

INSIGHTS

 SYNERGIA FOUNDATION

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AUKUS & THE INDO-PACIFIC



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AR. NO. 01

HISTORICAL ALLIES JOIN FORCES, AGAIN

Reinforcing their military bonds tempered over the heat of many conflicts, the U.S., UK and Australia have come together to confront emerging threats.



Major General Ajay Sah, SM, VSM (Retired) is the Chief Information Officer at Synergia Foundation.

On September 15th, Prime Minister Scott Morrison of Australia, Prime Minister Boris Johnson of U.K. and President Joe Biden of the U.S. jointly announced the formation of the AUKUS Defence and Security Partnership. The joint statement left no doubts that the focus was entirely on defence cooperation - "Through AUKUS, our governments will strengthen the ability of each to support our security and defence interests, building on our longstanding and ongoing bilateral ties. We will promote deeper information and technology sharing. We will foster deeper integration of security and defence-related science, technology, industrial bases, and supply chains. And, we will significantly deepen cooperation on a range of security and defence capabilities."

While China was not named, the inference was quite clear in the opening paragraph of the joint statement, which states, "we resolve to deepen diplomatic, security and defence cooperation in the Indo-Pacific region." Artificial Intelligence, quantum technology, cyber warfare, long-range strike capabilities and a nuclear component are primary areas covered by the pact. It may be noted that in all these areas, there is direct competition between China and the U.S. for supremacy.

The icing on the cake for Australia was the arming of the Royal Australian Navy with at least eight nuclear-powered (not nuclear-armed) submarines, "to bring an Australian capability into service at the earliest achievable date." Australia would be the second country, after UK, with whom the U.S. will be sharing its closely guarded nuclear submarine technology. France, which was left out of the partnership,

was further humiliated as Australians promptly cancelled a \$ 66 billion deal for French conventional submarines. Petulantly, it recalled its ambassadors from the U.S. and Australia in protest.

The Chinese were not pleased, and their Washington embassy released a statement urging the three countries not to use nuclear exports to "play geopolitical games" at the cost of third countries. The timing of such a declaration was not surprising as tensions with China see no signs of abating, and after the muddled American exit from Kabul, the Chinese lead the pack in making conciliatory manoeuvres towards the Taliban. With a powerful UK carrier group venturing into the South China Sea and Australia at odds with China on several counts, the partnership further reinforces the strong military ties that bind these three nations.

A PARTNERSHIP STEEPED IN BLOOD

While critics may derogatorily call this an exclusive 'Anglo Saxon Club', the linkages between the three allies go deep into history. The AUKUS may be a brand-new acronym, but the strong military partnership between these three nations goes back very far. Both the U.S. and Australia are "Anglosphere nations" sharing a common pedigree, having been British colonies that banded together in various Western alliances.

During the early part of the Pacific campaign in World War II, Imperial Japan had knocked on the doors of Australia, having conquered New Guinea and the Solomon Islands. It was the U.S. armed forces who, along with ANZAC forces (Australian and New Zealand), evicted the Japanese forces from these threatening deployments in the Pacific at the cost of thousands of lives.

After the war, as the power of Great Britain subsided and Pax Americana reigned supreme, especially in the southwest Pacific, the ANZUS treaty of 1951 was signed between the U.S., Australia, and New Zealand. Under this pact, the Australians fought shoulder-to-shoulder with their American allies in Korea, Vietnam, Gulf War and Iraq. After

9/11, the pact was invoked for the hunt for Osama bin Laden in Afghanistan. Since 2011, American Marines and Air force units have been regularly rotated in bases within Australia for joint training, despite strong protests by China and Indonesia.

CHINA IN CROSSHAIRS?

It is apparent that the alliance aims to face up to the growing maritime strength of the People's Liberation Army in the Indo-Pacific region.

“The emphasis on nuclear submarines is significant as it highlights China's lack of capacity to deal with this deadly and stealthy weapons system.”

Aircraft carriers, the backbone of American hard power, are increasingly becoming vulnerable to growing Chinese capability in stand-off attacks on these behemoths. The Eurasian Times (17 September), has quoted an American military expert, Douglas Macgregor, who highlights this vulnerability, “The unified effort of the expanding submarine fleets is a profoundly important development. China's missile defences can cope with any challenge on the surface, but they are powerless to cope with modern nuclear-powered subs in deep water. This raises yet again the spectre of a truly effective blockade at sea.”

Nuclear submarines will enable the Australian Navy to supplement American (and Indian) naval capacity in the Indo Pacific in a significant manner, allowing Australian platforms to roam freely over the larger Pacific region, including the hotly contested South China Sea. This would definitely act as a dampener on Chinese assertiveness. Chinese observers feel that the growing success of the Chinese Maritime Silk Route through the region is the ultimate target as the western countries feel threatened by its economic success and potential.

However, unless China provokes an incident or gives cause, the pact will have no reason to interfere with Chinese trade within RCEP or with its Asian trading partners. This is important, as it will allow China to continue to increase its comprehensive national power, which is largely based on its economic strength, allowing it to continue to progress towards its ultimate goal of overcoming the U.S. as the No 1 economic power in the world.

FRENCH FURY

Having been kept out of the loop, France has been seething throughout the process. It also stands to incur severe financial loss due to the cancellation of the submarine deal. This could be because of the independent line that Paris has always maintained vis à vis Washington, unlike London, which has always toed the line of its larger partner. Clement Beaune, the Secretary of State for European Affairs, was scathing in his criticism of UK, calling it “vassalisation”.

France is in possession of a chain of territories in the

Indo Pacific with a military presence in many of these areas. There is a genuine belief in the country and elsewhere that France could have contributed in a meaningful manner to any joint defence in the region. The Opposition in France has asked the government to quit NATO in protest, an extreme step that appears a bit far-fetched at this juncture when Russia is on the rise in Eastern Europe.

GEOPOLITICAL MANOEUVRES

Vietnam, and the Philippines, and to some extent, even Indonesia, may gain confidence if the AUKUS makes a visible presence in the Indo Pacific in general, and the South China Sea in particular. The littorals of the South China Sea would hope that the renewed interest of powerful western countries towards this region would help in curbing Chinese belligerence.

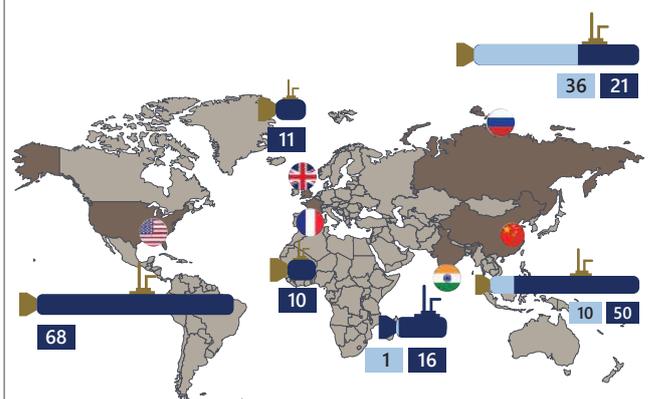
Japan and South Korea, deeply enmeshed with China for economic reasons, have kept a low profile and are unlikely to openly take sides at this juncture. For India, the coming together of this powerful combination with a focus on the Indo Pacific would be good news as it increases the military pressure on Chinese ambitions. At some point in time, India too, with its fast-increasing maritime capabilities, could find itself joining forces with AUKUS in a credible manner.

The Quad (Australia, India, Japan, and the US.) pales in comparison, considering the unambiguous military content of the AUKUS and the clear determination to resort to military means. Sadly, the QUAD lacks this robust response mechanism, as all the participating nations are not confident of each other's ability to respond militarily in support of any beleaguered member. However, the U.S. has assured that the AUKUS will have no negative impact on the QUAD, something which has been reiterated by the U.S. Deputy Secretary of State Wendy Sherman in her recent visit to India.

THE UNDERWATER WAR

Number of military submarines in service by country

■ Nuclear-powered ■ Other propulsion methods



Sources: Indian Navy, Nuclear Threat Initiative, Forbes, Royal Navy, Marine Nationale

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AR. NO. 02

THE PRISM OF INDIAN EXPERIENCES

India can ill-afford to ignore the state of affairs in Afghanistan, which is a pivotal part of the country's immediate neighbourhood.

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RESEARCH TEAM

This article is based on the 107th Synergia Forum titled 'Afghanistan: What Next'. It featured Mr. Krishnan Srinivasan, the former foreign secretary of India, as a keynote speaker.

In 2001, the U.S. led invasion of Afghanistan had come as a geopolitical boon for India, as it disrupted the safe sanctuaries available to various anti-India groups. New Delhi had felt comfortable with the American and NATO presence in Afghanistan for 20 years, during which it benefited from the uneasy peace. In fact, it had made good use of the relatively stable environment provided by the Western forces to engage in several high profile and meaningful development projects at considerable cost. The sudden collapse of the Ghani regime, therefore, came as a surprise, and now the ground has moved under its feet. It is estimated that India has invested about \$3 billion on 150 civil infrastructure projects in Afghanistan over the past twenty years. These have undoubtedly been to the benefit of the Afghan people, and these projects are now at risk of being destroyed or misused or put to purposes for which they were not intended. Stability and peace are not going to return to Afghanistan any time soon, and the situation remains extremely fluid. The Indian government must be prepared to react almost on a day-to-day basis with the evolving situation. As articulated by Shakespeare, "There is a tide in the affairs of men. Which, taken at the flood, leads on to fortune."

