

CENTRE FOR JOINT WARFARE STUDIES



GEOSTRATEGIC SCAN

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CHINA (Geo-Strat, Geo-Politics & Geo-Economics)

China Arrests Hundreds in Nation's Biggest-Ever Bank Fraud Probe

Source:- <https://www.bloomberg.com/news/articles/2022-08-30/china-makes-sweeping-arrests-in-bank-scam-pay-more-victims>

China arrested hundreds of people allegedly involved in the nation's largest-ever bank fraud and started repaying more victims of the \$5.8 billion scandal to maintain social stability ahead of this year's twice-a-decade Communist Party congress.

Local authorities said they are repaying more victims on top of the 18 billion Yuan doled out as of mid-August.

Comments. *The Communist Party is gearing up for its 20th congress later this year, where President Xi Jinping is expected to secure an unprecedented third term. Social stability ahead of the meeting is being put at a premium as slowing economic growth, COVID lockdowns and a rumbling property crisis are creating hardships for broad swathes of the population.* Regulators were urged to maintain stability in the financial markets and severely crack down on financial crimes at a Politburo meeting in late July.

Hundreds of protesters took to the streets in Henan earlier this year after being denied access to their deposits and investments from the rural banks. The scam dealt the biggest hit to confidence in China's \$52 trillion banking system since 2019, when the government seized control of a lender in Inner Mongolia.

Although village banks are not allowed to seek deposits from outside their local area, the lenders involved in the scam marketed their deposits online via third-party platforms, making it a national problem. China has been trying to root out problems in its troubled rural banking system, a network of 3,800 lenders.

The Power Crunch in China's Sichuan and Why it Matters.

Sources:-

<https://www.reuters.com/world/china/power-crunch-chinas-sichuan-why-it-matters-2022-08-26/>

https://www.business-standard.com/article/international/china-extends-power-rationing-for-factories-in-drought-losses-to-deepen-122082200384_1.html#

The southwestern province of Sichuan, China's biggest hydropower producer, has seen its supply capability slump due to a prolonged drought across the Yangtze basin. Sichuan accounts for 30 per cent of China's total hydroelectric generation, and it usually delivers a massive power surplus to the rest of the country. However, it now receives electricity from other provinces after weeks of minimal rainfall and extreme temperatures in excess of 40 Celsius (104 Fahrenheit).

Comments.

Cause of Sichuan Power Shortages. Hydropower is Sichuan's most significant source of electricity supply, accounting for more than 80 per cent of total power production.

May to October is typically Sichuan's rainy season, allowing hydropower stations to maximise output to meet peak summer demand. However, rainfall fell 30 per cent in July and 60 per cent in August compared to the seasonal average, severely curtailing hydropower generation capacity. Though Sichuan has abundant coal stocks, coal-fired power makes up just 16 per cent of its total power capacity, not enough to meet the supply-demand gap.

The peak power load in Sichuan also surged 25 percent from a year ago because of high air conditioner use. Meanwhile, consumption from industrial users has also risen in recent years, with high-energy-intensive industries, including aluminium and silicon, moving to the region to take advantage of cheaper energy costs.

Further, Sichuan typically exports nearly a third of the electricity it generates via ultra-high voltage (UHV) transmission lines to eastern coastal regions such as Shanghai, Zhejiang and Jiangsu.

Industrial plants in various sectors in Sichuan and neighbouring Chongqing - including well-known names like Taiwan's Foxconn and battery giant CATL - have been ordered to shut down or curb output since mid-August to conserve power for household users. In addition, the city government of Shanghai said Tesla Ltd. and a major state-owned automaker suspended production due to a disruption in supplies of components from Sichuan.

More than a dozen listed firms have warned that rationing could cause severe delays to cargo delivery and cause billions of yuan losses. The rolling blackout eventually hit residential users as the power shortage worsened. Commercial venues were also asked to cut working hours to save electricity.

Overall Impact on National Power System. China's leading power-exporting regions, including Yunnan, Guizhou, and Sichuan, mainly source their electricity from hydropower, which is becoming more volatile due to climate change. Sichuan's provincial grid-connected utilities already cut power exports by 10 per cent in 2021 compared to a year earlier.

China's National Energy Administration (NEA) has started to adjust its power development plans for 2021-2025 in response to the power shortages. The authority will accelerate the construction of new hydropower stations and approve nuclear plants and power transmission projects. Meanwhile, coal is still expected to play a pivotal role, making it more difficult for China to phase the fossil fuel out of its energy system and meet its low-carbon goals.

China-friendly Solomon Islands Suspends All Foreign Naval Visits as Tensions Rise.

Source: - <https://www.scmp.com/news/asia/australasia/article/3190661/solomon-islands-suspends-all-us-naval-visits-wake-coastguard>

Solomon Islands has suspended visits from all foreign navies, citing a need to review approval processes, the country's leader said on 30 August, after a US coastguard could not refuel at its port.

Comments. The decision comes amid concerns over the Solomons' growing ties with China in recent years, switching diplomatic recognition from Taipei to Beijing in 2019 and signing a security pact with the Asian power in April. In addition, western governments are wary that the islands could provide China with a military foothold in a strategically important part of the world.

Prime Minister Manasseh Sogavare has deepened the ties with China's autocratic government and proposed changing the constitution to delay scheduled elections. The four-time leader has twice been ousted by votes of no confidence and faced street protests against his decision to switch diplomatic recognition.

After widespread rioting in the capital Honiara demanding his ouster late last year, Sogavare signed a secretive security pact with Beijing that -- according to a leaked draft -- allows him to call in Chinese security forces to quell further unrest. That has raised concerns in Canberra and Washington about the prospect of establishing a Chinese military base or allowing China to develop dual-use facilities.

