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PAKISTAN

WITH RUSSIA GETTING INTO THE AFGHAN ACT, THE GEO-POLITICAL LANDSCAPE EVOLVES BY ZAHID HUSSAIN

The gathering in Moscow last week — the third in the series of consultations between Russia, China and Pakistan — underlines growing concern about the spillover effect of the Afghan crisis in the region. The initiative is the latest example of Russian assertion of its diplomatic power amidst growing frustration over the American failure to deliver peace in Afghanistan.

An underlying cause of anxiety is the growing threat of the militant Islamic State group spreading its tentacles in the war-torn country. But it is still unclear whether the new alliance will be able to help reach a negotiated political solution to the Afghan conflict. Although the Kabul government has now been invited for the next round of talks, its exclusion from the earlier meetings cast a shadow over the process.

Not surprisingly, the United States was not invited to the Moscow initiated process. It is, however, premature to assume that the new nexus could replace the quadrilateral forum that included the US along with Pakistan, China and Afghanistan. The quadrilateral talks have been suspended for almost one year after the collapse of efforts to bring the Afghan Taliban insurgents to the negotiating table. The killing of Mullah Akhtar Mansour, the Taliban chief, in a CIA drone strike last May has further diminished hopes for the talks to resume.

It is quite apparent that no peace effort could succeed without the tacit support, if not active participation, of the US, which still has about 10,000 troops involved in counter-insurgency operations in Afghanistan. Things have become more complicated with the political transition in Washington. Like other foreign policy issues, there is complete confusion over the Afghan policy in the soon-to-be installed Trump administration.

Moscow's initiative to build a regional alliance against IS points to a changing geo-political landscape.

That has perhaps compelled the three countries to find a regional solution to the Afghan crisis that directly affects their own security. It remains to be seen whether the Kabul government accepts the invitation to join the forum and whether it is willing to show some flexibility in its approach on the peace talks. The Moscow trilateral meeting has called for lifting of the travel ban on the insurgent leaders, one of the major demands

that the Taliban had presented as a precondition for talks with the Kabul government. The Taliban are obviously pleased by the Moscow meeting endorsing its demand. But lifting of the ban requires US consent.

China has for some time now been actively involved in the Afghan peace efforts, being a major investor in mining and infrastructure development projects in that country. Its good relations with both the Kabul government and the Taliban have helped Beijing facilitate a few rounds of informal talks between the two warring sides. Beijing has also been gravely concerned about the increasing instability in Afghanistan and recent reports of growing IS activity in the country.

Although Russia may not be a fresh entrant on the Afghan scene, its initiative to build a regional alliance to counter the IS threat points to a new alignment of forces in a changing geo-political landscape. Interestingly, the meeting on Afghanistan followed another set of trilateral talks in Moscow that included Turkey and Iran on the settlement of Syrian crisis. The US was excluded from that meeting too, indicating that Moscow is taking a lead in settling the Syrian and Afghan crises, thereby considerably altering the balance of power in the international arena.

This Russian assertiveness seems to be driven by the Obama administration's inaction and in anticipation of expected changes in US foreign policy under the incoming Trump administration. Though the US president-elect has openly castigated the Obama administration's approach on Syria and Afghanistan, there is no clarity on future US policy, especially on Afghanistan. That has also provided Moscow an opportunity to alter the current negotiating format and try to break the persisting deadlock in the diplomatic efforts to find a political solution to the Afghan conflict.

Indeed there is also serious concern among the three countries over the deteriorating situation in the proximity of their borders. Last year was the bloodiest in Afghanistan with the Taliban intensifying their attacks considerably. What has been more perturbing, however, is the expanding footprint of IS, apparent in several terrorist attacks in Afghanistan that took a huge toll on the civilian population.

Moreover, the increasing activities of the group in northern Afghanistan, close to the borders of the Central Asian countries, are particularly alarming for Russia. There is also growing fear in Moscow of IS making inroads in the Muslim population, especially as the Chechens form one of the largest foreign contingents in the IS war in Iraq and Syria. That has also been a reason for Russia to establish contacts with the Afghan Taliban who have been fighting IS.

Both China and Pakistan share Moscow's concerns and hence have decided to join the new regional alignment. Islamabad particularly sees some hope of the new regional format being in a better position to persuade the Afghan Taliban to come to the negotiating table. However, it will certainly not be easy to make a breakthrough given the complexities involving the problem. Most importantly, it requires some serious efforts to remove the reservations of the Kabul government over the new format that involves Pakistan.

Moreover, there is no unanimity within the fractious Afghan administration, even on the issue of negotiations with the Taliban. There is also a question mark over the Taliban agreeing to formally sit across the table with the Kabul government without any preconditions, particularly at a time when they have achieved significant success in the battlefield. According to some reports, the Afghan officials have informally met the representatives of the Taliban's Qatar office. But formal peace talks are a completely different ballgame.

To bring the Afghan peace process out of the deep freeze, it is most important to end the frosty relations between Islamabad and Kabul. There has been some breaking of the ice with the recent telephonic contact between Afghan leaders and Pakistan's new army chief. But is this enough to clear the huge wall of distrust between the two countries?

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INDIAN POSITION OF 'NO WAR, NO PEACE' WITH PAKISTAN TO CONTINUE IN 2017 BY MUHAMMAD SALEH ZAAFIR

ISLAMABAD: Indian foreign policy establishment has reached the conclusion that “no war, no peace” situation in the relationship with Pakistan will persist in 2017 given that it is not doing anything to stop terrorism directed at India. Indian ties with Pakistan and China which were on the centre stage of Indian diplomacy saw “deterioration” in the year gone by, according to Indian foreign policy experts who feel that the relationships are unlikely to see any forward movement in the new year.

According to Indian media reports the last year also saw growing distance between India and its traditional ally Russia and hardening of Chinese positions on two strategically significant issues to New Delhi, Nuclear Suppliers Group (NSG) and Maulana Masood Azhar, whose designation as terrorist by the United Nations was blocked by Beijing last week.

Indian foreign policy experts like G Parthasarathy, Dr. Kanwal Sibal and Naresh Chandra maintained that relationship with Pakistan “deteriorated” in 2016 and even with China there was no forward movement in ties. Parthasarathy, however, said India has made it clear to both Pakistan and China that it won't ignore their actions which have a bearing on Indian security. “For the first time with Pakistan and China, we are responding. In case of China for example, we now have taken a position on the (disputed) South China Sea”, Parthasarathy said, who had served as high commissioner in Pakistan, Australia and Cyprus. He started his career as commissioned officer of Indian Army.

And with Pakistan, India has been able to convince the world that Prime Minister Narendra Modi tried his best to improve the ties and since they inflicted Pathankot and series of attacks on India, the government told Pakistan “enough is enough” by carrying out surgical strikes, he added. India had also launched a major diplomatic offensive to isolate Pakistan internationally following terror strikes including Pathankot, Uri and Nagrota. “I think the message is loud and clear to both Pakistan and China that it takes two to tango. We are willing to reach out to you. But if you choose to remain totally ignoring what are our interests, we will react the position is clear that anybody who harms our interest will pay a price without being provocative,” he added.

However, most of the Indian foreign policy experts also feel that the Indo-Pak ties are not expected to see any early breakthrough in the new year. The Indian establishment

also has come to a realisation that India has to live with the “no war, no peace” situation vis-a-vis Pakistan, a senior government source said.

“With China, relationship has deteriorated despite the fact that Chinese President Xi Jinping and Indian Prime Minister Modi met three times in 2016 and Modi raised the issues which are of concern to us. The outcome has not been satisfactory because not only there is no change in China’s position but they are asserting their negative position on our NSG membership quite openly,” Sibal said who is a retired Foreign Secretary of India.

On growing distance between India and its traditional ally Russia amid increasing proximity between Moscow and Islamabad in 2016, Sibal, who also served as India’s ambassador in Russia beside France and Egypt, admitted that it was a matter of “concern.” “Yes, it is a concern because the (Indo-Russia) relationship has been stable right from 50s till today. We had ups and downs but they were manageable. If that relationship begins to erode then it is a problem for us because Russia remains our major defence partner,” Sibal said.

Former Indian Ambassador to the US, Chandra also noted that despite India’s protest, Russia did military exercises with Pakistan. The South Block (Indian Foreign Office) sources, however, played down China scuttling India’s NSG bid as well as blocking Pakistan-based Jaish-e-Mohammed chief Azhar’s listing as terrorist by the UN, saying there will always be differences between any two countries but the maturity is that “one should not allow these differences to become conflicts.”

The sources also maintained that though the developing equations between Pakistan-Russia and Pakistan-China needed to be “monitored” but it was not an “alarming” situation. One of the high points in Modi’s foreign policy has been his personal equation with outgoing US President Barack Obama and now it remains to be seen that how the Indo-US ties would pan out in the new year given that President-elect Donald Trump’s approach towards India is unknown even though he has made right remarks about Indians. During the last year of Obama’s presidency, India and the US also signed a strategic defence pact under which the country became US’ “major defence partner”.

The year gone by also saw development of military dimension in Indo-Afghan ties. India already has an effective economic cooperation programme, having spent more than \$2 billion and committed another billion dollars earlier this year.

The government’s demonetisation decision saw foreign missions lodging strong protest over cash shortage and calling for easing the restrictions on cash withdrawal. Dean of

Diplomatic Corp Frank Hans Dannenberg Castellanos, who represents over 150 missions, even termed the restrictions “serious breach” of Vienna Convention. The year 2016 also saw Modi’s high-profile visits to a number of countries including Japan, Saudi Arabia, Afghanistan, Iran, Mexico, Switzerland, South Africa and Belgium.

Source: <https://www.thenews.com.pk/print/176202-Indian-position-of-no-war-no-peace-with-Pakistan-to-continue-in-2017>

PAKISTAN'S POWER SECTOR — THE COST OF PRESCRIBED REFORMS BY MOHAMMAD YOUNUS DAGHA

“To reform means to shatter one form and to create another; but the two sides of this act are not always equally intended nor equally successful”

George Santayana

When our Power Sector started facing shortages in 1980s and we failed to address the problem, it paved the way for donor-prescribed reforms of 1990s. Championed by a group of donor-trained economists who told us to religiously follow these reforms without asking any questions, as the only way out of our myriad problems; these reforms became dogma for the power sector. The outcome was an unmitigated disaster.

The main reason for their failure has been that the reforms prescribers failed to do the hard work of getting into the nuts and bolts of the system and get practical home-grown solutions. They collected a bunch of international practices and prepared a potion which they thought would instantly heal the wounds. It didn't; rather aggravated those.

The Power Sector reforms had these main components:

1. Unbundling of Wapda into several Distribution Companies (DISCOs), Generation Companies (GENCOs) and a Transmission Company
2. Bringing Private Investment into the Power Sector
3. Reducing Public Sector's role in Power Generation
4. Introduction of a Regulator to oversee the power sector entities in the interest of the consumer

All high-sounding objectives but then, let's see the results.

Wapda used to be a major institution of national development which gave us several mega projects still serving as lifeline for the economy, such as Tarbela and Mangla Dams and several barrages and waterways, apart from the major sources of power. Reducing Wapda into a miniature deprived the economy of major initiatives in water reservoirs and hydropower. Result: No big dam or mega hydel project since the reforms; and resurgence of power crisis within a decade of reforms.

Bringing private sector investment was also conceived in a way that led us into making policy blunders which distorted the power sector fundamentals for a long time to come.

We booked a large capacity on the costly generation (at an upfront tariff of US cents 6.5/unit in 1994) based on imported furnace oil, abandoned by the rest of the world after the oil embargo of 1973. In 2007/08, their generation costs reached as high as Rs18/unit eating away our foreign exchange reserves. With 40% of our generation on imported oil, there was no easy way out. This policy also seriously compromised our energy security.

The current policy of diversifying the generation on Coal (especially Thar Coal) and Gas coupled with investment on mega hydel projects will help reverse the trend.

The prescribed reforms never aimed at achieving self-sufficiency by exploring our indigenous resources such as Thar Coal or in construction of Diamer-Bhasha Dam. We were told about the effects of coal on climate, although clean coal technologies were available and Coal Power projects had recently been provided finances by the World Bank in Botswana and Kosovo, but that policy was not extended to Pakistan.

Now these strategic energy projects are becoming a reality through CPEC financing in Thar Coalfield and with the decision to fund the Dam through our own resources.

A bold deviation from the prescribed-reforms agenda: the decision in 2015 to fund three mega projects of 1,200MWs each on gas turbines, in the public sector. Result: transparent procurement saving around Rs100 billion in costs and reducing the Nepra upfront tariff for LNG power from Rs9.78 to Rs6.42 a unit. Without this public sector initiative, the power consumers would have never got this massive benefit of Rs20.6bn per annum (Rs618 bn over the life of these three plants) and would have to pay the higher bills, had these been awarded on high upfront tariff to the IPPs.

The unbundling and creation of 10 Distribution, 5 Generation and 1 Transmission Companies were supposed to provide benefits of corporate governance. Result: multiplied overheads, with no improvement in efficiency or governance. The reform-prescribers kept on saying: leave them alone, they will improve in due course. Successive governments kept on paying heavy costs to sustain these experiments.

In 2014, the power ministry took a conscious decision to start close monitoring of the affairs of these companies. In the past two years the annual loss of around Rs200bn was brought down to only Rs8bn, saving almost Rs400bn in two years (2014-15 and

2015-16). Had the reforms-prescription of non-interference been blindly followed, another Rs400bn of national wealth would have been lost.

The creation of a power sector regulator, Nepra, was again a step in the right direction but without customisation to local realities. The world was moving away to a modern regulatory regime encouraging market competition, ensuring best prices and services for the consumers, but we were given a regulatory framework focused on unrealistic tariff setting and excessive controls.

Result: The tariff setting on unrealistic target of 100% recovery in a country with law-enforcement challenges and unverified line losses in the DISCOs since 2007 have by themselves resulted in a Circular Debt of Rs1073bn (almost \$10bn on current rates and much more if taken on past dollar rates) which had to be paid off from time to time by taxpayers or power consumers.

More importantly, since the 1990s these reforms could not achieve improvement in DISCOs and GENCOs performance, and only brought circular debt into the system. On the other hand, for the past two years the home-grown initiatives by the Ministry (mobile meter reading, online financial and operational monitoring, etc) brought the desired results of improving recoveries from 88% to 93% (the best-ever performance) and visibly reduced loadshedding. The financial crisis in the power sector all those past years, and the resultant power loadshedding, could have been avoided had the reforms been home grown based on the ground realities and appropriate use of technology rather than regulations. The Council of Common Interests is now considering bringing futuristic amendments to the law.

We need to learn from the international experience, customise them to our conditions and make use of technological advancement to improve efficiency of our power sector. Let the competition in the market be the driving force to achieve better terms of price and service for the power consumers rather than the old-fashioned high-regulation model that has largely been discarded the world over. Meanwhile, we need to avoid the heavy cost of prescribed reforms that we have been paying since the 1990s. It is time to take inventory of our past failures and take a better course for the future.

Published in The Express Tribune, January 5th, 2017.

A welcome consensus on peaceful co-existence

It goes to Nawaz Sharif's credit to have finally brought the military leadership on the same page on the issue of improving relations with the neighbours. Better relations with Afghanistan and India would lead to an improved security environment in the region and pave the way for the realisation of the SAARC countries' full economic potential. Differences between India and Pakistan have acted as a roadblock in the way of SAARC's progress. With the improvement of understanding between the so far alienated neighbours, the scope of the CPEC could also be widened to include India, thus providing it an economic and secure access to Central Asia,. Prime Minister Modi needs to realise that there are no differences between the political and military leadership of Pakistan on peaceful coexistence with neighbours, it is therefore time his administration stopped futile attempts to isolate Pakistan. Instead of continuing with anti-Pakistan rhetoric, Indian government needs to work for better ties with Islamabad .Hostility for India has never been an issue in Pakistan's elections. None among the mainstream parties has ever advocated war with India. The policy of peaceful coexistence would therefore be supported by the mainstream political parties of the country irrespective of their mutual differences. There is however a need to take on board all parliamentary parties at the earliest

COAS Bajwa has already talked on phone to the Afghan political and military leadership and would soon be traveling to Kabul. He should be followed by Sartaj Aziz. The government would meanwhile do well to appoint an energetic and articulate Foreign Minister capable of running around to explain Pakistan's position. There is a need for India and Pakistan to move towards resolving their differences including the Kashmir dispute through talks. A mini-minority of extremists on both sides would meanwhile try to raise a storm in the tea cup. It is the task of the political leadership to give a shut up call to these elements. The governments on both sides must not yield to a handful of narrow-minded extremists who are out of sync with times.

Source: <http://www.pakistantoday.com.pk/2017/01/05/on-foreign-policy-and-national-interests/>

US-PAK RELATIONS UNDER TRUMP | EDITORIAL

With just over two weeks left till his inauguration, the US President-elect Donald Trump's transition team has been sending mixed signals around the world on different local as well as foreign policy matters. Only a few weeks after the conversation between President-elect Trump and Prime Minister Nawaz Sharif, where Trump had termed Pakistan as 'a great' country and had vowed to work together, a member of his transition, Shalabh Kumar, has said that the incoming President was not going to tolerate a dual role from India's neighbour. The veiled reference obviously referred to Pakistan and its dubious policies of compartmentalisation of terrorists into good and bad groups. Kumar had said both Washington and New Delhi would share good defence cooperation in the fight against terrorism.

Trump had pledged that the United States and India would be "best friends" if he is elected and that he would boost intelligence sharing with India in the battle against militants. Kumar also said the prime objective during the first year of Trump's presidency was to increase trade between the two countries.

Kumar's statement might have been influenced under the circumstances, given that he was in India. But the recent warming of ties between India and the US cannot be ignored. India-US relations have flourished under President Barack Obama and Modi, with the two countries striking key defence agreements last year. The two countries cooperate on a broad range of issues, including counterterrorism, regional security and defence. India is also a major market for US weapons. Although the analysts believe that the US cannot ditch Pakistan any time soon because of the situation in Afghanistan, the warming of India-US ties and an increasing Indian influence in Afghanistan could potentially affect US-Pakistan relations. The strong Hindu lobby in America had been rooting for Trump, and now that he is all ready to become the 45th President of the United States, they will up the ante by whipping up the anti-Pakistan rhetoric in Washington. This is where Pakistan needs a mature display of its foreign policy, out-rightly addressing any apprehensions in the mind of the international community regarding Pakistan's role in the war against terror. Both Pakistan and the US are reliant on each other to achieve a foreseeable peace in Afghanistan, and this regard, any misunderstanding, especially under Trump, could lead to a messy situation between the two countries.

Moreover, the US is the largest export market for Pakistan at the moment, and any severing of ties with the US could hit Pakistan's economy at a time when Pakistan is desperately trying to increase its exports to bridge the trade deficit. Among other agreements, India and US are making efforts to increase the trade volumes to

unprecedented levels. “The goal of the first term of Trump Presidency is to enhance the trade from \$100 billion a year to \$300 billion a year and in that process, is a win-win for all sides,” added Kumar. Therefore, the authorities in Islamabad should tread carefully to avoid any controversy under current circumstances which could potentially benefit India in its efforts to isolate Pakistan internationally.

Source: <http://dailytimes.com.pk/editorial/05-Jan-17/us-pak-relations-under-trump>

FOREIGN POLICY: FINDING THE RIGHT BALANCE BY TASNEEM YASEEN

Pakistan has continually strived for a balanced foreign policy that looks to keep the objectives of Pakistan as well as the region in perspective. Pakistan realizes its strategic worth as a major player in the region and has always attempted to keep the peace while not letting anyone undermine its integrity or authority.

Prime Minister Muhammad Nawaz Sharif has recently said that “peaceful coexistence, mutual respect and an economically integrated region” must be the objective to establish strong and mutually beneficial relations with countries in the region. He said this while speaking at a meeting held at the Prime Minister House which reviewed the country’s foreign policy viz-a-viz current regional and global challenges. The meeting reviewed the current status of Pakistan’s relations with its neighbours and strategic partners, and evaluated various policy options in response to different challenges with regard to foreign relations. In the Prime Minister’s opinion China-Pakistan Economic Corridor (CPEC) was a cornerstone of the country’s quest for regional connectivity and shared prosperity.

