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COVER STORY:

# Demonetization & **BLACK MONEY**

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# Objective

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*With the changing pattern of IAS and preparation methodology, now the aspirant is facing the issue of information overload. The proper articulation of information is important for penning down one's thoughts in the Mains answer.*

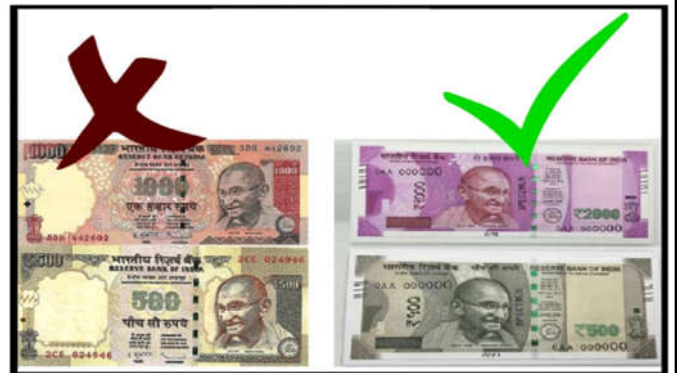
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*The material has been designed in lucid and QnA format so that an aspirant can develop thinking process from Basic to Advance while reading the topic.*

*This will enhance the informative and analytical knowledge of aspirants.*

***All the best !!!***

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## COVER STORY

# DEMONETISATION AND BLACK MONEY

## Context

In a special broadcast on 8 November, PM Modi declared to the country that in less than four hours, Rs. 500 and Rs. 1,000 bills would be demonetized, thereby withdrawing their status as legal tender. PM Modi pointed out that the objectives behind such a bold measure of demonetisation were to curb terror financing, limit corruption and discourage tax evasion on undeclared income, colloquially known as “black money”

The Indian economy has continuously recorded high growth rates and has become an attractive destination for investments. However, corruption is the biggest bane for us. India is on number 70 on corruption index. Corruption and black money through decades is pushing the country backwards. The recent unearthing of corruption cases has thrown light on the dark side of the growth that is rise of the black money circulation in the economy.

In the past, despite several official efforts to trace and recover black money, India has not registered any major success. But now the noose is tightening around tax evaders. Be it the implementation of the goods and services tax (GST) or the greater use of technology to link and profile translations or the stepped up international exchange of information between countries, the chances of tax evaders coming under the tax department’s scanner is increasing.

In a special broadcast on 8 November, PM Modi declared for the demonetisation of Rs. 500 and Rs. 1,000 thereby withdrawing their status as legal tender. PM Modi pointed out that the objectives behind such a bold measure of demonetisation is to curb terror financing, limit corruption and discourage tax evasion on undeclared income, colloquially known as “black money”.

## ***New rules and guidelines Issued by the government:***

- ▶ **Cash deposits in bank and post office accounts above a certain limit**—between 9 November and 30 December 2016—will get reported to the income tax department. The Central Board of Direct Taxes (CBDT) has amended certain income tax rules to track the unaccounted money making its way into bank and post office accounts post demonetization.
- ▶ All public sector banks and some private sector ones have agreed **to waive the transaction cost for all payments made through debit cards** till 31 December.
- ▶ The government announced for providing that it will provide **Rs. 21,000 crore to district central cooperative banks (DCCBs) through NABARD to provide loans to farmers** to meet their credit requirements during the winter crop season. The Reserve Bank of India has prohibited DCCBs from dealing with old currencies after demonetization of Rs. 500 and Rs. 1,000 banknotes was announced.
- ▶ Indian Railways also has agreed to **waive service charges on online ticket booking** till 31 December.
- ▶ For smoother **digital payments at the toll plazas** and to avoid waiting time, vehicle

manufacturers have been advised to provide Electronic toll collection (ETC) compliant Radio-frequency identification (RFID) facility in new cars.

- ▶ **Telecom operators have decided to drop a fee levied on mobile banking transactions**, supporting the government's demonetization of high-value currency notes and the consequent spike in cashless transactions.

### Parallel economy in India

Black money or unaccounted money circulating is a big menace to the economy.

In a common parlance, black money refers to the money which is generated through illegitimate means or by bypassing taxation system. Generation of black money in social, economic and political space has a debilitating effect on the conduct of public policy and the institutions of governance in the country. Black money together with counterfeit currency is also associated with crime and terrorism. While there is no official estimate of quantum of black money in India or abroad, a 2010 World Bank Report on shadow economies estimated it at 31 per cent of GDP of 162 countries in 2007 with India's estimate pegged at 20.7 per cent of GDP comparing favourably with the world average. There have been other estimates which have placed size of India's parallel economy at higher levels including a recent FICCI report which has estimated it to as high as 75 per cent of GDP.

#### What are the Reasons for Growth of Black Money?

- ▶ Controls and licensing system
- ▶ Price and distribution controls
- ▶ High tax rates and defective tax structure
- ▶ Donation to political parties
- ▶ Generation of black money in the public sector
- ▶ Deterioration in the moral and civic standards
- ▶ Corruption is pervasive from the lowest to the highest levels of public administration
- ▶ Collusive corruption

#### Impacts of Black Money

- ▶ Loss of Taxes
- ▶ Because of the growing black economy, policies fail both at the macro-level and the micro-level.
- ▶ Targets for education, health, drinking water and so on are not achieved because "expenditures do not mean outcomes."
- ▶ Much investment goes into wasteful and unproductive channels, like holding gold or real estate abroad.
- ▶ The inflation rises while the black money circulates in the market.
- ▶ At the social level, the cost is a loss of faith in society and the functioning of institutions.

#### What are the various measures taken by Govt to curb Black Money?

- ▶ The Union Cabinet on May 2014, approved the constitution of a Special Investigating Team (SIT) to implement the decision of the Honourable Supreme Court on large amounts of money stashed abroad by evading taxes or generated through unlawful activities.
- ▶ The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015' came into force on July 1, 2015, to specifically and more effectively deal with undisclosed income.
- ▶ For the investigation of Panama Paper leaks, the government brought in Constitution of Multi-Agency Group (MAG) with officers of the Central Board of Direct Taxes (CBDT), Reserve Bank of India (RBI), Enforcement Directorate (ED) and Financial Intelligence Unit (FIU).
- ▶ India has been collaborating with foreign governments to facilitate and expand the exchange of information. For this, the Double Taxation Avoidance Agreements (DTAAs). has been signed with tax havens like Mauritius and Cyprus.
- ▶ Global efforts to combat tax evasion and black money were taken by joining the Multilateral Competent Authority Agreement in respect of Automatic Exchange of Information (AEOI) and having an information sharing arrangement with the US under its Foreign Account Tax Compliance Act (FATCA).

- ▶ The government is also trying to automate information exchange with several countries, including Switzerland, to clamp down on black money. For this, so far, both India and Switzerland have agreed to speed up work on the Automatic Exchange Of Information (AEOI) and make it possible by 2018.
- ▶ The Lok Sabha passed the Benami Transaction Bill 2015 which was predominately an anti-black money measure with the purpose to seize unknown property and prosecute those indulging in such activities, according to a PTI report.
- ▶ An information technology based 'Project Insight' was introduced by the Income Tax Department to strengthen the non-intrusive information-driven approach for improving tax compliance and effective utilization of available information.
- ▶ The Income Declaration Scheme, 2016 was announced recently wherein domestic taxpayers could declare their undisclosed income and escape prosecution by paying a total tax and penalty of 45%. It's a one-time chance to holders of income and assets that had illegally escaped taxes, to come clean by paying a taxes and penalty of 45 per cent. Under the Income Declaration Scheme (IDS) which opened on June 1, black money holders can come clean by declaring the assets by September 30 and paying tax and penalty of 45 per cent thereafter. Those who fail to take advantage of the scheme will have to face stringent actions, including imprisonment.
- ▶ The chances of tax evaders coming under the tax department's scanner is increasing with the implementation of the goods and services tax (GST) or the greater use of technology to link and profile translations or the stepped up international exchange of information between countries. This probably explains why the recent IDS received such a phenomenal response from tax evaders with almost 65,000 taxpayers coming forward to declare their undeclared income.

### **Demonetization for curbing black money**

Demonetization of the notes of higher denomination has also been one of the recent step of the Government to unearth black-money.

Demonetisation is a radical monetary step in which a currency unit is declared as an invalid legal tender. This is usually done whenever there is a change in the national currency of a nation.

On November 8, 2016 Prime Minister announced that Rs. 500 and Rs. 1000 denomination notes will become invalid and all notes in lower denomination of Rs. 100, Rs. 50, Rs. 20, Rs. 10, Rs. 5, Rs. 2 and Re. 1 and all coins will continue to be a valid legal tender.

He also added that new notes of Rs. 2,000 and Rs. 500 will be introduced. There was also no change effected in any other form of currency exchange like cheque, Demand draft (DD), payments made through credit cards and debit cards.

As per RBI Handbook on Statistics of Indian Economy 2015-16, a total of Rs. 16.42 lakh crore worth of currency was in circulation as at end-March 2016. Of this, Rs. 14.18 lakh crore was in form of Rs. 500 and Rs. 1000 denomination notes, representing around 86 per cent of the value of total currency and coins in circulation. In terms of number of notes in circulation, Rs. 500 and Rs. 1000 denomination notes represent about 2200 crore notes, which were about 26 per cent of total notes in circulation. Therefore, it can be seen that the step would cause immobility of a major chunk of currency in the system which is expected to result in short term inconvenience for the public but in long run may help in curbing black money.

### **Is the idea of demonetising higher value notes new?**

- ▶ The idea of demonetisation is not unique or new. Example of demonetisation is when the European Monetary Union nations decide to adopt Euro as their currency. Other countries like Zimbabwe, Fiji, Singapore and Philippines have also opted for currency demonetisation in the past.
- ▶ It has been advocated in the past few years by various think-tanks and international bodies to curb the menace of tax-evasion, terrorism financing etc. in the beginning of this year, head of European Central Bank, Mario Draghi announced that the bank is thinking to abolish the region's most-valuable bank note, the 500 euro bill in order to curb tax evasion and terrorism financing.
- ▶ Similarly, former US treasury secretary Larry Summers has also called for the demonetisation of \$100 bill.

### **Was this the first time the government is demonetising?**

No, this is not the first time the government is following the policy of demonetisation of high-



value currency. The first instance of demonetisation by the government was implemented in 1946 when the RBI demonetised Rs. 1,000 and Rs. 10,000 notes. Later, higher denomination bank notes (Rs. 1000, Rs. 5000 and Rs. 10000) were reintroduced in 1954.

Later government demonetised these notes in 1978. According to data provided by RBI Rs 10,000 note was printed in 1938 and 1954 and was subsequently demonetised in 1946 and 1978 respectively.

**Why there was a need to launch Demonetisation scheme now?**

- ▶ The decision was taken keeping in view the need for continuous pressure for the eradication of black money, in line with successive action being taken since the last two years, starting with formation of SIT in June 2014, provisions for declaration of undisclosed foreign income
- ▶ In June 2015, the approval of the measures to incentivise digital payments and move towards a less cash economy in February 2016 and the introduction of the income declaration scheme in July 2016 were the list of successive actions in the regime of current government.
- ▶ The move was taken to curb the menace of fake notes and corruption by reducing the amount of cash available in the system. It has been observed that the fake Indian currency notes of higher denomination have rapidly increased making it difficult for ordinary citizens to distinguish them from genuine notes.
- ▶ These fake notes have been heavily misused by terrorists for anti-national and illegal activities. Since India is largely a cash based economy, containing the circulation of black money and fake notes requires the introduction of schemes like this

**Why the government has banned Rs. 500 and Rs. 1000 notes particularly?**

- ▶ Some 68% of all transactions in the country are cash-based, and the Reserve Bank of India has estimated that the banned currency notes formed over 86% of all currency in circulation.
- ▶ As per the data provided by the RBI, there are 16.5 billion (45% of currency stock in 2014-15) '500 rupee' note and 6.7 billion (39% of currency stock in 2014-15) '1000 rupee' notes are in circulation at present. It has been pointed out that any economic cost in printing these notes is likely to outweigh in terms of benefit it would bring to India and Indian economy.

- ▶ In India, the rationale behind banning Rs. 500 and Rs. 1000 notes is that unaccounted money used in corruption or any deals takes place in the form of high-value notes of Rs. 500 and Rs. 1000 bills. These higher denomination notes are often found to be used for funding terrorism and corruption.
- ▶ The Financial Action Task Force (FATF), a global body that monitors the criminal use of the international financial system has observed that high-value currency units are often used in money laundering schemes, racketeering, and drug and people trafficking.
- ▶ In addition, these notes constitute a huge percentage of money spent during general elections by political parties, candidates in India.



Fig. 1

**Why Rs. 2,000 note has been Issued If the objective is to combat black money and corruption by removing large value notes?**

- ▶ It is felt that the small businesses and India Inc still needs to use cash and in such cases Rs. 2,000 denomination notes would come handy. The government has added that the central bank would cautiously monitor and regulate the issuance of Rs. 2,000 notes in the system. So, it is expected that the Rs. 2,000 notes will not be issued in large numbers.

**Impact of demonetisation on black money**

**▶ Better tax compliance**

This move is likely to lead to better tax compliance, raise the Tax to GDP ratio and improved tax collection. This could lead to lower borrowing and better fiscal management. Also with lower cash transactions in the near term, inflation may see downtrend in the near term. Also with higher tax to GDP ratio, the government may also get enough headroom to reduce the income tax



rates, which can lead to higher disposable income with people and can improve consumption demand in the medium to long term.

#### ► **Real Estate Check**

Demonetisation is seen as a check on the real estate sector where prices get pushed up artificially, reducing the availability of affordable housing for the poor and the middle class. Claiming that removal of high denomination currency notes of Rs. 1,000 and Rs. 500 would lead to decline in real estate prices making affordable housing available to all.

At present, there is excessive use of cash in real estate sector due to large cash transactions in areas such as purchase of land and housing property. The real estate prices get pushed up artificially. This reduces the availability of affordable housing for the poor and middle class.

So now, greater over-the-board transaction will lead to a decline in real estate prices making affordable housing available to all.

#### ► **Parallel economy burst**

The move is expected to curb the parallel economy as the owners of black money will not be in a position to deposit the money with them in the banks. It is likely to temporarily stall the circulation of large volume of counterfeit currency and prevent funding for anti-social activities like smuggling, terrorism, espionage etc.

The Income Tax department will be benefited with the move, as there will be more specific data gathered in the process which could help in catching the defaulters.

#### ► **Check Terror Funding**

It will put a stop to the neighbouring countries drug cartels and terrorists of supplying high value currency into India.

#### ► **Check Fake notes**

The move will also reduce the flow of fake currency in Indian markets as data shows that most of the counterfeit currency in circulation exists in high-denomination notes of Rs. 500 and Rs. 1000.

According to the Reserve Bank of India's annual report published this year, more than 2.61 lakh counterfeit notes in the denomination of Rs. 500 were detected by banks in the year 2015-2016 while another 1.43 lakh fake notes of Rs. 1000 were detected. By value, counterfeit notes of Rs. 500 and Rs. 1000 accounted for more than 92% of all the fake currency detected by banks across the country.

#### ► **SOFT MONEY surge – Online transactions and other modes of payment**

There is a massive surge in the online transactions and other modes of payment. E-wallets, digital transaction systems, e-banking, usage of plastic money are expected to see increase in demand. Eventually this would lead to strengthening of these systems and the concerned infrastructure.

Under the cash crunch situation in Banks, the role played by Automated Teller Machines (ATMs) in dispensing cash is hugely important and their success in disbursing the cash effectively is, to a great extent, going to decide the fate of the demonetisation scheme.

With the demonetisation move resulting in a drop in donations, some of the famous temples in Gujarat have started introducing e-wallets, ATMs with deposit facility and swipe machines to accept cashless donations.

#### **Criticisms**

***The decision to demonetize Rs. 500 and Rs. 1000 notes is misconceived and will not address the problem of black money for the following reasons:***

- Demonetisation will only affect those who conduct transactions in cash, are not a part of the formal banking system or have not converted their cash into assets.
- Black money is generated through evasion of taxes on income from lawful activities and money generated from illegal activities. In the absence of steps to curb the generation of black money, demonetization is a futile exercise, as it proved to be in 1978.
- As per The Indian Statistical Institute, Kolkata study done on behalf of the National Investigation Agency (NIA), Rs. 400 crores worth of fake currency is in circulation in the Indian economy. This is only .028% of Rs. 14,180 billion worth currency demonetised in Rs. 500 and Rs. 1000 notes.
- Two of the most vulnerable sectors that have traditionally been exploited for parking crime proceeds and black money is the property, and gems and jewellery market. These sectors have also been used for the temporary investment of terror funds. Unless transactions are made transparent and reflect real market value, black money and terror funds will continue to find their way into these businesses.

- ▶ FICN can potentially be reintroduced into India after a break by Pakistan. In order to sustain action, the following are suggested:
  - Enhance detection measures at public sector banks which have lagged behind some of the private banks over the years.
  - Establish a forensic cell which monitors each case of counterfeit currency to better understand the technology being applied to counterfeit notes. This must contribute to future measures to enhance security against counterfeiting.
  - The involvement of Pakistan established through a Special Court judgement in 2014 should be built upon to enhance international diplomatic pressure.

### Conclusion

While this move will help in cleansing the existing stock of black money, there is a need to ensure that black money does not resurface in another form in due course of time. For this purpose, stringent measures and monitoring would be required. This would include regulating the issuance of new large denomination notes especially of Rs. 2000. Simultaneously, a set of policies will have to be put in place so that there is little incentive for black money. This may include encouraging electronic based transactions instead of cash based, discouraging high value cash transactions, keeping tax levels moderate and administration simple and transparent, closer monitoring of real estate and bullion transactions, combating corruption, ensuring greater transparency in public procurement, providing Government benefits in a seamless manner through Direct Benefit Transfer with beneficiary database seeded with Aadhaar numbers and so on. Migrating to Goods and Services Tax is a good opportunity to bring about simplicity in the taxation

system which can encourage businesses to shun black money transactions. These measures, together with use of advance Information Technology and stricter vigilance will take the country to newer heights, reduce income disparities and help realize the dream of inclusive growth more sooner than later. Meanwhile, RBI has prescribed incremental Cash Reserve Ratio for scheduled commercial banks at 100% on the increase in NDTL (net demand and time liabilities) between September 16 and November 11, effective the fortnight beginning November 26, 2016. This is intended to be a temporary measure to absorb surplus liquidity from the system.

