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CURRENT AFFAIRS

INTERNATIONAL RELATIONS

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BusinessLine



1. India and Brazil: Avoidance of Double Taxation

Why in News?

- The Union Cabinet Chaired by the Prime Minister approved **the signing of the Protocol amending the Convention** between India and Brazil for **the Avoidance of Double Taxation** and the Prevention of Fiscal Evasion.
- It was required to be amended to bring it in line with international developments and also to implement the recommendations contained in the Base Erosion and Profit Shifting Project (BEPS).
 - The amending protocol will facilitate the elimination of double taxation and augment the flow of investment between these two nations.

Double Tax Avoidance Agreement (DTAA)

- It is a tax treaty signed between two or more countries so that tax-payers in these countries can avoid being taxed twice for the same income.
- It applies in cases where a taxpayer resides in one country and earns income in another.
- It makes a country an attractive investment destination by providing relief on dual taxation.
- It also provides for concessional rates of tax in some cases.

Major Impact:

- Through updation of the Double Taxation Avoidance Convention's provisions to international standards, the Amending Protocol between India and Brazil will facilitate elimination of double taxation.
- It will provide tax certainty to investors & businesses of both countries.
- It will augment the flow of investment through lowering of tax rates in source state on interest, royalties and fees for technical services.
- It implements minimum standards and other recommendations of G- 20 OECD Base Erosion Profit Shifting Project.

Base Erosion and Profit Shifting Project (BEPS)

- Base Erosion and Profit Shifting means the phenomenon where the companies shift their profits to lower tax jurisdictions to erode the tax base in India.
- It is an OECD initiative, approved by the G20, to identify ways of providing more standardised tax rules globally.
- It is used to describe tax planning strategies that exploit mismatches and gaps that exist between the tax rules of different jurisdictions.
- It is of major significance for developing countries due to their heavy reliance on corporate income tax, particularly from multinational enterprises (MNEs).

2. US-China Trade War: Gain For India

Why in News?

- India gained about \$755 million in additional exports, mainly of chemicals, metals and ore, to the US in the first half of 2019 due to the trade war between China and the USA, as per the study of **UNCTAD**.
- The US tariffs on China have made other players more competitive in the US market and led to a trade diversion effect which have brought substantial benefits India.

United Nations Conference on Trade and Development (UNCTAD)

- UNCTAD is a permanent intergovernmental body established in **1964**.
- It is a part of the UN secretariat and the UN Development Group.
- It promotes development friendly integration of developing countries into the world economy.
- It is **Headquartered** at **Geneva** in Switzerland.
- **UNCTAD publishes the following reports:**
 - Trade and Development Report
 - World Investment Report
 - The Least Developed Countries Report
 - Information and Economy Report
 - Technology and Innovation Report
 - Commodities and Development Report

3. BIMSTEC Ports Conclave In Visakhapatnam.

Why in News?

The first Bay of Bengal Initiatives for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Conclave of Ports, being held at Visakhapatnam, Andhra Pradesh was inaugurated by Minister of State for Shipping.

BIMSTEC Ports Conclave

- **Objectives**
 - To provide a platform to strengthen maritime interaction.
 - To give a boost to Port-led connectivity initiatives.
 - To share best practices among BIMSTEC countries.
- **Key Highlight**
 - Three Memorandums of Understanding (MoUs) have been signed between Ranong Port (Port Authority of Thailand) and the Port Trusts of Chennai, Visakhapatnam and Kolkata as part of **India's Act East Policy**.

BIMSTEC

- BIMSTEC is a sub-regional organisation that came into being in **1997** through the **Bangkok Declaration**.
- BIMSTEC is a 7-member namely:
 - Bangladesh
 - India
 - Sri Lanka
 - Bhutan
 - Nepal
 - Myanmar
 - Thailand
- BIMSTEC not only connects South and South-East Asia, but also the ecology of the Great Himalayas and the Bay of Bengal.
- BIMSTEC region brings 22% of world population and a combined GDP of US \$3.71 Trillion.

4. Kalapani Territory

Why in News?

In the recently released political map of India, after the bifurcation of the state of Jammu and Kashmir (J&K) into the Union Territories of J&K and Ladakh, the Kalapani territory became the bone of contention between India and Nepal.

- According to India, the historic Kalapani region forms part of the state of Uttarakhand. However Nepal government claims that Kalapani is an integral part of the country.

