

# INSIGHTS

INSIGHTS CURRENT EVENTS – OCTOBER-15

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Team Insights

2013

**NATIONAL**

*(Arms Act was mentioned in today's newspaper, but nothing significant so we have put only details related to Arm's Act.)*

**Arms Act**

- The Arms Act of 1959, is an act of Indian law to consolidate and amend the law relating to arms and ammunition to curb illegal weapons and violence using illegal weapons. The act has undergone many changes since 1959, the most recent being in 2010 through an amendment for the arms act. There was also controversy around air guns to be included as part of this act which was rejected by supreme court of India.

For more info view the below link:

<http://pib.nic.in/newsite/erelease.aspx?relid=63268>

**India moves two places higher in Global hunger index (GHI)**

- Though India has shown a marginal improvement in its ranking from 65(in 2012) to **63** (now) in the GHI, it continues to languish far behind other emerging economies.
- The score for the country improved slightly from 22.9 in 2012 to 21.3 this year. This has been the trend even among SAARC countries too. India continued to trail behind Pakistan and Bangladesh on the index.
- **For example**, China improved its ranking by 57.69 per cent between 1990-2012, while India showed a 34 per cent improvement in the same period.
- Brazil, in comparison, had a much better score to begin with and by 2012 entered the select block of nations doing the best to fight hunger.
- Countries that have achieved the highest progress on this front included Venezuela, Mexico, Cuba, Ghana, Thailand and Vietnam – all achieving more than 55% increase in their GHI score.
- Even though there is a marginal improvement in India's ranking, the level of hunger in India remains at 'alarming levels'. India is one of the three countries outside Sub-Saharan Africa to fall in this category. The other two are Haiti and Timor-Leste.
- According to the report, India has one of the highest prevalence of children under five who are underweight, at more than 40 % – one of the three criteria that the index is built on.
- South Asia has maximum number of hungry people in the world followed by sub-Saharan Africa. Social inequality and the low nutritional, educational, and social status of women are major causes of child under-nutrition in this region.

**What is GHI?**

- The Global Hunger Index (GHI) is designed to comprehensively measure and track hunger globally and by country and region. Calculated each year by the International Food Policy Research Institute (IFPRI), the GHI highlights successes and failures in hunger reduction and provides

insights into the drivers of hunger. By raising awareness and understanding of regional and country differences in hunger, the GHI aims to trigger actions to reduce hunger.

**Criteria for deciding on the index:**

To reflect the multidimensional nature of hunger, the GHI combines three equally weighted indicators in one index number:

- **Undernourishment:** the proportion of undernourished as a percentage of the population (reflecting the share of the population with insufficient calorie intake);
  - **Child underweight:** the proportion of children younger than the age of five who are underweight (low weight for age reflecting wasting, stunted growth, or both), which is one indicator of child undernutrition; and
  - **Child mortality:** the mortality rate of children younger than the age of five (partially reflecting the fatal synergy of inadequate dietary intake and unhealthy environments).
- The GHI ranks countries on a 100-point scale. Zero is the best score (no hunger), and 100 is the worst, although neither of these extremes is reached in practice.

Courtesy -ifpri website

**INTERNATIONAL****European Parliament: Caste discrimination a global evil**

- The **European Parliament (EP)** has recognised caste-based discrimination as a human rights violation and adopted a resolution condemning it and urging European Union institutions to address it. The EP consists of 28 member-countries of the EU.
- Acknowledging that caste-affected communities are still subjected to 'untouchability practices' in India, Nepal, Pakistan, Bangladesh and Sri Lanka, the resolution(2013) stressed the need to combat discrimination based on work and descent, which occurs also in Yemen, Mauritania, Nigeria, Senegal and Somalia.
- Last year (2012), the EP had passed a similar resolution, expressing alarm at the persistence of human rights violations against Dalits in India.
- The recent resolution has recognised the presence of caste-based discrimination globally and pointed out various forms of caste-related violence against Dalits, especially women. Most of these discriminations go unreported due to fear or threat to their personal safety or of social exclusion.
- Apart from caste, there are multiple forms of discrimination based on caste, gender and religion, affecting Dalit women and women from minority communities, leading to forced conversions, abductions, forced prostitution, and sexual abuse by dominant castes.
- Though 'caste discrimination' continues to be widespread and persistent, affecting an estimated 260 million people worldwide, despite the governments of some affected countries have taken necessary steps to provide constitutional and legislative protection.
- For instance, in India, mandatory affirmative action has to some extent contributed to the inclusion of Dalits in the public sector, but the lack of protective non-

discrimination measures in the labour market and the private sector still adds to exclusion and growing inequalities.

- Caste-based discrimination was not only a bane to the common man but also among the Diaspora. The affected communities faced restricted political participation and serious discrimination in the labour market.
- According to **International Labour Organisation (ILO)** an overwhelming majority of bonded labour victims in South Asia are from the Scheduled Castes (SC) and the Scheduled Tribes (ST), and that forced and bonded labour is particularly widespread in the agriculture, mining and garment production sectors, which supply products to a number of multinational and European companies.