White House National Security Council spokesman John Kirby said it was regrettable that "we've seen the Chinese try to bully and coerce nations throughout the Indo-Pacific to do their bidding and to serve what they believe their selfish national security interests are, rather than the broader interests of a free and open Indo-Pacific".

The US and Australia have undertaken a significant diplomatic outreach to Pacific island nations in recent months to try and counter Beijing's influence, including a speech by US Vice-President Kamala Harris to the Pacific Islands Forum and multiple visits to regional countries by Australian Foreign Minister Penny Wong.

The Solomon Islands government has insisted it has no intention of allowing a Chinese military base on its territory.

IOR & SCS (Maritime)

Since Nancy Pelosi's Visit, the US Sends Warships Through Taiwan Strait in First Operation.

Source:- https://www.scmp.com/news/china/military/article/3190471/us-sends-warships-through-taiwan-strait-first-operation-nancy?module=more_to

The US navy said two cruisers, the USS Antietam and USS Chancellorsville, had passed through waters 'beyond the territorial sea of any coastal state'. It was the first such exercise since the PLA responded to the US House Speaker's visit with unprecedented war games. Two US warships passed through the Taiwan Strait on Sunday in the first operation since House Speaker Nancy Pelosi's trip to the island. Two guided-missile cruisers from the US Seventh Fleet – the USS Antietam and the USS Chancellorsville – passed through waters "beyond the territorial sea of any coastal state".

Comments. The UN Convention on the Law of the Sea (UNCLOS), a treaty with 158 signatories, including Beijing, says all shipping can pass through territorial waters within 12 nautical miles (22.2km) of a country's low-tide shoreline. Beijing deems Taiwan a Chinese province to be brought under its control by force if necessary. Like most countries, the US does not recognise Taiwan as an independent state, but it opposes any attempt to

use force to change the status quo. USS Antietam and the USS Chancellorsville, the two cruisers, are part of the USS Ronald Reagan carrier strike group based in Yokosuka, Japan. The carrier and its strike group had travelled through the South China Sea before Pelosi's flight to Taipei. Pelosi's trip to the island had triggered unprecedented PLA live-fire military exercises around the self-ruled island. This passage by the two Ticonderoga-Class cruisers of the US in the Taiwan strait can be described as a show of Military might amidst the growing tension in the South China Sea. During the complete passage, PLA Eastern Theatre Command monitored their entire passage proving their surveillance capabilities, making it amply clear that they are aware of all their activities and are ready to thwart any provocation. Taiwan's Defence ministry stated that the Military kept track of the situation during the southbound passage through the strait by the warships and described the situation as usual. The visits by more US lawmakers and officials from other countries have followed her example, visiting the island in recent weeks, undermining Chinese authority over the island nation.

Around 8 PLA Navy vessels and 21 PLA aircraft were detected during the passage of the two US Cruisers. ROC Armed Forces monitored the heavy Military deployment by China and responded with aircraft in CAP, Naval vessels and land-based missile systems. Taiwan tasked Combat Air Patrols (CAP), Navy Ships and land-based Air Defence Missile systems to monitor and respond to Chinese activities while issuing radio warnings. This was the ROC Armed Force's display of intent if challenged. None of the 21 aircraft, which included seven Shenyang J-16 fighter jets, four Xian H-6 Bombers and two Chengdu J-10 Multi-Role Combat aircraft, crossed the median line over the Taiwan strait, with most of the aircraft appearing in the southwest sector of the country's ADIZ.

INS Vikrant: PM Modi to Commission India's First Indigenous Aircraft Carrier on 02 September.

Source:- https://economictimes.indiatimes.com/news/defence/ins-vikrant-pm-modi-to-commission-indias-first-indigenous-aircraft-carrier-on-september-2/articleshow/93872665.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Prime Minister Narendra Modi will commission INS Vikrant, India's first indigenously-built aircraft carrier, at Cochin Shipyard Limited in Kochi on September 2. INS Vikrant is designed by the Indian Navy's in-house Warship Design Bureau (WDB) and built by Cochin Shipyard Limited, a Public Sector Shipyard under the Ministry of Ports, Shipping, and Waterways. In what will mark a significant step towards self-reliance in the defence sector, the Prime Minister will commission the first indigenously designed and built aircraft carrier, INS Vikrant. Designed by the Indian Navy's in-house Warship Design Bureau (WDB) and built by Cochin Shipyard Limited, a Public Sector Shipyard under the Ministry of Ports, Shipping and Waterways, Vikrant has been built with state-of-the-art automation.

Comments. The Indigenous Aircraft Carrier is named after its illustrious predecessor, INS Vikrant. India's first Aircraft Carrier played a vital role in the 1971 war. It has a large number of indigenous equipment and machinery. The equipment has been sourced from major Indian companies like BHEL, BEL, Keltron, Kirloskar, L&T, and Wartsila India, involving major industrial houses and over 100 MSMEs. The Aviation component of the ship would consist of 30 aircraft comprising MiG-29K fighter jets, Kamov-31, and MH-60R multi-role helicopters, in addition to indigenously manufactured Advanced Light Helicopters (ALH) and Light Combat Aircraft (LCA). IAC has over 2,300 compartments for a crew of around 1,700, including specialised cabins to accommodate women

officers. It has a top speed of around 28 knots and a cruising speed of 18 knots, with an endurance of about 7,500 nautical miles. The warship is 262 metres long and 62 metres wide, with a height of 59 metres. Its construction began in 2009. During the event, the Prime Minister will unveil the Naval Ensign (Nishaan), doing away with the colonial past and befitting the rich Indian maritime heritage. The commissioning of IAC will not only bolster the Maritime security of the nation but also play a role in ensuring peace and stability in the Indo-Pacific region. One of the most significant achievements is that it will make India join the league of Aircraft Carrier building nations, which is a significant power projection tool.