Demonetization provides an opportunity to encourage a shift to a digital economy. This is an essential requirement to not only reduce corruption but also create an electronic trail for transactions. This will help in bringing transparency into the financial transactions of individuals and organizations thereby constraining corruption, criminal proceeds, money laundering and the finance of terrorism, which are all linked given the common channels employed for transferring funds. While demonetization is likely to encourage it, incentives by the government for payment of bills can further encourage people to take up plastic and e-money options. This is also likely to be enhanced by the forces of market economy which are already offering money back options.

Demonetisation is an important step in the fight against the finance of terrorism. However, it should neither be the first nor the last, if the interlinked threats of corruption, crime and the finance of terrorism have to be controlled. These must also not be addressed simply within departmental and ministerial silos. Instead, an all-of government approach is imperative if each of these challenges is to be met.

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## SPECIAL ISSUES

## JOINT MILITARY EXERCISES AND INDIA'S MILITARY READINESS

### Context

**THE INDIA-BANGLADESH Joint Military Exercise, SAMPRITI 2016 is being conducted at Tangail, Dhaka, Bangladesh from 05 to 18 November 2016.**

India's prime national concerns since independence have been its territorial integrity, social and economic well being, and myriad internal security threats. Securing these interests necessitates protecting the country against external and internal threats. The Indian armed forces have met these challenges with extreme courage and professionalism in the past, and ensured that the nation's core values and principles are indeed preserved. India's rising economic clout and international stature will make increasing demands on the country's armed forces in times to come, and they will need to anticipate these many security threats and challenges, and must prepare themselves to tackle a range of military conflicts and contingencies.

To improve one's capability military exercises are conducted.

A military exercise is the employment of military resources in training for military operations, either exploring the effects of warfare or testing strategies without actual combat. This serves the purpose of ensuring the combat readiness of deployable forces and ensures the security of our nation.

### Why was it in the news recently?

India recently concluded Joint Military exercises with Nepal Sri Lanka, Bangladesh and China

- ▶ Joint Exercise Surya Kiran 2016 - India and Nepal
- ▶ Joint Military Exercise Mitra Shakti 2016 - India and Sri Lanka
- ▶ Joint military exercise SAMPRITI 2016 - India and Bangladesh
- ▶ Joint Military Exercise Hand-in-Hand 2016 - India China



*Fig. 2*

Military exercise means to create war like scenarios and maneuver war plans to test their effectiveness. Joint exercises create stability and understanding between nations, build personal and institutional links between the countries' military forces, and reinforce political, economic and commercial, and cultural linkages between the countries.

India is lagging "far behind" the neighbours in terms of Defence capabilities

- ▶ Indian Military is short of warplanes, submarines and artillery guns.
- ▶ It even lacks basics such as ammunition, bulletproof jackets and vehicles.
- ▶ DRDO, the country's top military researcher has not been able to make a pistol properly but takes away thousands of Crore every year in budget.
- ▶ The army pointed out that it didn't have "enough ammunition to fire".
- ▶ Vehicles were in short supply, putting into doubt the military's capability to tackle external threats.

- ▶ India desperately needs to modernise its aging Russian-era equipment as China and Pakistan upgrade their arsenal with latest technology and purchases. India has fought four wars with Pakistan and one with China.
- ▶ The country was short of fighter planes, an Indian Air Force officer told the panel that periodically reviews the functioning of the defence ministry. As against the “desirable strength” of 42 squadrons needed to fight off a combined threat from Pakistan and China, the force was down to just 33 squadrons. An air force squadron has 18 fighter jets.

### **The need for military exercises with other Armies**

Armies around the world have faced numerous wars which are different from each other in means of resources they fought with, terrain in which they carried out operations and the time needed to accomplish the objectives.

#### **On the operational side, military exercises enable militaries**

- ▶ To understand each other’s drills and procedures, overcome language barriers, and facilitate familiarisation with equipment capabilities.
- ▶ It also facilitates understanding and familiarisation with new technologies that other countries may be utilising and enables on-the-job training of each other’s crews.
- ▶ This is particularly useful in the event of joint operations whether in war or in operations other than war (OOTW) - humanitarian aid, disaster relief, anti-piracy, etc – when nations come together for a common cause. A fine example was the aid assistance provided by a host of nations during the tsunami in South East Asia where a massive land, air and sea rescue effort was successfully executed to provide relief to the affected countries.
- ▶ Perhaps, the most important advantage of joint military exercises is ‘strategic signalling’. A joint exercise with one or more nations serves the purpose of signalling to a third country of the influence they have in the region and a demonstration of their resolve to further their diplomatic objectives.

#### **On the Intangible side, military exercises**

- ▶ Promote brotherhood and camaraderie between soldiers and militaries.
- ▶ Besides goodwill, it is a tool for projection of a nation’s soft power – culture, language, customs, beliefs, food habits and lifestyle.
- ▶ Soldiers all over the world have almost similar rank and organisational structures, which helps establish a unique spirit of bonding and friendship between their communities irrespective of the country of origin.

#### **Geostrategic Significance of Joint Military Exercises**

In the domain of international relations, military diplomacy has, in recent years, emerged as a major tool to further diplomatic interests of nations. Participation in international level military exercises is an indication of the highest level of trust and confidence between the member nations. It is a key confidence building measure (CBM) and an indication of the faith reposed by a country on another nation or a group of member nations.

- ▶ India is rising on the world stage and having the ambition of playing significant role in shaping the world of tomorrow.
- ▶ It has become necessity for us to have plans to support its ambitions. As nation is looking for greater role in Afghanistan and in South China Sea it is essential to have joint military exercises on regular basis for better collaboration with friendly nations so in the time of need our army can work jointly with other armies to address nation’s interest.
- ▶ As the world scenario is changing there is a possibility of Indian Armed forces working with other armies. So these exercises will keep armed forces in good shape and prepared for future challenges.

#### **Indian Military Exercises**

To provide the Indian Armed forces with the first hand experience against World’s renowned Forces and to ensure its preparedness India started the process of joint military exercises and is carrying out various joint military exercises with US, UK, Russia, Israel, China, Japan, Australia, Malaysia and many other countries.

Army Exercises	
Ashwamedha	Indian Army
Shoorveer	Indian Army
Vjayee Bhava	Indian Army & Indian Air-force
Sudarshan Shakti	Indian Army & Indian Air-force
Ekuverin	India and Maldives
Mithra Shakti	India and Sri Lanka.
Shakti	India and France
Nomadic Elephant	India and Mongolia
Yuddh Abhyas	India and U.S.A.
Cope	India and U.S.A.
Surya Kiran	India and Nepal
Naval (Navy) Exercises	
Varuna	India and France
SLINEX.	Sri Lanka India
INDRA	India and Russia, bi annual military exercise
Hand in Hand.	India and China
Malabar	United States, India & Japan
Simbex	Indian Navy - Singapore
IBSAMAR	Brazil and South Africa
KONKAN	India and Britain
AUSINDEX	Indian and Australian
Milan	India and Several Asian Countries
Air-Force Exercises	
Eastern Bridge	India and Oman
Indradhanush or Rainbow	India and U.K.
Garuda	India and France
Red Flag	India and U.S.A. (In Nevada Desert of U.S.A.)
Avia Indra 2014	India and Russia

## Conclusion

India was one of the founding members of non-aligned movements (NAM) and has remained neutral since then which has adversely affected Indian armed forces and limited India's military contact with other nations. But with the changing world and regional scenario in regard of military the Indian government has changed its stance and has took steps to meet the demanding situations. One of them is to have joint military exercises with other countries.

The country has embarked upon a major military modernisation programme for increasing the size and capability of its armed forces. The scale of defence funding reflects both on its desire to make up for lost time and the changing security environment.

Modern militaries consider military readiness as an important facet of the overall policy, planning and decision making process. For our military to be ready to fight effectively - today and in the future - we have to have the right people in the right roles with the right equipment and the right training.

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# NUCLEAR DEAL WITH JAPAN

## Context

**India and Japan signed a historic bilateral civil nuclear cooperation agreement during Prime Minister Narendra Modi's two-day visit to Tokyo. Bilateral civil nuclear cooperation agreement is seen as crucial for energy-starved India to access sensitive nuclear technologies to generate clean electricity. It's a move that will boost bilateral economic and security ties and facilitate leading U.S.-based players to set up atomic plants in India.**

India has emerged as an important variable in Japanese security discourse and has been featured in Japan's first ever 'National Security Strategy' (NSS).

Since long, the United States (US) alliance structure continues to remain at the nucleus of Japanese defence and security policy. China's emergence as a key variable in shaping the regional security architecture coupled with the vigour of US commitment in the backdrop of Chinese push for a G2 formulation is making Japan diversify her options. Consequently, Japan is investing in countries like Australia and India, besides reinforcing its alliance with the US.

PM Modi visited Japan on a three-day visit for the annual summit between the two prime ministers. During the visit, India and Japan signed a bilateral civilian nuclear cooperation agreement seen as crucial for energy-starved India to access sensitive technologies to generate clean electricity.

The pact is a major achievement for India as it is Japan's first civilian nuclear cooperation pact with a country that has not signed the nuclear Non-Proliferation Treaty.

India signed a landmark nuclear deal with the US in 2008, clearing the path for the country to source nuclear power plants and technology from international markets. But with Japanese companies in possession of critical technologies, such as steel shields covering a nuclear reactor core, an accord with Japan was pivotal for India.

As of 2016, India has signed civil nuclear agreements with 12 countries so far, including Argentina, Australia, Canada, France, Japan, Kazakhstan, Mongolia, Namibia, Russia, South Korea, the United Kingdom and the United States.

The 48-nation Nuclear Supplier Group granted a waiver to India on 6 September 2008 allowing it to access civilian nuclear technology and fuel

from other countries. India is the only known country with nuclear weapons which is not a party to the Non-Proliferation Treaty (NPT) but is still allowed to carry out nuclear commerce with the rest of the world.

The recent agreement with Japan could be the most significant as Japan is the only country to have been the victim of a nuclear attack, and its decision to sign an agreement with India, a country that has not signed the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), would be a first.

India currently has 5.7 Gigawatts (GW) of nuclear power generation capacity. This accounts for 2% of the total power capacity, but this is expected to change with a sharp increase in power generation from atomic plants over the next 16 years as Asia's third largest economy moves away from fossil fuels for its energy needs.



Fig. 3

## Indo-Japan Relations

### Evolving trends

- ▶ The friendship between India and Japan has a long history rooted in spiritual affinity and strong cultural and civilization ties. The modern nation states have carried on the positive legacy of the old association which has been strengthened by shared values of belief in



- democracy, individual freedom and the rule of law. Over the years, the two countries have built upon these values and created a partnership based on both principle and pragmatism. Today, India is the largest democracy in Asia and Japan the most prosperous.
- ▶ In the recent times, the complementary nature of Indian and Japanese economies, and their converging political and security interests have led to the enhancement of India-Japan relations in the recent times.
  - ▶ The rising India-Japan relations got a boost from the launch of strategic and global partnership between the two countries in 2006. The partnership between the two countries is based on five pillars of cooperation:
    - Political, Defence and Security cooperation
    - Comprehensive Economic Partnership
    - Science and Technology Initiative
    - People to people exchanges
    - Cooperation in Regional and Multilateral forums.
  - ▶ While the emergence of a new India has opened up many business opportunities for Japan, and the world at large; also the increasing threat in the East and South East Asia region on account of a resurgent China, has led India and Japan to strengthen their relationships in the political and strategic spheres.
  - ▶ While the rise of the Chinese economy has opened up many opportunities for India and Japan in the economic sphere, China's increasing assertiveness particularly in the South China Sea, and its increasing cooperation with Pakistan and Myanmar, has concerned Japan and India respectively.
  - ▶ These concerns get reinforced from the fact that both the countries have boundary disputes with China. Both the countries also feel very realistic threat which can accrue from nuclear Pakistan and North Korea, which are being supported by China, making it a country of common concern.
- ▶ The pact is a major achievement for India as it is Japan's first civilian nuclear cooperation pact with a country that has not signed the nuclear Non-Proliferation Treaty.
  - ▶ It was signed with Shinzo Abe at the helm of affairs in Japan is also key as ties between India and Japan have warmed considerably since Abe returned to office in 2012. Abe has been keen to forge close links with India to counter the rise of China.
  - ▶ The deal has been many years in the making because India was reluctant to limit its option to carry out more atomic weapons' tests—in addition to the ones carried out in 1998—in case the need arose. And Japan—being the only country in the world to have suffered the impact of nuclear weapons being dropped on it—was uncomfortable with India having a nuclear weapons programme outside the nuclear non-proliferation regime.
  - ▶ Beyond symbolic reasons, Japanese nuclear energy technology and safety parameters are widely considered to be cutting-edge, and many critical parts needed for Indian reactors are made by Japanese manufacturers. These will not be available to India until the agreement is done.
  - ▶ Although India has even considered trying to manufacture them locally, there won't be alternatives to Japan for several years. Even the U.S. civil nuclear deal, that is yet to be actualised, is contingent on the deal with Japan, given that the current discussions for six reactors in Andhra Pradesh are with Westinghouse, which is owned by the Japanese company Toshiba.

### **Key highlights of the Agreement**

- ▶ The 'Cooperation in the Peaceful Uses of Nuclear Energy' pact provides for "the development of nuclear power projects in India and thus strengthening of energy security of the country.
- ▶ The present agreement would open up the door for collaboration between Indian and Japanese industries in India's Civil Nuclear programme.
- ▶ The pact enables India to obtain high-quality components for nuclear reactors, especially ones that we are negotiating for with Westinghouse (Electric Co.) and (French) Areva SA. Westinghouse Electric Company is a subsidiary of Japan's Toshiba Corp. Areva, too, accesses key reactor components from Japanese firms.

### **Nuclear Cooperation and recent Civil Nuclear Agreement**

Capping years of negotiations, India and Japan finally signed a bilateral civilian nuclear cooperation agreement seen as crucial for energy-starved India to access sensitive technologies to generate clean electricity.



- ▶ Among the other agreements signed was one to skill “30,000 Indian youth in the Japanese styled manufacturing in the next 10 years. This would be achieved through the programmes of Japan-India Institute for Manufacturing (JIM) and the Japanese Endowed Courses (JEC) in select Engineering colleges.
- ▶ Pacts on cooperation in space, earth sciences, agriculture, forestry and fisheries, transport and urban development and sports were also signed.
- ▶ In fact, India and Japan share many multilateral platforms, including membership of the G-4 group that is knocking at the UN Security Council’s door for reform.

The accord stipulates nuclear fuel and equipment provided can only be used for peaceful purposes, and a separate document signed alongside the nuclear agreement has a clause allowing Japan to terminate the pact if India conducts a nuclear test.

#### **Why the deal has taken so long?**

- ▶ **Opposition In Japan:** Reservations in Japan against nuclear energy have hardened after the Fukushima accident. Tokyo’s support to the deal so far is an indication of the importance it accords to relations with India.
- ▶ **NSG Issue for India:** Nuclear Suppliers Group (NSG) is a group of nuclear supplier countries that seek to prevent nuclear proliferation by controlling the export of materials, equipment and technology that can be used to manufacture nuclear weapons. The civil nuclear agreement with Japan is especially important for the message of trust it would convey to NSG members as in a year India hopes to have its admission accepted into NSG.
- ▶ **NPT Issue:** The NPT is a landmark international treaty whose objective is to prevent the spread of nuclear weapons and weapons technology, to promote cooperation in the peaceful uses of nuclear energy and to further the goal of achieving nuclear disarmament and general and complete disarmament. On this front the main sticking point has been India’s refusal to sign the NPT, as it considers the treaty unfair to the developing world. This is why India was keen on ensuring that in the haste to seal the deal with Japan, and doesn’t give in to pressure to adhere to anything more than its own self-declared moratorium on testing. India issued a unilateral moratorium on testing many years ago.

- ▶ **Nullification clause In the Agreement:** The Japanese insistence on a “nullification” clause that the agreement would cease as soon as India conducts nuclear tests. Japan have been insisting that the nuclear supplies will be cut off. But India has resisted this move, as this would disrupt its nuclear power programme and compromise on security threats from neighbours
- ▶ **Liability Issue:** Particularly post-Fukushima, Japanese manufacturers will also be expected to be more generous with India on the liability issue, given their own experience with the enormous cost of cleaning up nuclear waste.
- ▶ **Japanese Parliament (Diet) approval:** Once the agreement is signed the Japanese government will take it to the Diet in “early 2017”.

#### **Conclusion and the Way Forward**

Taking all economic and strategic dimensions into account it is necessary for India and Japan to enhance their relations from the nascent level it stands at present. Being apprehensive about the efficacy of partnership with the declining economic clout of Japan is premature. As with Japan’s high domestic savings, a well diversified economy of \$5 trillion, which is 3.5 times the Indian GDP, and a huge current account surplus, it is premature to write Japan’s epitaph. It is the only Asian country, which has excess capacity in the form of technological prowess, and the economic might which will keep it as a significant economic player in the world for a long time to come.

From Japan’s perspective it is not only necessary for Japan to hedge its stakes by investing in India, it makes sound economic sense to invest in India taking into account the increasing labour costs and near saturation of China’s market.

On the Nuclear Cooperation front, recent deal with Japan, the world’s only victim of nuclear weapons as well a country deeply scarred by the 2011 Fukushima nuclear accident, would be a powerful vote of confidence in India’s nuclear programme, as in a year it hopes to push its bid to join the Nuclear Suppliers Group. This nuclear deal with Japan is the part of India’s plan to ramp up nuclear capacity more than ten times by 2032.

India is also keen on Japanese funding for its clean energy projects. India and Japan also need to develop their cooperation in the high

technology sectors, such as space research, biotechnology, supercomputers, etc. as their joint efforts shall enable them to find solutions to various other problems plaguing the regional and global community.

