



News Analysis (02 Nov, 2019)

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India - Germany

Why in News?

German Chancellor Angela Merkel visited India from 31st October - 1st November 2019 for the **fifth round of Inter-Governmental Consultations (IGC)**.

- Intergovernmental Consultations (IGC) are held at the level of **Head of Governments** which allows for a comprehensive review of cooperation and identification of fresh areas of engagement.
- India is amongst a select group of countries with which Germany has such a dialogue mechanism.
- It is a unique mechanism which has helped deepen the bilateral relations between India and Germany in several fields such as new and advanced technology, smart cities, inland waterways, environmental protection etc.

Key Highlights

- **Pacts signed** in fields such as space, civil aviation, maritime technology, medicine, education, agriculture and **Artificial Intelligence (AI)**.
- **Cooperation in Defence**
 - India has invited Germany to take advantage of opportunities in defence sector in the upcoming defence corridors in Uttar Pradesh and Tamil Nadu.
 - The countries agreed to work on bilateral and multilateral platforms to counter terrorism and extremism.

- **Stand on International Issues**

- To continue cooperation to expedite reforms in the United Nations (**UN Security Council**).
- Stressed on restoring full functioning of the **World Trade Organisation (WTO)** dispute settlement system and reforming the organisation without undermining its fundamental principles such as **Special & Differential Treatment** etc.

- **Climate Change**

- Agreed to provide financial support to climate initiatives aimed at reducing greenhouse gas emissions.
- Germany expressed its readiness to provide 1.1 billion dollar to India for green urban mobility.

- **Economic Sector**

To deepen efforts to restart negotiations between the European Union (EU) and India on the **Bilateral Trade and Investment Agreement (BTIA)**.

- **Science and Technology**

- To conduct joint research on the development and use of Artificial Intelligence (AI).
- To identify best possible approaches on **cyber security**.

India - Germany Ties



- India and Germany have a '**Strategic Partnership**' since 2001.
- Germany is India's largest trading partner in Europe.
- India and Germany are members of G-4 along with Brazil and Japan i.e. claimants to the permanent membership of the UN Security Council.
- Both countries are also members of the **Financial Action Task Force (FATF)**.

Source: TH

International Civil Aviation Organisation

Why in News

The recent incident of, Pakistan's denial of use of its airspace to India, has been taken up by Indian Government with the International Civil Aviation Organisation (ICAO).

- India sought overflight clearance from Pakistan for the Prime Minister's aircraft to go to Saudi Arabia on 28th October, 2019.
- Pakistan cited alleged human rights violations in Jammu and Kashmir to deny the request.

International Civil Aviation Organisation

- ICAO is a **United Nations (UN) specialized agency**, established in 1944, which laid the foundation for the standards and procedures for peaceful global air navigation.
 - The Convention on International Civil Aviation was signed on 7th December 1944 in Chicago.
 - It established the core principles permitting international transport by air, and also led to the creation of the ICAO.
- Its one of the objectives is to foster the planning and development of international air transport so as to ensure the safe and orderly growth of international civil aviation throughout the world.
- **India is among its 193 members.**
- It is headquartered in **Montreal, Canada.**

Source: Mint

Elephant Bonds

Why in News

A **High Level Advisory Group on Trade Policy** (HLAG) headed by **Surjit S Bhalla** has recently suggested the government to issue '**Elephant Bonds**'. This will help India to recover up to **\$500 billion** of black money that is stashed overseas.

Key Points

- An Elephant Bond is a **25-year sovereign bond** (a bond issued by a national government).
 - This bond is issued to those people who declare their previously undisclosed income and are then bound to invest 50% of that amount in these securities.
 - The fund gathered by the issuance of these bonds is utilized to finance **infrastructure projects** only.
- HLAG recommended these bonds in order to **boost India's growth** by utilizing the collected money (via this mechanism) to fund infrastructure projects in the country.
- One of the key features of the proposed mechanism is that those disclosing their black money will **receive immunity from all local laws** including those under foreign exchange, black money laws, and taxation laws.
 - This would enable people to bring their offshore undisclosed wealth into India without fear of prosecution.
 - Countries like **Indonesia, Pakistan, Argentina, and the Philippines** have already launched their own **tax amnesty schemes** for persons who disclose undeclared income without the risk of prosecution.
 - Tax amnesty is a **limited-time opportunity** for a specified group of taxpayers to pay a defined amount, in exchange for forgiveness of tax **liability** (including interests and penalties).
- The move is also expected to bring down the **real interest rate**. It will also **strengthen the rupee**.
- The HLAG was set up under the **Ministry of Commerce and Industry** in the year 2018.

Source: IE

Purchasing Manager's Index

Why in News

The manufacturing Purchasing Manager's Index (PMI) was recorded at a 2-year low in October 2019. The score has decreased from 51.4 in September 2019 to 50.6 in October 2019.

Definition: PMI is **an indicator of business activity**- in the manufacturing and services sectors.

Calculation of PMI

- It is a **survey-based** measure that asks the respondents about changes in their perception about key business variables as compared with the previous month.

- It is calculated separately for the manufacturing and services sectors and then a composite index is constructed.

The latest composite PMI decreased to 49.8 in September 2019 from 52.6 in August 2019.

- The PMI is a number from 0 to 100.
 - PMI **above 50 represents an expansion** when compared to the previous month;
 - PMI **under 50 represents a contraction**, and
 - A reading **at 50 indicates no change**.
 - If PMI of the previous month is higher than the PMI of the current month (as is the case mentioned above), it represents that the **economy is contracting**.
- The PMI is usually **released at the start of every month**. It is, therefore, considered a **good leading indicator** of economic activity.

Purpose: To **provide information** about current and future business conditions to company decision-makers, analysts, and investors. As the official data on industrial output, manufacturing and GDP growth comes much later, PMI helps to make informed decisions at an earlier stage.

Source: IE
