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EDITORIAL ANALYSIS
The President is not a mere rubber stamp

Source: The Hindu
- Prelims: President-Election, power and privileges etc
Mains GS Paper II: Role of President in India, power and privileges, mode of election etc

ARTICLE HIGHLIGHTS

- As the tenure of President Ram Nath Kovind comes to an end on July 24, 2022, an election to fill the position of the 16th President of India will be held on July 18.
- The polls will witness 4,809 electors, including MPs and MLAs, voting to elect President Kovind’s successor.
- In the last election in 2017, Ram Nath Kovind became the President after defeating joint opposition candidate Meira Kumar. Kovind polled 7,02,000 votes compared with Kumar’s 3,67,000, out of a total of 10,69,358 votes.
- But once the President is elected, the excitement subsides and for the next five years not much attention is paid to the Rashtrapati Bhavan.

INSIGHTS ON THE ISSUE

Context

President:

- Part V of the Constitution (The Union) under Chapter I (The Executive) lists out the qualification, election and impeachment of the President of India.
- The President of India is the head of state of the Republic of India.
- The President is the formal head of the executive, legislature and judiciary of India and is also the commander-in-chief of the Indian Armed Forces.
- Article 53 of the Constitution of India states that the President can exercise his or her powers directly or by subordinate authority, with few exceptions, all of the executive authority vested in the President are, in practice, exercised by the Council of Ministers (CoM).
- Under Article 57, a person who holds, or who has held, office as President shall, subject to the other provisions of this Constitution be eligible for re-election to that office.

How is the President elected?

- The Indian President is elected through an electoral college system, wherein the votes are cast by national and State-level lawmakers.
- The elections are conducted and overseen by the Election Commission (EC) of India.
The *electoral college* is made up of:

1. *All the elected members of the Upper and Lower Houses of Parliament (Rajya Sabha and Lok Sabha MPs)*
2. *Elected Members of the Legislative Assemblies of States and Union Territories (MLAs).*

**Related Constitutional Provisions:**

**Procedure:**
Procedure

Nomination stage: where the candidate intending to stand in the election, files the nomination along with a signed list of 50 proposers and 50 seconders.

Proposers and seconders can be anyone from the total members of the electoral college from the State and national level.

An elector cannot propose or second the nomination of more than one candidate.
Value of each vote and how is it calculated?

- A vote cast by each MP or MLA is not calculated as one vote.
- The fixed value of each vote by an MP of the Rajya Sabha and the Lok Sabha is 708.
- Meanwhile, the vote value of each MLA differs from State to State based on a calculation that factors in its population vis-a-vis the number of members in its legislative Assembly.
- Uttar Pradesh has the highest vote value for each of its MLAs, at 208.
- The value of one MLAs vote in Maharashtra is 175, while that in Arunachal Pradesh is just 8.
- The value of each MLAs vote is determined:
Requirements to secure a victory in Presidential election:

- A nominated candidate does not secure victory based on a simple majority but through a **system of bagging a specific quota of votes**.
- While counting, the EC totals up all the valid votes cast by the electoral college through paper ballots and to win, the candidate **must secure 50% of the total votes cast + 1**.
- Unlike general elections, where electors vote for a single party’s candidate, **the voters of the electoral college write the names of candidates on the ballot paper in the order of preference**.
- The President’s election is held in accordance with the system of **proportional representation by means of the single transferable vote and the voting is by secret ballot**.

Responsibilities of the President:

- **Role of population and responsibility towards them**: The population of the country is a crucial factor in the election of the President, which means the people’s presence in the process of electing the President is very much visible.
  - This gives a wider base to the President than a mere vote by the legislators on the basis of one member, one vote.
  - This also gives the President a greater moral authority.
- **Can disagree with the decisions of the Council of Ministers**: He does not directly exercise the executive authority of the Union, but he can disagree with the decision of the Council of Ministers, caution them, counsel them, and so on.
- **Can ask for reconsideration of decision**: The President can ask the Cabinet to reconsider its decisions.
• **He is not personally answerable:** Under the Cabinet system of government, it is the Cabinet which is responsible for the government's decisions. The President is in no way personally responsible for those decisions which he or she approves.

• **Constitutional discretion:** The Constitution of India wants the President to be vigilant and responsive, and gives the freedom to him or her to take a broader view of things Un-influenced by the narrow political view of the executive.

• **Shall preserve and defend constitution along with wellbeing of people:** The Oath contains two solemn promises:
  ○ The President shall preserve, protect and defend the Constitution
  ○ The President shall devote himself or herself to the service and the wellbeing of the people of India.

**Impeachment of President:**
**Impeachment of President (Article 61)**

The impeachment process can be started from any house of the parliament by levelling charges against him.

The notice bearing the charges against the president must be signed by at least a quarter of the members of the house.

The resolution to impeach the president must be passed by a special majority (two-thirds) in the originating house.

The other house acts as the investigating horse. A select committee is formed to investigate the charges labelled against the president.

During the process, the President of India has the right to defend himself through authorised counsel. He can choose to defend himself or appoint any person/lawyer or attorney general of India to do so.
Criticism of President’s role:

- In *Shamsher Singh State of Punjab*, the Supreme Court held that, the Governor and President are only the former heads of the state.
- When they require satisfaction as required by the Constitution, it is not their personal satisfaction but the satisfaction of the Council of Ministers on whose aid and advice they exercise powers and functions.
- Apart from political cronyism, the appointment of Presidents has often smacked of tokenism.

Way Forward

- **Can prevent the tyranny of the government:** The principal role of the President is to prevent a parliamentary government from becoming a parliamentary anarchy and it is the Presidential authority that keeps the country and the people bond together.
- **President’s who set examples:** There were Presidents such as Rajendra Prasad and Sarvepalli Radhakrishnan who openly differed with the government on certain policy issues and could exert tremendous influence on the government.
- **Disagreement with the government:** It is possible for a President to disagree with the government or intervene on behalf of the citizenry against the tyranny of the executive and persuade it to give up its ways. The solemn oath the President takes requires him or her to do it.
- **Use of discretionary powers:** Under article 78 the President enjoys the right to seek information from the PM regarding the administration of the affairs of the union. Under the established convention, the President has the right to warn or encourage the Council of Minister (CoM) in the exercise of its power.

QUESTION FOR PRACTICE

Q. Instances of the President's delay in commuting death sentences has come under public debate as denial of justice. Should there be a time limit specified for the President to accept/reject such petitions? Analyze. (UPSC 2014)

*(200 WORDS, 10 MARKS)*
EDITORIAL ANALYSIS
Chile marks a notch in global constitutionalism

Source: The Hindu

■ Prelims: Democracy, Pinochet’s constitution, Parliament-Structure, organization and functioning etc
■ Mains GS Paper II: Features of democracy, India-Chile relations etc

ARTICLE HIGHLIGHTS
■ In 2019, a wave of protests engulfed the country of Chile.
■ The protests were triggered by familiar themes: social inequality, the cost of living, and probity in governance.
■ As per protesters, Chile’s Constitution was no longer fit for purpose.
■ One of the demands of the Chilean protesters was to replace Pinochet’s Constitution with a democratic Constitution, written by the People of Chile, for themselves.
INSIGHTS ON THE ISSUE

Context

Pinochet’s Constitution:

- Drafted in 1980, under the military regime of General Augusto Pinochet, the Chilean Constitution embodied what is popularly known as Chicago School economics.
- Market deregulation was not just a policy choice, but encoded into the Constitution, with one of its most notorious elements being the privatization of water as a constitutional imperative.
- Over the years, this led to Chile becoming one of the most unequal countries in the world.

Genesis:
Evolution of Rights:
In the latter half of the 20th century, it came to be understood that this vision of constitutionalism was necessary, but inadequate, to address the many problems faced by countries across the world.

- Constitutions tended to ignore the “social question”, and issues around equitable access to material resources:
In response, starting in the 1980s, Constitutions began to include “socio-economic rights” — such as the rights to housing, to education, and to health, among others within their bills of rights.

Famous example of this is South Africa’s post-apartheid Constitution of 1996.

While recognising that it is not always possible for Constitutions to mandate how national resources will be allocated, socio-economic rights provisions have been useful in requiring governments to justify how resources are used, and to hold them to account where resource distribution was discriminatory, or insufficiently attentive to the needs of the most vulnerable.

- **The complexities of governance require a set of institutions:** The institutions should be independent of the legislature and the executive, and can hold them to account.

  - Some familiar examples include **information commissions, human rights commissions, and electoral commissions.**
  - In constitutional parlance, these are sometimes referred to as “integrity institutions”, as their task is to ensure integrity in the functioning of state agencies.
  - For example, **Chapter Fifteen of the 2010 Constitution of Kenya lists out 10 commissions, and guarantees their independence from the government.**

Features of the draft:
Is the Chilean constitution Document with vision?
The Chilean draft Constitution not only draws upon past wisdom, it is a future-facing document as well.

- **Role of technology in our lives**: The Constitution grapples with the pervasive role of technology in our lives by stipulating the existence of a National Data Protection Authority, as well as guaranteeing a right to digital connectivity.
- **Independent data protection body**: The need for an independent data protection body is being felt in countries across the world, and the draft Constitution’s move to enshrine it within the constitutional text is, therefore, important.
- **Climate crisis and international environmental laws**: The draft Constitution acknowledges the gravity of the climate crisis, and constitutionalism important principles of international environmental law, such as inter-generational equity.
- **Right to nature**: It guarantees a right to nature, which is something that courts in different countries, from India to New Zealand, have recently explored.

Criticism to the draft Constitution:

- **Woke document**: The Economist, notorious for justifying the 1973 Chilean coup called it a “woke document”(alert to racial prejudice and discrimination)
- **Can lead to economic irresponsibilities**: The focus of the criticism appears to be that the document “goes too far” and can lead to economic irresponsibility. This criticism, however, proceeds on a range of incorrect assumptions.

Arguments in Favour:

- **Constitutions are not enforced**: Constitutions do not enforce themselves, but are interpreted, and interpretation always takes place in the real world.
  - For example, the **constitutional rights to housing, health, and education have not bankrupted the South African economy**.
  - Rather, they have been interpreted by the Constitutional Court of South Africa to **protect vulnerable people against evictions, and in the fight against the AIDS crisis**.
- **Models of constitution**: Within Latin America, the **Constitutional Court of Colombia** has been similarly disciplined in its interpretation of the Colombian
Constitution, and is often hailed as the model of how a constitutional court ought to function.

Chile:

- Chile is officially known as the Republic of Chile. Its capital is Santiago.
- It is a South American country occupying a narrow strip of land between the Andes to the east and the Pacific Ocean to the west.
- It borders Peru to the north, Bolivia to the northeast, Argentina to the east, and the Drake Passage in the south.
- The Atacama desert is one of the driest places in the world and touches Chile in its northern side and is a source of sodium nitrate fertilizer.
- It owes its aridity due to a constant temperature inversion of cool north-flowing Humboldt ocean current.
- Chuquicamata is the World's largest copper town of Chile.

India- Chile Relations

- Chile is India's window to Latin America and to the Pacific Alliance.
- Chile is the fifth largest trading partner of India in the Latin American region.
- India- Chile signed the Preferential Trade Agreement in 2017 to enhance the trade.
- The bilateral trade is growing and stood at USD 2.8 billion in 2017-18.
- India and Chile are partners in the International Solar Alliance.
- Both countries cooperate extensively in multilateral fora and share similar views on climate change/renewable energy issues and on expansion and reforms of the UNSC (United Nations Security Council).
- India- Chile has signed three Memorandum of Understandings (MoUs) in the fields of - mining, culture, disability.

Way Forward

- Inclusive document: The draft Chilean Constitution in its historical and present context, a remarkable picture emerges: this is a document, drafted through an intensely inclusive, participatory, and egalitarian process, which in its substantive content both draws upon the wisdom of the past, and looks to the future.
- Model for modern world: It is, in many ways, a model for how Constitutions in the modern world ought to be drafted, and a lesson to the rest of the world; and if it is approved in the referendum of September 4, it will rightly be hailed as a historic triumph in the annals of global constitutionalism.
QUESTION FOR PRACTICE
Q. Constitutional Morality’ is rooted in the Constitution itself and is founded on its essential facets. Explain the doctrine of ‘Constitutional Morality’ with the help of relevant judicial decisions.(UPSC 2021)

(200 WORDS, 10 MARKS)

EDITORIAL ANALYSIS
A Chill Down Asia’s Spine

Source: The Indian Express

■ Prelims: Current events of international importance (Indo-Pacific, Regional forums, etc)
■ Mains GS Paper II: Multipolar World, Significance of Indo-Pacific for India, Indo-Pacific Region, Free and open Indo-Pacific, International organizations.

ARTICLE HIGHLIGHTS
■ Last week’s summit of the North Atlantic Treaty Organization in Madrid was the significant Indo-Pacific presence.
■ For the first time, the prime ministers of Australia, Japan, and New Zealand as well as the president of South Korea participated in a NATO summit.
■ Sweden and Finland have ended their historic neutrality and decided to join NATO.
■ The conflict between Russian and Chinese expansionism on the one hand and the revitalisation of old alliances like NATO and the construction of new Asian coalitions like the Quad and AUKUS.
■ NATO will increase the strength of its rapid reaction force (RRF) nearly eightfold to 3,00,000 troops as part of its response to an “era of strategic competition”. The NATO reaction force currently numbers around 40,000.
■ In NATO’s new strategic concept, the alliance addresses for the first time the security challenges posed by China.
INSIGHTS ON THE ISSUE

Context

North Atlantic Treaty Organization (NATO)

- Headquarters: **Brussels, Belgium.**
- It is a military alliance established by the **North Atlantic Treaty** (also called the Washington Treaty) of April, 1949, by the **United States, Canada, and several Western European nations** to provide collective security against the Soviet Union.
- There are currently **30 member states.**
- NATO’s essential and enduring purpose is to safeguard the freedom and security of all its members by **political and military means.**
- NATO has an integrated military command structure but very few forces or assets are exclusively its own.

Key new objectives:

- Deliver further military support to Ukraine When they convene in Spain, with NATO members set to adopt a “strengthened comprehensive assistance package,” including deliveries of secure communication and anti-drone systems.
● Help Ukraine transition from Soviet-era armaments to modern NATO equipment.
● Address for the first time the security challenges posed by China.
● Methods to respond to the growing influence of Russia and China in their southern neighbour.

Alliances of NATO:

Objectives of NATO:
NATO and Europe:

- Russia’s claims that Ukraine does not have the right to exist and that Moscow must have a veto over the policies of its western neighbours has shaken Europe out of its stupor.
- NATO that is now determined to cope with the Russian threat.
- Germany — which has long sought good political and commercial relations with Russia — has agreed to raise its defense spending and do more for European security.
- **Sweden and Finland have ended their historic neutrality and decided to join NATO.**
- The US is doubling down on its military commitments to Europe.

**NATO and India:**
- For India, it is natural to be neutral between its old friend Russia and its newfound partners in North America and Europe.
- It is equally instinctive for India, a continental nation, to underestimate the security concerns of smaller states, especially in faraway Europe.
- For Indian analysts it is easy to be “objective” about Russian expansionism in Europe. But their homilies on the dangers of alliances and arms races are of no use for smaller European countries that worry about losing territory and political independence to Russia.
- India however, tends to be a lot more “subjective” about Chinese expansionism in Asia, for it cuts so close to the Indian bone.

**China And NATO:**
- China has cried wolf about QUAD, an impending “Asian NATO”.
- Way back in 2007 — when India conducted a mere joint naval exercise with the US, Japan, Australia and Singapore, China called it a precursor to an “Asian NATO”.
- Since then “Asian NATO” has been the staple of Chinese propaganda.
- It is China’s expansionism that is driving its neighbours towards NATO.
- **Japan and South Korea** are two of China’s most important East Asian neighbours and share deep cultural and civilisational bonds as well as massive commercial relationships with China.
- **Australia and New Zealand** are a bit further away but are deeply tied to the Chinese economy.
- All four are members of the *China-led regional economic architecture called the Regional Comprehensive Economic Partnership, or RCEP.*
- For Japan, who faces a direct threat from China, “Ukraine could well be about the future of Asian security”.

**Need for such move by Asian countries:**
● **Threat from a larger country like China:** A large nation can simply order its armed forces into a neighbour’s territory and demand the surrender of the victim’s sovereignty sends chills down the Asian spine, at a moment when China has become so much more powerful than its neighbours.

● **Deterrence against China: Japan, South Korea, Australia and New Zealand** will not become formal members of the European military alliance. Developing deeper institutional military ties to NATO is only one element of the Asian strategy to improve deterrence against Chinese aggression.

● **Creation of sophisticated national military:** Creation of more sophisticated national military capabilities has been the first priority of some of China’s neighbours.

● **Resolving mutual differences:** Resolving mutual differences and strengthening security cooperation — for example between Japan and South Korea — has been another.

● **Boosting bilateral alliances with the US:** Even as nations in the region reboot ties with the US, Asia is also seeking to diversify its security partnerships.

● **Engagement with Europe:** Greater Asian engagement with Europe as well as the creation of new Indo-Pacific regional institutions — including the Quad, and the AUKUS.

**significance of Indo-Pacific region for India:**

● **Strategic significance:** The Indo-Pacific is a multipolar region that accounts for over half of global GDP and population.

● **Mineral Resources:** Maritime regions have also become important storage areas for essential resources such as fish stocks, minerals, and offshore oil and gas.

● **Economic Growth:** The Indo-Pacific area accounts for approximately 60% of world GDP, making it the most important contributor to global growth.

● **Commerce:** Many of the world’s most important choke points for global trade are located in this region, including the Straits of Malacca, which are crucial for global economic growth.

**Differences and similarities between AUKUS and QUAD:**

● AUKUS is a security/military alliance while Quad is a diplomatic alliance.

● The countries under AUKUS include Australia, USA and UK whereas QUAD includes the United States, India, Japan and Australia.
• AUKUS specifically will deal with the security and military situation in the Indo-Pacific region whereas QUAD focuses on multilateral issues, ranging from economic discussions, security affairs & global affairs.
• In AUKUS, Australia would be helped to develop nuclear powered submarines but in QUAD only military exercises like Malabar are conducted but no nuclear submarines are developed.
• One similarity is that both the groups have a common interest in protecting the Indo-Pacific region from China’s dominance over other nations.
Quadrilateral Security Dialogue (QUAD):

- It is the informal strategic dialogue between India, USA, Japan and Australia with a shared objective to ensure and support a “free, open and prosperous” Indo-Pacific region.
- In November 2017, India, the US, Australia and Japan gave shape to the long-pending "Quad" Coalition to develop a new strategy to keep the critical sea routes in the Indo-Pacific free of any influence (especially China).
- In 2021, Quad countries issued a "Spirit of the Quad" joint statement promoting a free, open rules-border, rooted in international law to advance security and combat threats both in the Indo-Pacific and beyond.
- 3C strategy of QUAD

AUKUS:

- The UK, US and Australia, in 2021, announced a historic security pact in the Asia-Pacific, between US, Australia and U.K., seen as an effort to counter China.
- It is called the AUKUS pact and AUKUS alliance.
- Under the AUKUS alliance, the three nations have agreed to enhance the development of joint capabilities and technology sharing, foster deeper integration of security and defense-related science, technology, industrial bases and supply chains.
• Under the first major initiative of AUKUS, Australia would build a fleet of nuclear-powered submarines with the help of the US and the UK, a capability aimed at promoting stability in the Indo-Pacific region.
Way Forward

■ The last few decades of peace and prosperity in Europe and Asia had enormously increased the influence of Russia and China in their neighbourhoods.

