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EDITORIALS

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53/5, First Floor, Old Rajinder Nagar

Contact: 011-49789720, 9990356664, 7840048445

(E-mail-info@chromeias.com, Website- <http://chromeias.com>)

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Fortifying The Africa Outreach

GS2 (International Relations)

Theme of the article

There is a disconnect between India's developmental assistance to and economic engagement with the continent.

Why has this issue cropped up?

Recently, two important Indian dignitaries began their respective visits to Africa. President Ram Nath Kovind to Benin, Gambia and Guinea-Conakry and Defence Minister Rajnath Singh to Mozambique. These visits indicate enhanced priority to Africa.

Economic links

- In in the last India-Africa Forum Summit in 2015, India agreed to provide concessional credit worth \$10 billion.
- By 2017, India had cumulatively extended 152 Lines of Credit worth \$8 billion to 44 African countries.
- India has also unilaterally provided free access to its market for the exports of 33 least developed African countries.
- Its trade with Africa totalled \$63.3 billion in 2018-19. India was ranked the third largest trading partner of Africa having edged past the United States during the year.
- The figures for Indians' investments (estimated at \$50 billion) and Indian diaspora (approximately three million) are a bit imprecise but are also substantive when put in the continental perspective.

The issues in India-Africa relations

- Although the above statistics are impressive, they are well below the potential for India-African economic synergy and are often dwarfed by the corresponding Chinese data.
- There seems to be a conspicuous disconnect between Indian developmental assistance to and India's economic engagement with Africa.

- From the demand to remove the statues of Mahatma Gandhi in Ghana to the travails of Indian investors in Africa, from occasional demonisation of the long-standing Indian community to the non-recognition of Indian academic degrees, India's large developmental footprint in Africa does not produce commensurate empathy.
- India's aid being unconditional, the recipients often take it as an entitlement.

Way forward

We need to ask ourselves these: for all the development billions spent, how many mega-projects did Indian companies get and how many natural resources does India have access to in Africa? We should reorient our developmental profile to be more economically productive. To this end, a number of steps can be considered:

- **First**, we need to take direct control of our development programme instead of handing our funds to intermediaries such as the African Union, the African Development Bank Group and the Techno-Economic Approach for Africa-India Movement (TEAM 9), whose priorities are often different from India's. To make an impact, our aid should be disbursed bilaterally and aligned with national priorities of the recipient state, which should be a substantial stakeholder and co-investor in schemes and projects from initiation to operation.
- **Second**, India's development assistance should prefer the countries with its substantial interests, both existing and potential. For instance, Nigeria, South Africa, Egypt, Ghana, Angola and Algeria are India's top six trading partners in Africa, accounting for nearly two-thirds of its trade and half its exports to the continent; yet, they do not figure commensurately in India's developmental pecking order. India's own needs for raw materials, commodities and markets should be factored in its aid calculus.
- **Third**, we ought to prefer aiding countries which are willing to help us — from access to their natural resources to using our generics.
- **Fourth**, the aided project selected should be compatible with local requirements. They should be cost-effective, scalable, future ready and commercially replicable.

- **Fifth**, for greater transparency, India should prefer its public sector to implement the aid projects.
- **Sixth**, the Indian Head of Mission in the recipient African state must be an integral part of the aid stream including project selection, coordination and implementation. Apart from empowering our diplomacy, this would ensure better harmonisation between our aid and economic objectives.
- **Finally**, the aforementioned should not distract us from our duty to provide the needed humanitarian assistance to Africa: to be rendered promptly and with sensitivity, but without noise.

Conclusion

India is neither a rich country nor has its hands been tainted by a history of slavery, colonisation and the exploitation of Africa. In fact, it is a developing country with similar domestic challenges of poverty, infrastructure deficit and underdevelopment. India's aid to Africa should be reciprocated by acknowledgement and quid pro quo in terms of goodwill and institutional preference.

Is banning cryptocurrencies the solution?

GS 3 (Economy)

Theme of the article

A blanket ban will push the crypto currency into the black market and stifle innovation.

Why has this issue cropped up?

Recently, a government panel (Garg panel) placed in the public domain a draft bill calling for a complete ban on private cryptocurrencies in India.

Recommendations of the Garg panel

- The panel recommended a fine of up to ₹25 crore and a jail term of up to 10 years for anyone found to be owning or handling private cryptocurrencies.

- As an alternative to private cryptocurrencies, the panel recommended the introduction of a single cryptocurrency for the whole country that is backed by the Reserve Bank of India (RBI).

Reasons to ban cryptocurrency

- The volatility of private cryptocurrencies is one of the reasons being given to ban them.
- An issue raised against cryptocurrencies is that they aren't really backed by an underlying commodity or a sovereign government.
- Due to anonymity, the common objection to cryptocurrencies is that they can be used to finance various criminal activities.

Should crypto currency be banned?

- Volatility doesn't sound like a good rationale to ban cryptocurrencies because if cryptocurrencies are volatile, so are many other asset classes. We do not ban investments in any other asset class just because it is volatile.
- Banning the consumption of a good or service doesn't really mean that people will stop consuming it. The market for the good or service simply goes underground and becomes hard to track.
- It is not absolutely essential that a currency needs to be backed by a commodity or an institution for it to be widely accepted in the market.
- The way we define money is that it is a generally accepted medium of exchange. So, it's just trust that basically drives the value of money. There is nothing to back it, except trust. It is the value that people think the currency will possess in the future that really drives its value.
- People will move to alternative assets and seek more anonymity only if they lose trust in government institutions. So, as long as the trust is maintained, monetary policy doesn't face any particular threat from cryptocurrencies.

Cryptocurrency vs blockchain

- The Garg panel, while being opposed to the idea of private cryptocurrencies, still seems to be a fan of the blockchain technology. It has called for a

national cryptocurrency backed by the RBI, which would probably be based on the blockchain.

- Most people equate cryptocurrencies with blockchain, but there is a huge difference between them. The cryptocurrency is just one application of the underlying blockchain technology. The blockchain technology has a lot more potential beyond cryptocurrencies.

The EU regulations on cryptocurrency

- One of the most comprehensive sets of regulations for cryptocurrencies is being brought in by the European Union.
- The EU is putting in a bunch of regulations to tackle money laundering, and it is called the AMLD-5. It is a bunch of norms to make crypto transactions more secure.
- It has a lot of very stringent KYC regulations and self-declaration laws which every holder of a crypto wallet or user needs to adhere to.
- Crypto exchanges are all expected to maintain a database that is transparently shared between countries.

Should govts issue cryptocurrency as proposed by Garg panel ?

- There is no case for governments issuing cryptocurrencies because it would create a lot of problems in the form of contradictions in existing regulations and the government will have to deal with severe mismatches in regulations.
- Secondly, there are reputation effects. A digital currency issued by the RBI that gets misused by criminals can affect trust in the existing fiat currency protocol. A central bank would want to take that risk.

Way forward

- The decision of whether to invest in an asset or not should be left to the investor. The risk return calculation should be done by the investor, not the government.
- If the government feels that there is enough rationale to regulate the consumption of a commodity or a service or investments in a crypto asset,

the best way forward is to come up with a regulatory framework that has incentives set right for the users. We can have a tax on capital gains from investing in crypto assets, just like we have taxes on investments in other assets.

- Right now, currencies are the only viable practical application of the blockchain technology even though it can be extrapolated to a lot of other sectors. So, for the sake of innovation, even if the government is bringing in a state-backed currency, it will be better if the other currencies are also allowed to operate with sufficient regulations.
- For a country like India, in terms of size, cryptocurrencies constitute a very, very minor share of the total amount of money that is already being used to carry out various activities in the black economy. But the potential rewards that could come out of the blockchain technology are big.

