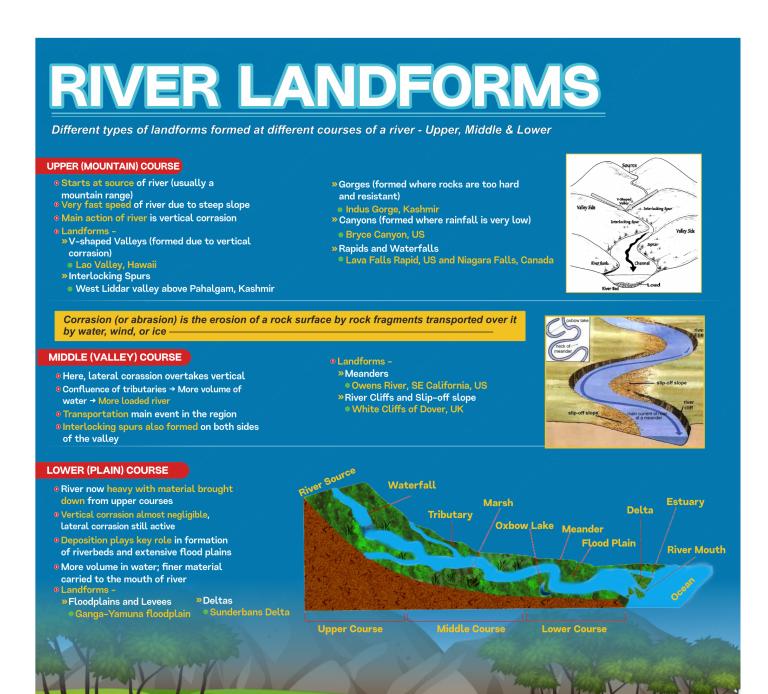


River Landforms

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Read more...

Economics of Climate Change in India

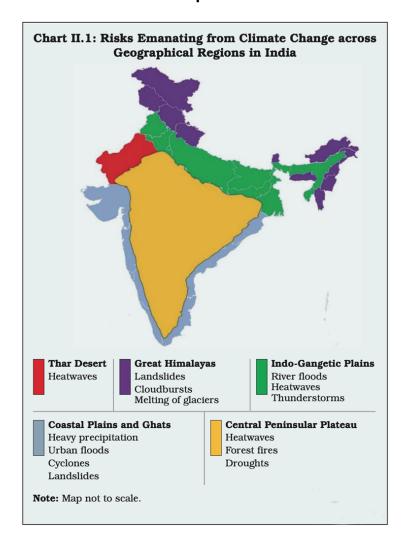
For Prelims: Global Climate Risk Index 2021, Climate risk events, World Health Organization (WHO), Heat Stress, International Energy Agency (IEA), Panchamrit, National Action Plan on Climate Change, Perform, Achieve and Trade (PAT) Initiative, The Pradhan Mantri Ujjwala Yojana

For Mains: Impact of Climate Change on India's Macroeconomy, India's Initiatives to Tackle Climate Change.

Why in News?

Over the past months there have been **several stories about how** <u>extreme weather events</u> **have disrupted normal life in India.** The <u>Global Climate Risk Index 2021</u> had ranked India 7th in the list of most affected countries in terms of exposure and vulnerability to <u>climate risk events</u>.

 Climate change being one of the most pressing challenges of the 21st century poses significant risks not only to the environment, human health and food security, but also economic development.



How does Climate Change Affect India's Macroeconomy?

About:

- Climate change can adversely affect both the supply side (the productive potential) and the demand side (the consumption and investment) of the economy.
 - It can also have spillover effects across regions and sectors, as well as cross-

border impacts and contagion risks.

Impacts:

- Reduced Agricultural Output: Climate change can severely disrupt crop cycles and cause low agricultural yield due to changes in temperature, precipitation patterns, pest infestation, soil erosion, water scarcity, and extreme weather events such as floods and droughts.
 - Agriculture, with its allied sectors, is the largest source of livelihood in India and contributes significantly to the economy. Low yields can hit the rural economy and push inflation in urban areas as well.
- **Disruption of the Fisheries Sector:** Rising sea surface temperatures due to climate change can disrupt the <u>distribution and behaviour of fish species.</u>
 - Some species may move to cooler waters or shift their migratory patterns, affecting the availability of fish in certain regions. This can lead to changes in fish catch composition and abundance, impacting the livelihoods of fishermen.
- Increased Health Costs: Climate change can increase the incidence and severity of diseases such as malaria, dengue, cholera, heat stroke, respiratory infections, and mental stress.
 - It can also affect the nutrition and well-being of vulnerable groups such as children, women, elderly, and poor. Health costs can reduce disposable income, lower labour productivity, and increase public expenditure.
 - According to the <u>WHO</u>, between 2030 and 2050, climate change is expected to cause approximately 2,50,000 additional deaths per year, from malnutrition, malaria, diarrhoea and <u>heat stress</u>.
- Damaged Infrastructure: Climate change can damage physical infrastructure such as roads, bridges, railways, ports, airports, power plants, water supply systems, and buildings due to sea level rise, coastal erosion, landslides, storms, floods, and heat waves.
 - Damaged infrastructure can disrupt economic activity, trade, and connectivity and increase maintenance and replacement costs.
 - For instance, India spent USD 3 bn of economic damage caused by floods in the last decade which is 10% of the global economic loss.
- Reduced Industrial Output: Climate change can increase operational costs and reduce profits in the industrial sector due to factors such as new climate-friendly regulations, reduced utilisation of old stock, relocation of production processes and activities due to climate-related losses.
 - India could contribute to 34 million out of 80 million global job losses due to heat stress-associated productivity decline by 2030.
- **Energy Crisis:** According to the the **International Energy Agency (IEA)**, India's primary energy demand will double by 2030.
 - Energy and climate share a distinctive relationship such that rising temperatures demand a surge in energy usage to assist the process of mitigating the heat effects.
- Impact on Financial Services: Climate change can put pressure on financial services due
 to increased credit risk for banks and financial institutions. It can affect borrowers'
 ability to repay loans due to climate-related events such as floods, hurricanes, or
 droughts.
 - These events can damage properties, disrupt supply chains, and impact businesses' profitability, potentially leading to loan defaults and credit losses.
 - It can also increase insurance claims and disrupt travel and hospitality services due to reduced demand, cancellations, and safety concerns.

What are India's Initiatives to Tackle Climate Change?