■ The imperial ambitions of China and Russia is rooted in a profound misreading of their leverage that produced a massive geopolitical backlash.

■ Rather than sharpen the contradiction between the US and its regional allies, Russian and Chinese actions have helped consolidate old alliances and gave birth to new security coalitions.

■ NATO’s approach to China is limited to low-key dialogue and some statements of concern about the militarisation of South China Sea island features. Working more closely with like-minded partners such as Japan or Australia, could be an effective way to better manage the China factor.

■ Appropriate diplomatic maneuvering and economic and military assertion is vital for the implementation of India’s interests in the region along with leveraging the space as a building block for a multipolar world order.

■ India’s view is to work with other like-minded countries in the Indo-Pacific region to cooperatively manage a rules-based multipolar regional order and prevent any single power from dominating the region or its waterways.

■ There needs to be support for Indo-Pacific governments, boost their capacity to make independent political choices by helping partners root out corruption, including through foreign-assistance and development policies.

QUESTION FOR PRACTICE
With the expanding influence of China, other Asian countries are also seeking to diversify its security partnerships. Discuss.  

(200 WORDS, 10 MARKS)

EDITORIAL ANALYSIS
The status of China’s Belt and Road Initiative in South Asia
Source: The Hindu

- **Prelims:** Current events of international importance (BRI, Regional forums, EEZ etc)
- **Mains GS Paper II:** Significance of Indo-Pacific for India, BRI and issues associated with it, Free and open Indo-Pacific, International organizations.

**ARTICLE HIGHLIGHTS**

- At the recently concluded summit of *G7 leaders in Germany, the U.S. President and his allies unveiled their $600 billion plan called the Partnership for Global Infrastructure and Intelligence* which is being seen as a counter to China's Belt and Road Initiative (BRI), valued at a trillion U.S. dollars by some experts.
- The biggest project under BRI is in Pakistan, the *China Pakistan Economic Corridor (CPEC).*
- Over time, China Pledged *$62 billion* in low interest loans and financing from Chinese State Owned banks and the *Asian Development Bank (ADB).*

**INSIGHTS ON THE ISSUE**

**Context**

**Belt and Road Initiative (BRI):**

- It was announced by the Chinese President Xi Jinping-led regime in **2013.**
- It encompassed **five** kinds of activities:
  - Policy coordination
  - Trade promotion
  - Physical connectivity
Renminbi internationalization
People to people contacts.

- The initiative envisioned a Chinese Investment of over **$1 trillion in partner countries by 2025.**
- More than 60 countries have now joined BRI agreements with China, with infrastructure projects under the initiative being planned or under construction in Asia, Africa, Europe, and Latin America.
- To finance BRI projects, China offers huge loans at commercial interest rates that countries have to pay within a fixed number of years.
- In recent years, the BRI seems to have experienced a slowing down as annual Chinese lending to countries under the initiative slimmed from its peak of $125 billion in 2015 to around $50 to 55 billion in 2021.

Routes of BRI:

- **New Silk Road Economic Belt:** It encompasses trade and investment hubs to the north of China; by reaching out to Eurasia including a link via Myanmar to India.
- **Maritime Silk Road (MSR):** It begins via the South China Sea going towards Indo-China, South-East Asia and then around the Indian Ocean thus reaching Africa and Europe.
- **China-Pakistan Economic Corridor:** CPEC is a 3,000-km long route of infrastructure projects connecting *China’s northwest Xinjiang Uygur Autonomous Region and the Gwadar Port in the western province of Balochistan in Pakistan.*
  - It is a bilateral project between Pakistan and China, intended to promote connectivity across Pakistan with a network of highways, railways, and pipelines accompanied by energy, industrial, and other infrastructure development projects.
  - It will pave the way for China to access the Middle East and Africa from Gwadar Port, enabling China to access the Indian Ocean and in return China will support development projects in Pakistan to overcome the latter’s energy crises and stabilizing its faltering economy.

BRI’s investments in Pakistan:
China pledged **$62 billion** in low interest loans and financing from Chinese state-owned banks and the Asian Development Bank (ADB), up from an initial **$46 billion pledge**.

- The CPEC envisioned multiple projects involving energy, transport and communication systems.
- At the center of the CPEC was the **$700 million** development of the *city of Gwadar* into a smart port city that would become the “Singapore of Pakistan”.
- Gwadar is strategically important as it is an *hour’s drive from Iran and less than 320 km from Oman*.
- Gwadar’s development under BRI, approved in 2020, would increase the *city’s GDP to $30 billion by 2050* and create over a million jobs.

**Other projects:**
- The orange line metro
- Coal power plants to tackle energy shortages
- Main Line 1 rail project from Peshawar to Karachi.

- While coal plants set up and managed by Chinese firms did help improve the power situation in Pakistan.

**Issues:**
- Multiple reports have shown that shipping activities at the Gwadar Port is almost negligible so far, with only some trade to Afghanistan.
- Gwadar residents have also protested against the large security force deployed to protect Chinese nationals involved in projects after they became the target of multiple deadly attacks by Baloch nationalists.
In late 2021, thousands of Gwadar residents staged a sit-in protest against the lack of promised basic amenities in Gwadar and Chinese deep sea trawlers reducing fishing opportunities for locals.

Chinese power firms operating in Pakistan threatened to close down if the latter did not pay dues worth **300 billion in Pakistani rupees** (approximately $1.5 billion).

**BRI and Sri Lanka:**
- In Sri Lanka, multiple infrastructure projects that were being financed by China came under the fold of the BRI after it was launched in 2013.
- The island nation in the last couple of years has witnessed competition between India and China in port terminal and energy projects.
- In 2021, Colombo ejected India and Japan out of a deal to develop the East Container Terminal at the Colombo port and got China to take up the project.
- It then awarded the project for the Western Side of the Terminal to the Adani Group.
- Some BRI projects in Sri Lanka have been described as **white elephants**, the **Hambantota port**:
  - A deep seaport on the world’s busiest east-west shipping lane, which was meant to spur industrial activity.
  - The port had always been secondary to the busy Colombo port until the latter ran out of capacity.
- The Sri Lankan government took $1.4 billion in Chinese loans for the port’s expansion.
- Unable to service the huge loan and incurring $300 million in losses due to delays, the government handed Hambantota port to a Chinese State Owned company on a 99 year lease in 2017.
- Other key projects under BRI:
  - Colombo International Container Terminal
  - Central Expressway
  - Hambantota International Airport among others.

**BRI and Bangladesh:**
- **Bangladesh joined the BRI in 2016**, with the second highest investment (**about $40 billion**) in South Asia after Pakistan.
Multiple studies, including research by the Council on Foreign Relations, show that Bangladesh has been able to benefit from the BRI while maintaining diplomatic and strategic ties with both India and China.

It has managed to not upset India by getting India to build infrastructure projects similar to BRI in the country.

In 2016, when the Chinese government promised Dhaka BRI investment worth around $40 billion, India followed up in 2017 by extending a $5 billion line of credit and economic assistance.

BRI projects include:

- China Bangladesh Friendship Bridges
- Special economic zones
- The $689.35 million Karnaphuli River tunnel project
- Upgradation of the Chittagong port
- A rail line between the port and China’s Yunnan province.

How have projects from India and China progressed in Maldives

- Situated in the middle of the Indian Ocean, Maldives comprises two hundred islands, and both India and China have strategic interests there.
- One of the most prominent BRI projects undertaken in the Maldives is the two km long China-Maldives Friendship Bridge, a $200 million four lane bridge.
- Most of China’s investment in the Maldives happened under former President Abdullah Yameen, seen as proChina.
- The Maldives’ current regime of President Ibrahim Solih has tried to distance itself from the BRI, focusing more on its ‘India First’ policy.
- India has also in recent years sought greater ties with the Maldives under Prime Minister Narendra Modi’s ‘Neighbourhood First Policy’.

BRI and Afghanistan:

- China had promised investments worth $100 million in Afghanistan which is small in comparison to what it shelled out in other South Asian countries.
- The projects have not materialized so far and uncertainties have deepened after the Taliban takeover last year.

Issues Associated to BRI:

- Chinese Monopoly in the Projects: The investments under the BRI are mostly done by the state-owned enterprises and banks in China.
Most of the contracts (93%) have also gone to the state-owned enterprises in China. The host countries or other companies hardly have any role to play.

- **Increased Corruption and Reduced Competition**: Chinese monopoly in lending and building infrastructure has further led to corruption.
  - Due to no private sector participation, there is no competitive element in the programme.

- **Lack of Transparency and Environmental Concerns**: The debt trap diplomacy, the lack of transparency and unreasonable loan conditions have made the scheme extremely unpopular.
  - At least 236 BRI projects have been facing the debt related problem.
  - This has also led to dumping of steel and cement raising environmental concerns.

- **BRI- A Recipe For Total Failure**: China sold most of its connectivity projects to the countries which were looking at China for the success of its economic model in infrastructure projects and wanted to emanate the same path, even if it was not viable for the countries.
  - Moreover, China has overcommitted itself and now it is not able to sustain the aid-program.
  - The fate of those projects is undetermined which were started but not finished.
  - More than 35% of the project portfolio is stuck on the implementation stage.

**CPEC’s Implications for India:**
Way Forward

- **Participatory Alternatives**: Alternative projects must be launched by more advanced countries which are also participatory in nature keeping into account the interests of the host/recipient countries. Unless there is a partnership with the host country, the success of the project is not assured.

- **Alternate Funding Sources**: Alternative sources of funding like the $600 billion plan by G7 countries called the Partnership for Global Infrastructure and Intelligence, these connectivity projects must be taken into account. Also, more professional financial institutions shall be invited to provide assistance in such issues.

- **India’s Role**: India will have to work with its partners in the region to offer alternative connectivity arrangements to its neighbours.
  - Connectivity is increasingly seen as a tool for exerting foreign policy influence.
India stepping forward to enhance interconnectedness will provide a new theater for geopolitical competition with China in South Asia and the Indian Ocean.

Connectivity also presents India with an opportunity to reestablish its regional primacy.

**Collaboration with Like-Minded Countries:** India’s ability to act alone in South Asia and the larger Indian Ocean is limited. It must seek help from partners like Japan when necessary to build and upgrade its infrastructure and create an alternative to Chinese-led connectivity corridors and infrastructure projects.

- Countries like Australia, France, Germany, the UK and the US have technical expertise and are already present in the region to some extent.

**Diplomatic maneuvering:** Appropriate diplomatic maneuvering and economic and military assertion is vital for the implementation of India’s interests in the region along with leveraging the space as a building block for a multipolar world order.

India’s view is to work with other like-minded countries in the Indo-Pacific region to cooperatively manage a rules-based multipolar regional order and prevent any single power from dominating the region or its waterways.

**Supporting Indo-Pacific governments:** There needs to be support for Indo-Pacific governments, boost their capacity to make independent political choices by helping partners root out corruption, including through foreign-assistance and development policies.

**QUESTION FOR PRACTICE**

Q. The newly tri-nation partnership AUKUS is aimed at countering China’s ambitions in the Indo-Pacific region. Is it going to supersede the existing partnerships in the region? Discuss the strength and impact of AUKUS in the present scenario. (UPSC 2021)

(250 WORDS, 15 MARKS)

Q. China is using its economic relation and positive trade surplus as tools to develop potential military power status in Asia” In the light of this statement. Discuss its impact on India as her neighbour. (UPSC 2017)

(200 WORDS, 10 MARKS)
Q. What has been the progress of the BRI so far? What have been the roadblocks and challenges?

(200 WORDS, 10 MARKS)

EDITORIAL ANALYSIS

Words from Bandung to relive in Bali and Delhi

Source: The Hindu

Prelims: Current events of international importance, NATO, BRICS, G20, G7 etc.

Mains GS Paper II: Significance of G20 for India, Bilateral, regional and global grouping and agreements involving India or affecting India’s interests.

ARTICLE HIGHLIGHTS

- Three back to back summits in the past fortnight have helped settle the stand, where on the Russian Invasion of Ukraine: the BRICS, followed by the G7 Summit, and then the North Atlantic Treaty Organization (NATO) Summit in Madrid.

- Prime Minister of India attended the BRICS summit virtually, and then traveled to Germany for the G7 outreach between the seven “most industrialized nations.

- The special invitees this year, namely, Argentina, Indonesia, India, Senegal and South Africa.

- India was not a part of the NATO summit, which included an outreach to the United States’s IndoPacific treaty allies, i.e Japan, South Korea, Australia and New Zealand.
INSIGHTS ON THE ISSUE

Context

Group of Seven (G7):
- It is an intergovernmental organization that was formed in 1975.
- The bloc meets annually to discuss issues of common interest like global economic governance, international security and energy policy.
- The G7 countries are the **UK, Canada, France, Germany, Italy, Japan and the US**.
- All the G7 countries and India are a part of **G20**.
- The G7 does not have a formal constitution or a fixed headquarters.
- The decisions taken by leaders during annual summits are **non-binding**.

Major purpose of the G-7:
- It is to discuss and deliberate on international economic issues.
- It sometimes acts in concert to help resolve other global problems, with a special focus on economic issues.

North Atlantic Treaty Organization (NATO)
- Headquarters: **Brussels, Belgium**.
- It is a military alliance established by the **North Atlantic Treaty** (also called the Washington Treaty) of April, 1949, by the **United States, Canada, and**
several Western European nations to provide collective security against the Soviet Union.

- There are currently 30 member states.
- NATO’s essential and enduring purpose is to safeguard the freedom and security of all its members by political and military means.
- NATO has an integrated military command structure but very few forces or assets are exclusively its own.

BRICS:

- It is the group composed of the five major emerging countries – Brazil, Russia, India, China and South Africa.
- It together represents about 42% of the population, 23% of GDP, 30% of the territory and 18% of the global trade.
- In 2011, with South Africa joining the group, the BRICS reached its final composition, incorporating a country from the African continent.
During the Sixth BRICS Summit in Fortaleza (Brazil) in 2014, the leaders signed the Agreement establishing the New Development Bank (NDB - Shanghai, China).

They also signed the BRICS Contingent Reserve Arrangement to provide short-term liquidity support to the members.

BRICS-G7-NATO:

In BRICS summit:

- The BRICS Summit hosted by the Chinese President in virtual format was the first such multilateral grouping Russian President Vladimir Putin attended since February 24, 2022 (the day Ukraine was invaded).
- China and Russia took aim at the unilateral economic sanctions imposed by the United States and the European Union.
- The BRICS Beijing Declaration was a consensus document, as each member cited differing “National Positions” on the Ukraine issue.
- BRICS economic initiatives lauded by India:
  - BRICS New Development Bank (NDB), has approved about 17 loans totalling $5 billion for Russian energy and infrastructure projects.
  - Contingent Reserve Arrangement (CRA).
  - BRICS Payments Task Force (BPTF) for coordination between their central banks for an alternative to the SWIFT payment system.
- Russia also proposed building a global reserve currency based on a “basket of currencies” and trading in local currencies.
- Russia will be providing more oil and coal supplies to BRICS countries, which will no doubt raise red flags in the West.
- The possible admission of countries such as Argentina and Iran that have applied to the BRICS mechanism.

In G7 meet:

- In a number of statements, the G7 and the European Union targeted Russia’s war in Ukraine and China’s economic aggression.
- However its outreach documents on “Resilient Democracies and Clean and Just Transitions towards Climate Neutrality”, the only ones that India And other invitees signed onto, were devoid of any mentions of Russian aggression.
In NATO summit:

- At the NATO meeting, the U.S, Canada and European countries committed to more NATO actions against “Russian aggression”.
- For The first time,a reference to “systemic competition from China as a challenge to NATO “interests, security and values”.
- The launch of another Indo Pacific coalition of “Partners in the Blue Pacific” (PBP), i.e., the U.S, the U.K, Australia, New Zealand and Japan, in addition to last year’s Australia, U.K and U.S. (AUKUS).
- The leaders of the five countries that have applied to join NATO, i.e., Finland, Georgia, Sweden, Ukraine, and Bosnia Herzegovina.

India's stand:

- **Global grouping:** The outcome of all three summits points to a growing polarization, even battle lines being drawn, between the Western Atlantic Pacific axis and the Russia-China combine.
- **Neutral stand:** India is committed to a singular strategy, a defensive one, that does not condone Russia for its attacks on Ukraine, but one that does not criticize it either.
- **Joining of global economies of China:** India has joined China as global economies that have most increased their intake of Russian oil, and where India continues to source fertilizer, cement and other commodities from Russia using different means, including even paying in the Chinese Yuan to circumvent sanctions.
- **Diversifying its defense purchase:** India is working to diversify its defense purchases from Russia, hostilities with China are high, and a strategic tilt towards the U.S. and Quad partners in the Indo-Pacific is growing.
- **Neutral stand on multilateral stage:** On the multilateral stage too, India remains a balancing voice along with Brazil and South Africa.
  - India ensured that the BRICS Beijing declaration did not carry the Russian position on the Ukraine war or any criticism of the West
  - Making certain with other partners of the global South that the G7 outreach documents carried no criticism of Russia and China.

Non-Alignment Movement(NAM):

- The Non-Aligned Movement was formed during the Cold War as an organization of States that did not seek to formally align themselves with
either the United States or the Soviet Union, but sought to remain independent or neutral.

- The basic concept for the group originated in 1955 during discussions that took place at the Asia-Africa Bandung Conference held in Indonesia.
- The first NAM Summit Conference took place in Belgrade, Yugoslavia, in September 1961.
- It has 120 members as on April 2018 comprising 53 countries from Africa, 39 from Asia, 26 from Latin America and the Caribbean and 2 from Europe (Belarus, Azerbaijan). There are 17 countries and 10 international organizations that are Observers at NAM.
- The Non-Aligned Movement was founded and held its first conference (the Belgrade Conference) in 1961 under the leadership of Josip Broz Tito of Yugoslavia, Gamal Abdel Nasser of Egypt, Jawaharlal Nehru of India, Kwame Nkrumah of Ghana, and Sukarno of Indonesia.
- The purpose of the organization was enumerated in the Havana Declaration of 1979 to ensure:
  ○ The national independence
  ○ Sovereignty, territorial integrity
  ○ Security of non-aligned countries in their struggle against imperialism, colonialism, neo-colonialism, racism, and all forms of foreign subjugation.
- During the cold war era the NAM played a vital role in stabilizing the world order and preserving peace and security.
- Non alignment of NAM doesn't mean the neutrality of the state on global issues, it was always a peaceful intervention in world politics.