In a nutshell, India and Japan's failure to involve each other earlier let them lose significant

opportunities to benefit each other in both economic and strategic spheres. However, the complementary nature of Indian and Japanese economy, and their converging security and political interests, make them "natural allies" with "common causes", and therefore, mandatory partners in the long run.

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# ASSESSMENT OF STATE IMPLEMENTATION OF BUSINESS REFORMS 2016

## Context

The Department of Industrial Policy and Promotion (DIPP) in partnership with the World Bank Group, has released the Assessment of State Implementation of Business Reforms Report 2015-16.

The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, in partnership with the World Bank Group, have released the results of the Assessment of State Implementation of Business Reforms 2015-16.

These Assessment studies are based on implemented DIPP's 340-points Business Reform Action Plan (BRAP) and results are in forms of implementation percentage for e.g. *Delhi's implementation ratio is 47.62% (Rank-19) and the calculation is based on ratio of implemented BRAP (160 in case of Delhi) & applicable BRAP i.e. total BRAP minus non applicable BRAP (340-4 = 336 in case of Delhi).*

The Assessment studies are done for all States/UTs for period 2015-16, i.e., covering the period from July 1, 2015 to June 30, 2016.

The results of the assessment demonstrate that States have increasingly risen to addressing the challenge of making it easier to do business. **The national implementation average stands at 48.93%**, significantly higher than last year's national average of 32%.

### Some of the features of Business Reform Action Plan

- ▶ Develop and make publicly available a comprehensive checklist of all required pre-establishment No Objection Certificates (NOCs), licenses, registrations and other mandatory State approvals required for setting up of a business.
- ▶ Establish a dedicated physical body/ bureau that functions as the sole point of contact for the purpose of setting up a business.
- ▶ Ensure that the single window body/bureau has been set up through a legislation/State notification.
- ▶ Implement an online Common Application Form (CAF) for all required clearances/approvals in the single window.

- ▶ Ensure information on land banks for industrial use are made publicly available online.
- ▶ Define objective criteria for evaluating an application for land allotment.
- ▶ Enact a comprehensive formal building code applicable to the entire State.
- ▶ Enact a list of green industries applicable for the State.
- ▶ Exempt selected green industries from pollution control board clearances.
- ▶ Ensure information on the procedure and a comprehensive list of all documents that need to be provided are available on the web site.
- ▶ Mandate the submission of a single integrated return under all Labour Laws.
- ▶ Ensure that users are provided assistance for e-filing at service centers.
- ▶ Design and implement a system to allow for e-filing for commercial disputes in District courts/Commercial courts.

### Parameters of Ease of Doing Business

- ▶ Starting a business – Procedures, time, cost and minimum capital to open a new business
- ▶ Dealing with construction permits – Procedures, time and cost to build a warehouse
- ▶ Getting electricity – procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse
- ▶ Registering property – Procedures, time and cost to register commercial real estate
- ▶ Getting credit – Strength of legal rights index, depth of credit information index

- ▶ Protecting investors – Indices on the extent of disclosure, extent of director liability and ease of shareholder suits
- ▶ Paying taxes – Number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit
- ▶ Trading across borders – Number of documents, cost and time necessary to export and import
- ▶ Enforcing contracts – Procedures, time and cost to enforce a debt contract
- ▶ Resolving insolvency – The time, cost and recovery rate (%) under bankruptcy proceeding

### Highlights of Implemented Reforms

- ▶ **Single Window Systems:** Various States have created a dedicated body/bureau as a one-stop system for State level regulatory and fiscal incentive approvals with powers to grant approvals. States are: *Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Jharkhand, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Telangana and Uttarakhand.*
- ▶ **Tax Reforms:** Many States have made good progress in tax reforms viz. e-registration for Value Added Tax (VAT). Central Sales Tax (CAT), Entry Tax etc. States are: *Bihar, Chhattisgarh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Uttar Pradesh, Uttarakhand and West Bengal.*
- ▶ **Construction permits:** Many States have allowed applicants to apply online and upload building plans for automated construction permit approval. States are: *Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Rajasthan, Telangana and Uttarakhand.*
- ▶ **Environment and Labour Reforms:** States have also implemented advanced automated (internet based) real-time solutions to deal with environmental and pollution related applications and approvals. States are: *Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil*

*Nadu, Telangana, Uttar Pradesh, Uttarakhand and West Bengal.*

- ▶ **Inspection Reforms:** A number of inspection reforms with regard to labour, tax and environment related compliances have been introduced with transparency across the States to help businesses comply with inspection requirements in a user-friendly manner. States are: *Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Odisha, Punjab, Rajasthan, Punjab, Telangana, Uttar Pradesh and Uttarakhand.*
- ▶ **Commercial Disputes and Paper-less Courts:** To address the concern of time and costs associated with various legal processes, District Courts in various states have also made the provision of making online payments, e-filing and e-summons. Few States have also filled up vacancies in District Courts/commercial courts to ensure availability of adequate capacity for dealing with various cases. States are: *Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Jharkhand, Madhya Pradesh, Maharashtra, Rajasthan and Telangana.*

### Major outcomes of the assessment

Data for this assessment was collected from State Governments. At least, 32 State and UT Governments submitted evidence of implementation of 7,124 reforms which were reviewed by the World Bank team and validated by DIPP's team to study whether they met the objectives of the BRAP. Major outcomes of the assessment:



### Ease of Doing Business state ranking

RANK 2016	STATE	SCORE (%)	RANK 2015
1	ANDHRA PRADESH	98.78	2
1	TELANGANA	98.78	13
3	GUJARAT	98.21	1
4	CHHATTISGARH	97.32	4
5	MADHYA PRADESH	97.01	5
6	HARYANA	96.95	14
7	JHARKHAND	96.57	3
8	RAJASTHAN	96.43	6
9	UTTARAKHAND	96.13	23
10	MAHARASHTRA	92.86	8

Fig. 4

- ▶ The National implementation average stands at **48.93%**, significantly higher than last year's national average of 32%.
- ▶ Andhra Pradesh and Telangana are the best implementers with implementation ratio of 98.78%.

- ▶ Arunachal Pradesh, Jammu & Kashmir, Chandigarh, Meghalaya, Andaman & Nicobar Island and Lakshadweep are at the bottom with 0.30%.
- ▶ Uttarakhand took highest leap of 14 ranks as it reached at 9th position from 23rd from last year.
- ▶ Karnataka scores maximum in terms of investment. However, it ranks 13 on ease of doing business with a score of 88.39%.
- ▶ South Indian states have done phenomenally well in terms of implementation of single window clearing and tax reforms.
- ▶ 16 states implemented more than 75% of the reforms, whereas last year not a single state implemented more than 75% of reforms.

There is also a lesson to be learnt from this assessment. The assessment results are based

on an online dashboard created by the DIPP that tracks implementation in real time. The dashboard updates rankings every time a response by a state is validated by the DIPP. This kind of real time data collection should be adopted for compiling other statistics such as employment data.

The exercise is aimed at promoting competition among states with a view to improve business climate to attract domestic as well as foreign investments.

In the World Bank's latest 'Doing Business' report, India's place remained unchanged from last year's original ranking of 130 among the 190 economies that were assessed on various parameters. But the last year's ranking was revised to 131 from which the country has improved its place by one spot.

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# ENERGY EFFICIENCY IMPLEMENTATION READINESS INDEX

## Context

World Bank in collaboration with Energy Efficiency Services Limited (EESL) - a public sector undertaking - and PwC has released Energy Efficiency Implementation Readiness Index.

World Bank has released studies on India's energy efficiency and how different parts of the country are making efforts to make the best use of the limited energy available.

The report titled '**India's State Level Energy Efficiency Implementation Readiness**' is prepared by the World Bank in collaboration with Energy Efficiency Services Limited (EESL) - a public sector undertaking - and PwC (Price waterhouse Coopers) - a privately owned professional services company.

The study developed an evaluation framework and comparative analysis for assessing the readiness for energy efficiency (EE) implementation in various states under three broad readiness categories:

- ▶ Policy and Incentives,
- ▶ Market Maturity, and
- ▶ Institutional Capacity.

### Key Findings of Report

- ▶ Andhra Pradesh topped in energy efficiency by achieving an energy saving of 1,500 million units in two years through use of LED lighting.
- ▶ Andhra Pradesh (42.01 readiness index), Rajasthan (41.89), Karnataka (39.34) and Maharashtra (39.29) are the top four states in terms of EE implementation readiness.
- ▶ Kerala, Gujarat, NCT Delhi, Punjab, Odisha and Uttar Pradesh respectively are the other states in the top ten ranking.
- ▶ The study suggests adoption of achievable energy savings targets against the identified energy efficiency interventions and set a timeframe to pursue these targets.
- ▶ The report recommended that State Electricity Regulatory Commissions should notify targets to utilities (in the case of thermal power generation) to achieve an optimal level of station heat rate (SHR) in power generation

along with the penalty provisions in the case of non-compliance.

- ▶ It also recommend for notifying the urban local bodies (ULBs) to take energy efficiency measures in public uses such as energy efficient street lighting (LED), water supply pump sets (Star labelled).
- ▶ Its recommendations also wants directions for state transport corporations to include fuel economy in their vehicle procurement criteria.

In another report titled '**Utility Scale DSM (demand side management) Opportunities and Business Models In India**', the World Bank has marked India's efficiency market at Rs. 1.6 lakh crore, which is four times the Rs. 44,000 crore in 2010 against the backdrop of the success of the government's UJALA (*Unnat Jyoti by Affordable LEDs for ALL*) scheme to distribute LED bulbs.

According to the study, rapidly changing DSM market potential is capable to deliver 178 billion units of electrical energy savings per annum. This delivery will roughly reduce India's annual electricity consumption at around 18-20 per cent of the current level.

The report also pointed out the tremendous potential of solar photovoltaic (SPV) rooftop system along with emerging smart grid technologies for utility DSM in India.

### Why focus on energy efficiency?

Energy efficiency is "using less energy to provide the same service". Energy efficiency is not energy conservation. Energy conservation is reducing or going without a service to save energy.

Focus on energy efficiency is important because of the following reasons

- ▶ **National economy & growth:** Energy efficiency will bring down the demand of energy, which will lead economical benefit at individual

level and at national level, it will give leverage to government to divert money spent on energy towards other requirements of nation. It will also enhance productivity and employment due to availability of energy.

- ▶ **Sustainable Development:** If we didn't have energy efficiency, we would have to produce or import energy sources like oil, natural gas, and coal. So, energy efficiency helps us keep more resources on the earth longer.
- ▶ **Global Warming (Environmental Concern):** From power plants to cars, consuming energy can produce emissions that harm our environment and can raise global temperature.

#### Key energy efficiency initiatives in India

- ▶ **Perform Achieve and Trade Scheme (PAT):** An innovative market based mechanism to enhance energy efficiency of energy intensive industries through trading of energy saving certificates (ESCerts). All identified industrial units are mandated to reduce their Specific Energy Consumption. The reduction targets are based on their current energy efficiency (average plant reduction target is ~4.8%) Industrial units that are able to achieve their targets can receive energy savings certificates, which can be traded on the power exchanges and bought by non-compliant units to meet their compliance requirements. Industrial units that are unable to meet the targets (through their own actions or through the purchase of ESCerts) are liable to financial penalty.
- ▶ **Market Transformation for Energy Efficiency (MTEE):** Aims at accelerating the shift to energy efficient appliances through measures to make the products more affordable. Two key programs:

Bachat Lamp Yojna (BLY) for energy efficient lighting. Over 29 million incandescent bulbs have been replaced by Compact fluorescent lamps (CFLs) under this scheme. In the next phase, the Bureau of Energy Efficiency (BEE) will promote the use of LED lights using the institutional structure of BLY Program<sup>2</sup>; and

Bachat Super Efficient Equipment Program (SEEP).

- ▶ **Energy Efficiency Financing Platform (EEFP):** Ensures availability of finance at reasonable rates for energy efficiency project implementation. The scheme also involves creating demand for energy efficient products and services through the preparation of bankable projects and markets. Additionally, the scheme aims to build credible monitoring and verification protocols to capture energy savings; and building capacity of banks and FIs (Financial Institutions).
- ▶ **Framework for Energy Efficient Economic Development (FEED):** Involves development of fiscal instruments to promote energy efficiency. For instance, the following funds have been created:
  - Partial Risk Guarantee Fund for Energy Efficiency (PRGFEE): a risk sharing mechanism for partial risk coverage for banks extending loans for energy efficiency projects; and
  - Venture Capital Fund for Energy Efficiency (VCEE): provides equity capital for energy efficiency projects (limited to government buildings and municipalities).
- ▶ **Renewable Purchase Obligations (RPO):** Under this program, electricity distribution companies are mandated to procure a certain percentage of their energy from renewable energy sources. To meet this target, the obligated entity can either purchase renewable energy or it can purchase equivalent Renewable Energy Certificates (RECs). RECs are a market based instrument to help address the mismatch between availability of renewable energy resources in the state and the requirement of distribution companies to meet their obligations. Under a proposed policy amendment, distribution companies in India could be obliged to purchase 8% of solar power by March 2019, up from the original target of 3% by 2022.



**Barriers for Energy Efficiency**

- ▶ Cross-subsidized electricity prices leading to wastage in residential and agricultural sectors. Limited information about the benefit of energy efficiency investments and technologies.
  - ▶ Lack of enforcement of standards, codes, and labelling.
  - ▶ Mistrust of counter-parties in the context of weak contract enforcement.
  - ▶ Bias against the counter intuitive disposal of existing plant and equipment.
  - ▶ Difficulty of measuring 'negawatts' (or efficiency savings) in the context of project cash flows.
- ▶ Asymmetric risk/reward distributions (mostly in the building sector for owner/investors versus tenants).
  - ▶ Competing objectives in complex planning situations involving new investments and development.
  - ▶ Inadequate investment in supportive institutional mechanisms and human resources.
  - ▶ High transaction costs from legal, technical, and transactional complexities, like non-standardized deal structures and substantial technical content of project appraisal, development, and monitoring.

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# SENDAI FRAMEWORK ON DISASTER RISK REDUCTION

## Context

New Delhi (India) hosted three days 6th Asian Ministerial Conference on Disaster Risk Reduction (AMCDRR)-2016 from 3rd to 5th November'16, which was attended by ministers from 61 countries of Asian and Pacific region.

A disaster is an event or series of events that leads to sudden disruption of normal life, causing severe damage to life and property to an extent, that available social and economic protection mechanism are inadequate to cope.

Disasters could be, natural (geological, hydro-meteorological and biological) or induced by human processes (environmental degradation and technological hazards).

Disasters proceed by cause-effect due to endogenous (inherent) and exogenous (external) factors, which combine to excite the phenomenon into a large-scale destructive event.

Disaster risk reduction is the concept and practice of reducing disaster risks through systematic efforts to analyse and reduce the causal factors of disasters. Reducing exposure to hazards, lessening vulnerability of people and property, wise management of land and the environment, and improving preparedness and early warning for adverse events are all examples of disaster risk reduction.

Disaster risk reduction is a part of sustainable development, so it must involve every part of society, government, non-governmental organizations and the professional and private sector. It therefore requires a people-centred and multi-sector approach, building resilience to multiple, cascading and interacting hazards and creating a culture of prevention and resilience. Consequently DRM includes strategies designed to:

- ▶ Avoid the construction of new risks
- ▶ Address pre-existing risks
- ▶ Share and spread risk to prevent disaster losses being absorbed by other development outcomes and creating additional poverty

### Why in news?

6th Asian Ministerial Conference on Disaster Risk Reduction (AMCDRR)-2016 was organized by

the government of India in collaboration with the United Nations Office for Disaster Risk Reduction (UNISDR). Main outcomes of this conference were adoption of the *New Delhi Declaration* and the *Asian Regional Plan for implementation of the Sendai Framework* endorsed by Asian countries.

### Highlights of New Delhi Declaration

- ▶ This declaration illustrated the commitment of participating nations towards preventing and reducing disaster risk and strengthening the resilience.
- ▶ It recognize the need to accelerate the implementation of the agreed global frameworks, i.e. Sendai Framework.
- ▶ It commit to the principle of a people-centred and whole-of-society approach towards disaster risk reduction and the need to support the coordination role of UNISDR.

### Highlights of Asian Regional Plan for Sendai Framework

- ▶ In order to implement Sendai Framework 2015-30, Asian Regional Plan stratified targets of Sendai Framework into five time frames viz. targets *By-2016, By-2018, By-2020, By-2022 & By-2030*.
- ▶ For implementation of Sendai Framework it divided action plans into 'Regional Level' & 'National and Local Level'.
- ▶ Besides, it also has a two-year action plan to further disaster risk reduction with specific, actionable activities.

### What is Sendai Framework on Disaster Risk Reduction?

The "Sendai Framework for Disaster Risk Reduction 2015-2030" (SFDRR) was adopted during the Third United Nations (UN) World Conference on Disaster Risk Reduction (WCDRR) held in Sendai, Japan on 14-18 March, 2015.

It is the first major agreement of the post-2015 development agenda, with seven targets and four priorities for action. The Sendai Framework is the successor instrument to the Hyogo Framework for Action (HFA) 2005-2015: Building the Resilience of Nations and Communities to Disasters.

The Sendai Framework's primary focus on risk reduction and resilience is a common element highlighted in all the 2030 development agendas adopted by all member states of the United Nations, such as the Addis Ababa Action Agenda on Financing for Development, the Sustainable Development Goals, the Paris Agreement on Climate Change, the Agenda for Humanity and New Urban Agenda.

The Sendai Framework introduces seven global targets to assess global progress toward the expected outcome. The seven global targets represent a means to quantify and qualify the "substantial reduction" indicated in the expected outcome.

