

THE WEEK IN REVIEW

June 23-29, 6(4), 2008

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1. COUNTRY REVIEW

A. SOUTH ASIA

AFGHANISTAN

- **NATO again shells Taliban positions inside Pakistan; Kabul charges ISI of involvement in the April 27 Karzai assassination attempt; Pentagon: Taliban safe havens in Pakistan “the greatest challenge to long-term security in Afghanistan”; UNODC: Afghanistan accounts for 92 per cent of the worlds supply of opium**

NATO shelled guerilla positions inside Pakistan again during the week in response to rocket and artillery attacks being launched from there into the neighbouring Khost and Paktika provinces which killed four Afghan civilians.¹ The newly-appointed US military commander in Afghanistan, Gen. David McKiernan meanwhile visited Islamabad on June 27 and held talks with Pakistani officials about the need to control militancy in the tribal areas bordering Afghanistan.²

Kabul on its part has accused Pakistan’s intelligence agency ISI of complicity in carrying out the attempted assassination bid on President Karzai on April 27. A spokesperson for the Afghan intelligence service, Sayeed Ansari on June 25 charged that three of the people involved in the attack were in contact with contacts in Miram Shah, a town in Pakistan’s tribal region of North Waziristan, the main base for the Taliban and Al Qaeda in the region. Ansari asserted that Kabul was not guessing about the involvement of ISI but “saying it precisely.”³

In other developments, 4 coalition soldiers, over 20 insurgents and 13 policemen were killed in different incidents spread across the country. The insurgents were killed in US-led operations in Paktika and in Helmand province.⁴

The Pentagon meanwhile released a report on the resurgence of the Taliban. It described a ‘fragile’ security environment with the likelihood of an increase in the range and frequency of the Taliban attacks. The report termed the Taliban safe haven in Pakistan “the greatest challenge to long-term security in Afghanistan.”⁵

The Russian Ambassador to Kabul, Zamir Kabulov, after a Russia-EU meeting in Brussels on June 26, also painted a worrying picture of the Taliban

¹ “From Afghanistan, NATO Shells Militants in Pakistan,” *The New York Times*, June 23, 2008, at <http://www.nytimes.com/2008/06/23/world/asia/23afghan.html?ref=todayspaper>

² “US army commander in Afghanistan to discuss terrorism with Pakistan,” *IANS*, June 26, 2008, at <http://in.news.yahoo.com/43/20080626/876/twl-us-army-commander-in-afghanistan-to.html>

³ “Afghans See Pakistan Role in Karzai Plot,” *The New York Times*, June 26, 2008, at <http://www.nytimes.com/2008/06/26/world/asia/26afghan.html?ref=todayspaper>

⁴ “22 insurgents killed in Afghanistan,” *IANS*, June 25, 2008, at <http://in.news.yahoo.com/43/20080625/876/twl-22-insurgents-killed-in-afghanistan.html>

⁵ “Pentagon says Taliban has regrouped with resilience,” *IANS*, June 28, 2008, at <http://in.news.yahoo.com/43/20080628/890/twl-pentagon-says-taliban-has-regrouped.html>

threat, noting that the militants were having an influence in more than half of Afghanistan's territory and that they had control in up to 20 percent of the area. Kabulov stressed that strengthened Afghan security forces were the key to handle the threat, instead of any further increase in NATO presence.⁶

The UN Office on Drugs and Crime (UNODC) in its World Drug Report 2008 noted that global opium production had reached 8,870 metric tonnes in 2007, with Afghanistan itself accounting for 92 percent of the world's supply. It pointed out that the 5 southern regions controlled by the Taliban accounted for the bulk of the production, even though it had stabilized or fallen in the rest of the country.⁷

BANGLADESH

- **AL to participate in local elections to be held on August 4**

The Awami League finally decided to take part in the local elections due on August 4 after negotiations with the government. This was after Shiekh Hasina was allowed to go to the US for treatment even though the emergency was not yet lifted.⁸ Reports noted that the AL's decision has put pressure on the BNP to also participate in the elections so as not to lose ground to the AL.⁹

In other developments, the new United Kingdom envoy to Bangladesh, Stephen Evans arrived in Dhaka on June 23.¹⁰

SRI LANKA

- **Top Indian delegation visits Colombo; Govt. reiterates support for a political solution; ACF massacre: Lanka may face world court**

A delegation of top Indian government officials comprising of NSA M.K. Narayanan, Foreign Secretary Shiv Shankar Menon and Defence Secretary Vijay Singh visited Colombo during the week. Though the Indian High Commission stated that the visit was in connection with the upcoming SAARC summit beginning in late-July, reports speculated on the other possible reasons for the visit, on the eve of a possible Sri Lankan offensive on the outskirts of Mullativu targeting LTTE leader Prabhakaran.¹¹ The main opposition United National Party (UNP) urged the government to make a statement explaining the reasons for the 'sudden visit' by the Indian delegation and charged that the visit