Way Forward

- It is time for India to seize the moment for leadership in a world that is becoming increasingly uncomfortable with the growing polarization and the disruption due to the Ukraine war.
- As the next President of the G20, India also must shoulder the burden of ensuring that the G20 stays together, and reassuring those worried by the brinkmanship of the West on one side and Russia and China on the other.
- Only 40 countries joined the U.S. and Europe led sanctions regime against Russia.
  ○ This represents a large pool of independently minded countries that do not see it in their own national interest to blindly choose one side over another.
India’s National interests would be better served by building a community of those like minded countries (from South America to Africa, the Gulf to South Asia and to the Association of Southeast Asian Nations), who cannot afford the hostilities and want to avoid the possibility of global war at all costs.

- In 1955, it was in such a similar moment that India took leadership of (along with countries such as Indonesia and Egypt at the Asian African Conference of 29 newly independent nations, at Bandung), a conference that eventually led to the Non Aligned Movement (NAM).

- This is the time to rethink India’s role in “growing the unaligned area” and bringing the “objective and balanced” outlook Nehru spoke of, to the forefront of India’s strategic policy, by channeling that thought from Bandung to Bali and Delhi this year.

QUESTION FOR PRACTICE
The USA is facing an existential threat in the form of China, that is much more challenging than the erstwhile Soviet Union." Explain (UPSC 2021)

(200 WORDS, 10 MARKS)

EDITORIAL ANALYSIS
How Shinzo Abe restored Japan’s global standing

Source: The Hindu, Indian Express

- Prelims: Current events of international importance, India-Japan relations, INSC, Regional forums, East Asia Summit etc
- Mains GS Paper II: Significance of Japan in Indo-Pacific strategy, Indo-Pacific Region, Free and open Indo-Pacific, International organizations, India-Japan relations etc

ARTICLE HIGHLIGHTS
- Mr. Abe’s untimely passing on Friday, after being shot by an attacker during a campaign event for a parliamentary election, brought down the curtain on the career of a leader who redefined Japanese politics and diplomacy.
In his 2013 speech, he outlined **three foreign policy priorities:**

- He wanted Japan to step up to become “**a guardian of the global commons.**
- **Revision of the country’s post war Constitution**
- **Peace treaty with Russia.**

In 2021, the Union government awarded Mr. Abe the **Padma Vibhushan**, the country’s second highest civilian honour.

The Home Ministry announced one day’s State Mourning throughout the country on Saturday as a mark of respect to the departed dignitary.

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**INSIGHTS ON THE ISSUE**

**Context**

**Indo-Japan relations:**

- Japan is regarded as a key partner in India’s economic transformation.
- In the recent past, the India-Japan relationship has transformed to a partnership of great substance and purpose.
Japan’s interest in India is increasing due to a variety of reasons including India’s large and growing market and its resources, especially the human resources.

**Within India:** Japan has been a leading financial donor in the form of ODA (*Official Development Assistance*) to India.

- It continues to maintain a high degree of interest and support for India's mega infrastructure projects like:
  - Delhi-Mumbai Freight Corridor
  - Delhi-Mumbai Industrial Corridor
  - Chennai-Bangalore Industrial Corridor
  - Ahmedabad-Mumbai High Speed Rail

**Outside India:**

- Asia-Africa Growth Corridor (AAGR) announced in 2017
- Joint projects in some third countries like Bangladesh, Myanmar, and Sri Lanka and in Africa as well will be taken jointly.

**Defense ties:**

- Quadrilateral Security Dialogue is a strategic dialogue between India, United States, Japan and Australia will be carried out.
- Malabar exercise has been carried by India, Japan and USA on a continuous basis.
- 2+2 dialogue at the defense and foreign minister level.

**Challenges:**

- Trade engagements have been below potential.
- On the list of countries that India exports to, **Japan is at 18th position in the list of top 25 countries.** On the list of countries importing into India, **Japan ranks 12th.**
- **India’s exports to Japan in FY18 were lower than in FY15 in value terms.**
- India is struggling to penetrate the Japanese market as a result of language barriers, high quality and service standards.
- Negotiations to purchase **amphibious US-2** planes have dragged on for years.
- The desire to go to **India’s northeastern States**, where Japan has made a significant commitment to development, was never fulfilled.
- Japanese **bullet train from Ahmedabad to Mumbai**, has been subsequently delayed due to land acquisition and other issues

**Background:**
His contribution to Japan’s foreign policy:
- **Japan as leader in Indo-Pacific**: He lead Japan as a leader in the rules based order in the Indo-Pacific region, Mr. Abe was among the first to popularize a rule-based order in Indo-Pacific.

- **Global commons**: He wanted Japan to step up to become “a guardian of the global commons” in an increasingly contested maritime domain, and to work closely with “like minded democracies”, such as the **U.S., India, Australia and South Korea**.

- **More responsibilities**: He assumed more security responsibilities, particularly amid rising Chinese influence in Asia. This stand often brought him in the crosshairs of China. Mr. Abe also wanted Japan to be a leader in regional trade.

- **Amendment in laws for armed forces**: While he failed to change **Article 9 of the Constitution**, under his watch, Japan amended laws that will allow its armed forces to be deployed overseas and the military for the first time took part in exercises on foreign soil.

- **Strengthening US-Japan alliance**: He strengthened the U.S-Japan alliance significantly, and based on that, he established a base for regional security cooperation by the **U.S., Japan, India, and Australia[Quad]**.

- **Trans-Pacific partnership(TPP) trade deal**: He shepherded the Trans-Pacific-Partnership trade deal, seen as an economic counter to China.
  - The Abe administration managed to establish TPP even without the U.S., thereby enabling the Asia Pacific region to somehow maintain a momentum of free trade.

**India and Shinzo Abe:**
• Vision for shared leadership: Abe moved Japan-India ties away from a narrow financial assistance paradigm to developing a vision for shared leadership in the vast Indo-Pacific region stretching from the South China Sea to the Suez and the east coast of Africa.

• Special Strategic and Global Partnership: India and Japan agreed to upgrade the bilateral relationship to a “Special Strategic and Global Partnership” – a relationship which encompassed issues:
  ○ Civilian nuclear energy to maritime security
  ○ Bullet trains to quality infrastructure
  ○ Act East policy to Indo-Pacific strategy

• Valuable G7 leader for India: Abe was a valuable G-7 leader for India, focused on strategic, economic and political deliverables, and not getting distracted by India’s domestic development.

• Indo-Pacific architect: During Abe’s tenure, India and Japan came closer in the Indo-Pacific architecture. Abe had spelt out his vision of the “Confluence of the Two Seas” in his 2007 speech when the Quad was formed.

• Developmental projects: During Abe’s visit in 2015, India decided to introduce the Shinkansen system (bullet train). Under Abe’s leadership, India and Japan also formed the Act East Forum and are engaged in projects in the Northeast, closely watched by China.

• Joint projects: The two countries also planned joint projects in Maldives and Sri Lanka among others to counter Beijing’s influence.

• Civil Nuclear deal: India and Japan were able to conclude the Civil Nuclear Deal, considered impossible given Japan’s nuclear sensitivities and India’s refusal to sign the Non-Proliferation Treaty, only due to Mr. Abe’s persistence with his Parliament.

• Military logistic support pact: While the security agreement was in place since 2008, under Abe, the two sides decided to have a foreign and defense ministers’ meeting (2+2), and started negotiations on the Acquisition and Cross-Servicing Agreement — a military logistics support pact.

• Defense technology transfer: In 2019, the first foreign and defense ministers’ meeting was held in New Delhi. A pact for transfer of defense equipment and technology was also signed in 2015, an uncommon agreement for post-War Japan.

• Stood with India for India-China standoff: Since 2013, Indian and Chinese soldiers have had four publicly-known border standoffs, and Abe stood with India through each of them.
During the Doklam crisis and the current standoff, Japan made statements against China for changing the status quo.

Way Forward

■ Indo Pacific is a strategic space which offers a number of challenges and opportunities for India and all other stakeholders. Along with Japan, India has strategically invested in many island countries like Maldives.

■ Diplomatic and economic engagement: Appropriate diplomatic maneuvering and economic and military assertion is vital for the implementation of India’s interests in the Indo-Pacific region along with leveraging space as a building block for a multipolar world order of which Japan forms an important pillar.

■ Leveraging strength: India must leverage Japan’s strengths in areas such as medical equipment and hospitals and India and Japan must endeavor to work together for a rules-based and inclusive world order.

■ Clean Energy Partnership: It will encourage manufacturing in India, creation of resilient and trustworthy supply chains in these areas as well as fostering collaboration in R&D (Research and Development). It will be implemented through the existing mechanism of Energy Dialogue.

QUESTION FOR PRACTICE

Q. Quadrilateral Security Dialogue is transforming itself into a trade block from the military alliance, in present times. Discuss (UPSC 2020) 

(200 WORDS, 10 MARKS)

Q. Japan relies on an alliance with the U.S. for security and for its economic future with China. Critically analyze.

(200 WORDS, 10 MARKS)

EDITORIAL ANALYSIS

A multilateral platform in a polarized world

Source: The Hindu, Economic times

■ Prelims: Current events of international importance, G20, G7 etc.
Mains GS Paper II: Significance of G20 countries, Bilateral, regional and global grouping and agreements involving India or affecting India’s interests.

ARTICLE HIGHLIGHTS

- The G20 Foreign Ministers’ Meeting (FMM) on 7—8 July 2022 was hosted at Bali, Indonesia. Indonesia is the current President of G20.
- The summit ended with no joint statement, and no announcements of any agreements being reached.
- The 17th G20 Heads of State and Government Summit is happening in November in Bali. After Indonesia, India will assume the presidency of G20 from December 2022.

INSIGHTS ON THE ISSUE

Context

G20:

- The G20 is an informal group of 19 countries and the European Union, with representatives of the International Monetary Fund and the World Bank.
- The G20 membership comprises a mix of the world’s largest advanced and emerging economies, representing about two-thirds of the world’s population, 85% of global gross domestic product, 80% of global investment and over 75% of global trade.
Origin:

- **1997-1999 ASIAN Financial Crisis**: This was a ministerial-level forum which emerged after G7 invited both developed and developing economies. The *finance ministers and central bank governors began meeting in 1999*.
- Amid the 2008 Financial Crisis the world saw the need for a new consensus building at the highest political level. It was decided that the G20 leaders would begin meeting once annually.
- To help prepare these summits, the **G20 finance ministers and central bank governors continue to meet on their own twice a year**.
- They meet at the same time as the *International Monetary Fund and The World Bank*.

How does the G20 Works?

- The working of G20 is divided into two tracks:
  - **The finance track**: It comprises all meetings with G20 finance ministers and central bank governors and their deputies.
    - Meeting several times throughout the year they focus on monetary and fiscal issues, financial regulations, etc.
  - **The Sherpa track**: It focuses on broader issues such as *political engagement, anti-corruption, development, energy, etc.*
    - Each G20 country is represented by its Sherpa; who plans, guides, implements, etc. on behalf of the leader of their respective country.

Structure and Functioning of G20:

- The G20 Presidency rotates annually according to a system that ensures a regional balance over time.
- For the selection of the presidency, the **19 countries are divided into 5 groups, each having no more than 4 countries**. The presidency rotates between each group.
- Every year the G20 selects a country from another group to be president.
  - **India is in Group 2 which also has Russia, South Africa, and Turkey**.
- **The G20 does not have a permanent secretariat or Headquarters**. Instead, the G20 president is responsible for bringing together the G20 agenda in consultation with other members and in response to developments in the global economy.
● **TROIKA**: Every year when a new country takes on the presidency, it works hand in hand with the previous presidency and the next presidency and this is collectively known as TROIKA. This ensures continuity and consistency of the group’s agenda.

**The work of G20 members is supported by several international organizations:**

- They provide policy advice.
- These organizations include:
  - The Financial Stability Board (FSB). The FSB, which was established by G20 leaders following the onset of the global financial crisis,
  - The International Labour Organization (ILO).
  - The International Monetary Fund (IMF).
  - The Organization for Economic Co-operation and Development (OECD)
  - United Nations (UN)
  - World Bank
  - The World Trade Organization (WTO)

**Key Highlights of the meet:**

- **Two important sessions held:**
  1. **First Session**: The first session was held on **strengthening multilateralism**.
     a. It explored joint actions to strengthen global collaboration and foster mutual trust among countries.
     b. It was aimed at creating an enabling environment that will support world stability, peace, and development.
  2. **Second Session**: The second session was on the **Food and Energy crisis**.
     a. It discussed strategic actions to combat food insecurity, fertilizer shortage, and rising global commodity prices

- **It Called for an end to the war and grain blockade in Ukraine:**
  - G20 foreign ministers called for an **end to the war and grain blockade in Ukraine**.
  - The forum was the **first face-to-face meeting between Russia and the fiercest critics of its war**.

- **Differences within the G-20 grouping was visible**
  - The meetings indicated the emerging differences within the G-20 grouping.
Russia accused the United States of forcing Europe and the rest of the world to abandon cheap energy sources.
The U.S. blamed Moscow for global food insecurity.
- The Ukraine war and its economic fallouts are hinting at a division within the ranks of the global grouping.
- The **U.S., EU, Japan, Canada, Australia and France** are increasingly forming one anti-Russia block. While the rest of the countries prefer a cautious approach asking for peaceful resolution of the war in Ukraine.

**India at G20:**
- India was represented by the **EAM, Dr. S. Jaishankar at the G20 Foreign Ministers’ Meeting.**
- India as a troika member
  - **India is a G20 troika member and as the incoming G20 Presidency,** India’s role in this summit assumed greater importance.
  - **The Troika of G20 consists of the current (Indonesia), previous (Italy) and incoming (India) G20 Presidencies.**
  - India will assume the G20 Presidency on 1 December 2022 from Indonesia.
  - It will convene the G20 Leaders’ Summit for the first time in India in 2023.
- **New Sherpa nominated**
  - **Former NITI Aayog CEO Amitabh Kant has been picked as India’s new Sherpa for the G-20.**
  - The Sherpa engages in **planning, negotiation and implementation tasks through the Summit.**
  - He replaced Piyush Goyal, Minister for Commerce & Industry and Consumer Affairs, who was appointed as the G-20 Sherpa in September 2021.
- **Bilateral meeting with US and Russian Foreign ministers:** On the side-lines of the summit, EAM held discussions on regional and global issues in bilateral meetings with his US and Russian counterparts.
- He also met the Foreign Minister of China and called for an early resolution of all the outstanding issues along the **LAC in Eastern Ladakh.**

**Present global challenges that need to be addressed:**
Implications for India to establish the International Institute for Regulatory Development (IIRD):

- **Establishment of IIRD**: This is an opportunity to initiate the reshaping of the global regulatory construct through the establishment of an *International Institute for Regulatory Development (IIRD)*.

- **India can be a torchbearer for a new regulatory framework**: It provides an opportunity to ‘tropicalise’ regulations and regulatory framework. While the Bretton Woods institutions had their origin in the US and Europe, India could be the torchbearer for the new regulatory architecture, of which the IIRD would be the lynchpin.

- **Collective assessment**: IIRD would be a forum where regulators, global institutions, systemically important market players, multilaterals and governments can collectively assess risks and new market opportunities.

- **Regulatory standards and benchmarks for technologies**: IIRD would have the vision and mission of devising regulatory standards and benchmarks for emerging and frontier technologies, facilitating and enhancing inter-regulatory coordination and information sharing.

- **Assessment of global and local risks**: It can assess collective risks arising globally and locally from excessive leverage, poor valuation, liquidity mismatch and creating a forum for public consultation, for drafting of international regulations and improving public participation by emerging economies.

- **Public-private and multilateral funding**: IIRD could be funded through a combination of *public, private and multilateral resources*, housed in India and populated with exceptional talent from India and across the world.
• **Deployment of technologies:** It will deploy technology itself, including *regulatory technology (RegTech) and supervisory technology (SupTech)* and the best technology for training, skilling, data sharing and dissemination.

**Way Forward**

- As a founding member of the G20, India has used the platform to raise issues of vital importance and those that impact on the most vulnerable around the world.
- G20 needs leaders with impeccable global credentials. With India to assume the Presidency in Dec 2022, it has the opportunity to restore the world’s faith in multilateralism.
- The G20 must strengthen the partnership with international organizations such as the IMF, the OECD, the WHO, the World Bank and the WTO, and delegate them the task of monitoring progress.
- Upcoming G20 meet is an opportunity for India to initiate the reshaping of the global regulatory construct through the establishment of an *International Institute for Regulatory Development (IIRD).* India can be a torchbearer for a new regulatory framework.
- The bigger challenges, however, will remain for India to assist Indonesia in protecting the idea of the G20 and keeping it from fragmentation in the face of geopolitical fissures, where leaders are loath to hear each other speak, or even sit in the sameroom together.

**QUESTION FOR PRACTICE**

Q. The long sustained image of India as a leader of the oppressed and marginalized nations has disappeared on account of its new found role in the emerging global order.’ Elaborate (UPSC 2019)

(200 WORDS, 10 MARKS)

**EDITORIAL ANALYSIS**

*The Ukraine war and the return to Eurocentrism*

**Source:** The Hindu
- **Prelims**: Current events of international importance, decolonisation, NATO, etc.
- **Mains GS Paper II**: Significance of European countries for India, Bilateral, regional and global grouping and agreements involving India or affecting India’s interests, NATO

**ARTICLE HIGHLIGHTS**

- Decolonisation, the emergence of the United States as the western world’s sole superpower, and the rise of the rest dramatically diminished the centuries old domination of the European States and their ability to shape the world in their own image.
- The contemporary international order is hardly Eurocentric: *dominated by the U.S., and challenged by rising great powers or superpowers*, it is moving toward a *multipolar order* wherein Europe’s system shaping capabilities have been rather limited.

![Map of Ukraine](image)

**INSIGHTS ON THE ISSUE**

**Context**
Eurocentrism (Eurocentricity or Western-centrism):
- It is a worldview that is centered on Western civilization or a biased view that favors it over non-Western civilizations.
- The exact scope of Eurocentrism varies from the entire Western world to just the continent of Europe or even more narrowly, to Western Europe (especially during the Cold War).

Background:
- The term "Eurocentrism" dates back to the late 1970s but it did not become prevalent until the 1990s, when it was frequently applied in the context of decolonisation and development and humanitarian aid that industrialized countries offered to developing countries.
- The term has since been used to critique Western narratives of progress, Western scholars who have downplayed and ignored non-Western contributions, and to contrast Western epistemologies with Indigenous ways of knowing.

What is the Conflict?
- Contestation about post-Cold War central European territoriality and resurrecting a burnished Russian past is at the core of the Ukraine crisis.
- Ukraine and Russia share hundreds of years of cultural, linguistic and familial links.
- For many in Russia and in the ethnically Russian parts of Ukraine, the shared heritage of the countries is an emotional issue that has been exploited for electoral and military purposes.
- As part of the Soviet Union, Ukraine was the second-most powerful Soviet republic after Russia, and was crucial strategically, economically and culturally.
- The balance of power in the region, Ukraine being a crucial buffer between Russia and the West, Ukraine’s bid for NATO membership and Russian interests in the Black Sea accompanied by the protests in the Ukraine are the major causes of the ongoing conflict.