REVISITING THE GREAT GAME

The Taliban leadership has been touring world capitals such as Doha, Moscow, Istanbul, Tehran, Beijing and Islamabad over the last couple of years. They have been effectively based in Pakistan, which was instrumental in bringing the Taliban to talks in Doha, to which India was not invited to be a participant. On its part, India has also never invited the Taliban to New Delhi, while they have been guests

at various other regional capitals. Now, with effect from August 16th, the Indian Embassy has been withdrawn from its privileged location in Kabul, within hours of the Taliban take over and the flight of the former President Ashraf Ghani. In contrast, all the other regional players and Russia are in Kabul and have had discussions with the Taliban. With no diplomatic presence in Kabul, India is the odd man out. This places the country at a serious disadvantage. Apparently, the government has prioritised personnel security over strategic and locational advantage. Given that the country has got embassies in several dangerous places on earth, the underlying logic of this decision may be revisited in the years to come. It must be remembered that Kabul was one of the best-protected embassies of the country in recent years. As far as Washington is concerned, it has been able to preserve a close understanding with the Taliban on certain issues, despite the ignominy and chaos that accompanied its departure. For example, it has publicly praised the Taliban for its cooperation during the evacuation process. China, like other regional players, has also been quick to establish contact with the Taliban in Kabul. Despite the initial friendly overtures, however, the country will have one common consideration like Iran, Russia and India i.e. the export of terrorism. As a result, it will be extremely vigilant on this

EXPERT



INSIGHTS

Mr. Krishnan Srinivasan, Former Foreign Secretary of India, 107th Synergia Forum: 'Afghanistan: What Next'

“We have had dialogues with several disagreeable regimes like North Korea or the former regime of Pol Pot in Cambodia. The question of morality does not need to come into the picture. In my view, we need to get back to bilateral business as quickly as possible and that means our flag must fly in Afghanistan.”



Mr. Y.K. Sinha, Chief Information Commissioner of India and former High Commissioner to the United Kingdom, 107th Synergia Forum: 'Afghanistan: What Next'

“By withdrawing our ambassador temporarily, I do not think we are abandoning or writing off Afghanistan. I am sure that discrete and not-so-discrete contacts with the Taliban are already happening. I think we need to demonstrate strategic patience and be very conscious of the security threat posed to us. It is much better to wait and watch how things are developing.”

front. It is amply clear that, as of today, Pakistan has emerged as the most influential country in Afghanistan. In fact, the visit of the head of ISI to Kabul on the eve of announcing the new governing leadership had created immense media speculations in India and abroad. Also, the active role of the Pakistani military in the final battle in the Panjshir Valley remains shrouded in a cloak of secrecy. However, India should not assume that Pakistan's influence will last forever. If the Taliban regime manages to develop international connections, there is going to be a downside to Pakistan's own privileged influence there..

INDIA'S NIGHTMARES

The Americans had anticipated that the Taliban would one day form the government in Afghanistan, at least for the past one year. In fact, the Doha talks were predicated on this assumption. According to Mr. Krishna Srinivasan, the former Foreign Secretary of India, “the Americans wanted out, the Taliban wanted in, and the previous government led by Ashraf Ghani found itself as the man in the middle”. In contrast, it appears that New Delhi remained strangely unprepared for the Taliban takeover. For India, the most pressing problem is the presence of groups like the Islamic State, the Al-Qaeda, Lashkar-e-Taiba and other militant organisations in Afghanistan. An even bigger worry is that the malignant Haqqani network seems to be an integral part of the Taliban leadership. Based on its past experiences, there is understandably a deep suspicion and prior aversion to the Taliban among official circles in India. Mr. Srinivasan, the former foreign secretary, recapitulates the Indian experience when the Taliban had first come to power a quarter of a century ago.

“The Indian experience was highly negative. The Taliban was considered to be an adjunct of the Pakistan military and the ISI. They were suspected of activities adverse to India, and they were definitely involved in the Pakistan hijacking of an Indian civil aviation aircraft that ended in Kandahar. When Omar Shaikh was released from prison in India, he went on to commit awful crimes. Old memories die very hard, and they influence current thinking.” However, Taliban is a reality that cannot be ignored. Therefore, India

must open channels of negotiations. According to Mr. Srinivasan, “The past is never a good guide to the future. We have to forget what happened from 1996 to 2001 when the Taliban were last in power in Afghanistan. We have got to judge engagement with the Taliban based only on one simple proposition – does it help to advance and safeguard our national interests. We don't need to trust the Taliban. We only have to observe and verify their behaviour.”

REACHING OUT TO TALIBAN

Since the Taliban has been proscribed as a terrorist organisation by the UN, there are questions about whether it be morally correct for India to negotiate with them. The reality, however, is that the ground situation has changed considerably. Even the UN Security Council has refrained from referring to Taliban as a proscribed organisation in its recent statements and resolutions. Moreover, when it comes to its national interests, India has never hesitated in practising realpolitik; it maintains relations with many countries which have deplorable human rights records. For instance, it has had dialogues with several disagreeable regimes like North Korea or the former government of Pol Pot in Cambodia. The question of morality, therefore, need not come into the picture. Indian diplomats need to remain pragmatic and get back to bilateral business as quickly as possible, and that means that the Indian flag must fly in Afghanistan.

“The country must re-establish its diplomatic mission in Kabul at the earliest, leveraging its position as the strongest and richest SAARC member with the most credible institutions.”

After all, Afghanistan is in its immediate region, and continues to be a member of SAARC. Even if the regional grouping has been on the decline in recent years, it remains relevant. Apparently, there have already been some discussions with the Taliban in Doha to this effect. This was not surprising because many statements had emanated from the Taliban spokesperson, which indicated that the group would like to open relations with India. However, any such discussion should directly focus on Indian interests and expectations. For its part, New Delhi needs to exercise strategic patience with respect to Afghanistan. While not abandoning the Afghan people, it must remain realistic with regard to the security threats posed to it.



AR.
NO. 03

CHINKS IN ASIA'S ARMOUR

Asia is buffeted by a wave of security challenges, which makes it imperative for India to be at the forefront of a global concert of nations that ensures lasting stability.



Mr M K Narayanan was the National Security Adviser of India from 2005 to 2010. He also served as the Governor of West Bengal from 2010 to 2014. This article is based on his key talking points at the Plenary Sessions of the 'World Policy Conference' held in October 2021 in Abu Dhabi.

In today's troubled world, Asia resembles 18th Century Europe, with its varied nations wracked by geopolitical rivalries and working at cross purposes with each other. Amidst all of them, China stands like a glowering giant, casting an ominous shadow over its neighbours. The series of alliances and pacts that have recently emerged in Asia and in the wider Indo-Pacific region, such as the QUAD and the AUKUS, reflect these widespread concerns.

Yet another country that symbolises the shambolic nature of Asian security is Afghanistan. Most countries in the region, especially democracies like India, have every reason to feel concerned over the recent developments in this country. With Pakistan and even China seizing to fill the vacuum left by the U.S. and NATO in the country, neighbouring countries India and the Central Asian Republics are deeply concerned.

Though distant from Indian shores, there is hardly any need to underscore the serious nature of the China-Taiwan rivalry, which has intensified of late. This alone has the potential of becoming a major global conflagration that would embrace superpowers, such as the U.S. (and its close NATO allies) and China, apart from countries in the vicinity.

The fact that China is the common factor in most conflicts in Asia, will serve to remind people of Francis Fukoyama's warning that the new global strategic threat comes not from Islamic terror but from China. The world

cannot set aside this innate wisdom, and any serious discussion on China-American rivalry cannot but factor this into their calculations.

THE INDIAN DILEMMA

From an Indian standpoint, the two most serious issues of concern are its immediate neighbours - Pakistan and China. One is the legacy of the erstwhile British Empire and its imperialist priorities, while the other is of relatively recent origin. While India has fought three-and-a-half wars with Pakistan (excluding the simmering proxy war waged through its proxies since the late 1980s), its tensions with China erupted in the late 1950s, following the backstabbing incursions of the PLA in 1962.

These tensions continue to fester, leading to sporadic border skirmishes and frequent sabre-rattling. Since 2020, the Line of Actual Control (LAC) with China in Ladakh has become a 'hot' border. Currently, the two largest nations of Asia, India and China, are in a state of (undeclared) confrontation. They share several thousand kilometres of an undefined, un-delineated (and contentious) border and have an uneasy relationship at best.

This is now threatening to turn into an ugly conflict in the wake of China's unprovoked aggression in the Galwan Heights in Eastern Ladakh in the spring of 2020. Both sides have since substantially increased their military presence in this region, as also in many other sectors of the border. Among Asian nations, India is, perhaps, the only country that appears to have properly comprehended China's plans and the strategic imperatives behind China's Belt and Road Initiative (BRI), refusing to become a part of it.

Today, many countries in Asia are not only willing to acquiesce in China's moves but have also ceded ground to China in return for economic and other favours. India's warm relationship with many of the countries in the region that are at the receiving end of China's aggressive behaviour - and its own heightened tensions with China - means that it would be more than willing, and has the ability, to play

a lead role in cementing an anti-China coalition of forces. India also has the moral authority to secure the backing of most Asian countries - with the sole exception of Pakistan - for any such endeavour.

THE INDO-PACIFIC PIVOT

Checkmating China's expansionist ambitions is crucial for the future of Asia, if not the world. There have been periods in the past when the U.S. has uttered brave words about the need to counter China whenever Sino-U.S. rivalries seemed to escalate- the 'US pivot to Asia' at the turn of the Century is one of them. However, U.S. priorities appear to change with every new administration, in contrast to China which seems able to keep going ahead and ensure that most Asian nations remain in its thrall, apart from sending a warning to countries further afield.

“The question uppermost in Asian minds is whether the U.S. today is willing to ‘bite the bullet’ and ‘walk the talk’ when it comes to a confrontation with China.”

Their concerns are real, given the historical events of recent decades. Since Vietnam, the U.S. has seldom stood its ground when situations warranted it - Afghanistan being the latest example. It appears that other than India and possibly Vietnam, few Asian nations demonstrate a willingness to stand-up to China.