- Panchamrit: India has presented the following five nectar elements (Panchamrit) of India's climate action:
 - Reach 500 GW Non-fossil energy capacity by 2030.
 - 50% of its energy requirements from renewable energy by 2030.

- $^{\circ}$ Reduction of total projected carbon emissions by 1 billion tonnes from now to 2030.
- Reduction of the carbon intensity of the economy by 45% by 2030, over 2005 levels.
- Achieving the target of net zero emissions by 2070.
- National Action Plan on Climate Change:
 - It aims at creating awareness among the representatives of the public, different agencies
 of the government, scientists, industry and the communities on the threat posed by
 climate change and the steps to counter it.

What More can India do to Combat the Impacts of Climate Change?

- Enhancing Carbon Sequestration: India can enhance its <u>carbon sequestration</u> potential by expanding its <u>forest and tree cover</u>, restoring degraded lands, promoting agroforestry, and adopting low-carbon farming practices.
 - Carbon sequestration can not only offset emissions but also provide multiple cobenefits such as <u>biodiversity</u> conservation, soil fertility improvement, water security, livelihood support, and disaster risk reduction.
- Building Climate Resilience: India can build its climate resilience by strengthening its disaster
 management systems, improving its early warning and forecasting capabilities, investing in
 climate-proof infrastructure, developing climate-smart agriculture, enhancing health care
 services, and empowering local communities and institutions.
- Driving India's Green Transportation Revolution: There is a need to promote electric vehicles (EVs) by establishing a robust charging infrastructure network and offering incentives for EV adoption.
 - Introducing innovative public transportation solutions such as electric buses, shared mobility services, and smart traffic management systems can reduce congestion and emissions.
- Climate Smart Agriculture: There is a need to encourage sustainable farming practices by promoting organic farming, agroforestry, and precision agriculture.
 - Integrating technology-driven solutions such as remote sensing, <u>loT devices</u>, and Albased analytics can optimise resource utilisation, reduce water consumption, and enhance crop productivity.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q.1 In the context of India's preparation for Climate-Smart Agriculture, consider the following statements: (2021)

- 1. The 'Climate-Smart Village' approach in India is a part of a project led by the Climate Change, Agriculture and Food Security (CCAFS), an international research programme.
- 2. The project of CCAFS is carried out under Consultative Group on International Agricultural Research (CGIAR) headquartered in France.
- 3. The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) in India is one of the CGIAR's research centres.

Which of the statements given above are correct?

- (a) 1 and 2 only
- **(b)** 2 and 3 only
- **(c)** 1 and 3 only
- (d) 1, 2 and 3

Ans: (d)

Q.2 Which of the following best describes/describe the aim of 'Green India Mission' of the Government of India? (2016)

- 1. Incorporating environmental benefits and costs into the Union and State Budgets thereby implementing the 'green accounting'.
- 2. Launching the second green revolution to enhance agricultural output so as to ensure food security to one and all in the future.
- 3. Restoring and enhancing forest cover and responding to climate change by a combination of adaptation and mitigation measures.

Select the correct answer using the code given below.

- (a) 1 only
- **(b)** 2 and 3 only
- (c) 3 only
- (d) 1, 2 and 3

Ans: (c)

Q.3 With reference to 'Global Climate Change Alliance', which of the following statements is/are correct? (2017)

- 1. It is an initiative of the European Union.
- 2. It provides technical and financial support to targeted developing countries to integrate climate change into their development policies and budgets.
- 3. It is coordinated by World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

Select the correct answer using the code given below:

- (a) 1 and 2 only
- **(b)** 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

Ans: (a)

Mains

- **Q.1** Describe the major outcomes of the 26th session of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). What are the commitments made by India in this conference? **(2021)**
- **Q.2** 'Climate Change' is a global problem. How will India be affected by climate change? How Himalayan and coastal states of India will be affected by climate change? **(2017)**

Source: IE

Reforming UNSC and Bretton Woods

For Prelims: UNSC, Bretton Woods, United Nations, World War II, IMF, World Bank, SDR, WTO, IGN.

For Mains: Reforming UNSC and Bretton Woods.

Why in News?

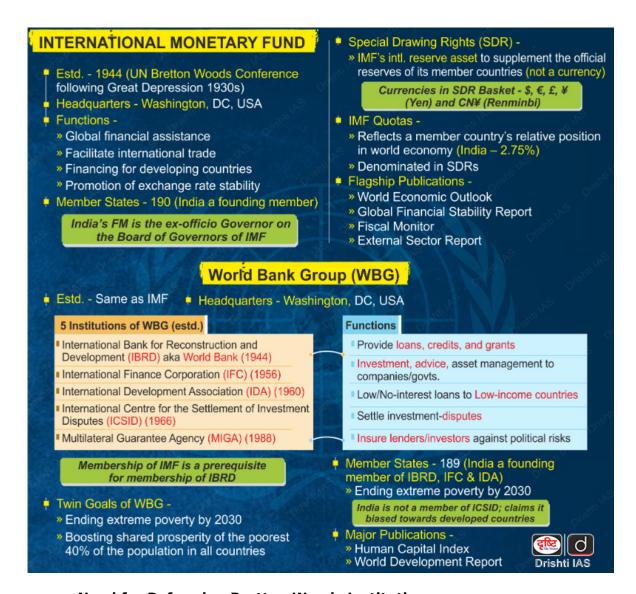
Recently, at a press conference in Hiroshima, Japan, the <u>UN Secretary-General</u> has called for reforms in <u>UNSC (United Nations Security Council)</u> and **Bretton Woods Institutions,** citing that the current order is outdated, dysfunctional and unfair.

In the face of the economic shocks from the Covid-19 pandemic and the <u>Russia-Ukraine</u>
 <u>Conflict</u>, the said institutions have <u>failed to fulfil their core function as global safety nets.</u>

What is the Bretton Woods System?

About:

- The Bretton Woods system was a monetary framework created in 1944 by representatives of 44 nations at the Bretton Woods Conference in New Hampshire, USA. It aimed to establish stability and cooperation in international Monetary after World War II.
- The Bretton Woods Agreement created two important organizations—the <u>International</u> <u>Monetary Fund (IMF)</u> and the <u>World Bank</u>.
 - While the Bretton Woods System was dissolved in the 1970s, both the IMF and World Bank (**Bretton Woods institutions**) have remained strong pillars for the exchange of <u>International Currencies</u>.