Current Scenario:
- The conflict is now the largest attack by one state on another in Europe since the Second World War, and the first since the Balkan conflict in the 1990s.
• **The G7 nations strongly condemned Russia’s invasion of Ukraine.**
• G20 foreign ministers called for an *end to the war and grain blockade in Ukraine.*
• Sanctions have been imposed by the *U.S., the European Union (EU), the UK, Australia, Canada and Japan.*
• **China rejected calling Russia’s moves on Ukraine an “invasion” and urged all sides to exercise restraint.**
• **India did not join the Western powers’** condemnation of Russia’s intervention in Crimea and kept a low profile on the issue.
• More recently, **India abstained on a US-sponsored UNSC resolution that** “deplores in the strongest terms” Russia’s “aggression” against Ukraine, with India saying dialogue is the only answer to settling differences and disputes and voicing “regret” that the path of diplomacy was given up.
  ○ **China too abstained, along with the United Arab Emirates (UAE).**

**Impact of Ukraine war on Europe:**

- **Tilting the current global balance:** The political and military aftermath of Russia’s war on Ukraine could potentially tilt the current global balance and take us back to Eurocentric world order, albeit far less powerful and dominating than its earlier avatars.
- **Major locus of trans-Atlantic security:** If Donald Trump returns to the White House in 2024, the Europeans are likely to take their own security far more seriously. In any case, Europe might emerge as a major locus of trans-Atlantic security imagination.
- **Disinterested US:** The United States, fatigued from the Iraq and Afghan wars, does not appear to be keen on another round of wars and military engagements.
- **Shift from pacifism to militarism:** In Europe, there is a shift in narrative from pacifism to insecurity induced militarism, which could shape the international system.
- **Renewal of NATO and EU:** A pervasive sense of “existential insecurity” has brought about a renewed enthusiasm about the future of the European Union and the North Atlantic Treaty Organization (NATO).
  ○ The European Union (EU) Commission in Brussels has backed Ukraine’s bid for EU candidature, and the 30 state military alliance, NATO, has two more members in its fold (Finland and Sweden).
Increased spending on defense: Germany has decided to spend an additional €100 billion for defense over and above its €50 billion annual expenditure on defense.
  ○ It is set to announce a new national security strategy early next year, and the hope of ‘changing Russia through trade’ is no longer popular amongst most German policymakers and thinkers.

Impact on institutions:
  ● Little faith in UNSC or UN: There appears little faith in the United Nations or the UN Security Council anymore, they have decided to put their faith in a revitalized EU and NATO.
  ● Threat to globalization: European states are deeply worried about globalization induced vulnerability and this has set in to think about the inherent problems of indiscriminate globalization.
  ● Rise of military power: The combined effect of European remilitarisation, its loss of faith in multilateral institutions and the increased salience of the EU and NATO will be the unchecked emergence of Europe as an even stronger regulatory, norm/standard setting superpower backed with military power.
  ● Unilateral adoption of instruments: The EU already has a worryingly disproportionate ability to set standards for the rest of the world. Instruments such as the Digital Services Act and the Digital Assets Act or its human rights standards will be unilaterally adopted and will be unavoidable by other parts of the world.
  ● Using non democratic process: There is an irrefutable ethical problem in a democratic Europe using nondemocratic processes to adopt seemingly progressive measures for the rest of the world.

Implications for the world:
  ● Eurocentric world: Receding multilateralism and rising Eurocentrism would invariably mean that norm setting and system shaping discussions are likely to be “conducted by Europeans, among Europeans, for Europeans and non Europeans”, leading to fewer consultations and even lesser consensus with the rest of the international community.
  ● Pseudo global order: Europe will seek partners around the world to create a Eurocentric World order, not a truly global world order.
*Countering China:* This unilateral attempt to shape the world in its image will also be portrayed as an attempt to counter Chinese attempts at global domination.

*Political dilemma for India:* When presented as such, countries such as India will face a clear dilemma: to politically and normatively oppose the setting of the global agenda by Europeans or to be practical about it and jump on the European Bandwagon.

### Way Forward

- **Inherent Eurocentric view of the European nations:** The lack of interest in other parts of the world about the Russian aggression in Europe, and the consequent unease about the lack of empathy from the rest of the world, is indicative of the inherent Eurocentric view of the European nations about the world.

- **Reviving Minsk Peace Process:** A practical solution for the situation is to revive the *Minsk peace process.*
  - Therefore, the *West (US and Other western Countries)* should push both sides to resume talks and live up to their commitments as per the Minsk agreement to restore relative peace on the border.

- **A Balanced Approach:** India-Russia ties have ensured that India has not been entirely left out of the conversation on *Afghanistan,* and in *Central Asia,* while also providing some leverage with the US.
  - At the same time, the *US, the EU, and UK* are all vital partners, and India’s relations with each of them, and the Western world in general, go far beyond the sum of their parts.
  - India must talk continually to all sides, and *engage with all of its partners,* keeping in mind that there is no justification for the violation of any country’s territorial sovereignty.
  - India must also make it clear to coercing countries that their “with us or against us” formulations are hardly constructive.

### QUESTION FOR PRACTICE

Q. The newly tri-nation partnership AUKUS is aimed at countering China’s ambitions in the Indo-Pacific region. Is it going to supersede the existing partnerships in the region? Discuss the strength and impact of AUKUS in the present scenario (UPSC 2021)
Q. The political and military aftermath of the Ukraine conflict could set the stage for the return of a Eurocentric world order. Critically analyze.

EDITORIAL ANALYSIS

The Shanghai Cooperation Organization and its stature in the modern world

Source: The Hindu

- **Prelims:** Current events of international importance, Regional forums (SCO, NATO, etc)
- **Mains GS Paper II:** Significance of SCO for Asia and India, effect of policies of developed and developing countries on India.

**ARTICLE HIGHLIGHTS**

- *Iran and Belarus could soon become the newest members of the China and Russia-backed Shanghai Cooperation Organization (SCO).*
  - In the *Samarkand summit*, the leadership will adopt a document on the obligations Iran must fulfill to gain membership.
    - The legal procedures of Belarus’s accession are about to start.
  - There needs to be consensus on the acceptance of Belarus,” Chinese diplomat and incumbent Secretary-General of SCO, Zhang Ming, stated.
    - According to him, the suggested expansion would exhibit the collective’s rising international influence and its principles being widely accepted.

- Last year’s summit in *Dushanbe* agreed for Iran to join, while Belarus has also begun the membership process.

- Expanding the group is among the issues that leaders of the grouping, including Prime Minister of India, Russian President and Chinese President are likely to discuss at the SCO summit in *Samarkand, Uzbekistan, in September*.

- *India will host the SCO summit next year, and Varanasi has been selected as the SCO region’s first “Tourism and Cultural Capital.*
INSIGHTS ON THE ISSUE

Context

Shanghai Cooperation Organization (SCO):

- SCO is a permanent intergovernmental international organization.
- It’s a Eurasian political, economic and military organization aiming to maintain peace, security and stability in the region.
- It was created in 2001. The SCO Charter was signed in 2002, and entered into force in 2003.

Genesis:

- Prior to the creation of SCO in 2001, *Kazakhstan, China, Kyrgyzstan, Russia and Tajikistan were members of the Shanghai Five.*
- Shanghai Five (1996) emerged from a series of border demarcation and demilitarization talks which the four former Soviet republics held with China to ensure stability along the borders.
- *Following the accession of Uzbekistan to the organization in 2001, the Shanghai Five was renamed the SCO.*
- *India and Pakistan became members in 2017.*
- On 17th September, 2021, it was announced that *Iran would become a full member of the SCO.*
Objectives:

Structure:

- **Heads of State Council** – The supreme SCO body which *decides its internal functioning and its interaction with other States & international organizations*, and considers international issues.
- **Heads of Government Council** – *Approves the budget*, considers and decides upon issues related to economic spheres of interaction within SCO.
- **Council of Ministers of Foreign Affairs**: Considers issues related to day-to-day activities.
- **Regional Anti-Terrorist Structure (RATS)**: Established to *combat terrorism, separatism and extremism*.

Guiding Principle: Based on Shanghai Spirit:
- **Internal policy:** Based on the principles of mutual trust, mutual benefit, equality, mutual consultations, respect for cultural diversity, and a desire for common development.
- **External policy:** It is in accordance with the principles of non-alignment, non-targeting any third country, and openness.

Relevance to India:
- India acquired the *observer status in the grouping in 2005 and was admitted as a full member in 2017.*
- **Discuss differences with other members on the sidelines:** SCO hosts have encouraged members to use the platform to discuss differences with other members on the sidelines.
- **Bilateral meeting with Pakistan:** It was on such an occasion that the Prime Minister of India held a bilateral meeting with the former Pakistani Prime Minister in 2015 in Ufa.
- **Negotiation of five point agreement with Chinese counterpart:** Foreign Minister of India negotiated a five-point agreement with his Chinese counterpart on the sidelines of the *Moscow conference in 2020.*
- **Strategic autonomy and multi-alignment:** India is also a part of the ‘Quadrilateral’ grouping with the U.S, Japan and Australia.
  - Its association with the grouping of a rather different nature is part of its foreign policy that emphasizes on principles of “*strategic autonomy and multi-alignment*”.
- **Connectivity and stability across borders:** India's membership of SCO can help in achieving regional integration, promote connectivity and stability across borders.
- **Fulfilling energy demand:** India being an energy deficient country with increasing demands for energy, SCO provides it with an opportunity to meet its energy requirements through regional diplomacy.
  - *Talks on the construction of stalled pipelines like the TAPI (Turkmenistan-Afghanistan-Pakistan-India) pipeline; IPI (Iran-Pakistan-India) pipeline can get a much needed push through the SCO.*
- **Economic ties:** Central Asian countries provide India with a market for its IT, telecommunications, banking, finance and pharmaceutical industries.
- **Geopolitical:** Central Asia is a part of India's Extended Neighbourhood, SCO provides India an opportunity to pursue the “*Connect Central Asian Policy*”.
○ Helps India fulfill its aspiration of playing an active role in its extended neighborhood as well as checking the ever growing influence of China in Eurasia.
○ Platform for India to simultaneously engage with its traditional friend Russia as well as its rivals, China and Pakistan.

Is it about countering the West?

- Growing differences with the west: The Council on Foreign Relations (CFR) noted in 2015 that decades of rapid economic growth had propelled China onto the world’s stage
  ○ Russia found itself beset with economic turmoil following the Crimean annexation in 2014 and ejection from the G8 grouping.
- No supporters in the west: The organization spearheaded by both Russia and China does not find its supporters in the West.
- Russian action in Ukraine and China’s distance diplomacy: Most recently, Russia’s action in Ukraine caused it to be subjected to sanctions on multiple fronts by the West.
  ○ China’s ‘distance diplomacy’, had held that the security of one country should not be at the expense of another country, blaming the West (specifically referring to NATO) for the entire episode.
- Look to the east by Iran: The Iranian leadership has often stressed that the country must “look to the East”.
  ○ This is essential not only to resist its economic isolation (by addressing the banking and trade problems on account of U.S. sanctions) from the West, but also find strategic allies that would help it to reach a new agreement on the nuclear program.
  ○ In other words, using its ties with China and Russia as a leverage against the West.
  ○ Additionally, it would help it strengthen its involvement in Asia.
- Diplomacy and regional stature for Belarus: Belarus, which lent its support to Russia for its actions in Ukraine.
  ○ An association with the SCO bodes well for its diplomacy and regional stature

Challenges of SCO Membership for India:
• Pakistan’s inclusion in SCO poses potential difficulties for India.
- India’s ability to assert itself would be limited and it may have to play second fiddle since China and Russia are co-founders of SCO and its dominant powers.
- India may also have to either dilute its growing partnership with the West or engage in a delicate balancing act - as SCO has traditionally adopted an anti-Western posture.

**Way Forward**

- **Important group for India** India considers the SCO as an important regional group to promote cooperation in various fields based on universally recognised international norms, good governance, rule of law, openness, transparency and equality.
- **Addressing the concerns of members:** Need of working group to address the concerns of all entities, considering the territorial integrity of each nation involved.
- **More measures against terrorism:** Despite the establishment of the SCO’s Regional Anti-Terrorist Structure (RATS), the SCO has not taken visible counterterrorism measures against the main threat facing its members.
  - There is a need for the Summit to play a central and coordinating role to enforce the Council’s sanctions against concerned entities.
- **Engagement:** It provides a platform for India to simultaneously engage with its traditional friend Russia as well as its rivals, China and Pakistan and provides India an opportunity to pursue the “Connect Central Asian Policy”.
- **Agreements on connectivity and high-efficiency transport corridors:** Samarkand summit is expected to have agreements on connectivity and high-efficiency transport corridors and a roadmap for local currency settlement among member states.
- **SCO’s rising international influence:** The significant round of expansion by inclusion of Iran and Belarus shows SCO’s rising international influence and that the principles of the SCO charter are widely accepted.

**QUESTION FOR PRACTICE**

Q. Critically examine the aims and objectives of SCO. What importance does it hold for India? (UPSC 2021)

*(200 WORDS, 10 MARKS)*
Q. What is the SCO and how does the grouping impact India? Is it set up to counter the West?

(200 WORDS, 10 MARKS)

EDITORIAL ANALYSIS

A community and a health issue of concern

Source: The Hindu

- **Prelims**: Current events of national importance (Different social service Schemes, NFHS, LGBTQ+ community, section 377, NALSA)
- **Mains GS Paper I & II**: Social empowerment, development and management of social sectors/services related to Health, Issues faced by vulnerable sections of society etc.

ARTICLE HIGHLIGHTS

- During the recent celebration of Pride month (June) globally and in India, social media presence filled with striking images and stories of LGBTQIA++.
- Despite the reading down of *Section 377, the National Legal Services Authority (NALSA) judgments* and successive progressive movements, India’s class, caste and regionally diverse LGBTQIA++ communities remain at risk of long mental illnesses and challenges.
- A document released by the International Labour Organisation (ILO) on “*Inclusion of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ+) persons in the world of work*” recommended member countries, employers’ organisations and representatives of workers to launch social protection programmes to remove barriers that LGBTIQ+ persons face in society.
INSIGHTS ON THE ISSUE

Context

(LGBTIQ+):
- LGBTQ is an acronym for lesbian, gay, bisexual, transgender and queer or questioning.
- These terms are used to describe a person’s sexual orientation or gender identity.

Difficulties Faced by LGBTIQ+ Community:
• **Heterosexuality**: They are experiencing intolerance, discrimination, harassment, and threat of violence due to their sexual orientation than those that identify themselves as heterosexual.

• **In-equality & Violence**: They face inequality and violence at every place around the world. They face torture from people who mock at them and make them realize that they are different from others.

• **Deprived in Rights**: In many countries, the rights enjoyed by opposite-sex couples are not enjoyed by same-sex couples. They are prohibited from those rights.

• **Isolation from society**: They gradually develop low self-esteem and low self-confidence and become isolated from friends and family.

• **Conflict in Family itself**: Lack of communication between LGBT children and the parents often leads to conflict in the family. Many LGBT youths are placed in foster care or end up in juvenile detention or on the streets.

• **Racial Discrimination**: Additionally, lesbian, gay, bisexual and transgender people face poverty and racism daily. They suffer from social and economic inequalities due to continuous discrimination in the workplace.

**Implications of Stigma towards LGBTQIA++:**

• Life long dissonance, deep rooted stigma, discrimination and often abuse, that the community experiences.

• Extreme distress and poor self worth, resulting in self hate and suffering.

• The community is often fearful and has such deeply internalized stigma that it is challenging to even articulate what it feels like, forget about seeking help.

• Social contexts and the discrimination give them stress that impact their mental health, relentlessly, from a young age.

• Sexual orientation and gender identity are rarely discussed in our social, educational or familial environments, and if ever done, these discussions are stigmatising.

• Society marginalizes LGBTQIA++ people throughout life, no matter how accomplished they may be.

• If a person’s gender identity is different from the sex assigned to them at birth, this conflict and othering is extreme.

• The person feels trapped and conflicted, that feeds their gender dysphoria.

**Reasons for Inadequate Health services to LGBTQIA++:**
● When help is sought even by the most empowered, queer affirmative mental health services are hardly available.

● A large majority of the psychiatrists in India still consider diverse sexual orientations and gender identities as a disorder and practice ‘correctional therapy’. This is also true of general health care as well.

● In an ongoing study, the Raahat Project found that a large number of trans and gay men preferred to pay and seek help in the private sector rather than access government health care due to harassment and stigma.

Constitutional Safeguards:

● **Right to Privacy enshrined under Article 21**: It upholds that if a person cannot enjoy his privacy then it hampers his right to dignified life.

● **Article 14**: Equality before law and equal protection of laws.

● **Article 15**: It provides for a prohibition of discrimination on the grounds of religion, race, caste, sex or place of birth.

● **Article 19**: Petitioners argue that Section 377 is a violation to Freedom of Expression under Article 19 (1) (a).

Various Judgments in favour of the LGBTIQ+ Community:

● **Naz foundation v/s Government of Delhi case**

● **Koushal Judgment**: In 2013, the Supreme Court criminalizes homosexuality (Koushal judgment)

● **Justice K.S. Puttaswamy vs. Union of India (2017)**

● **Navtej Singh Johar vs. Union Of India (2018)**

Government measures:
Section 377:
- Section 377 of the IPC states: “Whoever voluntarily has carnal intercourse against the order of nature with any man, woman or animal, shall be punished with imprisonment for life, or with imprisonment of either description for a term which may extend to ten years, and shall also be liable to fine.”
- This archaic British law dates back to 1861 and criminalises sexual activities against the order of nature.
- The Supreme Court (SC) decriminalised homosexuality by striking off parts of Section 377 of the Indian Penal Code (IPC) which were held violative of Fundamental Rights of LGBTQ Community.

National Legal Services Authority (NALSA):
- It was constituted under the Legal Services Authorities Act, 1987 which came into force on 9th November, 1995 to establish a nationwide uniform network for providing free and competent legal services to the weaker sections of the society.
- The Chief Justice of India is the Patron-in-Chief and the second senior most Judge of the Supreme Court of India is the Executive Chairman of the Authority.
- Article 39 A of the Constitution provides for free legal aid to the poor and weaker sections of the society, to promote justice on the basis of equal opportunity.
- Article 14 and Article 22 (1), obligates the State to ensure equality before law.
The role played by NALSA and its networks is very much relevant to achieving the *Sustainable Development Goal-16*, which seeks to "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels".

**Way Forward**

- **Need for national focus**: We need a national focus on LGBTQIA++ mental health that has been further exacerbated by the global COVID19 pandemic.
- **Long term solutions**: We need comprehensive long term solutions that make queer mental health a priority and address community needs but also engage everyone to change the environment in which they exist. These solutions must engage with all the stakeholders, including educational institutions, communities, healthcare providers, mental health professionals, police personnel and families who are often a key source of mental health stress.
- **Inclusive policies**: One way to change the status quo is to ensure that every aspect of mental health work in India must include aspects of queer mental health issues, especially in schools and universities, to destigmatise diverse gender and sexual identities.
- **Spilling youth**: Building selfcare skills among queer adolescents and youth.
- **Awareness**: Strong components of behaviour change and awareness and also building capacity are important ways to build agency among these youth populations.
- **A movement guided by society**: We need is a movement on queer mental health guided by non-discrimination and public awareness in order to change social attitudes.
- **Creating a safe environment**: Community building is an important part of improving the mental health for LGBTQIA++ people. We need to create supportive, safe and educative spaces, access points for healthcare and information on mental health. *Example project that the Raahat Project has been working on through participatory methods has opened host of issues that LGBTQIA+ communities*
- **Prevention of injustice to the community**: Without addressing both the preventive and support aspects of the mental health of LGBTQIA++ people we
will compound an already neglected problem of mental illness that will be hard to handle in the future. This would not just be injustice, but also a crisis created by deliberate neglect.

