

## CURRENT AFFAIRS ANALYST

### WEEKLY

## MAINS

- **How Crucial is an Industrial Policy for Robust Manufacturing Sectors**  
ECONOMY
- **Dispute Settlement Mechanism of WTO**  
ECONOMY
- **Afghan Peace Process**  
INTERNATIONAL RELATIONS
- **Coalition Government as Strengthening Force to Democracy**  
POLITY & GOVERNANCE
- **Droughts in India**  
DISASTER MANAGEMENT

## PRELIMS

- **Masala Bonds**  
ECONOMICS
- **Non-banking Financial Companies**  
ECONOMICS
- **Ponzi Scheme**  
ECONOMICS
- **RBI Proposes to make NEFT 24x7**  
ECONOMICS
- **Foundational Agreements between India and US**  
INTERNATIONAL RELATIONS
- **Mutual Legal Assistance Treaties (MLATs)**  
INTERNATIONAL RELATIONS
- **Shanghai Cooperation Organisation (SCO) Meet**  
INTERNATIONAL RELATIONS
- **Local Indian Ocean Phenomenon may bring Better Rainfall Despite El Nino**  
GEOGRAPHY
- **ULFA**  
INTERNATIONAL SECURITY
- **United Nations not a State under Article 12**  
POLITY & GOVERNANCE
- **Change in the Definition of Kilogram**  
SCIENCE & TECHNOLOGY
- **Launch of RISAT-2B**  
SCIENCE & TECHNOLOGY

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The current affairs articles are segregated from prelims and mains perspective, such separation is maintained in terms of structure of articles. Mains articles have more focus on analysis and prelims articles have more focus on facts.

However, this doesn't mean that Mains articles don't cover facts and PT articles can't have analysis. You are suggested to read all of them for all stages of examination.

**CURRENT AFFAIRS ANALYST**  
WEEK-4 (MAY, 2019)

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**SECTION: A**  
**(MAINS)**

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**CURRENT AFFAIRS**

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# HOW CRUCIAL IS AN INDUSTRIAL POLICY FOR ROBUST MANUFACTURING SECTORS

## CONTEXT

- The contribution of manufacturing to GDP in 2017 was only about 16%, a stagnation since the economic reforms began in 1991.
- The contrast with the major Asian economies is significant. For example, Malaysia roughly tripled its share of manufacturing in GDP to 24%, while Thailand's share increased from 13% to 33% (1960-2014).

## ◎ ABOUT:

- The **Draft Industrial Policy floated in August 2017** by the Department of Industrial Policy & Promotion aims to create jobs over the next two decades, promote foreign technology transfer and attract \$100 billion FDI annually.
- This will be the third industrial policy drafted in independent India. The first was announced in 1956, and the second, in 1991.

### Main objectives of the Industrial Policy:

- (i) to maintain a sustained growth in productivity;
- (ii) to enhance gainful employment;
- (iii) to achieve optimal utilization of human resources;
- (iv) to attain international competitiveness;
- (v) to transform India into a major partner and player in the global arena.

To achieve these objectives, the Policy focus is on deregulating Indian industry; allowing freedom and flexibility to the industry in responding to market forces; and providing a policy regime that facilitates and fosters growth.

Economic reforms initiated since 1991 envisages a significantly bigger role for private initiatives. The policy has been progressively liberalized over years to at present.

## ◎ ANALYSIS

- No major country managed to reduce poverty or sustain growth without manufacturing driven economic growth. This is because productivity levels in industry (and manufacturing) are much higher than in either agriculture or services.
- However, a lack of human capital has been a major constraint upon India historically being able to attract foreign investment (which Southeast Asian economies succeeded in attracting).

### Manufacturing is an engine of economic growth because it:

- ▶ Offers economies of scale
- ▶ Embodies technological progress
- ▶ Generates forward and backward linkages that create positive spillover effects in the economy
- Even neo-classical economists accept government intervention in the case of market failures.

### Mainstream economists point to specific instances of market failure that require a government-driven industrial policy:

- ▶ Deficiencies in capital markets
- ▶ Lack of adequate investments inhibiting exploitation of scale economies.
- ▶ Imperfect information with respect to firm-level investments in learning and training
- ▶ Lack of information and coordination between technologically interdependent investments

### Why should India have an effective and up-to-date industrial policy?

- To coordinate complementary investments when there are significant economies of scale and capital market imperfections (for example, as envisaged in a Visakhapatnam-Chennai Industrial Corridor).
- Industrial policies are needed to address learning externalities such as subsidies for industrial training.
- Industrial policy was reinforced by state investments in human capital, particularly general academic as well as vocational education/training aligned with the industrial policy, in most East Asian countries.
- The state can play the role of organizer of domestic firms into cartels in their negotiations with foreign firms or governments — a role particularly relevant in the 21st century after the big business revolution of the 1990s (with mega-mergers and acquisitions among transnational corporations).

- Role of industrial policy is not only to prevent coordination failures (i.e. ensure complementary investments) but also avoid competing investments in a capital-scarce environment.
- An industrial policy can ensure that the industrial capacity installed is as close to the minimum efficient scale as possible. Choosing too small a scale of capacity can mean a 30-50% reduction in production capacity.
- When structural change is needed, industrial policy can facilitate that process. In a fast-changing market, losing firms will block structural changes that are socially beneficial but make their own assets worthless.

### State's role in the success story of India's IT industry

- The government invested in creating high-speed Internet connectivity for IT software parks enabling integration of the Indian IT industry into the U.S. market.
- It allowed the IT industry to import duty-free both hardware and software. (In retrospect, this should never have continued after a few years since it undermined the growth of the electronics hardware manufacturing in India.).
- IT industry was able to function under the Shops and Establishment Act; hence not subject to the 45 laws relating to labour and the onerous regulatory burden these impose.
- **Finally**, the IT sector has the benefit of low-cost, high-value human capital created by public investments earlier in technical education. Without these, the IT success story would not have occurred.

### The LPG and 1991 era

- Industrial Policy since 1991 has been more for facilitating the industrial development rather than anchoring it through permits and controls.
- Industrial licensing has, therefore, been abolished for most of the industries and there are **only 4 industries** at present related to security, strategic and environmental concerns, **where an industrial license is currently required**:
  - ▶ Electronic aerospace and defence equipment: all types.
  - ▶ Industrial explosives including detonating fuses, safety fuses, gunpowder, nitrocellulose and matches.

- ▶ Specified Hazardous chemicals i.e. (i) Hydrocyanic acid and its derivatives; (ii) Phosgene and its derivatives and (iii) Isocyanates & Disocyanates of hydrocarbon, not elsewhere specified (example Methyl Isocyanate).
- ▶ Cigars and cigarettes of tobacco and manufactured tobacco substitutes.

### Chronicles of industrial policy chronicle

- When India's industrial policy chronicle is reviewed, it is found that the country has mainly followed three regimes after independence.
- These are the planned or controlled period till the end of the 1970s, the limited liberalization period of the 1980s and the post-reform period beginning in early 1990s.
- It is seen that the performance of the industrial sector as a whole coupled with the manufacturing sector has witnessed substantial growth in terms of output after the 1980s, which further stabilized in the 1990s.
- However, mining and quarrying as well as electricity, gas and water supply sectors of industry have decelerated in the post-reform period.

### Summary note:

- The idea behind Industrial Policy is to strengthen ease of doing business and reduce compliance costs for the industry. This, in turn, will boost private investments and entrepreneurship, thereby creating more employment opportunities.
- The new industrial policy is expected to embed provisions that will give weightage to the quality of foreign direct investment (FDI), with a preference to investments that are expected to create local value additions and, thus, jobs.
- To promote the use of new technology such as robotics and artificial intelligence, the policy is expected to emphasize promoting R&D and set up an institutional mechanism to encourage commercial utilization of research done using government funds.
- The policy will focus on 'Make in India', improving ease of doing business, aligning trade and manufacturing, improving access to credit for MSMEs, industrial infrastructure creation, skill development and promotion of technology.
- The policy will also act as a catalyst to help the Start-up India initiative to drive India's economic growth.



### Practice Question

- Critically analyse new Industrial Policy of India in the backdrop of Make In India and De-Globalization trends.



# DISPUTE SETTLEMENT MECHANISM OF WTO

## CONTEXT

- The World Trade Organization's (WTO's) dispute settlement mechanism is going through a "crisis": the body is struggling to appoint new members to its understaffed Appellate Body that hears appeals in trade.
- Unless the issue is resolved, the body could become defunct, and countries locked in international trade disputes will be left with no forum for recourse.