Need for Reforming Bretton Woods Institutions:

- While these institutions performed well over their first 50 years they have been struggling
 in more recent times as problems of rising inequality, financial instability and
 Protectionism have re-emerged.
- The threat of <u>Climate Change</u> and ecological stress, rising disasters and a more interconnected world with new threats like cyber-security and pandemics require a **new** International Financial Architecture.
- There has been biases in fund allocation and unregulated <u>Special Drawing Rights</u> (<u>SDRs</u>), the IMF allocated USD 650 billion in <u>SDRs</u> during the pandemic.
 - The G7 countries, with a population of 772 million people, received USD 280 billion. The African continent, with 1.3 billion people, received only USD 34 billion.

What is the United Nations Security Council?

About:

- The UN Security Council was established by the UN Charter in 1945 and is one of the 6 principal organs of the United Nations.
- UNSC has 15 members: 5 permanent members (P5) and 10 non-permanent members elected for 2-year terms.
 - The P5 are: US, Russia, France, China and the UK.
- India has been a non-permanent member of the Council during 1950-51, 1967-68, 1972-73, 1977-78, 1984-85, 1991-92, 2011-12 and for the 8th time, entered the UNSC in 2021 and was on the council for the term 2021-22.

Issues with the UNSC:

Creating Problems for the Developing Countries:

- Developing countries are facing problems in three dimensions: Moral, power-related, and practical.
- A systemic and unjust bias in global economic and financial frameworks in favour of rich countries is generating "great frustration in the developing world".

• Limits the Representation:

- The absence of Africa, as well as countries like India, Germany, Brazil, and South Africa, from the permanent membership of the UN Security Council is seen as a significant drawback.
- It limits the representation of important nations and their perspectives on global issues, hindering effective decision-making on complex and interconnected problems.

Misuse of Veto Power:

- The P5 have anachronistic veto power in the UNSC which has faced **criticism for being undemocratic and limiting the Council's ability** to make important decisions when any of the P5 disagrees.
- Many argue that **such elite decision-making structures are not suitable** for the current global security landscape.

What can be done to Address these Issues?

Bretton Woods:

- There is a need to reshape and revitalize three global institutions -the IMF, WBG and the WTO (World Trade Organization) where:
 - The IMF will focus on macroeconomic policy and financial stability, with **stricter surveillance of advanced economies** and their impact on global crises.
 - The restructured WBG will prioritize **sustainability**, **shared prosperity**, **and leveraging private capital** effectively. It should work with others to address global challenges and act as a wholesaler of finance.
 - A stronger WTO is needed for **fair trade**, **faster dispute resolution**, and the ability to respond swiftly to emergencies.
- The system needs **more automatic and rule-based financing mechanisms** to avoid delays and political influences.
- There needs to be regular calibrated SDR issues, global pollution taxes, and financial transaction taxes.
 - A well-structured G-20 could provide overarching guidance to the Bretton Woods system and its interactions with other institutions.

UNSC:

- There is a need to ensure equal representation for all regions, including Africa, along with decentralization of power and authority, which will allow nations from all regions to voice concerns related to peace and democracy in their countries, making decisionmaking more representative and democratic.
- The focus should be on addressing global issues rather than **preserving the privileges of the P5 nations.**
- Urgent correction is needed to balance power between the P5 and the rest of the world, ensuring a more democratic and legitimate governance of the UNSC for international peace and security.
- The IGN (Intergovernmental Negotiation) process, which discusses UNSC reform, should be revised and re-energized, avoiding procedural tactics that hinder progress.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

- Q. How is the United Nations Monetary and Financial Conference wherein the agreements were signed to set up IBRD, GATT and IMF, commonly known? (2008)
- (a) Bandung Conference
- (b) Bretton Woods Conference

- (c) Versailles Conference
- (d) Yalta Conference

Ans: (b)

Q. With reference to the International Monetary and Financial Committee (IMFC) consider the following statements: (2016)

- 1. IMFC discusses matters of concern affecting the global economy, and advises the International Monetary Fund (IMF) on the direction of its work.
- 2. The World Bank participates as observer in IMFC's meetings.

Which of the statements given above is/are correct?

- (a) 1 only
- **(b)** 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (c)

Q. "Gold Tranche" (Reserve Tranche) refers to (2020)

- (a) a loan system of the World Bank
- (b) one of the operations of a Central Bank
- (c) a credit system granted by WTO to its members
- (d) a credit system granted by IMF to its members

Ans: (d)

Q. The Security Council of UN consists of 5 permanent members, and the remaining 10 members are elected by the General Assembly for a term of (2009)

- (a) 1 year
- **(b)** 2 years
- **(c)** 3 years
- (d) 5 years

Ans: (b)

Mains:

- **Q.** Discuss the impediments India is facing in its pursuit of a permanent seat in UN Security Council. **(2015)**
- **Q.** The World Bank and the IMF, collectively known as the Bretton Woods Institutions, are the two intergovernmental pillars supporting the structure of the world's economic and financial order. Superficially, the World Bank and the IMF exhibit many common characteristics, yet their role, functions and mandate are distinctly different. Elucidate. **(2013)**

Source: DTE

Third FIPIC Summit

For Prelims: Forum for India-Pacific Islands Cooperation (FIPIC) Summit, <u>Pacific Island Countries</u>, <u>Global South</u>, <u>Radio Access Networks (RAN)</u>, <u>India's Act East Policy</u>, <u>United Nations</u>, <u>Mission Sagar initiative</u>.

For Mains: Significance of Pacific Island Countries, India's Relations with Pacific Island Countries.

Why in News?

The 3rd Forum for India-Pacific Islands Cooperation (FIPIC) Summit was held in Port Moresby, Papua New Guinea on May 22, 2023. It was co-chaired by Indian and Papua New Guinea's Prime Minister and attended by 14 Pacific Island Countries (PICs).

• The Indian Prime Minister was honored with the **Grand Companion of the Order of Logohu** (GCL) - the highest civilian award of Papua New Guinea.

What are the Major Highlights of the Third FIPIC Summit?