- **Adhering to document by ILO**: Following document released by the International Labour Organisation (ILO) on “Inclusion of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ+)”.

**QUESTION FOR PRACTICE**
The mental illnesses and challenges that India’s LGBTQIA++ people face need comprehensive and long term solutions. Discuss

*(200 WORDS, 10 MARKS)*

**EDITORIAL ANALYSIS**

Revamp India’s school health services

**Source**: The Hindu

- **Prelims**: Current events of national importance, Healthcare, evolution of school healthcare in India, Different social service Schemes, NEP, UNESCO, UNICEF etc
- **Mains GS Paper I & II**: Social empowerment, development and management of social sectors/services related to Health and education, NEP etc

**ARTICLE HIGHLIGHTS**

- A few weeks ago, following a review of the implementation of the National Education Policy, the Prime Minister’s Office (PMO) is said to have advised regular health check-ups and screening schoolchildren.

- Some letters were said to have been sent to the Health Department and requests made to depute medical interns and students in post-graduate courses to conduct a health check-up in schools.

- Children across India are back to school for in-person classes after an unnecessarily prolonged and arguably unwarranted closure (especially for the last one year) in the wake of the COVID-19 pandemic.

- There should be concrete policy measures and actions that target schoolchildren.

**INSIGHTS ON THE ISSUE**

**Context**
**National Education Policy, 2020**

- **School Education:** Universalization of education from preschool to secondary level with **100% Gross Enrolment Ratio (GER) in school education by 2030.**
  - To bring 2 crore out of school children back into the mainstream through an open schooling system.
  - The current 10+2 system to be replaced by a new **5+3+3+4 curricular structure corresponding to ages 3-8, 8-11, 11-14, and 14-18 years respectively.**
  - It will bring the uncovered age group of **3-6 years** under school curriculum, which has been recognized globally as the crucial stage for development of mental faculties of a child.

- **Higher Education:** Gross Enrolment Ratio in higher education to be raised to **50% by 2035.**
  - Also, 3.5 crore seats to be added in higher education.
  - The current **Gross Enrolment Ratio (GER) in higher education is 26.3%.**

- **National Educational Technology is Forum (NETF):** An autonomous body, the National Educational Technology Forum (NETF), will be created to provide a platform for the free exchange of ideas on the use of technology to enhance learning, assessment, planning, administration.
National Assessment Center- 'PARAKH' has been created to assess the students.

Need for healthcare services to schoolchildren:

- **Health-care needs equated with medical care needs:** One of the reasons school health services receive inadequate policy attention is because health-care needs are often equated with medical care needs.

- **Age specific health needs:** Though school age children have a relatively low sickness, they do have a wide range and age-specific health needs that are linked to:
  - Unhealthy dietary habits
  - Irregular sleep
  - Lack of physical activity
  - Mental health
  - Dental and eye problems
  - Sexual behaviour
  - Use of tobacco and other substances, addiction, etc.

- **Foundation of healthy behaviour:** The health knowledge acquired, and lifestyle adopted in the school-going age are known to stay in adulthood and lay the foundations of healthy behaviour for the rest of their life.
  - For example, scientific evidence shows that tobacco cessation efforts are far more successful if started in school.

Evolution of School Healthcare:
Recent initiative by Delhi government:
In two and half years of the COVID-19 pandemic, there has barely been any serious initiative about school health
  • The government of Delhi began 20 school health clinics with the promise of more.
    ○ It recognises the importance of school health services in the post-pandemic period.
The importance of multi-stakeholder partnership for school health services as these are being set up through corporate social responsibility (CSR) funding from a donor on the one hand and internal collaboration between health and education departments within government on the other.

FRESH approach:

- The World Health Organization (WHO) and the World Bank (WB) have published an inter-agency framework called FRESH — an acronym for Focusing Resources on Effective School Health.
- The core areas suggest that school health services need to focus on school health policies.
  - Water, sanitation and the environment
  - Skills-based health education
  - School-based health
  - Nutrition services.
- The supporting strategies include effective partnerships between the education and health sectors, community partnership and student participation.

Guidelines by the Centers for Disease Control and Prevention, Atlanta, U.S.:

- It advised that school health services should focus on four main areas:
  - *Acute and emergency care:*
  - *Family engagement*
  - *Chronic disease management*
  - *Care coordination.*

WHO guidelines:

- School health services should be designed based on local need assessment.
- Should have components of health promotion, health education, screening leading to care.
- Referral and support as appropriate.

Objectives of school health services:
Solutions:

- **Revamp and strengthen school health services**: Every Indian State needs to review the status and then draw up a road map to revamp and strengthen school health services, along with a detailed timeline and dedicated budgetary allocation.
  - The *Fifteenth Finance Commission grant for the health sector should and could be leveraged*.

- **Comprehensive, preventive, promotive and curative services**: Built upon the existing school health infrastructure; the renewed focus has to have comprehensive, preventive, promotive and curative services with a functioning referral linkage.

- **Health talks and lifestyle sessions**: By school teachers and invited medical and health experts should be a part of teaching just as physical activity sessions are.
  - Some of the teaching must look at *adolescent sexual health; also, subjects such as menstrual hygiene, etc. should be integrated into regular classroom teaching*.

- **Online consultation for physical and mental health needs**: School health clinics should be supplemented with online consultation for physical and mental health needs.
  - This could be an important starting point to destigmatize mental health services.

- **Participation of parents**: The role and the participation of parents, especially through parent-teacher meetings should be increased.
Parents need to be sensitized about how school health services are delivered in other countries.

This may work as an important accountability mechanism to strengthen school health.

Innovative approaches that offer limited health services to parents, families and even school teachers could increase use, acceptance and demand.

- **Inclusion of private schools in government services:** The Government’s school health services initiatives do not include private schools most of the time.
  - Private schools do have some health services, which are nearly always restricted to curative care and taking care of emergencies.
  - Clearly, school health services should be designed to take care of schoolchildren be they in *private or government-run schools*.

- **Review initiative under Ayushman Bharat Programme:** Under the *Ayushman Bharat programme*, a school health initiative was launched in early 2020, but its implementation is sub-optimal.
  - There is a need to review this initiative, increase dedicated financial allocation to bring sufficient human resources and monitor performance based on concrete outcome indicators. Otherwise, it will end up being a *missed opportunity*.

- **Responsibility by civil servants:** Children are the future of society, but only if they are healthy and educated.
  - Elected representatives, professional associations of public health and pediatricians have the responsibility.
  - Every citizen should raise the issue and work towards improved school health services being present in every State of India.

**Way Forward**

- **Health needs of schoolchildren:** On the education front, while there has been some discourse on ‘learning recovery’, there is an urgent need to factor in the health needs of schoolchildren

- **Learning from best practices:** In the last three decades, many countries, especially in Europe have successfully implemented School healthcare
approaches as part of the health-promoting schools (HPS) initiative. A lot can be learnt from them in terms of designing school health services.

- **Onus on health policy makers and programme managers:** The onus is on health policy makers and programme managers in every Indian State to do everything in the best interests of children.

- **Collaboration among Departments of Education and Health:** The Departments of Education and Health in every Indian State must work together to strengthen school health services.

- **Common platform and goals:** It is an opportunity to bring children, parents, teachers, health and education sector specialists and the Departments of Health and Education on a common platform to ensure better health and quality education for every child in India.

- **Convergence of the National Health Policy, 2017 and National Education Policy, 2020:** A convergence of the National Health Policy, 2017 and National Education Policy, 2020 should result in the provision of comprehensive school health services in every Indian State.

**QUESTION FOR PRACTICE**

Q. Examine the main provisions of the National Child Policy and throw light on the status of its implementation. (UPSC 2016) *(200 WORDS, 10 MARKS)*

Q. Besides being a moral imperative of the Welfare State, primary health structure is a necessary precondition for sustainable development.” Analyze. (UPSC 2021) *(200 WORDS, 10 MARKS)*

**EDITORIAL ANALYSIS**

**The Free Fall of the Rupee**

**Source:** The Hindu

- **Prelims:** Indian Economy, Interest rate, IMF etc
- **Mains GS Paper III:** Fiscal policy, Monetary policy, Impact of free fall of the rupee.

**ARTICLE HIGHLIGHTS**
The Indian rupee hit an all time low against the **U.S. dollar** this week weakening past the **79 rupees** to a dollar mark and selling as low as 79.05 against the dollar on Wednesday.

Many analysts expect the rupee to weaken further in the coming months and move past the 80 rupees to dollar mark.

In fact, the **International Monetary Fund (IMF)** expects the rupee to weaken past the **94 rupees to a dollar mark by FY29**.
INSIGHTS ON THE ISSUE

Context

Depreciation:

- Currency depreciation is a fall in the value of a currency in a floating exchange rate system.
Rupee depreciation means that the rupee has become less valuable with respect to the dollar.

It means that the rupee is now weaker than what it used to be earlier.

For example: USD 1 used to equal to Rs. 70, now USD 1 is equal to Rs. 77, implying that the rupee has depreciated relative to the dollar i.e. it takes more rupees to purchase a dollar.

**Impact of Depreciation of Indian Rupee:**

- Depreciation in rupee is a double-edged sword for the Reserve Bank of India.
  - **Positive:**
    - Weaker rupee should theoretically give a boost to India’s exports, but in an environment of uncertainty and weak global demand, a fall in the external value of rupee may not translate into higher exports.
  - **Negative:**
    - It poses risk of imported inflation, and may make it difficult for the central bank to maintain interest rates at a record low for longer.
    - India meets more than two-thirds of its domestic oil requirements through imports.
    - India is also one of the top importers of edible oils. A weaker currency will further escalate imported edible oil prices and lead to a higher food inflation.

**What is happening with the rupee?**

- The Indian rupee has been witnessing a steady decline this year, losing more than 6% against the U.S. dollar since the beginning of 2022.
- India’s forex reserves have also dropped below $600 billion, plunging by more than $50 billion since September 3, 2021, when forex reserves stood at an all time high of $642 billion.
- The drop in India’s forex reserves is believed to be largely due to steps taken by the Reserve Bank of India to support the rupee.
- RBI officials, however, have noted that the drop in forex reserves is due to a fall in the dollar value of assets held as reserves by the RBI.
- The aim of the RBI’s policy is to allow the rupee to find its natural value in the market but without undue volatility or causing unnecessary panic among investors.
- State run banks are usually instructed by the RBI to sell dollars in order to offer some support to the rupee.
What determines the rupee's value?

- The value of any currency is determined by demand for the currency as well as its supply.
- When the supply of a currency increases, its value drops.
- In the wider economy, central banks determine the supply of currencies, while the demand for currencies depends on the amount of goods and services produced in the economy.
- In the forex market, the supply of rupee is determined by the demand for imports and various foreign assets. So, if there is high demand to import oil, it can lead to an increase in the supply of rupees in the forex market and cause the rupee's value to drop.
- The demand for rupees in the forex market, on the other hand, depends on foreign demand for Indian exports and other domestic assets.
- When there is great enthusiasm among foreign investors to invest in India, it can lead to an increase in the supply of dollars in the forex market which in turn causes the rupee's value to rise against the dollar.

What is causing the rupee to lose value against the dollar?

- Since March this year, the U.S. Federal Reserve has been raising its benchmark interest rate causing investors seeking higher returns to pull capital away from emerging markets such as India and back into the U.S.
- This, in turn, has put pressure on emerging market currencies which have depreciated significantly against the U.S. dollar so far this year.
- Even developed market currencies such as the euro and the yen have depreciated against the dollar and the dollar index is up more than 9% so far this year.
- Some analysts believe that the RBI's surprise decision to raise rates in May could have simply been to defend the rupee by preventing any rapid outflow of capital from India.
- India’s current account deficit, which measures the gap between the value of imports and exports of goods and services, is expected to hit a 10 year high of 3.3% of gross domestic product in the current financial year.
- Foreign investors are unlikely to plough capital into India when investment yields are rising in the U.S.
- Yields on U.S. 10 year Treasuries, for instance, have risen from around 0.5% in mid 2020 to over 3% now.
Consistently higher domestic price inflation in India. Higher inflation in India suggests that the RBI has been creating rupees at a faster rate than the U.S. Federal Reserve has been creating dollars.

**Appreciation Vs Depreciation:**
- In a floating exchange rate system, market forces (based on demand and supply of a currency) determine the value of a currency.
- **Currency Appreciation:** It is an increase in the value of one currency in relation to another currency.
- Currencies appreciate against each other for a variety of reasons, including government policy, interest rates, trade balances and business cycles.
- Currency appreciation discourages a country's export activity as its products and services become costlier to buy.

**Financial Action Task Force (FATF)**
- An inter-governmental body established in 1989 during the G7 Summit in Paris.
- It assesses the strength of a country's anti-money laundering and anti-terror financing frameworks.
- It sets standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.
- Its Secretariat is located at the Organization for Economic Cooperation and Development (OECD) headquarters in Paris.
- The FATF currently has 39 members including two regional organizations - the European Commission and Gulf Cooperation Council.
- India is a member of the FATF.

**Way Forward**
- Analysts believe that, over the long run, the rupee is likely to continue to depreciate against the dollar given the significant differences in long run inflation between India and the U.S.
- At the moment, as the U.S. Federal Reserve raises rates to tackle historically high inflation in the country, other countries and emerging markets in
particular will be forced to raise their own interest rates to avoid disruptive capital outflows and to protect their currencies.

- The RBI too has been trying to rein in domestic consumer price inflation, which hit a 95 month high of 7.8% in April, by raising rates and tightening liquidity.
- As interest rates rise across the globe, the threat of global recession also rises as economies readjust to tighter monetary conditions.

**QUESTION FOR PRACTICE**

Why are countries increasing their interest rates? What are the ways in which the RBI has tried to cushion the fall of the rupee?

*(200 WORDS, 10 MARKS)*

**EDITORIAL ANALYSIS**

*Despite pressures, the Indian rupee’s remarkable resilience*

**Source:** The Hindu, TOI

- **Prelims:** Indian Economy, Interest rate, IMF, RBI etc
- **Mains GS Paper III:** Fiscal policy, Monetary policy, Impact of free fall of the rupee.

**ARTICLE HIGHLIGHTS**

- The Indian rupee has *depreciated by around 7% against the U.S. dollar*, since the start of the year, in response to various domestic and global factors.
- Specifically, a *widening current account deficit, persistent risk-off sentiment as a result of geopolitical tensions, ‘a strengthening dollar index, and continuous sell-off by foreign portfolio investors have all put pressure on the rupee’.*
- In fact, the *International Monetary Fund (IMF)* expects the rupee to weaken past the *94 rupees to a dollar mark* by FY29.

**INSIGHTS ON THE ISSUE**

**Context**

**Depreciation:**
Currency depreciation is a *fall in the value of a currency in a floating exchange rate system.*

- Rupee depreciation means that the rupee has become less valuable with respect to the dollar.
- It means that the rupee is now weaker than what it used to be earlier.
- *For example: USD 1 used to equal to Rs. 70, now USD 1 is equal to Rs. 77, implying that the rupee has depreciated relative to the dollar i.e. it takes more rupees to purchase a dollar.*

**Impact of Depreciation of Indian Rupee:**

- Depreciation in rupee is a double-edged sword for the Reserve Bank of India.

  **Positive:**
  - *Boost to India’s exports:* Weaker rupee should theoretically give a boost to India’s exports, but in an environment of uncertainty and weak global demand, a fall in the external value of rupee may not translate into higher exports.

  **Negative:**
  - *Risk of imported inflation:* It poses risk of imported inflation, and may make it difficult for the central bank to maintain interest rates at a record low for longer.
  - *Dependence on oil imports:* India meets more than two-thirds of its domestic oil requirements through imports.
  - *Edible oil imports:* India is also one of the top importers of edible oils. A weaker currency will further escalate imported edible oil prices and lead to a higher food inflation.

**Reasons that led to slump in Indian rupee:**

- *Geopolitical risks:* Uncertain global conditions have triggered a risk appetite for the weakening of rupee.
  - In fact, the rupee has been under significant pressure ever since the disturbance of geopolitical situations owing to Russia’s invasion of Ukraine.
  - With crude oil prices soaring to record highs in wake of supply restrictions, India, which is the third largest importer of oil in the world, witnessed a significant rise in its import bill.
• **Rising bond yields**: India’s 10-year benchmark bond ended at a high of Rs 93.69 last month, yielding 7.46 percent after reaching a high of 7.49 percent earlier.
  ○ The government has now asked RBI to either buy back the bonds or conduct open market operations to cool yields that have hit their highest since 2019.

• **Inflation concerns**: Russia’s invasion of Ukraine, combined with renewed Covid-19 lockdowns in China, have exacerbated inflationary pressures.
  ○ The Fed’s policy committee last week raised the key rate by a half point, the biggest hike since 2000, and said more big increases were likely.

• **Low forex reserves**: India’s foreign exchange reserves have slumped below the $600 billion mark for the first time in almost a year.

• **FIIs continue to withdraw funds**: Foreign investors have been net sellers in the domestic equity markets since the past 7 months now.
  ○ Heavy bouts of selling by the foreign investors are usually a sign of weakening of the rupee against the dollar.

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**Effects of a weak rupee:**

**Positive:**

• **Positive impact on India’s exports**: The concomitant depreciation of currencies of some of India’s competitors such as South Korea, Malaysia and Bangladesh against the dollar, along with a high import intensity of some of its key export segments (petroleum, gems and jewellery and electronics), is likely to have a positive impact on India’s exports.

• **Boost for domestic demand**: Exports become cheaper, more competitive to foreign buyers. Therefore, this provides a boost for domestic demand.

• **Travel to India gets cheaper**: It will eventually benefit the local industry.

• **More remittances**: Those working abroad can gain more on remitting money to their homeland.
  ○ Ultimately, it assists in reducing the current account deficit

• **Incentivise Indian companies**: A cheaper rupee will incentivise Indian companies to export more besides helping them substitute some of the costlier imported goods in the domestic market with local products.
Better yield on foreign investment: Foreign investment both through the secondary market and direct investment into sectors which are relatively sheltered from a weak currency can yield better returns over the long run.
  ○ A stronger dollar would give the investor more rupees in his hand and thus an opportunity to buy more shares.

Destination for medical tourism and others: Though India does not attract the masseuse, a weak currency can make the destination attractive for inbound traffic. Medical tourism can get a shot in the arm.

Boost to Indian companies abroad: A number of Indian companies now have sizable international presence apart from direct exports. A stronger foreign currency helps boost their consolidated numbers.

Indirect shelter on account of a weak currency: Import substitutable products get an indirect shelter on account of a weak currency.
  ○ Metals, especially steel, were affected by imports from other Asian countries, but a weak rupee has increased the landed price of these products.
  ○ A number of sectors and companies that price their products on import parity basis will benefit.

