustained political campaign must be immediately launched to win the ‘hearts and minds’ of the Kashmiri people, assuage their feelings of hurt and neglect and restore their bruised and battered dignity. *The Sufi tradition of tolerance and liberalism, for which Kashmir is well known, should be encouraged to bloom unhindered by the diktats of radical Islam.* The people of J&K need to be convinced that their future lies with India. Above all, public opinion must be mobilised to express the nation’s solidarity with the Kashmiri people in their long drawn out and courageous struggle against Pakistan-sponsored proxy war.

Figure 10



## SITUATION IN J&K

Table 1



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# CHINA'S SECURITY CONCERNS IN THE 21st CENTURY

By

Brigadier Abhijit Guha

## *Synopsis*

*China's spectacular economic progress and modernization has steadily improved its Comprehensive National Power (CNP). The general consensus is that given China's size and regional status it will attain regional dominance in East Asia and become a power in a future multipolar world. While its external challenges have been reduced, some contentious issues still remain. However, it is internal threats that comprise the bulk of its challenges. Food, water, economy, energy, demography and environmental challenges are some issues that need to be addressed if China is to attain great power status.*

*The greatest external threat to China is from the U.S. which seeks to achieve permanent security dominance. It remains the only power capable of single-handedly disrupting the progress of China towards pre-eminence. The current engagement of U.S. with India and its security partners Japan and Korea seem aimed at reducing Chinese power in Asia. China is presently unable to respond as its economic rise is directly related to actions of the U.S. The NMD Programme has the potential to degrade China's second strike capability. A dispute with Russia over dominance in the Central Asian Region is a possibility in the mid-term.*

*Economic progress in China has come at a price. The economic fissure between China's East and its interior has left the country divided and open to widespread migration towards the cities and towns. Restructuring of state banks and unprofitable SOEs are at the heart of economic reforms. China has slowed down on restructuring as it led to large-scale unemployment and internal dissent. Entry of China into the WTO will have its own impact on the economy.*

*The present water situation in China is critical. The northern region is drying up making the South-North transfer of water a political and economic necessity; an alarming fall in water tables, excessive salinization and water pollution are issues of*  
*Asian Security Scenario*

*national concern. China also needs to work out water sharing agreements with its neighbours, as its present actions may be deemed hostile by lower riparian states.*

*Development in China has come at a great cost. Deforestation and overgrazing has contributed to the rapid desertification of China's north and west, led to water scarcity along with severe pollution of the air, land and water. This adverse impact on the economy and agriculture have led to extensive migration, widespread health problems and social unrest.*

*Energy security is at the centre of China's foreign policy, but China's progress at tackling energy problems is slow. Energy production is heavily dependent on domestic coal which exacerbates its environmental problems. Its present energy diversification drive will only marginally improve the situation. China is over dependent on Middle East oil and has a limited ability to process sour crude. Notwithstanding its "strings of pearls" strategy, its SLOC from Middle East to China remains vulnerable to U.S. action.*

*Diminishing water and land resources with environmental degradation have made China a net importer of grain. WTO accession has made growing of grain non-remunerative and subsidies have become essential; hence China has no option but to continue importing grain. As all major grain exporters belong to western alliances, food security remains a major problem for China's future.*

*China's one child policy has created a society with fewer workers than necessary to cater for a rapidly ageing population. The rise in AIDS has added to the imbalance. Social preference for male children has led to an adverse sex ratio which can have a destabilizing effect.*

*Internal threats such as food, water, economy, demographics and environment have been elucidated and all have the potential of fostering internal unrest. Adequate funds and diplomacy can provide a solution to most issues, however, water, adverse demographics and environment issues defy a solution. Many analysts have identified environment as the most significant threat which can cause a reduction in economic potential.*

*Much of China's external and internal power is derived from its rapidly expanding economy. China will have to address its threats otherwise there can be a deceleration in the economy. Should China's economy begin to sputter, its power could rapidly decline.*

## INTRODUCTION

### LET CHINA SLEEP, FOR WHEN IT AWAKES, IT SHALL SHAKE THE WORLD.

*-Napoleon*

China's spectacular economic progress and modernisation has steadily improved its Comprehensive National Power. Its size and regional status ensure that it has no overt external threat. The general consensus is that it would emerge as a power in a future multipolar world. However, China suffers from a number of potential threats, some of which are historical, while others have their origin in its present spectacular rise. Geopolitical and economic factors could lead to their manifestation, which if unaddressed, could curtail its overall power and status.

#### **Historical Perspective**

To understand the rationale of China's compulsions it would be necessary to delve into its historical background. These have moulded Chinese societal behaviour and strategic thought and are reflected in its conduct, both internally and in the international world order.

#### **Heartland**

The Chinese heartland is the territory between the Yellow River and the Yangtse Kiang with a 90 per cent Han population<sup>1</sup>. The contours of present day China emerged by 1279 AD, less four peripheral states, Manchuria, Inner Mongolia, Xinjiang and Tibet, which were annexed in the 18th and 19th centuries.

#### **Confucian Ideology**

Confucian thought gained universal acceptance by the end of the Tang dynasty<sup>2</sup>. At its core was maintenance of harmonious social order, which was ensured through acceptance of a hierarchical structure. It legitimised autocratic rule by an ethical leader, aided by a structured bureaucracy (mandarins)<sup>3</sup>. Even though Confucian beliefs have been replaced by communist ideology, the requirement of a strong ruler and state, remains embedded in Chinese thought. Therefore the primacy of state over individual has always been accepted by Chinese society and shall influence any future democratic process.

#### **Strategy of Peripheral Control**

The concept of peripheral control was articulated during the Qing dynasty<sup>4</sup>.

Tibet, Xinjiang, Mongolia and Manchuria were identified as essential for defence of the heartland and incorporated into China whenever militarily possible. Even during periods of decline, China endeavoured to bind these nations to itself by use of pragmatic non-coercive statecraft. The Chinese also sought to reduce the military influence of its north-western periphery by construction of the Great Wall.

## **Middle Kingdom Syndrome**

China's centrality in Eurasia, its high level of economic independence and its cultural influence over its neighbourhood have inculcated self-belief in Chinese pre-eminence, giving rise to the Middle Kingdom syndrome<sup>5</sup>. This belief has been reinforced by Confucian thought, which asserts the superiority of Chinese values.

## **Internal Stability**

Historically, Chinese security perceptions have been inward looking, as external threats have invariably manifested as a consequence of internal instability. Social stability has therefore emerged as the essential determinant of security<sup>6</sup>. A pathological distrust of secret organisations as potential nuclei for social unrest is also strongly imprinted in Chinese psyche. Actions at Tiananmen and against the Falun Gong are all manifestations of Chinese desire to ensure social order.

## **Strong Nationalism**

Defeats and unequal treaties with Imperialist Powers in the 19th century have had a lasting impact on Chinese psyche. It has also created a desire for international respect as an independent great power that is able to redress past wrongs. With Communist thought waning, this nationalistic agenda is crucial to the sustenance of the current political system.

## **Hypothesis**

There is no doubt that China possesses essential attributes of a great power and its policies have assiduously moved the country in this direction. of non-coercive statecraft. The Chinese also sought to reduce the military influence of its north-western periphery by construction of the Great Wall. However, potential threats that are manifesting themselves will slow her current progress and may even restrict her rise.

## **Threats**

Over the past two decades, China has increased its Comprehensive National Power (CNP). While this has considerably reduced its external challenges, some

contentious issues still remain. However, it is internal threats that comprise the bulk of its challenges. Food, water, economy, energy, demography and environmental challenges are some issues that need to be addressed if China is to attain great power status.

### **China's External Threats**

**'China and USA are playing a game of Russian roulette, where both players know that at some point one or the other side will pull a trigger, that could undermine the health of both.'**

*Steven Clemens, American political analyst*

China's rise has evoked concern amongst major powers and countries on its periphery. The path it adopts to achieve eventual global power status, is the subject of intense debate in world fora. While China has no direct external threats, it is not immune to a number of foreign policy challenges that need to be addressed in the short and mid-term.

### **China's Security Environment**

China's periphery incorporates two major military powers; Russia and India, two economic giants; Japan and South Korea and a host of emerging markets that are the focus of intense global competition. It is hemmed in by U.S. military alliances along its entire Eastern periphery. Peripheral flash-points exist in the Korean Peninsula, Kashmir and Afghanistan. The existence of four nuclear states, Russia, India, Pakistan and North Korea and the U.S. Nuclear Umbrella to Japan, South Korea and Taiwan are a cause for added concern. It also faces pro-independence movements in Tibet and Xinjiang where external powers could foment internal dissent.

### **U.S.-China Relations**

The U.S. presents the most significant challenge to China. U.S. officials have identified China as an emerging threat to American national security interests and are seemingly taking actions to stymie China's progress to great power status<sup>7</sup>. Its present policies are therefore at variance with those of China. U.S. power also stands in the way of reunification with Taiwan and resolution of its maritime disputes in the South China Sea. Its Naval forces compromise the security of China's sea-lanes of communications, both in the Pacific and Indian Oceans and could jeopardise China's energy security in the event of a conflict. China's present security challenge is to use all instruments of diplomacy to gradually ease U.S. influence in the region. The establishment of the Shanghai Cooperation

Organisation, (SCO) and Association of South East Asian Nations (ASEAN) plus 3 are steps in that direction.

## **Russia – China Relations**

Convergence of national interests has bound China and Russia in a marriage of strategic convenience. However, this strategic bonding may not persevere beyond a desire to reduce U.S. power in Asia, as both seek domination in Central Asia. Chinese demographic invasion into Siberia, and water disputes regarding Siberian Rivers are sources of potential conflict. How Russia reacts to a secondary role in Central Asia in the near future is also unclear, especially given its traditional superiority over China.<sup>8</sup> China thus has a major foreign policy challenge in retaining Russia as a strategic partner to counter U.S. influence in Asia.

## **South Asia**

This region is China's soft underbelly, as two of its troubled provinces, Xinjiang and Tibet lie in its proximity. It also contains two nuclear powers, one of which is perceived as inimical to Chinese interests. It provides the shortest sea route to China's landlocked western provinces and lies astride the vital sea lanes from oil rich West Asia to China's seaports. Peace in this region is therefore vital to China's interests.

Indian statements about China after the 1998 nuclear tests have further deepened the divide. While Sino-Indian relations presently enjoy a period of growing economic ties, contentious issues still remain. India's Agni programme, acquisition of mid-air refuellers and endorsement of U.S. missile defense positions have reinforced these doubts. The scars of 1962 are also yet to heal. Without a satisfactory resolution of the boundary dispute, normalization of relations is not possible. A stable relationship also requires effective management of the China-India-Pakistan triangle where the 'all-weather' relationship with Pakistan is a cause for Indian concern. While Beijing has made greater efforts to address India's concerns, the construction of a port at Gwadar and continuing supply of military equipment technology to Pakistan, when seen in conjunction with Chinese actions in Bangladesh and Myanmar, reinforce the sceptre of a strategic encirclement of India<sup>9</sup>. China's stand that her Pakistan relationship aims at maintaining a stable relationship with an important Islamic country and addresses its concerns in Xinjiang, and that actions in Bangladesh and Myanmar are a reflection of Chinese desire for an outlet to the Indian Ocean have not allayed Indian concerns.

Chinese security analysts also debate the significance of warming Indo- U.S. and Indo-Japan ties. The Chinese fear that these could be used as counterweights, to contain China. The recent Indo – U.S. civil nuclear deal is seen as a precursor in that direction<sup>10</sup>. The Indo-Vietnamese defense co-operation is also viewed with suspicion, given that China has unresolved territorial issues with both countries.

Beijing is wary of New Delhi developing closer ties with ASEAN. Whether this is a quid pro quo for Chinese involvement in South Asia is yet to be determined. Chinese analysts note that New Delhi's Southeast Asia diplomacy and naval co-operation have added complexity to China-ASEAN relations and could impinge upon China's maritime interests.

Though Sino-India trade now totals \$13 billion the level of economic interdependence remains low. India and China are also amongst the largest energy importers and their companies have clashed on a number of occasions while acquiring overseas assets. Though the two countries have decided to cooperate in future bids, such decisions could get derailed due to economic expediency<sup>11</sup>.

South Asia being China's soft underbelly, the challenge would be to ensure peace in the region, effectively neutralize the growing Indo-U.S. friendship and secure the Sea-lanes of Communication (SLOC), vital for China's energy security.

### **Sino-ASEAN Relations**

The role China played during the financial crisis in South East Asia has made these countries look at China as a stabilising power. In addition to being the natural hinterland for Chinese commerce, the choke points at Malacca, Lombok and Sunda are critical for the free flow of oil to China. China also has maritime disputes with a number of ASEAN countries which, it insists on resolving bilaterally. It has sought to exclude the U.S. from South East Asia as is evident in its exclusion from the recent East Asian Community meeting. However, the U.S. enjoys strong strategic ties with Singapore and Thailand, is reclaiming its strategic relationship with Indonesia and has begun to build a mutually beneficial relationship with Vietnam. China is also concerned about India's proactive engagement of ASEAN countries. China's foreign policy challenge in South East Asia lies in reducing US presence, neutralizing India's entry and ensuring its position as the pre-eminent power in South East Asia.

## Sino-Japan Relations

Cold War security arrangements between the U.S. and its East Asian allies now seem redirected against China. In addition to historical animosity, Japan and China have increased economic competition and a maritime boundary dispute in the Senkaku Island chain<sup>12</sup>. A conflict of interests with respect to Siberian oil and natural gas is also brewing. China's increasing military presence in East Asia has already caused Japan to rethink its defence policy and could tempt Tokyo to militarize and perhaps nuclearize<sup>13</sup>, adding a formidable adversary. This militarisation would also be in line with U.S. desire for a strong ally in the region. China's opposition to Koizumi's visit to the Yasukuni shrine has only served to stir Japanese nationalism. As Japan is no military push-over; China's foreign policy challenge in East Asia lies in neutralising Japan without conceding strategic space.

## Taiwan, Tibet and Xinjiang

### Taiwan

Reunification with Taiwan is central to China's national interests. The cornerstone of its Taiwan policy is; 'a firm stand' against any form of separatism, and the utmost effort to seek a peaceful reunification<sup>14</sup>. Its diplomatic policy for the last six decades has successfully garnered universal support for the 'One China' principle. While the U.S. has accepted this principle, it stands in the way of any military solution. The Chinese have realised their present inability to counter U.S. military assets and its military modernisation is aimed at addressing these vulnerabilities<sup>15</sup>.

While a majority in Taiwan support independence, there is an understanding that such a step may evoke a violent Chinese response. For its part China is content to permit any political latitude short of independence. China is thus willing to play the waiting game. The mainland has become a popular destination for Taiwanese. Shanghai alone has 300,000 residents from Taiwan. With economic, cultural and social exchanges across the Strait becoming irresistible, the mainland leadership is assiduously working to narrow differences. Pragmatically, they are willing to accord the same concessions to Taiwan as provided to Hongkong and Macau. The challenge is therefore to manage political events in Taiwan so that strident calls for independence get progressively muted and adequate time is provided for cultural, economic and social integration to achieve the stated goal of reunification.

## Tibet

China does not accept the Simla Conference (1913-1914) and the “McMahon Line” on the grounds that Tibet was subordinate to China and had no power to sign treaties. The present International Tibetan Independence Movement to re-establish independent Tibet, is largely led by Tibetans in exile. Support within Tibet is limited. The Chinese have not only systematically changed the demography of Tibet (now 40 per cent Han) but also dramatically transformed the economic and social conditions there, with the expectation of integrating the new generation into the Chinese mainstream. Though the Dalai Lama has never been accepted by the Chinese Government he constitutes the de facto leader of the Tibetan Government In-Exile. China’s challenge is to maintain status quo while awaiting the demise of the Dalai Lama for a subsequent integration of Tibet into China.

## Xinjiang

China maintained weak control over Xinjiang until the Chinese civil war, when the Republic of East Turkestan was established. In 1949, Chinese Communist troops re-established control over the region. Since 1949, the Han population in Xinjiang has increased from 7 per cent to over 40 per cent. The situation was largely stable until 1990, when Uighur separatists of the Free Turkestan Movement, fomented a small uprising. After the collapse of the USSR, Uighur separatists established training camps in the newly formed states. Fearing that instability would spread to Xinjiang, China launched a series of crackdowns and created the ‘Shanghai Five’ comprising China, Russia, Tajikistan, Kazakhstan and Kyrgyzstan, to serve as a bulwark against Islamic fundamentalism, terrorism and separatism. China charged the Taliban and al-Qaeda with arming and training Uighurs. In 1998, China moved to increase its regional influence in Central Asia with tacit co-operation from the U.S. and Russia. In June 2001, Uzbekistan was admitted to the ‘Shanghai Five,’ which evolved into the SCO. However, bilateral agreements between U.S. and SCO members after 9/11, greatly undermined the organization’s relevance. China’s concern was that U.S. was pursuing a long-term strategy to contain China in the name of anti terror operations<sup>16</sup>. Though the East Turkestan Islamic Movement has been added to the U.S. list of terrorist groups, others such as the East Turkestan National Congress and the Regional Uighur Organization, have received tacit and financial support from Washington. China has been able to pass a resolution in the SCO demanding U.S. withdrawal from Central Asia. However, this has not entirely taken place. China needs to ensure U.S. presence in its vulnerable western flank is marginalised at the earliest.

