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The Importance of Institutions for Water Sector Performance: A Comparative Analysis of India and Singapore
  Tim Hilger

  Joseph Hammond
Current Graduate students and recent alumni are invited to submit papers, case studies, and book reviews for the seventh edition of the *Asian Journal of Public Affairs*.

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Dear Reader,

The editorial staff of the Asian Journal of Public Affairs is pleased to present to you articles to give you a diverse insight to important policy issues in the Asian region.


The article Secularism for the State and Religion for the People? Considerations on the Intertwinement of Religion, Law and Politics in India and Europe compares and contrasts the role of a secular society and its implications in the political atmosphere of India.

Next, we look at how institutionalism has played a pivotal role in water governance which manifests itself in the comparison of Singapore and India’s water management in our second article, The Importance of Institutions for Water Sector Performance: A Comparative Analysis of India and Singapore.

The long-time standing security issues in Pakistan are no longer only a concern for India, but for China as well. “Sino-India Relations in the Wake of Instability in Pakistan: Will There be Strategic Convergence? explores these concerns over security and the implications of an unstable Pakistan.

Additionally, we also present to you two book reviews. One focuses on the Indian Ocean will be the new centre of global competition while, the other explores the difficulty of defining justice in different contexts.

This issue would not be complete without a heartfelt thank you to our contributing authors, for their support and cooperation; our faculty advisors, Prof. Charles Adams and Prof. Darryl Jarvis, and our administrators, Prof. Ora-Orn Poocharoen and Ms. Ruth Choe for their continued guidance and encouragement.

Yours Sincerely,

AJPA Editorial Board

November 2011
I may detest what you say, but I will defend to the death your right to say it

- Voltaire.

The Cultural Setting

In the Philippine barrios, villages that are far from the city, freedom of speech and expression are highly valued within cultural and ethical standards. Young people are either encouraged to learn the trade of their parents – like farming, carpentry, tailoring and other crafts – or to get an education, a prized dream for those who are perceived as brainy and have the means to continue their higher education. Children and youth are encouraged to express themselves, among their peers, in speech and other forms of expression, in their search for their own identity. In relation to their parents and the elderly, the training for self-expression of children and youth varies according to the situation. Proud parents would ask their children to speak and entertain their visitors. Others would opt for silence among the children – “just be seen and not heard” – as a sign of respect to the elders. Freedom of speech and of expression among adults is intentional. They know the dynamics of their own relationships and situations. In the public square one may speak and others listen. Oral defamation and public accusations are not normally tolerated but subjected to community corrections and sanctions. The promotion and protection of the freedom of speech and expression are very much visible among tribal communities in the hinterland of the Philippine archipelago. Their ancestral customary laws and tradition guarantee them so.

Formal education to the freedom of speech and expression starts early. In the elementary grades, the subjects Good Manners and Right Conduct and Social Studies train the young to respect this freedom, both as a traditional cultural ethos and as a historical and social legacy in the struggle for freedom and democracy of the Philippine nation. Secondary education would take this theme up again in formal subjects such as history, government and the Philippine Constitution. Ancient legal codes are compared to the codification of human rights as enshrined in the US Constitution and in the battle cries of the French Revolution. The two

1 Fr. Benjamin Alforque, MSC was a political dissident and was imprisoned during President Marcos’ declaration of Martial Law in the Philippines in 1972. He possesses a licentiate in sacred scripture from the Pontifical Bible Institute in Rome, Italy and is currently pursuing a doctorate in Theology from Claremont Graduate University in Claremont, CA.
Constitutions (1935 and 1987) of the Philippine Republic are studied in great detail, especially the section on the Bill of Rights. Tertiary education has made the study of the Philippine Constitution and Government obligatory, side by side with the core subjects in the humanities and the liberal arts, prior to any major or minor field of specialization.

**The Political-Economic Setting:**

But the practice of free speech and expression leaves much to be desired. Owing to the semi-feudal and semi-colonial character of Philippine society, the dominant class of the landed gentry, the bureaucrats who make a living out of government service and big business that thrive on foreign international capital and finance expansion control the lives of the landless peasants, workers, indigenous peoples, and professionals in the service sector. The Bangsa Moro of Southern, Central and Western Mindanao have complained of the three layers of oppression that weigh them down: local warlord-ism that has captured government power, national government neglect and exploitation by foreign multi-national corporations. Their solution to their centuries of resistance to injustice and exploitation is a hard choice between outright secession and independence, on the one hand, and autonomy within the framework of a unitary Philippine state, on the other. Indigenous peoples continue to struggle to reclaim their ancestral land and domain and to develop their cultural identity and customary laws and traditions. But their lands continue to be prey to the invasion of logging and mining companies and the worldview and way of life that these exploiters carry. On the whole, these forms of resistances have found a significant ally in the most widely spread national liberation movement led by the Communist Party of the Philippines, its New People’s Army and the National Democratic Front of the Philippines.

**The Struggle for Freedom of Speech and Expression:**

These dynamics of class relationship and of the movements that seek to change society into a more egalitarian, democratic and liberating place to live in has impacted on human rights in general, and in the freedom of speech and expression, in particular. Prior to the imposition of Martial Rule by the Philippine dictator Ferdinand Marcos in September 1972, dissent in the Philippines was tolerated. It was expressed by fiery speeches in the political arena at the famous Plaza Miranda, the various freedom parks in the archipelago and by the press that was then considered most free in Asia. Of course, there were already political prisoners as a result of the anti-Huk and anti-communist campaign waged by President Ramon Magsaysay, with the aid of the Anti-Subversion Law. Protests against the Vietnam War and the use of US Military Bases in the Philippines for that war, the cry for genuine agrarian reform and national sovereignty, electoral reform and an end to government graft and corruption threatened US interests and the interests of the landlord class and the oligarchy in the Philippines. The US and the Philippine government under Marcos tightened the screw on protesters leading to the
suspension of the writ of habeas corpus in 1971 and the eventual declaration of Martial Law in 1972.

The freedom of speech and expression was the first casualty of reaction. Demonstrators were beaten up, abducted, tortured and killed. Owners of media outfit who were once allies of the dictator woke up deported (cf. the Yuyitung brothers to Taiwan), or incarcerated (the Lopez brothers and Don Chino Roces). Many were killed or forced to disappear (cf. Primitivo Mijares et al.). The situation did not change after Martial Law. President Corazon Aquino waged her own war against her own people; the Ramos and Estrada governments continued the policies of the former. Gloria Macapagal-Arroyo crafted an anti-insurgency campaign that muzzled and killed dissenters, journalists and broadcasters. Under the P-Noy Aquino administration, already 45 people were abducted or killed, including 3 journalists in just about 4 months in office.

Conclusion: The social setting can make or unmake fundamental human rights, including the freedom of speech and expression. The Philippine setting, with a government that leans on the military for support, has not seriously investigated and prosecuted human rights abusers and violators of the freedom of speech and expression. Violation of the freedom of speech and expression continue with impunity. Whatever gains the people have to uphold this basic right, this fundamental right are fruits of their struggle and self-giving. To promote and defend the freedom of speech and of expression, the Filipino people must just have to struggle for change stand their ground.
The picture in my head is two open spaces, each associated with large gatherings in the capitals of two of the world’s ‘rising powers’: Tiananmen Square in Beijing and the Ramlila Ground in Delhi. They have things in common. They are where people in the past have congregated. Tiananmen Square is notorious for what happened there and nearby in 1989. The Ramlila Ground, as its name suggests, is a place noted in the past 70 years for a religious celebration – the pageant to celebrate Lord Ram’s victory over the wicked king Ravana. Crowds gather each year to watch Ravana, in the form of a huge paper effigy, meet his flaming end to culminate the Dussehra festival.

The Ramlila Ground got international media coverage throughout August 2011 because Anna Hazare, a crotchety crusader, chose it as the venue for a fast against corruption. He wants the Indian government to create a super-ombudsman to stamp out bribe-taking throughout the land. His fasting, and the thousands who turned out to support him, made good television, and India’s 50 voracious news channels played it like an old-fashioned moon landing.

Though there was mild disruption in the early stages of the fast when police broke up the vigil and detained Hazare, it was back on track, on the Ramlila Ground and on camera within a week. Through all of it, there was not a tank in sight. Not even an armoured personnel carrier or a contingent of the Camel Corps. People came and went, floundered around in the mud (it was monsoon) and India’s 150 million television homes got it minute by minute with enough panting commentary to inflate squadrons of hot-air balloons. The twittering was so hot that even people like me signed up as a twitter-pal of Kiran Bedi, one of Hazare’s handmaidens, so that we could follow her 140-character messages. (E.g., ‘In our country everything is perennial and nothing comes to closure. Typical Indian culture?’).

Contrast this with what happened in and around Tiananmen Square in June 1989. Or indeed with the frantic efforts of Chinese authorities to black out critical television

1 Robin Jeffrey is a Visiting Research Professor at Institute of South Asian Studies (ISAS) and Asia Research Institute (ARI), National University of Singapore
channels and control email and e-lists. Or the treatment in Chinese media of the detention of the artist Ai Weiwei. Liao Yiwu, a Chinese writer who recently fled to Germany, writes of ‘this colossal and invisible prison called China’.

What about India? Arundhati Roy says some pretty damning things about it. Roy lives, writes and publishes there. She moves around as she wishes (to the annoyance of lots of Indians), and in 2010 spent a couple of weeks with outlawed Maoist insurgents in the hills and forests of central India. In India, critics survive; some, like Roy, flourish.

‘But’, a patriot from the People’s Republic of China might ask, ‘have you ever travelled on Indian roads? On Chinese roads? On which would you prefer to make a long journey?’ Kiran Bedi’s tweet that in India ‘nothing comes to closure’ can mean that roads don’t get built; things don’t get done. According to this line of argument, the killings around Tiananmen Square in 1989, and the panicky response of Chinese governments to criticism and protest, are a small price to pay for spectacular economic development.

If our Chinese patriot were pursuing this case, she or he might also ask: are the consequences of free media to be seen in the carnage in Mumbai in November 2008? When the renegade killer-boys from Pakistan landed by boat and murdered people indiscriminately, witless Indian television channels broadcast live coverage and thus provided valuable updates that allowed the murderers to hold out longer and do more damage.

What is ‘freedom of the press’, our PRC inquisitor might ask? Look at, for example, the front page of the Daily Express, a British tabloid, for 14 April 2011. ‘NEW EU PLOT TO TAX OUR FOOD’ is its top story, a four-deck headline next to its long-time mascot, a red crusader sporting a shield, spear and the Cross of St George. ‘DAILY EXPRESS CRUSADE: GET US OUT OF THE EU,’ it explains. You can also get a ‘FREE STRAWBERRY PLANT’ worth 99 pence if you turn to page 45, or you can stay on page 1 and look down the low-cut top of ‘ROONEY’S VICE GIRL,’ who, the headline says, has been having ‘SEX ROMPS’ with ‘WORLD FAMOUS ACTOR.’ But there’s a serious side. On page 7 David Cameron tells us ‘WHY IMMIGRATION HAS RUINED BRITISH SOCIETY.’

If on 14 April you didn’t fancy the Daily Express, you could have chosen from Britain’s nine other national morning dailies. Indeed, the Daily Mail, second in circulation only to Murdoch’s Sun, was offering ‘FREE PACKET OF BASIL SEEDS,’ knowing no doubt that the strawberries on offer from the rival Express could give readers hives.

Breasts and basil seedlings are two time-honoured ways of selling newspapers in the capitalist world - sauciness and special offers. But the indications are that they no longer work. Advertisers and readers are abandoning newspapers and broadcast television throughout much of the world.
As newspaper circulations fall in English-speaking countries (but not in India), analysts and owners of media organizations brood over what is to become of them. *The Economist* (9 July 2011) devoted ‘a 14-page special report’ to ‘the future of news.’ The problem, as many analysts define it, is that the Internet and the mobile phone allow every single person to become a ‘broadcaster’ and a ‘journalist’. You can tweet yourself to death, as Neil Postman might have said.

The ability to get (and give) whatever information you want whenever you want it has led to the decline of old media organizations like newspapers and television. There are fewer news-gathering organizations and fewer ‘journalists’ today than there were 20 years ago. That is, of course, if you mean by ‘journalist’ someone who works for an organization, gets paid and may have had some sort of training. But with the Internet everyone can be a journalist – and a publisher/broadcaster.

What does this mean for ‘news’, ‘rational debate’, the ‘public sphere’ and other conceptual tags that we use to try to understand how people form opinions today and in the past? *The Economist* concluded that the Internet meant that human beings were simply getting back to where they were 200 years ago – before mass-produced printing and maturing capitalism created mass-consumed media funded by advertising. In those old, old days, people got their news/gossip/information/stories from their neighbours or from a wandering soldier, pilgrim, pedlar or priest. Today, we tweet and are tweeted. I tweet – therefore I am.

The *Columbia Journalism Review* agonizes over the future of ‘journalism’. The July-August 2011 issue carried essays advocating an American public television broadcaster on the lines of the BBC or, even, Al-Jazeera. At a moment when ‘globalization’ prods its pointy finger into everyone’s lives, there has been a ‘distressing contraction in the coverage of the world by the American press’, according to Lee Bollinger, president of Columbia University. The world has never interacted with itself more often and more widely, but citizens of its most powerful country get less old-fashioned ‘reporting’ about the world than at any time in the past hundred years.

You could say, ‘Yes, but the Internet gives them access to an almost infinite supply of ““pure”, untampered-with information from which they can distil The Truth for themselves, without the interference of the minions of Rupert Murdoch.’ But if you are like me, you haven’t got time every day to go searching for The Truth about Libya or Venezuela or misappropriation of funds at your local town council. I am willing to pay people, whom I have got to know, assess and trust, to stay up late at night to tell me what they think is important each morning. I want a variety of such organizations so that I can sample their work and plight my troth to those that seem reliable. Having a family news-gatherer ought to be like having a family doctor or
trusted solicitor: people you trust to do things you have not the time or expertise to attend to sufficiently yourself.

Bollinger of Columbia proposes ‘an American World Service’, a publically funded but editorially independent global broadcaster. ‘We need institutions designed to help us understand, tame and channel these largely positive forces [of globalization], and a free and independent global press is one such institution’.

It’s difficult to see the United States, entangled in its current ‘government is evil’, ‘all taxation is bad’ nuttiness, putting money into an independent global broadcaster. Indeed, Britain’s Conservative-led government seems keen to diminish the BBC.

If we return to our patriot from the PRC (the one who was pointing out, a few paragraphs ago, why it is better to have good roads than Arundhati Roy), she might point out that China is putting big money into CCTV, a global broadcaster. I don’t take CCTV very seriously. Their coverage of Ai Weiwei leaves, well, something to be desired – coverage, for example. When I put ‘Ai Weiwei’ into the search box on the CNTV website, I got a beautifully white empty screen, as if the site had passed out in shock.

I’m more interested in Al-Jazeera, the Qatar-based broadcaster that specializes in the Arab world but increasingly attracts global audiences. Al-Jazeera has been branded anti-Israel, but Al-Jazeera covers stories. Its reporters go places others don’t, and it would be a worthy research project to measure for a month how Fox News and Al-Jazeera treated world events.

I’d be glad to see more Al-Jazeera-style media outlets, whether disseminating stories by broadcast television, old-fashioned print on paper or new ways that would put news attractively on my iPad.

The missing – and potentially major player – in such global games is India. India has everything it takes to be one of the world’s go-to news sources. It has a huge pool of technical and camera-wielding talent. It has probably the world’s largest pool of well trained, well educated, multi-lingual men and women journalists for whom English is virtually a mother-tongue. The Indian diaspora means it has links all over the world from South America to South Africa and the south Pacific. It has people of all colours and facial types – global faces for global television.

What India, of course, lacks is organizational will. There is no Emir of Qatar in India – a fabulously wealthy person prepared to take big financial losses and still willing, on the whole, to leave media people to report things that happen. The best censorship, if you are a censor, is when you make unwelcome events disappear. Stalin’s photographers were masters of the air-brush: today you’re in-shot, tomorrow you’re gone – replaced by a pot plant or a podium. Stalin’s lads and lasses would have loved Photoshop.
India’s big capitalists are businessmen – they don’t invest in loss-makers. And the Government of India has shown through its existing public broadcasters that it couldn’t run a ten-watt radio station effectively, much less a globally credible and attractive broadcaster.

Why is such a credible global broadcaster or news-disseminator important in an age when every woman and man can be a reporter and tell their stories to the world? That’s the problem: glut. Because there has never been so much information flying around, a thinking citizen needs other thoughtful citizens working fulltime to strain out the garbage. ‘News’ is like recycling water after a heavy rain. Everything from dead dogs to dollops of doo-doo slosh around in the drainage channels; it needs to be filtered, analysed, distilled and turned into usable, drinkable water – concise reporting and interpretation.

Sure, there are problems with the analogy. The distillers – the people in charge of the filters – can pull the watery wool over everyone’s eyes. But in the digital age that’s hard to do. A news source that is constantly wrong – and proved wrong, as it will be – will be discredited and bypassed. Not only will it not make money, it won’t bring influence (which is partly why the Emir of Qatar puts a fortune into Al-Jazeera). Recall that one of the factors in the downfall of the Soviet Union was the widespread realization – and resulting cynicism – that Soviet news sources lied. Picture it: you read in Pravda that there is a record cotton crop in Uzbekistan; you live in Uzbekistan and when you look out your window you see the crop dead on the bush. Your faith in your friendly Party newspaper is on a par with your belief in the Marxist Tooth Fairy.

Another reason why we need large news-gathering organizations is muscle. Real news-gathering can be dangerous, and if the Internet and the cheap mobile phone mean everyone can be a journalist, that means everyone faces dangers. In September 2011, the Washington Post reported two bodies found hanging from an overpass in Mexico had a sign placed next to them warning bloggers and social-media people from sticking their noses into drug-related crime. “This will happen to all Internet busy bodies,” the sign said. More than 40 Mexican journalists were said to have been murdered in the last seven years.

