



Issue 05



WEEKLY
CURRENT AFFAIRS

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SEVEN IMPORTANT ISSUES

1. DEEPENING DEMOCRACY: IS SOLE RESPONSIBILITY OF JUDICIARY

Why in News?

India, at present, is going through a deep crisis in which the mission of deepening democracy and protecting and advancing social freedoms is placed solely upon the judiciary. On the one hand there is a complete abnegation of the role of the legislature and on the other there is a dichotomy between social morality and judicial morality (itself an interpretation of constitutional morality).

Introduction

After the slew of verdicts by the Supreme Court, on triple talaq, Section 377, adultery and the Sabarimala temple, a prominent cartoonist adapted the famous “Road to Homo Sapiens” picture to depict the Supreme Court Justice as a barber who cleans up the barbarous Neanderthal to make him a modern human. The Supreme Court verdicts have curiously become a spectator sport on primetime television with a great amount of anticipation about the judgments in pending cases. The same curiosity is missing about parliamentary bills/debates, which are absolutely vital to a parliamentary democracy.

One example would suffice. Earlier this year, the government amended the Foreign Contribution Regulation Act to retrospectively legalise political donations from foreign companies and individuals since 1976. This move — with potentially catastrophic ramifications for Indian democracy was pushed through without discussion in

Parliament and hardly any debate in the public sphere. If the judiciary has assumed the role of the single most important pillar of India’s parliamentary democracy, built on separation of powers, it is mainly because of the degradation and abuse of the roles of the legislature and the executive.

The Constitutional Relationship

Parliament, the Judiciary and the Executive are the three key arms of the state, with well-defined spheres of authority under the Constitution. Parliament represents the law making arm, the Executive is responsible for enforcement of laws and the Judiciary is in charge of interpretation of the Constitution and laws as well as dispute resolution. Each institution acts as a check and balance on the others’ powers, which may create tension in their relationships.

The Constitution provides for a separation of powers between Parliament and the Judiciary by demarcating their roles and responsibilities. It also lays down various ways by which (i) the Judiciary may guard against the unconstitutional exercise of power by Parliament and (ii) Parliament may legislate on or act as a check in matters related to the Judiciary.

A rigid idea of separation of powers as exercised in the United States means that institutions for law making, executive action and judicial power are

distinct and do not have overlapping powers. This enables them to exercise a check on each other. However, the United Kingdom (UK) follows a looser model which is based on supremacy of Parliament. No court of law in the UK can strike down a law on grounds that it violates the UK Constitution. The courts may examine validity of subordinate legislation against their parent laws and on other grounds. India follows a third model of separation of powers. It recognises separate legislative, executive and judicial bodies, but allows some overlap in powers. For example, the Executive may exercise legislative powers by promulgating ordinances.

Parliament’s Erosion

Parliament, the supreme venue representing the people, has become a shadow of what it should be (even when the representation of marginalised communities has gone up). The words, “A fraud on the Constitution, used by Justice D.Y. Chandrachud’s words (in a recent judgment), have ironically been used before by the Supreme Court to refer to executive and legislative actions.

- ♦ The Prime Minister rarely attends parliamentary debates, affecting the sanctity of the forum. If the Lok Sabha met for an average of 127 days in the 1950s, in 2017 it met for a shocking 57. If 72 Bills were passed in a year in the first Lok Sabha, the number was 40 in the 15th Lok Sabha (2009-14).

- ◆ The Budget session for this fiscal year saw a scarcely believable usage of 1% of its allotted time in the Lok Sabha and the Budget, the most vital cog of a national's material basis, itself passed without discussion through the guillotine process.
- ◆ The basic minimum that could have been done amidst mounting allegations in the Rafale fighter aircraft deal was to institute a probe by a Joint Parliamentary Committee, but even that is not forthcoming.
- ◆ More importantly, the judiciary does not exist in a vacuum. Even when it attempts to correct regressive social practices, it is still a reflection of our society. Nothing could be more illustrative of this than the serious lack of diversity and representation, especially in the higher judiciary.
- ◆ Parliament, instead of representing the highest democratic ethos, panders to electoral majorities, leaving it incapable of challenging barbaric social/religious practices enforced by dominant interests. That is why it took 70 years for Section 377 to be partially struck down.

The Abdication of Responsibility

The task of democratising society cannot be left to the judiciary, an unelected body, the higher echelons of which self-appoint their members through the collegium system. Instead, it must be through social and political struggles from the bottom and not through judicial diktats from above.

- ◆ The abdication of responsibility by the legislature is even more damaging considering that the judiciary is groaning under the weight of a mammoth 3.3 crore pending cases. The backlog of cases in the High Courts and the

Supreme Court is 43 lakh and 57,987, respectively.

- ◆ What could be more unjust in a democracy than thousands of innocent undertrials languishing in jails for a lifetime awaiting justice? A staggering 67% of India's prison population awaits trial; 55% of these undertrials are Dalits, tribals, and Muslims.

In this context, should the valuable time of the judiciary be spent in entertaining and delivering verdicts on Public Interest Litigations (PILs), seeking, to take a couple of instances, a ban on pornography or making the national anthem mandatory in cinema halls? The PIL, a unique and powerful tool to seek justice for the weakest sections, has now degenerated. Witness the recent example of one having been filed seeking segregated seats for vegetarian and non-vegetarian passengers in trains.

State of the Judiciary

In 1993, Justice S.R. Pandian estimated that less than 4% of judges in the higher judiciary were from Dalit and tribal communities and less than 3% were women. This led former President K.R. Narayanan to recommend that candidates from marginalised communities be considered as Supreme Court judges. Since Independence, only four Dalits have become Supreme Court judges, including one Chief Justice of India.

- Even in the lower judiciary, the story is not starkly different. Data from 11 states show that the representation of Other Backward Classes, Scheduled Castes and Scheduled Tribes judges ranged from 12% to 14%. It took 42 years for a woman judge to be appointed to the Supreme Court and there have been only eight women judges in the Supreme Court so far.

Judicial Activism

Judicial activism is a dynamic process of judicial outlook in a changing society. According to the idea of judicial activism, judges should use their powers to correct injustices, especially when the other branches of government do not act to do so.

In short, the courts should play an active role in shaping social policy on such issues as civil rights, protection of individual rights, political unfairness, and public morality.

If the courts do wish to be activist, they have more than enough of an agenda within their own sphere of activity without encroaching on legislative and executive jurisdictions. The several organs of India's democracy have their respective spheres; the courts should not encroach on the jurisdiction of the legislatures. These concerns were expressed, of course, after the Supreme Court itself had urged caution on lower courts over excessive judicial activism.

The activism causing discomfort among analysts, politicians and even the Supreme Court itself stems from judicial romanticism in parts of civil society, political cowardice on the part of political leaders and parties and of course judicial overreach on the part of some judges and courts. Government is about making and implementing public policy choices. These are neither always easy nor right. Like individuals, governments make mistakes. In a democracy, the task of making decisions on behalf of the people is delegated to elected representatives who then answer to courts for the constitutionality and to the people for the consequences of their choices.

Politicisation of Judiciary

"Judicial romanticism" is the habit of mind that always looks to courts as a solution to any problem. The romanticists discount political and diplomatic alternatives. In recent decades, Indian politics has suffered from two unfortunate impulses.

- ◆ The first is to try to solve a problem of implementation with a fresh piece of legislation: the equation just does not compute. If the bureaucracy, the police and courts are not implementing laws on caste discrimination, for example, a new

law will not plug the slippage; it merely adds another law to the long list of those being ignored because of discrimination, incompetence or corruption.

- ♦ A second pathology of Indian politics is to transfer the judicial arena problems and conflicts that require resolution in the political arena.

The Supreme Court of India has been vested with the power to render advisory opinions on any question of fact or law that may be referred to it by the President. This gives a soft option to the Indian government on some politically difficult issues. The judiciary exists to interpret laws, expound the Constitution and ensure that the rule of law prevails. The responsibility for maintaining law and order vests in the executive arm of the government. The Cabinet can weigh popular opinion in the balance before deciding upon issues of public policy. The judiciary cannot decide upon questions of belief, opinion or political wisdom, nor pronounce upon questions of history, archaeology and mythology. The Cabinet cannot shift the burden of responsibility to the courts for matters of policy for which the government of

the day is too weak, timid or confused to make and implement a firm decision. The judiciary cannot compensate for the inadequacies of governments or the failure of the political process.

The government of India had referred aspects of the Babri Masjid dispute to the Supreme Court for an advisory opinion. Since there was no legal point as such at issue, there was a danger that the referral would politicise the judiciary instead of resolving a quintessentially political problem. On October 24, 1994, a five-member bench of the Supreme Court ruled that the reference to it, of the question of a temple having existed at the disputed site in Ayodhya, was “superfluous, unnecessary and does not require to be answered.”

In recent years, the courts have steadily shed such inhibitions. Judicial overreach may be rooted in part in the flattery of public faith in and frequent resort to the judiciary; in part in the embarrassed memory of having capitulated so spinelessly to the executive during the notorious emergency in 1975–77; and in part in being emboldened by the failure of political will on the part of governments to address and redress the many serious ills afflicting society. But, if the courts do wish to be activist, they

have more than enough of an agenda within their own sphere of activity without encroaching on legislative and executive jurisdictions.

Way Forward

More importantly, the judiciary does not exist in a vacuum. Even when it attempts to correct regressive social practices, it is still a reflection of our society. Nothing could be more illustrative of this than the serious lack of diversity and representation, especially in the higher judiciary. Instead, it must be through social and political struggles from the bottom and not through judicial diktats from above. Also overworked courts cannot become a one-stop solution for performing legislative/executive tasks such as banning fire crackers/loud speakers, enforcing seat belt/helmet wearing rules, or solving theological/civil society questions such as what the essence of Hinduism is or whether a mosque is integral for namaz (going beyond whether religious practices violate constitutional norms).

The process of abolishing religious or secular hierarchies/injustices cannot become deep-rooted if it is merely judicial or legal. Take the Supreme Court’s recent directive urging new legislation to curb lynching. Politically-motivated lynchings targeting a community do not happen because of the absence of laws. Yet, the irony of democracy is such that the task of completing the world’s largest democracy’s political and social revolution cannot be laid only at the doorstep of the wise men and women in robes.

General Studies Paper- II

Topic: Structure, organization and functioning of the Executive and the Judiciary; Ministries and Departments of the Government; pressure groups and formal/informal associations and their role the Polity.



Three Branches of Government

 LEGISLATIVE Makes Laws PARLIAMENT Unicameral House/Legislative Council) Bicameral (House + Senate)	 EXECUTIVE Administers Laws HEAD OF STATE President/Monarch (Governor-General, Governor) HEAD OF GOVERNMENT Prime Minister/Premier /Chief Minister CABINET Cabinet/Executive Council	 JUDICIAL Interprets Laws COURTS Magistrate Courts High Courts Supreme Courts Caribbean Court of Justice /Privy Council
Includes legislators or members of houses of parliament	Includes public servants organised into ministries and departments	Includes judges of the various law courts

2. #METOO MOVEMENT IN INDIA

Why in News?

Following the global outrage over the Harvey Weinstein incident in the West, where the noted Hollywood producer was accused of sexual harassment by over 70 women, the #MeToo movement has finally arrived in India, engulfing the whole media and entertainment industry. Several women have bravely come out with stories about harassment and sexual abuse at workplace at the hands of the powerful and higher-ups.

Introduction

As the #MeToo movement rages in India, with scores of individuals, mostly women, narrating incidents of sexual harassment in workplaces and beyond, it becomes pertinent to ask the fundamental questions of what constitutes sexual harassment, what grievance redressal mechanisms are in place for survivors and for those who are falsely implicated.

Today's world is accustomed to the term sexual harassment. Sexual Harassment can be identified as a behavior. It can in general terms be defined as an unwelcome behavior of sexual nature. Sexual harassment at workplace is a universal problem in the world whether it be a developed nation or a developing nation or an underdeveloped nation, atrocities and cruelties against women is common everywhere. It is a problem giving negative effect on both men and women. It is seen to be happening more with women gender as they are considered to be the most vulnerable section of the society these days. Sexual harassment therefore is a serious problem in the workplace and it has become one of those issues that receive a lot of negative attention.

The existing laws in India relating to sexual harassment of women at workplace is to be found in 'The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

What is a Workplace?

A workplace is defined as "any place visited by the employee arising out of or during the course of employment, including transportation provided by the employer for undertaking such a journey." As per this definition, a workplace covers both organised and un-organised sectors.

In the digital age, this definition can be expanded to telephone conversations, texts and messages on social media.

What is Sexual Harassment?

Sexual harassment has been identified as a term which is difficult to define as it involves a range of behaviors. Efforts have been made at both national and international levels to define this term effectively. Often, the term is subjected to different interpretations. Some believe that it is better not to mingle with female colleagues so that one does not get embroiled in a sexual harassment complaint. The reality of sexual harassment incidents at the workplace is that there is more to worry about under-reporting, than people misusing the law.

In 1997, in the landmark judgment of Vishaka and others v. State of Rajasthan, the Supreme Court of India defined sexual harassment at the workplace, pronounced preventive, prohibitory and redress measures and gave directives towards a legislative mandate to the guidelines proposed.

Sexual Harassment includes many things:

1. Actual or attempted rape or sexual assault.
2. Unwanted deliberate touching, leaning over, cornering or pinching.
3. Unwanted sexual teasing, jokes, remarks or questions.
4. Whistling at someone.
5. Kissing sounds, howling and smacking lips.
6. Touching an employee's clothing, hair or body.
7. Touching or rubbing oneself sexually around another person.

Global Scenario

Damning statistics reveal the degree to which women are subjected to sexual harassment at work, unconfined by geography or a specific industry. In the opinion of the EU Agency for Fundamental Rights, "an estimated 83 million to 102 million women (45% to 55% of women) in the European Union have experienced sexual harassment since the age of 15." In the U.S., the figure is 33.6 million.

Yet, an introspective analysis of business circles reveals that existing laws are ineffective and that prevention of sexual harassment is more a matter of culture than a matter of court.

Indian Scenario on Sexual Harassment

Sexual harassment as we know has become a global problem which is a kind of violence against women. International community has recognized in their International treaties and documents, the protection from sexual harassment as a human rights of women. All the legal instruments dealing with this matter have been laid down to protect life and liberty and these instruments have been used as a means to curb and address this issue.

In India until the Vishaka's judgment was given out, there was no law to govern this matter and the guidelines which came as an outcome of this case were derived from the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW). The Indian Constitution had grounded provisions in the form of fundamental rights.

Sexual harassment clearly violates the fundamental rights of a women to Equality under Article 14(2) and Article 15(3), her right to life under Article 21(4) and her right to practice any profession and carry on any occupation, trade or business under Article 19(1)(g), which includes a Right to safe environment free from sexual harassment.

Pre- Vishaka Scenario

Before the Vishaka guidelines came into picture, the women had to take matter of sexual harassment at workplace through lodging a complaint under Sec 354 and 509 of Indian Penal Code (IPC).

Vishaka And Others V. State of Rajasthan

In the case of Vishaka and Ors v. State of Rajasthan and Ors, the Hon'ble Supreme Court has laid down guidelines and norms to be observed to prevent sexual harassment of working women.

Preventive Steps: All employers or persons in charge of work place whether in public or private sector should take appropriate steps to prevent sexual harassment.

- Express prohibition of sexual harassment at the work place should be notified, published and circulated in appropriate ways.
- The rules of government and public sector bodies relating to conduct and discipline should include rules prohibiting sexual harassment and provide for adequate and appropriate penalties against the offender.
- As regards private employers, steps should be taken to include the aforesaid prohibitions in the standing orders under the Industrial Employment (standing orders) Act, 1946.
- Appropriate work conditions should be provided in respect of work, leisure, health and hygiene to further ensure that there is no hostile environment towards women at work places and no employee woman should have reasonable grounds to believe that she is disadvantaged in connection with her employment.

Internal Complaints Committee:
The complaint mechanism should

be adequate to provide a complaints committee, a special counselor or other support service, including the maintenance of confidentiality.

Post- Vishaka Scenario

India did not have any legislation till the Bill for the Protection of Women from Sexual Harassment was moved in the Parliament in the year 2005. In 2010, the Bill was in the Lok Sabha with slight changes in the old Bill. The new Bill defined "sexual harassment" and also provided for a redressal mechanism through "Internal Complaints Committee" in the workplace or "Local Complaints Committee" at the district level. Women who are employed as well as those who enter the workplace as clients, customers or apprentices besides the students and research scholars in colleges and universities and patients in hospitals are sought to be covered under the proposed legislation. However, domestic workers working at home are not covered. Additionally, there were problems regarding the action to be taken against false and malicious charges or complaints, subsequently to solve this issue the Parliamentary Standing Committee in June 2011, submitted recommendations to remove false and malicious charges.

The Sexual Harassment At Workplace (Prevention, Prohibition And Redressal) Act, 2013

The Sexual Harassment Act was finally enacted in the year 2013 for the prevention of sexual harassment against women at workplace in the whole of India. The main objective of the act was protection of women, prevention and redressal of sexual harassment complaints. Sexual harassment includes any one or more of the following unwelcome acts or behavior (whether directly or by implication) namely:

What Verma panel said

- Proposed forming an employment tribunal to receive and adjudicate all complaints
- Tribunal should be appointed by a collegium headed by the Chief Justice of the concerned High Court
- Should comprise two retired judges with at least one of them being a woman, two eminent sociologists and one social activist with experience in the field of gender-based discrimination



- To ensure speedy disposal of complaints, the tribunal should not function as a civil court but may choose its own procedure to deal with each complaint

1. Physical contact and advances; or
2. A demand or request for sexual favors; or
3. Making sexually colored remarks; or
4. Showing pornography; or
5. Any other unwelcome physical, verbal, or non-verbal conduct of sexual nature.

Recommendations on Sexual Harassment: Some of the key recommendations made by the Committee on the sexual harassment of women at workplace (Prevention, Prohibition and Redressal) Bill, 2012 that is pending in Parliament are as follows:

- ◆ Domestic workers should be included within the purview of the Bill.
- ◆ Under the Bill the complainant and the respondent are first required to attempt conciliation. This is contrary to the Supreme Court judgment in Vishakha vs. State of Rajasthan which aimed to secure a safe workplace to women.
- ◆ The employer should pay compensation to the woman who has suffered sexual harassment.
- ◆ The Bill requires the employer to institute an internal complaints committee to which complaints must be filed. Such an internal committee defeats the purpose of the Bill and instead, there should be an Employment Tribunal to receive and adjudicate all complaints.

Implications of Sexual Harassment at Workplace on Organisation

- ◆ Low productivity of workers in a company that neglects harassment cases, indirectly promoting discrimination;
- ◆ Absenteeism and higher turnover among the victims of harassment,

both at the employee and executive level;

- ◆ Increased health costs addressing burnouts and connected diseases;
- ◆ Poor morale affecting the whole workplace;
- ◆ Reputational harm once the allegations go public;
- ◆ Cost of diverting management attention from business-related activities to preparing the company's defense from sexual harassment allegations, which in turn leads the company to accumulate impressive backlogs in ongoing projects and may result in the payment of penalties.

Lacunae in Existing Legislative Framework

Twenty-one years after the Vishaka Guidelines, a set of procedural rules and guidelines on sexual harassment at the workplace, and five years after the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 came into existence, a wave of the #MeToo movement has finally reached India, and put us face to face with the gaps in the extant legislative framework that govern sexual harassment in the workplace.

The guidelines and later, the legislation, did not examine the historical disadvantage that women have had in the workplace, and the power and privilege that men wield in the form of harassment. It treated sexual harassment as an isolated offence, that should be solved by and within workplaces and further, silenced the survivors of sexual harassment at the workplace.