### ◎ ABOUT:

#### Recent issues in WTO

- Over the last few years, the membership of the body has shrivelled to just three persons instead of the required seven.
- Many analysts have said that Buenos Aires summit has highlighted the existential crisis faced by WTO especially during a time when emerging economies have adopted assertive and developed economies have adopted protectionist attitude.
- This is because the United States, which believes the WTO is biased against it, has been blocking appointments of new members and reappointments of some members who have completed their four-year tenure.
- Two members will complete their tenures in December 2019, leaving the body with just one member.
- At least three people are required to preside over an appeal, and if new members are not appointed to replace the two retiring ones, the body will cease to be relevant.
- The understaffed appeals body has been unable to stick to its 3 month deadline for appeals filed in the last few years, and the backlog of cases has prevented it from initiating proceedings in appeals that have been filed in the last year.

#### WTO's dispute settlement mechanism

- The Appellate Body, set up in 1995, is a standing committee of seven members that presides over appeals against judgments passed in trade-related disputes brought by WTO members.
- With over 500 international disputes brought to the WTO and over 350 rulings issued since 1995, the **organisation's dispute settlement mechanism** is one of the most active in the world, and is the highest authority in these matters.
- Countries involved in a dispute over measures purported to break a WTO agreement or obligation can approach the Appellate Body if they feel the report of the panel set up to examine the issue needs to be reviewed on points of law.
- It can uphold, modify, or reverse the legal findings of the panel that heard the dispute.

- The WTO's dispute settlement procedure is seen as being vital to ensuring smooth international trade flows. It has so far issued 152 reports. The reports, once adopted by the WTO's disputes settlement body, are final and binding on the parties.

### ◎ ANALYSIS

#### Why US is blocking appointments?

- The U.S. has been long proven isolationist and has never truly embraced the idea of a multilateral system in which its leadership could be contested.
- The U.S. drove the agenda to establish the WTO purely to pursue its own commercial interests. It is not willing to be judged by an independent multilateral quasi-judicial institution.

#### Related Concerns over politicisation of the WTO appointment and reappointment process

- U.S. and China have imposed counter-productive duties, accusing each other of harming their domestic interests. WTO has not been able to prevent the trade wars despite best efforts and has been labelled as a talk shop. There is concern that China may be on its way to having a permanent seat.
- This negates the core non-discriminatory principle of WTO.

#### India's Disputes in WTO

- India has so far been a direct participant in 54 disputes, and has been involved in 158 disputes as a third party.
- In February 2019, the body said it would be unable to staff an appeal in a dispute between Japan and India over certain safeguard measures that India had imposed on imports of iron and steel products.

The dispute panel between India and Japan had found that India had acted "inconsistently" with some WTO agreements and it had notified the Dispute Settlement Body of its decision to appeal certain issues of law and legal interpretations in December 2018.

#### Implications

- With the Appellate Body unable to review new applications, there is already great uncertainty



over the WTO's dispute settlement process.

- If the body is declared non-functional in December, 2019, countries may be compelled to implement rulings by the panel even if they feel that gross errors have been committed.
- Countries may refuse to comply with the order of the panel on the ground that it has no avenue for appeal. It will run the risk of facing arbitration proceedings initiated by the other party in the dispute.
- This also does not bode well for India, which is facing a rising number of dispute cases, especially on agricultural products.
- In the backdrop of rising trade tension between the U.S. and China, the overall weakening of the WTO framework could have the effect of undoing over two decades of efforts to avoid protectionism in global trade.
- This WTO crisis might well be the final battle to retain control over a Western-centric organisation.

- The time has come for the emerging economies and the developing world to have a greater say in how to shape multilateralism and its institutions.

### Way Forward

- Usually, new appointments to the Appellate Body are made by a consensus of WTO members, but there is also a provision for voting where a consensus is not possible.
- The group of 17 least developed and developing countries, including India, that have committed to working together to end the impasse at the Appellate Body can submit or support a proposal to this effect, and try to get new members on the Appellate Body by a majority vote.
- But, this may be an option of the last resort, as all countries fear unilateral measures by the U.S. as a consequence of directly opposing its veto.



### Practice Question

- "WTO's power to settle disputes is what makes it more important than the earlier GATT." In light of this statement explain why U.S. is blocking appointments and what can be done to resolve this problem especially highlighting the role of India.

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# AFGHAN PEACE PROCESS

## CONTEXT

- Afghanistan's High Peace Council Secretary and President Ashraf Ghani's Special Envoy Mohammad Umer Daudzai recently visited India.
- Speaking at the Indian Council of World Affairs (ICWA), Daudzai said that India's role is 'key' to the peace in Afghanistan.
- Also, India recently handed over two Mi-24 attack helicopters to Afghanistan. These helicopters are a replacement for the four attack helicopters gifted by India to Afghanistan in 2015.

## ◎ ABOUT:

### Background:

- There has been a continued 25 years of civil war in Afghanistan. An Afghanistan force and Taliban conflict has been sustained during this long time and damage social and economic life make peace elusive for Afghanistan.
- International efforts especially by US and NATO countries have been failed. They have spent hundreds of billion dollar and army services but no avail.
- However, today progress towards a peace process is increasingly seen as central to securing a just and stable future. At reconciliation meet in November 2018 by afghan authorities, India was present and the first time all stakeholders were present in the same room.

## ◎ ANALYSIS:

### Role of USA in Afghan Peace Process:

- U.S. and Taliban negotiators have concluded a draft peace framework. This draft framework was built on years of direct and indirect talks between the two parties.
- Under the framework, the Taliban would be required to deny safe haven to international terrorist groups like al-Qaida and the self-proclaimed Islamic State, has to enter into direct talks with Afghan government and also agree to declare ceasefire.
- In exchange, the United States would withdraw forces from Afghanistan within eighteen months of a final agreement.

### Contribution of other countries in the process:

- The effort to achieve this draft peace framework was made possible with the help of Pakistan, Saudi Arabia, the United Arab Emirates (UAE), and Qatar at various stages.

- Yet the framework does not make clear what role regional states will play in achieving a final settlement.
- Just as regional competition fuelled Afghanistan's long war, regional states have a role to play in resolving it.
- **Pakistan:**
  - Pakistan has been a central participant in all phases of Afghanistan's long war.
  - The US promised to pursue a pressure strategy aimed at punishing Pakistan for its malign behaviour, including by allowing Taliban leaders and fighters to freely live and organize from its territory.
  - But Pakistani civilian and military leaders feel optimistic about the current draft framework, as its pursuit delayed the escalation of this pressure campaign.
  - The best-case scenario for Pakistan is likely a narrow agreement that does not force it to take responsibility for its past actions in Afghanistan.
- **China:**
  - China's interests in Afghanistan are most closely aligned with Pakistan, although Beijing's concerns about violent extremism and terrorism are out of step with Pakistani behaviour.
  - U.S. and Chinese diplomats have worked together to support an Afghan peace process, and Beijing will want to be involved enough to account for its counterterrorism and border security concerns.
  - China has much to offer in terms of inducements to support a peace agreement in Afghanistan, particularly economically through Belt and Road Initiative investments in Pakistan (the China-Pakistan Economic Corridor) or Central Asia (the Silk Road Economic Belt).
- **Russia**
  - Russia hosted a second round of Taliban talks in February 2019 without participation of Afghan government.

- These talks risk easing pressure on the Taliban and further bolstering its standing, but could be leveraged to help the U.S. diplomatic effort.
- The U.S. and Afghan governments should find ways to take advantage of Moscow's efforts and show up to any Russia-hosted talks, even if only to deny the Taliban an uncontested boon.
- **India**
  - With limited options of intervention in Afghanistan, India is playing a role of a responsible democratic country and a true friend and neighbour to the Afghanistan.
  - Indian is engaged with Afghanistan by following ways:
    - Developing social infrastructure as hospitals, schools;
    - Public infrastructure such as Salma dam, and parliament building ;
    - Humanitarian assistance such as medical missions;
    - Training of military officer and soldiers;
    - Military warfare such as military helicopters and repairing the old soviet era helicopters.
  - India is likely concerned that any deal that could introduce the Taliban back into the Afghan government could dilute its political influence in Afghanistan.
  - India's hedge toward Iran, by investing in the construction of the Chabahar port (the only Iranian port with direct access to the Indian Ocean), could pave the way for a continuing economic role.
  - But India would probably see a peace agreement, particularly one championed by Pakistan, as a short-term setback to its interests in Afghanistan.