Conclusion

EU has started creating a bunch of regulations on cryptocurrency that could become stronger over time. This could be the best way to go forward rather than putting a blanket ban on cryptocurrencies, because the presence of cryptocurrencies is very important for the further development of the blockchain.

Great expectations

GS 2 (Health)

Why has this issue cropped up?

The Lok Sabha has recently passed the Surrogacy Bill, 2019.

Surrogacy in India

- Flagrant violations of human rights have been witnessed repeatedly in the 'baby-making factory' in India, the underprivileged woman often in the cross hairs, and at the bottom of the pile.
- The plethora of unregulated assisted reproductive techniques (ART) clinics that mushroomed ensured that there was a good volume of traffic toward the country, besides growing domestic demand for surrogacy services.

The Surrogacy Bill

- Regulations in the past in the area of child adoption and transplantation of human organs have, historically, borne fruit, effectively putting an end to rampant commercial transactions, and providing a structure by which any excursions outside of the law may be shut down.
- There is expectation that the Surrogacy Bill will regulate commercial surrogacy, while allowing an altruistic form of it to continue, by putting in place strict supervisory and regulatory frameworks.
- The Bill mandates payment to the surrogate mother, who can only be a 'close relative', to the extent of covering medical expenses and providing insurance during the term of the pregnancy.
- It has specified that 'exploiting the surrogate mother' would attract punishment of imprisonment of up to 10 years and a fine of up to ₹10 lakh; advertising for surrogacy and selling/importing human embryos or gametes for surrogacy also attract the same punishment.
- It has mandated registration of surrogacy clinics, and put in place regulatory boards to ensure compliance with the law

The concern with the Surrogacy Bill

- The question is whether the Bill will serve the wholesome purpose of regulating the vastly complex area of surrogacy, while sensitively balancing the needs of 'intending parents' and surrogates.
- There is lack of specifics in definitions (the generalised 'close relative' criterion for surrogates);
- There is exclusion of various groups of people from access to surrogacy (only married couples of a certain age group are eligible); and
- It has tried to put the 'cart before the horse' by seeking to regulate surrogacy before setting the ART house in order.

Way forward

The capacity of the state to end commercial surrogacy may itself be compromised if it does not first set up a regulatory framework for ART clinics, which provide the basic technology for surrogacy.

Conclusion

The Surrogacy law has the possibility of truly revolutionising the surrogacy sector, cleaning it up, and fulfilling the dreams of people who are themselves unable to bear children.

A law for those who testify

GS 2 (Polity & Governance)

Why has this issue cropped up?

The Centre is yet to act on a Supreme Court directive to legislate on witness protection.

Recent instances of attacks on witnesses

- Recently, in an 'accident' in Rae Bareilly, witnesses of a rape survivor died.
- In another incident, an Assistant Sub Inspector assigned to protect murder witness was accidentally killed when the assailants attempted to kill the witness.
- In 2017, in the Asaram Bapu case concerning the rape of some women devotees, three witnesses were killed and as many as 10 attacked in an attempt to weaken the case.

Supreme Court directive

- The killing of the witnesses followed by a Public Interest Litigation, prompted the apex court to issue directions to the Centre and the States to frame laws for protection of witnesses.
- Following this, Maharashtra came out with the Maharashtra Witness and Protection and Security Act 2017.
- However, the Centre, and most other States, are yet to act on the directive.

Witness Protection Scheme

- Meanwhile, the apex court gave its assent last year to the Witness Protection Scheme, which was drafted by the Centre in consultation with the Bureau of Police Research and Development and the National Legal Services Authority.

- The Centre was to implement the scheme after circulating it among all States and Union Territories and obtaining their comments. However, the scheme was meant to be a measure in force only till the government brought out its own law on the issue.
- Though the Centre is scheduled to bring an Act on the subject by the end of this year, it has not made much progress.

Lax implementation

- As regards the existing measure, though its objective is to ensure the safety of witnesses, so that they are able to give a true account of the crime without any fear of violence or criminal recrimination, its implementation on the ground leaves much to be desired.
- Further, though the scheme provides for police personnel to be deployed to protect the witness on the basis of threat perception, it is silent on the punishment to be given to those policemen who, while being charged with providing security, themselves threaten the witnesses.

Police-politician nexus

- What emboldens the criminals the most is the support they get from the police.
- The shadowy politician-police nexus is so strong that no policeman, at the mercy of political leaders for his career progression, dares take any action against his 'master'.
- As long as this nexus continues, the delivery of criminal justice in India will remain a casualty.

Way forward

The Witness Protection Scheme calls for more elaborate and stricter laws to be incorporated so that criminals find no loopholes that can be exploited to their advantage.

Conclusion

The sooner the Centre comes up with a legislation codifying the protection to be given to witnesses, the better it is for India's criminal justice system.

Something special

Category: GS 2 (International Relations)

Why has this issue cropped up?

Prime Minister Narendra Modi's recent visit to Thimphu affirmed a long-standing tradition between India and Bhutan.

India-Bhutan relationship

- The relationship between India and Bhutan is built on a traditional closeness, one that is unique in today's world.
- Open borders, close alignment and consultation on foreign policy, and regular, open communications on all strategic issues are the hallmark of the relationship that has maintained its consistency for the past many decades.
- Bhutan's unequivocal support to India on strategic issues has meant a lot to India on the international stage and at the United Nations.
- Equally, Bhutan's leadership has not flinched in opposing threats to India; for instance, the former King's efforts in 2003 to drive out ULFA rebels or more recently, support for India's stand against Chinese troops on the Doklam plateau.
- India's assistance to Bhutan's planned economy, to constructing its highest revenue earner of hydropower generated electricity, and then buying the electricity generated has also ensured a symbiotic and mutually beneficial base to the relationship.

Caution needed

- It would, however, be a mistake for New Delhi to take the relationship with Thimphu for granted.
- In the past few years, ties came under a strain over India's sudden change in its power purchasing policy, rigid rates and refusal to allow Bhutan to join the national power grid and trade with third countries like Bangladesh. These issues are being addressed now.

- Another concern that could create differences is over Bhutan's worry that too much trade, transport and tourism from India could put its environment at risk.
- India's plans for a Motor Vehicles Agreement (MVA) in the Bangladesh-Bhutan-India-Nepal grouping have been held up, and a Bhutanese proposal to levy entry charges on Indian tourists could cause differences with India.
- Earlier generations of Bhutanese students never looked beyond India, but in recent years young Bhutanese have shown a preference for education destinations in Australia, Singapore and Thailand.

Way forward

There is much to repair in the ties. More importantly, New Delhi will have to remain alert to strategic powers which are courting Bhutan assiduously, as is evident from the high-level visits from China and the U.S.

Conclusion

In a world of growing options, it remains in India's and Bhutan's best interests to make each other's concerns a top priority.

Soldier Number One

GS 3 (Security)

Introduction

The creation of the post of the Chief of the Defence Staff(CDS), which Prime Minister announced in his Independence Day address, fulfils a long-felt and consistently articulated need to strengthen India's defence posture.

What made formation of CDS urgent?