Recently, a report by Livemint indicates that “the number of reported instances of sexual harassment at the workplace was higher in private sector companies compared with

state-owned ones during financial year 2018.” This means that the culture of silence is more pervasive in government workplaces and women feel less secure to report cases or to confront their perpetrators for the lack of support.

This is, of course, the key reason why movements such as the #MeToo are popular. While there are laws in place around sexual harassment at the workplace, overall reporting has been low, indicating that women don't feel safe in their own workspaces to reach out to an Internal Complaints Committee (ICC, a procedure mechanism under the sexual harassment law). And this speaks to a larger systemic issue of toxic environments that harbour the culture of silence, make women's voices invisible and put men's reputations before women's rights to safe redressal.

The Act only covers women thereby implying that only women can be sexually harassed. There are various reports that suggest that even men and transgender people could be sexually harassed. Further, there is a lack of knowledge of the Act in the organizations and hence essentially the Act isn't implemented. The Act is present in paper, but the implementation rate is extremely low. Further, as per a report, “70% of the working women do not report sexual harassment at workplace due to fear of repercussions. Additionally, “the ambit of the Act is not wide enough to cover harassment by the boss or colleagues at a party as the Act entails only sexual harassment during the course of employment or arising out of the employment.”

The legislation does not deal with this systemic issue, and that is its biggest flaw. In its past five years of implementation, there has been mechanism to monitor the kind of cases that are coming, no initiative to go beyond the pedantry of legal

definitions, and no will to change the structure of workplaces to make it more accessible to women.

Recent Developments

The Information and Broadcasting Ministry has been directed by the National Commission for Women to direct print, publication and production houses for the formation of an internal committee to probe sexual harassment complaints at workplace.

Union Ministry for Women and Child Development will set up a committee of senior judicial and legal persons to look into the issues that are coming out of the #MeToo movement. The committee will look into the legal & institutional framework which is in place for handling complaints of sexual harassment at work, including some of the complaints if required and advise the WCD ministry on how to strengthen these frameworks.

Taking cognisance of the #MeToo movement which has caused quite a stir across the Bollywood, Indian media industry and politics, government of India has announced the formation of

a four-member committee of retired judges to conduct public hearings of the cases.

Government constitutes Group of Ministers (GoM) to strengthen legal & institutional frameworks to deal with and prevent sexual harassment at workplace.

Conclusion

A holistic analysis of the 'Me too movement' also reveals that there are broader patterns of 'sexism' and 'discrimination' which needs to be addressed also. These acts are not confined almost exclusively to sexualized forms of harassments, verbal and/or physical. Few reports have covered the non- sexual but still utterly sexist form of abuses indulged into by bosses at the workplace.

At this point, the #MeToo movement strives – social media is bursting at the seams with women documenting their stories on workplace sexual harassment, but this has to be followed by due process in order to build accountability of the state in protecting the rights of women, and

this cannot be done with a legislation that is not accountable to women's claims of justice, and just serves as a compliance mechanism.

The #MeToo movement has placed institutions (both public as well as private) under close scrutiny. These firms now have the burden of proof to demonstrate that they are acting effectively against sexual harassment and internalizing its costs. Changes like this are measurable only in the long term and are an excellent terrain for investigative research by academics and reporters. However, it is clear that, on a daily basis, companies must imperatively address sexual harassment in order to make anti-harassment policies effective.

General Studies Paper- II

Topic: Welfare schemes for vulnerable sections of the population by the Centre and States and the performance of these schemes; mechanisms, laws, institutions and Bodies constituted for the protection and betterment of these vulnerable sections.



3. INDIA - SRI LANKA: EVOLVING RELATIONSHIP

Why in News?

Recently, Prime Minister Ranil Wickremesinghe of Sri Lanka has paid a visit to India from 18-20 October 2018. Prime Minister Narendra Modi and his Sri Lankan counterpart Ranil Wickremesinghe held talks covering the entire gamut of bilateral relations and discussed ways to deepen the historically close relations between the two countries.

Ranil Wickremesinghe's India visit came in the backdrop of controversial media reports that Sri Lankan President Maithripala Sirisena has accused the Indian intelligence agency, RAW, of

plotting his assassination, a claim firmly rejected as "utterly baseless and false" by Sri Lanka.

Introduction

During his visit Prime Minister Ranil Wickremesinghe held bilateral talks with Prime Minister Modi on several issues, but both leaders did not make any public statements. The leaders exchanged views on regional and global issues. They also reviewed the progress in implementation of various decisions taken during high level exchanges in the recent past, including the visit of Sri Lankan Prime Minister in April and November 2017, Prime Minister

Modi's visit to Sri Lanka in May 2017 during the International Vesak Day Celebrations and the visit of Sri Lankan President for the International Solar Alliance Founding Conference in March 2018.

Along with bilateral relations, both the leaders have discussed the issues related to the development projects in Sri Lanka because the main focus of the visit was on development projects in Sri Lanka and their progress and speedier implementation. India has assured Sri Lanka of completing development projects on time, some of them preferably before the January 2020 elections in the island nation. They

also reviewed the status of the India-assisted housing projects in Jaffna. While connectivity and infrastructure projects are a priority for India, New Delhi has decided that it will not specify projects of importance, as it does not want to attract undue attention from domestic and international players.

Both sides also decided to sensitively handle the issue of fishermen, especially in the coming months, without “use of force”, as has been the practice in recent year. The two leaders also discussed ways to promote visits and exchanges, especially amongst the youth and the students from both sides. They also discussed on how to jointly promote tourism.

They also discussed the issues related to the Tamils - the reconciliation process and devolution of powers in Tamil-dominated areas.

India's Sri Lanka Policy

India's relations with Sri Lanka remain one of India's critical foreign policy engagements, particularly in its immediate neighbourhood, they have been marked by many compulsions and limitations. This has been the case because India has tried to approach the relationship through two objectives that often produce antithetical results. India's twin objectives are: one, guaranteeing the sovereignty and integrity of Sri Lanka while simultaneously seeking a long- lasting political solution to the ethnic conflict; and two, restricting the presence of foreign players in Sri Lanka that may reduce India's own manoeuvrability in the country.

Tamil Issue

The nearly three-decade long armed conflict between Sri Lankan forces and the LTTE came to an end in May 2009. During the course of the conflict, India supported the right of the government of Sri Lanka to act against terrorist forces. At the same time, it conveyed its deep concern at the plight

of the mostly Tamil civilian population, emphasizing that their rights and welfare should not get enmeshed in hostilities against the LTTE.

The need for national reconciliation through a political settlement of the ethnic issue has been reiterated by India at the highest levels. India's consistent position is in favour of a negotiated political settlement, which is acceptable to all communities within the framework of a united Sri Lanka and which is consistent with democracy, pluralism and respect for human rights.

Fishermen issue

Given the proximity of the territorial waters of both countries, especially in the Palk Straits and the Gulf of Mannar, incidents of straying of fishermen are common. Both countries have agreed on certain practical arrangements to deal with the issue of bona fide fishermen of either side crossing the International Maritime Boundary Line. Through these arrangements, it has been possible to deal with the issue of detention of fishermen in a humane manner. India and Sri Lanka have agreed to set up a Joint Working Group (JWG) on fisheries between the Ministry of Agriculture and Farmers Welfare of India and Ministry of Fisheries and Aquatic Resources Development of Sri Lanka as the mechanism to find a permanent solution to the fishermen issue.

Neighborhood First

Sri Lanka has long been in India's geopolitical orbit, but its relationship with China has strengthened in recent years. As Western countries accused former President Mahinda Rajapaksa of gross human rights violations during the final stages of the civil war with LTTE, China extended billions of dollars of loans to the Sri Lankan government for new infrastructure projects, though these loans turned out to be economically unviable for the island nation.

In February 2015, Sri Lanka's newly elected President Maithripala Sirisena

undertook his first official visit to India and Modi paid a return visit to Colombo in March 2015. He was the first Indian prime minister to do a stand-alone visit to Sri Lanka in 28 years. While there, Modi not only addressed the Sri Lankan parliament but also made a trip to the northern province of Jaffna. Modi visited Sri Lanka again in May 2017, when he inaugurated a specialty hospital built with Indian assistance and visited the Indian-origin Tamil community there.

Just ahead of China's Belt and Road Initiative (BRI) summit in May 2017, Colombo refused to allow a Chinese submarine to dock. But later Sri Lanka had allowed a Chinese submarine to dock at the Colombo port, drawing protests from India. But Sri Lanka also sent its Prime Minister Ranil Wickremesinghe to the Belt and Road summit and was offered an estimated \$24 billion in additional loans.

In early December, Sri Lanka handed over the strategic port of Hambantota, which is expected to play a key role in China's BRI, to China on a 99-year lease. The opposition parties and trade unions in Sri Lanka have already dubbed the port deal as a sellout of their country's national assets to China. In order to allay Indian concerns that the Hambantota port will not be used for military purposes, the Sri Lankan government has sought to limit China's role to running commercial operations at the port while it retains oversight of security operations.

Beset by China's offensive in its strategic backyard, the present government of India is determined to improve its ties with Sri Lanka. Prime Minister Modi's second visit to Sri Lanka was primarily aimed at reinforcing traditional ties at a time when China has been aggressively seeking to make inroads in the Indian Ocean region. India is also likely to invest in Mattala airport in Hambantota district. It is hoped that India's presence at the airport, which is just 30 kilometers away from the Chinese-operated port of Hambantota, will help New Delhi to

monitor Beijing's growing presence in Sri Lanka.

Sri Lanka: Base for the Asian Great Game

In recent years, Beijing has invested heavily in Sri Lanka's infrastructure as part of its "string of pearls" policy aimed at establishing a naval presence across South Asia by building ports and other facilities in friendly countries – including Pakistan, Bangladesh and Myanmar. The expansion is part of its "One Belt, One Road" (OBOR) project, a new trade route linking China with the West, underpinned by billions of dollars of infrastructure investment. Under Sirisena's predecessor, Mahinda Rajapaksa, Sri Lanka looked to China for economic and diplomatic backing at a time when the West was threatening to sanction Colombo for crimes committed in its conflict with Tamil separatists. China is the largest investor in Sri Lanka, having spent hundreds of millions of dollars repairing war-damaged infrastructure and developing new projects following the end of the civil war in 2009. With Western investors keeping their distance because of the country's poor human rights record, Beijing was only too willing to further its own economic interests on the island, which has dovetailed with Colombo's ambition to become an important regional hub.

Chinese funds have been channeled into roads, airports and sea ports, the two highest profile initiatives being the Hambantota Port Development and the Colombo Port Project. Yet the influx of capital has not been without controversy. The commercial value of some of the infrastructure projects has been questioned, while Chinese loans – with which much of the investment has been financed – have contributed to the country's huge national debt of \$64 billion, or 76 percent of GDP. After coming to power, Sirisena suspended projects that he said were badly priced and financed on onerous terms. But eventually, with the country's

economic crisis worsening, he allowed them to go ahead.

Notwithstanding Sri Lankan reservations over Chinese investment, Colombo is keen to keep China on board. But Sri Lanka also wants to bolster relations with India, which came under significant strain in the Rajapaksa era. India's importance to Sri Lanka is beyond question: it is the island's largest trading partner and has provided over \$2.5 billion worth of development assistance. Over 70 percent of the cargo handled in Colombo port is transshipment cargo to and from India. The two countries are keen to upgrade their existing Free Trade Agreement (FTA) by signing a new trade pact called the Economic and Technology Cooperation Agreement (ETCA), which would enhance commercial ties between Sri Lanka and India's fast-growing southern states.

As with certain Chinese investments, some Sri Lankans are nervous about India's economic overtures. There have been protests against the ETCA over fears that the country would lose out to Indian businesses. Criticism has also been leveled at India's flagship planned investment in the region, the joint development of colonial-era oil storage tanks in the northern port of Trincomalee. Opponents argue that the government is selling off state assets to India.

Development Projects

There has been a huge investment inflow from India to Sri Lanka. India is among the top five investors in Sri Lanka with \$457 billion cumulative. Basic top investments include Cairns India Oil Exploration, Bharti Airtel, Indian Oil, Piramal Glass, Tata Groups, Taj Hotels and Ashok Leyland. Four Indian banks, namely, the State Bank of India, Indian Bank, Indian Overseas Bank and ICICI, have branches in the island-nation. India is also supporting the construction of 60,000 houses across the island. As many as 46,000 in the North and East, being built for

war-displaced persons, are already complete and 14,000 are now being built in the central and Southern parts of the island.

The pending projects include an LNG terminal in Kerawalapitiya near Colombo, a 50-100 MW solar power plant in Sampur, an oil tank farm in Trincomalee and a container terminal in the Colombo port. India has proposed to develop the Palaly airport near Jaffna and the Mattala airport near Hambantota. The preferential trade treaty, Economic and Technical Cooperation Agreement, still awaits clearances as it faces opposition from Sri Lankan business chambers.

Way Forward

With India and Sri Lanka attempting a fresh start in bilateral relations, India has to be careful in balancing this relationship so that it does not drive Sri Lanka yet again into China's fold. There are economic compulsions that will see close China-Sri Lanka ties, because for all the goodwill that India enjoys with the Sri Lanka government, it does not have the same economic muscle as China to give Sri Lanka what it needs. It is true that President Sirisena suspended a few infrastructure projects with China, but the fact that he has endorsed the Chinese Maritime Silk Road suggests that Sri Lanka will try and balance between India and China to maximise gains. Still, it is in India's interests to play its card cautiously so that Sri Lanka aligns with India in strategic terms. India needs to walk a tight rope in balancing its strategic interests and resolving the ethnic Tamil issue. India will need to calibrate its policy in such a manner that its call for safeguarding the Tamil interests are not seen as interference in Sri Lanka's internal policy affairs.

General Studies Paper- II

Topic: India and its neighborhood-relations.



4. THE GLOBAL COMPETITIVENESS REPORT-2018: AN OVERVIEW

Why in News?

World Economic Forum has recently released its 'Global Competitiveness Report-2018'. India ranks 58th out of 140 economies on Global Competitiveness Index-2018. According to the report, India is a remarkable example of a country that has been able to accelerate on the pathway to innovation due to the quality of its research institutions.

Introduction

In the midst of rapid technological change, political polarization and a fragile economic recovery, it is critical to define, assess and implement new pathways to growth and prosperity. With productivity the most important determinant of long-term growth and income, the new Global Competitiveness Index 4.0 featured in this report sheds light on a newly emerging set of factors critical for productivity in the Fourth Industrial Revolution (4IR) and provides a tool for assessing them.

For the second half of the 20th century, the pathway to development seemed relatively clear: lower-income economies would be expected to develop through progressive industrialization by leveraging low-skilled labour. In the context of the 4IR the sequence has become less clear, particularly as the cost of technology and capital are lower than ever but their successful use relies on a number of other factors. The GCI 4.0 reflects this growing complexity of policy prioritization by weighting pillars equally rather than according to a country's current stage of development. In essence, the index offers each economy a level playing field to define its path to growth. While sequencing is dependent on

the priority of each economy, the index contends that economies need to be holistic in their approach to competitiveness rather than focusing on a particular factor alone. A strong performance in one pillar cannot make up for a weak performance in another. For instance, investing in technology without investing in digital skills will not yield meaningful productivity gains. In order to increase competitiveness, no area can be neglected.

Background

With the Fourth Industrial Revolution (4IR), humanity has entered a new phase. The 4IR has become the lived reality for millions of people around the world and is creating new opportunities for business, government and individuals. Yet it also threatens a new divergence and polarization within and between economies and societies. This year also marks the tenth anniversary of the beginning of the global financial crisis, which has had social and economic consequences of a magnitude unprecedented in recent generations. Combined with a background of growing inequality and geopolitical flashpoints, this has fuelled citizens' concerns about globalization and polarized the political debate. Although global economic growth has been robust over the past two years, it remains fragile in this changing economic and political context.

These developments—the 4IR and the consequences of the 'Great Recession'—are redefining the pathways to prosperity and, indeed, the very notion of prosperity, with profound implications for policy-making. Concerned leaders are grappling for answers and solutions, aiming to go beyond short-term, reactionary measures.

Tool for Assessing Competitiveness

With the inclusion of new concepts and extensive new data gathering efforts, the GCI 4.0 provides novel and more nuanced insights on the factors that will grow in significance as the 4IR gathers pace: human capital, innovation, resilience and agility. These qualities are captured through a number of new, critically important concepts (e.g. entrepreneurial culture, companies embracing disruptive ideas, multistakeholder collaboration, critical thinking, meritocracy, social trust) complementing more traditional components e.g. ICT and physical infrastructure, macroeconomic stability, property rights, years of schooling, etc.

The GCI 4.0 has introduced a new progress score ranging from 0 to 100. The frontier (100) corresponds to the goal post for each indicator and typically represents a policy target. Each country should aim to maximize its score on each indicator and the score indicates its current progress against the frontier as well as its remaining distance. This approach emphasizes that competitiveness is not a zero-sum game between countries—it is achievable for all countries.

There are a total of 98 indicators in the index, derived from a combination of data from international organizations as well as from the World Economic Forum's Executive Opinion Survey. These are organized into 12 pillars in the GCI 4.0, reflecting the extent and complexity of the drivers of productivity and the competitiveness ecosystem.

These are: Institutions; Infrastructure; ICT adoption; Macroeconomic stability; Health; Skills; Product market; Labour market; Financial system; Market size; Business dynamism; and Innovation capability.

Global Findings

- ◆ The United States is the closest economy to the frontier of Global Competitiveness Index, the ideal state, where a country would obtain the perfect score on every component of the index.
- ◆ With a competitiveness score of 85.6, the US is 14 points away from the frontier mark of 100, implying that even the top-ranked economy among the 140 has room for improvement.
- ◆ It is followed by Singapore and Germany at second and third place consecutively.
- ◆ Switzerland comes in at fourth place followed by Japan, Netherlands and Hong Kong SAR.
- ◆ The United Kingdom, Sweden and Denmark round out the top ten.
- ◆ The report suggests that all economies must invest in broader measures of competitiveness today to sustain growth and income in the future.
- ◆ According to the report Singapore, Germany, Netherlands, Sweden, Finland and the United States are some of the most open countries in the world, while the Islamic Republic of Iran and Ethiopia are among the least open.
- ◆ Competitiveness is not a zero-sum game between countries—it is achievable for all countries.
- ◆ There are deep divides between countries when it comes to current competitiveness—and the risk of further divergence.
- ◆ In the age of the Fourth Industrial Revolution all economies have the opportunity to carve a path to competitiveness.
- ◆ The promise of leveraging technology for economic leapfrogging remains largely unfulfilled.
- ◆ Fostering innovation requires holistic strategies that most economies have yet to master.
- ◆ Enhancing the fundamentals of competitiveness improves resilience to shocks.
- ◆ Achieving equality, sustainability and growth together needs proactive, far-sighted leadership.