### **Global Targets**

- ▶ Substantially reduce global disaster mortality by 2030, aiming to lower average per 100,000 global mortality rate in the decade 2020-2030 compared to the period 2005-2015.
- ▶ Substantially reduce the number of affected people globally by 2030, aiming to lower average global figure per 100,000 in the decade 2020-2030 compared to the period 2005-2015.
- ▶ Reduce direct disaster economic loss in relation to global gross domestic product (GDP) by 2030.
- ▶ Substantially reduce disaster damage to critical infrastructure and disruption of basic services, among them health and educational facilities, including through developing their resilience by 2030.
- ▶ Substantially increase the number of countries with national and local disaster risk reduction strategies by 2020.
- ▶ Substantially enhance international cooperation to developing countries through adequate and sustainable support to complement their national actions for implementation of this Framework by 2030.
- ▶ Substantially increase the availability of and access to multi-hazard early warning systems and disaster risk information and assessments to the people by 2030.

### **Priorities Areas for Action**

SFDRR defined four priorities areas where action is needed:

- ▶ Understanding disaster risk.
- ▶ Strengthening disaster risk governance to manage disaster risk.
- ▶ Investing in disaster risk reduction for resilience.
- ▶ Enhancing disaster preparedness for effective response and to "Build Back Better" in recovery, rehabilitation and reconstruction.

Disaster risk management involves activities related to:

#### **Prevention**

The outright avoidance of adverse impacts of hazards and related disasters (often less costly than disaster relief and response). For instance, relocating exposed people and assets away from a hazard area.

#### **Mitigation**

The lessening or limitation of the adverse impacts of hazards and related disasters. For instance, constructing flood defences, planting trees to stabilize slopes and implementing strict land use and building construction codes.

#### **Transfer**

The process of formally or informally shifting the financial consequences of particular risks from one party to another whereby a household, community, enterprise or state authority will obtain resources from the other party after a disaster occurs, in exchange for ongoing or compensatory social or financial benefits provided to that other party. For instance, insurance.

#### **Preparedness**

The knowledge and capacities of governments, professional response and recovery organisations, communities and individuals to effectively anticipate, respond to, and recover from the impacts of likely, imminent or current hazard events or conditions. For instance, installing early warning systems, identifying evacuation routes and preparing emergency supplies.

Incorporation of the seven goals and four priorities of SFDRR, India has released the **National Disaster Management Plan**

**(NDMP)** on 1st June'2016. This is the first ever national plan prepared in the country in the field of Disaster Management.

The vision of the Plan is to "Make India disaster resilient, achieve substantial disaster risk reduction, and significantly decrease the losses of life, livelihoods, and assets – economic, physical, social, cultural and environmental – by maximizing the ability to cope with disasters at all levels of administration as well as among communities.

### **Sallent Features of NDMP**

- ▶ The plan covers all phases of disaster management: prevention, mitigation, response and recovery.
- ▶ The plan has a regional approach, which will be beneficial not only for disaster management but also for development planning.
- ▶ The plan spells out the roles and responsibilities of all levels of Government right up to Panchayat and Urban Local Body level in a matrix format.

- ▶ It is designed in such a way that it can be implemented in a scalable manner in all phases of disaster management.
- ▶ It also identifies major activities such as early warning, information dissemination, medical care, fuel, transportation, search and rescue, evacuation, etc. to serve as a checklist for agencies responding to a disaster.

### **Conclusion**

The framework or guidelines for disaster risk management should not just remain on paper rather it should be dynamic and working. The plan should ensure that it addresses the responsibilities of the task force members as well as the families/ individuals living in that area.

The planning should be a continuous process. Further there should be an effective convergence of the plan prepared by the community with the larger programmes/development plans of the region.

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## “PROGRESS PANCHAYAT” INITIATIVE

### Context

The government has launched *Progress Panchayat*, a campaign to reach out to the minorities, particularly Muslims, to create awareness in these communities about the government's policies and programmes.

India is a multi-religious country and her society is pluralistic in nature from the religious and other points of view. Not only major religious communities are spread all over the country, but the people belonging to all religious communities reside in each village and town in the country.

Religious minority groups in India are chiefly the **Muslims, the Christians, the Sikhs, the Jains and the Buddhists**, who have been able to preserve their group identities and have also stayed in the mainstream of national policies.

#### India now has

- ▶ Hindus 79.8% - 966.3 million
- ▶ Muslims 14.23% - 172.2 million
- ▶ Christians 2.3%
- ▶ Sikhs 1.72%

The Muslims in India constitute the largest religious minority in the country. Though a minority in its numerical strength, it is as big as to make it the second biggest Muslim population in the world, next to Indonesia. The Muslims constituted **14.2** per cent of the Indian population according to the **2011** census, and form an important segment in the social fabric of the country. But economically, Muslims are the most backward community with the lowest employment rate. With such backward economic status, there is immediate need of government incentive for their empowerment and development.

#### Why was it in the news recently?

The government launched **Progress Panchayat**, a campaign to reach out to the minorities, particularly Muslims, to create awareness in these communities about the government's policies and programmes and remove “fears and misconceptions” about the government.

#### Problems of Religious Minorities

The problems of minorities, who are relatively lesser in numerical strength than the majority

community, have been gaining too much importance in the policies of many nations in the world. Both the developed and developing countries are also caught in the problems associated with the minorities.

The minority communities have to face several problems in India.

- ▶ **Disintegrated In Society:** The minorities are not able to integrate properly in the Hindu-dominated society.
- ▶ **Conversions:** There is apprehension among some sections that for enlarging its base, the Christian community is involved in converting the low caste Hindus or tribes to its own community or religion, resulting in the killing and intense conflict between the majority Hindus and the Christian minority. This has created too much insecurity and fear among the Christian minority in India.
- ▶ **Less Development Package:** The minorities claim that unlike their Hindu counterpart, they are relatively deprived in areas like employment, politics and social facilitation. According to them, they are poorly represented in civil services as well as in medical and engineering colleges.
- ▶ **Riots:** The serious communal riots especially after 1960s have instilled a sense of insecurity among the minorities and tend to push them into their narrow communal shell.
- ▶ **Caste Conflicts:** During the caste conflicts, the minority groups seek police protection. But the government in power also finds it difficult to provide such protection for all the members of minorities.
- ▶ **Arbitrary Arrests of Muslims In Terrorism Cases** Many Muslim men have been arbitrarily detained, interrogated, and tortured after bombing attacks, especially between 2006 and 2008. (Later investigations found that members of Hindu extremist groups were actually responsible for some of these attacks.) Authorities have also used draconian and abusive laws, including the Sedition Law and

Unlawful Activities (Prevention) Act, to target Muslims. Indian human rights groups have repeatedly expressed concerns over profiling of Muslims and the use of prolonged detention

- ▶ **Impunity In Communal Violence Cases:** Threats of communal violence increase when local forces wait for orders before acting, or worse, are instructed not to act. These problems are compounded when responsible officials are not held accountable after the fact. The recurring theme in the aftermath of all the tragic events is impunity. When state authorities fail to investigate incidents properly, courts or government human rights commissions step in, document potential complicity, and recommend or order state authorities to redouble efforts to hold people responsible. The results are often anaemic—only partial, incomplete justice at best.
- ▶ **Impunity for Military Forces:** The Indian armed forces continue to commit human rights violations in Muslim-majority Jammu and Kashmir state, and in the north-eastern states that are home to many ethnic minority groups. Human rights groups have long documented serious abuses by members of the Indian military, including torture, extra-judicial killings, and enforced disappearances. But members of the military are rarely investigated or prosecuted. Indian military personnel are effectively shielded from prosecution for incidents in Jammu and Kashmir and the north-east under the Armed Forces Special Powers Act, which provides military personnel immunity from prosecution when deployed in areas under emergency rule. Despite repeated domestic and international condemnations calling for repeal of the law, it remains in force, due largely to military opposition.

Now, secularism is used merely as a slogan of opportunism. The politicians found it easy to align a large number of multi-cultural citizens into culturally distinct groups for the realization of their vested interests. Most of the communal riots in the country have been the handiwork of disgruntled politicians, anti-social elements and criminals. Demolition of the Babri Masjid in December 1992, the Mumbai riots, and the Godhra carnage and subsequent massacres in 2002 revealed the serious weakness and susceptibility of India's commitments towards democracy and secularism. Thus, the condition of religious minorities in India continues to be very complex and critical.

### Case Study: Violence against Minorities

In the run-up to 2014 year's elections in India, it appears that tensions have escalated between Hindu and Muslim communities, leading to a 30 percent increase in incidents of communal violence as compared to 2012. The central government's Ministry of Home Affairs reported 823 incidents of communal violence in 2013, in which 133 people died and over 2,000 were injured.

One of the worst such incidents involved mass violence in September 2013 in Muzaffarnagar district in Uttar Pradesh, events in which at least 60 people died. The events began with an altercation on September 7, which led to the deaths of two Hindus and a Muslim. Inflammatory speeches by right-wing Hindu leaders and allied groups led to three days of violence, which spread to neighbouring districts and only ended after a curfew was imposed and the Indian army was deployed to restore law and order.

In addition to the 60 people killed, at least six cases of gang rape and sexual violence were reported. Muslim citizens from more than 150 villages were compelled to flee their homes, and even today, thousands of them remain displaced, fearful to return. The state government claimed in December that 5,000 people were then still displaced, but local aid groups have said the number is more than five times that, about 27,000 people.

In the aftermath of this violence, the state government failed to provide adequate aid to the displaced, and have in fact forcibly closed down some of the camps set up for the displaced, many of whom have now relocated to various villages and are living in tents on other people's property, or on scraps of otherwise unused land.

At some of the camps in January, and displaced Muslims were living in deplorable conditions, and facing shockingly high rates of childhood mortality. According to one government commission, as of January at least 34 children had died in camps since September.

The Supreme Court issued a ruling that the Uttar Pradesh state government had been negligent during the September 2013 violence, by not taking necessary steps to stem the

rising violence. The court then ordered the government to undertake rigorous efforts to investigate and prosecute persons involved in the violence.

Government failures to address communal violence extend beyond religious minorities and non-Hindus. The government has also failed to ensure the safe return of Hindus from Jammu and Kashmir state displaced in the 1990s after being targeted by militant groups.

### Constitutional Position of Minorities

The Preamble of the Constitution describes the concept of secularism which means that the State has no religion of its own, and there is equal respect for and protection to all religions.

- ▶ No one is to be discriminated on grounds of religion and everyone is guaranteed full and equal freedom of religion.
- ▶ Article 30 of the Indian Constitution states that the minorities have rights to establish and administer educational institutions of their choice. This includes the right to choose the medium of instruction, curricula, and subject to be taught. Minorities can impart instructions to their children in their own languages.
- ▶ The National Commission for Minorities undertakes review of the implementation of the policies formulated by the Union and state governments with regard to minorities. It looks into specific complaints regarding deprivation of rights and safeguards of minorities, and conducts research and analysis on the question of avoidance of discrimination against the minorities.

### Achievement of the Ministry of Minority Affairs (Government of India)

#### Schemes of the Minority Affairs Ministry

- ▶ “Seekho aur Kamao” - Under “Seekho Aur Kamao” (Learn and Earn) schemes, about 2200 people had been provided training from 2014.
- ▶ “Nai Manzil”
- ▶ “Nai Raushni” - Under “Nai Raushni” scheme, 3300 people had been provided job-oriented training.
- ▶ “Ustaad” - Initiative to preserve, protect and promote ancient art, culture of the Minority communities.
- ▶ “Nai Udaan”

- ▶ “Pradhanmantri Jan Vikas Karykram” (MsDP) - has been providing basic amenities such as school, hospitals, roads and other infrastructure in Minority concentrated areas.

#### Minority Affairs Ministry has been working on different strategies for welfare of Muslim community which include:

- ▶ **Protection and Development of WAQF properties:** Efforts to free the WAQF properties from the clutches of “WAQF mafias” across the country and establishing a one-man “Board of Adjudication” at the Centre level to deal with complaints regarding WAQF properties. The Board will be headed by a retired Supreme Court Justice. Three-member tribunals are being established in the states. About 15-16 states have established these tribunals. Other states should also do this soon.
- ▶ **Infrastructure:** Minority Affairs Ministry, in cooperation with the state governments, will construct schools, colleges, malls, hospitals, skill development centres etc and revenue generated will be utilized for educational and other developmental activities for the Muslim community.
- ▶ **Community Centres:** Multi-purpose community centres “Sadbhav Mandap” will also be constructed on WAQF land which will be utilized for marriage ceremonies, exhibitions and also relief centres during a calamity.
- ▶ **Culture and Heritage Preservation:** Ministry of Minority Affairs has also taken initiative to preserve, protect and promote ancient art, culture of the Minority communities under “Ustad” scheme. Artisans belonging to Minority Communities from across the country’s far-flung corners will display their traditional arts and skills at India International Trade Fair (IITF). This will provide an excellent platform to thousands of artisans belonging to Minority communities from across the nation to display their arts and skills before the domestic and international visitors.
- ▶ **Skill Development:** The exhibition “Hunar Haat” (Skill Haat), will be an amazing gathering of artisans from every corner of the country. It will be for the first time that these talented artisans/craftsmen from far-flung areas of the country are being provided an opportunity to showcase their skills at national-international level under one roof.



**Recent Developments: Progress Panchayat**

Government has launched its first of the Progress Panchayats in Mewat region of Haryana. Mewat has a significant Muslim population. This comes after a series of violence against weaker sections in recent times.

There is no dearth of schemes and funds for development of Muslim and other Minority communities but the need is to inform the people about these welfare measures and already campaigns launched on war-footing. "Progress Panchayat" will prove to be an effective mission for this purpose.

**Required approach**

- ▶ Clean, honest and transparent system has been resulted into socio-economic-educational empowerment of poor, weaker sections, Minorities on the ground level.
- ▶ Also, only preparing policies and schemes on paper is not sufficient. It is to be ensured that these schemes, aimed at welfare of the needy, are producing results on the ground.
- ▶ Govt should go to the people, listen to their problems and resolve them. Then only, the fruits of development will reach even to the last person of the society.
- ▶ The officials should visit villages to ensure benefits of welfare schemes are reaching to every needy person.

**Progress Panchayats**

- ▶ Govts Progress Panchayat is aimed at trying to build the confidence of the Muslims and other sections of society. It is a measure to create a vote of trust.
- ▶ The panchayats would analyse the level of progress reached by the communities.
- ▶ Govt is drawing attention to the community's problems to ensure the Dalits and minorities should not be lumped into a political monolith.

**Suggestion to deal with Problems of religious Minorities**

- ▶ Enact a stronger law to prevent communal violence. A draft Prevention of Communal Violence Bill is floundering because some political parties want to dilute its provisions.
- ▶ Strengthen existing human rights commissions such as the National Commission for Minorities

and the National Commission for Scheduled Castes, which monitor the rights of religious minorities, Dalits, and tribal groups. In some cases, the effectiveness of these commissions has been compromised after the government has staffed them with non-expert, political appointees.

- ▶ Repeal the Armed Forces (Special Powers) Act.
- ▶ Discipline or prosecute responsible members of the security forces, regardless of rank, who unjustifiably fail to stop violence or do not act impartially during events of communal violence.
- ▶ Enact a strong law against torture that conforms with the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment. (A pending Prevention of Torture bill is under consideration in India's parliament.)
- ▶ The government should seriously consider the Sachar Committee Report without any delay and implement its recommendations.
- ▶ People-to-people contact, social consciousness, abolition of illiteracy etc. may prove useful confidence-building measures.
- ▶ The secular values must be internalised by the people and political parties. No political party should be permitted to contest election by exploiting the emotions of a particular community.
- ▶ Efforts should also be made to promote liberal social reforms to deal effectively with communalism and the influence of communalist leaders.
- ▶ The secular political class of India should campaign for widening the base of education for Muslims. The religious minorities have to be empowered educationally and economically.

**Conclusion**

In order to improve the condition of the religious minorities in India, the government in power should make every effort to restore their confidence. It is also necessary to create conditions in which the minorities are assured that their constitutional and legal rights are safeguarded. The government should seriously respond to the real needs and requirements of the poor and needy minority groups. The progress of the country can be achieved if all the religious communities in India live in perfect harmony.

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# NITI AAYOG LAUNCHES AGRICULTURAL MARKETING & FARM FRIENDLY REFORMS INDEX

## Context

NITI Aayog has launched first-ever index on reforms in the farm sector. Maharashtra has been ranked first in the country on reforms in agricultural marketing, followed by Gujarat and Rajasthan. On the other side Uttar Pradesh, Punjab, West Bengal, Assam, Jharkhand and Tamil Nadu performed poorly, not even reaching the halfway mark.

Agriculture is the backbone of Indian Economy. Agriculture is the core sector for food security, nutritional security, sustainable development & for poverty alleviation in India.

- ▶ It employs almost 60% of the population.
- ▶ Feeds 130 Crore people.
- ▶ It contributes about 14% to the GDP.
- ▶ The annual growth of agriculture in the long term has been around 2.5%.
- ▶ Milestones in agriculture development in India since independence includes:
  - Green revolution
  - Evergreen revolution
  - Blue revolution
  - White revolution
  - Yellow revolution
  - Bio technology revolution
  - 3rd Green revolution in Agriculture - The most recent one is Information and communication technology revolution in Agriculture.

The low levels of productivity, growth and incomes is ailing the farm sector in India and causing immense agrarian distress. Without undertaking radical reform it is impossible to transform agricultural sector and double farmers' income. However, state governments have been extremely lax in implementing much needed reforms to modernize agriculture and create a favourable policy and market environment for farmers.

Recently, NITI Aayog launched AGRICULTURAL MARKETING & FARM FRIENDLY REFORMS INDEX. It's first-ever index on reforms in the farm sector. Maharashtra has been ranked first in the country on reforms in agricultural marketing, followed by Gujarat and Rajasthan. On the other side Uttar Pradesh, Punjab, West Bengal, Assam, Jharkhand

and Tamil Nadu performed poorly, not even reaching the halfway mark.



Fig. 5

## Constitutional Provisions

Agriculture is a state subject in Indian Constitution. Union Governments can't legislate on activities of cultivation of agriculture produce. Through legislation it can't compel states to produce a particular crop

- ▶ Central government intervene through promotional schemes for particular produce by providing financial incentives for particular crops like pulses etc.
- ▶ Also Centre may legislate on inter-state trade and quality of agriculture produce and its distribution.
- ▶ Centre can make laws on those state subjects who are related to international treaties for e.g. commerce and agriculture. Though agriculture and commerce belong to state law, centre is permitted to make laws under state list for giving effect to international treaties.

