



## Formulation of the Budget

**For Prelims:** Budget and related constitutional provisions.

**For Mains:** Components of the Budget, objectives of budget and its impact on economy, Fiscal Policy, FRBM.

## Why in News

The Budget, which will be tabled in Parliament by the Finance Minister on 1st February is likely to address concerns around growth, inflation and spending.

- **Budget** is the government's blueprint on **expenditure, taxes it plans to levy, and other transactions** which affect the economy and lives of citizens.
- According to **Article 112** of the Indian Constitution, the Union Budget of a year is referred to as the **Annual Financial Statement (AFS)**.
- The Budget Division of the **Department of Economic Affairs in the Finance Ministry** is the nodal body responsible for preparing the Budget.

## Key Points

- **Components of the Budget:** There are three major components—**expenditure, receipts and deficit indicators**. Depending on the manner in which they are defined, **there can be many classifications** and indicators of expenditure, receipts and deficits.

<b>Expenditure</b>	<p><b><u>Based on their Impact on Assets and Liabilities:</u></b></p> <ul style="list-style-type: none"><li>▪ <b>Capital expenditure</b> is incurred with the purpose of increasing assets of a durable nature or of reducing recurring liabilities.<ul style="list-style-type: none"><li>◦ Consider the expenditure incurred for constructing new schools or new hospitals. All these are classified as capital expenditure as they lead to creation of new assets.</li></ul></li><li>▪ <b>Revenue expenditure</b> involves any expenditure that does not add to assets or reduce liabilities.<ul style="list-style-type: none"><li>◦ Expenditure on the payment of wages and salaries, subsidies or interest payments would be typically classified as revenue expenditure.</li></ul></li></ul> <p><b><u>Depending on the Manner in which it Affects Different Sectors:</u></b></p> <ul style="list-style-type: none"><li>▪ Expenditure is also <b>classified into (i) general services (ii) economic services, (iii) social services and (iv) grants-in-aid and contribution</b>.</li><li>▪ The sum of <b>expenditure on economic and social services together form the development expenditure</b>.</li></ul>
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	<ul style="list-style-type: none"> <li>◦ Economic services include expenditure on transport, communication, rural development, agricultural and allied sectors.</li> <li>◦ Expenditure on the social sector including education or health is categorised as social services.</li> <li>▪ Again, depending on its effect on asset creation or liability reduction, development expenditure <b>can be further classified as revenue and capital expenditure.</b></li> </ul>
<b>Receipts</b>	<ul style="list-style-type: none"> <li>▪ The receipts of the Government have three components —<b>revenue receipts, non-debt capital receipts and debt-creating capital receipts.</b></li> <li>▪ <b>Revenue receipts</b> involve receipts that are not associated with increase in liabilities and comprise revenue from taxes and non-tax sources.</li> <li>▪ <b>Non-debt receipts</b> are part of capital receipts that do not generate additional liabilities. Recovery of loans and proceeds from disinvestments would be regarded as non-debt receipts since generating revenue from these sources does not directly increase liabilities, or future payment commitments.</li> <li>▪ <b>Debt-creating capital receipts</b> are ones that involve higher liabilities and future payment commitments of the Government.</li> </ul>
<b>Fiscal Deficit</b>	<ul style="list-style-type: none"> <li>▪ Fiscal deficit by definition is the <b>difference between total expenditure and the sum of revenue receipts and non-debt receipts.</b> It indicates how much the <b>Government is spending in net terms.</b></li> <li>▪ Since positive fiscal deficits indicate the amount of expenditure over and above revenue and non-debt receipts, it <b>needs to be financed by a debt-creating capital receipt.</b></li> <li>▪ <b>Primary deficit</b> is the <b>difference between fiscal deficit and interest payments.</b></li> <li>▪ <b>Revenue deficit</b> is derived by <b>deducting capital expenditure from fiscal deficits.</b></li> </ul>

▪ **Implications of the Budget on the Economy:**

- All **Government expenditure generates aggregate demand in the economy** since it involves purchase of private goods and services by the Government sector.
- **All tax and non-tax revenue reduces net income** of the private sector and thereby leads to reduction in private and aggregate demand.
- But except for exceptional circumstances, the **GDP (Gross Domestic Product), revenue receipt and expenditure typically show a tendency to** rise over time.
- Thus, the trend in absolute value of expenditure and receipts in themselves has little use for meaningful analysis of the Budget.
  - The trend in expenditures and revenue is analysed either by the GDP or as growth rates after accounting for the inflation rate.
  - **Reduction in expenditure GDP ratio or increase in revenue receipt-GDP ratio indicates the Government's policy to reduce aggregate demand** and vice-versa.
  - For similar reasons, **reduction in fiscal deficit-GDP ratio and primary deficit-GDP ratios indicate Government policy of reducing demand** and vice versa.
- Since different components of expenditure and revenue can have different effects on income of different classes and social groups, the Budget **also has implications for income distribution.**
  - For example, revenue expenditure such as employment guarantee schemes or food subsidies can directly boost the income of the poor. Concession in corporate tax may directly and positively affect corporate incomes.