The world needs lots of news-gathering ‘family doctors’ – people supported by substantial organizations, well trained, paid and supported. Small-time bloggers and freelancers are, if they chase big stories, in danger. (If you don’t believe it, read Dexter Filkins in the New Yorker of 19 September 2011 on the murder of Pakistani journalist Syed Saleem Shahzad). Free media protect big-time journalists and famous critics, just like a free media are said to prevent famines – they spread the word loud and wide if bad things happen to big people. But if you’re a small-time, small-town journalist, a free media may tempt you into mortal danger. And if you are a naive
21st-century blogger, harbouring fantasies about Robert Redford in *All the President’s Men*, you may end up dangling dead from a bridge.

So where are media going in the next 50 years in China and India? India, I think, is easier to make predictions about. Newspapers in India’s dozen big languages have twenty years before electronic media challenge them in a mass market that is poor but increasingly literate and hungry to know and to buy. India has a solid tradition that ‘free speech’ is important – that Arundhati Roy and people like her are worth having; it will take major shocks and changes to shift such attitudes.

China is more difficult, more interesting. Millions of citizens have the potential through their mobile phones and broadband connections to play digital cat-and-mouse with ‘the authorities’. Stories will get told and transmitted, but the people who send them will run the risk of being tracked, traced and punished. Big media organizations – as Mrs Gandhi is said to have decided in India in the 1970s – are easier to control than little ones. I’d expect CCTV and innumerable clones to become the most lavish producers of digital media in a world that they will aim to hug like a smothersome giant panda.

What *is* the role of and scope for, ‘a free press’ in the global, digital, every-person’s-a-broadcaster age? I think the tittle-tattle tabloid print newspapers will shrink. People who read them will enjoy far more titillation on an iPad. Just think how much saucier a saucy wench would be, winking and waving on an iPad, rather than posed on page 3 of the *Sun*? The demise of the British tabloid merely awaits the arrival of cheap tablets.

Other readers around the world, however, crave those news-gathering equivalents of family doctors, solicitors and accountants. People who want that sort of service will pay for it. Whether their news arrives digitally or in paper form (have you ever tried to cover your face with a laptop for an afternoon nap?) will depend on personal preference. But there will be a global market for good writing and indefatigable reporting, delivered conveniently.

What about small-town newspapers and broadcasters? For more than a hundred years, they provided communities in many parts of the world with good and bad news about their locality. Will citizens in the 21st century pay to support the digital equivalent of a local newspaper or broadcaster? Perhaps we will return to the great days of small-town dailies when small-town editors who knew their localities entertained, reported and advocated in ways that meant something to their readers. One of my heroes was William Allen White, editor of the *Emporia Gazette* in Kansas from the 1890s to the 1940s. White covered his town and his rural, remote state, but he was also consulted by presidents, wrote about the world and did it all in a way that made his fellow citizens buy his paper.
That the Web will produce legions of digital William Allen Whites, local news gatherers helping their neighbours interpret the world, is a heart-warming thought. But it ain’t likely. Not when global diversions in high-resolution colour are only a tapped tablet away. They didn’t have the Web in Kansas when White wrote.
Secularism For The State And Religion For The People? Considerations On The Intertwinement Of Religion, Law And Politics In India And Europe

Johannes Schwalke

Secularism is a contested concept in India and increasingly so in Europe. In India, this problem permeates the legal system as well as actual politics. The unresolved discrepancies between the expressly secular Indian constitutional law and the separate religious personal laws have deep historical (largely European) roots and have been aggravated by several factors; controversial court decisions, separatism and riots connected with religious issues have all contributed to perpetuating tensions throughout the last decades. This article will shed light on the concepts of secularism in the constitutional systems and in legal practice, connecting them to political developments in order to present constitutional options for the Indian case. Arguably, the main difference between the Indian and the European constitutional secularisms is that only in the latter case has the legal secularisation been accompanied by a secularisation of society. However, the legislative and political demands arising from immigration and European integration have recently put religious questions back on the agenda in European Affairs. In India, the radical right-wing Bharatiya Janata Party (BJP) has appropriated the term “secularism” for its own purposes, undermining the idea of religious tolerance that Nehru had attached to the constitutional solution. The strength of BJP support also poses the question of whether abandoning secularism could be an option or whether the segregation of personal laws could be overcome by a common civil code, although both solutions are seen as more problematic than maintaining the fragile status quo.

Introduction

Both India and the European states invoke secularism as a leading principle in law and politics. However, religion has increasingly emerged as a major source for political mobilisation throughout the past years (Willems and Minkenberg 2003, 13), which might prove to be a challenge to state secularism in both cases. In Europe, these issues have appeared only recently, especially regarding religious immigrants. (Ungern-Sternberg 2008, 1ff.)

1 Johannes B. Schwalke received his MA in European Studies (Euroculture) as double degree from the universities of Uppsala/Sweden and Göttingen/Germany in November 2010. He specialises in public international law and the European Union’s foreign relations. He can be contacted at jbschwalke@googlemail.com

2 Meaning the European Union states in general; examples are taken from selected states which have been referred to on a case by case basis.
On the other hand, India has been experiencing tensions between the state and religion ever since the constitution was established in 1950, if not long before. It is a country “overflowing with religion and with religious spirit” (Subhash 1988, 21), and consequently, “religion […] is ever-present in the country’s public affairs and in individual, private lives”. (Granville 2001, 15) Most of the problems arise between the Hindu majority and the Muslims, a tension described by Nussbaum (2008) as “the clash within” Indian society.

In India, the Muslims constitute a minority of nearly 140 million adherents. Nevertheless, India has the world’s second largest Muslim population after Indonesia. (Das 2004, 1) This results in issues such as the impending question of Kashmir, India’s “tender spot” (Rothermund 2006, 112), as well as genuinely domestic ones: The recent electoral campaigns in the state of Gujarat were suffused with politicised religious issues. Gujarat’s Chief Minister Narendra Modi and his government are currently facing the charge of incitement to atrocities and the murder of over 2000 Muslims in 2002 (Bidwai 2009, 7), which had involved a “total breakdown of the rule of law”. (Nussbaum 2008, 2; 22)

If we cast a glance at prominent occurrences in Indian history, they obviously reflect the unsolved tensions between the state’s secular stance and the peoples’ religious aspirations: here, one might think of the ban on Salman Rushdie’s books in 1989 and the involved legal questions, or the assassination of Prime Minister Indira Gandhi by her Sikh bodyguards during separatist riots in 1984. (Larson 1995, 232) Additionally, in the run-up to the formation of India, “the tragedy of separation” between India and the Islamic Republic of Pakistan was a “profoundly religious event” of which the moderate Gandhi was the “most prominent victim”. (Rothermund 2006, 90ff.; Larson 1995, 182) Gandhi was killed by a radical right-wing Hindu, whose ideological successors are on the rise again in Indian politics with the Bharatiya Janata Party (BJP). (Cossmann and Kapur 2001)

So, on the one hand, India is governed by a constitution and legal texts, institutions which are stricter in their secularism than most of their European counterparts. On the other hand, we see that the intertwinement of the actual politics of religion is high, and that the judicial guidelines are still unclear with respect to the so-called “crisis regarding personal law”. (Larson 1995 227) How and why does this go hand in hand? Is the notion or the implementation of secularism in India different than in Europe and what are the main challenges that arise from this?

This work is not comparative throughout. The article focuses primarily on India. Europe will mostly be used en passant, as a point of reference and comparison. The article begins with a brief explanation of different concepts of secularism in India and Europe, followed by a section on how secularism actually works in the respective constitutional systems. The subsequent, section examines the exceptional case of Indian regulations regarding personal law, which contradicts the constitution and thus poses a possible source of conflict in Indian law and politics. These conflicts are then analysed to understand to what extent and why they are inherent
to the legal system of India. The article then discusses the ambiguities in jurisdiction arising from this intertwinement, and the reasons behind them. Following this, the Bharatiya Janata Party’s (BJP) counter reaction to the current state of secularism is considered, presenting their version of secularism and their politics. Possible challenges to secularism in Europe are also examined. Finally, two possible options for India are discussed, along with the consequences for India’s domestic and foreign politics.

**Concepts of Secularism in Europe and India**

In theory, secularism denotes the religious neutrality of the state combined with equal treatment of the different religions. (Das 2004, 219; Mückl 2002, 60) The implementation can proceed in various ways, and may correspond to:

1. The pluralist view, according to which the state supports all religions equally;
2. The Western “negative” view, asserting the state’s absolute independence from religious confessions;
3. The nationalist/ positivist view, supporting the development of a superordinate “civil religion”. (Subhash 1988, 141)

These concepts are at times competing, although at least in theory the second one prevails in India and in most of Europe. (cf. Subhash 1988, 145) The question then becomes: how did the previously mentioned conflicts evolve in this framework?

State secularism is not only dependent on theory but also on the geneses and the practices of secularism, which are arguably different in the two cases. (Rothermund 2008, 298) In Europe, secularism was gradually born out of centuries-old struggles between the Church and the State. The separation was a solution to these conflicts. In India however, secularism was introduced almost ‘overnight’ as a legal and political means to deal with the different demands of a pluralistic society. (Das 2004, 224) Unlike in Europe, where secularism is meant to clearly mark the different spheres of influence, secularism in India served as a “technique” for “building a national political community”. (Subhash 1988, 140)

The most important source of law in a democratic state is usually its constitution; therefore, the constitutional mandates are a convenient starting point to grasp the relationship between state and religion in India and Europe.

**States and Religion in the Constitutional Systems of India and Europe**

Inside Europe, secularism is dealt with a variety of different ways. (Bhargava 1998, 3) France presents the most radical example of the separation of state and religion, where religion is assigned completely to the private sphere. (Mückl 2002, 58; cf. Ungern-Sternberg 2008, 333) The latter is *mutatis mutandis*, which is also the case in most other European states.

Portugal and the Netherlands have a constitutional framework providing a strict separation similar to France, whereas Finland, Denmark, Greece, Malta and the
United Kingdom have one or more state religions, which enjoy a special status. (Weiler 2004, 155ff.; Mückl 2002, 58) On the other side of the gamut, Ireland and Poland are remarkable examples of strong allusions to God in their preambles. (Weiler 2004, 154; 156f.) Most other states including Germany, Spain and Sweden take an intermediate position, described as the model of “cooperative separation” of church and state, in which both acknowledge their mutual autonomy as well as their common interests. (Graulich 2008, 75f.) However, it is important to note that a strong state-church tie in itself does not necessarily constitute a contradiction to the freedom of religion and the principle of secularism, which is a vital common tradition of the EU member states. (Mückl 2002, 59f.)

These common guidelines are also seen as an important part in building the EU. (Mückl 2002, 63) After extended discussions, the Draft Constitutional Treaty was formulated and it deliberately did not mention regulations regarding religion or a reference to God. Only the preamble included a rather vague reference to the European states’ “cultural, religious and humanist inheritance”. (Weiler 2004, 159)

The preamble of the Federal Constitution of India was amended in 1976 to delineate a “Sovereign, Socialist, Secular, Democratic Republic”. India had been a secular state from the outset although no explicit definition of the term secularism had ever been provided. (Das 2004, 33ff.) India’s first Prime Minister Jawaharlal Nehru wanted the constitution to secure peaceful coexistence of the many religions of the subcontinent through a clear-cut secular profile. (Subhash 1988, 146)

Crucial provisions therein regulate non-discrimination on religious and other grounds (Art. 15) and the “Right to Freedom of Religion” (Art. 25 (1)). Hindus, Sikhs, Jains and Buddhists are expressly mentioned; yet ‘Hindu’ is referred to as overarching term for these religious groups (e.g. in Art. 25 (2b) Explanation II). The other religious groups fall under the provisions for the rights of religious minorities (Art. 30 (1)). Unlike in many European states, there is a prohibition of church and temple taxes (Art. 27).

Finally, there is a remarkable provision that declares, “the State shall endeavour to secure for the citizens a uniform civil code throughout the territory of India” (Art. 44). With this proclaimed objective, the constitution addresses a very sensitive topic, since a civil code contains personal laws. Paradoxically, these are still protected domains of the religious communities. Hence Art. 44 has not yet been implemented, thereby providing a loophole in India’s framework for secularism.

**The Peculiarity of Personal Laws in India**

“With other peoples, religion was a part of life; to [the] Hindu, the whole life was religion”. (Bankim cited in Halbfass 1981, 391) In ancient times, all laws were incorporated in and legitimised by religion, not only in Hinduism where the ancient concept of dharma - all-encompassing eternal laws maintaining the world - come from. (Lingat 1973, 3; cf. Döhler 2003, 5) Following this concept, the scope of these
religious laws has gradually been narrowed down until only the personal laws were left.

In Europe not even these remain; every country has its own, secular civil code including personal law regulating family matters such as marriage, heritage, adoption etc. Yet within these personal laws, an “enormous influence” of Christianity can be detected in most Western countries. (cf. Browning 2008, 163ff.)

By contrast, in India each religious group is governed by its own personal law, according to the respective religious tenets. A huge variety of codices co-exist, a few of which are mentioned below. These personal laws were in place long before codification, but until then they had always been subject to multiple changes. (Deshpande 1978, 16) The Hindu Marriage Act (1955), the Hindu Succession Act (1956) and the Hindu Adoptions and Maintenance Act (1956) regulate the Hindu family law. Interestingly, the Hindu Acts apply to Sikhs, Buddhists and Jains as well since they are regarded as “offshoots of Hindu religion and philosophy”. (Pant 2005, 10; see also below) A similar legislation is valid for Muslims, e.g. The Muslim Personal Law (Shariat) Application Act (1937) based on the sharia, for Parsis, e.g. the Parsi Marriage and Divorce Act (1936) and for Christians, e.g. the Indian Christian Marriage Act (1872); Jewish personal law, instead, is entirely customary. (Diwan 1978, 633)

These personal laws are comprehensive and have to be used in ordinary courts throughout the country for all adherents to the respective religious groups. (Diwan 1978, 634) The only exception is the small State of Goa, which is ruled by a common Portuguese Uniform Civil Code. Moreover, with regard to Art. 44 of the Constitution, these various religious personal laws are a steady source of inequality in a democratic and secular state. (Vanaik 1997, 316)

**Origin of Discrepancies in Indian Law**

As we have already seen, the secular aspirations of the Constitution stand in stark contrast to the everyday reality in India, and to the existence of personal laws enshrined in different civil codes for the different religious groups. Where does this ambiguity stem from?

The consistent reason given in the literature is that “Indian law is foreign. Much of the greater part of modern Indian law is palpably non-Indian in origin and is notoriously incongruent with the attitudes and concerns of most Indians”. (Galanter 1997, 3) As already mentioned, secularism was introduced as a means to deal with the diversity of the Indian society. Lacking other relevant precedence, the Indian constitution was nearly genuinely built according to the Western (primarily European) models. (cf. Subhash 1988, 154ff.) It contains passages that are entirely influenced by the Irish or Canadian constitution. Also most of the other codes of law are dominated by British common law, which forms the basis of the Indian legal system. (Deshpande 1978, 1) This is the consequence of the “asymmetric meeting” between Europe and India (cf. Halbfass 1981, 429), which has its roots in colonial times. During the 19th century, the British colonial rulers used legislation to enhance
divisive tendencies between Muslims and Hindus in order to secure their control over the people. (Subhash 1988, 37ff.) Yet, they did not want to run the risk of religion-based riots. Therefore, they established a British common law, but left the sensitive area of personal laws to the different religious communities, which later even “survived” the establishment of the constitution. (Das 2004, 14)

According to Nussbaum (2008), however, it would be vain to try and separate Indian law from the “foreign” elements it contains. The law has already been “creatively appropriated” by the Indians. (Nussbaum 2008, 7) But the tensions between secular and religious law still exist. So the question is: which one prevails in case of a conflict?

**Cases of Conflict**

Amongst the relevant cases, two landmark decisions, which have had a deep impact and starkly reveal the problems India faces, have to be considered: The first one is Mohd Ahmed Khan v. Shah Banu Begum (1985), a “historic” case (Döhler 2003, 18) in which the divorced Muslim woman Shah Banu appealed to the Supreme Court in Delhi. In the subsequent lawsuit, her former husband was forced to pay alimony according to Art. 125 of the Criminal Procedure Code. The Supreme Court accepted and applied the appeal to secular law in this case, granting Shah Banu the right to extended alimony from her husband. (Van der Veer 1994, 103) This was not in line with the Muslim personal law, according to which alimony has to be paid only for the period of iddat, i.e. three months after the divorce. (Döhler 2003, 3) Thus the judgement of India’s highest federal court appeared to ignore the sharia, which caused massive upheaval among India’s Muslims.