The following factors have come together to confer urgency to taking this step:

- Pulwama and Balakot,
- The repeated offers for mediation in Kashmir by the U.S. President,
- The imminent pull-out of American troops from Afghanistan, which would leave Pakistan and its proxies the dominant players on the ground with a strong chance of blowback into Kashmir,

- The abrogation of Articles 370 and 35A,

The origin of the CDS

- During Kargil war, it took a fortnight after the incursions were initially detected before the Indian Air Force (IAF) could be pressed into countermeasures.
 - The then Indian Army Chief was away on a foreign tour,
 - there was inadequate appreciation of the ground situation by the Indian Army, and
 - poor sharing of intelligence, and
 - the squabbling between the IAF and the Indian Army over whether to use helicopters or fixed wing aircraft and how and who should call the shots, comprehensively blunted the initial response.
- Thus, the Kargil Review Committee strongly recommended setting up the CDS:

How would CDS help?

- The CDS is expected to bridge such dangerous gaps and reduce response time.
- It is envisaged he will keep the Defence Minister, continuously and fully briefed and effectively advised.
- It will be part of the adjunct apparatus of the Cabinet Committee on Security Affairs.
- It will act as a better link the three services in terms of planning, coordination and execution.
- It will certainly leave the three service chiefs to focus on running their arms of the forces more efficiently.

Conclusion

The government should use the opportunity to ramp up the intelligence apparatus that is concomitant to this office.

It takes many

GS 2 (International institutions)

Why has this issue cropped up?

President Donald Trump has reiterated his long-standing belief that India and China have benefited immensely by misusing the developing country tag at WTO, thereby profiting unduly from privileges conferred on such countries. He blamed the World Trade Organisation (WTO) for this lapse, and reiterated his threat to leave the world's largest multilateral trade forum.

Harm to the WTO

Chinese rise and US fears are straining their bilateral trade and causing serious collateral damage to the institution that has served well the cause of trade, growth and stability of the world economy in the post-WWII period.

Is WTO worth saving?

- A question uppermost on trade economists' minds is whether the WTO is worth saving. One way to evaluate the question is to investigate its achievements, with the obvious caveat that the past is an imperfect guide to the future.
- Since the WTO came into being in 1995, the world has witnessed massive changes, some deeply structural in nature. New technologies have transformed the way we live, communicate, and trade. In 1995, less than 0.8 per cent of the world's population used the internet; in June 2019 it was around 57 per cent.
- Communication technologies and containerisation lowered costs and boosted volumes of components moving in and out of countries allowing production chains to become increasingly international and also much more complex. An iPhone, for example, has about 14 main components that are manufactured by 7-8 multinational companies with branches in more than 40 countries.
- Overall trade in goods has nearly quadrupled since 1995, while WTO members' import tariffs have declined by an average of 15 per cent. Over half of world trade is now tariff-free.

- Growth in trade has exceeded growth in world GDP and has been associated with improved standards of living.
- Today, the WTO regulates more than 98 per cent of global trade flows among its members. It also monitors the implementation of free trade agreements, produces research on global trade and economic policy, and serves as a forum for settling trade disputes between nations.
- An alternate way to look at the WTO's success is not to focus on how much trade it has helped create and the corresponding tariff reductions, but the damage in trade value it has helped avert. One estimate puts the value of avoided trade wars at \$340 billion per year.

Unilateralism and WTO

- A unilateral finding of unfair trading practices and subsequent action by the US ignoring their own WTO commitments, places other countries on higher moral ground.
- Under the rules, a measure is defined as unilateral if it is imposed by a country without invoking the WTO dispute settlement procedures or other multilateral international rules and procedures, and which is based solely upon invoking the country's own criteria.
- Unilateral measures are inconsistent with the letter and the spirit of multilateralism. Article 23 of the Dispute Settlement Understanding (DSU) explicitly prohibits members from doing so.
- A gracious explanation is that the US is using its power to discipline the trading system for the benefit of all. China (and India), they claim, has been a free-rider for long having taken advantage of the open trading regime while itself being opaque on subsidies, state owned enterprises and intellectual property.
- And since dispute settlement in the WTO has become dysfunctional and appeals to the appellate body (AB) are taking longer than the prescribed 90 days, the US has taken matters in its own hands, playing the part of benign dictator for the common good.
- There is no justification for subverting the multilateral process, especially by the country that was instrumental in putting it together in the first place.

Multilateralism and WTO

- The Appellate Body (AB) will cease to function in December unless the US agrees to appoint a replacement to maintain the required quorum of three members.
- Without the AB, the law of the jungle will replace the rule of law, hurting the weak and destroying the credibility of the entire process
- There is no doubt that the multilateral process needs to be fortified and it cannot happen until the strongest member is vested in it.
- Multilateralism implies that every country agrees to bind itself to the same rules as other (smaller) countries even when it conflicts with self-interest.
- Admittedly, trade is much more complex now; negotiation among 164 members on standards to generate consensus is at best hard, and at worst, impossible.
- The alternative, regionalism, involves a limited number of countries and ostensibly relies less on “altruism” of the members and more on mutual gain. But it suffers from an exclusionary bias.
- Multilateral agreement is still the best, and when reasonable men and women sit around the table, a solution can be found.
- In the absence of pure multilateral negotiations, interested members could negotiate plurilaterally with the aim of achieving multilateral outcomes.
- But burden-sharing, as opposed to altruism among the big players, will remain an integral part of the multilateral approach.

Conclusion

The WTO may still emerge as the lynchpin of global trade governance.

What India has to offer in the Gulf

Category: GS 2 (International Relations)

Theme of the article

Delhi should support the region’s reform agenda, deepen economic and security cooperation.

Why has this issue cropped up?

Prime Minister Narendra Modi's recent visit to the United Arab Emirates and Bahrain underlines Delhi's continuing commitment to the transformation of India's relations with the Gulf region.

India's new vision towards Gulf

- If no prime minister of India had travelled to the UAE for more than three decades, before 2015, PM Modi is about to head to the Emirates for the third time since then.
- That PM Modi is being honoured with the Zayed Medal, the highest civilian honour in the Emirates, underlines the new good will, trust and personal intimacy between PM Modi and the UAE leadership.
- If India tended to see the Gulf region through the prism of Pakistan in the past, it has now learnt that the conservative Gulf Kingdoms are quite eager to develop an independent relationship with Delhi.

Gulf's new approach to India

Three areas highlight the region's new approach to India.

- First, some Gulf countries have expanded counter-terror cooperation with Delhi, extending support to India in the unfolding conflict over Jammu and Kashmir, and have sought to open the OIC platform for India despite Pakistan's objections.
- Second, recognising Modi's special interest in the welfare of the Indian diaspora and expatriate labour, the Gulf kingdoms have begun to address many of the long-standing Indian concerns.
- Third, the oil rich Gulf has begun to see India, one of the world's leading energy importers, as a major economic partner. The recent Saudi decision to pick up 20 per cent stake in the oil business of Reliance Industries Limited and UAE's support for the construction of India's Strategic Petroleum Reserve are two examples of deepening energy interdependence.

Way forward for India

- If the focus of Modi's first term was on what India can get from the region, the emphasis in the second must be on what Delhi can do for the Gulf.
- One important new trend has been the effort to promote moderate Islam in the region. While the West has reacted with scepticism or is demanding faster pace in these reforms, Delhi should offer strong public support for the reform agenda in the region. Supporting positive reform will lend greater weight to India's concerns about the continuing negative trends in the region, such as the support for extremist ideologies.
- Second, Delhi must reciprocate more productively to the enthusiasm in the Gulf region for strategic economic cooperation with India — ranging from energy and digital innovation to arms production and space technology. It should try and unclog multiple bureaucratic and policy obstacles to investments from the Gulf.
- Third, security cooperation, where the unrealised potential remains huge. The highly vulnerable Gulf regimes have long depended upon Britain and the US to protect themselves from threats — internal, regional and international. US' talk on downsizing America's role in the Gulf is encouraging the region to diversify its security partnerships. It is time Delhi showed some initiative to develop a more pro-active strategy for defence cooperation in the region. Inaction now will necessarily lead to reaction as other Asian powers like China carve out a larger security role in the Gulf. Russia and France have already stepped up their involvement in the Gulf region's security affairs.