## **Fiscal Rules and its Effect on Policy**

- **Meaning:** Fiscal rules **provide specific policy targets** on the basis of which fiscal policy is formed.
  - Policy targets can be met by using different policy instruments. There exists no unique fiscal rule that is applied to all countries. Rather, policy targets are sensitive to the nature of economic theory and depend on the specificity of an economy.
  - **Fiscal policy** refers to the use of government spending and tax policies to influence economic conditions, especially macroeconomic conditions, including aggregate demand for goods and services, employment, [inflation](#), and economic growth.
- **India's Case:** Its present fiscal rule is **guided by the recommendations of the N.K. Singh Committee Report (set up in 2016)**.
  - Allowing for some deviations under exceptional times, it has **three policy targets** - maintaining a specific level of debt-GDP ratio (stock target), fiscal deficit-GDP ratio (flow target) and revenue deficit-GDP ratio (composition target).
  - Though both expenditure and revenue receipts can potentially act as policy instruments to meet specific set of fiscal rules, **tax-rates within the existing policy framework happen to be determined independent of the expenditure requirement** of the economy.
  - Accordingly, in the present institutional framework in India, it is primarily **the expenditure which is adjusted** to meet the fiscal rules at given tax-ratios.
- **Implications:** Such an adjustment mechanism has at least two related, but analytically distinct **implications for fiscal policy**.
  - First, independent of the extent of expenditure needed to stimulate the economy or boost labour income, **existing fiscal rules provide a cap on expenditure by imposing the three policy targets**.
  - Second, under any situation when the debt-ratio or deficit ratio is greater than the targeted level, expenditure is adjusted in order to meet the policy targets.
    - By implication, independent of the state of the economy and the need for expansionary fiscal policy, **existing policy targets may lead the Government to reduce expenditure**.
  - In the midst of the inadequacies of fiscal policy to address the contemporary challenges of unemployment and low output growth rate, the nature and objective of fiscal rules in India would **have to be re-examined**.

### N.K.Singh Committee Recommendations

- **Debt-GDP ratio:**
  - The debt to GDP ratio should be **38.7% for the central government, 20% for the state governments** together by **FY 2022 - 23**.
- **Fiscal deficit-GDP ratio:**
  - The government should **target a fiscal deficit of 3% of the GDP** in the years up to 31<sup>st</sup> March 2020 cut it to **2.8% in 2020-21 and to 2.5% by 2023**.
- **Revenue deficit-GDP ratio:**
  - Revenue deficit-to-GDP ratio has been envisaged to decline steadily by 0.25 percentage points each year from 2.3% in 2016-17 to 0.8% in 2022-23.
- Recommended enacting a new Debt and Fiscal Responsibility Act after repealing the existing [Fiscal Responsibility and Budget Management \(FRBM\) Act](#), and creating a fiscal council.

[Source: TH](#)

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## Forex Reserves

**For Prelims:** Forex Reserve and its components.

**For Mains:** Objectives of holding forex reserves and its significance.

## Why in News

According to recent data from [Reserve bank of india \(RBI\)](#), India's [Foreign Exchange \(Forex\) reserves](#) posted a decline of USD 678 million during the week ended 21<sup>st</sup> January 2022 to reach USD 634.287 billion.

- The slip in the reserves was on account of a **drop in the Foreign Currency Assets (FCA)**, a vital component of the overall reserves. FCA declined by USD 1.155 billion to USD 569.582 billion in the reporting week.
- **Gold reserves** saw an increase of USD 567 million to USD 40.337 billion in the reported week.
- The **Special Drawing Rights (SDRs)** with the [International Monetary Fund \(IMF\)](#) fell USD 68 million to USD 19.152 billion.

## Key Points

- **Foreign Exchange Reserves:**
  - Foreign exchange reserves are assets held on reserve by a central bank in foreign currencies, which can include bonds, treasury bills and other government securities.
    - It needs to be noted that most foreign exchange reserves are held in US dollars.
  - **India's Forex Reserve include:**
    - Foreign Currency Assets
    - Gold reserves
    - Special Drawing Rights
    - Reserve position with the [International Monetary Fund \(IMF\)](#).
- **Objectives of Holding Forex Reserves:**
  - Supporting and maintaining confidence in the policies for monetary and [exchange rate](#) management.
  - Provides the capacity to intervene in support of the national or union currency.
  - Limits external vulnerability by maintaining foreign currency liquidity to absorb shocks during times of crisis or when access to borrowing is curtailed.
- **Significance of Rising Forex Reserves:**
  - **Comfortable Position for the Government:** The rising forex reserves give comfort to the government and the RBI in managing India's external and internal financial issues.
  - **Managing Crisis:** It serves as a cushion in the event of a [Balance of Payment \(BoP\)](#) crisis on the economic front.
  - **Rupee Appreciation:** The rising reserves have also helped the rupee to strengthen against the dollar.
  - **Confidence in Market:** Reserves will provide a level of confidence to markets and investors that a country can meet its external obligations.