When the disquiet was on the verge of achieving a disproportionate scale, the Supreme Court’s ruling was nullified by the Indian parliament with the establishment of the Muslim Women (Protection of Rights on Divorce) Act in 1986. This was a step taken by the governing Congress Party aimed to appease Muslims and at the same time to secure their votes. (Larson 1995, 259)

The second example has a more lasting effect, and is currently being exploited as vindication by right-wing Hindus. (Cossman and Kapur 2001, 26) In this case too, the interpretation of the Supreme Court caused irritations (cf. Seervai 1967, 497): In the case of Prabho v. Prabhakar Kasinath Kunte & Others (1951; cf. Cossman and Kapur 2001, 17 ff.), the meaning of the terms “Hindutva” (“Hinduness”), “Hindu” and “Hinduism” had to be explored. The conclusion was that the terms were interpreted not as religious, but as secular ones; an interpretation which was subsequently applied in law codes as well: “Hindus shall be construed as including persons professing the Sikh, Jain or Buddhist religions. As such, Hindu can be safely described as a person who by birth or conversion adopts a way of life based on certain basic concepts having their origin in India”. (Pant 2005, 4; cf. 9)

This secular approval of the Hindutva and its often interchangeable use with the term Hinduism thus opened the door to the non-secular agenda of right-wing
Hindus, disguised as “true secularism”. (Cossman and Kapur 2001, 137f.; Eckart 2003, 351) The judgement might not have been a conscious transgression of the tenets of secularism, but in effect, the Supreme Court legitimised the Hindu right-wing version of secularism. (Cossman and Kapur 2001, 55)

“Assault on Secularism”3 – Ideology and Politics of the Bharatiya Janata Party

The Bharatiya Janata Party (Indian Peoples’ Party) represents right wing Hinduism. In the early 1980s, they took up the Hindutva manifesto (1923) of Vinayak Damodar Savarkar and used it for building their ideology of Hindu nationalism. (Prakash 2000) The BJP gratefully seized the Supreme Court ruling of the Prabhoo v. Prabhakar Kasinath Kunte & Others case and appropriated it for its own purposes in order to establish Hindu nationalism as the “true secularism”. (Eckart 2003, 351) This idea of Hinduism as “true secularism” is fostered by several factors, namely the variety of different Hindu beliefs including both monotheism, polytheism and forms of atheism and the lack of a prophet or a single scripture as source of faith. (Cossman and Kapur 2001, 28) According to the BJP’s view, the state could maintain secularism and democracy by the clear support of the Hindu majority. (Cossman and Kapur 2001, 68) Furthermore, the judgement allowed for an advantage towards other religious groups since the ban on secular activity according to Art. 25 section 2 (a) could now be circumvented by “Hindus”.

The BJP aspires for a Hindu state with all legal implications like cow protection, and a “saffronisation of culture”. (Van der Veer 1994, 98f.; Prakash 2000, 210) Interestingly, no commitment to freedom of religion can be found in all their basic statutes. (Cossman and Kapur 2001, 69) By legal means, the “Hindu Right is attempting to establish majority norms as the ostensibly neutral norms against which all others are judged”. (Cossman and Kapur 2001, 68) This BJP-vision of secularism is classified as “pseudo-secularism” (Cossman and Kapur 2001, 53ff.), or even “anti-secularism”. (Vanaik 1997 152f.) Prakash (2000, 82) connects its ideology to European racist ideologies.

Although they have been part of Indian society for hundreds of years, Muslims are generally referred to as a homogenous group of foreigners in BJP rhetorics. (Van der Veer 1994, 10) They could not be “real Indians” since, allegedly, “Mecca to them is a sterner reality than Delhi”. (Savarkar 2005, 135) Savarkar saw his idea of Hindutva as an equivalent to the Zionist aspirations towards establishing a Jewish state of Israel (Savarkar 2005, 136), often invoking the oppression of Hindus under Muslim rule and colonial rule. (e.g. Savarkar 2005, 63) Up to the present the BJP effectively uses the idea of the contending Congress Party as a party favouring the minorities, to its benefit. Indeed, since the political system of India makes it difficult for minorities to establish influential parties on a national level, the Congress party has many Muslims among its voters. (Rothermund 2006, 104ff.)

3 Vanaik 1997, 318
The BJP’s agenda includes the creation of a uniform common civil code, a ban on the slaughter of cows and a ban on religious conversions. But when the BJP was in government (from 1998 to 2004), it had to concentrate on other issues, particularly the economy. Examples of conflicts with Muslims and other minorities can be found in the Indian states where the BJP holds the majority in the local state parliament: in 2003 it initiated the “Gujarat Freedom of Religion Bill” as well as similar acts in Tamil Nadu (2002) and Rajasthan (2006), aggravating conversion to a non-Hindu religion. For example, it includes that converting dalits forfeit their right to grants from the state in the event of conversion to Christianity or Islam. (Das 2004, 75)

In BJP’s electoral campaigns, incendiary populist rhetorics are the rule. (Cossman and Kapur 2001, 181ff.) In 2009, Varun Gandhi, BJP Candidate in Uttar Pradesh, demanded forced sterilisation for Muslim men in a hostile speech. (Bidwai 2009, 7) In the elections that followed the aforementioned atrocities committed in Gujarat, Narendra Modi won a great victory. But in the long run, middle class voters were shocked by the radicalism of both Gandhi and Modi. (Rothermund 2006, 104ff.; Bidwai 2009, 7) Consequently, in the national elections in 2004 the BJP lost significantly. (Nussbaum 2008, 330ff.)

If we look at the results of the most recent national elections in India, we see that the Hindu-nationalist topics appear to have a low salience among most of the voters: in the most recent national elections in May 2009, the Congress Party has won its biggest victory within the past 20 years and Dr. Manmohan Singh remains the Prime Minister of India. In that sense, the Hindu communalism, the belief that members of a religious group must also have common political aims (cf. Cossman and Kapur 2001, 6), has obviously failed to gain support. It will also be interesting to see whether this trend will continue in the future.

European Debates on State and Religion

If there is some kind of a challenge to secularism in Europe, it is not as obvious as with the Indian case. For in Europe, unlike in India, legal and political secularism have coincided with a secularisation process of society over a long time. (cf. Vanaik 1997, 65ff.) This secular tradition and decreasing religiosity has made the questions of religion in law and politics a somewhat less salient topic.

More recently, the strict lines of demarcation between state and religion are subject to criticism. (e.g. Willems 2003) The EU law scholar Joseph H. H. Weiler has provocatively criticised what he calls the “Christian ghetto” – the absence of a Christian voice in public discourse, albeit the fact that most Europeans are indeed Christians. (Weiler 2004, 83ff.) On the other extreme, this would be furthered by a Christophobia, which can be induced by an absolutised, i.e. wrongly understood secularism. (Weiler 2004, 75ff.) In the debates about the European Charter of Fundamental Rights and the Draft Constitutional Treaty for the EU, he argued in favour of references to God and religion. His constitutional law argument was that all constitutional traditions of the member states had to be taken into account. These are quite diverse. (Weiler 2004, 20; 75) Leaving out the religious point of reference
would be a similar offence to leaving out a reference to laïcité (laicism). (Weiler 2004, 50f.) However, these voices for a Judaeo-Christian Europe are few and even constitutions providing a strong role for religion do not pose a serious challenge to the consensus of state secularism in Europe.

In the past two decades, immigration and the subsequent ‘heterogenisation’ of the religious landscape have had a great impact. (Willems and Minkenberg 2003, 14f.) Hereby, the religiosity of (above all, Muslim) immigrants served as a catalyst for changes. Thus, a certain sacralisation of public life is taking place already. (Davie 2006, 34)

In the United Kingdom, a valid judgement was revoked according to which Sikhs had not been allowed to have their ritual knives and wear the dastaar in public. (Ungern-Sternberg 2008, 167) In France, recent cases involved the question of admitting single aspects of sharia law in ordinary courts, whereas the headscarf is banned in public places. (cf. Ungern-Sternberg 2008, 298f.) This shows that Europe finds itself in a new paradox and therefore we witness conflicting legislation in the different countries. (Ungern-Sternberg 2008, 371ff.)

According to Grace Davie’s theory of European exceptionalism, Europe had presented an atypical case of marginalising religion and relegating it to the private sphere through an “extremely effective secularisation”. (Davie 2000; 2006) The rising relevance of religious issues in politics and law, she argues, marks Europe’s “return to normality” in comparison with other continents.

In the Indian subcontinent, however, issues involving religion are already so highly politicised, that solutions have to be found in order to prevent further conflicts.

**India’s Options: An Outlook**

Given these irregularities, the question was posed whether “secularism [is] normatively desirable and politically viable in India today?” (Cossman and Kapur 2001, 91) Apart from the option of maintaining the status quo, I have outlined two possibilities of counteracting the problems arising from the conflicts.

One would be to strengthen secularism by legal means: First and foremost this option points towards fulfilling the objective of Art. 44 of the Indian constitution. Proposals about an interreligious committee to agree upon a common uniform civil law code have been made, but not implemented, because of the fear that this could lead to protests and aggravate the problems. (Larson 1995, 296; cf. Vanaik 1997, 315f.) Until now, all attempts to do justice to the constitution by establishing a common civil code for India have been met with suspicion and hostility from the various religious groups who are all afraid of a reduction of their rights and the possibility to live according to their religion. (Granville 2001, 18) The Shah Banu case and the reactions to it strikingly illustrate this point.

The second option would be to abandon secularism. Abandoning secularism could again take the wind out of the sails of religious radicals. From a constitutional point
of view, it would even be possible to have a state religion without violating the principle of secularism. (Das 2004, 219) This, although might be true for Europe (cf. Mückl 2002, 32f.), but in Indian reality “a theocratic polity cannot safeguard the interests of a religious minority” and secularism is the “only” means to keep a level of tolerance. (Subhash 1988, 139) For example, in Nepal, where Hinduism is the state religion, cow slaughter is a crime. (cf. Das 2004, 227f.) This would be a huge problem in India with its (approximately) 140 million Muslims for most of whom cow slaughter is part of religious life on certain feasts. The same matter is subject to highly complicated legal compromises in India. (Das 2004, 213) In this sense, privileging certain religions might augment radicalisation. (Das 2004, 228f.) Indeed, even if he did not intend to establish a state religion, Mahatma Gandhi had in the very beginning proposed a non-secularist constitution. He thought a separation of state and religion neither viable nor desirable in the particular Indian context (Cossman and Kapur 2001, 57), but he could not enforce this view against the Nehruvian view of secularism, which became the decisive one during the establishment of the Constitution.

Nehru’s vision of secularism as a means to unite the different religions and cultures has been mentioned earlier in this article. He had also considered the political implications, for these are intertwined and often religion is used as a pretext in struggles for power. It should be remembered that the partition of Pakistan (then, including today’s Bangladesh) from India happened along religious lines, establishing a “counter-state” to India. (Rothermund 2006, 98)

India, of course, wants to prevent the subcontinent from breaking apart: the threat of secessionist claims was connected with religious identity in some regions like Punjab (Sikh revolt in the 1980s), and it still is in others as Assam and Kashmir. (Larson 1995, 230ff.) At the same time, after incidents such as the Mumbai terrorist bombings, Indian Muslims are often accused of supporting the states of Pakistan and Bangladesh and identifying with them for religious reasons rather than with India. (cf. Van der Veer 1994, 10)

**Conclusion**

We have seen that the notions of secularism as the separation of state and religion are similar in theory, notwithstanding huge differences that remain between Europe and India. The emergence of the secular state in Europe was a “consequence of a specific historical experience” whereas in India it was the “institutionalisation of an abstract secular ideal”. (Vanaik 1997, 66) In India, secular nationalism had been introduced as a means to fight communalism and to create a common Indian identity, a civil religion based on constitutional and not on religious tenets. (Subhash 1988, 177f.)

Yet, the sobering reality in India presents a gap between law ideals and the tangible legal and political practice in which law, politics and religion interact and intervene, as illustrated in the Shah Banu case. (Das 2004, 224; cf. Galanter 1997, 3) One of the reasons for this is the fact that Indian law was largely imposed, being foreign in
origin and thus not taking the specific Indian circumstances sufficiently into account. Thus, the personal laws are still of religious nature in spite of the overarching constitutional provisions. Hence, there is an incomplete separation of state and religion in India as well as in many European states, although they all share the practical ideals of secularism. (cf. Mückl 2002, 58ff.)

Europe’s secular self-conception is shaken and is gradually changing due to the dynamics of immigration and European integration. Immigration confronts the European states with new kinds of laws and customs. Integration raised the question of whether a united Europe should be built with clear reference to Christianity (and Judaism).

Secularism is a contested terrain, in Europe to a smaller extent and in India to a larger extent. Given the example of the BJP, we have seen that its image and features can be altered, appropriated and promoted as a divisive rather than a unifying concept. (Cossman and Kapur 2001, 141)

Yet, secularisation according to the European pattern could easily lead to communal violence. (Larson 1995, 221) On the other hand, there is “no return to a space of pure Indian culture” of Hinduism (Cossman and Kapur 2001, 93), which would also make foreign and domestic policy more complicated than it already is. The most recent national election results have shown that changes in this respect cannot be expected; India is currently concentrating more on other matters and will thus remain a “secular state in a religious society” (Larson 2001, 1) for the time being.

References


SINO-INDIA RELATIONS IN THE WAKE OF INSTABILITY IN PAKISTAN: WILL THERE BE STRATEGIC CONVERGENCE?

Seher Abbas

The world today is experiencing a power shift from the West to the East. Asia is rising and this growth is being led by two Asian Giants – China and India. While the growth trajectory of the two Asian economies is very impressive, both face significant internal and external destabilising factors and insecurities within the region – one of them is the rise of extremism and current instability in Pakistan. The rise of religious extremism in Pakistan has become a source of concern not just for its longtime rival India but also for its close ally, China.

With progress of India and China, stability and security in the region is of utmost importance. However, with the rise of terror activities within the countries notably the Mumbai terror attacks in 2008 and the Xinjiang riots in 2009 - Pakistan is becoming a security concern for both India and China. This article analyses the impact of the perceived threat from Pakistan on the Sino-India relationship.

Through the evidence presented in this article, it is argued that it is very unlikely that China and India will form a close alliance to stabilise Pakistan. Though the status quo in Pakistan is not the best case scenario, it is not the worst either. The current state of instability in Pakistan will not give India and China a platform for dialogue regarding the stability of Pakistan unless Pakistan’s nuclear arsenal falls into the hands of Islamic militants and the country descends into complete chaos – in which case not only China and India, but the entire international community is likely to pull forces together to contain the threat emerging out of Pakistan.

Introduction: New Centre of the Universe and its Challenges

Today, the onset of the global financial crisis has made the idea of a shift of the balance of power to the East more immediate and plausible. (Mohan 2010) The economies of both the ‘Asian Giants’ – China and India – were relatively resilient to the crisis, when compared to other major economies, and witnessed speedy recoveries. China’s economy, which is now the second largest in the world, was growing at a rate of 11.9 percent until 2007 and quickly recovered after the financial crisis with an average growth rate of 8.5 percent in 2009. (Trading Economics 2010) The Indian economy, which according to a United States Intelligence Report, is expected to overtake most European economies by 2020 had been growing at the rate of 9 percent before the onset of the crisis and has been recovering quickly.

1 Seher Abbas is a Pakistani national with a Masters in Public Policy from Lee Kuan Yew School of Public Policy, National University of Singapore. She can be contacted at shrabbas@gmail.com.
(Mohan 2010) However, while the growth trajectory demonstrated by the two Asian economies is remarkable, both are faced by major internal and external destabilising factors and insecurities within the region – one of them being the current instability in Pakistan.

Since its inception in 1947, Pakistan has been tangled in a variety of destabilising predicaments, ranging from a weak civilian state dominated by an overarching military to continuous ethnic and religious violence. This trend was further exacerbated after the attack on the World Trade Centre (WTC) in 2001, which placed Pakistan at the forefront in the ‘War against Terror’ in Afghanistan. Not only did it increase religious extremism around the Afghanistan-Pakistan border, it also caused Pakistan to be subsumed by the spill-over of extremist groups in the northern parts of the country. In 2008 alone, Pakistan was a victim of 60 suicide bombings, a figure which increased to an appalling 80 suicide bombings in 2009. Events such as these have claimed thousands of lives over the last decade. Terror activities have only increased over the past two years and have jeopardized the State’s ability, however limited, to deliver to its citizens.

Pakistan is very strategically located. While it shares its eastern and north-eastern borders with China and India, it has the extremely unstable Afghanistan, anti-western Iran and Central Asia with its challenges on its western front. With a relatively radicalised society and increased militancy, Pakistan has been in a state of turmoil for a significant amount of time and has raised concerns in the international community. Pakistan is a weak, unstable nuclear State which has raised concerns both within the country and abroad that it might be on verge of collapse and can cause serious disturbances in the geopolitics of the region. Therefore, for the first time all of the major powers of the world are concerned about Pakistan. China, the European Union (EU), United States and other North Atlantic Treaty Organisation (NATO) States understand that the problem is not only limited to containing terrorism, but involves integrating Pakistan to achieve long-term stability in the region. (Cohen 2009)

In light of these developments over the past few years, Pakistan is now becoming a security concern for both India and China. This raises an important question – what impact will a common threat, emanating from Pakistan, have on Sino-Indian relations? Will it lead to more cooperation between the not-so-friendly neighbours in handling a serious problem or are Chinese and Indian interests in Pakistan too divergent for both the nations to work together? In the course of this article it is argued that while both countries will benefit from a stable Pakistan, they have competing economic and political interests in the region. Pakistan is too strong a dividing factor to become a common point for negotiation between the two as it is a friend to one and a foe to the other. Therefore, though similar security concerns may have the potential to bring them together to work for a stable neighbourhood, cooperation is not likely to occur in the immediate future. China and India working together to stabilise Pakistan is a dream that will not be realised unless Pakistan’s
nuclear arsenal falls into the hands of Islamic militants and the country descends into complete chaos.

Though there are various factors fuelling the current precarious state of Pakistan, the most significant one is the rise of religious extremism. The article will focus on this factor and how it may or may not change the way China and India deal with the ‘Pakistan issue’. The article will begin with a brief history of the rise of extremism in Pakistan and will then delve into the recent events that have made Pakistan a security concern for China and aggravated India’s tensions about instability in Pakistan. Eventually, it will analyse how the rise in fundamentalism will impact Sino-Pakistan relations and the region’s security. The article will conclude by reaffirming the argument that China and India will not work together to stabilise Pakistan unless a ground breaking event occurs.