### More about EU

- The European Union (EU) is an economic and political union of 28 member states that are located primarily in Europe. The EU operates through a system of supranational independent institutions and intergovernmental negotiated decisions by the member states.

### Structure

- The Council of the European Union, which represents the member states, is the EU's main decision-taking body. When it meets at Heads of State or Government level, it becomes the European Council whose role is to provide the EU with political impetus on key issues.
- The European Parliament, which represents the people, shares legislative and budgetary power with the Council of the European Union.
- The European Commission, which represents the common interest of the EU, is the main executive body. It has the right to propose legislation and ensures that EU policies are properly implemented.

### Composition

- Institutions of the EU include the European Commission, the Council of the European Union, the European Council, the Court of Justice of the European Union, the European Central Bank, the Court of Auditors, and the European Parliament. The European Parliament is elected every five years by EU citizens. The EU's de facto capital is Brussels.

Courtesy-EU website

### What is ILO?

- The ILO was founded in 1919, in the wake of a destructive war, to pursue a vision based on the premise that universal, lasting peace can be established only if it is based on social justice. The ILO became the first specialized agency of the UN in 1946.

#### Mission & Objectives:

- The main aims of the ILO are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue on work-related issues.

Courtesy- ILO website

- The Warsaw (Poland) meet (2013 annual climate talks), was held from 2<sup>nd</sup> – 4<sup>th</sup> October, 2013.
- The meeting, called the pre-COP (Conference of Parties), was organised to firm up the agenda for the meeting, where all member-countries of the UN Framework Convention on Climate Change (UNFCCC) gather. It helps the host country and other key countries informally delineate areas of differences and agreements that could lead to some concrete decisions at the main meeting.

### Demands from the developing countries:

- At the meet, India and other developing countries have demanded that developed countries should not count private investments against the commitment of \$ 100 billion annual fund for fighting climate change.
- They sought clarity on how the developed countries would put up the promised \$ 100 billion fund. The developed countries had promised to solicit an annual stream of 100 billion starting 2020. But poorer countries have been demanding a clear road map of how the developed countries will increase their funding support.
- The issue of “loss and damage” also found common support from the developing countries at the meet. The poorer countries have demanded that there must be a mechanism to compensate the countries that will suffer from global warming that are bound to occur from emissions that had triggered changes in the climate.
- However, this issue has received support from the developed countries as it requires them to acknowledge a historical responsibility for past emissions.
- A large area of disagreement persisted over how the targets of emission reductions will be reviewed for being adequate to match up to the globally set requirement.
- The new agreement would require countries to volunteer targets for emission reduction that will then be assessed for their ‘adequacy’ in matching up to cumulative emission reduction required to keep global temperatures from below 2 degrees beyond the pre-industrial era.
- Several countries expressed apprehensions about the difficulty of enhancing the volunteered emission reduction targets that were once approved by respective governments.
- Disagreements were also expressed by the developing countries, including India, against the idea of a ‘thin agreement’ in 2015, which has the backing of the U.S. Also called the “hub and spoke” model in climate jargon, it suggests that only the targets of reducing emissions should form part of the main agreement in 2015. The rest of the issues, such as finance, adaptation and technology transfer, it has been suggested, can be dealt with later under legally less demanding decisions of the COP.
- The meeting also saw countries conclude that the COP, starting 11<sup>th</sup> November, 2013 must draw up a clear time line against which the new global agreement will be drafted and finalised.

### Anti-migrant riots in Russia

- The murder of a young ethnic Russian, blamed on a Caucasus native (presumably of Azerbaijani origin)

### Funding issue dominates Warsaw climate meet

triggered massive **anti-migrant rioting** in the Russian capital in a fresh sign of mounting ethnic tensions.

- Thousands of people in Biryulyovo, a district in Moscow, took to the streets protesting against the alleged police inaction in capturing the killer of a 25-year old Russian man.
- Local residents had long complaining about the **influx of migrants** who commit other crimes, while police took no action.
- Russia has the world's second largest number of immigrants after the United States. According to official statistics, there are over 11 million legal migrant workers and 3 million illegal immigrants, mostly from former Soviet states, which have a visa-free arrangement with Russia. However, unofficial estimates put the number much higher, at 10-12 million.
- Migrant workers are a major source of enrichment for police and other government officials who collect bribes for issuing residence and work permits.
- This has led to violent protests by locals in many Russian cities.

## ECONOMICS

### Higher food prices impact WPI & Inflation

- Rise in food prices pushes **Headline inflation** to a seven-month high of 6.46 % in September, riding on the back of a whopping 323% increase in the price of onions, followed by an all-round hike in the prices of other fruits and vegetables.
- Inflation, based on the **wholesale price index (WPI)**, was at 6.1 per cent in August and 5.85 per cent in July. The latest data released by the government has put the food inflation at 18.40 per cent in September over the same month last year.
- The high increase in onion and other food & vegetables have made life difficult for the common man.