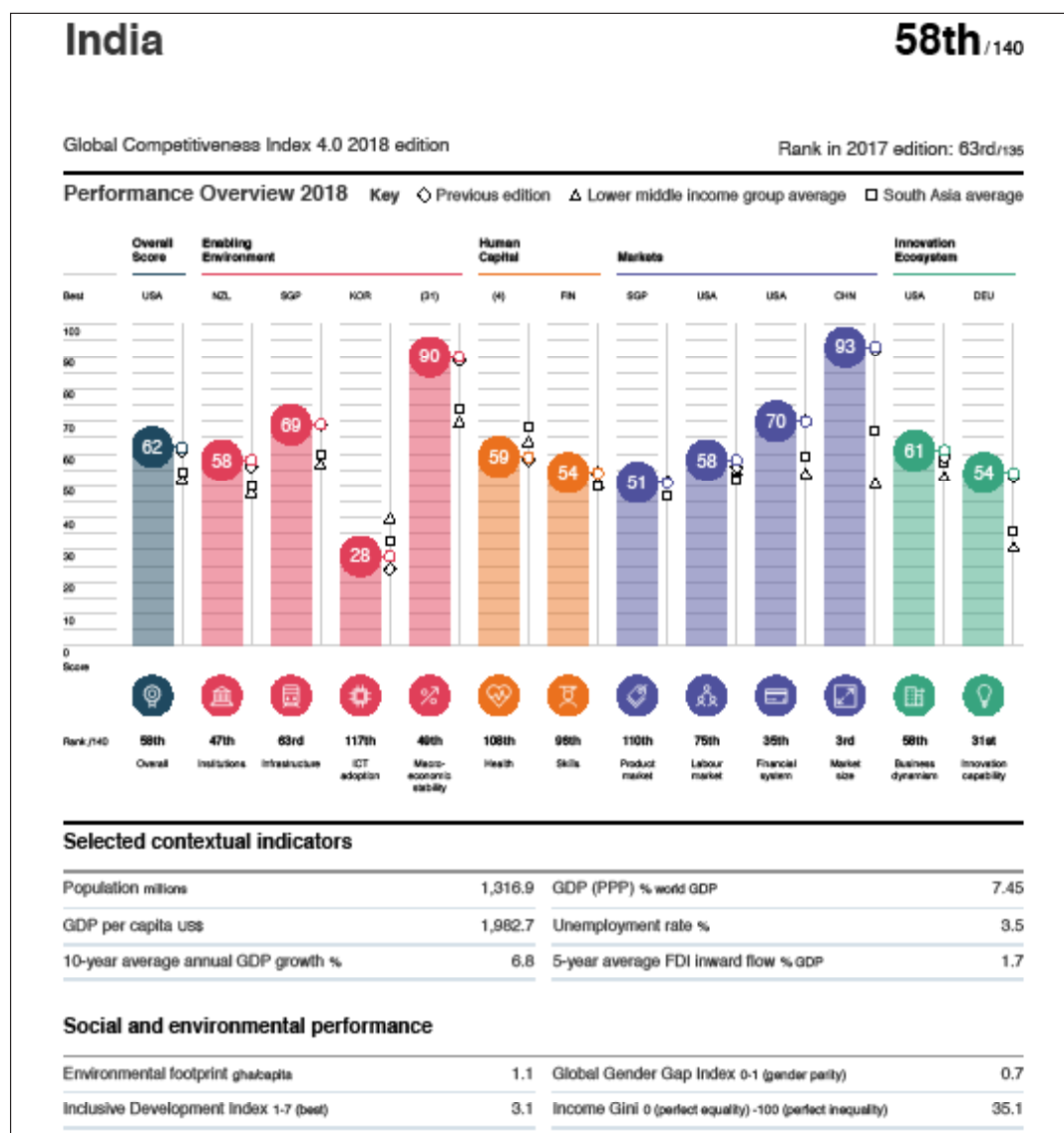
India's Competitiveness

India has been ranked as 58th with a score of 62.0. It has demonstrated sizeable improvements over the past year. Compared with the 2017 edition, India is up five places, the largest gain among G20 economies. Among the BRICS grouping of large emerging markets, China is the most competitive, ranking 28th and with a score of 72.6, followed by Russia, which is ranked 43rd. These are the only two in the top 50. India is followed by South Africa, which falls five places this year to 67th. Last is Brazil, which slips three places to 72nd place. Pakistan ranked 107 out of 140 countries.

◆ In spite of a high degree of entrepreneurship (23rd), business dynamism is hampered by administrative hurdles.

◆ India currently ranks 108th on the Health pillar and 96th on the skills field of the index.

As per the report, India leads the region in all other



areas of competitiveness except for health, education and skills, where Sri Lanka boasts the highest healthy life expectancy (67.8 years) and the workforce with the highest amount of schooling (9.8 years). India and Sri Lanka are also the ones that can rely on the most efficient infrastructure system. India has invested more heavily on transport infrastructure and services, while Sri Lanka has the most modern utility infrastructure.

As per the report, India's greatest competitive advantages include its market size, innovation (in particular the quality of its research establishments and business dynamism (including the number of disruptive businesses). While the areas that the country needs to improve include, labour market (in particular workers rights), product market (in particular trade tariffs) and skills (in particular pupil-teacher ratio).

Features of Successful Economies in the 4IR

Successful economies in 4IR era need to:

- ◆ Be resilient, building buffers and economic mechanisms to prevent financial crises or mass unemployment and to respond to external shocks.
- ◆ Be agile, embracing change rather than resisting it. Companies, public policy-makers and workers should be able to quickly adapt how they operate and to take advantage of the opportunities to produce goods or provide services in new ways.
- ◆ Build an innovation ecosystem where innovation is incentivized at all levels and all stakeholders contribute to create the best conditions for new ideas to emerge, to be financed and commercialized as new products and services.
- ◆ Adopt a human-centric approach

to economic development. This means recognizing that human capital is essential for generating prosperity and that any policy that adversely affects human factors' potential will reduce economic growth in the long run. As a consequence, policy-making will have to ensure that the speed of change and the introduction of new technologies ultimately translate into better living conditions.

Global Trends and Implications

All economies must invest in broader measures of competitiveness today to sustain growth and income in the future. Countries who want sustained growth and rising income levels must invest beyond their current areas of strength. Enhancing the fundamentals of competitiveness today will improve resilience to shocks. Building economic resilience through competitiveness is more important than ever in today's volatile context, with a wide range of vulnerabilities, technological change, geopolitical tensions and potential flash points around the world. Countries that optimize their performance on the factors included in the GCI 4.0 are also more resilient to various shocks. Likewise, more competitive countries are also better equipped to address the challenges of the 4IR.

While openness is good for growth governments must support those who lose out to globalization. At a time of escalating trade tensions and backlash against globalization, the report reveals the importance of openness for competitiveness: more open economies are more innovative and their markets more competitive. However, while openness has been a 'win-win' between countries it is at times a 'win-lose' within countries. Attempting

to address inequality by reversing globalization is counterproductive for sustained economic growth. Policies should, therefore, focus on improving the conditions of those specifically impacted by globalization rather than favouring protectionism. The report suggests that redistributive policies, safety nets, investments in human capital and more progressive taxation could help reduce inequality without compromising a country's level of competitiveness. Additionally, the definition of openness must look to concepts beyond trade, freedom of people's movement and ideas exchange.

Way Forward

Achieving equality, sustainability and growth together is possible but needs proactive, far-sighted leadership. There is a worldwide consensus on the need for a more holistic model of economic progress that promotes higher living standards for all, respects planetary boundaries and does not disadvantage future generations. The most competitive economies have the largest ecological footprints, but they are the most efficient (their footprint per unit of GDP is the lowest). It is therefore incumbent upon leaders to set longer-term priorities and proactive efforts to create virtuous cycles between equality, sustainability and growth. As far as India is concerned the area which need further improvement are labour market, product market and skills.

General Studies Paper- III

Topic: Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.



5. INTERNATIONALISATION OF THE INDIAN RUPEE

Why in News?

The Indian rupee is at its lowest. Just this month it crashed below the 74 – level against the US Dollar for the first time in history. In current calendar year, it has dropped over 14 percent. This may be due to rising current account deficit and tightening financial conditions in the global markets. Further, India's foreign exchange reserve declined by over \$5 billion in the week ended 12 October.

On one side, this results in increased fuel prices which leads to higher costs across several sectors of the economy. On the flip side, a weaker currency boosts export and may be beneficial for the economy.

Introduction

There is no well-established framework to define what is meant by internationalisation of a currency. A currency can be termed 'international' if it is widely accepted across the world as a medium of exchange. In practical terms, it would mean the use of the currency for invoicing and settlement of cross-border transactions, freedom for non-residents to hold financial assets/liabilities in that currency and freedom for non-residents to hold tradable balances in that currency at offshore locations. The "internationalisation" of a currency is an expression of its external credibility as the economy integrates globally. Limited or full use of an 'internationalised' currency as legal tender in certain other countries is a possibility. Further, limited internationalisation within a geographical region is also possible. For example, the South African rand (ZAR) has the characteristics of an 'international currency' in the neighboring countries viz., Namibia, Swaziland and Lesotho.

The main economic factors underpinning internationalisation of currency are: (a) domestic stability which makes the currency attractive as a store of value; (b) a well-developed financial system with deep and liquid markets offering participants a wide range of services and products in terms of borrowing, investing and hedging; and (c) a big size economy compared to the world output, financial markets and a significant role in trade leads the outside world to increase the demand for internationalised currency for transaction purposes, and also to consider the use of such currency when making portfolio decisions. In sum, these factors include all things which may contribute to speed, efficiency, reliability and user-friendliness of the currency.

Background

The accession of George V to the throne in 1911, enshrining his rule of the British Raj, led to the issuance of a new rupee coin. The colonial rupee leveraged the Mughal rupee's popularity, facilitated by trading communities, migration and the Raj's hegemony. The annexation of Sindh, Ceylon and Burma further encouraged the primacy of the rupee in these areas. Meanwhile, a number of Indian merchant communities had established themselves in such regions, aiding in its convertibility. Even after Independence, Dubai and other Gulf states were using RBI-minted Gulf rupees until 1966. Between the 1950s and 1970s, gold smuggling was rampant on the Konkan coast, with a number of Gulf businesses buying gold cheaper in the Gulf in rupees and smuggling it to India.

Only the devaluation of the Indian rupee in 1966, after the 1965 war, led to such nations switching to their

own currencies. Now, only Nepal and Bhutan regularly conduct bilateral trade with India in rupees. The Indian rupee was once a multilateral currency, its usage prevalent across the Indian Ocean in places as varied as Java, Borneo, Macau, Muscat, Basra and Zanzibar. The historic dhow trade ensured that the Gulf had a familiarity with the rupee for over five centuries, with Oman utilising the 'Gulf rupee' till 1970.

The rupee's valuation is often of concern.

- ◆ In 1947, the rupee-dollar rate was at Rs. 3.30.
- ◆ The aforementioned devaluation in 1966 raised it to Rs. 7.50,
- ◆ Reaching Rs. 32.4 by 1995.
- ◆ Now crossing 74 in 2018.

This decline was precipitated by a variety of factors – wars with Pakistan and China, the adoption of Five Year Plans requiring foreign loans, political instability and the Oil Price Shock of 1973. Of late, the rupee has been declining given higher oil prices and FII outflows from stocks and bonds. The ongoing U.S.-China trade war, Iran sanctions and further upward movement in oil prices will continue to test the rupee's valuation

History of Internationalization

The pound sterling was the first currency in modern times to assume an international currency, as a result of Britain's dominant position in international trade and investment in the nineteenth century. However, Sterling now has only a very modest role as an international currency as compared to its position a century ago. The US dollar owed its emergence as a major international currency initially to

similar factors as did Sterling – namely the strength of the US economy and its weight in global business. The position was consolidated when the dollar was the only significant currency to remain fully convertible after the Second World War. The US dollar continues to be a dominant international currency despite changes in interest and exchange rates. Swiss Franc was at one time disproportionately important as an international currency, albeit in the rather narrow sense of being a haven for savings, rather than as a major vehicle for international trade or fund-raising. Switzerland's record of political stability and economic prosperity was one factor leading the attractiveness of the Swiss franc, but so also was the tradition of banking secrecy.

When we come to euro there are about 60 countries with an exchange rate regime linked to the Euro, including those States that have not yet joined the Euro area. The non-EU countries that use the Euro as a reserve currency are mainly located in the EU's neighboring regions. In most of these countries, the Euro is also the main or the sole intervention currency used by the authorities to stabilise the exchange rates of their respective currencies. The role of the Euro as a reserve currency in countries outside the Euro area has remained stable overall. In using the Euro as an issuance currency, financial institutions and corporations, mainly from mature economies (USA, UK) have taken advantage of the greater size and liquidity provided by the increasingly integrated Euro-denominated bond markets.

The Indian rupee was regarded as an official currency of other countries, including Kuwait, Bahrain, Qatar, the Trucial States (United Arab Emirates (UAE) since 1971) and Malaysia in previous times. The Gulf rupee, also known as the Persian Gulf rupee, was introduced by the Government of India as a replacement for the Indian rupee

for circulation exclusively outside the country with the Reserve Bank of India [Amendment] Act, 1959. This creation of a separate currency was an attempt to reduce the strain put on India's foreign exchange reserves. After India devalued the rupee on June 6, 1966, those countries still using it - Oman, Qatar and UAE - replaced the Gulf rupee with their own currencies. Kuwait and Bahrain had already done so earlier in 1961 and 1965, respectively.

Formalisation Of The Indian Economy

The formalisation of the Indian economy, by deterring black money transactions in the rupee, is also much needed. Somehow, the rupee always ends up falling just prior to an election - looking at the data in 2013, Malini Bhupta and Vishal Chhabria found that rupee had depreciated just prior to the election date six times in the past seven elections. India's black money strategy should consider four pillars — it should encourage tax rate rationalisation, reform vulnerable sectors, support a cashless economy and create effective and credible deterrence. Tax rate rationalisation, with lower tax rates as an end goal, would increase the tax base and increase compliance with tax returns. Administrative agreements with countries like the U.K. and Switzerland which can offer mutual tax sharing should be encouraged. It is important to create a remittance database detailing company transfers out and NGO transfers into India. The Direct Tax Administration's Directorate of Criminal Investigation should be provided the right IT training, infrastructure and funding to become an effective deterrent, while the audit cycles for income tax, service tax and excise tax departments should be aligned, helping the Large Taxpayer Unit (LTU) become more effective, increasing the scope of simultaneous scrutiny and examination.

Internationalisation of the Rupee

Internationalisation of a currency is a policy matter and depends upon the broader economic objectives of the issuing country. India, at present, does not permit rupee to be officially used for international transactions except those with Nepal and Bhutan (Bhutanese Ngultrum is at par with the Indian Rupee and both are accepted in Bhutan. The Indian rupee is also accepted in towns of Nepalese side of Nepal-India border). Non-residents cannot hold rupee assets and more importantly, liabilities denominated in Indian rupee, beyond certain limits. Non-residents cannot hold tradable rupee balances. Similarly, restrictions have been imposed on the domestic and international banks with respect to transactions in Indian rupee. The funds in vostro accounts-accounts in Indian rupee held by foreign banks-can be used only for the purpose of transactions with Indian residents.

The hallmark of an internationalised currency is that invoicing of tradable goods between countries is done with it. In sharp contrast, almost the entire bulk of international trade in India continues to be denominated in the US dollars. Efforts to promote invoicing in the domestic currency have met with little success in countries with currencies which are not internationalised as the trade-counterparty does not have the necessary infrastructure to hedge its exposure in international markets. India accounts for a very small proportion of the total foreign exchange market turnover in the world as compared to other countries. BIS Triennial Central Bank Survey data for 2007 shows that India's daily average share in the total foreign exchange market turnover is 0.9 per cent as compared to 34.1 per cent of UK and 16.6% of USA. However, India's share in total foreign exchange market turnover has been slowly but continuously increasing. India's share

has increased from 0.1 per cent of the total foreign exchange market turnover in 1998 to 0.2 per cent in 2001 to 0.3 per cent in 2004 to the 0.9 per cent in 2007. The share of Indian Rupee in total currency turnover is still very small. Moreover, in case of the Indian rupee, spot transaction accounts for major part of currency turnover (42.6 per cent), while in case of both Euro and Dollar, the foreign exchange turnover is highly concentrated in foreign exchange swaps.

The internationalisation of the rupee is a worthwhile goal to aim for. While the Chinese yuan is increasingly being positioned for an alternative reserve currency through a variety of multilateral trades, institutions (the Belt and Road Initiative, the Asian Infrastructure Investment Bank) and swaps, the Indian rupee remains woefully behind in internalisation. China campaigned hard for the inclusion of its currency in IMF's benchmark currency basket in 2015, introducing a range of reforms to ensure that the yuan was considered as "freely usable". The RBI, meanwhile, has adopted a gradualist approach – allowing companies to raise rupee debt offshore, enabling the creation of "masala bonds" and allowing foreigners to invest in rupee debt onshore; the rupee has transformed from a largely non-convertible pegged currency before 1991 to a managed float. The rupee is currently not even in the top 10 traded currencies. There is no magic wand to making the rupee appreciate. But institutional resistance against rupee convertibility should be overturned. To restore the rupee's multilateral nature, we must unshackle its usage

Formalising the Rupee Payment Mechanism

- ◆ India should consider formalising the rupee payment mechanism with friendly countries such as

Russia, with a focus on reducing its overall current account deficit.

- ◆ We must continue to guard against fiscal profligacy, with any slippage viewed negatively by the currency markets, further encouraging investors to flee Indian markets.
- ◆ Industrial growth should be a priority; without having goods to sell, rupee swaps (say with Iran) will be difficult to institutionalise.
- ◆ A lower rupee is a recipe for a higher import burden, spiralling eventually into a currency crisis.

Suggested Measures

Internationalization of Rupee will facilitate greater degree of integration of Indian economy with rest of the world in terms of foreign trade and international capital flows. Key benefits of internationalization of Rupee include savings on foreign exchange transactions for Indian residents, reduced foreign exchange exposure for Indian corporate, reduction in dependence on foreign exchange reserves for balance of payment stability etc. One of the important drivers for internationalization of a currency is the country's share in global merchandise and commercial services trade. India's percentage share in the global trade is still on the lower side and it limits the pricing ability of domestic businesses in Indian Rupee. Moreover, the share of Indian Rupee in the Global foreign exchange market turnover at present is also very low.

Internationalization of Indian currency would also require full capital account convertibility. As a policy, we have followed a gradual and cautious approach in opening up the capital account. The capital account is being progressively liberalized in accordance with the evolving macroeconomic conditions and requirements of the Indian industries, individuals and financial sectors.

It is more likely that Indian policymakers will choose a gradual move towards internationalisation in the medium term. India only satisfies the size of GDP and political stability pre-conditions for currency internationalisation. Restrictions on currency convertibility, both on the current and capital account hamper growth of INR as a global currency. The framework for exchange controls in India comes from the Foreign Exchange Management Act (FEMA), which was passed in December 1999 and enacted in 2000. FEMA categorises transactions into current account and capital account transactions and has specific rules and restrictions for across classes of individuals and investors; based on residence, size of transaction, instruments used, tenor of instrument and vehicle currency.

Conclusion

The Indian Rupee currently accounts for approximately 1% of global foreign exchange turnover. It has a smaller market size across most trading instruments when compared to the top 8 emerging market currencies. The global financial crisis (GFC) of 2008, for a variety of complex reasons, prompted emerging markets (EMs) to reconsider the role of their currencies as global alternatives to the "big four" currencies. China in response embarked on an ambitious project of "Renminbi internationalisation" with the coupled goals of international monetary reform and diversification of global currency risk through internationalising its currency. China's policy pivot prompted policy makers in India to consider the possibility of internationalising the Indian Rupee (INR). The Reserve Bank of India (RBI) commissioned two studies in 2010 and 2011 to examine the issues surrounding the internationalisation of the INR. Both studies recommended a cautious approach towards currency

internationalisation given the size of the Indian GDP, lower presence in global trade and partial capital account convertibility.

