

# Opinion & Analysis



William Pesek

**W**HEN Nouriel Roubini ranks the geopolitical flashpoints that could rock global markets, Russia's Ukraine adventure doesn't top the list.

Nor do the nuclear programmes of Iran and North Korea, nor the "arc of instability" from the Maghreb to the Hindu Kush. Dr Doom's number one worry? China, which is more than confirming his fears as it bullies smaller Vietnam and the Philippines over disputed territories in the South China Sea.

Bloody riots have erupted across southern and central Vietnam after China

deployed an oil rig near the Paracel Islands last week and started drilling. Angry and disoriented as they are, officials in Hanoi face a stark reality: In Asia, there's no recourse, no Nato-like institution to referee or tamp down international tensions.

Thais face a similar realisation, for very different reasons. As yet another government unravels and protesters fill the streets, officials have nowhere to turn for support or advice.

The best the Association of Southeast Asian Nations (ASEAN) could muster at a weekend summit was to urge a "peaceful resolution" in Bangkok. The lack of a respected and impartial regional institution is a key reason why Roubini has doubts about Asia's stability. The need for one has rarely been greater: It should worry the world that Raytheon, Northrop Grumman, and the rest of the US military-industrial complex are rushing to Asia to profit from its arms race.

Meanwhile, Japan's Self-Defence Forces are experiencing a recruitment surge. In the land of the salaryman, the National Defence Academy isn't traditionally a route to the top echelons of business or government.

Obama delighted Abe in Tokyo last month when he warned China that the US-Japan defence treaty covered the islands being administered by Japan.

Yet it's seeing the biggest spike in applications in 26 years as a deepening territorial dispute with Beijing fuels national pride. This comes at a time when Prime Minister Shinzo Abe is reinterpreting Japan's pacifist constitution, enabling Tokyo to deploy troops overseas to help allies in trouble.

Does that mean Abe would send soldiers to the Philippines if China encroached further on territory disputed by the two countries? It's always a possibility. The even bigger question is how US President Barack Obama reacts if China and Japan

## QUOTE OF THE DAY

Life is like a roller coaster; you get jerked one way and another, and you never know what's around the corner, but you just have to sit back to enjoy the ride. – Unknown

# Uniting Asia can justify Obama's Nobel prize

come to blows near islands Japanese call Senkaku and Chinese call Diaoyu.

Obama delighted Abe in Tokyo last month when he warned China that the US-Japan defence treaty covered the islands, which are administered by Japan.

But Obama is dreaming if he thinks the two Asian powers can peacefully resolve their disagreements on their own. This is a blood-soaked 80-plus years in the making. Japan's invasion of Manchuria in 1931 and the 1937 Nanjing Massacre, a tragedy all too many of Abe's cronies prefer to deny, occurred before Obama's mother was born.

This cluster of uninhabited rocks is a proxy for China's wartime humiliation and Japanese resentment over a postwar order that some believe unfairly maligned their country. Neither side will relent. The risk of gunfire is rising by the day.

The year ended in March saw a record number of Japanese fighter jets scrambled against Chinese aircraft. In total, Tokyo deployed jets 810 times, up from 567 the previous year. All it takes is one midair collision.

The same goes for the fast-increasing number of ships navigating disputed waters. A single mishap, over-reaction or

misperception would change the geopolitical calculus at Obama's Pentagon. That's why building an intergovernmental alliance to devise codes of conduct, and provide a forum to defuse tensions and contain military conflict, should be the cornerstone of Obama's Asia pivot.

ASEAN, let's face it, is out of its depth, leaving members Brunei, Malaysia, the Philippines and Vietnam to try to settle disputes with Beijing on a bilateral basis.

Thais, meanwhile, are on their own amid domestic chaos, the economic effects of which could go regional. The Asia-Pacific Economic Co-operation group is a lame talkshop all on its own. Only if China believed its voice is equal to all others will it sign on. Even then it's hard to feel optimistic about the chances of success.

Bringing Asia together will require epic amounts of brinkmanship and political capital on both sides of the Pacific. But if Obama succeeds, he'll do more than help the Roubinis of the world sleep better at night – he'll earn that Nobel Peace Prize once and for all. – Bloomberg

William Pesek is a Bloomberg columnist.

Putin sits comfortable in new union with Chinese



LOOKING EAST

Leonid Bershidsky

**R**USSIAN President Vladimir Putin has achieved what Western leaders feared: he has cut a big, long-term deal to supply natural gas to China, a pivot to the Far East that makes Russia much less vulnerable to whatever sanctions the West might impose.