## **Korean Peninsula**

The Korean peninsula has been a traditional area of Sino–U.S. conflict. The stationing of U.S. troops on the De-Militarised Zone (DMZ) and the nuclear umbrella provided to South Korea formalises U.S. military presence in the region. Strong U.S. action could destabilise North Korea. Pyongyang’s aggressive foreign policy is the product of the country’s belief that Washington may attempt a ‘regime change’ in Pyongyang. Responding to these pressures, Pyongyang has begun aggressively posturing its development of nuclear arms in an attempt to dissuade the U.S. from taking any further action.

China would not want to see North Korea become a nuclear-armed state as it would decrease China’s leverage and add another dimension into Chinese foreign policy initiatives in East Asia<sup>17</sup>. Beijing also does not want the U.S. to weaken North Korea as this may increase the chances of reunification, an outcome that is not in Beijing’s interests. A reunification would also complete a U.S. encirclement of China, in consonance with the U.S. stated desire of restricting Chinese influence.

As long as North Korea remains isolated, it would be forced to remain in Beijing’s camp. The best outcome for China in Korea would be for North Korea to remain a moderately powerful state, able to deter any attack from the South but not strong enough to limit China’s ability to forcefully negotiate with the country.

## **Nuclear Issues**

China exploded her nuclear device in 1965. Since then it has emerged as the third nuclear power after USA and Russia. Nuclear assets in China are essentially land based with limited sea and air delivery. Its missiles are largely liquid fueled with limited launch on warning capability. It also lacks a true Multiple Independent Reentry Vehicle (MIRV) capability<sup>18</sup>. The Nuclear Missile Defence programme (NMD) of USA is a cause for concern as Chinese missiles are also vulnerable to this system thereby compromising Chinese second strike capability<sup>19</sup>. China has demanded that the proposed system be limited enough not to negate its nuclear power and warned that an all encompassing shield will pressure China to acquire more powerful weapons<sup>20</sup>.

Despite signing a no-first use agreement with Russia, the latter has elaborated conditions under which it could consider a first strike against China. This leaves China vulnerable to potential nuclear attack from USA, Russia and India. If Japan

which reportedly has the ability to go nuclear at minimal warning is added to this list of potential adversaries, China is presently in a state of nuclear vulnerability. China's challenge is to build a credible second strike based on an improved triad, upgrade technology for launch on warning and achieve true MIRV capability. It also needs to remove U.S. nuclear presence from Asia and engage Russia in confidence building measures to reduce any threat from that direction.

## **Conclusion**

China is now in a period of transition. While management of its immediate neighbourhood is possible, USA, Russia, Japan, India and Vietnam remain possible adversaries that would need the focused attention of Chinese diplomacy. Despite U.S. actions it needs to maintain peace to ensure favourable conditions for its economic progress. At present, its actions would be restricted to strengthen regional co-operation within the framework of multilateral institutions, such as the ASEAN plus 3 and SCO<sup>21</sup>. Japan and India too would figure in this strategic calculus though in tandem with the U.S. China also needs to continue strategic collaboration with Russia, which given their conflicting hegemonistic interests in Central Asia may lead to tension. However, the U.S. remains the only power capable of single handedly disrupting the progress of China towards pre-eminence.

## **China's Food Security**

**Chinese agriculture is the miracle of being able to feed 22% of the world's population with only seven% of the world's arable land.**

*-WHO Report*

## **Introduction**

Political circles once raised the question: 'Who will feed China?' The reply of China's leaders was curt but direct; 'We will feed ourselves'. With limited assets of arable land and a burgeoning population, food is omnipresent in any discussion regarding national security. Fortunately China with an extensive irrigation system and extremely industrious peasantry has traditionally ensured self-sufficiency.

When reforms began in 1978, 600 million Chinese lived below the poverty line. Since 1978 however, China experienced a remarkable rate of agricultural growth of 6 per cent which lifted 200 million peasants out of poverty. The replacement of Communes by the contract system revolutionised Chinese agriculture and food production showed spectacular increases in the 1980s and 1990s.

For the past half decade however China has slid from a gross exporter, to an importer of food grain. Shrinking cultivable land, sharply reduced availability of water and a damaged environment have all contributed. China's entry into the World Trade Organisation (WTO) regime has only accentuated the problem. Food security is a key element of national security and therefore the problem has been the subject of widespread debate in China.

## **Water Shortages**

Agriculture faces competing demand for water from industry and urban centres. In North China Plain, China's bread basket the Hai, Yellow, and Huai Rivers (3H) often run out of water entirely during the dry season. The water table here is also falling at an alarming rate. Over-pumping has largely depleted shallow aquifers, forcing drilling of deep aquifers. By 2050, China's total water deficit would reach 400 billion cubic metres (roughly 80 per cent of current capacity).

About 75 per cent of the country's lakes and 50 per cent of groundwater are polluted and unfit for agriculture. In the Hai River Basin, where industry and cities now get priority, irrigated agriculture could largely disappear by 2010. More efficient irrigation practices may not fully address the problem, especially in the water deficient north. Agriculture is therefore likely to be the hardest hit<sup>22</sup>. Since it takes 1,000 tons of water to produce one ton of grain, importing grain may finally provide the only long-term answer.

## **Shrinking Land Base**

In China, 22 per cent of the world's population is fed by just 7 per cent of the world's arable land. Only 15.4 per cent of China's land is arable, of which 10.2 per cent is under cultivation. Deforestation and salinization are significantly reducing the available land. Over-farming in areas in the proximity of deserts has created the world's largest dust bowl<sup>23</sup>. In addition, unregulated pesticide use and industrial pollution further render increasing tracts of land unusable. Each year 180,000 hectares of Chinese farmland becomes salinized, 200,000 hectares turns into desert and about 2 million hectares of pasturage are degraded. This alarming decline would in the long run jeopardise China's food security.

The conversion of fertile farms to industrial or urban use further reduces the availability of arable land. This is especially true of the fertile northern plains, where rapid industrialisation is steadily reducing agricultural land.

## WTO

Entry into the WTO presents an economic challenge to rural China. Competition with the developed world is inherently unequal, as Chinese grain farming is labour-intensive, small plot cultivation and cannot compete with subsidised, mechanised farming in the developed world. To remain competitive Chinese farmers will need to switch to cash crops and non-resource intensive agriculture<sup>24</sup>. This may provide opportunities to farmers in eastern China; this will depress farm incomes in the northern and western regions. This would also divert valuable farm land away from food grains to cash crops. To ensure food security, China may be forced to subsidise agriculture, which it can ill afford at the present juncture.

As the non-agricultural economy continues to expand, farmers will want to choose crops, so that returns are comparable to non-farm use of land<sup>25</sup>. Economic realities may force China's farmers to divert acreage from grain to remunerative cash crops<sup>26</sup>. China may therefore need to look for reliable sources of grain, rather than stick to an economically unviable agricultural structure<sup>27</sup>.

## Flawed Policies

### Grain Reserve

Currently China maintains a much larger grain inventory than desirable. While the FAO recommends, 66 days of stock, China's grain policy mandates a reserve of three months for grain-surplus and six months for grain-deficit provinces<sup>28</sup>. To implement this policy, storage for 78 million tons of food grain is required which to most observers seems excessive.

### Taxation

As countries develop, agricultural subsidies become inevitable to maintain grain production in the face of other higher value uses for land. Though China's national government plans to eventually subsidize its farmers, local governments continue to tax agriculture, in variance with the stated national policy. Exempting farmers from this heavy burden would not constitute a major loss to the exchequer, but would spread considerable goodwill.

### Land Ownership

Land still belongs to the state and farmers often behave like temporary caretakers, even though they have long-term contracts. If the government granted ownership to tillers, it would promote a sense of security. Additionally, small and dispersed

holdings could be reorganized into sizes suitable for mechanization. This would lead to increased efficiency and yields.

## **Resource Development**

Lack of education makes adaptation of new technologies difficult. The government and universities need to promote agricultural education, either in the classroom or through distance-learning. While China has devoted considerable effort to developing its science and technology base, the same cannot be said for biotechnology whose progress is essential for a quantum improvement in agriculture.

## **Environmental Issues**

Climate change due to environmental degradation could lead to a 20 per cent drop in China's yield by 2020. Overuse of chemical fertilizers and pesticides has also destroyed arable land and destroyed ecological balance and biodiversity. seven per cent of the arable land is also contaminated. Accumulating heavy metals are hardening the soil and reducing its fertility. In the present scenario, the area of arable land would decline by around 13 per cent, by the next decade, increasing the pressure on agriculture.

## **Conclusion**

Due to diminishing water and land resources and extensive environmental degradation the prognosis for food sufficiency is grim. Assuming that the Chinese population stabilizes at 1.6 billion, demand for food would double by 2050. China would need to upgrade its current agricultural technology to ensure a modicum of food security. The path from the green revolution to the gene revolution must be navigated using biotechnology as the principal tool.

China's rural economy must also reshape itself to face global competition. While progress has been made, local policies continue to impede process. Lack of land ownership and poor access to credit are added impediments.

China's food requirements could change global economics<sup>29</sup>. Even if it imports 10 per cent of its grain ie 40 million tons<sup>30</sup>, it will become the world's largest importer, driving up global prices. As most grain exporters belong to the Western bloc, China needs to re-galvanise its agricultural sector and carefully weigh its long-term import options so as to ensure future food security.

## Threats To Economy

It doesn't matter if a cat is black or white, so long as it catches mice. Poverty is not socialism. To be rich is glorious.

Deng Xio Ping

## Introduction

China's economy has grown at over 9 per cent for the past two decades. These gains have led to 200 million people moving above the poverty line. Per capita GDP is now 10 times higher than in 1980. Entry into the WTO has also ensured that its economy has integrated with the world.

So far, China's approach to reform has been gradual and incremental. A more complex approach would be to meet future challenges and may require the government to take decisions that may be unpalatable in the short-term. However, these must be addressed, if China is to maintain its present trajectory of growth.

## State Owned Enterprises (SOEs)

President Jiang Zemin announced the *zhuada fangxiao* policy for SOEs (retain the important and dump the small) at the Fifteenth Party Congress in 1997. Despite this, SOEs still form 70 per cent of the economy but generate less than 40 per cent of GDP. A large number are still confronted with problems of debt, overstaffing, and outdated technology. The government divestment has led to 16 - 25 million losing their jobs in urban areas alone. It is estimated that a further 12 million may be laid off. The leadership is unwilling to exacerbate unemployment any further and has therefore readjusted its target date for completion of SOE reform to 2010.

The government hopes to continue the reform of SOEs, albeit at a slower pace, with the help of financial Asset Management Companies (AMCs) and the introduction of modern corporate management. Whether it is successful in accomplishing its goals remains to be seen. Local authorities are loathe to continue reforms as SOEs play a dominant role in their economies. However, if SOE reform is unsuccessful it will further widen the income gap between the public and private sectors and may possibly exacerbate regional tensions that have already surfaced.

The government's present strategy of retaining majority stakes in SOEs has resulted in locking up of significant capital that could otherwise be used for economic progress.

## Reform of Banks

China's banking system is weak. The Reserve Bank lacks autonomy and remains a monetary tool of the government's industrial policy, rather than a central monetary regulatory authority. Even after the transfer of old Non Profitable Accounts (NPAs) to Asset Management Companies (AMCs), China's four state banks still have accumulated NPAs amounting to 25 per cent of GDP, far above the 6 per cent acceptable in banking circles. As these banks control 57.1 per cent of banking assets, this is a serious threat to fiscal health. They are also vulnerable to pressures from local government and 81 per cent of their loans are provided to SOEs. This leaves them with little leeway to extend loans to private companies and entrepreneurs thereby stifling the vibrant private economy. State banks also lack skills for risk portfolio management and suffer from poor accounting standards. While government support ensures that there is little fear of collapse, their under performance reduces Gross Domestic Product (GDP) by 14 per cent.

Senior officials face a conundrum. Ceding control over Chinese banks, and permitting loans on financial considerations would strengthen their balance sheets. However, curtailing non-market lending to failing SOEs may lead to higher unemployment and consequent unrest. China has committed to open its domestic banking sector to foreign banks by 2007. Therefore it is imperative that state banks be allowed to operate with financial freedom, else they may be unable to compete.

## NPAs

Chinese banks have a large legacy of NPAs from non-market lending to SOEs prior to 1999. Approximately \$306 billion of NPAs have been transferred from the four major state-owned commercial banks to four AMCs where recovery has been just 21 per cent. While Chinese officials and private economists disagree about the size of the remaining non-performing loans all agree that these could severely impair future growth if unaddressed.

## Re-capitalisation

Thirty per cent of the banking sector requires to be recapitalised after hiving off bad debts to AMCs. The government has embarked on recapitalising major banks before listing them on the stock exchange. China's Reserve Bank injected \$60 billion into the four major state-owned commercial banks between 2003 and 2005. An additional \$48 billion have been invested by foreign financial services

after initial public offerings (IPO). Recapitalisation of AMC's would now also be required, as recovery of loans is low. The Reserve Bank will have to ensure that banks put adequate risk management tools into place to prevent further bad loans after recapitalisation.

## **Real Estate**

There has been a spectacular rise in real estate prices, fuelled by easy availability of funds and investment has increased from 2.5 per cent of GDP in 2001 to 8.6 per cent. This bubble in urban real estate has been partly engineered by the government, which is using these funds for the restructuring of the financial sector. If this bubble bursts it could lead to a financial crisis similar to the Japanese bank crash.

## **Regional Inequalities**

China's interior has not kept pace with coastal economies thereby creating a widening disparity between the coast and interior China<sup>31</sup>. With the dismantling of the 'Iron Rice Bowl', which once guaranteed lifetime employment, peasants from the interior have been forced to relocate to eastern cities<sup>32</sup>. More than 40 per cent of China's population now lives in cities or towns with an additional 1 per cent making the move every year<sup>33</sup>. Despite Beijing's efforts this migration is likely to continue. Management of this influx would remain a major problem.

## **WTO Entry**

In joining the WTO, China committed itself to lower trade barriers, provide improved market access to WTO members, and protect intellectual property rights (IPR). China has made significant strides in keeping its promises. However, some irritants remain which if ignored could lead to trade wars. These include IPR (where China has been less than successful in ensuring effective implementation) and opening of the service sector, (which continues to have an opaque regulatory process). China's efforts to promote unique standards for wireless encryption and third generation wireless telephony and a government procurement policy that mandates purchases of Chinese-produced software, stray dangerously close to conflict with China's WTO commitments<sup>34</sup>. As the WTO regime has still not been comprehended by subordinate ministries<sup>35</sup>, China's regulatory regimes continue to suffer from opacity<sup>36</sup>. Globalization is however an irreversible process and 'Chinese characteristics' cannot be an excuse to flout WTO norms.

China is experiencing continued agricultural deflation as competition from WTO trading partners has increased the supply of low cost grain and meat products.

China would need to restructure to stay competitive. Rural labour will bear the brunt of this restructuring and the Government would need to plan for their alternative employment to avoid widespread unrest.

### **Monetary Policies - Convertibility**

A relatively fixed rate of exchange against the dollar has exposed the economy to inflationary pressures. With increasing trade flows, the capital account has become increasingly responsive to any increase in interest rates, thereby forcing frequent Reserve Bank intervention. Greater flexibility of the exchange rate leading to full convertibility would allow the authorities to combat inflation and allow market forces to determine bank interest rates<sup>37</sup>.

### **Laws**

Revised company law would improve corporate governance, offer better protection to minority shareholders and define the role of corporate bodies. While laws covering IPR are in force, law enforcement is still poor. Protection of IPR is of increasing importance to Chinese entrepreneurs, as weak laws hold back innovation and product development by local companies<sup>38</sup>.

### **Overheating**

China has achieved and sustained a remarkable rate of economic growth. This has caused some overheating in 2006. Indicators are a 3.5 per cent increase in the consumer price index, a 20 per cent rise in the money supply, and a \$30 billion jump in China's foreign exchange reserves. At China's Boao Economic Forum in April, President Hu Jintao explicitly acknowledged the problem, while expressing confidence that it could be controlled. Policy instruments that need to be employed include raising interest rates, boosting capital and reserve requirements in banks, and installing rigorous standards of risk assessment for bank lending. China's monetary policy makers are however reluctant to push these instruments very hard lest they cause a sharp drop in economic performance.

### **Conclusion**

The moral authority of the government depends on its ability to rapidly improve living conditions in the country. The Chinese economy is passing through a period of consolidation and structural and policy reforms are essential for its continued progress. Chinese are loathe to take steps that would cause unemployment, even for the short-term, as this could lead to social unrest.