The Three Ss: Safety, Security, Stability

With the increasing influence of ‘non-state actors’ in international affairs in the 21st century, the traditional notion of security – defined as “the state’s capacity to protect its territorial boundaries and its sovereign ability to act as it sees fit” – has been challenged. (Terriff 1999) According to Edward Kolodziej, making the state the primary referent of security fails to recognise “threats posed by states to groups and individuals” as well by “guerrilla warfare, terrorism, and low intensity warfare” – threats that can often “undermine the survival of the state, its citizens and the international system as a whole [regardless of] whether or not their neighbours’ intentions are malevolent.” (Kolodziej 1992; Terriff 1999) This raises an important question over how the international community should deal with these ‘non-state actors’.

The most unprecedented and frightening aspect of the current scenario, as Benhabib states, is "the emergence of non-state agents capable of waging destruction at a level hitherto thought to be only the province of states.” (Benhabib 2001) The emergence of these terror organisations have raised serious concerns with respect to the individual states’ ability to govern; hence, making ‘security’ an issue that needs to be addressed as a regional, rather than national subject.

September 11, 2001 has reshaped international politics and fundamentally restructured the international security environment. This is reflected in the United States’ approach to dealing with those responsible for the WTC attacks by forging frontline state alliances with a number of states, Pakistan being the most strategic ally as it has cooperated with the United States in their ‘War on Terror’ in Afghanistan and Northern Pakistan (Hadar 2002)

The global financial crisis made the two Asian economic powerhouses – China and India – more prominent while shaking the United States’ economy, which hit a negative growth rate of 6.8 percent in fourth quarter of 2009. (Trading Economics
The two emerging powers now have higher stakes in a stable regional environment as possible unrest and chaos in their proximity would have negative spillover effects. For instance, terrorist attacks like the one in Mumbai in 2008 (BBC 2008) or extremist activities along the Sino-Pakistan border have raised security concerns and can have a potentially detrimental impact on the region’s growth and development.

Often defined by scholars as the ‘breeding ground’ for extremist forces, Pakistan today is one of the most unstable countries in the region. Not only does it share its border with India and China but it also plays a pivotal role in the relationship between the three dominant countries of the region.

**Pakistan: A Boiling Pot of Issues**

The ‘World at Risk’ report, prepared for the United States Congress in December 2008 stated, “were one to map terrorism and weapons of mass destruction today, all roads would intersect in Pakistan.” (Gunasekaran 2009) Cappelli defines the Pakistani state as identified “by a multiplicity of alienations that have long set it violently at odds with its neighbours and against itself.” (Cappelli 2007) As soon as Pakistan was formed it perceived itself as a vulnerable weak state constantly in danger of an attack by its gigantic neighbour. This insecurity has been the foundation of an overarching military which has gradually become the strongest institution in the country.

The Pakistani military has been involved in training ‘freedom fighters’ to support the separatist elements and fight the Indian forces in Kashmir, which has become the biggest bone of contention between India and Pakistan. However, the history of extremism inside Pakistan dates back to the Afghan-Soviet war in the late 1970s when the United States, with the aid of the Pakistani military and funding from Saudi Arabia, recruited and trained *mujahedeen* (holy warriors) to fight the Soviets. Once the Soviets were defeated, Pakistan was left to deal with the highly trained and mobilised *mujahedeen* groups. The Pakistani military and Pakistan’s central intelligence agency, Inter-Services Intelligence (ISI), supported these organisations to gain strategic benefits in Afghanistan vis-à-vis India. (Rashid 2001)

The Pakistani military helped the evolution of the Taliban in Afghanistan to stabilise the war ridden country and to form a Government that favoured them. (Rashid 2001) However, in the wake of the attack on the WTC, Pakistan found itself in a geostrategic predicament yet again and had to align itself with the United States, becoming the frontline state in the United States-led ‘War on Terror’. This alliance resulted in the Pakistani military cracking down on extremist networks, which were once supported by the military itself, creating a backlash; the grunt of which was borne by the Pakistani masses. The fight against the government and military was brought from the tribal areas to the main cities such as Karachi, Lahore and Pakistan’s capital city, Islamabad, by Pakistani Taliban. Lahore was struck by eight
bomb blasts within a day in 2009 killing more than 50 people (TrendPK 2010). Pakistan has lost an appalling number of lives and still has not been able to curtail the ‘Radicalisation of Society.’

‘Ally of All Weathers’ feels the change in Temperature

Pakistan was one of the first countries to recognise China and on May 21, 1951 the two countries officially established their diplomatic relations. Pakistan and China came closer in the 1960s as Washington and Islamabad began to part ways over the handling of regional issues. (Bajoria 2008) In 1963 Pakistan and China signed a border agreement and eight years later, in 1971, Pakistan facilitated both the Sino-US relations and the resulting rapprochement. China, on its part, continuously sided with Pakistan during the 1965 India-Pakistan War and supported Pakistan in strengthening its defence capabilities. (Khan 2011) The 1970s saw steady development of Sino-Pakistan relations and continuous strengthening of friendly ties between the two countries. Ever since, China and Pakistan have enjoyed a close and mutually beneficial relationship. China has long provided Pakistan with important military, technical, and economic assistance, including the transfer of nuclear technology and equipment.

China and Pakistan have traditionally valued each other as a strategic hedge against India. (Bajoria 2010) According to Pakistan’s current Ambassador to the United States, Husain Haqqani, for Pakistan China is a “high-value guarantor of security against India’ whereas for China, Pakistan is a ‘low-cost secondary deterrent to India.” (Bajoria 2010, 1) China, with its economic strength and growing influence, is a very strong ally for Pakistan and it views China as a balancing power against India. Whereas for China, Pakistan is a deterrent to growing influence of India and is an ally that will always support China and never become a threat. Tensions between India and Pakistan date back to the partition in 1947 and have remained high over the disputed territory of Kashmir. Hence China’s close association with Pakistan has never pleased India.

China has been the cornerstone of Pakistan’s foreign policy and according to South Asia experts at the Centre for Strategic and International Studies, Parker and Schaffer, “Beijing clearly sought to build up Pakistan to keep India off balance.” (Bajoria 2010, 1) Observers in India perceive Chinese support for Pakistan as a key aspect of Beijing’s so-called policy of ‘encirclement’ – a means to prevent New Delhi from challenging Beijing’s influence in the region. (Bajoria 2010)

However, the current instability in Pakistan and the increase in extremism in the country have become a major concern for Beijing. On July 5, 2009 large scale ethnic

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2 Video: Imran Khan on “War of Terror” and “Taliban”

3 (Bajoria 2008)
clashes erupted in China’s Xinjiang province when Muslim Uighurs, the dominant ethnic group in Xinjiang, protested against the paramilitary forces in Urumqi. The riots ended up killing at least 197 people while injuring 1,721. (Wong 2009) In the aftermath of these clashes, statements were issued by Al-Qaeda and its affiliates explicitly targeting China. In October 2009, Abu Yahya al-libi, a prominent member of the Al-Qaeda core group in Pakistan, declared jihad in Xinjiang. (Small 2010) Such events have raised China’s concern about tribal areas in Pakistan being a safe haven for separatists causing unrest in Xinjiang and have led to Beijing pressuring Islamabad to crack down on such groups.

The Uighur Autonomous Region (Xinjiang) shares its border with the Northern Areas of Pakistan. The 500-mile long Karakoram Highway (KKH), which connects Kashgar in Xinjiang with Islamabad in Pakistan, was constructed for fostering trade and people-to-people exchange between the two countries. According to Zaid Haider, an analyst at the Washington-based Stimson Centre, the construction of the KKH helped in enhancing both countries’ political and logistical control over their frontiers and capability to deal with external and internal threats. (Haider 2005) In 1990s, however, the exchanges between the two countries involved arms, drugs and religion which clouded the countries’ relationship. Maintaining control over Xinjiang has been a longstanding concern for Beijing due to the Uighurs’ ‘sense of spiritual, cultural and political alienation’ as Muslims of Turkic origin from the ‘officially atheist Han Chinese dominated’ China. (Haider 2005, 523)

According to Ahmad Rashid (quoted by Zaid Haider), militant Uighurs have been involved in Islamic jihad movements since the 1980s when they moved south to Pakistan to take part in the mujahedeen movement against the Soviets. (Haider 2005) Xinjiang has witnessed uprisings and killings which have even led to Beijing closing the KKH in 1992 to give a strong signal to the Government of Pakistan to prevent its tribal areas from serving as breeding grounds for fundamentalists. Since the late 1990s, the Pakistani Army has taken stern measures against Uighurs and shut down two Uighur communities in 2001. (Haider 2005) There is no evidence of the Pakistan Army backing or supporting the militants in any form and in fact has tried hard to crack down on these groups to show their seriousness regarding the issue to China. (Haider 2005) However, as the Pakistan Army struggles with the Pakistani Taliban and is unable to control the situation domestically, Beijing is concerned about the Pakistani Army’s ability to protect China’s national interests in the region.

Another reason for Beijing’s growing concerns flows directly from China’s wide-ranging set of investments in Pakistan. In addition to the large scale projects in telecommunications and hydropower, the Chinese-built Gwadar Port in Balochistan is of significant strategic importance to the Chinese Government. Not only does the Port provide a potential energy transhipment route, but it also provides a future naval facility as well as a strategic route to the Indian Ocean. (Small 2010) According to Ziad Haider, Gwadar has provided Beijing with a ‘listening post’ from where it can ‘monitor US naval activity in the Persian Gulf,
Indian activity in the Arabian Sea, and future US-Indian maritime cooperation in the Indian Ocean.' (Ghazali 2009) However, extremism in the region threatens these projects and puts Chinese nationals at risk. Events since 2007 have taken a dangerous turn. The Lal Masjid (Red Mosque) incident in June 2007 in which Chinese massage workers were kidnapped (though released later), instigated a Pakistani military assault. A month later, three Chinese engineers were executed in Khyber Pakhtoonkhwa (then North West Frontier Province) along with a suicide attack on a convoy of Chinese workers in Karachi in the same month. The failure of the Pakistani government to get Chinese telecommunication workers released in Swat, in 2008, resulted in the Chinese Government threatening to withdraw all Chinese personnel from Pakistan. (Small 2010) The strength of Tehrik-i-Taliban Pakistan (TTP) is becoming a major concern for China as well. Beijing has taken a clear position of encouraging the Pakistani Army to mount the operations against this organisation by providing aid for counterterrorism equipment. The Pakistan Army, in turn, has provided additional security for the KKH. (Small 2010)

China and Pakistan are strong allies, however, unrest on the Pakistan and China border and danger to Chinese investments in Pakistan are becoming a cause of concern for China. Pakistan cannot afford to lose China’s support as a strong ally that plays the role of countering the threat of a rising India. China has a cutting-edge strategy for using its leverage and has expanded relations with Myanmar, Bangladesh, Nepal, Sri Lanka and Bhutan as a hedge against New Delhi. (Bajoria 2010) However, central to this strategy is Pakistan; hence China would not want to lose a strong ally.

The Irreconcilable Two

When mentioning the conflict zones in Asia, the most significant dispute that comes to one’s mind is the one between India and Pakistan. The partition of the two countries has left deeply seeded wounds on both sides which seem almost impossible for the two to reconcile. Cohen defines the ‘toxic’ relationship between India and Pakistan a classic case of ‘paired minority’ conflict. He further explains that in such a situation both sides see themselves as ‘vulnerable, threatened, encircled and at risk’. (Cohen 2009) Pakistan has the classic small power complex: it is smaller than India and has increasingly less capable and fickle friends. It is this insecurity that has led to the military being the strongest institution to the extent that Pakistan is often defined as a garrison state creating elements to aid instability in India, particularly in Kashmir. (Talbot 1998)

However, the conflict between India and Pakistan has changed and there is a need to rethink their regional intents. India’s growth trajectory has significantly departed from that of Pakistan and it has emerged as a significant regional actor. India is part of the G20, G8+5, Financial Stability Board (FSB) and has strategic weight and influence in the region that Pakistan does not enjoy. (Media Storm 2010) Indian foreign policy has exploded beyond the boundaries of India and Pakistan and even
South Asia. This change in status for India has made stability a very important factor for its growth. As US President Obama stated, it is in India’s interest to ensure security and stability in the region. (Gaikwand 2010) The certainty about a stable region is under question due to the instability in Pakistan.

Since 2007, Pakistan has grown more unstable and more violent. The increase in extremism spilled over the border in its worst form such that it brought the two nuclear powers, Pakistan and India, on the verge of war. The attacks in 2008 on India’s financial capital, Mumbai, targeted seven-high profile locations, including two luxury hotels, killing nearly 200 people and leaving the country in a state of shock. (BBC 2008) New Delhi claimed ISI had links with the planners of the attacks, the banned militant group Lashkar-e-Taiba. Pakistan denied allegations of any official involvement, but acknowledged in February 2009 that the attack was launched and partly planned from Pakistan. (Kaplan 2010) These attacks adversely affected India’s investment climate and with 22 foreigners killed there were rising concerns about the safety of foreign employees and establishments. Therefore, the most significant danger that Indians see, according to Ambassador Howard B. Schaffer, Former Deputy Assistant Secretary of State, ‘[is that] of terrorist forces based in Pakistan operating in India and causing problems which could very possibly lead to another India-Pakistan war.’ (Media Storm 2010)

However, India has more at stake than Pakistan in the event of a war, as India is currently a growing regional power hoping to play a significant role in the global arena. Any attacks waged by non-state actors in Pakistan would cause India to lose some of the gains it has made in the last two decades. However, as Evans Feigenbaum, Senior Fellow at Council for Foreign Relations (CFR) points out, though the chances of war are bleak, in the event of another attack there will be political pressures on both sides and it will be very difficult for the Indian Government to take the military options off the table. (Media Storm 2010) Therefore, India would want to prevent any such situation in the future.

As India wants to expand its influence in the Arab States, Iran and Afghanistan to take advantage of these energy rich countries and gain strategic strength to counter Chinese influence in Central Asia, Pakistan is one of the stumbling blocks in strengthening these ties. According to Radha Kumar, Peace and Conflict Resolution Specialist at the Nelson Mandela Centre in New Delhi, ‘since 2001 Afghanistan has become an increasingly important point of dispute [between the two countries] to the extent that today it overshadows Kashmir.’ (Media Storm 2010) With the prospects of the NATO coalition pulling out of Afghanistan, Pakistan ISI continues to support the Afghani Taliban to gain some control in the country while India also moves fast to establish its presence in Afghanistan. (Rashid 2009) India’s presence in Afghanistan has been increasing and it has become one of the leading donors to Kabul after it pledged to spend $1.2 billion in rebuilding the infrastructure in the country. After the fall of the Taliban regime in 2001 India opened two new consulates in Herat and Mazar-e-Sharif and reopened two older ones that had been
shut since 1979. (BBC 2009) India’s increasing interest in Afghanistan has further added to the insecurities of the Pakistan military. All the factors are intertwined and feed into each other. India today has a higher stake in minimising extremism in Pakistan than a few decades ago and it is on the move towards development.

Pakistan today is in a very crucial spot and, unfortunately, is getting the limelight because of its deteriorating state of affairs, made even worse after being hit by the worst flooding the country has ever witnessed. (BBC 2010) Having stated the concerns that the two growing Asian powers have because of the rise of extremism in Pakistan, it is now imperative to see whether this factor can change the India-China relationship at the global level.

Expecting the Unexpected

The previous two sections stated the impact that a rise in extremism has had on Pakistan’s two big neighbours China and India, and highlighted the extreme contrast in Pakistan’s relationship with them. Pakistan would respond promptly and effectively to any concern China raises as was the case in the Red Mosque assault in 2007. However, in the case of India it would precisely do the opposite which was obvious in its response to the Mumbai Attacks and dealing with Ajmal Kasab (the terrorist involved in the Mumbai blasts who was reported to be in Pakistan). Pakistan and India have always had a ‘toxic’ relationship; however, it is the Sino-Pakistan relationship that has the potential of being affected adversely due to increasing fundamentalism inside Pakistan. Hence it is important to see what implications the expansion of fundamentalism/extremism will have on Pakistan-China relations as tensions between the two alter the current geo-political balance which has been in place over the last six decades.

There can be two significant scenarios: on the one end of the spectrum Pakistan would continue to face regular terror attacks while the army fights the extremists with limited success and on the other end is the possibility of the establishment of an Islamist State in Pakistan where the extremist forces take over the state apparatus and the nuclear arsenal.

The emergence of radical Islamist ideologies in the political mainstream represents the most troublesome scenario for Pakistan as this will define the formation of an Islamist state. If such a scenario takes place, Pakistan will become a threat to global security. However, this article in its scope will only deal with the implication for Sino-Pakistan ties and how that in turn will impact Sino-India relations.

In such a scenario China is expected to form a strong alliance with India and the United States to counter the extremist state that will be formed out of Pakistan. Both China and India have a strong incentive to ensure security of Pakistan’s nuclear weapons. (Hanlon 2005) Acting otherwise may even lead to a significant upheaval in Xinjiang province with the support of the Islamist state power in Pakistan. If the tie between Pakistan and China breaks, the regional security situation will change
drastically. An Islamist Pakistani state will be dangerous not only for the Asia-Pacific region, but also for the world.

The possibility of a state collapse in Pakistan is highly unlikely, although there is evidence of rising extremism and of failure of the Pakistani military and United States’ intelligence agencies in curbing the extremist forces and preventing suicide attacks, bombings and target killings. (Mohan 2005) Though the military has supported these radical groups in the past, it will never allow them to take over the nuclear arsenal of the country. According to Hassan Abbas, Fellow for South Asia, Asia Society, these radicals are in no way close to taking over the state and it is impossible for the Islamic parties to win over in any democratic elections as Pakistan’s history has illustrated. According to Shuja Nawaz, Director of the South Asia Centre, it is important to recognise that the Islam followed by the masses in Pakistan is of the tolerant ‘Sufi (mystic)’ order as opposed to the radical ‘Wahabi’ order and a coherent takeover of society and the state by radical Islamist ideologies is an extremely unlikely situation. (Media Storm 2010)

**Status Quo**

The current state of extremism in Pakistan is not an ideal scenario. As Ashley J. Tellis, South Asia Expert, Carnegie Endowment for International Peace argues, this situation is highly likely to prevail and Pakistan might continue to muddle through the current shaky state of the government as well as the terror and chaos caused by extremist forces. If the current state of extremism prevails in Pakistan, it will not have any ground breaking alteration in the relationship between Pakistan and China.