Conclusion

The question for India is no longer about taking sides; it is about contributing to the regional security in whatever manner it can.

Bad Prescription

Category: GS 2 (Health)

Theme of the article

National Medical Council Act offers little change, brings in a host of new problems.

Why has this issue cropped up ?

The National Medical Commission (NMC) Bill 2019 was passed by the Lok Sabha on July 29 and the Rajya Sabha on August 1.

Issues with the NMC Act

- **FEDERALISM:** The constitution of the medical commission as proposed in the Act has issues of subjugating federalism at multiple levels. The nomination of important functionaries of the NMC will rest exclusively with the Centre: This will give rise to nepotism and the promotion of a lackey culture, that had infested the MCI. Even the Medical Advisory Council, proposed in the Act, has nominated members from the states, thereby reducing the role of states to being consultative.
- **COMMUNITY HEALTH PROVIDERS:** The other contentious point in the NMC Act is the creation of a cadre of Community Health Providers with the limited licence to practice medicine at the mid-level. This provision is a means to promote quackery within the scientific practice of medicine. Providing the licence to practice medicine in such manner will erode scientific temper.
- **NEXT:** The Act has proposed a common exit examination — National Exit Test (NEXT), at the end of the MBBS course. This test shall be held to grant a licence to practice and will also be the basis of admission to postgraduate courses. Evaluating an MBBS student at the end of the final year through multiple choice questions (MCQs) is not a good idea: Existing evidence from across the world clearly favours subjective clinical evaluation as the best means to evaluate an upcoming doctor. It would have been better if a common exit exam had been held after ensuring that the level of medical education throughout the country is uniform.
- **PRIVATE COLLEGES:** Besides failing to address people-centric issues like recommendations for retention of doctors in rural health services, the NMC Act appears to heavily favour private medical colleges. Allowing the private medical colleges to “sell” 50 per cent seats is a serious threat to healthcare. It sets a dangerous precedent of usurping deserving students from becoming doctors merely on the basis of money.

Conclusion

The NMC Act fails to learn from the 65 years of experience with the MCI. A robust law would have been one that would have taken out medical education from the silos of traditional blocks and incorporated a culture of democratic practice in the field.

Code Red for labour

Category: GS 3 (Welfare)

Theme of the article

The proposed labour codes disempower workers.

Why has this issue cropped up?

The Centre's proposal to replace 44 labour laws with four codes saw the light of day after Finance Minister announced it in her Budget speech.

Antithetical to protection of labour

- The most glaring instance of the government's failure to support labour standards is the Ministry of Labour's proposal to fix the national minimum floor wage at ₹178, without any defined criteria or method of estimation. This could lead to a dangerous race to the bottom by individual States, in a bid to attract capital and investments.
- Another concerning issue is that the four codes exclude over 95% of the workforce employed in informal units and small enterprises, who in fact are in greater need of legal safeguards.
- Above all, there is a deliberate ambiguity maintained on wording and definitions. There is no clarity on who constitutes an 'employer', an 'employee' or an 'enterprise', giving the owner greater discretion to interpret the provisions while making it more difficult for the worker to draw any benefits from them.
- To minimise wage bills and compliance requirements, it is proposed that 'apprentices' be no longer considered employees, at a time when evidence indicates that apprentices are made to do jobs of contractual as well as permanent employees.
- The code even has a provision on "employees below fifteen years of age", which can be construed as legalisation of child labour.

- The code on wages legitimises and promotes further contractualisation of labour, instead of abolishing it, by insulating the principal employer from liabilities and accountability in the case of irregularities on the part of the contractors.
- The wage code also brings back the draconian provision of “recoverable advances”, a system that the Supreme Court clearly linked to coercive and bonded labour, wherein distressed and vulnerable migrant labourers could be bonded to work through advance payments. This is akin to modern forms of slavery, also encountered in rural labour markets.
- Similarly, the eight-hour workday shift has been done away with, and multiple provisions of increased overtime have been inserted.
- The code also gives ample alibis to employers to evade bonus payments.
- Further, seeking justice against unfair practices of employers has become even more difficult now as non-payment of wages will now not be a criminal offence and penalties in case of non-compliance have been reduced.
- The government wants to provide a “facilitative” rather than a regulatory and punitive environment for the owners, with “facilitators-cum-inspectors” replacing the “inspectors” who used to ensure implementation of various labour laws to aid employees.
- Finally, the code on industrial relations too is replete with restrictions, on forming or registering unions, calling a strike (which would entail prior permissions and notices) and seeking legal redressal for workers.

Conclusion

To sum it up, it won't be a fallacy to assert that the proposed laws, as they stand, resemble 'employer codes' rather than 'labour law'

Rooting AI in ethics

Category: GS 4 (Ethics)

Theme of the article

A technology should be evaluated both on the basis of its utility and the intention of its creator

Recognizing ethical action

- We can intuitively recognise whether an action is ethical or not. Let us look at the theoretical basis of understanding ethics with an example.
- A cigarette company wants to decide on launching a new product, whose primary feature is reduced tar. It plans to tell customers that the lower tar content is a 'healthier' option. This is only half true. In reality, a smoker may have to inhale more frequently from a cigarette with lower tar to get the flavour of a regular cigarette.
- Let us analyse this from three dominant ethical perspectives:
 - First, the egoistic perspective states that we take actions that result in the greatest good for oneself. The cigarette company is likely to sell more cigarettes, assuming that the new product wins over more new customers. From an egoistic perspective, hence, the company should launch the new cigarette.
 - Second, the utilitarian perspective states that we take actions that result in the greatest good for all. Launching the new cigarette is good for the company. The new brand of cigarette also provides a 'healthier' choice for smokers. And more choice is good for customers. Hence, the company should launch the product. The egoistic and utilitarian perspectives together form the 'teleological perspective', where the focus is on the results that achieve the greatest good.
 - Third, the 'deontological perspective', on the other hand, focusses more on the intention of the maker than the results. The company deceives the customer when it says that the new cigarette is 'healthier'. Knowingly endangering the health of humans is not an ethical intention. So, the company should not launch this cigarette.

The flawed facial recognition system

- Most commercially available AI systems are optimised using the teleological perspectives and not the deontological perspective..
- An AI system introduced in 2015 with much fanfare in the U.S. failed to recognise faces of African Americans with the same accuracy as those of Caucasian Americans.

- Google, the creator of this AI system, quickly took remedial action. However, from a teleological perspective, this flawed AI system gets a go ahead.
- According to the 2010 census, Caucasian Americans constitute 72.4% of the country's population. So an AI system that identifies Caucasian American faces better is useful for a majority of Internet users in the U.S., and to Google.
- However, from a deontological perspective, the system should have been rejected as its intention probably was not to identify people from all races, which would have been the most ethical aim to have.

High risks

- Social media is not the only context where AI facial recognition systems are used today. These systems are increasingly being used for law enforcement.
- Imagine the implications of being labelled a threat to public safety just because limited data based on one's skin colour was used to train the AI system.

Biased data

- The ethical basis of AI, for the most part, rests outside the algorithm. The bias is in the data used to train the algorithm.
- It stems from our own flawed historical and cultural perspectives — sometimes unconscious — that contaminate the data. It is also in the way we frame the social and economic problems that the AI algorithm tries to solve.