**Government Initiatives - Recent Budget and Farm Sector**

**The most significant aspect of this Budget lies in the:**

- ▶ Seismic shift in Govt Approach which moves agriculture away from being a **“survival” Industry to one that should generate “significant returns.”**
- ▶ For the first time in post-Independence India, there is explicit recognition that agriculture need not be just about food security and poverty reduction but about income generation and growth.
- ▶ This thinking could potentially see agriculture as a conduit for greater international trade. M.S. Swaminathan, father of India’s Green Revolution, welcomed the income orientation of this year’s budget saying, “The dawn of a new era in farming is in sight”.
- ▶ The private sector must play a part but will not do so unless it sees signals from the government that it is serious about agricultural change. Agriculture-Industry and Public-Private partnership is the key to deepening R&D in the sector, and to developing markets.
- ▶ Public spending on basic infrastructure – irrigation, roads, electrification, storage and access to markets – as well as priority sector lending are requisites to inducing the private sector to invest in areas such as supply chain infrastructure and services (e.g. R&D and global markets) for value addition.

*Monetary allocation highlights for improved agricultural income growth:*

- ▶ Government set a target to double farmer incomes by 2022.
- ▶ These include the development of a long-term irrigation fund valued at INR 20,000 Crore.
- ▶ Raising agricultural credit to INR 9 lakh Crore for the fiscal year 2016-17.
- ▶ 0.5% Krishi Kalyan Cess – a dedicated levy for the improvement of agricultural facilities – on all taxable services.

*A doubling of incomes will require large-scale changes such as:*

- ▶ First, there must be greater diversification towards high-value crops and enterprises. Staple crops alone will not raise farm incomes. Indian National-level data reveals that shifting to high-value crops can quadruple income from the same piece of land.

- ▶ Second, more cutting-edge technologies and new approaches to farming must be brought in. IT and biotechnology alongside irrigation are integral to raising productivity.
- ▶ Third, farmers must receive better prices but this can only be done through more competitive markets, better value chains and improved linkages between field and fork. The fourth requires a re-skilling of farmers away from cultivation. Fifth, the Minimum Support Price needs review because at present, funding is unsustainable and will be put to better use elsewhere.

**Case Study : India vs. China**

- ▶ If Govt wants further incentive for change then it needs look no further than our neighbour.
- ▶ China has outperformed India in agriculture even though China has less arable land (135.4 million hectares to India’s 159.7 million hectares).
- ▶ Wheat in India and China is grown on irrigated land but the Chinese yield (output per hectare) is 60% higher than India’s. In the U.S., wheat is on marginal, non-irrigated land, and U.S. wheat yield is the same as India’s.
- ▶ In dairy, sugarcane and oilseeds, India outstrips China.
- ▶ How has China managed this? China invests more than India on Research and Development (R&D) for technological innovation. Sustained public investment in rural infrastructure and intensive cropping practices have allowed for superior yields. China also followed an increasingly liberalised agricultural policy focussing on competitive advantages. Support to farmers was through investment rather than subsidies.

**Criticism of Government planning**

- ▶ The year 1991 marked a new era for India in the global economy but agriculture got left woefully behind. Twenty-five years on, playing catch-up is not easy and requires commitment.
- ▶ In the long term, real increase in income matter. There must be an urgent rethink of the labour force in agriculture. Alongside investment, reform and private sector engagement, the government should consider

- pursuing policies that aren't just about increased farm incomes but also on making farming less-labour intensive and thus promoting non-farm employment in rural areas.
- ▶ The sums announced in the budget appear impressive but closer inspection reveals that the increases are modest and certainly not enough to spearhead a revolution.
  - ▶ Last year the Ministry of Agriculture and Farmers' Welfare was allocated INR 16,000 crore. This went up INR 36,000 Crore this year; a whopping increase of 127% but much of this was simply a transfer from the Ministry of Finance.
  - ▶ There are, of course, genuine increases and new allocations to agriculture but after taking all inter-ministerial transfers into account the total allocation is not as large as figures initially suggested.
  - ▶ This put forward the question whether the budget announcements were aimed at garnering political support following drought years rather than part of an operational strategy needed to transition the sector. If the government's budget focus on agriculture income is to have meaningful effect, the spending and reforms need to work at addressing underlying structural issues for the next five years.
  - ▶ This year's budget is one step in the right direction with a clear focus on the supply-side factors needed to increase productivity. However, increased agricultural output needs to find itself in markets beyond domestic borders to avoid potential price collapses in the home market. Both supply and demand issues have to be at the heart of the government's program for change. Agricultural reforms such as the e-trading initiative have started to address these issues but more needs to be done.
  - ▶ That Indian agriculture has been in a time warp for over 40 years comes as no surprise. Although India has made tremendous progress towards achieving food security since Independence, crop yields in India are 30%-60% of those achieved in other developing countries.
  - ▶ Out-dated farming practices, shrinking average plot size (from nearly 2.3 hectares in 1970 to less than 1.2 hectares at present); untenable land leasing arrangements, poor infrastructure and inadequate insurance facilities have inhibited sector development.
- ▶ India has one of the world's highest levels of post-harvest food loss because of poor infrastructure and access to markets. Growth this year stands at 1.2%, up from -0.2% last year.

### Recent Initiatives by NITI Aayog

- ▶ Addressing the issue, NITI Aayog has identified **three key areas for reform** and is now persuading states to undertake the reforms. The areas identified for immediate reforms are:
  - ▣ **Agricultural market reforms**
  - ▣ **Land lease reforms**
  - ▣ **Reforms related to forestry on private land - felling and translt of trees.**
- ▶ Today, marketing is extremely crucial and almost every sector has embraced marketing principles to ensure best possible outcomes. However, agricultural development in India has entirely ignored the potential of marketing and has continued to follow its old trajectory.
- ▶ Therefore, the benefits that can be accrued from agriculture are largely untapped. Productivity in some states is regrettably low and there is a vast disconnect between prices received by farmers and the prices paid by consumers.
- ▶ Moreover, private capital and modernization have completely evaded agriculture, resulting in barely any addition to the value chain. The poor state of reforms in the sector is also the primary reason for the non-performance of agricultural food processing industry in India.
- ▶ This, despite very favourable demand-side factors spread across the country. Much of the potential that post-harvest value addition can bring to agriculture has been ignored.
- ▶ Reforms in this area can bring out an enormous increase in employment by creating jobs in cleaning, processing and marketing of grain directly by the farmer. This will also resolve underemployment encountered in agriculture.

### **Three crucial reforms pertaining to marketing in agriculture have been recommended by NITI Aayog**

- ▶ First is the immediate need to amend existing regulations in order to liberalize markets. Farmer should be given the freedom to decide to whom, where and how he wants to sell his produce. Seven indicators have been developed by NITI in this regard. The reforms also suggest special treatment of fruits and vegetables from other farm produce as they are perishable and produced in small quantities.

- ▶ Importantly, the recommended reforms place importance on IT in marketing for the creation of a 'national market' for agriculture, so that farmers across the country may benefit from interconnected markets, through the use of appropriate technology. This important reform has so far eluded the country due to strong lobbies of middlemen and the reluctance of political class to take favourable steps.
- ▶ Taking note of increasing incidents of leasing in and out of land and suboptimal use of land with lesser number of cultivators, NITI has reformed the land leasing law to recognize the tenant and safeguard interest of land owners. The reforms also lay stress on the untapped scope of agro forestry in supplementing farmers' income.

**Agricultural Marketing and Farmer Friendly Reforms INDEX**

- ▶ **NITI Aayog has launched an Index to rank States and UTs** that is based on implementation of seven provisions proposed under model Agricultural Produce Marketing Committee Acts (APMC) Act, joining National Agricultural Marketing Portal (eNAM) initiative, special treatment to fruits and vegetables for marketing and level of taxes in mandis.
- ▶ These indicators reveal ease of doing agribusiness as well as opportunities for farmers to benefit from modern trade and commerce and have wider option for sale of her/his produce. These indicators also represent competitiveness, efficiency and transparency in agri markets.
- ▶ The second area of reforms included in the index is relaxation in restrictions related to lease in and lease out agricultural land and change in law to recognise tenant and safeguard land owners liberalisation.
- ▶ The third area included in the index represent freedom given to farmers for felling and transit of trees grown on private land. This represents opportunity to diversify farm business.

**Index**

- ▶ The Index is named as **“Agricultural Marketing and Farmer Friendly Reforms Index”** and it has a score which can have minimum value “0” implying no reforms and maximum value “100” implying complete reforms in the selected areas. States and UTs have been ranked in terms of the score of the index.

- ▶ The index is aimed at helping states identify and address problems in the farm sector, which suffers from low growth, low incomes and agrarian distress.
- ▶ Detailed study of the reforms in various states and UTs show that reforms have remained patchy, partial, sporadic and implemented in very diluted form.

**Outcomes**

- ▶ Maharashtra got 81.7 and Gujarat was second at 71.5. Puducherry, Delhi and Jammu & Kashmir got the lowest three grades of 4.8, 7.3 and 7.4, respectively.
- ▶ The state of Maharashtra achieved first rank in implementation of various reforms. The state has implemented most of the marketing reforms and it offers best environment for doing agribusiness among all the states and UTs.
- ▶ Gujarat ranks second with a score of 71.5 out of 100, closely followed by Rajasthan and Madhya Pradesh. Almost two third states could not reach even halfway mark of reforms score. Major states like U.P., Punjab, West Bengal, Assam, Jharkhand, Tamil Nadu and J&K are in this group.
- ▶ Three states and four Union Territories did not figure in the list, as these do not have any Agricultural Produce Marketing Committee Act. They include Bihar, Kerala, Manipur, Daman and Diu, Dadra and Nagar Haveli, Andaman and Nicobar.

**WHERE STATES STAND**  
States & Union Territories in terms of agriculture marketing & farm friendly reforms

TOP 5		
Rank	States/UTs	Score
1	Maharashtra	81.7
2	Gujarat	71.5
3	Rajasthan	70.0
4	Madhya Pradesh	69.5
5	Haryana	63.3
BOTTOM 5		
Rank	States/UTs	Score
30	Puducherry	4.8
29	Delhi	7.3
28	Jammu & Kashmir	7.4
27	Lakshwadeep	7.4
26	Meghalaya	14.3

Source: Agriculture Marketing & Farmer Friendly Reforms Index

Fig. 6

**APMCs & e-NAM**

- ▶ The central government first introduced reforms in the APMCs or wholesale markets (mandis) through the model APMC law in 2003, urging states to adopt it; agri-marketing is a state subject under the Constitution. In the past decade, a majority of states have partly adopted the model law and some have ignored it.

- ▶ The Centre has since decided to bring another model APMC Act to address all the concerns of states, including the subject of contract, and to facilitate the setting up of private mandis.
- ▶ It has also launched the electronic agriculture market (e-NAM) portal but success here has been slow in the absence of big Mandi Reforms.
- ▶ NITI Aayog finds that it would take time for states to amend their APMC laws in line with the requirement of e-NAM. While some states have demanded fruits and vegetables to not be included under the Act, others have asked for the commodities not to be taxed.

### **Conclusion and Way Forward**

India's agriculture has the potential to be a big hitter. India comes second only to the U.S. in

arable land. India is the world's second largest producer of fruits and vegetables yet only ranks tenth among exporting countries.

Government has to play a major role in providing support to farmers. This is true all over the world and there is hardly any country where government intervention is not present. There may of course be variations in the extent of intervention but government facilitation is essential for sound agricultural development.

Recent shift in Govt approach can set the ball rolling and herald in a new era for Indian agriculture. With the right mix of public sector investment and reform to engage the private sector more seriously in agriculture, Govt can move closer to – taking Indian agriculture out of a time warp, doubling farmer incomes in real terms and putting Indian agriculture firmly on the global map.

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# SMOG AND ITS IMPACT

## Context

High levels of smog has grappled Delhi with a heavy smog blanket with poor visibility and the air quality index reaching alarming levels across the city. Here we are analyzing the environmental and economic impact of smog.

Smog is a mixture of air pollutants – nitrogen oxides and volatile organic compounds – that combine with sunlight to form ozone.

Hence the term “smog” describes a mixture of emissions under specific climate conditions. These emissions include:

- ▶ Industrial pollutants
- ▶ Car and other vehicle pollutants
- ▶ Open burning

### Difference between Smog and Fog

Fog is basically a cloud on the ground. The atmosphere is made up of many gases, one of which is water vapor. It can hold a certain amount of water as invisible water vapor at any given temperature. If air is cooled it can hold less water and becomes super saturated. At saturation point, some of the water has to condense to form water droplets, which forms cloud. Fog occurs as a function of temperature, humidity and atmospheric pressure. If the water particles are large, they become mist or rain. So the basic difference is that fog is natural and smog is created by pollution produced by cars and factories.

### Climate and smog formation

- ▶ **Autumn And Winter Smog (Particles):** When the weather is cooler, the horizon shows lot of low laid buildup of fine particles that return from automobile emissions, wood smoke, alternative combustion processes and photochemical processes within the air. Temperature inversions in winter mean that hot

air higher within the atmosphere traps pollutants inside the layer of cold air nearer to the bottom. These inversions will last for many days and cause 'scummy' brown hazed horizons till dispersed by wind or rain. The fine particles cause scattering of daylight, and cut back visibility and provoke existing respiratory diseases and alternative health issues.

- ▶ **Photochemical/Summer Smog:** In the hotter months, summer smog or photochemical smog is caused by the action of daylight on a combination of hydrocarbons and nitrogen oxides. This smog comprise of secondary pollutants like ozone, aldehydes and fine particles. Because the smog levels assemble, polluted air gets trapped and re-circulates for days. Hence, during the evening you might find yourself inhaling exhaust fumes emitted by your automotive in the morning.

### How is it measured?

An **air quality Index** (AQI) is a number used by government agencies to communicate to the public how polluted the air currently is or how polluted it is forecast to become. As the AQI increases, an increasingly large percentage of the population is likely to experience increasingly severe adverse health effects. Different countries have their own air quality indices with respect to their air quality standards.

### India

The National Air Quality Index (AQI) was launched in New Delhi on 17 September 2014 under the Swatch Bharat Abhiyan. It comes under

AQI Category, Pollutants and Health Breakpoints

AQI Category (Range)	PM <sub>10</sub> (24hr)	PM <sub>2.5</sub> (24hr)	NO <sub>2</sub> (24hr)	O <sub>3</sub> (8hr)	CO (8hr)	SO <sub>2</sub> (24hr)	NH <sub>3</sub> (24hr)	Pb (24hr)
Good (0-50)	0-50	0-30	0-40	0-50	0-1.0	0-40	0-200	0-0.5
Satisfactory (51-100)	51-100	31-60	41-80	51-100	1.1-2.0	41-80	201-400	0.5-1.0
Moderately polluted (101-200)	101-250	61-90	81-180	101-168	2.1-10	81-380	401-800	1.1-2.0
Poor (201-300)	251-350	91-120	181-280	169-208	10-17	381-800	801-1200	2.1-3.0
Very poor (301-400)	351-430	121-250	281-400	209-748	17-34	801-1600	1200-1800	3.1-3.5
Severe (401-500)	430+	250+	400+	748+	34+	1600+	1800+	3.5+

the Ministry of Environment, Forests & Climate Change. The table below shows the categorization of air quality by the National AQI.

As seen from the table, air pollution is measured in PM (Particulate Matter). Particulate matter is the sum of all solid and liquid particles suspended in air many of which are hazardous. This complex mixture includes both organic and inorganic particles, such as dust, pollen, soot, smoke, and liquid droplets. These particles in air are either:

- ▶ Directly emitted, for instance when fuel is burnt and when dust is carried by wind, or
- ▶ Indirectly formed, when gaseous pollutants previously emitted to air turn into particulate matter.

### Consequences of smog

#### A. Health Effects

Ground-level ozone, sulfur dioxide, nitrogen dioxide and carbon monoxide are especially harmful for senior citizens, children, and people with heart and lung conditions such as emphysema, bronchitis, and asthma.

It can inflame breathing passages, decrease the lungs working capacity, cause shortness of breath, pain when inhaling deeply, wheezing, and coughing.

It can cause eye and nose irritation and it dries out the protective membranes of the nose and throat and interferes with the body's ability to fight infection, increasing susceptibility to illness. Hospital admissions and respiratory deaths often increase during periods when ozone levels are high.

In a report last year, the CSE (Centre for Science and Environment) had said that air pollution is responsible for around 10,000-30,000 deaths in Delhi annually.

#### B. Economic Consequences

The economic consequences are huge. Taking example of a particular incident, especially the smog during the first week of November 2016 (after Diwali) – The air pollution was 40 times higher than the permissible safety limits set by the World Health Organization (WHO) and approximately 15 times higher than Indian standards. The economic effects of such incidents are enormous. Schools, construction works, Coal based power plants in and around Delhi were closed. Transportation takes the biggest hit especially the rail and aviation industry leading to flights getting cancelled and trains getting delayed. It would also have a long term effect on tourism sector. Road transportation also takes a hit with accidents becoming more common leading to loss of life and property.

Smog can also accelerate the deterioration of rubber, plastics, paints and dyes, Damage to metals, stone, concrete, clothing, rubber and plastic is directly related to contaminants in the air. The typical culprits are sulphur dioxide, sulphuric acid, ozone (photochemical smog), and nitric acid (HNO<sub>3</sub>).

#### Conclusion

There is also a need for inter-state cooperation as the crop burning in Punjab, Haryana and Uttar Pradesh are also responsible for rise in pollution levels. An action was directed by the Supreme Court as well as the National Green Tribunal for subsidy to farmers to buy appropriate technology that will prevent burning of straw as well as the infrastructure for reuse of straw which is yet to be in place.

The Ministry of Science and Technology on December 7, 2016 launched a program to better understand the element of fog, in order to deal with it in an effective manner. This new program will help the Indian Meteorological Department (IMD) in proper monitoring of the fog from various centers within Delhi leading to better predictions lessening the burden of rail, road and air transport.

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## INDIA-SRI LANKA FISHERMEN ISSUE

### Context

India and Sri Lanka held Ministerial level talks to sort out the long standing issues pertaining to fishermen as the talks between the fishermen associations of the two countries failed to yield any results.

