

# FACT FILE

# INTERNATIONAL RELATIONS

# INTERNATIONAL ORGANIZATIONS & INSTITUTIONS

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# INTERNATIONAL ORGANIZATIONS & INSTITUTIONS

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## Association of Southeast Asian Nations (ASEAN)

- It was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (**Bangkok Declaration**) by the Founding Fathers of ASEAN, namely **Indonesia, Malaysia, Philippines, Singapore, and Thailand**.
- **Brunei Darussalam** then joined on 7 January 1984, **Viet Nam** on 28 July 1995, **Lao PDR and Myanmar** on 23 July 1997, and **Cambodia** on 30 April 1999, making up what is today the ten Member States of ASEAN.

### ■ Aims & Purposes

- To accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations;
- To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter;
- To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;
- To assist each other in the form of training and research facilities in the educational, professional, technical and administrative spheres;

- To collaborate more effectively for the greater utilisation of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communications facilities and the raising of the living standards of their peoples;
- To promote Southeast Asian studies; and
- To maintain close and beneficial cooperation with existing international and regional organisations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves.

## ■ History

- 1995 – Members signed a deal to create a nuclear-free zone in Southeast Asia.
- 1997 – Adoption of ASEAN Vision 2020.
- 2003 – Bali Concord II for the establishment of an ASEAN Community.
- 2007 – Cebu Declaration, to accelerate the establishment of the ASEAN Community by 2015.
- 2008 – ASEAN Charter comes into force and becomes a legally binding agreement.
- 2015 – Launch of ASEAN Community.

## ASEAN Structure

### ◦ ASEAN Coordinating Council (ACC)

- ▶ It was established in 2008, comprises the ASEAN Foreign Ministers, and is held at least **twice annually to prepare for the ASEAN Summit**.

### ◦ Roles of the ACC

- ▶ Prepare the meetings of the ASEAN Summit;
- ▶ Coordinate the implementation of agreements and decisions of the ASEAN Summit;
- ▶ Coordinate with the ASEAN Community Councils to enhance policy coherence, efficiency, and cooperation among them;
- ▶ Coordinate the reports of the ASEAN Community Council to the ASEAN Summit;
- ▶ Consider the annual report of the Secretary-General on the work of ASEAN;
- ▶ Consider the report of the Secretary-General on the functions and operations of the ASEAN Secretariat and other relevant bodies;
- ▶ Approve the appointment and termination of the Deputy Secretaries-General upon the recommendation of the Secretary-General; and
- ▶ Undertake other tasks provided for in this Charter or such other functions as may be assigned by the ASEAN Summit.

## ■ ASEAN Community Councils

- It comprises the Council of all the three pillars of ASEAN. Under their purview is the relevant ASEAN Sectoral Ministerial Bodies. ASEAN Community is comprised of three pillars:
  - ▶ ASEAN Political-Security Community
  - ▶ ASEAN Economic Community
  - ▶ ASEAN Socio-Cultural Community

## ■ Committee of Permanent Representatives

- It is **constituted by the Permanent Representatives of ASEAN Member States**. The **Chairmanship of the Committee is in line with the annual rotation of ASEAN Chairmanship**.
- **The CPR's tasks may generally be categorised as follows:**
  - ▶ Monitoring and implementing Leaders' decisions;
  - ▶ Coordinating cross-pillar issues;
  - ▶ Strengthening relations with ASEAN's external partners; and
  - ▶ Providing substantive and administrative direction and support to the ASEAN Secretariat.

## ASEAN-led Forums

- **ASEAN Regional Forum (ARF):** Launched in 1993. Its objective is to **foster constructive dialogue and consultation on political and security issues of common interest and concern and to make significant contributions to efforts towards confidence-building and preventive diplomacy in the Asia-Pacific region**.
- **ASEAN Plus Three:** The consultative group initiated in 1997 brings together ASEAN's ten members, China, Japan, and South Korea.
- **East Asia Summit (EAS):** First held in 2005, the summit seeks to promote security and prosperity in the region and is usually attended by the heads of state from ASEAN, Australia, China, India, Japan, New Zealand, Russia, South Korea, and the United States. ASEAN plays a central role as the agenda-setter.

## How important is the region Economically?

- If ASEAN were a country, it would be the **seventh-largest economy in the world**, with a combined GDP of \$2.6 trillion in 2014. **By 2050 it's projected to rank as the fourth-largest economy**.
- Home to more than 622 million people, the region has a larger population than the European Union or North America. It also has the third-largest labour force in the world, behind China and India.
- **Free-trade agreements (FTAs) with China, Japan, South Korea, India, Australia, and New Zealand.**
- **ASEAN's share of global exports has also risen, from only 2 percent in 1967 to 7 percent by 2016**, indicating the rising importance of trade to ASEAN's economic prospects.
- The ASEAN **Single Aviation Market and Open Skies policies have increased its transport and connectivity potential**.

### In News:

- India participated in the 17th ASEAN-India Virtual Summit on the invitation of Vietnam in 2020.
- The summit focussed to create strategies and measures to recover the economic losses due to COVID-19 pandemic.
- India emphasised on centrality of ASEAN in Act East Policy of India. He stated that a cohesive, responsive and prosperous ASEAN is central to India's Indo-Pacific Vision and contributes to Security And Growth for All in the Region (SAGAR).

## Regional Comprehensive Economic Partnership (RCEP)

- It is a proposed agreement between the member states of the Association of Southeast Asian Nations (ASEAN) and its free trade agreement (FTA) partners.
- The RCEP **was built upon the existing ASEAN+1 FTAs with the spirit to strengthen economic linkages and to enhance trade and investment**-related activities as well as to contribute to minimising development gap among the parties.
- The RCEP negotiations were launched by Leaders from **10 ASEAN Member States** (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam) and **six ASEAN FTA partners** (Australia, People's Republic of China, India, Japan, Republic of Korea, and New Zealand) during the **21<sup>st</sup> ASEAN Summit and Related Summits in Phnom Penh, Cambodia in November 2012**.

### ■ The objective

- To achieve a **modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement among the ASEAN Member States and ASEAN's FTA partners**. The RCEP negotiations commenced in early 2013.

### ■ Coverage Areas

- **Negotiation includes** trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, e-commerce, small and medium enterprises (SMEs), and other issues.