⁶ "Taliban influence in Afghanistan growing: Russia," *IANS*, June 26, 2008, at <http://in.news.yahoo.com/43/20080626/884/twl-taliban-influence-in-afghanistan-gro.html>

⁷ "Narcotics surge aids Afghan, Colombia militants: UN," *IANS*, June 26, 2008, at <http://in.news.yahoo.com/137/20080626/362/twl-narcotics-surge-aids-afghan-colombia.html>

⁸ "AL to take part in Aug 4 polls," *The Daily Star*, June 28, 2008, at <http://www.thedailystar.net/story.php?nid=43193>

⁹ "BNP grassroots press top leadership for joining elections," *The Daily Star*, June 29, 2008, at <http://www.thedailystar.net/story.php?nid=43324>

¹⁰ "New UK envoy Stephen Evans arrives today," *The Daily Star*, June 23, 2008, at <http://www.thedailystar.net/story.php?nid=42489>

¹¹ "Secrets behind the secret Indian visit," *Sunday Times*, June 29, 2008, at <http://www.sundaytimes.lk/080629/News/timesnews0013.html>

was being undertaken in a similar context as was witnessed during the Vadamarachi operation in 1987.¹² The delegation on its part met President Rajapaksa, Defence Secretary Gotabhaya Rajapaksa, Senior Presidential Advisor Basil Rajapaksa and Presidential Secretary Lalith Weeratunga. Among issues discussed, other than SAARC, were the ongoing military campaign in the north, security situation in the south, and the absence of a 'southern consensus' through the All-Party Representative Committee (APRC).

The Sri Lankan government meanwhile once again reiterated its commitment to a political solution for the crisis. Foreign Affairs Minister Rohitha Bogollagama stated that the government had informed the international community that it was ready for a negotiated settlement and was willing to adopt a political approach.¹³

In other developments, the French government stated that it would seek support from other countries for the holding of an international inquiry into the brutal massacre of 17 aid workers of the French aid agency Action against Hunger (ACF) in Muttur in August 2006. It is likely that a series of discussions would be held between representatives of France and other EU countries, after France takes over the EU Presidency on July 1. ACF on its part reiterated that it would continue with its international public awareness campaign in France under the slogan - 'Justice for Muttur', to underscore the enormity of the massacre.¹⁴

B. EAST ASIA

CHINA

- **Association for Relations Across the Taiwan Strait (ARATS) and the Taiwan-based Straits Exchange Foundation (SEF) hold talks for first time in 9 years; China and Japan reach 'consensus' on East China Sea; Japanese destroyer docks at Chinese port for first time after WWII**

In line with growing economic interdependence between mainland China and Taiwan, the 2 cross-straits non-governmental organizations - the Association for Relations Across the Taiwan Strait (ARATS) and the Taiwan-based Straits Exchange Foundation (SEF) resumed talks on 12 June, after a 10-year gap. Both sides agreed to resume the emergency liaison officer system to effectively handle emergency cases related to life and safety of property of people on both sides. Discussions were also held on starting weekend chartered flights, setting up of representative offices, and tapping the tourist potential of Taiwan.¹⁵ The

¹² "Why did Indian officials come?" *Daily Mirror*, June 23, 2008, at http://www.dailymirror.wijeya.lk/DM_BLOG/Sections/frmNewsDetailView.aspx?ARTID=18503

¹³ "Govt. reiterates stand for political solution," *Daily Mirror*, June 24, 2008, at http://www.dailymirror.wijeya.lk/DM_BLOG/Sections/frmNewsDetailView.aspx?ARTID=18602

¹⁴ "ACF massacre: Lanka may face world court," *Daily Mirror*, June 24, 2008, at http://www.dailymirror.wijeya.lk/DM_BLOG/Sections/frmNewsDetailView.aspx?ARTID=18613

¹⁵ "Hu Jintao meets delegation, hails cross-Straits talks," *Xinhuanet*, June 13, 2008, at http://news.xinhuanet.com/english/2008-06/14/content_8367535.htm

chartered flights, which had started in 2003, were suspended in 2004 due to disagreement over operation details between the two sides. Thereafter in 2005, an agreement was reached to allow both mainland and Taiwan airlines to operate direct non-stop flights.¹⁶

China had on its part stated that it had no objection to non-governmental economic or cultural exchanges between Taiwan and foreign countries since it took into consideration the needs of the economic development of Taiwan and had benefits for the partner nations.¹⁷ However, Beijing strongly opposed direct government-to-government linkages.¹⁸