After getting independence around same time from their common colonial master, both India and Sri Lanka have always maintained very cordial relations between them. In fact the relationship between them dates back to even Ashokan era. Both countries share a legacy of intellectual, cultural, religious and linguistic interactions. The relations have gone many ups and downs since their independence.

Recently an issue which has been unresolved for a long time has cropped up again. The issue is regarding livelihood and security of fishermen of both the sides who have been carrying out their traditional fishing activities in Palk Bay since many generations.

### About the issue

In 1974 an international maritime boundary was delineated between these two countries. Since then both the countries invoke their sovereignty in their own maritime territories. For many years there have been instances of arrest of Indian fishermen who have crossed into the Sri Lankan waters by Sri Lankan coast guards. Similar instances of arrest of Sri Lankan fishermen have also been there but it is comparatively less. Though both countries release each other's prisoners on humanitarian grounds but such thing impose a great loss to India, particularly Tamil Nadu state which is and will be losing its working force and many physical assets too till the time a permanent solution is not achieved.

Indian fishermen are said to be more efficient technologically in getting a good fish catch in Palk Bay. Sometimes they knowingly or unknowingly penetrate into Sri Lankan water for fishing. All this is affecting severely to the fishermen of Northern Province in Sri Lanka. This region is much underdeveloped and fishing is the only source of livelihood for them. During Elam War especially the period of 2006-09 Indian fishermen are said to have done a lot of such damage in Sri Lankan

waters. Now after the end of war, Sri Lanka is trying to assert its sovereign rights and fishing community is trying to increase their fish catch.

There is also another associated issue about the sovereignty over Kachhiteevu island. This island was never demarcated on ground as per the 1974 agreement. Hence Government of India considered it as a disputed territory with Sri Lanka. Later on India decided to cede this territory to Sri Lanka in order to keep the bilateral relations undisturbed and ignored the concerns expressed by Tamil Nadu fishermen. Presently Tamil Nadu government cited this action as the reason behind the sufferings of their local fishermen community.

### Thus the reasons for dispute are:

- ▶ There is no well defined boundary line between the two nations.
- ▶ **Territorial waters overlap in some areas:** Maritime border between the two countries is about 400 kilometres spreading along three different areas: the Bay of Bengal in the north, the Palk Bay and the Gulf of Mannar in the centre and the Indian Ocean in the south. In the Palk Bay region, distances between the coasts of the two countries varies between 16 and 45 kms. This means territorial waters of each country in some areas strays into the other's if 12 nautical mile criteria is strictly applied.
- ▶ **LTTE issue has raised vigilance:** The issue of fishermen came to existence with the emergence of violent ethnic conflict between the Tamil militants and the Sri Lankan government in the mid 1980s. Increased vigilance by the Sri Lankan Navy to check intermittent flow of Tamil refugees into India and flow of arms and supplies to Tamil militant groups made fishing difficult and risky. Due to these fishermen from both nations suffered.
- ▶ **Security concerns:** The monitoring is still aimed at preventing possible return of LTTE cadres, who fled from the island during the height of the conflict in 2009, to revive the insurgency all over again.

Thus the Indian fishermen, who thus far enjoyed monopoly of resource-rich waters, have now got competitors in massive numbers. At times, this leads to confrontations between the two fishing communities and in turn drawing intervention of either of naval forces. The main complaint of Sri Lankan fishermen has been against Indian mechanised trawlers that indulge in pair, mid-water, pelagic, and bottom trawling severely damaging marine resources and the sea bed. Ironically, most of the trawlers from Tamil Nadu are owned by merchant capitalists from non-fishing and other social backgrounds. The entry of 'outsiders' has not only threatened the local customary laws of fishing communities, but also turned several traditional fishermen from owners to labourers. Trawler sector in Tamil Nadu is also politically influential and financially sound making it more obdurate to solutions that could cut down its profit margins.

India's request to provide her fishermen community in phased manner during which they will be withdrawn from the disputed waters was rejected by Sri Lankan counterparts instead they demanded a compensation for the damage caused by Indian side till now. Nevertheless their demand on ban on bottom trawling and other destructive activities seems very much genuine.

### **Benefits of resolving the issue**

The dispute between the two nations is effecting the basic livelihoods of fishermen. The livelihood security of fishermen of both the sides, especially the Sri Lankan part of Northern Province which is high deprived of economic development and is the home to Indian origin Tamils for the welfare and security of whom various governments of India have expressed their concerns is at stake.

Second thing is the sovereign rights of the both the Republics and their bilateral relations which each one has to respect.

Third thing is the ecological balance of the Palk Bay which may get damaged irreversibly by the bottom trawling if such a mad race continues by both the sides.

Fourth thing is about the traditional rights over the island in Palk Bay especially the Kachiteevu island.

Fifth thing is in Indian side where the central government has to take Tamil Nadu government into confidence and keep up the spirit of cooperative federalism.

### **Steps needed**

Being a major player in South Asian politics, India should invite Sri Lankan counterparts to form a joint working group where all the major stakeholders like Fishermen Association, Navy, coast guards, government representatives, etc are to be invited. Both the countries should show mutual respect for each other. Fortunately the present government in Sri Lanka led by Mr. Sirisena is India friendly and show balanced approach towards India vis-à-vis China unlike its predecessor Mr. Rajapaksha.

Meanwhile Indian government should assist the state government to carry out certain developmental programmes in these coastal districts. This will divert much of the working force into non-fishing activities or other agro based activities.

#### **Possible solutions:**

- ▶ Avoid shooting incidents due to "mistaken identity", 'coordinated patrolling' between marine forces.
- ▶ Developing fish farming extensively in Indian waters would prevent its fishermen from venturing into other waters in search of a 'big catch'.
- ▶ India can also consider leasing fishing blocks, especially those identified as 'surplus total available catch', from Sri Lanka.
- ▶ To preserve marine resources, impose strict and complete ban on mechanized trawlers.
- ▶ Proper fisheries management.
- ▶ Educate the Indian fishermen to keep to the Indian side of the Palk Bay and not to transgress Sri Lankan waters.

District administration should carry out training and counseling programmes for fishermen community to provide them knowledge about international maritime boundary. They can refer to a similar arrangement which is already there among coastal states of India for carrying out fishing in Bay of Bengal where fishermen of each state stay within their allotted share in India's territorial waters.

Similarly government of both the countries can carry out certain developmental programmes in

Northern Province too. Proper institutional arrangement should be there to exchange each other's fishermen upon their arrest. This issue should be dealt on humanitarian grounds which are possible through each other's mutual respect and consent. Hence the coastal guards of both the countries are to be trained accordingly. Both the countries have to issue certain clear guidelines to their fishermen, thereby putting genuine restrictions on their own activities. They should be encouraged for deep sea fishing. We have to ensure availability of natural resources for not only present generation but also for future generations too. As said by Gandhiji, "Nature has enough for everyone's need but not for anyone's greed".

Indian is emerging as a regional leader in Asia. Hence the bilateral relations are to be kept in accordance with the long term foreign policy. The issue has to be handled carefully. What has happened with India and Nepal during Madhesi crisis should not be repeated again here. These kinds of issues give a golden opportunity to our rival country China to interfere in South Asian politics and contain India in the region. For Indian maintaining good relations with neighbours is an untold pre-requisite for getting permanent membership in United Nations Security Council. Meanwhile the concerns of Indian fishermen has to be taken care, otherwise it may result into social unrest in the region.

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## NORTH EAST KEY TO 'ACT EAST'

### Context

Union Minister of State (Independent Charge) for Development of North Eastern Region (DoNER) at the International Seminar on "Economic Dependence on North-Eastern States of India and its bordering nations" has emphasized on the importance of North East India.

### North East of India

The North East of India (Comprises 8 states) is left behind in the developmental path since independence due to narrow connectivity, difficult physical terrain and language diversity. This led to growing of anti-India sentiments and feeling of insecurity among the dwellers of the region. There is also a sense that the North Eastern states are discriminated against by the Central government in resource-sharing and in terms of prioritizing.



Fig. 7

This has resulted in the form of various uprisings such as Nationalist Socialist Council of Nagalim (NSCN), United National Liberation Front (ULFA), National Democratic Front of Bodoland (NDFB), National Liberation Front of Tripura (NLFT) etc.

### Development issues in North East

The politico-administrative arrangements made by the Centre have also been lacking. For instance, the introduction of the Sixth Schedule Autonomous Councils (currently there are ten such Councils in the region and many more demanding such status) ended up creating multiple power

centers instead of bringing in a genuine process of democratization or autonomy in the region.

The AFSPA became a powerful measure for the central and the state government to act against actors challenging the political and territorial integrity of India. As a result, the Indian army for the first time since independence was deployed to manage an internal conflict. But, instead of resolving the problem, it led to an ongoing escalation of the conflict by bringing it on a military level. The regular violations of human rights has led to a radicalization and militarization of the region and also weakened the supporters of a political solution.

The North-east region has also been afflicted by persistent and vexatious illegal immigrants from Bangladesh, especially in Assam, where there emerged a strong anti-foreigner movement in the late 1970s to the mid 1980s which was sought to be contained by the Assam Accord between the Assom Gan Parishad and the Union government under Prime Minister Rajiv Gandhi in 1985. The implementation of the terms of the Accord remained problematic and the solution of the problem of infiltration persists.

### Development of North East as key to Act East Policy

There has been a focus from decades to bolster harmonious ties with South East Asian Countries in order to revive political engagement, forge regional security cooperation and development, economic linkages by increasing integration with these countries. In 1991 the then Prime Minister P V Narsimha Rao devolved a strategy to engage with the countries of South East Asia in the form of 'Look East'.

The current Government has shown its enthusiasm by rechristening the name of 'Look East' as 'Act East' and sending out an

unequivocal message that the Government is keen not just to strengthening connectivity and economic ties with countries in South East Asia, but also to build strong strategic ties.

It has been observed that the North East region of India is the Key to this **Act East Policy** because India is in the process of engaging in serious trade and economic activities with the countries on the Eastern Borders including Myanmar, Bangladesh and Bhutan. Its success will depend largely on the extent to which the growth and development occurs in this region.

There has been a consensus in India cutting across the political spectrum in support of the revision of the **'Look East Policy'**. This enthusiasm and intensity in momentum of various actors in the economy is marking another shift in this foreign policy, of **'Thinking East'** too.

#### *History behind Look East Policy:*

The collapse of the Soviet Union in 1991 marked the end of the Cold War and the world order that anteceded it. The dynamics post the era saw a swift global reconstruction. United States of America became the most powerful country in the world and China emerged as the face of the 'East', a once underdeveloped country was on the path to becoming a global super power. In a world that was rapidly globalizing, the **'Look East Policy'** was a course correction in India's foreign policy.

In 1990, when India sensed the change in the locus of world economic power from the 'west' to the 'east' as necessitated by the evolving geo-politics and trends in the Asia-Pacific. The aim was to revive political ties, forge regional security cooperation and develop economic linkages by increasing integration with South-east Asia. Over the years, India joined ASEAN-led arrangements such the ASEAN Regional Forum (ARF), ASEAN Defence Ministers' Meeting Plus (ADDM+) and also ASEAN-India Annual Summit and the East Asia Summit (EAS) which has institutionalized India's association with South-east Asia.

#### *Look East to Act East:*

In 2014, the Government decided to emphasize the implementation aspect by adding "Acting East". This decision was probably made in light of the realisation that

although many plans and policies have been formulated, their execution has been less than satisfactory. Now is an opportune time to both "look" and "act" East as India's relations with Myanmar and Bangladesh are good and are projected to improve from here on.

#### **Various Engagements with the South East Asian Countries:**

- ▶ Organizing **"Milan"**—a congregation of navies organized by the Indian Navy biennially since 1995 in Port Blair involving social and professional interactions, including combined exercises. In 2008 eleven Navies including Australia participated.
- ▶ Becoming a member of the ASEAN Regional Forum (ARF)—1996.
- ▶ Completion of the 160 Km **India-Myanmar Friendship Road** from Tamu to Kalemyo to Kaletwa built by the Border Roads Organisation—2001.
- ▶ Finalising the **Kaladan Multimodal Transport project** especially in the context of Bangladesh being reluctant to allow transit facilities. By this the port of Sittwe in Myanmar (250 Km from Mizoram border) will be connected to the Indian ports and Kaletwa (Myanmar) will be linked with the National Highway 54 at Nalkawn in Mizoram.
- ▶ Mekong Ganga Cooperation which comprises six member countries (India, Thailand, Myanmar, Cambodia, Laos and Vietnam) emphasised on four areas of cooperation: Tourism, Culture, Education and Transport linkages in order to be solid foundation for future trade and investment cooperation in the region.
- ▶ Development of **India-Myanmar-Thailand Trilateral Highway** is a game changer to connect India's North-east with ASEAN.
- ▶ India would be connected to the railway network of neighbouring Myanmar to link up with the ambitious 81,000 km long **Trans-Asian Railway Network (TARN)**. This TARN will make north-eastern states the gateway to South-east Asian Countries.
- ▶ India-Vietnam engagement in bilateral and defence cooperation. Indian Navy and Vietnam Navy will cooperate in sharing of white shipping information. India also gave its naval patrol vessel to Vietnam. Further agreement on establishment of a Software Park in the Telecommunication University in Nha Trang city in Vietnam.

- ▶ India-Japan agreement on areas like Nuclear trade, bullet train technology, military & defence and infrastructure reflects convergence of relations between both the countries.
- ▶ India's negotiation on the **Regional Comprehensive Economic Partnership (RCEP)** agreement with ASEAN and China, Japan, South Korea, Australia, New Zealand which represents 40% of global population with 23% of global GDP is significant in enhancing India's export to the market due to countries inherent strength in the services sector.
- ▶ Signing up of Civilian Nuclear Deal with Australia is significant step in India's interest as it seeks to enhance its energy generation from Nuclear Reactor from the current 5,000 MW to 20,000 MW by 2022 and 62,000 MW by 2032.

#### **Policy towards North East:**

- ▶ Universities and think-tanks from Yunnan have also sought to enhance track two interactions with important neighbouring countries like Bangladesh and India, for giving a fillip to the Bangladesh-China-India-Myanmar BCIM Corridor.
- ▶ India too needs to focus more on the role of the North-East, and apart from enhancing connectivity with the mainland, it needs to dispel the notion that the mainland will benefit at the cost of the North East, which will be relegated to the sidelines.
- ▶ Some of the important steps which can be taken are not making policies for the North-East as a mere gateway to South East Asia, but addressing its political concerns and realising that a few development projects cannot obliterate the distrust which exists between New Delhi and the region.
- ▶ It is also important, to make policies which ensure that North-Eastern states emerge as important manufacturing hubs, and not just providers of raw materials to neighbouring countries and other parts of India.
- ▶ The most important change required off course is a change in mindset, and to stop looking at the region as a periphery as has been the case for very long.

#### **Conclusion**

- ▶ India's Act East Policy must continue to focus on strengthening collaboration with the ASEAN. Partnerships must aim at promoting economic revival through implementation of India-ASEAN FTA in services and investment and strategic cooperation to fight terrorism, freedom of navigation, maritime security and defence cooperation.
- ▶ Indian PM's use of soft power such as Buddhism, tourism, people-to-people contacts, and cultural ties with the region must also be harnessed. The Act East Policy should also improve Indian connectivity with ASEAN, particularly between North-east India and Myanmar.
- ▶ Projects including the Trilateral Highway and Kaladan Multi-modal Trade Transit Project, and the Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation (BIMSTEC) are projected to not only increase mutual economic productivity but also promote peace and prosperity in the Northeast region.
- ▶ Beyond ASEAN, India must work to strengthen ties with East Asia, particularly Japan and Republic of Korea and Australia, which are both relevant for India's strategic and economic interests. Technology transfer, civilian nuclear cooperation, defence, and innovation are important sectors that need to be targeted further.
- ▶ Continuous engagement with China too is necessary to expand cooperation, particularly on the economic front. With India being the second largest shareholder of the Asian Infrastructure Investment Bank (AIIB) and an equal partner in the National Development Bank (NDB), the forthcoming decades must ensure that areas of conflict are minimized and economic integration for the benefit of both nations are fully leveraged.

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# MAKE IN INDIA- “ELECTRONICS & IT SECTOR”- ACHIEVEMENT REPORT

## Context

Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry in collaboration with Ministry of Electronics & Information Technology, KPMG and Make in India published an achievement report of Electronics & IT sector.

The electronics market of India is one of the largest in the world and is anticipated to reach US\$ 400 billion in 2022 from US\$ 69.6 billion in 2012. The market is projected to grow at a compound annual growth rate (CAGR) of 24.4 per cent during 2012-2020.

Total production of electronics hardware goods in India is estimated to reach US\$ 104 billion by 2020. The communication and broadcasting equipment segment constituted 31 per cent, which is the highest share of total production of electronic goods in India in FY13, followed by consumer electronics at 23 per cent.

Electronic exports from India was expected to reach US\$ 8.3 billion in FY13, a CAGR of 27.9 per cent during FY07-12. Technological improvements and competitively cost effectiveness are main drivers for demand of Indian electronics products abroad.

The Government is driving forward reforms in IT and electronics manufacturing sector through major initiatives like 'Make in India' and by creating favourable policies to enable an investor friendly environment.

The Government of India has set up Electronic Hardware Technology Parks (EHTPs), Special Economic Zones (SEZs) and brought about a favourable climate for foreign direct investment (FDI). It has also increased liberalisation and relaxed tariffs to promote growth in the sector. In addition, the government gave its green signal to the Modified Special Incentive Package Scheme (MSIPS) under which the central government will be offering up to US\$ 1.7 billion in benefits to the electronics sector in next five years.

The growing customer base and the increased penetration in consumer durables segment has provided enough scope for the growth of the Indian electronics sector. Also, digitisation of cable could lead to increased broadband penetration in the

country and open up new avenues for companies in the electronics industry.

## Features of Achievement Report

According to the Achievement Report, the Government is driving forward reforms in IT and electronics manufacturing sector through major initiatives like 'Make in India' and by creating favourable policies to enable an investor friendly environment. The Electronic system Design & Manufacturing (ESDM) sector has ample growth opportunities as Indian ESDM sector is projected to grow at a Compound Annual Growth Rate (CAGR) of 24% from USD 70 billion in 2014 to USD 400 billion by 2020.