#### NOTE:

- In 16<sup>th</sup> ASEAN-India Summit held at Bangkok; India decided not to join the Regional Comprehensive Economic Partnership (RCEP).
- India had been raising the issue of market access as well as protected lists of goods mainly to shield its domestic market as there have been fears that the country may be flooded with cheap Chinese agricultural and industrial products once it signs the deal.
- There was a fear in India that its industries would be unable to compete with China and Chinese goods would flood Indian markets.
- India's farmers were also worried given that they would be unable to compete on a global scale.

## South Asian Association for Regional Cooperation (SAARC)

- SAARC was established with the signing of the **SAARC Charter in Dhaka on 8 December 1985**. SAARC comprises of eight Member States: **Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka**.
- The **Secretariat of the Association was set up in Kathmandu on 17 January 1987**.





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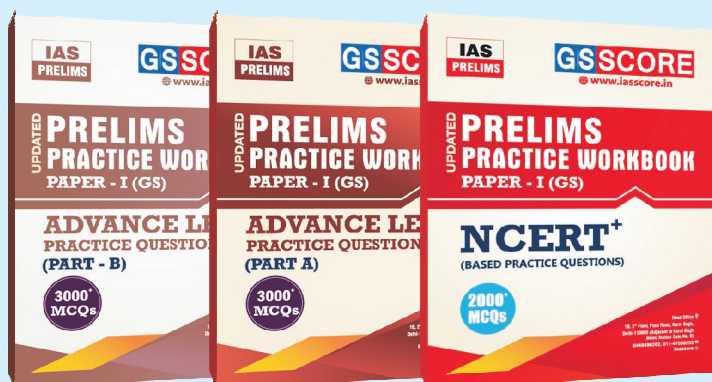
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## ■ Objectives

- To promote the welfare of the peoples of South Asia and to improve their quality of life;
- To accelerate economic growth, social progress and cultural development in the region and to provide all individuals the opportunity to live in dignity and to realize their full potentials;
- To promote and strengthen collective self-reliance among the countries of South Asia;
- To contribute to mutual trust, understanding and appreciation of one another's problems; to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields;
- To strengthen cooperation with other developing countries;
- To strengthen cooperation among themselves in international forums on matters of common interests;
- To cooperate with international and regional organizations with similar aims and purposes.

### SAARC Structure

- It includes SAARC Summit, Council of Minister, Standing Committee, Programme Committee, Technical Committee, Working Group, Action Committees

## Areas of Cooperation

- Human Resource Development and Tourism
- Agriculture and Rural Development
- Environment, Natural Disasters, and Biotechnology
- Economic, Trade, and Finance
- Social Affairs
- Information and Poverty Alleviation
- Energy, Transport, Science, and Technology
- Education, Security, and Culture

## SAARC Summits

- The **Meetings of the Heads of State or Government of Member States** is the **highest decision-making** authority under SAARC. **Summits are usually held biennially hosted by a Member State in alphabetical order.** The **Member State hosting the Summit assumes the Chair** of the Association.
- The key outcome of a SAARC Summit is a **Declaration**. The Summit Declaration **contains decisions and directives of the Leaders to strengthen and consolidate regional cooperation in different areas being pursued under the auspices of SAARC.**

## Council of Ministers

- It comprises of the Ministers of **Foreign /External Affairs of the Member States**. It undertakes:
  - ▶ Formulation of policies of the Association;

- ▶ Review of progress of cooperation under SAARC;
- ▶ Decision on new areas of cooperation;
- ▶ Establishment of the additional mechanism under SAARC, as deemed necessary;
- ▶ Decision on other matters of general interest to SAARC.

## Standing Committee

- It comprises of the Foreign Secretaries of the SAARC Member States.
  - ▶ They take measures /decisions relating to:
  - ▶ Overall monitoring and coordination of programme of cooperation under different areas;
  - ▶ Approval of projects and programmes, including modalities of their financing;
  - ▶ Determination of inter-sectoral priorities;
  - ▶ Mobilisation of regional and external resources;
  - ▶ Identification of new areas of cooperation based on appropriate studies.

## SAARC Secretariat

- The SAARC Secretariat was **established in Kathmandu on 16 January 1987**. Its role is to coordinate and monitor the implementation of SAARC activities, service the meetings of the association, and serve as a channel of communication between SAARC and other international organizations.
- The Secretariat comprises the **secretary-general, seven directors, and the general services staff**. The **secretary-general is appointed by the Council of Ministers on the principle of rotation, for a non-renewable tenure of three years**.

### SAARC Specialized Bodies

- SAARC Development Fund (SDF)
- The 13<sup>th</sup> SAARC Summit (Dhaka, 12-13 November 2005) decided to establish the SAARC Development Fund (SDF) as a comprehensive funding mechanism with the provision of three Windows (Social, Economic, and Infrastructure).
- SDF is governed by a Board consisting of representatives from the Ministry of Finance of the Member States.
- South Asian University (SAU)
- The Agreement for the Establishment of South Asian University was signed by the Ministers of Foreign/External Affairs of the MSs of SAARC during the Fourteenth SAARC Summit.
- South Asian Regional Standards Organization (SARSO)
- The fifteenth SAARC Summit paved the way for establishing SARSO to harmonize standards and promote cooperation in the fields of metrology, accreditation and conformity assessment for enhancing the capacity of the respective national institutions in carrying out their technical tasks.
- SAARC Arbitration Council(SARCO)
- The agreement on SARCO was signed during the Thirteenth Summit and came into effect on 2 July 2007. SARCO was established to resolve cost-effective settlement of disputes via arbitration within the region

**Related News:**

- The Indian Technical and Economic Cooperation Programme (ITEC) on April 14, 2020, announced a training programme for the health care professionals from SAARC countries
- COVID-19 Emergency Funds
- India contributed 10 million USD towards the funds. Pakistan contributed 3 million USD. Bangladesh, Nepal, and Afghanistan have announced to contribute 1.5 million USD each. Sri Lanka has announced to contribute 5 million USD. Maldives and Bhutan are to contribute 200,000 USD and 100,000 USD respectively.
- The accumulated sum of money in the funds account to 21.8 million USD.

## Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)

- It is a regional organization comprising seven Member States **lying in the littoral and adjacent areas of the Bay of Bengal** constituting a contiguous regional unity.
- It came into being on **6 June 1997 through the Bangkok Declaration**.
- It constitutes seven Member States: five deriving from South Asia, including **Bangladesh, Bhutan, India, Nepal, Sri Lanka, and two from Southeast Asia, including Myanmar and Thailand**.
- Initially, the economic bloc was formed with four Member States with the acronym '**BIST-EC**' (**Bangladesh, India, Sri Lanka, and Thailand Economic Cooperation**).
- Following the inclusion of **Myanmar on 22 December 1997** during a special Ministerial Meeting in Bangkok, the Group was renamed '**BIMST-EC**' (**Bangladesh, India, Myanmar, Sri Lanka, and Thailand Economic Cooperation**).
- With the admission of Nepal and Bhutan at the **6<sup>th</sup> Ministerial Meeting** (February 2004, Thailand), the name of the **grouping was changed to 'Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation' (BIMSTEC)**.

