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Global Economic Prospects, 2019: WB

According to **World Bank's Global Economic Prospects report titled "Darkening Skies"**, the global growth is expected to slow down to 2.9% in 2019 and 2.8% in 2020.

Key Findings

- Global growth is **moderating** as the **recovery in trade and manufacturing activity is slowing down**.
- Despite ongoing negotiations, **trade tensions** among major economies like US and China remain elevated. These tensions, combined with concerns about softening global growth prospects, have affected investor sentiment and contributed to declines in prices of shares.
 - **US and China account for 20% of global trade and 40% of global GDP**. If they impose proposed tariffs on each other, its **impact will be felt** all around the world.
- The tightening of global financing conditions, or the recent appreciation of the US dollar, could slow down the economic activity in emerging market and developing economies (EMDEs), including in those with large current account deficits.
- **Brexit** appears as a possible risk for countries that are especially reliant on selling to Europe.
 - If the UK's exit takes place with no agreement there is a chance of **significant economic damage** to both the UK and the EU which could then affect countries in **Eastern Europe and North Africa** which are closely integrated with Europe.
- China's economic growth is **projected to slow down** to 6.2% each in 2019 and 2020 and 6% in 2021.
 - Slower growth in China can affect **developing countries** that export **industrial commodities, energy and metals to China**.
 - In 2017, China with 6.9% growth was marginally ahead of India's 6.7%, mainly because of the slowdown in the Indian economy due to **demonetisation and**

implementation of the Goods and Services Tax (GST).

- **Debt vulnerabilities in emerging market** and developing economies, particularly low-income countries, have increased.
- More **frequent severe weather events** would raise the possibility of volatility in international food prices, which could deepen poverty.
- Emerging market and developing economies should rebuild policy buffers by **boosting human capital, promoting trade integration, and addressing the challenges associated with informality.**

India Specific Findings

- India will continue to be the **fastest growing major economy** in the world.
- India's GDP is expected to grow at 7.3% in the fiscal year 2018-19, and 7.5% in the following two years, attributing it to an **increase in consumption and investment.**
- Domestic demand has **strengthened** under the structural reforms such as the **Goods and Services Tax (GST) harmonisation and bank recapitalisation.**
- The recent introduction of the GST and steps toward demonetisation can encourage a **shift from the informal to the formal sector.**
- Public sector banks in India, which represent roughly 70% of the banking sector assets, still report **low profitability** and high non-performing assets
- Strong **domestic demand** can widen the **current account deficit** to 2.6% of GDP next year.
- Inflation is projected to **rise** above the RBI's target range of 2 to 6%, mainly **owing to energy and food prices.**
- Rising interest rates and currency volatility can negatively impact the economic activity.
- This comes in the wake of the Central Statistics Office(CSO) recently projecting the Indian economy to grow at 7.2% in 2018-19. The CSO has noted following points in its advance estimates of GDP for 2018-19:
 - **Farm and Industrial sectors are likely to grow** faster in FY19 than in FY18.
 - **Services** sector may **slow down.**
 - **Sluggish increase in rural wages, low farm prices** (despite hike in minimum support prices), **worsening prospect of global growth** may add to slow down.
 - However, **election related spending**, increase in disposable income from softening oil prices may increase rural demand.

Global Economic Prospects

- Global Economic Prospects is a **World Bank Group flagship report** that examines global economic developments and prospects, with a special focus on **emerging market and developing economies.**
- It is **issued twice a year**, in January and June. The **January edition includes in-depth**

analyses of topical policy challenges while the **June edition contains shorter analytical pieces.**

- **Other reports** released by World Bank:
 - **Ease of Doing Business Report**
 - **Human Capital Index**
 - **World Development Report**
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Lok Sabha Passes Citizenship (Amendment) Bill, 2016

Lok Sabha has passed the **Citizenship (Amendment) Bill, 2016.**

Citizenship (Amendment) Bill, 2016

- The Citizenship Amendment Bill was proposed for amending the Citizenship Act, 1955. By this bill, the government plans to change the definition of illegal migrants.
- By this Bill, illegal migrants belonging to the **Hindu, Sikh, Buddhist, Jain, Parsi or Christian religious communities** coming from **Afghanistan, Bangladesh, and Pakistan** will be eligible for Indian citizenship.
- These citizens will **gain permanent citizenship after six years of residency in India instead of 11 years** as mentioned in the Citizenship Act, 1955.
- Under the Act, one of the requirements for citizenship by naturalization is that the applicant must have resided in India during the last 12 months, and for 11 of the previous 14 years.
- The Bill allows **cancellation of Overseas Citizen of India (OCI) registration** for violation of any law.

Concerns regarding the Citizenship Amendment Bill, 2016.

- The Bill **violates Article 14 of the Indian constitution** as it discriminates among refugees on the basis of religion (Muslim community has not been considered).
- The **cancellation of OCI registration** for 'violation of any law' may cover a range of violations, including minor offenses (e.g. parking in a no-parking zone) and **can be misused by the authorities.**

Proposed Suggestions

- **Checks and balances:** It is necessary to curtail the wide powers given to the central government to rescind the OCI card status or put checks and balances in place by appointing a committee or an ombudsman.
- **Remove religion as a basis:** The provision of granting citizenship only to immigrants of religion other than Muslims is against the idea of secularism as enshrined in the

Indian Constitution.