Ironically, it is these very steps that would ensure continued economic progress and if unimplemented would lead to an economic slowdown. In the ultimate analysis *China is riding a tiger; while the progress may seem impressive to the bystander, any halt would lead to very serious consequences.*

## Water Security

‘The lack of water resources is a serious limitation to economic and social development. Demand management including water conservation and a rational pricing system must be high on the government’s agenda’. - Premier Zhu Rongji, in the National People’s Conference.

Though China has the world’s fourth largest reserves of fresh water (7 per cent of the world’s reserves) it has the second lowest per capita water resources in the world, less than one third the world average. More importantly, most of its assets lie in the mountainous south while the North China Plain, the country’s bread -basket, lacks adequate water resources. Two decades of near double-digit economic growth requiring increasing water allotment to industry have compounded the strain on water availability. Increased urban domestic consumption further exacerbates the problem. More than 400 cities including Beijing now face chronic water shortages. In a recent National People’s Conference meeting Premier Zhu Rongji has indicated that the lack of water seriously limits development and reiterated water conservation and a rational pricing system should be high on the government’s agenda.

Many rivers in the northern China plains now run dry for five to eight months of the year. To ensure water security, China is remaking many of its natural waterways, creating dams and canals to move water from the south to the water starved north. Another concern is the physical condition of China’s arable land, with 80 per cent of its river systems and a large proportion of its aquifers polluted. Ill-conceived dams, poorly managed rivers, impractical water-pricing schemes and attempts to grow unsuitable crops, in the driest parts of the country have exacerbated this burgeoning crisis. Elizabeth Economy of the Council on Foreign Relations, in New York, considers water scarcity China’s Number One challenge and has said, “I think the worst case scenario is already transpiring in parts of China, where people are being forced to migrate because of lack of water.”<sup>39</sup>

## Regional Imbalances

While the mountainous south-west is richly endowed with water resources,

northern China is chronically water deficient. Nowhere in China are water shortages more evident than in the 3H river basins located in the North China Plains. This is the bread basket of China; produces 31 per cent of China's gross industrial output and is home to 40 per cent of China's population. Unfortunately, it possesses only 10 per cent of China's water resources. Current water shortages there are calculated at over 40 Billion Cubic Metres (Bcm) and projected to be 56.5 Bcm by 2050.

### **Competing requirements of Agriculture, Industry and Urban Users**

More than 60 per cent of China's water goes to agriculture and 75 per cent of Northern China's crop is based on irrigation. The 3H basins which produce over 50 per cent of China's food depend on irrigation for two thirds of the production. Irrigated agriculture could therefore largely disappear in this region by 2010, due to heavy requirements by industry and urban areas, forcing a shift to less productive rain-fed agriculture and to a large-scale migration of rural population<sup>40</sup>. Studies predict that, by 2020, there could be 30 million environmental refugees in China, as the government continues to divert water from rivers and lakes to meet growing urban demands.

### **Poor Water Management**

Better water management is not taking place due to heavy water subsidies. The World Bank estimates the water price is about 40 per cent of cost. China's Communist leaders have however chosen a slow approach, as drastic rises could trigger unrest.

Water scarcity is presently causing an annual \$11.2 billion loss in industrial output. Ironically, China uses about 9-15 times more water to produce a unit of GDP than developed economies. One ton of water produces only \$2-3 of GDP, whereas the same produces \$28-30 of GDP in the US. This highly inefficient water usage is taking a major toll on China's water resources.

### **Declining Water Tables**

The northern half of China is drying out. In unusually strong language the World Bank, report forecasts "catastrophic consequences for future generations" unless water use and supply can be brought back into balance. Excessive demands on the 3H rivers that flow through the North China Plain, are causing them to run out of water during the dry season, sometimes for extended periods of time<sup>41</sup>.

In the Hai basin, aquifers in the entire basin are severely over pumped as the present water deficiency is being filled by groundwater mining. Side effects of unsustainable exploitation include salinity intrusion in 72 areas in coastal provinces covering an area of 142 square kilometers. Aquifer depletion will finally cut the basin's water reserves by nearly 40 per cent. Researchers have already stated that deep aquifers that cannot be replenished have already reached near depletion.

## **Environmental Degradation**

Surface and groundwater pollution presents a major problem for public health. Pollution also diminishes water resources available for essential uses and represents a growing constraint on national development objectives. Currently, 80 per cent of most river basins are classified as very polluted and cannot meet any designated beneficial uses. The yearly expenditure incurred by not treating wastewater was \$0.5 billion in 2000, and would rise to \$ 4 billion by 2050.

Two decades of deforestation and wetlands destruction have also severely reduced the land's ability to absorb precipitation. Flood damages have amounted to \$3 billion per year in the last decade<sup>42</sup> and the figure is rising. Topsoil swept downstream as a result of deforestation is silting up lakes whose storage volume has fallen by eight Bcm.

Recurrent droughts are another feature of this environmental change caused by unrestricted water harvesting. These have increased both in frequency and duration. The Ministry of Water Resources recently admitted total wetlands had shrunk by 26 per cent over the past 50 years. Droughts once restricted almost exclusively to northern China are now becoming more common in the south.

The lack of clean water for animals creates the threat of epidemics as livestock ingest pollutants and microbes and pass them on to humans. WHO has warned that the risk of a pandemic like Avian Bird Flu have become grave. Experts calculate that 700 million Chinese consume contaminated drinking water that does not meet safe drinking-water standards<sup>43</sup>. While any research into the subject has been discouraged by the government, China's high rates of hepatitis A, diarrhoea, and liver, stomach and esophageal cancer are possibly linked to this pollution. The World Bank has concluded that pollution is costing the country 8-12 per cent of its GDP in direct damage annually and the water pollution is a large part of this problem.

## **South to North Water Project**

In an attempt to rectify the situation China is building the largest water diversion in history, ‘The South to North Mega Water Project’.<sup>44</sup> Three canals, which will stretch across the eastern, central and western parts of China, will eventually link the country’s four major rivers; the Yangtze, to the 3H river basin. This envisages building three canals from the Yangtse basin to the north of China. The US\$50 billion South-to-North water diversion scheme will require the resettlement of up to 400,000 peasants in addition to the 1.8 million already resettled along the banks of the Yangtze<sup>45</sup>. China finds itself in a dilemma. It needs to provide water for its industrialized north, while also attempting to avoid environmental degradation. The last part of the Diversion Project, the western route, will cut through the high mountains near Tibet to link the Yangtze with the headwaters of the Yellow River. One tiny miscalculation could throw the whole project off-balance, causing unforeseeable disasters for the people and the ecosystems they live in.

## **Unrest**

Water scarcity and pollution have occasionally triggered violence in rural and urban areas. Presently these are isolated incidents with limited ramifications. However, continued and increasing scarcity, especially in urban areas may cause widespread unrest. This in combination with a contraction of the economy, may severely compromise state authority.

## **Water Conflicts with Neighbours**

### **South and South East Asia**

The Mekong and Irrawady are critical to the economic and social existence of lower riparian states, who have begun complaining that China’s water usage has reduced water flow. While Beijing has promised to cooperate with the Mekong River Commission to ensure equitable distribution of water, words are yet to translate into action and the situation could worsen in the future.

### **South Asia**

The Indus, Sutlej and Brahmaputra are three rivers where diversions are planned. A barrage has already been built over the headwaters of the Sutlej. Though the issue has not yet reached flashpoint, the extreme dependence of Pakistan and India to the waters of the Indus and Sutlej respectively may cause problems in the

future. In the case of the Brahmaputra it also involves Bangladesh and needs a body like the Mekong River Commission to address a future dispute.

## **Central Asia**

Environmentalists in Central Asia and Russia are concerned about China's use of water from the Ili and Irtysh rivers.<sup>46</sup> As per Kazakh and Russian officials China has been using more than its share of waters. Environmentalists warn that China's overuse of the river water may lead to an ecological catastrophe for Kazakhstan due to decreased flow to Lake Balkhash the 16th largest inland lake in the world. This could lead to an ecological disaster reminiscent of the Aral Sea tragedy. These issues could fuel tension and need early resolution.

## **Conclusion**

The present water situation in China is grim. The increasing gap between demand and supply is a cause of great concern. Regional imbalances are stark and the present deficiencies in the north make the South-North transfer of water a political and economic necessity. However, even this cannot indefinitely bridge the burgeoning gap. China would also need to plan each step carefully to avoid a potential environmental disaster. Groundwater use and pollution control are some other issues of national concern. China also needs to work out water sharing arrangements with all its neighbours, as its present actions may be deemed hostile by lower riparian states. Though none have erupted into major dispute, water wars are becoming a likely scenario of the future.

## **China – Energy Security**

A key driver in China's relations is its dependence on foreign oil to fuel its economic development. This dependency is expected to increase over the coming decade.

## **U.S.-China Security Review Commission**

### **Introduction**

Two decades of rapid economic growth have fueled an insatiable demand for energy. China is now the second largest energy-consuming country in the world after the United States. While coal is the mainstay of the energy sector the environmental consequences of its use significantly impact its future use. China is also the world's second largest oil consumer after the U.S. and accounts for 40 per cent of the crude oil growth in demand since 2000. China's proven oil reserves of 18 billion barrels only meets 33 per cent of its consumption. China

has initiated numerous policies to address its increasing import demands, including acquiring oil assets abroad. China has also developed strategic petroleum reserves, with 75 days of emergency stock.

Acknowledging the vulnerability of China's energy supply to U.S. sea power it has invested in expensive pipeline projects as an alternative to transporting oil by sea. Alongside, China is also modernising its naval power to protect its vital SLOC.

## **Oil**

### **Inefficient Oil Use**

China continues to struggle with energy efficiency. Its oil use is currently about double the average of other Asian countries and 1/7th of Japan, ie, three quarters of a barrel per \$1,000 of GDP<sup>47</sup>. The present subsidized oil is a further disincentive for efficient usage. Subsidized prices foster inefficient use and has caused avoidable increase in oil imports.

### **Declining Oil Production**

85per cent of Chinese oil is produced onshore with most Eastern fields mature with declining productions. Action to enhance oil recovery and extend the life of these fields is unlikely to make any significant difference. Development of infrastructure to deliver Western oil to consumers in the East remains a major challenge, due to cost and the distances involved. Most new discoveries are offshore with interest centered on the Bohai Sea and the Pearl River Mouth area. While improvement in Sino-Vietnamese relations has paved the way for oil exploration in the Gulf of Tonkin, promising sites in the South China Sea remain unexplored due to maritime disputes with littorals.

### **Overseas Acquisitions**

With growing dependence on oil imports, China has been acquiring interests in exploration and production in a large number of countries abroad<sup>48</sup>. Despite this, their total is presently 9 per cent of China's current imports. Chinese companies have also overpaid to acquire these assets with 21per cent premium paid for stakes in Kazakhstan<sup>49</sup>. A more critical issue is China's continued dependence on Middle East oil. Despite efforts to diversify, half of China's imported oil still comes from that region<sup>50</sup>.

## **Pipeline Strategy**

Acknowledging the vulnerability of energy supply to U.S. sea power China has invested in expensive pipeline projects as an alternative to transporting oil by sea. A \$700 million pipeline from Kazakhstan to three refineries in Xinjiang has been completed. The proposed 2400-km pipeline from Siberia to Daqing in China's northeast will now terminate at Nakhodka in eastern Siberia on Japanese request. However, discussions to build a branch from Nakhodka to China are still in progress. This is critical as Russia holds the key to China's energy security<sup>51</sup>.

## **Weakness in Refining**

After consolidation China is now adding to its refining capacity. Chinese refining costs do not match world standards. Another major weakness is the lack of adequate refining capacity for heavier Middle Eastern crude oil, which becomes critical as Chinese Middle East imports rise in the mid-term. Several refineries are now being upgraded to handle heavier and sourer crude.

## **Vulnerability of SLOC**

Another strategic concern is the vulnerable SLOC between the Persian Gulf and the Chinese coast. Numerous choke points exist, and interdiction is a distressing possibility. The Chinese have started building a blue water fleet, acquired intermediate port facilities along the SLOC, (String of Pearls) and are constructing a 75 day strategic petroleum reserve<sup>52</sup> to ease the problem.

## **Natural Gas**

Historically, natural gas has not been a major fuel in China. However, given China's domestic reserves, which stand at<sup>53</sup> 3 trillion cubic feet (Tcf) and its environmental benefits, China has embarked on a major expansion of its gas infrastructure. Natural gas usage, currently at 3 per cent of energy requirement is expected to double by 2010.

## **Investments in Infrastructure**

The largest reserves are located in Western and North Central China, necessitating a significant investment in pipeline infrastructure to carry it to Eastern cities. Construction of the main gas backbone, the 'West-to-East Pipeline,' from Xinjiang to Shanghai is almost complete and a proposed pipeline linking natural gas from Siberia to China is under consideration. Besides these, smaller pipelines have been constructed linking gas deposits in Qaidam and Sichuan with Eastern provinces.

## **Lack of Regulatory System**

A major hurdle for gas projects in China is the lack of a unified regulatory system. Prices are still dictated by a patchwork of local regulations. Progress in drafting of a new legal framework has been slow and considerable uncertainties regarding price regulation still remain.

## **Coal**

Coal makes up 65 per cent of China's primary energy consumption. Its present consumption is 1.53 billion tons, or 28 per cent of the world total. In the long term, while coal's share of overall Chinese energy consumption is projected to fall, coal consumption in absolute terms would still remain essential for China's economic development.<sup>54</sup>

## **Inadequate Transportation**

Sixty per cent of rail transport is tied up in moving coal<sup>55</sup>. The inability to move adequate coal has caused artificial scarcities in the coastal belt. As a solution several pit head thermal projects are being planned, in so-called "coal by wire" projects. Other improvements being undertaken include coal washing in major coal-mines, coal gasification, and coal slurry pipelines for transportation of coal. Coalbed methane production is also being developed in Shaanxi province<sup>56</sup>.

## **Poor Mine Safety**

Over 6000 miners died in mining-related accidents in 2006<sup>57</sup>. Most of these occurred in small, unregulated mines. An estimated 59,000 small coal mines have been closed and Beijing has issued a revised set of coal mine safety regulations<sup>58</sup>. Despite this, China's mining safety record remains poor.

## **Environmental Pollution**

The overwhelming dependence on coal continues to affect the environment. China is now the second largest emitter of greenhouse gases in the world, while acid rain falls over 30 per cent of China's landmass. The World Bank estimates these conditions to cause 300,000 deaths a year in China and for as much as \$13.75 billion in economic losses. Many environmental problems resulting from dependence on coal can be addressed by implementing existing technology and China is opening to foreign investment in the sector. Foreign investments on new technologies include coal liquefaction, coal bed methane production<sup>59</sup>, and innovative modes of transportation like slurry pipeline transportation projects.

## Electricity

### Increasing Demands

The present shortage of electricity is around 30 giga watts (GW). 120 GW of generating capacity is currently under construction. These include the Three Gorges Dam, and a series of dams on the upper portion of the Yellow River<sup>60</sup>. Generating capacity is likely to catch up with demand by 2007. Chinese electricity consumption is projected to grow at an average of 4.3 per cent per year up to 2025. This implies that China will need to access 20 GW of additional generating capacity each year.

### Poor Power Distribution

China's power distribution has limited interconnectivity between provinces. China will need to spend about \$100 billion to turn its fragmented power distribution network, into a well-linked national grid. Presently surplus capacity exists in pockets which cannot be utilised due to lack of transmission.

### Conclusion

Though China's biggest energy challenge is to diversify its energy sources from the current overwhelming dependence on coal, economic realities make this unlikely. Modern technologies including coal liquefaction, coal bed methane production, would however need to be introduced if coal is to be retained as a major energy source. Direct carbon conversion could affect China's entire energy use profile, help conserve hydrocarbon resources and significantly improve the environment. However, U.S. help would be critical for its implementation.

Though overseas acquisitions have not provided the desired strategic advantage given the volatile nature of oil prices, this effort would need to continue. More critical is China's overwhelming oil dependence on the Middle East and its limited ability to refine heavy sour crude. Both need immediate redress.

Declining production of onshore fields make early exploitation of offshore assets imperative. For this disputes in the South and East China Seas need early resolution.

China's SLOC between the Middle East and its East Coast remains its jugular. Intermediate ports in South Asia could provide possible pipeline routes to Western China, bypassing ocean choke points and could be exploited as part of an overall strategy for energy security.

China's present power availability is exacerbated by under investment in transmission facilities. The need to reorganize and expand China's power distribution system cannot be over emphasised. Efficient power use is critical, for which elimination of subsidized prices is deemed necessary.

In the final analysis Russia holds the key to China's energy security. It could reduce dependence on Middle East hydrocarbons and reduce oil flow through the vulnerable SLOC. However, its availability would depend on Russian perceptions of expanding Chinese influence in Central Asia; presently a traditional area of Russian influence.

### **Demographic Threats**

China's pension problem can be solved only if the National Social Security Fund reaches \$240 billion.