They also added that while the Rupee is a natural contender for transitioning into a global currency, policy-makers should start by increasing the role of the INR in its local region where the Renminbi has taken a lead over the Rupee. In spite of an early interest in pursuing a policy of currency internationalisation, both the Indian government and the RBI do not consider it to be a priority in the short to medium term.

The first step to promoting rupee internationalization is to encourage corporate houses and PSUs to raise dollar denominated loans to create a presence and also credibility in the international market. The government could also do that with a sovereign debt issue. The next logical step would be to test the market for rupees bonds. There are indications to believe that Indian rupee is gaining acceptability in other countries. However the size of the country in terms of GDP, volume of trade as also the turnover in the foreign exchange market when compared with global dimensions, is small. The Indian

rupee is rarely being used for invoicing of international trade. Therefore, internationalisation of the rupee is still a distant objective of policy makers in India.

General Studies Paper- III

Topic: Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Topic: Effects of liberalization on the economy, changes in industrial policy and their effects on industrial growth.



6. INTEGRATION OF CLIMATE WITH ECONOMIC GROWTH: NEED OF THE HOUR

Why in News?

The 2018 Nobel Prize in Economic Sciences was jointly shared by William Nordhaus and Paul Romer for integrating innovation and climate with economic growth. The contributions of Paul Romer and William Nordhaus are methodological, providing us with fundamental insights into the causes and consequences of technological innovation and climate change.

Introduction

Why do economies grow and why might growth outstrip the natural world's capacity to sustain it? The answers to such questions have long eluded economists.

Mr Nordhaus's work tackles the interplay of several different complex systems. Awareness of the dangers of environmental damage and of the threat from climate change, has grown over the past half-century. Understanding the economic costs such damage imposes is essential to answering the question of how much society should be willing to pay to avert environmental destruction. Having constructed such "integrated

assessment models", Mr Nordhaus could project how different trajectories for global carbon emissions would produce different global temperatures. That, in turn, allowed him to estimate the likely economic costs of these different scenarios—and thence what level of reduction in emissions would be economically optimal. His results set the basic framework for climate-policy discussions. He was the first to suggest that warming should be limited to no more than 2°C higher than the world's pre-industrial temperatures.

William D Nordhaus's Contribution

William D Nordhaus deals with long-term growth. But unlike the other models such as Solow and Romer models, which did not factor in any limits or obstacles to growth and technological change was always associated with positive externalities, in Nordhaus's work externalities are predominantly "negative".

Growth possibilities are, to start with, limited by the finiteness of natural resources, Nordhaus actually wrote in a 1974 American Economic Review article 'Resources as a Constraint on Growth'.

Secondly, growth, to the extent it involves carbon-dioxide emissions contributing to global warming and climate change, can generate the greatest of negative externalities and market failures. In the case of positive externalities, the benefit to society from a good exceeds that for the individual producer. So, less gets produced than what is socially optimal. When externalities are negative, the effect is the opposite: Since burning of coal imposes costs on third parties (the environment), raising social costs over what the polluter alone incurs, it would encourage further burning. The only way to prevent this eventuality is by taxing polluters or rewarding those who don't burn through carbon credits.

Nordhaus's fundamental contribution is in "endogenising" climate change in long-term growth models. The quantitative Integrated Assessment Models or IAMs he developed in the mid-1990s helped simulate and evaluate different economic growth paths with their implications for climate. IAMs were used in the newly released report of the IPCC (Intergovernmental Panel on Climate Change).

Integrated Assessment Models

Nordhaus developed Integrated Assessment Models (IAMs), the first generation of which is the Dynamic Integrated Climate Economy (DICE) model. IAMs allow us to assess different economic growth paths and their implications for the climate and, ultimately, the well-being of future generations. In these dynamic models, emissions reflect the burning of fossil fuels for economic use, and shape future well-being via the logical chain: carbon emissions higher atmospheric carbon concentration global warming economic damages. In the same way as for R&D and knowledge creation, the market economy generates inefficient future outcomes at the global level.

Climate Change and Growth

Nordhaus's methods show us the principles of how to analyze growth and climate change from a cost-benefit perspective. However, his analysis also shows the importance of measuring the damages of climate change and the uncertainty surrounding these damages. Research on these measurement tasks is still in its infancy. A first task, which is as daunting as it is necessary, is to "cover the map of climate damages" due to the vast heterogeneity and uncertainty about how - and through which channels - a changing climate affects different regions of the world.

A related task concerns "adaptation": how will human populations and their societies adapt to different climates, e.g., through migration? Technological change is another important adaptation channel. Technological change reflects purposeful economic activity. Models built on his basic tenets can therefore help us analyze the incentives for developing technologies to facilitate adaptation and how policy might help redirect technological change.

Nordhaus's analysis also points to the importance of other concerns. Given the large uncertainties about future climates, thinking about appropriate policies involves - explicitly

or implicitly - taking a stance on risk and uncertainty. Likewise, any policy considerations involve taking a stance on discounting. Since the effects of carbon emissions are much more long-lived than humans, it becomes critical to value the welfare of future generations. On both accounts, moral values may be necessary to complement scientific measurements. What models can do is to translate different value judgments into different paths for policy.

Climate Change and Indian Economy

The farm sector in India is in distress and several state governments have responded with loan waivers, which could affect their fiscal math and the ability to push capital expenditure at a time when the Indian economy has slowed significantly. According to the World Bank, rising temperatures and changing monsoon rainfall patterns associated with climate change could shave off 2.8 per cent of India's GDP and depress the living standards of nearly half its population by 2050 if it's business as usual.

The worst hit would be people in 10 districts in Central India (including some in the impoverished Vidharbha region of Maharashtra), which have been identified as severe "hotspots" by the report. According to the report, the hotspots are defined as locations where changes in average temperature and precipitation negatively affect living standards.

The locations where the loss of living standards is more than 8 per cent have been classified as severe hotspots; those between 4 per cent and 8 per cent have been categorised as moderate ones. As many as 148 million Indians live in these severe hotspots and the loss of living standards for a number of them is as high as 12 per cent in the carbon-intensive scenario. Another 441 million Indians inhabit moderate hotspots where the average

change in living standards is slated to be 5.6 per cent.

Weather does not affect the agriculture sector alone, it affects productivity in general. Research shows that productivity starts declining strongly after peaking at an average annual temperature of about 13 degrees Celsius. Therefore, countries located in areas with higher temperature will face a disproportionate impact of global warming. Loss of output and lower productivity also affects capital formation, which has a bearing on medium- to long-term growth prospects.

Suggested Measures

Over the years, India has done well to reduce its dependence on the monsoon, which is evident from the fact that two successive years of drought did not result in runaway inflation. However, more needs to be done to enhance productivity in the agriculture sector. Financial losses can be reduced by higher penetration of insurance products.

India can work on programmes that will help improve the quality of land and reduce the risk of climate change. In Ethiopia, for example, food and cash is provided to the poor who participate in local environmental programmes. This has resulted in reduction in soil loss and has increased the availability of water. India can perhaps use employment under the Mahatma Gandhi National Rural Employment Guarantee Act in a better way to enhance soil and water conservation. India also needs to strengthen its overall capability by investing in and adopting technology as the impact of climate change is not limited to agriculture. For instance, better use of technology can reduce energy consumption for air conditioning. A district cooling system is being constructed in Gujarat International Finance Tec-City. It will be interesting to see if this can be adopted in other cities as well.

Current Challenges

Despite economic growth in many countries over the years, CO₂ emissions have increased in all regions except Europe and Central Asia. Interestingly, CO₂ emissions have increased in the high income countries-group. Taking into account the growth in population, the absolute levels yield an even higher CO₂ emissions growth rate than per capita-measures. These findings are interesting since early studies of the links between growth and climate change indicated an inverse U relationship between CO₂ emissions per capita and per-capita income. This implied implicitly that increased growth may be a policy option to combat climate change. However, relying on economic growth as the means to combat climate change, is associated with some risks. First, reduction of CO₂ emissions per capita are only attained at very high per-capita incomes (>55 000 US\$/cap.). Poor countries will have to grow for a long time before they get close to these income levels. Second, it was only around 20 years ago CO₂ were identified as a pollutant, so explaining emissions reductions - based on very short time series data - as an effect of rising incomes and the associated increased demand for environmental improvements, is not convincing. The size of the World's population of poor people also constitutes a formidable challenge since increasing per capita incomes of these people (in order to reduce GHG emissions) is associated with large emissions increases before emissions (eventually) can go down.

Global costs of climate change will be much higher if mitigating (and adaptation) efforts are postponed. Limiting the global temperature increase to 1.5°C, the global benefit (i.e. the value of reduced damages) relative to no policies to slow or reverse global warming amounts to 12.6 trillion US\$. As a comparison, limiting the global temperature increase to 3.0°C, the global benefit (value of reduced damages) relative to no policies to slow

or reverse global warming amounts only to 5.9 trillion US\$.

The Impact of Climate Change on the Global Economy

Climate change will have an impact on the global economy. Attempting to understand, let alone quantify, these impacts is, however, a particularly difficult exercise subject to great error. Despite this, from what we know today, we are able to make inferences about how global warming will influence various economic factors. More extreme weather has the potential to weaken economic growth through damage to the capital stock and labor supply and labor productivity will weaken as the world economy adjusts to higher temperatures.

Inflation will rise through the growing cost of food, energy and insurance. Monetary policy will be limited as it attempts to combat the stagflationary pressures of climate change.

The general consensus, which is supported by a growing amount of evidence, suggests we should act sooner rather than later to avoid potential future costs. Successful mitigation policies will necessitate actions from all parties. The insurance industry is already moving to incorporate some of these costs, but without a broader co-ordinated correct policy response, the world economy is unlikely to factor in one of the greatest negative externalities ever faced. Recognizing that quantifying the impact of climate change on shareholder's investments is critical in creating an incentive to act, we will be looking to incorporate climate change effects into an extended long-run return forecast for different asset classes.

Conclusion

The necessary steps to minimize the impact of climate change will have to be taken at both the individual country level and the global level. In order to reduce the impact of changing weather patterns, emerging market and low-

income economies will have to build significant macroeconomic resilience. At the global level, a consensus was attained under the Paris Agreement to contain the rise in global temperature to below 2 degrees Celsius from the pre industrial levels. Advanced countries have also committed to provide financial assistance to developing countries to help cope with the impact of climate change. However, things are not moving as desired. The Donald Trump administration in the US is not keen on continuing with the Paris Agreement. This will damage the project substantially and a renegotiation will only increase uncertainty. It is also being reported that advanced economies may not meet their commitment of reducing emissions. The lack of will among industrialized economies to contain emissions is disappointing, and it could lead to consequences that go beyond the realm of macroeconomics.

Paul M. Romer and William D. Nordhaus have devised new tools for analyzing long-run development. From a long-run global perspective, technological change and climate change are key aspects of sustained and sustainable long-run economic growth.

Looking forward, the combined work by the Laureates offers the research community an opportunity to address long-run issues around climate, energy supply and sustainability, by studying government policy together with endogenous technological change in the global market economy.

General Studies Paper- III

Topic: Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Topic: Conservation, environmental pollution and degradation, environmental impact assessment.



7. ENHANCING ENERGY SECURITY WITH STRATEGIC PETROLEUM RESERVES

Why in News?

The government of India has approved the construction of two more strategic petroleum reserves (SPRs) in the country. These will come up at Chandikhol in Odisha and Padur in Karnataka and will have an aggregate capacity of 6.5 million tonnes. Government of India's one of the key initiative towards energy security of the country - the strategic petroleum reserves program, envisions creation of additional crude oil reserves facilities in Private Public Partnership (PPP) mode.

Introduction

India is the 3rd largest consumer of energy and also the 3rd largest importer of crude oil in the world. With Indian economy growing rapidly, energy demand is forecasted to grow more than any other country in the world in the next two decades. India has a very large requirement of petroleum fuels. Demand for petroleum products has been increasing at a Compound Annual Growth Rate (CAGR) of 5.5% from 2013 to 2017. Our domestic production will be unable to meet our ever increasing domestic demand of petroleum fuels and petrochemicals and India will continue to depend on imports for foreseeable future.

Since October 2017, crude prices have gone up 50% in US Dollar terms and 70% in Indian Rupee terms. Much of it is to do with geo-political events imposed on the World. India have to mitigate the impact and use the challenge as an opportunity.

One of the mitigation measure is to create enough strategic reserve within the country to store adequate crude physically within the country. This will not only help in avoiding disruption in case of supply side disruptions, it will also help in reducing price volatility.

With the objective to meet the energy security, government of India formed Indian Strategic Petroleum Reserves Limited (ISPRL), a Special Purpose Vehicle (SPV) under Ministry of Petroleum and Natural Gas.

To further improve strategic reserve, the union cabinet granted approval for establishing additional 6.5 MMT of strategic petroleum reserve. After a detailed study considering technical and commercial factors, two locations - Chandikhol in Odisha and Padur in Karnataka have been selected as the optimum location for these SPRs. These two SPRs will add strategic petroleum reserves of 12 days in addition to 10 days of reserves achieved in Phase I. Indian refiners maintain 65 days of crude storage and when added to the storage planned and achieved by ISPRL, takes the Indian crude storage tally to 87 days. This is very close to the storage of 90 days mandated by IEA for member countries.

Background

In the 1990s, when the Gulf War hit West Asia, India was pushed to almost bankruptcy. Oil prices shot up and India's import bill swelled. This led to a foreign exchange crisis that would have financed barely three weeks of import. India managed to avert the crisis by introducing the economic policies: Liberalisation, Privatisation, Globalisation. However, oil volatility was continuing to impact India. To have a long-term solution arising from the oil market, the Atal Bihari Vajpayee government came up with the concept of oil reserves in 1998.

What is Strategic Petroleum Reserve?

A strategic oil reserve is a volume of crude oil placed in underground storage and excluded from country's

proved oil reserves. These reserves are mainly maintained by countries that must depend on imports to meet their demand for unforeseen emergencies that could disrupt supplies.

Indian Strategic Petroleum Reserves Ltd, constructed three strategic petroleum reserves in huge underground rock caverns at Visakhapatnam on the East Coast and at Mangaluru and Padur on the West Coast. These facilities, with total capacity of 5.33 million tonnes, can meet about 10 days of India's crude oil requirements.

Relevance of Strategic Petroleum Reserves

India is the world's third largest energy consumer after the US and China. The trouble is, we produce very little oil of our own and are dependent on imports for more than 80 per cent of our needs. The chunk of this is from West Asia which is often in the midst some geo-political face-off or the other.

Added to this, there's always the risk of supply disruption from natural disasters, war or other calamities. In short, our energy demand-supply dynamic is delicately poised. Strategic petroleum reserves add much-needed heft to the country's energy security, giving us crucial time and breathing space if push comes to shove.

The global practice is to maintain strategic reserves of at least 90 days of oil imports. On that India has a long way to go. Petroleum reserves are also a good idea because crude oil prices are extremely fickle and defy punditry. Few anticipated its crash from triple digits in 2014 to less than \$30 a barrel in 2016. Fewer anticipated the near-doubling of prices since then to about \$80 a barrel now.

Strategic Petroleum Reserves and India's Energy Security Goals

Forty-five years ago in October 1973, the US was hit hard by an oil shock which echoes until this day. For U.S.'s support for Israel in the Arab-Israeli war of 1973, the Organization of Arab Exporting Countries (OAPEC) imposed an oil embargo on the US, along with the Netherlands and Canada and reduced oil production. While the U.S. continued to import some crude oil from Arab countries, its price shoot up three-fold in less than a year from \$4 a barrel during the last quarter of 1973 to an average price of \$12.50 a barrel in 1974. Such embargo contributed to major economic downturn in the U.S. This oil embargo forced the U.S. to create strategic petroleum reserve in 1975, which as of January 20, 2017, holds 695.1 million barrels (bbls) of crude oil. This constitute 266.1 million bbls of sweet crude and 429 million bbls of sour crude.

This embargo also fostered International Energy Agency (IEA) to develop plans and measures for emergency responses to energy crises. Strategic stocks, which are one of the policies included in IEA's program, its

members follow the norm of holding oil stocks equivalent to 90 days of net oil import. India, imports 80 per cent of its crude oil demand, too have approved their SPR program in January 2004. India's Integrated Energy Policy of 2006 have recommended, to maintain a reserve, equivalent to 90 days of oil imports for strategic cum-buffer stock purposes. It can be used to address short-term price volatility. Operating the strategic/buffer reserves in cooperation with other countries who maintain such reserves could also increase their effectiveness.

In this regard, to further strengthen its SPR program, India's Strategic Petroleum Reserves Limited (ISPRL) has signed an agreement on oil storage and management with UAE's Abu Dhabi National Oil Company (ADNOC). The agreement mandated to store crude oil for emergency needs, covers the storage of 5.86 million barrels of crude oil in Mangalore underground oil storage facilities in Karnataka. Half of the stockpile of 1.5 million tonnes (mt) constituting 0.75 mt with be stocked and hired by ADNOC, while 0.5 mt belonging to India can be used during emergencies. This covenant, thus aims to establish a framework for the storage of crude oil by Abu Dhabi National

Oil Company in India and to further strengthen the strategic relationship between the two countries in the field of energy.

Conclusion

India need to understand its high import-dependence on its energy needs mean that it is always vulnerable to sudden shocks — geopolitical or otherwise — in the global petroleum markets. The reserves not only provide a buffer during global macro-economic instability, but they can also help plug demand during exigencies like wars. For instance, dwindling oil supply during the first Gulf War (1990-91) badly hit India. Without any substantial reserves, domestic oil prices spiralled, fuelling inflation and depleting India's foreign exchange reserves. The establishment of SPRs will significantly help India's energy security and insulate the country from future oil embargo while offering a hedge against its economic impact.

General Studies Paper- III

Topic: Infrastructure: Energy, Ports, Roads, Airports, Railways etc.



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SEVEN SUBJECTIVE QUESTIONS WITH MODEL ANSWERS

Deepening Democracy: Is Sole Responsibility of Judiciary

Q1. The judiciary alone cannot take forward the mission of deepening democracy and protecting social freedoms. Critically Analyze.

Hints:

- ◆ Parliament, the Judiciary and the Executive are the three key arms of the state, with well-defined spheres of authority under the Constitution. Parliament represents the law making arm, the Executive is responsible for enforcement of laws and the Judiciary is in charge of interpretation of the Constitution and laws as well as dispute resolution. Each institution acts as a check and balance on the others' powers, which may create tension in their relationships. India, at present, is going through a deep crisis in which the mission of deepening democracy and protecting and advancing social freedoms is placed solely upon the judiciary.
- ◆ The task of democratising society cannot be left to the judiciary, an unelected body, the higher echelons of which self-appoint their members through the collegium system (itself a result of the executive trying to muzzle the independence of judiciary). Instead, it must be through social and political struggles from the bottom and not through judicial diktats from above (even if the latter can be useful).
- ◆ The process of abolishing religious or secular hierarchies/injustices cannot become deep-rooted if it is merely judicial or legal. Take the Supreme Court's recent directive urging new legislation to curb lynching. Politically-motivated lynchings targeting a community do not happen because of the absence of laws. Yet, the irony of democracy is such that the task of completing the world's largest democracy's political and social revolution cannot be laid only at the doorstep of the wise men and women in robes.
- ◆ When Judges start thinking they can solve all the problems in society and start performing legislative and executive functions (because the legislature and executive have in their perception failed in their duties),

all kinds of problems are bound to arise. Judges can no doubt intervene in some extreme cases, but otherwise they neither have the expertise nor resources to solve major problems in society. Also, such encroachment by the judiciary into the domain of the legislature or executive will almost invariably have a strong reaction from politicians and others.

