

India Weekly Report January 30, 2005

Travel Status:

There is no information that transnational terrorist groups such as al Qaeda plan to attack targets in India.

State Elections- North India

Campaigning is underway for state parliament elections in Bihar, Jarkhand, and Haryana. Haryana is a small state adjacent to New Delhi, while Jarkhand and Bihar – two states that encompass the most impoverished and desolate area of the country – are in northern India.

Elections in India always carry the risk of civil disorder and election-related violence. Polling irregularities, such as "booth capturing", assassinations of local candidates, voter intimidation, and vote buying are common, particularly in rural areas. There is a high probability of election related violence in Jarkhand, where even under normal conditions, kidnappings, shootings, robberies and small riots are commonplace. Election violence could also occur in Bihar, where law enforcement controls are tenuous. Further, the opposition Hindu nationalist Bharatiya Janata Party (BJP) party has been at odds with controversial cabinet minister, Lalu Prasad Yadav, whose home state is Bihar. Hindu extremists could attempt to disrupt polling.

Clients traveling to these areas are advised to avoid campaign gatherings, particularly outdoors, as well as polling places.

Kashmir

Terrorist attacks in Jammu and Kashmir abated modestly this past week. Heavy deployment of security forces for Republic Day celebrations might have prevented some violence.

Local elections in Kashmir began on January 8 and will be completed by February 17. Militants are expected to step up their attacks during this period, as any public display of Indian government control over the region serves as a primary target for militant violence. [\(See below\)](#)

Indian officials claim that tourism has picked up in the region after government efforts to promote the area as a safe tourist destination. The area is in fact highly unstable, particularly for visitors from Western countries.

Clients should avoid all travel to the area.

Central and Northeast India

Clients are advised to take extra precautions when they travel to the central state of Andhra Pradesh (Capital: Hyderabad). Recent strikes called by the Telugu Dessam Party (TDP) and the communist People's War Group have occurred in the area. [\(See below\)](#). Rural areas of the state are at particular risk.

While travel to Hyderabad is safe, visits to rural areas should be avoided. Indian security forces have only partial control of large swathes of rural Andhra Pradesh and are often the target local rebels and criminals.

Clients should take only necessary or emergency travel to the northeastern state of Assam. Local tribal-based rebel groups, including the National Liberation Front of Assam (NLFA), have picked up attacks against government and private Indian commercial targets.

Key dates:

January 31 – New Delhi auto rickshaw (three-wheel motorcycle taxi) drivers will begin a one-week strike to protest increased government taxes on their operations. Protests at busy intersections and transportation hubs could occur and cause traffic disruptions. Clients in New Delhi should allow extra commuting time for the coming week.

February 1 – Municipal elections will be held in the 68 wards of the Srinagar Municipal Corporation of Jammu and Kashmir region. Militants might attempt attacks to disrupt polling.

February 3 – Haryana State Assembly Polls will take place. Haryana state is adjacent to New Delhi. There is a possibility of some political demonstrations by opposing political groups during this time in the Delhi metropolitan area.

February 6–7 – South Asian Association for Regional Cooperation (SAARC) summit will take place in Dhaka, Bangladesh.

February 25 – Budget session begins in the Upper and Lower Houses of Parliament.

February 28 – Presentation of India's Economic Survey to both Houses of Parliament, a subject around which controversy has swirled between the ruling coalition United Progressive Alliance (UPA) and the opposition Bharatiya Janata Party (BJP).

Both the budget session and presentation of the economic survey will provide a public forum for politicians to politicize the process of dividing India's economic pie. There is a possibility of political demonstrations near New Delhi's Parliament complex near the time of scheduled debates.

Politics

Party Developments

Leaders of India's major political parties are actively campaigning for their candidates in the upcoming assembly elections in the states of Bihar, Jarkhand, and Haryana. Bihar is the largest and most vote-rich of the three states.



Congress Party President Sonia Gandhi started her campaign for Congress Party candidates, highlighting achievements of the United Progressive Alliance (UPA) since the Congress-led coalition government was formed eight months ago. She is distancing herself from internal party squabbles such as the dispute between Railway Minister Lalu Prasad Yadav and Steel Minister Ram Vilas Paswan, who are leveling allegations of corruption against each other in public.

Congress Party candidates are running against fellow coalition members in several constituencies in Bihar and Jharkhand. Congress Party candidates are expected to garner votes from the lower castes and Muslim communities, which together form over 30% of the state's voting population.

The opposition Hindu nationalist Bharatiya Janata Party (BJP) is also active in the area. Former Prime Minister Atal Bihari Vajpayee is once again on the campaign trail together with BJP president Lal Krishna "L.K." Advani. Analysts believe that upper caste support of the BJP has considerably weakened, with

India's wealthy class switching their allegiance to the Rashtriya Janata Dal (RJD) party, which is now supporting the Congress Party-led UPA coalition.

In a recent local television interview, Vajpayee admitted that BJP workers had a role in the 2002 sectarian violence in the state of Gujarat, where he claimed party workers were overwhelmed by their emotions causing them to join the communal violence that claimed 2,000 lives, mostly Muslims. BJP party leaders claim the UPA government is using a recent Godhra carnage investigation as campaign material for upcoming elections.