China and Japan meanwhile reached three agreements on making the East China Sea 'a sea of peace', including a joint development of a block in the area without undermining the legal positions of each other, and participation of Japanese companies in the cooperative exploitation of Chuanxiao field in accordance with the 'Regulations of the People's republic of China on the Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises'. Beijing noted that this consensus was a transitional arrangement since it was difficult to resolve the demarcation issue on East China Sea within a short period of time. Reports noted that Chinese leaders had raised the concept of "putting aside disputes and making joint exploitation" to address issues of marine rights and interests as early as more than 3 decades ago.¹⁹

In other developments, for the first time after the end of World War II, a Japanese maritime Self-Defense Force destroyer arrived in China on June 24 as part of a five-day visit to deliver earthquake relief. Late in 2007, a Chinese missile destroyer 'Shenzhen' had also docked in Japan. Both sides reiterated that these visits would normalize relations between the two countries and promote peace, stability, and mutual trust in the region.²⁰

MYANMAR

- **G-8 nations pledge continued aid for Myanmar; Junta reshuffles cabinet and top military posts**

The foreign ministers of the Group of Eight (G-8) industrialized countries - United States, Japan, Germany, France, Britain, Italy, Russia and Canada - in a joint statement issued during the two-day meeting ending in Kyoto on June 27

¹⁶ "Mainland, Taiwan organizations hold first talks in 9 Years," *Xinhuanet*, June 12, 2008 at http://news.xinhuanet.com/english/2008-06/12/content_8352205.htm

¹⁷ "Why does the Chinese Government have no objection to non-governmental economic or cultural exchanges between Taiwan and foreign countries?" November 15, 2000, at <http://www.fmprc.gov.cn/eng/ljzg/3568/t17794.htm>

¹⁸ "What are the basic contents of the policy of "peaceful reunification; one country, two systems?" November 15, 2000, at <http://www.fmprc.gov.cn/eng/ljzg/3568/t17794.htm>

¹⁹ "Vice Foreign Minister Wu Dawei talks About the Principled Consensuses Reached Between China and Japan on East China Sea Issue," June 19, 2008, at <http://www.fmprc.gov.cn/eng/wjdt/wshd/t449918.htm>

²⁰ "Japan navy destroyer on first China visit since WWII," 24 June, 2008, at http://news.xinhuanet.com/english/2008-06/24/content_8429752.htm

pledged to continue aid for reconstruction. They however called on the Myanmarese authorities to improve transparency in its receipt of international help, as well as for the release of Aung San Suu Kyi and other political prisoners.²¹

The ruling State Peace and Development Council (SPDC) meanwhile reshuffled two cabinet positions and elevated the navy's commander-in-chief to a ministerial post. State-run radio and television announced on June 20 that the SPDC reshuffled Maj. Gen. Maung Maung Swe, Maj. Gen. Saw Lwin, and Vice Adm. Soe Thein. While Maung Maung Swe would continue to act as the minister for social welfare, relief and resettlement, he would no longer head the ministry of immigration and population. The change was apparently made to allow him to concentrate on relief and resettlement efforts in the wake of Cyclone Nargis. Saw Lwin will take over as minister of immigration and population, leaving his previous post as minister for industry. Adm. Soe Thein has been named the new minister for industry.²² Further, reports noted that the SPDC has reshuffled its military commanders. The chiefs of four of the junta's six Bureaus of Special Operations (BSOs) were also retired.²³

Meanwhile, the UN Office on Drugs and Crime (UNODOC) in a new report entitled *World Drug Report 2008* released on June 26 noted that illicit cultivation of opium and coca in Myanmar - the raw materials for heroin and cocaine, has risen by 29 per cent. The UN report noted that most of the production was in the southern Shan state, where rebels were seeking autonomy.²⁴ In other developments, Myanmar has signed an \$87 million loan agreement with India.²⁵

C. WEST ASIA

IRAQ

- **Over 40 civilians and 9 US soldiers killed in spurt in violence; GAO criticizes Bush administration's measures of progress; US Senate approves \$160 bn in war funds**

Series of bomb blasts in Mosul and in Anbar province killed over 40 people during the week. The Islamic State of Iraq (Al Qaeda in Iraq) claimed

²¹ "G-8 Nations Pledge Continued Aid for Burma," *Irrawaddy*, June 29, 2008, at http://irrawaddy.org/today.php?art_id=178

²² "Junta Reshuffles Cabinet, Top Military Posts," *Irrawaddy*, June 24, 2008, at http://www.irrawaddy.org/article.php?art_id=12870

²³ "Reshuffle Could Signal Changes at the Top," *Irrawaddy*, June 24, 2008, at http://www.irrawaddy.org/article1.php?art_id=12921

²⁴ "Burma 'Insurgents' Share Blame for Opium Rise, Says UN," *Irrawaddy*, June 29, 2008, at http://irrawaddy.org/today.php?art_id=177