## Foreign Currency Assets

- FCAs are assets that are **valued based on a currency other than the country's own currency**.
- FCA is the **largest component** of the forex reserve. It is expressed in dollar terms.
- The FCAs include the **effect of appreciation or depreciation of non-US units like the euro, pound and yen** held in the foreign exchange reserves.

## Special Drawing Rights

- The SDR is an **international reserve asset**, created by the IMF in 1969 to supplement its member countries' official reserves.

- The SDR is neither a currency nor a claim on the IMF. Rather, it is **a potential claim on the freely usable currencies of IMF members**. SDRs can be exchanged for these currencies.
- The value of the **SDR is calculated** from a weighted basket of major currencies, **including the US dollar, the euro, Japanese yen, Chinese yuan, and British pound**.
- The interest rate on SDRs or (SDRi) is the interest **paid to members on their SDR holdings**.
- Recently, the **IMF has made an allocation of SDR 12.57 billion** (equivalent to around USD 17.86 billion) to India. Now, the total SDR holdings of India stand at SDR 13.66 billion.

### Reserve Position in the International Monetary Fund

- A reserve tranche position implies **a portion of the required quota of currency each member country must provide** to the IMF that can be utilized for its own purposes.
- The reserve tranche is basically **an emergency account that IMF members can access** at any time without agreeing to conditions or paying a service fee.

[Source: IE](#)

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## Scheme on Enhancement of Competitiveness in the Indian Capital Goods Sector- Phase-II

**For Prelims:** Capital Goods, Foreign Direct Investment, Free Trade Agreement.

**For Mains:** Significance of Capital Good Sector in Indian Economy, Government Policies and Interventions.

### Why in News

The **Ministry of Heavy Industries (MHI)** has notified the **Scheme on Enhancement of Competitiveness in the Indian Capital Goods Sector- Phase-II** for providing assistance to Common Technology Development and Services Infrastructure.

### Key Points

- **About:**
  - The objective of Phase II of the Scheme is **to expand and enlarge the impact created by the Phase I pilot scheme**, thereby providing greater impetus through creation of a strong and globally competitive capital goods sector that contributes at least 25% to the manufacturing sector.
    - The scheme on 'Enhancement of competitiveness in the Indian Capital Goods Sector' was notified in November, 2014 to **encourage technology development and infrastructure creation**.
- **Financial Outlay:**
  - The scheme has a financial outlay of Rs. 1207 crores with Budgetary support of Rs.975 crore and Industry Contribution of Rs. 232 crore .
- **Components:**
  - Identification of Technologies through **Technology Innovation Portals**.
  - Setting up of four **New Advanced Centers of Excellence** and augmentation of Existing Centers of Excellence.

- **Promotion of skilling in the Capital Goods Sector**—creation of Qualification packages for skill levels 6 and above.
- Setting up of four **Common Engineering Facility Centers (CEFCs)** and augmentation of existing CEFCs.
- Augmentation of Existing **Testing and Certification Centers**.
- Setting up of ten **Industry Accelerators for Technology Development**.

## Indian Capital Goods Sector

- **Capital Goods:**
  - Capital goods are **physical assets that a company uses in the production process to manufacture products and services** that consumers will later use.
  - Capital goods include **buildings, machinery, equipment, vehicles, and tools**.
  - Capital goods are **not finished goods**, instead, they are used **to make finished goods**.
  - The Capital Goods sector has a multiplier effect and has bearing on the growth of the user industries as it provides critical input, i.e., machinery and equipment to the remaining sectors covered under the manufacturing activity.
- **Scenario:**
  - The capital goods industry **contributes 12% to the total manufacturing activity** which translates to about **1.8% of GDP**.
  - It provides **approximately 1.4 mn direct and 7 mn indirect jobs**.
- **Related Policies:**
  - **No industrial license** is required for the sector.
  - **FDI (Foreign Direct Investment) up to 100% permitted** on automatic route (through RBI).
  - Quantum of payment for technology transfer, design & drawing, royalty etc. to the foreign collaborator has no limit.
  - The **maximum basic customs duty rate is generally 7.5-10%**.
  - India has entered many **FTAs (Free Trade Agreements)**, in which the duty rates are even lower. Lower duty rates are also available under the Project Imports facility.
  - Exports are promoted by allowing duty free imports of raw materials, consumables, components and subassemblies through various schemes of DGFT (Directorate General of Foreign Trade), Ministry of Commerce and Industry.