-Xiang Huaicheng President of the National Social Security Fund

China's population stands at 1.29 billion, accounting for 21 per cent of the world's total population. Its family planning (one child) policy has been implemented since the end of the 1970s and has led to a reduction of 300 million births during the last thirty years<sup>61</sup>. The birthrate continues to decline and fertility rate has fallen dramatically, from 6 children per female to 1.7<sup>62</sup>. As a result of this birth-control policy, demographics have now changed from a "high birth-low death rate" to a "low birth-low death rate" leading to low growth. This transformation has also led to anomalies in the demographic structure, ie, an ageing population and an adverse sex ratio. Both adversely affect Chinese society and the economy and could pose significant challenges in the future.

### **The Ageing Population**

China has become the country with the fastest ageing population in the world. Currently China has more than 130 million citizens above 60 years of age, more than 10 per cent of the total population. By 2045 senior citizens in China will exceed 320 million, ie, 23 per cent of the total geriatric population<sup>63</sup>. Increased longevity (71.4 years) has contributed to this growing 'white tide'. This has put mounting pressure on China's pension system. Pension payment at present is drawn from the current year's income. The success of this strategy relies on a relatively young population structure. Because of China's one-child policy there will be fewer new workers under its so-called '4,2,1' population structure—four grandparents, two parents and one child. Thus, China will not have a sufficiently

large young workforce to pay social benefits to retirees in the near future. The Chinese government has also had to inject significant fiscal subsidies to pay retirees from bankrupt SOEs. While a system of individual contribution for pensions has now begun, these revenues are presently being utilized to pay current pensioners. China's pension fund is therefore deeply in deficit. The current annual deficit is around \$ 20 billion. The accumulated deficit will reach \$ 110 billion by 2010. China has set up a National Social Security Fund in 2002, with assets presently amounting to \$ 17.3 billion. The president of the National Council of the Society Fund (NCSSF) has said that China's fund requires \$ 240 billion. To ensure this China intends to transfer more than \$ 1.4 trillion, (nearly one-tenth of China's State assets), to the Social Security Fund within five years.

## **Gender Imbalance**

According to the fifth national census conducted in 2000, the sex ratio of newborn children is 117:100, much higher than the normal level of between 103 to 107 males to every 100 females. In some provinces, the sex ratio is now 130:100. The one-child policy combined with Chinese preference for male heirs have played a major part in this disparity. Abortion of female foetuses aided by sex determination tests is common. Such disparities have led to significant social problems. It is estimated that by year 2020, 40 to 50 million Chinese males will not be able to find wives, causing what demographers term a "marriage squeeze." Many Chinese sociologists are already referring to the surplus males as *guang gun* (bare branches)<sup>64</sup>. It is feared this unbalance will lead to casual sex and human trafficking. This could lead to further spread of the AIDS epidemic and pose a significant threat to China's economic growth.

## **Uncertain Labour Force**

To stay competitive China must continuously retrain its labour to become more productive. The effect of this productivity is to substantially reduce the new jobs generated<sup>65</sup>. Between 1998 and 2002, despite an annual GDP growth of 7.8 per cent the annual increase in employment was just 1 per cent. While official urban unemployment has risen from 3 per cent to 4 per cent when allowance is made for rural unemployment 'disguised' as 'unregistered' urban unemployment, China's actual unemployment rate is an estimated 23 per cent. The resultant stresses on society are significant and pose a serious challenge to economic and social stability.

## HIV/Aids

Long dismissed by Chinese officials as a western problem, it gained the serious attention of Beijing after 2000. In the UN General Assembly in June 2001 the Chinese health minister announced that China had 600,000 cases of HIV/AIDS. He also warned that the disease was increasing by 30 per cent per year and infection could reach 10 million by 2010, making China the world's most infected country<sup>66</sup>. Yunan and Henan provinces are the hardest hit with infection being transmitted due to multiple IV needle use either by drug users or during illegal sale of blood. Heterosexual sex has also emerged as a major cause amongst the 140 million floating population of workers. The age bracket of this work force makes them especially vulnerable. Poor education and their lack of a permanent address make sex education and a follow-up programme difficult. If the epidemic is not addressed on a war footing this could significantly change the demography of China with serious repercussions on the economy.

## Conclusion

China has grasped the *demographic bonus* for development over the last two decades. This has provided the necessary entry-level manpower for the industry. However, demographics will start to turn adverse in the near future and China will need to rethink its economic strategy, if it is to retain its economic edge despite an older work force. China is now trying to transcend the gap between low-end manufacturing and knowledge based economy. The Government invested in better education and health care and hopes that this will help China to work its way through the age structure. However there is thus still a long way to go, before trained labour in sufficient numbers and quality is available for the transformation.

China still lacks a social security network and two-thirds of people aged over 66 in China live with their children. The nascent National Social Security Fund would need to be built up to \$ 1.4 trillion if it were to meet the challenge of catering to the large graying population.

## Environmental Threat

There is enough on this planet for everyone's needs but not for everyone's greed

-UN Conference for Environment and Development, at Rio de Janeiro

## General

China's spectacular economic development, coupled with a weak enforcement apparatus for environmental protection, has adversely impacted the environment.

This has far-reaching economic and social implications. Pollution in China costs the nation 8- 12 per cent of GDP ie, at least \$47 billion<sup>67</sup>. This is likely to increase in the coming years.

### **Air Pollution**

China's overwhelming reliance on coal for 75 per cent of its energy needs has made its air quality among the worst in the world. The World Bank has reported that 16 of the 20 most polluted cities are in China, and two-thirds of Chinese cities tested failed to achieve atmospheric standards set by the WHO<sup>68</sup>. China would require \$40 billion to meet air quality standards in 46 key cities.<sup>69</sup> China's dramatic growth in automobiles poses the greatest future threat to China's air quality. All this will cause the largest growth in carbon dioxide emissions between now and 2025. China needs to act quickly as serious deterioration of air quality seems inevitable. Already 30 per cent of China suffers the consequences of acid rain and respiratory diseases are rampant causing 300,000 deaths<sup>70</sup> a year. Conversion to gas seems the short term answer. However, given the importance of coal to China's energy needs, introduction of clean coal technologies like coal liquefaction and coal bed methane seem the only way ahead.

### **Water Scarcity and Pollution**

The most serious environmental challenge China confronts, however, is access to water. This stems from both growing demand and rapidly increasing levels of pollution. The country's annual per capita water supply is 25 per cent of the global average and is expected to fall to below 1700 cubic metres, (the World Bank's definition of a water scarce country). Water demand is expected to jump from 120 billion tons to 400 billion tons annually. Of the 640 major cities in China, more than 300 face water shortages, with 100 facing severe scarcities<sup>71</sup>. The search for water has led to overpumping of groundwater along much of China's coast, where saltwater intrusion is on the rise. Water pollution poses an equally serious problem. Approximately 700 million people drink contaminated water. More than 75 per cent of water flowing through China's urban areas is considered unsuitable for drinking or fishing. Industrial waste and agricultural runoff are also severe problems.

### **Land Pollution**

Unregulated economic development has contributed to the devastation of China's forests leading to biodiversity loss, soil erosion, and cause severe flooding

that China now experiences on an annual basis. Deforestation and overgrazing has contributed to the rapid desertification of China's north and west. China is now more than 25 per cent desert, and desertification is advancing at roughly 1300 sq. miles annually. Farmland has declined by 20 per cent and unless checked will severely degrade China's ability to feed its population.

## **International Ramifications**

Dust clouds travel frequently to Japan and Korea and have even affected the U.S.<sup>72</sup>. Chinese pollution of the Amur River has drawn sharp criticism from Russian environmentalists<sup>73</sup>. These could erupt into major disputes in the coming years.

## **Conclusion**

The Chinese government has gambled that economic growth will outpace environmental degradation. Development has however come at an unacceptable cost. Adverse impact on economy and agriculture are evident. Extensive migration, widespread health problems, and social unrest have also emerged. Communities along China's major river systems report increasing rates of cancer, tumors, stunted growth, spontaneous abortion and diminished IQs due to the high level of contaminants in the soil and water. China must now settle ten million migrants who are forced to move in search of arable land and access to water<sup>74</sup>. By 2020, Chinese analysts estimate that it will have to accommodate 20-30 million environmental refugees. This is likely to foment social unrest. Water pollution issues could also spark disputes with Central Asian Republics and Russia. Environmental issues therefore constitute a time bomb that must be diffused if China is to continue its progress.

## **Conclusions**

### **General**

Externally China faces no major threat and the general consensus is that it will attain regional dominance in East Asia and become a power in a future multipolar world. However, a number of internal threats remain, which have the potential to slow its progress towards great power status, which if not addressed could even stunt its growth.

### **External Threats**

The greatest external threat is the U.S. Washington's current National Security Strategy sees a decade of opportunity for the U.S. to achieve permanent security dominance before China will be able to block such an effort. Its current engagement with India and its security partners Japan and Korea seem aimed at reducing Chinese

power in Asia. China is presently unable to respond as its economic rise is directly related to actions of the U.S. The NMD programme also has the potential to seriously degrade China's nuclear second strike capability. A dispute with Russia over dominance in the Central Asian Region also seems a possibility in the mid-term.

## **Economy**

Economic progress has come at a price. The unfortunate economic fissure between China's East and its interior has left the country divided and open to widespread migration. More than 40 per cent of China's population now lives in cities or towns, and one additional per cent makes the move every year.

Restructuring of State Banks and SOEs are the heart of economic reforms. Restructuring of unprofitable SOEs has led to large-scale unemployment and consequent protests. China has therefore slowed down SOE reforms, as it cannot afford internal dissent. Poor fiscal practices have made state banks China's biggest liability. Some estimates have put the amount of "bad" loans in the system as high as \$800 billion (China's GDP is close to \$1.6 trillion). While this number may be inflated, the actual amount is certainly enough to cause great damage to China's economy. As part of joining the WTO, China must open its banking sector to foreign competition by 2007. When this happens, it is likely that major accounts will move to newly introduced banks. Though it is unlikely that Beijing will allow its state banks to be undermined by the coming competition; NPAs will continue to be a major drain on Beijing's finances.

Cheap loans from poorly managed state banks have also created artificially high urban land prices. Consequences of a correction could be similar to the Japanese land price crash. After a decade, Japanese banks are still mired in staggering debt.

## **Environmental Threat**

China's pollution and environmental degradation is transforming the landscape in China resulting in waves of internal migration, widespread health problems, and social unrest. A World Bank report has indicated that SARS was most potent in areas of high air pollution. China must also now settle over ten million environmental refugees who are forced to move in search of arable land and adequate water. This is likely to foment social unrest. Water pollution issues could also spark disputes with Central Asian Republics and Russia. Environmental destruction caused by the centrally planned market economy, may therefore cap China's economy before it reaches its full maturation.

## Energy

While energy security is at the center of its foreign policy, China's progress at tackling energy problems is slow. China continues to struggle with energy efficiency and it requires twice the amount of oil in comparison to other industrialised Asian countries to produce a unit of GDP. Energy production is heavily reliant on domestic coal (75 per cent of the energy production comes from coal-burning plants) which only exacerbates its environmental problems. Its present diversification drive will only marginally improve the situation and coal is likely to remain the dominant fuel. Its overdependence on Middle East crude and its limited ability to process sour crude is also disturbing. Notwithstanding its 'String of Pearls strategy' its SLOC from the Middle East to China remains a jugular vulnerable to U.S. action. These do not portend well for the future.

## Food Security

Diminishing water and land resources with environmental degradation have already made China a net importer of grain. With demand for food likely to double by 2050, China would need to upgrade agricultural technology to ensure a modicum of security. WTO accession has made growing of grain non-remunerative and subsidies have become essential. China clearly has no option but continue importing grain. As all major grain exporters belong to Western alliances, food security remains a major problem for China's future.

## Water Security

The present water situation in China is critical. The northern region is drying up, making the South-North transfer of water a political and economic necessity. Excessive groundwater use and endemic water pollution are some other issues of national concern causing serious economic losses. It is estimated shortages would increase with each passing year and are likely to cause internal unrest and disputes with lower riparian states in the future.

## Demography

China's one child policy has created a society with fewer workers than necessary to cater for a rapidly graying population. The rise in AIDS has further fuelled the imbalance. In order to maintain social cohesion, Beijing will be forced to spend a greater percentage on caring for retirees than earlier. Societal predisposition for male children has also led to an adverse sex ratio which could lead to no marriage prospects for a significant number of men. This could prove to be a destabilizing factor if disaffected young men direct their anger toward the state.

## **Concluding Remarks**

### **External Threats**

Much of China's external and internal power is derived from its rapidly expanding economy. Should China's economy begin to sputter, this power could rapidly decline. China is presently dependent on the U.S. market for its economic progress and therefore cannot respond suitably to U.S. actions to reduce its power. While estimates say that Chinese economic strength would be adequate by 2020, to U.S. respond actions; this may be too late. Russia remains a wild card. As both desire dominance in Central Asia the possibility of a standoff cannot be discounted.

### **Internal Threats**

Food, water, economy, energy, demographics and environment are threats that have been elucidated. All have the potential of fostering internal unrest. In fact most have already led to mass migrations, management of which is a major problem. An analysis indicates that adequate funds and diplomacy can provide a solution to most issues. However, water, adverse demographics and environmental issues defy a solution. In fact, many analysts have identified environment as the most significant threat and feel that this may cause a significant reduction in economic potential. Some analysts even say that this may cause China's economy to shrink even before it gets rich.

There were 60,000 protests in 2003 and these are increasing 17 per cent annually for the past decade. While this could be viewed as an opening of China's political system it also indicates the public anger against social changes due to the reform process. These could therefore, be a precursor of what China fears most – internal instability.

The message seems stark and clear; internal threats will cause a deceleration in China's economy. The extent of damage will depend on China's ability to undertake needed reforms. As these reforms have a direct bearing on internal stability, China is unlikely to undertake these changes in the short-term. The Chinese Government's propensity to accord greater importance to economic progresses vis-a-vis the environment would cause increasing problems in the long-term. It is therefore clear that internal threats will slow her current progress and if unaddressed will relegate her to the position of a status quo power.

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# MARITIME DIMENSION OF ASIAN SECURITY

By

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## *Synopsis*

*The maritime dimensions of Security environment of Southern Asia in the 21<sup>st</sup> century are influenced by several factors : trans-nationalisation of ideological conflicts, ethno-nationalism, religio-political radicalism, narco terrorism and corruption. Weapons of Mass Destruction continue to overwhelm security issues. Similarly, highly powerful and lethal weaponry is now available to a large number of non-state actors. Further, the Soviet withdrawal from Afghanistan has had a profound effect with the unleashing of mercenaries in India and South Asia. There are reports of clandestine ISI-backed Taliban ulemmas operating in Aceh and the Phillipines. As a result, the nature of conflict is undergoing change from being interstate to being intra state but with far reaching ramifications on the stability, security and peace in the region.*

*The security environment can be assumed to be made of three concentric circles. At the core of this concept are the member states of ASEAN (ie. Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Phillipines, Singapore, Thailand and Vietnam) affected by numerous 'fault lines' that are regional as well as extra-regional. The intermediate circle denotes the major powers of the Southern Asian region, the outer circle denotes the global playing field mainly influenced by USA.*

*There are several fault lines in the region which have the potential to lead to interstate and intra state conflicts. In recent years high seas piracy has made a dramatic return, most notably in the Indonesian Sea Lanes in South East Asia. International laws such as the United Nations Convention on the Laws of the Seas (UNCLOS) 111, 1982 codifies international law on piracy. However, international laws are inadequate to deal with piracy on the high seas. The International Maritime Organisation is also addressing this problem.*

*Rapid economic growth in China, India and other countries of South East Asia requires energy security. The region's oil dependency through oil imports is likely to rise. Uncertainty over future supplies could prompt maritime conflict with security of Malacca Straits and the sea lanes of South China Sea being a major fault line.*

*Intra – ASEAN territorial disputes exist among Brunei, China, Malaysia, the Phillipines, Taiwan and Vietnam over part or all of Spratly Islands, Sipadan and Ligatan Islands and the Pedra Branca Islands. Economics of potential gas, oil, fish and mineral resources is also a driving factor as are nationalism and national security.*

*ASEAN and ASEAN Regional Forum are the first institutionalized mechanisms to address the issues of peace, development, stability and security of the region. A review of ASEAN and ARF need to balance the success and limitations of both the organizations together. There has been an absence of interstate conflict in ASEAN which may be attributed to its approach wherein achieving consent (Musyawarah) and consensus (Mufakat) among members is paramount. The ARF on its part has managed to sustain and increase its points of contact and membership although it has not been able to play any significant part in specific conflicts such as the East Timor crisis.*

*The Proliferation Security Initiative (PSI) was proposed by the U.S. to combat the proliferation of WMD and their means of delivery. However, some significant members of ASEAN are averse to joining PSI as they consider any US-led initiative to be overbearing on the region's sovereignty; the majority of states within this region are seeking international legitimacy through United Nations sponsored or authorized activities.*

*The author has suggested a regional community comprising members of ASEAN, China, India, Japan and the U.S. to counter piracy, proliferation of small arms, drugs and weapons of mass destruction.*

*Co-operative security mechanisms could be a possible solution for conflict prevention. Key elements of such a community could consist of the Regional Risk Reduction Centre, and early warning capability, creation of a Rapid Reaction Force and other solutions, all legitimised under existing provisions of the UN charter.*

*India and China also need to remain engaged. India on its part needs to not only 'Look East' but also 'Act East'. Similarly, China needs to find a balance between economic pluralism and political centralism.*

# CHAPTER I INTRODUCTION

## Stage Setting

We may as well start with the question, why did I pick on the term ‘Southern’ rather than the more conventional South East Asia or Asia Pacific? None of the countries of Asia-Pacific formulate their security policies to play a global role.<sup>1</sup> The broader, more inclusive definition of the term includes North East Asia, South East Asia, the Indian subcontinent as well as the U.S.<sup>2</sup> Further, the Soviet withdrawal from Afghanistan has had a profound effect. The unleashing of the mercenaries in India and the Asia Pacific needs to be taken into account. There are already reports of clandestine ISI backed Taliban ulemmas operating in Indonesia in Aceh<sup>3</sup> and the Philippines.