²⁵ "Myanmar signs \$84 mn loan deal with India," *The Hindustan Times*, June 25, 2008, at <http://www.hindustantimes.com/StoryPage/Print.aspx?Id=7fcf8511-cc35-40d4-82d9-18cff8ac0eb>

responsibility for the June 26 suicide attack in the town of Garmah, near Fallujah, Anbar province that killed over 20 people.²⁶ At least 9 US soldiers also died in the latest spurt in violence even as the Pentagon in a report covering the period from March-May asserted that violence levels in the country had fallen between 40-80 per cent. The report noted that this reduction was due to the increase in US troop levels as well as due to better coordination of security operations with Iraqi forces.²⁷

Another study by the Government Accountability Office (GAO) released in the week criticised the measures of security, economic and political progress that the Bush administration was using to determine the improving situation. It pointed out that improvement in the security situation for instance was not due to advances in political and social reconciliation or due to a functioning Iraqi government, but rested on a few fragile developments. These included the increase in American troop strength, a shaky cease-fire declared by militias loyal to al-Sadr, and an American program that paid former insurgents not to take up arms again.²⁸

Iraqi authorities have meanwhile criticised a US raid near Kerbala, which was conducted without the knowledge of the local authorities. The governor of the province termed the raid as "...barbaric and a violation of Iraqi sovereignty" as this was in an area under the control of Iraqi security forces. Reports noted that the disagreements would further hamper the ongoing negotiations over the Status of Forces Agreement (SOFA).²⁹

In other developments, the US Senate approved over \$160 billion in funds for the wars in Iraq and Afghanistan, taking the total amount spent on these wars since 2001 to over \$800 billion.³⁰ The House of Representatives had passed the same measure in the previous week.

IRAN

- **Larijani announces setting up of a special economic committee to study the government's economic reform plan; Rafsanjani condemns the slow implementation of the amended Article 44**

Iran's Majlis speaker Ali Larijani announced the establishment of a special economic committee to study the government's economic reform plan on June 23. This was after a joint meeting of the Majlis and the cabinet that deliberated on measures to cut energy and bread subsidies and instead transfer subsidies

²⁶ "Al Qaeda in Iraq group claims suicide bombing," IANS, June 28, 2008, at <http://in.news.yahoo.com/43/20080628/896/twl-al-qaeda-in-iraq-group-claims-suicid.html>

²⁷ "Pentagon reports sharp drop in violence in Iraq," IANS, June 23, 2008, at <http://in.news.yahoo.com/43/20080624/890/twl-pentagon-reports-sharp-drop-in-viole.html>

²⁸ "Government Study Criticizes Bush Administration's Measures of Progress in Iraq," *The New York Times*, June 24, 2008, at <http://www.nytimes.com/2008/06/24/world/middleeast/24gao.html?ref=todayspaper>

²⁹ "Iraqi officials angered by U.S. raid near Kerbala," IANS, June 29, 2008, at <http://in.news.yahoo.com/137/20080629/362/twl-iraqi-officials-angered-by-u-s-raid.html>

³⁰ "U.S. Congress passes new Iraq war funds," IANS, June 27, 2008, at <http://in.news.yahoo.com/137/20080627/362/twl-u-s-congress-passes-new-iraq-war-fun.html>

directly to families with lower incomes. Mr. Larijani called on the government to move carefully with regard to the economic reform plan and to examine properly all aspects regarding the likely impact of such a plan. The chairman of the Majlis Economic Committee Mesbahi-Moqaddam added that the Ahmadinejad government intended to reform the banking, tax, and insurance sectors along with other aspects of the macroeconomic system.¹

In other developments, the Expediency Council Chairman Akbar Hashemi Rafsanjani criticised the government for the slow implementation of the Article 44 of the Iranian Constitution, which was amended to foster economic competition through privatization measures. The Supreme Leader of the Islamic Revolution Ayatollah Ali Khamenei had issued a decree in July 2006 to privatize state industries by amending Article 44 of the Constitution, which had banned private ownership of state institutions.²

D. US ELECTION REVIEW

- **American Muslim community express disillusionment with Obama; Obama and Clinton hold first joint public appearance; AFL-CIO, America's largest labor union, supports Obama; McCain proposes a \$300 million prize for a battery operated car**

Recent reports have indicated that the American Muslim community was increasingly getting disillusioned by Sen. Barack Obama's campaign that has consistently attempted to distance itself from them. American Muslims were among the earliest of Obama supporters, attracted by his message of "change" that they believed would go a long way in assuaging the negative opinion that most Americans have of them. The fact that Sen. Obama was yet to make a public appearance at a mosque has not gone down well with the community. Incidents like Rep. Keith Ellison, the country's first Muslim congressman, being asked to cancel the speech he volunteered to make on Mr. Obama's behalf at a mosque in Cedar Rapids - one of the nation's oldest Muslim enclaves, on grounds that it might stir controversy, have also exacerbated a sense of betrayal within the community.³¹