Comment: While not directly affecting the UPA coalition government, state polls in the densely populated "Hindu Belt" of north India could serve as a barometer of popularity for the incumbent administration. It is interesting to note BJP leaders attempting to distance themselves and the party from the Godhra riots, a tragedy they ruthlessly exploited for political gain in 2003–2004. The fact that both major parties for the moment publicly eschew communal violence as a political tool represents an important change in Indian politics.

Sino-Indian dialogue



Trade between India and China grew to US\$13 billion by the end of last year compared to US\$3 billion during 2000-2001. However, India's trade with China, whose economic growth and market size rival its own, still lags behind trade with Japan, Hong Kong, South Korea, Taiwan, Malaysia, Thailand, and even tiny Singapore.

That may soon change. China recently formed the Sino-Indian Cooperative Office under its National Software Export Base to support Indian software companies in their expansion efforts in China. This is the first time a special division was set up for a particular country. Indian software companies such as TCS, Infosys, Wipro, and Satyam have large investments in China and plan to expand in Beijing. Officials in both countries are discussing signing a Free Trade Agreement (FTA). Officials also formed a Joint Study Group (JSG) in 2004 in order to establish development programs for economic cooperation for the next five years.

In an effort to improve bilateral ties, on January 25, India and China held their first round of strategic talks to prepare for the Sino-Indian summit in New Delhi in March. The dialogue did not address border disputes that have complicated relations since 1962. The countries have established a separate bilateral mechanism to address this issue.

Relations between the two countries are not purely about cooperation. As both countries are desperate to keep feeding their fast-moving economies to avoid social upheaval, energy security becomes increasingly important for both. India and China are both investing in Iranian oil, much to the chagrin of the United States. They will also discuss the Indian-proposed theme of "multi-polarity" in international relations.

Comment: The "multi-polarity" issue in bilateral talks is reflection of Indian policy goals, which China might not support. Multi-polarity is a new but not improved version of Indian foreign policy efforts of the 1970s, when India cast itself as non-aligned. Recent energy policy discussions between India and Iran irritated US officials, who are seeking to portray Iran as a pariah nation in possession of nuclear weapons.

China has significant short-term oil needs caused in large part by economic expansion. China is pursuing a number of regional and international initiatives to ease its present oil import shortfall and assure consistent supplies over the long term. It is unlikely that Chinese officials would agree to a multi-polarity policy initiative that involves using oil purchases to achieve political goals.

Northeastern India

Andhra Pradesh



On Tuesday, January 25, the Telugu Desam Party (TDP) called a statewide protest over the killing of a TDP official in Anantapur town, about 375 km (230 miles) southwest of the state capital Hyderabad. The strike took a violent turn in some parts of the state. Party activists burned down a government revenue office in Prakasam district and assaulted a revenue official. Protesters blocked road and rail traffic in several places while

bus services were cancelled in other areas. Protesters burned several buses during the daylong strike in Warangal, Karim Nagar, and Ranga Reddy districts of the state.

This was the second strike in Andhra Pradesh in 2005. The communist People's War Group (PWG) staged a strike on January 20 following the failure of peace talks with the Indian government. The PWG strike, however, was not violent.

Officials imposed a curfew in Anantapur town.

Assam



Two bombs exploded in Guwahati, the capital of India's northeastern state of Assam, during the city's Republic Day celebrations on Wednesday, January 26. The bomb missed a convoy of top government officials. Military officials believe the United Liberation Front of Assam (ULFA) militants staged the attacks.

On August 15, 2004, 15 people died in Dhemaji, a town in Assam state, in a bombing allegedly carried out by ULFA rebels.

ULFA is seeking an independent Assam. The group is representative of over 110 tribal based separatist groups active in extreme northeast India. Most groups seek independence or autonomy. They claim mainstream Indians have exploited the area's natural resources without sharing the wealth with local tribal groups. ULFA militants have not traditionally attacked foreign targets, in part because foreign investment there remains weak. Indian government efforts, through tax breaks, have failed to attract foreign investment. Chronic violence and political instability, exacerbated by the lack of effective security control has likely kept foreign commercial interest low.

Nepal



Maoist rebels continue their low-level campaign of violence across Nepal. India's Border Security Forces (BSF) have increased security on the Nepal border. Although the Maoist insurgents are not a direct security threat to facilities in northeast India, they conduct arms trade and joint militant training with local Indian Maoists. On Wednesday, January 26 Maoists killed six Nepalese security force personnel and one civilian during an ambush along the Baglung-Pokhara highway in Parbat district.

Another attack at Rupani Bazaar in the Saptari district killed one soldier. Maoist insurgents planted bombs in several places and blocked vehicles on the Mechi Highway during the past week.

Northwestern India

Kashmir

Islamic extremist groups continue attacks aimed to disrupt next month's municipal polls in Kashmir. Several militant groups have called for a boycott of the polls because they oppose any move that may legitimize India's rule. On Thursday, January 27, militants threw a grenade at a municipal office injuring 26 people.