Further, four major powers—China, Japan, Russia and the U.S.—are located here. Just as the 19th century was said to have belonged to Britain and the 20th century to the U.S., the 21st century is said to belong to the Asia Pacific.

It is for this reason that the security perceptions of the region need to be compassed in a broader concept of ‘Southern Asia’. The security environment in

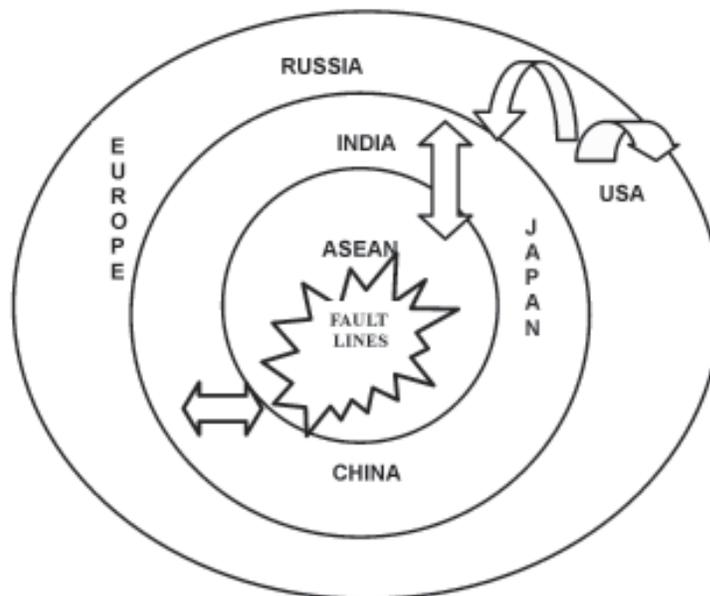


Figure 1

such a broad framework can be assumed to be made of three concentric circles as shown in Figure 1. At the core of this concept are the member states of ASEAN (i.e. Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) affected by numerous 'fault lines' that are regional as well as extra regional. The intermediate circle denotes the major powers of the Southern Asian region, while the outer circle denotes the global playing field mainly influenced by USA.

**Note:**

- (i) Two headed arrows denote inter-se linkages between the three circles.
- (ii) The uncertain/fledgling policies of the U.S. administration with respect to the region are denoted by the curved arrows.

**Source:** Anand Iyer 2001

Europe also requires a working definition. It is those European States that execute their foreign, security and defence policies through the European Union (EU), Western European Union (WEU) and NATO i.e. the west European states as they existed before the end of the Cold War.<sup>4</sup> The region is not only vast but also complex. There are many inter-linkages and as many dimensions of security in the region that, only temporal contextualisation is possible.<sup>5</sup>

**Fault Lines**

Since the last decade of the 20th century economic growth, technology, information, culture and security issues have intermingled and have largely become internationalised.<sup>6</sup> The region is caught up in two revolutions: a revolution of rising expectations and information and communication revolution and globalisation.<sup>7</sup>

The rising expectations are manifesting into political instability due to the trans-nationalisation of ideological conflicts, ethno-nationalism, religio-political radicalism, narco-terrorism and corruption. Weapons of Mass Destruction continue to overwhelm security issues. Similarly, highly powerful and lethal weaponry though classified as 'small arms' is now available to a large number of non-state actors. As a result, the nature of conflict is undergoing change from being interstate to being intra state but, with far reaching ramifications on the stability, security and peace in the region.

Probably, the strongest ‘fault line’ in the region is related to maritime boundaries.<sup>8</sup> There are conflicting and overlapping claims because of seabed resources, likely gas reserves etc. Lack of control over the instruments of law enforcement is resulting in rampant increase in cases of piracy and is directly threatening the right to safe navigation at sea.

### **Balance of Power/Regional Powers**

The U.S. remains the only superpower in the region but, whatever the future strength of its presence and commitment; there are increasing capabilities of other major Asian powers – Japan, China and over the longer term India.<sup>9</sup> There is also the possibility of Russia re-engaging in the region in strategic terms at some future time. Europe maintains large investments in the region and also has linkages from the colonial past. In this scenario, unilateral U.S. actions are unlikely. USA may rather increasingly rely on coalition mechanisms in which it will be ‘a’ leader but not ‘the’ leader.

ASEAN, which emerged as an organisation in 1967, is primarily guided by the idea of ZOPFAN – Zone of Peace, Freedom and Neutrality, 1971 and the declaration of Amity and Co-operation in SE Asia, 1976. Notwithstanding, ASEAN has a major role in stunting hegemonistic overtures of any particular power in the region and assist in co-operatively enhancing the security and economic situation in the region. The ASEAN Regional Forum (ARF) which started in 1994 is a significant step for regional states to discuss security issues.

India is presently in her third ‘incarnation’<sup>10</sup> and has revived its ‘Look East’ policy. India’s first incarnation as an Asian power started with the inaugural Afro-Asian conference that Delhi hosted just prior to independence in March 1947. In his inaugural address to the conference, Mr Jawaharlal Nehru had said that the time had come “for us, the people of Asia, to meet together, to hold together and advance together”.<sup>11</sup> Nehru has even been credited with initiating an ‘Asian Monroe Doctrine’. Events in Asia-Pacific continue to have security implications for India. It is for these reasons; that India alongside ASEAN has a crucial role to play in the security apparatus within the region.

### **Conflict Resolution**

It is more important for people in the region to prevent conflict than resolve or manage it. People in this region are highly committed to protecting ‘social face’ and avoid open, assertive ways of handling frustrations and problems. Given their

sensitivity to 'face' they seek harmony through a process of 'Musyawarah' and 'Mufakat'.<sup>12</sup> The concept is guided by two fundamental considerations: social harmony and hierarchy where behavioural codes reflect the established values. At times, 'conflict over how to manage conflict' is a central part of doing business in Asia Pacific.<sup>13</sup> On the contrary, the western powers prefer to use Lederach's Integrated Nested Paradigm<sup>14</sup> based on Curle's matrix.<sup>15</sup> In so doing, they prefer to directly confront the issues and hammer out solutions in a 'win-lose' syndrome. ASEAN and ARF, along with India may have crucial roles to play in conflict prevention through the process of multilateralism or through a co-operative security mechanism. A security community may also be thought of within Southern Asia.<sup>16</sup>

### **Scope of Thesis**

This thesis attempts to consolidate numerous views and analyses put forth by a large number of strategists. However, most of the literature is based, explicitly or implicitly, on the patterns of European and Cold War history. So convinced are some commentators that their conclusions tend to bring out that 'Europe's past could be Asia's future'.<sup>17</sup> Further, the sheer dynamism of the region tends to outdate this literature. This dynamism also compelled the author to restrict the research up to end July 2006. Therefore, at the time of submission, there may be some issues that have been overtaken by events. Similarly, the dissertation takes into account events and issues that are more relevant since the Asian Financial Crisis.

### **Aim**

The aim of this dissertation therefore, is to examine the maritime dimensions of security environment of 'Southern Asia' in the 21st century and to consider possible conflict resolution methods in the region.

### **Structure**

The dissertation is divided into six main chapters, which are primarily issue based. Also for the same reason, the author finds it necessary to conclude each of the main chapters :

Chapter II deals mainly with various 'fault lines', their implication on the security of the region and the likely challenges ahead.

Chapter III briefly traces the origins of ASEAN and ARF and examines their relations with major powers in the region.

Chapter IV enunciates the U.S. led Proliferation Security Initiatives.

Chapter V theorises conflict prevention and examines applicability of the theories to various fault lines. It also examines the possible role that India could play in the region.

Chapter VI summarises the thesis with specific suggestions for ensuring stability and peace in the region through cooperative security mechanisms.

## *CHAPTER II*

### **WHERE DO FAULT LINES FALL?**

This chapter uses the concept of battle lines<sup>18</sup> to describe range of potential interstate and intra state conflicts that could occur in the region under review. There are approximately three dozen fault lines in the region; one third of them relate to maritime disputes and it may not be possible to cover all. The author has therefore, included only those that are significant in his view.

#### **Maritime Order and Piracy**

In recent years, old fashioned high seas' piracy has made a dramatic return, most notably in South East Asia. More than 2/3 rd of such attacks occur in Asian waters; with most taking place in Indonesian Sea Lanes.<sup>19</sup> With 90 per cent of world trade moving by sea and 33 per cent of all shipping moving through the SE Asian waters, this rise in piracy poses significant challenges for the region and world commerce. Over 600 vessels a day, many of them oil tankers and cargo ships pass through the Malacca Strait and the South China Sea.

Pirates in this region range from opportunistic fishermen, common criminals, ex members of the armed forces to sophisticated crime syndicates. Corruption amongst poorly paid maritime officials is also a factor, as pirates appear to be well-informed about ship movement and cargo.<sup>20</sup>

The pirates are also becoming increasingly violent and their tactics have been known to vary from marooning the crew to bludgeoning them and deserting the ships. There is also an environmental dimension. In one incident in 1992, pirates attacked an Egyptian oil tanker MV Valiant Carrier, locked the crew and abandoned the ship. The ship remained 'Not Under Command' till one of the crew escaped and managed to avert collision and consequent ecological and environmental disaster.<sup>21</sup> Since September 2001 attacks in USA, there is a growing fear of a terrorist – pirate nexus developing into a major fault line in the region. By far the most lethal maritime terrorist incident has been the attack on a passenger ferry in

Manila by the Abu Sayyaf group in February 2004 when a bomb exploded onboard the capsizing ferry killing more than 100 people<sup>22</sup>. Though presently incidents of maritime terrorist attacks constitute only 2 per cent of all international terrorist incidents in the past three decades, recovery of diving manuals in Kandahar in Afghanistan and reports of Jemah Islamia setting up and running a diving school in southern Philippines indicate that the Jihadist groups based in Indonesia are ready to exploit the maritime domain.

Maritime security forces within the region do not have matching sophisticated radar and communication intelligence gathering equipment and high speed motorised boats and automatic weapons.

### **Inadequacy of International Laws**

The United Nations' Convention on the Laws of the Seas (UNCLOS) III, 1982 codifies international law on piracy through Articles 100 to 105. Articles 105 and 107 provide for jurisdiction over places and persons who can apprehend a pirate or property in control of pirates.<sup>23</sup> However, the fundamental principle that, 'a vessel on high seas are subject to no authority except that of the state whose flag they fly'<sup>24</sup> reduces the effectiveness of the above regulations unless the countries cooperate and collectively curb piracy outside their maritime jurisdiction. Many countries in the region are unwilling to prosecute offenders for acts of piracy committed either in international waters or other country's jurisdiction. China has come under great international pressure for not taking effective legal action as also for providing safe havens for pirates and captured vessels.<sup>25</sup>

### **International Response**

The International Maritime Organisation is responsible for addressing the problems of disorders at sea. It first addressed the problem in 1983.<sup>26</sup> From 1986 onwards the Maritime Safety Committee (MSC) of IMO has been disseminating information on the incidents of piracy to state governments and port authorities. Under a separate resolution on 'Prevention and Suppression of Acts of Piracy and Armed Robbery Against Ships', IMO urged all countries to report all incidents of piracy and make efforts to support anti-piracy in their waters.<sup>27</sup> The IMB in 1991 also set up the piracy reporting centre at Kuala Lumpur, Malaysia. The centre now sends daily satellite bulletins to mariners at sea on the reported piracy attacks. The International Chamber of Commerce (ICC) now hosts a web site which posts reports containing details of location and nature of attacks, hijacking, killing of crew, ships lost etc on its commercial crime service page.<sup>28</sup>

Concurrently, private actors have started engaging in anti-piracy activities<sup>29</sup>. One such enterprise has developed a bugging device, 'Ship Trace' to help recover ships, cargo and victims using 'Rapid Response Service'. The IMB has similarly, been working with a satellite tracking company to develop a tracking system 'Ship Lock'.<sup>30</sup>

There has been considerable debate among mariners whether to equip the crew with firearms to fight piracy. This would however, amend its status to that of a combatant or a man of war. There have also been calls for 'ship body guards' on every vessel. The suggested cost of USD 2500 per person per day however, is too daunting.<sup>31</sup> Thus, the international response has been mainly restricted to disseminating information. International law in its existing form is grossly inadequate unless bilateral/ multilateral arrangements are reached.

### **Energy Security<sup>32</sup>**

Rapid economic growth in the countries of the region which contain markets of 2.5 billion people in China, India and South East Asia is already placing heavy demands on energy. The region's oil dependency through imports is likely to rise from 70 per cent (1993 levels) to 95 per cent by 2010. China is a net importer with growth rate bordering 10 per cent. India's modest growth rate of 7-8 per cent is already leading to demands on energy that can be met only through enhanced imports of oil and gas and indigenous nuclear programme. Oil reserves in most ASEAN countries are likely to be depleted in another decade. Oil prices have already touched USD 70 per barrel. Further escalations may lead to serious retardation of growth in the region which may trigger unmanageable socio-political turbulence. Uncertainty over future supplies will remain a significant factor in prompting maritime conflict within the region with South China Sea being the touchstone. In such an environment, most of the region is looking forward to nuclear power to meet individual growing demands, but there are security concerns there too.

According to International Atomic Energy Agency (IAEA) there are 440 Nuclear Power Plants(NPP) in 30 countries with total generating capacity of 338 giga watt contributing around 16 per cent of world's annual electricity output.<sup>33</sup>

Japan and South Korea have 17.5 per cent share of the world's capacity while India and Pakistan constitute only 0.9 per cent, though India plans a ten-fold increase by 2020. China's plan calls for a six-fold increase of 17 per cent between 2005-2020.<sup>34</sup> Countries within ASEAN as yet do not have any NPP but,

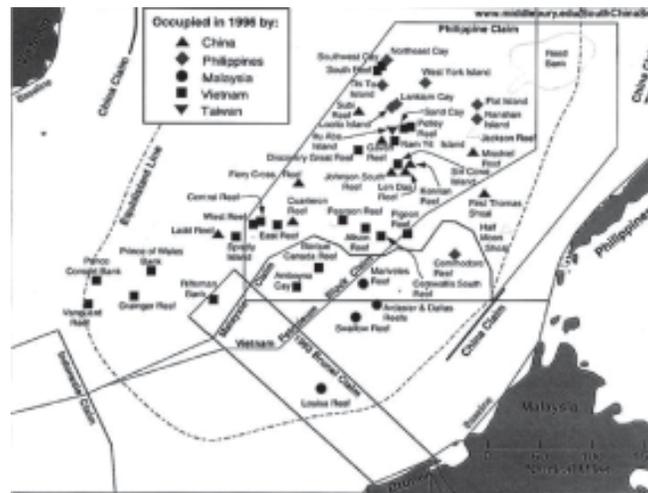
announcements by Indonesia and Vietnam to operate NPPs by 2015-17 suggest that the advent of nuclear power in SE Asia may precede ASEAN's vision for an integrated community by 2020.

Not all countries of the region have the requisite resource endowments and technological capabilities. More importantly, it is at odds with the US anti-proliferation crusade. Further, supply of basic fuel is not entirely market driven and is subject to political considerations. The safety issues not only require technological solutions but require ensuring safety and security from non-state actors and organised crime syndicates operating in the region in collusion with international terrorist organisations. Any failure on this account could be disastrous and catastrophic.

### Maritime Boundary Disputes

The ASEAN maritime orientation has seen an incremental rise driven by uncertainty over future energy supplies and disputes over the Spratly Islands in the South China Sea,<sup>35</sup> absence of land based threats i.e. armed communist and separatist insurgencies in Thailand, Malaysia and Philippines,<sup>36</sup> the 200 mile EEZ guaranteed by UNCLOS III which has resulted in the protection of marine resources and expanded maritime jurisdiction. Externally, war on terror and piracy/drug trafficking/narcotics and small arm smuggling etc are being cited as the reasons for the arms build-up.