Sen. Obama and Sen. Clinton meanwhile began hectic parleys to unify the Democratic vote that was splintered by the divisive and emotive primary contest. Discussions between the two sides were being held to crack a thicket of issues, including the repayment of Mrs. Clinton's campaign debt of over \$12 million, her role at the Democratic convention, among other issues. Clinton on her part introduced some of her top donors to Obama on June 27 and on the next day, both of them appeared together in their first-ever post-primary public appearance in the town of Unity, a heavily choreographed event held on the

³¹ Andrea Elliot "Muslim Voters Detect a Snub From Obama," *The New York Times*, June 24, 2008, at <http://www.nytimes.com/2008/06/24/us/politics/24muslim.html?th=&emc=th&pagewanted=print>.

grounds of an old elementary school attended by a 30,000-strong audience.³² However, other prickly issues remained, including the role of former president Bill Clinton. Mr. Obama was also yet to make the symbolic gesture of writing a cheque for \$2,300, the maximum allowable campaign donation, to help retire her debt. The Obama side has also pointed out that they were constrained by the financial demands of the upcoming November elections.³³

Adding another feather in the Obama hat, the AFL-CIO, America's largest labor organization, endorsed the candidature of Sen. Obama on June 26, calling him "a champion for working families." The umbrella organization, which has more than 56 labor unions with an outreach of more than 13 million registered voters in 24 states, planned to send volunteers to the homes of 300,000 union voters and spend \$200 million in the 2008 presidential, Senate and House races.³⁴

After having alienated the environmental groups for supporting the Bush proposal to lift the congressional ban on offshore drilling, Sen. McCain has proposed, if elected, to announce a prize of \$300 million to anyone who could make better battery-operated cars. The Obama campaign's economic policy director, Jason Furman pointed out that McCain was focusing on relief for oil companies "struggling with record profits" and that he had also voted against a bill imposing better fuel-efficiency standards in the Senate. The McCain camp responded by highlighting their candidates strong opposition to corn-based ethanol subsidies that have led to a spike in the prices of corn. Mr. McCain on his part has reversed his earlier position of completely opposing the use of corn-based ethanol as a fuel - a position he has espoused when he competed for the presidential elections in 2000, due to the present steep rise in oil prices. He however continued to oppose 'subsidies' given to the production of ethanol.

The Obama and McCain camps continued to trade barbs on economic issues. In a speech in Albuquerque, New Mexico, keeping in mind the crucial working women constituency, Obama proposed among other measures 7 paid sick days for all employees, extending the Family and Medical Leave Act to cover any company with 25 or more employees (the act now applied to those with 50 or more employees), and criticized Sen. McCain for his opposition to legislative action to help bring wages of women equivalent to those of men. The McCain campaign retorted by charging that the legislation would do more to help trial lawyers, who have supported Obama's campaign.³⁵

³² Mark Leibovich and Jeff Zeleny, "Obama and Clinton Hold First Post-Primary Event," *The New York Times*, June 28, 2008, at http://www.nytimes.com/2008/06/28/us/politics/28obama.html?_r=1&th=&emc=th&pagewanted=print

³³ Adam Nagourney and Jeff Zeleny, "Obama and Clinton in Talks to Unify Party," *The New York Times*, June 26, 2008, at <http://www.nytimes.com/2008/06/26/us/politics/26unity.html?th=&emc=th&pagewanted=print>

³⁴ "Largest labor organization endorses Obama," *CNN News*, June 26, 2008, at <http://www.cnn.com/2008/POLITICS/06/26/campaign.wrap/>.

³⁵ Michael Cooper, "McCain Proposes a \$300 Million Prize for a Next-Generation Car Battery," *The New York Times*, June 24, 2008, at

II. INTERNAL SECURITY REVIEW

JAMMU AND KASHMIR

- **PDP pulls out of coalition government; Demonstrations continue against the transfer of forest land to Shri Amarnathji Shrine Board**

The coalition government in J&K on June 28 plunged into a major crisis as its key partner, the People's Democratic Party (PDP), withdrew support over the issue of land transfer to Shri Amarnathji Shrine Board.³⁶ Meanwhile, more than 50 people, including the Jammu and Kashmir Liberation Front (JKLF) Chairman Yasin Malik were wounded on June 28 as violent protests continued in the Kashmir valley. Hurriyat Conference chairman Mirwaiz Umar Farooq also urged the government to revoke the land transfer order.³⁷

Earlier on June 27, the entire Kashmir valley observed a total shutdown against the issue of the land transfer with demonstrators shouting anti-government, pro-Azadi, pro-Pakistan and pro-militant slogans. Reports noted that it was for the first time after the massive demonstrations of 1990-93 that thousands of people took part in such demonstrations.³⁸

