



News Analysis (16 Feb, 2019)

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## India Revokes MFN Status to Pakistan

In a major diplomatic move, **India withdrew the Most Favoured Nation (MFN) status accorded to Pakistan** in its bid to convey a strong message to the country in the aftermath of Pulwama terror strike.

### What does Most Favoured Nation mean?

- **Article 1 of General Agreement on Tariffs and Trade (GATT), 1994**, requires every World Trade Organization (WTO) member country to accord MFN status (or preferential trade terms with respect to tariffs and trade barriers) to all other member countries.
- Accordingly, India accorded MFN status to all WTO member countries, including Pakistan, from the date of entry into force of the so called Marrakesh Agreement, establishing the WTO.

#### Note:

- Established in 1995, WTO replaced General Agreement on Trade and Tariffs (GATT) that has been in existence since 1946 to promote international trade after World War II.
- The bulk of the WTO's current work comes from 1986–94 negotiations called the Uruguay Round and earlier negotiations under the General Agreement on Tariffs and Trade (GATT).
- Although it sounds as if MFN offers preferential treatment, it only **ensures non-discriminatory trade**.
- It makes sure that any country receiving MFN status avoids any disadvantageous situation in comparison to the granter's other trade partners.
- According to the World Trade Organisation rules, countries cannot normally discriminate between their trading partners.

- If one country is granted a trade concession such as, for example, lower import duties, then all WTO members must be extended the same concessions.
- This principle is known as the Most Favoured Nation treatment. Despite repeated promises, Pakistan has never granted MFN status to India.
- Therefore, MFN is a non-discriminatory trade policy as it ensures equal trading among all WTO member nations rather than exclusive trading privileges.
- Since India and Pakistan are part of the WTO, both are required to grant MFN status to each other and other partner countries.

## What does revoking MFN mean?

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Revoking it means India can levy whatever import tariffs it wants. India can now make it very expensive for Pakistan to export its goods or services to India.

## What happens now?

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The commerce ministry will now write to WTO in order to revoke MFN status given to Pakistan by invoking Article 21 of WTO, also known as the Security Exceptions Article.

## Impact Analysis

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- So far, India has only revoked the MFN status. It has not altered the import duties on Pakistan. However, if it does hike them, then this will likely have an impact on that country.
- The scale of that impact is questionable because as per Commerce Ministry data India's total trade with Pakistan is only \$2.4 billion in 2017-18, with just \$488.56 million of this being imports from Pakistan which is meagre. Therefore, revoking Pakistan's MFN status seems to be more of a symbolic move.
- It may further give a push to the illegal trade between the two countries, which takes place through border gaps and via third countries.
- It could also give a handle to extremist elements in Pakistan to scale up the rhetoric against India.
- However, the decision by India to withdraw MFN status to Pakistan is intended to isolate Pakistan diplomatically and squeeze the country's industry.
- This move will adversely affect the image of Pakistan as a trade partner and investment hub.

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## LADIS – Least Available Depth Information System

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To ensure optimum use of National Waterways (NWs), the Inland Waterways Authority of India (IWAI) has launched a **new portal LADIS – Least Available Depth Information System**.

- LADIS will ensure that **real-time data on least available depths** is disseminated for ship/barge and cargo owners so that they can undertake transportation on NWs in a more planned way.
- IWAI has designed LADIS to facilitate the **day-to-day operations of inland vessels plying on NWs** and to avoid any hindrance in service and operation.
- It will enhance **credibility and efficiency of information sharing** to achieve seamless operations on NWs, besides pre-empting problems that may occur during movement of vessels.

### **Inland Waterways Authority of India**

- The Inland Waterways Authority of India (IWAI) is a **statutory body under Ministry of Shipping established in 1986** for development and regulation of inland waterways for shipping and navigation.
- It is **headquartered in Noida, Uttar Pradesh** and its main function is to build necessary infrastructure in inland waterways, surveying economic feasibility of new projects and also carrying out administration and regulation.
- As per the **National Waterways Act, 2016, 111 waterways** have been declared as NWs.
- In **2018, the IWAI** also launched a portal known as **Forum of Cargo Owners and Logistics Operators (FOCAL)** for cargo owners and logistic operators to access real time data on availability of vessels.
- In 2018, IWAI signed a project agreement with the World Bank for **Jal Marg Vikas Project** on river Ganga which aims for capacity augmentation of navigation on **NW-1 (River Ganga) from Varanasi to Haldia**.
- These initiatives are a part of objective to develop NWs as a **key transport intervention and lower huge logistics costs**, which currently account for **15% of the GDP** and is about **twice that of the U.S.' logistics costs**.

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## **National Emergency Declared in United States**

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On February 15, 2019, President of the United States Donald Trump declared a **National Emergency Concerning the Southern Border of the United States**.

- President Donald Trump, citing an **"invasion" of drugs and criminals**, declared a **national emergency to fund construction of a border wall along US-Mexico Border**.

- US President can now bypass the opposition in Congress (Parliament in the United States) and can redirect billions of dollars in federal funds to build the wall.