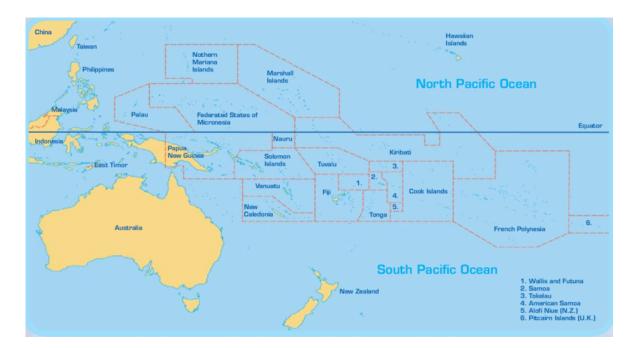
- India Stands with PICs:
 - India supports the sovereignty and integrity of all countries and emphasised the shared priority of reforming international institutions to amplify the voice of the Global South.
 - The Prime Minister mentioned discussions with **Australia**, the **US**, and **Japan as** part of the <u>Quad</u> during the <u>G7 summit</u>, focusing on the Indo-Pacific region.
 - In line, leaders from the Quad nations have announced plans to implement Open Radio Access Networks (RAN) beginning with Palau in the Pacific Region.
 - The Prime Minister of Papua New Guinea also urged India to be an advocate for the PICs in the **G-7 and the** G-20 summits.

12-Point Formula:

- India also unveiled a 12-point development programme in areas of healthcare, cyberspace, clean energy, water and small and medium enterprises in PIC, according to which:
- India will establish a super-specialty cardiology hospital in Fiji, introduce dialysis units and sea ambulances in all 14 PICs, and establish Jan <u>Aushadhi Centres</u> to provide affordable medicines.
- India will support the development of the small- and medium-scale enterprise sector in each Pacific Island nation.
 - India also pledged to provide <u>desalination</u> units to address water scarcity issues.

'Thirukkural Book:

 Also, the Indian Prime Minister along with his Papua New Guinea counterpart also released the Tamil classic 'Thirukkural' in Tok Pisin (official language of Papua New Guinea) to bring the Indian thought and culture closer to the people of this southwestern Pacific nation.



What is FIPIC?

About:

- India's engagement with the PICs is part of India's Act East Policy.
 - A major initiative launched under the rubric of the Act East Policy for the PICs is the **Forum for India-Pacific Islands Cooperation (FIPIC).**
- FIPIC is a multinational grouping developed for cooperation between India and 14 PICs, namely Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.
- It was launched in November 2014 and the first FIPIC summit was held in Suva, Fiji in 2014 and the second one was held in Jaipur, India in 2015.

Objective:

- To enhance India's relations with the PICs in various fields such as trade, investment, tourism, education, health, agriculture, renewable energy, disaster management and climate change.
- FIPIC also provides a platform for dialogue and consultation on regional and global issues of mutual interest.

What is the Significance of Pacific Island Countries?

- Geopolitical Importance: The Pacific Island nations are strategically located in the vast expanse of the Pacific Ocean, which has drawn the attention of major powers like the US, Russia and China due to their potential for trade, military presence, and alliances.
- Economic Potential: These nations possess valuable natural resources, including fisheries, minerals, timber, and tourism assets.
 - Additionally, their <u>exclusive economic zones (EEZs)</u> are rich in marine resources. They
 also serve as transit points for international trade, connecting various regions
 across the Pacific.
 - 9 of the world's 10 busiest seaports are in this region.
- Cultural and Biological Diversity: The Pacific Island nations are home to diverse indigenous cultures, languages, and traditions, which are of immense value to humanity.
 - The preservation and promotion of their unique cultural heritage contribute to global diversity.
- Potential Vote Bank: The 14 PICs, bound together by shared economic and security concerns, account for as many votes in the <u>United Nations</u>, and act as a potential vote bank for major

How is India's Relations with Pacific Island Countries?

About:

- India and the PICs share historical and cultural ties and have been engaging with the PICs through various bilateral and multilateral platforms, such as the <u>Non-Aligned</u> <u>Movement</u>, the United Nations and the FIPIC.
- India's engagement with the PICs is driven by its <u>vision of a free, open and inclusive</u>
 <u>Indo-Pacific region</u>, as well as its commitment to support the development aspirations and climate resilience of the PICs.
 - The references to "vision for a free, open and inclusive Indo-Pacific" are believed to be related to **China's increasing assertion in the region.**

Assistance:

- India has been a reliable partner for the PICs especially during the **Covid-19 pandemic.**
- India has provided vital medicines, vaccines and food to the PICs as part of its humanitarian assistance and disaster relief efforts. Some of the examples of India's support to the PICs during the Covid-19 pandemic are:
 - India donated 1.2 million doses of <u>Covishield vaccine</u> to Fiji under its Vaccine Maitri initiative.
 - Supplied essential medicines and medical equipment worth USD 2 million to Papua New Guinea, 100 metric tonnes of rice to Nauru under its <u>Mission</u> <u>Sagar initiative</u>, line of credit worth USD 75 million to Fiji for a co-generation power plant project.
 - India extended a line of credit worth USD 100 million to Samoa for a solar power project.
- Economic Relations: Based on 2021-22 data, the total annual trade between India and Pacific Island countries is valued at USD 570 million, in commodities such as plastics, pharmaceuticals, sugar, mineral fuel and ores.
 - Among them, Papua New Guinea is the biggest trade partner in terms of value.
- Future Prospects: India and the PICs have immense potential to enhance their cooperation in various sectors such as blue economy, maritime security, digital connectivity, health care, education and skill development.
 - India can leverage its strengths in <u>information technology</u>, renewable energy, <u>space</u> <u>technology</u> and pharmaceuticals to offer innovative solutions to the challenges faced by the PICs.
 - India can also share its best practices and experiences in <u>disaster management</u> and climate change adaptation with the PICs.

Source: IE

Forum Shopping

For Prelims: Forum Shopping, Cll, Supreme Court, Principle of Forum non-conveniens.

For Mains: Forum Shopping, its disadvantages and Prevention.

Why in News?

Recently, the <u>Chief Justice of India (CJI)</u> has condemned the practice of **Forum Shopping** after

a_litigant mentioned the hearing before CJI although he had mentioned the same case a day before another Judge.

What is the Practice of Forum Shopping?

About:

- Forum shopping refers to the practice of deliberately choosing a specific court for a legal case in the hope of getting a favorable outcome.
- Litigants and lawyers often consider this strategy as part of their litigation plan.
 - For example, they might opt for a higher court like the <u>Supreme Court (SC)</u> to gain more attention for their case. However, if someone is clearly trying to manipulate the system or avoid a particular judge, **it is seen as unfair.**
- Similarly, "Bench Hunting" refers to petitioners managing to get their cases heard by a particular judge or bench to ensure a favourable order.