Meanwhile, Pakistan Peoples Party (PPP) chief Asif Ali Zardari termed as 'solvable' the Kashmir issue with India and called on both the countries to not allow slow progress over the matter to be an obstacle for cooperative work in other matters. Zardari also called for the establishment of a Commission between the two countries, with the involvement of Kashmiri leaders, to work out their respective positions in foreign and defence affairs. Zardari's vision statement was read out at a conference organised by *Tehelka* magazine in London on June 27.³⁹

MAOIST INSURGENCY

- **Maoists kill two villagers, blast school building in Bihar**

On June 21, unidentified Maoists killed two villagers after bombing a classroom of a school, a resource centre and four rooms of a Jain dharamsala in Vashisth Nagar near Chatra in Bihar. The Maoists left pamphlets alleging that their targets were working as police informers and warned others of similar consequences.⁴⁰

<http://www.nytimes.com/2008/06/24/us/politics/24campaign.html?ntemail1=y&emc=tnt&pagewanted=print>

³⁶ "PDP pulls out of J&K government," *The Hindu*, June 29, 2008, at <http://www.hindu.com/2008/06/29/stories/2008062957530100.htm>

³⁷ "Yasin Malik among 50 injured in unabated Kashmir violence," *The Hindu*, June 29, 2008, at <http://www.hindu.com/2008/06/29/stories/2008062959810800.htm>

³⁸ "Demonstrations, shutdowns all across Valley," *Daily Excelsior*, June 28, 2008, at <http://www.dailyexcelsior.com/web1/08june28/news.htm#7>

³⁹ "Kashmir solvable problem: Zardari," *Daily Excelsior*, June 29, 2008, at <http://www.dailyexcelsior.com/web1/08june29/news.htm#2>

⁴⁰ "2 killed, school blasted," *Telegraph*, June 24, 2008, at http://telegraphindia.com/1080624/jsp/frontpage/story_9454802.jsp

NORTHEAST INSURGENCY

- **A section of ULFA announces a unilateral ceasefire in Assam; Reports: Chinese arms best choice for NE insurgents**

A section of the United Liberation Front of Asom (ULFA) belonging to the Alpha and Charlie companies of the 28 battalion – reportedly the outfit’s most potent military unit, declared a unilateral ceasefire on June 24. ULFA has four battalions, the 28, 27, 109 and 709, with each comprising three companies each.⁴¹ The Alpha and Charlie comprised about 150 cadres. Hours before the unilateral ceasefire, 51 ULFA cadres belonging to the 28, 709 and 27 battalions laid down their arms before the Army in Jorhat and Baksa districts respectively.

Meanwhile, the Assam Police arrested senior Peoples’ Consultative Group (PCG) member Hiranya Saikia from Guwahati on June 22 on charges of his alleged link with ULFA. Saikia is the second PCG member to be arrested within four months.⁴²

In Nagaland, 8 Naga insurgents were killed in two separate clashes between the Isak-Muivah and Khaplang factions of the National Socialist Council of Nagaland (NSCN) near Dimapur on June 26.⁴³

Sentinel quoting unspecified intelligence sources reported that a huge quantity of Chinese arms has started reaching the Northeast insurgent outfits. The traditional suppliers of illegal arms coming into the Northeast - Cambodia and Thailand, were now being replaced by Chinese arms and other sophisticated weapons trafficked along the international borders with Myanmar and Bangladesh. According to the report, the Myanmarese insurgent outfit, United Waa State Army (UWSA), was playing a major role in the trafficking of Chinese arms. Sources further indicated that the arms reached the North East through at least four corridors passing through the Barak Valley.⁴⁴

III. NUCLEAR REVIEW

INDIA

- **Left-UPA trade charges over nuclear deal, Karat accuses PM of deepening crisis; UPA-Left committee to meet to finalise findings; Government decides to go to IAEA to finalise safeguards agreement**

A lot of political heat was generated over the nuclear deal in the past couple of weeks. After spending a considerable amount of political capital trying to

⁴¹ “Ulfa crack units declare ceasefire,” *Telegraph*, June 25, 2008, at http://telegraphindia.com/1080625/jsp/frontpage/story_9460105.jsp

⁴² “Second PCG member arrested for Ulfa links,” *Telegraph*, June 23, 2008, at http://telegraphindia.com/1080623/jsp/frontpage/story_9449720.jsp

⁴³ “Eight more die in Naga turf war - Chiang Mai conclave has no effect on warring groups,” *Telegraph*, June 27, 2008, at http://telegraphindia.com/1080627/jsp/frontpage/story_9470432.jsp

⁴⁴ “Chinese arms best choice for North-east rebel outfits,” *Sentinel*, June 24, 2008, at http://sentinelassam.com/sentinel_en/main%20news.htm

bring the Left parties to see reason over the nuclear deal, it seemed that the government had made up its mind to go to the IAEA.⁴⁵

