

9pm Compilation

14th to 19th Mar 2022

General Studies - 1

1. WESTERN MNCs HAVE WEAKENED GLOBALIZATION BY TAKING SIDES
2. Sanskritisation

General Studies - 2

1. Treating values of individual freedom as trifles
2. May all mothers live: on Maternal Mortality rate
3. Looming fertilizer shortage
4. THE ECLIPSE OF SOVEREIGN EQUALITY
5. Fragmenting world order, untied nations
6. The war's cold facts and what India needs to glean
7. Ukraine invasion and the great geopolitical reset
8. Ukraine invasion, global wheat supply and India's opportunity
9. RUSSIA'S MISADVENTURE IN UKRAINE SETS OFF EUROPEAN RE-ARMAMENT
10. NO OVATION FOR INDIA'S STAND ON UKRAINE WAR
11. 'BHARATNATYAM' IN INDIAN DIPLOMACY
12. A MISFIRING AND ITS TRAIL OF POOR STRATEGIC STABILITY
13. BrahMos can't be mistaken for nuclear-tipped missile
14. On the Issue of Accidental Indian missile drop in Pakistan
15. Our weak educational outcomes have a wide set of societal causes
16. Towards inclusive education
17. Fixing Indian Higher Education is the ideal way to rescue students
18. Let an open market for vaccines fulfill demand
19. Why next FATF review is critical for India?
20. United Nations votes are not black and white
21. Aarogya Setu proved to be of limited utility, and it only aroused the suspicion of a wary citizenry.

General Studies - 3

1. Why special situation funds are necessary
2. GoI tracks the money trail: How PFMS will pull plug on spending slippages
3. LESSONS IN OUR HICCUPS OVER SELLING AN LIC STAKE
4. Monetising surplus land held by state is a good idea, it needs to be done with transparency, sensitivity to public interest
5. Will a services exports-driven economic growth strategy work for India?
6. Electric vehicles can't go too far in reducing our use of fossil fuel
7. Why 'de-dollarisation' is imminent?
8. Clean energy should use the battery of a circular economy

General Studies Paper - 1

General Studies - 1

GS1 – Society – Effect of Globalization on Indian society

GLOBALIZATION AND RELATED ISSUES

1. WESTERN MNCs HAVE WEAKENED GLOBALIZATION BY TAKING SIDES

Source: This post is created based on the article “R Western MNCs have weakened globalization by taking sides”, published in **Live Mint** on **14th March, 2022**.

News: Recently McDonald's closed its outlet in Moscow. This could be bad news for the global economy.

Why is this move of MNCs against globalization?

Firstly, It reflects **that** MNCs are not neutral, furthermore, it is being advertised as **corporate virtue signaling or their good moral values**. It has undermined the argument that companies are geopolitically neutral. Present MNCs have gone against the examples set by MNCs of the 1990s and 2000s. They never cared about domestic criticism for their political neutrality in foreign countries.

Secondly, Policymakers will now perceive **foreign companies as extensions of foreign governments**: For instance – what will be the difference between TikTok and Huawei (seen as instruments of the Chinese state) and other Western firms such as YouTube (acting in accordance with US's foreign policy).

Third, This can lead to **limiting foreign investments**: This will compound the challenge of global economic recovery in light of the US-China trade war and the pandemic.

Fourth, This can lead to a situation of **Economic Balkanisation**: restricting access to technology, energy, food. Along with greater regulations of critical sectors such as defense, finance, telecommunications, media.

Global cooperation in tackling climate change, energy transition, and combating pandemic will become much harder.

Need for globalization:

A world dominated by economic nationalism cannot escape political conflict. The free movement of goods, capital, people, ideas have actually helped in maintaining world peace. Globalization helps by giving countries what they want, without the use of force.

What should India do?

India must champion the cause of global economic reconnection. It should focus on high economic growth for national interest, by:

1. Positioning itself as a stable, secure, prospering economy to attract foreign investors.
2. Creating a middle path between impoverishing autarky and risky laissez faire.
3. Promoting competition and preventing market domination.
4. Broadening trade with energy and defence suppliers to mitigate political coercion.
5. “Bubbles of trust” with countries of common interest and values can help manage geopolitical risks.