[Source: PIB](#)

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## China-Lithuania Tensions

**For Prelims:** Location of Lithuania, China's 16+1 cooperation forum

**For Mains:** China-Lithuania Tensions and India's interest, India's policy on Taiwan

### Why in News

Recently, the [European Union](#) launched action against China at the [World Trade Organization \(WTO\)](#) for targeting Lithuania over its stance on Taiwan.

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## Key Points

### ▪ About the Issue:

- In November 2021, a Taiwanese Representative Office was opened in Lithuania, notable because it is for the **first time that Taiwan was allowed to use its own name** to open an office within the EU.
- Following this, **China has downgraded its diplomatic relations with Lithuania**, calling it a violation of the **“One China Policy”**. China has also unofficially boycotted products from Lithuania, whether it is sourced directly or indirectly from the country.
  - China alleges that **Lithuania is acting in concert with the American efforts** of containment by using the **Taiwan card**, and to spread discord between China and Europe.
  - **‘One China Policy’** means that countries seeking diplomatic relations with the People's Republic of China (PRC, Mainland China) must break official relations with the Republic of China (ROC, Taiwan) and vice versa.

### ▪ Action at WTO:

- By going to the WTO, the **EU lent support to accusations by Lithuanian business leaders and officials** that the row has resulted in China blocking imports from Lithuania and other economic restrictions.
  - China's crackdown on Lithuanian imports **affects other European nations as well**.
  - The country has also **imposed trade restrictions** on goods from countries like **France, Germany and Sweden**, which include parts from Lithuanian supply chains.
  - The EU is currently **China's largest trading partner**, and about **80-90% of Lithuania's exports** are based on manufacturing contracts with the rest of the EU.

- A 60-day window was launched for the two sides to come to a solution before moving the dispute to a panel.
- **Reasons for taking on China by Lithuania:**
  - **Domestic Reasons:**
    - Lithuania's current wave of assertive moves against China to a certain extent have been attributed to the **change of government in 2020**.
    - The new Government of Lithuania espouses a **"values-based" foreign policy** based on **democracy and freedom**, and had explicitly offered support to the cause of Taiwan in 2020 itself.
  - **Geopolitical Reasons:**
    - It is also due to growing **geopolitical tensions in Eastern Europe** over EU and [NATO's](#) fallout with Lithuania's adversarial neighbours, Russia and Belarus.
      - Lithuania, being the **first constituent of the Soviet Union** to break out as an **independent state**, has its own historical context and ideological rationale for standing up to China.
    - The **growing Sino-Russian partnership** against the West has also made Lithuania wary of China.
  - **Others:**
    - Lithuania has been **one of the biggest critics of China** within the EU on the [Xinjiang and Hong Kong issues](#).
    - Lithuania supported Taiwan's pitch to become an **observer** at the [World Health Organization in 2020](#) against China's opposition in the wake of the [Covid-19 pandemic](#).
    - Moreover, Lithuania's rationale that **economic relations can be sustainable only with democratic regimes**, has heightened tensions between Lithuania and China.
      - In May 2021, Lithuania **quit** [China's 17+1 cooperation forum](#) with central and eastern Europe, by calling it "divisive", now it is 16+1.
      - Lithuania is the first country in that group to have done so and stated economic non-reciprocity of China and threats to European unity as reasons for its exit.
    - Citing security reasons, Lithuania has advised its **population to avoid buying smartphones made in China**, and has kept China away from acquiring controlling stakes in its **Klaipėda seaport, as well as from its 5G infrastructure bids**.
- **Geopolitical Fallout:**
  - Taiwan has made efforts to compensate the Lithuanian economy from China's coercion.
    - About 20,000 bottles of Lithuanian rum that had been bound for China were bought by Taiwan offering a symbolic gesture of support.
    - Taiwan has come up with a USD 200 million investment plan to help cover Lithuania's economic losses.
    - This move is also supposedly designed to make Lithuania a gateway to Taiwan for accessing the EU market, especially given the current [semiconductor supply shortages](#).
    - Taiwan is also planning to introduce a USD1 billion credit program aimed at benefiting Lithuanian businesses.
  - The **US has expressed concerns** about China's attempts to coerce Lithuania over Taiwan, along with EU countries like Germany who have expressed solidarity with Lithuania.

## Way Forward

- China's response suggests an attempt to, as Chinese strategists like to say, **"kill the chicken to scare the monkeys"**, and ensure other countries do not contemplate a similar move.
- Beyond the **Lithuania-China tensions**, of particular salience to **India is how the EU, as a major power, will take forward ties with China** as it similarly weighs strategic considerations against a booming trading relationship.
  - **China's use of trade as leverage** and as a method of coercion, which stands in stark contrast to its **declaration on the 50<sup>th</sup> anniversary of its UN membership**, that it eschews **"power politics" and "hegemony"**, is another matter of concern.