PAKISTAN

Want Permanent Peace with India through Dialogue, says Pak PM Shehbaz Sharif.

Source:- <https://www.wionews.com/south-asia/want-permanent-peace-with-india-through-dialogue-says-pak-pm-shehbaz-sharif-508852>

Pakistan Prime Minister Shehbaz Sharif, while speaking to students from Harvard University, said his country wanted permanent peace with India through dialogue as war is not an option. Pakistan resolves to maintain peace in the region, and sustainable peace in the region is linked to the resolution of the Kashmir issue as per the UN resolution. PM Sharif said India and Pakistan should "compete" in trade and economy. However, he maintained that Pakistan was not an aggressor and that its "nuclear assets" and its Army were a "deterrence".

Comments. India and Pakistan relations hit a new low after the Pulwama terror attack in February 2019 as the Indian Air Force conducted airstrikes on terror targets at Balakot just days after the Pulwama attack. Soon after coming to power, Sharif had written a letter to India's Prime Minister Narendra Modi seeking "meaningful dialogue" while declaring that Pakistan wanted "regional peace and security". PM Modi said India desires peace and stability in the region free of terror. Sharif replied, "Pakistan desires peaceful and cooperative ties with India. Peaceful settlement of outstanding disputes, including Jammu and Kashmir, is indispensable. Pakistan's sacrifices in fighting terrorism are well-known."

Pakistan has been accused of sponsoring terrorism in Kashmir for years by India. The repercussions of the alleged actions have also been seen by Islamabad, as there has been a constant rise in terror activities in the country over several decades.

The renewed ceasefire between India and Pakistan in February 2021 has significantly improved the security situation along the LoC. However, the ceasefire is just the first step in the long road to normalisation of bilateral relations with Pakistan. Pakistan needs to take tangible action against the terror infrastructure operating from its soil for an upward trajectory in bilateral relations. Steps that can be undertaken to improve bilateral trade include removing non-tariff barriers, cutting down duties, and improving customs clearance procedures. Fair trade benefits both sides and is possible through the right government policies. In addition, both sides should adopt certain Confidence Building Measures. Ties at the diplomatic level and people-to-people contact should be enhanced more and more.

Explained: Is Pakistan Going To Scrap The Flagship China-Pakistan Economic Corridor Project?

Source:-<https://www.indiatimes.com/explainers/news/explained-is-pakistan-going-to-scrap-the-flagship-china-pakistan-economic-corridor-project-578301.html>

According to recent media reports from Pakistan, Prime Minister Shehbaz Sharif has decided to dissolve the CPEC Authority, but the decision is contingent upon receiving China's approval. China reportedly gave tacit approval to Pakistan's decision to dissolve the China-Pakistan Economic Corridor (CPEC) Authority amid reports of a widening rift between the once-close allies over the project's sluggish progress and Islamabad's failure to offer reliable security to the hundreds of Chinese nationals working on a variety of projects. China is said to have already spent about USD 28 billion on several CPEC projects.

Comments. The flagship project of China's ambitious multi-billion-dollar Belt and Road Initiative, CPEC, connects Gwadar Port in Pakistan's Balochistan with China's Xinjiang province (BRI). However, tensions are rising between the all-weather allies as China is increasingly criticising Pakistan for failing to defend hundreds of Chinese employees subjected to frequent attacks by militant groups. The Baloch Liberation Army (BLA), which opposed Chinese investments in Balochistan, committed a suicide bombing at Karachi University in April, resulting in three Chinese deaths.

CPEC pass through POK (Pakistan Occupied Kashmir). Therefore, building infrastructure on disputed land is not advisable per International norms. China is funding the CPEC and will try to protect its interests in POK. Thus it will make China a third party in the India-Pakistan POK dispute. India has always maintained that the India-Pakistan issue is solved bilaterally.

In the event of a military confrontation with India or if China decides to come to Islamabad's aid in an India-Pakistan war, CPEC's infrastructure will rapidly facilitate the Chinese deployment of troops to India's western front.

Pakistan Flooding Deaths Pass 1,000 in 'Climate Catastrophe'.

Source:-<https://www.usnews.com/news/world/articles/2022-08-28/pakistan-flooding-deaths-pass-1-000-in-climate-catastrophe>

Deaths from widespread flooding in Pakistan topped 1,000 since mid-June, as the country's climate minister called the deadly monsoon season "a serious climate catastrophe." The country's Prime Minister Shehbaz Sharif has called the incessant monsoon rains a "climate-induced humanitarian crisis of epic proportions". Flash flooding from the heavy rains has washed away villages and crops as soldiers and rescue workers evacuated stranded residents to the safety of relief camps and provided food to thousands of displaced Pakistanis.

Comments. Marking an increase of 241 per cent, Pakistan received 166.8mm of rain in August instead of the average of 48mm. The unprecedented monsoon season has affected all four of the country's provinces. As a result, nearly 300,000 homes have been destroyed, numerous roads rendered impassable, and widespread electricity outages, affecting millions of people. The government has deployed soldiers to help civilian authorities rescue and relief operations across the country. The current situation is like the devastating 2010 floods; the massive rains and flooding in Pakistan have affected more than 30 million people over the last few weeks. In addition, the "unprecedented" heat wave that hit Pakistan this year has also accelerated the melting of glaciers in mountain ranges

near northern Pakistan. This situation threatens further floods as that water could join the rain crashing down the northern mountains.

The floods are also a financial catastrophe, sweeping away crops, livelihoods and crucial infrastructure. The country has already suffered losses equaling \$10 billion due to the flooding. Compared to the 2010 devastating floods, casualties are less this time, but the economic losses are much more. As a result, the International Monetary Fund's executive board agreed to release around \$1.1 billion to Pakistan in the seventh instalment of a bailout program to avoid default.