At the end of last year Mr. Sartaj Aziz, Advisor to the PM on Foreign Affairs, spoke out on foreign policy initiatives and perspectives of the government and said that it is difficult to quantify foreign policy achievements specially since they might not be tangible. Governments keep the vital interest of the country in mind while making policies which may not be visible but that does not mean they are not in existence. The government has to formulate policies keeping global situation in mind such as the 2016 EU crisis which was severe. UK’s Brexit and Trump’s victory have also added a new dimension to foreign affairs and we will have to tread carefully.

An important development is that India has entered into strategic relations with US and the recent escalation of India with Pakistan is due to it. US is not giving importance to security balance in the region and to the security of Pakistan and it is building up India’s security militarily and strategically. Pakistan is looking up to new administration, the new government in US has said that their policy will be well considered with regard to Pakistan.

Pakistan wants to have a peaceful neighbourhood but India has not reciprocated Pakistan’s desire for peaceful co-existence. India is interfering in the internal matters of Pakistan which is unacceptable and not conducive to peace. India does not want to talk about Kashmir rather they always stress on cross border terrorism. On 8th July 2016, India martyred Burhan Wani which changed the situation. India does not differentiate between terrorism and Intifada going on in Kashmir. Their reaction to the local

movement is severe and lethal. Pakistan has unveiled these issues at International forums i.e. United Nations and Human Rights Commission. India started escalations on border and staged Uri drama. In garb of that, it postponed SAARC Summit. India has also tried to isolate Pakistan at international forums but has failed in its attempt to do so.

Pakistan's military has completed successful operations against the militants. Operation Zarb-i-Azb and Karachi Operation are bearing positive results and terrorism has decreased; this has led to economic indicators showing positive trend. Investors are once again interested in Pakistan. Our relations with EU have been stable and positive. The GSP plus status is a positive indicator in this regard. A summit level meeting with EU in 2017 is expected where all concerns will be addressed.

Pak-China strategic relations have also reached new heights. CPEC doesn't need any introduction it speaks for itself. Not only economic but relations between the two countries also encompass security and counter terrorism cooperation. In international perspective, these are of vital importance. Pakistan has also tried over the past year to build relations with Russia and Central Asian countries. These are through energy corridor and road connectivity. Gas Project CASA-1000 has been finalised and there is also the Iran-Pakistan pipeline under construction.

Pakistan has also built good relations with Islamic world especially with Turkey, Saudi Arabia, Iran and Qatar. Our policy perspective has been non-interference and balanced policy to keep our own interest supreme. Our first priority is our own security.

Pakistan also faces some challenges in its foreign policy. We have ups and downs in our relations with USA specially since 2010, 2011 due to Raymond incident, Silala attack and Abbottabad incident. In order to rectify this Prime Minister Muhammad Nawaz Sharif visited US and held dialogue with US administration. Pakistan's relations with Afghanistan also impact relations with US. Pakistan has taken counter terrorism initiatives like Zarb-i-Azb, but it is not adequately acknowledged by Afghanistan. Pakistan has taken steps such as border management, and repatriation of refugees (almost 4 to 4.5 million refugees have returned till now). Pakistan's FATA reforms are also to develop the area which will lead to improvement. Afghanistan is gaining stability and it is better now which is better for Pakistan as Pakistan has long strived for peace in the region.

In diplomacy, positives are built up and negatives are minimised. Pakistan has secured its territorial integrity, and it has also taken the diplomatic stance that nothing is to be done against Pakistan's interest and to focus on socio-economic development. There would be no compromise on sovereignty and we adhere to the policy of non-

interference and keeping our security the number one priority. As long as we have our long terms goals in sight we should be able to keep our foreign policy objectives on track and moving in the right direction.

Source: <http://nation.com.pk/columns/07-Jan-2017/foreign-policy-finding-the-right-balance>

CHANGING ASIAN GEOPOLITICS BY IMTIAZ RAFI BUTT

“Higher than the mountains, deeper than the oceans, stronger than steel, dearer than eyesight and sweeter than honey”, these are the words that have been spoken time and again, commemorating the prestigious alliance between the Islamic Republic of Pakistan and the Peoples Republic of China. As unusual as it sounds, today, it is a reality that is set to shape the future of Asia, if not the Global order. Pakistan and China relations have now come of age. All the doubts and reluctance stand cleared. On November 30, 2016, a consignment worth 500 tons of goods left Kunming in China for Karachi as part of the direct rail and sea freight service and a 100 containers have already left from Gwadar to Europe. This is part of the \$46 billion investment plan between Pakistan and China as part of the CPEC. If China succeeds in its initiative, Pakistan and its influence in region will undergo a complete transformation.

The long and mutually beneficial relationship between the two countries can be aptly described as the quote, “opposites attract”. Pakistan and its socio-political systems began with a British legacy alongside being an Islamic Republic whereas China was and still remains a Red revolution inspired communist state. Pakistan from the start was a door to the world for China. The Sino-Indian war of 1962 added a military outlook to the relationship. In the following years Pakistan actively became the voice of support for China in the International community on diplomatic fronts like Tibet, Taiwan and Xinjiang. Pakistan formally played its role in the 1972 Nixon visit to China. On the other hand, Pakistan received diplomatic, economic and military assistance against Indian aggression. The highest leadership of the two countries frequently arranged visits and warm diplomatic relations were always kept as a vital agenda of the foreign policy. So much so, the last visitor to meet Mao Zedong before his death, aged 83, was none other than Zulfikar Ali Bhutto, the then Prime Minister of Pakistan. With the Soviet invasion and alignment of Pakistan with US interests, there was a period of reluctance. Soon after, the American favours upon India and its “war on terror” campaign made it crystal clear that Pakistan’s best interests were with Beijing. China lived upto its expectations with its assistance in the nuclear programmes and supplies that made Pakistan a strong military power in the region. Most recent example of this counter-measure strategy is the provision of Chinese Chengdu J-10B fighter aircrafts which have been developed to counter the most advanced American fighter jet Lockheed Martin F-16C. As stated by the Chinese Premier Le Keqiang to the people of China, “If you love China, love Pakistan too”. The development of Al-Khalid Tank, F22 Frigate, Nuclear Power plants and armaments are but a few of the examples of co-operation between Islamabad and Beijing. According to Pew Research Centre, Pakistanis have the most favourable view of China after China itself.

Security is now the single most imperative concern of Asian states. With the spread of terrorism, extremism and insurgency on the rise, China and Pakistan have realised that security lies in development. Pakistan has been a direct victim of terrorism and extremism while the threat of a similar conflict looms over the Uighur militant group operating inside China. The intelligence of both countries agrees that East Turkestan Islamic Movement and the Uighur groups have joined hands with the Taliban. It is only a matter of time before militancy will raise its ugly head in not one but many cities in China. The CPEC and OBOR is an effort to ensure security through development and economic progress along the lines where terrorism is likely to flourish.

The CPEC will be a win-win position for both countries. Gwadar is to become the jewel of world trade and Pakistan will be able to assert itself as a powerful economy independent of Western influence. The power and capability that will arise from the CPEC and OBOR will make way for a new geopolitical environment in Asia. Pakistan is China's only real friend; Beijing has realised that a country cannot become a superpower without having a strong ally in its backyard. Rightly so, a high ranking official on the Chinese army, while defending China's stance on Pakistan said, "Pakistan is China's Israel". A strong Pakistan will not only keep terrorist groups from Afghanistan in check but also check any untoward hostility from India. The geopolitics of Asia is now witnessing the constellation of stars aligning themselves to give rise to a China-Pakistan nexus that has the potential to massively change regional politics. China is taking its only ally seriously and intends to take the trophy of being a world super power in Asia and the Middle East. It is in the best interest of both the states, and if done right, will change the face of Asia in a way never perceived before.

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NSG: THE PRESENT DILEMMA BY HUMA REHMAN

The expansion of 48-nation Nuclear Suppliers' Group (NSG), the elite club which regulates nuclear commerce, is under limelight due to submission of applications for membership by two non-NPT nuclear weapon states, Pakistan and India. The decision taken at NSG would impact the nuclear politics and pursuit of nuclear non-proliferation objectives. The point is which trend will prevail? Whether the global efforts for nuclear non-proliferation will be maintained or the group will set a new precedent? How will the NSG members reconcile between the selection criteria for new membership and its higher objective of non-proliferation?

NSG is a group of 48 countries who have developed the necessary technology to produce equipment that can be used for making nuclear weapons. NSG, which was formed as a non-proliferation measure to restrict the spread of nuclear weapons after India tested its first nuclear device in May 1974. It had also devised criteria for states desiring to apply for its membership.

Both India and Pakistan have prospective interests towards NSG membership. By getting into the group, Islamabad would move a step forward in recognition as a responsible nuclear weapon state in the global nuclear order. Besides, Pakistan has the necessary technological prowess which can produce several items on NSG control list for export. New Delhi, however, already enjoys a waiver from NSG guidelines since September 2008, as part of the Indo-US nuclear deal. The decision of NSG membership applications of the two South Asian rivals will impact many fundamentals of nuclear order, including its, credibility of the nuclear non-proliferation regime and regional strategic stability.

The ongoing discussion of NSG has so far indicated divergence of views on the issue of new membership. A divide between non-proliferation hardliners and supporters of Indian membership case is visible. The signing of non-proliferation treaty (NPT) or the membership of a non-weapon nuclear zone, among others, formed criteria for states desiring to apply for its membership. Judged on these criteria, neither India nor Pakistan qualifies for NSG membership. NSG's criteria based approach came under immense pressure when the US duressed NSG members in 2008 to grant a waiver without becoming a member to carry out nuclear commerce with NSG members. The NSG waiver was considered a step forward towards the grant of full membership to India; allowing it to conduct atrade of nuclear technology and material, which was unprecedented in the over forty years NSG history. The decision made on the US persuasion had not only challenged the NSG's own credibility but had also created possibilities for other non-NPT states to become NSG members.

The US supported grant waiver to India had created a dilemma for NSG. The move had weakened its moral authority to pursue its non-proliferation agenda as beside India there were two other non-NPT nuclear weapon states, Pakistan and Israel who also would become eligible for membership of the exclusive club on the precedent of impending inclusion of India in the group. North Korea has also carried out nuclear tests, but it falls in another category.

The so-called equation made for NSG criteria is criticised vocally. According to Daryl Kimball, Executive Director at the Arms Control Association, a nonpartisan policy group based in Washington, “The formula outlined in the draft note sets an extremely low bar on NSG membership and does not require India to take any additional non-proliferation commitments.” The points listed for discussions in last quarter of December need serious evaluation to maintain the standard of NSG membership stature. Such as question of clear and strict separation of current and future civilian nuclear facilities from non-civilian nuclear facilities exist or not? Is there adequate and legal commitment not to conduct any nuclear explosive test? Specifically, CTBT.

In the context of nuclear politics, China is opposed to the accession of non-NPT states to the NSG. Beijing maintains that “NPT provides a political and legal foundation for the international non-proliferation regime as a whole.” China, in the NSG plenary meeting also proposed a two-step solution to the problem created by the move to integrate India into the group. As the first step, NSG should decide whether non-NPT weapon states should be admitted to the group. It may then proceed to develop membership criteria by consensus for non-NPT weapon states. Membership credentials of the non-NPT weapon states application should be then judged on the agreed criteria.

The second source of tension for NSG emanates from the fact that four out of nine nuclear weapon states in the world today are outside the group. The global nuclear order of which NSG is a major component could not effectively pursue its non-proliferation agenda as long as these states remain outside its purview. The question that the NSG members have to ponder deeply on whether keeping over forty percent of nuclear weapon capable states outside the nuclear order would promote or hinder the larger goal of achieving global stability.

Thus, before expanding the membership drive, current Participating Governments (PG) should thoroughly discuss and forge a consensus. India, however, contests Chinese stance and maintains that NPT is not a sine qua non to join NSG.

Another group of states, commonly known as 'nonproliferation hard-liners' mainly Austria, Ireland and New Zealand contend that Indian membership will undermine the non-proliferation regime. NSG was established in response to Indian nuclear test in 1974. India had diverted plutonium produced by a Canadian-supplied reactor, employing US-origin heavy water. According to NSG, India's nuclear explosion exhibited that "peaceful nuclear technology transferred for peaceful purposes could be misused." They have reservations regarding the US proposed text in support of the exemption to include conditions including; review of India's seriousness with non-proliferation commitments; precise categorization of uranium enrichment and reprocessing of spent fuel materials and also the inadequate condition of revoking nuclear trade deal with India in any event of testing of a nuclear weapon. There are also concerns of successfully signing of nuclear deals with Australia, Japan and Vietnam by India which became possible because of a waiver given to it by NSG.

The United States is actively advocating India's case. It is understood that the US support for India emanates from its geostrategic interests. Strategic and defence cooperation between India and the US has grown enormously over the last decade reflecting a greater convergence of interests. As a part of its rebalance to Asia-Pacific strategy, Washington views India as a partner to balance an assertive China in the Asia-Pacific region. Thus, supporting India is in the strategic interest of US by mainstreaming it into global political and financial institutions.

Pakistan, however, has historically had a competitive and troubled relationship with India, and a cooperative political and strategic partnership with China. The bilateral relationship between US and Pakistan focuses narrowly on Afghanistan, counter-terrorism and South Asian security issues. Conversely, Pakistan has inched closer to China in recent years. China-Pakistan Economic Corridor, as part of China's One Belt, is a mark of deepening economic and strategic engagement between Beijing and Islamabad.

Chinese concerns over Indian membership of the NSG are directly linked to the larger global and regional geostrategic environment. NSG membership of India would give it a greater role in the Asia-Pacific region. Moreover, at present, China-US bilateral relationship is floundering due to the divergent outlook over contentious issues such as the South China Sea, ballistic missile defence in East Asia, among others.

Will a compromise between non-proliferation concerns and geostrategic objectives of China and the U.S. be reached? The issue of admitting new a member is underway; the debate is open, and so is the quest of countries to safeguard their geostrategic interests. The trends of realpolitik are the main findings in international nuclear politics.

But global nuclear politics should not overshadow the core global objectives of nuclear non-proliferation by any nuclear cooperation regime including NSG. Hence, without credible pledges, NSG membership of non-NPT nuclear weapon states will weaken the non-proliferation regime.

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Source: <http://dailytimes.com.pk/opinion/10-Jan-17/nsg-the-present-dilemma>

PAKISTAN AND GLOBAL WARMING | EDITOIRIAL

The water level at Khanpur dam has dropped to low levels, potentially endangering the water supply to Islamabad and Rawalpindi. This is not the first time it has happened. And with the vagaries of the weather, it is not something that can be immediately blamed on the government nor can it be directly fixed by it. According to officials, the reason behind this drop in water level is the prolonged spell of drought in Pakistan, which has even brought groundwater level in adjacent areas to a worrying low. Historically, the area now constituting Pakistan has experienced shifts in climate, periods of drought, and even famine. However, with the fast changing climatic conditions brought on by global warming, Pakistan is more vulnerable as ever.

Global warming is often considered as an issue that only developed countries have the liberty to engage in. Many in Pakistan argue that because Pakistan has its own pressing issues to tackle, such as poverty, disease and militancy, it cannot afford to divert its precious resources to addressing the problem of global warming. A much more convincing argument for the inaction of the developing world towards the issue of global warming is that since its the developed countries that are the biggest emitters of greenhouse gases, action would have to come from them for there to be any significant reduction in global warming. However, given that developing countries are increasingly expanding their industry and economy, it does not stand to reason that they should forego cleaner alternatives at the moment, just to switch to them later when they have reached the status of a developed country. Specifically, for Pakistan, when there is much fanfare about using coal, the longterm implications of using such modes of energy production must be kept in mind.

Pakistan should be concerned about global warming not just because of altruistic, broader concerns about the long term future of the world, but because Pakistan's immediate future is in jeopardy by the potentially disastrous consequences of global warming. The past few years' devastating floods are a reminder that changing climatic currents can risk the lives and properties of Pakistanis on a massive scale. Moreover, Pakistan, being a predominantly agrarian country, depends on the controlled and regular flow of water in its rivers for its food provision. Any changes in that could endanger Pakistan's food security. Already, Pakistan is classified as a water stressed country and any further decrease in water levels can fast change that for the worse. In addition to broader measures, involving complete shift to green energy, forestation, and planned urbanisation, Pakistan also needs to undertake direct measures for the preservation of water. For this purpose reservoirs need to be created so that enough reserve capacity is maintained to forestall eventualities of immediate drought. Moreover, the international community needs to be engaged in Pakistan's challenges of dealing

with global warming. After all, the effects of global warming would not be circumscribed within nation states and hence a collective and concerted effort is needed to address it.

Source: <http://dailytimes.com.pk/editorial/12-Jan-17/pakistan-and-global-warming>

THE POVERTY PUZZLE BY M ZIAUDDIN

The good news is Pakistan has seen an exceptional decline in poverty - falling from 35 per cent in 2001 to less than 10 per cent by 2013-14. Moreover, these gains were not concentrated among those close to the poverty line. Even the poorest 5 percent of the population saw an improvement in living standards. This is according to national data as quoted in a blog (Who is Poor in Pakistan Today? Raising the Basic Standard of Well-Being in a Changing Society) by Dr Ghazala Mansuri of the World Bank.

Dr Mansuri is a lead economist in the Poverty Reduction and Equity Group of the World Bank. Her research spans four broad areas: rural land, labour and credit markets, the economics of household behaviour, and the political economy of participatory development and institutional and governance reforms for development. Her research on the political economy of local development includes a number of evaluations of participatory development programmes. Dr Mansuri has published extensively in leading journals in economics and development. She holds a PhD in economics from Boston University.

Quoting the national data further, Dr Mansuri says that the increase in incomes is also evident when looking at other indicators of well-being: access to toilet facilities for instance, has significantly improved; among the poorest 20 percent of households, those without any type of toilet has been cut in half - from close to 60% to about 30%, while the ownership of assets like motorcycles has risen from only 2% to 18%; and many more of the poorest households now have refrigerators, televisions and stoves.

"Most importantly, households have changed their dietary patterns in ways that are consistent with poverty reduction. Even the least advantaged families in Pakistan have moved towards a more diverse diet with a greater consumption of dairy, meat, fruits and vegetables. Not only has their diet become more diverse, households also spend a smaller fraction of their total income on food items, preferring instead to spend more on non-food items such as housing, utilities, education, healthcare and consumer goods, including leisure goods."

She believes that the Rural Support Programs (RSPs) are at the center of the incredible work being done on the ground since the early 1980s that has helped lift roughly 40 million people above the poverty line in Pakistan's rural areas.

"While there is lot more work to be done, the federal and provincial governments over that time period and the World Bank and many donor agencies all deserve credit for the incredible progress that has been made to tackle poverty in Pakistan."

But the not so-good news, according to Dr Mansuri herself is 30 per cent of the population or nearly 60 million Pakistanis are still living below the poverty line!

On the face of it the seemingly glaring illogicality that seems to exist between the two claims of Dr Mansuri - a sharp decline in poverty from 35 percent to 10 percent between 2001 and 2013-14 and the current state of poverty that shows 30 per cent of the population living under the poverty line - renders the comparison too confusing.

But Dr Mansuri's clarification sounds logical enough in the framework of her explanation: As societies develop, ideas about the absolute minimum acceptable standard of well-being also change. More precisely, with development, the minimum requirements for a productive life and personal dignity grow, and this changes a society's views about who is poor.

"Few would argue that Pakistan is the same country today that it was 15 years ago. As development has occurred our standards for what is a bare minimum level of existence have also risen - and this is a good thing.

"All societies that aim to build democratic and inclusive policies must respond to development by periodically raising the standard of living for their most vulnerable members. In the (now) developed world, governments have intervened time and again to help ensure that the standard of living for the most deprived improves with development.

"The government's decision to set a new poverty line for Pakistan is extremely encouraging in this context. It was also necessary given the robust decline in poverty based on the old line.

"The new line, which uses an improved methodology, sets a minimum consumption threshold of Rs 3030 per person per month. This translates into between Rs 18,000 and Rs 21,000 per month for a household at the poverty line, allowing nearly 30% of the population or close to 60 million people to be targeted for pro-poor and inclusive development policies - thus setting a much higher bar for inclusive development."

In a country where heads have not been counted since 1998, it is very difficult to swallow conclusions made by what is called the national data. Nevertheless, one would surely agree with Dr Mansuri that Pakistan today is certainly different from what it was 15 years ago. Perhaps poverty did decline during this period but not as sharply as the national data would have us believe. And perhaps you need a little bit more than Rs

3030 per head to move above the poverty line in today's socio-economic context. So perhaps using the rule of thumb in the absence of updated headcount as of today those living below the poverty line set in 2015 could be as many as half the population and not 30 per cent.