Advantages:

- It can allow plaintiffs to **seek justice and compensation in a court** that is more sympathetic to their claims or interests.
- It can encourage **competition and innovation among courts** and judges to improve their efficiency and quality of service.

Disadvantages:

- Forum shopping has been criticized by judges because it can lead to injustice for the opposing party and create an imbalance in the workload of different courts.
 - Judges have cited the **overburdening of some courts** over others and **interfering with judicial process.**
- It can **undermine the authority and legitimacy of courts** and judges by creating perceptions of bias or favoritism.
- It can increase the costs and complexity of litigation by creating conflicts of laws and multiple proceedings.

Discouraging Forum Shopping:

- Even courts in the US and the UK discourage/prohibit forum shopping. In common law countries, the principle of "forum non-conveniens" is used to prevent the practice of Forum Shopping.
 - Common Law is a shared British heritage of the U.S., Canada, and the Commonwealth, and these countries have a legal system primarily based on common law principles.
- This principle allows a court to refuse its jurisdiction over a case if another court is more appropriate to hear it. This helps ensure fairness and allocates cases to the right judicial authorities.

How Does Forum Shopping Affect Justice and the Judicial Process?

- It can compromise the principle of natural justice, which requires that every person should have a fair hearing before an impartial tribunal.
- It can violate the principle of comity, which requires that courts should respect and defer to each other's decisions on matters of common interest.
- It can hamper the principle of finality, which requires that litigation should end at some point and not be prolonged indefinitely.

What is the Judiciary's View on Forum Shopping?

- Dr. Khair-Un-Nisa and Ors vs. UT of Jammu and Kashmir and Ors 2023:
 - The Jammu, Kashmir, and Ladakh High Court imposed costs worth one lakh rupees on the petitioners for indulging in forum shopping by filing multiple petitions before different wings of the court, despite having the same cause of action.
- Vijay Kumar Ghai vs. State of W.B. 2022:
 - The SC termed forum shopping as a "disreputable practice by the courts" that "has
 no sanction and paramountcy in law".
- Dhanwantri Institute of Medical Science vs. The State of Rajasthan 2022:

- The Rajasthan High Court upheld an order imposing costs worth 10 lakh rupees on a party for engaging in forum shopping.
- Union of India & Ors. vs. Cipla Ltd. 2017:
 - The SC laid down a "functional test" to be adopted for Forum Shopping.
 - The "functional test" laid down by the Supreme Court was to determine whether a litigant is **genuinely seeking justice or engaging in manipulative tactics** through forum shopping.
- Rosmerta HSRP Ventures Pvt. Ltd. vs. Govt. of NCT of Delhi & Anr 2017:
 - The Delhi High Court imposed costs on a private company that it found was indulging in forum hunting in an arbitration matter.
- Kamini Jaiswal vs. Union of India 2017:
 - The SC said that "unscrupulous elements" are always on the hunt to find a court or forum of **their choice but are not permitted to do so** by law.
- Chetak Construction Ltd. vs. Om Prakash 1988:
 - The Supreme Court emphasized that litigants should not have the freedom to choose the court for their convenience. The court stated that any attempt at forum shopping should be strongly discouraged.

Source: IE

RBI Becomes Net Seller of USD in FY23

For Prelims: Reserve Bank of India, Rupee's Depreciation,

For Mains: Impact of RBI's dollar sales on the rupee's depreciation, Factors contributing to the depletion of foreign exchange reserves, **Ukraine-Russia conflict** impact on India's economy

Why in News?

Recently, the <u>Reserve Bank of India (RBI)</u> witnessed a significant shift in its foreign exchange transactions during the fiscal year 2022-23. After being a **net buyer of the US dollar for three consecutive years, the RBI turned into a net seller,** selling 25.52 billion USD in the spot market.

■ The **spot exchange** is where financial instruments, such as commodities, currencies, and securities, are traded for immediate delivery.

Why and How did the RBI Turn into a Net Seller in FY23?

- Stabilisation of the Rupee:
 - The RBI maintains that its intervention in the foreign exchange market is aimed at stabilising the rupee's movement.
 - The sale or purchase of dollars by the RBI impacts its profit and is reflected in dividend payouts to the government.
 - Without the RBI's dollar sales, experts suggest the rupee could have weakened further, potentially reaching 84-85 levels against the dollar.
- Depletion of Forex Reserves and Valuation Losses:
 - The country's <u>foreign exchange reserves</u> decreased from \$606.475 billion to \$578.449 billion during FY23. This was primarily due to valuation losses resulting from the appreciating US dollar and higher US bond yields.
- Selling of Dollar:
 - The RBI sold significant amounts of dollars in FY23 to counter the **rupee's depreciation**

resulting from the <u>Ukraine-Russia conflict</u> and the <u>US Federal Reserve's interest</u> rate hikes.

- The <u>rupee depreciated</u> by approximately 8% during FY23, with the RBI's intervention preventing further weakening.
 - The rupee declined from around 76 levels on April 1, 2022, to nearly 82 as of March 31, 2023.

Impact:

- The RBI's dollar sales in FY23 resulted in significant profits, leading to a higher dividend payout to the government.
- The Central Board of the RBI approved a **188% increase in** surplus transfer to the government for the accounting year 2022-23.

What is RBI?

About:

- RBI is the central bank and regulatory body of India's banking system established on April 1, 1935, as a private entity in accordance with the provisions of the Reserve Bank of India Act, 1934.
 - However, it was nationalized on January 1, 1949, after India's independence.
- RBI is owned by the **Ministry of Finance**, Government of India, and is governed by a 21-member central board of directors headed by the governor.
- RBI regulates the monetary policy.

Functions of RBI:

- Issuing currency.
- Managing foreign exchange reserves.
- Conducting monetary policy.
- Regulating banks and financial markets.
- Providing banking services to the government and other institutions.

RBI's Income:

- Interest on holdings of domestic and foreign securities.
- Fees and commissions from its services.
- Profits from foreign exchange transactions.
- Returns from subsidiaries and associates.
- Expenditure of RBI:
 - Printing of currency notes.
 - Payment of interest on deposits and borrowings.
 - Salaries and pensions of staff.
 - Operational expenses of offices and branches.
 - Provisions for contingencies and depreciation.

What Other Measures Can Help Curb Depreciation of Rupee?