Kalapani Territory

- Kalapani is situated on the Kailash Mansarovar route. It borders Uttarakhand in India.
- Since the Indo - China war of 1962, Kalapani valley is administered by India as a part of the Pithoragarh district of Uttarakhand.
- In the latest political map of India, India reiterated its claims on the region that Nepal considers its own territory in Darchula district.

Historical Background:

- The **Treaty of Sugauli** signed by the Kingdom of Nepal and British India (after Anglo-Nepalese War) in 1816 located the Kali River as Nepal's western boundary with India.
- The discrepancy in locating the source of the river led to boundary disputes between India and Nepal, with each country producing maps supporting their own claims.
- The exact size of the Kalapani territory also varies in different sources.

5. 16th ASEAN-India Summit

Why in News?

- The Prime Minister of India attended the 16th Association of Southeast Asian Nations (ASEAN) India Summit on 3rd November, 2019.
- Along with this summit, the other summits that took place in Thailand are:
 - 35th ASEAN Summit
 - 14th East Asia Summit
 - 3rd RCEP Meet

Highlights of the ASEAN-India Summit

- Emphasis was laid to promote India - ASEAN strategic partnership along with cooperation in the field of maritime security and blue economy, trade and investment, connectivity, science and technology, and innovation.
 - India's \$1 billion line of credit, announced at India - ASEAN Summit in 2015, is expected to be used for physical and digital connectivity.
 - The intention is to greatly increase the traffic of people for study, research, trade and tourism in the India - ASEAN region.
- On the socio-cultural front, the focus was made on enhancing people-to-people connectivity, cultural exchanges, humanitarian aid, and tourism.
- India expressed readiness to improve partnership and capacity building in the areas of agriculture, research, engineering, science and Information and Communications Technology (ICT).
- The Prime Minister welcomed the recent decision to review India - ASEAN Free Trade Agreement (FTA), which will improve economic partnership between the two countries.
- The Prime Minister talked about the mutual coordination between India's vision of the Indo - Pacific region and ASEAN Outlook for maintaining strategic balance in the region, which has been witnessing growing Chinese assertiveness.
- The PM addressed the Indian community at the 'Sawasdee PM Modi' event in Bangkok.
 - In the Thai language, the word 'Sawasdee' is used for greetings and goodbye.
- During the visit, the Indian PM held bilateral meetings with other world leaders present at Bangkok.

India - Thailand

- India and Thailand are close maritime neighbours having historical and cultural linkages.
- Both sides agreed to explore opportunities for cooperation in defence industries sector.

- Welcoming 20% growth in bilateral trade in 2018, leaders decided to task the trade officials to discuss ways and means to enhance trade and investment.
- Emphasis was laid to enhance connectivity between the two countries, including in the areas of physical and digital connectivity.
 - A direct flight was started between Bangkok and Guwahati.
 - Agreements were also finalised for cooperation between Ranong Port, Thailand and Indian ports in Kolkata, Chennai and Visakhapatnam.
- In the contemporary context, India's 'Act East' policy is complemented by Thailand's 'Look West' policy which has made the relationship deep, robust and multifaceted.

India - Indonesia

- India and Indonesia are close maritime neighbours and both sides reiterated their commitment to work together for peace, security and prosperity in order to achieve their shared vision on maritime cooperation in the Indo-Pacific region.
- The Prime Minister highlighted the need for greater market access for Indian commodities including, pharmaceutical, automotive and agricultural products.
- India shares a **Comprehensive Strategic Partnership** with Indonesia.
- And this year (2019), India and Indonesia commemorate the 70th anniversary of the establishment of diplomatic relations.

India - Myanmar

- India attaches high priority to Myanmar as a partner at the crossroads of India's Look East Policy and the Neighbourhood First policies.
- Emphasis was laid on building a stable and peaceful border to counter insurgency.
 - Measures to be taken to improve physical connectivity to and through Myanmar to Southeast Asia, including through building road, port and other infrastructure.
- India would also continue to strongly support the expansion of capacity for Myanmar's police, military and civil servants, as well as its students and citizens.
- Emphasis was also laid on people to people connectivity which would help expand the base of the partnership.
 - Government of India will host a business event for the CLMV countries (Cambodia, Laos, Myanmar and Vietnam) in Yangon at the end of November 2019.

6. East Asia Summit

Why in News?

- The 14th East Asia Summit (EAS) was recently held in Bangkok, Thailand.
- The Meeting noted the progress according to the Manila Plan of Action to advance the Phnom Penh Declaration on EAS - Development Initiative (2018 – 2022).
 - The Phnom Penh Declaration calls for greater cooperation in trade and economic arrangements among members of the summit.
- The Meeting adopted three documents on Combating Illicit Drugs, Transnational Crimes, and Forging Partnerships for Sustainability.