### Objective

- The objective of building such an alliance was to harness shared and accelerated growth through mutual cooperation in different areas of common interests by mitigating the onslaught of globalization and by utilizing regional resources and geographical advantages.
- Unlike many other regional groupings, **BIMSTEC is a sector-driven cooperative organization**. Starting with six sectors—including **trade, technology, energy, transport, tourism, and fisheries—for sectoral cooperation in late 1997**, it expanded to embrace nine more sectors—including agriculture, public health, poverty alleviation, counter-terrorism, environment, culture, people to people contact and climate change—in 2008.

## Institutional Mechanisms

- **BIMSTEC Summit** – Highest policymaking body in the BIMSTEC process and is comprised of heads of state/government of member states.
- **Ministerial Meeting** – Second apex policy-making forum of BIMSTEC attended by the External/Foreign Ministers of Member States.
- **Senior Officials' Meeting** – Represented by Senior Officials of Foreign Ministries of the Member States.
- **BIMSTEC Working Group** – Attended by Ambassadors of BIMSTEC Member Countries to Bangladesh or their representatives every month at the BIMSTEC Secretariat in Dhaka.
- **Business Forum & Economic Forum** – The two important forums to ensure active participation of the private sector.

## What does this grouping mean in numbers?

- The BIMSTEC region is home to around **1.5 billion people which make up for around 22% of the world's population**. The region has a combined **gross domestic product (GDP) of \$2.8 trillion**.

## India's interest in the grouping

- **Bridge between South Asia and Southeast Asia:** The two Southeast Asian countries in the grouping, Myanmar and Thailand, have a crucial place for India's ambitious connectivity plans for the northeastern region. **Myanmar is only a Southeast Asian country India has a land boundary with.**
- **Act East policy:** An India-Myanmar-Thailand highway is one of the key projects that figures in a big way in the government's Act East (earlier Look East) policy.
- **Pakistan's obstructive attitude at the SAARC:** BIMSTEC more naturally lends itself to regional integration—physical connectivity as well as economic cooperation—than SAARC which is dominated by India and Pakistan and hamstrung by tensions between the two.
- **Enhanced Connectivity:** BIMSTEC has at **last three major projects that**, when finished, could transform the **movement of goods and vehicles through the countries in the grouping**.
  - ▶ One is the **Kaladan Multimodal Project** that seeks to link India and Myanmar.
  - ▶ Another is the **Asian Trilateral Highway connecting India and Thailand through Myanmar**.
  - ▶ **Bangladesh, Bhutan, India, and Nepal (BBIN)** have signed a pact for the movement of goods and vehicles among them.

### In News:

- India invited the leaders of BIMSTEC countries for Narendra Modi's swearing-in as prime minister on May 30. This indicates a shift in the government's neighbourhood policy.
- India participated in the 17th Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Ministerial Meeting. The meeting endorsed the BIMSTEC Master Plan for Transport Connectivity for adoption at the next BIMSTEC Summit, which will be held in Sri Lanka.
- India's northeastern states form a key part of the master plan, with several road and river links passing through the region. It also called for early adoption of the BIMSTEC Charter

# Shanghai Cooperation Organisation (SCO)

- It is a **permanent intergovernmental international organisation, the creation of which was announced on 15 June 2001 in Shanghai (China) by the Republic of Kazakhstan, the People's Republic of China, the Kyrgyz Republic, the Russian Federation, the Republic of Tajikistan, and the Republic of Uzbekistan. It was preceded by the Shanghai Five mechanism.**
- Its Charter was signed during the St. Petersburg SCO Heads of State meeting in June 2002 and entered into force on 19 September 2003.
- SCO pursues its internal policy based on the **principles of mutual trust, mutual benefit, equality, mutual consultations, respect for cultural diversity, and a desire for common development**, while its external policy is conducted in accordance with the principles of non-alignment, non-targeting any third country, and openness.
- On the meeting held on 8-9 June 2017 in Astana, the status of a full member of the Organization was granted to the Republic of India and the Islamic Republic of Pakistan.**

## SCO's Main Goals

- Strengthening mutual trust and neighbourliness among the member states;
- Promoting their effective cooperation in politics, trade, the economy, research, technology, and culture, as well as in education, energy, transport, tourism, environmental protection, and other areas;
- Making joint efforts to maintain and ensure peace, security, and stability in the region;
- Moving towards the establishment of a democratic, fair, and rational new international political and economic order.

## Organisation has two permanent bodies

- The SCO Secretariat** based in Beijing and the Executive Committee of the **Regional Anti-Terrorist Structure (RATS)** based in Tashkent.
- The SCO Secretary-General and the Director of the Executive Committee of the SCO RATS **are appointed by the Council of Heads of State for a term of three years.**

Observer States	Dialogue Partner
Afghanistan	Azerbaijan
Belarus	Armenia
Iran	Cambodia
Mongolia	Nepal, Turkey and Sri Lanka

## Importance for India

- For India, two important objectives are **counter-terrorism and connectivity**. These sit well with the **SCO's main objective of working cooperatively against the "three evils"** i.e. terrorism, separatism and extremism.
- India wants access to intelligence and information from **SCO's counter-terrorism body Regional Anti-Terror Structure (RATS)**.

- A **stable Afghanistan** is in India's interest, and **RATS** provides access to non-Pakistan-centred counter-terrorism information there.
- **Connectivity** is important for India's **Connect Central Asia** policy. **Energy cooperation dominates its interest – and it's in China's neighbourhood.** India's cooperation with Central Asia is the geographic reality that it is separated from the region by a hostile Pakistan and unstable Afghanistan
- SCO membership also bolsters India's status as a **major pan-Asian player, which is boxed in the South Asian paradigm.**

### In News:

Government approved the signing and ratification of an Agreement on 'Cooperation in the field of Mass Media' between all the Member States of Shanghai Cooperation Organization (SCO). It will provide an opportunity for the Member States to share new innovations and best practices in the field of Mass Media.

