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ECONOMIC
POLICY



SOCIAL POLICY



REGIONAL
INTEGRATION



GOVERNANCE

OIL WARS

Written by Charukeshi Bhatt

The unprecedented drone attack on Saudi Arabia's most important Oil facility has triggered a dangerous blame-game in the middle east, which if not dealt with judiciously, might escalate into an ugly war.

History of Conflict-

The Middle East has become synonymous with conflict. Iran and Saudi Arabia, with their respective bandwagon of allies, have converted the region into a battleground to claim regional dominance. Saudi Arabia which saw itself as the leader of the Muslim World, representing the dominant Sunni strand of Islam, saw its power challenged by Iran, which after the 1979 revolution, brought a revolutionary theocracy into power which represented the Shia sect.

The Iranian revolution got further strengthened after the removal of the Sunni leader of Iraq, Saddam Hussain in 2003. Since then, Iran and Iraq together have posed a challenge to Saudi's leadership in the region. Things got worse with the Arab Spring of 2011, which destabilized the region and Iran and Saudi began mobilizing neighboring nations for greater control in the region. As of now the area stands divided into two regional power blocs- one led by Saudi regionally and backed by the US; and the other led by Iran and comprising of anti-West governmental and non-governmental groups in Yemen, Lebanon and Syria.

The Saudi regime, in an attempt to curtail Iran's growing strength, has been involved in military confrontations with various rebel groups in Yemen and Lebanon. One of these groups functioning in the Yemen, Houthi, has taken responsibility of the September 14th attacks.

The Attack-

The attack has allegedly been executed by armed drones while some analysts claim use of cruise missiles. The oil facilities of the Saudi state-owned Company Aramco, situated in Abqaiq and Khurais

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have been targeted in the early hours of September 14th 2019. The Rebel group from Yemen, Houthi was quick to assume responsibility of the attacks, as they have been involved in executing drone attacks previously also.

Estimated distribution of Shia Muslims in the Middle East



However, the sophistication of the attack and the use of advanced technology has made both Saudi Arabia and the US suspicious of Iran being involved in training as well as orchestrating the attack. US has claimed that the attacks seem to have taken place from some strategic point located to the north of Saudi Arabia, hinting at Iran or Iraq, and not from Yemen which is situated to the south.

Aftereffects of the Attack-

While the massive fire that erupted after the attacks could be controlled, prices of oil rocketed up to nearly 20% on Monday. The attacks potentially could jeopardize the global oil trade as Saudi Arabia exports the greatest amount of Crude Oil in the world, at 7.4 million barrels daily. After US intervened and pledged to make up for the deficit by substituting exports from US oil reserves, the prices came down to \$66 from \$72. Not just this, a statement from the US president Trump also makes clear that it may be considering a military action against ‘those who executed the attacks.’ As of now, Secretary of State- Mike Pompeo has left for Saudi Arabia where he is supposed to meet crown Prince Mohammed Bin Salman and discuss the troublesome Iranian aggression in the region. The verbal exchange between Iran and US has also put the prospects of a possible resolution of the Nuke war in a questionable situation. With the UN general Assembly coming up this month, it is to be seen how the attack and its aftermath affects the meeting.

While US and Iran both look for concrete evidence to bolster their claims of Iranian involvement in the attacks, some in the White House also see a possibility of a UN Security Council Meeting, as this is not just an attack on Saudi Arabia but on global economy.

Another important consequence of the attack has been that Saudi Arabia has become a part of the US led International Maritime Coalition that aims to secure the Persian Gulf region, particularly the Hormuz strait which sees a fifth of the world’s oil trade happen through it. The other members of the group include Australia, UK and Bahrain. The state-run press agency in Saudi Arabia released a statement explaining the kingdom’s accession to this coalition-

“The kingdom’s accession to this international alliance comes in support of regional and international efforts to deter and counter threats to maritime navigation and global trade in order to ensure global energy security and the continued flow of energy supplies to the global economy and contribute to maintain the international peace and security”

This coalition becomes particularly important as the past few months have seen repeated instances of attack on oil vessels and carriers from Saudi, UK and other nations, which US suspects to be carried out by Iran.

Amidst all this, the energy minister of Iran has clarified that the oil facilities will be functioning in their full capacities by the end of this month.