Negative:

Spending decisions of households: The falling rupee is most likely to impact spending decisions of households as certain things may become expensive.

Push up in the price of importing goods: For imports, payments are made in terms of dollars. A depreciating rupee would push up the price of importing goods.

Rise in oil prices: Oil prices may rise further since India imports a major chunk of its oil needs.

Short term inflation: Other imported items like luxury cars, car components or even products that require parts to be imported from abroad like mobile phones and appliances may also become expensive. Thus, it might add to the overall inflation in the short-term.

Rising interest rates: The Reserve Bank has already started undertaking measures to tame inflation. Further hikes in policy repo rates would push up interest costs further. The banks will start raising their lending rates, thereby requiring people to pay higher EMIs on their loans.

Students face hike in fee: For people looking to study abroad during this time, the fee amount will rise as a dollar would now cost more in terms of
rupee than earlier. Prospective students or even existing ones may face a hike in their spending.

- **Sending more in terms of rupee:** In terms of remittances, or the money that people residing abroad send to their families back home in India, it would cost more as they will end up sending more in terms of rupee.

- **Spending higher on abroad travels:** Another major impact of the falling rupee might be felt on the tourism sector. With summer holidays round the corner and Covid-19 cases remaining in control, many people would want to resume their abroad travel plans. Such people might end up spending much higher than they would have a few days back.

**What determines the rupee's value?**
The RBI’s measures:
Apart from *intervening in the forex market to arrest the fall in the rupee’s value*, the RBI announced a slew of measures recently to liberalize foreign inflows into the country and make them more attractive.

- Measures taken:
  - *Promoting trade settlements between India and other countries in rupee terms*
○ Offering higher interest rates on fresh Foreign Currency Non-Resident (Bank) and Non-Resident External deposits
○ A widening of investable universe of government and corporate debt
○ A relaxation of the interest rate and amount ceiling for External Commercial Borrowing loans, among others, have contributed to arresting the rupee’s slide against the greenback.

Way Forward

■ RBI’s interventions in the spot and forward foreign exchange markets: The Reserve Bank of India (RBI) has stepped in to arrest a large depreciation in the currency, with interventions in the spot and forward foreign exchange markets.
  ○ Consequently, India’s foreign exchange reserves have *moderated by almost $55 billion from a high of $635 billion seen this year*.

■ Confidence to investors: A continuously sliding exchange rate discourages foreign investors from making fresh investments, which keep losing value in dollar terms.
  ○ For this reason, it is ideal to *provide confidence to investors by arresting a continuous slide in the exchange rate*.
  ○ Of course, any target should be avoided, as global forces remain fluid and market forces should be allowed to play.

■ Government encouragement: The Government could encourage some of the large market cap companies (private and public sectors) to be included in the major global indices such as MSCI and FTSE.
  ○ This will help increase the weight of Indian equities in these indices, compensating for foreign portfolio outflows to some extent as investors are unlikely to be underweight on India.

■ India’s entry into bond indices: The Government could also expedite India’s entry into *bond indices such as J.P. Morgan’s Emerging-Market Bond Index and Barclays Global Bond Index*.
  ○ This will not only lead to forex inflows but also have a benign impact on interest rates.
Mitigating measures to arrest the slide: Overall, even as the rupee is expected to remain under pressure in the near term because of global uncertainty, high commodity prices and rising U.S. interest rates, mitigating measures have to be taken to partly arrest the slide.
  ○ The maintenance of the U.S.-India interest rate differential along with timely forex market interventions by the central bank to manage volatility will prove to be salutary in preserving the rupee value against the greenback.

QUESTION FOR PRACTICE
Q. How would the recent phenomena of protectionism and currency manipulations in world trade affect macroeconomic stability of India? (UPSC 2018)

(200 WORDS, 10 MARKS)

Q. Even as the rupee has fallen sharply against the dollar, the depreciation has been relatively lower unlike previous times. Discuss

(200 WORDS, 10 MARKS)

EDITORIAL ANALYSIS
GST: Five years stronger

Source: The Indian Express
  ■ Prelims: Indian Economy (Fiscal Policy, GST)
  ■ Mains GS Paper III: Fiscal policy, GST Council, Cooperative Federalism etc

ARTICLE HIGHLIGHTS
  ■ July 1 marks the completion of five years since the Goods and Services Tax (GST) was introduced in our country.
  ■ It was first discussed in the report of the Kelkar Task Force on indirect taxes in 2003 and was long in the making.
  ■ Since its introduction, GST has naturally faced teething problems. But, it has emerged strongly after facing turbulence from the Covid-19 global pandemic and its fallout.
■ It is to the credit of the **GST Council** that the Centre and the states held each other’s hand to not just face the crisis but to lift our economy onto the path of recovery.

■ It is this working together that has made India stand out now as the fastest growing economy, as projected by many, this year and the next.

■ The GST Council has played a crucial role in forging a national consensus on key issues related to the **tax regime — rates, exemptions, business processes and movement of ITC** etc.

**INSIGHTS ON THE ISSUE**

**Context**

**Goods and Services Tax (GST)**

- GST was introduced through the 101st Constitution Amendment Act, 2016.
- It is the biggest indirect tax reform in the country.
- It was introduced on the pretext of ‘**One Nation One Tax**’.
- It has subsumed indirect taxes like **excise duty, Value Added Tax (VAT), service tax, luxury tax** etc.
- It is levied at the final consumption point and is essentially a consumption tax.
- It has led to a common national market as it helped mitigate the **double taxation, cascading effect of taxes**, multiplicity of taxes, classification issues etc.
- The GST paid by a merchant to procure goods or services (i.e. on inputs) can be set off later against the tax applicable on supply of final goods and services.
• The GST avoids the *cascading effect or tax on tax* which increases the tax burden on the end consumer.

**Tax Structure under GST:**

- Central GST to cover *Excise duty, Service tax* etc.
- *State GST to cover VAT, luxury tax* etc.
- Integrated GST (IGST) to cover inter-state trade. It is not a tax per se but a system to coordinate state and union taxes.
- It has a 4-tier tax structure for all goods and services under the slabs- 5%, 12%, 18% and 28%.

**Achievements of GST:**

- **Wider tax base:** Over 63.9 lakh taxpayers migrated into the GST in July 2017. This number has more than doubled to over 1.38 crore taxpayers as of June 2022.
- **Generation of e-way bill:** Over 41.53 lakh taxpayers and 67,000 transporters are enrolled on the e-way portal, generating, on average, 7.81 crore e-way bills per month. Since the launch of the system, a total of 292 crore e-way bills have been generated of which *42 per cent are for the inter-state transport of goods.*
- **Increase in average collection:** The average monthly collections have increased from *Rs 1.04 lakh crore in 2020-21 to Rs 1.24 lakh crore in 2021-22.* In the first two months of this year, the average collections are Rs 1.55 lakh crore.
- **Removal of tax arbitration:** GST has eliminated the tax arbitrage that existed among the states under the *CST/VAT regime.*
• **Increase in logistic supply chain:** With no such arbitrage under the IGST and with the e-way bills, the logistics supply chain efficiencies have increased manifold.

• **Decrease in tax rate:** In the pre-GST regime, on most items, the combined Centre and states rates were more than 31 per cent.
  ○ However, under the GST, the rates of over 400 goods and 80 services have been reduced.
  ○ **The highest 28 per cent rate is restricted to sin and luxury items.**
  ○ Out of a total of 230 items which were in the 28 per cent slab, close to 200 have been shifted to the lower slabs.

• **Special attention to MSMEs:** Special attention has been paid to the needs of the micro, small and medium enterprises (MSMEs), their tax and compliance burden be kept low.
  ○ Equally, it was important to ensure that they remain integrated with the supply chains for the purpose of IT by:
    ■ The enhancement of the threshold exemption limit from Rs 20 lakh to Rs 40 lakh for goods.
    ■ Introduction of the **quarterly returns and monthly payments (QRMP) scheme** which has the potential to benefit 89 per cent of the taxpayers.

• **Introduction of GSTN:** The creation of GSTN, a professionally managed technology company to run the platform was a step in the right direction. Constant review and upgrading of hardware and software capacities have helped in keeping the system nimble.

• **Automated IGST:** The system of automated IGST refunds by customs and refund of accumulated input tax credit (ITC) to exporters by the GST authorities has made the neutralization of input taxes on export goods and services seamless and hassle-free.

**Issues with GST:**
● **Imposing a high GST:**
  ○ *Sin* taxes, for instance, are at cross purposes with the government’s policy of generating growth and creating jobs under Make in India’.
  ○ The hotel generates indirect employment in ancillary areas: it buys bed linen, furnishings, rugs and carpets, air conditioners, cutlery, electrical fittings and furniture, and consumes enormous quantities of food produce. All these generate jobs and income for farmers, construction contractors, artisans and other manufacturers.
  ○ Five star hotels also generate foreign exchange by attracting rich tourists and visitors. So, it’s unwise to tax these hotels to death.

● **Creation of ripple effect:** High taxes on air conditioners, air conditioned restaurants, chocolates and luxury cars create an economic ripple effect downstream, in a complex web of businesses that have symbiotic relationships. The effect finally reaches down to the bottom of the employment pyramid.

● **Different laws for the same product:** GST on bread is zero, but the vegetable sandwich is in the 5% tax slab, hitting the vegetable grower directly.

● **Tax on employment generating sectors:** Taxes on wine, rum and beer, which generate large-scale employment and are the backbone of grape and sugarcane farming and the cocoa industry.
• **Hurdles to automobile sector:** In the automobile sector, the GST on electric cars, tractors, cycles, bikes, low end and luxury cars ranges anywhere from 5% to 50%. The Sale of automobiles is the barometer of an economy.

• **Legal disputes:** The confusion has given rise to several disputes. ID Fresh Food, for instance, which makes ready to eat foods like chapatis, rotis, parotas and sells various types of idli and dosa batter appealed against a GST ruling of the Authority for Advance Rulings.

• **Exemption for certain items:** There are items that are *exempt* from GST. Petrol, diesel, aviation turbine fuel are not under the purview of GST, but come under Central excise and State taxes.
  ○ Central excise duties and varying State Taxes contribute over 50% of the retail price of petrol and diesel, probably the highest in the world barring banana republics.

• **Distrust between centre and states:** There is distrust between the States and the Centre on revenue sharing. There is also anger at the Centre for riding roughshod over the States’ autonomy and disregarding the federal structure of the Constitution.

• **Real growth decreased in recent years:**
Several states depend heavily on GST compensation:
**Classification Conundrum:**
GST Council

- It is a constitutional body under Article 279A for making recommendations to the Union and State Government on issues related to Goods and Services Tax (GST).
- It is chaired by the Union Finance Minister and other members are the Union State Minister of Revenue or Finance and Ministers in-charge of Finance or Taxation of all the States.
- It is considered as a federal body where both the centre and the states get due representation.
- It is the first constitutional federal body vested with powers to take all major decisions relating to GST.

**Composition of GST Council:**
1. Chairperson: The Union Finance Minister
2. The Union Minister of State in charge of Revenue or Finance
3. Ministers in-charge of Finance or Taxation of all the States
4. Vice-chairperson: The members of the Council from the states have to choose one amongst themselves to be the Vice-Chairperson of the Council.
5. Chairperson of the Central Board of Excise and Customs (CBEC): to be included as a permanent invitee (non-voting) to all proceedings of the Council.

Issues with GST Council:

- **Political influence in the decision of GST Council:**
  Ideally, political affiliations should not matter in a Council set up to decide indirect taxes. Even the need for a meeting to determine tax revenues for States is evidently a political decision.

- **Lack of trust:**
  The GST Council is a compact of trust between the States and the Centre, set in the larger context of India’s polity.
  The tragedy of the GST Council is that it is afflicted with spite and forced to function under the prevailing cloud of politics

- **Uncertainty after the guarantee of 14% growth ends:**
  1. The States paid a huge price for GST in terms of loss of fiscal autonomy.
  2. GST has endured so far primarily because the States were guaranteed a 14% growth in their tax revenues every year.
  3. This will minimize the risks of this new experiment for the States and compensate for their loss of fiscal sovereignty.
  4. This revenue guarantee ends in July 2022.
  5. This can lead to a crumbling of the precarious edifice on which GST stands today.

Federalism:

- Federalism in essence is a dual government system including the Centre and a number of States. Federalism is one of the pillars of the Basic Structure of the Constitution.

- **S.R. Bommai vs Union of India** case, the States are not mere appendages of the Union and the latter should ensure that the powers of the States are not trampled with.

Supreme Court on Federalism:

- Federalism in India is “a dialogue in which the states and the Centre constantly engage in conversations”.

- It is not imperative that one of the federal units (Centre or states) must always possess a higher share of power over the other units.
- It said that recommendations of the GST Council “are the product of a collaborative dialogue involving the Union and States”.
- It pointed out that Article 246A of the Constitution stipulates that both Parliament and state legislatures have “simultaneous” power to legislate on GST.

**Cooperative Federalism:**
1. It is a horizontal relationship between centre and state, where they “cooperate” in the larger public interest.
2. It enables states’ participation in the formulation and implementation of national policies.
3. Both centre and State are constitutionally obliged to cooperate with each other on the matters specified in Schedule VII of the constitution.

**Competitive Federalism:**
1. The relationship between the Central and state governments is vertical and between state governments is horizontal.
2. The endowments of states in the free-market economy, available resource base and their comparative advantages all foster a spirit of competition.
3. In Competitive federalism States compete among themselves and also with the Centre for benefits.
4. It is not part of the basic structure of the Indian constitution. It is the decision of the executives.
5. States compete with each other to attract funds and investment, which facilitates efficiency in administration and enhances developmental activities.

- **Article 246A:** Parliament and the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State.
- **Article 279A:** The President shall, within sixty days from the date of commencement of the Constitution (One Hundred and First Amendment) Act, 2016, by order, constitute a Council to be called the Goods and Services Tax Council.
- **Cascading effect of tax:** when there is a tax levied on a product at every step of sale. The tax is levied on a value that includes tax paid by previous buyers thus making end consumer pay tax on already paid tax.
Way Forward

- GST is a positive step towards shifting the Indian economy from the informal to formal economy. It is important to utilize experiences from global economies that have implemented GST before us, to overcome the impending challenges.
- The gradual widening of the fiscal capacity of the states has to be legally guaranteed without reducing the Centre’s share.
- The recommendations of the GST Council “should be a product of a collaborative dialogue involving the Union and States”.
- As the court has gone ahead to categorically hold that the GST Council recommendations have only persuasive value, there will be a pragmatic approach to the provisions which are subject to judicial review by way of challenge to the constitutionality of such provisions based on GST Council recommendations.
- The Council should focus on administrative changes, which can be introduced in the areas of assessment under GST, advance ruling mechanism, constitution of tribunals, etc. which shall ensure timely disposal of issues and will also provide certainty to the industry.

QUESTION FOR PRACTICE
The GST Council has played a crucial role in forging a national consensus on key issues related to the tax regime. Critically analyze.

(200 WORDS, 10 MARKS)

EDITORIAL ANALYSIS
High Costs of agri-trade bans

Source: The Indian Express

- **Prelims**: Direct and Indirect farm subsidies, MSP, PDS, Export policies, WTO, PM Garib Kalyan Ann Yojana (PMGKY) etc.
- **Mains GS Paper III**: Issues related to agriculture trading, direct and indirect farm subsidies, issues related to buffer stocks and food security, export policies etc

**ARTICLE HIGHLIGHTS**

- There are reports suggesting that the government is mulling a ban on *rice exports to tame inflation*.
- Earlier, on May 13, the government banned *wheat exports* to check the potential rise in prices in the face of low procurement.
- It was also done in 2007-08, in the wake of the global financial crisis.
- The *Directorate General of Foreign Trade (DGFT)* issues notification regarding banning exports of agricultural products.

**INSIGHTS ON THE ISSUE**

**Context**
Composition of agri-exports:

- **Rice ranks first in agri-exports, with 17.7 million tonnes (mt) valued at $8.8 bn.**
- It is followed by marine products ($6 bn), spices ($4 bn), bovine (buffalo) meat ($3.2 bn), sugar ($2.8 bn), etc.
- Of these, rice and sugar raise concerns about competitiveness and environmental sustainability, as these are water guzzlers and heavily subsidized through cheap/free power for irrigation as well as fertilizers.
• On top, sugar exports have been further subsidized to clear excessive domestic stocks.
• This has led many sugar-exporting countries like Australia, Brazil, Thailand, etc, to register a case against India at WTO.

Present status of India’s Rice exports:
• India exported the highest-ever volume of **21 million metric tonnes (MMT)** of rice in **2021-22 (FY22)** in a global market of about 51.3 MMT, which amounts to about **41 per cent of global exports.**
• In FY22, the unit value of exports of common rice was just **$354/tonne,** which was lower than the minimum support price (MSP) of rice.
• Rice exporters were either buying rice (paddy) from farmers and millers below the MSP or that quite a substantial part of rice was given free under the PM Garib Kalyan Ann Yojana (PMGKY) was being siphoned away for exports at prices below MSP.

Rice:
• It is a **kharif crop** which requires high temperature (above 25°C) and high humidity with annual rainfall above 100 cm.
• Rice is grown in the plains of **north and north-eastern India, coastal areas and the deltaic regions.**
• **West Bengal** tops the list of rice-producing states followed by **Uttar Pradesh and Punjab.**
• Major export countries:
  ○ **Saudi Arabia** ($1.1B)
  ○ **Iran** ($876M)
  ○ **Iraq** ($590M)
  ○ **United Arab Emirates** ($392M)
  ○ **Benin** ($350M)

Present status of India’s wheat exports
• India is the world’s **second-biggest wheat producer.**
• Major export countries:
  1. **Bangladesh** (55.9 percent)
  2. **Sri Lanka** (7.9 percent)
  3. **UAE** (6.9 percent)
  4. **Indonesia** (5.9 percent)
5. Yemen (5.3 percent)
6. Philippines (5.1 percent)

- **Export statistics**: In the current financial year 2022-2023, the government estimates about **45 lakh metric tonnes of wheat** to have been contracted for exports.
- It has set a goal of exporting **10 million tons** of the grain in 2022-23.
- Wheat production in India is expected to be **lower** than the earlier estimates.
- India exported 7 million tonnes (MT) of wheat in 2021-22 which is valued at $2.05 billion.
- Out of total shipment around **50% of wheat was exported to Bangladesh** in the last fiscal year.

**Wheat**

- The wheat in India is largely a soft/medium hard, medium protein, white bread wheat, almost similar to U.S. hard white wheat.
- Wheat is a major **cereal crop** in India and is grown mainly in **central and western India** is typically hard, with high protein and high gluten content.
- It is a Rabi **Crop** sown in **October-December** and harvested during April-June.
- **Temperature required**: Between 23±3°C and for good **tillering temperature** should range between 16-20°C.
- Better variety of wheat is produced in areas having **cool, moist weather** during the major portion of the growing period followed by **dry, warm weather** to enable the grain to ripen properly.
- **Rainfall**: 50 cm to 100 cm.
- **Soil Type**: Soils with a clay **loam or loam texture**, good structure and moderate water holding capacity are ideal for wheat cultivation.
- **Wheat producing states in India**: Uttar Pradesh, Punjab, Haryana, Madhya Pradesh, Rajasthan, Bihar and Gujarat.