#### **Afghan as an elusive benefit for India:**

- Afghanistan is a gateway for the north-south corridor for India.
- Afghan have a rich source of oil can help India to full fill their demand.
- India developed Chahbar port to increase import and export with Afghan and counter Pakistan in West Sea.
- Elusive peace in afghan can help India project of TAPI.
- Help India to overcome china one-road-one-belt initiatives.

#### **Effect on India if Taliban comes to power:**

- Pakistan will gain huge strategic influence and India will lose the same.

- India's access to central India will get affected.
- After conquering Afghanistan Taliban may turn towards India to increase terror activities.
- Pakistan will then focus on Indian border only.
- As China has also raised its stakes it will use it against India.

#### **Reasons for India to be part of reconciliation process with the Taliban:**

- **Regional Stability:** Security and Stability are foundations over which development can be built on. Peaceful neighbourhood and trouble free regional climate will provide space for the regimes to focus more on development as threats of violence by Taliban's in the region will be minimized.
- **Counter China and Pakistan's vested interests:** India should play a considerable role through Quadrilateral group plus 2 talks to thwart the efforts of china to place puppet regimes which can play according to their own vested interests. This can be counterproductive for India's aspirations and concerns.
- **Connectivity with Central Asia:** India's trade with Central Asia and reaping benefits from the enhanced connectivity will be largely dependent on Afghanistan's domestic environment. A peaceful and cooperative Afghanistan will be a key pin in India's central Asia policy. The latest trilateral transit agreement between India, Iran and Afghanistan is a significant step in this direction.
- **TAPI for Energy security:** Violence free Afghanistan is desideratum for finishing the project of TAPI and sustaining the benefits from it through energy supplies from Turkmenistan.
- Gateway to "Link west" policy: Afghanistan will act as a gateway to India's increasing rigour on its west Asia policy.
- **Minerals of Afghanistan:** The cost of access to minerals will be minimum and helpful in expanding the production of Indian Industries.

#### **Way forward:**

- India needs to make stands tougher on Afghan issues. India needs to take other stake holders such as Russia and Iran together and make their stand clear.
- India should be more vocal to USA that leaving Taliban unfinished will leave the region in same or even worse state as it was earlier. Complete surrender of Taliban is good for USA's and region security.
- India needs to use soft Image as weapon and it should highlight that Afghan people voice is most important so instead of handing power to any form of government US should try to stabilise region.

- It is a truth of U.S. policy on Afghanistan that there is no military solution to the conflict. But instead of putting the full power and resources of the United States behind a diplomatic push, successive administrations have chosen to put the military mission first. They have often deployed just enough resources to have an effect on the ground, while minimizing attention from increasingly weary constituents in the United States. It is long past time for a different approach.
- The U.S.-Taliban draft framework is exactly the type of high-stakes diplomacy needed to end Afghanistan's long war, or even just the U.S. period of that conflict, which is the longest war in U.S. history.



### Practice Question

- Analyse the role India has played in establishing a lasting peace in Afghanistan, what has been its relation with Taliban and how it should pursue further relations with Afghan government and Taliban in the recent context?

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# COALITION GOVERNMENT AS STRENGTHENING FORCE TO DEMOCRACY

## CONTEXT

- The criticism that coalition governments are inherently or necessarily unstable is not borne out by facts. Since the 1990s at the Union level, India had three Congress-led governments which were able to complete their full terms. Former Prime Minister Atal Bihari Vajpayee was able to complete his full term as the head of a BJP-led coalition.

### ◎ ABOUT:

- What determines the successes of coalition governments; how do they contribute to economic growth, and why post-poll coalitions are popular in India. The article will intend to cover these angles - critically.

### Background:

- Political systems are classified into federal and unitary forms of governance based on the distribution or concentration of powers between the centre and the state or in the centre respectively.
- Federalism is a concept applied to a political system characterized by two levels of government deriving powers and functions from an authority which is not controlled by either level of government.
- Federalism requires understanding and negotiations between the centre and state governments in the making and implementation of policies.
- The upper level of government is the national or central government and the lower level of government may be called a province or state or canton.
- The process of fragmentation of the national party system and emergence of minority or coalition governments started in India from 1967. This period also marked the emergence of coalitions and also new parties and mergers along with breakup of some parties and absorption of the others.
- This began the era of Coalition Politics or Multi party rule in India. The adoption of multiparty system and regionalism changed the centre-state relations to a certain extent.
- Participation of many regional parties in the coalition government at the centre particularly indicates the significant shift from centralized governance towards shared rule and federal governance.

### ◎ ANALYSIS

- The real essence of democracy can be captured only by governments that are accountable, transparent

and representational of not just majority opinions but a cross-section of opinions. They should reflect the modern principles of accommodation and co-existence.

- There really is no empirical evidence to show the greatness of majoritarian single party governments nor prove the failure of coalition governments.
- They are good or bad as per the set of people who govern, the policies they frame, the plans they draft and their ability to deliver.
- India achieved its best economic growth during the coalition government of UPA I. Maximum economic reforms were introduced during the Narasimha Rao led minority government and economic stability was achieved also by the National Front government.
- With regards to a coalition government, it is often believed that the coalition government is not stable, is anarchist and it generally collapses at frequent intervals.
- Arun Jaitley also described the Janata Dal-led United Front government from 1996 to 1998 as the worst period for India, calling it anarchy.

### But was this period really anarchic?

- World Bank data indicates that India's GDP and annual GDP growth didn't suffer due to a minority coalition government at the Centre. India didn't collapse as a country, no foreign country attacked it and communal riots did not break out.
- This was the time that India's IT industry also took off.

### Reluctance to form pre-election coalitions

- In India, there is one national-level player and several regional parties. In both cases, the national party seeks to expand its geographical reach across and within States.
- In such situations, these parties seek to keep their cards closer to their chest and play them after the elections based on the outcome.
- If there was a situation where there were only State parties and no all-India party, this would have enabled pre-election coalitions.



**Coalition vs. Majoritarian - Polity**

- A clear majority doesn't automatically guarantee good governance. Despite not being in a true coalition government, Modi still has enough problems like Shiv Sena and dissenters within his own party like Arun Shourie, Shatrughna Sinha and Kirti Azad, who leave no opportunity to criticize his policies.
- The flip-side of coalitions, however, is that they are rarely dictated by a sense of commitment and will to serve for welfare.

**The impact of the Coalition government on Centre- State relations can be discussed under the following headings in light of the recent political developments:**

- In the recent times the appointment of the governor has gone through a rough phase due to coalition form of government. Political compulsions to form the government especially at the national level solely guided by the majority gaining political party certainly results in deteriorating Centre-State relations.
- Further also it would make the office of Governor exposed to vulnerabilities of the political pressures.
- These events erode democratic credibility of the political system.
- The participation of regional parties in the Centre has significantly impacted Indian federal structure. The formation of coalition government has resulted to a large extent deviation from the characteristic of Indian federalism with centralizing tendencies.
- Though the coalition form of Government provides an opportunity to different Socio-Cultural and Economic parties to participate in the Governance of the Nation, it brings about a lot of turf between the Centre and State.
- The regional parties at the centre attempt to articulate and aggregate regional interests' irrespective interest of Nation which in turn affects the overall development of the Nation
- With regional parties emergence the demand for state autonomy has increased drastically.

- This in turn has helped states to emerge as champions of competitive as well as cooperative federalism. This is particularly beneficial for the health of democracy.

**Coalition vs. Majoritarian - Impact on democracy**

- In case of almost all the coalition governments, the majority of citizens of the country have voted for the parties that are part of the government.
- As a wide consensus of opinion is related in this case, all the policies are debated thoroughly by the government before they are implemented.
- On the other hand, it is much more likely in case of a single party government that badly thought policies could be implemented by the government, probably due to narrow ideological reasons.
- They are often guided by an appetite for power. They could also be brazenly illogical sometimes, like the coming together of the ideological opposites, BJP and PDP, in 2015.

**Ethics in Governance - The Government has Promises to Keep****Coalition and Ethics:**

- The Constitution should be amended to ensure that if one or more parties in a coalition with a common programme mandated by the electorate either explicitly before the elections or implicitly while forming the government, realign midstream with one or more parties outside the coalition, then Members of that party or parties shall have to seek a fresh mandate from the electorate.

**Summary note:**

- The concept of coalition government is good, however, its success depends on the manner in which the coalitions are forged and how governance percolates down. That is equally true of single party governments.
- With all their ills, coalition governments are actually far more inclusive than single party majority governments. However, both can be two sides of the same coin of fascism as long as the will of the people is not strong enough.