Way forward

- With the proliferation of AI, it is important for us to know the ethical basis of every AI system that we use or is used on us.
- An ethical basis resting on both teleological and deontological perspectives gives us more faith in a system.
- Sometimes, even an inclusive intention may need careful scrutiny. For instance, Polaroid's ID-2 camera, introduced in the 1960s, provided quality photographs of people with darker skin. However, later, reports emerged that the company developed this for use in dompas, an identification document black South Africans were forced to carry during apartheid.

- Understanding and discussing the ethical basis of AI is important for India. Reports suggest that the NITI Aayog is ready with a ₹7,500 crore plan to invest in building a national capability and infrastructure. The transformative capability of AI in India is huge, and must be rooted in an egalitarian ethical basis.

Conclusion

Any institutional framework for AI should have a multidisciplinary and multi-stakeholder approach, and have an explicit focus on the ethical basis.

Deliberate, don't disrupt

Category: GS 2 (Polity)

Theme of the article

Legislators could do well by adhering to a model code of conduct.

Introduction

One of the most unedifying sights in public life is lawmakers taking to organised disruption of legislative business. Such displays became common in Parliament in the past decade as political parties and legislators demonstratively advertised their points of view without recourse to debate.

Impacts of disruption

- A number of crucial bills have taken an inordinate time to be enacted due to disruption, while others were not enacted despite a broad consensus — such as the Women's Reservation Bill — due to the behaviour of a few naysayers.
- Many sessions of Parliament in the recent past saw little business being done due to repeated disruption.

Vice-President's exhortation

- In this context, Vice President Venkaiah Naidu's exhortation to political parties to incorporate a model code of conduct for their legislators in State Assemblies and in Parliament is welcome.
- He suggested that the code should include stipulations on members not entering the well of the House, and desisting from sloganeering and unruly acts.

Importance of code

If indeed parties adopt a code, it will go a long way in making parliamentary work meaningful. Otherwise, the general public will lose interest in the procedural aspects of parliamentary democracy and limit their participation to just voting in the elections.

Does absence of disruption lead to meaningful debate?

But the absence of disruption alone does not make for meaningful debate. The current Budget session sailed through with minimal disruption. Yet the high productivity during the session came without sufficient deliberation over crucial bills, several of which were rushed through without vetting by parliamentary standing and select committees.

Parliamentary Committees

- These committees have in the past been useful in expanding discussion over laws with civil society and experts from various streams of the larger society.
- They have also facilitated an enhanced cross-party coordination over issues.
- By not sending a single Bill among the 28 that were introduced and passed to a standing or select committee for scrutiny, the current session accentuated the trend that has minimised the importance of such committees over the last few years.
- Unlike the 15th Lok Sabha (2009-2014), when 71% of the bills were referred to such committees, in the 16th Lok Sabha, they constituted only a fourth of the overall number of bills.

Parliamentary Debates

Time spent on debates in the current session in both the Lok Sabha and Rajya Sabha was barely a third of the overall business. This does not augur well for lawmaking.

Conclusion

As Vice-President has pointed out correctly, deliberation is an important component of parliamentary democracy apart from legislation and accountability of lawmakers. All three aspects must cohere for a thoroughgoing procedural democracy.

Increasing investment to stimulate growth

Category: GS 3 (Economy)

Theme of the article

Attention needs to be paid to both cyclical and structural dimensions of India's present economic slowdown.

Reasons for India's current economic slowdown

- India's current economic slowdown is due to a combination of two underlying trends.
 - First, there is the short-run cyclical slowdown exhibited by a number of high-frequency indicators, reflecting a significant fall in demand, especially for sectors such as automobiles, consumer durables and housing.
 - Second, there is the more serious long-term fall in investment and savings rates.
- Raising growth requires that attention be paid to both cyclical and structural dimensions of the problem.

The economy data

- In Gross Fixed Capital Formation (GFCF), a steady fall has been visible since 2011-12.
- Fall in the household sector's investment rate got arrested by 2015-16.
- In contrast to the household sector rate, the private corporate sector investment rate did not show any fall up to 2015-16. It fell in the subsequent years but only by 0.7% points.
- In the case of the public sector, the rate fell by 0.3% points between 2015-16 and 2017-18.
- The Gross Domestic Savings Rate also fell between 2011-12 and 2017-18 by 4%.

Way forward

- At present, all the surplus savings of the household sector is available for the public sector. With private corporate sector's investment demand being

largely met by its own savings, public sector's borrowing requirements can be fully financed using the surplus from the household sector, supplemented by net inflow of foreign capital without any fear of crowding out.

- In 2018-19, the real GDP growth rate was 6.8%. Two critical policy challenges need to be addressed.
 - First, a countercyclical policy should increase growth rate to its current potential of 7%-7.5% and then
 - structural reforms should raise the potential growth itself to above 8.5% if India is to attain a size of \$5 trillion by 2024-25.
- Reducing the repo rate by a cumulated margin of 110 basis points in 2019 has not as yet induced a noticeable growth response. Complementary fiscal stimulus, in the form of additional public sector investment, may prove to be more effective.
- Given the fiscal deficit constraint, there is limited flexibility for increasing centre's capital expenditure directly. In the 2019-20 budget, this is estimated to be 1.6% of GDP. There may be some expansion, if additional dividends from the Reserve Bank of India (RBI) flow to the government.
- Further, there may be some possible additional disinvestment. However, care should be taken to deploy all of these additional funds for capital expenditure. Normally, the prescription to meet slowing demand is to increase government expenditure. In the current situation, there can be an increase in government expenditure but it has to be directed towards an increase in investment expenditure.
- A similar effort may be made by State governments and non-government public sector enterprises to increase capital expenditures.
- Another area that needs immediate attention is the financial system, which must be activated to lend more.
- We need a re-look at the Fiscal Responsibility and Budget Management Act (FRBM) Act. The government should actually move towards reducing the revenue deficit to zero.
- Once this is achieved, the Central Government can be given full freedom over fiscal deficit, as the entire deficit will be directed towards meeting capital expenditures.

Taking a 'Far East' turn to deepen a friendship

Category: GS 2 (International Relations)

Theme of the article

During Modi's visit to Vladivostok, India should signal more willingness to invest in a less-developed part of Russia.

Special importance of Vladivostok

- Some 48 years ago, when the U.S. and British Navies tried to threaten Indian security during the India-Pakistan war in 1971, the Soviet Union dispatched nuclear-armed flotilla from its Pacific Fleet based at Vladivostok in support of India. Ever since then, the city of Vladivostok, located in Russia's Far East, has had a special place in the hearts of Indians.
- When Prime Minister Narendra Modi visits the city as the guest of honour at Eastern Economic Forum (EEF) in September, he would be announcing India's plans to invest in Russia's Far East, thus, paying back the long-held Indian debt to Vladivostok.

The Far East of Russia

- The Far East lies in the Asian part of Russia and is less developed than the country's European areas.
- As part of his 'Pivot to Asia' strategy, President Vladimir Putin is inviting foreign countries to invest in this region.

Russia's outreach to Asia

- The country's outreach to Asian nations has especially gained momentum after the 2014 Crimea crisis spoiled its relations with the West.
- At the same time, the idea of an 'Indo-Pacific region', which signals India's willingness to work with the U.S. mainly to counter China's assertive maritime rise, has also left Russia concerned.
- Moscow is apprehensive that the U.S. would exert pressure on India's foreign policy choices and that it could lose a friendly country and one of the biggest buyers of Russian military hardware.