Figure 2



The Spratly features, their occupants as of 1996, and jurisdictional claims. China has placed markers on features with open triangles, but does not occupy them

Territorial dispute exists among Brunei, China, Malaysia, Philippines, Taiwan and Vietnam over part or all of Spratly Islands (Figure 2), Sipadan and Ligitan Islands and the Pedra Branca Islands.<sup>37</sup> Economics of potential gas, oil, fish and mineral resources is clearly another common driving factor. Nationalism and national security are yet other key driving factors. The proximity of Spratly to the South China Sea lanes adds an important strategic and international dimension to the dispute. A desire to obtain foothold along the strategic waterway or the perceived need to prevent others from doing so provides additional incentive to stake claims in this area. Military action by one or more claimants would have a much broader political/security consequence. Particular attention needs to be paid to the Chinese initiated conflict, given the fact that Chinese legislature enacted a law in 1992 on 'Territorial Waters and Contiguous Zone' which specifically authorises use of force in defending and enforcing China's claims over all island territories in South China Sea.<sup>38</sup>

## **Islamic Fundamentalism**

### **Post-September 11, 2001**

Since September 2001, South East Asia has been termed by some analysts as the 'second front' in the global war on terror<sup>39</sup> because of the belief that al-Qaeda elements have shifted their attention to SE Asia. There are however, variations in the nature and objectives of terrorist groups ranging from those seeking to punish rival ethnic groups as in the case of Indonesia to groups that challenge governments which they view as corrupt, undemocratic and in many cases subservient to the West. Then there are separatist movements e.g. the Moro Islamic Liberation Front (MILF) and Abu Sayyaf in southern Philippines. Finally, some terrorist groups are seeking to establish a pan-Islamic state e.g. the Jemaah Islamia (JI). The JI is the most important regional terror network in South East Asia. To further its regional networking, the JI set up the Rabitatul Mujaihideen comprising the JI, representatives of MILF, groups in Aceh, Sulawesi, the Robingyas in Myanmar as well as yet unnamed group in southern Thailand.<sup>40</sup>

## **Countries As Fault Lines**

### **Indonesia**

For the past nearly a decade, Indonesia is witnessing the worst intra state 'vertical' and 'horizontal' <sup>41</sup> conflict. Vertical conflict primarily describes the secessionist movements such as in Aceh and Irian Jaya. On the other hand, ethnic

violence amongst the Muslims and Christians in Moloccu is referred to as the horizontal conflict. Violence between the natives and settlers (trans-migrasi) being witnessed in Kalimantan is yet another horizontal conflict resulting from the past policies of President Suharto.

The Armed Forces (TNI) and the police are largely discredited because of their past record of human right violations, endemic corruption and collusion with the perpetrators of crime but, are the only hope for maintaining the stability and integrity of the country. Corruption, collusion and nepotism (KKN) are also rampant in the judiciary and the banking sector.

While the political situation in Indonesia remains uncertain with increased ethno-nationalism and religio-political radicalism<sup>42</sup> which are being exploited by the Jemah Islamia, the Megawati government has restored a modicum of stability and there is no imminent prospect of a regional spillover of the domestic strife<sup>43</sup> yet balkanisation of Indonesia in a worst case situation portends serious security implications for the region.<sup>44</sup>

## **Japan**

Japan's economy has been in almost continuous recession for the past decade and a half that gives rise to three main problems for Japan, Asia and the rest of the world.

Psychologically, the Japanese have lost belief in themselves.<sup>45</sup> Economically, Japan is no longer 'pulling' the rest of Asia along. The Japanese market may still be biggest and Japan may still be a major provider of aid within the region but, its economy is a secluded economy.<sup>46</sup> According to the World Bank, gross foreign direct investment amounts to 0.9 per cent of the Gross National Product compared to China's 4.3 per cent, 5.1 per cent for USA and 38.7 per cent for U.K. India is almost on par at 0.6 per cent. Politically, Japan does not know how to cope with its own problems.<sup>47</sup>

All the above factors together and the growing nationalism may direct the nation towards a greater militaristic role. A more nationalistic and possibly militaristic Japan with nuclear capability could destabilise the whole of Asia.

## **North Korea**

North Korea carried out at least seven missile tests on 4 July 2006 including one with an ICBM range. These tests were both political posturing as well as serious military effort.<sup>48</sup> It was also sending a direct signal to its neighbours – Japan and South Korea.

North Korea also, does not develop its MRBM/IRBM range missiles in a vacuum. Reports indicate sale of missiles to Egypt, Syria, Libya, Iran and Pakistan. U.S. estimates annual turn-over to be USD one billion in arms trade. There is no way as yet to know what the latest round of tests means for technology transfer to other states.

Additionally, North Korea has combat ready forces on the borders with South Korea, long range artillery that can hit 30-40 per cent of South Korea's economy, massive stocks of chemical weapons and large number of short range missiles and rockets that may have chemical warheads. North Korea has reminded everyone of how serious a threat North Korea can be, how limited most military options are and how serious the risks of any major war would be.<sup>49</sup> Also, most American troops and bases in Southern Asia would be at a hazard.<sup>50</sup>

## **China**

China's power has been growing dramatically. Merger of Macao and Hong Kong added significantly to that power. If China does not join recognisable form of democratic polity, it is likely to be the most powerful authoritarian state in history; armed with modern nuclear weapons and long range missiles.<sup>51</sup> China along with its' modernisation of the armed forces, is concurrently engaged in proliferation of nuclear weapon and missile technology and systems in violation of its international treaty obligations.<sup>52</sup>

With Japan, China has had historical mistrust and animosity. Chinese analysts fear that Japan could once again become a military power including a quick transition to the development of nuclear weapons. In addition they fear that scope of the revised US – Japan alliance document may include Taiwan and South China Sea which would in effect mean 'containment of China'. Similarly, the proposed joint development of tactical missile defence by Japan and USA add to the Chinese concerns. Unfortunately, there is little transparency in China's policies and postures. Absence of transparency and its rapidly growing strength along with demonstrated readiness to use assertive force (missile firings across Taiwan) impose additional challenges unless China is able to reconcile its economic pluralism with political centralism.<sup>53</sup>

## **Conclusion**

From amongst the three dozen fault lines in the region if one were to summarise the most significant ones, security of the Malacca and the sea lanes of South

China Sea could be at or near the top. Intra ASEAN territorial disputes also have a major maritime dimension to the security concerns in the region. In addition, proliferation of weapons of mass destruction, drugs and small arms and the close nexus of the perpetrators of these crimes with the terrorist networks could well be the touchstone in the coming decades. These are significant because sensitivities and sense of sovereignty of regional as well as extra regional players are involved and need to be taken into account for any meaningful conflict prevention mechanisms to be adopted. There are also country specific fault lines particularly with respect to the future postures that China, Japan and North Korea adopt. In this context therefore, it is necessary to examine the evolution of ASEAN and ASEAN Regional Forum which have been the first ever institutionalised mechanisms to address the issues of peace, development, stability and security of the region.

### *CHAPTER III* **ASEAN, ASEAN REGIONAL FORUM AND SECURITY**

#### **ASEAN**

History of the Association of South East Asian Nations is a saga of nearly 40 years of evolution of ‘institutionalism’.<sup>54</sup> The creation of ASEAN was to keep communism out of the region. President Eisenhower’s ‘domino theory’ also emerged around the same period (1954).<sup>55</sup> The South East Asia Treaty Organisation (SEATO) was thus established by the Manila Pact of 1954 and was signed by eight countries<sup>56</sup> ; all extra regional barring Thailand and the Philippines. This chapter studies the evolution of ASEAN and ASEAN Regional Forum (ARF), their relations with various major powers and examines if these organisations have been able to address the various fault lines highlighted in the previous chapter.

In August 1961, the Association of South East Asia (ASA) was established by Thailand, Malaya and the Philippines with a South East Asian common market as its eventual goal. But, its limited membership also limited its scope and visibility. Burma (Myanmar) chose to adopt an isolationist foreign policy and Indonesia was suspicious of the western presence in the region.<sup>57</sup> In the interim, India put forward the idea of creation of a Council of Asia<sup>58</sup> but, India gave no further details. MAPHILINDO was thus formed in 1963<sup>59</sup> in an attempt to unify the Malay people and oppose Chinese designs.<sup>60</sup> However, intra regional bickering between Indonesia and newly formed Malaysia on one hand, and between Malaysia and the Philippines (over Sabah) on the other brought this organisation to an end.

ASEAN was launched as a result of the Bangkok Declaration<sup>61</sup> issued by the leaders of Indonesia, Malaysia, Philippines, Singapore and Thailand in 1967. The Bangkok Declaration laid emphasis on economic, social and cultural co-operation. Any reference to political or military co-operation was conspicuous by its absence. As the then Malaysian Prime Minister Datuk Hussein Onn said at Bali, 'ASEAN is not, nor should be a security organisation

..... ASEAN remains non-ideological, non-military, non-antagonistic'.<sup>62</sup> Such interpretation made some thinkers opine that ASEAN was a product of the Cold War and security objectives were very much part of its agenda.<sup>63</sup> It was during the Cambodian crisis, that ASEAN emerged as a true political entity with enormous clout.<sup>64</sup>

The Sino-American rapprochement in 1971 jolted the organisation into forming the Zone of Peace, Freedom and Neutrality (ZOPFAN). Highlights of the Kuala Lumpur Declaration<sup>65</sup> were mainly centred on regional co-operation in economic, social and cultural fields; upholding the UN objectives with regards sovereignty, territorial integrity, use or threat of use of force, equal rights, peaceful coexistence etc. The most prominent amongst these were related to the establishment of a nuclear free zone and neutralisation of South East Asia. The ASEAN Summit in Bangkok on 15 December 1995 saw the emergence of Treaty on the Southeast Asia Nuclear Weapon-Free Zone (SEANWFZ). The SEANWFZ treaty came into force on 27 March 1997. ASEAN has put in place the SEANWFZ Commission and the Executive Committee of the commission to oversee implementation of the treaty's provisions and ensure compliance with them.<sup>66</sup>

On the economic front, there already existed informal or semi- or unofficial bodies such as the Pacific Basin Economic Development (PBED) and the Pacific Economic Co-operation Council (PECC). It was only in 1989 that, concrete proposals to create a regional economic organisation in the form of Asia Pacific Economic Co-operation (APEC) was undertaken with a goal to promote trade and economic development among the member states. This was a gathering among ASEAN and its dialogue partners, which were then Australia, Canada, the European Union, Japan, New Zealand and the United States. Four more countries have since joined the ASEAN dialogue system: China (1996), India (1996), the Republic of Korea (1991) and Russia (1996). The United Nations Development Programme (1977) is the only dialogue partner that is not a sovereign state.

Initially ASEAN countries were apprehensive about APEC because it was strongly believed that US wanted to use APEC mechanism to address some of the political/security problems. There was also distinct possibility of APEC undermining or shadowing ASEAN itself.<sup>67</sup> Thus, it was APEC that led the way for the creation of the ASEAN Regional Forum.

### **ASEAN Regional Forum (ARF)**

After the end of the Cold War ASEAN stood firm on the question of democracy and human rights in Myanmar despite concerted pressures from the European Union, Australia and the U.S. ASEAN had come of age with its own separate identity devoid of overwhelming U.S. dominance.<sup>68</sup> The other multilateral initiatives that led to the creation of ARF date back to the post-World War II period, namely the September 1951 – Australia, New Zealand, USA (ANZUS) Treaty, September 1954 – Collective Defence Pact for SE Asia (also known as the Manila Pact), February 1955 – SEATO, August 1957 – Anglo-Malaysian Defence Agreement that was later joined by Australia and New Zealand in 1959 and which expanded to include Singapore and be renamed as the Five Power Defence Arrangement (FPDA).<sup>69</sup> One crucial factor that contributed to the creation of ARF was the American support without which the idea would have been inconceivable.<sup>70</sup> The Treaty of Amity and Co-operation in South East Asia signed in 1976 and the initiation of the Post Ministerial Conference (ASEAN-PMC)<sup>71</sup> which was consolidated in the early 1980s were additional efforts to address the regional security issues. The Australian Foreign Minister, Gareth Evans, proposed a ‘Conference on Security and Co-operation in Asia (CSCA)’ during the 1990 Jakarta ASEAN Ministerial Meeting (AMM) modelled on the lines of Conference for Security and Co-operation for Europe (CSCE).<sup>72</sup> Japanese foreign minister Nakayama in July 1991 also made a proposal for security discussions in an enhanced PMC.<sup>73</sup> The first security dialogue was held at the Manila AMM in July 1992 and it produced the Declaration on the South China Sea.<sup>74</sup> The ASEAN-ISIS had also proposed a Senior Officials’ Meeting (SOM). First meeting was held in Singapore in May 1993. Later that year, the Singapore AMM in July 1993 decided to christen the security component of the PMC as the Regional Forum.<sup>75</sup>

Initially, Forum participants included the ASEAN members, the other Southeast Asian states that were not yet ASEAN members, ASEAN’s then seven dialogue partners, Papua New Guinea, an ASEAN observer, and China and Russia, then still “consultative partners” of ASEAN. India became a participant on becoming a dialogue partner in 1996. Mongolia and the Democratic People’s

Republic of Korea were admitted in 1999 and 2000. The ARF also hoped to make significant contributions to Confidence Building and Preventive Diplomacy in the region, eventually evolving into a third stage, officially tagged as 'elaboration of approaches to conflict'.<sup>76</sup>

The establishment of ARF was thus, a result of the changed environment in the Asia-Pacific at the end of the Cold War, the organisations/ institutions working behind the official front and individual states that made important contributions and through interaction in various fora. In addition to endorsing the Treaty of Amity and Co-operation as a code of conduct governing inter state relations, a number of areas were identified for further studies such as Confidence Building Measures (CBMs), Preventive Diplomacy (PD), nuclear non-proliferation, co-operation in peace keeping, exchange of unclassified military information and maritime co-operation.<sup>77</sup>

The ARF is meant to function on ASEAN's time tested policy of 'consultation' (Musyawaraha) and 'consent' (Mufakat), proceed at a pace that would be 'comfortable for all' and adopt a gradualist approach instead of rushing things.<sup>78</sup>

ASEAN saw ARF as a means to assure the positive engagement of major powers in the region.<sup>79</sup> It may thus be prudent to examine herein, how ASEAN perceives these extra regional powers and/or dialogue partners. Such an examination implicitly establishes the linkage of the core circle with the other two concentric circles as brought out in Chapter I.

### **ASEAN Perception of Major Powers** <sup>80</sup>

**The ASEAN - U.S.** The ASEAN - U.S. summit now in its 30th year is based on the foundation of maintaining peace, security and prosperity in the overall regional architecture. The two sides have released the Joint Vision Statement on the ASEAN-U.S. Enhanced Partnership on 17 November 2005 which underlines the U.S. contribution in the evolving regional architecture and sets directions for future co-operation in regional and global context.<sup>81</sup> Co-operation in combating threats of international terrorism, information sharing, strengthening law enforcement to tackle this issue and the role of the ARF as an active forum to coordinate and enhance regional effort in co-operation on counter-terrorism and to address regional security issues, are some of the issues being addressed. The U.S. is seen as an important stabiliser in the region. The two sides are also determined to further enhance the economic relations between ASEAN and the U.S. through the negotiations on the ASEAN-U.S. Trade and Investment

Agreement (TIFA), which could lead to a future Free Trade Agreement.<sup>82</sup> APEC continues to be important in fostering economic co-operation in the region. The U.S. has also agreed to enhance co-operation to fight trans-national crime, including narcotics, trafficking in persons, illegal arms smuggling and money-laundering and supports full utilization of existing regional and international institutions, such as the International Law Enforcement Academy (ILEA) in Bangkok, the Southeast Asia Regional Centre for Counter Terrorism (SEARCCT) in Kuala Lumpur, the Jakarta Centre for Law Enforcement Cooperation (JCLEC), and the Asia Pacific Centre for Security Studies (APCSS) in Hawaii to effectively co-operate in combating terrorism and trans-national crime.

The downside to this relationship however, is that ASEAN has begun to see with an increasing suspicion, the U.S. attempt to impose its own political ideals (idea of democracy), economic (through WTO and other international economic institutions) and human rights agendas on the rest of the world. It is seen as the 'most benign' hegemon in the region. Differences have also arisen between ASEAN and the US over the issue of leadership and nature of ARF. Security of Malacca and presence of extra regional forces in the straits has been another point of discord. Despite their strong pro-American bias and convergence of interests, they want both these issues to be ASEAN-led and retaining its unique 'ASEAN Way'. In that sense, ASEAN would not like to play a second fiddle to any major power – whether China or the U.S.