- Lithuania is an exception in having both a trade surplus with China and no pressing need to access the China market.
- **India shall closely watch the EU move** to assess the benefits and costs of taking on China on a core concern — the Taiwan issue.

[Source: TH](#)

## Nord Stream Pipeline

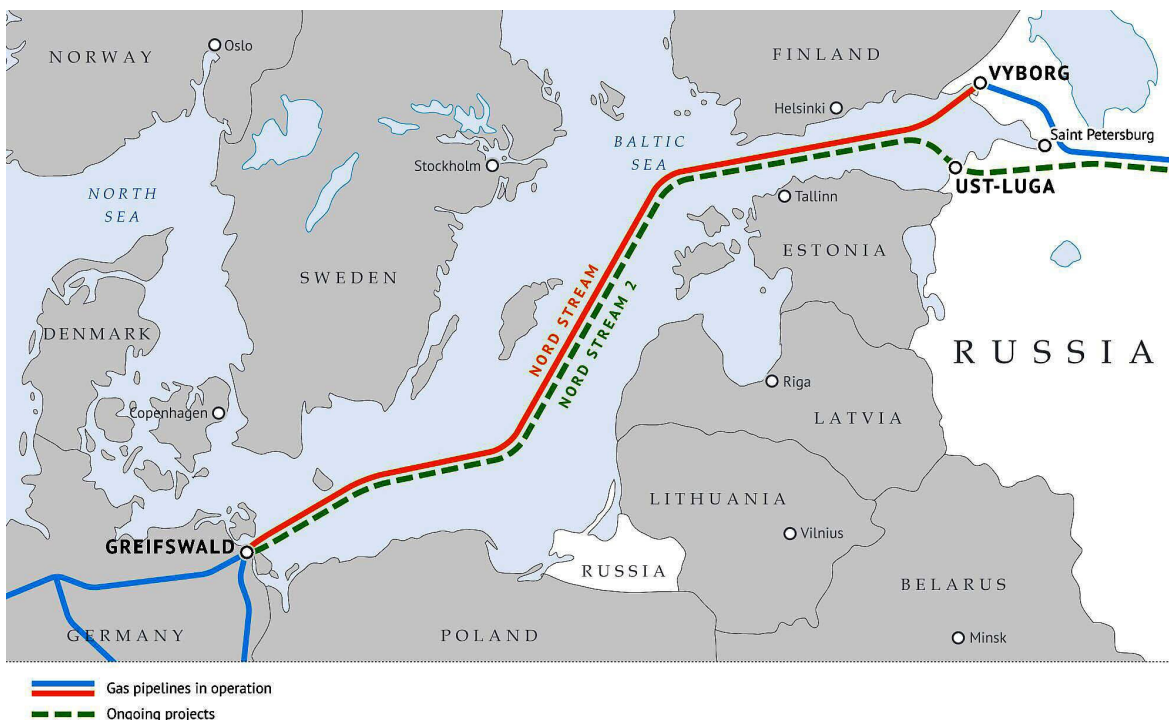
**For Prelims:** Baltic Sea and its surrounding countries.

**For Mains:** Russia-Ukraine Crisis, Nord Stream Pipeline.

### Why in News

Recently, the **US has said it will stop the Nord Stream if [Russia attacks Ukraine](#).**

- However, European countries, led by Germany, **seemed reluctant initially to impose sanctions** on the Nord Stream due to its importance though it has now said sanctions are not off the table.
- Nord Stream, the **longest subsea pipeline**, is an **export gas pipeline** which runs under the **Baltic Sea** carrying gas from Russia to Europe.



### Key Points

- **About:**
  - Nord Stream consists of two pipelines, which have two lines each.
    - Nord Stream 1 was **completed in 2011** and runs **from Vyborg in Leningrad**