India-Russia relations improving

- New Delhi, on its part, has maintained that Indo-Pacific is not targeted against any country and stands for inclusiveness and stability.
- Mr. Modi made this clear to Mr. Putin during their Sochi informal summit in 2018. Later, at the Shangri-La dialogue, he again emphasised that for India, Indo-Pacific is not a club of limited members and that New Delhi wants to have inclusive engagement with all the relevant stakeholders.
- This constant engagement has borne fruit and the two countries are now working for a multipolar Indo-Pacific.
- India has also been able to convince Russia that its engagement with the U.S. is not going to come against Russian interests.
- On its part, Russia also wants to make sure that China does not become a hegemon in the Eurasian region and is hence deepening cooperation with countries like India, Vietnam and Indonesia.
- PM Modi has also given due importance to 'paradiplomacy' where Indian States are being encouraged to develop relations with foreign countries.
- States like Uttar Pradesh, Gujarat, Maharashtra, Haryana and Goa would be collaborating with Russian Provinces to increase trade and investments.
- Earlier this month, Commerce and Industry Minister Piyush Goyal led a delegation to Vladivostok that included Chief Ministers of these States and representatives from about 140 companies.

India and the Far East

- India was one of the 18 countries for which Russia simplified electronic visas to encourage tourism in the Far East.
- New Delhi will also provide an annual grant of \$10,000 to fund the study of Indology at the Centre of Regional and International Studies at Far Eastern Federal University.
- Also, a Memorandum of Understanding has been signed between Amity University and Far Eastern Federal University to intensify cultural and academic exchanges in the areas of research and education.
- A lack of manpower is one of the main problems faced by the Far East and Indian professionals like doctors, engineers and teachers can help in the

region's development. Presence of Indian manpower will also help in balancing Russian concerns over Chinese migration into the region.

- Further, India, one of the largest importers of timber, can find ample resources in the region.
- Japan and South Korea have also been investing and New Delhi may explore areas of joint collaboration.
- The two countries are also looking at the feasibility of Chennai-Vladivostok sea route that would allow India access to Russia's Far East in 24 days, compared to the 40 days taken by the current route via Suez Canal and Europe. This route would potentially add the required balance to peace and prosperity in South China Sea and could open new vistas for India, like the India-Russia-Vietnam trilateral cooperation.
- The Far East has the potential to become an anchor in deepening India-Russia cooperation; more so considering that New Delhi has expanded the scope of its 'Act East policy' to also include Moscow.
- With its investment-friendly approach and vast reserves of natural resources, has the potential to strengthen India-Russia economic partnership in areas like energy, tourism, agriculture, diamond mining and alternative energy

Conclusion

Great power rivalry is back in international politics, making it more unpredictable. In times when U.S. President Trump is interested in 'deglobalisation' and China is promoting 'globalisation 2.0 with Chinese characteristics', it makes sense for India and Russia to increase their areas of cooperation and trade in order to hedge against disruptive forces and make their ties sustainable.

An intervention that leads to more questions

Category: GS 3 (Security)

Theme of the article

Revoking NFU does not necessarily mean giving up restraint, but it leaves India's nuclear doctrine more ambiguous.

Why has this issue cropped up?

Recently, Defence Minister Rajnath Singh appears to have altered a key pillar of India's nuclear doctrine when he tweeted that India's 'future' commitment to a posture of No First Use of nuclear weapons 'depends on the circumstances'.

India's nuclear doctrine

- Of course nuclear doctrine, like any directive guiding national security, needs to be a dynamic concept that responds to changing circumstances. However, this raises the question of what has changed in India's strategic outlook that requires a revision of one of the two foundational pillars of its nuclear doctrine.
- India is one of two countries — China being the other — that adheres to a doctrine of No First Use (NFU).
- India's nuclear doctrine consists of two pillars: The first is that India would maintain 'a credible minimum deterrent' and the second is "No First Use" i.e nuclear weapons will only be used in retaliation.
- The adoption of the nuclear doctrine came soon after Operation Parakram (2001-02), when the threat of a nuclear exchange on the subcontinent had figured prominently in international arena.

Restraint as a pivotal point

- Restraint has served India well. India used the strategic space offered by its repeated proclamations of restraint to repulse the intruders in Kargil 20 years ago and regain occupied land despite the nuclear shadow created by India and Pakistan's nuclear tests of 1998.
- Raising the nuclear threshold gave India the space for conventional operations and gained it sympathy in foreign capitals despite the fears of nuclear miscalculation that were widespread from Washington DC to London to Tokyo.
- India's self-proclaimed restraint has formed the basis for its claims to belong to the nuclear mainstream — from the initial application for the waiver in 2008 from the Nuclear Suppliers Group in order to carry out nuclear commerce with the grouping, to its membership of the Missile Technology

Control Regime, the Wassenaar Arrangement and the Australia Group and its ongoing attempts to join the Nuclear Suppliers Group.

Is revoking the commitment to NFU policy justified?

- While revoking the commitment to NFU does not necessarily equate with abandoning restraint, it does leave India's doctrine more ambiguous.
- Ambiguity, in turn, can lead to miscalculations, as India found out with Kargil (1999), where it would appear that Rawalpindi misread India's resolve to carve out space for conventional military operations despite the new nuclear overhang.
- Adhering to the NFU does not symbolise weakness, for India is committed to a devastating response to nuclear first use — a stance which underscores India's understanding of nuclear weapons as meant primarily to deter.
- NFU has its critics among those who advocate a more muscular nuclear policy for India.

Conclusion

At a time when there are multiple queries regarding the state of India's economy, the road map to normalcy in Jammu and Kashmir, the strength of India's federalism, to name a few, we can now add questions about what has changed in India's security environment to warrant a review of its nuclear doctrine. India's neighbours will be as interested in the answers as this country's citizens.

Privacy no longer supreme

Category: GS 2 (Polity)

Introduction

Two years ago, in K.S. Puttaswamy (Retd) vs Union Of India , a nine-judge bench of the Supreme Court unanimously held that Indians have a constitutionally protected fundamental right to privacy. However, two years on, the judgment has hardly resulted in a rights-based handling of personal data.

Three tests to be passed by the state

The judgment held that privacy is a natural right that inheres in all natural persons, and that the right may be restricted only by state action that passes each of the three tests:

- First, such state action must have a legislative mandate;
- Second, it must be pursuing a legitimate state purpose; and
- Third, it must be proportionate i.e., such state action — both in its nature and extent, must be necessary in a democratic society and the action ought to be the least intrusive of the available alternatives to accomplish the ends.

Significance of the judgment

- The judgment in Justice K.S. Puttaswamy (Retd) vs Union Of India fundamentally changed the way in which the government viewed its citizens' privacy, both in practice and prescription.
- It undertook structural reforms and brought transparency and openness in the process of commissioning and executing its surveillance projects, and built a mechanism of judicial oversight over surveillance requests.
- It demonstrated great care and sensitivity in dealing with personal information of its citizens.
- It legislated a transformative, rights-oriented data protection law that held all powerful entities that deal with citizens' personal data (data controllers), including the state, accountable.
- The data protection law embodied the principle that the state must be a model data controller and prescribed a higher standard of observance for the state.
- The law also recognised and proscribed the practice of making access to essential services contingent on the citizen parting with irrelevant personal information.
- This law established an effective privacy commission that is tasked with enforcing, protecting and fulfilling the fundamental right to privacy implemented through the specific rights under the legislation.
- The data protection law also revolutionised the technology sector landscape in the country, paving way for innovative privacy-aware and privacy-

preserving technical solution providers to thrive and flourish, and establishing the country as a global leader in the space.

Judgment not followed by the govt.