Another question that warrants an answer today is whether arrangements such as the Quadrilateral Security Dialogue (QUAD) and the very recently established Australia-United Kingdom-the United States (AUKUS) partnership mark a new beginning and a determination on the part of the U.S. to counter China. If so, it would necessarily take U.S.-China rivalry to a new high, with major consequences for the future of the region. A distinction has, however, to be made between QUAD and AUKUS. The former is essentially a plurilateral grouping that has many other facets, apart from security. The AUKUS, on the other hand, is essentially a security pact. Many countries in the region, India included, would welcome a display of determination and direction on

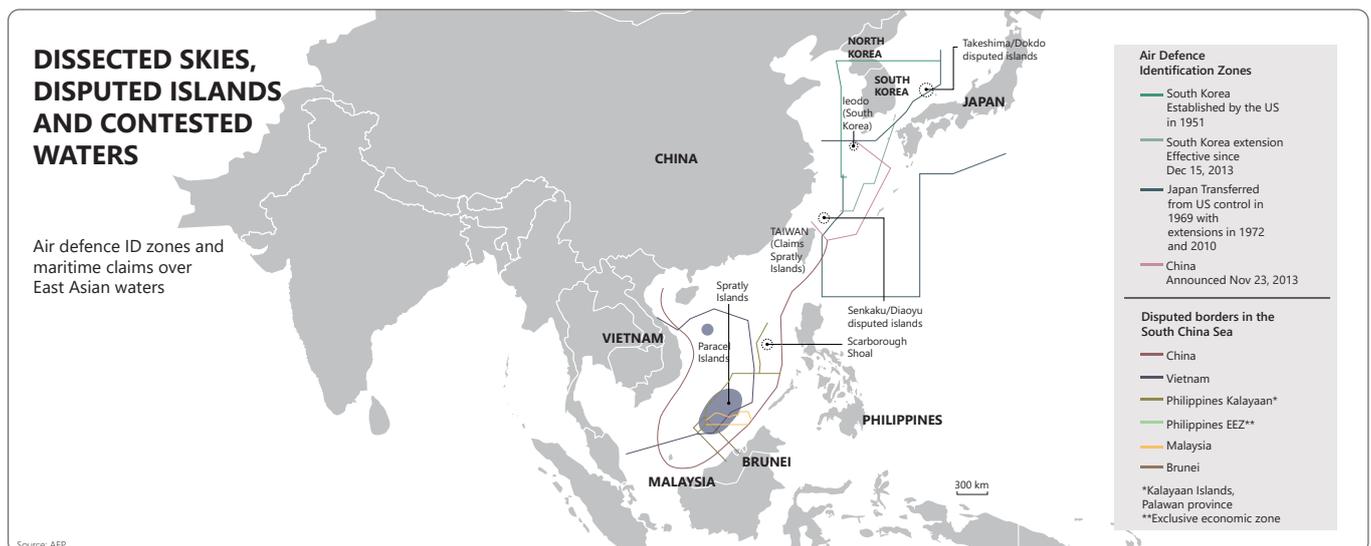
the part of the U.S. The true success of these new groupings will, however, depend on the implementation of their plans. Given the recent brouhaha between France, and the U.S., UK and Australia, there is a real concern in Asia whether the new arrangements will indeed achieve the signal purpose of restricting and containing China.

PERPETUALLY ON THE BOIL

As far as Afghanistan is concerned, Taliban's ability to govern its disparate sections, even though it has achieved control as of now, is a question that begs an answer. After weeks of dilly-dallying, it has announced a government consisting solely of Pashtuns but have since expanded it to include certain other tribes like Tajiks, Hazaras and Uzbeks. The result sheet of two decades of foreign intervention in Afghanistan has essentially been negative. None of the objectives sought to be achieved by the U.S. and NATO-led intervention have been achieved. The primary objective of U.S. intervention in Afghanistan, viz., to destroy terror networks such as Al Qaeda, for instance, has not happened.

The Al Qaeda network, far from being destroyed, has returned in force. It is, perhaps, stronger today. Newer outfits such as Daesh, the Islamic State as well as ISIS-K, have lately made their presence felt across the region. Can the Taliban ensure stability in Afghanistan? This remains highly doubtful. There are too many contrary influences at work. Apart from the fact that Afghanistan is hardly a country understood in modern times, it has never been in the nation's DNA to accept centralised authority.

What is, perhaps, of even greater concern for countries in its neighbourhood is that the newly constituted Afghan Government comprises several individuals who figure in terror lists worldwide, including that of the United Nations and countries like the U.S. Also not to be underestimated is the strong possibility of an internal power struggle between its two main strands, viz., The Quetta Shura and the Miran Shah Shura controlled by the Haqqani network, which is linked to Pakistan. It could result in endemic violence along tribal fault lines leading to disastrous consequences, not only for Afghanistan but for the Asian region, and in particular, South Asia.



THE GREAT GAME ONCE AGAIN

The geopolitical impact of the Taliban takeover in Afghanistan is only beginning to unfold. It is, however, unlikely to enhance peace in the Asian region or even beyond. As of now, what is apparent is that different countries are responding to the Taliban in different and diverse ways, based on their individual calculations. This is very different from the situation that prevailed in the 1980s and the 1990s when the Taliban were completely isolated, and Pakistan was its sole benefactor.

Today, China is apparently willing to risk dealing with a Talibanised Afghanistan, given its mineral wealth and strategic location. This, notwithstanding the fact that China is deeply concerned about the possible links between the Taliban and its Uighur minority. Russia, for its part, has not shunned a Taliban Afghanistan, partly because it has been in touch with the Taliban in recent years and in the backdrop of its Eurasian ambitions.

This newfound affinity for the Taliban is not confined to the major powers only. Quite a few nations of West Asia – including it would seem Iran – also seem to display a willingness to have dealings with a Taliban-led Afghanistan and are finding ways and excuses to do so. Pakistan is the one nation, though, that has openly welcomed the Taliban takeover.

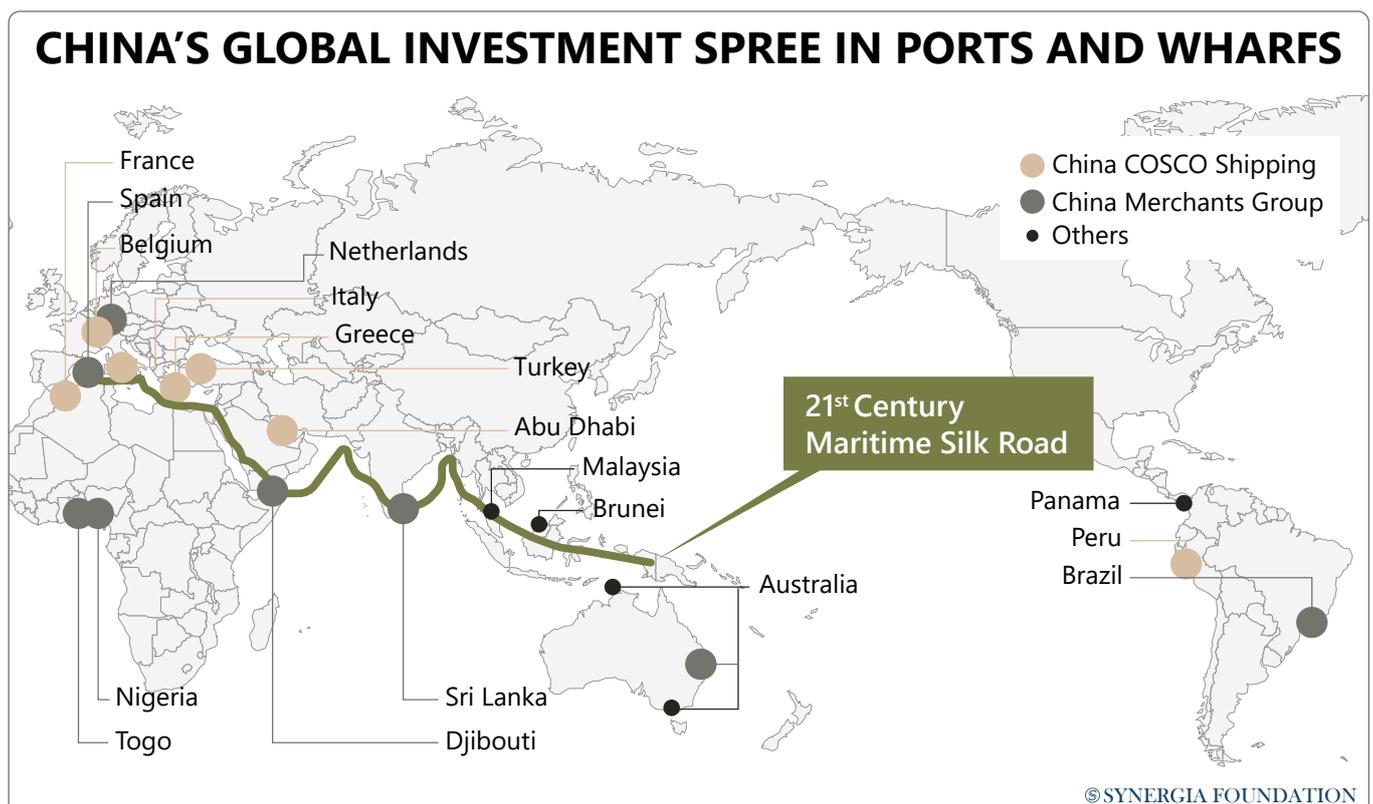
FRESH ROUND OF TERROR?

This time around, with Jihadists worldwide feeling electrified by the Taliban's latest success, the concerns of regional countries are even deeper than in the 1980s and 1990s. India, for instance, is worried that it may well have to deal with not only the Lashkar-e-Taiba and the Jaish-e-

Mohammed, but many newer terror variants such as the Islamic State, especially the ISIS-K. Adding to the terror threat is the danger posed by drugs, especially Opium. The drug route from Afghanistan via other Asian nations has been revived. For the cash-strapped Taliban, the opium trade could prove an easy means to raise funds. This would pose a global threat of no mean magnitude. The world should, therefore, take note of the gravity of the situation posed by the Taliban takeover of Afghanistan. Afghanistan is, in every sense, a South Asian tragedy. Even as the U.S. retreats from Afghanistan, there is a growing body of nations in the West that is, however, seeking to impose a Western solution to what is primarily an Asian problem, or more precisely, a South Asian problem. This would be extremely short-sighted. However, it is a fact that the impact of the latest developments in Afghanistan, and more precisely the presence of Talibanised Afghanistan, will be felt across the globe.

For this reason alone, the matter is serious enough for all concerned nations to try and attempt at establishing a Global Concert, like the Concert of Europe in an earlier Century. This alone can provide a degree of stability to the region. Current rivalries like that between the U.S. and China, the U.S., and the Soviet Union, and among certain other countries of the region and beyond, must not be allowed to stand in the way of creating such a Global Concert.