With a target of 'Net Zero Imports' by 2020, the government of India has taken several steps and achievements related to those fields are highlighted under the following heads.

## Steps Taken for the Improvement of Electronics & IT Sector

### ► Investments

- 100% FDI is allowed under the automatic route in ESDM sector subject to all the applicable regulations and laws and in case of defence electronics items, FDI up to 26% is under the government approval route and above 26% is allowed through approval of cabinet committee on security.
- It led to total FDI inflows in Electronics and Computer Software & Hardware sector grew by 155.5% in FY 2015-16 to USD 6.1 billion from USD 2.4 billion in FY 2014-15.

### ► Fiscal Incentives

- Basic Customs Duty (BCD) and special additional duty have been withdrawn for mobile handset components importers & reduced for medical device manufacturers and other products such as LCD.

- Duty advantages for local mobile parts & accessories manufacturers.
  - Under zero duty Export Promotion Capital Goods (EPCG) scheme, imports of capital goods for pre-production, production and post production enter at zero custom duty.
  - Modified Special Incentive Package Scheme (M-SIPS) scheme, developed to boost manufacturing and attract investments in the electronics sector, was modified in August 2015 by extending the scheme for 5 more years to 2020, and adding 15 new product categories like smart cards, liquid crystal modules, consumer appliances, Internet of Things products, multi-functional electronic devices and optical fibre etc.
- **Innovation & R&D**
- Government has approved the setting up of two semi conductor wafer fabrication (FAB) manufacturing facilities in India, because of the opportunities in the semi conductor and component industries, which would create the necessary ecosystem for design and manufacturing of telecom equipment. Proposed FAB locations are at Yamuna Expressway, Uttar Pradesh and Pranjit, Gujarat.
  - Setting up of National Centre of Excellence in Technologies for Internal Security (NCETIS) at IIT Bombay.
  - Setting up of National Centre of Excellence for Large Area Flexible Electronics (NCFlexE) at IIT Kanpur.
  - Setting up of first Centre of Excellence for Internet of Things at Bengaluru, it is a jointly set up in Public Private Partnership (PPP) mode by NASSCOM, MeitY, Education and Research Network (ERNET) and Government of Karnataka.
  - Promoting Collaborative Industrial R&D Funding through Global Innovation and Technology Alliance (GITA). The Request for Proposals (RFP) have been launched bilaterally with South Korea, Finland, UK, Spain and Canada.
  - Electropreneur Park on the concept of startups in the field of electronics at Delhi University.
  - R&D Achievements supported by Ministry of Electronics & Information Technology (MeitY).
- Development of Indian Conditional Access System (iCASTM) for Set Top Boxes (STBs) under a project funded by MeitY.
- **Mobile handset manufacturing units**
- 38 new Mobile manufacturing units with over 20million units/month capacity have been set up since September 2015. These units have generated 38,300 employment opportunities.
- **Skill Development**
- Under Digital Saksharta Abhiyan (DISHA) and National Digital Literacy Mission, around 80.47 lakh candidates have been trained and more than 44.06 lakh candidates have been certified so far.
  - Fellowship scheme 'Visvesvaraya PhD Scheme' for Electronics & IT- Electronic System Design and Manufacturing (ESDM) and IT Enabled Services (ITES).
  - 48,300 seats have been approved under India BPO scheme (IBPS) and over 5000 seats have been approved for BPOs in North East.
- **Ease of Doing Business**
- Setting up of an Investment Facilitation Cell under MeitY to handhold and help investors during their various stage of transition.
  - In view to simplify the rules, Customs Rules 1996 (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) has been substituted with the Customs Rules-2016 (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods), effective from April 1, 2016.
- Challenges**
- Increasing the investor confidence is one important area in which government of India should focus by bridging the gaps in infrastructure and their by making way for proper utilization of capital.
  - Adequate measures needed to address Red Tapism by complete overhauling of government management system.
  - Investor confidence is directly proportional to presence of world class infrastructure. It is very difficult to gain business confidence unless there is enough gaps in infrastructure. According to IMF estimates with better management of public wealth globally it is possible to accrue enough funds to develop world class



infrastructure globally. So it is essential that a proper mechanism is put in place for better management of public wealth in India.

- ▶ Labour Laws: The biggest challenge for Make in India is to create better opportunity for the roughly 16 million masses that enter labour markets every year.
- ▶ Our investments in R&D need to scale new level as we are spending only 0.8 percent of our GDP. With greater emphasis on research it is possible to scale up investments domestically and also from outside.
- ▶ High cost of financial transactions is another issue that is hugely reported so it is time to have better reforms in financial sector to make transactions more easy and simple.

### **Way forward**

We must focus on building competitive advantage and global scale in sectors where we have a large domestic market and certain inherent capabilities. It is of paramount importance that the foreign investment, foreign trade and intellectual property rights (IPR) policies are viewed in a holistic manner to ensure that they mutually reinforce each other in achieving the policy objective of world-class domestic manufacturing.

We should focus on improving the ease of doing business in India by stopping tax terrorism, improving infrastructure, reforming labour laws, investing in skills development, making it easier to acquire land, implementing Goods and Services Tax (GST) and fast track approvals.

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## MEDIA: ROLE AND CENSORSHIP ISSUE

### Context

Recently the Ministry of Information and Broadcasting has banned NDTV India for one day on the pretext that channel's coverage of the Pathankot terror attack on January 2, 2016 that the government claims gave out sensitive information to the handlers of terrorists.

Media is a communication channels through which news, entertainment, education, data or promotional messages are disseminated. Media includes every broadcasting and narrowcasting medium such as newspapers, magazines, TV, radio, billboards, direct mail, telephone, fax and internet.



Fig. 8

In the world of today, media has become necessary as it play a significant role in strengthening the society. Media is considered as “mirror” of the modern society, infact, it is the media which shapes our lives.

In India media emerged as a dominant social figure in the 19th century. Since then, media has served the purpose of providing members of the public with real-time information on issues and news surrounding local, national and international events.

Media plays an important role in every walk of our day to day life by connecting us with the scenarios in the world and informs us about many things like news, history, entertainment, education etc. which helps us a lot in being an upgraded personality.

The role of media is complex and varied. Sometimes, media is viewed positively by society,

although it is considered overbearing and obnoxious other times. One beneficial feature of media is its use to promote education. This is achieved using several methods of communication including television shows, radio programs and literature.

In a large consumer-driven society, electronic media (such as television) and print media (such as newspapers) are important for distributing advertisement media. In addition to “advertisng” role, media is nowadays a tool to share knowledge all around the world and also for the promotion of e-commerce.

#### What is Censorship?

- ▶ *Censorship is the suppression of free speech, public communication or other information which may be considered objectionable, harmful, sensitive, politically incorrect or inconvenient as determined by governments, media outlets, authorities or other groups or institutions.*
- ▶ *“Censorship is when a work of art expressing an idea which does not fall under current convention is seized, cut up, withdrawn, impounded, ignored, maligned, or otherwise made inaccessible to its audience.”*

Society is influenced by media in so many ways. It is the media for the masses that helps them to get information about a lot of things and also to form opinions and make judgments regarding various issues. It is the media which keeps the people updated and informed about what is happening around them and the world. Everyone can draw something from it.

#### Censorship on Media

As a community, we are heavily influenced by the media and other sources of information.

However, we tend to overlook the fact that there are not only much bias but also skewed perceptions of events and reports in the news today. Media has the ability to manipulate its viewers in many ways that are often unseen.

The media does a poor job portraying things as they really are in order to follow a sort of convention and to keep their show on air or their papers in stores. Sometimes these activities of media aggravate the law and order situation inflicting the bloodshed in society.

In order to control such situations there is a need to impose censorship (or certain restriction) on media for particular information being made public.

**The Constitution of India guarantees freedom of expression but places certain restrictions on content, with a view towards maintaining communal and religious harmony, given the history of communal tension in the nation.**

According to the **Information Technology Rules 2011**, objectionable content includes anything that **"threatens the unity, integrity, defence, security or sovereignty of India, friendly relations with foreign states or public order"**.

Today, censorship has become a global phenomenon. Time and again, there have emerged news of something getting banned somewhere in the world for reason that seem unreasonable to many while a necessary to the rest.

In 1975, the Indira Gandhi government imposed censorship of press during the Emergency. It was removed at the end of emergency rule in March 1977.

On 2 October 2016 the Srinagar-based Kashmiri newspaper, **Kashmir Reader** (a newspaper) was asked to stop production by the Jammu & Kashmir government. The ban order issued by Deputy Commissioner of Srinagar cited the reason that the newspaper contains material and content which tends to incite acts of violence and disturb public peace and tranquility.

Recently the Ministry of Information and Broadcasting has banned NDTV India for one day on the pretext that channel's coverage of the Pathankot terror attack on January 2, 2016 that the government claims gave out sensitive information to the handlers of terrorists.

### Editors Guild of India response of media ban

It stated that the decision to take the channel off the air for a day is a direct violation of the freedom of the media and therefore the citizens of India and amounts to harsh censorship imposed by the government reminiscent of the Emergency. This first-of-its-kind order to impose a blackout has seen the Central government entrust itself with the power to intervene in the functioning of the media and take arbitrary punitive action as and when it does not agree with the coverage. There are various legal remedies available to both a citizen and a state in the Court of Law to have action taken for any irresponsible media coverage. Imposing a ban without resorting to judicial intervention or oversight violates the fundamental principles of freedom and justice. The Editors Guild of India calls for an immediate withdrawal of the ban order.

With the introduction of television, Internet and social networking sites like twitter and facebook, many important developments have taken place in the field of censorship around the world. A number of countries like Syria, Australia, Cuba, UAE, Yemen, Pakistan and Burma have censored the Internet.

China has imposed stringent censorship regulations. A military censor was also laid on the freedom of press and Internet in Egypt lately. WikiLeaks, the sensational international whistle blowing website was closed down several times under the pretext of censorship. Satellite phones, Internet and freedom of press were also censored in Libya during Gaddafi's rule.

A classic example of censorship in India is the Central Board of Film Certification or Censor Board, which comes under the purview of Ministry of Information and Broadcasting. The Board regularly orders, directors to remove anything it deems offensive or subjects considered to be politically subversive. The censorship of films is governed by the Cinematograph Act, 1952. It assigns certification as Universal, Adults, and Parental Guidance to films in India before public exhibition.

Around the world the utmost concern of censors is the depiction of violence and physical intimacy. The censor board's job is to control the **"corruption of the mind"** and to stop

pornographic films. But with the deep penetration of internet and its easy availability makes easy for everyone to watch obscene materials by just clicking on internet device while the censor board has long discussions on the permissible duration of a kissing scene in a movie.

### **Conclusion**

China being a Communist country, there are really strict laws for public speaking and speeches and it is impossible to speak anything against the government. However, India should not be made China in restricting certain fundamental freedom, though, arbitrary use of Article 19(1)(a) should be prevented, while at the same time healthy discussion on anything should be promoted for wider idea generation and further course of action. The period of renaissance which gave birth to search, research, argumentative ideas etc. based on practicality should be adhered to for larger benefits.

The communist and dictatorship ideology should not take place in Indian Democracy and freedom of speech and expression given under constitution should be respected keeping in mind the feelings and sentiments of others or every individuals. The State's notion of over Indianness and Nationhood should be promoted according to the dynamism of time and circumstances. The modern society is well aware for their rights. Publishers should avoid relying too heavily on any one platform otherwise, playing the role of watchdog becomes difficult. Unlike individuals who feel they are unjustly censored and have no way to appeal, journalists and news sites have a public platform, thereby what should and should not be protected speech back into the public sphere.

Now is the time to look into the role that can be played by healthy criticism, analysis, and cinema literacy, rather than relying on a Censor Board that acts as a moral police, stopping the dissent.

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# INDO-BHUTAN BILATERAL TRADE AGREEMENT

## Context

India and Bhutan signed a new bilateral trade agreement to enhance trade between the two countries through trade facilitation by improving procedures.

The Himalayan Kingdom of Bhutan is considered to be closest ally of India since the times of Treaty of Friendship of 1949. India has been playing a very pro-active role in the matters of external affairs, defense and commerce for Bhutan. India has been providing budgetary support to the Five Year Plans of Bhutan. Bhutan has availed technical as well as financial assistance in setting up many of the Hydel power plants. Hence Bhutan remains the largest beneficiary of India.

### Areas of Cooperation

By the early half of the 20th century, developments in the Himalayan region prompted Bhutan to re-evaluate the usefulness of its isolationist policy. The geopolitical scene in the entire Himalayan region and Indian sub-continent underwent great change following the proclamation of the People's Republic of China in 1949 and the takeover of Tibet by the People's Liberation Army in 1950. These events, plus the presence of Chinese troops near Bhutan's border, the annexation of Bhutanese enclaves in Tibet and China led Bhutan to develop its lines of communications with India. Consequently, Bhutan was more inclined to develop relations with India, and the process of socio-economic development began thereafter with Indian assistance. For India's own security too, the stability of Himalayan states falling within its strategic interest was a crucial factor to consider.

### **The Important areas of cooperation are discussed as below:**

- ▶ Some of the major projects in Bhutan carried out with Indian assistance in the past include 1020 MW Tala Hydroelectric Project, 336 MW Chukha Hydroelectric Project, 60 MW Kurichhu Hydroelectric Project, Penden Cement Plant, Paro Airport, Bhutan Broadcasting Station, Major Highways, Electricity Transmission and Distribution System, Indo-Bhutan Microwave Link, Exploration of Mineral Resources, and Survey and Mapping.
- ▶ The Government of India had committed assistance worth Rs.3400 crores during the 10th FYP. This includes Project tied Assistance (Rs.2000 crore for about 70 projects in key socio-economic sectors such as agriculture, ICT, media, health/ hospitals, education/ schools, capacity building, energy, culture and infrastructure etc), Programme Grant (Rs.700 crore) and the Small Development Projects (Rs. 700 crore).
- ▶ Bilateral cooperation in the hydropower sector has been carried forward with the formal inauguration of the 60 MW Kurichhu Hydroelectric project in April 2006, and commissioning of the 170 MW first unit of 1020 TALA Hydroelectric Project in July 2006. All six units have been commissioned by the end of March 2007. GOI has agreed to provide assistance to Bhutan in developing the hydropower sector and to purchase at least 10,000 MW of power from Bhutan by 2020.
- ▶ Currently, the major items of exports from Bhutan to India are electricity (from Tala, Chukha and Kurichhu Hydroelectric Project), base metals and articles, minerals, vegetable fat and oils, alcoholic beverages, chemicals, cement, timber and wood products, cardamom, fruit products, potatoes, oranges and apples, raw silk, plastic and rubber products. Major exports from India to Bhutan are petroleum products, mineral products, base metals and articles, machinery, automobiles & spares, vegetable, nuts, spices, processed food and animal products, chemicals, wood, plastic and rubber.

- ▶ The Agreement on Trade and Commerce also provides for duty free transit of Bhutanese merchandise for trade with third countries. Sixteen exit/entry points in India identified in the Protocol for Bhutan's third country trade are: Jaigaon, Chamurchi, Ulta Pani, Hathisar (Gelephu), Darranga, Kolkata, Haldia, Dhubri, Raxaul, Panitanki, Changrabandh, Phulbari, Dawki, New Delhi, Chennai and Mumbai. Of these, Kolkata, Haldia, Mumbai and Chennai are the designated seaports, Dhubri is the riverine route, New Delhi, Chennai, Mumbai and Kolkata are the air routes and Raxaul is the rail route.
- ▶ Gol has extended a standby credit facility of Rs. 1000 crore to Royal Government of India (RGoB) to help Bhutan overcome the rupee liquidity crunch. Under this facility, Government of India provides credit to Royal Government of Bhutan at a concessional interest rate of 5% per annum. The facility is valid for 5 years.
- ▶ Besides trade, Indian involvement extends into many other areas of Bhutan's private and public sector activities. In the area of Foreign Direct Investment, Bhutan has so far pursued a conservative policy, and the first and only foreign investor in Bhutan for almost two decades since 1971 was the State Bank of India (SBI). The SBI has worked in collaboration with the Bank of Bhutan (BOB) since its identification as partner in management and share holding in the capital of BOB, in addition to imparting banking expertise.
- ▶ In addition, Indian nationals operate a range of small-scale trading and service activities on licenses issued by the Ministry of Trade and Industry in Bhutan. Such ventures include small shops trading in a variety of products like grocery, auto parts and furniture, as well as scrap dealers, distribution and dealership agencies. Indians in Bhutan also run hotels/restaurants, saloons, tailoring and cobbler services. On a larger scale, Indian investment in Bhutan exists in the manufacturing and processing industries, construction, service, engineering, steel and electronic industries, and consultancy.
- ▶ There is close bilateral cooperation in the educational and cultural fields between India and Bhutan. India provides technical expertise and services of specialists to Bhutan in various fields. Government of India scholarships are granted to Bhutanese students at undergraduate and postgraduate levels every year in Indian Institutions of higher learning.

Currently, there are more than 800 Bhutanese students studying in India under scholarship schemes.

- ▶ The institutional cooperation has been formalised through signing of an MoU between the two Election Commissions. Several teams of officials from the Election Commission of Bhutan including Dzongdas (District Collectors) and Dzongkhag (district officials) have visited India to observe various state and local elections. India has extended full assistance to Bhutan in formulating its election laws.
- ▶ In the international fora too, India and Bhutan can be seen to be supportive of each other. While Bhutan has not always voted identically with India on every issue, thereby expressing its own choices, it has maintained a consistent pattern of support to India on many occasions and significant issues. To name a few, these include the vote on the Comprehensive Test Ban Treaty (CTBT), the establishment of Nuclear Weapons Free Zone in South Asia, India's aspirations to be a permanent member of the UN Security Council, India's candidature to various international bodies, negotiations in the WTO, and the importance of India in the success of SAARC.

### Trade and commerce relation

Both the countries too have institutionalized a healthy trade and commerce between them. Currently another new dimension has been added up to this friendship in the form of renewal of existing Bilateral Trade Agreement.