- The judgment in K.S. Puttaswamy effected little change in the government's thinking or practice as it related to privacy and the personal data of its citizens.
- It continued to commission and execute mass surveillance programmes with little regard for necessity or proportionality, with justifications always voiced in terms of broad national security talking points.
- The Ministry of Home Affairs, in December last year, authorised 10 Central agencies to “intercept, monitor and decrypt any information generated, transmitted, received or stored in any computer in the country”.
- In July last year, it became known that the Ministry of Information Broadcasting had floated a tender for ‘Social Media Monitoring Hub’, a technical solution to snoop on all social media communications, including e-mail. The government had to withdraw the project following the top court's stinging rebuke.
- A request for proposal for a similar social media surveillance programme was floated in August last year by the Unique Identification Authority of India (UIDAI), which is presently under challenge before the Supreme Court.
- The Income-Tax department has its ‘Project Insight’ which also has similar mass surveillance ends.

Data use vs. privacy

- The government has shunned a rights-oriented approach in the collection, storage and processing of personal data and has stuck to its ‘public good’ and ‘data is the new oil’ discourse.
- In other words, personal data in the custody of the state is for the state to use, monetise and exploit in any manner it desires so long as it guards against security incidents such as breaches and unauthorised access — i.e. unauthorised by the government.

- This convenient redux of the idea of privacy to mere information security appears to inform all its policies. This is evident from this year's Economic Survey as it commends the government for having been able to sell and monetise the vehicle owners' data in the Vahan database and exhorts it to replicate the success with other databases.
- The Justice Srikrishna committee which has published the draft Personal Data Protection Bill uses a similar language of 'free and fair digital economy', with the digital economy being the ends and the notion of privacy merely being a shaper of the means – not only misrepresenting the purpose of the bill, but also its history and the mischief that it intended to tackle.

Conclusion

A rights-oriented data protection legislation — which includes comprehensive surveillance reform prohibiting mass surveillance and institution of a judicial oversight mechanism for targeted surveillance — and which recognises the principle that the state ought to be a model data controller as it deals with its citizens' personal information; is still possible.

Giving wings to better air connectivity

Category: GS 3 (Infrastructure)

Theme of the article

A cooperative federalism framework can provide the required impetus to the civil aviation sector.

Introduction

Civil aviation is a Central subject and one that barely got significant attention from the States until recently. It is evident from the fact that very few States in India have active civil aviation departments.

Changing role of states

- States have had a passive role. They had to look up to the Central government for the development of airports and enhancing air connectivity.
- However, in the last four years, the situation has changed considerably. The cooperation of States is seen as a major factor in the growth of the civil aviation sector.

- The Regional Connectivity Scheme, UdeDeshkaAamNaagrik (UDAN), has become a game changer as this flagship programme has a built-in mechanism to develop stakes of State governments in the growth of the sector.
- Thirty States and Union Territories have already signed memoranda of understanding with the Central government.
- The policies of States and Centre are now being interlinked to make flying accessible and affordable.

Suggestions to jump-start the aviation market

- For any airline in India, the cost of Aviation Turbine Fuel (ATF) forms about 40% of the total operational cost. States have very high rates of value-added tax (VAT) on ATF — sometimes as high as 25% — which has dampened the growth trajectory of civil aviation. Relief on ATF is a major incentive for airlines to augment their operations. For States, it would be a notional revenue loss which can be offset by enhanced economic activities as a result of increased air connectivity to the region.
- The second area is in the development and management of airports. There are many regional airports which can be developed by States on their own or in collaboration with the Airports Authority of India (AAI). In this, there have been different models of public-private-partnership which can be leveraged to develop infrastructures.
- Third, States and the Central government can play a crucial role in supporting airlines to develop air services in the remote regions. Considering the infrastructural constraints and difficult terrain, small aircraft operators need to be encouraged.
- Fourth, Convergence is an element in governance which is often overlooked due to a compartmentalisation in implementation. States may converge their relevant schemes relating to tourism, health, and insurance for supporting air connectivity to supplement the objectives of regional connectivity.
- Fifth, States need to create a conducive business environment to facilitate the strong aspirations of a burgeoning Indian middle class to fly at least once a year. It would boost ticket sales from the present level of eight crore domestic tickets.

Conclusion

Developing airports, incentivising airlines and pooling resources of both the Union and State governments can accelerate the harmonised growth of the Indian civil aviation sector which would be equitable and inclusive.

Talking trade with the EU

Category: GS 3 (International relations)

Theme of the article

Why it is important for India to hasten talks with the EU on a free trade agreement.

Introduction

As the economy begins to suffer from the U.S.-China trade war, it is imperative for India to pursue a free trade agreement (FTA) with the European Union (EU). Last month, negotiators from both sides met in Brussels, for more talks about talks, but time is now running out for New Delhi.

Time to engage with EU

- Moving beyond the U.S. and China, this is the right time for India to engage the EU as an indispensable democratic partner to craft a favourable geo-economic order.
- A series of economic and geo-strategic factors make the need for an economic deal with the EU more urgent.
- First, Without preferential FTA tariffs or GSP+ status, India will struggle to keep exports competitive for Europe, its largest trade partner where 20% of its exports land up. The good news here is that India's talks with the EU have been advancing slowly but steadily. From agriculture to intellectual property, the EU and India have quietly been exchanging and aligning views. New areas like e-commerce have registered significant convergence.
- Second, beyond mere economic cost-benefit analysis, India must also approach an EU FTA from a geo-strategic perspective. With Mr. Trump's hostile spotlight focussing on India, and lingering concerns about the Regional Comprehensive Economic Partnership, New Delhi must realise the long-term strategic benefits of a trade deal with Europe.

- Third, EU negotiators are now more willing to make concessions on labour or environmental regulations, which used to be insurmountable obstacles. The collapse of the Transatlantic Trade and Investment Partnership and concerns about excessive economic reliance on China have propelled the EU to become a little more pragmatic, which New Delhi should leverage before it's too late.
- Fourth, the EU also offers India a unique regulatory model that balances growth, privacy and standards. India's governance framework shares the European norms of democratic transparency and multi-stakeholder participation on a variety of new technological domains, from regulating artificial intelligence to 5G networks.

Conclusion

When New Delhi speaks of Europe as a strategic partner to uphold a multipolar order, it must go beyond security and begin with the business of trade and technology.

Rediscovering development banks

Category: GS 3 (Economy)

Theme of the article

The agenda to set up a development bank is a welcome initiative, but questions remain on its design

Why has this issue cropped up?

FM Nirmala Sitharaman while announcing a slew of measures to boost the economy and financial market sentiments, had an interesting idea. It was about setting up a development bank.

Purpose of development bank

The purpose is to improve access to long-term finance, to provide credit enhancement for infrastructure and housing projects.

What are development banks?

- Development banks are financial institutions that provide long-term credit for capital-intensive investments spread over a long period and yielding low rates of return, such as urban infrastructure, mining and heavy industry, and irrigation systems.
- Such banks often lend at low and stable rates of interest to promote long-term investments with considerable social benefits.
- Development banks are also known as term-lending institutions or development finance institutions.
- To lend for long term, development banks require correspondingly long-term sources of finance, usually obtained by issuing long-dated securities in capital market, subscribed by long-term savings institutions such as pension and life insurance funds and post office deposits.
- Considering the social benefits of such investments, and uncertainties associated with them, development banks are often supported by governments or international institutions. Such support can be in the form of tax incentives and administrative mandates for private sector banks and financial institutions to invest in securities issued by development banks.

Development banks vs Commercial banks

Development banks are different from commercial banks which mobilise short-to medium-term deposits and lend for similar maturities to avoid a maturity mismatch — a potential cause for a bank's liquidity and solvency. The capital market complements commercial banks in providing long-term finance.