## European Union (EU)

- EU is a **group of 28 countries that operates as a cohesive economic and political block.** Nineteen of the countries use the euro as their official currency. **9 EU members (Bulgaria, Croatia, Czech Republic, Denmark, Hungary, Poland, Romania, Sweden, and the United Kingdom) do not use the euro.**
- **Note: In a 2016 referendum, the U.K. voted to leave the EU. Though the terms of Brexit had been challenged many times, Jan 31, 2020, marked the official enactment of Britain leaving the European Communities (EU).**
- The EU grew out of a desire to form a single European political entity to end the centuries of warfare among European countries **that culminated with World War II and decimated much of the continent.**
- The European Single Market was established **by 12 countries in 1993 to ensure the so-called four freedoms: the movement of goods, services, people, and money.**
- The EU began as the European Coal and Steel Community, which was founded in 1950 and had just six members: Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.
- The **Maastricht Treaty** took effect on November 1, 1993, and the **EU replaced the EC. The treaty created the euro**, which is intended to be the single currency for the EU.

## Goals of the European Union (EU)

- Promote peace, its values and the well-being of its citizens
- Offer freedom, security, and justice without internal borders
- Sustainable development based on balanced economic growth and price stability, a highly competitive market economy with full employment and social progress, and environmental protection
- Combat social exclusion and discrimination
- Promote scientific and technological progress
- Enhance economic, social and territorial cohesion and solidarity among EU countries
- Respect its rich cultural and linguistic diversity



- Establish an economic and monetary union whose currency is the euro.
- **The goals and values form the basis of the EU and are laid out in the Lisbon Treaty and the EU Charter of fundamental rights**

## History of the European Union (EU)

- **Treaty of Paris:** In 1952, **European Coal and Steel Community (ECSC)** was founded under this treaty by 6 countries called Six (Belgium, France, Germany, Italy, Luxembourg, and the Netherlands) to renounce part of their sovereignty by placing their coal and steel production in a common market, under it.
- **European Court of Justice** (called "Court of Justice of the European Communities" until 2009) was also established in 1952 under the Paris Treaty.
- In 1957, the **Treaty of Rome created the European Economic Community (EEC)**, or '**Common Market**'.
- **Merger Treaty** (1965, Brussels) in which an agreement was reached to merge the three communities (ECSC, EAEC, and EEC) under a single set of institutions, creating the European Communities (ECs).
- The Commission and Council of the EEC were to take over the responsibilities of its counterparts (ECSC, EAEC) in other organisations.
- The 1990s was also the decade of two treaties: the '**Maastricht**' **Treaty on the European Union in 1993 and the Treaty of Amsterdam in 1999.**
- **Single European Act (1986):** Enacted by the European Community that committed its member countries to a timetable for their economic merger and the establishment of a single European currency and common foreign and domestic policies.
- **The Maastricht Treaty-1992 (also called the Treaty on European Union)** was signed on 7 February 1992 by the members of the European Community in Maastricht, Netherlands to further European integration. It led to:
  - ▶ European Communities (ECSC, EAEC, and EEC) incorporated as the European Union.
  - ▶ European citizenship was created, allowing citizens to reside in and move freely between the Member States.
  - ▶ A common foreign and security policy was established. It paved the way for the creation of a single European currency – the euro.
  - ▶ It established the European Central Bank (ECB).
  - ▶ It enabled people to run for local office and for European Parliament elections in the EU country they lived in.
- **Schengen Agreement (1985)** paved the way for the creation of open borders without passport controls between most member states. It was effective in 1995.

## EU Institutions

- European Parliament
- European Council
- Council of the European Union
- Presidency of the Council of the EU
- European Commission



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- European Court of Auditors (ECA)
- European External Action Service (EEAS)

## How It Is Governed?

- Three bodies run the EU. The EU Council represents national governments. The Parliament is elected by the people. The European Commission is the EU staff. They make sure all members act consistently in regional, agricultural, and social policies. Contributions of 120 billion euros a year from member states fund the EU.
  - ▶ The **European Commission proposes new legislation**. It layout EU strategy, its role in setting priorities, and its implementation through EU policy. The commissioners serve a five-year term.
  - ▶ **The European Parliament**: The European Parliament is the EU's **only directly-elected institution**. It gets the first read of all laws the Commission proposes. Its members are elected every five years.
- **The European Council**:
  - ▶ The European Council **defines the EU's overall political direction and priorities**.
  - ▶ It is not one of the EU's legislating institutions, so it does not negotiate or adopt EU laws. Instead, it **sets the EU's policy agenda**, traditionally by adopting 'conclusions' during European Council meetings which identify issues of concern and actions to take.
  - ▶ The members of the European Council are the heads of state or government of the 27 EU member states, the European Council President and the President of the European Commission

## Asian Infrastructure Investment Bank (AIIB)

- It is a **multilateral development bank with a mission to improve social and economic outcomes in Asia**. Headquartered in Beijing, it began operations in January 2016 and has now grown to 102 approved members worldwide.
- By investing in **sustainable infrastructure and other productive sectors in Asia and beyond**, it will better connect people, services, and markets that over time will impact the lives of billions and build a better future.

### AIIB Governance

- Board of Governors
- It consists of one Governor and one Alternate Governor appointed by each member country. Governors and Alternate Governors serve at the pleasure of the appointing member.
- Board of Directors
- Non-resident Board of Directors is responsible for the direction of the Bank's general operations, exercising all powers delegated to it by the Board of Governors.
- This includes approving the Bank's strategy, annual plan and budget; establishing policies; taking decisions concerning Bank operations; and supervising management and operation of the Bank, and establishing an oversight mechanism.

- International Advisory Panel (IAP)
- The Bank has established an IAP to support the President and Senior Management on the Bank's strategies and policies as well as on general operational issues.
- The Panel meets at least twice a year, once in tandem with the Bank's Annual Meeting, and the second time at the Bank's Headquarters in Beijing.
- The President selects and appoints members of the IAP to an initial two-year term, which can be renewed upon completion. Panelists receive a small honorarium and do not receive a salary. The Bank pays the reasonable costs associated with Panel meetings.

## AIIB Project Preparation Special Fund

- It provides grants to support and facilitate the preparation of projects to be financed by AIIB in eligible member countries (**International Development Association recipients, including International Development Association Blend countries.**)
- In exceptional circumstances, **Fund resources may also be used for preparing innovative/complex projects, regional/cross-border projects** that have a significant regional impact, and benefit other **members or non-sovereign backed transactions** where there is a demonstrable need.