- Increase capital flows into the country, such as promoting <u>foreign investments</u> and encouraging <u>Non-resident Indian (NRI)</u> deposits.
- Monitor and intervene in the foreign exchange markets to reduce excessive volatility in the rupee's value.
- Consider utilizing foreign exchange reserves selectively to counter excessive depreciation and maintain stability.
- Foster a **favorable business environment and policies that support economic growth** and exports.
- **Strengthen monetary policy frameworks** to effectively manage <u>inflation</u> and maintain stability.
- Enhance coordination with other relevant government agencies to implement comprehensive strategies for managing currency depreciation.
- Encourage trade in rupees and promote pricing of India's trade transactions in the domestic currency.

• Continuously monitor and assess the impact of policy measures on the rupee's depreciation and make adjustments as necessary.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q1. If the RBI decides to adopt an expansionist monetary policy, which of the following would it not do (2020)

- 1. Cut and optimize the Statutory Liquidity Ratio
- 2. Increase the Marginal Standing Facility Rate
- 3. Cut the Bank Rate and Repo Rate

Select the correct answer using the code given below:

- (a) 1 and 2 only
- **(b)** 2 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (b)

Q2. With reference to Indian economy, consider the following: (2015)

- 1. Bank rate
- 2. Open market operations
- 3. Public debt
- 4. Public revenue

Which of the above is/are component/ components of Monetary Policy?

- (a) 1 only
- **(b)** 2, 3 and 4
- (c) 1 and 2
- (d) 1, 3 and 4

Ans: (c)

Source: IE

Edible Oil Prices and Significance for India

For Prelims: Edible Oil, Covid-19, Black Sea, Black Sea Grain Initiative, Mission on Edible Oils-Oil Palm.

For Mains: Edible Oil Prices and Significance for India.

Why in News?

Edible oils have experienced significant **Price volatility** over the past 2-3 years.

■ The global vegetable oils price index of the <u>UN Food and Agriculture Organization</u> experienced a significant drop to **77.8 points** (2014-16 base period value = 100) in May **2020 during the peak of global Covid lockdowns.** However, it reached an all-time high of **251.8 points in March 2022 following Russia's invasion of Ukraine.**

What are the Factors for Volatility in Edible Oil Price?

- The war between Ukraine and Russia disrupted the world's supply of this oilseed, as the <u>Black Sea</u> ports were shut off.
 - Ukraine and Russia accounted for nearly 58% of global production in 2021-22, causing prices to skyrocket.
- The situation changed with the <u>Black Sea Grain Initiative</u> agreement between Russia and Ukraine, brokered by the UN and Turkey. The agreement facilitated the safe navigation of vessels carrying grain and foodstuffs from designated Ukrainian ports.
- This led to the shipping out of accumulated sunflower oil, meal, and seed from Ukraine, resulting in international vegetable oil prices falling below pre-war levels.

What does this Translate into for India?

Reduction in Cost:

 The import of sunflower oil in India has the potential to significantly reduce the price of edible oils in the country. By importing sunflower oil, which has a landed cost of approximately USD 950 per tonne, the overall cost of edible oils in India can be reduced.

Impact on Consumers:

- When prices soared, many households and institutional consumers such as restaurants and canteens switched from sunflower oil to relatively cheaper alternatives like soybean oil or local oils.
- However, as import flows and price parity have been restored, consumers are returning to sunflower oil.

Market Expansion:

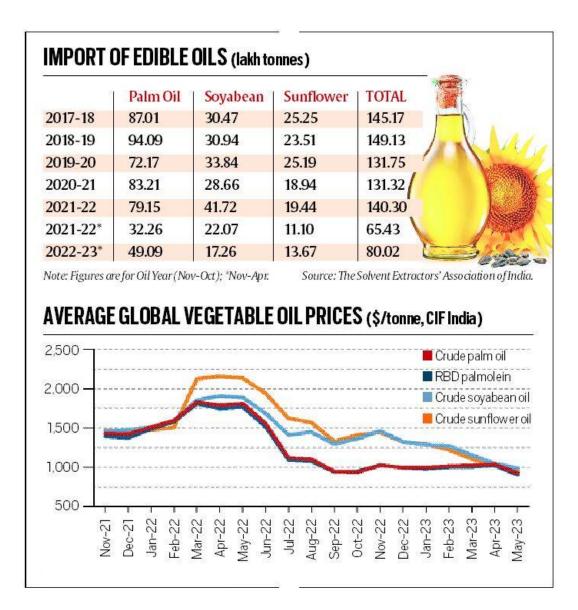
- Sunflowers are traditionally grown in Karnataka, Telangana, and Maharashtra.
 - Roughly 70% of the country's sunflower oil consumption is in the South, with Maharashtra (10-15%) and other states making up the rest.
- This regional concentration presents a substantial market for sunflower oil products.

Meeting the Demand:

- Over the past decade, domestic production of sunflower oil has declined to insignificant levels. This decline opens up opportunities for imports to meet the growing demand for sunflower oil in the country.
- The decline in domestic production and the preference for sunflower oil in certain regions **create potential for increased imports of sunflower oil.** Importers and sellers can play a significant role in meeting the market demand for branded sunflower oil.

What is the Scenario of Consumption of Cooking Oil in India?

- India consumes **23.5-24 million tonnes (mt) of cooking oil annually**, out of which 13.5-14 mt is imported and the balance 9.5-10 mt produced from domestically cultivated seed.
- Sunflower is the fourth largest consumed oil (2-2.5 mt), behind mustard (3-3.5 mt), soyabean (4.5-5 mt) and palm (8-8.5 mt).
 - Both sunflower and palm oil are **almost wholly imported**, with their domestic production at hardly 50,000 tonnes and 0.3 mt respectively.
 - This is unlike **mustard and soyabean**, where the share of domestic output is close to 100% and 30-32% respectively.



What are the Initiatives Related to Cooking Oil in India?

- The government launched the National <u>Mission on Edible Oils-Oil Palm</u> as a centrally sponsored scheme, being implemented jointly by the central and state governments with a special focus in the northeast region and the Andaman and Nicobar Islands.
 - It is proposed to have an additional 6.5 lakh hectares for palm oil by 2025-26.
- In order to improve and systemize the data management system in the vegetable oil sector, the Directorate of Sugar & Vegetable Oils under Department of Food and Public Distribution has developed a web-based platform (evegoils.nic.in) for online submission of inputs by vegetable oil producers on a monthly basis.
 - The portal also provides a window for online registration and submission of monthly production returns.