**Practice Question**

- Coalitions of convenience tend not to have coherent policy agendas and tend to be divided from within. Policy formation and to put up a working Cabinet are two separate but important issues that matter to a working coalition. Coalition governments can get a lot of things done. Discuss.



## DROUGHTS IN INDIA

### CONTEXT

- Maharashtra is currently facing unprecedented drought with dams left with only 16% water stocks. 15 talukas have already been declared drought-hit and total of 136 out of 355 talukas in the state are reeling under drought. They have received rainfall that is less than 50 per cent of average in the state.
- Gujarat too is facing a massive water crisis. The scarcity is particularly acute in the Saurashtra region, Kutch, North Gujarat and parts of tribal pockets in central and South Gujarat.
- National Institute of Disaster Management (NIDM) undertook the study jointly with Indian Council of Social Science Research (ICSSR) to understand the drought patterns and differential role of mitigation strategies in Bundelkhand in order to suggest strategies for future.

### ● ANALYSIS:

#### Causes of drought in Maharashtra:

- The state is under the influence of southwest monsoon. When southwest monsoon reaches in western coast in the month of June, massive rainfall occurs in the western coast. Rainfall decreases from west to east. When it reaches Marathwada region, the average rainfall becomes 750 mm. A deficit in rainfall adversely affects agriculture resulting in poor output of crop, which in turn affects the financial condition of farmers.
- Marathwada is a landlocked region. The entire region is drained by the Godavari River and its tributaries such as Purna, Shivna, Dudhna, Vedganga, Sindhphana, Bindusara are the main rivers in the region. Except Godavari, no other is a perennial river. These rivers carry very little water as the summer approaches.
- Besides insufficient rainfall, poor selection of crops, inefficient methods of irrigation and imbalanced use of ground and stored water also lead to drought—now commonly known as 'man-made drought'.
- The Maharashtra government encouraged production of water-guzzling sugarcane. The State accounts for almost 40 percent of the sugar production of India. It takes an average of 2,068 litres of water, a very large amount, for cultivating the sugarcane crop and an additional amount for the mills to produce a kilo of sugar. Almost 72 percent of available irrigation and well water is directed to the production of sugarcane, leaving little water for cultivation of other crops.

#### Causes of drought in Gujarat:

- Scanty rainfall with wide aberrations in its distribution has led to chronic drought in the state in 2001.
- The gradual disappearance of forest cover in the state has further aggravated the drought situation. This has led to large-scale erosion of the topsoil, particularly near the riverside.

- In addition, groundwater resources are overexploited in the state, with the water table going down nearly 4 m per year, particularly in the premonsoon season.
- The more permanent and hence reliable sources of water are - Narmada and Tapi. But water from the Narmada Valley Project goes to industries and cities instead of farm lands.

#### Causes of drought in Bundelkhand:

- The usual cause is that first the meteorological drought—rainfall much below average—happens. It leads to agricultural drought in the same year because the region depends on monsoons for agricultural production.
- If the meteorological drought continues for the second consecutive year, then the hydrological drought—below average water availability—occurs.
- After the revolt of 1857, which primarily covered this region, the British neglected development of the region as a punishment to the people. Even after Independence, the region had a number of dacoits which hampered development.

#### Measures taken by the government:

- Maharashtra government has demanded 3 tmcft water from Karnataka. This water will be distributed in the Maharashtra villages bordering Karnataka, where the State is unable to supply tankers.
- Maharashtra in turn will supply two tmcft of water from the Koyna or the Warna into the Krishna and two tmcft of water from Ujjani dam into the Bhima to help the dry districts of north Karnataka.
- The state government has announced a 33 per cent waiver on electricity bills for water pumps and 100 per cent waiver of examination fee for school-going students as relief measures in the affected areas.
- Gujarat Chief Minister assured that drinking water will be provided to every village. Except the Narmada, all other water bodies and dams have negligible water. State government asked the

district administrations to start plying tankers in villages where water was not available.

- After a review and reports from local authorities, Government has decided to provide drinking water to villages located in different districts by tankers so that people don't face any shortage.
- According to officials, the number of villages needing water tankers will only rise due to high temperatures that push the demand.
- Land-resources and land-use management is key to socio-economic sustainability. There is a need to develop a locally relevant policy for sustainable development to be drawn using bottom-up consultations along with expert and research inputs, covering aspects of livelihood, integrated land-water management with agricultural diversification, ecosystem services and sustainability, industrial growth, socio-political uplifting and locally relevant skill-oriented education.
- An audit mechanism to evaluate various schemes and programmes of the government on spatial and temporal background needs to be established to examine their social and environmental implications – scale of benefits and sections of beneficiaries distribution. An approach called 'mitigation analysis' as a simple approach can be enforced.
- Local level integrated planning leading to districting level planning can prove directly beneficial. Strategy and action plan for water, environment and natural resources must be integrated for smooth and effective implementation.

### Drought and poverty:

- Drought has class biases; it impacts the poorest the hardest. It has been well documented that a poor farmer takes three to four years to recover from a drought, depending on the severity. As has been the trend, a severe drought strikes every eight to nine years in India. So, it is a major reason for perpetuating poverty.
- A study undertaken by the International Rice Research Institute in the Philippines and the Japan International Research Centre for Agricultural Sciences, in association with research organisations of Chhattisgarh, Jharkhand, and Odisha, shows that drought is a major factor for keeping people below the poverty line forever.

### Farmer's suicide:

- At present it can be seen that Bundelkhand is competing with Vidarbha, Andhra Pradesh, Karnataka and Kerala in the digit of farmers' suicides.
- Bundelkhand, sandwiched between the northern plains and the rocky soil of the Vindhya ranges,

unfit for agriculture and industry both, is facing this crisis expect the area of Jalaun district which is partially suitable for water consuming crops.

- Thus in this geographical location, situation is further worsen by activities like practicing cash crops, mining, deforestation and therefore people of the marginalized community of Bundelkhand are now starving from hunger and are migrating from rural areas. This called the need for special package called Bundelkhand Relief Package—assistance from Government of India as a special package.

### Report published by the NIDM:

- NIDM undertook the study jointly with Indian Council of Social Science Research (ICSSR) to understand the drought patterns and differential role of mitigation strategies in Bundelkhand in order to suggest strategies for future.
- The research report—Vulnerability Assessment and Mitigation Analysis for Drought in Bundelkhand region—threw up many more issues. It talks of three kinds of droughts—meteorological, agricultural and hydrological.
- The most important finding that has emerged from the study is about anomalies between different kinds of droughts. The usual pattern is that first the meteorological drought—rainfall much below average—happens. It leads to agricultural drought in the same year because India depends on monsoons for agricultural production. If the meteorological drought continues for the second consecutive year, then the hydrological drought—below average water availability—occurs.
- According to collected evidence that in Bundelkhand this pattern [cycle of drought] has been broken many times, indicating that there are lapses in the efforts made by the authorities to provide relief. For instance, reasons for lack of drinking water in 2011 were man-made as rainfall was ample.

### Way forward:

- Sustainable development is a broad and complex subject but has no alternative, especially when we look at challenges and miseries of Bundelkhand.
- Water management at all levels—household, farm, landscape and ecosystem and as well as village, taluka and district levels—need to be undertaken as a mission for socio-economic uplift and to remove disparities.
- There has to be strong political and administrative will—whether mooted by public opinion, awareness or academic movements. Prime goal needs to be one.



## Practice Question

- Why do the regions of Marathwad, Saurashtra and Bundelkhand in our country regularly face droughts? Discuss the steps taken by the government to mitigate these frequent droughts, and what more needs to be done to solve this issue.

**SECTION: B**  
**(PRELIMS)**  

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**CURRENT AFFAIRS**  

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## MASALA BONDS

### ◎ CONTEXT:

- Kerala became the first state to tap into masala bond market by listing the Kerala Infrastructure Investment Fund Board (KIIFB)'s masala bond worth Rs 2,150 crore in London Stock Exchange (LSE)'s International Securities Market (ISM).
- It has a fixed interest rate of 9.72% per annum. Through this government focuses to get multinational corporations to invest in the state.