Left parties on their part charged that the current political crisis was a result of the Prime Minister, Dr. Manmohan Singh's renewed bid to go to the IAEA.⁴⁶ Earlier in the week, the UPA-Left committee on the nuclear deal met on June 25 and decided to hold another meeting in due course to finalise its findings. The meeting was earlier scheduled to be held on June 18 but was postponed at the last moment.⁴⁷ Reports noted that the Left parties pointed out that after going to the IAEA, it would be the US which would take further steps in getting the waiver from the Nuclear Suppliers Group (NSG). This would in essence put the deal on 'auto pilot' and leave little scope for India's viewpoints to be considered in further developments.⁴⁸

Most of the UPA allies on their part have indicated to the government that they opposed early elections, in view of the current inflationary economic situation. This was conveyed by the Nationalist Congress Party President Sharad Pawar, Rashtriya Janata Dal chief Lalu Prasad and Lok Jan Shakti leader Ram Vilas Paswan in their meetings with Congress president Sonia Gandhi.⁴⁹

IRAN

- **US leak of Israeli air exercise leads to war of words between Iran and Israel; EU decides to impose new round of sanctions against Iran**

In the deepening crisis surrounding Iran, Iranian foreign minister, Manouchehr Mottaki stated that he did not believe Israel was in a position to attack his country over its nuclear programme.⁵⁰ The comments were the latest war of words between the two countries following the US leak of an Israeli air exercise reported to be a practice for possible bombing of Iran's nuclear sites.⁵¹

In other developments, the EU decided on June 23 to impose new sanctions against Iran - including an asset freeze on its biggest bank, over its refusal to meet demands to curb its nuclear program. It has however stated that

⁴⁵ "Govt bites N-bullet, to go to IAEA in July," *Times of India*, June 29, 2008, at http://timesofindia.indiatimes.com/Govt_bites_N_bullet_to_go_to_IAEA_in_July/rssarticleshow/3176099.cms

⁴⁶ "Karat blames PM's fresh N-deal bid for current crisis," *Rediff News*, June 27, 2008, at <http://www.rediff.com/news/2008/jun/27ndeal2.htm>

⁴⁷ "Congress-Left near break-up on nuclear deal," *The Hindu*, June 19, 2008, at <http://www.hinduonnet.com/thehindu/thscrip/print.pl?file=2008061958540100.htm&date=2008/06/19/&prd=th&>

⁴⁸ Vinay Kumar, "UPA-Left committee to meet again to finalise findings," *The Hindu*, June 26, 2008, at <http://www.hindu.com/2008/06/26/stories/2008062657730100.htm>

⁴⁹ Gargi Parsai, "UPA allies oppose early election," *The Hindu*, June 24, 2008, at <http://www.hindu.com/2008/06/24/stories/2008062450150100.htm>

⁵⁰ "Israel In No Position to Attack Iran: Minister," *The New York Times*, June 29, 2008, at <http://www.nytimes.com/reuters/world/international-iran-israel-mottaki.html?sq=nuclear&st=nyt&scp=11&pagewanted=print>

⁵¹ "Leaked Israeli Drill Seen as U.S. Pressure on Iran," *The New York Times*, June 22, 2008, at <http://www.nytimes.com/reuters/news/news-israel-iran-nuclear.html?sq=nuclear&st=nyt&scp=8&pagewanted=print>

the door remained open to possible talks over an international package of incentives delivered to Tehran earlier in the month by its foreign policy chief Javier Solana to enable Tehran to suspend its uranium enrichment.⁵²

NORTH KOREA

- **North Korea hands over nuclear declaration; Rice; Yongbyong cooling tower dismantled**

North Korea handed over its much-delayed and eagerly-awaited nuclear declaration on June 26, outlining details about Pyongyang's plutonium-production program. US Secretary of State, Condoleezza Rice in a joint press conference with the South Korean Foreign Minister Yu Myung-hwan in Seoul however stated that North Korea had not still addressed US suspicious of enriching uranium and proliferation of technology to countries like Syria.⁵³ She was on a visit to Japan, South Korea and China.⁵⁴

The declaration was followed by the destruction of the Yongbyong cooling tower. Sung Kim, the US State Department's top expert on the Koreas who attended the demolition, termed it as "a very important step in the disablement process."⁵⁵

IV. ENERGY SECURITY REVIEW

MARKET

- **Saudi conference on oil prices ends inconclusively; Oil touches \$142 per barrel; Oil sands to be considered as a source of oil reserves**

The much-hyped conference of producers and consumers convened by Saudi Arabia the previous week proved inconclusive in the end. Riyadh on its part did announce an increase in crude oil production to the tune of 200,000 barrels per day and a further expansion of their output capacity, if needed, in the coming years. The news however failed to make any dent in the spiraling oil prices that reached \$135 a barrel. Reports noted that the market had already anticipated an immediate production increase and consequently, the possible impact of the Saudi announcement was limited. Some analysts had anticipated that the Saudis might announce a bigger increase, which was however not forthcoming.