Nations in Afghanistan's neighbourhood, such as India, which have long-standing links with Afghanistan, must be involved in this effort. Setting up a new concert of nations of this kind would, however, demand both ideological diversity as well as strategic accommodation. Overcoming the odds is not going to be easy, but every effort must be made to achieve this objective.



AR.
NO. 04A FLAG-BEARER IN
TECH?

While the QUAD's efforts to align technical standard-setting is praiseworthy, it is not without its challenges.



SYNERGIA FOUNDATION
RESEARCH TEAM

Reinvigorating the call for a free and open Indo-Pacific, the heads of state from India, Japan, Australia, and the United States have met in Washington for their first in-person summit. The agenda mirrored the last meeting - climate change, critical technologies, and the COVID-19 pandemic. However, since it came in the wake of the Australia-U.S.-UK (AUKUS) submarine pact, it has taken on a greater significance.

At a time when AUKUS has triggered speculations about an Anglo-Saxon security partnership in the Indo-Pacific, the emphasis on 'non-military' aspects of cooperation by the Quad is especially noteworthy. With AUKUS in place, the latter group appears to be rebranding itself as a counterweight to China in other strategic domains. Nowhere is this more visible than in critical and emerging technologies, with the four countries enumerating for the first time their joint principles on 'Technology Design, Development, Governance and Use'.

Informed by democratic values and respect for universal human rights, the Quad is seeking to establish a common architecture for technology. It also aims to further global cooperation by securing supply chains for hardware, software and other services. Whether this translates into an actionable roadmap on the ground remains to be seen, as member-nations are still divided over issues like data flows and indigenous technology standards.

A TECH ALLIANCE

Since its much-celebrated revival in 2017, the Quad has viewed critical technologies as an important lynchpin in advancing multilateral cooperation. This has also coincided with emergent national narratives about bolstering information security and countering the dominance of

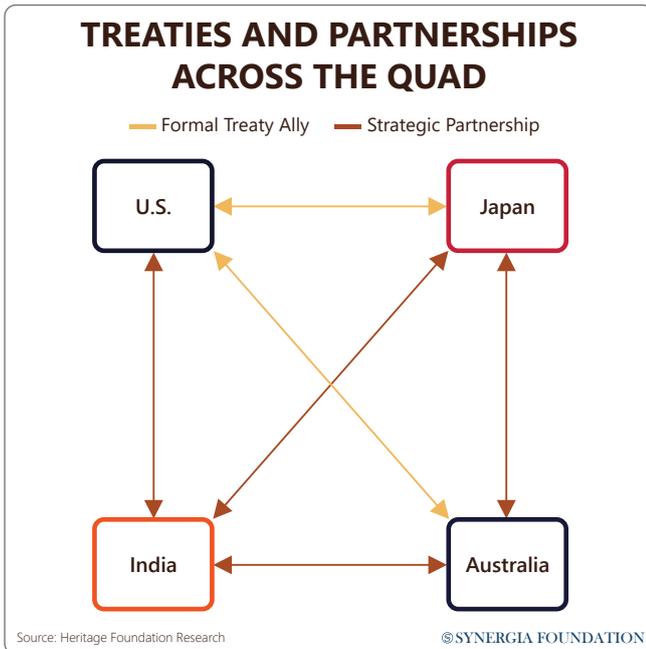
Chinese technology vendors in all four member states. It is no surprise, therefore, that a working group on critical and emerging technologies was constituted in March 2021, identifying several broad areas for collaboration. This included the development of technology standards, deployment of telecommunications and diversification of equipment suppliers. At the time, however, there was no common understanding about the technologies that would qualify as 'critical' and 'emerging'.

With the recently concluded leaders' summit, this fog over the technological goals of Quad has somewhat dissipated, as 5G, semiconductors, outer space technology, artificial intelligence, and biotechnology have been assigned special importance. As articulated in the published press statement, the four Quad countries will join hands to devise uniform standards for technology design, development, governance and use, while placing adequate emphasis on the need to establish resilient, diverse and secure supply chains.

“Although China has not been explicitly mentioned in the statement, there is little doubt that these initiatives are intended to offset its ascendancy in the technology and digital spheres.”

For instance, the joint principles have asserted that “technology should not be misused or abused for malicious activities such as authoritarian surveillance and oppression”. This is clearly a dig at the Asian giant, which has often been criticised for strong-arming digital vendors and using technologies like facial recognition systems to conduct illegal surveillance.

Similarly, the focus on achieving self-sufficiency in semiconductors represents an attempt to diversify supply chains away from Beijing's sphere of influence. Meanwhile, the reference to 'secure, open, and transparent 5G networks' is a thinly veiled attempt to loosen the grip of Chinese



telecom firms like Huawei and ZTE.

SETTING STANDARDS

Among the many proposals for tech cooperation that have been outlined, the bid to frame uniform technical standards is particularly significant. If implemented, this would be a veritable gamechanger in the geopolitical arena, providing strategic and economic benefits to the Quad nations. Their domestic companies, in particular, would be able to assert ownership of global standards in critical technologies, thereby controlling related supply chains.

Once the required scale is achieved, the remaining tech vendors would have no option but to follow suit. In other words, a state's ability to obtain technological self-sufficiency is heavily dependent on its ability to dictate international technical standards. Acknowledging this, the Quad has sought to assert itself as a global norm-setter in the design and governance of critical and emerging technologies. In particular, it has pressed for 'safety' and 'security-by-design' approaches in the technology development process, integrating the values of autonomy, agency and dignity of individuals.

It has also pushed for interoperability between telecommunications equipment through mechanisms such as the Open Radio Access Network (O-RAN). By requiring the hardware and software from different vendors to effectively interface with each other, the initiative seeks to expand consumer choice and restrict commercial monopolies. Similarly, the Quad has envisaged standards development in artificial intelligence and cyber security. Towards this end, it has mooted the establishment of contact groups on Artificial Intelligence as well as a Quad Senior Cyber Group.

Both will be premised on a democratic model of tech governance, facilitating collaboration between the government and industry. Although the issue of norm-setting in the chip industry has not received much attention, there is a significant opportunity for the alliance to sponsor new standards in sectors like composite semiconductors,

fabless design, silicon manufacturing equipment etc. Finally, the Joint Principles on Technology can form the basis for a coordinated Quad leadership at multilateral institutions like the International Telecommunications Union. The four nations would be in a privileged position to advocate for common standards in Information and Communications Technology (ICT). For India, it would also be an opportunity to bridge the gap between its significant presence in global technology markets and its relatively less significant presence in international standard organisations.

CHALLENGES AHEAD

Despite a shared ambition to formalise standards and establish democratic models of governance, the Quad nations do not necessarily see eye-to-eye on all technology-related issues. India, in particular, is an outlier when it comes to data flows and telecommunication standards. For example, the country has declined to be a part of the "Osaka Track" initiative launched in 2019, which seeks to standardise the rules on cross-border movement of data among G20 nations. Similarly, it has been embroiled in disputes with American firms like Google, Mastercard, Visa and Amazon, over the terms of its data localisation laws.

Unless there is a Quad-wide agreement on the standards for data storage and transfer, therefore, the joint principles on critical technologies may remain a paper tiger. India's indigenous standards on 5G technology is yet another sticking point. Known as 5Gi, this locally curated standard has been approved by the ITU, augmenting the country's efforts to garner geopolitical heft in the international telecommunication space.

However, it has raised concerns about interoperability, with major vendors alleging that 5Gi will necessitate significant hardware changes. There are also worries that India's 5G ecosystem may become isolated from the standards that govern other telecommunications markets, hindering a common approach on 5G telecom technology. Given this reality, Quad nations will have to engage in sustained negotiations about their national technology standards before aspiring to be global norm-setters.

📌 Assessment

By carving out technology as a key part of its working agenda, the Quad has emphasised its strategic role in the multipolar world order. The need of the hour is to facilitate tangible cooperation between intergovernmental agencies and like-minded countries in the standards-setting process.

For India, there is much soul-searching to be done on data flows and telecommunication standards before committing to an alliance that crafts joint principles on technology design, development, governance and use. In this regard, the formation of an internal, inter-departmental working group on technology standardisation can be considered by the government, which seeks to combine the expertise of policymakers, industry leaders and other stakeholders.

AR. NO. 05

SURVIVING THE CHIP CRISIS – PART I

As automotive companies seek to bounce back from the disruptions in semiconductor supply chains, it is important to recognise that microcontrollers are not a 'just-in-time' industry.



Mr. Prashant Doreswamy is the Country Head of Continental India and Managing Director of Continental Automotive. This article is based on his exclusive insights on the automotive chip crisis, published as a two-part series.

As the automotive sector continues to grapple with a supply chain crisis, it is critical to assess the underlying causes. In this context, one must first appreciate the massive transformation that has been witnessed in the industry over the last few years.

INCREASING COMPLEXITY

In the 1970s-80s, cars used to be purely mechanical boxes made of steel, plastic and rubber. Over time, however, electronics found their way into automotive assemblies, paving the way for an 'electronic revolution'. Naturally, software formed an integral part of this upheaval. Today, the global automotive industry is valued at \$2.78 trillion and is projected to touch \$ 5.5 trillion by 2030. The sector can be broadly viewed in two segments - hardware and software.

The hardware component, which consumes commodities like steel, aluminium and plastics, is estimated to be \$2.47 trillion. This is expected to go up to \$ 2.8 trillion over the next few years. On the other hand, software, which is valued at \$280 billion today, has the potential to reach \$1.2 trillion. Similarly, software as a service, which is worth around \$30 billion, is likely to hit \$1.5 trillion over the next nine years.

Clearly, the automotive sector is poised to achieve huge growth, primarily driven by software and software systems. Meanwhile, if one studies the lines of code per vehicle, an average car has about 200 million lines of code.

To comprehend the complexity involved, it would be useful to juxtapose this with the F-35 fighter jet, which has about 50 million lines of code or online platforms like Facebook, which have about 65 million lines of code. With time, this complexity will only increase, eventually culminating in almost 1 billion lines of code by 2025.