### ◎ ABOUT:

#### What are masala bonds?

- Masala bonds are those bonds issued outside India but denominated in Indian Rupees, rather than dollar or the local currency.
- They are used by the companies to raise funds. Till now Indian companies have been raising debt from overseas markets for decades through bond offerings, which have been denominated in dollar or other currencies.
- Any corporate, body corporate and Indian bank is eligible to issue Rupee denominated bonds overseas.
- The objective of these bonds is to fund infrastructure projects in India, fuel internal growth via borrowings and internationalise the Indian currency.
- RBI mandates that the money raised through such bonds cannot be used for real estate activities other than for development of integrated township or affordable housing projects.
- It also can't be used for investing in capital markets, purchase of land and on-lending to other entities for such activities.

#### How Masala Bonds help in supporting the rupee?

- The bonds are directly pegged to the Indian currency. So, investors will directly take the currency risk or exchange rate risks. If the value of Indian currency falls, the foreign investor will have to bear the losses, not the issuer which is an Indian entity or a corporate.
- If foreign investors eagerly invest in Masala Bonds or bring money into India, this would help in supporting the rupee.
- The issuer of these bonds is shielded against the risk of currency fluctuation, typically associated with borrowing in foreign currency. Besides helping in diversifying funding sources, the costs of borrowing via masala bonds could also turn out to be lower than domestic markets.

#### Where can these bonds be issued and who can subscribe?

- The Rupee denominated bonds can only be issued in a country and subscribed by a resident of such country that is a member of financial action task force and whose securities market regulator is a member of International Organisation of Securities Commission.
- While residents of such countries can subscribe to the bonds, it can also be subscribed by multilateral and regional financial institutions where India is a member country.

#### What is the minimum maturity period of such bonds?

- According to RBI, the minimum maturity period for Masala Bonds raised up to Rupee equivalent of USD 50 million in a financial year should be 3 years and for bonds raised above USD 50 million equivalent in INR per financial year should be 5 years.
- The conversion for such bonds will happen at the market rate on the date of settlement of transactions undertaken for issue and servicing of the bonds, including its redemption.

### Why Kerala government issued masala bonds?

- The fund will provide investment for critical and large infrastructure projects in Kerala.
- The money raised through these bonds will help in rebuilding the state infrastructure -the state was devastated by catastrophic floods in 2018 and it required funds for reconstruction.
- The bond will help to attract investor to invest in Kerala previously it was lacking due to delay in clearance, strikes etc.

#### Kerala Infrastructure Investment Fund Board

- It is a government owned financial institution in Kerala to mobilize funds for infrastructure development from outside the state revenue.
- It is a statutory body constituted under a state Act.

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## NON-BANKING FINANCIAL COMPANIES

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### ◎ CONTEXT:

- RBI recently said that with the increasing role of non-banking financial companies (NBFCs) in direct credit intermediation, there is a need for NBFCs to augment risk management practices.
- RBI's move comes in the wake of on-going rating downgrades of non-banks which has raised fears of another liquidity crisis.
- Hence, RBI has asked all shadow banks with a size of over Rs.5,000 crore to appoint chief risk officers (CROs) with clearly specified roles and responsibilities.

### ◎ ABOUT:

#### What are Non-Banking Financial Companies (NBFCs)?

- These are establishments that provide financial services and banking facilities without meeting the legal definition of a Bank.
- Hence they are frequently referred to as “**shadow banks**”. The term ‘shadow bank’ was coined by Paul McCulley in 2007, with specific reference to American non-bank financial institutions that used short-term deposits to finance long-term loans.
- They are covered under the Banking regulations laid down by the Reserve Bank of India and provide banking services like loans, credit facilities, TFCs, retirement planning, investing and stocking in money market.
- However, they are restricted from taking any form of deposits from the general public.

#### What is the significance of NBFCs?

- These organizations play a crucial role in the economy, offering their services in urban as well as rural areas, mostly granting loans allowing for growth of new ventures.
- They alone count for 12.5% raise in Gross Domestic Product of our country.
- Most people prefer NBFCs over banks as they find them safe, efficient and quick in assisting with financial requirements.
- Moreover, there are various loan products available and there is flexibility and transparency in their services.

#### What are the examples of NBFCs?

- **Power Finance Corporation Limited:** It was founded in 1986 and is a Navratna Status company. It provides financial assistance to different power projects in the country. It supports organizations involved in Power generation, transmission and distribution.
- **Shriram Transport Finance Company Limited:** It was founded in 1979 and has been offering funding services for Light Duty Trucks, Heavy Duty Trucks, Mini Trucks, Passenger Vehicles, Construction Vehicles and Farm Equipments.



- **Bajaj Finance Limited:** It was founded in 2007. It offers loans to doctors for career enhancement, home loans, gold loans, individual Loans, business and entrepreneur loans.
- **Mahindra & Mahindra Financial Services Limited:** It offers insurance services and rural housing financial services, gold advances, vehicle advances, corporate advances, home credits and working capital advances.
- **Tata Capital Financial Services Ltd:** It offers commercial finance, infrastructure finance, wealth management, consumer loans and distribution and marketing of Tata Cards.

## PONZI SCHEME

### ◎ CONTEXT:

- Three people, including two women, have been arrested by the ED in connection with an alleged multi-crore ponzi and investment fraud scheme that duped many investors in Telangana recently.
- They have been arrested under the provision of the Prevention of Money Laundering Act (PMLA).

### ◎ ABOUT:

#### What is Ponzi scheme?

- It is a form of fraud in which belief in the success of a **non-existent enterprise** is fostered by the payment of **heavy returns** to the first investors from money invested by later investors.
- The scheme leads victims to believe that profits are coming from product sales or other means, and they remain unaware that the later investors are the source of their returns.
- A Ponzi scheme can maintain the illusion of a sustainable business as long as new investors contribute to funds and as long as most of the investors do not demand full repayment and still believe in the non-existent assets of the enterprise.
- The scheme traces its origin to a person named Charles Ponzi, who became notorious for using the technique in the 1920s.
- **What are the characteristics of Ponzi scheme?**
  - **High investment returns with little or no risk:** Every investment carries some degree of risk, and investments yielding higher returns typically involve more risk. The Ponzi schemes give guaranteed investment opportunity which is suspicious.
  - **Overly consistent returns:** Investment values tend to go up and down over time, especially those offering potentially high returns. A Ponzi scheme continues to generate regular positive returns regardless of overall market conditions and hence is considered suspicious.
  - **Unregistered investments:** Ponzi schemes typically involve investments that have not been registered with state regulators. Registration is important because it provides investors with access to key information about the company's management, products, services, and finances.
  - **Unlicensed sellers:** Most Ponzi schemes involve unlicensed individuals or unregistered firms.
  - **Secretive or complex strategies:** The investments in Ponzi schemes cannot be understood and do not give complete information.
  - **Difficulty receiving payments:** Clients have failures to receive a payment or have difficulty cashing out their investments in these schemes. The scheme's promoters routinely encourage participants to "roll over" investments and sometimes promise even higher returns on the amount rolled over.



**What are the Government efforts to control it?**

- Currently the Ponzi scheme frauds are dealt by Enforcement Directorate under Prevention of Money Laundering Act, 2002.
- Attempts to regulate Ponzi schemes have taken the form of SEBI's 'collective investment scheme' regulations. By law, any scheme that amasses more than ₹100 crore requires SEBI's permission.
- The regulations allow SEBI to take action where it comes across an illegal collective investment scheme. To apprehend Ponzi scheme perpetrators, the watchdog can comb through phone records and conduct search-and-seizure operations.
- The central government has formulated Banning of Unregulated Deposit Schemes Bill. This was approved by Lok Sabha but is pending in the Rajya Sabha. To protect the savings of over-trustful investors, the ordinance has stringent provisions to clamp down on ponzi schemes, including imprisonment up to 10 years for wrongdoers and confiscation of assets of firms found to have accepted deposits without authorisation.

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**RBI PROPOSES TO MAKE NEFT 24X7**

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**◎ CONTEXT:**

- The Reserve Bank of India (RBI) has proposed to examine the possibility of extending availability of National Electronic Funds Transfer (NEFT) on the basis of 24×7 to facilitate fund transfer beyond the banking hours.
- Besides, the central bank will also examine the possibility of extending the timings for Real Time Gross Settlement (RTGS) transactions.

**◎ ABOUT:**

- Though money can be transferred through Immediate Payment Service (IMPS) round the clock, the maximum amount allowed is Rs. 2 lakh. The RTGS window, which is used for transfer of big amounts, is for customer transactions available to banks from 8 am to 4.30 pm on a working day.
- In a move that may ease the online fund transfer for customers beyond banking hours, the RBI proposed the possibility of extending the availability of NEFT round-the-clock, i.e., 24 hours, seven days a week along with extending the timings for Real Time Gross Settlement (RTGS) transactions.