Origin of development banks

In the context of the Great Depression in the 1930s, John Maynard Keynes argued that when business confidence is low on account of an uncertain future with low-interest rates, the government can set up a National Investment Bank to mop up the society's savings and make it available for long-term development by the private sector and local governments.

India's development banks

- IFCI, previously the Industrial Finance Corporation of India, was set up in 1949. This was probably India's first development bank for financing industrial investments.
- In 1955, the World Bank prompted the Industrial Credit and Investment Corporation of India (ICICI) — the parent of the largest private commercial bank in India today, ICICI Bank — as a collaborative effort between the government with majority equity holding and India's leading industrialists with nominal equity ownership to finance modern and relatively large private corporate enterprises.
- In 1964, IDBI was set up as an apex body of all development finance institutions
- As the domestic saving rate was low, and capital market was absent, development finance institutions were financed by (i) lines of credit from the Reserve Bank of India and (ii) Statutory Liquidity Ratio bonds, into which commercial banks had to invest a proportion of their deposits. In other words, by sleight of government hand, short-term bank deposits got transformed into long-term resources for development banks.
- However, development banks got discredited for mounting non-performing assets, allegedly caused by politically motivated lending and inadequate professionalism in assessing investment projects for economic, technical and financial viability.
- After 1991, following the Narasimham Committee reports on financial sector reforms, development finance institutions were disbanded and got converted to commercial banks. The result was a steep fall in long-term credit from a tenure of 10-15 years to five years.

Development banks in other countries

- China's development banks have been at the forefront of financing its industrial prowess. After the global financial crisis, these institutions have underwritten China's risky technological investments helping it gain global dominance in IT hardware and software companies.
- Germany's development bank, KfW, has been spearheading long-term investment in green technologies and for sustainable development efforts requiring long-term capital.

The concern

A few hard questions need to be addressed in designing the proposed institution. How will it be financed? If foreign private capital is expected to contribute equity capital (hence part ownership), such an option needs to be carefully analysed, especially in the current political juncture. The design of the governance structure is fraught with dangers with many interest groups at work.

Conclusion

The political and administrative leadership should carefully weigh in the past lessons to lay a firm foundation for the new institution.

Spelling out the government's RBI windfall

Category: GS 3 (Economy)

Why has this issue cropped up?

RBI has announced a huge transfer of its surplus of ₹1.76 lakh crore to the Central government.

Surplus transfer

- The transfer of Reserve Bank of India (RBI) surplus to the government is a routine matter.
- Every year after the finalisation of the accounts of the RBI its surplus is transferred to the Central government sometime in end-August; this augments the non-tax revenue of the Central government.
- Normally, an estimate of such a transfer is decided informally between the RBI and the Central government by January and finds a place in the Budget estimate, typically announced in early February.
- But this year is an exception. RBI has announced a huge transfer of its surplus of ₹1.76 lakh crore to the Central government.

Not good for economy argument

- The government, facing a resource crunch, has arm-twisted the RBI to transfer some of its reserves. This is not good for the economy. As when and if the economy faces a crisis, the RBI may not have adequate money to protect it.
- Also it denotes an erosion of the RBI's independence. This assumes credence in view of the perceived difference of opinion between the RBI and the Central government, as well as the resignation of the former RBI Governor, Urjit Patel in 2018.

Good for economy argument

- The central bank is a unique institution; it is backed by the faith reposed on it by the Central government, and therefore, a huge amount of reserves with the central bank is in the nature of idle cash which could have been utilised more productively in the economy.
- This year, the Central government has done precisely this. The RBI decided to transfer this increased surplus after following due process and after accepting the recommendations of the Jalan Committee.
- Jalan committee does not seem to have compromised on arriving at the economic capital framework of the RBI and has calculated the extent of excess capital of the RBI under a set of fairly standard and conservative assumptions.
- At this juncture of the Indian economy — when the spectre of a slowdown is looming large and when channels of credit disbursements are choked because of a lack of capital with the commercial banks — a transfer of such additional money to the government could enable the government to go in for bank recapitalisation in a big way and would be good for the economy.
- The transfer of the additional surplus from the RBI could enable the government to pursue efforts towards stimulating the economy while maintaining budget discipline.

Conclusion

The final impact of such actions on the independence of the RBI would crucially depend upon the future course of such transfers.

The Last Window

Category: GS 3 (Environment)

Theme of the article

Like other countries, India too must act quickly and decisively on the IPCC report.

Introduction

Every developing nation needs industrial growth, but given the severity of the threat we face in climate change, not factoring in the importance of preserving prudently chosen and managed forest cover would be ill-advised.

The IPCC report

- The 2018 IPCC Special Report on Global warming of 1.5°C delivered a clear message: Human activities have caused an approximately 0.87°C rise in global average temperature over pre-industrial times.
- The latest IPCC report takes the warning further and states that the land surface air temperature has risen by nearly twice the global average temperature, at about 1.3°C.

India's case

- Given the direct impact the world's land systems have on human well-being, livelihood, food security and water security, the report cannot be overlooked, and especially not by acutely vulnerable India.
- Desertification of land under agricultural use will exacerbate the already worsening dangers of declining crop yields and crop failures.
- Combating it requires the urgent implementation of measures from the set of several remedial options proposed in the report, including reduced tillage, planting cover crops, improvements in grazing management and greater use of agroforestry.
- However, another key component is maintaining and extending forest cover, as forests act as enormous natural carbon sinks. In this context recent news

that suggests the dilution of environmental impact assessments (EIAs) in India seems regressive.

- Industrial development and environmental protection can be planned prudently to be compatible.
- Land sparing industrialisation, appropriate zoning and environmental safeguards are possible without being in conflict with replacement of the ecological services provided by the natural growth-forest ecosystem.
- Every developing nation needs industrial growth, but given the severity of the threat we face in climate change, not factoring in the importance of preserving prudently chosen and managed forest cover would be ill-advised.
- Global assessment reports have also shown that consulting indigenous people is an important way of integrating local knowledge with scientific knowledge.
- Water management is also critical. Agriculture in India accounts for more an estimated 86 per cent of the country's freshwater use. The water intensity of Indian paddy is also below global best practices.
- With receding glaciers, there is need to manage water better both in the short and in the long run — especially in India — to address the challenge of food security.
- The Union government has commendably taken up the goal of “irrigation water productivity”. Yet, promoting compatible irrigation practices like drip irrigation, sprinkler irrigation, use of water efficient agricultural practices, etc. needs to be taken up on a war footing.
- The largely forgotten traditional rainwater harvesting practices like building tanks and artificial ponds in low-lying catchment areas need to be scaled up across the nation.
- Consumption and waste management in the food sector is considered to have climate implications as well. A shift towards a more plant-based based diet is considered a healthy sustainable dietary option in the IPCC report.
- The UN estimates that the world's population could breach 9.7 billion by 2050, so the need to augment food supplies per unit availability of land and water is a necessary target. The shift is even more pertinent for India as its

yet largely poor population will be one of the first to be affected by constrained food supplies.

- Diversification of the food system, balanced diets, low meat diets are all identified with health benefits, adaptation, mitigation and sustainable development benefits. Livestock sector management with crop management is necessary for multiple benefits.
- Unlike many countries which have crossed the health safety limits of meat consumption with rising incomes, India need not follow the same path. Here, education can play an important role in managing meat consumption.
- Market incentives too need to be aligned with human health benefits. Like for many other countries, there is a very small window left for India's policymakers to respond to the severity of the threat.
- However, there are some cultural advantages for India and multiple options for adopting sustainable practices to avoid a carbon-intensive development path.

Conclusion

It is hoped that the well-being of the masses will take precedence over short-term economic gains for a few.