Yet another factor to be considered is the manner in which entire functions in automobiles are now being driven by software. To enable the same, high-processing microchips are required, thereby augmenting the demand for microcontrollers. In modern cars, every function is driven by the electronic control unit (ECU) or the embedded control unit, which is a small computer by itself. Predominantly propelled by software and electronic systems, this could take the form of a light control unit, steering control unit, engine control unit, transmission control unit etc.

Owing to the proliferation of such ECUs, the usage of microcontroller units (MCUs) has increased. An average vehicle like a Maruti Suzuki hatchback has more than 20 MCUs, while other high-end cars may have up to 100 MCUs. The supply chains for these MCUs are complex, as multiple MCU suppliers are often involved in the process. The technology is such that no single semiconductor supplier can provision the entire Tier-I companies with connectivity control units.

Different suppliers use different technologies, and even within the same supplier, the technology may vary. For example, a car model that has about 20 MCUs may have six to eight suppliers. To further add to these complexities, MCUs do not allow for second sourcing. Components cannot be purchased from an alternate supplier to reduce supply chain risks. Every MCU comes with its own hardware and software, which involves considerable development costs.

“If two MCUs have to be developed for a single module, the costs would be prohibitive for automobile manufacturers.”

In other words, there are significant entry and exit barriers for the development of MCUs. Moreover, all MCUs have a proprietary architecture, rendering it difficult for automotive firms to shift from one supplier to another. The only solution is to increase capacity if the MCUs are limited. However, even this has proven to be challenging, as all suppliers depend on the same foundry.

A JUST-IN-TIME INDUSTRY?

To better understand the current semiconductor crisis in the automotive sector, it is important to analyse how the industry works. The entire process starts with a microcontroller. Tier I firms receive their orders from customers in the morning, with a deadline to supply it by the evening. The latter’s operations are based on the ‘just-in-time’ model, wherein they optimise their financials by not maintaining inventory. However, on their part, Tier I suppliers retain some amount of inventory that covers 10-15 days.

The MCUs are then embedded onto the printed circuit boards of ECUs, which are eventually supplied to the original equipment manufacturers (OEMs). The manufacturing of MCUs, however, is a long-drawn process. It starts with the silicon ingot and other raw material, which is then converted into wafers. The entire process usually takes about 4-6 months, as it must undergo more than 18,000 different operations. There is also a huge ‘work-in-process’ inventory involved.

Given this reality, it is important to appreciate that microcontrollers are not a ‘just-in-time’ industry. If an order for MCUs is placed today, it will reach the Tier I suppliers only six months later. Although a microcontroller may cost merely € 3-4, it must be remembered that it can hold up a \$ 40,000 car on the assembly line!

THE CHIP SHORTAGE

As experts study the impact of the COVID-19 pandemic on the current chip crisis, it must be recalled that a similar situation had played out in the automotive sector after the 2008-09 financial crisis. Post the economic slump, there was a huge demand for chips, which exceeded the capacity that was available. As a result, the industry was forced to allocate and ration its supplies.

Nearly a decade later, the pandemic has brought about an identical, if not worse, situation. As the industry went down, everyone resorted to the age-old practice of optimizing financial parameters. With the drop in volumes, they cut their inventory to improve cash flows. As it is, the industry was facing challenges even before the onset of COVID-19. The sentiment was conservative, and schedules for the semiconductor companies were revised on the assumption that the OEMs would not produce many cars. Therefore, proactive cuts were imposed on the production of semiconductors.

In the post-COVID phase, however, the industry picked up much faster than anticipated. By September-October

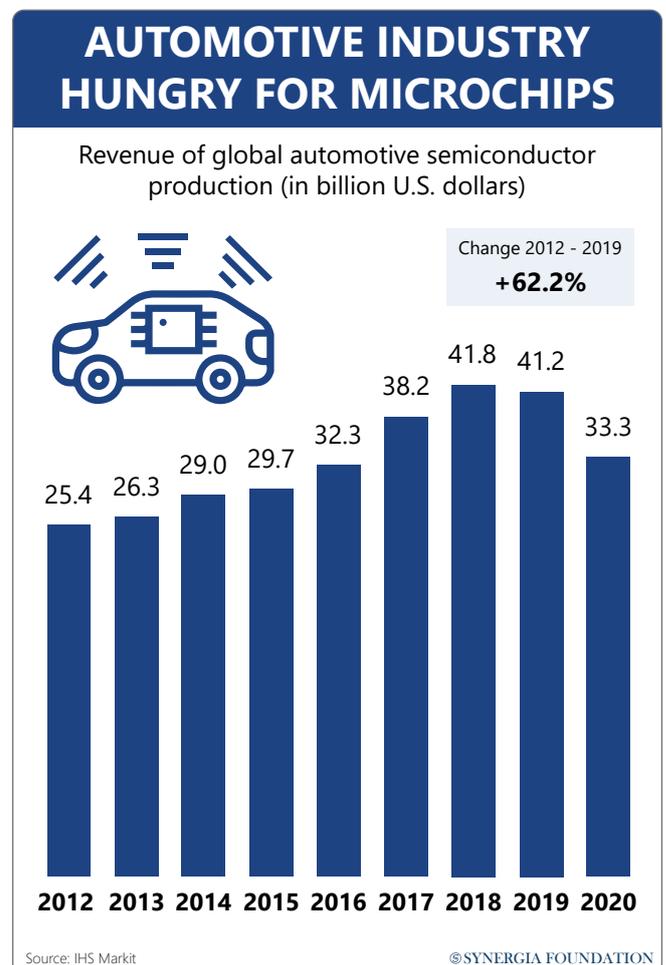
2020, the demand had reached pre-COVID levels, with everyone rushing back to the chip manufacturers. By then, the manufacturers had already sold their additional capacities to other companies.

This is because the semiconductor industry is highly investment-intensive. There is no redundancy in the supply chain to absorb additional demands. The chip manufacturers work on very thin margins and need to have a capacity utilization of 90-95 per cent. Below this level, fixed cost absorption becomes a challenge.

Moreover, since the investments are very high, they are required to make that money back within a timeframe of 5-6 years. This is especially critical, as technological obsolescence is high. Every day, some or the other player is likely to come up with new chips and technologies.

Since the industry runs on such critical parameters, semiconductor manufacturers were forced to sell their additional capacity to adjacent markets, when the automotive industry revised its schedules. This was helped by the fact that there was a huge spurt in demand for chips, as people started working from home. The growing usage of laptops, phones, gaming devices and the Internet of Things proved to be a veritable opportunity for the industry, along with the adoption of 5G in many countries.

With this reallocation of capacity, the automotive industry was hit by a chip crisis. In navigating the same, did it learn from its previous experiences during the 2008 financial crisis? Read Part II to find out.



AR. NO. 06

HEATED SKIES AROUND TAIWAN

Increased aerial provocations by the PLAAF within Taiwan's Air Defence Identification Zone (ADIZ), while avoiding actual intrusion of its airspace, is being taken as a bellwether for its ultimate intention to use force.



Hector Avila and Richard Chen are researchers with the Taiwan Center for Security Studies

During the half-decade of Taiwan's current Tsai Ing-Wen administration, tensions between the People's Republic of China and the Republic of China (Taiwan) have become increasingly fraught. Cross-strait relations have been on a downward spiral, exacerbated by the hard-line stance emerging from Beijing under President Xi. The skid marks of this fallout have deepened with heightened political and military rhetoric and aggressive military manoeuvres, unseen in the past 40 years. As the PLAAF grows in strength and sophistication, it has become the chosen instrument for China to demonstrate military muscle and achieve its political objectives through 'other means'.

GROWING TENSIONS IN THE SKIES

On October 1st, the situation became even more critical when, the PLA sent 39 aircrafts, including fighters and bombers, to fly over Taiwan's air identification zone. Three days later, the PLAAF flew another 56 airplanes into Taiwan's ADIZ. Chinese aircraft sorties have continuously entered Taiwan's zone over the following days making it a total of 145 aircrafts in a mere four-day stretch of time.

What does this entail? Are these provocative acts indicative of a shift in policy from Beijing or a grim reminder to the self-governed democracy that the big brother is looming on its periphery? It is important to remember that ever since the end of the Chinese Civil War in 1949 when the Kuomintang (KMT) retreated from the Mainland to Taiwan, the Chinese Communist Party (CCP) has made it clear that it would never allow China's sovereignty to be dented.

Independent observers are keenly watching the rapidity with which China is closing the military capability gap with its arch-rival, the U.S. They may view the dramatic uptick

in intrusions into Taiwan's ADIZ as not only indicative of Chinese confidence in its military capacity, but also its resolve to resort to a kinetic means to achieve geopolitical goals.

STRATEGIC MESSAGING

However, even though the number of incursions by Chinese aircraft into Taiwan's ADIZ is on the rise, it is unlikely that the PRC intends to start a full-fledged military conflict or even an amphibious invasion of Taiwan in the near future. More likely than not, these demonstrations of power and intimidation tactics are essentially symbolic and political.

“Beijing has a tendency of using displays of military force as a signalling exercise rather than as a preparation for attacks.”

In the past, escalations in PLA sorties conducting manoeuvres and “exercises” have been associated with political events (such as U.S. arms sales or the domestic political situation in Taiwan).

Beijing has a unique way of communicating displeasure to adversaries and competitors, usually by leveraging its military power. An example of this behaviour is when the U.S. Health and Human Services Secretary Alex Azar visited Taiwan last summer. China's reaction was to deploy two fighter jets across the Taiwan Strait to record its displeasure. However, these actions could also be seen as a way for China to measure the U.S.'s response and resolve in the region.

It is critical to bear in mind that the latest incursions coincide with the National Day Celebrations of the PRC and Double Ten Day in Taiwan, it's National Day. Beijing's National Day celebrations are usually combined with a display of its military force. Around this time of the year, with the unveiling of homegrown technologies such as the WZ-7 high-altitude reconnaissance drone at the Airshow China 2021 in Zhuhai, the PLA “is nearing the end of this

year's training cycle and going out with a bang, so to speak" (Glaser, 2021).