**ASEAN – China.**<sup>83</sup> The relationship between ASEAN and China has seen rapid, comprehensive and in-depth growth and ASEAN and China have become important partners of co-operation. Politically, the two sides respect each other's sovereignty and territorial integrity and their independent choice of development path. China has signed political documents separately with the ten ASEAN countries for development of bilateral relations in the 21<sup>st</sup> century. In October 2003, China acceded to the Treaty of Amity and Co-operation in Southeast Asia. Economically, the two sides have strengthened co-operation in five priority areas: agriculture, information and telecommunications, human resources development, two-way investment and the Mekong River Basin development. In 2002, the two sides launched the process for an ASEAN-China Free Trade Area. On security matters, they have signed the Declaration on the Conduct of Parties in the South China Sea. In regional and international affairs, ASEAN and China have joined hands in promoting the development of the ASEAN plus Three co-operation, ASEAN Regional Forum (ARF), Asia Co-operation Dialogue (ACD), Asia-Pacific Economic Co-operation (APEC), Asia-Europe Meeting (ASEM), Forum for East

Asia-Latin America Co-operation (FEALAC) and other regional and trans-regional cooperation mechanisms.

Concurrently however, ASEAN regards China as a potential threat. It is the military modernisation that accompanies the economic reforms that is of concern, but, it has never been publicly articulated,

**ASEAN – Japan.**<sup>84</sup> Since the signing of the Tokyo Declaration in the New Millennium and the adoption of the ASEAN-Japan Plan of Action at the ASEAN-Japan Commemorative Summit on 12 December 2003 in Tokyo, steady progress has been achieved in ASEAN-Japan dialogue relations e.g. signing of the Vientiane Action Programme (VAP) in 2004; the adoption of the Roadmaps for the 11 priority sectors for ASEAN economic integration under the ASEAN Economic Community (AEC) in 2004; the accession by Japan to the Treaty of Amity and Cooperation in Southeast Asia in 2004; the adoption of the ASEAN-Japan Joint Declaration for Cooperation to Combat International Terrorism in 2004; the establishment of the ASEAN Development Fund (ADF) in 2005 etc. Japan is committed to provide financial assistance of ¥7.5 billion (approximately US\$70 million) for ASEAN Integration and Vientiane Action Programme and various sub-regional development endeavours such as the Greater Mekong Sub-region (GMS), the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) and the Brunei, Indonesia, Malaysia, The Philippines, East Asian Growth Area (BIMP-EAGA). These positive aspects notwithstanding, are the historical memories of the Japanese expansionist past. There is a feeling that unless external pressures tie down Japan, it could pose a potential threat. Japan's recent internal debate on reviewing its defence policies and amendments to the Japanese Constitution are only adding to these perceptions of potential threat.

**ASEAN – Russia.** Russia is not perceived as a potential threat by most regional powers. It is in fact perceived as a viable counter balance to other major powers. ASEAN looks to Russia for its advanced technological know-how and highly qualified scientific manpower. Russia is also seen as a valuable source for defence procurement.

**ASEAN – India.** There has been an overall progress of ASEAN-India dialogue relations since the upgrading of the dialogue relations to the Summit level in 2002 and enhanced the economic partnership against challenges of globalisation, terrorism, rising oil prices and the threat posed by avian influenza and other emerging and communicable diseases. India replenished US\$2.5 million to the ASEAN-India Cooperation Fund. ASEAN-India Joint Declaration for

Cooperation to Combat International Terrorism has also been adopted at the Second ASEAN-India Summit on 8 October 2003 in Bali, Indonesia. The two sides have agreed to closely work on combating other trans-national crimes such as illicit drugs trafficking, trafficking in persons, sea piracy, arms smuggling, money-laundering, international economic crime and cyber crime. In this regard, India is keen to co-operate with the littoral States of the Malacca Straits on maritime security and to intensify co-operation with ASEAN on counter-terrorism, especially sharing of experiences. The negotiations to establish the ASEAN-India Free Trade Area (AIFTA) have however, not progressed as expeditiously as originally envisaged despite sincere efforts from both sides.<sup>85</sup>

## Conclusion

Any review of ASEAN and ARF, needs to balance the success and limitations of both the organisations together. There has been an absence of interstate conflict in ASEAN. This singular achievement may be attributed to ASEAN's approach to the conduct of relations among members wherein achieving consensus and consent are paramount. The ARF on its part has managed to sustain and even increase its points of contact and increased its membership from 18 to 27. Behind the official façade, work continues on a draft Pacific Concord<sup>86</sup> with the collaboration of Russia and ASEAN-ISIS. There has been some progress on Confidence Building Measures and Preventive Diplomacy. The ARF has however, not been able to play any significant part in specific conflict and had faced some severe criticism in the wake of the East Timor crisis. One such criticism went on to say, 'with no other meaningful autonomous security institution on the horizon, the path is again clear for big powers to contend for hegemony in the region'.<sup>87</sup> This notwithstanding, success of ASEAN and ARF needs to be viewed with respect to the 'fault lines' brought out in the previous chapter. The signing of the agreement on the code of conduct in South China Sea, successful settlement of territorial disputes between Indonesia and Malaysia over Sipadan and Ligitan Islands through arbitration in the International Court of Justice (ICJ) and reference of the Singapore-Malaysia dispute over the Pedra Branca Islands to the ICJ brings about a dramatic reduction in the fault lines and conflict within the region. Whilst South China Sea remains a clear danger it has ceased to be the present danger. However, piracy associated with the proliferation of small arms, drugs/narcotics and weapons of mass destruction continue to remain the major fault lines within the region. The growing nexus between terrorist organisations and pirates adds

yet another dimension to the security situation in the region. A possible approach to address these fault lines is examined in the next chapter.

In conclusion therefore, it could be said that ASEAN is poised for a take-off in the present century as a leader in the region. ASEAN has taken up the challenge of reduction of U.S. forces by accepting some security responsibilities itself. Its willingness to include former adversaries within the organisation and to engage in dialogue, countries with which it may have differences of opinion, shows its adaptability and flexibility. Concurrently, its unwillingness to hand over security agenda to APEC not only shows its far-sightedness but also its steadfast quality. Similarly, inclusion of Myanmar, Cambodia and Vietnam within the ASEAN in the face of stiff opposition from the West was a clear indication of ASEAN's desire to contain Chinese expansion.<sup>88</sup> ASEAN has blown hot and cold with regard to India. The time may be right for both India and ASEAN to forge closer ties. The possible methodology on how this could be achieved is examined in Chapter V.

#### *CHAPTER IV*

### **PROLIFERATION SECURITY INITIATIVE: POSSIBLE CONFLICT RESOLUTION?**

As discussed in Chapters II and III, the most significant fault lines that appear to have no near term solution are related to piracy, proliferation of small arms, drug trafficking and maritime terrorism albeit, all of which are emanating from non-state actors. The biggest threat to regional as well as global peace and security however, appears to be the proliferation of weapons of mass destruction, their delivery systems and related material – all being state sponsored. Unambiguously, the reference is to North Korea. The international community cannot allow North Korea to ship nuclear weapons components. This problem poses both a challenge and an opportunity.<sup>89</sup> The Proliferation Security Initiative (PSI), was therefore, first laid out by President George W Bush in May 2003.<sup>90</sup>

#### **What is PSI ?**

In September 2003, President Bush urged the UN Security Council to adopt a resolution that “should call on all members of the UN to criminalise the proliferation of Weapons of Mass Destruction, to enact strict export controls consistent with international standards, and to secure any and all sensitive materials within their own borders”.<sup>91</sup>

Subsequently, in March 2004, the U.S. presented a draft resolution to the U.N. Security Council to prevent “any non-state actor” from being able to “manufacture, acquire, possess, develop, transport or use nuclear, chemical or biological weapons and their means of delivery. The resolution was adopted unanimously as the UN Security Council resolution 1540<sup>92</sup> in April 2004.

In February 2004, the U.S. and Liberia, the world’s second-biggest shipping registry, reached a deal that would allow U.S. authorities to board more than 2,000 commercial ships that fly the Liberian flag, in order to search for WMDs. The U.S. wants to sign similar agreement with 10 largest flag states which account for 70 per cent of global maritime trade. A similar agreement was also signed with Panama. With these two agreements, the U.S. can now seek rapid consent to board and inspect ships that represent roughly 46 per cent of the world’s commercial fleet in dead-weight tons. The U.S. has also asked nations to deny overflight rights to countries or networks suspected of trafficking WMDs.

The PSI is thus, the result of the U.S. efforts to form another ‘coalition of the willing’ to combat the proliferation of WMD and their means of delivery. This new international coalition is focused on pre-emptive interdiction, seeking to detain and search ships, aircraft, and vehicles suspected of carrying WMD-related materials to and from countries of “proliferation concern” (in particular, North Korea and Iran) as soon as they enter PSI participating country territories, territorial waters, or airspace.

The U.S. is pushing for a wider application of the PSI, attempting to take interdiction actions on the high seas and in international air space under any of the following circumstances i.e. when ships do not display a nation’s flag, when the ships use a ‘flag of convenience’ and the right to self-defence to be exercised when it is believed that the vessels carry WMD material. As stated by U.S. Under Secretary of State John Bolton, the interdiction taken under the PSI is ‘not only legitimate, it is a necessary self-defense’.<sup>93</sup> However, there are legalities that prevent effective implementation of the Principles of Interdiction.

## **Legal Challenges**

### **Territorial Waters**

Territorial waters, which extend 12 nautical miles from the shoreline, implies that the state can theoretically set rules for what constitutes illegal cargo in this area – what is contraband – and when ships can be boarded. In Article 19, the Convention on the Laws of the Seas (UNCLOS) III gives ships the right of innocent passage through territorial waters.<sup>94</sup>

Passage is innocent under the convention where passage is “not prejudicial to the peace, good order, or security of the coastal state”. But, transporting missiles or WMD components is not mentioned, and it is difficult to assert that such transport fits into any of the prohibited activities. In Article 23 of the Convention, ships carrying nuclear weapons are explicitly given the right of innocent passage.<sup>95</sup> Arms shipments to other countries cannot be said to violate the UN Charter. In straits, the same issues arise as in territorial waters.

## **The High Seas**

Ships on the high seas are subject to the exclusive jurisdiction of their flag state. Limitations to freedom of the seas are piracy, the slave trade, unauthorized broadcasting, and drug trafficking.<sup>96</sup> Legalities notwithstanding, proliferation of WMDs or any kind of arms and ammunition that threaten security of nations need to be prevented at all costs.<sup>97</sup> The legalese therefore, needs to be reinterpreted.

## **Potential Legal Justification for Interdiction**

### **United Nations Security Council Resolution**

The easiest means to justify is to get a UN Security Council resolution authorising interdiction. Were the UN to declare North Korean weapons proliferation a threat to international peace and security and authorise the interdiction of these shipments, that authorisation would trump existing treaty limitations on interdiction and allow the United States and its allies to stop North Korean ships on the high seas or in territorial waters. But, this would only be against North Korea. Pakistan, Libya, Iran and more importantly China would be outside the ambit of such a resolution. Given the China-Pakistan-North Korea nexus, it would be extremely difficult to pass such a resolution in the Security Council.<sup>98</sup>

### **General Assembly Resolution**

During the Cold War, the U.S.-Soviet rivalry often blocked each other's resolutions. To address this problem, the United States pushed the UN General Assembly to pass the ‘Uniting for Peace Resolution’ wherein, if there were to be a threat of international peace and security and the Security Council failed to act, the General Assembly could authorise a response, including the use of force.<sup>99</sup> The United States and its allies could use the Uniting for Peace Resolution to get legal justification for stopping North Korean ships. General Assembly resolutions on war and peace however, require a two-thirds majority which PSI might not get.

## Changing Custom

Ruth Wedgwood, while writing in the *Wall Street Journal* in April 2006, argues that stoppage could be justified by 'self defence'.<sup>100</sup> Her argument is based on customary international law wherein, the British practiced intercepting slave ships in the 19th century. However, laws of the seas were more amorphous then than today where law is codified. While the practice of states can change international customary law over time, that process does not occur instantly.<sup>101</sup> Basing interdiction of nuclear components and especially missiles on customary international law is then a legally dubious route for the PSI to take.

## The Right of Self Defence

Article 51 of the UN Charter allows states under attack to take military action in self-defence.<sup>102</sup> Given the international war on terrorism, any shipment bound for terrorists could be stopped under a self-defense doctrine. But using this theory to stop weapons bound for states under some extended pre-emption doctrine stands on shaky legal ground. The exact parameters of self-defense are not clearly defined under international law, but it is generally agreed that self-defense actions should respond to an armed attack or an imminent armed attack which can be termed anticipatory self-defense. Even if action taken in self-defense can be anticipatory, stopping North Korean weapons shipments would not work under existing doctrine. There is no imminent attack. Moreover, self-defense actions traditionally may be taken only when the necessity of self-defense is instant, overwhelming, and leaving no choice of means, and no moment for deliberation.<sup>103</sup>

## Declaring that North Korean Shipments Threaten Peace

Article 88 of the Law of the Sea Convention states, "The high seas shall be reserved for peaceful purposes."<sup>104</sup> "Peaceful" is not defined in the article. The United States and its allies could assert that because weapons trafficking is not peaceful, weapons carrying ships lose their right to freedom of the seas, and the ships can be seized. But can an arms shipment bound for a far-off state really threaten the security of a coastal state along the route?

## Principles of Hot Pursuit

In accordance with Article 111 of UNCLOS III, hot pursuit of a ship may be undertaken when a coastal state has good reason to believe that the ship violated laws and regulations of that state.

However, such hot pursuit must commence when a foreign ship is within the territorial waters or contiguous zone and must cease when the ship enters the territorial waters of its own state or a third state. Such pursuit when undertaken

must be continuous. The right of hot pursuit also applies ‘mutatis mutandis’ to violations in the Exclusive Economic Zone or on the Continental Shelf including safety zones around continental shelf installations. Furthermore, right of hot pursuit can be exercised only by warships or military aircraft or ships and aircraft on government service and so authorized.<sup>105</sup>

### **Creating a New Treaty or Altering an Existing One**

The United States and its allies could put forward a new treaty or a protocol to the Law of the Sea Convention itself. This approach could face two problems. The Law of the Sea Convention took decades to write. Changing it or writing another treaty could take years. Secondly, even if the treaty were broadly signed and ratified, the North Koreans and those receiving their ships would not become parties. Hence their ships would not be subject to seizure.

### **Regional Maritime Security Initiative**

Hot on the heels of the announcements on PSI came yet another U.S.-generated proposal for a Regional Maritime Security Initiative (RMSI), which resulted from a congressional testimony by U.S. Pacific Command Commander Admiral Thomas Fargo in late March 2004 that he was planning on sending Marines into the Malacca Straits to counter piracy, causing immediate outrage throughout the region and especially from Indonesia and Malaysia. The U.S. spokesman subsequently described RMSI as a means of assisting regional navies to help them better patrol their own waters against pirates, terrorists, or an unholy alliance between the two. Such clarifications did little to quell the uproar, especially among those who believe that any initiative emanating from the U.S. must somehow be illegal, immoral, unilateral, or all of the above.<sup>106</sup>

### **Responses to PSI within Southern Asia China**

Originally China opposed the PSI. In particular, the U.S. proposal to intercept ships on the high seas. China’s position on the PSI is now moving from opposition to lukewarm support. In December 2003, China issued a non-proliferation “white paper”, which stated that “[a] developing China needs both an international and a peripheral environment of long-term peace and stability. The proliferation of weapons of mass destruction and their means of delivery benefits neither world peace and stability nor China’s own security.<sup>107</sup> While it seems that China is now moving toward supporting the idea of PSI, it remains reluctant to join the PSI coalition. Beijing still has doubts about the legitimacy, effectiveness, and impact of the methods the PSI members would use.

## **Russian Federation**

The Russian Federation was the only member of the Group of Eight (G-8) that had not joined the PSI originally. Moscow had feared that the initiative would allow the U.S. to launch unilateral raids against ships and planes without agreement from international institutions. However, on 31 May 2004, Russia joined the PSI.

## **Japan**

Japan is the first country from the region under consideration that has participated actively in the first and second PSI meetings. Japan's Coast Guard took part in the first naval exercises - "Pacific Protector" conducted under the PSI on 13 September 2003. It also sent observers to participate in the Sea Sabre 2004 exercise held in the Arabian Sea during 1-17 January 2004. In addition, it was reported that Japan is considering enacting a new law to allow maritime interdiction in the waters within 200 miles of its exclusive economic zone and high seas.<sup>108</sup>

Japan has also been seeking support from the 10 member countries of ASEAN to help prevent the proliferation of WMD. The Tokyo Declaration (December 2003) for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium and the ASEAN-Japan Plan of Action, the two sides agreed to "enhance cooperation in the area of disarmament and non-proliferation of weapons of mass destruction and their means of delivery, and related materials".