#MeToo Movement in India

Q2. Globalization has brought a radical change in the status of women worldwide. However, with the larger influx of women in the mainstream workforce of India, sexual harassment at workplace has assumed greater dimensions. Discuss.

Hints:

- ◆ As the #MeToo movement rages in India, with scores of individuals, mostly women, narrating incidents of sexual harassment in workplaces and beyond, it becomes pertinent to ask the fundamental questions of what constitutes sexual harassment, what grievance redressal mechanisms are in place for survivors and for those who are falsely implicated.
- ◆ Today's world is accustomed to the term Sexual harassment. Sexual harassment can be identified as a behavior. It can in general terms be defined as an unwelcome behavior of sexual nature. Sexual harassment at workplace is a universal problem in the world whether it be a developed nation or a developing nation or an underdeveloped nation, atrocities and cruelties against women is common everywhere. It is a problem giving negative effect on both men and women. It is seen to be happening more with women gender as they are considered to be the most vulnerable section of the society these days. Sexual harassment therefore is a serious problem in the workplace and it has become one of those issues that receive a lot of negative attention.
- ◆ The #MeToo movement has placed institutions (both public as well as private) under close scrutiny. These firms now have the burden of proof to demonstrate that they are acting effectively against sexual

harassment and internalizing its costs. Changes like this are measurable only in the long term and are an excellent terrain for investigative research by academics and reporters. However, it is clear that, on a daily basis, companies must imperatively address sexual harassment in order to make anti-harassment policies effective.

- ◆ Sexual Harassment as we know has become a global problem which is a kind of violence against women. International community has recognized in their international treaties and documents, the protection from sexual harassment as a human rights of women. All the legal instruments dealing with this matter have been laid down to protect life and liberty and these instruments have been used as a means to curb and address this issue.
- ◆ In India until the Vishaka's judgment was given out, there was no law to govern this matter and the guidelines which came as an outcome of this case were derived from the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW). The Indian Constitution had grounded provisions in the form of fundamental rights.
- ◆ Sexual harassment is a serious problem in the workplace and it has become one that receives a lot of negative attention. However, India is a late entrant in formalizing sexual harassment at workplace as a penal offence punishable with imprisonment and penalty. The harsh reality of sexual harassment cases at workplace is that there is more to worry about under-reporting than people misusing the law.

India - Sri Lanka: Evolving Relationship

Q3. 'With India and Sri Lanka attempting a fresh start in bilateral relations, India has to be careful in balancing this relationship so that it does not drive Sri Lanka yet again into China's fold.' Discuss the China factor that is affecting India-Sri Lanka relations.

Hints:

- ◆ Recently, Prime Minister Ranil Wickremesinghe of Sri Lanka has paid a visit to India from 18-20 October 2018. Prime Minister Narendra Modi and his Sri Lankan counterpart Ranil Wickremesinghe held talks covering the entire gamut of bilateral relations and discussed ways to deepen the historically close relations between the two countries.
- ◆ Along with bilateral relations, both the leaders have discussed the issues related to the development projects in Sri Lanka because the main focus of the

visit was on development projects in Sri Lanka and their progress and speedier implementation. India has assured Sri Lanka of completing development projects on time, some of them preferably before the January 2020 elections in the island nation.

- ◆ While India's relations with Sri Lanka remain one of India's critical foreign policy engagements, particularly in its immediate neighbourhood, they have been marked by many compulsions and limitations. This has been the case because India has tried to approach the relationship through two objectives that often produce antithetical results. India's twin objectives are: one, guaranteeing the sovereignty and integrity of Sri Lanka while simultaneously seeking a long-lasting political solution to the ethnic conflict; and two, restricting the presence of foreign players in Sri Lanka that may reduce India's own manoeuvrability in the country.
- ◆ In recent years, Beijing has invested heavily in Sri Lanka's infrastructure as part of its "string of pearls" policy aimed at establishing a naval presence across South Asia by building ports and other facilities in friendly countries – including Pakistan, Bangladesh, and Myanmar. The expansion is part of its "One Belt, One Road" (OBOR) project, a new trade route linking China with the West, underpinned by billions of dollars of infrastructure investment.
- ◆ Chinese funds have been channeled into roads, airports, and sea ports, the two highest profile initiatives being the Hambantota Port Development and the Colombo Port Project. Yet the influx of capital has not been without controversy. The commercial value of some of the infrastructure projects has been questioned, while Chinese loans – with which much of the investment has been financed – have contributed to the country's huge national debt of \$64 billion, or 76 percent of GDP.
- ◆ With India and Sri Lanka attempting a fresh start in bilateral relations, India has to be careful in balancing this relationship so that it does not drive Sri Lanka yet again into China's fold. There are economic compulsions that will see close China-Sri Lanka ties, because for all the goodwill that India enjoys with the Sri Lanka government, it does not have the same economic muscle as China to give Sri Lanka what it needs. India needs to walk a tight rope in balancing its strategic interests and resolving the ethnic Tamil issue. India will need to calibrate its policy in such a manner that its call for safeguarding the Tamil interests is not seen as interference in Sri Lanka's internal policy affairs.

The Global Competitiveness Report-2018: An Overview

Q4. According to the Global Competitiveness Report-2018, India is a remarkable example of a country that has been able to accelerate on the pathway to innovation due to the quality of its research institutions. Analyze.

Hints:

- ◆ India ranked 58th out of 140 economies on Global Competitiveness Index-2018 published by World Economic forum. According to the report, India is a remarkable example of a country that has been able to accelerate on the pathway to innovation due to the quality of its research institutions.
- ◆ India is followed by South Africa, which falls five places this year to 67th. Last is Brazil, which slips three places to 72nd place. Pakistan ranked 107th out of 140 countries.
- ◆ According to the report, India is a remarkable example of a country that has been able to accelerate on the pathway to innovation due to the quality of its research institutions. In spite of a high degree of entrepreneurship (23rd), business dynamism is hampered by administrative hurdles. India currently ranks 108th on the Health pillar and 96th on the Skills field of the index.
- ◆ All economies must invest in broader measures of competitiveness today to sustain growth and income in the future. Countries who want sustained growth and rising income levels must invest beyond their current areas of strength. Enhancing the fundamentals of competitiveness today will improve resilience to shocks. Building economic resilience through competitiveness is more important than ever in today's volatile context, with a wide range of vulnerabilities, technological change, geopolitical tensions and potential flash points around the world. The results reveal that countries that optimize their performance on the factors included in the GCI 4.0 are also more resilient to various shocks. Likewise, more competitive countries are also better equipped to address the challenges of the 4IR.
- ◆ While openness is good for growth governments must support those who lose out to globalization. At a time of escalating trade tensions and backlash against globalization, the report reveals the importance of openness for competitiveness: more open economies are more innovative and their markets more competitive. However, while openness has been a 'win-win' between countries it is at times a 'win-lose' within countries. Attempting to address inequality

by reversing globalization is counterproductive for sustained economic growth.

- ◆ Achieving equality, sustainability and growth together is possible but needs proactive, far-sighted leadership. There is a worldwide consensus on the need for a more holistic model of economic progress that promotes higher living standards for all, respects planetary boundaries and does not disadvantage future generations. The most competitive economies have the largest ecological footprints, but they are the most efficient (their footprint per unit of GDP is the lowest). It is therefore incumbent upon leaders to set longer-term priorities and proactive efforts to create virtuous cycles between equality, sustainability and growth.

Internationalisation of the Indian Rupee

Q5. The Indian rupee currently accounts for approximately 1% of global foreign exchange turnover. Evaluate the current status of the Indian rupee as an international currency and explore the possibility of future Indian rupee internationalization.

Hints:

- ◆ According to Kenen (2011), an international currency is one that is used and held beyond the borders of the issuing country, not merely for transactions with that country's residents but also and importantly, for transactions between non-residents. The Indian rupee currently accounts for approximately 1% of global foreign exchange turnover. It has a smaller market size across most trading instruments when compared to the top 8 emerging market currencies. The global financial crisis (GFC) of 2008, for a variety of complex reasons, prompted emerging markets (EMs) to reconsider the role of their currencies as global alternatives to the "big four" currencies.
- ◆ China's policy pivot prompted policy makers in India to consider the possibility of internationalizing the Indian rupee (INR). The Reserve Bank of India (RBI) commissioned two studies in Ranjan and Prakash, 2010; Gopinath, 2011 to examine the issues surrounding the internationalisation of the INR. Both studies recommended a cautious approach towards currency internationalization given the size of the Indian GDP, lower presence in global trade and partial capital account convertibility. Governor Raghuram Rajan while addressing reporters regarding the inclusion of the Renminbi (RMB) as a Special Drawing Rights (SDR) currency stated that there would be no "big bang"

measures to internationalise the INR. It is more likely that Indian policymakers will choose a gradual move towards internationalisation in the medium term.

- ◆ Key benefits of internationalization of rupee include savings on foreign exchange transactions for Indian residents, reduced foreign exchange exposure for Indian corporate, reduction in dependence on foreign exchange reserves for balance of payment stability etc. One of the important drivers for internationalization of a currency is the country's share in global merchandise and commercial services trade. India's percentage share in the global trade is still on the lower side and it limits the pricing ability of domestic businesses in Indian rupee.
- ◆ Internationalization of Indian currency would also require full capital account convertibility. As a policy, we have followed a gradual and cautious approach in opening up the capital account. The capital account is being progressively liberalized in accordance with the evolving macroeconomic conditions and requirements of the Indian industries, individuals and financial sectors.
- ◆ The slow internationalisation of the INR, given the current path of exchange control and capital account liberalisation continues upto 2019. Given China's experience with Hong Kong, an international financial centre in Gandhinagar is likely to accelerate the process of INR internationalisation and financial sector reform. The RBI will continue to remain cautious and is unlikely to shift from its "wait and watch" approach before committing to the next phase of INR internationalisation reforms.

Integration of Climate with Economic Growth: Need of the Hour

Q6. What does the 2018 Nobel Prize in Economics mean for climate change? Discuss.

Hints:

- ◆ The 2018 Nobel Prize in Economic Sciences was jointly shared by William Nordhaus and Paul Romer for integrating innovation and climate with economic growth. The contributions of Paul Romer and William Nordhaus are methodological, providing us with fundamental insights into the causes and consequences of technological innovation and climate change.
- ◆ Nordhaus's methods show us the principles of how to analyze growth and climate change from a cost-benefit perspective. However, his analysis also shows the importance of measuring the damages of climate

change and the uncertainty surrounding these damages.

- ◆ Despite economic growth in many countries over this time period, CO₂ emissions have increased in all regions except Europe and Central Asia. Interestingly, CO₂ emissions have increased in the "high income countries"-group. Taking into account the growth in population, the absolute levels yield an even higher CO₂ emissions growth rate than per capita-measures.
- ◆ Global costs of climate change will be much higher if mitigating (and adaptation) efforts are postponed. Limiting the global temperature increase to 1.5°C, the global benefit (i.e. the value of reduced damages) relative to no policies to slow or reverse global warming amounts to 12.6 trillion US\$. As a comparison, limiting the global temperature increase to 3.0°C, the global benefit (value of reduced damages) relative to no policies to slow or reverse global warming amounts only to 5.9 trillion US\$.
- ◆ Climate change will have an impact on the global economy. More extreme weather has the potential to weaken economic growth through damage to the capital stock and labor supply and labor productivity will weaken as the world economy adjusts to higher temperatures. The general consensus, which is supported by a growing amount of evidence, suggests we should act sooner rather than later to avoid potential future costs. Successful mitigation policies will necessitate actions from all parties.
- ◆ Looking forward, the combined work by the Laureates offers the research community an opportunity to address long-run issues around climate, energy supply and sustainability, by studying government policy together with endogenous technological change in the global market economy.

Enhancing Energy Security with Strategic Petroleum Reserves

Q7. What are strategic petroleum reserves? How strategic petroleum reserves can support India's energy security goals? Discuss.

Hints:

- ◆ The government has approved the construction of two more strategic petroleum reserves in the country. These will come up at Chandikhol in Odisha and Padur in Karnataka and will have an aggregate capacity of 6.5 million tonnes.
- ◆ India is the 3rd largest consumer of energy and also the 3rd largest importer of crude oil in the world. With

Indian economy growing rapidly, energy demand is forecasted to grow more than any other country in the world in the next two decades. India has a very large requirement of petroleum fuels.

- ◆ A strategic oil reserve is a volume of crude oil placed in underground storage and excluded from country's proved oil reserves. These reserves are mainly maintained by countries that must depend on imports to meet their demand for unforeseen emergencies that could disrupt supplies. Strategic petroleum reserves are essentially huge stockpiles of crude oil to keep the wheels of the country running in crunch situations.
- ◆ Indian Strategic Petroleum Reserves Ltd, a special purpose vehicle under the Oil and Gas Ministry, has constructed three strategic petroleum reserves in huge underground rock caverns at Visakhapatnam on the East Coast and at Mangaluru and Padur on the West Coast. These facilities, with total capacity of 5.33 million tonnes, can meet about 10 days of India's crude oil requirements. The new facilities will provide additional supply for about 12 days.
- ◆ The global practice is to maintain strategic reserves of at least 90 days of oil imports. On that India has a long way to go.
- ◆ India need to understand its high import-dependence on its energy needs mean that it is always vulnerable to sudden shocks — geopolitical or otherwise — in the global petroleum markets. The reserves not only provide a buffer during global macro-economic instability, but they can also help plug demand during exigencies like wars. For instance, dwindling oil supply during the first Gulf War (1990-91) badly hit India. Without any substantial reserves, domestic oil prices spiralled, fuelling inflation and depleting India's foreign exchange reserves. The establishment of SPRs will significantly help India's energy security and insulate the country from future oil embargo while offering a hedge against its economic impact.



SEVEN IMPORTANT NATIONAL & INTERNATIONAL NEWS

NATIONAL

1. RBI Opposed Government Plan for Separate Payments Regulator

The Reserve Bank of India (RBI) has issued a rare public objection to a government-led panel's recommendation for payments systems to be overseen by a regulator that would be set up outside the central bank's control. The committee, under the chairmanship of Subhash Chandra Garg, Secretary, Department of Economic Affairs, had recommended that payments regulator boards (PRB) be an independent regulator outside the purview of the RBI. It said that that it's important to distinguish the role of the central bank (RBI) as an infrastructure institution providing settlement function from its role as a regulator of the payment sector.

The RBI has argued that the payment system is bank-dominated in India. Regulation of the banking systems and payment system by the same regulator provides synergy and inspires public confidence in the payment instruments. Regulation of the payment system by the central bank is the dominant international model for stability consideration. Thus, having the regulation and supervision over payment and settlement systems with the central bank will ensure holistic benefits.

Payment systems are a sub-set of currency which is regulated by the RBI. The overarching impact of monetary

Panel's proposal ¶	Proposal ¶	Proposal ¶
PRB to be an independent regulator ¶	RBI governor not to be PRB chairman ¶	Formal mechanism for co-ordination between PRB and RBI ¶
RBI dissent ¶	Dissent ¶	Dissent ¶
No case for a payments regulator outside RBI	Composition not in conformity with Finance Bill 2017	Need for integrated operations and not co-ordination. This is also why RBI governor be PRB chairman



policy on payment and settlement systems and vice versa provides support for regulation of payment systems to be with the monetary authority. There is an underlying bank account for payment systems which is under the purview of banking system regulation which is vested with the RBI.

2. First Smoke-free State

Kerala is now set to become the first smoke-free state in the country with public sector oil companies eyeing 100% LPG penetration here. The target has almost been achieved in most villages, mofussil towns and cities in the state and villages are getting symbolic smoke-free certificates.

With three bottling plants at Kochi, Kozhikode and Kollam, LPG is being brought to 49.79 lakh customers through 308 distributors. LPG consumption was 933.3 TMT (thousand tonnes) in the state in 2017-18. And Indian Oil sold 4.25 lakh tonnes of LPG

the previous fiscal. It is estimated that one crore tonnes of emissions, from poisonous gases like firewood cooking, have been contained and 25 lakh trees have been saved with the introduction of LPG in villages.

LPG is being supplied beyond commercial considerations with the Pradhan Mantri Ujjwala Yojana initiated by the Ministry of Petroleum.

About Pradhan Mantri Ujjwala Yojana

In 2016, government of India has approved Pradhan Mantri Ujjwala Yojana - scheme for providing 5 crore

free LPG connections to women from BPL households.

The Scheme provides a financial support of Rs 1600 for each LPG connection to the BPL households. The identification of eligible BPL families will be made in consultation with the state governments and the Union Territories.

This is the first time in the history of the country that the Ministry of Petroleum and Natural Gas would implement a welfare scheme benefitting crores of women belonging to the poorest households.

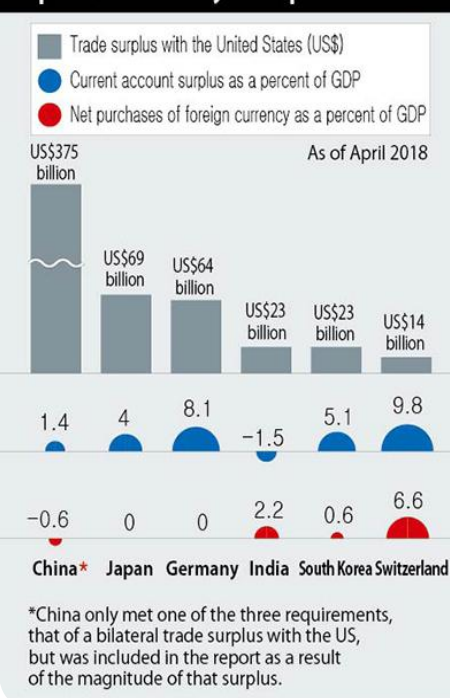
3. India Could be removed from US Currency Monitoring List

The US could remove India from its currency monitoring list of major trading partners, citing certain developments and steps being taken by New Delhi which address some of its major concerns. India for the first time was placed by the US in its currency monitoring list of countries with potentially questionable foreign exchange policies in April along with five other countries – China, Germany, Japan, South Korea and Switzerland.

On what basis is a country named a 'currency manipulator'?

The three pre-conditions for being named currency manipulator are: a trade surplus of over \$20 billion with the US, a current account deficit surplus of 3% of the GDP and persistent foreign exchange purchases of 2% plus of the GDP over 12 months.

Countries included in the US Treasury's report on currency manipulation



Recent Developments

- ◆ India's circumstances have shifted markedly, as the central bank's net sales of foreign exchange over the first six months of 2018 led net purchases over the four quarters through June 2018 to fall to \$4 billion, or 0.2% of GDP.
- ◆ India has a significant bilateral goods trade surplus with the US, totalling \$23 billion over the four quarters through June 2018, but India's current account is in deficit at 1.9% of GDP.
- ◆ India's goods trade surplus with the US was \$23 billion for the four quarters through June 2018, it said, adding, India also had a small surplus in services trade of \$4 billion with the same period.

4. 75th Year of Azad Hind Government

Prime Minister Narendra Modi hoisted the national flag at the Red Fort in New Delhi to commemorate the 75th anniversary of Azad Hind government formed by freedom fighter Netaji Subhas Chandra Bose. The decision to hoist the national flag at the Red Fort has reportedly been taken because it was the same place where soldiers of the Indian National Army (Azad Hind Fauj) faced trials by the British.

On October 21, 1943, Bose had announced the formation of the country's first independent government which was called the Azad Hind government. It was known as ArziHukumat-e-Azad Hind, it was supported by the Axis powers of Imperial Japan, Nazi Germany, the Italian Social Republic and their allies. The revered freedom fighter had launched a struggle to free India from British rule under the banner of the provisional government-in exile during

the latter part of the Second World War.