**(Russia) to Lubmin near Greifswald, Germany.**

- Nord Stream 2 which runs from **Ust-Luga in Leningrad to Lubmin** was completed in September 2021 and has the capacity to handle 55 billion cubic meters of gas per year once it becomes operational.
- The twin pipelines together can transport a **combined total of 110 billion cubic metres (bcm) of gas a year** to Europe for at least 50 years.
- The Nord Stream crosses the **Exclusive Economic Zones (EEZs)** of several countries including Russia, Finland, Sweden, Denmark and Germany, and the territorial waters of Russia, Denmark, and Germany.
- In Germany, the pipeline connects to the **OPAL (Baltic Sea Pipeline) and NEL (North European Pipeline)** which further connects to the **European grid**.
- **Objections to the Pipeline:**
  - **By Germany:**
    - According to environmentalists, it **does not fit in with German efforts to cut dependence on fossil fuels** and fight **climate change**.
    - Nord Stream 2 has **not yet started operating** because Germany says it **does not comply with German law** and has suspended its approval. The project is also awaiting approval from the **European Commission**.
  - **Strategic Objection:**
    - The **strategic objection**, particularly from the **U**, is that it will make **Europe too dependent on Russia**, increasing Russia's influence in Europe.
      - Moreover, there is concern that **Russia could use it as a geopolitical weapon**.
    - Ukraine has objected because it will **lose around USD 2 billion in transit fees** once the pipeline becomes operational.
      - Moreover, so long as Russian gas transits through Ukraine, Russia is unlikely to intervene and cause instability in Ukraine and Europe will stay invested in its security.
    - Countries like **Poland and Belarus also stand to lose transit fees** and hence oppose the pipeline as it will bypass existing pipelines running through them.
- **Importance for Europe and Russia:**
  - **Europe:**
    - Europe requires more than **100 billion cubic metres (bcm) of natural gas each year** and around 40% of its gas comes from Russia.
    - Over the last few years, Europe has become more dependent on gas imports because of a decrease in domestic gas production. Reducing dependence on Russian gas is difficult as there are no easy replacements.
    - Many European businesses have large investments in Nord Stream 2 and there is pressure on governments from these businesses. Finally, a reduction in gas from Russia would increase already high gas prices and that would not be popular domestically.
  - **Russia:**
    - As for Russia, which has the largest natural gas reserves in the world, around **40% of its budget comes from sales of gas and oil**.
    - Nord Stream 2 is important because it **eliminates the risks related with sending gas through transit countries**, cuts operating costs by doing away with transit fees and gives direct access to its most important European customer, Germany.
    - It increases Europe's dependence on Russia while giving it a reliable customer.

[Source: TH](#)

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## India and Oman

**For Prelims:** Location of Oman and the Neighbourhood, Gulf Cooperation Council, Indian Ocean Rim Association (IORA), Defence Exercises, Port of Duqm, Indian Ocean Naval Symposium,

**For mains:** Bilateral Groupings & Agreements, Effect of Policies & Politics of Countries on India's Interests, India- Oman Relations, Oman's significance for India.

## Why in News

The **Secretary General of the Ministry of Defence of the Sultanate of Oman** is on a visit to India.

- He will be in Delhi to co-chair the **Joint Military Cooperation Committee (JMCC)** with India's Defence Secretary.



## Key Points

- **Background:**
  - The two countries across the **Arabian Sea** are linked by geography, history and culture and enjoy warm and cordial relations, which are attributed to **historical maritime trade linkages**.
  - While **people-to-people contact between India and Oman can be traced back 5000 years, diplomatic relations were established in 1955** and the relationship was upgraded to **Strategic partnership in 2008**. Oman has been a **key pillar of India's West Asia Policy**.
    - The **Sultanate of Oman is a strategic partner of India in the Gulf and an important interlocutor at the [Gulf Cooperation Council \(GCC\)](#), Arab League and [Indian Ocean Rim Association \(IORA\)](#) fora.**
    - **[Gandhi Peace Prize](#) 2019** was conferred on Late HM Sultan Qaboos in **recognition of his leadership in strengthening the ties between India & Oman** and his efforts to promote peace in the **[Gulf region](#)**.
- **Defence Relations:**
  - **Joint Military Cooperation Committee:**
    - The **JMCC is the highest forum of engagement between India and Oman in**

### **the field of defence.**

- The JMCC is **expected to meet annually**, but could not be organised since 2018 when the meeting of the **9<sup>th</sup> JMCC was held in Oman**.
- The **10<sup>th</sup> JMCC is expected to comprehensively evaluate the ongoing defence exchanges** and provide a roadmap for further strengthening defence ties in the coming years.

#### ◦ **Military Exercises:**

- Army exercise: Al Najah
- Air Force exercise: [Eastern Bridge](#)
- Naval Exercise: Naseem Al Bahr

#### ▪ **Economic & Commercial Relations:**

- Institutional mechanisms like Joint Commission Meeting (JCM) and Joint Business Council (JBC) oversee economic cooperation between India and Oman.
- **India is among Oman's top trading partners.**
  - For Oman, India was the 3<sup>rd</sup> largest (after UAE and China) source for its imports and 3<sup>rd</sup> largest market (after UAE and Saudi Arabia) for its non-oil exports in 2019.
- Major Indian financial institutions have a presence in Oman. **Indian companies have invested in Oman in sectors** like iron and steel, cement, fertilisers, textile etc.
- **India-Oman Joint Investment Fund (OIJIF)**, a JV between State Bank of India and State General Reserve Fund (SGRF) of Oman, **a special purpose vehicle to invest in India, has been operational.**

#### ▪ **Indian Community in Oman:**

- There are about **6.2 lakh Indians in Oman**, of which about 4.8 lakh are workers and professionals. There are Indian families living in Oman for more than 150-200 years.
- There are many **Indian schools offering CBSE syllabus** catering to the educational needs of about 45,000 Indian children.