## Goals of the AIIB

- Foster sustainable economic development, create wealth, and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors.
- To promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions.
- To promote investment in the public and private capital for development purposes, in particular for the development of infrastructure and other productive sectors.
- To utilize the resources at its disposal for financing such development in the region, including those projects and programs which will contribute most effectively to the harmonious economic growth of the region;
- To encourage private investment in projects, enterprises, and activities contributing to economic development in the region when private capital is not available on reasonable terms and conditions.

## Membership

- Membership in the AIIB is **open to all members of the World Bank or the Asian Development Bank and is divided into regional and non-regional members.**
- **Regional members** are those located within areas classified as Asia and Oceania by the United Nations.
- Unlike **other MDBs (Multilateral Development Bank)**, the **AIIB allows for non-sovereign entities to apply for AIIB membership, assuming their home country is a member.**
- Thus, sovereign wealth funds (such as the China Investment Corporation) or state-owned enterprises of member countries could potentially join the Bank.

## Financial Resources of AIIB

- The AIIB's initial total capital is USD 100 billion divided into 1 million shares of 100 000 dollars each, with 20% paid-in and 80% callable.
- **Paid-Up Share Capital:** It is the amount of money that has already been paid by investors in exchange for shares of stock.
- **Called-Up Share Capital:** Some companies may issue shares to investors with the understanding they will be paid at a later date.
- This allows for more flexible investment terms and may entice investors to contribute more share capital than if they had to provide funds upfront.
- **China is the largest contributor to the Bank**, contributing USD 50 billion, half of the initial subscribed capital.
- **India is the second-largest shareholder**, contributing USD 8.4 billion.

## Voting Rights

- **China is the largest shareholder with 26.61 % voting shares in the bank followed by India (7.6%),** Russia (6.01%), and Germany (4.2 %).
- The regional members hold 75% of the total voting power in the Bank.
- The AIIB has a governance structure similar to other MDBs (Multilateral Development Bank), with two key differences:
  - ▶ It does not have a resident board of executive directors that represents member countries' interests on a day-to-day basis; and
  - ▶ The AIIB gives more decision-making authority to regional countries and the largest shareholder, China.

## Asian Development Bank (ADB)

- It envisions a prosperous, inclusive, resilient, and sustainable Asia and the Pacific while sustaining its efforts to eradicate extreme poverty in the region.
- ADB assists its members, and partners, by providing loans, technical assistance, grants, and equity investments to promote social and economic development.
- ADB maximizes the development impact of its assistance by facilitating policy dialogues, providing advisory services, and mobilizing financial resources through co-financing operations that tap official, commercial, and export credit sources.

### Origins

- ADB was conceived in the early 1960s as a financial institution that would be Asian in character and foster economic growth and cooperation in one of the poorest regions in the world.
- A resolution passed at the first Ministerial Conference on Asian Economic Cooperation held by the United Nations Economic Commission for Asia and the Far East in 1963 set that vision on the way to becoming reality.

- The Philippines capital of Manila was chosen to host the new institution, which opened on 19 December 1966, with 31 members that came together to serve a predominantly agricultural region.
- During the 1960s, ADB focused much of its assistance on food production and rural development.

## Members

- ADB has now 68 members—**of which 49 are from within Asia and the Pacific and 19 outside.**

## Organization

- **Board of Governors:** The Agreement Establishing the Asian Development Bank, known as the ADB Charter, vests all the powers of the institution in the **Board of Governors**, which in turn delegates some of these powers to the Board of Directors. **The Board of Governors meets formally once a year during ADB's Annual Meeting.**
- **Board of Directors:** The Board of Directors is responsible for the direction of the general operations of the Bank. The Board (i) takes decisions concerning policies of the Bank, and loans, guarantees, investments and technical assistance by the Bank, (ii) approves borrowings by the Bank, (iii) clears the financial accounts of the Bank for approval by the Board of Governors, and (iv) approve the budgets of the Bank.
- **Management:** The **President heads a management team comprising six Vice-Presidents.** The team supervises the work of ADB's operational, administrative, and knowledge departments.

### Strategy 2030 Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific

- ADB's long-term corporate strategy to 2030 sets the course for ADB's efforts to respond effectively to the Asia and Pacific region's changing needs.
- Under Strategy 2030, ADB will expand its vision to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific while sustaining its efforts to eradicate extreme poverty.

## Funds and Resources

- Most of ADB's lending comes from its ordinary capital resources, offered at near-market terms to lower- to middle-income countries, and beginning in 2017, at very low-interest rates to lower-income countries.
- ADB also provides loans and grants from Special Funds, of which the Asian Development Fund is the largest. The Asian Development Fund offers grants that help reduce poverty in ADB's poorest borrowing countries

## Voting Rights

- It is modelled closely on the World Bank and has a similar weighted voting system where votes are **distributed in proportion with members' capital subscriptions.**

- **Top 5 shareholders in ADB are: Japan (15.6%), United States (15.6%), People's Republic of China (6.4%), India (6.3%) and Australia (5.8%)**

## India and ADB

- ADB's support to India aims to accelerate economic transformation by building industrial competitiveness, creating jobs, accelerating the growth of low-income states, and addressing environmental and climate change challenges.
- India was a founding member of ADB and is now the fourth-largest shareholder, but operations in the country began only in 1986 when India opted to become a borrowing member.

## Country Partnership Strategy (2018-2022)

- **Country Partnership Strategy (CPS), 2018–2022 for India** aims to support the government's goal of faster, inclusive, and sustainable growth accompanied by rapid economic transformation and job creation.
- The CPS has five principles to enhance value addition, maximize impact, and sharpen the focus of ADB operations in support of India's priorities.
- In line with these, ADB operations will :
  - ▶ Be driven by front-end strategic studies to identify and prioritize transformative investments and associated policy advice;
  - ▶ Adopt a synergic approach across sectors and themes;
  - ▶ Align assistance with the government's strategies and flagship programs, as well as its commitments to the Sustainable Development Goals;
  - ▶ Progressively enhance engagement and forge partnerships with low-income states;
  - ▶ Integrate capacity development as an operational priority.
- **Recently ADB Approved \$1.5 Billion Financing to Support India's COVID-19 Response.**

## New Development Bank (NDB)

- **During the sixth BRICS Summit in Fortaleza (2014)**, the leaders signed the Agreement establishing the New Development Bank (NDB).
- NDB strengthens cooperation among BRICS and will supplement the efforts of multilateral and regional financial institutions for global development, thus contributing to collective commitments for achieving the goal of strong, sustainable, and balanced growth.
- It is a **multilateral development bank established by Brazil, Russia, India, China, and South Africa** with the objective of financing infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, complementing the efforts of multilateral and regional financial institutions toward global growth and development.
- The Bank **also provides technical assistance for projects to be supported by the NDB** and engage in information, cultural and personnel exchanges to contribute to the achievement of environmental and social sustainability.