## Emergency Powers in the United States

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- **Neither the term "emergency" nor any comparable term appears in the text of the United States Constitution.**
- The President in the United States has Emergency Powers derived from the National Emergencies Act, 1976.
- **National Emergencies Act, 1976**
  - Under the National Emergencies Act, **the president can declare a national emergency, providing a specific reason for it.**
  - A national emergency is declared in a national crisis or a situation where circumstances threaten the country and call for an immediate response.
  - The **act offers no specific definition of "emergency" and allows a president to declare one entirely at his or her discretion.**
  - The acts require a president to notify Congress publicly of the national emergency and to report every six months.
  - The law also says the president **must renew the emergency every year, simply by notifying Congress.**
  - The Congress can revoke a declaration by majority vote, though it would take a two-thirds vote by each house to override an expected presidential veto.

## Previous Stances of Emergency Declaration

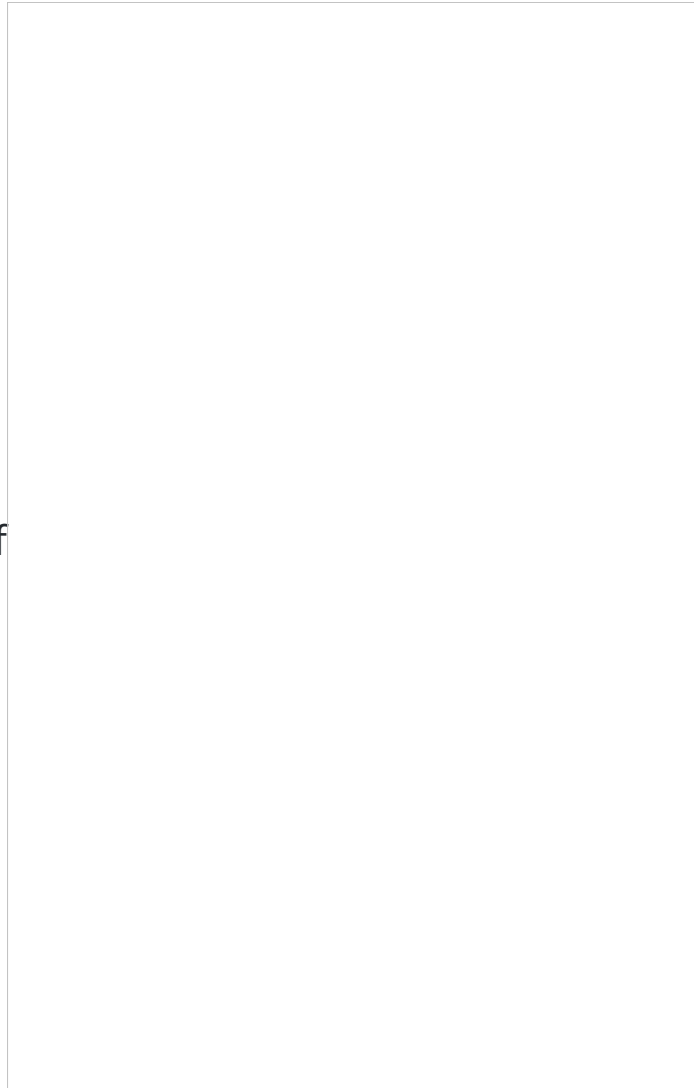
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- As of February 2019, 59 national emergencies have been declared, since the National Emergency Act of 1976 was enacted and the United States is under 31 continuing declared states of national emergency.
- Many US presidents have declared national emergencies during their time in office. President Barack Obama declared a national emergency in 2009 during the swine flu outbreak to allow hospitals and local governments to establish sites to deal with the virus.
- In 2001, President George W. Bush declared a national emergency days after the 9/11 terrorist attacks that suspend certain aspects of the law, including provisions that limit the size of the military.

## Important Facts for Prelims (16th February 2019)

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## Great Barrier Reef



- Recent runoff from floods in **northern Australia** is flowing onto parts of the Barrier Reef, **starving coral of light** and providing fodder for the **predatory crown-of-thorns starfish**.
- The predatory crown-of-thorns starfish, which eat coral, have also proliferated on the reef **due to pollution and agricultural runoff**.
- Further, these floods are **causing algae to grow** in some areas which provides a brilliant food source to **allow the population of starfish to thrive**.
- Coral reef and seagrass need **light to maintain their growth and health**. The floods have spilled sediment onto the reef which has reduced water quality and much-needed sunlight.
- It can be noted that the reef has already suffered from **back-to-back coral bleaching in 2016 and 2017**, where swathes have been killed by rising sea temperatures linked to climate change.
- The Great Barrier Reef is the **world's largest coral reef system** composed of over 2,900 individual reefs and 900 islands stretching for over 2,300 kilometres over an area of approximately 344,400 square kilometres (133,000 sq mi).
- The reef is located in the Coral Sea, off the coast of Queensland, Australia.

- The Great Barrier Reef can be seen from outer space and is the world's biggest single structure made by living organisms. This reef structure is composed of and **built by billions of tiny organisms, known as coral polyps.**
  - It supports a wide diversity of life and was selected as a **World Heritage Site in 1981.**
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