UPSC Civil Services Examination, Previous Year Question (PYQ):

Prelims:

Q. Consider the following statements: (2018)

1. The quantity of imported edible oils is more than the domestic production of edible oils in the last

five years.

2. The Government does not impose any customs duty on all the imported edible oils as a special case.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

Ans: (a)

Source: IE

Exemptions on Angel Tax

Why in News?

The <u>Central Board of Direct Taxes (CBDT)</u> has announced a proposal to exempt certain categories of investors from the levy of <u>angel tax.</u>

The move aims to encourage investments in start-ups and ease the burden of taxation. Additionally, the CBDT has introduced five new valuation methods for resident investors, expanding the options beyond the Discounted Cash Flow (DCF) and Net Asset Value (NAV) methods.

What is Angel Tax?

- The provision known as the 'angel tax' was initially introduced in 2012 to discourage the generation and utilisation of unaccounted money through investments in closely held companies.
- It is the tax that must be paid on the funds raised by unlisted companies through the issuance of shares in off-market transactions, if they exceed the fair market value of the company.
 - Fair market value (FMV) is the price of an asset when buyer and seller have reasonable knowledge of it and are willing to trade without pressure.

What are the Changes Brought by CBDT Related to Angel Tax?

- Expansion to Include Foreign Investors:
 - Under the <u>Finance Act</u>, <u>2023</u>, a relevant section of the <u>Income-tax Act</u> was amended to include <u>foreign investors</u> in the <u>ambit of the angel tax</u> provision.
 - Currently, if a <u>start-up company</u> receives equity investment from a resident that exceeds the face value of the shares, it is considered as income for the start-up and subject to income tax under the category of 'Income from other Sources' for that financial year.

- The recent amendment extends this rule to include foreign investors as well. This meant that start-ups raising funds from foreign investors would also be **subject to taxation**.
- However, start-ups recognized by the <u>Department for Promotion of Industry</u> and <u>Internal Trade (DPIIT)</u> are excluded from this provision.
- Exemptions for Government and Recognized Investors:
 - The CBDT has outlined several categories of investors that will be exempted from the angel tax. These include:
 - **Government and government-related investors**, such as central banks, sovereign wealth funds, and international or multilateral organisations, or where ownership of the government is 75% or more.
 - Banks or entities involved in the insurance business.
 - Entities registered with SEBI as Category I Foreign Portfolio Investors (FPI), endowment funds, and pension funds.
 - Broad-based pooled investment vehicles or funds where the number of investors is more than 50 and such fund is not a hedge fund too are exempt.
 - <u>Hedge funds</u> **pool money from investors** and invest in securities or other types of investments with the **goal of getting positive returns.**
 - As the name suggests, the fund tries to hedge risks to investor's capital against market volatility by employing alternative investment approaches.
- Proposed Changes in Valuation Rules:
 - If a non-resident entity notified by the central government provides consideration to a company for issuing shares, the fair market value (FMV) of the equity shares may be determined based on the price corresponding to that consideration.
 - However, this consideration should not exceed the aggregate consideration received from the notified entity within **90 days of the share issuance.**

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q. Which of the following is issued by registered foreign portfolio investors to oversea	S
investors who want to be part of the Indian stock market without registering themselv	es
directly? (2019)	

- (a) Certificate of Deposit
- (b) Commercial Paper
- (c) Promissory Note
- (d) Participatory Note

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Son River

Why in News?

The **National Green Tribunal (NGT)** has issued a directive to halt all mining activities in **Son riverbed** in Sonbhadra district, Uttar Pradesh.

 The directive addresses illegal mining, imposing environmental compensation on mining companies.

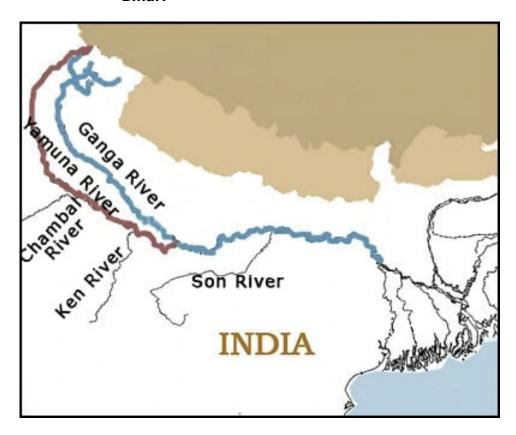
What are the Characteristics of Son River?

About:

- The Son River, also known as the **Sone River**, is a **perennial river** that flows through central India.
- The Son River is the **2nd-largest southern (right bank) tributary** of the <u>Ganges</u> **after the** <u>Yamuna River.</u>

Geography:

- It originates near Amarkantak Hill in the Gaurela-Pendra-Marwahi district of Chhattisgarh and finally merges with the Ganges River near Patna in Bihar.
 - Son forms a series of waterfalls at the edge of Amarkantak plateau.
- It flows through four states: Chhattisgarh, Madhya Pradesh, Uttar Pradesh, and Bihar.



Tributaries:

- · Ghaghar, Johilla, Chhoti Mahanadi, Banas, Gopad, Rihand, Kanhar and North Koel River.
- Prominent Dams and Hydroelectric Projects:
 - Bansagar Dam in Madhya Pradesh
 - Rihand Dam near Pipri in Uttar Pradesh on Rihand River.
 - **Indrapuri Barrage** in Bihar; it diverts water from the Son River to the Sone Canal System for irrigation purposes.
 - Koilwar Bridge constructed in 1862 in Bihar; it serves as India's oldest river bridge, connecting Arrah with Patna.

Source: DTE

44th Edition of The ISO COPOLCO Plenary

Why in News?

India is hosting the **44th edition of the ISO COPOLCO Plenary** in New Delhi from 23-26 May 2023. This event is organised by the **Bureau of Indian Standards (BIS)**.

What is ISO COPOLCO Plenary?

About:

- ISO COPOLCO is the **Committee on Consumer Policy**, a committee of the **International Organization for Standardization (ISO)**.
- It **ensures standards are developed with consumer needs** in mind and promotes consumer engagement in the standardization process.

Significance:

- The ISO COPOLCO Plenary plays a crucial role in shaping global standards and subsequently impacting the lives of people worldwide.
- The event fosters **collaboration among ISO member countries** and strategizes for the accelerated development of standards.