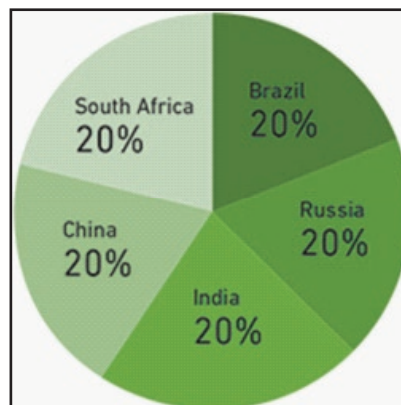
## Main Objectives of NDB

- Fostering the development of member countries
- Supporting economic growth
- Promoting competitiveness and facilitating job creation
- Building a knowledge-sharing platform among developing countries
- To fulfill its purpose, **the Bank will support public or private projects** through loans, guarantees, equity participation, and other financial instruments.

## Shares Distribution and Voting Powers

### ◦ Authorized and Subscribed Capital

- ▶ It has an initial subscribed capital of US\$ 50 billion and an initial authorized capital of US\$ 100 billion.
- ▶ The initial subscribed capital shall be equally distributed amongst the founding members.
- ▶ **The voting power of each member shall equal its subscribed shares in the capital stock of the Bank.** In New Development Bank each participant country will **be assigned one vote and none of the countries will have veto power.**
- ▶ Share holding Structure of the NDB:



### ◦ Subscription of shares

- ▶ Each member shall subscribe to shares of the capital stock of the Bank.
- ▶ Shares of stock initially subscribed by founding members shall be issued at par. Other shares shall be issued at par unless the Board of Governors decides in special circumstances to issue them on other terms.
- ▶ No increase in the subscription of any member to the capital stock shall become effective, and any right to subscribe thereto is hereby waived, which would have the effect of:
- ▶ Reducing the voting power of the founding members below 55 (fifty-five) percent of the total voting power;
- ▶ Increasing the voting power of the non-borrowing member countries above 20 (twenty) percent of the total voting power;
- ▶ Increasing the voting power of a non-founding member country above 7 (seven) percent of the total voting power.



**In News:**

- India virtually hosted the 7th meeting of the BRICS Astronomy Working Group (BAWG) under the Science, Technology, and Innovation track of the BRICS 2021.
- The 13th BRICS Summit is going to be held under India's Chairship in 2021. As BRICS celebrates its 15th anniversary this year. The theme for India's Chairship is 'BRICS @ 15: Intra-BRICS Cooperation for Continuity, Consolidation and Consensus'.

India will work on specific deliverables across all three pillars of intra-BRICS cooperation in 2021.

- **Political and Security:** To enhance cooperation and dialogue on issues of global and regional security, developments in the global political space for peace, security and prosperity. Our priorities under this pillar are:
  - Reform of the Multilateral System
  - Counter Terrorism Cooperation
- **Economic and Financial:** To promote economic growth and development for mutual prosperity through the expansion of intra-BRICS cooperation in sectors such as trade, agriculture, infrastructure, small and medium enterprises, energy and finance & banking. Recognizing the advantages of using technological and digital solutions for the achievement of Sustainable Development Goals in BRICS countries with a special focus on:
  - Implementation of the BRICS Economic Partnership Strategy 2020-25.
  - Operationalization of the BRICS Agriculture Research Platform.
  - Cooperation on Disaster Resilience.
  - Innovation Cooperation.
  - Digital Health and Traditional Medicine.

**Cultural and People to People:** To qualitatively enrich and enhance intra-BRICS people to people contacts in cultural, academic, youth, sports, business, through regular exchanges

## International Monetary Fund (IMF)

### ■ Founding and Mission

- ▶ The IMF was conceived in July 1944 at the United Nations Bretton Woods Conference in New Hampshire, United States.
  - ▶ The 44 countries in attendance sought to build a framework for international economic cooperation and avoid repeating the competitive currency devaluations that contributed to the Great Depression of the 1930s.
  - ▶ The IMF's primary mission is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries and their citizens to transact with each other.
  - ▶ It promotes international financial stability and monetary cooperation. It also facilitates international trade, promotes employment and sustainable economic growth, and helps to reduce global poverty.
- The IMF is governed by and accountable to its 189 member countries.**



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## Functions

### ◉ Capacity Development

- ▶ The IMF provides technical assistance and training to help member countries build better economic institutions and strengthen related human capacities.
- ▶ **This includes:**
  - Designing and implementing more effective policies for taxation and administration,
  - Expenditure management,
  - Monetary and exchange rate policies,
  - Banking and financial system supervision and regulation,
  - Legislative frameworks and economic statistics.

### ◉ Financial Assistance

- ▶ Providing loans to member countries that are **experiencing actual or potential balance-of-payments problems is a core responsibility of the IMF.**
- ▶ **Individual country adjustment programs are designed in close cooperation with the IMF** and are supported by IMF financing, and on-going financial support is dependent on the effective implementation of these adjustments.
- ▶ In response to the global economic crisis, in April 2009 the **IMF strengthened its lending capacity and approved a major overhaul of its financial support mechanisms, with additional reforms adopted in subsequent years.**
- ▶ These changes enhanced the IMF's crisis-prevention toolkit, bolstering its ability to mitigate contagion during systemic crises and allowing it to better tailor instruments to meet the needs of individual member countries.

## ■ Surveillance

- ◉ To maintain stability and prevent crises in the international monetary system, the **IMF monitors member country policies as well as national, regional, and global economic and financial developments through a formal system known as surveillance.**

### Special Drawing Rights (SDRs)

- ◉ The IMF issues an international reserve asset known as Special Drawing Rights or SDRs, that can supplement the official reserves of member countries. IMF members can voluntarily exchange SDRs for currencies among themselves.
- ◉ The currency value of the SDR is determined by summing the values in U.S. dollars, based on market exchange rates, of an SDR basket of currencies.
- ◉ SDR basket of currencies includes the U.S. Dollar, Euro, Japanese Yen, Pound Sterling, and the Chinese Renminbi (included in 2016).
- ◉ The SDR currency value is calculated daily (except on IMF holidays or whenever the IMF is closed for business) and the valuation basket is reviewed and adjusted every five years.