**Current limits of RTGS and NEFT**

- Customers can transfer anywhere between Rs 1 and Rs 25 lakh via NEFT (for HDFC Bank; varies from bank to bank) through net banking. Through RTGS, they can transfer between Rs 2 lakh and Rs 25 lakh through net banking. However, as of now, these online transactions are not available on Sundays, on the second and fourth Saturdays of every month and on bank holidays.
- On working days, NEFT is available between 8 am and 7 pm (varies from bank to bank) except on working Saturdays (8 am and 1 pm) and hence, they restrict customers' ability to carry out such transactions.
- Online RTGS transactions are available for lesser hours. It can be done till 4 pm (varies from bank to bank).

**Difference between NEFT and RTGS**

| NEFT   | RTGS  |
|--|---|
| It is an electronic funds transfer system maintained by RBI. | RTGS are specialist funds transfer systems where the transfer of money or securities takes place from one bank to any other bank on a "real time" and on a "gross" basis. |

|  |  |
|--|--|
| Started in November 2005, the setup was established and maintained by Institute for Development and Research in Banking Technology (IDRBT).      | Settlement in "real time" means a payment transaction is not subjected to any waiting period, with transactions being settled as soon as they are processed. |
| NEFT enables bank customers in India to transfer funds between any two NEFT-enabled bank accounts on a one-to-one basis via electronic messages. | "Gross settlement" means the transaction is settled on one-to-one basis without bundling or netting with any other transaction.                              |
| Unlike RTGS, fund transfers through the NEFT system do not occur in real-time basis.   | "Settlement" means that once processed, payments are final and irrevocable.  |

### Benefits of this step

- If RBI makes NEFT 24x7, it will not only ease the fund transfer for customers round the clock but will also take some load-off the bank branches for executing such transactions.
- It will also help in promoting a highly-digital and cashless society.

## FOUNDATIONAL AGREEMENTS BETWEEN INDIA AND US

### ◎ CONTEXT:

- U.S. Chief of naval operations Admiral John M. Richardson recently visited India and expressed concern about 'the threat coming from the sea'. He said that India and the U.S. are cooperating to prevent all forms of terrorism both from land and sea.
- According to him foundational agreement, Communications Compatibility and Security Agreement (COMCASA), which India signed last year would enable exchange of information on such threats.

### ◎ ABOUT:

#### What are the foundational agreements?

- The four agreements — General Security Of Military Information Agreement (GSOMIA), Logistics Support Agreement (LSA), Communications Interoperability and Security Memorandum of Agreement (CISMOA) and Basic Exchange and Cooperation Agreement for Geo-spatial Cooperation (BECA) are referred to as the foundational agreements which the U.S. signs with countries with which it has close military ties.

#### What are its benefits?

- They are meant to build basic ground work and promote interoperability between militaries by creating common standards and systems.
- They also guide sale and transfer of high-end technologies.

#### Foundational military agreements between USA and India:

- General Security of Military Information Agreement (GSOMIA)
  - It was signed in 2002 between India and USA.
  - GSOMIA paved the way for greater technology cooperation in the military sector.
  - It allows the sharing of classified information from the U.S. government and American companies with the Government of India and Defense Public Sector Undertakings (DPSU) but not with Indian private companies.

#### Logistics Exchange Memorandum of Agreement (LEMOA)

- This is a logistics support agreement signed in 2016.

- It gives both the nations access to each other's military facilities. But it does not make it automatic or obligatory.
- It is a tweaked India-specific version of the Logistics Support Agreement (LSA) which the U.S. has with several countries it has close military to military cooperation.
- The agreement will primarily cover four areas — port calls, joint exercises, training and Humanitarian Assistance and Disaster Relief. Any other requirement has to be agreed upon by both sides on a case-by-case basis.
- Communications Compatibility and Security Agreement (COMCASA)
  - It is the most recent agreement signed in 2018.
  - COMCASA is an India-specific version of the Communication and Information on Security Memorandum of Agreement (CISMOA). It comes into force immediately and is valid for a period 10 years.
  - It would facilitate access to advanced defense systems and enable India to optimally utilize its existing U.S.-origin platforms. COMCASA allows India to procure transfer specialized equipment for encrypted communications for US origin military platforms like the C-17, C-130 and P-8Is.

#### **Basic Exchange and Cooperation Agreement (BECA):**

- BECA is last of the four foundational agreements. It is yet to be signed between the two nations.
- It facilitates exchange of geospatial information. It would set a framework through which the US could share sensitive data to aid targeting and navigation with India.
- These agreements can bring military advantage to India though they have been politically contentious. Also, it is feared that they may undermine India's military autonomy.

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## **MUTUAL LEGAL ASSISTANCE TREATIES (MLATs)**

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### **◎ CONTEXT:**

- India has held the 11th Consular Committee Meeting with Iran to discuss on smoothening visa and legal matters essential for bilateral ties.
- Both discussed issues of mutual interest, including early conclusion of Agreement on Mutual Legal Assistance on civil and commercial matters, extending longer duration of e-Visa for each other nationals on reciprocity, visa facilitation for greater people-to-people contact.

### **◎ ABOUT:**

#### **Mutual Legal Assistance Treaties (MLATs):**

- It is an agreement between two or more countries for the purpose of gathering and exchanging information in an effort to enforce public or criminal laws.
- When evidence or other forms of legal assistance such as witness statements or the service of documents are needed from a foreign country, the two countries may attempt to cooperate informally through their respective police agencies or alternatively they may resort to requests for Mutual Legal Assistance.
- MLATs can be bilateral (country to country), multilateral, regional (any regional grouping example ASEAN) and country to regional (India with all the countries of European Union).
- Assistance may be denied by either country (according to agreement details) for political or security reasons, or if the criminal offence in question is not equally punishable in both countries.
- This assistance may take the form of:
  - examining and identifying people,
  - places and things,

- custodial transfers and
- providing assistance with the immobilisation of the instruments of criminal activity.

### Central Authority in India for Mutual Legal Assistance Requests:

- As per the Allocation of Business Rules of the Government of India, the Ministry of Home Affairs (MHA) is the nodal Ministry and the Central authority for seeking and providing mutual legal assistance in criminal law matters.
- MHA receives all such requests, examines them and takes appropriate action. Internal Security-II Division handles this subject in the Ministry of Home Affairs.
- Similarly, cases pertaining to civil and commercial matters are required to be taken up with the Ministry of Law & Justice, which finalizes and notifies treaties and arrangements with other countries as per the relevant statutory provisions in the Code of Civil Procedure.
- The Ministry of External Affairs may be involved in this process when such requests are routed through diplomatic channels by these Ministries.

### Procedure for serving Summons issued by an Indian Court on a person living abroad:

- Section 105 of the Criminal Procedure Code (CrPC) speaks of reciprocal arrangements to be made by Central Government with the Foreign Governments with regard to the service of summons/warrants/judicial processes.
- Accordingly, the Ministry of Home Affairs (MHA) has entered into Mutual Legal Assistance Treaties/Agreements on Criminal Matters with 39 countries which provide for serving of documents.

## SHANGHAI COOPERATION ORGANISATION (SCO) MEET

### ◎ CONTEXT:

- India's external affairs minister Sushma Swaraj attended the meeting of Council of Foreign Ministers (CFM) of the Shanghai Cooperation Organisation (SCO) to be held at Bishkek (Kyrgyz Republic) on 21-22 May, 2019.
- The conference was also attended by her Pakistani counterpart Shah Mahmood Qureshi.

### ◎ ABOUT:

#### Shanghai Cooperation Organisation (SCO)

- It was founded in June 2001 by China, Russia, and the Central Asian states of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan.
- It aimed to cooperate against non-traditional security challenges, in particular fighting the so-called "three evils" of **terrorism, separatism, and extremism**. Unsurprisingly, the decision to accept both India and Pakistan as full member states in 2017 was received with scepticism by experts both inside and outside the region.
- The fact that the SCO also strives to strengthen mutual trust and good neighbourly relations between its member states.

### Why were India and Pakistan accepted as full members?

- A major reason for China, arguably the grouping's most dominant actor, was its desire to flaunt its power, demonstrating the ability to lead an international organization.
- The SCO, as the first multilateral organization ever created by China, is another case in point. Including its regional rival India and its "all-weather friend" Pakistan, the SCO helped China turn the organization from a grouping, largely disregarded beyond the region, into the largest regional organization both in terms of its geographical coverage and population with its collective gross domestic product amounting to almost 25 % of the global total.