Importance:

- The event aims to address challenges and good practices for consumer engagement, sustainable futures, and legal frameworks for consumer protection.
- It provides a platform for high-level speakers, including ministers and eminent personalities, to discuss consumer-related matters.

What is ISO?

About:

- It is an international standard development organization composed of representatives from the national standards organizations of member countries.
- It develops and publishes standardization in all technical and nontechnical fields other than electrical and electronic engineering, which is handled by the IEC.
- ISO officially came into existence in 1947.

Headquarters:

Geneva, Switzerland.

Official languages:

• English, French, and Russian.

Members:

• ISO is an independent, non-governmental international organization with a membership of 168 national standards bodies.

India's Role in International Standardization:

- India has been actively involved in international standardization efforts and was one of the founding members of ISO.
- The BIS serves as the National Standards Body of India and participates in international and regional standardization initiatives.
 - BIS is a member of ISO, the International Electrotechnical Commission (IEC), and regional standards bodies like Pacific Area Standards Congress (PASC), and the South Asian Regional Standards Organization (SARSO) within the framework of IBSA.

What is Bureau of Indian Standards?

- BIS is the National Standard Body of India for the harmonious development of the activities of standardization, marking and quality certification of goods.
 - It was established by the BIS Act, 1986 which came into effect in December 1986 and a

new BIS Act 2016 was brought into force in 2017.

- BIS works under the aegis of the Ministry of Consumer Affairs, Food & Public Distribution
- BIS has been providing traceability and tangibility benefits to the national economy in a number of ways by:
 - Providing safe reliable quality goods.
 - Minimizing **health hazards** to consumers.
 - Promoting exports and imports substitute.
 - Control over **proliferation** of varieties etc through standardization, certification and testing.

Source: PIB

Rapid Fire Current Affairs

Covid-19 Variant Surveillance and WHO's IPSN System

The India SARS-CoV-2 Genomics Consortium (INSACOG), responsible for monitoring and sequencing Covid-19 variants in India, has not released a weekly bulletin since March 27, 2023. This decline in genomic surveillance has raised concerns regarding the country's ability to track and respond to new and potentially threatening variants.

The Department of Biotechnology explained that no specific variants of significant concern have been detected; however, the <u>WHO</u> warning against diverting attention from <u>Covid-19</u> recently launched the **International Pathogen Surveillance Network (IPSN)** to strengthen global efforts in pathogen genomics .

The IPSN is a global network of pathogen genomic actors, hosted by the WHO Hub for <u>Pandemic</u> and <u>Epidemic</u> Intelligence, to accelerate progress on the deployment of pathogen genomics and improve public health decision-making. By strengthening the pathogen genomic surveillance ecosystem, the **IPSN** enables faster detection of new pathogens and the enhanced tracking of the spread and evolution of diseases. This in turn can drive better public health responses. The IPSN supports ongoing disease surveillance and will help detect and fully characterize new disease threats before they become epidemics or pandemics.

Read more: COVID-19, COVID-19 AND INDIA

Deaths Linked to Extreme Weather

According to the **World Meteorological Organization (WMO)**, nearly 150,000 Indians have lost their lives over the past 51 years due to **extreme weather** events.

The analysis by WMO revealed that **between 1970 and 2021**, India experienced **573 climate-related disasters**, resulting in the **2**nd-**highest number of deaths in Asia, after Bangladesh.** These fatalities (138,377) highlight the vulnerability of communities to <u>weather-related hazards</u>. This information is a part of the updated data released by WMO, emphasizing the **urgent need for effective early warning systems and** <u>disaster management</u> to mitigate the impact of extreme weather events.

Extreme weather events are phenomena that involve **unexpected**, **unusual**, **severe**, **or unseasonal weather conditions** that deviate from the historical distribution of a given location. They can have

significant **impacts on human lives**, <u>ecosystems</u>, **and economies**, <u>especially in a changing climate</u>. Some examples of extreme weather events are <u>heat waves</u>, <u>cold waves</u>, <u>tropical cyclones</u>, <u>droughts</u>, <u>floods</u>, <u>and wildfires</u>.

According to the <u>IPCC</u>, many extreme weather events have become **more frequent and intense since 1950** due to human-induced <u>greenhouse gas emissions</u> that increase <u>global temperatures</u>.

Read more: World Meteorological Organization (WMO), Events of Extreme Weather

Funding the Future: WHO's Financial Budget

The WHO recently agreed upon a budget of **USD 6.83 billion for the next two years at the 76th** World Health Assembly (WHA), representing a historic **20% increase in assessed contributions.**

Assessed contributions, which are membership fees paid by countries based on their wealth and population, have seen a decline in their share of financing the WHO over the years. This decline has been compensated by voluntary contributions, which now account for more than three-quarters of the organisation's funding. The reliance on voluntary contributions raises questions about the governance and sustainability of the organisation.

The top contributors to the WHO in 2020-2021 were Germany, the Bill and Melinda Gates Foundation, the US, the UK, and the European Commission. However, there have been concerns about the influence of earmarked contributions and their potential impact on the WHO's flexibility.

WHO has stated that the current uneven distribution of funds hinders its ability to effectively support countries and achieve its Triple Billion targets related to universal health coverage and healthier populations in areas that have historically received less financial support from specific contributions.

Read More: World Health Organization (WHO)

India Implements Stricter Regulations for Exported Cough Syrups

In response to recent incidents of contamination in India-made cough syrups. India has implemented stricter regulations for the export of cough syrups. Starting from June 1, 2023 cough syrups can only be exported after undergoing testing and certification by a government laboratory, as stated in a notification by the Directorate General of Foreign Trade.

The directive requires a certificate of analysis from approved laboratories, including central **drug testing laboratories**, **regional testing laboratories**, **or those accredited by the National Accreditation Board for Testing and Calibration Laboratories. Previously, there were no checks on products being exported.**

Notably, all batches of medicines sold within India already undergo testing by authorised laboratories. The contamination incidents were initially brought to attention by the WHO, which identified contaminated Indian-manufactured syrups linked to deaths in Gambia, Uzbekistan, Micronesia, and Marshall Islands.

The contaminants <u>diethylene glycol</u> and <u>ethylene glycol</u>, found in the samples tested by other countries, are likely originating from contaminated solvents used during manufacturing. While the solvents themselves are not harmful, the presence of these toxic contaminants can cause various health issues, including acute kidney injury.

Read More: Contamination in India-made cough syrups

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