About East Asia Summit (EAS)

- EAS is an **ASEAN - centred forum**; it can only be chaired by an ASEAN member.
- The EAS comprises the **ten member states** of the Association of Southeast Asian Nations (ASEAN) **along with 8 members**-Australia, China, Japan, India, New Zealand, the Republic of Korea, Russia and the United States.
- It is a forum held annually by leaders of 18 countries for strategic dialogue and cooperation on the key political, security, and economic challenges facing the Indo-Pacific region.
- The chair of ASEAN is also the chair of the EAS. The role of the ASEAN chair rotates annually between the ten ASEAN member states.
- EAS meetings are held after annual ASEAN leaders' meetings.
- The first summit was held in Kuala Lumpur, Malaysia on 14 December 2005.
- India is a founding member of East Asia Summit.
- There are six priority areas of regional cooperation within the framework of the EAS:
 - Environment and Energy
 - Education
 - Finance
 - Global Health Issues and Pandemic Diseases
 - Natural Disaster Management
 - ASEAN Connectivity

7. India Walks Out Of RCEP

Why in News?

- India has decided against joining the Regional Comprehensive Economic Partnership (RCEP), until significant outstanding issues are resolved.

About RCEP

- The Regional Comprehensive Economic Partnership (RCEP) is a trade deal that was being negotiated between 16 countries.
 - They include the 10 ASEAN members and its 6 FTA partners -
 - India
 - Australia
 - China
 - Korea
 - Japan
 - New Zealand
- The purpose of the deal is to create an integrated market spanning all 16 countries making it easier for the products and services of each of these countries to be available across the entire region.
- The RCEP is billed to be the largest regional trading agreement yet - the countries involved account for almost half of the world's population, contribute over a quarter of world exports, and make up around 30% of the global Gross Domestic Product.

Why India did not sign RCEP Trade Deal?

- India is concerned that RCEP deal could force it to cut duties on 90% of products that are imported. This is a major concern for India, as cheaper products from China would flood the market.
 - India had been seeking an auto-trigger mechanism that would allow it to raise tariffs on products in instances where imports cross a certain threshold.
- India had expressed apprehensions on lowering and eliminating tariffs on several products like dairy, steel etc.
 - For instance, the dairy industry was expected to face stiff competition from Australia and New Zealand.
 - Currently, India's average bound tariff for dairy products is on average 35%.
 - The RCEP binds countries to reduce that current level of tariffs to zero within the next 15 years.
- There were concerns that RCEP will permanently bring down import duties on most agricultural commodities to zero.
 - This will lead to countries dumping their agricultural produce in India resulting in drastic drop in prices.
- Also, India has not received any credible assurances on its demand for more market access, and its concerns over non-tariff barriers.
 - RCEP participants like China are known to have used non-tariff barriers in the past to prevent India from growing its exports to the country.

- India's concerns on a possible circumvention of rules of origin - the criteria used to determine the national source of a product - were not addressed.
- Current provisions in the deal reportedly do not prevent countries from routing, through other countries, products on which India would maintain higher tariffs. This is anticipated to allow countries like China to pump in more products.
- India has long pushed for other countries to allow greater movement of labour and services in return for opening up its own market. Concerns over unsustainable trade deficits also needed to be addressed.
- Despite India already having separate, bilateral FTAs with most RCEP nations, it has recorded trade deficits with these countries.
 - India's trade deficit with the RCEP nations is \$105 billion, of which China alone accounts for \$54 billion.
- India is seeking a 2019 base year for tariff reductions instead of 2013 (the year when negotiations on RCEP started), as it has raised import duties on several products between 2014 and 2019.

Implication of India's Exit

- Refraining from RCEP will provide protection to the Indian domestic industry from intense competition and more importantly, Chinese dumping.
- RCEP is a China-backed trade deal, signing it without India will further strengthen China's economic power.
- India envisages becoming a manufacturing hub. However, staying out of the RCEP reduces opportunities for trading with these countries.
 - Manufacturing requires greater integration with global supply chains.
 - Signing the agreement would have signalled an embrace of freer trade, which could have aided in the shift of companies out of China to India.
- India's exit of RCEP may also affect India's Act East policy.
- India will have to accelerate reforms to make exports more competitive. This can be done by:
 - Easing land acquisition
 - Reforming Labor laws
 - Bridging Infrastructure deficit



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