PM Modi has conveyed empathy and expressed hope for an early restoration of normalcy. Discussions are underway at the highest levels on the possibility of extending humanitarian assistance to Pakistan.

SRI LANKA

Chinese 'Surveillance' Ship Docks at Sri Lankan Port Amid Concerns in India

Source: -<https://www.wionews.com/south-asia/chinese-surveillance-ship-arrives-in-sri-lanka-amid-india-us-concerns-507276>

Despite concerns raised by both India and the US, the Chinese ship has sailed into the Chinese-run Hambantota port in the island nation. The ship sailed on 16 August, just a day after India gifted Sri Lanka a Dornier Maritime Surveillance Aircraft. The ship will not be allowed to research while in Sri Lankan waters. Sri Lanka's Foreign Ministry said the ship will be allowed to remain in the Chinese-run port until 22 August. Last week, the Chinese Foreign Ministry said it was "completely unjustified for certain countries to cite the so-called "security concerns" to pressure Sri Lanka. We urge the relevant parties to see China's marine scientific research activities in a rational light and stop disrupting normal exchange and cooperation between China and Sri Lanka."

Comments. A Chinese research vessel entered Sri Lanka's Chinese-run southern port of Hambantota despite concerns from India and the United States. Yuan Wang 5 is a ballistic missile and satellite tracking ship. India had raised concerns at the possibility of the ship's tracking systems attempting to spy on Indian installations in the southern region. While China claims it is a research vessel, India says it is a spy ship. Both these claims are valid as the Yuan Wang 5 is a classic example of dual-use technology. It possesses sophisticated capabilities that can be used for various civilian and military purposes.

Given the long-range tracking capabilities of the Chinese ship, it must be noted that India's spaceport in Sriharikota, the missile test range in Odisha, and several other military facilities in the peninsular region could be within tracking range of the visiting vessel, or those facilities could be tracked as the ship sails to Hambantota and back. India is concerned about the growing presence of China in the Indian Ocean region and the increasing influence of China in Sri Lanka. With Sri Lanka at its weakest, China is using the moment to showcase its military and strategic intent to establish a new world order in the broader region by encircling India in its "Strings of Pearl Strategy". Moreover, India's 60% of trans-shipment cargo is handled at Colombo Port, raising concerns for India.

India has held its ground in assisting Sri Lanka during its crisis for humanitarian needs and the island's self-interests, unlike China, which refused to restructure the Sri Lankan debts and pushed it towards unsustainable loans—practising its vision of the "Neighbourhood First" policy. China's investment and loans to Sri Lanka still outweigh India's financial

assistance. While China's global image keeps eroding with its strong ambitions toward nations like Sri Lanka, India can continue with its engagement and assistance. However, India needs to carefully curate its strategy to deal with the incident to avoid other Military or strategic influences of China that can undo its diplomatic gains of past years.

Sri Lanka in final stages of IMF talks – President

Source:-<https://www.newsfirst.lk/2022/08/30/sri-lanka-in-final-stages-of-imf-talks-president/>

Sri Lankan President Ranil Wickremesinghe said that negotiations with the International Monetary Fund (IMF) had reached their final stages. The President said that the discussions on debt restructuring would be held with the leading countries that provide loan assistance to the country. The United Nations, in collaboration with leading international organisations, is launching a program to ensure food security. Providing daily needs like gas, electricity, and fuel without a shortage. Schools have opened, and universities are commencing their academic activities.

Comments. A team from the International Monetary Fund (IMF) will meet Sri Lanka's President for talks to finalise a bailout package amid the nation's worst financial crisis in more than 70 years. The team will also talk with the central bank governor and other officials, including representatives of Sri Lanka's financial and legal advisers. The talks will focus on how to find a sustainable track for Sri Lanka's unmanageable debt, which stood at 114 per cent of gross domestic product (GDP) at the end of last year. Sri Lanka's public debt is unsustainable; the IMF's executive board will need assurances from Sri Lanka's creditors that debt sustainability will be restored before any bailout program begins.

The President of Sri Lanka will present an amended budget to tame inflation and hike taxes. Declaring that Sri Lanka is on the "correct course in the short term for recovery," Wickremesinghe warned that the country must prepare for at least 25 years of a national economic policy, starting with the 2023 budget.

NEPAL

Indian to Develop Two Hydropower Plants in Nepal as China Abandons Projects.

Sources:-

(a) The Business Standard: 26 August 2022: https://www.business-standard.com/article/current-affairs/indian-to-develop-two-hydropower-plants-in-nepal-earlier-quit-by-china-122082100114_1.html.

(b) Kathmandu Post: 27 August 2022: <https://kathmandupost.com/money/2022/08/19/nepal-clears-india-to-develop-2-4-billion-hydropower-projects-left-by-china>

Information. India will now develop two hydropower projects in Nepal, namely West Seti Hydropower Project and the Seti River Hydropower Project, nearly four years after China withdrew from these. Investment Board Nepal and India's National Hydro Power Corporation (NHPC) Ltd signed the agreement in Kathmandu on 25 August 2022. The total cost of these projects is expected to be around US \$ 2.4 Billion. The projects will develop a total of 1,200 MW and spread over four districts of Bajhang, Doti, Dadeldhura and Achham.

Additional Background Information.

Chinese companies have withdrawn from the West Seti Project twice. In 2009, China National Machinery and Equipment Import and Export Corporation (CMEC) signed an MoU with the Nepal Government to develop the project. However, the company stepped back within two years. Subsequently, in 2017, China Three Gorges International Corporation set up a joint venture to develop the project. However, it withdrew from the project in 2018. Nepal was left in a fix after two Chinese companies withdrew from the projects.