China would continue investing in Pakistan on all fronts and would rather strengthen the military than allow a weak civilian government to prevail. (Bajoria 2010) It may continue to pressurise the military to crack down on the extremist groups and provide security on the Xinjiang border but it will not let this factor hurt its relationship with Pakistan at the global stage. As Andrew Small of the Washington Quarterly, China is ordinarily reluctant to ‘multilateralise its relationships and aid efforts anyway, but it is particularly reluctant to treat its closest partner as a joint “problem” to be addressed by other countries. (Media Storm 2010) This also means that China would not form any meaningful alliance with India to work for the stability of Pakistan. By any ‘meaningful alliance’ - a pact or grouping which is not limited to diplomatic gestures but requires both parties to invest in tangible means to stabilise Pakistan is implied; such as Pakistan, India and China having dialogues where the two countries help the Pakistani state and military derive strategies in combating or curbing the extremist forces or both providing military arsenal or both investing in Pakistan’s economic growth. Therefore, if the current state prevails, there is a very bleak chance that China and India will even have any diplomatic relationship regarding working together to stabilise Pakistan.
However, we might see an interesting turn in Sino-Pakistan relationship if a major terrorist attack takes place in China. For instance, China would respond furiously if claims by the Al-Qaeda group materialise and there is a major attack in either Beijing or Shanghai. Sino-Pakistan relations can be jeopardised as a result and Pakistan can come on the verge of losing its closest and most influential ally if it does not retaliate aggressively and dismantle terror organisations sheltered in Pakistan’s tribal areas. In such a situation China might even get involved in combating the terror groups and may not let the Pakistani military handle the situation. Nevertheless, it is anticipated that all these scenarios are less likely to occur and there is a high chance that the current situation will prevail and China will not take any drastic measures to stabilise Pakistan on a multilateral level.

Conclusion

In an article published in The Economist in 2008, Pakistan was described as ‘the World’s most dangerous place’. (The Economist 2008) As Pakistan becomes a security threat for the region at large China and India have a higher stake because China’s aim to become a significant global power and India’s aim to rise above the regional power status are threatened if there is chaos and turmoil in their immediate neighbourhood.

The way Pakistan navigates its future has the potential to create tensions with the best of its friends as the concerns of the enemy hardly matter. Of all the scenarios analysed, status quo – i.e. the current scenario – is most likely to prevail unless a significant external event, such as more stability in Afghanistan or a terror attack in either China or India, takes place. It has been argued that unless there is a significant change in the present situation it is highly unlikely that China and India would get involved in any serious dialogue over the issue of stability in Pakistan. The differences between the two Asian giants are significant and historic. The 21st century has shown significant improvements in Sino-India relations with increase in trade, people-to-people contact, military confidence building measures and political attempts at resolving the existing boundary dispute. (Mohan 2004) Nonetheless, both nations have sought to expand their influence on neighbouring countries and a contestation for influence has become inevitable. Despite repeated formal declaration of the commitment for political cooperation, China and India have constantly sought to limit the influence of the other.

In the backdrop of such a ‘not so pleasant’ relationship between China and India it should be reiterated that the current state of instability in Pakistan will not give China and India a platform for a dialogue regarding the stability of Pakistan unless Pakistan’s nuclear arsenal falls into the hands of Islamic militants and the country descends into complete chaos – in which case not only China and India, but the entire international community would pull forces together to contain the Islamist nuclear state that emerges out of Pakistan.
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ESCAPING THE NATURAL RESOURCE CURSE: WHAT CAN MONGOLIA LEARN FROM CHILE?

Odmaa Narantungalag

This article aims to explore how Chile managed to avoid the “natural resource curse” – a phenomenon that most resource rich countries have found difficult to escape in the past - and examines if Mongolia, as an emerging resource rich country, is prepared to overcome the phenomenon. Although different in terms of their geography, history and culture, both countries are endowed with rich copper resources. In seeking the answer to the question, the article first examines the impact of resource endowment on development by studying successes and failures of resource rich countries. Next, it focuses on Chile’s experience, emphasising on the contribution of macroeconomic policies in increasing Chile’s growth rate over the past two and half decades (1980-2008). Examining the Chilean experience serves as a benchmark for the analysis of Mongolia’s development path in the past two decades (1990-2009). Increased corruption, rising inflation, soaring fiscal deficits, high risk exposure to commodity price fluctuations, and a banking crisis all appear to have contributed to a stagnation of economic growth. Moreover, this might result in the ‘natural resource curse’ bedevilling Mongolia. In addition, a growing share of mineral products and a decreasing share of manufactured goods in total exports in recent years’ state budget as well as contraction in manufacturing sector reveal a prevalence of the ‘Dutch Disease’ in Mongolia’s economy. In comparison with the successful Chilean development experience, the policy implications drawn for Mongolia include greater and more effective enforcement of anti-corruption laws, reforms in institutional arrangements, strict monetary policy along with fiscal discipline and the development of non-extractive industries.

What is the natural resource curse?

The natural resource curse “occurs because the income from these resources is often misappropriated by corrupt leaders and officials instead of being used to support growth and development.” (Palley 2008)

Nigeria, Cote D’Ivoire and Chad in Africa as well as Mexico in Latin America have experienced this phenomenon as they are endowed with rich natural resources such as oil, diamonds and cocoa. However, Botswana in Africa and Chile in Latin American are exceptions to the apparent rule. Natural resources tempt those in power as they seek to ensure their future financial security from resource extraction

1 Odmaa Narantungalag is a Mongolian national pursuing her Masters in Public Administration (International Development) at the School of Public Policy and Management, Tsinghua University. Her research interests include development economics, financial policies and resource rich economies. She can be contacted at odmaa.narantungalag@hotmail.com
This temptation exposes the whole political system to the risk of corruption as it becomes a bloc built only by the powerful. Bates (2008, 27) explains that in African countries “resources pose a constant temptation to those with military power. Were they to shift from guardian to predator, their future prosperity would nonetheless be ensured, underpinned by the income generated by natural resources.”

If we look at the Corruption Perceptions Index (Table 1), Nigeria, Cote D'Ivoire, Chad, and Ecuador are listed in the lower 30th percentile of the rankings. These resource rich but low income and lower middle income countries (Table 1) have witnessed increasing levels of corruption, rent-seeking, rising poverty, as well as inequality over time.

Table 1: Corruption Perceptions Index (CPI), income and income equality level of selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Chad</th>
<th>Cote D'Ivoire</th>
<th>Ecuador</th>
<th>Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI ranking</td>
<td>171</td>
<td>146</td>
<td>127</td>
<td>134</td>
</tr>
<tr>
<td>Income classification</td>
<td>Low</td>
<td>Lower middle</td>
<td>Lower middle</td>
<td>Lower middle</td>
</tr>
<tr>
<td>GDP (PPP) per capita</td>
<td>1221</td>
<td>1547</td>
<td>7508</td>
<td>1950</td>
</tr>
<tr>
<td>Income Gini coefficient</td>
<td>39,8</td>
<td>48,4</td>
<td>54,4</td>
<td>43,9</td>
</tr>
</tbody>
</table>


A striking example is Mexico: Mexico’s political elites formed a system based on perverse incentives that encouraged rent-seeking and lobbying the government for privileges. The constitution of Mexico and the legal system was hostile to the private sector as the 1917 Constitution of Mexico set the state-ownership of all exploitable minerals and private firms could not own land for business operations until 1992. The officials of the state-owned companies de-capitalised the firms to pay off political favours and enrich themselves from the oil sector. (Roberts and Araujo 1997, 83-85)

In addition to revenues from the export-oriented industries, the funding from foreign aid from development finance agencies such as the World Bank and the IMF were also concentrated in the hands of officials who worked as liaisons between the agencies and the state-owned companies.2 Other Latin American countries such as

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2 According to Roberts and Araujo (1997, 87), large state-owned companies in Latin America were hugely dependent on multilateral development bank loans from the international development finance agencies. Companies such as Peru’s PescaPeru, Mexico’s Banpesca, Chile’s Sendos (national
Mexico, Argentina, Brazil and Peru exploited development aid by enlarging their bureaucratic system. In 1992, one out of every six people in the workforce was working for the state in Peru; in Argentina, in 1988, out of labour force of 11.5 million, nearly two million were bureaucrats. (Roberts and Araujo 1997, 87) The large size of governments in these Latin American countries led to more inefficient public sector and underdevelopment.

Having captured the resources, the elites of the resource rich countries tend to perpetuate a vicious circle of underdevelopment until the state falls apart. Thus, the ultimate driving forces for politicians to make policy conducive to economic development are incentives. According to Roberts and Araujo (1997, 97), “Latin Americans spent the twentieth century building the blocked society. They never managed to develop the institutions conducive to progress, such as efficient capital markets, legal systems that protect property rights, or banking institutions that serve the public. Theirs was a poverty of policy, not of people or natural resources.”

Chile was an exception that escaped this natural resource curse. However, between 2003 and 2007 it contracted the Dutch Disease in which an economy’s manufacturing sector growth diminishes as the terms of trade are tilted towards natural resources (copper exports in the case of Chile). (Ruehle and Kulkarni 2011) The natural resource curse characterises the incapacity of the state to allocate resource revenues and capital effectively to spur economic growth. The consequences of these two phenomena are illustrated in Table 2.

| Table 2 Empirical effects of a resource curse and the Dutch disease |
|-------------------|-------------------|
| Resource Curse    | No                | Yes               |
| Dutch Disease     | No                | Yes               |
| Overall growth and diverse export base | Stagnant growth, but diverse export base |
| Reduced manufacturing | Stagnant growth and reduced Manufacturing |

Source: Larsen 2004

Bates (2008, 121) argues that “with the loss of public revenues, governments became more predatory. With the loss of their political monopolies, they became less secure (...) Because of their rich endowment of natural resources; many governments in Africa were tempted to abandon their role as guardians and to embrace the role of sewage company) and Brazil’s Eletrobras (national electricity company) had staff responsible for channelling funds for projects financed by the multilateral development institutions. These staffs were incompetent to make informed investments decisions and corruption was institutionalised in the governments among such bureaucrats.
predators, employing the power of the state to extract wealth from the continent’s natural resources.”

However, it appears that for some few countries resource endowments have been a blessing rather than a curse. For instance, through good governance, strong political leadership, effective anti-corruption laws and high civil engagement, Botswana managed to invest its resource revenues in public services such as education and health care thereby redistributing wealth effectively and implementing a long-term development plan. (News Hour 2010) It is not surprising that the natural resource curse has been absent in Botswana.

**How did Chile do it so well?**

Chile’s abundance of natural resources has not succumbed to the natural resource curse because of its strong and independent institutions and fiscal discipline. Moreover, Chile is one of the most fiscally responsible countries in the world. Chile’s banking system is rated as one of the best among emerging markets; in 2004, its financial sector was ranked 22nd out of 61 countries surveyed by Moody’s. (De Gregorio 2004)

However, successful financial development and high economic growth would have been difficult to achieve if not for the country’s strong institutions. Hernandez and Parro (2008), Schmidt-Hebbel (2006), and De Gregorio (2004) all have argued that Chile’s strong institutions have been a fundamental factor in its long-term economic growth. Essentially, there was no coercion of power to stimulate perverse incentives within bureaucracies, unlike the corruption-plagued countries in Africa.

Low inflation, sound fiscal policy, a strong financial sector, openness to trade, strong institutions and regulations are all identified to be sources of growth for the Chilean economy. Empirical studies prove that macroeconomic stabilisation policy outcomes (inflation levels, public deficits, real exchange rate misalignments) have significant and persistent impact on economic growth and Chile has achieved persistent macroeconomic stability in the last three decades. (Schmidt-Hebbel 2006)

Chile has been remarkably successful in keeping its inflation under double-digit rates in the last two decades, unlike the period between 1960 and 1990 when annual average inflation was 72 percent.

According to De Gregorio (2004), three important factors responsible for keeping the inflation rate low can be identified:

i) The independence of the Central Bank of Chile granted by a constitutional law in 1989

ii) Investment in public sector and effective government spending ensured fiscal stability and growth of other economic sectors
iii) Stable average economic growth of 5 percent in the period 1980-2005 (Figure 1)

Low inflation was crucial for the successful resource allocation, productivity and efficiency of the Chilean economy.

Moreover, Chile’s economy grew at an average rate of 7.6 percent during what’s called the “golden period of growth” between 1985 and 1997 (Figure 2). (Schmidt-Hebbel 2006)

Figure 1: Annual GDP growth of Chile, 1980-2005

Source: World DataBank 2010

Sound fiscal policy has been a crucial factor of economic growth in Chile. Although Chile experienced major fiscal deficits before the 1980s, a major fiscal package composed of cuts in public investment and subsidies, a freeze in public wages brought a fiscal surplus of 4 percent of GDP in 1976. (Hernandez and Parro 2008) The Chilean government was effective in bringing down public debt (from 73 percent of GDP in gross terms in 1989 to 34 percent in 2003) and government spending. However, new social policies and programmes, such as improving the poor’s access to basic public services ranging from education, health care to safety, were undertaken by the government. As a result, poverty levels were reduced from 33 percent in the 1990s to 17 percent in 2000. (Hernandez and Parro 2008) Moreover, during the last decade, successive governments have had fiscal surpluses following the Structural Balance Policy institutionalised by the government in 2001 and this

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3 “Poor is a household with per-capita income below the poverty line or minimum income to satisfy its essential necessities. The poverty line is calculated with the basic necessities cost method.” (Hernandez and Parro 2008)

4 This policy aims to reflect medium-term fiscal outlook and save during economic highs, when only temporarily high revenues from copper and molybdenum are received and spend when fiscal revenues drop.
policy has set to achieve structural surplus equal to 1 percent of GDP every year. (Schmidt-Hebbel 2006)

Nigeria is a classic example of a failing fiscal policy. Precariously dependent on oil, the Nigerian macroeconomic policy mistakes resulted in the emergence of current account and balance of payment deficits, an escalating debt stock and falling reserves. (Njinkeu et al 2007) However, the development of the financial sector in Chile for the past three decades has been very important for economic development as it enabled the government to distribute resource revenue effectively and efficiently through the financing and developing of non-mining industries. Strict banking regulation and supervision that provided greater information disclosure increased lending and a deepened financial market contributed to accelerating growth in Chile. Banking reforms were very successful.

Chile undertook a financial liberalisation process in the 1970s and adopted a banking law in 1986, both of which were important factors of growth. Hernandez and Parro (2008) confirm that “bank lending to the private sector increased from an average of 8.6 percent of GDP during 1961-74, to an average of 60.4 percent during 1986-2005. Of this increase of 52 percentage points of GDP, about 43 percentage points are explained by the 1986 reform to the banking sector.” In addition to the banking sector, the financial market developed well in Chile due to its integration with international financial markets.

In successfully escaping the natural resource curse, Chilean policymakers established institutions that have been capable of undertaking and implementing policies effectively; essentially, the human resources running the institutions have been incentive-driven. Theories and empirical studies have proven that rising out of poverty and accomplishing prosperity, growth and development for all are hardly possible to achieve unless policies are formulated and implemented by the people with the right incentives. (Easterly 2002) The fundamental for prosperity also lies within the state’s capacity to ensure not only economic growth but also development for all the people. In case of Chile, among many factors the institutional competitiveness and capacity was at the core of good and successful policies coupled with good governance and politics.

Is Mongolia Performing Well?

As a landlocked, resource rich country with a population of just over 3 million, Mongolia faced daunting developmental challenges in the past two decades. Upon the collapse of the Soviet Block, Mongolia lost tremendous external aid and support from the Soviet Union and it had to seek aid from international financial agencies. Dependence on aid from the International Monetary Fund, the World Bank and Asian Development Bank as well as the constellation of political elites led to a peaceful transition to a multiparty parliamentary democracy in 1990 from a one-party system that dominated since 1924. (Sindelar 2009) Economically the country
has been striving to become a market economy, predominantly dependent on its natural resources, especially copper.

However, the current state of the market economy and democracy came at a cost of several economic downturns and increasing corruption that appear to be detrimental to growth and development. Mongolia was ranked 116th out of 178 countries in 2010 by Transparency International compared to 85th in 2006. Although other countries’ decreased corruption level may have contributed to this dramatic increase over just four years, the public’s perception of corruption in Mongolia is high.

In the 1990s Mongolia adopted a “shock-therapy” which hampered the economy with high inflation, persistent fiscal deficit and ultimately, the banking crisis of 1996. (Government of Mongolia and UNDP 2000) Similarly, Chile’s military regime opened up economy with trade and financial liberalization reforms in 1970s (De Gregorio 2004). Althouth in the short run coupled with the oil shock of 1970s consequences of the Chilean reforms were debt crisis of early 1980s, fiscal deficits and high unemployment but in the long run Chile acheived stable economic growth and political stabiliy.