Furthermore, this could be seen as a long-expected reaction to the build-up of unease, frustration, and tension from the Chinese point of view in relation to the U.S. and its allies' actions in the Indo-Pacific, harkening to US FONOPs, carrier strike group drills, the AUKUS / QUAD alliance, and others. These incursions cost Beijing near-to nothing and adds to its political calculus. With the benefit of intelligence-gathering and low expenses, these actions are likely to continue, especially at a time when the U.S. and its partners are building alliances which do not include China.

TAIWAN'S RESPONSE

The Taiwanese Mainland Affairs Council (MAC), which is the body in charge of "overall planning and handling of Mainland affairs", has accused Beijing of seriously damaging the status quo of peace and stability in the Taiwan Strait. "We demand the Beijing authorities immediately stop its non-peaceful and irresponsible provocative actions," said a statement from MAC (BBC, 2021).

For its part, the Ministry of National Defense, R.O.C. stated that the Taiwanese air force scrambled aircraft, issued radio warnings, and deployed air defense missile systems. President Tsai also stated that while Taiwan does not seek confrontation, it would do whatever it takes to defend itself (Cheung & Lendon, 2021).

On the speech given by President Tsai on October 10th to mark Taiwan's National Day, she said that Taiwan will not bow to pressure by Beijing and will defend its democratic

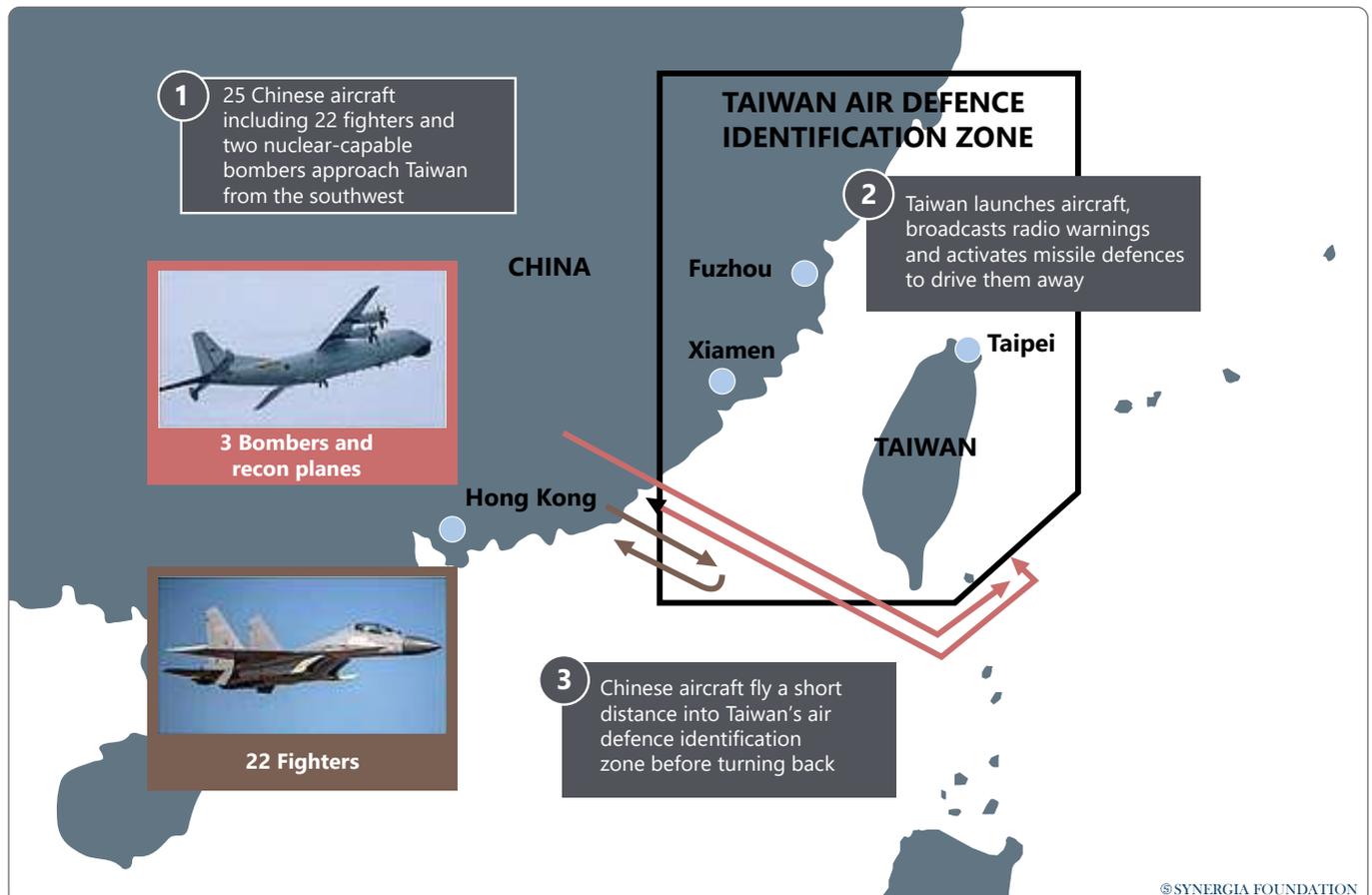
way of life. She added in the same speech, "the more we achieve, the greater the pressure we face from China, nobody can force Taiwan to take the path China has laid out for us" (Gibson, 2021).

INTERNATIONAL CONCERNS

The tensions over Taiwan are the most worrying aspect of the U.S. -China rivalry, and any military clash here could quickly spiral out of control. Friends of Taiwan are concerned about this increasing tendency on the part of China to play a dangerous game of brinkmanship. The U.S. Department of State has denounced China's military activity as provocative, arguing that the flights undermine regional stability (DePetris, 2021).

Australia's Department of Foreign Affairs has also expressed its concern over China's increased air incursions. Meanwhile, Japan has stated that it is watching the situation closely and hoped that Taiwan and China could resolve their differences through dialogues. Its Foreign Minister Toshimitsu Motegi said that Japan believes that it is crucial for the situation surrounding Taiwan to be peaceful and stable (Lee and Blanchard, 2021).

Over the weekend of October 3rd, the Japanese, U.S., British, Dutch, Canadian and New Zealand navies held joint drills near Okinawa, which included training with U.S. and U.K. aircraft carriers. Inevitably, despite China viewing these actions as a necessary tactic in its toolkit for regional dominance and reunification with Taiwan, the space for miscommunication only increases and destabilizes the status quo across the strait.



AR. NO. 07 IN THE DOCKS

PANDORA PAPERS

The Pandora Papers have blown the whistle on several powerful individuals who use a complex network of offshore firms to conceal their wealth.



SYNERGIA FOUNDATION
RESEARCH TEAM

In a mammoth global investigation that unearthed almost 12 million records of offshore service companies, the International Consortium of Investigative Journalists (ICIJ) has exposed the shadowy financial dealings of the rich and the powerful. Dubbed as the ‘Pandora Papers’ leak, it reveals the extent to which incomes and assets are stashed away in tax havens by politicians, public officials, corporate executives, celebrities, and billionaires.

Aiding them in this effort is an entire ecosystem of auditing companies, legal professionals and financial experts who create offshore structures and trusts to mask the beneficial owners of the property. With the publication of this explosive report, the international community has been served yet another reminder about the need to promote financial transparency. Although many of the impugned transactions are not strictly illegal, they are still politically embarrassing for several public figures whose financial secrets have been revealed.

AN OLD AND SORDID SAGA

Stashing wealth in offshore tax havens has long been in practice, with lax rules and all-around complicity enabling the system to flourish unimpeded. Since 2013, however, this offshore services sector was rocked by a series of financial data leakages. From the 2016 Panama Papers case to the 2017 Paradise Papers leak (both initiated by the ICIJ), these events had shed light on the complex international tax avoidance schemes devised by offshore firms.

In fact, the former investigation had exposed a vast network of tax havens established by individuals from more than 200 countries, thereby triggering police raids and the enactment of new anti-money laundering laws within different jurisdictions. For its efforts in uncovering such tax

sheltering schemes, the ICIJ had gone on to win the Pulitzer Prize. Similarly, the Paradise Papers were leaked a year later by the ICIJ after combing through the treasure troves of data in company registries hosted by secrecy jurisdictions.

This time around, the Pandora Papers investigation is believed to be much larger than the previous two leaks. More than 600 journalists in 117 countries have sifted through the data files of 14 firms in the offshore financial services industry to lay bare the hidden fortunes of some of the most influential people in the world. Reports indicate that the papers have provided incriminating information on more than 330 politicians and public officials from over 90 countries and territories.

This includes the King of Jordan, the Presidents of Ukraine, Kenya and Ecuador, the Prime Minister of the Czech Republic, and a former Prime Minister of the United Kingdom. Persons within the inner circle of the incumbent Russian president and the Pakistani Prime Minister have also been named. As far as Indians are concerned, the secret documents have exposed the financial data of several key politicians, sportspersons, industrial leaders and other public figures.