- It goes without saying that the expansion has given a boost to the SCO's international profile. However, it has also become more important for China to score success with the organization.

### Significance of 2019 meet

- The meeting acquires significance as it comes in the backdrop of an expanding U.S. and China trade war and the energy shock to several of the member countries after the U.S. administration ended waiver for energy trade with Iran.
- The most recent India-Pakistan conflict was triggered by a suicide attack on an Indian paramilitary convoy in the Pulwama district in February 2019, which was claimed by the Pakistan-based Jaish-e-Mohammed (JeM) group.
- The escalation of tensions between the two nuclear powers is the first high-level military conflict between current SCO members and poses a serious challenge to the 18-year-old organization.
- After continued exchanges of fire, both Russia and China offered their assistance in defusing tensions and proposed using the SCO Regional Anti-Terrorist Structure (RATS) as a suitable platform. How this would be done, however, remains unclear.

### Drawbacks of SCO

- So far, the SCO has gotten away with publishing ambiguous statements concerning its primary motivation. A good example of the noncommittal wording is the 2010 revolution in Kyrgyzstan, which saw violence between ethnic Kyrgyz and Uzbeks in southern Kyrgyzstan.
- Despite appeals by the Kyrgyz government for Chinese and Russian help, the organization issued vague statements calling for the preservation of stability. This was usually justified by emphasizing the SCO's short existence and the need for its member states to first "grow into" the organization. Many now claim that the SCO has reached maturity, making it paramount that it adopts a more assertive stance in its field of expertise – improving the regional security situation.

### Way Ahead

- The recent SCO Summit proved to be a litmus test for the organization's future significance. If its members really want to tout the SCO's role as an efficient international institution, it will need to do more than making ambiguous declarations.
- Instead, the SCO will need to meet its new responsibilities head on. It needs to create a roadmap to ease India-Pakistan tensions, if only to ensure the SCO's continued existence and to earn itself the seal of international credibility.
- One approach would be to form a short-term Contact Group, similar to the SCO-Afghanistan Contact Group, as a mediation instrument. The group could be comprised of one representative of each member state as a vehicle to help the Indian and Pakistani members overcome their stalemate.

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## LOCAL INDIAN OCEAN PHENOMENON MAY BRING BETTER RAINFALL DESPITE EL NINO

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### ◎ CONTEXT:

- The dreaded El Nino is likely to be neutralised by a local phenomenon in the Indian Ocean, which can lead to good rainfall in the June-September season.

### ◎ ABOUT:

#### El Nino:

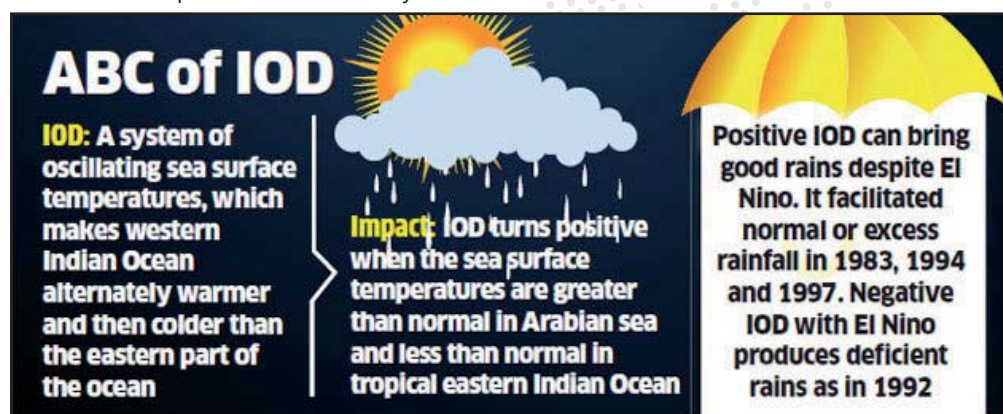
- El Nino refers to the warming of the equatorial Pacific, which weakens the flow of wind and consequently the monsoon system. In some other parts of the world, it leads to heavy rainfall but in India it weakens rain.
- In this phenomenon, sea-surface temperatures rise over a threshold of +0.5 degree Celsius (and cools by the same margin during La Nina).



- There are a few other key atmospheric indices which one comes across while tracking El Nino. For instance, the **Southern Oscillation Index (SOI)** that gives an indication of the development and intensity of El Nino or La Nina. The SOI is calculated on the basis of the atmospheric pressure differences between Tahiti (South Pacific Ocean) and Darwin (Australia). Sustained positive SOI values are indicative of La Nina conditions while negative values suggest El Nino conditions.
- Another atmospheric indices is the **ENSO** (El Nino Southern Oscillation) which refers to the oscillation between the El Nino and the La Nina. ENSO shifts irregularly back and forth between El Nino and La Nina every two to seven years.
- Each phase led to disruptions of temperature, precipitation and winds.
- The warmer area of the ocean is also a source for convection and is associated with cloudiness and rainfall.

### Indian Ocean Dipole (IOD)

- The phenomenon called Indian Ocean Dipole (IOD) refers to the temperature difference between the eastern and western parts of the water body.
- The negative impact of weak El Nino will be compensated by positive Indian Ocean Dipole. El Nino phenomenon is getting weak and IOD is moving from neutral to positive. This will help rains in the country. The monsoon would be near normal.



### What lies ahead?

- El Nino has been generally known to suppress monsoon rainfall in India while La Nina increases it. El Nino years tend to be drier than average, but one of the strongest El Nino of the century (1997-98) produced a monsoon season with above-average rainfall for India.
- Anomalous warming in the Central and East Pacific could have a more profound adverse impact on the monsoon than when the warming shifts to the adjoining Far East Pacific.
- Last but not the least is the 'dipole' effect, wherein the Indian Ocean mimics El Nino-La Nina in which the western and eastern basins warm up relative to each other every few years with associated impact on the monsoon. Warming up of the West Indian Ocean boosts a prevailing monsoon, and vice-versa. International and domestic weather agencies expect that this year, the Indian Ocean dipole could be either 'neutral' or weakly positive.

## ULFA

### ◎ CONTEXT:

- Recently, 12 people including two Seema Shashastra Bal personnel were injured in a grenade blast near a police checkpoint in Guwahati.
- Later investigation showed that the violence has come from an unexpected group — the pro-talks faction of the United Liberation Front of Asom (ULFA) that had shunned violence a decade ago.



© ABOUT:

**ULFA:**

- The United Liberation Front of Asom (ULFA) is a militant outfit operating in Assam. It seeks to establish an independent state of socialist Assam with an armed struggle.
- It was founded in 1979 by Paresh Baruah. The organisation established ties with the Nationalist Socialist Council of Nagaland in 1983, with the Burma based Kachin Independent Army in 1987 and began its own operations in 1990.
- Military operations against the ULFA by the Indian Army began in 1990 and continue into the present. The Government of India banned the organisation in 1990 under the Unlawful Activities (Prevention) Act citing it as a terrorist organisation.

**Spread of ULFA:**

- In less than a decade of its formation, the ULFA emerged as one of the most powerful and violent insurgent outfit in Southeast Asia, largely because of the immense popularity it enjoyed during its struggle as well as its economic power which in turn helped it in bolstering its military capabilities.
- In the early 1990s, ULFA launched an aggressive campaign with victims such as security forces, political opponents, and blasting rail links.
- In July 1991 the front captured and held 14 people for ransom, included in the abductees was an engineer and a national of the Soviet Union.
- Gradually, the organisation's undue emphasis on collection of money and weapons in the name of furthering the 'revolution' led to mindless violence throughout the state. It witnessed a period marked by growing disillusionment and anger amid its supporters. In their bloody conflict with the security agencies, many innocent people lost their lives and several thousands were permanently maimed.

**Negotiations and peace initiatives:**

- Some leaders and cadres of the A and C companies of ULFA declared unilateral ceasefire in 2008 at a press meet held in Tinsukia district.
- They declared the ceasefire to pressurise the top brass of ULFA to sit on negotiation table with the Government of India. But the top brass of ULFA expelled these leaders. This expelled group later renamed itself as ULFA (Pro-talk).
- There was arrest of top Ulfa leaders by the Bangladesh government and they were deported to India. The jailed Ulfa leaders took the initiative in forming a "Citizen Forum" comprising intellectuals, writers, journalists, sympathisers and professionals from various other fields that would act as a catalyst in bringing the Government of India and the rebel Ulfa to the negotiating table.
- In a state level convention held in Guwahati in 2010, the forum passed a set of resolutions to expedite the peace process between Government and the ULFA. The resolution included sending an 11-member team to Delhi to put pressure on the Centre to hold talk with ULFA at an earlier date.
- The convention resolved to urge both government and ULFA to come forward for talk without any condition. Moreover, the convention in a resolution demanded immediate release of ULFA leaders for from jail.