## **Oman's Strategic Significance for India**

#### ▪ **About:**

- Oman is **India's closest defence partner in the Gulf region** and an important anchor for India's defence and strategic interests.
  - Oman is at the gateway of [Strait of Hormuz](#) through which India imports one-fifth of its oil imports.
- **Defence cooperation has emerged as a key pillar for the robust India-Oman strategic partnership.** Defence exchanges are guided by a [Framework MOU which was recently renewed in 2021.](#)
- **Oman is the only country in the Gulf region with which all three services of the Indian armed forces conduct regular bilateral exercises** and staff talks, enabling close cooperation and trust at the professional level.
- Oman also **provides critical operational support to Indian naval deployments** in the Arabian sea for anti-piracy missions.
- Bilateral **training cooperation between the two sides is also robust with Omani forces regularly subscribing to training courses in India** both at professional as well as higher command level. Indian armed forces also subscribe to the Staff and Command courses conducted in Oman.
- **Oman also actively participates in the [Indian Ocean Naval Symposium \(IONS\).](#)**
- India has supplied rifles to Oman. Also, India is considering setting up a defence production unit in Oman.

#### ▪ **Port of Duqm:**

- In a strategic move to expand its footprint in the Indian Ocean region, **India has secured**

**access to the key Port of Duqm in Oman for military use and logistical support.** This is part of India's maritime strategy to counter Chinese influence and activities in the region.

- The **Port of Duqm is situated on the southeastern seaboard of Oman, overlooking the Arabian Sea and the Indian Ocean.**
- It is strategically located, in close proximity to the **Chabahar port** in Iran. With the **Assumption Island** being developed in Seychelles and Agalega in Mauritius, **Duqm fits into India's proactive maritime security roadmap.**
- The Port of Duqm also has a **special economic zone**, where about USD 1.8 billion investments are being made by some Indian companies.

## Way Forward

- India **does not have enough energy resources to serve its current or future energy requirements.** The rapidly growing energy demand has contributed to the need for long term energy partnerships with countries like Oman.
- Oman's Duqm Port is situated in the middle of international shipping lanes connecting East with West Asia.
- India **needs to engage with Oman and take initiatives to utilise opportunities arising out of the Duqm Port industrial city.**
- India should also work closely with Oman to enhance strategic depth in the region and add heft to its **Indo-Pacific vision** in the Western and Southern Part of Indian Ocean.

**Source: IE**

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## Second ASEAN Digital Ministers Meeting

**For Prelims:** Location of ASEAN nations, ADGMIN, India-ASEAN Digital Work Plan 2022, ASEAN Regional Forum, East Asia Summit.

**For Mains:** India-ASEAN Digital Work Plan 2022, Information and communication technologies (ICT) and its importance, India's relations with ASEAN.

## Why in News

Recently, the **2<sup>nd</sup> ASEAN Digital Ministers' (ADGMIN)** Meeting with India virtually, where two sides finalized **India-ASEAN Digital work plan 2022** for future collaboration in the field.

## Key Points

- **About:**
  - ADGMIN is an **annual meeting of telecom ministers** of **10 ASEAN (Association of South-East Asian Nations)** countries and dialogue partner countries—Australia, Canada, China, EU, India, Japan, Republic of Korea, New Zealand, Russia, UK and US.
    - **ASEAN nations include** Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.
- **India-ASEAN Digital Work Plan 2022:**
  - India and ASEAN nations have **jointly approved a work plan** under which they will **develop a system to combat use of stolen and counterfeit mobile handsets.**
  - Other areas of cooperation include **wifi access network interface** for nationwide public

internet.

- Emphasis will also be given on the **capacity building and knowledge sharing** in emerging areas in the field of **information and communication technologies** such as [Internet of Things \(IoT\)](#), [5G](#), advanced satellite communication, cyber forensics.

- **Significance of the ICT:**

- Information and Communication Technologies (**ICT**) **enables and strengthens democratic systems and institutions** through enhanced engagement between citizens and the state.
- Use of ICTs **promote free speech, human rights and the free flow of information** besides expanding citizens' opportunities to participate in decision-making processes and have potential to transform lives of people living in rural areas.
- Technology has emerged as a **powerful tool to mitigate the impact of the Covid-19 pandemic** which is not just a challenge for the public health system but is also adversely impacting the economy and social order of the countries.