⁵² Mark John, "EU states back new sanctions on Iran," *Washington Post*, June 23, 2008, at http://www.washingtonpost.com/wp-dyn/content/article/2008/06/23/AR2008062300255_pf.html

⁵³ "Rice Calls on North Korea to Come Clean on Uranium," *The New York Times*, June 28, 2008, at <http://www.nytimes.com/reuters/news/news-korea-north.html?sq=nuclear&st=nyt&scp=4&pagewanted=print>

⁵⁴ "Rice heads to Asia for critical North Korea nuclear talks," *Channel News Asia*, June 24, 2008, at http://www.channelnewsasia.com/stories/afp_asiapacific/view/355968/1/.html

⁵⁵ "North Korea destroys nuclear reactor tower," *Washington Post*, June 28, 2008, at http://www.washingtonpost.com/wp-dyn/content/article/2008/06/27/AR2008062700817_pf.html

Having failed to form any consensus on how to deal with the price rise, the one-day conference further exposed the sharp fissures between the oil producers and consumers. While the big consumers such as US, Japan and Britain continued to maintain that poor oil supply was the cause of the price rise, the producers led by Saudi Arabia stressed on the role played by speculators. Both sides however converged in pointing out that rising demand from India, China and other developing countries was the main contributing factor. Saudi King Abdullah on his part called on the OPEC to pledge \$1 billion to help developing nations deal with the effects of soaring energy costs. The Saudis themselves would contribute an undetermined share.⁵⁶

In other developments, the US Securities and Exchange Commission (SEC) announced that unconventional oil sources such as oil sands and shale would be included as reserves of oil and gas for the first time under new regulatory proposals issued on June 26. The proposal would allow companies to disclose their 'probable' and 'possible' reserves to investors, in contrast to only 'proved' reserves that they could disclose currently. Reports noted that the announcement was a response to significant changes in the oil and gas industry in the past three decades and was expected to have a significant impact on the oil markets, as reserves reporting - used as a key measure by investors for assessing a company's long-term financial prospects, had been a hugely sensitive issue in the past.⁵⁷

Oil prices meanwhile continued their rise, irrespective of the Saudi announcement of the production increase, and in spite of the slight fall in the wake of the Chinese decision to reduce subsidies on petrol in the previous week. Oil traded above \$142 on July 27 after gaining \$5 a day earlier.⁵⁸

GEOPOLITICS

- **Energy security main agenda at Russia-EU summit**

Russia and EU concluded a summit-level meeting on June 27 in Russia's West Siberian city of Khanty-Mansiysk on a new agreement to replace the Partnership and Cooperation Agreement (PCA), which entered into force on December 1, 1997. The summit concluded with a joint statement which noted that Russia and the EU would hold their first round of talks on new strategic relations in Brussels on July 4. The statement further affirmed that the new agreement to replace the PCA would be built on international obligations

⁵⁶ Robert F. Worth and Jad Mouwad, "Agreements Are Elusive at Oil Talks in Saudi Arabia," *The New York Times*, June 23, 2008, at <http://www.nytimes.com/2008/06/23/world/middleeast/23saudi.html?th=&emc=th&pagewanted=print>.

⁵⁷ Joan Chung, "Oil sands included as reserves," *The Financial Times*, June 27, 2008, at <http://www.ft.com/cms/s/0/4ea93dac-43e7-11dd-842e-0000779fd2ac.html>

⁵⁸ Michael Grynbaum and Julia Werdigier, "Oil Hits New High as Dow Flirts With Bear Territory," *The New York Times*, June 28, 2008, at <http://www.nytimes.com/2008/06/28/business/28oil.html?ntemail1=y&emc=tnt&pagewanted=print>.

binding Russia and the EU, and would contain corresponding institutional clauses to ensure the effectiveness of Russia-EU cooperation.

Energy security remained the core of Russia-EU relations. Prime Minister Janez Jansa of Slovenia, which currently holds the rotating EU presidency, asserted that energy cooperation between Russia and the EU would be intensified. Russian President Medvedev on his part stated that Russia would continue with plans to build the new North Stream and South Stream natural gas pipelines under the Baltic and Black Seas, adding that these were commercial projects which should not be politicised.⁵⁹

Note: This issue does not include POK Review and the sections on Pakistan, and Nepal.

⁵⁹ "Russia EU launch Talks on new strategic relations," *Xinhuanet*, June 28, 2008, at news.xinhuanet.com/english/2008-06/28/content_8452402.htm.