## Governance and Organization

### ◦ Board of Governors

- ▶ It is the highest decision-making body of the IMF, consists of one governor and one alternate governor for each member country.
- ▶ The **governor is appointed by the member country** and is usually the minister of finance or the governor of the central bank. All powers of the IMF are vested in the Board of Governors.
- ▶ The Board of Governors **normally meets once a year**.

### ◦ Executive Board

- ▶ It is responsible for conducting the day-to-day business of the IMF.
- ▶ It is **composed of 24 Directors**, who are elected by member countries or by groups of countries, and the Managing Director, who serves as its Chairman.
- ▶ The **Board usually meets several times each week**.
- ▶ It carries out its work largely based on papers prepared by IMF management and staff.

### ◦ Ministerial Committees

- ▶ The Board of Governors is advised by two ministerial committees,

### ◦ International Monetary and Financial Committee (IMFC)

- ▶ IMFC has 24 members, drawn from the pool of 189 governors, and represents all member countries.
- ▶ It discusses the management of the international monetary and financial system.
- ▶ It also discusses proposals by the Executive Board to amend the Articles of Agreement.
- ▶ And any other matters of common concern affecting the global economy.

### ◦ Development Committee

- ▶ It is a joint committee (25 members from the Board of Governors of IMF & World Bank), tasked with advising the Boards of Governors of the IMF and the World Bank on issues related to economic development in emerging market and developing countries.

## Voting Rights

- Votes of each member equal the sum of its basic votes (equally distributed among all members) and quota-based votes. **A member's quota determines its voting power.**

## IMF Quotas

- Quotas are the building blocks of the IMF's financial and governance structure. An individual member country's quota broadly reflects its relative position in the world economy. **Quotas are denominated in Special Drawing Rights (SDRs), the IMF's unit of account.**

## Multiple roles of quotas

- **Resource Contribution:** Quotas determine the maximum amount of financial resources a member is obliged to provide to the IMF.
- **Voting Power:** Quotas are a key determinant of the voting power in IMF decisions. Votes comprise one vote per SDR100,000 of quota plus basic votes (same for all members).

- **Access to Financing:** The maximum amount of financing a member can obtain from the IMF under normal access is based on its quota.
- **SDR Allocations:** Quotas determine a member's share in a general allocation of SDRs.

## Quota formula

- A quota formula is used to help assess members' relative position in the world economy and it can play a role in guiding the distribution of quota increases. The current formula was agreed in 2008 and a new quota formula is being discussed in the context of the 15th General Review of quotas.

### India and latest quota reforms at IMF

- India's voting rights in IMF increase to 2.6 percent from the current 2.3 percent, and China's, to six percent from 3.8, as per the new division.
- The reforms bring India and Brazil into the list of the top 10 members of IMF, along with the U.S, Japan, France, Germany, Italy, the United Kingdom, China, and Russia.

## Various Groupings

### Group of Twenty (G20)

- The Group of Twenty, or the G20, is the premier forum for international economic cooperation. The G20 brings together the **leaders of both developed and developing countries from every continent**.
- Collectively, G20 members represent around 80% of the world's economic output, two-thirds of the global population, and three-quarters of international trade. Throughout the year, representatives from G20 countries gather to discuss financial and socioeconomic issues.

### ■ How does the G20 Work?

- The **presidency of the G20 rotates between member countries every year**.
- The presidency plays a leading role in setting the agenda and organizing the Leaders' Summit, which is attended by the G20 Heads of State or Government.
- At the Summit, the leaders issued a declaration, or communiqué, based on policy discussions at meetings held throughout the year.
- In the run-up to the Summit, the presidency hosts several meetings featuring Ministers, senior government officials as well as civil society representatives.
- At the government level, **the G20 work is organized around the Finance and Sherpa Tracks**, while civil society assembles through Engagement Groups.
- **Each G20 Presidency develops a theme for the year which is central to international discussion. This year's theme is "Realizing Opportunities of the 21<sup>st</sup> Century for All".**

### The Finance Track

- Meetings of G20 Finance Ministers and Central Bank Governors, as well as their Deputies, which focus on fiscal and monetary policy issues such as the global economy, infrastructure, financial regulation, financial inclusion, international financial architecture, and international taxation.

### The Sherpa Track

- Meetings of Ministers and relevant senior officials, which focus on socioeconomic issues such as agriculture, anti-corruption, climate, digital economy, education, employment, energy, environment, health, tourism, trade, and investment.

### Engagement Groups

- Represent civil society and develop recommendations that are submitted to G20 Leaders for their consideration. Engagement Groups include the Business 20, Youth 20, Labour 20, Think 20, Civil 20, Women 20, Science 20, and Urban 20.
- Note: The group has no permanent staff of its own, so every year in December, a G20 country from a rotating region takes on the presidency.

## ■ G20 Participants

- The G20 members are Argentina, Australia, Brazil, Canada, China, France, Germany, **India**, Indonesia, Italy, Japan, Mexico, Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union (EU).
- **Spain is a permanent guest invitee** to the G20 meetings. In 2020, Jordan, Singapore, and Switzerland are invited as guest countries.
- **International Organizations** that have historically contributed to the G20 work are invited as well. These include:
  - ▶ Food and Agriculture Organization (FAO),
  - ▶ the Financial Stability Board (FSB),
  - ▶ the International Labour Organization (ILO),
  - ▶ the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the United Nations (UN),
  - ▶ the World Bank Group (WBG),
  - ▶ the World Health Organization (WHO)
  - ▶ the World Trade Organization (WTO)

## ■ Areas of concern for G20

- The G20 focuses on a broad agenda of **issues of global importance**, although, issues pertaining to the global economy dominate the agenda, **additional items have become more important in recent years, like:**
  - ▶ Financial markets
  - ▶ Tax and fiscal policy
  - ▶ Trade
  - ▶ Agriculture
  - ▶ Employment
  - ▶ Energy
  - ▶ Fight against corruption
  - ▶ Advancement of women in the job market

- ▶ 2030 agenda for Sustainable development
- ▶ Climate Change
- ▶ Global Health
- ▶ Anti-terrorism
- ▶ Inclusive entrepreneurship
- In news: **Virtual G20 Leaders' Summit was convened on 26 March 2020** to discuss the challenges posed by the outbreak of the COVID-19 pandemic and to forge a globally coordinated response.

### In News:

- **Virtual G20 Leaders' Summit was convened on 26 March 2020** to discuss the challenges posed by the outbreak of the COVID-19 pandemic and to forge a globally coordinated response.
- At the G20 (Group of Twenty) summit held virtually India called for a "New Global Index" for the post-Corona world.