Along with poverty Pakistan like many other countries in the world is facing a serious state of inequality that is expanding by the day. Indeed, none is more threatening than the inequality of condition, of wealth, and opportunity. This phenomenon needs to be tackled urgently but prudently. To start with the government should be investing more in education and training. Simultaneously, effective policies relating to distributive justice should be introduced and enforced strictly through equitable and progressive income tax laws.

Also, public programmes should be introduced to create job opportunities for educated and skilled youth. And in order for the government to have the fiscal space to intervene on behalf of those on the negative side of inequality the state should purchase minority stakes in assets that yield an income, which it could use to finance part of its spending on the poor. If the state gets a significant chunk of the profits then the income will be spread far more widely.

Over the 70 years Pakistan has simply jay-walked like a mindless pedestrian. For economic sustainability it has over the years depended on multilateral (mostly from the World Bank, Asian Development Bank and the International Monetary Fund) and bilateral dole (mostly from the US, the UK, Europe and Saudi Arabia). And for its geopolitical sustainability Islamabad has remained beholden mostly to the US all these years. As a result it has continued to remain a totally dole-dependent country serving in return the global and regional interests of the major donors.

In the changing global scenario this arrangement is likely to disappear very soon leaving Pakistan to fend for itself on its own. In view of this our policymakers need to do some deep soul searching and come up with innovative ideas to protect and promote the interests of the majority of Pakistanis by earning enough on our own and spreading this national wealth equitably across the nation to tackle both poverty and inequality at the same time.

Many a modern economic philosopher has claimed that modern economic growth can be sustained only by permanent innovation. They have argued that good institutions - the legal protection of property rights, functioning markets, and "inclusive institutions," in which many people are involved in the governing process - provide the necessary preconditions for innovation and thus sustained growth.

The enabling conditions for creating such institutions are said to flow from the lead provided by what is called the culturally influential elite of a country. But those who make up this elite in Pakistan are mostly ignorant morons capable of taking the nation nowhere back to the dark ages. Even most of the faculty in our higher educational institutions like universities seems imbued with reactionary ideas lacking the openness that help generate creative ideas. In fact, in these places of higher learning ideas are suppressed while dogmas are promoted.

One way of creating a critical mass of culturally influential elite is to promote the culture of research in our universities. Since the government lacks the resources to fund research work of quality and quantity, the private sector, especially the banks - the most profitable sector of our economy - could contribute by setting up venture capital type of cells in the universities like the Lahore University of Management (LUMS), Institute of Business Administration (IBA), Karachi, National University of Science and Technology (NUST), Islamabad and Quaid-i-Azam University, Islamabad.

Source: <http://www.brecorder.com/articles-a-letters/187:articles/122263:the-poverty-puzzle/?date=2017-01-11>

A NEW DIRECTION FOR CIVIL SERVICE BY HASAAN KHAWAR

After numerous revisions, protests from various quarters and media frenzy, Punjab government has finally promulgated the Civil Administration Ordinance 2016, defining the new district administration structure. The media reports made it very clear that the new law has little to do with service delivery and more with the tug-of-war between stalwarts of police and Pakistan Administrative Service, over the much-prized issue of law and order. With the new law in place, the younger civil servants are perturbed about their future, politicians are anxious about their role, while citizens remain ambivalent as these changes seem irrelevant to them.

The roots of Pakistan Administrative Service can be traced back to the elite Indian Civil Service, established by the British, which later became Civil Service of Pakistan and then the District Management Group. The mighty Deputy Commissioner (DC), the fulcrum of this structure, was responsible for a host of responsibilities. With revenue collection being the most important task in colonial days and land revenue claiming more than 50 per cent of colonial India's revenues, DC's inherent function was to act as the District Collector. But the real power of the DC came from being the District Magistrate, who enjoyed immense authority ranging from power to enter premises, take cognisance, make arrests and even preside trials. These vast powers made the DC an obvious choice for a number of other responsibilities, such as ex-officio head of various committees and regulatory powers with respect to arms licenses, petrol pump, agriculture pesticides, explosives and hundreds of other such areas. In short, DCs were made responsible for everything and anything under the sun.

With the passage of time however, the role of DC underwent multiple changes. Land revenue became an insignificant source of revenue and the responsibilities of District Collector shifted more towards previously ancillary functions of registering land titles, mutations, partitioning of property and adjudication of land disputes. With rapid urbanisation, increased property valuations and frequent litigation, this function grew in importance but other more pressing responsibilities such as magisterial duties, coordination and local administration traditionally prevented the civil servants to duly focus on this aspect. Regarding the magisterial functions of DC, the major blow came through Law Reforms Ordinance of 1972. The magistrates no more had the powers of committal proceedings and public prosecutors took up the gatekeeping function. This led to a steady decline in the performance of mainstream judicial functions by DCs and ACs and these were instead taken over by magistrates reporting to the High Court. This

demarcation was later cast in stone through the famous Supreme Court judgment of 1996, separating executive from judiciary and limiting the powers of executive magistrates to only four chapters of Pakistan Penal Code.

Despite these significant changes in role of DCs, their regulatory function grew manifold. Weak or mostly non-existent local governments (LG) further strengthened the executive officers, as they were often made responsible for municipal functions. These immense powers depicted the continued confidence, trust and authority reposed in this office by the successive governments. By the close of the last century, the withdrawal of constitutional protection, politicisation of service and thinning of inherent functions made civil service a much weaker and reviled institution, but the DCs very much remained fairly powerful individuals in their respective domains.

In 2001, came the infamous LG system, the brainchild of Musharraf government, altogether re-defining the structure of district administration. The system was highly unpopular in civil service and was seen as a ploy to further undermine the service structure and authority. So intense was this critique that a number of remarkable features of the new system were overlooked. Not only for the first time, a number of important provincial functions such as education and health were devolved, the office of the DCO, a modified version of DC, was made directly responsible for many important line functions. With their own budgets and multiple departments to run, the DCOs now took the form of effective chief executive officers of districts, not having to rely on provincial governments to draw authority. Land revenue became just one of the many functions under the DCO. Although the DCOs were made answerable to politically elected nazims, it was not hard to guess, looking at the history of LGs, that these political representatives would also be a temporary phenomenon. With nazims gone and DCOs exercising full administrative control of districts, the last decade perhaps depicted the period of most powerful district administration tier, this country had ever seen.

The recent operationalisation of LGs in Punjab necessitated yet another change. With only limited functions devolved to LGs and much of the functions taken back by provincial government, the DCOs were left with no inherent functions, with the exception of land revenue, which was diluted further due to establishment of Punjab Land Revenue Authority. There could be no revival of executive magistracy, in the wake of Balochistan High Court decision of 2011. Hence was the need for Punjab Civil Administration Ordinance 2016, not only to provide a legal cover to DCs and ACs but also to carve out a *raison d'être* for their existence.

Keeping controversies surrounding this new act aside, it seems that the statute has attempted, for the first time, to legalise the regulatory function of the DCs. They have been given powers to inspect records, review public facilities and initiate and conduct inquiries, however, they have not been given any powers to take direct action but only to make recommendations.

Going forward, this new structure will have important implications for the civil servants. The Deputy Commissioners will remain extremely powerful in Punjab in foreseeable future, being the eyes and ears of a strong hands-on Chief Minister. They will be involved in a number of duties such as monitoring, supervising development work, joint responsibility of public order, emergency relief, etc. Moreover, land revenue function is likely to gain more importance.

Many of the powers enjoyed by DCs however, will in fact be a reflection of the powers of the provincial government and therefore in case of a weak Chief Minister, these offices are also likely to be extremely weak and ineffective. While the civil servants in field would feel more empowered with the formalisation of DC office, in due course they are likely to feel disillusioned with limited inherent functions and uncertainty about which skills they should develop in this increasingly complex governance landscape.

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NEED FOR A BALANCED FOREIGN POLICY | EDITORIAL

Knight to E-4

Pakistan 's relations with China are getting further strengthened. It is in the mutual interest of both to safeguard the multi-billion dollar CEPEC and its sea lanes. Pakistan has already raised a new Army Division to ensure the security of Gawadar port and the CPEC route China has handed over two ships equipped with state of the art guns to Pakistan navy. Two more will be provided by it in days to come. The addition of these ships would bolster Pakistan navy's strength and discourage illicit traffic by sea. What is more it would discourage anyone from posing a naval threat to Pakistan The symbolism of the important move on the regional chessboard would not be hopefully missed by such elements.

President-elect Trump's team appears to be developing a more realistic assessment of the South Asia region. This is what one gathers from the confirmation testimony by Defence Secretary designate Gen (rtd) Mattis who recognised that the US and Pakistan had areas of shared strategic interest. Mattis also underlined the US concerns regarding terrorist networks allegedly operating from Pakistan's tribal areas. While Pakistan's ambassador to the US is upbeat about the future relations between the countries, even hoping that the Trump administration would lift the conditions on the sale of F-16s to Pakistan, it would be more realistic to describe the doctrine as a new mix of the old carrot and stick policy.

Pakistan already has close relations with China and is seeking to enhance its ties with Russia. It is equally important to improve relations with the US which touched the nadir during the fag end of the Obama administration. The PMLN government has to realize that none of the three powers has tolerance for either terrorism or extremism in the region. The government must not allow people with a soft corner for terrorists or extremists in the echelons of power. It needs to nullify the perception that Ch Nisar's views on the issue of extremists have the implicit support of the government.

Source: <http://www.pakistantoday.com.pk/2017/01/15/need-for-a-balanced-foreign-policy/>

A SECURE NUCLEAR ORDER BY RIZWAN ASGHAR

The successful test-firing of the submarine-launched, nuclear-capable cruise missile Babur-III has made many people in our strategic community feel proud. The missile, with a range of 450 kilometres, is being considered “a major scientific milestone” because it gives Pakistan a sea-based second-strike nuclear capability.

Second-strike capability enables a country to absorb the first strike and still retaliate to cause unacceptable damage. According to multiple media reports, our nuclear establishment has been working to improve its sea-based nuclear capabilities since the establishment of Naval Strategic Force Command in 2012. Foreign experts have largely remained divided over Pakistan’s ability to shrink warheads for use with sea-launched weapons. However, it is hoped that the launch of the nuclear-capable Babur-III will now put an end to the ongoing debate on the credibility of Pakistan’s second-strike capability.

A reasonable argument can be made that secure second-strike force goes a long way in strengthening Pakistan’s defence. But winning a military exchange cannot save us from utter destruction. Another major problem is the lack of intelligence. If Pakistan and India do not know the exact location of each other’s weapons, launching a nuclear first strike would be of limited utility. Many nuclear theorists hold that absence of intelligence is more critical than the problem of ensuring retaliation.

Michael Gerson argues that “a successful first strike would require near-perfect intelligence, surveillance, and reconnaissance, a problem made more challenging as current and potential adversaries develop and deploy mobile and relocatable ballistic missiles”. Jan Lodal, another security experts, has warned that “the challenge in modern warfare is not hitting a target at a known and fixed location; the challenge is to know the target’s location”. How do our nuclear policymakers plan to tackle these challenges? No one knows the right answer.

Given India’s heavy military spending and aggressive foreign policy moves, Pakistan has every right to strengthen its overall defence capabilities. But an important question arises: is India the only security challenge to Pakistan?

The truth is that India is not foremost on the agenda of most Pakistanis in terms of what they wake up every morning and worry about. On the contrary, it is the grim employment situation, the rapidly deteriorating economic conditions, and the worsening law and order situation that plagues them. Our growing arsenal of nuclearweapons and missiles cannot do anything to solve these problems faced by the public.

As I have argued in these pages and elsewhere on previous occasions, we do not need new missile systems. Our nuclear security managers always point towards India's growing nuclear capabilities. But we do not have enough money to catch up with India. India is the world's fifth largest economy and we are a country under the burden of crippling external debt. Why not compete with India in the economic realm?

Pakistan has sufficient nuclear weapons to fully operationalise an asymmetric nuclear posture, ensuring the tactical first use of nuclear weapons, with enough in reserve to survive India's retaliatory nuclear strike. With respect to delivery vehicles, we have nuclear-capable aircrafts and both operational short-range and medium-range ballistic missiles under the aegis of respective service Strategic Forces Commands. These could be used to deliver a nuclear warhead on advancing Indian forces and several major strategic targets.

It seems that after failing to bring hundreds of millions of people, living on both sides of the border, out of poverty over the past 65 years, India and Pakistan have settled on nuclear war as a solution. The truth is that after spending billions of rupees on the proliferation of these deadly weapons, both countries have made the region more insecure. Nuclear-tipped missiles may suffer mechanical failure or deflection in flight, allowing for the possibility of missiles falling within one's own territory. In addition, the possibility of accidental or unauthorised nuclear weapons exchange exacerbates fears of cataclysmic destruction.

Policymakers continue to proceed as if the same incremental approach to limiting nuclear threats used for the last six decades will produce the same results today – in a world that is quite different.

In 2006, Alan Robock, a famous American climatologist, undertook extensive research on the consequences of a potential limited nuclear war between Pakistan and India. Examining the effects of this scenario, he found out that even if the two countries use less than one-half of their current arsenals, more than 20 million people would die within the first week from blast effects, burns and radiation exposure.

In addition to eradicating the social infrastructure, nuclear attacks would leave long-lasting and extreme environmental effects. A nuclear war between the India and Pakistan would totally change the politics and geography of both countries and provoke shocking responses from the people of both countries.

A stable regional nuclear order will not emerge automatically or without any consistent effort in this direction. We have to think about the steps that need to be taken to make the emergence of a stable and secure regional nuclear order possible in the years to come. We must stop the vertical proliferation of nuclear technologies. Our younger generation needs education and better healthcare way more than second-strike nuclear capability.

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Source: <https://www.thenews.com.pk/print/179945-A-secure-nuclear-order>

THE TRUMP PRESIDENCY FOR PAKISTAN BY SHAHID JAVED BURKI

Will the Trump presidency that began on January 20 amidst controversy matter for Pakistan? The short answer is “yes”. It will matter not because of large flows of capital into the capital-starved Pakistani economy. That would not have happened no matter who was chosen by the American electorate to occupy the White House. In a co-authored study, Shrini Tahir-Kheli and I suggest reasons why Pakistan does not now figure prominently in Washington’s thinking. Published by the prestigious Washington-based Foreign Policy Institute, the study concludes that Pakistanis are no longer a vital variable in the US’ strategic foreign policy equation. That was the case during the periods when military leaders Ayub Khan, Ziaul Haq and Pervez Musharraf were in charge of policymaking in Pakistan. We believe that downgrading Pakistan would be a mistake. The US should continue to regard Pakistan as a critical player in international affairs. Its location demands that approach. But that is unlikely with Trump moving into the White House.

When Trump took up residence in the White House, he was viewed unfavourably by 54 per cent of the American populace. In 2008 when Barack Obama took residence in the presidential mansion, he was seen unfavourably by only 18 per cent of the people. With such low popularity ratings, Trump’s likely response would be to hunker down and espouse the agenda that won him the election in the first place. The list of his actions and pronouncements is long and troubling and the list does not include his often-expressed contempt for the world’s Muslim population. The world Trump is likely to fashion will not be the one in which Pakistan can hope to make political, economic and social advance. Several features of this world will be troubling. It will be a world in which countries will advance their own interests and not work for the global good. It will pull countries back from regionalism and towards ethno-nationalism. There will be grater space for authoritarian political systems than for democracies. America will have no interest in promoting its values globally – it will not indulge in nation-building. In the Trump world the movement of people across international borders will not be encouraged. It will be a world in which international trade would no longer be the driver of growth and economic modernisation. And, most troubling of all, it will be a world in which Muslim countries will be pushed back into a corner for as long as they remain strongly committed to the pursuit of their faith.

While the Trump “America First” slogan implies that the country will like to withdraw behind its borders, Trump will be forced to recognise that America cannot remain alone. If new relations are to be forged with other nations Trump has a strong desire to align America with Russia, to aggressively challenge China, to work with the countries in Europe that are not part of the still-evolving European system. International treaties will

not necessarily be adhered to. A transactional approach, deal-making will be the favoured way of conducting international affairs.

This drastic restructuring of the global order that Trump has promised and will probably be able to carry out will severely limit the options available to countries such as Pakistan. Along with Afghanistan, Pakistan is located in the part of the world that can either bring peace or push the world towards extreme instability. Both countries face the extreme challenge of Islamic extremism. To face this challenge, the countries will have to combine the use of force with broad development. "Broad" since the adherents of extremist causes need to be wooed back towards social, political and economic modernity. For that to happen regional integration, international trade, and respect for law and order have to be some of the driving forces. One way for Afghanistan and Pakistan to move forward is to work with China and the five countries of Central Asia to focus on the development of land-based commerce. This is the intent behind the Beijing-supported CPEC. While the Chinese are putting in large amounts of resources into the construction of what they call the "One Belt, One Road" Programme, it would be productive if the world's other powers: Europe, Japan and the US, were also to be get involved. That would be difficult to do in a narrowly-focused Trumpian world.

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Source: <http://tribune.com.pk/story/1303736/trump-presidency-pakistan/>

PAKISTAN, INDIA, AND KASHMIR | EDITORIAL

The House of Commons debate on Kashmir and the resulting motion in which Indian excesses on the Line of Control were noted, dialogue between the Pakistan and India for the resolution of the Kashmir dispute was encouraged and the Kashmiri right to self determination according to the United States Security Council resolution was reiterated is indeed a diplomatic victory for Pakistan. This message coming from the United Kingdom's parliament is a significant rebuke for India, which has felt that it can continue to deny the Kashmiri people their basic rights with impunity. Indeed, as the violence following the killing of BurhanWani showed India, even if governmental apathy to Indian actions continues to exist in the international stage, its actions would not go unnoticed in the foreign media. And it was precisely this fear that drove India to engage in bellicosity in Pakistan, as it shifted focus away from Kashmir through its war mongering rhetoric. Now that those tensions, precipitated by the Uri attack, have simmered down, the signal by the UK House of Commons has come at an opportune moment. Perhaps, this would put the necessary international pressure on India to consider the possibility of dialogue with Pakistan, which it has rejected repeatedly despite Pakistan's insistence on numerous occasions.

However, the signal from the UK House of Commons must not be taken as something that it is not. It is a diplomatic victory for putting outside pressure on India to bring it to the negotiating table, but it is nowhere near sufficient to guarantee that India budes from its present position on the dispute, let alone compel India for talks. In any case, it must not be forgotten that no foreign power can solve the Kashmir dispute for India and Pakistan. At most, it can act as a mediator. And at the moment no one seems willing to embroil themselves in a dispute that has very slim chances of getting resolved. Hence, the initiative needs to come from the two countries in which intransigent positions would have to give way to willingness to compromise. Perhaps, a starting point could be talks on the five point Musharraf-Singh formula since that has been the closest that the two countries have come to solving the Kashmir dispute.

Continuing the status quo in Kashmir would only add to the problems of Pakistanis, Indians, and Kashmiris. The reason why Pakistan and India have been unable to become amicable and cooperative neighbours is the irredentism of Kashmir, while Kashmiris have been stuck in between the cross fire of these two countries. Where transnational terrorist networks actively work to jeopardise any attempts for peace between the two countries, one would expect the Indian state to not fall in their trap. But unfortunately, the Uri episode showed that India is more inclined towards pandering to its domestic right wing constituency than look for a meaningful framework through which both countries can address such terrorist incidences. And holding talks on the Kashmir

dispute hostage unless Pakistan and India talk about cross border terrorism, a proposition that is packaged in a way to incriminate Pakistan, is not a way through which matters will move forward. Perhaps, it should be India that should act like the big power, which it claims to be, and move away from its untenable position of not talking to Pakistan about Kashmir.

Source: <http://dailytimes.com.pk/editorial/28-Jan-17/pakistan-india--and-kashmir->

ECONOMY

ECONOMY IN 2017: WAY FORWARD BY DR KAMAL MONNOO

We can debate about the state of Pakistan's economy, glass half full or half empty, but without being too critical the following would be my seven recommendations to the economic managers for 2017.

1. Focus on Falling Exports: Like it or not, the textile sector still directly or indirectly drives about two thirds of the national exports and the export performance of this sector is in a free fall.