During the period of 1998-2008, the economy grew at an average growth rate of 5.2 percent (as seen in Figure 2). The economy of Mongolia was hit hard by the recent global economic and financial crisis. The fall in copper prices in the international commodities market affected the economy severely, with a 1.6 percent contraction in the economy and 26 percent fall in mineral exports in 2009. (World Bank 2010)

Figure 2: Real GDP per capita Growth in Mongolia, 1982-2006

![Graph showing real GDP per capita growth in Mongolia from 1982 to 2006](source: World DataBank 2010)

The macroeconomic performance of Mongolia in the past two decades indicates that the country’s macroeconomic framework has been inadequate and unable to absorb economic shocks, react to the banking crisis and overcome financial and economic crises. Although significant reforms were undertaken in the financial and banking
sectors in the early 1990s, fiscal deficits, banking failures, and rising inflation have been detrimental to growth. Keeping inflation low has been a big challenge for the economy. Liberalising prices without stabilising the economy and the premature creation of a private banking system led to sky-rocketing inflation of 326 percent in 1993. A tight monetary policy in 1998 brought inflation back down to 6 percent. (Government of Mongolia and UNDP 2000) However, inflation reached 34.2 percent in August 2008 and as of August 2010 it was still 11.1 percent.

The main drivers of high inflation in Mongolia are:

i) The fluctuations in copper prices
ii) The rise in international energy and food prices
iii) The increased government spending such as cash transfers to citizens and wage and pensions increase for the public sector employees

While low inflation is necessary for efficient resource allocation of the economy, the current picture puts Mongolia at risk of rising inflation.

Fiscal policy enforcement has been weak in Mongolia as the country had persistent fiscal deficits throughout the 1990s, in 2008 and again in 2009 (Figure 3).

Figure 3: Fiscal Balance of Mongolia, 1995-2009

The boom in international copper prices between 2004 and 2008 was an important factor for annual average growth of 8.75 percent and led to a 37.2 percent average annual growth in government revenues. However, the fall in international copper prices in 2008 led to a fiscal deficit of -4.9 percent of GDP in 2008 and -5.4 percent in 2009. (World Bank 2010) “Facing a budget shortfall and rising inflation, Mongolia
has taken on a series of direct loans from other countries to ease widespread economic pressure resulting from a deep recession”. (Mattis 2009)

Although Mongolia’s fiscal condition has been improving significantly since 2000, the terms of trade have been increasingly focused on the mining sectors as the share of copper and mineral products in total exports has been rising (Figure 4).

**Figure 4** Mongolia’s exports by major commodities, 1998-

The manufacturing sector contracted on annual average rate of 6.2 percent between 1996 and 2000 with share to GDP falling to 6.2 percent from 8.4 percent. The sector recovered between 2001 and 2003 when Mongolia could export its products to the United States after being granted full most favourable nation (MFN) treatment in 1999 but the end of import quota system resulted in 20 percent contraction in manufacturing sector in Mongolia in 2005. (United Nations Industrial Development Organization 2011)

The diminishing share of the manufactured goods and the rapidly increasing share of mineral products in total exports along with the historical contraction of manufacturing sector may be a worrying initial sign of the Dutch Disease. Such an economy becomes more vulnerable to commodity price fluctuations and other economic shocks during a downturn. In addition, the revised 2011 budget proposal envisages a sharp increase in government spending, leading to a rise in the fiscal deficit to 8.6 percent of GDP. The World Bank economist, Rogier van den Brink, emphasised that, “with the 2011 budget proposals, Mongolia would be following a well-trodden path adopted by many other resource rich economies, such as the Netherlands in the 1960s, after which the infamous ‘Dutch Disease’ is named”. (Asia Pacific Securities 2010)

Over the past 20 years, the number of commercial banks in Mongolia grew from 5 to 15. The Banking Law of 1991 created a two-tier banking sector, separating central
and commercial banking functions. Mongolia’s banking sector in the early 1990s was prone to banking crises as a private banking regime emerged with inadequate banking expertise and know-how. For instance, unfamiliarity with modern reporting methods and disclosure standards along with weak supervision over the banking sector were some of the obstacles in the financial sector during 1990s. (Nixson and Walters 1999) Mongolia had a banking crisis in 1996 with the failure of four banks due to large amounts of non-performing loans on the balance sheets, people’s loss of confidence in the banking sector, and a lack of effective management and supervision. (Government of Mongolia and UNDP 2000)

In 2009, two commercial banks failed. Liquidity shortages, high ratios of non-performing loans on banks’ balance sheets, violation of prudential requirements and weak supervision by the Central Bank made it harder for the banking sector to overcome the recent financial crisis. In response to the difficulties the banking sector faced, the Mongolian government and the Bank of Mongolia prepared the “Bank Capacity Strengthening and Capital Support Program” to strengthen the banking sector, which now certainly faces challenges in channelling funds to their most efficient use. (World Bank 2010)

Today governments can borrow from financial markets by converting future revenues into cash. This mechanism mulcts the public purse by putting the future generation in more debt. (Palley 2003) However, a similar experience is taking place in Mongolia as Mongolian politicians have started making cash promises to citizens in order to win votes in the parliamentary elections. Being bullish about the mining prospects and ambitious development projects, politicians confidently assert that the mining wealth would be easily and fairly distributed to every citizen as a transfer of cash. The two major political parties made competing cash promises in the June 2008 parliamentary elections to get the majority votes. While the Democratic Party promised 1 million tugriks (around $840) named ‘Wealth Share (Erdenii Huvi)’ to every citizen, the Mongolia’s People’s Revolutionary Party offered 1.5 million tugriks ($1,260) as ‘the Motherland’s Blessing (Eh Ornii Hishig)’. (Bulag 2009)

Politicians made cash promises to citizens without knowing their source of revenue. Fulfilling these election pledges immediately after parliamentary elections would have dried up the fiscal funds. After two years of failing to deliver on promises, in February 2010 $55 per person were redistributed as mining wealth to citizens and it was followed by another transfer of $40 per person between August and December 2010. (World Bank 2010) However, the sources of these cash transfers have been provided by tax prepayment from Mongolia’s biggest copper-gold deposit, Oyu Tolgoi. Oyu Tolgoi’s reserves are composed of 32 million tons of copper and 1,200 tons of gold and it is expected to produce tax revenue of US$30 billion over 50 years starting in 2013. (Bloomberg News 2009)

Making cash transfers from unproduced wealth indebts future generations. Moreover, without creating new jobs and investing in the public sector, such a
distribution not only carries inflationary risk that is detrimental to economic growth, but also does not help in addressing the situation of poverty, as well as growth and development of other economic sectors.

Mongolia is currently at a turning point. The abundant natural resources suggest it is blessed with a promising future. On the other hand, the country’s success will ultimately depend on how policies are made. Whether a policy is a success will depend on how policies are implemented. Accountable, transparent and effective government and institutions is the implementation cornerstone of turning policies into good policies. Nevertheless, giving the right incentives to politicians and government officials is the means in good policies’ end.

**Can Mongolia Learn from Chile’s Development Experience?**

As previously mentioned, Chile has been an exception to the natural resource curse phenomenon. For Chile to be less corrupt, more fiscally disciplined and more competitive in the banking and financial sector than the majority of other resource rich countries in Latin American and Africa, many challenges were overcome successfully over the past three decades. Economic liberalization reforms started during the military government in 1970s and consequences of the transition from a centrally planned economy to a market economy were harsh on Chile until the early 1980s. However, despite the authoritarian government Chile in the end succeeded in establishing a free market economy and democracy as well as becoming integrated into the world economy.

In addition to running the state based on incentives, Chile successfully undertook preventive measures such as inflation targeting, cutting government expenditures, and effectively managing fiscal surpluses to escape the phenomenon. The results of these measures for Chile were decreased poverty rate as well as diversified industries and sustainable economic growth. However, in order for Chile to grow sustainably, the quality of education should be improved; more research and development should be done; income inequality needs to reduced and intraregional trade should be increased. (De Gregorio November 2004)

When compared with Chile’s growth experience, Mongolia’s economic performance in the past two decades leaves the state less immune to escaping the natural resource curse. Quantitative measures such as inflation, fiscal policy, banking sector development, as well as qualitative measures like corruption, weak banking sector supervision, and unfulfilling election pledges by politicians pose risks to social and economic development in Mongolia.

In sum, the previously mentioned quantitative and qualitative indicators suggest that economic growth may stagnate following a fall in commodity prices and economic downturn. This might result in the ‘natural resource curse’ bedevilling Mongolia. Furthermore, a growing share of mineral products and a decreasing share
of manufactured goods in total exports in recent years’ state budget and contraction of manufacturing sector reveal a prevalence of the Dutch disease in the economy.

Thus, in order to sustain stable economic growth, the following lessons for Mongolia can be drawn from Chile’s growth history:

1. **Address Corruption**: The country should take initiatives and both qualitative and quantitative measures to reduce corruption. Although many anti-corruption projects have been undertaken and an Anti-Corruption Law has been passed, their efficacy has been low. In addition to stricter anti-corruption law enforcement, corruption at all institutional levels should be overseen and reported openly to the public on a regular (monthly, quarterly) basis. Other ways to reduce corruption can be investing in public services to bring higher efficiency and quality in the delivery of public services.

2. **Institutional Soundness**: Institutions in Mongolia need to be transparent, accountable and serve as the cornerstone of effective economic transactions and ultimately create public value. The current institutional arrangements in sectors such as health-care, education, infrastructure, mining and banking and finance lack the capacity to serve both the private and public sectors. Thus, institutional reforms are needed in the abovementioned sectors. For instance, making procurement procedures of public projects more transparent and competitive by formulating new standards of creating project budget and receiving procurement bid materials online; increasing the free access to public health-care system and innovating the social security tax track record system; enhancing the quality of financial sector services by strengthening the banking sector’s capacity and supervision are essential in the policy making.

3. **Sound Monetary and Fiscal Policies**: Monetary and fiscal policies should be complementary to keep inflation low, reduce fiscal deficits and develop the financial and banking sector. These are substantial in stabilising the economy and allocating resource revenues effectively. Mongolia’s growth history indicates that the country’s fiscal discipline has been one of the biggest obstacles to its development. Monetary and fiscal policies should address Mongolia’s weakness to heavily depend on export-oriented and extractive mining sector. This heavy reliance on a single industry bears inflationary and exchange rate risks and poses many threats to the country’s economy.

4. **Development of other sectors**: Finally, Mongolia should invest in other sectors of the economy and develop diversified industries, especially the essence of development: the manufacturing sector. Mineral products have been the dominant export commodities of Mongolia in the past two decades, making the country vulnerable to world commodity price fluctuations. The economy should catch up in other sectors by developing import-substituting industries or implementing infant industry strategies. Instead of transferring cash to its
citizens the government should provide them with stable jobs by developing diversified industries. In addition to alleviating poverty, this will help Mongolia become an exporter of not only mineral products, but also manufactured goods and other industrial products essential for sustainable growth and development.

As a caveat, this essay has focused only on some factors of growth, which are macroeconomic performance and institutional arrangements of Chile and Mongolia. Thus, more detailed studies and econometric research are desired in the future to respond to the question more extensively.

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Effective institutions play a fundamental role for good water sector governance. Described as the set of rules that determines the interactions of different actors, institutions are dominating water management, which is responsible for the delivery of effective water and sanitation services. Three crucial formal water institutions are analysed: water law, water policy, and water administration. The relationship between the three is coined by a number of mutual influences and interdependencies. In addition to the internal institutional design, there are a number of external influences on the performance of institutions, such as economic development, the political environment, or demographics. With reference to a framework developed by the World Bank, the essay explains the most relevant sub-components of the respective water institutions.

Looking into two case studies of India and Singapore, the sub-components of the water institutions will be examined and utilised for the assessment of the water sector performance in both countries. The overall result is that the higher quality of water institutions in Singapore leads to a better water sector performance than India.

Introduction

Current discussions on how to improve performance in the water sector often centre on the assignment of property rights, decentralisation efforts, and the capacity of authorities. These topics are primarily related to the role and contribution of institutions. Assuming that problems of water provision cannot be blamed on a general shortage of water, but rather on failures in the management of water, the importance of institutions that regulate the “water game” becomes even more obvious.

The primary argument of this article is that adequate institutions can make a significant contribution to improved water sector performance. The article first reviews the theoretical foundations for realising the importance of institutions for better performance in the water sector. It then provides a short introduction to the economics behind water markets. The concepts of institutions and transaction costs

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1 Tim Hilger is a German Master in Public Policy Graduate from the Lee Kuan Yew School of Public Policy, National University of Singapore, with a specialization in Social and Environmental Policy. He can be contacted at hilger.tim@googlemail.com.
are based on several economic considerations, while at the same time the economic characteristics of a country or organisation have a strong influence on how institutions are actually shaped. After this, the World Bank framework for the institutional analysis will be introduced and defined for the scope of this paper. Finally, this article compares those components of water institutions that have been identified as crucial for the performance of the water sector in India and Singapore.

**The Importance of Institutions in the Water Sector**

Successful water governance requires adequate institutions. Institutions are the formal and informal rules that organise the interactions between different actors. (North 1990, 4) These institutions are shaped by the actors themselves, depending on their ability and power to dominate the debate and the actions that are taken. Formal institutions are “determined in the political market, whereas informal rules are socially derived and form part of the cultural heritage of a community”. (Pagan 2009, 21) Other views interpret institutions as a status quo from which none of the actors want to depart as long as none of the stakeholders changes their activities and performance. (Lach et al. 2005)

Transaction costs refer to the costs that result from the creation, use and change of an institution. Institutions and transaction costs play an important role in influencing economic outcomes and performance. (Ibid., 27) The water sector requires the identification of “design characteristics that are consistently associated with successful management of resources and therefore low transaction cost”. (Ibid., 27) These characteristics are determined by the clarity of institutional purposes and the clarity of the change process of these institutions. Water institutions can have different purposes, such as efficiency, sustainability and equity. If a water institution is following more than one purpose at a time, it will lead to difficulties in the institutional design and therefore to reduced welfare, since every purpose requires its own resources and instruments. However, being too decisive about a certain purpose might have a negative effect on the ability to adapt to changing conditions. This is of great importance in the water sector today, since the next decades will bring enormous modifications caused by several drivers of change that require the ability of adaptation. Furthermore, if the change processes have greater clarity and transparency, it is difficult for powerful decision makers to frame institutions against the interest of a wider range of people concerned. The focus of this article is on formal institutions in the water sector, namely water law, water policy, and water administration.

**The Economics behind Water Markets**

The provision of services in the water sector, such as the supply of drinking water or the collection of wastewater, illustrates the features of a natural monopoly. According to economic theory, monopolies have a tendency to lead to market failure, as they do not allow for effective resource allocation and prices are usually
higher than what could be expected from a competitive market. Thus, most
governments see a need to intervene in monopolies, especially in those responsible
for the provision of important public infrastructures, such as water services. On the
one hand, the common concern is that customers would be dependent on the
benevolence of a single provider with regards to provision, prices and service
quality. On the other hand, the government also needs to provide incentives for
investments in water infrastructure by the providers. This usually means a
reasonable and guaranteed rate of return through tariffs.

An additional reason why a government should have a strong interest in the
efficient provision of water is that a functioning water supply and recycling system
has significant positive externalities. It dramatically improves sanitation, which has a
positive impact on general health conditions. Furthermore, it can reduce the
opportunity cost of citizens, very often women and children, of fetching water from
external sources. The time gained can instead be invested into more productive ways
of generating income or education.

A simple monopoly refers to a lack of competition in a market due to a sole provider
of a good or service. A natural monopoly has a more specific definition: it encloses
the “durable and immobile investments” as well as the existence of “strong
economies of scale” (Gómez-Ibáñez, 2003, 4) within the industry. Durable and
immobile investments define a barrier to entry into the market for other competitors.
Economies of scale imply that the more subscribers a service has, the cheaper it is for
a company to provide its services to an additional customer through its existing
infrastructure. In the water sector, durable and immobile investments particularly
refer to the pipes and drainage systems, as well as the pumps and wastewater
treatment plants. Economies of scale in the water sector thus result from the
relatively low cost to connect an additional household to a pipe network for the
provision of fresh water. Similarly, giving access to an additional household to a
sewage system has a low marginal cost for the service provider.

As a result of the two characteristics described above, a firm can enjoy considerable
market power. In addition to the aforementioned barriers to entry, the idea of
market power requires a limited number of close substitutes to the service. This
condition is not given in the water sector. Substitutes are apparent in the form of
private vendors, for example. Water pricing for pipes and associated infrastructure,
therefore, needs to consider the cost of alternative solutions. However, despite this
limitation, water suppliers still hold a considerable amount of market power, which
results from the barriers to entry: once a reasonably sufficient water system is
installed, it can crowd out alternatives - such as private vendors - from the market in
terms of prices and convenience of the service.

A Framework for Institutional Analysis in the Water Sector
Extensive frameworks for institutional analysis that have been specifically designed for the water sector are rare. One example of a comprehensive framework was published by the World Bank in 1999. (Saleth and Dinar 1999) Two dimensions are essential for analysing the performance of institutions in the water sector:

1. **Institutional inter-linkages**: this refers to links between different institutions in the water sector, for example pricing and the legal framework; or property rights assignments and conflict resolution mechanisms.

2. **Institution-performance linkages**: these assess the performance of institutions in the water sector in terms of cost-recovery, water quality, bill-payment quota, etc.

It is important to notice that there are interdependencies between different policy fields and sectors that have an impact on water institutions. Economic, infrastructural, agricultural, or environmental institutions also decide on implementing policies and taking other actions that have an effect on water institutions, their linkages and performance achievements. Other external influences, such as population growth, further complicate the picture. It is also striking that this framework does not take into account any thoughts on what role capacities play for institutions.

For the overall water sector performance review, an evaluation of the effectiveness of water law, water policy, and water administration as a whole is required. This can cause a circular problem. For example, it is not clearly identifiable whether a law precedes and determines a policy, or vice versa. Another indicator on the aggregate level of the water sector is progressiveness, which, according to the World Bank framework, can be measured in terms of adaptive capacity, scope for innovation, openness for change, and the ability to deal with emerging problems.