While much details of the attack are yet to be uncovered, what has become evident is that the Middle Eastern conflict has come to a tipping point now, and the slightest of ignition, can lead to a much bigger and devastating crisis.

FINMIN AND THE ECONOMIC SLOWDOWN

Written by Divya Gupta

Finance Minister Nirmala Sitharaman on Tuesday said that the government is fully aware of the ongoing slowdown and is taking measures to revive economic growth. On job losses especially in the auto sector, Finance Minister said that the government is taking inputs and working to tackle the problem. Addressing the media on '100 Days of Bold Initiatives & Decisive Actions' of the government at 2 pm at Chennai, Sitharaman also said that the GST revenue collection needs to be given attention and there is a need to widen the scope and task. India's GDP growth in the first quarter of fiscal year 2019-20 slipped to 5 percent, which is the lowest in the past six years. Nirmala Sitharaman announced a slew of measures over the past month to revive the animal spirit in the economy and check slowing economic growth. Finance Minister Nirmala Sitharaman announced further relief measures for the economy on Saturday to reverse the current economic slowdown. Though the agenda of her conference is not detailed, sources said that the focus of the announcements could be on measures to boost the realty and export sectors. While Prime Minister Narendra Modi said that the first 100 days had been of "development, trust and big changes" in the country, the opposition claimed that the same period was defined by a different set of three letters - tyranny, chaos and anarchy. For this, Sitharaman was/is expected to announce sector-specific solutions and targets. The Centre has been working on measures to boost growth in the housing and real estate sector, a major job creating industry, which has been grappling with record unsold inventory and poor sales. A slowing domestic economy, amid adverse external headwinds such as the US-China trade war and fears of a global recession and fluctuations in oil prices, has made it that much more difficult for the government to buck the trend. In recent weeks, the Centre has announced a slew of measures, including front-loading of public expenditure, a massive ₹100-trillion investment into infrastructure, improved access to credit for businesses, liberal foreign ownership norms and more capital for state-run banks.

India's economy reported its weakest growth in more than six years at 5% in the June quarter. The Reserve Bank of India has projected gross domestic product to expand 6.9% in 2019-20, while most analysts and financial institutions have estimated 6.5-7% growth. Retail prices of different items such as household goods, fuel, food, etc, are likely to have touched a 10-month high in August. CPI inflation rate stood at 3.15 per cent in July, which is projected to have spiked to 3.23 per cent in August. With the current projection, inflation is likely to remain below the RBI's target of 4 per cent for the thirteenth consecutive month, despite aggressive repo rate cuts. At the same time, the manufacturing of infrastructure and construction goods contracted by 1.8 per cent. There was also a steep contraction in the manufacturing of capital goods in the month. India's GDP growth hit a 6-

year low in the fiscal first quarter, mainly pulled down by weak demand in construction, agriculture, and manufacturing. More than the global scenario, the falling demand within India is dragging the economy. GST fitment panel pegs annual revenue loss of Rs 50,000 crore if tax rates applicable on the automobile sector are cut. The GST Council takes the final decision to make any changes in the tax structure of the items under its jurisdiction. The next GST Council meeting is scheduled on September 20, 2019 to revive the slowdown and boost the auto sector ahead of the upcoming festive season. Also, after the Narendra Modi-led government announced a mega PSU bank merger in a bid to create national banks with global presence, analysts say that the move will help to improve efficiency of the banks and spur up the economy. The bank consolidation announced by FM is likely to bring in more synergies among players in the PSB sector after having addressed operational issues and infused more accountability at all levels.