- ◆ Under his provisional government, the Indians living abroad had been united. The Indian National Army drew ex-prisoners and thousands of civilian volunteers from the Indian expatriate population in Malaya (present-day Malaysia) and Burma (now Myanmar).
- ◆ Under the provisional government, Bose was the head of the state, the prime minister and the minister for war and foreign affairs. Captain Lakshmi headed the women's organisation while S A Ayer headed the publicity and propaganda wing.
- ◆ Revolutionary leader Rash Behari Bose was designated as the supreme advisor.
- ◆ The provisional government was also formed in the Japanese-occupied Andaman and Nicobar

Islands. The islands were re-occupied by the British in 1945.

- ◆ Boses death was seen as the end to the Azad Hind movement. The Second World War, also ended in 1945 with the defeat of the Axis powers.

Year 1943

- ◆ **July 2, 1943:** Netaji arrives in Singapore after escaping from India earlier that year.
- ◆ **July 4:** Netaji accepts the leadership of the Indian liberation movement.
- ◆ **July 5:** Netaji takes salute as the supreme commander of INA and gives the call "Dilli chalo"; proceeds to mobilise Indians in Southeast Asia.
- ◆ **Oct 21:** Netaji announces the formation of the Azad Hind government.

5. India's First Bitcoin ATM Kiosk

Amidst uncertainty over the validity of cryptocurrencies and the Central government directions preventing banks from trading the same, Unocoin Technologies Private Ltd has set up India's first ATM kiosk to trade in cryptocurrencies in Bengaluru. The first-of-its-kind automated teller machine will have both a trading and exchange platform and will allow verified customers to use the device.

It is expected to become operational soon.

With the Unocoin ATM, customers will be able to buy or sell up to 10 bitcoins. It must be noted that all the transactions will, however, be in Indian Rupees which will later be changed into the currency of the customer's choice. The ATM will allow customers to trade in Bitcoin and Ethereum while providing an

exchange platform for 24 other cryptocurrencies in circulation.

About Cryptocurrency

A cryptocurrency is a digital or virtual currency designed to work as a medium of exchange. It uses cryptography to secure and verify transactions as well as to control the creation of new units of a particular cryptocurrency. ■

6. OneerTM

Council of Scientific and Industrial Research and Indian Institute of Toxicology Research (CSIR-IITR), Lucknow has developed an innovative technology for drinking water disinfection system with trade name 'OneerTM'. It is useful for continuous treatment of water and eliminates all disease causing pathogens such as virus, bacteria, fungi, protozoa and cyst to provide safe drinking water to domestic and communities' settings

as per national and international standards prescribed for potable water (BIS, WHO etc.)

A large proportion of India's rural community is consuming water that does not meet the World Health Organization (WHO) drinking water quality standards. According to the WHO access to safe drinking-water is essential to health, a basic human right and a component of effective policy for health protection.

Benefits

- ◆ It will provide access to safe and clean drinking water at a cost of just 2 Paise / Ltr.
- ◆ The community level model is of 450 LPH capacities which can be scaled up to 5000 to 1 lakh L/day; and is also maintenance and membrane free.
- ◆ This technology will be helpful especially for rural people since it can be solar powered. ■

7. Youth Road Safety Learners Licence Programme

The government of India has launched the 'Youth Road Safety Learners Licence Programme' in New Delhi. The programme is a Public Private Partnership (PPP) initiative to be run in collaboration with Diageo India and the Institute of Road Traffic Education (IRTE) and attempts to bring a formal and structured training program for young, first-time drivers as they apply for learner's license.

Concerns

India accounts for 12.5 per cent (over 1.45 lakh fatalities a year) of global road accidents, with one road accident occurring every four minutes.

Alarmingly, 72 per cent victims involved in such road mishaps are between the age groups of 15-44 years with speeding, reckless and drunk driving being the top reason accounting for 1.5 per cent of road traffic accidents and 4.6 per cent of fatalities.

Rash driving, drunken driving, lack of adequate safety measures like not wearing helmets are some of the major factors resulting in high road accidents.

Significance

- ◆ It is a step toward addressing this grave issue by improving road safety awareness amongst young adults by inculcating behavioural

change and creating awareness about responsible driving habits.

- ◆ This programme adopts the means of creating awareness amongst youth so that they become defensive road users. In the first year, the programme will cover 20 universities with a total of 400 programmes across the country.
- ◆ It covers varied aspects of responsible driving including defensive driving, ill effects of driving under the influence of alcohol, speeding and wearing of helmets spread over two days. ■

INTERNATIONAL

1. ASEAN Defence Ministers' Meeting-Plus

12th ASEAN Defence Ministers' Meeting (ADMM) and the 5th ADMM-Plus was held in Singapore. It was attended by defence ministers from Australia, China, Japan, New Zealand, South Korea, Russia, India and the US. Both meetings serve as key ministerial-level platforms in the regional security architecture, promoting strategic dialogue and practical cooperation between ASEAN and its partners.

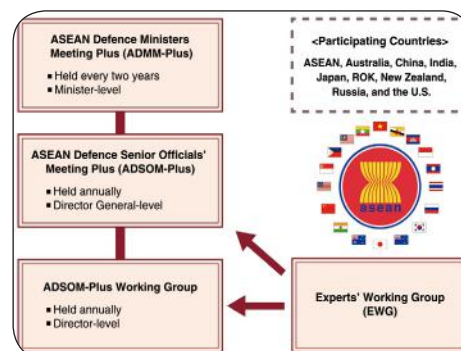
- ◆ The ministers emphasised the importance of cooperation between states and their competent bodies who bear the primary responsibility in preventing and combatting terrorism.
- ◆ They also reaffirmed the grouping as a key component of a robust, effective and open regional security

architecture that promotes mutual trust and confidence among the defence establishments.

- ◆ This is the second time that Singapore is chairing the ADMM since its establishment in 2006 and the first time to chair the ADMM-Plus since its establishment in 2010.

About ADMM-Plus

Consistent with the ADMM guiding principles of open and outward looking, the 2nd ADMM in Singapore in 2007 adopted the Concept Paper to establish the ADMM-Plus. The ADMM-Plus is a platform for ASEAN and its eight Dialogue Partners to strengthen security and defence cooperation for peace, stability and development in the region.



The objective of ADMM to promote mutual trust and confidence between defence establishments through greater dialogue and transparency and to enhance regional peace and stability through cooperation in defence and security, in view of the transnational security challenges the region faces.

2. Financial Action Task Force on Virtual Currencies

The Financial Action Task Force (FATF) has adopted changes to its standards regarding digital currencies and firms involved into cryptocurrency-related activities.

In 2015, the FATF introduced guidance on a risk-based approach to digital currencies, calling all countries to take coordinated action in preventing the use of virtual currencies for crime and terrorism financing (TF). Now, the organization has determined that the recommendations require revision as governments and the private sector have sought clarification on exactly which activities the FATF standards apply to.

Key Changes

- ◆ Jurisdictions should ensure that virtual asset service providers —

exchanges, wallet providers and providers of financial services for Initial Coin Offerings (ICOs) — are subject to anti-money laundering (AML) and counter-terrorism financing (CFT) regulations.

- ◆ According to FATF such entities should be registered or licensed and monitored for due diligence compliance, record - keeping and reporting of suspicious transactions.
- ◆ The FATF also noted that it will provide clarification in money laundering (ML) and terrorism financing (TF) risks related to virtual currencies and at the same time develop a regulatory environment where companies are free to innovate.

- ◆ Apart from AML measures and reporting suspicious trading operations, the agency will also investigate how to work with countries that have moved to ban cryptocurrencies.

About FATF

It is an intergovernmental organization established in 1989 on the initiative of the G7 to set standards and promote effective implementation of legal, regulatory and operational measures to fight money laundering. The FATF has since developed a series of recommendations recognized as the international standard for combating money laundering (ML) and the financing of illicit activities.

3. China's Artificial Moon Project

China is planning to launch its own 'artificial moon' by 2020 to replace streetlamps and lower electricity costs in urban areas. Chengdu, a city in southwestern Sichuan province, is developing "illumination satellites" which will shine in tandem with the real moon. The illumination satellite would be designed to complement the moon at night, with its own brightness

eight times that of the earth's natural satellite and bright enough to replace street lights in the city.

- ◆ Chinese scientists are planning to send three artificial moons into space in the next four years and the moons — made from reflective material like a mirror — are expected to orbit at 500 kilometres above the Earth and light up an

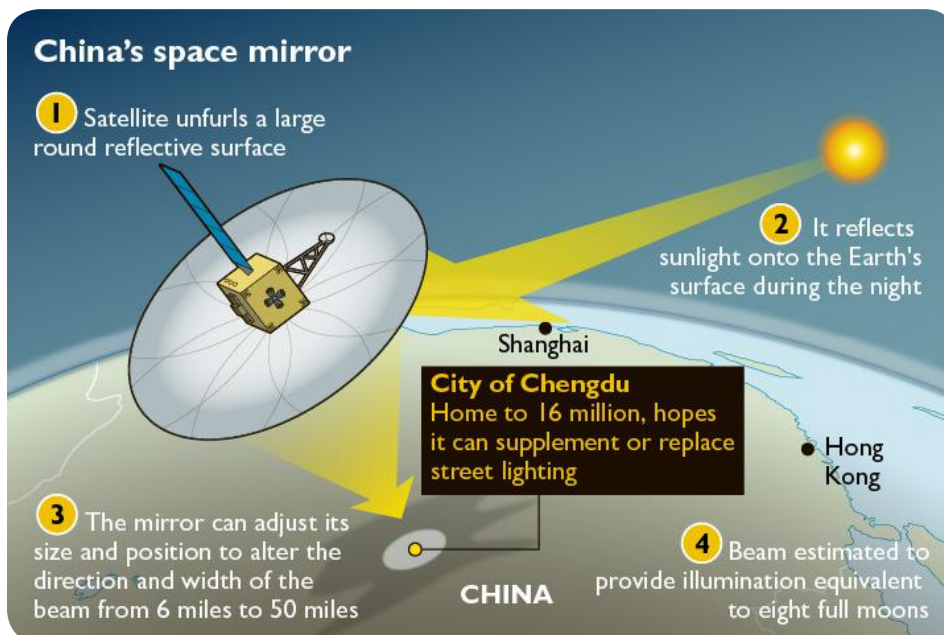
area with a diameter of 10 to 80 kilometres.

- ◆ By reflecting light from the sun, the satellites could replace streetlamps in urban areas, saving an estimated 1.2 billion yuan (\$170 million) a year in electricity costs for Chengdu, if the man-made moons illuminate an area of 50 square kilometers.
- ◆ It could also be used to light up areas experiencing power outages caused by natural disasters such as earthquakes.

Other Facts

The idea of an "artificial moon" came from a French artist, who imagined hanging a necklace made of mirrors above the earth, which could reflect sunshine through the streets of Paris all year round.

In the 1990s, Russian scientists reportedly used giant mirrors to reflect light from space in an experimental project called Znamya or Banner. During its first orbit the craft was destroyed following a collision in space. The scheme was abandoned. ■



4. The Legacy of NASA's Dawn Mission

NASA's Dawn mission is drawing to a close after 11 years of breaking new ground in planetary science, gathering breathtaking imagery and performing unprecedented feats of spacecraft engineering. Dawn's mission was extended several times as it explored Ceres and Vesta, which when combined, make up 45 percent of the mass of the main asteroid belt. Now, the spacecraft is about to run out of a key fuel, hydrazine. When that happens, it will lose its ability to communicate with Earth. It will remain in a silent orbit around Ceres for decades.

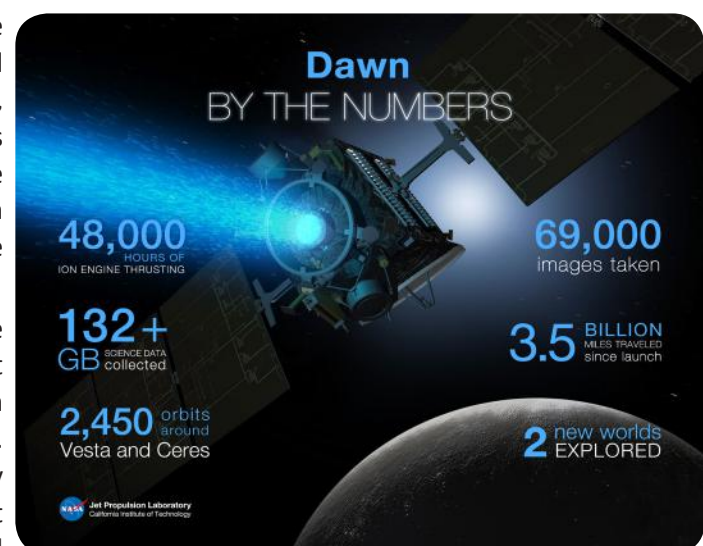
About Dawn Mission

It was launched in 2007. It was aimed

at studying the asteroid Vesta and dwarf planet Ceres, celestial bodies believed to have accreted early in the history of the solar system.

Dawn is the only spacecraft to orbit a body in the asteroid belt. And it is the only spacecraft to orbit two extraterrestrial destinations. It

orbited giant asteroid Vesta for 14 months from 2011 to 2012, then



continued on to Ceres, where it has been in orbit since March 2015. ■

5. 12th ASEM Summit

The 12th Asia-Europe Meeting (ASEM) summit was held in Brussels, Belgium. It was chaired by European Council President Donald Tusk. The theme of the summit was 'Global partners for global challenges'. The summit was attended by the heads of 51 European and Asian countries, representatives of European Union and Secretary General of Association of Southeast Asian Nations (ASEAN).

Vice President M. Venkaiah Naidu, who led the Indian delegation, urged the international community to work towards early adoption of the United

Nations Comprehensive Convention on International Terrorism. Terming terrorism as a major threat to peace and stability, he called for an early conclusion of the Comprehensive Convention on International Terrorism while stressing that peace is the prerequisite for progress and it cannot be achieved without combatting terrorism.

About ASEM

The ASEM was established in March 1996 at the first summit in Bangkok,

Thailand. It is an intergovernmental process, aimed to foster dialogue and cooperation between Asia and Europe. It has 53 partners out of which 30 are European (28 European Union member states + 2 other European countries) and 21 are Asian countries. ASEM primarily addresses the political, economic, social, cultural and educational issues of mutual interest to maintain mutual respect and equality.

6. Mission MeRcury

The European Space Agency (ESA) and the Japan Aerospace Exploration Agency (JAXA) has successfully sent two probes on a joint mission to Mercury, the closest planet to the Sun. An Ariane 5 rocket was launched from French Guyana, lifted an unmanned spacecraft, BepiColombo, which is carrying the two probes. The spacecraft separated and went into orbit for the 7-year trip to Mercury.

It is the first European mission to Mercury and the first to send two spacecraft to make complementary

measurements of the planet and its environment at the same time. The orbiters are ESA's Mercury Planetary Orbiter (MPO) and JAXA's Mercury Magnetospheric Orbiter (MMO, or 'Mio'). The ESA-built Mercury Transfer Module (MTM) will carry the orbiters to Mercury using a combination of solar electric propulsion and gravity assist flybys, with one flyby of Earth, two at Venus and six at Mercury, before entering orbit at Mercury in late 2025.

The two orbiters will be able to operate some of their instruments

during the cruise phase, to try and collect data at Venus. Moreover, some of the instruments designed to study Mercury in a particular way can be used in a completely different way at Venus, which has a thicker atmosphere.

The Sun's enormous gravity makes it difficult to place a spacecraft into a stable orbit around Mercury. The mission will have to ensure a controlled fall. The spacecraft has been specially designed for extreme temperatures.

7. Saudi Journalist Jamal Khashoggi has Died

Saudi Arabia has admitted that dissident journalist Jamal Khashoggi was killed inside its consulate in Istanbul, two weeks after his disappearance sparked global furore. Saudi journalist



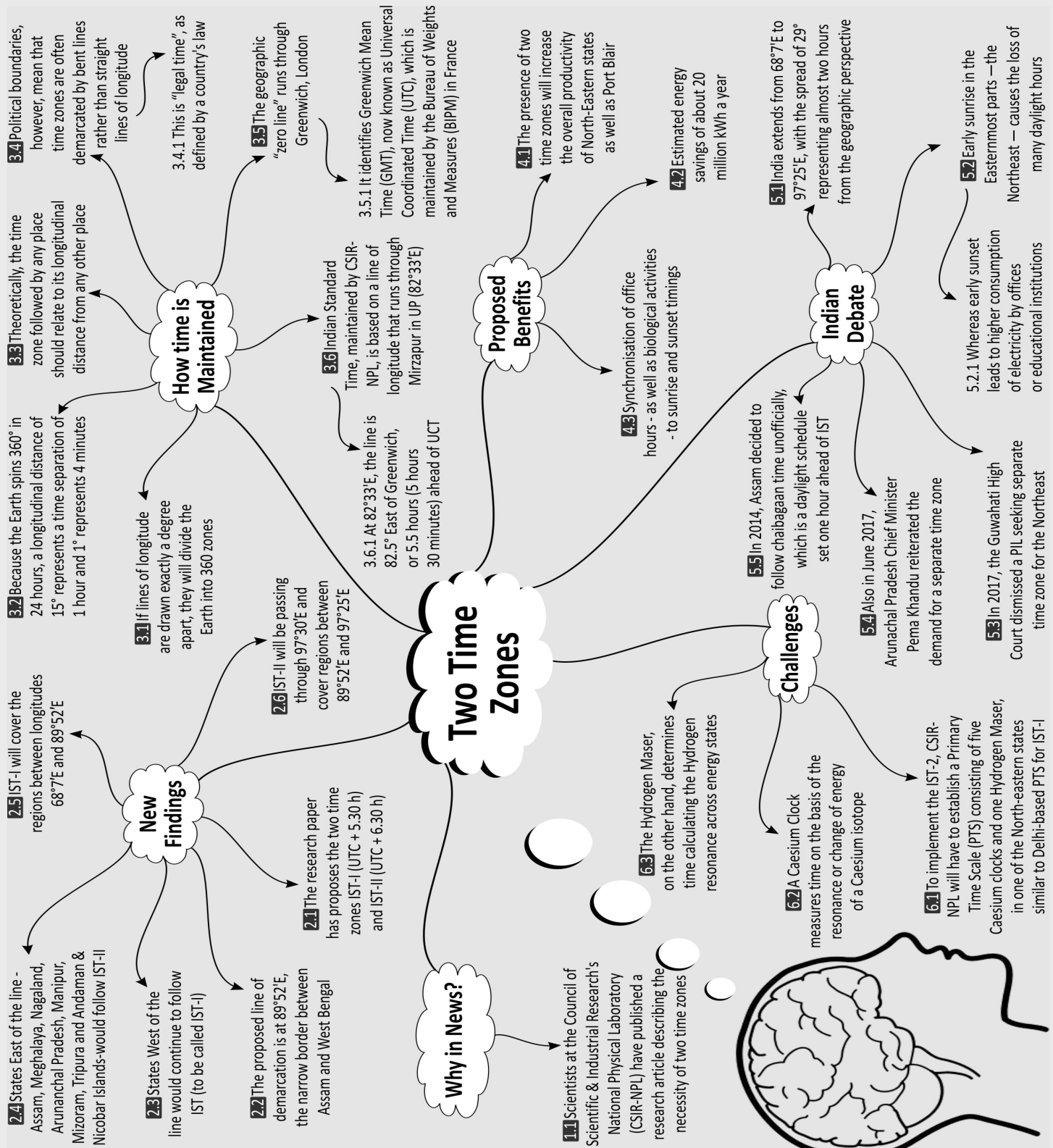
Khashoggi, a critic of the kingdom's leadership and a Washington Post contributor, was last seen on October 2 entering his country's consulate in Istanbul. His disappearance had been shrouded in mystery and triggered an international crisis, with Turkish officials accusing Saudi Arabia of a state-sponsored killing.