Given Pakistan's widening current account deficit and with pressure on foreign exchange outflows likely to further increase in the coming months – external debt repayments, firming up oil prices, rising imports and fast increasing profit/dividends repatriation - boosting or at least stabilizing exports will be critical in 2017. The main issue that confronts our manufacturing is that of competitiveness (difference of about 10% with regional competitors) and there are only two quick-fix solutions: a) devalue currency by about 10%, or b) provide incentives in shape of outright rebates through the banking channel (not FBR) and abolish non-applicable surcharges from the power bills of the industry. The writer recommends 5% gradual currency devaluation, 5% outright export rebate directly payable by the central bank into exporters' accounts and abolishing of all line-loss surcharges being unfairly charged to the industry. Given that going forward, it will in any case be difficult to sustain pressure on international parity of the Pak rupee, now would be a good time for the government to act. Not only will this be a small cost to pay to retain home grown foreign exchange inflows, but also save us a great deal of future pain on account of capacity closures and unemployment - markets once lost can be difficult to recover.

2. Re-strategise Taxation: Revenue collection drives in Pakistan are going in the wrong direction, as the current culture and environment favors the un-documented sector over existing honest taxpayers. For taxation measures to flourish they need to incentivise people into becoming tax-filers and not otherwise. Good moves would be to: lower taxation slabs per se; ring the much-awaited reforms in FBR itself, ones that distance the tax collector from the taxpayer; and replace coercive cum draconian tax collection targets with well defined targets instead on enhancement of national tax base.

Last but not least, the sales tax or the GST (general sales tax) also needs amending. India recently re-packaged its GST with a much lower slab and one that simplified the previous cluttered state and federal tax system with a clear aim to create a common market across the country. We need to undertake a similar exercise.

3. Re-think emerging Energy Mix: With CPEC (China Pakistan Economic Corridor) taking root and nearly \$35 billion to be invested in the energy sector, the main thrust at present is on coal generation.

While increasing the share of coal generation mix from its current level in Pakistan is not a bad idea, we need to however keep an eye on where our coal's share is going to end up in the overall energy generation mix, i. e. once investments in the energy sector under CPEC get completed. At the current pace, by 2025 the coal's share could be as high as 55-60%, which would be undesirable not only from an environment perspective but also financially. Given that our indigenous coal is still to be mined to its touted potential, an over dependence on imported coal will be foolhardy. The CPEC energy funds should be re-allocated with revised priorities favoring Hydel, renewables and nuclear options.

4. Focus on Investment & Creating Jobs: Again learning from our neighbor, the Indian government recently announced sweeping changes to throw open its economy to investment.

The new rules spell out a plan to develop more business friendly policies with a clear objective to spur job creation. The idea is to remove all difficulties in doing business in India and to ensure that Indian manufacturing not only sustains itself but also expands to capture a wider global share. Pakistan falls in the bottom quarter of the world with regards to 'ease of doing business' and perhaps 2017 can be the year where the government unleashes a new plan to resurrect a struggling industrial environment.

5. Re-negotiate adverse Trade Deals: Our trade deals with some of our main trading partners like China, Indonesia, Malaysia, Turkey and Thailand need to be re-negotiated. In a changed global trading environment more and more countries are having a re-think on how and with whom to trade. While increased trade is welcome, it should not be at the cost of home industry and with huge cum consistently running trade deficits. The earlier we re-work our unfavourable trade agreements, the better.

6. Re-prioritise Government Spending: To support growth, economic policy must review the political economy. It shows most obviously in tax policy, but equally in expenditure priorities.

While development budget has increased in 2016 over 2015, questions remain about project selection, transparent procurement, and effective project management. Allocation on the other hand on some key sectors remains dismally low. Such as, higher education, health and especially the water sector. Overall investment in people per se is well below par and it will be good to see the government shift its focus on social development sectors in 2017.

7. Transform at least one PSE into a winner: The hallmark of success for any government in economic governance is that public sector enterprises (PSE) under its tenure perform well. PML-N was selected for its business prowess, but sadly the performance of state enterprises under it has instead slumped. This does not come as a surprise since the government over the last 3 ½ years has failed to provide an apex management structure or to assemble a competent team, with its focus mainly being on disinvestment.

Nearly all-emerging and successful economies owe much of their success in the sheer ability of their respective governments to combine private sector entrepreneurial juices with the might of state's resources in churning out global corporate winners. Examples being: China, Brazil, Russia, India, UAE, etc. Airline is one industry where most leading airlines today are beneficiaries of this model. To give confidence to the nation and its people, if the government can resolve to turn around at least one big state enterprise in 2017, it can set the pace for others to follow. My pick would be PIA!

The writer is an entrepreneur and economic analyst.

Source: <http://nation.com.pk/columns/06-Jan-2017/economy-in-2017-way-forward>

THE RISKS THAT THREATEN GLOBAL GROWTH BY MARTIN WOLF

What is going to happen to the world economy this year? Much the most plausible answer is that it is going to grow. As I argued in a column published at this time last year, the most astonishing fact about the world economy is that it has grown in every year since the early 1950s. In 2017 it is virtually certain to grow again, possibly faster than in 2016, as Gavyn Davies has argued persuasively. So what might go wrong?

The presumption of economic growth is arguably the most important feature of the modern world. But consistent growth is a relatively recent phenomenon. Global output shrank in a fifth of all years between 1900 and 1947. One of the policy achievements since the second world war has been to make growth more stable.

This is partly because the world has avoided blunders on the scale of the two world wars and the Great Depression. It is also, as the American economist Hyman Minsky argued, because of active management of the monetary system, greater willingness to run fiscal deficits during recessions and the increased size of government spending relative to economic output.

Behind the tendency towards economic growth lie two powerful forces: innovation at the frontier of the world economy, particularly in the US, and catch-up by laggard economies. The two are linked: the more the frontier economies innovate, the greater the room for catch-up. Take the most potent example of the past 40 years, China. On the (possibly exaggerated) official numbers, gross domestic product per head rose 23-fold between 1978 and 2015. Yet so poor had China been at the beginning of this colossal expansion that its average GDP per head was only a quarter of US levels in 2015. Indeed, it was only half that of Portugal. Catch-up growth remains possible for China. India has still greater room: its GDP per head was about a 10th of US levels in 2015.

The overwhelming probability is that the world economy will grow. Moreover, it is highly likely that it will grow by more than 3 per cent (measured at purchasing power parity). It has grown by less than that very rarely since the early 1950s. Indeed, it has grown by less than 2 per cent in only four years since then — 1975, 1981, 1982 and 2009. The first three were the result of oil price shocks, triggered by wars in the Middle East, and Federal Reserve disinflation. The last was the Great Recession after 2008's financial crisis.

This is also consistent with the pattern since 1900. Three sorts of shocks seem to destabilise the world economy: significant wars; inflation shocks; and financial crises.

When asking what might create large downside risks for global economic growth, one has to assess tail risks of this nature. Many fall into the category of known unknowns.

For some years, analysts have convinced themselves that quantitative easing is sure to end up in hyperinflation. They are wrong. But a huge fiscal boost in the US, combined with pressure on the Fed not to tighten monetary policy, might generate inflation in the medium term and a disinflationary shock later still. But such a result of Trumponomics will not occur in 2017.

If we consider the possibility of globally significant financial crises, two possibilities stand out: the break-up of the eurozone and a crisis in China. Neither is inconceivable. Yet neither seems likely. The will to sustain the eurozone remains substantial. The Chinese government possesses the levers it needs to prevent a true financial meltdown. The risks in the eurozone and China are unquestionably real, but also small.

A third set of risks is geopolitical. Last year I referred to the possibility of Brexit and “election of a bellicose ignoramus” to the US presidency. Both have come to pass. The implications of the latter remain unknown. It is all too easy to list further geopolitical risks: severe political stresses on the EU, perhaps including the election of Marine Le Pen to the French presidency and renewed inflows of refugees; Russian president Vladimir Putin’s revanchism; the coming friction between Mr Trump’s aggrieved US and Xi Jinping’s ascendant China; friction between Iran and Saudi Arabia; possible overthrow of the Saudi royal family; and the threat of jihadi warfare. Not to be forgotten is the risk of nuclear war: just look at North Korea’s sabre-rattling, the unresolved conflict between India and Pakistan and threats by Mr Putin.

In 2016, political risk did not have much effect on economic outcomes. This year, political actions might do so. An obvious danger is a trade war between the US and China, though the short-term economic effects may be smaller than many might suppose: the risk is longer term, instead. The implications of the fact that the most powerful political figure in the world will have little interest in whether what he says is true are unknowable. All we do know is that we will all be living dangerously.

An important longer-run possibility is that the underlying economic engine is running out of steam. Catch-up still has great potential. But economic dynamism has declined in the core. One indicator is falling productivity growth. Another is ultra-low real interest rates. Mr Trump promises a resurgence of US trend growth. This is unlikely, particularly if he follows a protectionist course. Nevertheless, the concern should be less over what happens this year and more over whether the advance of the frontier of innovation has durably slowed, as Robert Gordon argues.

A good guess then is that the world economy will grow at between 3 and 4 per cent this year (at PPP). It is an even better guess that emerging economies, led yet again by Asia, will continue to grow faster than the advanced economies. There are substantial tail risks to such outcomes. There is also a good chance that the rate of innovation in the most advanced economies has slowed durably. Happy New Year.

Source: <https://www.ft.com/content/00b89fbe-ce8c-11e6-b8ce-b9c03770f8b1>

IMPROVEMENT IN ECONOMY | EDITORIAL

For a country that has been expected to be on the brink of failure, predictions that Pakistan may be the fastest growing economy in the Muslim world is good news. In the world in general, Pakistan is predicted to have fifth place, with India expected to be world number one followed by Vietnam.

In the past few months, Pakistan's stock exchange has been on the rise, showing unprecedented growth and investor confidence. It is both important to be hopeful as well as tread with caution. All growth and economic success must also bring with it social change that ensures better standards of living for all.

As a society, we must continue to ask who the economy is growing for? Who does it benefit? If the benefit is only to a small minority and the right to housing, education and quality healthcare remain out of the reach of ordinary citizens, then this success will not be of much worth to most of our people.

If the numbers of beggars on the street or homeless people is any indication, then it does appear, from a general overview, that class barriers are worsening in Pakistan. Real estate prices have gone so high that it is becoming out of reach for even middle-income families to live within the cities.

Over the years we have seen signs of development with roads and bridges, but development that helps the majority and makes basic necessities within reach for all does not seem to be in sight.

Moreover, it is also important not to limit our comparisons to being the best in the Muslim world because shared majority religion and economic growth are two different things. The 'Muslim world' is not a unified block that can be compared, but a number of countries with different histories, politics and geographical locations. We hope that Pakistan continues to grow for the better not only when compared to countries that share a common religion but in Asia and beyond.

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BUILD UP PAKISTAN BY NAZIA JABEEN

Undue criticism invites backlash and unnecessary praise entails criticism. Isn't it undue criticism to say that PM was not invited at Davos and was forbidden from making a speech at the World Economic Forum (WEF)? How can a Prime Minister of a country go to a world forum without any invitation? Was he free enough to plan a visit to the Swiss hills without invitation? Of course, they were not any secret meetings but national and international media published any meeting he had in detail.

These meetings include a meeting with the WEF Chairman who acknowledged Pakistan's economic growth and apprised PM of the opinion of world business leaders who consider now Pakistan as an investment destination. In an other meeting, Swiss confederation President Leuthard offered to invest in Pakistan in energy sector especially hydel power projects. Meeting with Sri Lankan Prime Minister and Bill Gates are not hidden as well. All these meeting were not unscheduled or unwanted; rather they all were planned in coordination with PM office. The media manager of WEF has endorsed it in a letter in response to publication of a fictitious story. The newspaper covering the event could have use the words as "PM did not speak at WEF", or something like that, but saying out-rightly that the "PM was forbidden to speak" seems quite inappropriate and non-serious. Here the purpose is not the condemnation and criticism but to present the events in logical manner. Like me, many people found the news story inconsistent.

If we talk of rumours there are many connected to this story. Indian channels propagated the baseless story as a part of their propaganda against Pakistan. They cannot see Pakistan being appreciated or being represented at important global forums. PM Nawaz Sharif in a meeting with the WEF president highlighted the issue of Kashmir and expressed his concern over India's atrocities against Kashmiris in IHK. He conveyed that Pakistan wanted to normalise relations with India, finding a peaceful solution to the decades old Kashmir issue, according to the resolutions of UNO.

There is another report published by the WEF titled "Inclusive Growth and Development Report 2017" released in Davos, ranking Pakistan at the 52nd number and India at 60th. Various Indian newspapers including the Hindu, Indian Express, Decean Herald, Punjab Times and others carried the report high lighting India below China and Pakistan in the inclusive Development Index (IDI).

The index is based on 12 performance indicators provide a comprehensive measure as compared to only GDP growth. This index consists of three pillars; growth, development, inclusion and intergenerational equity and sustainability. According to this

report and other data available Pakistan is being considered one of the biggest economies of Asia and has the potential to take the initiative of regional connectivity further. The mega-projects like CPEC and the involvement of regional powers in this project has made Pakistan more important for regional integration.

The World Bank CEO Kristalina Georgieva in her visit to Pakistan has appreciated the economic improvement of Pakistan. She was impressed by the infrastructural development as well as progress in the energy sector. The World Bank has been investing in Pakistan since 1952 and has so far invested Rs 31 billion in social, infrastructure, water and energy sectors and plans to invest more.

All the facts of economic growth of Pakistan and real story of Davos is enough to make us realise that we being Pakistani should not damage our country's reputation for personal gains but build it up as a nation Let us be builders not destroyers.

Source: <http://nation.com.pk/columns/29-Jan-2017/build-up-pakistan>

SBP ON EXTERNAL SECTOR | EDITORIAL

THE latest monetary policy statement released by the State Bank of Pakistan contains a short discussion on the external sector outlook that merits close attention. It points out that the current account deficit has more than doubled in the first half of the fiscal year compared to the same period last year. It has now touched \$3.6bn in six months, 40pc more than what it was for the entire fiscal last year. There are a number of reasons for this. The statement cites CPEC-related imports, falling exports and remittances and a halt to the Coalition Support Funds as the primary reasons. Despite this, the overall balance of payments showed a surplus of \$0.2bn, meaning that gap was made up through an uptick in foreign investment and foreign borrowing from bilateral and multilateral lenders. Even in the foreign investment position, almost half of the inflows have come into debt securities, meaning it is money that has to be repaid with a return. In its characteristically diplomatic language, the bank is warning that if matters don't change, "the need of financial inflows would grow further".

This is as direct as the State Bank has been in recent times about the deteriorating health of the external sector. Overall, reserves remain at a high level, but the direction is troubling, and if matters don't change quickly on the exports front, or if remittances don't halt their recent declines, the high level of reserves could deplete very fast. At the moment, the government appears to be counting on its export package and CPEC-related growth to help change the situation, but this could easily turn out to be a misplaced hope. Export packages of the sort just announced have historically never done much to turn a years-long structural trend around. And CPEC is a far longer-term proposition than what the government is telling us. If this trend keeps up, Pakistan could well find itself approaching the IMF within two years.

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Source: <http://www.dawn.com/news/1311701/sbp-on-external-sector>

EDUCATION

IMPROVING EDUCATION IN 2017 | EDITORIAL

The president's directive to audit 170 universities is necessary to maintain a certain degree of education standards, but given the Higher Education Commission's (HEC) own performance the audit itself should be seen with some degree of scepticism.

The aim of the directive given to the HEC is to target corruption in academia and to focus on the quality of research and publications. The order came in the wake of various complaints of irregularities, particularly at the Federal Urdu University of Arts, Science & Technology, where VC Salman D Muhammad was blamed for holding a plagiarised PhD degree. There are similar concerns of irregularities regarding the Karakoram International University, Gilgit-Baltistan and other federally-chartered universities. Given the state of our universities, which are plagued with nepotism, absenteeism and financial and moral corruption, an audit is much-needed. At the same time, it is important to remember, however, that the HEC itself has come under considerable criticism over the years and its performance and independence is not completely trusted.

Pakistan continues to produce universities and PhDs by the dozen with little or no standards. Academic papers on the institution's own website has been known to be plagiarised and completely false. Moreover with the increased emphasis on producing universities and PhD graduates, the root problems of education remain unaddressed. It would be difficult to say whether the general education has improved at all over the years. In fact, keeping in perspective this year's CSS results, education standards are only getting from bad to worse.

Corruption needs to be weeded out from universities, but any audit by the HEC must be clear and transparent in its objectives and not used to settle personal scores. And as the HEC carries out this audit, efforts must be made to streamline its own performance and increase accountability.

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Source: <http://tribune.com.pk/story/1281258/improving-education-2017/>

A SYSTEM IN CRISIS BY KOLLEEN BOUCHANE

Around the world, education systems are in crisis. Progress has been made to increase access to at least a basic education over the past several decades, but not nearly fast enough. At the current pace the last impoverished girl will not even have access to a classroom until 2086.

More than 260 million children and adolescents remain out of school, and it is estimated that at least 250 million more are in school but not learning. The challenge of getting all children in school and learning is immense.

To address this, world leaders committed in 2016 to “ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes” by 2030 in the Sustainable Development Goals (SDGs).

But what is quality learning in increasingly connected and rapidly evolving information and technology-dominated economy? What is it that children need to be learning now to be literate and ready for the jobs of the future, and how do we build systems designed to deliver this?

For quality education at every level, the most important ingredient is quality teachers. We know this from our individual experience and from the places where the most exciting innovation is happening. Where teachers have the training, freedom, and support to innovate and adapt not only to the needs of individual students but to the changing needs of employers, amazing things are happening.

These educators are often called ‘rebels’ primarily because there are very simply not enough of them. Despite considerable and growing demands on teachers to be subject experts as well as role models, protectors, counsellors and mentors, teacher salaries around the world are low and in the poorest contexts teachers can go unpaid for months at a time. More than 43 countries do not even have enough teachers to reach the 2030 education goal and nearly 69 million new teachers need to be recruited to meet the SDGs.

But ultimately both the imperative to start early and the need for more and better supported teachers leads back to the need for far greater investments. Last year the Education Commission released a report calling for an increase in international financing for education of \$44bn annually as a key response to the fact that 50 percent of the world’s jobs are likely to be eliminated by automation by 2030.

In some countries job loss could be as much as 80 percent. Globally, 40 percent of employers already report difficulty recruiting people with the right skills. The answer to preparing the world for change of this magnitude isn't small-scale innovation classroom by classroom.

Education is a human right because individuals and communities depend on it to build their lives. But more importantly, as the Education Commission clearly articulates, getting this right has severe implications for global stability. There is not only a direct correlation between the quality of education systems and our ability to fill the jobs of tomorrow - our ability to be truly literate for the 21st century - there is a direct correlation between equality in access to education and the risk of conflict.

This article has been excerpted from: 'What does it mean to be liberate in the 21st century?' Courtesy: Aljazeera.com

Source: <https://www.thenews.com.pk/print/178506-A-system-in-crisis>

CAPITALISM AND OUR EDUCATION SYSTEM BY SHAHZAD KARIM

It is said that economy affects and influences every aspect of life which is an acknowledged fact. Sometimes, it affects directly and sometimes indirectly. Its direct effect is usually quick and apparent, whereas the indirect effect is slow but profound and more acute. The capitalistic economic system prevailing in the world today has left its impressions on every aspect of life, and same is the case with education as well round the globe. However, in this article, my focus of attention is the system of education in Pakistan. Capitalism has cast its morbid shadow on all levels of our education from primary to higher education and schools to universities. It has not left any stream of education unaffected. Let us discuss the effects and traces of capitalistic doctrine on different levels of our educational setup i.e. schools, colleges, and universities one by one.

During the last two decades, we have witnessed a rapid decline in our education system, especially in government sector schools. This decline is mainly because of the ineffective policies of our governments and their lack of interest in the educational affairs of the state. However, it is not only the fault of our governments; we are also equally responsible for this downfall because instead of forcing our governments to realise their responsibilities towards educating our younger generation, we found refuge in private so-called English medium schools which took advantage of the situation and strengthened their roots. The governments also got relaxed since they found the people themselves taking the responsibility of educating their children. So, the governments gradually withdrew their patronage and responsibility and let the people solve their educational affairs themselves. As a result of it, with the passage of time, the private schools grew stronger and developed as an industry. Hence, like other industries of the modern era, they also cultivated a capitalistic culture, and now it has grown so stronger that it has become a highly profitable business that follows all the norms of the business world. The teachers teaching in these institutions are just like factory workers who are paid for their services, and the students are like a factory product. The major focus of these schools is massive production without caring for the quality of the product they are producing. The status of a teacher has been snatched, and they have been transformed into a commodity whose primary concern is just to satisfy the needs of their owner and follow their instructions blindly. In this regard, both the school administration and parents are equally responsible because they think they pay the teachers for the services they offer to their children and, therefore, they have got every right to exploit the teacher.