Though the first agreement was signed in 1972, since then it has been renewed periodically four times, latest being in 2006 which was valid till 2016. The validity of this agreement was extended till the new agreement comes into force. Thus the new agreement 'Agreement on Trade, Commerce and Transit' was signed in November 2016 between Commerce Minister Smt. Nirmala Sitharaman from Indian side and her counterpart H.E Tengye Lyonpo Dorji from Bhutan.

The new trade agreement focuses on increasing the trade volume between two countries mainly through trade facilitation. It involves improving procedures, cutting down on documentation and adding additional entry and exit points for Bhutan's trade with other countries. It will help in enhancing trade of both the countries, thus giving a huge support to economy of both the country especially that of Bhutan which is still an infant economy. Bhutan has very low scope for trade with countries other than India

owing to its geographical location. Bhutan is a landlocked country, thus trade and commerce with India is a major commercial activity for her.

Currently India's export to Bhutan were \$441.5 million in 2015-16 while imports were \$279.6 million. Balance of trade has been for most of the time in favour of India. However India has been refunding the excise duty on Bhutanese imports from India, especially owing to huge surge in imports of motor vehicles into Bhutan. For India, this trade is more than just a commercial activity, rather it is a long term strategy to keep a strong hold over an neighbourhood ally.

**Sallent features of existng trade agreement**

- ▶ There will be free trade and commerce between India and Bhutan.

- ▶ Bhutan may impose such non-tariff restrictions on the entry into Bhutan of certain goods of Indian origin which may be necessary for the protection of its own industries.
- ▶ Both countries can impose non-tariff restrictions on entry of goods of third country origin.
- ▶ All the imports and exports of Bhutan will be free from trade restrictions and custom duties by India.
- ▶ Transaction to be in Indian rupees and Bhutanese Ngultrums, which is fully convertible.
- ▶ Merchants ship sailing from Bhutan shall be accorded no less favourable treatment than that of any other country.
- ▶ Agreement to be renewed by mutual consent.

Now look at some of the figures on bilateral trade.

Particulars	2011	2012	2013	2014	2015
Exports to Bhutan (Rs Cr)	3520	4180	4389	4785	5374
%age of total Bhutanese import	72.3%	79.4%	82.4%	84.1%	79%
Imports from Bhutan (Rs Cr)	2640	2780	2898	3180	3180
%age of total Bhutanese export	83.8%	93.9%	91%	89.4%	90.3%

It is clearly evident from the table above that trade in absolute as well as relative terms has been increasing between two countries. But it is still much less than its full potential. That is why the current renewal of the pact aims to enhance trade facilitation. It aims at increasing the share of India in Bhutanese trade.

It also shows the Bhutan's dependence on both imports from and exports to India. A very large share of import requirements is from India. Hence Bhutan can hardly miss out the opportunity provided by India in terms of new trade agreement. In case of Bhutanese exports to India, electricity

forms around one-third. Other export items include minerals, cement, etc. Bhutan surely will try to increase its export in order to finance its import. Nevertheless trade enhancement between any two countries give an impetus to their bilateral relations too.

Since 1990s Gujral Doctrine has been a core philosophy of India's policy towards her neighbourhood. The present renewal of trade agreement is an another step towards this direction. India and Bhutan both should work closely in full implementation of the agreement which surely benefits both the countries in a multifaceted way.

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# NATIONAL FOOD SECURITY ACT IMPLEMENTED

## Context

**The National Food Security Act (NFSA), which envisages supply of subsidised foodgrains, has been now has been implemented in all the States and Union Territories.**

India has the largest number of hungry people in the world; despite various programs the number of undernourished people today is similar as 20 years ago. Hunger and malnutrition in India are still major human and social issues despite the fact that the politicians never fail to swear to eliminate poverty and the accompanying hunger.

Hunger remains the No.1 cause of death in the world. Over 10 million people die every year of chronic hunger and hunger-related diseases, of which a quarter deaths take place in India. In comparison, less than 10 percent death is claimed by earthquakes, floods, droughts and wars which get the most media attention.

There are 900 million chronically hungry people in the world; one-third of them live in India. Almost 50 percent of Indian children are underweight, 30% of newborn have low weight at birth, and over 55% of married women and about 80% of young babies in the age group 6-35 months are anemic.

The problem of malnutrition is complex, multi-dimensional and inter-generational in nature, and cannot be improved by a single sector alone. The causes are varied and include inadequate consumption of food, frequent infections, lack of availability of safe drinking water and proper sanitation, illiteracy specially in women, poor access to health services, low purchasing power, socio-cultural factors such as early marriages of girls, lack of care during pregnancy and infancy, ignorance about nutritional needs of infants and young children, etc.

Thus in order to provide food grains to common people at affordable prices, in 1965 the universal Public Distribution System (PDS) was introduced in India. It also served the aim of:

- ▶ Maintaining stability in the prices of essential commodities across regions, and
- ▶ Keeping a check on private trade, hoarding and black-marketing.

In the mid-nineties the central government began to see the PDS program as a tool to provide food security to the poor. In 1997, the PDS was converted into Targeted PDS (TPDS) through classification of its population into Above Poverty Line (APL) and Below Poverty Line (BPL) categories. Only those households classified as BPL were made eligible for subsidized purchase of commodities from the ration shops. Since early 2000, it has also recognized the destitute as a separate category among the poor. All this has culminated in food-based security as an entitlement.

But as is the status of governance in India, nothing materialized on the ground. The food crisis is not due to lack of sufficient food grain production; but largely a reflection of government's misplaced priorities and mismanagement skills.

Thus to improve the food security situation in India National Food Security Act has been promulgated.

The Act provides for coverage of up to 75% of the rural population and up to 50% of the urban population for receiving subsidized food grains under Targeted Public Distribution System (TPDS), thus covering about two-thirds of the population. Under the Act, the eligible persons will be entitled to receive 5 Kgs of food grains per person per month at subsidized prices of Rs. 3/2/1 per Kg for rice/wheat/coarse grains respectively.

To ensure the food security of poorest of poor, the existing Antyodaya Anna Yojana (AAY) households will continue to receive 35 Kgs of foodgrains per household per month. Pregnant women and lactating mothers are entitled to a nutritious "take home ration" of 600 Calories, 18-20 grams of protein and a maternity benefit of at least Rs.6,000 for six months. Children 6 months to 14 years of age are to receive free hot meals or "take home rations".

The Central Government will be responsible to provide funds to states in case of short supplies of food grains; the states are responsible for



determining eligibility criteria & will provide a food security allowance to the beneficiaries in case of non-supply of food grains.

In order to address the concern of the States regarding additional financial burden, Central Government will provide assistance to the States towards cost of intra-State transportation, handling of foodgrains and FPS dealers' margin, for which norms will be developed. This will ensure timely transportation and efficient handling of food grains.

The Public Distribution System is to be reformed like doorstep delivery of foodgrains, application of information and communication technology (ICT) including end to end computerisation, leveraging 'Aadhaar' for unique identification of beneficiaries, diversification of commodities under TPDS etc for effective implementation of the Food Security Act. Some of these reforms are already underway.

The eldest woman in the household, 18 years or above, is the head of the household for the issuance of the ration card. There will be state- and district-level redress mechanisms; and State Food Commissions will be formed for implementation and monitoring of the provisions of the Act. Provisions have also been made for disclosure of records relating to PDS, social audits and setting up of Vigilance Committees in order to ensure transparency and accountability. The cost of the implementation is estimated to be \$22 billion (1.25 lac crore), approximately 1.5% of GDP.

Recently (from November) Kerala and Tamil Nadu have also rolled out the NFSA. With this, now the Act has been implemented in all the States and Union Territories.

As a result, 81.34 crore persons will get wheat at Rs. 2 per kg and rice at Rs. 3 per kg.

### **Other Welfare Schemes under NFSA 2013**

The Act contains entitlements for meal to pregnant women and lactating mothers and for

children up to 14 years of age, through the ongoing ICDS and MDM schemes. The MDM scheme provides hot cooked meals to all children (10.54 crore children in 2011-12) attending classes I-VIII in government and government aided-schools, Education Guarantee Scheme/Alternative and Innovative Education Centres (EGS/AIE). This scheme is run primarily with a view to enhance enrolment, retention, attendance and to also improve nutritional levels among primary school students. The Wheat Based Nutrition Programme (WBNP), run under the ICDS, is implemented by the Ministry of Women and Child Development, which provides nutritious/energy food to children below the age of six years and to expectant/lactating women. Even though the scheme is referred to as a wheat-based nutrition scheme, more than 30 per cent of grains allocated to this scheme are in terms of rice.

### **Conclusion**

The ultimate objective of development planning is human development or to increase social welfare and well-being of the people. Increased social welfare of the people requires a more equitable distribution of development benefits along with better living environment.

NFSA gives a legal character to per person entitlement. In the case of non-supply of the entitlement, the centre commits to giving a food security allowance. Based on population coverage and the distribution commitment, TPDS forms the largest component of the NFSA. There are two types of TPDS beneficiaries under NFSA – namely Antyodaya (AAY or the poorest-of-poor) and priority – who are entitled to 35 kg/family/month and to 5 kg/person/month of grain respectively. Rice, wheat and coarse cereals are to be distributed at the central issue prices (CIPs) of Rs. 3/2/1 per kg respectively.

Providing food security to all can be a step forward towards inclusive growth.

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## MISCELLANEOUS NEWS

### Context

Hereby compiling the important short notes of November (1 to 15), 2016.

#### A. 'Ek Bharat Shreshtha Bharat' Scheme

On the occasion of 140th birth anniversary of Sardar Vallabhbhai Patel government has launched "Ek Bharat, Shresth Bharat" scheme.

According to the scheme, two states will undertake a unique partnership for one year which would be marked by cultural and student exchanges. Under this every state will choose another state each year and then promote its language and culture.

Students of a particular state would travel to another state to learn each other's culture.

The main objective of this program is to promote the different cultures our nation carries. There are more than thousand languages being spoken in India. A lot of people are not aware of other societies, cultures and the variety of languages. So this program has been started to let people know about the other parts of the nation.

The benefit of starting such project is that now one state will promote the other state every year. Also it will be quite beneficial for the students who will travel to other states to meet new people and experience new life. This initiative will help them to understand the life and people more closely than before.

#### B. IISc produces a salt to combat bacterial infections

Using crystal engineering, a team of researchers from the Indian Institute of Science (IISc) Bangalore has successfully produced a highly efficacious binary salt of two commonly used drugs – norfloxacin (antibacterial) and sulfathiazole (antimicrobial).

The combination of antibacterial and antimicrobial medications are used to treat infections, these can differ in their properties, some of which may not have the desired result. However the salt is more effective than a physical mixture of the two drugs.

The underlying reason for the salt's improved efficacy is the better solubility and diffusion of

the drugs, particularly norfloxacin and, therefore, enhanced bioavailability and pharmaceutical activity.

Even if a smaller amount of the salt is prescribed, the amount of drug entering the bacterial cells will be more than the usual dose.

**Crystal engineering** is the design and synthesis of molecular solid state structures with desired properties, based on an understanding and use of intermolecular interactions.

#### C. James Webb Space Telescope developed by NASA

The James Webb Space Telescope, also called Webb or JWST, is a large, space-based observatory, optimized for infrared wavelengths, which will complement and extend the discoveries of the Hubble Space Telescope. It will have longer wavelength coverage and greatly improved sensitivity. The longer wavelengths enable Webb to look further back in time to find the first galaxies that formed in the early Universe, and to peer inside dust clouds where stars and planetary systems are forming today.

JWST is an international collaboration between NASA, the European Space Agency (ESA), and the Canadian Space Agency (CSA). The NASA Goddard Space Flight Center is managing the development effort. The main industrial partner is Northrop Grumman; the Space Telescope Science Institute will operate JWST after launch.

#### Why space telescope needed?

The Earth's atmosphere is nearly opaque and glows brightly at most of the infrared wavelengths that Webb will observe, so a cold telescope in space is required. For those wavelengths that are transmitted to the ground, the Earth's atmosphere blurs the images and causes stars to twinkle. Currently, adaptive optics systems can correct for this blurring only over small fields of view near bright stars functioning as reference beacons, allowing access to only a small fraction of the sky.

Artificial light beacons created with strong lasers may provide better access to the sky, but the technology to provide a wide field of view is still far in the future. Finding the earliest galaxies will require very low foreground light levels, ultra-sharp images over large areas, and studies at many infrared wavelengths, a combination of observing conditions only available from space.

### Sallent features

- ▶ It is 100 times powerful than the Hubble Space Telescope and may find the first galaxies that were formed in the early universe.
- ▶ The Webb telescope's infrared cameras are so sensitive that it needs to be shielded from the rays of the Sun. A five-layer sunshield of the size of a tennis court will prevent the heat from interfering with the telescope's infrared sensors.
- ▶ The layers work together to reduce the temperatures between the hot and cold sides of the observatory by about 298 degrees Celsius. Each successive layer of the sunshield, made of kapton, is cooler than the one below.

### New technologies Inbuilt In It

These include a primary mirror made of 18 separate segments that unfold and adjust to shape after launch. The mirrors are made of ultra-lightweight beryllium. JWST's biggest feature is a tennis court sized five-layer sunshield that attenuates heat from the Sun more than a million times. The telescope's four instruments - cameras and spectrometers - have detectors that are able to record extremely faint signals. One instrument (NIRSpec) has programmable microshutters, which enable observation up to 100 objects simultaneously. JWST also has a cryocooler for cooling the mid-infrared detectors of another instrument (MIRI) to a very cold 7 K so they can work.

### D. Pradhan Mantri Surakshit Matritva Yojana

Pradhan Mantri Surakshit Matritva Abhiyan envisages to improve the quality and coverage of Antenatal Care (ANC), Diagnostics and Counselling services as part of the Reproductive Maternal Neonatal Child and Adolescent Health (RMNCH+A) Strategy.

Under the Pradhan Mantri Surakshit Matritva Abhiyan, the pregnant ladies will be given free health check-up and required treatment for free on 9th of every month. The scheme will be applicable for pregnant women to avail services in all Government hospitals across the country.

### Objectives

- ▶ Provide a healthy life to the pregnant women.
- ▶ Lowering the maternity mortality rate.
- ▶ Making pregnant women aware of their health issues/diseases.
- ▶ Making sure safe delivery and healthy life of the baby.

### Main features of Surakshit Matritva Abhiyan

- ▶ The scheme is applicable only for the pregnant women in their pregnancy period of 3 to 6 months.
- ▶ The free checkup will take place on 9th of every month.
- ▶ All kinds of medical checkups under this scheme will be completely free.
- ▶ Tests will take place at the medical centers, government and private hospitals and private clinics across the country.
- ▶ Women will be marked differently based on their health problems so that doctors can easily detect the problem.

### E. India's first LNG-powered bus rolled out in Kerala

LNG is a clear, colourless and non-toxic liquid which forms when natural gas is cooled to  $-162^{\circ}\text{C}$  ( $-260^{\circ}\text{F}$ ). The cooling process shrinks the volume of the gas 600 times, making it easier and safer to store and ship. In its liquid state, LNG will not ignite.

When LNG reaches its destination, it is turned back into a gas at regasification plants. It is then piped to homes, businesses and industries where it is burnt for heat or to generate electricity.

Natural gas is the cleanest burning fossil fuel. It produces less emissions and pollutants than either coal or oil.

India's first ever LNG fuel bus for the test run has been rolled out at Thiruvanthapuram.

It has been a joint effort of Petronet LNG Limited (PLL), Indian Oil Corporation Ltd and Tata Motors Ltd to introduce LNG as a fuel in commercial vehicles in the state capital.

### F. Surya Jyoti

In order to capture day light and concentrate the same inside a dark room, particularly in urban slum or rural areas which lack electricity supply, a low cost and energy efficient Micro Solar Dome known as Surya Jyoti has been tested and developed.

The Micro Solar Dome (MSD) is a day and night lighting single device unique in its features, that has a transparent semi-spherical upper dome made of acrylic material which captures the sunlight and the light passes through a sun-tube having a thin layer of highly reflective coating on the inner wall of the passage. It also contains a lower dome made of acrylic. There is a shutter in the bottom of the lower dome which can be closed, if light is not required in the daytime. It is leak proof and works throughout the day and 4 hours continuously after sunset.

**Proposed benefits:**

It is estimated that if this technology is adopted in 10 million households only, it has the potential of saving 1750 million units of energy. It would also lead to an emission reduction of about 12.5 million ton of CO<sub>2</sub>.

**Photovoltaics (PV)** covers the conversion of light into electricity using semiconducting materials.

A typical photovoltaic system employs solar panels, each comprising a number of solar cells, which generate electrical power. The first step is the photoelectric effect followed by an electrochemical process where crystallized atoms, ionized in a series, generate an electric current.

Solar PV generates no pollution.

**G. PUSA Arhar**

ICAR-Indian Agriculture Research Institute (IARI), New Delhi has developed extra early maturing (120 days), semi-dwarf (95 cm to 120 cm tall), determinate, high yielding new plant type genetic material viz., Pusa Arhar 16 which is semi-erect compact plant type. This plant type allows dense plant population of 3,30,000 plants/ha when planted with Row X Row spacing of 30 cm and Plant X Plant spacing of 10 cm. High density planting is important to realize higher yield and mechanization. Traditional varieties do not allow high density planting as their plant type is indeterminate and spreading type. Thus, suitability to high population density of this line allows uniform plant density and ultimately uniform plant stand and thereby reduces losses in yield due to seedling mortality.

Pusa Arhar 16 allows effective spraying of insecticide even with Knapsack sprayer for effective control of insects due to compactness and dwarfness. This new plant type, with synchronous maturity, is also suitable for combine harvesting and thus does not require manual laborers for harvesting and threshing. Harvesting and threshing in traditional varieties require more manpower and time thereby increasing the cost of cultivation and chances of losses due to damage by untimely rains. This extra early line also allows growing of mustard/potato/wheat in rabi after harvest of pigeon-pea successfully. Moreover, as this line is extra early maturing (120 days) it allows flexibility of sowing from onset of monsoon (5th June) to even up to 1st week of July.

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