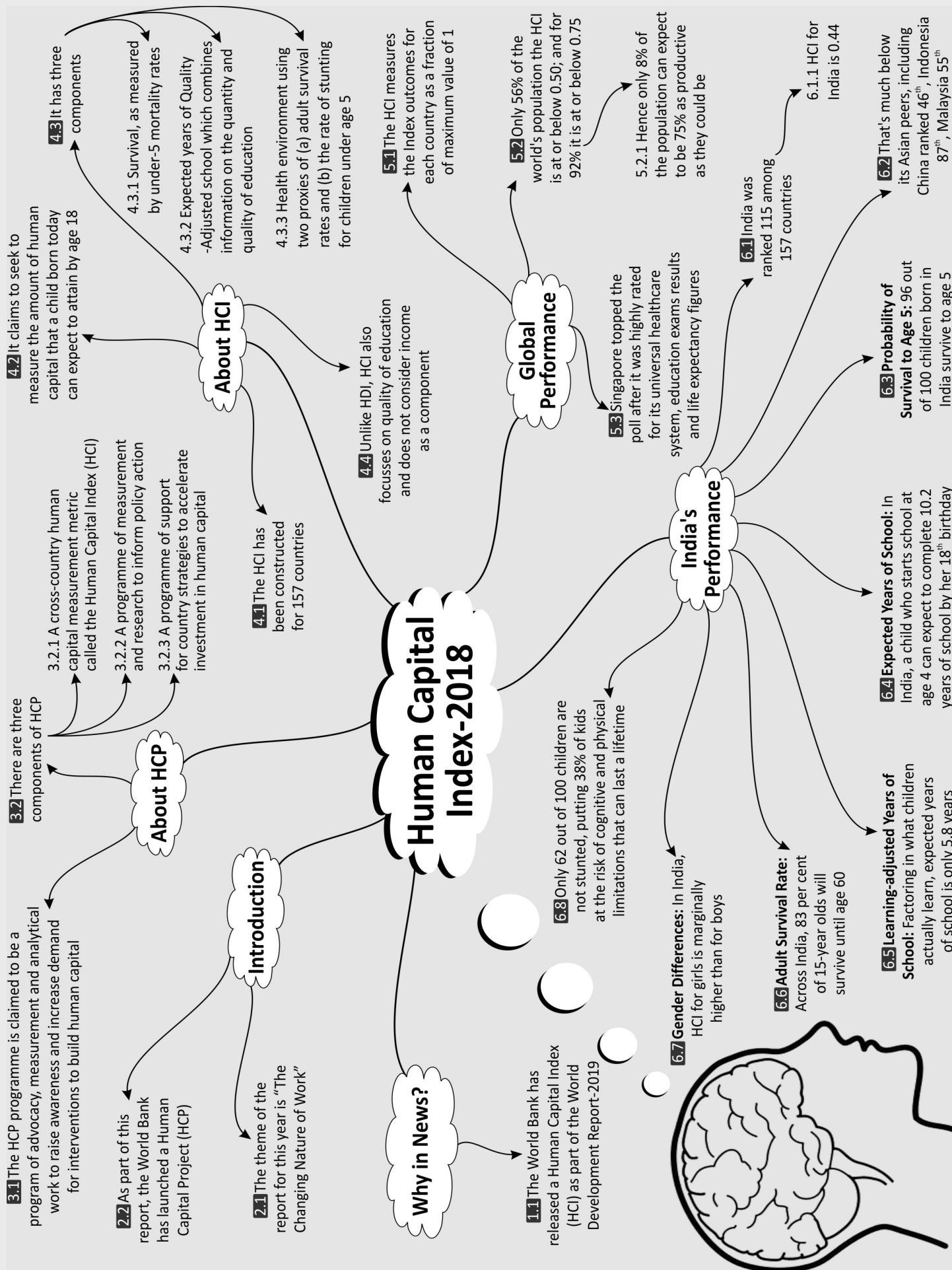
About Khashoggi

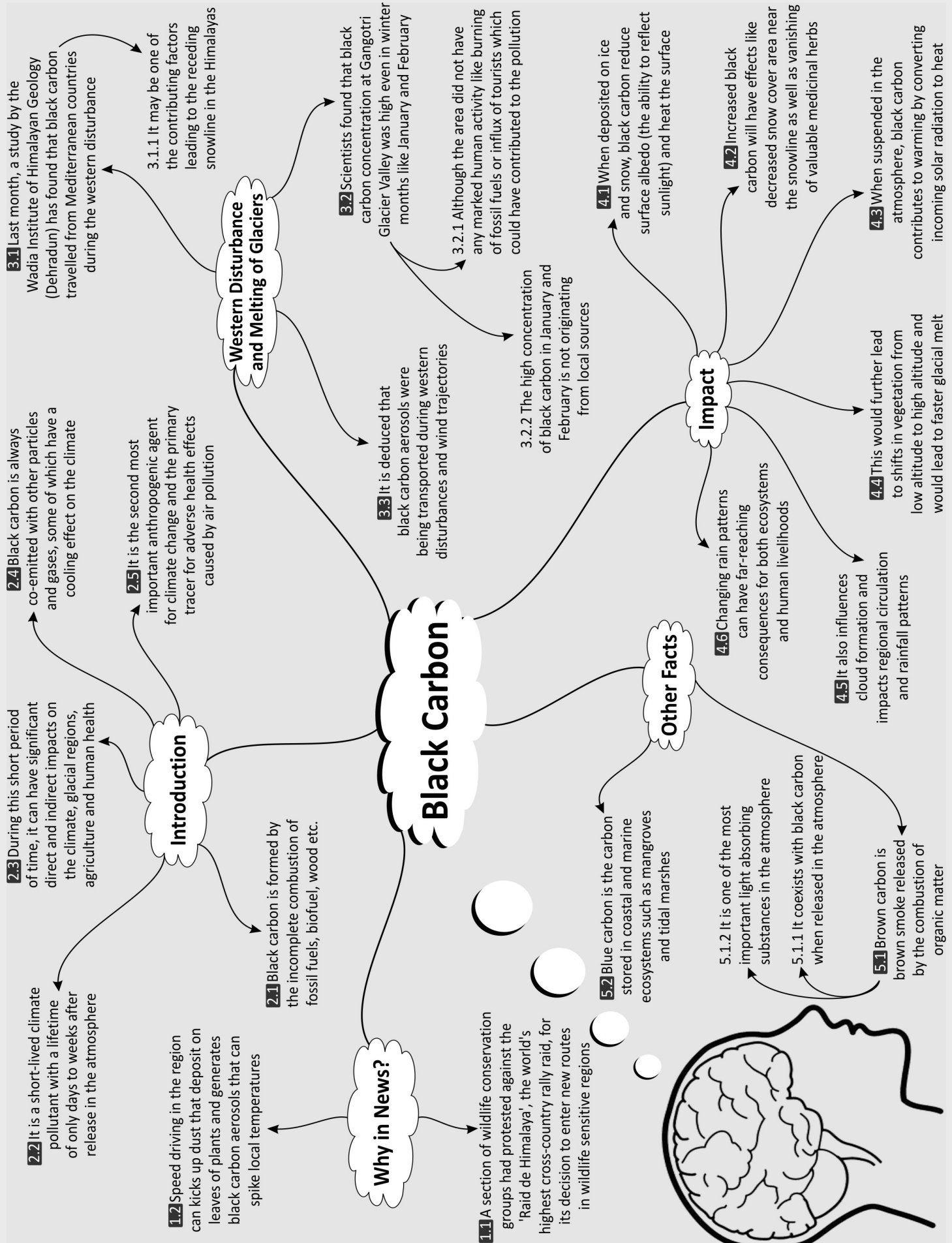
Khashoggi has worked as general manager and editor-in-chief of Al Arab

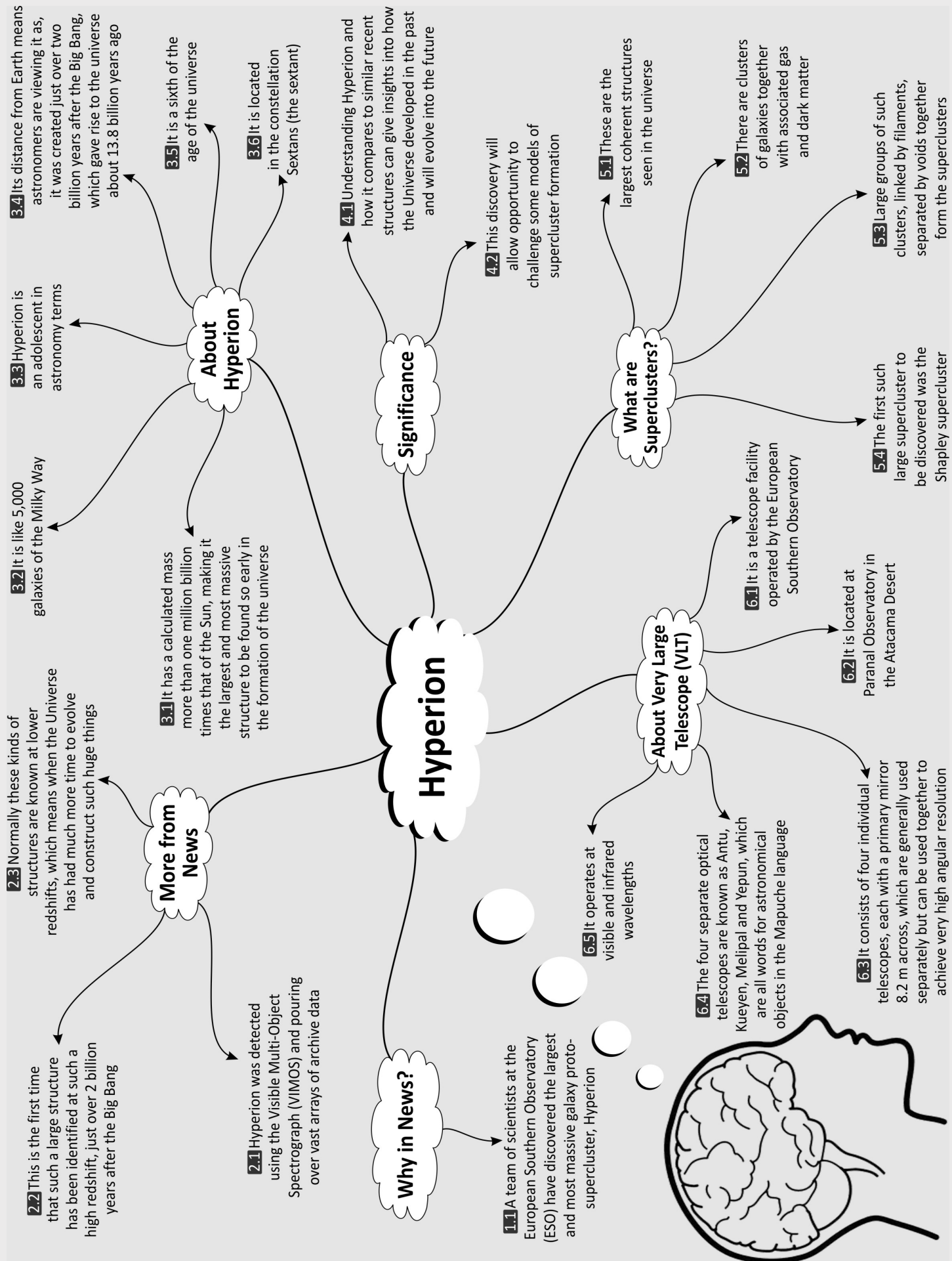
News and is a well-acclaimed columnist at Washington Post. He strongly criticised Saudi policies towards Qatar and Canada, the Yemen war and an overall muzzling of dissent in media. Standing in solidarity with the decision that allowed Saudi women to drive, he blithely critiqued Crown Prince who opposed the idea of allowing women to drive.