The region's security remains unstable. Although civilians are not the main targets of militant attacks, they are often the victims when militants miss their intended targets. Likewise, civilians are often caught in the crossfire during ham-handed Indian sweeping operations in densely populated areas. Clients are advised to avoid travel to Kashmir. The security situation is not expected to improve in the near future despite ongoing peace talks between India and Pakistan.

Pakistan



Pakistan's opposition parties are divided over the issue of Pakistan President Pervez Musharraf failure to keep his promise to relinquish his post as Pakistan's army chief.

Pakistan People's Party, one of the two main opposition parties, distanced itself from talks between Qazi Hussein Ahmed, the leader of Pakistan's Islamic opposition alliance

Muthida Majlis e Amal (MMA), and exiled former prime minister Nawaz Sharif in Saudi Arabia.

President Musharraf recently offered modest conciliatory gestures towards former Prime Minister Benazir Bhutto and her Pakistan People's Party. This clever political move caused some internal bickering within the party and among opposition parties, preventing their ability to reach a consensus on opposing Musharraf.

Pakistan has never experienced a peaceful change of government, with assassinations and coups the normal means of transferring control. Musharraf seized power in a bloodless coup and, wisely, has refused to step down as military chief, a position required to maintain political control.

Peace Talks



India-Pakistan peace talks have reached a deadlock over the Baglihar Dam issue, as well as the recent exchange of allegations about ceasefire violations along the Line of Control in Kashmir.

Despite the current deadlock, both countries will continue talks in advance of the 13th South Asian Association for Regional Cooperation (SAARC) summit in Dhaka, Bangladesh. Indian Prime Minister Singh and Pakistan President Musharraf will likely meet on the sidelines of the SAARC summit.

Comment: Recent rhetorical salvos launched by both sides over violations of their nine-month cease fire have marked a return to familiar positions on the Kashmir dispute. The talks have foundered recently, in part due to inattention by the lackluster Indian Prime Minister Manmohan Singh and preoccupation with domestic politics by Pakistan President Musharraf.

Business and Economy

Foreign Direct Investment

The US dollar has regained strength against major currencies and made US interest rates more stable. Analysts expect that investors will again park money in the US market, hence reducing their funds for emerging markets such as India.

A recent survey by the Indian Assocham Business Barometer (ABB) reported that 78% of the country's leading 200 chief executive officers (CEOs) and managing directors expect weaker foreign investment in Indian markets in 2005.

Foreign direct investment affects India's stock market. For 2003 and 2004, the Sensex's performance depended in part on foreign investment in India. Foreign investment totaled \$6.6 billion and \$8.5 billion respectively in 2003 and 2004. During the last two years, the share of foreign stockholdings in leading Indian companies totaled 30% of the equity in India's top 50 companies. The percentage for 2001 and 2002 were just 18% and 22% respectively.

City Factoids

Health warning. The All-India Institute of Medical Sciences (AIIMS) recently assessed injection practices in India. Results show that 62.9% of injections administered are unsafe with 32% risk of blood-borne viruses spread through unsafe injection equipment. The study also discovered that a large proportion of

injections were unnecessary. As of 2002, 7.8 million Indians suffered from infections caused by unsafe injections, 475,000 of them dying annually as a result, according to AIIMS.

We urge clients to avoid seeking medical care in India. Primitive medical infrastructure and questionable medical practices, such as professional blood donation, illicit organ transplants, and the practice of re-using syringes, are common.

Additional British flights. Following 2004 Indo-UK bilateral negotiations on air traffic rights, British carrier Virgin Atlantic will launch daily flights between Delhi and London beginning February 1. The company also plans to introduce new flights from Mumbai by March 27. Negotiations for weekly services from Bangalore are also underway.

Chennai. The India Meteorological Department (IMD) said that Monday, January 24, tremors in some parts of Chennai were part of expected aftershocks of the December 26 earthquake and were a normal occurrence. Aftershocks are expected for some months, although they will diminish in frequency and intensity.

US citizens who intend to visit the area can contact the US Consulate General in Chennai by e-mail at ChennaiCS@state.gov or by phone at +91/44-2811-2000 or fax at +91/44-2811-2027. The consulate is located at 220 Anna Salai, Chennai.

Quotes of the Week:

"The enormous problems that Washington now faces in Afghanistan and Iraq could look small indeed compared to the problems the United States could face if Pakistan is embroiled in an Islamic revolution."

- **Mark N. Katz**, a professor of government and politics at George Mason University in a Eurasia Net commentary.

"We need a third commission to find out who is telling the truth."

- **Former Prime Minister Atal Bihari Vajpayee's**, during an interview question about the conflicting findings of two judicial panels on the cause of the fire in the Sabarmati express at Godhra in 2002 that sparked six months of communal rioting that caused the deaths of 2,000 persons, mostly Muslims.

“China is a far ahead in stealing the thunder at Davos as compared to India.”

- **An IT leader from the US**, who preferred anonymity, during the World Economic Forum in Davos, Switzerland.

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