Are the recent steps beneficial:
The cereals group as a whole contributed only **6.6 percent to the cure in inflation**. Within that, **wheat, other than through PDS, contributed just 3.11 per cent and non-PDS rice contributed 1.59 per cent**. So, by imposing a ban on wheat and rice exports, India can’t tame its inflation as more than **95 percent of CPI inflation is due to other items**.

Inflation in vegetables contributed **14.4 percent to CPI inflation**, which is more than three times the contribution of rice and wheat combined. And within vegetables, **tomatoes alone contributed 7.01 percent**.

**Issues involved:**

- **Creating artificial competition**: Free electricity for irrigation in several states, mostly Punjab, and highly subsidized fertilizers, especially urea, create an artificial competitive advantage for Indian rice in global markets.
- **Burden on government**: While urea prices in global markets breached $900/tonne in April, Indian farmers pay roughly $72/tonne at existing exchange rates, which is perhaps the cheapest price that any farmer pays in the world, government subsidy on fertilizers will cross approximately Rs 2 lakh crore in FY23.
- **Impact on global image**: Export bans on food items also show somewhat irresponsible behaviour at the global level, unless there is some major calamity in the country concerned.
- **Recent WTO and G7 meet**: The recently concluded WTO ministerial meeting as well as the G-7 meet expressed concerns about food security in vulnerable
nations. Abrupt export bans inflict high costs on poorer nations, and many millions fall below the poverty line as a result of such actions by a few.

**Reasons for the sudden decision by the Government**

- Wheat production this year is feared to be lower than 100 million tonnes (mt) against initial estimates of a record 111.32 mt.
- Procurement by the *Food Corporation of India (FCI) dropped* by over **50 percent** compared with last year.
- Wheat prices in the country began to *increase* in the wake of export demand triggered by the *Russia-Ukraine war and soaring inflation*.
- A sharp surge in global wheat prices that could have affected Indian consumers.
- *Fertilizer prices* have more than trebled since the Russia-Ukraine war broke out. It will likely lead to lower sowing of wheat across the world and thus, the tight supply situation may continue into 2023.

**Demand for India’s agricultural products is expected to rise:**

- Wheat prices have been rising internationally on account of supply shortages due to the Russia-Ukraine war. The demand for Indian wheat has increased overseas.
- More countries are turning to India because of the competitive price, acceptable quality, availability of surplus wheat and geopolitical reasons.
- While the existing importers are buying more, new markets have emerged for Indian wheat. Exports this fiscal year are expected to be almost 10 million tonnes worth $3 billion.

**How sustainable are our agricultural exports?**

- Our main concern with the surging rice and sugar exports is on the sustainability front.
- India is a water-stressed country with per capita water availability of **1,544 cubic-meters in 2011, likely to go down further to 1,140 cubic-meters by 2050.**
- One kg of sugar invariably has a virtual water intake of about 2,000 liters. Exporting 7.5 mt of sugar implies exporting at least 15 bn cubic-meters of water.
- In case of rice, irrigation requirements for one kg vary from **3,000-5,000 liters**, depending upon topography.
If we take an average of 4,000 liters, and assume that half of this gets recycled back to groundwater, exporting 17.7 mt of rice means virtual export of 35.4 bnn cubic-meters of water.

Together rice and sugar exports imply India exported over 50 bnn cubic-meters of water.

Solutions to make agriculture sustainable:

- **Saving Water with Alternate Wetting Drying (AWD):** Alternate Wetting and Drying (AWD) is a water-saving technology that farmers can apply to reduce their irrigation water consumption in rice fields without decreasing its yield.
  - In AWD, irrigation water is applied a few days after the disappearance of the ponded water.
  - Hence, the field gets alternately flooded and non-flooded.
  - The number of days of non-flooded soil between irrigations can vary from 1 to more than 10 days depending on the number of factors such as soil type, weather, and crop growth stage.

- **Direct Seeding of Rice:** Direct seeded rice (DSR), probably the oldest method of crop establishment, is gaining popularity because of its low-input demand.
  - It offers certain advantages viz., it saves labour, requires less water, less drudgery, early crop maturity, low production cost, better soil physical conditions for following crops and less methane emission, and provides better option to be the best fit in different cropping systems.

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**The Public distribution system (PDS)**

- It is an Indian food Security System established under the Ministry of Consumer Affairs, Food, and Public Distribution.
- It is a system of management of scarcity through distribution of food grains at affordable prices.
- PDS is operated under the joint responsibility of the Central and the State Governments.
- The Central Government, through Food Corporation of India (FCI), has assumed the responsibility for procurement, storage, transportation and bulk allocation of food grains to the State Governments.
- The operational responsibilities including allocation within the State, identification of eligible families, issue of Ration Cards and supervision of
the functioning of Fair Price Shops (FPSs) etc., rest with the State Governments.
• Under the PDS, presently the commodities namely wheat, rice, sugar and kerosene are being allocated to the States/UTs for distribution.
• Some States/UTs also distribute additional items of mass consumption through the PDS outlets such as pulses, edible oils, iodized salt, spices, etc.

**Food Corporation of India (FCI)**
• It is a Public Sector Undertaking, under the Department of Food & Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution.
• FCI is a statutory body set up in 1965 under the Food Corporations Act 1964.
• It was established against the backdrop of a major shortage of grains, especially wheat.
• It has the primary duty to undertake purchase, store, move/transport, distribute and sell food grains and other foodstuffs.

**Minimum Support Price (MSP)**
• The MSP is the rate at which the government purchases crops from farmers, and is based on a calculation of at least one-and-a-half times the cost of production incurred by the farmers.
• MSP is a “minimum price” for any crop that the government considers as remunerative for farmers and hence deserving of “support”.
• Crops under MSP:
  - The Commission for Agricultural Costs & Prices (CACP) recommends MSPs for 22 mandated crops and fair and remunerative price (FRP) for sugarcane.
  - CACP is an attached office of the Ministry of Agriculture and Farmers Welfare.
  - The mandated crops include 14 crops of the kharif season, 6 rabi crops and 2 other commercial crops.
  - In addition, the MSPs of toria and de-husked coconut are fixed on the basis of the MSPs of rapeseed/mustard and copra, respectively.

**Bhalia Variety of Wheat**
• It is a variety of wheat that received GI certification in 2011.
- It has high protein content and is sweet in taste.
- The crop is grown mostly across the **Bhal region of Gujarat** which includes
- This variety is grown in rainfed conditions without irrigation.

**Way Forward**

- A well functioning PDS can control prices and offer relief to consumers. At the same time, procurement policy can and should offer a reasonable income to farmers.
- If we can't raise the domestic price of urea, which is long overdue, we should at least recover a part of the urea subsidy from rice exports by imposing an optimal export tax.
- The government is optimistic about the long-term export opportunities not only for wheat, but for all cereals including millets and superfoods.
- If India wants to be a globally responsible player, it should avoid sudden and abrupt bans and, if need be, filter them through transparent export taxes to recover its large subsidies on power and fertilizers.
- India needs to establish itself in the new markets too and the government should facilitate it.
- Lessons must be gleaned from the experience 15 years ago when India took about two years to lift its ban on the export of non basmati rice, by which time Thailand and Vietnam had moved in to take full advantage.
- An export-led strategy also needs to minimize logistics costs by investing in better infrastructure and logistics.
- Any sustainable strategy for rice and sugar exports must ensure these are produced with much less water by adopting appropriate farming practices such as alternate wetting drying (AWD), direct seeded rice (DSR), drip irrigation, etc.

**QUESTION FOR PRACTICE**
How do subsidies affect the cropping pattern, crop diversity and economy of farmers? What is the significance of crop insurance, minimum support price and food processing for small and marginal farmers?(UPSC 2017)

(250 WORDS, 15 MARKS)

EDITORIAL ANALYSIS

The scam faultline is damaging Indian banking

Source: The Hindu

■ Prelims: Monetary Policy, Banking system, RBI, NPA
■ Mains GS Paper III: Fiscal policy, Monetary policy, Issues with NPA, Issues related to planning etc.

ARTICLE HIGHLIGHTS

■ The biggest banking scam in India has come to the forefront, Dewan Housing Finance Corporation Limited(DHFL) has hoodwinked a consortium of banks driven by the Union Bank of India to the tune of ₹35,000 crore through financial misrepresentation.

■ The DHFL case was not an isolated case. In February this year, ABG Shipyard Limited of Surat had already taken a loan of about ₹23,000 crore in a fake manner.

■ On February 1, 2019, a consortium of banks had held a meeting to take cognisance of the serious allegations of loan repayment default against the DHFL.

INSIGHTS ON THE ISSUE

Context

Non-Performing Asset(NPA)

■ NPA refers to a classification for loans or advances that are in default or are in arrears on scheduled payments of principal or interest.

■ In most cases, debt is classified as non-performing, when the loan payments have not been made for a minimum period of 90 days.
• **Gross non-performing assets** are the sum of all the loans that have been defaulted by the individuals who have acquired loans from the financial institution.

• **Net non-performing assets** are the amount that is realized after provision amount has been deducted from the gross non-performing assets.

<table>
<thead>
<tr>
<th>Classification of Non-Performing Assets (NPA)</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substandard Assets</td>
<td>These are the assets which have remained NPA for a period of less than or equal to 12 months</td>
</tr>
<tr>
<td>Doubtful Assets</td>
<td>If the asset is in the substandard category for a period of 12 months</td>
</tr>
<tr>
<td>Loss Assets</td>
<td>These assets are of little value, it can no longer continue as a bankable asset, there could be some recovery value.</td>
</tr>
</tbody>
</table>

**Reasons behind the rise of Non Performing Assets:**

**Impact of NPAs:**
• **Negative impact to economy:** Stress in the banking sector causes less money available to fund other projects, therefore, negatively impacting the larger national economy.

• **Higher introductory rates:** Higher interest rates by the banks to maintain the profit margin.

• **Redirecting of funds:** Redirecting funds from the good projects to the bad ones.

• **Less money dividends to government:** In the case of public sector banks, the bad health of banks means a bad return for a shareholder which means that the government of India gets less money as a dividend.
  ○ Therefore it may impact easy deployment of money for social and infrastructure development and results in social and political cost.

• **Balance sheet syndrome:** It is of Indian characteristics that both the banks and the corporate sector have stressed balance sheets and cause halting of the investment-led development process.

• **Litigations:** NPAs related cases add more pressure to already pending cases with the judiciary.

**Current Issues with the banking system:**

• **Inside workers and poor lending process:** Data by the Reserve Bank of India (RBI) show that around 34% of scams in the banking industry are on account of inside work and due to poor lending practices by and the involvement of the junior and mid level management.

• **Rising bank scams:** The data by the RBI also show that one of the fundamental problems in the way of the development of banking in India is on account of rising bank scams and the costs consequently forced on the framework.
  ○ Strangely, as in a *Global Banking Fraud survey (KPMG), the issue is not just for India alone, it is a worldwide issue.*

• **Rise in gross NPAs:** In a *Financial Stability Report released by the RBI* in December 2021, there is a projection of the gross NPAs of banks rising from 6.9% in September 2021 to 8.1% of total assets by September 2022 (under a baseline scenario) and to 9.5% under a severe stress scenario.

• **Operational failures:** All scams, whether interior or outside, are results of operational failures.

• **Limited asset monitoring:** Research by Deloitte has shown that limited asset monitoring after disbursement (38%) was the foremost reason behind
stressed assets and insufficient due diligence before disbursement (21%) was among the major factors for these NPAs.

- **High NPA reduces net interest margin:** A high NPA also reduces the net interest margin of banks besides increasing their operating cost, these banks meet this cost by increasing the convenience fee from their small customers on a day to day basis.

- **High bad loans of corporates:** According to the RBI data, corporate loans account for nearly 70% of these bad loans, while retail loans, which include car loans, home loans and personal loans, account for only 4%.
  - A study by the IIM Bangalore has shown that poor bank corporate governance is the cause behind rising bankscams and NPAs.

### Some recent Bank scams:

- R.P. Info systems bank scam
- IDBI bank fraud
- Kanishk Gold Bank fraud
- Bank of Maharashtra scam
- Syndicate Bank scam
- Allahabad Bank fraud
- PMC scam
- Rotomac Pen scam
- Vijay Mallya(involving 13 banks)
- Nirav modi and Mehul Choksi (PNB)
- Andhra Bank Fraud
- Videocon case

### Steps taken:
Bad Bank

- The bad bank is an ARC or an Asset Management Company (AMC) that takes over the bad loans of commercial banks, manages them and finally recovers the money over a period of time.
- The bad bank is not involved in lending and taking deposits, but helps commercial banks clean up their balance sheets and resolve bad loans.
- The takeover of bad loans is normally below the book value of the loan and the bad bank tries to recover as much as possible subsequently.

India Debt Resolution Company Limited (IDRCL)

- It will provide management and resolution of assets and also help in the operational aspects, relating to price discovery and aim at evolving the best possible recovery and the resolution process.
- PSBs and Public Financial Institutes (FIs) will hold a maximum of 49% stake in IDRCL. The remaining 51% stake will be with private-sector lenders.
- The NARCL is majorly owned by public sector banks with 51% ownership but in the case of the IDRCL, 51% shares are in private hands.
- **Due diligence and caution**: Over time, bad loans lead to higher NPAs. So, banks have to exercise due diligence and caution while offering funds.
  - The regulation and the control of chartered accountants is a very important step to reduce non performing assets of banks.
  - Banks should be cautious while lending to Indian companies that have taken huge loans abroad.
  - There is also an urgent need to tighten the internal and external audit systems of banks.

- **Rotation of employees**: The fast rotation of employees of a bank’s loan department is very important.

- **Internal rating agency**: Public sector banks should set up an internal rating agency for rigorous evaluation of large projects before sanctioning loans.

- **Effective management information system (MIS)**: There is a need to implement an effective Management Information System (MIS) to monitor early warning signals about business projects.

- **Evaluating CIBIL score**: The CIBIL score of the borrower (formerly the Credit Information Bureau India Limited) should be evaluated by the bank concerned and RBI officials.
  - This must also include the classification and responsibilities of the lending and recovery departments.

- **Use of AI**: Financial fraud can be reduced to a great extent by the use of artificial intelligence (AI) to monitor financial transactions.

- **Improve in loan recovery process**: Rather than having to continuously write off the bad loans of large corporations, India has to improve its loan recovery processes and establish an early warning system in the post disbursement phase.
  - Banks need to carry out fraud risk assessments every quarter.

**QUESTION FOR PRACTICE**

Q. Tightening the internal and external audit systems of banks can prevent the prevailing bank fraud. Do you agree with the statement? Give illustrations.

*(200 WORDS, 10 MARKS)*

**EDITORIAL ANALYSIS**

Create more jobs, revamp employment policy
The Government of India has recently announced its plan to create 10 lakh government jobs in the next 18 months. Of about 40 lakh sanctioned posts, 22% posts are now vacant and the Government will fill these posts in 18 months.

Though the announcement has been called a “historic step in the interest of the youth” and as “raising a new hope and confidence among youth” by some top Government leaders, the plan has serious issues.

INSIGHTS ON THE ISSUE

**Context**

**Unemployment:**

- **National Sample Survey Organization (NSSO)** defines employment and unemployment on the following activity statuses of an individual:
  - Working (engaged in an economic activity) i.e. 'Employed'.
  - Seeking or available for work i.e. 'Unemployed'.
  - Neither seeking nor available for work.
  - The first two constitute the labour force and unemployment rate is the percent of the labour force that is without work.

- **Unemployment rate = (Unemployed Workers / Total labour force) × 100**

- Unemployment occurs when a person who is actively searching for employment is unable to find work.

- **Unemployment is often used as a measure of the health of the economy.**

- The most frequent measure of unemployment is the unemployment rate, which is the number of unemployed people divided by the number of people in the labour force.
Types of Unemployment in India:

![Unemployment in India](image)

Causes of Unemployment in India:

- **Social Factors:** In India the caste system is prevalent. The work is prohibited for specific castes in some areas.
  - In big joint families having big business, many such persons will be available who do not do any work and depend on the joint income of the family.
- **Rapid Growth of Population:** Constant increase in population has been a big problem in India.
  - It is one of the main causes of unemployment.
- **Dominance of Agriculture:** Still in India nearly half of the workforce is dependent on Agriculture.
  - However, Agriculture is underdeveloped in India. Also, it provides seasonal employment.
- **Fall of Cottage and Small industries:** The industrial development had adverse effects on cottage and small industries.
  - The production of cottage industries began to fall and many artisans became unemployed.
- **Immobility of Labour:** Mobility of labour in India is low. Due to attachment to the family, people do not go to far off areas for jobs.
  - Factors like language, religion, and climate are also responsible for low mobility.
- **Defects in Education System:** Jobs in the capitalist world have become highly specialized but India’s education system does not provide the right training and specialization needed for these jobs.
Thus many people who are willing to work become unemployed due to lack of skills.

Concerns with recent job creation:

- **Shortage of staff:** There are as many as 8.72 lakh positions that were vacant in various departments of the Central government, as told by the Minister of State in Personnel, Public Grievances and Pensions.
  - As sanctioned posts broadly indicate the required posts needed to run a government, it appears that the government is perhaps facing a serious shortage of staff, which is causing long delays in work, corruption and maybe other inefficiencies.

- **Quality of employment generated:** The share of contract workers in total government employment has been increasing rapidly in recent years — from 11.11 lakh in 2017 to 13.25 lakh in 2020 and to 24.31 lakh in 2021.

- **Honorary jobs:** Jobs such as Anganvadi workers, their helpers, accredited social health activist (ASHA) workers, etc. These employees of the government earn a lower salary (consolidated wages), and are not entitled to “decent work” conditions (International Labour Organization recommendations) including a minimum package of social security.

- **Generation of a mere 10 lakh jobs too little:** At a labour force participation rate of 42.13% (Centre for Monitoring Indian Economy Pvt Ltd.) the unemployment rate of the youth is about 20% at present.
  - Given the backlog of about 30 million unemployed people and an annual addition of 50 lakh-70 lakh workers every year (World Bank), the dimensions of India’s unemployment problem today are formidable. The generation of a mere 10 lakh jobs in the next 18 months is too little.

- **Poor Performance of private sector:** Performance of the private sector in creating employment opportunities has remained dismal.
  - Private sector final consumption expenditure has not crossed the pre pandemic level, private firms are being seen to be managing their profit margin by cutting costs (in the form of rationalizing wage bills).

**Government Initiatives:**
Way Forward

- **Basic needs of the bottom population:** Government needs to take better direct care of basic well being, human development and human resource development, and the basic infrastructure of the bottom population without privatization in these areas.

- **Reorientation of the industrialisation policy:** To focus on labour intensive sectors of the economy, and promote **Micro, Small and Medium Enterprises (MSMEs)** and informal production by ensuring better technology and higher productivity, providing finances (including working capital) and pushing further cluster development for all industries that have the potential.