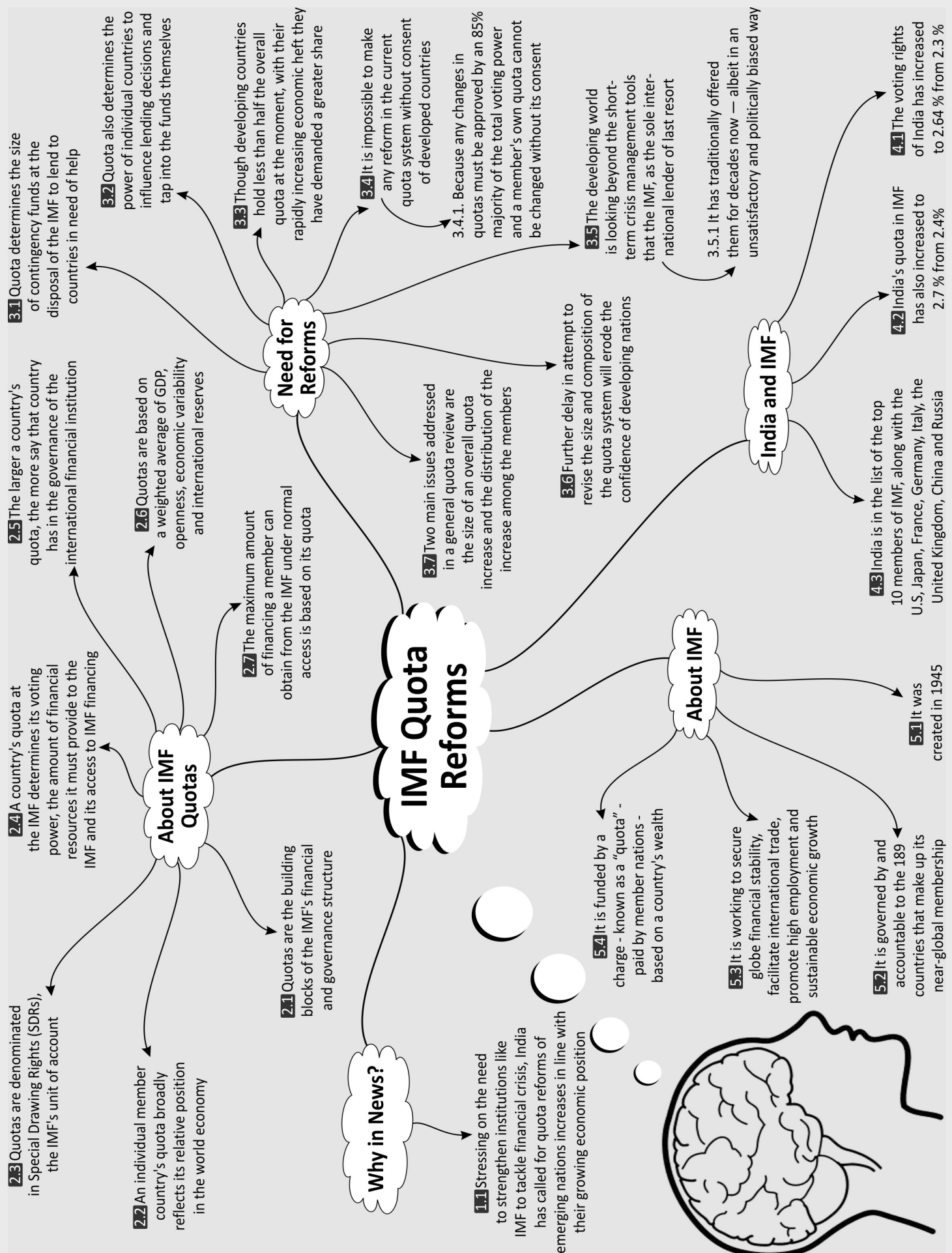
SEVEN BRAIN BOOSTERS

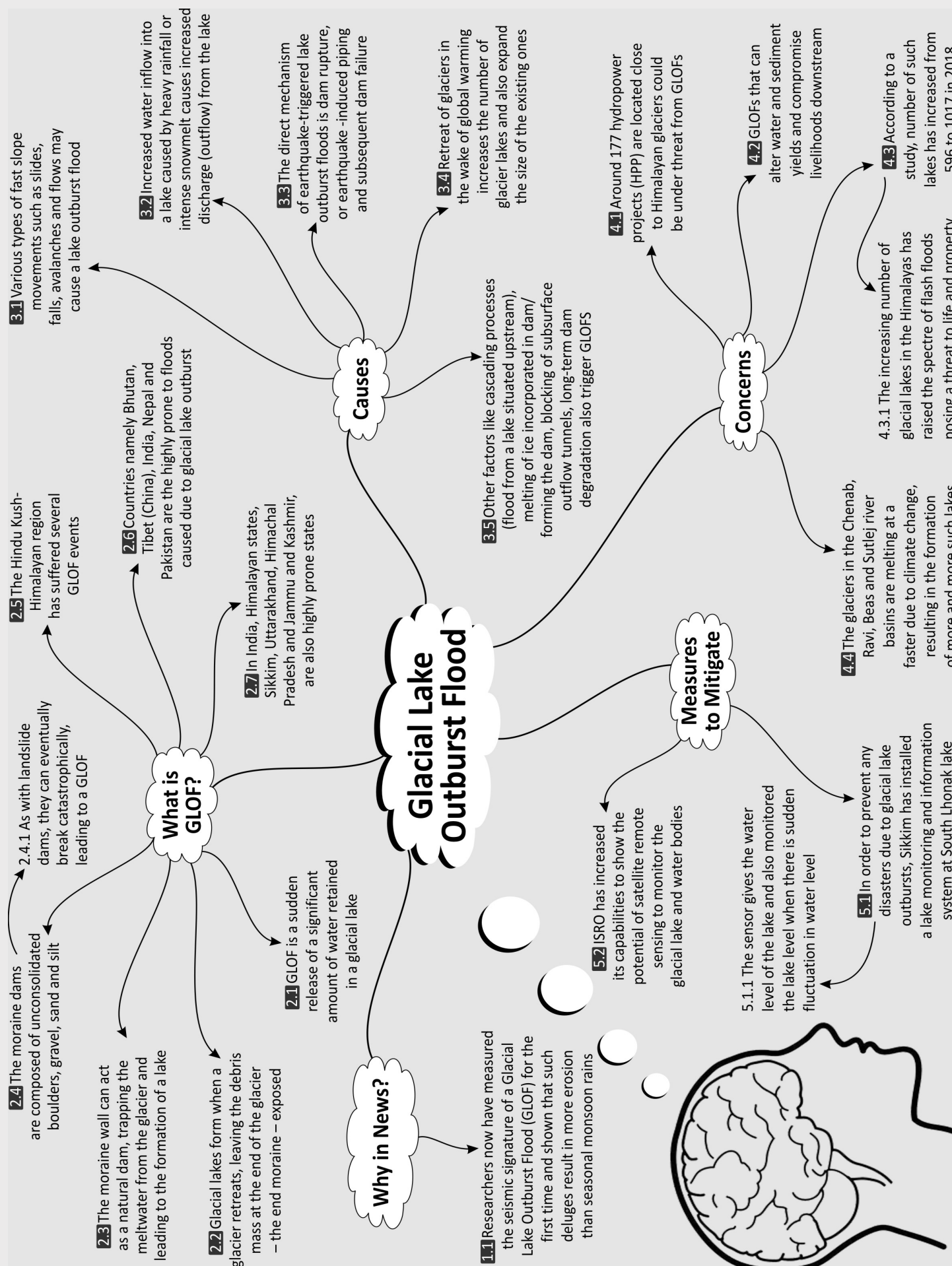


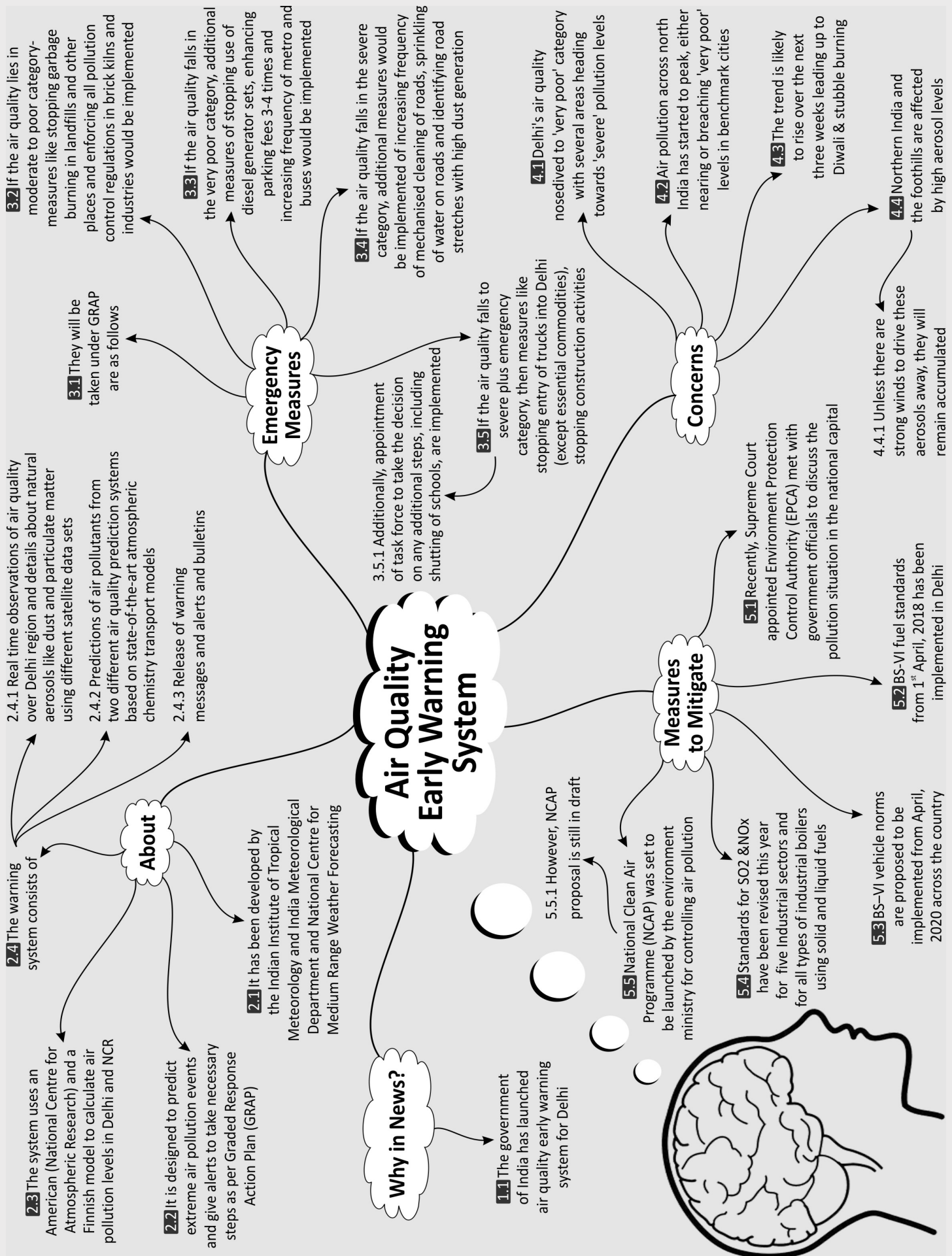












SEVEN MCQ's WITH EXPLANATORY ANSWERS

(Based on Brain Boosters)

Two Time Zones

Q1. 'Necessity of two time zones' is sometimes mentioned in news. Consider the following statements in this regard:

1. Scientists at the Council of Scientific & Industrial Research's National Physical Laboratory (CSIR-NPL) have proposed the two time zones IST-I (UTC + 5.30 h) and IST-II (UTC + 6.30 h).
2. IST-I will cover the regions between 89°52'E and 97°25'E.
3. IST-II will be passing through 97°30'E and cover regions between 68°7'E and 89°52'E.

Which of the statements given above is/are correct?

- a) 1 only b) 1, 2 and 3
c) 2 and 3 only d) 1 and 2 only

Answer: (a)

Explanation: Statement 1 is correct. Scientists at the Council of Scientific & Industrial Research's National Physical Laboratory (CSIR-NPL) have proposed the two time zones IST-I (UTC + 5.30 h) and IST-II (UTC + 6.30 h). The proposed line of demarcation is at 89°52'E, the narrow border between Assam and West Bengal.

Statements 2 and 3 are incorrect. IST-I will cover the regions between longitudes 68°7'E and 89°52'E. IST-II will be passing through 97°30'E and cover regions between 89°52'E and 97°25'E. States West of the line would continue to follow IST (to be called IST-I) and states East of the line — Assam, Meghalaya, Nagaland, Arunachal Pradesh, Manipur, Mizoram, Tripura and Andaman & Nicobar Islands — would follow IST-II.

Human Capital Index-2018

Q2. Consider the following statements in respect of 'Human Capital Index':

1. World Economic Forum has released a Human Capital Index (HCI) as part of the World Development Report 2019.
2. It placed India at the 113rd position.

3. In India, HCI for girls is marginally higher than for boys.

Which of the statements given above is/are correct?

- a) 1 only b) 2 only
c) 3 only d) 1, 2 and 3

Answer: (c)

Explanation: Statement 1 and 2 are incorrect. The World Bank released today a Human Capital Index (HCI) as part of the World Development Report 2019. The theme of the World Development Report (WDR) this year is "The Changing Nature of Work".

The HCI has been constructed for 157 countries. It claims to seek to measure the amount of human capital that a child born today can expect to attain by age 18. India was ranked 115 among 157 countries. That's much below its Asian peers, including China ranked 46, Indonesia (87), Malaysia (55). Singapore was ranked number one in the world followed by Japan, Hong Kong and Finland.

Statement 3 is correct: Girls fares marginally well than boys in various component of HCI. The expected year of school is 10.3 in case of girls, which is higher than the number for boys at 10.1.

Black Carbon

Q3. With reference to the black carbon, consider the following statements in this respect:

1. Black carbon is formed by the incomplete combustion of organic matter.
2. When suspended in the atmosphere, black carbon contributes to warming by converting incoming solar radiation to heat.

Which of the statements given above is/are correct?

- a) 1 only b) 2 only
c) Both 1 and 2 d) Neither 1 nor 2

Answer: (b)

Explanation: Statement 1 is not correct. Black carbon is formed by the incomplete combustion of fossil

fuels, biofuel, wood etc., not organic matter. It is a short-lived climate pollutant with a lifetime of only days to weeks after release in the atmosphere. Brown carbon is brown smoke released by the combustion of organic matter. It coexists with black carbon when released in the atmosphere.

Statement 2 is correct. When suspended in the atmosphere, black carbon contributes to warming by converting incoming solar radiation to heat. When deposited on ice and snow, black carbon and co-emitted particles reduce surface albedo (the ability to reflect sunlight) and heat the surface. The Arctic and glaciated regions such as the Himalayas are particularly vulnerable to melting as a result.

Hyperion

Q4. Consider the following statements in respect of 'hyperion' supercluster:

1. A team of scientists of Indian Space Research Organisation (ISRO) and European Southern Observatory (ESO) have discovered the Hyperion galaxy proto- supercluster.
2. It is sited the most massive structure in the early universe known to date.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Answer: (b)

Explanation: Statement 1 is not correct. A team of scientists at the European Southern Observatory (ESO) have detected the largest, most extensive collection of galaxies ever registered in the early days of the universe, a proto-supercluster, which they nicknamed 'Hyperion.' In Ancient Greek mythology, Hyperion was a colossal titan who fathered Helios, the Sun.

Statement 2 is correct. It is sited the most massive structure in the early universe known to date. Hyperion has a calculated mass more than one million billion times that of the Sun, making it the largest and most massive structure to be found so early in the formation of the universe. It is like 5,000 galaxies of the Milky Way.

IMF Quota Reforms

Q5. With reference to the quota system of International Monetary Fund, consider the following statements:

1. India is in the list of the top 10 members of IMF, with the voting share and quota share of 2.64% and 2.76% respectively.

2. Quotas are based on a weighted average of GDP, openness, economic variability and international reserves.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Answer: (c)

Explanation: Both statements are correct. IMF member countries are each assigned a quota — a value of its share in the IMF financing system that is tied to its impact on the world economy. A country's quota at the IMF determines its voting power, the amount of financial resources it must provide to the IMF and its access to IMF financing. Quotas are based on a weighted average of GDP, openness, economic variability and international reserves. Quotas are denominated in Special Drawing Rights (SDRs), the IMF's unit of account.

India's voting share and quota share in IMF is 2.64% and 2.76% respectively. It bring India into the list of the top 10 members of IMF, along with the U.S, Japan, France, Germany, Italy, the United Kingdom, China and Russia.

Glacial Lake Outburst Flood

Q6. Consider the following statements in respect of glacial lack outburst floods:

1. A flood caused due to outburst of glacial lakes is known as glacial lakes outburst floods.
2. The increasing number of glacial lakes in the Himalayas has raised the spectre of flash floods in the region.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Answer: (c)

Explanation: Both statements are correct. GLOF is a sudden release of a significant amount of water retained in a glacial lake. Glacial lakes form when a glacier retreats, leaving the debris mass at the end of the glacier — the end moraine — exposed. The moraine wall can act as a natural dam. The moraine dams are composed of unconsolidated boulders, gravel, sand, and silt. As with landslide dams, they can eventually break catastrophically, leading to a glacial lake outburst flood or GLOF.

According to a study, number of such lakes has increased from 596 to 1017 in 2018. The increasing number of glacial lakes in the Himalayas has raised the spectre of flash floods posing a threat to life and property. The glaciers in the Chenab, Ravi, Beas and Sutlej river basins in the state are melting at a faster due to climate change, resulting in the formation of more and more such lakes.

Air Quality Early Warning System

Q7. Consider the following statements in respect of air quality early warning system:

1. The government of India has implemented an emergency action plan has been implemented to combat air pollution for entire Delhi, Gurugram and Noida.
2. Rampant stubble burning in Punjab and Haryana is the main reason behind the deteriorate air quality in these cities.

Which of the statements given above is/are correct?

- | | |
|-----------------|--------------------|
| a) 1 only | b) 2 only |
| c) Both 1 and 2 | d) Neither 1 nor 2 |

Answer: (d)

Explanation: Both statements are incorrect. The government of India has launched air quality early warning system for Delhi. It is designed to predict extreme air pollution events and give alerts to take necessary steps as per Graded Response Action Plan (GRAP). The warning system consists of a) real time observations of air quality over Delhi region and details about natural aerosols like dust (from dust storms) and particulate matter using different satellite data sets b) Predictions of air pollutants from two different air quality prediction systems based on state-of-the-art atmospheric chemistry transport models and c) Warning Messages and Alerts and Bulletins.

Rampant stubble burning in Punjab and Haryana is not main reason behind the deteriorate air quality in these cities. Along with stubble burning, bursting of crackers during the festive season, industrial emission and traffic pollution are also the major factors. According to the study the industrial emission increased by 48 per cent in 2018 compared to 2010, due to the increase in industrial activities in fringe areas of Delhi and not inside Delhi.



SEVEN IMPORTANT FACTS FOR PRELIMS

1. Who won the Man Booker Prize-2018?

–Anna Burns for 'Milkman'

2. Which country has become the second one to legalise possession and use of recreational marijuana?

–Canada

3. When is the 'Rashtriya Mahila Kisan Diwas' celebrated in India?

–15th October

4. Who won the 2018 New Academy Prize in Literature, which was formed in protest to the Nobel Literature Prize?

–Maryse Conde

5. India has launched the first joint programme for Afghanistan to train its diplomats in partnership with which country?

–China

6. The Uttar Pradesh government has approved the renaming of which city as Prayagraj?

–Allahabad

7. Who won the India's first medal in Athletics at the Youth Olympic Games 2018?

–Suraj Panwar

○○○

SEVEN IMPORTANT STRUCTURES

1. India's Longest River Bridge

- ◆ India's longest river bridge with total length of 19.3 kilometers will be built on Brahmaputra river in Assam.
- ◆ This bridge will connect Dhubri of Assam to Fulbarani of Meghalaya.
- ◆ It will reduce the distance between these two places by 203 kms.
- ◆ Japanese Finance Agency (JICA) has approved the loan for this project as part of road infrastructure improvement package in the North-east after assessing the economic benefit of the big project.
- ◆ Two Northeastern states of Assam and Meghalaya will be connected by NH127B with the help of this bridge.
- ◆ At present, India's largest river bridge is Dhola-Sadia bridge, its length is 9.15 kilometers.

2. Dhola-Sadiya Bridge

- ◆ At present, it is the country's longest bridge located in Assam.
- ◆ Its length is 9.15 kilometers.
- ◆ It has been built over river Lohit, a tributary of the Brahmaputra, linking Dhola to Sadiya in Assam.
- ◆ It has been constructed on Build Operate and Transfer (BOT) Annuity basis at a total cost of Rs 2,056 crore.
- ◆ It is a part of the Arunachal Package of Roads and Highways under the Ministry's Special Accelerated Development Programme for North East (SARDP-NE).
- ◆ The objective was to bring the people of Assam and Arunachal Pradesh closer to each other.
- ◆ The bridge will also reduce the distance from Rupai on NH- 37 in Assam to Meka/Roing on NH-52 in Arunachal Pradesh by 165 KM.

- ◆ It will also reduce travel time between the two places from the six hours to just one hour.
- ◆ This will result in saving of petrol and diesel worth Rs 10 Lakh per day.

3. The Keylong Station in Himachal Pradesh

- ◆ For the first time in India, a railway station will be built inside a tunnel at a height of 3,000 metres, on the strategic Bilaspur-Manali-Leh line close to the China-India border.
- ◆ Keylong is the administrative centre of Lahaul and Spiti district, 26 km North of Manali and 120 km from the India-Tibet border.
- ◆ The station will be inside a 27-km-long tunnel.
- ◆ The line once completed will connect all important locations between Bilaspur and Leh like Sundernagar, Mandi, Manali, Keylong, Koksar, Darcha, Upshi and Karu and other towns of Himachal Pradesh and Jammu and Kashmir.
- ◆ It is important because of its proximity to the China-India border and can facilitate in movement of goods and personnel to the frontier areas.
- ◆ Bilaspur-Manali-Leh line project will include 74 tunnels, 124 major bridges and 396 minor bridges, according to the first phase of the survey.
- ◆ Once finished, the line will halve the duration taken to cover the distance between Delhi and Leh, from 40 hours to 20 hours.

4. Chenani-Nashri Tunnel

- ◆ It is country's longest road tunnel that links the Kashmir Valley with Jammu.
- ◆ Its length is 10.9 kilometers.
- ◆ It will link Chenani in Udhampur district with Nashri in Ramban district.
- ◆ It will shorten the driving time between Jammu and Srinagar by two hours.

- ◆ The two-lane Chenani-Nashri tunnel will be Asia's longest, which will cut the distance between Jammu and Srinagar to around 250km from the current 350km.
- ◆ It will also provide a safe, all-weather route to commuters travelling from Jammu and Udhampur to Ramban, Banihal and Srinagar.
- ◆ It is the world's sixth road tunnel with a transverse ventilation system.
- ◆ It also boasts features like Integrated Traffic Control System (ITCS), Video Surveillance System, FM Rebroadcast System, Entrance Detection Control System and Active Firefighting System.
- ◆ 92.7 FM is mandatory for vehicles where emergency messages will be relayed.

5. World Peace Monument Dome

- ◆ Vice-President M. Venkaiah Naidu has inaugurated the world's largest dome at the Maharashtra Institute of Technology (MIT)'s World Peace University (MIT-WPU) campus at Loni Kalbhor on the occasion of the 150th birth anniversary of Mahatma Gandhi.
- ◆ It has a diameter of 160 feet, compared with the Vatican Dome's 139.6 feet and stands 263 feet tall with a bell hanging from the centre and the prayer hall is of around 30,000 sq ft.
- ◆ It is supported by 24 massive columns, each 63 feet tall.
- ◆ The prayer hall can accommodate 3,500 people.
- ◆ It is embellished with bronze statues of 54 of the biggest names in world history stand, irrespective of nationality or religion.
- ◆ The dome is built atop the MIT World Peace Library and the World Peace Prayer Hall, which are named after the 13th century poet-saint and philosopher Dnyaneshwar (a pivotal figure of the Bhakti movement in Maharashtra).

6. World's Longest Sea Bridge between China-Hong Kong

- ◆ China has officially opened the world's longest sea crossing bridge, nine years after

construction first began. It is situated in the Lingdingyang waters of the Pearl River estuary.

- ◆ Including its access roads, the bridge spans 55km (34 miles) and connects Hong Kong to Macau and the mainland Chinese city of Zhuhai.
- ◆ The bridge, designed to withstand earthquakes and typhoons, was built using 400,000 tonnes of steel, enough to build 60 Eiffel Towers.
- ◆ It is also one of the world's most unusual roadways, with cameras to detect yawning and drivers forced to wear heart monitors.
- ◆ People from Hong Kong will need special permits to drive across the bridge.
- ◆ It will slash the travel time between Hong Kong and Zhuhai from three hours to just 30 minutes, further integrating the cities in the Pearl River Delta.

7. Statue of Unity

- ◆ It is built as a memorial to the 'Iron Man of India' Sardar Vallabhbhai Patel.
- ◆ It will be inaugurated on 31st October 2018 by Prime Minister Narendra Modi.
- ◆ The Statue of Unity (182m) is not only twice as large as America's Statue of Liberty but also larger than China's Spring Temple Buddha, the largest statue in the world at present.
- ◆ The Sardar Patel memorial will also have a museum on his life and a research centre for scholars.
- ◆ Located on a river island called 'Sadhu Bet', the Statue of Unity is about 3.5 km away from the Narmada dam. A 250-metre long bridge provides connectivity to the island.
- ◆ The Gujarat government has plans to build a Shreshtha Bharat Complex near the Statue of Unity which will house Bhavans of different states.
- ◆ The statue will have a viewing gallery at the height of 193 metres from sea level which can accommodate 200 visitors at a time.

SEVEN PRACTICE QUESTIONS FOR MAIN EXAM

Answer each of the following questions in 200 words:

- Q1. 'The lack of respect or fear of the law stems entirely from the wholesale failure of enforcement.' Critically evaluate.
- Q2. Sikkim is the first 'Organic State' in India. What are the ecological and economic benefits of Organic State?
- Q3. Indian economy's energy needs will rise with growth and demand for denser energy sources will grow even faster. Discuss why India needs to bring structural changes, reset targets, influence global policy and choices to meet the future energy demand.
- Q4. What do you mean by Minimum Support Price (MSP)? How will MSP rescue the farmers from the low income trap?
- Q5. Conditions of prisons in India are not in tune with human rights norms. Despite several measures have taken by government, political will is crucial to reform India's criminal justice system. Discuss.
- Q6. The dilemmas and the trilemmas that confront you on a daily basis in life could be quite a bunch of challenges. Discuss how decision-making is an important aspect of modern management.
- Q7. Examine the role of supermarkets in supply chain management of fruits, vegetables and food items. How do they eliminate number of intermediaries?

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