ANATOMY OF TAX AVOIDANCE

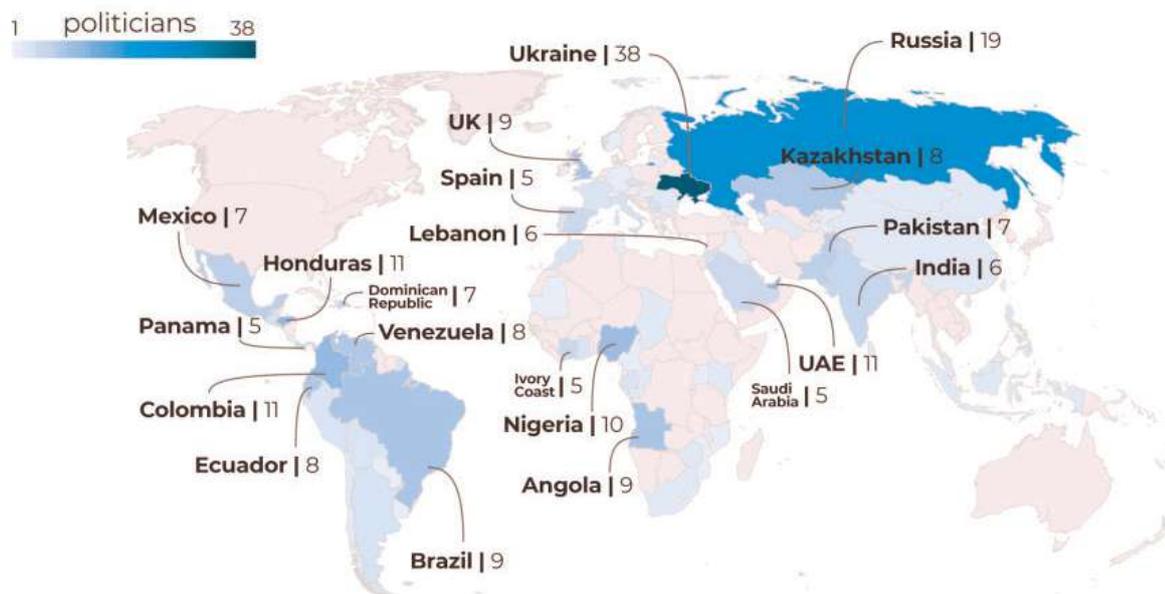
The recent revelations by the ICIJ have served to underscore how wealthy individuals shield their income and assets from regulatory scrutiny. By setting up shell companies, trusts or holding firms in offshore jurisdictions and funnelling their money there, they keep their financial activities in the shadows. Specialist firms are paid to set up and run these shell companies in jurisdictions with lower taxes.

Existing only on paper, such companies have no staff or office. Their operations are kept deliberately obscure as they have been created for the sole purpose of disguising ownership. An analysis of the leaked documents indicates that more than two-thirds of paper companies are established in the British Virgin Islands, a popular destination for the

PANDORA PAPERS

Where are the 336 politicians from?

A huge leak of **tax haven files reveals** the secret offshore holding of more than **330 politicians and public officials** from more than 90 nations.



Source: ICIJ.org

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thriving offshore system. Other preferred jurisdictions for hiding wealth include Panama, Switzerland, Seychelles, Belize, Delaware, Nevada, South Dakota, Monaco, Singapore, Hong Kong, Samoa and the Cayman Islands.

According to the International Monetary Fund, the use of such tax havens has cost governments up to \$600bn in lost taxes every year. For the tax authorities, it is increasingly difficult to track the money that goes out of their jurisdictions, as the offshore firms employ a process called 'layering'. This entails the movement of assets through multiple tax havens before parking them in a previously decided destination. Although such methods of ring-fencing wealth are not always illegal, they nevertheless violate the spirit of the law.

IN MURKY WATERS

In many countries, it is not necessarily unlawful to benefit from offshore entities. Many people have legitimate reasons for holding assets abroad. For example, offshore jurisdictions can be relied upon to safeguard income from criminal attacks or unstable governments in politically volatile regions. It can also serve as an effective method for mitigating extortion attempts. Despite such benefits, the secrecy offered by offshore havens is an attractive loophole for tax evaders, drug traffickers, fraudsters, money launderers, kleptocrats and other unscrupulous elements.

“Given that several countries have no regulatory requirements to register the ultimate beneficial owners of the property, malicious actors can shroud themselves in layers of legal records.”

They are, in turn, assisted by a whole network of bankers, auditors and accountants who are aware of the gaps in the system. Owing to the deployment of these complex mechanisms, it becomes difficult to identify how much of the wealth is tied to criminal enterprises or other unlawful activities. As a result, advocates of financial transparency call for greater regulation of the offshore services industry to curb corruption, money laundering, tax abuse and other financial crimes.

Assessment

At a time when the COVID-19 pandemic has exacerbated income divides in urban and rural areas, the global penetration of secretive finance will not be viewed kindly by the general public. It will carry a political sting in several jurisdictions, with renewed attention being paid to the need to strengthen international financial regulations.

More often than not, those who can put an end to 'tax-haven shopping' are often the very same people who benefit from it. As a result, it remains doubtful whether the continuous stream of illicit money can be effectively curbed. Additionally, the weak regulation of lawyers and other professionals who are protected by client privileges remains a pressing concern.

Over the coming months, the Pandora Papers will accelerate the global shift to a minimum corporate tax, which seeks to prevent multinational companies from shifting profits to low-tax jurisdictions. The Organization for Economic Cooperation and Development (OECD) has already announced that 136 countries will establish a 15 per cent minimum corporate rate from the beginning of 2023.

AR. NO. 08

VPN: A DOUBLE-EDGED SWORD?

As the government contemplates a ban on VPNs, it is important to not reduce the debate to a trade-off between privacy and national security interests.



SYNERGIA FOUNDATION
RESEARCH TEAM

In a radical move that has polarised internet users, the Parliamentary Standing Committee on Home Affairs has urged the Indian government to prohibit Virtual Private Networks (VPNs). Citing the proliferation of cyberthreats on these encrypted services, the Committee has recommended that a mandate be issued to Internet Service providers (ISPs), which blocks the usage of commonly employed VPN protocols and ports.

It has also proposed a coordination mechanism that works in tandem with the Ministry of Electronics and Information Technology (MeitY) to ban VPNs permanently. Any restriction on VPNs, however, threatens to impinge on the privacy rights of citizens, as they would no longer be able to obscure their online identities.

In particular, it will be detrimental to businesses and industries which have increasingly relied on these technologies to maintain confidentiality and conduct remote operations. Against this backdrop, the government will have its work cut out in reconciling the diverse interests of stakeholders.

A SCREEN OF ANONYMITY

True to its name, a VPN masks the Internet Protocol (IP) address on a public WiFi connection by creating a private network within it. The virtual network is then encrypted against any outside interference so that ISPs, malware, third-party trackers, or other malicious actors do not get access to data flows and internet traffic. In other words, VPNs are commonly utilised as a digital tool to secure networks and digital assets from cyberthreats.

Under the VPN system, the original IP address is disguised by assigning remote addresses connected to other

servers. Since the data is tunnelled to these exit nodes, it makes it look like the system is being operated from other parts of the world. This not only helps to conceal the physical location and identity of users but also allows them to access prohibited services in a region. For instance, VPNs can be used to access Google in China, even though the latter is banned in the country.

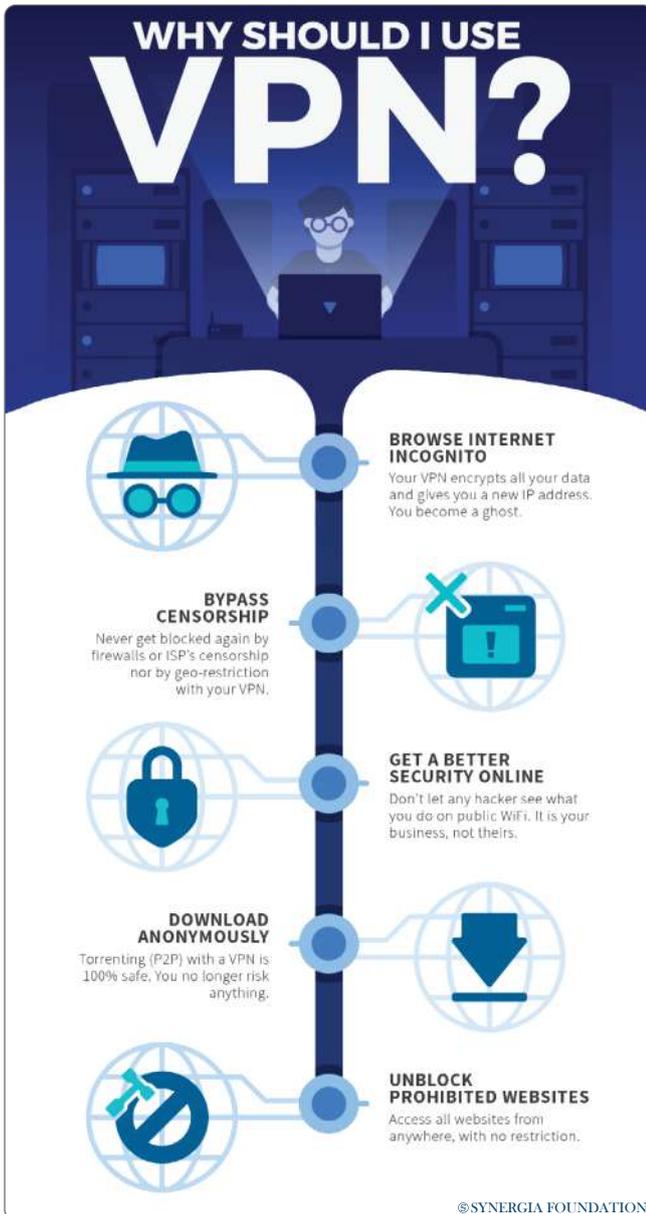
Recognising this loophole, Beijing has imposed tight regulations on the use of VPNs. Other countries that regulate or ban their use include Russia, Belarus, Iraq, North Korea, Oman and the U.A.E. If the recommendation of the Parliamentary Committee on Home Affairs is adopted, India would be the latest jurisdiction to prohibit such VPNs.

THE PROHIBITION RATIONALE

This is not the first time that government agencies in democratic countries have come out against the use of VPNs. For instance, in July 2021, British and American authorities had alleged that Russian hackers were misusing VPNs to hide their nefarious activities online. Now, a similar rationale has been employed by the Indian Parliamentary Committee to propose a ban on VPNs.

According to it, VPN services pose a security challenge for the country, as they allow unsolicited operations by cybercriminals. Akin to the dark web, they can bypass security walls and remain anonymous online. Since they are commonly advertised on several websites, such VPNs can also be downloaded quite easily by any layperson. Just as ordinary users rely on these encrypted networks to protect their privacy and identity, threat actors can misuse them to escape surveillance.

This renders it difficult for law enforcement agencies to track down their activities, forcing them to rely on other surveillance methods, which are relatively more expensive. Another concern that has been flagged in policy circles relates to the leakage of data. For instance, in July 2021, cybersecurity researchers at vpnMentor had discovered that 1.2 terabytes of private user data were exposed online by



seven VPN providers. This included email addresses, device IDs, passwords, home addresses and internet activity logs of nearly 20 million users. In light of such risks, the Indian Parliamentary Committee has effectively advised the Centre to take action against VPNs.