In a bid to arrest the current economic slowdown, Finance Nirmala Sitharaman on September 14 announced further relief measures with a focus on reviving the housing and export sector. In her previous two press conferences, Sitharaman took stock of the slowdown in auto sector, the cash strapped NBFCs and also announced the mega bank merger as well as upfront recapitalization. After nationwide consultations, Sitharaman on September 14th announced several measures w.r.t to exports industry including raising of interest equalization scheme for MSMEs and exporters to 5 percent, replacing Scheme for Remission of Duties or Taxes on Export over MEIS for exports, higher insurance cover, implementation of fully electronic GST refund system, Rs 1,700 crore for export guarantee among others. The finance minister's announcement that an additional Rs 36,000 crore to Rs 68,000 crore will be made available as export credit under the priority sector is definitely good news. The government's plans to boost exports by leveraging technology is also a good step. Coming over to the housing sector, Sitharaman said ECB guidelines would be relaxed for affordable housing under Pradhan Mantri Awas Yojana (PMAY). She further announced a special window worth Rs 10,000 crore for last-mile funding of non-NPA and non-NCLT housing projects. This will provide relief to homebuyers stuck in incomplete projects totaling nearly 3.5 lakh units across the country. Also, amid the demand for GST rate cut by automobile companies, Finance Minister Nirmala Sitharaman on Friday said that it's for the GST Council to decide as she can't do it alone. Adding, she said that the government is aware about the challenges being faced by the firms and is reacting to the issues and many of the government's responses are in accordance with the recommendations by the stakeholders. The wealth creators and job creators would be properly facilitated by the government, Nirmala Sitharaman said. The tax targets given to the various departments are realistic and given after due consideration and discussion. However, she also said that the tax collections will only be buoyant when the economy flourishes. Moreover, government is considering suggestions for the reviving the auto industry. As put by the Finance Minister, mindset of the millennials was a factor behind the slowdown in vehicle sales and the automobile industry.

Her comments on the auto sector slowdown went viral and inspired the hashtag #BoycottMillennials, which people used with jokes and memes on social media. Speaking of job losses and infrastructure spending, the finance minister Nirmala Sitharaman said that all in the government are interacting with all sectors of economy, travelling country, taking inputs and will try to frontload infra spend as much as possible and hence bringing up measures needed to boost economy. Nirmala Sitharaman also mentioned in her press conference about how removing Article 370 was a long-time dream of BJP and the government wants J&K on the same footing as the other states.

In continuation of announcing a series of new measures every week to try and revive the economy, Finance Minister Nirmala Sitharaman announced a number of measures to boost, exports and the

real estate sector. She also announced some tax reforms as well as a mega shopping festival similar to world-famous Dubai Shopping Festival. Bringing new changes and new face to the government of India, the courses as presented by the Finance Ministers bring hopes to millions looking forward to the positive development.

Defining India's Role in the Changing World Order

Written by Mahak Mittal

India has been managing its ties with different global powers (in conflict with each other) to harbour its own interest while keeping in mind changing world order and India's importance in the geopolitical and economic scenario of the globe. India now aims to take greater responsibility for its own future rather than just tilting towards one closed group of nations but will be trying to have fruitful relationships with all simultaneously on the basis of comparative advantage and development for all. On the light of the above statements, I would like to bring out the following 4 major agendas followed by the NDA government, highlighted by PM Modi in the Shangri-La dialogue in 2018, addressing the security challenges in Asia.

1. India won't be a part of one group in this changing power structure across the world and would maintain its "STRATEGIC AUTONOMY", while remaining an independent nation, keeping decision making in its hand.
2. Indo-Pacific is more than India-China and India's approach in this region is defined by inclusiveness, pluralism, co-existence, open-ness and dialogue. It believes that powerful nations can exist together in a world of diversity, without conflict and work together.
3. India wants legitimate relationships in the Indo-Pacific region and thus norms be made by the consent of all stakeholders and not on the power of few.
4. Asia of rivalry holds us all back and thus India has been urging the nations to wisely deal with conflicts. Although it would focus on meaningful partnerships with everyone, it would not choose one side of a divide and pursue its own interests, inclusiveness and diversity.

Modi government has been focusing on establishing friendly relations with all the super powers together. However, given the Pakistan scenario, US-China trade war, Syrian crisis, Afghan war or the recent attacks in the oil facilities of Saudi Arabia, it stills needs to figure out a balance. Realising its importance and growing power, India will have to strategically frame policies regarding non-alignment along with beneficial policies.

The **Centre of Policy Research and Governance (CPRG)**, India strongly believes that in the 21st century an India deprived of gainful opportunities, necessary for the flourishing of a young and emergent India, will prove to be an impediment in the development of human capital and preservation of global security. CPRG thus works towards providing gainful opportunities in an effort to promote the involvement of young people in policy making and politics.



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