This process, which emerged in schools almost two decades ago, gradually moved towards the institutions of higher education i.e. colleges and now the government

colleges are being replaced by private colleges and academies which are spreading all around like a maze. The situation has worsened to such an extent that the government itself has tried many times and is still thinking of privatising the colleges as well. So now the government's support might be withdrawn from the colleges also. Its ultimate end is that after some years, the government-owned colleges will also show a similarly deserted picture as is the case with the government run schools all over the country.

The universities also are not far behind in this race, and the situation is not much different with them. The universities, which are considered to be the seats of higher education promoting intellect, wisdom, creativity and innovation, unfortunately, have also fallen prey to the existing capitalistic philosophy which has made education business. Nowadays, a major concern of the universities is to earn maximum capital. To fulfil this purpose along with their regular programs they launch multiple evening, weekend, and distance education programs without bringing into consideration their limited resources in terms of well-qualified faculty, space, equipment, physical infrastructure, and other educational resources. Similarly, the universities, which are considered to be the place for research and higher education, have opened their doors for multiple graduation level programs like BA/BS (Hons.) which are also being run in various colleges simultaneously. We also find a bulk of private universities which even do not have proper campuses and resources to cater to the needs of the students. Most of them are established in small buildings without proper facilities but are still getting thousands in the form of fees. They are taking advantage of the situation by offering various market-based programs. Students especially those with lower grades have no other option except getting admission in such institutions, making education a thriving business.

The bleak outcome of this situation is neither in favour of learners, nor teachers and not even the society as a whole. The only one who is getting maximum benefit out of it is the owner of the institution for whom education is nothing except a profitable business. The teachers are paid not only very low salaries but are also exploited by appointing them on a contract basis without offering any other benefits. The fear of unemployment further adds insult to the injury and increases the possibility of teachers' exploitation. Moreover, novice, inexperienced teachers with lower salaries are preferred over the well qualified and trained teachers. Such prevailing practices are severely affecting the quality of education in our country. A clear evidence of this deteriorating condition of the quality of education in Pakistan is that none of the Pakistani universities falls on the list of top 500 world universities.

The need of the hour is that all stakeholders i.e. the ministry of education, HEC, experienced educationists, institutional owners/heads, teachers organizations and the

students should realize the seriousness of the issue and try to develop such a mechanism as can help all of us in promoting better educational setup having minimal capitalistic traces in it. This is the only way which can lead to the promotion of a better educational culture in our country.

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Source: <http://dailytimes.com.pk/opinion/28-Jan-17/capitalism-and-our-education-system>

US-RUSSIA RELATIONS | EDITORIAL

Worst since the Cold War

Washington and Moscow should not need reminding how diplomatic hostility between the two capitals spreads to much of the world; and how quickly. Yet US-Russia relations are at their lowest since the '80s, when the Afghan war bankrupted Moscow and sounded the death rattle of the Soviet Union. Disagreements today range from the standoff in Ukraine to the bloody civil war in Syria. But it's alleged Russia-backed hacking that disrupted the US presidential election that has Washington fuming. The expulsion of 35 Russian officials, along with sanctions, is bound to provoke retaliation, with no telling yet of the political and financial paralysis that will certainly follow, and how far it will spread.

This is not just a desperate gambit by a frustrated Obama on his way out. Trump naturally plays down the hacking argument as “ridiculous”, but it won't be too easy for the new president to brush past the confrontation with Russia that Obama is leaving behind. The Republican Party is largely split on the issue. The position of House Speaker Paul Ryan, not to mention John McCain (Chairman of the Senate Armed Services Committee), is clear, and not in keeping with Trump's. But there's an interesting interplay to be expected, especially with the nominee for secretary of state, Exxon Mobil had Rex Tillerson, enjoying close ties with the Kremlin.

Putin has, once again, played the more pragmatic move in the immediate aftermath – preferring to act rather than react. And Trump, as expected, has endorsed his discretion. But with the Russian foreign ministry urging reciprocity it is not yet clear how this scenario will play out in the new year. 2016 saw far too many deaths because of dubious positions taken by the world's more potent powers. Now, as they head for another collision, it remains to be seen if the rest of the world is about to be treated to another long cold war.

Source: <http://www.pakistantoday.com.pk/2017/01/01/us-russia-relations/>

TRUMP'S NUCLEAR INSTABILITY BY AMY DAVIDSON & DENIS MOYNIHAN

Trump's statement regarding nuclear weapons set off alarms around the world, necessitating a cadre of his inner circle to flood the airwaves with now-routine attempts to explain what their boss 'really meant'.

The next morning, during a commercial break on the MSNBC program "Morning Joe," Trump spoke by phone with Mika Brzezinski, as she and her co-host Joe Scarborough sat in pajamas on the Christmas-themed TV set. The call was not broadcast, but when the show came back from the break, Brzezinski quoted Trump as saying, "Let it be an arms race ... we will outmatch them at every pass and outlast them all."

A nuclear-arms race is the last thing that the world needs. I think about climate change. I think about economic inequality. I think about all of these major threats that we're facing as a country and as a world. Why would we add on top of that a totally manufactured, unnecessary threat?"

President Barack Obama delivered his first address on the US nuclear arsenal on April 5, 2009, in Prague: "Today, the Cold War has disappeared, but thousands of those weapons have not. In a strange turn of history, the threat of global nuclear war has gone down, but the risk of a nuclear attack has gone up. More nations have acquired these weapons." Then, in 2016, he proposed a 30-year, \$1 trillion dollar nuclear arsenal modernization program. When asked about Obama's record, Annie Leonard told us, "Greenpeace and many of our allies fought against President Obama's military spending, and we will fight against President Trump's military spending."

While Obama's nuclear spending continues what Albert Einstein called, in 1946, the "drift toward unparalleled catastrophe," it still adheres to the current in-force nuclear-reduction treaty between the U.S. and Russia, called New START. This calls for the reduction in the number of warheads in both nations' stockpiles from the current amount of roughly 7,000 warheads each, to 1,550 warheads each by February 2018. Trump's declarations suggest he would scrap New START and relaunch a new nuclear-arms race between the US and Russia. This, in turn, could easily trigger the desire among other existing nuclear states.

Trump also repeatedly stated throughout the presidential campaign that he supports the acquisition of nuclear weapons by other nations, including Japan, South Korea and Saudi Arabia. And he has said the opposite on other occasions, which only highlights the volatility and unpredictability of this incoming commander in chief. In such an

unstable world, with an increasing number of nuclear weapons, the likelihood only increases that someone, somewhere will hit the button.

Alarmed at the recent developments, one group has launched a petition urging the current president to take action. “With the stroke of a pen, President Barack Obama could take our nuclear missiles off high alert, making sure that President Trump could not launch them rashly,” writes Joe Cirincione, president of the Ploughshares Fund, a global security foundation.

Yes, Obama should take the weapons off high alert, but that’s not enough. Donald Trump’s finger on the nuclear trigger is a terrifying prospect. It’s the anti-nuclear movement that needs to go on high alert to make sure that trigger never gets pulled.

This article has been excerpted from: ‘Donald Trump’s New Nuclear Instability’.

Courtesy: Comondreams.org

Source: <https://www.thenews.com.pk/print/176296-Trump-nuclear-instability>

2017 SEEKS NEW WORLD ORDER FOR PEACE BY IMDAD HUSSAIN

At the dawn of the New Year, the fresh case of Syria proved that the world order led by a superpower is drastically failing as a stabilising factor; with the volatile Iraq, Libya and Afghanistan being further instances of busted peace.

Failure of the unipolarism in Syria was established with its recognition being evident in the US-led action against Iraq in 1991, when the US-led forces alone reversed the capturing of Kuwait. After the recapturing of the strategically important city of Aleppo in Syria at the end of 2016, Russia, Iran and Turkey launched efforts for countrywide ceasefire between the government and opposition forces that were successful to quite a large extent. The US was excluded in this third attempt of brokering peace. Russia has intervened in support of its ally, the Syrian president.

Since 2011, at the beginning of civil war in Syria as a result of the Arab Spring, the US began supporting Syrian rebel commanders and later, Washington and its allies demanded that Syrian President Bashar al-Assad must go as part of any settlement of Syria's bloody civil war. The US allegedly wanted a regime change as President Assad is not amicable to Washington's policies in the region. With the recent long siege of Aleppo, the world witnessed massive killings and injuries as a result of warplane bombardment, explosions, shellings, shootings, chemical and toxic gas attacks. Majority of the victims were ordinary citizens including children and women. Besides, the attacks left the imperative business hub destructed.

Syria is one of the worst examples of human sufferings being prolonged due to the clashes surrounding the world and regional powers. The US and Russia are at loggerheads over the Syrian issue, where according to available data, over four hundred thousand people were killed between 2011 and 2016 and more than that number were left homeless. The number of injuries is obviously much higher. Countless people were despondently made handicapped and as reports suggest, a large number of women raped. A true warfare — these are the damages more brutal than any of the extremist organisations in Syria could have ever inflicted.

The experiments of regime changes have already failed in Iraq and Libya — if the purpose for these changes was stability. Increased instability, extremism, clashes, civil war, killings, attacks, blasts, sectarianism prevailed in Iraq post Saddam Hussein and in Libya after Muammar Gaddafi — both were attacked and executed by US-led forces.

Afghanistan is another example where the US-led Nato forces launched the war on terror after a resolution was passed in the UN following 9/11. The country could not be

stabilised until now and groups of militants are on the rise. The Daesh is an additional group that is emerging stronger as a greater threat to the region. The resulting bashing games amongst international players did nothing much, except for observing the augmentation of human sufferings in the country and region.

The prevailing situation around the world, especially in the regions such as Central Asia, Middle East and South Asia have posed questions to the world community as whether the US-led system is really leading to more stabilisation in the world? Questions arise as to whether the weaker nations are more protected as compared to in the past? And also, whether innocent civilians would continue to bear the brunt of the clash of interests among the major powers?

The world mechanism has been witnessing changes for long and every shift has caused conflict in history including world wars. A century or two before the advent of the 20th century, the world mechanism was run by various imperial powers including Britain and France causing conflicts in parts of the world. The emergence of new powers like Germany and Japan in the 20th century challenged the status quo that resulted in the World Wars.

The wars weakened colonial powers and eventually caused emergence of the two big powers — the US and former USSR establishing international relations based on ideologies. That shifted the world order to two-block system with new division and conflicts that continued till the 1980s. After 1990 the world entered into a super-power system led by the US, which announced another new global agenda known as the New World Order.

Presently, the superpower is being challenged in terms of trade, influence, military, technology and others by China and Russia. The year 2017 would witness a new shift in world order where powers other than the US would seek space at the global level that could cause new conflicts if dealt with old thinking. The world order is not only being disturbed in terms of security but also politically and economically. The Brexit episode, the emergence of the Shanghai Cooperation Organisation (sometime referred to as a response to Nato expansionism), and international agreements pertaining to swap in local currencies among China-Russia, BRICS and other countries are few examples.

With the Chinese expanding influence in the region, the Russian urge to reclaim its influence over Eastern Europe and peripheries and the Indian desires in the region and the US responses like the Pivot to Asia and reservations over arms race, both in terms of nukes and arm competition in outer space — are all predictable.

The best way to deal with the global changes is to realise multi-polarism based on the principles of cooperation, democracy and respect for humanity. While the military role has to be decreased, it must be coupled with arms control regimes and equal treatments of all states, weaker or stronger to avoid tragedies to humans and civilisations. While the role of the UN — established for avoiding conflicts and human miseries after World War II, has to be increased after reformations like empowering the General Assembly to base the world system on democracy and not power. All old institutions of the Cold-War era have to be reformed and their role must be redefined. Positive responses towards Russia by US President-elect Donald Trump is a good omen and let's hope for mature decisions for global governance in light of the changes in the world's scene.

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Source: <http://tribune.com.pk/story/1282258/2017-seeks-new-world-order-peace/>

PUTIN AND TRUMP: HOW TO MAKE NONPROLIFERATION PRIORITY IN 2017 – ANALYSIS BY RICHARD WEITZ

Despite good intentions, the Obama administration leaves office in January with US-Russia nonproliferation cooperation in a precarious condition. Moscow's boycott of the 2016 Nuclear Security Summit, suspension of the Plutonium Management and Disposition Agreement (PMDA), exclusion from the Group of Eight (G8), and other developments are major, though manageable, challenges in the nuclear security domain.

Renewing US-Russian nonproliferation ties is vital since both countries have large stocks of nuclear weapons, advanced civilian and military nuclear complexes, and expertise in many nuclear and terrorism-related areas. Their cooperation has been responsible for important nuclear security successes, such as removing fissile material from vulnerable former Soviet bloc nuclear facilities.

Yet, while both powers want to deny other countries nuclear weapons, they often differ in their proliferation-related threat perceptions, preferred nonproliferation tactics, and the costs they are prepared to incur to avert further nuclear proliferation. For example, U.S. officials are more willing to sanction countries that pose a proliferation risk, while Russians are more worried about regime instability.

Russia's exclusion from the G8 has weakened that Group's nonproliferation functions, including its management of the Partnership Against the Spread of Weapons and Materials of Mass Destruction. For more than a decade, the Global Partnership has conducted billions of dollars' worth of nonproliferation projects in Russia, but now these have been completed or frozen due to tensions between Moscow and the West.

Washington and Moscow can, however, rely more on strengthening the Global Initiative to Combat Nuclear Terrorism (GICNT). The GICNT endorses multinational training, exercises, and sharing of best practices in the prevention, detection, and response to nuclear incidents triggered by non-state actors. It also promotes use of highly enriched uranium and plutonium in civilian activities and enhancing the security of radiological sources that could be used to make dirty bombs. Importantly, while China is not a member of the G8, it is a leading player in the GICNT.

Russia and the United States continue to support the GICNT. Mikhail Ulyanov, director of the Russian Foreign Ministry's Department for Non-Proliferation and Arms Control, recently told Russia Direct that, "Despite all the difficulties in our relations with the U.S., our cooperation [in the Global Initiative] is very... constructive."

To further enhance bilateral cooperation on nonproliferation, both countries need to share more intelligence to counter radiological or nuclear terrorism threats to themselves and others. Furthermore, both governments should do more to encourage other contributions to the International Atomic Energy Agency (IAEA). By securing more diverse sources of funding, the IAEA can raise the stability, sustainability and credibility of its programs. Furthermore, Russian and U.S. experts could partner to prepare an IAEA prospectus on nuclear security and help its Nuclear Security Division develop a strategic plan to manage emerging threats and opportunities.

At the multilateral level, Russia and the United States can keep strengthening the implementation of UN Security Council Resolution 1540, which obliges all states to refrain from supporting non-state actors seeking to develop, acquire, manufacture, possess, transport, transfer or use nuclear, chemical or biological weapons and their delivery systems.

The Resolution further requires that all governments establish export controls on WMD materials and criminalize WMD-related proliferation activities. Consistent enforcement by governments of these obligations remains elusive since neither the resolution nor the UN Committee that oversees implementation offers clear standards for comprehensive enactment or adequate financial and technical support for its execution.

Both countries are leading users and exporters of civilian nuclear energy technologies, so they have a shared commercial interest in making nuclear energy production more secure and safe. For example, they can work together to apply supply- and demand-focused measures to civil nuclear exports to curb the spread of dangerous nuclear technologies and materials as well as better support international safety and security norms.

Furthermore, the Russian and U.S. nuclear enterprises can offer human capital training, regulatory assistance, and other support to states contemplating launching new nuclear energy programs to help them avoid accidents and protect their nuclear material and facilities.

Though bilateral and multinational partnerships, Moscow and Washington can develop safer and more secure commercial nuclear technologies. Such work can be done on a bilateral basis, such as through their underutilized bilateral civil nuclear security cooperation agreement, or via regional or multilateral approaches such as the World Association of Nuclear Operators.

Russia and the United States can also collaborate more closely in support of the new IAEA nuclear fuel bank in Kazakhstan. Such multinational nuclear fuel repositories could provide developing countries with reactor fuel in a safer, cheaper, and more secure way than if they tried to develop their own fuel-producing technologies, which can be misused to make nuclear weapons.

When bilateral relations improve, so will the possibility of renewed U.S.-Russian laboratory cooperation on nuclear security and nonproliferation issues.

Fortunately, Russian officials say they are willing to consider the “Action Plans,” adopted without Russia’s presence, at the last Nuclear Security Summit. The Plans offer proposed agendas for the UN, the IAEA, INTERPOL, the GICNT, and the Global Partnership. Ulyanov suggested, “We are ready to support everything reasonable that was adopted at the Washington Summit.”

The Trump administration should keep an open mind about the international convention to suppress acts of chemical and biological terrorism that Moscow has placed under consideration before the Conference on Disarmament in Geneva. Even if Washington decides that the proposed convention would add little to existing agreements, U.S. support for the proposal, which is also backed by China and other countries, might catalyze new WMD cooperation. For its part, Russia needs to stop claiming that the United States is supporting chemical terrorism in the Middle East or building biological weapons labs in the former Soviet republics.

Finally, while expanding cooperation on these nonproliferation issues, Russia and the United States should sustain public health collaboration against major natural diseases and keep studying the potential impact of emerging disruptive strategic technologies, such as cyber and outer space warfare. By doing so, Russia and the U.S. can make the world a safer place in 2017.

Dr. Weitz would like to thank the John D. and Catherine T. MacArthur Foundation for supporting his non-proliferation research.

Source: <http://www.eurasiareview.com/06012017-putin-and-trump-how-to-make-nonproliferation-priority-in-2017-analysis/>

'READY TO NEGOTIATE ON PRESIDENCY,' SAYS ASSAD

Syrian President Bashar al-Assad said his government is ready to negotiate on "everything" in proposed peace talks in Kazakhstan but it was not yet clear who would represent the opposition and no date had been set.

"We are ready to negotiate about everything," he said. Asked if that included his position as president, Assad said "yes but my position is linked to the constitution".

"If they want to discuss this point they must discuss the constitution," he said.

He indicated that any new constitution must be put to a referendum, and it was up to the Syrian people to elect the president.

Assad said: "Who will be there from the other side? We do not yet know. Will it be a real Syrian opposition?"

He made the remarks in comments to French media that were published by the Syrian state news agency SANA.

Dismissing groups he said were backed by Saudi Arabia, France and Britain, Assad said discussion of "Syrian issues" must be by Syrian groups.

The main Syrian opposition umbrella group, the High Negotiations Committee, is backed by Riyadh.

Rebel groups operating under the "Free Syrian Army" banner earlier this month said they had frozen any talks about their possible participation in the Astana talks due to violations of the ceasefire, chiefly in Wadi Barada near Damascus.

Assad also said a ceasefire brokered by Turkey and Russia, his most powerful ally, was being violated and the army would recapture all of Syria including a rebel-held area near Damascus where a vital water supply had been bombed out of service.

Russia said last month it had agreed with Assad, Iran and Turkey that the Kazakh capital of Astana should be the venue for new peace talks after rebels suffered their biggest defeat of the war by being driven from eastern Aleppo.

Russia and Turkey, a major sponsor of the anti-Assad opposition, have also brokered a truce as a step towards reviving diplomacy, though the warring sides have accused each other of many violations.

Wadi Barada

The Syrian army backed by its ally Hezbollah has been trying to recapture the Wadi Barada valley where the capital's main water source is located.

Rebels and the government at the weekend failed to agree a plan to repair the springs, and air strikes escalated there on Sunday. Assad said the Wadi Barada area was held by a jihadist group not covered by the ceasefire.

"The terrorists occupy the main water source for Damascus, denying more than 5 million civilians water for more than three weeks," he said. "The Syrian army's role is to liberate that area," he said.

Rebel groups deny that the jihadist group Jabhat Fateh al-Sham, formerly known as the Al Qaeda-linked Nusra Front, controls the Wadi Barada area.