The interdependencies of the institutions and the effect of external influences on overall water sector performance are displayed in Figure 1. It is important to observe that the linkage of external influences on water institutions is one sided, while water sector performance and external influences have mutual impacts, indicated by the two-sided arrow. Of course, the water sector performance also affects the water institutions.
Figure 1: Interdependencies of external influences, water institutions, and water sector performance

Source: Saleth and Dinar 1999, 10

**Relevant Variables: Water Institutions and overall Water Sector Performance**

The World Bank framework suggests decomposing water institutions into segments that are more accessible for analysis. Since it is almost impossible to cover all segments of the three major components - law, politics and administration - only those that promise the highest economic and social benefits as well as knowledge and effectiveness gains are included in the analysis.

In the field of water law, the most important segment is the effectiveness of conflict resolutions practices, which is measured in terms of the judgmental perception of the surveyed water experts. Second is the degree of integration in the water law, which is surveyed in the same way as the effectiveness of conflict resolutions practices. The third significant indicator is the integrated treatment of water sources. Finally, the legal scope for private sector participation has a crucial impact on the performance of water law. (Saleth and Dinar 1999, 29)

The most crucial factor impacting the performance of water policy is the cost recovery status, which is differentiated as fully subsidised, partial recovery, or full cost recovery. The second aspect is the strength of the linkage between law and policy, which is measured in terms of the perception of surveyed experts. The third important aspect deals with the project selection criteria. The range of project selection criteria covers political dictates, equity factors, ecological factors, benefit-cost ratios, and internal rate of return. Finally, the extent of the influence of other
policies on the performance of water policy is identified as being significant, which is again assessed subjectively by the surveyed experts. (Saleth and Dinar 1999, 30)

Water administration performance is significantly influenced by two variables in the model. First is the balance in functional specialisation within water administration. Second is the existence of an independent water body for pricing. For both variables, the survey measures whether the described feature is in place. The small number of significant variables for measuring water administration performance is explained by the strong interdependencies of the water administration variables, which makes it more difficult to clearly identify those variables that have a distinct individual impact. (Saleth and Dinar 1999, 30)

Figure 2 summarises the most significant components of water institutions and relates them to water sector performance.

**Figure 2: Water Sector Performance – Most Significant Components of Water Institutions**

- **Water law**
  - a. Effectiveness of conflict resolutions practices
  - b. Degree of integration in the water law
  - c. Integrated treatment of water sources
  - d. Legal scope for private sector participation

- **Water policy**
  - e. Cost recovery status
  - f. Strength of the law-policy linkage
  - g. Project selection criteria
  - h. Extent of the influence of other policies

- **Water administration**
  - i. Balance in functional specialization within water administration
  - j. Existence of an independent water body for pricing

*Source: Author’s composition following framework by Saleth and Dinar 1999*

The following country case studies will compare the water institutions of India and Singapore with respect to the components of water institutions, which have been identified as the most important. There are certain limits to this research. First, it can only give a small insight into the chosen components of the water institutions in both countries and is by no means able to display all the influences and interdependencies that have just been described in the framework. Second, it is challenging to perform a comparative analysis of two countries that are so diverse in more or less every characteristic and indicator, be it geography, demographics, or economic power, etc. In spite of these limits, the analysis can contribute to get a
better understanding of the differences in the institutional set-up in both countries; as well as pointing out relevant good practices.

**Country case study: India**

In 2008, 88 percent of the total population in India had access to improved drinking water sources and only 31 percent were using improved sanitation. (World Health Organization 2010, 104) The average rate of unaccounted for water in urban areas is 31.8 percent. (ADB 2007, 3) The share of metered connections in urban areas is only 24.5 percent, but the efficiency of revenue collection is 99.5 percent. (Ibid., 3) One employer of the urban water utilities on average served 135 consumers. (Ibid., 3)

**a. Effectiveness of conflict resolutions practices (water law)**  
Accountability mechanisms included in the Indian legal framework can be utilised as a proxy for the effectiveness of conflict resolutions practices. Accountability can be achieved by assigning well-defined usage rights to people and water providers, which can be claimed and enforced from legal authorities. In other words, a distinct and transparent water rights system helps to “trace externalities, assign payment responsibilities, minimise inter-personal conflicts, and achieve the legally grounded notion of two-way accountability.” (Saleth 2005, 56) However, the accountability mechanism has to be considered as deficient, since there are no procedures included that allow both users and the legislature to hold the executive accountable for the bad implementation of water policies. This is particularly problematic in equity terms because the legal framework to punish users for not paying their water bills or consuming water from illegal access is much more elaborated and enforced on a regular basis.

The mechanisms in place cover a broad scope of formalised statutory, legislative and judiciary-based tools. There are also less formal mechanisms, such as water user associations and basin organisations controlled by local stakeholders, which reduce transaction costs and at the same time alleviate the accessibility of conflict resolution practices, especially for private customers and non-bulk users. (Saleth 2005, 65)

In rural regions, especially at the village level, conflict resolution is often organised in less formal structures, which appear to be adequate in solving small-scale problems that are limited to a narrow geographic area. Cross-community conflicts often demonstrate the need for more formal resolution practices that are generally easier to access and allow the participation of all relevant stakeholders. (Saleth 2005, 65)

**b. Degree of integration in the water law (water law)**  
India does not have an exclusively specified water law, although there have been numerous attempts for its creation. The responsibilities at the national and the state level as well as between the different Union Ministries are deduced from the constitution of 1952. The parliament has the power to declare certain issues to be of
national interest, for example, rivers that cross state borders. In addition, even projects that impose potential threats to the environment require the approval of the Central Government. Furthermore, the Central Government has the responsibility in terms of conflict resolution and takes the final decision if states want to align or merge their water sector legislation. (Saleth 2005, 65)

c. Integrated treatment of water sources (water law)
In India, individual rights to surface water (so far) have only been assigned via land rights, which means that the owner of a piece of land has the right to use the ground water from the area. Canal water rights only cover user rights but not ownership rights, and even those are restricted to citizens living in canal command areas. Additionally, the irrigation rights in place ban the transport of canal water to remote areas. (Saleth 2005, 56)

In 1992, the Central Government proposed a law to the State Governments that was supposed to regulate groundwater issues. The proposal included a groundwater permit system, but did not set any barriers to the amounts exploited. Only few states followed up on the proposal and started respective legal initiatives; otherwise the draft was not considered. The same is true for the second attempt in 1997. Hence, the control over groundwater at the micro level is driven by a “de facto system of rights”, which judges cases individually on the quantitative basis of aspects like area or farm size, depth and number of wells, pumping capacity and economic influence. (Saleth 2005, 56)

Researchers claim that India needs to focus more on recognising the interactions between groundwater resources and surface water, since the mutual influences depend heavily on the development and the exploitation of the resources. The assessment of future demands needs to include present constraints, for example the lack in the management of groundwater resources, which could be solved partly by increasing the amount of artificial recharge and conservation. Similar challenges are faced by surface water irrigation systems, which often fail to provide reliable water supply. (Amarasinghe et al 2008, 313-314)

d. Legal scope for private sector participation (water law)
The legal scope for private sector participation is relatively broad on the national level, although there are constraints, for example, from civil society groups who argue for policies and legal frameworks based on environmental and social assessments. This broad scope is the result of a liberalisation policy, which has created its own dynamics among businesses on the national level. Many of the regulations and policies that are in place at the national level also have to be implemented by the individual states. (Asthana 2009, 66)

However, even state governments in India are increasingly shifting towards private sector participation in the water sector. After the political system (as an external factor) began to increasingly open access to infrastructure projects and other
government assignments, the Indian Business Alliance for Water was launched in 2005 with the support of several bilateral and multilateral donor agencies like USAID and UNDP. The main purpose of the alliance is “to promote and facilitate sustainable water and watershed management through public private community partnership with the ultimate goal of improving the availability and quality of water for businesses, communities and the environment.” (Asthana 2009, 64) In addition, international financial institutions like the World Bank and the Asian Development Bank underline their commitment to enhance private sector involvement in the water sector in their project documents and sector strategies. (Ibid., 64)

Despite these efforts, it is questionable how the attempts are actually received by the private sector. This becomes obvious if we consider the large water losses from the supply to industries in urban regions or the lack of engagement in achieving cost recovery for groundwater pumping in industrial agriculture. Thus one can also conclude that “the private sector has so far not engaged in a serious assessment of the needs for or development of water infrastructure at any large scale.” (Narula and Lall 2010, 90) Thus, a gap can be identified between the government’s ambition for private sector involvement and the business opportunities actually recognised by the private sector.

e. Cost recovery status (water policy)

In India, since the fifth finance commission was inaugurated in 1969, there has been a legally binding target that all irrigation projects should fully recover the cost of operation and maintenance and also a certain part of the interest on the investment in the projects. After a first target number was set at 2.5 percent of the invested money, it was decreased by the succeeding finance commission to 1 percent. Although this policy has been reconfirmed by further successors of the finance commission as well as the Irrigation Commission and the Committee on Pricing Irrigation Water, it has neither been implemented on the national nor on the state level. Some of the reasons are that the policy includes an upward revision in water rates, as well as a significantly different way of compiling these rates than those prevailing at a state level. (Saleth 2005, 59) Overall, the cost recovery status of water projects in India seems at best accidental: most projects require cross-financing from other sources.

One aspect that contributes significantly to reducing transaction costs and thereby also to reducing overall cost in the water sector are Swayambhoo institutions, a term which refers to self-creating institutions. (Shah 2005, 11) Because of the missing capacities or political will of the different authorities, many issues of, for example, irrigation or groundwater pumping are now organised by these self-created institutions; or, in other words, by the informal sector. In fact, “the Indian water sector has little or no interface with 75 percent of Indian irrigation occurring through tube wells and the institution of water markets.” (Shah 2005, 11) First, the Government authorities need to think of an answer for how to utilise the informal sector to improve the quality of water supply; while concurrently thinking long
term, how the Government could consider extending its coverage to those areas where the informal sector is creating big revenues and improving the situation.

f. **Strength of the law-policy linkage (water policy)**

For some time, water law and policy had not been linked closely. Water policies, especially in the implementation process on the micro level, were much more progressive than the respective legal framework. However, the situation has changed in a way that the emphasis on legal and regulatory frameworks has increased in order to “ensure the diffusion of water reforms, their predictability and stability”. (Cullet and Gupta 2009, 171)

Although the responsibility for water law is mainly assigned to the state governments, it is nevertheless influenced by the water policies coming from the national level as well as international organisations. Policies on the national level also make a contribution to enhanced coherence of the water law despite the different legislations in the various states. It can be assumed that water sector reforms, which go hand in hand with water law reforms, will not only impose a significant change on the law and policy framework regulating the water sector in India but could also enhance the strength of the linkage between water policies and water law at the national and state level. (Cullet and Gupta 2009, 171)

g. **Project selection criteria (water policy)**

Before India’s independence, water project decision-making was made on the basis of the internal rate of return of a project. After independence, decision-makers realised that water projects were able to facilitate social and economic development. Accordingly, the renunciation of prioritising costs as the main criteria was the result of the cognition that water projects can have a positive influence on income, job markets, health, and food production. Thus the internal rate of return rule was finally abandoned in 1958 and replaced by a liberal cost-benefit analysis. In 1972, the benefit-cost-ratio that was allowed went down to one for projects in regions suffering from drought. (Saleth, 2005, 58)

Conversely, in 1983, the Public Accounts Committee suggested a return to the internal rate of return criterion. The rate then was set at a level of 7 percent for programmes and measures in regions affected by drought or years that suffered from water scarcity because of reduced rainfalls. Otherwise, the rate was fixed at 9 percent. That means that the rates required by the authorities are presumably still lower than the average interest rate of around 10 percent. (Ibid., 58) Besides these quantitative criteria, there is no noticeable comprehensive strategy that clearly defines qualitative selection criteria.

h. **Extent of the influence of other policies (water policy)**

The Indian water sector and its institutions are heavily influenced by other policies, such as those made by other Indian ministries than the Ministry of Water Resources. For example, the Ministry of Agriculture is implementing a National Watershed
Program for Rainfed Areas. The Ministry of Urban Development is implementing the National Urban Sanitation Policy. Others are the Ministries of Economic Affairs, Health, Environment and Forest, etc. It needs to be underlined that the final legislative power lies in the hands of the states, although the Central Government can pull triggers on the legislative and financial aspects. In other words, the ownership of the states is high, but the system imposes difficulties on reaching national standards and coherence.

Besides the influence of national policy authorities, it is important to consider the role of international donor organisations. Although India as an emerging economy has gained a reputation of being very confident about representing its interest vis-à-vis all foreign organisations and political delegations, it should not be neglected that bi- and multilateral organisations like the World Bank, the Asian Development Bank or USAID have an effect on the national strategy and the implementation decision of projects. Furthermore, they allocate a substantial amount of financial, technical, and knowledge resources through a process that is strongly influenced by political interest and power. From 2001-2005, the annual average commitment of DAC member countries to the Indian water and sanitation sector was 210 million USD. (OECD, 1)

i. **Balance in functional specialisation within water administration (water administration)**

The Indian water administration framework is defined by a rather diverse range of actors and authorities, as well as by the coexistence of national and state administrative bodies. On the national level, the Union Ministry of Water Resources is in charge of the general planning and management of Indian water resources. Research centres, institutes, and universities at both the national and regional level provide research, training, and education in these fields. Several other ministries also influence policies that affect the water sector. There is currently no uniform strategy that clearly regulates the authorities and spheres of influence of the different ministries in the Indian water sector.

However, the National Water Board, which was founded in 1990, has the task to guide the discussion of the Union Ministry of Water Resources with the leading representatives of the states under the supervision of the Prime Minister. It further includes representatives of the other Union Ministries. There are other subordinate organisational arrangements structuring the relations between the national and the state levels as well as between different states, for example River Boards that negotiate the water allocation of inter-state rivers. Other examples are the Pollution Control Boards under the heading of the Ministry of Environment and Forests, which are responsible for controlling and maintaining the quality of river and drinking water. (Saleth, 2005, 62)

j. **Existence of an independent water body for pricing (water administration)**
India does not have an independent water body for pricing; the pricing procedure is assigned to the state governments. It is important to take the country’s historic development into consideration, in which India has always perceived water as a public good, especially by farmers and the rural population. This perception was changed in 1972, when the private good attributes of canal water were recognised. However, the charged amount was not adequate for cost recovery.

Another important aspect besides cost recovery that authorities emphasised was the signalling effect for efficient resource utilisation. In 1987, it was proposed by the Jakhade Committee to reflect water scarcity in the calculation of water rates. Nevertheless, the present rates have not been successful in adequately displaying scarcity or reaching cost recovery. (Saleth, 2005, 59) It thus becomes clear that the centralised regulations and suggestions for pricing are not working towards a reasonable pricing mechanism. However, the call for independent water bodies for pricing has not yet been articulated well.

**Country case study: Singapore**

In 2008, virtually 100 percent of the population has access to improved drinking water and sanitation, as stipulated in Millennium Development Goal 7. (World Health Organization 2010, 108) The rate of unaccounted for water is stable at around 5 percent of total water production. (Tortajada 2006, 5) 100 percent of all consumers are metered and the rate of efficient bill collection is 99 percent. (Ibid., 12) In 2004, one employer of the water utility served 376 customers. (Ibid., 12)

**a. Effectiveness of conflict resolutions practices (water law)**

Singapore has a well-defined water law and a functional judicial system; thus, conflicts are solved in a formalised way. Small-scale conflicts, such as those with customers who do not pay the bill, are dealt with in a cooperative way. As relayed by a high level Public Utility Board (PUB) staff in an oral presentation, cutting somebody off from their water supply is not a usual option, since the Board has realised the importance of water access for the individual.

However, the Singapore water law contains strong measures for law enforcement and heavy penalties for violations of the law. Historically, many of the water laws resulted from public health issues, for example when street hawkers used to dump their waste into drains, or when unclean water was used for ice. A great number of different public awareness campaigns contribute indirectly to the avoidance of many potential water conflicts. The population of Singapore is well informed and educated about the prevention of water pollution and therefore few conflicts arise. The potential for conflict is also reduced by the systematic fight against corruption, which is expressed in PUB’s code of conduct. Other efforts include sensitisation of staff members, internal control measures, supervision through auditors, as well as strong and immediate sanctions. (Tortajada 2006, 10)
b. Degree of integration in the water law (water law)
The Singapore water resources management is firmly integrated in land use planning via the Singapore Land Authority Act. This act includes the prevention of water catchment area pollution from industrial activities, spillage minimisation efforts for public housing bin collection centres, the enforcement of other anti-pollution regulations, and the incorporation of diversion structures and holding ponds to the main drainage network. (The World Bank 2006, 6) It also influences the strategic increase of water catchment areas.

c. Integrated treatment of water resources (water law)
Singapore has established a highly integrated management structure of different water resources under PUB and is thus ahead of most other countries as it manages its water sources in their entirety. The most important component is outlined in the Four National Tap Strategy. This strategy builds a comprehensive framework for Singapore’s four main water resources, namely the supply from local water catchments with its integrated system of reservoirs and drainage systems for the collection of rainwater. Second is the imported water from Malaysia, which is formally organised with two contracts until 2011 and 2061. The third source is NEWater, the high-tech purification technology from wastewater to potable water. Finally, the fourth tap is desalinated water; another high technology process the Government has developed and integrated into the national water provision mechanisms. (Ministry of the Environment and Water Resources 2008)

d. Legal scope for private sector participation (water law)
The Singapore Government has allowed for private sector participation and market competition in the field of waste-water treatment via the NEWater plants. The NEWater project carried a distinct risk, since it is highly dependent on state-of-the-art technology, which was still at a developmental stage. Furthermore, the demand function was unclear. The Government initiated the construction of the first three NEWater plants, which confirmed some of the leading global water companies in their investment. NEWater plants were created as a public private partnership with the special features of a ‘design, build, own and operate’ model with PUB.