The gas contract had been 10 years in preparation, mostly because the parties haggled relentlessly over the price. The parameters of the deal made public by Alexey Miller, the chief executive of Russia's near-monopoly gas producer, Gazprom, suggest the final price will be roughly \$10 (R104) per million British thermal units (mmBtu).

That is less than Russia may have wished for, but about as much as it makes sense for China to pay. Data from Platts suggest that the weighted average price of gas from Myanmar, Turkmenistan and Uzbekistan came to about \$10.14 last year. This year Gazprom expects to export its gas at an average price of \$10.62 per mmBtu, but traditional consumers in Europe are trying to bargain it down.

Crucially, the deal opens up a major new market in case Europeans make good on their threat to cut their dependence on Russian gas supplies.

China has signed up to import 38 billion cubic metres a year, more than its total pipeline imports last year (they reached 27.7 billion cubic metres) and about 20 percent of Russia's export volume for last year. China can easily take more, too.

The country currently gets two-thirds of its energy from coal, which it is eager to replace with gas for environmental reasons. The current gas imports are a drop in the bucket compared with the potential market size.

Two more bonus points: it's likely that China will help Russia finance the enormous infrastructure investment – estimated at more than \$30 billion – required to uphold its end of the deal, and China will probably be paying in yuan, making the deal safe from any Western sanctions.

A joint statement signed ahead of the deal sounds like an anti-Western pact. Echoing the Russian position on the Ukraine crisis, it contains this thinly veiled invective against the US and EU policies: the parties stress the necessity of respecting nations' historic heritage, their cultural traditions and their independent choice of socio-political system, value system and development path, of counteracting interference in other countries' domestic affairs, of rejecting low-fat, unilateral sanctions, or organising, aiding, financing or encouraging activity aimed at changing the constitutional system of another country or drawing it into any multilateral bloc or union.

Coupled with a spate of smaller contracts and agreements, this is all Putin could have wished for. China apparently sees no downside to strengthening its partnership with Russia. It is getting a reliable source of much-needed energy and easier terms for companies wishing to invest in Russia's vast natural resources.

As for the West, it is dependent on China to produce its industrial goods and maintain a high level of investment in its public debt. Beijing is unlikely to suffer any political fallout from embracing Putin when he is a pariah in Western capitals.

The only problem for Putin is that China is the stronger partner in the alliance: the Beijing talks were politically much more important for Putin than for his Chinese counterpart, Xi Jinping. Russia could end up China's satellite if it does not at least partially rebuild a relationship with the West. That, however, is a problem Putin can deal with later. – Bloomberg

# Fulfilling hopes of a nation is a huge obstacle for Modi

## POLITICAL DYNAMICS

### the Globalist

Stephan Richter

IT IS a rare moment in global politics when the political dynamics of India, the largest democracy, mimic those of the US. But here we are: Narendra Modi, India's incoming Prime Minister, is hailed with the same sense of excitement and boundless expectation as Barack Obama when he was elected the 44th president of the US in the 2008 elections.

Both elections were labelled historic. In the US case, it was the arrival of the first black man in the nation's highest office. In India's case, it is about having somebody from truly humble roots as prime minister. But whenever one deals with bouts of hype, caution is well advised. In the US, it was Oprah Winfrey, the talk show host, who first referred to Obama as "the one".

The fact that all but the most ardent supporters of Obama are disappointed – and certainly no longer believe in his "chosenness" – contains an important message for today's India. The odds are that the "dream" is not going to come to pass.

No doubt that a can-do politician like Modi is sorely needed. India is stuck with an outdated infrastructure, a stagnating manufacturing sector, insufficient job creation... crony capitalism and a host of environmental issues.

It is, however, unlikely that the other political forces are simply going to roll over for him. For Modi, the obstacles don't just include the upper house, in which he lacks the votes for the implementation of key legislative measures – and the consent of which is needed for passage.

**India is stuck with outdated infrastructure, a stagnating manufacturing sector, insufficient job creation... crony capitalism and a host of environmental issues.**

There are also the manifold regional interests all across India. They will be driven by one simple insight: Modi may have received a 51 percent majority in the lower house, but he only received a total of 31 percent of the votes cast.

The one key stumbling block in India is the same as in the US. Both countries have fiendishly complex political systems, with vested interests that are deeply entrenched, if at all movable. In addition, individual states can – and will – easily assert their will, which can stop any thoughts of a national agenda in its tracks.

The other big stumbling block is the prevalence of incredible expectations. Come to think of it, whether in India, the US or elsewhere, the outlandish belief in the near-magical powers of a single man (or woman) are first and foremost a direct reflection of the underlying complexity of the political system as such.