Prime Minister Narendra Modi and Nepalese Prime Minister Sher Bahadur Deuba had earlier committed to expanding the power sector partnership. During the recent visit of the Nepalese Prime Minister to India, a vision statement on cooperation in the power sector was agreed upon, underlining the need for strengthening mutually beneficial bilateral cooperation in this sector. Further, during the visit of Prime Minister Modi to Lumbini, the Nepalese Prime Minister invited interested companies from India to develop the West Seti Hydroelectric Project.

Analysis.

Non-completion of these power projects has reduced the Nepalese confidence in Chinese economic intentions in Nepal. Therefore, Nepal is keeping its options for cooperation in the power sector with India open.

Nepal can earn up to Rs 31,000 Crore annually by 2030 and Rs 1 Trillion by 2045 if it sells electricity to India by harnessing its hydropower potential.

Nepal Stalls Recruitment of Gorkhas in Indian Army under Agnipath Scheme

Sources:-

(a) **Indian Express: 26 August 2022: <https://indianexpress.com/article/india/nepal-stalls-recruitment-of-gorkhas-in-indian-army-under-agnipath-scheme-8112110/>**

(b) **Kathmandu Post: 27 August 2022: <https://kathmandupost.com/national/2022/08/23/government-in-a-fix-as-india-seeks-nepal-s-position-on-the-army-agnipath-scheme>**

(c) **News 9 Live: 26 August 2022: <https://www.news9live.com/world/nepal/india-nepal-nationalism-turned-relations-sour-china-made-it-worse-192056>**

Information. Days before the scheduled arrival of Indian Army Chief Gen Manoj Pande to receive the 'Honorary General' rank in Nepal Army, Nepal has for now stalled the recruitment of Gorkhas in the Indian Army under the 'Agnipath Scheme' as 'Agniveers'. Nepal's Foreign Minister Narayan Khadka informed India's Ambassador to Nepal, Naveen Srivastava, that recruitment of Gorkhas under the Agnipath scheme does not conform with provisions of the Tripartite Agreement signed by Nepal, India and Britain on 09 November 1947 and is learnt to have said that they will take a final decision on the issue after assessment of the impact of the new arrangement and broader consultation with political parties and all stakeholders. As a result, the month-long recruitment process, which began on 25 August 2022 and concluded on 29 September 2022 at different centres across Nepal, has been stalled indefinitely. India had approached Nepal six weeks ago for cooperation and approval for the recruitment, taking place after a two-year hiatus due to the Covid-19 pandemic. However, the State Relations Committee of the Nepal Parliament,

which was scheduled to discuss different issues, including the Agnipath Scheme and its impact on Gorkha recruitment, was adjourned due to a lack of quorum.

Additional Background Information.

Recruitment of Gorkhas from Nepal began in the British Indian Army after the Treaty of Sagauli was signed in 1816 between the Government of Nepal and the British East India Company. It became a Tripartite Arrangement in November 1947, after India became independent and Gorkhas in Nepal were given a choice to serve in the Indian Army or go to the UK. As per this arrangement, four regiments of Gorkha soldiers (2nd, 6th, 7th and 10th) were transferred to the British Army, while the remaining (1st, 3rd, 4th, 5th, 8th and 9th) remained with the Indian Army. After Independence, India raised a new Gorkha Regiment - the 11th Gorkha Rifles. The agreement also provides for the terms and conditions of Nepalese Domiciled Gorkhas in the Indian Army and their post-retirement benefits and pensions.

The ratio of Nepalese-domiciled and Indian soldiers in the Gorkha battalion ranges from 60:40 to 70:30. A change was made in the recruitment rules for Gorkha Rifles recently after the Army decided that the soldiers hailing from the Kumaon and Garhwal regions of Uttarakhand will also be eligible to serve in Gorkha Rifles.

Analysis. There are around 1,27,000 retired Nepali soldiers, 90,000 from the Indian Army and 37,000 who served in Paramilitary organisations and got their pension from India. The current 30,000 Nepali soldiers remit home about Rs 1000 Crore every year. The presence of Nepalese soldiers, who are Indian Army Veterans, is in almost every area of Nepal and is one of the strongest bonds between India and Nepal. Considering this, India and Nepal will resolve this issue to mutual satisfaction soon.

INDO-PACIFIC

France & Germany Fighter Jets Reach Indo-Pacific Region for Pitch Black 2022 Exercise.

Source:- <https://www.republicworld.com/amp/world-news/rest-of-the-world-news/france-and-germany-fighter-jets-reach-indo-pacific-region-for-pitch-black-2022-exercise-articleshow.html>

French Air Force contingent, the resident power of the Indo-Pacific, made a technical stopover in India to achieve an unprecedented 16,600 km deployment. France and Germany have sent fighter jets to participate in the "Pitch Black 2022" biennial multinational exercise across the Indo-Pacific region hosted by the Royal Australian Air Force in one of the largest peace deployments, including the Indian Air Force. The European Air Forces will conduct drills with the military forces of the UK, Japan, New Zealand and South Korea in Australia's Northern Territory. The exercises began on August 19 and will continue through September 9.

Comments. Just after the visit of Nancy Pelosi to Taiwan, the French fighter jets followed the German fighter jets to fly to the Indo-Pacific to be a part of the "Pitch Black Exercise 2022". As tensions related to China's military activities remain high in the Taiwan Strait, the EU countries have demonstrated their commitment to the region and its partners through such exercises. However, India is a crucial partner in the region for France and Germany, considering her geo-strategic location and influence in the Indian Ocean. Moreover, since France and Germany's Indo-Pacific Strategy emphasise the safety

and security of the Western Indian Ocean, India remains salient to their Indo-Pacific Strategies.