## UNITED NATIONS NOT A STATE UNDER ARTICLE 12

© CONTEXT:

- The Delhi High Court has ruled that the United Nations is not a State under Article 12 of the Constitution of India and is not amenable to its jurisdiction under Article 226 of the Constitution.

© ABOUT:

**Background:**

- Petitioner, who was an employee with UNO was charged with misconduct and suspended from duty without pay and was sentenced to 97 months of imprisonment and 2 years of mandatory probation by U.S. Federal Court.

- In November 2018, he wrote a letter, to Ministry of External Affairs, New Delhi, seeking grant of permission to initiate legal action against respondents' under Section 86 of Civil Procedure Code, 1908. But the Ministry stated that the consent of Government of India is not required to initiate a legal suit against the respondent as it is not a foreign state and is only an Internal Organization of UNO.

### Immunity available to UNO:

- UNO and its officials enjoy immunity under the United Nations (Privileges and Immunities) Act, 1947.
- As per Section 2 of Article II of the Schedule of Act, 1947, UNO has immunity from every form of legal process except insofar as in any particular case it has expressly waived its immunity.

### Article 12 of Indian Constitution

- Most of the Fundamental rights provided to the citizens are claimed against the State and its instrumentalities and not against the private bodies.
- Article 13(2) bars the 'state' from making any 'law' infringing a Fundamental Right.
- Article 12 clarifies that the term 'state' occurring in Art. 13(2), or any other provision concerning Fundamental Rights, have an expansive meaning.
- According to Article 12, the term 'State' includes:
  - The term "State" includes Government of India (Union Executive) and the Parliament of India (Union Legislature)
  - The Government and the Legislature of a State i.e., the State Executive and the legislature of each state.
  - All local authorities
  - Other authorities within the territory of India; or under the control of the Central Government.
  - The term 'other authorities' in Article 12 has nowhere been defined.

### What about Judiciary?

- The Judiciary does not have a specific mention in Article 12.
- However, the school of thought is that since the judiciary has the power to make and enforce laws, it should be considered to be a State.
- However, since an erroneous judgement may cause the violation of the fundamental rights of a citizen, unreasonable decisions of the Courts are subjected to the tests of Article 14 of the Constitution.

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## CHANGE IN THE DEFINITION OF KILOGRAM

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### ◎ CONTEXT:

- **The Definition of the Kilogram is changed by redefining the International system of units (SI) on World Metrology Day (20 May, 2019).**

### ◎ ABOUT:

- The Kilogram will no longer derive its provenance from the weight of a block of a platinum-iridium alloy housed at the International Bureau of Weights and Measures in France.
- The Kilogram has joined other standard units of measure such as the second, metre, ampere, kelvin, mole and candela that would no longer be defined by physical objects.
- It now hinges on the definition of the Planck Constant, a constant of nature that relates to how matter releases energy.

### Background

- The global standards for measurement are set by the International Bureau of Weights and Measures (BIPM), of which India became a member in 1957. At BIPM in Sèvres, near Paris, stands a cylinder of platinum-iridium locked in a jar.
- Since 1889, the kilogram has been defined as the mass of this cylinder, called **Le Grand K**, or International Prototype Kilogram (IPK). In India, NPL maintains the National Prototype Kilogram (NPK-57), which is calibrated with IPK.
- IPK would put on a little extra mass when tiny dust particles settled on it; when cleaned, it would shed some of its original mass.
- Last year, the International Conference of heads of Metrology Institutes held in Sevres, France had decided that the measure of kilogram will no longer be pegged to cylinder. It was decided that from 2019 onwards, it will be set by value of Planck constant in combination with definitions of meter and second.

- Second is defined as the time it takes for a certain amount of energy to be released as radiation from atoms of Caesium-133.
- A metre is the distance travelled by light in vacuum in  $1/299,792,458$  of a second.

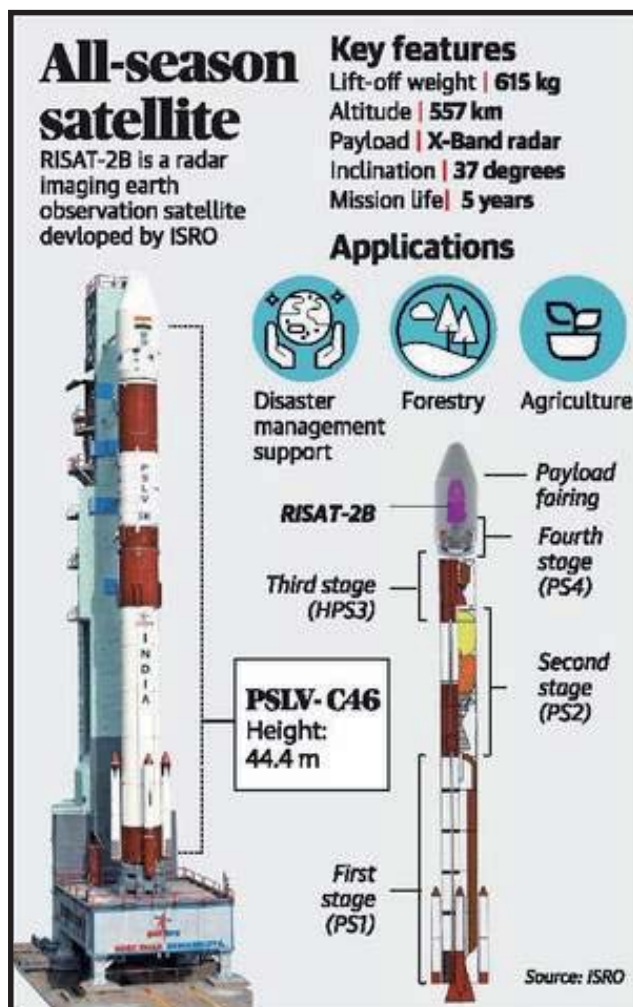
- ◎ **SIGNIFICANCE:**
- Earlier, the change in definition of the second has helped in easing communication across the world via technologies like GPS and the Internet.
  - In the same way, the change in the definition of the kilogram will led to practical advantages for scientists to make very precise measurements. This measure is now defined on the basis of unchanging universal, physics constants.
  - Thus, to answer the question how much is a kilogram, we will no longer have to compare blocks of platinum or worry about scratching them. But this doesn't mean that weights everywhere will be thrown off balance. For everyday measurements, consumers wanting to calibrate their instruments – whether it's for high-precision drug manufacturing or retail weighing machines- will continue doing it the same way.

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## LAUNCH OF RISAT-2B

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- ◎ **CONTEXT:**
- The RISAT-2B satellite, launched by the Indian Space Research Organisation (ISRO), adds to India's capability to observe the earth in all weathers and all conditions. It is a newest microwave Earth observation satellite.
- ◎ **ABOUT:**
- The RISAT is equipped with a sensor known as 'synthetic aperture radar', which takes what are known as 'radar images'.
  - It is equipped with an active sensor, the synthetic aperture radar (SAR), which can sense or 'observe' Earth in a special way from space day and night, rain or cloud. This all-weather seeing feature is what makes it special for security forces and disaster relief agencies.
  - The SAR send out hundreds of radio signals every second towards the subject (in this case, the earth) and capture the reflected signals to create a radio image, which can then be used by computers to build a real image.
  - RISAT-2B was recently launched from Sriharikota and this marked the resumption of a vital ring of Indian all-seeing radar imaging satellites after seven years.



Two satellites in RISAT series have earlier been launched by ISRO. RISAT-2 was the first one to be launched, in 2009, while RISAT-1, which had got delayed, was launched only in 2012. RISAT-1 is no longer operational.

### Benefits

- It sends much heavier data than plain remote sensing satellites.
- This satellite picks up structures, new bunkers very well, and sometimes helps to count them, too.
- In India, this will be used for crop estimation because main crop growing season of kharif is in May-September when it rains and gets cloudy. This data is extensively used for forestry, soil, land use, geology and during floods and cyclone. So it can be used for applications in agriculture, forestry and disaster management support.

### Way Ahead

- At least a half-dozen could be foreseen in the near future, mainly to add to the reconnaissance capability from about 500 km in space. A constellation of such space-based radars means a comprehensive vigil over the country.
- Services of such satellites are also in great demand from national security agencies as well.

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