## **Selected Member States of ASEAN**

### **Singapore**

Singapore is the only member country of ASEAN that takes part in the PSI. In early December 2003, Singapore, together with Canada, Denmark, and Norway, joined the original 11 PSI participating countries. Singapore also participated in the Sea Sabre 2004 exercise in the Arabian Sea. Under a Singapore law that went into effect in January 2003, all traders in Singapore are required to get a permit if they wish to ship or trans-ship goods that can be used to make WMD. Malaysia's response to the PSI is very different from Singapore's. It is not likely that Malaysia will join the PSI in the near future. Malaysia also opposed the Regional Maritime Security Initiative (RMSI). Indonesia's position on the PSI is similar to Malaysia's. It has also opposed the RMSI.

## India<sup>109</sup>

In 1999, India seized a shipment of North Korean missile components en route to Pakistan but, the ship was apprehended in harbour and not on high seas. So, India shares the concerns but has some reservations on the methodology as well as the intentions of the PSI. Firstly, arbitrary interception of foreign vessels under circumstances other than those specified in the UNCLOS is considered as a belligerent act. Second, India opines that more clarification is required in so far as who the “States of Concern” are and also the issues of “liability”. Thirdly, would warships or military aircraft be also subject to “boarding” and “interception”? It may be recalled that aircraft of the Pakistan air force were used in the delivery of nuclear material to Libya. In brief therefore, India considers that PSI in its present form is not only legally unjustifiable but is also a “quick-fix” half measure that could lead to escalation of threat without any meaningful returns.

## Conclusion

While the U.S.-led initiative *prima facie* appears to be in global interest, its actual purport may be aimed at North Korea in so far as the region is concerned. External to the region, on a larger playing field, it is probably aimed at disrupting the China-Pakistan-N Korea nexus as well as ‘bringing in line’ the so called ‘Rogue’ states. All of the current members of the PSI are either NATO or EU members or are under the obligations of one of these organisations, either as non-NATO allies or Friendship for Peace Initiatives. The exception being Singapore which is the only member of ASEAN. At the core of the concept of Southern Asia as brought out in Chapter I, is ASEAN. But, its two main and significant members viz. Malaysia and Indonesia are averse to joining PSI and probably consider any U.S.-led initiatives in the region to be overbearing on the region’s sovereignty. The other two major stake holders in the region viz. China and India are yet undecided. All the States within this region are seeking international legitimacy through United Nations sponsored or authorised activities. Given the vagaries of International Law, possible legal sanctity to the principles of interdiction could be afforded through the reinterpretation of Article 111(Hot Pursuit) of the UNCLOS III albeit, it would inherently involve a co-operative mechanism. The next chapter therefore, theorises the conflict prevention/resolution concept within Southern Asia to put in perspective the current responses of these countries because ‘sustained peace and stability’ in the region needs to be based around the mindset of the people of the region.

## CHAPTER V CONFLICT PREVENTION AND CO-OPERATIVE SECURITY

There are as many theories as there are theorists on conflict prevention and conflict resolution. However, given the potential ‘fault lines’ as brought out in the previous chapters, two specific models are worthy of examination within the context of this thesis. Moreover, U.S. led Proliferation Security Initiative(PSI), the Regional Maritime Security Initiative(RMSI) and ASEAN’s own efforts at conflict prevention could be specifically related to these models. This chapter therefore, examines each of these and suggests a co-operative security mechanism as a possible solution with particular emphasis on India’s role within such a mechanism.

### Lederach’s Theory

Lederach through the Curle’s Matrix theorises that conflict is dynamic and moves along a continuum from an unpeaceful to peaceful relationship<sup>110</sup> depending on levels of power and awareness achieved by various actors in conflict whom he places along a three layered pyramid – the top layer being the top leadership, the intermediate layer being the mid level leadership such as Track II/NGOs etc. and the base being formed by the grass root populations. However, Lederach also points out that depending on the levels of conflict these leaders move up and down along the pyramid. Diagrammatically, it may be represented as follows :

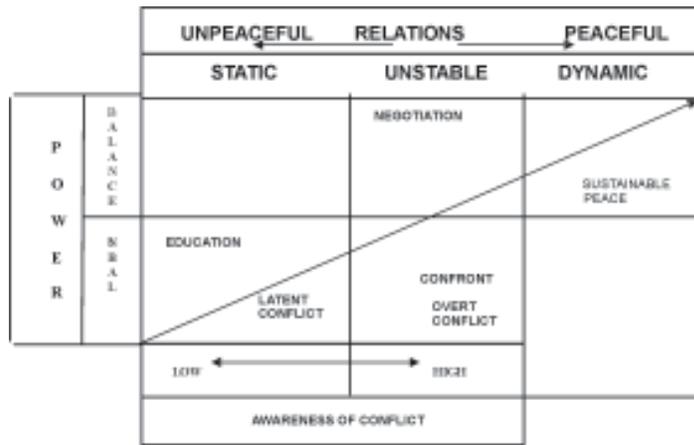


Figure 3

**Source:** Adam Curle, *Making Peace* (London: Tavistock Press, 1971) included by John P Lederach.

Yet another concept that Lederach theorises is based on Marie Dugan's 'Nested Diagram'<sup>111</sup> which analyses conflict on the basis of 'issues' and 'system' with an interlocking arrangement provided by relationships and sub systems.

Lederach finally opines that sustained peace as a desired future involves 'structure – process' i.e. there is a need to think comprehensively about the population and systematically about the issues. Process involves thinking about progression of conflict and its transformation in an integrated manner along a temporal scale.<sup>112</sup>

### **Applicability of Lederach in the Region**

The author suggests a commonality between the fault lines and the 'issues'. The 'system' as above could be found in the U.S.-led Proliferation Security and Regional Maritime Security Initiative. The grass root players in this case are the regional and extra regional players (the core and the intermediate circle analogised in Chapter I) affected by these fault lines. The middle level leadership currently is being provided by ASEAN and ARF. However, what is intriguing in this model is that the top level leadership is being provided by global players (outermost circle analogised in Chapter I) – i.e. USA and Europe.

Quite clearly therefore, there appears to be a disjoint as such an arrangement is not interlocking. Also, because there is no comprehensive thought about the sensitivities of the 'population' i.e. the Malacca littorals, PSI and RMSI also appear to seek short to medium term results and not across a temporal continuum. The U.S. led initiatives have therefore, received hostile to lukewarm reactions from within the region under review with the exception of Singapore.

The people in the region believe more in preventing a conflict rather than resolving a conflict. It would therefore, be necessary to briefly see another model i.e. the concepts of 'Musyawarah' and 'Mufakat'.<sup>113</sup>

### **Musyawarah And Mufakat**

The process is essentially an Indonesian concept as mentioned in State philosophy – Pancasila and follows the 'consensually validated' approach. The concept is guided by two fundamental considerations: social harmony and hierarchy where behavioural codes reflect the established values. Musyawarah therefore, is a decision-making process through consultations wherein, all voices/ opinions are heard, everything that is put across is considered equally correct and is used for problem solving. It attempts to achieve unanimity of desires. To achieve the goals, everyone involved in Musyawarah is expected to be ready to acquiesce something.<sup>114</sup> Such an environment has four behavioural categories namely, framing the problem, preparation for dialogue, identifying features of dialogue and

emergence of Mufakat (consensus).<sup>115</sup> This in turn also implies avoidance of issue specific conflict which may put the participants in a point by point exchange and lock them into a win-lose situation, which elevates the risk of disturbed harmony. This system is also called the 'ASEAN Way'.

### **Applicability of ASEAN Way in the Region**

The ASEAN Way can be seen to function at three levels – the web of relations it involves, its approach towards interstate relations and its operating principles<sup>116</sup> ASEAN believes that more interactions, contacts and areas of co-operation are established. One therefore, sees ASEAN engaging densely not only within the organisation but also with the extra regional players on either bilateral or multilateral basis as brought out in Chapter III. The ASEAN Way also relies primarily on informality, only formalising certain processes when they have been tried and tested. Agreement on the Code of Conduct in South China Sea is one such loosely formalised arrangement. On the other hand, reference of territorial disputes between Indonesia–Malaysia and Malaysia–Singapore to the ICJ are clearly formalised arrangements after several rounds of consultations.

The Treaty of Amity and Cooperation, SE Asia Nuclear Weapon Free Zone (SEANWFZ), evolution of APEC and the growth of ASEAN itself through a process of consultations have adequately proved the applicability of the ASEAN Way in the region. It is also seen for the same reason that countries in the region do not accept PSI and RMSI. Nevertheless, U.S. is likely to continue to dominate the security situation in the region. In such a situation, it may be prudent to conceptualise an arrangement that pursues conflict reduction and mediates between the West's direct and assertive approach and the ASEAN Way. Such an arrangement in the author's opinion could be a 'Co-operative Security' paradigm.

### **Co-operative Security<sup>117</sup>**

The guiding principle of such a concept is that, to prepare for peace is the most effectual means of preserving peace.<sup>118</sup> The concept of Co-operative security is built on a fundamental premise that reduces competitive elements out of national security and by extension regional security by strengthening national security without increasing the insecurity and threat perceptions of other states.

### **Applicability in the Region**

The sensitivities of the countries in the region are centered around the concepts of sovereignty. As a result, basic information and intelligence sharing is considered as an intrusion on state sovereignty. Some of the states in the region are also in a state of denial e.g. Malaysia opposes any suggestion of increased incidences of

piracy in the region.<sup>119</sup> ASEAN as a whole prefers non-articulation of the Chinese threat to the region and there is a general behavioural code of ‘brushing things under the carpet’.<sup>120</sup> Presence of extra regional powers in the Malacca Straits is also considered unacceptable despite concerns of security of Malaccas. This notwithstanding, the region expects to counter piracy, proliferation of small arms/ drugs/weapons of mass destruction. The author has therefore, suggested a regional community comprising members of ASEAN, China, India, Japan and the U.S. Some of the possible options are suggested in the succeeding paragraphs.

### **Regional Risk Reduction Centre (RRRC)**

The primary effort would be to prevent disputes and conflicts from occurring. If prevention of occurrence is not feasible, the centre would need to prevent these threats from escalating into armed confrontations and spreading geographically beyond the region. The principal ingredients of such a mechanism would therefore, include gathering, storing and disseminating information so as to prevent the potential or emerging crisis.

### **Early Warning Capability**

This would be the most important ingredient for success of any regional arrangements. Given the concept of Musyawarah and Mufakat, information sharing is likely to be difficult. One of the methods of institutionalising information sharing could be through public awareness wherein, information could voluntarily come from citizens, NGOs, experts at state levels or from other global agencies. RRRC could then disseminate information after analysis and also obtain Mufakat amongst member states.

### **Rapid Reactionary Force (RRF)**

In most cases, process of Musyawarah and Mufakat could be long drawn. In such cases, the RRRC would need to actually deploy assets. There would therefore, be a need to maintain RRF. Such a force could be maintained and deployed by individual member states under the command of respective force commanders and within their respective maritime boundaries. Where required, member states could seek mutual support and joint operations. This would also permit member states to use the principles of ‘hot pursuit’<sup>121</sup> and legitimise actions within the UN Charter. Maintenance of such a force regionally also derives its legitimacy from Articles 43 and 47 of the UN Charter.

### **Joint Doctrines and Concepts**

Evolution of joint doctrines and concepts would be essential for any successful deployment of RRF that address issues such as force levels, their compatibility

and interoperability, minimum required warning time, joint operational concepts, rules of engagement etc. More importantly, member states would also need to evolve procedures for apprehension of culprits, their legal status and method of handling/transfer for further politico-legal/military actions.

### Why India?

India's usefulness in the suggested co-operative security paradigm could be expected in three main areas:

- **Strategic.** India is a major, highly professional and battlefield experienced maritime power in the region. The Indian Navy is the only Asian navy that is most balanced possessing sea control as well as power projection capabilities. India also has a large and active defence industrial base. Scope for defence co-operation, either in terms of joint development of certain systems or providing training facilities to ASEAN countries is too large to be ignored. India has declared itself a nuclear weapon state with demonstrated capability to develop variety of missiles including ballistic missiles. The improving U.S. – India relations in context of the 'four by four' strategy<sup>122</sup> gives India an added strategic weight within the region.
- **Economic Relations.** Though India is moving slower than ASEAN's expectations on the Free Trade Area agreement, India offers large number of opportunities. India provides a large number of skilled professionals to Singapore, Malaysia and Thailand. The future lies in a triangular relationship between China, India and Japan. India also has a vast opportunity to play a role in economic diplomacy by supporting ASEAN on trade related issues such as labour standards and human rights.
- **Political Relations.** Jawaharlal Nehru's writings articulated India's 'Look East' policy as early as in 1946: 'The Pacific is likely to take the place of the Atlantic in the future as the nerve centre of the world. Though not directly as a Pacific State, India will inevitably exercise an important influence there.....'<sup>123</sup>. While Indian political and diplomatic leadership failed to constructively engage ASEAN in the manner that Nehru envisaged, it is also a reality that ASEAN failed to understand compulsions of Indian policies that were Indonesia centric (1950s), China centric (1960s) and Pakistan centric. It also failed to understand India's inclination towards Soviet Union in the wake of the Pakistani attack in 1965 merely three years after the Chinese aggression.<sup>124</sup> There is however, a growing convergence of strategic interests and views. India in the past has never publicly articulated its defence and foreign policy. This needs to be done to overlap an environment of mutual trust.

## Conclusion

Given the existing/potential fault lines and possibilities of conflict, PSI and RMSI could be possible solutions for conflict prevention/resolution. However, such conflict resolution appears to vacillate between Lederach's theory and the ASEAN Way. There needs to be a paradigm shift in the security mechanisms in the region. An Indo-ASEAN driven co-operative security paradigm would need to be evolved to ensure stability within the region. However, this arrangement would only be acceptable to the region if India is able to develop an environment of mutual trust and an outlook that is in consonance with ASEAN policy of constructive engagement toward China and an ASEAN-led ARF at a pace decided by ASEAN.

## CHAPTER VI CONCLUSION

From amongst the powers defined in Southern Asia region (Chapter I), what one witnesses today is a quadrangle of powers with varying degrees of influence. Russia though presently down is certainly not out. Europe is economically a global power with increasing political will to participate in world politics. Concurrently, it recognizes margins of European Continent and for the present appears content with greater cooperation on the economic front in the region.<sup>125</sup> That primarily leaves three major powers in addition to the U.S. – India, China and Japan with ASEAN remaining at the core of the regional dynamics. The author therefore, envisages merger of the three concentric circles represented in Chapter I into two as shown below with overlapping zone of interest and influence :

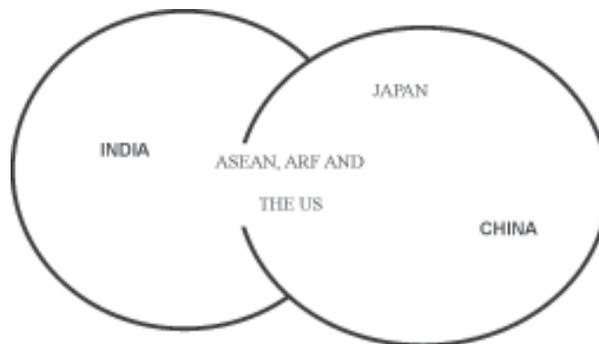


Figure 4

Source: Anand Iyer, July 2001.

There are two potential conflict areas from amongst the numerous fault lines in the region i.e. either singly or a combination of piracy/drug trafficking/proliferation of small arms and weapons of mass destruction and terrorism (Chapter *Asian Security Scenario*

II). Chinese hegemony though a clear fault line appears to be benign for the present. Similarly, balkanisation of Indonesia appears to have been averted for the present.

This reduction of fault lines in two clearly identifiable issues has been a result of ASEAN's constructive engagements towards China and also within member countries of ASEAN (Chapter III). The current peace and stability in the region is also attributable to the U.S.' recommitment towards the region despite massive reduction in troops.<sup>126</sup> This reduction in force levels has been augmented by re-strengthening alliances with many of the old allies (Japan and South Korea) and building new relationships (with India) in a bid to develop a co-operative security apparatus. The U.S. led missile defence and the four by four strategy has also been a contributing factor though it is still in a nascent stage.

The U.S.-led Proliferation Security and the Regional Maritime Security initiatives (Chapter IV) as a possible solution to conflict prevention have met with hostile to lukewarm reactions from within the region with the exception of Singapore since these initiatives are perceived to violate ASEAN's sensitivities towards sovereignty. There are legal challenges too. In the given scenario, India driven Co-operative Security mechanism could be a possible solution for conflict prevention (Chapter V). The author suggests development of Regional security community led by ASEAN dominated ARF. Key elements of such a community could consist of the Regional Risk Reduction Centre, an early warning capability, creation of a Rapid Reaction Force etc. all legitimised under the existing provisions of the United Nations Charter.

In conclusion, the author feels that Southern Asia as a region is likely to remain stable and peaceful in the near to medium term future. The Co-operative Security apparatus suggested herein, needs to be debated and implemented through the process of *Musyawah* and *Mufakat*. India and China also need to remain engaged. India on her part needs to not only 'Look East' but also 'Act East'. Similarly, China needs to find a balance between economic pluralism and political centralism.

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