### What is Headline inflation? Its significance?

- Headline inflation also called as WPI inflation is a measure of the total inflation within an economy and is affected by areas of the market which may experience sudden inflationary spikes such as food or energy.
- As a result, headline inflation may not present an accurate picture of the current state of the economy as it doesn't take account of service sector. It is also called Top-line inflation. This differs from core inflation (also called non-food-manufacturing inflation or underlying inflation), which excludes factors such as food and energy costs.
- Most Western countries use core inflation as a measure of inflation while countries like India prefer headline inflation as measure of inflation. This is so because in Western economies food and energy availability are not major problems of masses while in countries like India they are very important. Headline inflation is a more useful measure for households as it gives idea of rise in cost of living while central banks prefer to deal with core inflation as it is less volatile in nature and better reflects effects of supply and demand on GDP.

Source -Wikipedia

### What is WPI?

- WPI is a price index is a measure of Inflation (general rise in the prices of goods) representing the wholesale prices of a basket of goods. As the name suggests it does not take into account the price at which consumers buy goods but on the wholesale basis. The rationale of having WPI is to know the demand and supply condition of goods included in the economy.
- The current base year for WPI is 2004-05. It consists of 676 items; all the 676 items are broadly classified into food, fuel and manufactured products. The indicator tracks the price movement of each commodity individually. Based on this individual movement, the WPI is determined through the averaging principle.
- WPI is released on monthly basis.

### How is WPI different from consumer price index (CPI)?

- While WPI represents the wholesale prices of goods, CPI indicates the average price paid by households for a basket of goods and services. It is also used to measure the inflation.
- Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation releases CPI with base year 2010 for all India and States/UTs separately for rural, urban and combined(rural+urban)every month with effect from January, 2011.
- These indices are available for five major groups namely Food, beverages and tobacco; Fuel and light; Housing (Only for Urban; Rural areas are not included); Clothing, bedding and footwear, and Miscellaneous.
- Present CPI takes into account the consumption patterns of all segments of the population.
- These new indices are now compiled at State / UT and all India levels.
- The CPI inflation series is wider in scope than the one based on WPI as it has both rural and urban figures, besides state-wise data. The new series, with 2010 as the base year, also includes services, unlike the WPI index. However, this new series will become comparable only in 2013 when the data for 2012 will also be available for comparison.

### Comparison of WPI & CPI

	WPI	CPI
Weightage o Food products	24.3%	50% (approx)
Weightage of Energy products	15% (approx)	9.5%
Weightage of Miscellaneous Items	Services not included	26.3%
Base Year	2004-05	2010
Total commodities	676	200

### SEBI moots tighter settlement norms for defaulters

- The Securities and Exchange Board of India (SEBI- capital market regulator), has proposed new norms for settlement of administrative and civil proceedings against suspected market defaulters, except in cases of serious violations such as illicit pooling of funds from investors, insider trading and fraudulent and unfair trades.

- This will give wider powers to SEBI within the legal framework
- The list of violations that cannot be settled has been expanded widely under the new norms, which also provide for the involved entity to file settlement plea within 60 days of the show-cause notice served by SEBI.
- Under the new norm, an entity cannot seek settlement of any proceedings if the alleged default has been committed within two years of an earlier settlement involving them or if the case is already pending before a court or tribunal. Also, settlements cannot be sought for cases involving non-compliance to SEBI orders.
- According to the draft SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2013, terms of settlement might include payment of a settlement amount and other related costs, voluntary suspension of registration, closure of business, and other appropriate directions.
- The settlement amount will be credited to Consolidated Fund of India (CFI), while legal costs will go to the SEBI General Fund. The disgorged illegal gains, if any, will be credited to the Investor Protection and Education Fund of SEBI.
- The new norms have been proposed pursuant to promulgation of the Securities Laws (Amendment) Second Ordinance, 2013, by the President in September, 2013.
- SEBI has also proposed to constitute a high-power advisory committee, comprising a retired judge of a High Court and three external experts from the securities market or areas connected to it, to consider matters for settlement of defaulters.

#### **Banking sector reforms: Liberalized Policy on foreign banks soon**

- The Reserve Bank of India (RBI) will soon come out with new rules for the entry of foreign banks that may even allow them to take over Indian banks, RBI Governor Raghuram Rajan has said.
- By setting up wholly-owned subsidiaries, foreign banks will get more opportunities to expand in India. More freedom would be given on branching.
- At present, foreign banks in India operate as branches of the foreign parent, and face restrictions on the number of branches they can set up in the country.
- The banking sector reforms, particularly those facilitating entry of foreign banks in India in a 'big way', is part of the five pillars of reforms, including monetary policy framework that the RBI is going to implement in the next few years.

#### **But there are two conditions:**

- Reciprocity- i.e., the foreign country should provide the same platform to the Indian banks.
- Access - There should be only one route either to have a branch or a subsidiary; but not both
- That is primarily to simplify the regulatory function, but also to make it more transparent.