India, Vietnam Wrap up Joint Military Exercise

Source:- <https://indianexpress.com/article/india/india-vietnam-wrap-up-joint-military-exercise-8098166/>

A nearly three-week military exercise carried out jointly by the armies of India and Vietnam concluded in Chandimandir Thursday.

The Indian Army said it was for the time that the Vietnam People's Army (VPA) undertook a field training exercise with a foreign army. "The fact that Vietnam chose India for this honour speaks volumes about the value the two countries place on their mutual relationship," the Army said in a statement after VINBAX 2022.

The exercise commenced on August 1 and focused on deploying Army engineers and Medical teams in UN Peacekeeping Operations. Over three weeks, the soldiers of the two armies rubbed shoulders with each other, learning from each other and sharing best practices.

Comments. Although the Indian Navy has conducted joint naval exercises several times, for the Indian Army, it has been the first time India has been one of the largest troop-contributing countries to the UN Peacekeeping Operations. Therefore countries like Vietnam look up to India in terms of deployment of Army Engineer and Medical teams in UN Peacekeeping operations.

Both countries have been sharing a solid bond for a long time. As a part of its "Act East Policy", India has been trying to enhance its strategic relationship with the ASEAN nations. Vietnam is one of the closest ASEAN countries with whom it signed the "Comprehensive Strategic Partnership" in 2016. However, China remains a crucial factor for both countries, considering their land and maritime disputes with China. Engagement of the Indian Armed Forces in such joint military exercises with Vietnam is a manifestation of India's commitment against the assertiveness of any power which tries to change the region's status quo unilaterally.

RUSSIA

Shelling at Power Plants Causes Fear of Nuclear Disaster

KYIV/VIENNA, Aug 29 (Reuters)

Source:- <https://www.reuters.com/world/europe/iaea-mission-visit-zaporizhzhia-nuclear-power-plant-this-week-2022-08-29/>

The U.N. nuclear watchdog will inspect the Russian-held Zaporizhzhia nuclear power plant in Ukraine this week, it said on 29 August. The announcement comes after months of negotiations in which the International Atomic Energy Agency sought to gain access to the facility, which Ukrainian staff are operating under the orders of Russian forces, a situation that the IAEA has said threatens the safety of Europe's largest nuclear plant. The mission led by IAEA chief Rafael Grossi will assess any damage from recent shelling near the Zaporizhzhia nuclear power plant (ZNPP), which Russia and Ukraine have blamed on each other. It would also "perform urgent safeguards activities", a reference to keeping

track of nuclear material. The Kremlin said on Aug 29 that the IAEA mission was "necessary" and urged the international community to pressure Ukraine to reduce military tensions at the plant. The United Nations, the United States and Ukraine have called for a withdrawal of military equipment and personnel from the nuclear complex to ensure it is not a target.

Comments. Much concern centres on the cooling systems for the plant's nuclear reactors as the buildings and water pools used for storing used and unused nuclear fuels are not as sturdily built as the reactor itself. As a result, they can suffer significant damage in heavy fighting. In addition, the systems require power to run, and the plant was temporarily knocked offline on 25 Aug because of what officials said was fire damage to a transmission line. The U.N.'s atomic energy agency has sent a team to inspect and help secure the plant.

Russia Blocks Final Document at U.N. Nuclear Treaty Conference

Source:- <https://www.thehindu.com/news/international/russia-blocks-final-document-at-un-nuclear-treaty-conference/article65818348.ece>

The final document of the U.N. treaty for nuclear disarmament needed the approval of all countries at the conference that are parties to the treaty. Still, Russia pointed out that there was no consensus on it. As a result, Russia blocked the agreement on the final document of a four-week review of the U.N. treaty considered the cornerstone of nuclear disarmament, which criticised its military takeover of Europe's largest nuclear plant soon after Russian troops invaded Ukraine. This act has raised fears of a nuclear disaster.

Comments. Nuclear Proliferation Treaty (NPT) is a 50-year-old treaty aimed at curbing the spread of nuclear weapons and ultimately achieving a world without them. The final document needed the approval of all countries at the conference that are parties to the treaty. Under the NPT's provisions, which came into force in 1970, the five original nuclear powers — the United States, China, Russia (then the Soviet Union), Britain and France — agreed to negotiate toward eliminating their arsenals someday and nations without nuclear weapons promised not to acquire them in exchange for a guarantee to be able to develop nuclear energy for peaceful purposes. The review is held every five years, and the Tenth meeting was to be held in 2020, which got delayed because of the Covid-19 pandemic. Since no consensus could be reached, it indicates the deepening divide between the main sponsors of NPT, the U.S. and Russia. Meanwhile, India must continue to develop its civil nuclear plants to reduce its dependence on fossil fuels.

EUROPE

Europe's energy crisis, Russian economy wounded but still on its feet

Sources: <https://time.com/6209272/europes-energy-crisis-getting-worse/>
<https://www.washingtonpost.com/business/2022/08/23/russian-sanctions-economy/>
<https://www.ft.com/content/eebc166b-0ab3-4a69-b61c-62908ee984e5>
<https://www.bloomberg.com/news/articles/2022-08-19/gazprom-to-halt-nord-stream-gas-link-for-three-days-for-works>

Information: Europe is facing an energy crisis due to the Russo-Ukrainian war and the subsequent reduction of energy supply to Europe by the Russian state-owned natural gas

company, Gazprom. Before the war began, Russia supplied 40% of European energy needs. However, since the war broke out, energy imports have declined by two-thirds of the pre-war period. Twelve countries are facing energy poverty in Europe in the coming months. In the latest development, Gazprom has shut down Nord Stream 1's natural gas supply entirely for three days starting 31st August 2022.