Hindu nationalist Narendra Modi, who will be the next prime minister of India, wears a garland presented to him by his supporters at a public meeting in the western Indian city of Ahmedabad on Tuesday. Modi fought back tears after sweeping to power. PHOTO: REUTERS

## Modi's landslide poll victory unleashes new political tsunami in India

**NARENDRA** Modi's landslide victory in India's polls has swept aside the long-dominant Congress party and left many of the most high-profile politicians clinging on for dear life after staggering electoral losses.

Modi's campaigners hailed the tidal wave of support for the Hindu nationalist who demolished rivals ranging from India's top low-caste politician to its most famous anti-corruption activist and a widely admired chief minister.

Nitish Kumar, the former chief minister of Bihar, whose government was fated for engineering a turnaround in the once crime-wracked state, resigned after his party was decimated. Kumar's Janata Dal (United) party won just two seats while Modi's Bharatiya Janata Party (BJP) swept the state, one of the country's most populous and poorest, taking 22 seats.

Political analyst Paranjay Guha Thakurta described the result as an "all-India tsunami in favour of the BJP", signifying that most people voted "for a change at the centre, ignoring the otherwise strong

track record of regional leaders like Nitish Kumar".

With the exception of a handful of states in southern and eastern India, which had long lacked a significant Congress or BJP presence, the anti-incumbent vote went to Modi, Thakurta said.

Kumar's loss at the hands of former BJP allies came less than a year after he cut ties with the party over its decision to field Modi, a popular but divisive figure, as a prime ministerial candidate.

He said Modi's role as chief minister of western Gujarat state during religious riots in 2002 would alienate voters. More than 1 000 people – mainly Muslims – were killed in the clashes.

The Modi landslide also buried other rivals, including "Dali Queen" Mayawati, a former chief minister of Uttar Pradesh state and champion of India's low-caste Dalit community previously known as "untouchables". Her Bahujan Samaj Party won no seats in the electorally pivotal state.

Moreover, Modi's success at painting

himself as an unifying leader left scant room for opponents who traditionally relied on votes from specific castes, communities or religions.

"We enter a new, less predictable phase of Indian democracy, as more citizens slip loose from their caste, religious or political traditions to vote as individuals," Sunil Khilnani, the director of King's College London's India Institute, wrote.

The results plunged the Congress into its worst crisis in years, leaving party leaders reeling after their seat count slid to 44 from 206 in 2009.

Commentators said Aam Aadmi leader Arvind Kejriwal, who led rousing rallies against graft for months before entering politics in November 2012, overstretched when he took on Modi in a high-stakes battle for a seat in the Hindu holy city of Varanasi. "Kejriwal understood there's a new-generation Indian whose time had come, but he didn't have Modi's political acumen," said BG Verghese of the Centre for Policy Research in Delhi. – Sapa-AFP

is hard to manage in any efficient and integrated way.

Which leaves us with one final thought: all of us might put too much importance onto the centrifugal forces in smaller and/or lesser nations. A yearning for separation and autonomy does not just concern the Scots, Catalonians, Nigerians or Iraqis of this world. As things stand, it is a live wire issue in India and the US as well.

It would be a miracle indeed if Modi managed to transcend that profound challenge and unite his country via his person. One can certainly hope for that, but might be better off not to expect it.

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## DIARY

### McDonald's mascot cooks up a storm as social media views disagree

MCDONALD'S restaurant chain says its new "Happy" mascot will bring "fun and excitement" to its children's meals, but social media contend the toothy, red box-shaped character will have the opposite effect.

Twitter responses to McDonald's mascot announcement on Monday complain that the animated red Happy Meal box, with its cavernous dark mouth and rows of large white teeth, is scary and will bring children nightmares instead of joy.

"It's the meal that eats you," said one comment. Another said: "I didn't want to sleep tonight anyway, it's cool."

The character will be introduced nationwide today. Oak Brook, Illinois-based McDonald's said in a statement that it would encourage kids to enjoy healthy food choices, like fruit, vegetables and low-fat dairy.

In response to the criticism on social media, McDonald's spokeswoman Lisa McComb noted that since 2009, the character had been

"loved and well-received by children and families in Latin America and Europe".

"Social media is a great place to have a conversation and express an opinion, but not all comments reflect the broader view," McComb said on Tuesday.

The restaurant chain, which had its annual shareholders' meeting yesterday, has often been the focus of criticism over the fast-food industry's penchant for offering indulgent, high-calorie food. – Reuters