- **Refugees:** It is necessary to keep in mind the international migrant crisis and to draw a clear demarcation between a refugee and an immigrant.

Way Forward

Law should have no biases and try its utmost to provide justice and liberty to all. In past India has given shelter to refugees who were being persecuted because of their language or culture (Tamils of Sri Lanka, Bangladeshi, and Tibetan refugees). This Bill does not include such minorities. So it is necessary to broaden the scope of the law by including the term 'persecuted minorities' rather than religious minorities.

Article 14: Equality before the law and equal protection of laws. This right is available to both citizens and foreigners (except enemy aliens).

Citizenship under the Indian Constitution

- The Constitution deals with the citizenship from Articles 5 to 11 under Part II.
- It empowers the Parliament to enact a law to provide for such matters and any other matter relating to citizenship.

Illegal Immigrant

- According to the Citizenship Act (1955), an illegal immigrant is defined as a person who enters India without a valid passport or stays in the country after the expiry of the visa permit.
- Also, the immigrant who uses false documents for the immigration process.

Overseas Citizens of India

- OCIs are foreigners who are persons of Indian origin. For example, they may have been former Indian citizens or children of the current Indian citizen.
- OCIs are entitled to multipurpose, multiple entries, a lifelong visa allowing them to visit India at any time, for any length of time and for any purpose.

Citizenship by Naturalisation

By Naturalisation: The Central Government may grant a certificate of naturalization to any person (not being an illegal migrant) if he possesses the following qualifications like:

- he or she is not a subject or citizen of any country where citizens of India are prevented from becoming subjects or citizens of that country by naturalization
- that, if he is a citizen of any country, he undertakes to renounce the citizenship of that country

Supreme Court re-instates CBI Director

The Supreme Court has re-instated **Central Bureau of Investigation (CBI)** Director Alok Verma.

- The supreme court was hearing a petition filed by Alok Verma against an order divesting him of his power as a CBI director.
- However, SC has ordered him to “cease and desist” from taking any major policy decisions till a high-powered committee led by Prime Minister, Leader of Opposition and Chief Justice of India decides on the question of his divestment.
- The judgment, delivered by a three-judge Bench concluded that the **CVC and the government acted outside their authority to unilaterally divest Mr. Verma and appoint M. Nageshwar Rao as the interim CBI Director in decisions taken on October 23, 2018.**
- The Bench has noted that the amendments flow from the principles laid down by the **Supreme Court in 1997 in Vineet Narain Case to protect the agency, especially its Director, from external interference.**

In Depth: Issue in CBI

Important Facts for Prelims (10th January 2019)

Know India Programmes (KIP)

- The 51st edition of Know India Programmes (KIP) has been scheduled from January 5th to 29th January 2019 in partnership with Gujarat.
- The KIP is a **25-day orientation programme** organized by the **Ministry of External Affairs** in partnership with the states of India.
- It's objectives are:
 - **Engage the students and young professionals of the Indian diaspora** in the age group of 18 to 30 to connect with India.
 - To **motivate and inspire young minds and to give them an exposure to various aspects of India's art, heritage and culture** and to promote awareness about different facets of life in the country and the progress made by India in various fields.
- The **scheme was launched in 2004**, and since then the Ministry of External Affairs has conducted 49 editions of KIP in which more than 1600 Indian youth have participated from overseas.

Gold Monetisation Scheme

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- The **Reserve Bank of India** made some changes in the Gold Monetisation Scheme by including charitable institutions and the central government, among others.
 - Apart from individual and joint depositors, **the scheme could now be availed by charitable institutions, the central government, the state government** or any other entity owned by the central government or the state government.
 - Allowing government agencies to deposit gold will allow agencies to deposit what they had confiscated.

Gold Monetization Scheme

- Gold Monetization Schemes (GMS) was **introduced in 2015**.
 - It facilitates the depositors of gold to earn interest on their metal accounts. Once the gold is deposited in metal account, it starts earning interest on the same.
 - Under the scheme, a **depositor gets 2.25% interest annually** for a short-term deposit of one year to three years. Medium- and long-term deposits get **2.5% interest rate**.
 - The gold deposited will be lent by banks to jewellers at an interest rate little **higher than the interest paid** to customer.
 - The objective of the **Gold Monetisation scheme** is to mobilize the gold held by households and institutions in the country to put this gold into productive use and in the **long run to reduce the current account deficit** by reducing the country's reliance on the imports of gold to meet the domestic demand.
 - It **replaced the Gold Deposit schemes and Gold Metal Loan Schemes**.
 - Along with GMS, a **Sovereign Gold Bond Scheme** (an alternative to purchasing metal gold) and development of **Indian Gold Coin**, were also announced.
 - The **Indian Gold Coin** are the first ever national gold offerings by Government of India.
 - Such an Indian Gold Coin would help reduce the demand for coins minted outside India, and also help to recycle the gold available in the country.was also announced in 2015.
 - The coin is of 24 karat purity, and have the national emblem of **Ashok Chakra** engraved on one side and the face of **Mahatma Gandhi on the other**.
 - The Indian Gold Coin is align with the '**Make in India**' initiative of Government.
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