Additional Background Information: To reduce dependency Europe is ramping up coal imports and reactivating disused power plants. France and Spain are expected to be insulated from the incoming recession due to their relatively low reliance on Russian energy. France has its own robust nuclear energy sector that makes up 70% of France's energy needs. Similarly, Spain had diversified its energy imports from all over the world (Mexico, Nigeria, Saudi Arabia, Iraq, and Angola) and had not depended solely on Russia. However, the energy crisis will affect Germany and Italy the most. Russia supplies half of Germany's natural gas needs and about one-third of its oil requirements. It was believed that Germany could initially control Russia through the Nord Stream 2 discussions; however, the tables turned quickly. With Gazprom shutting down natural gas supply for three days, right when Germany is struggling to reach the 95% storage mark before November, it proves that Russia is calling the shots in the energy sector.

Gazprom had been reducing the energy supply to Europe since mid-2021 when it started restricting gas exports. The weaponisation of energy to create pressure on Europe was a pre-meditated decision by Russia even before the invasion began. Western leaders imposed the sanctions on Russia in the hopes that Russia's dependency on the energy markets of Europe would factor in, as Russia received \$120 billion in revenues in the last decade. However, Russia is prioritising expansion interests over economic interests. International Monetary Fund predicted the Russian economy to contract by 6% this year due to sanctions imposed. Reports suggest that even though the Russian economy is staggering, it still holds better than expected. It can be seen from the fact that the Rubel is stronger now than it was in pre-war conditions.

Analysis:

(a) India is the third biggest crude oil importing country (85% of total oil needs) in the world. Historically, India has fulfilled its fossil fuel needs by importing oil from Iraq and Saudi Arabia, while Russia's contribution remained fairly small. However, as the Russo-Ukrainian war broke out and the West imposed steep sanctions on Russia, it presented an opportunity for India. Russia started offering discounted prices for its oil, and India did not hesitate to take advantage that the global politics presented. Russia has now become India's second-largest oil supplier, exporting oil to India at \$30 per barrel.

(b) West has criticised India for buying Russian energy while simultaneously exempting Russian companies from sanctions to fulfil their own energy requirements. The Ukrainian foreign minister has called Indian oil imports from Russia "blood-tainted oil" to create pressure. However, India says it is under no pressure to limit energy purchases from Russia. India is a developing country and cannot afford to gamble with its 138-crore population and risk a recession. It would be reckless to jeopardise the relationship with Russia, which has always been a reliable partner to India, due to Western pressure and war it did not start.

European recession, the euro falls below parity with the dollar

Sources: <https://www.theguardian.com/business/live/2022/aug/30/pound-uk-recession-economy-mortgages-energy-market-gas-business-live>
<https://www.bloomberg.com/news/articles/2022-08-25/energy-bill-aid-could-actually-make-cost-of-living-crisis-worse>

<https://www.financialexpress.com/economy/services-exports-may-beat-recession-woes-hit-record-300-billion-merchandise-sector-expected-to-see-a-slowdown/2615308/>

https://www.business-standard.com/article/companies/it-firms-cut-staff-bonuses-as-us-european-clients-tighten-budgets-122082600098_1.html

Information: Europe is likely to fall into a recession next quarter. The euro has slipped past the dollar for the first time since it was launched in 2002, at \$0.9941. It is primarily due to the record high inflation, looming recession and the energy crisis that faces Europe. The UK has crossed 10% inflation, which is the highest in 40 years. According to reports by Goldman Sachs, the UK inflation is predicted to touch 22% over high energy prices in the coming year. The four economic powerhouses of the EU, Germany, France, Italy and Spain, have all received grim growth forecast predictions by the International Monetary Fund.

Additional Information: The Russo-Ukrainian war has created bleak predictions for the rest of Europe. The war unfolding in Eastern Europe has had consequences reverberating throughout the continent. Europe is facing an unavoidable energy crisis and is bracing for a recession soon. It has led to a high energy price, falling oil and gas reserves and subsequently rising electricity prices. Natural gas prices hiked 610% in August, with prices touching \$3100 per 1000 cubic meters. At the same time, electricity prices have risen by 300% in 2022.

Amid the looming energy crisis that Europe faces at the moment, €280 billion has been allocated by European politicians to absorb the blow of surging energy prices for businesses and consumers. According to Bloomberg's report, the money allocated will not have much impact as the crisis is coming in fast and will require more impetus to balance the economies. Germany has introduced a € 30 billion energy support package to ease the blow to the consumers. Similarly, Italy is facing the brunt of the Russian gas cut-off and has introduced a €17billion aid package to businesses and consumers.

The seasonal average of the last five years shows that wholesale energy prices have risen ten times since the war broke out. It is predicted that in the coming months, the energy crisis and the recession will worsen, leading the households to allocate at least 10% of their budget to energy costs alone, which is twice the 2021 levels.

Analysis:

(a) India's service exports are expected to survive the recession and grow substantially in FY23. The slowdown of the European economies creates opportunities for India in the service sector, like legal and accounting services, as India presents itself as a cheaper alternative at a time of slashing corporate budgets. However, India's IT sector might be affected by the European recession due to tightening corporate budgets for companies based out of Europe. Companies like Wipro and Infosys are already re-evaluating employee compensations and discretionary spending. India's growth projection by International Monetary Fund is still at 7.4% for FY23.

(b) Post-pandemic tourism, though, has been helping some European companies to manage the recession. Spain's tourism sector creates 12% of GDP and a large base for employment opportunities. Similarly, the tourism sector accounts for 13% of Italy's GDP. India, for that matter, has been contributing significantly to the tourism industry of Europe. Granted that the Indian rupee has appreciated substantially against the euro and is faring better than expected during the recession of the West, Indian tourism to Europe is at 250% more than it was last year.