STRIKING A BALANCE

While the concerns raised by the Committee are legitimate, critics point out that a complete prohibition of VPNs will hinder data protection. Apart from ordinary users whose privacy will be compromised, the ban will impact companies who use these encryption tools to safeguard corporate data and secure communication lines. It is worth remembering that VPNs often act as the first line of defence against hackers, malware and third-party attackers on online platforms.

By creating a closed network for employees, they prevent threat actors from snooping, even if they use the same public WiFi networks. This is especially important in an era where the COVID-19 pandemic has normalised remote working and accelerated the transition to a digital economy.

Today, every company, including the cloud industry, appears to be shifting to a VPN-based solution. Therefore, any attempt to proscribe the same would be counterproductive, as all organisations that run their operations remotely and conduct transactions online would be left in the lurch.

In addition to this, VPNs afford better protection against ads and marketing trackers. Users are afforded a degree of anonymity while browsing online, thereby preventing advertisers from accessing their sensitive data like shopping profiles and purchase history.

Similarly, VPNs can be deployed as an additional security cover by journalists, whistle-blowers, and other activists, who fear surveillance or repression by authoritarian regimes. They can also be used to bypass arbitrary restrictions on websites placed by governments or ISPs, especially when there is no legal basis.

“Owing to all these factors, the government will have to engage in a carefully calibrated cost-benefit analysis before vetoing the use of VPNs.”

It must objectively analyse whether law enforcement officers can track down criminals, despite their use of VPNs. In this regard, studies seem to suggest that the police can request usage and connection logs from VPN service providers, subject to a court order in many jurisdictions.

The Indian government must evaluate whether a similar approach can be adopted to strike a balance between the interests of different stakeholders. As with any other encryption technology, the key lies in breaking the impasse between ‘national security’ concerns and ‘privacy rights’ of citizens.

Assessment

Implementing an outright ban on VPNs may set the wrong precedent, as it will undercut the internet's reputation as a ‘safe medium’ to conduct businesses. Any restriction on encrypted tools, therefore, should be narrowly tailored to achieve the legitimate objectives of law enforcement.

In this context, the tests of proportionality laid down by the Indian Supreme Court in *Puttaswamy v. Union of India* will serve as a good guiding principle. The Ministry of Home Affairs should also conduct extensive consultations with cyber experts, criminologists, civil society members and other stakeholders before proscribing the use of VPNs.

If the VPN ban is implemented, it could potentially run into conflict with other policies of the Central government. For instance, in 2020, the government had announced sweeping changes to its regulations for the tech industry, allowing companies to run their own VPN services. The ‘Other Service Providers’ (OSPs) sector, in particular, had been encouraged to use these encrypted networks in light of the growing ‘work-from-home’ trends in the IT industry. Given this reality, any policy inconsistency at this point would make for poor optics.

AR.
NO. 09

THE TRAFFIC-LIGHT COALITION

The 2021 German elections usher in a new post-Merkel era, breaking the power status quo and giving rise to a coalition that could potentially create a new liberal consensus.



SYNERGIA FOUNDATION
RESEARCH TEAM

The recently concluded German elections are momentous for many reasons. For one, they signal the definitive end of the Merkel era, a political epoch defined by the Chancellor's cautious, pragmatic, occasionally ruthless approach to geopolitics and the economy. Secondly, these elections have broken a binary power status quo between the conservative CDU (Christian Democrats) and the left-wing SPD (Social Democrats) that has existed since World War II.

The SPD have claimed 206 seats and 25.7 per cent of the votes, CDU-CSU (CDU's political partner in Bavaria) have 196 seats with 24.1 per cent of the votes, the Green Party has 118 seats, and 14.8 per cent of the votes, and the FDP have 92 seats and 11.5 per cent of the votes. The SPD, Green Party and FDP are currently in their second round of negotiations to form what people are calling the 'traffic-light coalition'. SPD leader Olaf Scholz is the touted favourite to be Germany's new Chancellor.

HOW THE YOUNG VOTED

Those under 30, while constituting a modest 14.4 per cent of the German electorate, nevertheless helped sway the status quo into a more fragmented parliament. Young people's voting patterns in the recent German election show a preference for the Green party and the FDP, the latter of which has surprised many experts.

“Even as pundits are wondering which political party will be able to capitalize effectively on the fomenting discontent in Germany, especially in the wake of the COVID-19 pandemic, it is evident that the

classically liberal messaging of the FDP has found favour with this demographic.”

If ignored or side-lined by the leading parties, there are concerns that young voters may turn populist and vote for the far-right parties such as the AfD (Alternative for Germany), which gave a poor showing in this election.

THE VICISSITUDES OF THE FDP

The FDP has, over the years, positioned itself as the liberal 'party of business', championing free markets, individual rights and limited government. Despite years spent facing the threat of impending irrelevance, they have experienced an unlikely revival during the COVID-19 pandemic, during which they made full use of their powers as the opposition to question the government's restrictions on people's freedoms. The party's leader Christian Lindner has given many speeches to this effect.

“After a year of the pandemic, the time has come for us

EXPERT



INSIGHTS

Dr. Michael Fuchs, is a German politician who served in the Bundestag from 2002 to 2017, as a member of the Christian Democratic Union (CDU).

“For the CDU, the results have undoubtedly been disastrous. As far as the new government is concerned, it is quite obvious that it will be a coalition of three parties –the Social Democrats, the Greens and the Liberals. Managing this alliance will be difficult going forward, as the Liberals are supportive of a free market model, while the other two parties are more left-oriented. We will have to wait and watch how things pan out over the next few weeks.”

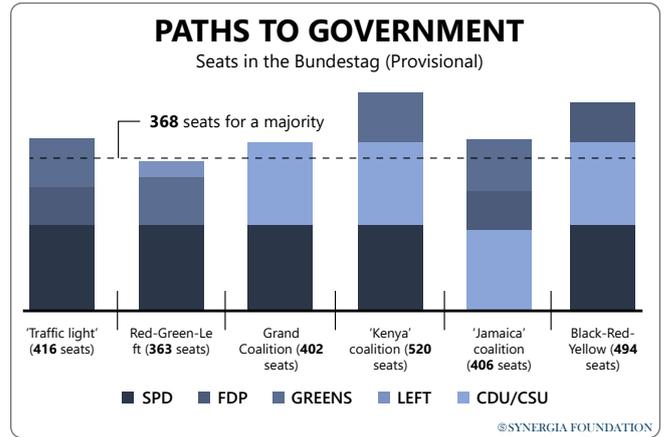
THE MERKEL LEGACY

As Angela Merkel steps down as the Chancellor of Germany after sixteen long years, the question of her legacy has divided strategic analysts. At the domestic level, Merkel is believed to have successfully navigated the complexities of coalition politics. Under her leadership, the CDU was able to occupy a centrist position in German politics, making it a powerful electoral force to reckon with. She is also credited with bolstering the Germany economy, which generated almost a quarter of the EU's GDP before the COVID-19 pandemic. As far as her larger contributions to the EU is concerned, Merkel is hailed for steering the bloc through several existential crises, including the 2015 Eurozone troubles, the Brexit vote in the United Kingdom, the influx of refugees as well as the transatlantic rift with the Trump regime. Sceptics, however, point out that Merkel was more of a crisis manager, as opposed to being a visionary. She had no long-term plans for the Eurozone, often choosing to prioritise Germany's commercial and economic interests over intra-EU solidarity. Her regime is also critiqued for pursuing the Nord Stream project, which undermined the sanctions regime against Russia, after its annexation of Crimea. Similarly, her support for a comprehensive Sino-EU investment pact is perceived as a betrayal of the larger 'democratic alliance' against China. Owing to all these factors, her legacy can best be described as a 'mixed legacy'.

to free ourselves from this spiral of fear and closures," he said recently. The deputy leader of the FDP, Nicola Beer, has also issued a statement saying, "After this pandemic, we're going to need an economic miracle that can only unfold in an environment of innovation and less bureaucracy. We want to unleash people's potential, and in order to do that, you have to make more space for new ideas and technologies instead of increasing tax and regulatory burdens." These classically liberal ideas have received a new fillip in light of the growing discontent amongst the citizenry, especially those who have been economically impacted by the lockdowns.

ECONOMIC IMPERATIVES VS ENVIRONMENTAL CONCERNS

In the likely event of a Traffic-light coalition, it remains to be seen how the three parties will strike a balance between their political agendas. The Green Party, in its election



manifesto, has made commitments to create a Climate Ministry with sweeping veto powers. It has also pledged to honour the Paris Agreement's decree on capping global warming at 1.5 degrees celsius. More radical Green Party members fear a dilution of the party's goals as a result of coalitions. As the parties continue their negotiations, party officials have said that there are differences of opinion on a number of issues, especially relating to finance and the environment.

If the traffic-light coalition comes to power, it will be interesting to note how the government synthesizes the Greens' radical environmental agenda with the FDP's interest in digitalization, innovation and limited government. The results show clearly that both messages are capable of appealing to young people. Experts have pinpointed the weakening of an international liberal consensus, ever since the rise of populist governments in a number of countries. As a case in point of this weakening, the Democratic party in the USA is currently being torn apart in two different directions. New, insurgent members called the 'Democratic Socialists' favour radical agendas such as the Green New Deal, which face irrevocable opposition from centrist Democrats, fiscal conservatives, and libertarians because they disagree with the sweeping expansions of state power. The unfolding political situation in Germany could reveal possibilities of finding common ground between economic imperatives and environmental concerns without ideological polarization.

Assessment

Whichever coalition forms the government in Germany, it will lead to changes in the country's policy agendas on the domestic and international front. The people have clearly indicated discontent with the status quo, which will change in the post-Merkel era.

The German political situation offers an interesting experiment to see whether political coalitions can imagine an environmental agenda that does not rely on a radical expansion of state powers.

While Germany's young voters constitute a modest percentage of the electorate, they nevertheless are a barometer for political and social change. The fact that the FDP's messaging found favour with this age demographic is proof that a new liberal consensus can be fashioned out of well-thought-out, political coalitions.



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