New Global Index will be based on 4 pillars of

1. Talent,
2. Technology,
3. Transparency and
4. Trusteeship towards the planet

## Group of 7 (G7)

- The G7 (or Group of Seven) is an organisation made up of the world's seven largest so-called advanced economies: **Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.**
- The group regards itself as "a community of values", with freedom and human rights, democracy and the rule of law, and prosperity and sustainable development as its key principles.
- **It used to be known as the G8 (Group of Eight) until 2014 when Russia was excluded because it annexed Crimea from Ukraine.**
- Ministers and civil servants from the G7 countries meet throughout the year to discuss matters of mutual interest.
- **Each member nation takes over the G7 presidency for a year on a rolling basis and hosts the annual centre-piece two-day summit meeting.**
- Energy policy, climate change, HIV/Aids, and global security are just some of the subjects discussed at past summits.
- **At the end of the summit, a communiqué is issued**, outlining what has been agreed upon.
- Attendees include the G7 nations' heads of government plus the president of the European Commission and the president of the European Council.

### ■ Significance

- G7 is capable of setting the global agenda because decisions taken by these major economic powers have a real impact. Thus, decisions taken at the G7 **are not legally binding** but exert strong political influence.

## ■ G7 Summits

- Its first summit was held at Rambouillet, France, in 1975
- This year, the 45th G7 summit will be held on August 24-26, 2019, in Biarritz, France. It will focus on fighting income and gender inequality and protecting biodiversity.
- The 2019 G7 Summit, presided over by France, will focus on fighting inequality.
- Following are the **five objectives for the 2019 Summit**:
  - ▶ fighting inequality of opportunity, promoting in particular gender equality, access to education and high-quality health services;
  - ▶ reducing environmental inequality by protecting our planet through climate finance and a fair ecological transition, preserving biodiversity and the oceans;
  - ▶ strengthening the social dimension of globalization through more fair and equitable trade, tax and development policies;
  - ▶ taking action for peace against security threats and terrorism which weaken the foundations of our societies; and
  - ▶ tapping into the opportunities created by digital technology and artificial intelligence (AI)

## ■ Criticism of the group

- Criticised as “an artifact of a bygone era”.
- It has no representative from any African, Russian, or Middle Eastern nation – is completely outdated.
- G7 leaders are creating a wide gap between the ‘haves’ and the ‘have-nots’ both in their countries as well as across the globe, according to a new report published by non-profit Oxfam International.

### In News:

- In 2021 a joint statement was signed off (Democracies 11) by G-7 and guest countries on “open societies” that reaffirm and encourage the values of freedom of expression, both online and offline, as a freedom that safeguards democracy and helps people live free from fear and oppression.
- Indian Prime Minister addressed the 47th G7 Summit 2021 through video conferencing. Apart from India, Australia and South Korea were also invited to participate in the proceedings of the summit as “guest countries.”
- India’s committed to “collective” solution to global health challenges and called for “one earth, one health” approach
- India called for G7’s support for proposal moved by India and South Africa at the WTO for a TRIPS waiver.” The waiver will help India scale up production of anti-COVID-19 vaccines
- India asserted that Planet’s atmosphere, biodiversity and oceans cannot be protected by countries acting in silos, and called for collective action on climate change

## Group of 4 (G4)

- G-4 is a group of four countries i.e. **Brazil, Germany, India, and Japan** which support each other’s bids for permanent seats on the United Nations Security Council (UNSC).
- Each of these four countries has figured among the elected non-permanent members of the council since the UN’s establishment.

- Their economic and political influence has grown significantly in the last decades, reaching a scope comparable to the permanent members (P5)
- G4 campaigns for U.N. Reforms, including more representation for developing countries, both in the permanent and non-permanent categories, in the UNSC
- G4's bids are often opposed by Uniting for Consensus movement or Coffee Club (ground 12 countries including Pakistan led by Italy) and particularly their economic competitors or political rivals.

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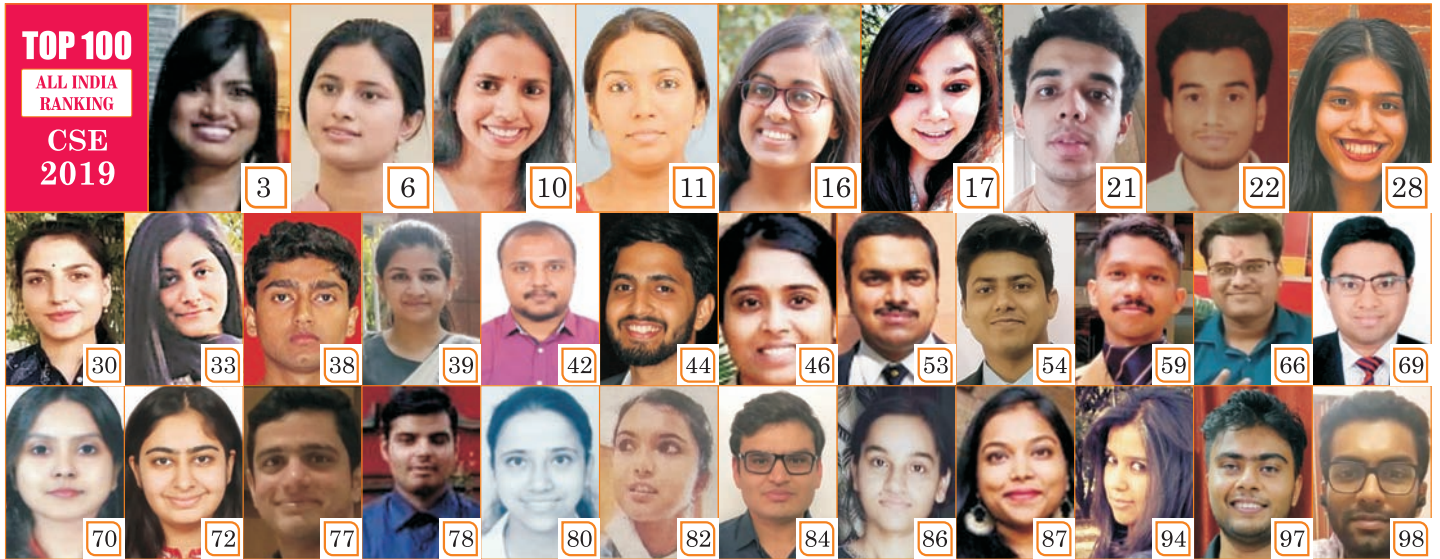
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