RUSSIA-UKRAINE

Russia Sanctions: Can the World Cope Without its Oil and Gas

Source:- <https://www.bbc.com/news/58888451>

A critical Russian gas pipeline will close at the end of August for three days, reducing supplies as European countries struggle with high energy prices.

Western countries are trying to cut the amount of Russian oil and gas they import following the invasion of Ukraine in February.

Russia supplied the EU with **40% of its natural gas** last year.

Germany, Europe's largest economy, was the largest importer in 2020, followed by Italy. In 2021, the UK imported 4% of its needs from Russia, and in June this year, it **imported no Russian gas for the third month in a row.**

The US doesn't import any gas from Russia.

However, they are affected when Russia restricts supplies to mainland Europe, as this causes global gas prices to rise.

Comments. After Russia annexed Ukraine in February 2022, Western countries started imposing sanctions on Russia. It has been almost six months since the Russia-Ukraine war, and it is still going on. Whether these sanctions would be able to stop Russia or not is debatable, but it is affecting the energy concerns of the EU.

Russia is the largest energy supplier to the European Union. After the sanctions, European Union tried to find an alternative to Russia. According to data from Eurostat, the oil imported in 2020 by the EU27 is about 25% of crude oil and 38% of natural gas from Russia. As a result, European countries are now cutting down their imports from Russia.

Europe has more options than Russia, like Saudi Arabia, Iraq, and Algeria. However, the import percentage from these countries is much lesser than in Russia. Algeria is willing to increase its export percentage to the EU, which is currently 7.8%.

These sanctions have affected the whole world, and it is apparent that the EU has no viable substitution for its energy imports from Russia.

AFRICA

Fighting Erupts along the Border of Ethiopia's Northern Tigray Region

Source:- <http://www.channelafrica.co.za/sabc/home/channelafrica/news/details?id=42215389-17a2-489a-a6f3-989d0a073e01&title=Fighting%20erupts%20along%20border%20of%20Ethiopia%E2%80%99s%20northern%20Tigray%20region%C2%A0%C2%A0>

Ethiopians who had fled the ongoing fighting in the Tigray region gathered in Hamdayet village near the Sudan-Ethiopia border, eastern Kassala state, Sudan, 22 November 2020. Fighting between forces from Ethiopia's rebellious northern region of Tigray and

central government forces has erupted around the town of Kobo, ending a months-long ceasefire. The fighting is a significant blow to hopes for peace talks between Prime Minister Abiy Ahmed's government and the Tigray People's Liberation Front (TPLF), the party that controls Tigray. Both sides have blamed each other for the outbreak of fighting.

Comments. Ethiopia has been experiencing civil war, severe ethnic violence, and the expulsion of ethnic groups from regions such as Tigray, Amhara, and Oromia. Some extremist groups have repressed the ethnic groups brutally for two years. The war started on November 2020 when the armed wing of the Tigray people liberation front (TPLF) attacked the Northern Command of the government of Ethiopia. Ethiopia's Prime Minister Abiy Ahmed received the Nobel peace prize for settling disputes between Ethiopia and Eritrea. However, he lost popularity when he failed to implement the country's needs, resulting in civilian deaths. In addition, there are reports on gross human rights violations such as sexual assault, rape, and civilian arrest in some regions of Ethiopia.

This issue will affect India because India has shared economic and commercial ties with Ethiopia. Indian companies have invested in Ethiopia in various sectors like agriculture, floriculture, etc. Also, significant imports of India from Ethiopia are semi-furnished stones, oils, seeds and leather. If this crisis continues, India will suffer on the economic front as Ethiopia has potential investment opportunities for India in agriculture, food processing, leather and pharmaceuticals.

The China factor also comes into play here since China has close bilateral ties with Ethiopia under China's Africa Policy. India can use the opportunity to provide economic aid to such regions of Ethiopia, which are severely affected by the crisis, by exporting pharmaceutical products and food to the people of Ethiopia.

China Pledges to Forgive 23 Matured Interest-free Loans for 17 African Countries.

Source:- <https://africa.businessinsider.com/local/markets/china-pledges-to-waive-23-matured-interest-free-loans-for-17-african-countries/532wy0g>

The Chinese government plans to forgive 23 matured interest-free loans for 17 African countries. While addressing the recently held Forum on China-Africa Cooperation, Chinese foreign minister Wang Yi said the move demonstrates China's commitment to fostering stronger economic ties with the African continent. The foreign minister added that this demonstrates how the Chinese government backs up its words on African development with concrete action. Although the 17 countries were not named, checks by Business Insider Africa show that Djibouti, Angola, the Democratic Republic of Congo, Kenya, Uganda and South Africa are among African countries with high debt exposures to China.

Comments. This new initiative by the Chinese government to forgive the African countries by providing matured interest-free loans is a new strategy under China's African policy. The motive is to expand its Belt and Road initiative policy and fulfil its African political agendas. Though China has promised African nations to expand its import and export rate on agriculture, industries and digital economy, this will not benefit them in the long term. Some nations are in debt to China, and some are indebted.

The Chinese Navy has a military base in Djibouti. In one way or another, China is trapping Djibouti in its debt-trap policy despite receiving millions of dollars for hosting the bases. China has also invested in infrastructural projects in Angola and the Democratic Republic of Congo because these two countries are rich in natural resources like mineral deposits

of gold, diamond and cobalt. China has also succeeded in making its presence in Uganda and South Africa.

China aims to be Africa's partner of choice by developing robust trade, commercial, technology, and military-security ties. It is evident that China does not want India's presence anywhere around Africa and is encircling India from every direction through its various projects, whether from Indo-pacific nations, Sri Lanka, Pakistan, or African nations. Given that China's influence is growing all over the globe, this poses a serious threat to India's national security.