- **Related Steps taken by India:**

- The telecom ministry in December 2019 had launched a **portal to help people in Delhi-NCR block and trace their stolen or lost mobile phones**.
  - The project is backed by the [Central Equipment Identity Register \(CEIR\) system](#), which was undertaken by the telecom department for addressing security, theft and other concerns including reprogramming of mobile handsets.

## Other Related Groupings

- [ASEAN Defence Ministers Meeting \(ADMM\) Plus:](#)

- It is an **annual meeting of Defence Ministers of 10 ASEAN countries and eight dialogue partner countries**.
- The **ADMM-Plus countries include ten ASEAN Member States and eight Plus countries**, namely Australia, China, India, Japan, New Zealand, Republic of Korea, Russian Federation, and the United States (same as in the EAS).

- [ASEAN Regional Forum:](#)

- Established in 1994, the ASEAN Regional Forum (ARF) is an important platform for security dialogue in the Indo-Pacific.
- It comprises **27 members: the 10 ASEAN member states, the 10 ASEAN dialogue partners** (Australia, Canada, China, the European Union, India, Japan, New Zealand, the Republic of Korea (ROK), Russia and the United States); Bangladesh, the Democratic People's Republic of Korea, Mongolia, Pakistan, Sri Lanka, and Timor-Leste; and one ASEAN observer (Papua New Guinea).

- [East Asia Summit \(EAS\):](#)

- Established in 2005, it is a forum of **18 regional leaders for strategic dialogue and cooperation** on the key political, security, and economic challenges facing the Indo-Pacific region.
- It comprises the **ten member states of the ASEAN** which are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam, **along with 8 other countries namely** Australia, China, Japan, India, New Zealand, the Republic of Korea, Russia and the USA.

[Source: PIB](#)

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## New Parasitic Plant Discovered in Nicobar Islands

## Why in News

A new genus (*Septemeranthus*) of a parasitic flowering plant has recently been discovered from the Nicobar group of islands.

- In addition to *Septemeranthus*, four other genera on non-parasitic plants, *Nicobariodendron* (Hippocrateaceae), *Pseudodiplospora* (Rubiaceae), *Pubistylis* (Rubiaceae), *Sphyranthera*, (Euphorbiaceae) have also been discovered earlier from Nicobar group of islands, highlighting the ecological significance of the region.

## Parasitic Plant

- The plant that **obtains all or part of its nutrition from another plant** (the host) without contributing to the benefit of the host and, in some cases, causing extreme damage to the host.
- The defining structural feature of a parasitic plant is the **haustorium, a specialised organ that penetrates the host and forms a vascular union** between the plants.
- Parasitic plants differ from plants such as climbing vines, lianas, epiphytes, and aerophytes, **though the latter are supported by other plants, they are not parasitic**, because they use other plants simply as a structure on which to grow rather than as a direct source of water or nutrients.

## Key Points

- About



- The genus *Septemeranthus* **grows on the plant species *Horsfieldiaglabra* (Blume) Warb.**
  - *Septemeranthus* *partially* depends on its host but also **has leaves capable of photosynthesis.**
  - It is **endemic only to the Nicobar group of islands.**
  - The name *Septemeranthus* **derived from the Latin word 'septem' meaning 'seven', referring to the arrangement of flowers.**
  - The genus **belongs to the family Loranthaceae, a hemi-parasite** under the sandalwood order *Santalales* and is of widespread importance.
    - Plants which are hemi-parasites are partially dependent on their host plants for nutrition.
- **Features:**
    - The leaves of the plant are **heart-shaped with a very long tip** and the ovary, fruit and

seeds are **'urceolate' (earthen pot-shaped)**.

- It has a **modified root structure spread on the stem** of the tree and is anchored inside the bark of the host tree.

▪ **Hemi-Parasites:**

- Hemi-parasites are **commonly referred to as mistletoes** that contain 18 families, 160 genera and over 2,200 species.
- They need a host tree or shrub in order to thrive and exhibit a worldwide distribution in tropical as well as temperate habitats that evolved approximately five times in the order and are important in forest ecology, pathology and medicine.
- They **play an important role** as they provide food for frugivorous (feeding on fruit) birds.

## TOTAL PARASITE VERSUS PARTIAL PARASITE

TOTAL PARASITE	PARTIAL PARASITE
A complete parasite that depends on the host to fulfil all its requirements	A parasite that depends on the host for some requirements
Depend on the host plant for sugar, minerals, and water	Photosynthetic and produce their own food, depending on the host for water and shelter
Called holoparasitic plants	Called hemiparasitic plants
Achlorophyllous (does not contain chlorophyll)	Chlorophyllous (contain chlorophyll)
Ex: dodder, broomrape, and Rafflesia	Ex: Castilleja, mistletoe, yellow rattle, etc.

**Source: TH**