Asked if the government planned to recapture the city of Raqqa held by the militant Islamic State group, Assad said it was the Syrian army's role to liberate "every inch" of Syrian land and all Syria should be under state authority.

"But the question is related to when, and our priorities. This is a military matter linked to military planning and priorities," he added.

The United States is backing an alliance of militias including the Kurdish YPG in a campaign aimed ultimately at recapturing Raqqa city.

Source: <http://www.dawn.com/news/1307374/ready-to-negotiate-on-presidency-says-assad>

A NEW WAY TO HOLD THE U.S.-CHINA RELATIONSHIP TOGETHER BY GAL LUFT

The Trump presidency hasn't even begun, and the U.S.-China relationship already seems to be in trouble. Tension is fast building around a slew of issues — particularly trade, Taiwan, and the South China Sea — that are inherently irresolvable, and can, at best, be managed. The Obama administration has parried these problems partly with recourse to climate change, a bonding issue that could be deployed at will when things get dicey. So far, the fast-forming administration of President-elect Donald Trump lacks any such glue. It needs to find some, fast. Massive infrastructure cooperation could be just the thing.

Over the past eight years, when things went the wrong way on other issues in the U.S.-China relationship, cooperation on climate change repeatedly injected a degree of calm. For example, in 2014, as tension rose between Washington and Beijing over the latter's land reclamation efforts in the disputed South China Sea islands, Presidents Obama and Xi Jinping issued their Joint Announcement on Climate Change in Beijing. Later, in September 2015 when the two countries were on the brink of a cyber conflict resulting from what is believed to be a Chinese cyber attack on the U.S. Office of Personnel Management the two leaders diffused the tension by issuing in Washington a joint statement on climate change. Indeed, climate change defined the personal relations between the two leaders more than any other issue. Their other meetings — the June 2013 meeting in Sunnylands, the March 2016 meeting in Washington, and the September 2016 meeting in Hangzhou — were all punctuated by some progress on climate change. In fact, out of all the presidential summits that involved both Obama and Xi, climate was the only area in which both sides could claim significant cooperative progress.

With Trump entering the Oval Office, all of this is now set to change. Trump has made it abundantly clear that climate change will not be a priority for his administration. Unlike President Obama, who views climate policies as engines for economic growth, Trump views them as constraints. During his campaign, he outlined no policies designed to specifically address climate; to the contrary, he pledged to extract the United States from the Paris Climate Agreement and to roll back many climate related laws and regulations that have been instituted in recent years. His appointments of climate skeptic Scott Pruitt to lead the Environmental Protection Agency, oil patch governor Rick Perry to lead the Department of Energy, and Exxon CEO Rex Tillerson as America's top diplomat indicate that climate will cease to be a central issue in the White House.

For Beijing, the end of U.S.-China climate kumbaya will not be hard to swallow — provided that climate is replaced with another bonding agent. Diplomatic niceties aside, Chinese leaders do not care much about climate. They pretend to care because they want to show the world they are a responsible country, and to show their people they are doing something to reduce pollution — a huge problem indeed. Beijing embraces environmental policies that could help combat its acute air quality problem and gain it competitive advantage in areas like the manufacturing of green energy products, for which there is demand in the West. But Beijing rejects those measures — like the U.S.-led ban on World Bank financing of new coal-fired power plants — that might have a dampening effect on its economy or that of the developing world.

Be it as it may, despite its reservations about potentially damaging climate policies and because of its desire to be viewed as a responsible power, China made a strategic decision that when it comes to climate change, it would go along to get along. In some cases, its commitments to the cause even surpassed those of the United States.

But with the Trump Administration's indifference toward climate on the one hand and with the potential of newly emerging tensions over trade and currency on the other, China may find its relations with the United States facing an elevated risk of deterioration. A new super glue — a rapport enabling area of cooperation that reflects commonalities in the worldview of both presidents — is urgently needed. What could it be?

As the world's two largest economies and generators of half of the entire world's economic growth, China and the United States share a common interest in stimulating global growth and strengthening energy security through infrastructure development. Both Presidents Xi and Trump share genuine commitment to infrastructure development. Trump has pledged to upgrade America's national infrastructure, while the mainstay of Xi's foreign policy is an ambitious multi-trillion dollar infrastructure development plan called One Belt One Road (OBOR) aiming to connect China and Europe in a web of highways, high-speed rail, pipelines, ports, energy terminals and fiber optic lines. Beijing has even formed dedicated financial institutions like the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund to finance those projects.

The world's infrastructure deficit, particularly in the developing world, is alarming. Two decades into the 21st century, one-third of humanity is still lacking access to round-the-clock electricity and basic sanitation; over one billion people have no reliable phone service. Yet the Obama administration's response to China's infrastructure initiatives has been muted and in some cases — such as the AIIB — it has used soft power

tactics in (usually failed) attempts to undermine them. But Trump could be persuaded to go a different way. Having been a builder all of his adult life, fascinated as he is by grandiose construction projects, Trump may find OBOR more appealing. He may even be tempted to expand OBOR (or some U.S. version of it) beyond Asia into other infrastructure-deprived regions like Africa, Latin America, and Central America.

Widespread infrastructure investment, ideally led by the private sector, would not only benefit the world's poor but also the U.S. economy. Increased prosperity in the developing world will enable more consumers to demand American goods and services. U.S. engineering, construction and equipment manufacturing companies could win lucrative contracts, and its defense and cyber security companies could help protect critical infrastructure worldwide. With more energy terminals constructed around the world, the U.S. energy industry would enjoy more destinations for its oil, gas and coal. And with 80 percent of people in the developing world lacking access to the web U.S. internet companies can expect many millions of new customers if disconnected communities were linked to the world-wide web via proper infrastructure.

Exactly one year ago during his speech inaugurating the AIIB, President Xi pledged that “the door of China’s opening up will never shut and China welcomes all countries to ride on its development.” At his inauguration next week President Trump, could answer the call. Centering U.S.-China relations on infrastructure development could fill the vacuum created by the exit of climate, giving the two countries’ leaders a common goal to work toward amidst all their other disagreements. Such commonality of purpose would help transform the discourse from an adversarial, zero-sum-game one into one more conducive to cooperation. The result would not only be a more connected world where more people can have access to energy, communication, and transportation networks — one generating economic activity, prosperity, and growth — but also a U.S.-China relationship that’s more resilient in the face of the many challenges that will undoubtedly come.

Source: <http://foreignpolicy.com/2017/01/10/a-new-way-to-hold-the-us-china-relationship-together-infrastructure-cooperation-not-climate-aiib-end-of-kumbaya/>

SOUTH ASIA IN THE EMERGING WORLD ORDER BY SHAHID JAVED BURKI

Donald Trump's unexpected political rise is more than just intriguing. It will have consequences that will go well beyond his country's borders. It has already invited a great deal of commentary by those on the left of the political spectrum. It has also begun to be examined from different regional perspectives. The left in Europe worries that Trump's triumph is a part of a general phenomenon that has become apparent on both sides of the Atlantic. In Britain, Brexit was also an unexpected development. This resulted from a referendum called by then Prime Minister David Cameron to determine whether the British wanted to stay with the European Union or leave and go on their own. Some 52 per cent of those voting were in favor of leaving. Most of the "leave" vote came from the country's smaller towns and rural areas. Those in London and other large cities voted overwhelmingly in favour of "staying." This rural-urban divide paralleled the one that occurred a few months later in the elections in the US.

These developments should worry Asia, in particular the southern part of the continent. Judging from the commentary in the South Asian media, it appears that there is much fascination with the Trump drama. It is seen as political theatre. It is yet to dawn on the politically-wise pundits that the South Asian region which was next in line to benefit from the world economic and political order built after the end of the Second World War would greatly suffer. That order is now under threat. It had essentially three features.

One, it was based on the rule of law put in place by agreement among states and was not enforced by one powerful nation. Two, institutions of governance were established to ensure that internationally agreed principles were followed by all nations. Three, countries could not follow their own interests; they had to abide by international law. Donald Trump's rise is expected to dismantle this order. The conduct of international trade was by far the most important element of this economic order. It was trade that propelled forward the countries in East Asia the World Bank called the "miracle economies." China was the next big beneficiary of this system. Next in line were the countries of South Asia. It was this recognition that brought in China to Pakistan with its China-Pakistan Economic Corridor. (CPEC)

What has given the new American president the clout is the support he has received from the people who were not political regulars. Since they were not active in politics they did not figure in the many polls that were conducted as the Americans headed for the November 8 presidential elections. It was their vote for Donald Trump that put him in the White House. It is their politicisation that will push the existing global economic order in a direction that will harm many world regions, in particular South Asia. Post-election survey data suggests that the Trump voters were not bothered by his bigotry, lack of

decency, thin-skinned approach to criticism and his use of cooked up data to get across his ideas. Soon after the elections were over, there was near-consensus that these voters went for Trump since they had been badly hurt by the process of globalisation. There was job loss because of the migration of many industries to countries such as China and Mexico. Lower-paying jobs went to immigrants from Mexico and the countries in Central America. Trump seems to have read the situation correctly winning the support of this group by promising to bring back to the US, the industries that had left and building a wall along the country's southern border to keep out illegal immigrants who have entered America. These people want policymakers to concentrate on what is good for America, not necessarily support a rule-based world order.

The most damaging aspect of the new system Trump is likely to put in place is that it will, in his words, place "America first." Washington would not subscribe to a world system which requires that some classes in the country may get hurt. The most important consequence of this approach will be in the area of international trade. It will become protectionist rather than open and rule based. This will come about just as South Asia was getting ready to step in the shoes of China which was moving out of manufacturing of goods that would be produced by cheap and not highly trained workers. CPEC was supposed to move Pakistan in that direction.

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Source: <http://tribune.com.pk/story/1295965/south-asia-emerging-world-order/>

NUCLEAR BOMB: FROM WONDER TO WORRY BY AIMEN SIDDIQUI

The 20th century itself was the eighth wonder. The fast-paced development and innovation amazed everyone. With every tick of the clock, something new emerged which shook the whole world to its core.

Following the advancement in science and technology, the century marked the happening of a very strange and unique case – of humans meddling with the laws of the universe. The judges were different governments and the jury was filled with renowned scientists. The defendants were a few literary geeks who were labelled ‘misfits’ by the people of their communities. They came up with arguments but their weak voices couldn’t shake the people hearing the case. The verdict was given and the file was sealed: ‘The earth has been sentenced to death’. Celebrations and jubiliations! The decision was received with open arms – no protests, no ‘not my decision’ slogans. Everybody seemed happy about it, and they should have been because humans had created a wonder – ‘a nuclear bomb’.

The misfits were the only ones upset over the decision. They tried to raise their voices by writing in the press, through panel discussion in schools and via awareness campaigns (which were only attended against the promise of free food). Gradually, their voices became inaudible and the earth continues to rotate towards its future of gloomy death – dead earth rotating. A lot of countries joined the nuclearclub. After celebrating its 50th independence anniversary, Pakistan applied for registration in the club and thankfully – the fact that we celebrate May 28 to commemorate the 1998 historic nuclear tests is enough to explain how ecstatic the nation is for the destruction of the planet – the country succeeded.

The people of the country said prayers of thanks. The air echoed with the sound of happiness. The country was now a powerful state. The bomb was to keep the enemy – India of course – at bay. Whether the bomb succeeded in keeping the enemy out or not is another debate – one which shouldn’t be started because of its sensitivity – but the bomb did keep economic growth out of the country. Moreover, the higher echelon of society is immune to the dreadful effects of the creation of the bomb. The lower middle-class is happy being an atomic power. Although it suffers from the shrinking economy of the country, it is happy that the country is safe from the enemy. After all, a war is the biggest problem.

But, for a change, let's not talk about the economy because this argument will be drowned under the 'no pain, no gain' argument. Let's talk about the mass destruction this bomb promises. Let's find out why people are silent over nuclear weapons. A war affects the country's economy, but the nuclear bomb won't affect the economy of the country – because there won't be any economy left. Everything will be blown to smithereens. There will not be a single person left behind to care about economy.

When I was in high school, we had a short play based on a grieving mother, Mrs Meldon. Her husband and son were killed in a war. Her brother was a scientist who was insensitive towards her feelings and boasted about his invention – a bomb. At the time, I agreed with the scientist. I thought that having a bomb was essential for a nation. Maybe, favouring wars was a more patriotic thing to do. But over the years, I realise that I was wrong. War is no solution.

The fact that nobody wants to talk about a nuclear war indicates that we have failed as humans. The 'protective layers' around us are so dense that we cannot see the world's suffering. In simple words, we don't understand what the terrors of war are. We don't know what suffering is. This is because the world we live in is completely different than the world where hundreds of children are dying due to bombs – 'ordinary bombs'. The little we know about the living conditions of people in war-torn countries is that there are a few unidentifiable people somewhere on the planet whose morning starts with cries and pain.

The lack of sympathy is premised on a weak haptic system. Haptic is commonly described as an ability to grasp something – to touch it or hold it to explore its depths. So how are we going to link apathy with the haptic system? On a surface level, the relation between the two is implausible but if we explore it at a deeper level, we would find the interconnection between the two. In order to understand a situation in its true sense, one has to experience it. For example, one cannot tell what happens at the time of the death until s/he goes through the pain of getting his/her soul sucked out of the body. One cannot tell how much pain she'd feel at the time of giving birth until she delivers a baby. One cannot tell how it actually feels in a foreign country until s/he is in a foreign land. Similarly, one cannot have the 'haptic perception' of the terrors of war until s/he has closely observed warzones.

Virtual reality is the future of the world. Thanks to technology, outdoor games can be enjoyed while remaining indoors. However, technology hasn't dared yet to give a 'virtual image' of a war-torn country. Therefore, we are way behind in 'grasping the true meaning of destruction'. The nuclear bomb has the potential of reducing hundreds of humans into ashes. Trees will be blown away, water levels will be minimised, animals

and birds will become history, and the air will be completely covered with a blanket of smoke.

Just a short while back, Karachi witnessed two horrendous incidents: 1) the Baldia factory fire incident and 2) the Gadani shipyard fire incidents. Scores were burned down and reduced into nothing. Imagine the sensitive skin of a human body being exposed to the ruthless flames of fire. Such pain is inexpressible and unimaginable. The bomb in question will bring much greater pain.

What is shocking is the fact that a lot of religious institutions that scare their disciples using the example of hellfire are silent over this deadly invention. Hellhounds and hellfire is something to be scared of while the 'worldly hounds' are just a test – a 'collateral damage' of a greater gain.

There was a time when textbooks had poems on the effects of industrialisation. The poet expressed the agony of losing scenic sites to smoke-emitting buildings. Now, the focus is more on one side of the coin. The other side is kept in the dark because apparently ignorance is bliss.

If the ugly truth is made public, people would freak out. They would demand to get rid of the deadly bomb; and this is not what the state wants. The 'bomb' was supposed to protect us but when protection turns into a threat, it is time to rethink. To set our priorities right. To analyse the whole situation through the prism of humanity. Back it with history or religion, link it with Doomsday or Nostradamus' prophecy, war is the worst thing.

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Source: <https://www.thenews.com.pk/print/179616-Nuclear-bomb-from-wonder-to-worry>

INDIA'S ARMS RACE FEVER BY REEMA SHAUKAT

India spends huge amount of its budget on defence despite being nuclear power and continues to threaten other states by such artifices. Recently, India test-fired the long range nuclear-capable strategic ballistic missile, with a strike range of 4,000km from Abdul Kalam Island, off Odisha coast. Agni-V trialling received compliments from Indian media for missile's capability which suggests that this missile experiment is to 'cover entire China'. So not only India threatens Pakistan with arms race but tries to deprecate other countries particularly China as it is not only an economic power in world but both China and Pakistan hold exceptional diplomatic relations.

While, the Agni-VI is reported to be in early stages of development and the most advanced version, with a strike-range of 8,000-10,000 km. India already has Agni ranges missile systems and other lethal weapons like Brahmos in its weaponry which is supersonic cruise missile.

According to official statistics, India made an increase of 17 percent in its defence budget for fiscal year 2015-2016. With over 30 percent of their populations living below the poverty line, India emerged as the second-largest arms purchaser after Saudi Arabia in the world, according to a latest report by the Washington-based Congressional Research Service (CRS), a public policy research arm of the U.S. Congress. India was the second-largest arms purchaser from 2008 to 2015 in the developing world, making arms transfer agreements worth \$34 billion during these years, according to the report released by "Conventional Arms Transfers to Developing Nations 2008-2015" released by CRS.

If defence budget of India is compared with Pakistan then it's noticed that currently New Delhi is spending \$40 billion a year on defence, while Pakistan has earmarked \$7.6 billion for defence expenditures this fiscal year. India ranked eighth on the list of countries with the largest military expenditures in 2015, while Pakistan's defence budget was five times smaller. India boasts the world's third-largest army after the U.S. and China, with an active troop strength of over 1.3 million. Pakistan, meanwhile, stands eighth on the list with a 600,000-man army with an honour of handling menace of terrorism successfully.

As India pushes other countries to get into arms race by testing and developing weapons, Pakistan in order to maintain strategic equilibrium fired its submarine launched cruise missile Babur-III. This missile has a range of 450 kms and is capable of delivering various types of payloads and will provide Pakistan with a Credible Second Strike Capability, augmenting deterrence. India's Agni -V is capable of striking targets

anywhere in Asia and some parts of Europe and Africa. According to Indian defence experts Agni-V is one of most advanced missiles which is capable of striking a target more than 5,000 kms. It is about 17 meters long, 2 meter wide and has launch weight of around 50 tons. Once the Agni-V is inducted in Indian military, India will join the club of countries with ICBMs including US, Russia, China, France and UK.

Though China is more advanced militarily than India, yet it advised India to calm down its fever of arms race as it disturbs strategic balance among South Asian countries. Chinese media in a report said that China will not sit still and by doing this missile test India had broken the UN's limits on its development of nuclear weapons and long-range ballistic missile. China further stated that if the Western countries accept India as a nuclear country and are indifferent to the nuclear race between India and Pakistan, China will not stand out and stick rigidly to those nuclear rules as necessary. China has favoured Pakistan always and they also mentioned this in their report that Pakistan should have those privileges in nuclear development that India has. Global Times editorial reported "if UNSC has no objection over this, let it be. The range of Pakistan's nuclear missiles will also see an increase."

Based on quest of India for arms race, India must see that because of these moves other states are compelled for same actions. It is spending huge amount of its defence budget without thinking what kind of bloodshed it is doing in Kashmir and how it is enforcing other states in South Asia for arms race. Pakistan surely has all the potentials to maintain balance and develop arms but as a peace loving country it has no such desire of more arms rather it believes in maintaining status-quo with its nuclear armed neighbour and long awaited disputes to be resolved peacefully.

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Email:reema.asim81@gmail.com Source: <http://pakobserver.net/indias-arms-race-fever/>

DONALD TRUMP AND GLOBALISATION: A CHALLENGE AND AN OPPORTUNITY BY ALI IMRAN

With President-elect Donald Trump's inauguration on Friday, the United States will have a new administration to set the tone for America's relationship with the world for the next four years.

The transition in Washington comes in the midst of a heated debate on pros and cons of globalisation, and in the backdrop of populist politics that saw Brexit and rise of the conservative right in Europe and rejection of the liberal policies that Barack Obama pursued in his two terms as president.

Analysts have called these developments a backlash against unbridled globalisation that had resulted in loss of jobs in Western countries, especially in rural America and traditional manufacturing hubs like Michigan, and also impacted lifestyles. The newer forms of globalisation like the internet, artificial intelligence and related IT and technological advances took away a lot of blue-collar jobs and now threaten even white-collar employment opportunities.

Concurrently, the world has seen a nervousness from a spate of developments and conflicts, like refugees influx into European countries, lingering conflicts in Syria, Yemen and Iraq, instability on the African continent, a failed policy to contain extremist violence, a much faster intercultural experience, and a tenuous world economic recovery from 2008 financial meltdown.

The background to the November 8, 2016, US election also includes Russia finding a foothold in the Middle East and asserting its role in Eastern Europe.

Another major development of the times is the rise of China as a global trade and economic player. Beijing's ascendancy on the world stage may well be the defining development of our time in view of China's influence extending to several regions.

A number of the political, economic and diplomatic developments around the world have been shaped by globalisation in recent decades, particularly since 2001, when Beijing joined the World Trade Organisation. China has never looked back since then and now the second largest economy of the world is in a position to be much bigger global player.