This concession model was considered appropriate for guaranteeing the maintenance of quantity and quality standards. It contained measures for punishments in case certain agreements from the contracts were not to be fulfilled, like the necessary maintenance of capacity. PUB is also allowed to interfere with the operations when the private companies are unable or unwilling to deliver their services. PUB therefore introduced an elaborate surveillance system including the linkage of the computerised monitoring of water quality from the NEWater plants with PUB system. Overall, the Government is confident about continuing the

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2 In 2010, according to the Housing and Development Board (HDB) of Singapore, 82% of the resident population lived in HDB flats.
reduction of cost with the partnership models as well and realising economies of scale and increasing productivity. (Soon et al 2009, 248)

Singapore is trying to establish itself as a water technology hub. As a result in 2006, the Government established the Research, Innovation, and Enterprise Council (RIEC), which is expected to facilitate the efforts on research and development in the water sector of foreign and domestic companies. Approximately USD 207 million was expected to be spent from 2006 to 2010. In its unique style of combining corporate and business interests, the Government and the involved private sector companies are targeting not only the Singaporean market but also China, India, and the Middle East by offering a comprehensive package of planning, operating and maintaining services. (ASrIA 2007, 20)

e. Cost recovery status (water policy)
In Singapore, water authorities charge for the treatment of used water at full cost recovery. This is because the users can make a decision about how much water they want to use. Hence, user fees cover the capital and operating costs of PUB water treatment plants. Other services are not priced, according to this principle. For example, the sewage network is completely owned and funded by the government, since it has been assessed as delivering substantial benefits to the public like improved health conditions. In addition, the marginal utility of the system does not decrease with additional users and it is not feasible to exclude non-users from the system.

The price for potable water consists of two components. The water tariff is set to cover the complete cost of production and supply because the Government has a strong interest in maintaining the service quality and extend investments in necessary future infrastructure capacity. The tariff further includes a water conservation tax to signal the higher prices of alternative water sources. Since water supply in Singapore is scarce, pricing only at cost recovery would result in over consumption and not allow for future investments in additional water sources. The water conservation tax however is not earmarked to be used solely for water sector purposes. Instead, it is channelled directly to the Ministry of Finance, which can also direct the funds to other expenditures. (Soon et al 2009, 240-242)

f. Strength of the law-policy linkage (water policy)
Just as in any other sector in Singapore, the linkage between law and policy in the water sector is very close. In the past decades, Singapore has taken enormous efforts to establish narrowly interconnected legal and management structures for the water sector. The Ministry of Environment has developed a clear strategy with the Singapore Green Plan 2012 that outlines the main goal of ensuring the sustainability of clean water in Singapore. (Ministry of the Environment and Water Resources 2002, 26) Overall, Singapore has a comprehensive water legislative structure and is able to ensure its strict implementation.
g. Project selection criteria (water policy)
The selection criteria for projects in Singapore’s water sector can be clearly deduced from strategy papers like the Four Taps Strategy and the Singapore Green Plan 2012. Besides the economic feasibility, the main criterion is to ensure the long-term self-sufficiency of the city, which is generally suffering from water scarcity. This especially refers to reaching a state of independence from Malaysian water supplies. Generally, it is aimed at increasing the robustness and resilience of water supply sources. Projects are further intended to facilitate the establishment of a vivid water industry in Singapore. (The World Bank 2006, 2) The level of technology should be advanced and private sector participation is encouraged, especially in those projects where PUB is lacking the required capacities or the private sector option is the most cost effective. This leads to a significant amount of outsourced projects, measured in terms of the overall PUB budget. (Tortajada 2006, 12)

h. Extent of the influence of other policies (water policy)
In general, PUB enjoys a high level of autonomy, although in the end it is settled in the structure and hierarchy of the Ministry of Environment. As a result of rising tariffs in the late 1990s, PUB could collect the necessary funds for further investments into its product and service quality, but also for future investments. In fact, PUB could autonomously finance its projects from the revenues and the in-house savings it has accumulated. (Tortajada 2006, 12)

Of course, it works in favour of the water authorities that Singapore as a city-state does not have a big share of agriculture and no rural population. In many cases, the agricultural sector has a big effect on the water sector both with its demand for fresh water and the often heavily polluted wastewater that is commenced back into the hydrological cycle. Hence, the Singapore water authorities neither have to cope with a parallel Ministry of Agriculture nor any strong agrarian lobby organisations. Furthermore, as the People’s Action Party has dominated the political sphere since Singapore’s independence, there is no serious threat of external influence from another political party either in opposition or in a coalition government.

i. Balance in functional specialisation within water administration (water administration)
The Singaporean water sector is administered by the Ministry of the Environment, which controls two statutory boards: the National Environment Agency (NEA) and the Public Utilities Board (PUB). Both of them are constituted as autonomous government agencies introduced by a parliamentary bill that defines the purposes, rights, duties, and powers. According to the Public Utilities Act, the Board is in charge of providing an adequate supply of water, controlling the supply of piped water for human consumption, supplying industrial and treated used water as well as operating the public sewer systems and storm water drainage systems. (Soon et al 2009, 336-337)
In general, Singapore’s administrative setting for the water sector has a clear functional distinction. Within PUB, specific departments are responsible for water supply, water distribution, or wastewater treatment. Furthermore, there are offices assigned for policy and planning, contact with the industry, environmental protection and research and development. Besides PUB, there is also the Urban Redevelopment Authority (URA), the Housing & Development Board (HDB), the National Environmental Agency (NEA), the Jurong Town Corporation (JTC) and the Land Transport Authority (LTA), which deal with water sector issues. Nevertheless, the supervision by PUB on all issues related to the water sector reduces transaction costs as well as complex and cost-intensive coordination procedures with other ministries and thus enables the effective management of water in Singapore.

j. Existence of an independent water body for pricing (water administration)
Singapore does not have an independent water body for pricing, although PUB enjoys a high level of autonomy. Decisions whether prices should be set at full cost recovery, subsidised for the public benefit, or increased by a water conservation tax as a signalling mechanism for customers to treat a scarce resource economically, are taken by the Government. Similarly, the Government takes decisions about future investments in infrastructure and other capacities. The Government furthermore carefully regulates the amount of competition in the various spheres of the water sector; in consequences, prices are not the result of the market mechanism.

Table 1: Summary of the institutional analysis of the water sector in India and Singapore

<table>
<thead>
<tr>
<th>Water Institutions and Components</th>
<th>India</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water Law</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Effectiveness of conflict resolutions practices</td>
<td>medium</td>
<td>High</td>
</tr>
<tr>
<td>b. Degree of integration in the water law</td>
<td>low</td>
<td>High</td>
</tr>
<tr>
<td>c. Integrated treatment of water resources</td>
<td>low</td>
<td>High</td>
</tr>
<tr>
<td>d. Legal scope for private sector participation</td>
<td>medium</td>
<td>Medium</td>
</tr>
<tr>
<td><strong>Water Policy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Cost recovery status</td>
<td>medium</td>
<td>High</td>
</tr>
<tr>
<td>f. Strength of the law-policy linkage</td>
<td>medium</td>
<td>High</td>
</tr>
<tr>
<td>g. Project selection criteria</td>
<td>partially clear</td>
<td>Clear</td>
</tr>
<tr>
<td>h. Extent of the influence of other policies</td>
<td>high</td>
<td>Low</td>
</tr>
</tbody>
</table>
The comparison of the results of the institutions in the water sector in India and Singapore in the Table 1 above illustrates that the Singapore’s institutions can make a much higher contribution to the water sector performance than the Indian institutions. Regarding water laws, the effectiveness and decisiveness of all components is higher in Singapore than in India. The reason for the medium ranking of Singapore in terms of the scope for private sector participation is that the Singapore government still strictly regulates private sector involvement. In India, a lack of adequate legal frameworks is the primary reason for allowing more private sector participation, although there is a strong interest to include private actors, mainly for the purpose of attracting investment.

With reference to water policies, the condition of the institutional components in India is inferior to those in Singapore. The first major problem is the inability to reach full cost recovery status with most of the water projects. Cost recovery is essential for extending service quality and future investments; the lack of cost recovery is one of the major concerns for the slow progress of water institutional reforms and poor sector performance in India.

Furthermore, despite the efforts in coordinating and controlling water policy-making in India, the overall entanglement of actors and hierarchic structures is too complex for a country that urgently needs results and improvements in the number of people with access to clean water and sanitation, the quality of drinking water, cost efficient organisations, etc. Too many ministries are involved in decision-making and the layers of national and state policies interfere with each other. Clearly, a city-state like Singapore does not have to struggle with comparable decentralisation issues. In addition, Singapore manages to assign the responsibility for the water sector to one main authority, the Ministry of the Environment. The general focus on pragmatic solutions that meet carefully specified economic targets in Singapore further contributes to highly efficient institutional components for water policy-making.

In terms of the water administration, neither country has an independent body for water pricing, although in Singapore, PUB holds a high level of autonomy. Nevertheless, it is strictly in line with the supervision of the Ministry of Environment. It is no coincidence that all the literature on the pricing of water in

<table>
<thead>
<tr>
<th>Water Administration</th>
<th>i. Balance in functional specialization within water administration</th>
<th>medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>j. Existence of an independent water body for pricing</td>
<td>no</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>
Singapore speaks of the Government as the price fixing actor. Apart from that, Singapore has a very effective balance of functional specialisation within the administration, with clearly assigned tasks and responsibilities on the different aspects of the water sector such as provision of potable water, wastewater treatment, drainage maintenance, catchment areas, water pollution, land use, etc.

India has shared responsibilities in the water sector, too, but these are not as clearly assigned and there is no supervising authority that systematically controls the different government actors or gives any strategic advice. Indian water authorities have not yet managed to align the different interests of providing clean water, facilitating economic growth, improving health conditions, protecting the environment, etc. as it has happened in Singapore.

Conclusion

A small snapshot of the institutional analysis in two countries with an obvious difference in water sector performance can reveal details that can explain the differences in the respective water sector performance. India falls behind the results of Singapore in every category. So what are the implications for policy makers?

Singapore seems to be on the right track, since it decides on its policies and projects with long term goals of achieving sustainable water supply, and the strict application of strategic elements that are mainly based on economic principles. It has thus been able to create effective institutions in the water sector; however, it would also be interesting to discuss the relationship and potential conflict zones of the principles of effectiveness and sustainability. If the Government and PUB continue to introduce concepts like NEWater or increase the productivity of catchment areas, Singapore may soon reach its goal of becoming self-sufficient in supplying its populations with a state-of-the-art water service, meeting the highest standards for both quality and infrastructure.

India, on the contrary, is confronting major challenges, which makes it unrealistic to give specific recommendations after this broad analysis. It is not feasible, though, to expect India to introduce sudden comprehensive reforms; the polity structure of the country does not allow for that. Instead, India needs to take incremental steps towards higher water sector performance.

If India could manage assigning clearer responsibilities and authority within a single ministry and foster the development of a comprehensive water strategy that aligns national water laws, policies and administration, a “big” incremental step could be made. Furthermore, the typical dilemma of a decentralised state with different hierarchical layers can be observed. Decentralisation can bring significant positive impacts on water sector performance, since it allows for problem solutions located in the individual context. Nevertheless, the constraints that are imposed on
institutional development by dealing with so many different contexts cannot be neglected and definitely need to be considered.

A general comment shall be made on the focus of institutional analysis of increasing effectiveness. By taking transaction costs and their minimisation as one of the main criteria for considering institutions as being effective, other important aspects might be neglected. In times of uncertainty about consequences of climate change and the human contribution to it, environmental sustainability could be a criterion that should be observed in strong connection to effectiveness. Especially in countries like India where there is a significant gap between rich and poor people, equity might be another focal point. Perhaps increased attempts for redistribution of a very basic living standard from the rich to the poor should come to the centre of attention. This is not an argument against using economic principles as a key basis for decision making, but making a case for considering other important principles when thinking about costs and benefits.

Further research potential arises from trying to measure the significance and relation of the components via a multivariate analysis, which would determine the correlation between the various components. However, this procedure would require an enormous amount of primary data collection, especially if the target was to cover as many interdependencies as possible. Even a mapping exercise of these connections might impose too many difficulties to handle. It seems also as if the concept of institutions is too broad for a specific analysis, it might not be the most suitable approach for understanding a world with an increasing number of actors, functions, formats, political systems, demographic and environmental constraints. At the least, further work is required to customise the concept to local and sectoral contexts.

References


A Pakistani scholar Ahmed Rashid popularised the idea of Central Asia as the emerging site of 21st Century strategic competition. Rashid called the intrigues between great powers for influence in the region a “New Great Game” and a continuation of the 19th Century “Great Game” played between the Russian and British Empire for control of Central Asia (Rashid, 1997). Robert Kaplan’s latest book, Monsoon: The Indian Ocean and the Future of American Power, has a similar argument that a new geopolitical game is being played. Yet, Kaplan argues that it is the Indian Ocean, not Central Asia which will be the new epicentre of global competition in the 21st Century.

The Indian Ocean is strategic real-estate. In part because four narrow “choke points” guard access to the Indian Ocean: the Straits of Hormuz, the Straits of Malacca, the Bab-el-Mandeb, and the Suez Canal. These areas have been important for centuries. Kaplan recalls, “The sea silk route from Venice to Japan across the Indian Ocean in the medieval and early modern centuries was as important as the Silk Road stretching across Central Asia.” (Kaplan 2010, 7) Not surprisingly, two of those straits - Malacca and the Somali waters near Bab el-Mandeb - are hotbeds of modern piracy. This must change; free flowing container traffic in the Straits of Hormuz, the Straits of Malacca, the Bab-el-Mandeb, and the Suez Canal is crucial for global stability and prosperity.

Various sayings from the region confirm this strategic wisdom: “Whoever is lord of Malacca has his hands on the throat of Venice” one phrase declared. (Kaplan, 2010,7) Another proverb stated that if the world were an egg, Hormuz was its yoke. (Kaplan, 2010,7) Kaplan tells of historical Portuguese mariners who built outposts scattered near these choke points to control trade with India. Of course, at its height, the British Empire controlled these choke points as well as India, the regional centre of gravity. Kaplan also notes that the Western Pacific and the Indian Ocean have been re-prioritised in modern American military thinking as well. Clearly, American access to the British Indian Ocean Territory atoll Diego Garcia, (despite the protests

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of the Chagossian diaspora) has been crucial to American military efforts in Afghanistan.

Unlike Rashid’s view of Central Asia, Kaplan does not see endless intrigue and global tensions for the nations on the shores of the Indian Ocean. Kaplan is generally optimistic, believing that the Indian Ocean and the wider world can accommodate the rise of Asian giants like India, China and perhaps Indonesia. He spent significant time on the ground, making trips to Oman, India, Pakistan, and Sri Lanka and throughout South East Asia in the process of arriving at this conclusion.

Burma’s ethnic groups, he believes, will come to be as important to geopolitics in the 21st Century as the ethnic groups of Yugoslavia and Iraq have been over the past two decades. Kaplan interviews the Burma Free Rangers and others involved with ethnic minority issues in Burma. He travels to the Indian province of Gujarat and wonders if the peninsula can shake off the ghosts of the 2002 anti-Muslim pogrom and rise to become part of the new Asian tiger.

Most of the countries that border the Indian Ocean have Muslim majorities. Kaplan argues that the Muslims of the Indian Ocean region are moderate and cosmopolitan due to a strong mercantile legacy. As the great trade cities of the Indian Ocean such as Dubai or Singapore illustrate, free trade breeds tolerance.

While Kaplan writes about each country he visits with a keen interest, it is the Pakistani port of Gwadar which particularly enthrals him. Prior to this book, Kaplan wrote of Gwadar in a 2009 issue of Foreign Policy where he noted the potential of Gwadar to emerge as a Pakistani version of Dubai. In Monsoon he describes it as “the pulsing hub of a new silk route, both land and maritime: a mega-project and gateway to landlocked, hydrocarbon-rich Central Asia – an exotic 21st Century place name.”

Kaplan, as his other books and articles make clear, has a deep appreciation for sea power. Kaplan is also a fan of Alfred Thayer Mahan, the 19th Century American naval strategist who coined the term “Middle East” and wrote The Influence of Sea Power Upon History, 1660-1783 that argued that controlling the seas was critical for security. Kaplan echoes such Mahanist views both in Monsoon and his 2009 Foreign Affairs article the “Center Stage for the 21st Century.”

Yet, Kaplan’s obsession with sea power seems at times dated. In 2010, the world’s largest military launched 115 drone strikes in Pakistan more than in the last three years combined (The New America Foundation, 2011). China, Turkey and other


countries are rushing to develop their own drone capacity. The future of warfare is asymmetrical and if, as Kaplan warns, the seas need policing, then which is a more effective policy: a nimble aerial drone wafting through jet streams, practically invisible, or a distant lumbering cruiser? Which requires less political expenditure?

The Indian Ocean has access to over a billion consumers and is home to a considerable volume of the world’s petroleum and container traffic. Clearly, the Indian Ocean is a rich prize. Conversely, Kaplan argues that if new strategic architecture can be arranged to keep the waters of the Indian Ocean safe and open to all, the region could spur another round of global economic prosperity in the 21st century. The title of Kaplan’s book Monsoon comes from the Arabic word for season, mawsim. Yet, Kaplan’s vision of prosperous Indian Ocean economies linked by trade conjures a different image - that of the Sanskrit word for the Indian Ocean: Ratnakara, “the creator of gems”.
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⁴ The New America Foundation. The Year of the Drone. April 5, 2011
http://counterterrorism.newamerica.net/drones (accessed April 5, 2011)