- **Urban employment guarantee programmes:** Carefully designed urban employment guarantee programmes would be most desirable to create ample urban employment avenues for urban youth.
  - The urban programme should include:
    - Basic urban services, where the youth would get special training so that they can be absorbed in the mainstream economy
    - Daycare centers set up for childcare to enable women to reduce their unpaid services and to ensure quality care for children
    - Infrastructural gaps filled in under construction work to facilitate quality urban life.

- **Standard employment quality:** The Government must ensure that the employment generated under its plan will be of a standard quality.
Training programmes: We need training programmes with well-defined outcomes for women’s digital access and to mentor them to take up employment opportunities in emerging sectors.

QUESTION FOR PRACTICE
Q. How globalization has led to the reduction of employment in the formal sector of the Indian economy? Is increased informalization detrimental to the development of the country?(UPSC 2016)

(200 WORDS, 10 MARKS)

EDITORIAL ANALYSIS
Is protectionism compatible with liberalization?

Source: The Hindu

Prelims: Protectionism, liberalization, LPG reforms etc
Mains GS Paper III: Government planning, mobilization of resources, LPG reforms, protectionism etc

ARTICLE HIGHLIGHTS
- Since 2014, India has on average seen a 5% rise in average tariff rates.
- Economists Arvind Subramanian and Shouritro Chatterjee said, India has raised import tariffs on over 3200 goods from most favored nations, which signals a protectionist stance to shield domestic industries.
- The Central government says it is liberalizing India’s Economy, but its economic policymaking on the external front has been marked by rising protectionism.
- With policies such as Atmanirbhar Bharat, there seems to be a conscious effort to protect the domestic economy from foreign competition.
- However, on the same hand, the government has, rightfully, come up with bills and policies which promote the export of products from India (Foreign Trade Policy 2015-20 and the recent re-establishment of the US-India Trade Policy Forum) and encourage manufacturing and assembly lines.
(Production Linked Incentive Scheme or PLI) to be set up in the country itself.

INSIGHTS ON THE ISSUE
Context
Globalization:

- Globalization envisages a borderless world or seeks a world as a global village.
- **Origin of Modern Globalization**: What today is referred to as globalization, started with the end of the Cold war and the disintegration of the Soviet Union in 1991.
- **Driving Factors**: Globalization was the offshoot of two systems — democracy and capitalism — that emerged victorious at the end of the Cold War.
- **Dimensions of Globalization**: It may be attributed to accelerated flow of goods, people, capital, information, and energy across borders, often enabled by technological developments.
- **Manifestation of Globalization**: Trade without tariffs, international travel with easy or no visas, capital flows with few impediments, cross-border pipelines and energy grids, and seamless global communication in real-time appeared to be the goals towards which the world was moving.

**Pros of Globalization:**
• **Access to Goods and Services**: Globalization results in increased trade and standard of living.
  ○ It heightens competition within the domestic product, capital, and labour markets, as well as among countries adopting different trade and investment strategies.

• **Vehicle of Social Justice**: The proponents say globalization represents free trade which promotes global economic growth, creates jobs, makes companies more competitive, and lowers prices for consumers.

• **Increases Cultural Awareness**: By reducing cross-border distances, globalization has increased cross-cultural understanding and sharing.

• **Sharing Technology and Values**: It also provides poor countries, through infusions of foreign capital and technology, with the chance to develop economically and by spreading prosperity.

**Cons of Globalization:**

• **Rise of Global Problems**: Globalization has been criticised on account of *exacerbating global disparities, spread of international terrorism and cross-border organised crime, and allow for the rapid spread of disease like Covid-19.*

• **Backlash of Nationalism**: Despite the economic aspect of globalization, it has resulted in National competition, advancement of national ambitions.

• **Moving Towards Cultural Homogeneity**: Globalization promotes people's tastes to converge which may lead to more cultural homogeneity.

• Due to this, there is a danger of losing precious cultural practices and languages.

• Also, there are threats of cultural invasion of one country over another.

**De-Globalisation or Protectionism:**

• Protectionism refers to government policies that restrict international trade to help domestic industries.

• *Tariffs, import quotas, product standards, and subsidies are some of the primary policy tools a government can use in enacting protectionist policies.*

**Protectionism in Global Arena:**

• Globalization had already begun to plateau or stagnate since the 2008-09 global financial crisis (GFC).

• This is reflected in *Brexit and the US’ America First Policy.*
• Further, trade wars and the halting of WTO talks is another recognition of the retreat of globalization.
• These trends pave the way for an anti-globalization or protectionism sentiment, which may further amplify due to the spread of the Covid-19 pandemic.

**Protectionism in India:**
• In the past few years, many countries have criticized the Indian economy for becoming protectionist. This can be depicted in the following instances:
  ○ Not opening up for imports, particularly after the Indian Government failed to agree on terms for a mini trade deal with the US.
  ○ India walked out of the 15-nation Regional Comprehensive Economic Partnership (RCEP) of Asian countries.
  ○ The “Atma Nirbhar Bharat (Self-Reliance) initiative”, launched in May 2020, after the beginning of the pandemic, was also perceived internationally as a protectionist move.

**Tools of Protectionism:**

**Arguments for Protectionism:**
• **National security:** The argument pertains to the risk of dependency upon other nations for economic sustainability.
• **Infant industry:** It is argued that protectionist policies are required to protect industries in their initial stages. As if the market is kept open, global
established companies can capture the market. This can lead to the end of domestic players in the new industry.

- **Dumping**: Many countries dump their goods (sell them at lower price than their cost of production or their cost in the local market) in other countries.
- **Saving jobs**: It is argued that buying more domestically will drive up national production, and that this increased production will in turn result in a healthier domestic job market.
- **Outsourcing**: it is common practice for companies to identify countries having cheaper labor and easier systems of governance and outsource their job work.
- **Intellectual Property Protection**: Patents, in a domestic system, protect the innovators. On a global scale, however, it is quite common for developing nations to copy new technologies via reverse engineering.

**Arguments against Protectionism**

- **Trade Agreements**: India has benefited immensely from international trade agreements.
  - As per the Commerce Ministry data, India has entered into Free Trade Agreements (FTA) with about 54 individual countries.
- **Against WTO Regulations**: India has been a member of WTO since its inception. WTO's regulations prohibit imposing restrictions on imports from other countries.
- **Inflationary in Nature**: Protectionist policies by restricting imports, can lead to rising prices in the domestic market. Thus, hurting the interest of the consumers directly.
- **Uncompetitive Domestic Industries**: By protecting the local industries, they have no incentive to innovate or spend resources on research and development (R&D) of new products.

**Issues with the current policies:**

- **The government’s external protectionism should be compatible with its broader liberalization agenda:**
  - If we cut customs duties, remove elements of protectionism, firms in India which are users of those goods become more competitive.
  - So, we grow exports from India by making raw materials cheaper. Again, one man’s output is another man’s input.
So, the wild strategy is to just remove all barriers to globalization

- In India there's a long list of sectors in which the government has embarked on import substitution that encourages domestic production.
  - The emphasis is on producing in India rather than on efficiency

- Centre’s external protectionism merely a reflection of its domestic economic policies:
  - There are many bottlenecks that are impeding India’s participation in global supply chains and in the world of globalized production.
    - For example labour markets where we need to figure out where those domestic bottlenecks are that are holding back large scale labour intensive investment in India.
  - Ease of doing business is a major issue, external and domestic reforms have to go hand in hand.

- Discretionary government policy in the name of Atma Nirbhar Bharat brings along with it the risk of possible favouritism towards special interest groups:
  - Industrial policy requires having a high level of knowledge, forecasting capability, and intellectual capacity in government.
    - Market economy is a great method of discovery. It is a tool for figuring out what works and what doesn’t.
  - There should be a policy that the government and industries have a dialogue.
    - This has been the reason behind the success story of many Southeast Asian countries.
  - The government needs to hear what the players on the ground need, and respond adequately.

- Indian Consumer be allowed to buy foreign goods if they are cheaper and better: The government needs to play the role of a facilitator rather than interfering with the ability of an Indian consumer to buy something from abroad or the ability of an Indian Firm to buy something from abroad or the ability of an engineering firm to raise capital from a cheaper source abroad, and so on.

Are we getting closer to the pre-1991 era of trade protectionism?
- **Production Linked Incentive (PLI) scheme** is that incentives are linked to certain capacities. It seems like a policy that was followed during the industrial licensing era, which was called the **minimum economic scale**.
  - The government was telling the industry what could be the minimum economic scale and then directing the industry to produce along those lines.
- Another argument is that a lot of the regulatory system is moving in somewhere national champions get policy support and foreign companies do not.

**Way Forward**

- **Improving Ease of Doing Business**: Though progress has been made, India still lags behind many larger nations in critical metrics such as *starting a business, enforcing contracts and registering property*.
  - Improving on these metrics can help Indian firms to compete globally and get a bigger market.
- **Make In India**: The focus should be on encouraging innovation, research and development and entrepreneurship in the country. This will prepare Indian companies to compete in the sectors of the future.
- **Boosting Private investment**: It will, in turn, boost up Growth, Jobs, Exports and Demand.
- **Predictable and transparent Trade Policy**: It will allow Indian firms to plan their capacity and finances in advance.
  - They will be able to allocate their resources for expansion and R&D.
  - This will allow them to be competitive in the international market
- **Resolving Trade Issues**: Trade issues with US and other countries should be resolved at the earliest to eliminate investors’ doubts in the Indian trade regime.
- **Balance between domestic industry and multinational firms**: India needs to draw a fine balance between the interests of domestic industry and giving trade concessions to multinationals to attract foreign investment in the form of FDI.
  - The *goal of a $5 trillion economy by 2025* needs comprehensive, multidimensional and multi-sectoral efforts to achieve it.
Increasing Production: Enhance domestic Production as well as put thrust to increase exports and promote research to become more independent. India needs to plan now for the next 20 years.

QUESTION FOR PRACTICE
Q. The broader aims and objectives of WTO are to manage and promote international trade in the era of globalization. But the Doha round of negotiations seem doomed due to differences between the developed and the developing countries." Discuss in the Indian perspective. (UPSC 2016)

(200 WORDS, 10 MARKS)

EDITORIAL ANALYSIS
In Pegasus battle, the fight for surveillance reform

Source: The Hindu

■ Prelims: Pegasus, linkage of organised crimes with terrorism, Right to privacy etc
■ Mains GS Paper II: Right to privacy, implications of Pegasus on security etc

ARTICLE HIGHLIGHTS
■ A year has passed since the disclosures about the Pegasus Project revealed the threat to India’s democracy.
■ A leading digital news platform reported that the cellphones of at least 300 Indians had been hacked with Pegasus, the spyware from the Israel-based NSO Group; 10 of the cases were confirmed by Amnesty International’s Security Lab using forensic analysis.
■ The victims, important members of India’s constitutional order, included cabinet Ministers, Opposition leaders, journalists, judges and human rights defenders.
INSIGHTS ON THE ISSUE

Context

Pegasus:

- It is a type of *malicious software or malware classified as a spyware.*
It is designed to gain access to devices, without the knowledge of users, and gather personal information and relay it back to whoever it is that is using the software to spy.

Pegasus has been developed by the **Israeli firm NSO Group that was set up in 2010**.

The earliest version of Pegasus discovered, which was captured by researchers in 2016, infected phones through what is called **spear-phishing**—text messages or emails that trick a target into clicking on a malicious link.

Since then, however, NSO's attack capabilities have become more advanced. Pegasus infections can be achieved through so-called **“zero-click” attacks**, which do not require any interaction from the phone’s owner in order to succeed.

These will often exploit “zero-day” vulnerabilities, which are flaws or bugs in an operating system that the mobile phone’s manufacturer does not yet know about and so has not been able to fix.

**How was Pegasus used in India?**

- **Surveillance using Pegasus**: Reports that appeared in July 2021 from the Pegasus Project, which includes *The Wire in India, The Guardian in the U.K., and The Washington Post in the U.S.*, said that in India, at least 40 journalists, Cabinet Ministers, and holders of constitutional positions were possibly subjected to surveillance using Pegasus.
  - The reports were based on a **database of about 50,000 phone numbers accessed by the Paris-based non-profit Forbidden Stories and Amnesty International**.

- **Signs of attempted penetration**: According to The Guardian, Amnesty International’s Security Lab tested 67 of the phones linked to the Indian numbers in the database and found that “23 were successfully infected and 14 showed signs of attempted penetration”.

- **Governments as clients**: Since Pegasus is graded as a cyberweapon and can only be sold to authorized government entities as per Israeli law, most reports have suggested that the governments in these countries are the clients.

**Opaqueness around the issue:**
• The Minister of Electronics and Information Technology, referring to “press reports of 18th July 2021”, refused to directly address the claims made by the Pegasus Project, he stated that the existing legal framework prevents unauthorized surveillance.

• On November 28, 2019, the former Minister of Electronics and Information Technology, had responded similarly to allegations over the use of Pegasus.

• A report by The New York Times of January 31, 2022 contradicted both their statements and stated that ‘India has bought Pegasus in 2017 as part of a $2-billion’ defence package.

• In response to disclosures by the Pegasus Project, CERT-IN, the nodal agency, the Indian Computer Emergency Response Team, that deals with cybersecurity threats, has remained silent.

• Separately, in every parliamentary session since the revelations, the Opposition has sought a discussion and a probe. Both demands have been ignored.

Judicial response:
The Supreme Court will be hearing the case pertaining to the alleged use of the Pegasus spyware software later this month.

• The court had constituted a committee, overseen by former Supreme Court judge Justice R.V Raveendran, to look into the charges and accordingly submit a report “expeditiously”.

• Objectives of the committee:
  ○ Inquire, investigate and determine, among other things, if Pegasus was used to eavesdrop on phones and other devices of Indian citizens.
  ○ Details were sought on whether the government had taken any action after reports emerged in 2019 about WhatsApp accounts being hacked by the same spyware and if the government had indeed acquired such a suite.

What do Indian laws outline?

• Section 5(2) of The Indian Telegraph Act, 1885: It states that the government can intercept a “message or class of messages” when it is “in the interests of the sovereignty and integrity of India, the security of the state, friendly relations with foreign states or public order or for preventing incitement to the commission of an offense”. 

○ The operational process for it appears in Rule 419A of the Indian Telegraph Rules, 1951
○ Under Rule 419A, surveillance needs the sanction of the Home Secretary at the Central or State level, but in “unavoidable circumstance” can be cleared by a Joint Secretary or officers above, if they have the Home Secretary’s authorisation.

- Section 69 of the Information Technology Act, 2000: It facilitates government “interception or monitoring or decryption of any information through any computer resource” if it is in the interest of the “sovereignty or integrity of India, defense of India, security of the state, friendly relations with foreign States or public order” or for preventing or investigating any cognisable offense.

Judgements related to Surveillance:
- People’s Union for Civil Liberties (PUCL) vs Union of India case: Supreme Court said telephonic conversations are covered by the right to privacy, which can be breached only if there are established procedures.
- K.S. Puttaswamy vs Union of India verdict of 2017: the Supreme Court reiterated the need for oversight of surveillance, stating that it should be legally valid and serve a legitimate aim of the government.

Steps taken by India:

Response by other countries to Pegasus:
• **Israel set up a senior inter-ministerial team:** Team for investigation while the Foreign Minister said that the government would work to ensure that Pegasus did not fall into the wrong hands.

• **France ordered a series of investigations:** Within a day of the revelations; on September 25, 2021, its cybersecurity agency confirmed that the spyware had been used to target French citizens.

• **The United States:** It added NSO to its *Entity List for Malicious Cyber Activities*, which restricted the ability of U.S. companies to export goods or services to NSO.

• **United Kingdom:** The spyware company implemented a change to ensure that Pegasus could no longer target U.K. numbers after revelations, in 2021, that Dubai’s ruler, Sheikh Mohammed bin Rashid Al Maktoum, had used the spyware to hack the phones of his wife.

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**Types of Cyber Attacks**

**Malware:**
It is short for malicious software and refers to any kind of software that is designed to cause damage to a single computer, server, or computer network. *Ransomware, Spy ware, Worms, viruses, and Trojans are all varieties of malware.*

**Phishing:**
It is the method of trying to gather personal information using *deceptive e-mails and websites.*

**Denial of Service attacks:**
- A Denial-of-Service (DoS) attack is an attack meant to *shut down a machine or network, making it inaccessible to its intended users.*
- DoS attacks accomplish this by flooding the target with traffic, or sending it information that triggers a crash.

**Man-in-the-middle (MitM) attacks:**
- Also known as eavesdropping attacks, occur when *attackers insert themselves into a two-party transaction.*
- Once the attackers interrupt the traffic, they can filter and steal data.

**SQL Injection:**
- SQL stands for *Structured Query Language, a programming language used to communicate with databases.*
● Many of the servers that store critical data for websites and services use SQL to manage the data in their databases.
● A SQL injection attack specifically targets such kinds of servers, using malicious code to get the server to divulge information it normally wouldn't.

**Cross-Site Scripting (XSS):**
● Similar to an *SQL injection attack*, this attack also involves injecting malicious code into a website, but in this case the website itself is not being attacked.
● Instead the malicious code the attacker has injected, *only runs in the user's browser when they visit the attacked website, and it goes after the visitor directly, not the website.*

**Social Engineering:**
It is an attack that relies on *human interaction to trick users into breaking security* procedures in order to gain sensitive information that is typically protected.

**Way Forward**
- **Protecting privacy:** Considering the severity of the threat posed by these disclosures, and the credibility of the evidence which backs them, it is important to examine how each branch of the Indian state has responded, or failed to respond, in protecting the privacy of citizens.
- **Prevent indiscriminate monitoring:** An overhaul of surveillance laws is necessary to prevent the indiscriminate monitoring of people and entities by the state and private actors.
- **Independent oversight provisions:** *The Information Technology Act, 2000 and the Indian Telegraph Act 1885* which empower the Government to surveil, concentrate surveillance powers in the hands of the executive, and do not contain any independent oversight provisions, judicial or parliamentary.
  ○ These legislations are from an era before spyware such as Pegasus were developed, and, thus, do not respond to the modern-day surveillance industry.
- **Lacunae in proposed Data protection law:** The proposed data protection law does not address these concerns despite proposals from members of the Joint Parliamentary Committee. Instead, the proposed law provides wide
exemptions to the Government relating to select agencies from the application of the law

- **The Freedom House ‘Freedom in the World’ report**: The past year has showcased why the need for comprehensive surveillance reform is so urgent. *The Freedom House ‘Freedom in the World’ report — it tracks global trends in political rights and civil liberties — changed India’s status from ‘free’ to ‘partly free’ in 2021.*
  - It has cited the alleged use of Pegasus on Indian citizens as one of the reasons for the downgrade.

- **Surveillance reforms**: In the absence of immediate and far-reaching surveillance reform, and urgent redress to those who approach authorities against unlawful surveillance, the right to privacy may soon become obsolete.

**QUESTION FOR PRACTICE**

Q. Discuss different types of Cybercrimes and measures required to be taken to fight the menace. (UPSC 2020)  
(200 WORDS, 10 MARKS)

Q. What is the CyberDome Project? Explain how it can be useful in controlling internet crimes in India. (UPSC 2019)  
(200 WORDS, 10 MARKS)

Q. What has been the aftermath of the Pegasus spyware operations? Who does it target and why is the government under scrutiny?  
(200 WORDS, 10 MARKS)