President-elect Donald Trump has made it clear that his priority would be to “Make America Great Again” and put “America First” in terms of its being a center of trade and manufacturing through a variety of steps including bringing back offshore jobs, levying high taxes on imports and cutting taxes for American businesses. His promises have elicited a robust response from American stock exchanges. Some companies have even shelved plans to establish factories overseas and instead create jobs at home.

But it is not clear what other things will the incoming Trump Administration do to stimulate a higher American growth.

For example, what kind of immigration policy will the new administration adopt? Trump has been specific about building a wall along Mexican border and introducing extreme vetting for visitors from countries having terrorism problems. While America has provided conducive conditions for innovation and creativity to immigrants, it has also enormously benefited from the unique skills that the best and brightest from around the world bring to its shores. Take the example of scientists, IT workers, medical doctors, scholars and academia that arrive in the United States every year and give it a huge edge over international competitors.

On the other hand, China has prospered with a consistent high economic growth, rarely seen in modern history, and has called for adhering to globalisation.

President Xi Jinping, in his address to the World Economic Forum, favored the idea of an “inclusive globalisation” in order to ensure “a human community with shared destiny”. He also warned against an isolationist approach and argued that global trade was not to blame for economic challenges.

While Vice President Joseph Biden made one last plea during his appearance at the WEF for maintaining the liberal world order, it is the eight years of Obama’s policies and before that George W Bush’s policies that left Americans frustrated with repercussions of globalisation at home.

In fact, Obama may have unwittingly contributed to the mood for American retreat from globalisation. His policies provided little relief to workers laid off by offshoring of manufacturing jobs. Secondly, critics point out that he pursued a foreign policy based on intellectualism, rather than pragmatism and hard ground realities. For example, Obama’s off-handed approach to the worsening Middle Eastern conflicts in Iraq and Syria early in his second term suggested the US was no longer interested in world leadership on hot button issues. His policy toward South Asia also failed to yield desired

results as after more than 15 years of American engagement, Afghanistan still faces an uncertain future and instability.

Similarly, critics contend, he went for the trans-Pacific partnership for free trade with Asian countries as part of his Asia pivot, not to look after American worker's interests.

Now, the incoming Trump Administration has a big responsibility. First of all, it must articulate dimensions of its relationship with the world because a sudden American retreat from an increasingly integrating world could pose serious risks to its long term security. Secondly, the administration must come clear on related issues like trade and immigration.

But dealing with globalisation is not the Trump Administration's job alone. Political leaders and experts across the spectrum have a job at hand — a dispassionate analysis on how America deals with the unprecedented wave of globalisation. Is globalisation per se to blame for loss of jobs or lack of foresight in dealing with the process?

Jack Ma, founder and CEO of internet giant Alibabam, drew attention to some aspects of globalisation at the World Economic Forum when he argued that American companies had been benefiting from globalisation but the United States did not share the gains with its people.

"I believe globalisation is good, but it needs to be improved. It should be inclusive," Ma said.

China's vehement support for globalisation and Western weariness about its impact throws up a huge question: Are the West and China switching roles on globalisation? It was the West which practiced globalisation during much of the last century, and it was not long ago that China protected its economy.

After the US role in rebuilding economies in Asia and Europe in the wake of WWII devastation, Chinese investment in African and South American countries is also helping efforts to reduce poverty. The two largest economies are also interdependent and any shift or change in the ongoing policies would require close working between them for a better outcome.

But globalisation is not just a trade process alone — it is a package that includes economic, trade, investment, political, strategic, cultural and diplomatic engagement. Major powers can only maintain influence through certain tools with economy, trade and diplomacy considered among the most critical.

Since WWII, America has maintained its global influence through trade, investment and diplomacy. Retreat in a large way looks improbable given dangers of disengagement. Reform is a painful process that may take time. In the immediate context, rich countries may have to share their wealth and expertise with the less developed nations but in the long run expanded economic interdependence contributes to stability and security.

But then there is the reality that a large number of Americans and Europeans are disaffected by the pace and manner of globalisation.

Given domestic imperatives and international stakes, President-elect Donald Trump has both an opportunity and challenge to work with the international community and reform globalisation in a way that is mutually productive.

Source: <http://www.pakistantoday.com.pk/2017/01/20/donald-trump-and-globalisation-a-challenge-and-an-opportunity/>

TRUMP HAS NOTHING TO OFFER ASIA EXCEPT THREATS BY HUNTER MARSTON

Donald Trump's executive order ending America's commitment to the Trans-Pacific Partnership has left U.S. allies like Japan and Australia aghast at the waste of time and effort on what was once a signature — and effective — policy in the region. His "America First" refrain in his inauguration speech, with all its suggestions of a widespread retrenchment of U.S. resources from the Pacific, was equally disturbing.

But they should be at least as alarmed by the contrary indications that Trump is intent on a newly assertive foreign policy in Asia, one more reliant on hard power. That latter vision, especially in combination with the former, is no less dangerous for America's friends in the region.

Consider the testimony offered by Trump's Secretary of State pick Rex Tillerson, former CEO of ExxonMobil, in his Senate confirmation hearing on Jan. 11, as he warned of a more confrontational South China Sea policy: "We're going to have to send China a clear signal that, first, the island-building stops and, second, your access to those islands also is not going to be allowed." There are only so many ways the Trump team can go about sending such signals given its vow to withdraw the United States from the Trans-Pacific Partnership (TPP), which America's allies had been hoping the United States would complete. By preemptively eliminating tools like economic statecraft from its foreign-policy toolbox, the Trump administration will be leaving itself with only hard power to counteract China's ambitions. That would probably mean an attempted military blockade against the Chinese navy in the South China Sea.

But that raises a host of other questions: Is the Trump administration prepared to risk major conflict with China? What costs would they be willing to suffer in a clash far from American shores in Beijing's backyard? And would America's allies welcome such a clash?

Tillerson's provocative remarks may be a rhetorical gesture, another tenuous red line, or they may signal the beginnings of a far more assertive American policy of containment aimed at curbing China's control of the South China Sea. Either interpretation invites peril.

Or consider the "peace through strength" vision offered by Alexander Gray and Peter Navarro, two of Trump's Asia advisors, on Foreign Policy. They say the president will strengthen U.S. military might in the Pacific by expanding its presence of navy ships.

The Asia hawks on Team Trump seem to think that a show of force is necessary to persuade Beijing to relent in its quest for regional domination.

However, rather than stabilizing the region, such a strategy will increase the likelihood of a great power conflict between the United States and China. China is likely to believe the United States is trying to contain its rise, a position already popular among the leadership in Beijing. Bereft of trade incentives and heavy on military posturing, a Trump strategy of peace through strength will only empower Chinese hard-liners and increase the chances of a superpower conflict.

Partners and allies in Asia look to Washington not just for security but for trade and investment. The two components complement each other as twin pillars of a comprehensive regional strategy. For decades, Washington has pursued a multifaceted approach encompassing both hard and soft power, advancing U.S. interests by diplomacy and the attractiveness of American investment, values, and culture.

Hard and soft power are mutually reinforcing. American military strength has protected open sea lanes, guaranteeing freedom of commerce and navigation, while trade ties have justified U.S. military presence, which Asian countries view as necessary for stability and prosperity.

Though the Obama administration downplayed the military component of its “pivot to Asia,” its signature foreign policy aiming to shift attention and resources to the region, it failed to convince Beijing it was anything but a containment strategy. Beyond new defense deals, the administration sought to invest the United States in the incredible growth opportunities of “the Asian century.” But the failure to pass TPP represents the collapse of the rebalance’s economic pillar.

Trump risks exacerbating this dangerous imbalance. If his advisors are unable to craft a more rounded Asia strategy, including new trade initiatives, the administration would reinforce Beijing’s suspicions of U.S. intentions. It also would put our Asian partners in an uncomfortable position: Smaller countries don’t want to be forced to choose between two competing superpowers. Nor is it clear whom they would select in such a circumstance.

At times the inconsistency of various U.S. administrations has frustrated Asian partners. Moreover, each change in administration brings with it new personnel, many of whom are not known to local counterparts and spend years building trust and diplomatic capital. Beijing, on the other hand, presents a more or less consistent face due to glacial political change under a one-party system.

It's far easier for America to pursue its interests in the region, and support its allies, when the military and economic components of its strategy go in tandem. Piggybacking on free-trade agreements (FTAs), the Obama administration was able to ink an array of deals on defense cooperation with Asian countries. For example, since Washington and Singapore signed an FTA in 2004, bilateral trade grew by 50 percent in a decade. The two sides signed a strategic partnership in 2012 and further elevated security ties by signing an Enhanced Defense Cooperation Agreement in 2015. Similarly, the Korea-U.S. FTA goes hand in hand with a deep security alliance. Not only the most expansive free-trade agreement yet envisioned, the TPP also represented an on-ramp to a U.S.-Japan FTA, connecting the world's largest and third-largest economies and further strengthening the two countries' strong treaty alliance.

Trump's withdrawal of the United States from the TPP marks a huge letdown for Japanese Prime Minister Shinzo Abe, who invested a huge amount of political capital betting on the deal's success. It is also a disappointment for American partners such as Singapore, Malaysia, Brunei, and Vietnam, which view the United States as a counterweight to China's heft.

American credibility rests on its ability to follow through on economic and security commitments. As Singaporean Prime Minister Lee Hsien Loong said in an interview with the Wall Street Journal, "If at the end of it all you let [Abe] down, which next Japanese prime minister is going to count on you — not just on trade but on security?" Lee also noted the implicit connection between American trade and security commitments: "If you are not prepared to deal when it comes to cars and services and agriculture, can we depend on you when it comes to security and military arrangements?"

Trump so far hasn't offered any new trade initiatives, but his team would do well to come up with some ideas. Without economic statecraft, the United States is a less attractive competitor for Asian countries, which will join alternative trade deals like the Regional Comprehensive Economic Partnership (RCEP), which does not include the United States.

All too pleased, China is reaping large gains as the United States pulls back. Though not diametrically opposed to the TPP (both deals include Japan, Australia, New Zealand, Malaysia, Brunei, Singapore, and Vietnam), the RCEP is nearing completion with some nudging from Beijing.

Although America's friends in Asia might not be as enthusiastic about the comparatively modest RCEP, they support the developing trade architecture out of pragmatism. Lee

Kuan Yew, the former prime minister of Singapore, warned of this outcome in 2013 when he told a journalist from the Atlantic, “Without an FTA [with the United States], Korea, Japan, Taiwan, and the ASEAN countries will be integrated into China’s economy — an outcome to be avoided.”

Yet Trump’s advisors clearly don’t see the consequences of being left out of regional trade networks, believing instead that American military can check China’s growing power. For instance, Gray and Navarro propose a comprehensive arms deal with Taiwan, seeking to strengthen the U.S. security commitment in light of Beijing’s edge. Analysts in Taiwan warn that Trump’s presidency could escalate tensions between Beijing and Taipei, which is already making other countries nervous.

Indeed, Trump’s demonstrated willingness to toss out the rulebook on the one-China policy, with his phone call with Taiwanese President Tsai Ing-wen, has already ratcheted up tensions with Beijing to a level not seen since 1996, when President Bill Clinton sent two carrier battle groups through the Taiwan Strait. The passage of China’s Liaoning aircraft carrier through the Taiwan Strait at the end of December was largely interpreted as a stern indictment directed at Taipei and the incoming Trump administration. The carrier group then transited past Okinawa, which hosts more than half of the 50,000 American troops in Japan, into the South China Sea. A simultaneous op-ed appearing in China’s state-affiliate mouthpiece, the Global Times, warned, “If the fleet is able to enter areas where the US has core interests, the situation when the US unilaterally imposes pressure on China will change.”

From Beijing’s perspective, a Trump presidency poses grave uncertainties. Military strategists in the People’s Liberation Army (PLA) view Taiwan as a paramount security threat to internal stability, so using the island state as a bargaining chip only empowers hard-liners in the Communist Party and PLA who advocate a more assertive military strategy.

Moving more U.S. naval assets into the Pacific will add to Beijing’s perceptions of U.S. containment while increasing the odds that a minor accident or hostile encounter could trigger armed conflict. One could imagine China deploying underwater submarine detection defenses in the South or East China Sea to monitor U.S. Navy movements. If Washington were to seek to destroy these assets to preempt Chinese primacy or look to extend American military superiority in the region, Beijing would feel compelled to retaliate. Trump’s team might then be tempted to think a shocking use of force could deter Beijing from escalating conflict. It’s not clear at what point Trump would decide the costs of conflict outweigh the benefits of winning such a clash.

Instead of seeking to further militarize the Pacific, Trump and his national security team should think hard about how to buttress security commitments in Asia through trade and enhanced bilateral cooperation. U.S. investment and alliances are the source of our strength in Asia and serve to justify continuing U.S. military presence in the region. But “peace through strength” is an illusion and an incomplete strategy. By relying only on sticks without any carrots in its confrontation with China, the Trump team is only inviting disaster.

Source: <http://foreignpolicy.com/2017/01/23/trump-has-nothing-to-offer-asia-except-threats/>

IS TERRORISM A REAL PROBLEM FOR THE WORLD? BY CYNTHIA SOHAIL

After WW2 paramount powers of the world transferred from Great Britain to United States of America (USA). These powers made USA a Hegemonic state and it started to rule the world's developing countries. After the tragedy of 9/11 most of these developing countries are making their policies according to USA especially to counter the terrorism. These countries are inclusive of Pakistan, Cuba, Somalia, Bhutan, Bangladesh, Syria, Afghanistan and Africa. The policies are usually supervised by United State of America. It is a bitter fact that Pakistan is the most affected country of the world that has stricken by terrorism. Pakistan has faced loss of more than fifty thousand precious lives of its soldiers, policemen and citizens as a result of bomb blasts, suicidal attacks and target killings. People of the country are living under constant fear and threats of terror. The terrorists also kidnap people for ransom, plunder antiquities, carry out attacks on educational / national institutions, holy places, markets and other public places.

The terrorist claim to be at war with west for the sake of Islam, but they are killing Muslims in Pakistan and other parts of the world as well. It is worth mentioning here that one of the core issues of the UN's 65th general assembly in 2015 was "Terrorism". In fact the 9/11 terrorists' attacks in USA were declaration of war between terrorists and rest of the world and it endorses the Bush Doctrine. It is doubtless that it is another Guerilla War, the enemies are known but not visible and they are beyond the land, sea or air territories. The globalization has also become a channel to promote terrorism. Many terrorist groups including ISIS and Al-Qaeda are negative outcome of globalization. During couple of decades these terrorist groups have created fear and sense of insecurity around the world. Their shadows have covered the press and electronic media with full strength. Their motive is one but they are operating with different names.

The unity of the terrorist groups is a constant threat and challenge for the entire world, therefore the world must think and plan to combat these groups for the elimination of terrorism and restoration of peace.

Let's suppose that one day the world somehow overcomes terrorism, would it really become peaceful in the presence of conflicts spread over the different regions of the world? Some of the burning issues of the world are:

- « Capitalism and communism between US and Russian
- « Pakistan and India conflict over disputed Kashmir
- « Israel- Palestine Conflict over the disputed land

- « Kurdish and Turkish conflict
- « Civil war in Syria
- « Civil war in Central African Republic
- « Saudi-Yemen conflict
- « Conflict between Colombian government and the Revolutionary Armed Forces of Colombia (FARC)

Would our future generations be secured from fear, threats and violence under these circumstances? The answer would probably be NO, because it is not only the terrorism but many other facts which have hacked peace from the world. Therefore the world leaders must come together to address these issues. The charter of UNO must be followed for the restoration of peace. Joint efforts must be carried out to curb terrorism, extremism, fundamentalism, human rights violations, religious and sectarian discrimination, poverty alleviation, illiteracy and hatred.

Source: <http://dailytimes.com.pk/blog/21-Jan-17/is-terrorism-a-real-problem-for-the-world>

CHINA'S HAPPY TO SIT OUT THE NUCLEAR ARMS RACE BY MELISSA HANHAM

While U.S. President Donald Trump and Russian President Vladimir Putin preen and compare the size of their nuclear arsenals, China has been quite modest on the subject. This macho dance doesn't interest Beijing. Why? Isn't bigger always better? For decades, when it comes to nuclear weapons, the answer from China has been a resounding no. The rest of the world would do well to consider their reasons why.

In his last defense speech of 2016, Putin argued that his country needed to “enhance the combat capability of strategic nuclear forces, primarily by strengthening missile complexes that will be guaranteed to penetrate existing and future missile defense systems.” It wasn't clear from the speech whether Putin seeks to improve nuclear warhead delivery systems in order to confuse American missile defense, or whether he will seek to increase the number of weapons deployed to overwhelm them, or even deploy cyber-capabilities to weaken the ability to respond. Perhaps it's a strategy, perhaps it's just rhetoric. U.S. ballistic missile defense efforts — particularly in Europe and Asia — have been a sore spot for both Russia and China.

Not to be out done, within hours Trump tweeted: “The United States must greatly strengthen and expand its nuclear capability until such time as the world comes to its senses regarding nukes.”

Like Putin, his intentions were not clear, and much debated. But like Putin, when questioned, he tends to double down. Mika Brzezinski of MSNBC asked him to clarify his tweet, and he told her: “Let it be an arms race. We will outmatch them at every pass, and outlast them all.”

So why hasn't Chinese leader Xi Jinping stripped off his shirt and flexed his strategic forces? Why not take to Twitter — or Weibo, at least — to brag about how long he can last in an arms race? Well, he doesn't need to and he knows it. Decades of Chinese leaders have known it. The Chinese think about nuclear weapons in a fundamentally different way than their Western counterparts — one that could give China an edge in the contest to become the defining power of the 21st century.

As Jeffrey Lewis noted in his book *Paper Tigers*, China has always maintained a small nuclear force. From their first announcement of a successful nuclear test on Oct. 19, 1964, China officially advocated the complete prohibition and disarmament of nuclear weapons, and even went so far as to declare that Beijing would never be the first to use

nuclear weapons, no matter the circumstances — a policy maintained to this day. Former Chinese leader Mao Zedong thought of nuclear weapons as appearing powerful, but nothing to be afraid of in reality — the eponymous paper tigers of Lewis's title.

While the number of nuclear weapons in the United States and the Soviet Union swelled to over 50,000 in the mid-1980s, and they produced warheads and delivery devices far deadlier than those used in Hiroshima and Nagasaki, China was content to stick with dozens, not thousands, of warheads. Even today, the United States and Russia believe nuclear deterrence requires thousands of warheads each, and at least three ways to deliver them. But the truth of the matter is that you can annihilate your adversary (or the planet) only so many times. In fact, some in the U.S. Air Force have argued that 311 warheads would provide nine-and-a-half times the destructive power needed to incapacitate the Soviet Union by former Defense Secretary Robert McNamara's count.

For China, it's not the size of the arsenal that counts, it's how you use it.

For China, it's not the size of the arsenal that counts, it's how you use it. About 200 nuclear warheads are "enough." China's primary goal has always been to prevent the use of nuclear weapons against them. Beijing figured out that you don't need 30,000 nuclear warheads to achieve that end — you only need enough that the risk of losing a major city in retaliation holds your opponents back. They have enough for escalation control, they have enough for deterrence, and they only need to mate their warheads to delivery vehicles to signal.

So they keep their strategic forces small and agile. With about 200 weapons, you already have increased the cost of nuclear war enough that nobody wants to start one with you. You don't even have to spend a fortune to keep those weapons ready to go at a moment's notice, as Russia and the United States do with their arsenals. Instead, China can invest in its conventional and not-so-conventional weapons, including a growing naval force, hyper-glide vehicles, and systems for both cyberspace and outerspace. . Last, China is happy to sit back and wait until escalation is called for, so it keeps its warheads separated from the missiles it predominantly relies on as delivery systems.

Does this make them weak? No. In fact, while Trump is threatening to shower his enemies with a stream of destruction, China has already realized the limitations of nuclear weapons. First, they are not very useful. It's not just the moral, economic, and environmental reasons that prevent states from using nuclear weapons — they are bad on the battlefield. Real military leaders don't want more nukes. They want shiny new

conventional weapons they can actually use. Officers' careers stall when they are assigned to staffing the U.S. nuclear arsenal.

Nuclear weapons are also expensive. Militaries can't afford the next-generation conventional technology they want while footing the bill for nuclear weapons. It will cost the United States an estimated \$1 trillion over the next 30 years to maintain the existing nuclear arsenal. Why is it so expensive? These weapons are special, and they come with special risks. You have to keep them safe and secure in addition to operational. These weapons are also old. Parts of these systems will simply age-out unless they are replaced. You need a very skilled workforce to keep them going, and there is a huge age gap as millennials are drawn to the snack bars and salaries of Silicon Valley instead of the dusty corridors of the nuclear arsenal. Other costs haven't even been calculated yet. What is the cost of accidental use? We've had several close calls in the few decades that we've had these complex weapons. How much longer will we stay lucky? By keeping their numbers small, China reduces maintenance costs and the odds of an accident.

Finally, nuclear weapons, once the definitive weapon, are now out of date. Advances in remote sensing, unmanned vehicles, and cyber-capabilities hold nuclear weapons at risk. What use is the weapon if everyone knows where it is and can even disrupt its readiness? Biological weapons are becoming cheaper, and they are more feasible members of the weapons of mass destruction family for states and nonstate actors to obtain. New technology like artificial intelligence, autonomous weapons, and hypersonic boost-glide vehicles are making conventional weapons more attractive to militaries.

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China is thinking smart, not big. Though they are not impressed by the bravado of a large nuclear arsenal, Chinese scholars do call for equally modern nuclear weapons and delivery systems so as not to lose their ability to retaliate in the face of U.S. conventional weapons and ballistic missile defenses. In 2015, the United States assessed that China may have already added multiple independently targetable re-entry vehicles to its intercontinental ballistic missiles.

With its smaller, more cost-effective arsenal, China has had the time and money to project greater sea power than ever before. Proudly launching its own aircraft carrier

and multiple nuclear submarines, it is not above showing off. Beijing is also developing cutting-edge conventional technologies, such as anti-ballistic missile defenses, quantum satellites, drones, hyper-glide vehicles, and cyberweapons. After all, there is more than one way to make a conquest — which China may pull off while Trump and Putin are distracted by the size of each other's nuclear arsenals.

Source: <http://foreignpolicy.com/2017/01/30/chinas-happy-to-sit-out-the-nuclear-arms-race/>

EUROPE AFTER BREXIT BY MATTHIAS MATTHIJS

The United Kingdom's vote to leave the European Union has triggered the worst political crisis the EU has ever faced. Since the early 1950s, the EU has steadily expanded, but on June 23, 52 percent of British voters ignored the experts' warnings of economic misery and opted to leave the bloc. At the annual British Conservative Party conference in October, Prime Minister Theresa May promised to invoke Article 50, which formally begins negotiations and sets a two-year deadline for leaving the EU, by March 2017. Now, given her determination to regain control of immigration and the stiffening resolve of other EU leaders to make an example of the United Kingdom, a so-called hard Brexit—an exit from both the single market and the customs union—is looking increasingly likely. This prospect should lay to rest the once dominant idea that European integration is an irreversible process.

When the United Kingdom leaves, as it almost certainly will, the EU will lose its largest military power, one of its two nuclear weapons states, one of its two veto-wielding members of the UN Security Council, its second-largest economy (representing 18 percent of its GDP and 13 percent of its population), and its only truly global financial center. The United Kingdom stands to lose even more. Forty-four percent of British exports go to EU countries; just eight percent of the EU's exports head to the United Kingdom. The United Kingdom will also face much less favorable terms with the rest of the world when negotiating future trade and investment deals on its own, and British citizens will lose their automatic right to study, live, work, and retire in the 27 other EU member states. What's more, the process of disentangling the country from 44 years of membership will consume a mind-boggling amount of human and financial resources. But the British people have made their decision, and it would be hard, if not impossible, to reverse course.

For the EU, the timing could not be worse. More than seven years after the eurozone debt crisis hit, Europe's economies remain fragile. Russia continues its saber rattling on the eastern periphery. Two of the EU's member states, Hungary and Poland, are rapidly sliding toward illiberal democracy. The refugee crisis has exposed deep divisions across the continent over immigration. Europe seems to be in a perpetual state of crisis. Antiestablishment parties on both the right and the left that question the value of the EU have gained ground, mainly at the expense of centrist Christian democratic and social democratic parties, which have never wavered in their support for further European integration. In the 1957 Treaty of Rome, which established the EU's predecessor, Europe's leaders envisioned "an ever closer union among the peoples of Europe." Six decades on, that notion has never seemed more distant.

The roots of the EU's current crisis can be traced to the 1980s. In the first four decades after World War II, leaders saw the European project primarily as a means of restoring the political legitimacy of their war-torn nation-states. In the 1980s, however, Europe's elites set their sights on a loftier goal: forging a supranational economic regional order over which an enlightened technocracy would reign supreme. The creation of the single market in 1986 and then the introduction of a single currency a decade later seemed to herald a glorious new era of economic growth and political integration.

In reality, however, these steps sowed the seeds of Europe's current crisis. Leaders on the continent failed to set up the institutions that would be necessary to make both the single market and the single currency function properly. They brought about monetary union without fiscal and financial union, leaving countries such as Greece and Italy vulnerable after the Great Recession struck in 2008. Today, Greece's economy is 26 percent smaller than it was in 2007 and remains mired in debt. Youth unemployment there stands at just below 50 percent; in Spain, it remains above 45 percent, and in Italy, it hovers around 40 percent. Europe's leaders always assumed, incorrectly, that future shocks would lead to further integration. But the economic crisis, followed closely by an ongoing political crisis over immigration, has brought the EU to the brink of disintegration.

If the EU is to survive, it must restore the original division of labor between Brussels and Europe's capitals, in which national governments retained discretion over key areas of economic policy, such as the ability to conduct fiscal stimulus and defend national champions. The nation-state is here to stay, and national policies still have far more democratic legitimacy than those imposed by technocrats in Brussels or Frankfurt. The EU needs to give Europe's national governments more, not less, freedom to act.

FROM THE ASHES

The founders of the EU would be disheartened to see what their creation has morphed into. As the British historian Alan Milward argued in his 1992 book *The European Rescue of the Nation-State*, Europe's ruling elites established the European Economic Community (EEC) in the 1950s not to build a new supranational power but to rehabilitate the system of European nation-states after the horrors of World War II. They realized that if their countries were to survive, they would need some degree of continental coordination to help provide economic prosperity and political stability.

Milward argued that increased European cooperation required some surrender of sovereignty, but not the wholesale replacement of the nation-state with a new form of supranational governance. Instead, the EEC was designed in keeping with the idea of

“embedded liberalism”: the postwar consensus that sovereign countries would gradually liberalize their economies but maintain enough discretion over their economic policies to cope with hard domestic times. The EEC’s founding fathers left most political and economic powers with national governments, leaving the EEC to coordinate coal and steel production, agricultural support, and nuclear research, as well as internal trade relations and common foreign economic policies.

This political bargain ushered in three decades of successful European integration by guaranteeing peace and stability and fostering increased trade and prosperity. In the early 1990s, when Milward published his book, European integration had reached its zenith. In 1991, according to Eurobarometer polls, a record 71 percent of EU citizens considered their country’s membership in the union “a good thing”; just seven percent thought it was “a bad thing.”

Yet no sooner had Milward’s thesis appeared than it became outdated. Starting in the mid-1980s, Europe’s elites had begun to transform the nature of the European political project. Led by Jacques Delors, the president of the European Commission, and backed by French President François Mitterrand and German Chancellor Helmut Kohl, they set out to create a new form of supranational governance, rather than using European integration to strengthen the continent’s old system of nation-states. Pan-European rules would take precedence over national policy discretion. Economic integration would trump domestic democratic politics. Europe’s leaders would turn their countries “from nation-states to member states,” as the political scientist Chris Bickerton has put it, as they progressively dismantled the postwar national corporatist state. Delors’ federalist vision required the EU’s member states to surrender ever more sovereignty and gradually weaken the privileged bonds that had existed between national governments and their people. Membership in the EU would no longer entail reinvigorating the nation-state; it would mean caging it.

THE GREAT EXPERIMENT

The first landmark in the transformation of the European political project came in 1986, when French socialists such as Delors and Mitterrand joined forces with conservatives such as Kohl and British Prime Minister Margaret Thatcher to sign the Single European Act. The SEA represented a response to the “Euroclerosis” of the 1970s and 1980s, Europe’s protracted disease of low growth, labor unrest, and high unemployment and inflation. The Treaty of Rome had already established a common market and enshrined “four freedoms” into European law: the free movement of people, services, goods, and capital. But countless national regulations still held back cross-border trade. Only through more deregulation and liberalization, European policymakers argued, could

Europe escape its economic doldrums. And indeed, by 1992, the EEC would become a genuine single market.

The roots of the EU's current crisis can be traced to the 1980s.

But as the Hungarian economic sociologist Karl Polanyi warned in the mid-twentieth century, there is nothing natural about the creation of markets. They require major acts of state power, so that activities that were once “embedded” in local social and political relationships become tradable commodities among anonymous participants. Exchanges need to become “disembedded” from their social context to become market transactions. The SEA was a major exercise in disembedding countries’ markets from their national protections, regulations, and traditions.

The SEA was extraordinarily ambitious. Most countries require people to hold national licenses when they provide services, whether they are designing a house, performing surgery, or offering financial advice. Many governments still monitor and restrict capital and financial flows into and out of their national jurisdictions. All kinds of nontariff barriers, such as national health, safety, and environmental standards, still hold back international trade in goods. But after the SEA, European citizens could move easily among national labor markets, capital could flow freely across European borders, and manufacturers no longer had to deal with a raft of conflicting product standards. A Portuguese pilot could fly for Air France, a Belgian bank could now invest in Greece, and a German driver could buy an Italian Lamborghini without having to worry if it complied with Germany’s technical and safety standards. Intra-EEC trade in goods soared. The single market remained incomplete—fatally, it lacked a unified system for supervising and resolving Europe’s most important banks and monitoring mechanisms to warn of sudden interruptions to international capital flows—but it went much further than any similar exercise in modern history.

Indeed, the political scientists Leif Hoffmann and Craig Parsons have observed that in many instances, the United States’ single market has more rules than Europe’s. In public procurement, for example, the state of California or the city of Chicago can give preference to state or local service providers. Member states of the EU cannot favor national companies. Similarly, the regulation of many services in the United States takes place at the state, rather than the federal, level. A licensed hairdresser who moves from Ohio to Pennsylvania must undergo 2,100 hours of training and pass written and practical exams to obtain a new license. A barber from Berlin, on the other hand, can set up shop in Paris the very next day.

But the EU's experiment in creating a truly free market has come at a price. The increased market competition that the SEA introduced brought widespread benefits, but it also created winners and losers, such as the local producers and service providers in France or the United Kingdom who now faced stronger competition from cheaper Slovakian manufacturers, Polish plumbers, and Romanian contractors. In the boom years, Europe's economies generated enough wealth to compensate the losers. As growth has stagnated, however, large swaths of national electorates have begun to clamor for more protection from the market that the EU built.

Yet because the SEA uprooted European markets from their nationally based democratic politics and social institutions, Europe's governments have given up much of their power to intervene in their countries' economies. To some extent, this process has happened everywhere due to globalization, but European countries embraced the primacy of international markets over domestic politics to a much greater extent than countries anywhere else in the advanced industrial world. As a result, they have found themselves with much less control over their domestic economies than any of their Western peers. And because regulations concerning the EU's single market require only a qualified majority of member states, rather than unanimity, to become law, they can sometimes directly conflict with national interests. For instance, in August 2016, the EU ordered the Irish government to collect \$14.5 billion in unpaid taxes from Apple, despite protestations by the Irish government that low corporate taxes were a key component of its economic model and a "fundamental matter of sovereignty."

"SOMEDAY THERE WILL BE A CRISIS"

The creation of the euro in the Treaty of Maastricht in 1992 represented an even more serious loss of power for Europe's national governments. Elites introduced the euro because they believed that a single market would function properly only with a single currency. They also argued that countries as open and integrated as the EU member states would benefit from ending exchange-rate fluctuations with one another. More quietly, they dreamed of building a common currency that could challenge the global supremacy of the U.S. dollar.

Federalists hailed the euro as another great leap forward toward European unification, but it took Europe even further away from the postwar embedded liberalism that had underpinned Milward's grand bargain. That bargain had left nation-states in control of European integration and had presupposed that democracies needed leeway when times were tough to rebalance their economies toward higher growth or lower unemployment, even if that meant temporarily pausing further liberalization.

The EU's experiment in creating a truly free market has come at a price.

Yet the design of the euro gave Europe's democracies no such freedom. The introduction of the common currency and the European Central Bank, which has a sole mandate to maintain price stability, prevented member states from pursuing their own monetary policies. Austere fiscal requirements, meanwhile, which Germany insisted on, made it much harder for governments to stimulate economic growth by boosting spending during a downturn. The 1997 Stability and Growth Pact mandated low public deficits and declining sovereign debt ratios, but the agreement's name is a misnomer: the pact has undermined social stability and generated little growth. Although national governments often ignored the pact, especially in the early years of the single currency, the EU, at Germany's behest, tightened the rules in response to the euro crisis and rendered any activist fiscal policy all but illegal.

Germany has been the biggest winner from the euro. Because Germany's currency can't appreciate in relation to the currencies of its European trading partners, Germany has held down the real cost of its exports, resulting in a massive trade surplus. But the euro has been a disaster for the rest of Europe. When they created the currency, Europe's elites removed the economic shock absorbers that their countries had traditionally relied on without creating any new adjustment mechanisms. Europe's leaders thought it unwise to establish a genuine fiscal, financial, and political union to complement the monetary union. They rightly judged that their electorates would not accept it, and they assumed that future crises would propel the EU toward further integration. As Romano Prodi, a former prime minister of Italy and then president of the European Commission, observed in 2001, on the eve of the launch of the euro notes and coins, "I am sure the euro will oblige us to introduce a new set of economic policy instruments. It is politically impossible to propose that now. But someday there will be a crisis and new instruments will be created."

But when the crisis struck, the European Central Bank initially refused to ease monetary policy and in fact raised interest rates; meanwhile, national governments could no longer devalue their currencies in relation to those of their main trading partners to boost exports, nor launch fiscal stimulus programs. That left harsh austerity measures as their only option. In the short term, this response only worsened the crisis. Since then, the EU has created some new instruments, including a banking union and a new fiscal compact, which have transferred responsibility for supervising the eurozone's biggest banks from national authorities to the European Central Bank, created a single resolution board to wind up failing banks, and established more intrusive monitoring of national budgets. But the logic of European integration has remained the same: more supranational rules, less national discretion. The German government, for example,

could not step in to rescue Deutsche Bank, once a symbol of Germany's financial prowess, if Berlin judged it to be in the national interest to do so, nor can the Italian government run larger fiscal deficits to counter its chronic lack of economic growth.

INS AND OUTS

It is the crisis over immigration, however, that threatens to trigger the union's demise. The free movement of people within the single market used to be a minor political issue. Most people saw it as a chance for the young to study abroad through the EU's Erasmus and Socrates programs and for the educated and upwardly mobile to get work experience in a different European country. Until the early years of this century, EU-wide migration remained very low.

But when the EU expanded its membership in 2004 to include the former communist countries of central and eastern Europe, intra-EU migration started to grow. EU enlargement to the east created "a Europe whole and free," as U.S. President George H. W. Bush phrased it in 1989, but it also made the union's membership much more economically unequal. In 2004, when Poland joined the EU, its GDP per capita stood at around \$6,600; in the United Kingdom, the figure was \$38,300. These vast differences in income levels encouraged millions of eastern Europeans to head westward. Between 2004 and 2014, for example, over two million people moved from Poland to Germany and the United Kingdom, and almost another two million moved from Romania to Italy and Spain. Such large movements of people have put pressure on the public services and safety nets of the countries receiving them.

Then, in 2015, more than one million migrants and refugees from Afghanistan, Iraq, Syria, and sub-Saharan Africa poured across Europe's borders. The single market had no mechanism to deal with sudden movements of people within it, nor did the EU have any common external migration policy to help absorb a large influx of refugees. National governments, constrained by EU rules over fiscal spending and unable to agree on how to share the burden, have struggled to respond. True, the overall migration numbers remain relatively low, and the net contribution of migrants to their host countries is mainly positive. But many citizens feel that their own governments are powerless and that the EU fails to represent their interests, and so anti-immigrant parties have surged across Europe. For the first time, the EU's commitment to the free movement of people has begun to waver.

The EU does not need any more rules; it needs political leadership.

Eastern European governments, such as those of Viktor Orban in Hungary and Beata Szydlo in Poland, have ferociously defended their citizens' rights to live and work across the EU while refusing EU requests to take in a quota of refugees. Many western European governments are prepared to begrudgingly accept EU quotas on refugees but increasingly question the unlimited nature of migration within the EU. Fears of unlimited emigration from countries such as Turkey, a candidate for EU membership, played a major role in the United Kingdom's decision to leave the EU, and the desire to regain control over immigration to the United Kingdom will likely result in that country's departure from the single market altogether.

TAKING BACK CONTROL So where does the EU go from here? Since the United Kingdom has always been its most reluctant member state, many Europhiles will be tempted to argue that Brussels can now finally push forward with further integration. But that would be a misreading of the current mood in Europe's capitals and a misdiagnosis of Europe's ailment. More Europe is not the answer to the EU's problems.

Instead, Europe's leaders need to return to Milward's basic idea that Europe was meant not to cage its nation-states but to rescue them. Democratic legitimacy, for better or worse, remains with Europe's national governments. There are no technocratic solutions to Europe's political problems. "I don't wish to suggest that there is something inherently superior about national institutions over others," the historian Tony Judt observed in 1996. "But we should recognize the reality of nations and states, and note the risk that, when neglected, they become an electoral resource of virulent nationalists."

European integration has taken so many policy levers away from governments that many citizens have started to wonder what their governments are still there for. As the political economist Mark Blyth and I argue in *The Future of the Euro*, "Without developing a political process to legitimately embed [the eurozone's] economic and financial institutions, the future of the euro will be fragile at best." Restoring growth in the eurozone, fighting youth unemployment, and championing EU political reforms that return some economic power to member states should take precedence over austerity and one-size-fits-all structural reforms.

Distributive policies that create winners and losers need to be legitimized democratically through regular elections and should therefore remain the sole preserve of national governments. Such policies include setting budgetary priorities, determining the generosity of the welfare state, regulating labor markets, controlling immigration, and directing industrial policy. Permitting countries to occasionally break the rules of both the single market and the single currency—by temporarily letting them protect and

financially support key industries, for instance, or institute an emergency break on immigration under certain strict conditions—would empower national elites to deal with specific national problems and respond to voters’ legitimate concerns by giving them a democratic choice over policy.

The EU, meanwhile, should focus on the things that member states cannot do efficiently on their own and that create mutual gains: negotiating international trade deals, supervising systemically important banks and other financial institutions, responding to global warming, and coordinating foreign and security policy. In Euro-barometer polls, about two-thirds of European citizens surveyed consistently say that they support a common foreign policy for the EU. National governments could start with a much more effective pooling of their military resources to conduct joint peacekeeping and humanitarian missions overseas.

The EU does not need any more rules; it needs political leadership. Germany must give up its opposition to eurobonds, or jointly guaranteed eurozone debt instruments, and common deposit insurance, which would go a long way toward providing long-term financial stability in the eurozone by preventing future sovereign bond market contagion and bank runs. It must relax its insistence on tough fiscal rules to allow countries such as Italy and Portugal to engage in aggregate demand stimulus. And it must take the lead in setting up new mechanisms for promoting solidarity within the EU, such as a joint refugee and migration fund, which could make up the difference in temporary shortfalls in local funding and help member states more effectively share the burden of integrating new migrants across Europe.

Germany needs to finally embrace its leadership role. If Germany can overcome its parochialism and recognize that it is in its long-term interest to act as a benign hegemon for Europe—not unlike the role the United States played in the Western world after World War II—there is no reason why the EU cannot emerge stronger from its current malaise. The leaders of the other remaining large member states—especially France, Italy, Poland, and Spain—must reassure Berlin that they are committed to reforming their economies once growth returns, pledge to actively contribute to EU-wide solidarity, and reaffirm that the European project is in their national interests. Collectively, Europe’s leaders need to reimagine what Europe is for and regain control of the process of European integration. Sixty years on from the signing of the foundational Treaty of Rome, Europe needs a new grand bargain, now more than ever.

Source:<https://www.foreignaffairs.com/articles/europe/2016-12-12/europe-after-brexit>