GS1 – SOCIETY – CASTE SYSTEM

SANSKRITIZATION

2. Sanskritisation

Source: The post is based on an article “Sanskritization” published in the Hindu on 15th march 2022

Context: A long-drawn phenomenon that is not restricted to caste hierarchy, but also encompasses a wider social and cultural process.

Concept of Sanskritization

It was coined and popularised by M.N. Srinivas, an eminent social anthropologist in his book *Religion and Society Among the Coorgs of South India* (Oxford, 1952),

Initially, ‘Sanskritization’ referred to the lower castes’ adoption of the “Brahmanical” ways of life. But gradually, the process also involved the adoption of the practices and rites of the locally dominant caste in a particular region. It included non-Brahmin castes which were politically powerful, socio-economically influential and ritually higher in the local caste hierarchy.

It allowed the mobility in caste positions/roles for certain castes.

What are the limitations of the Sanskritization Phenomenon?

The process itself do not always result in higher social status for the lower castes. For example, it did not guarantee higher social stature and did not lead to improvement in the everyday life of Dalits.

It is because other factors such as economic well-being, political power, education, establishment of historical evidence for their affiliation to/descent from a particular caste/caste lineage were also important for their aspirations for higher social positions

Multiple angles about the nature of Sanskritization

First viewpoint: Sanskritization’ was a civil campaign of dissent, resistance and challenge against the hierarchical and hereditary nature of the caste structure in Indian society

Second viewpoint: Multiple developments in Indian socio-polity opened up a range of socio-political issues/changes in India not entirely related to Sanskritization. For example, modernity, political independence, social reform movements, agrarian class relations, anti-caste struggles, globalisation, etc. These developments have indicated the problems in assessing and analysing caste relations and the Hindu social structure through the exclusive prism of Sanskritisation.

What are various issues in the study of the phenomenon of Sanskritization alone?

Although, Sanskritization movement allows social mobility within the Indian society. But it encompasses a number of problems: These are

It reinforces the **graded inequalities** and practices in the name of caste in Indian society. It does not offer a strong critique and denunciation of the caste system as a whole.

It ignores the existence of a **pre-/non-caste, egalitarian society** that used to be present in Indian society.

It ignores the **role of anti-caste struggles** which did not follow the cultural-ritual trajectory of Sanskritization. Unlike the Sanskritization model, which reinforces caste relations, anti-caste politics emphasises the destruction of the caste system. It advocates the destruction of other

undemocratic/inegalitarian values, customs and institutions associated with it. The approach advocates for 'casteless humans'.

Way Ahead

Indian society continues to witness movements of both the types – **Sanskritization** as well as **Anti-caste struggles**.

Therefore, both the processes require a separate and integrated study and analysis, taking into consideration socio-economic, cultural and political factors.

General Studies Paper - 2

GS2 – POLITY – FUNDAMENTAL RIGHTS

HIJAB ROW IN KARNATAKA

RIGHT TO FREEDOM OF RELIGION

1. Treating values of individual freedom as trifles

Source: The post is based on an article “Treating values of individual freedom as trifles” published in **The Hindu** on **17th Mar 22**.

Syllabus: GS2 – Significant Provisions of the Constitution of India

Relevance: Essential Religious Practices and Freedom of Conscience (Article 25)

News: Recently, The Karnataka high Court has given its judgment in the hijab controversy case (or the **Resham v/s State of Karnataka Case (2022)**), wherein a ban imposed on the use of hijabs by students in classrooms across the State (Karnataka) was upheld.

What has the High Court said in its judgement?

The High Court’s judgement is based on the following three conclusions:

- The wearing of a hijab is **not an essential practice** of the Islam. Therefore, the right to freedom of religion is not impinged;
- No substantive right to free expression and privacy can be claimed within the confines of a classroom. The court classifies the classroom as **“qualified public space”**, where individual rights cannot be asserted to “the detriment” of “general discipline and decorum”.
- The government’s order does not by itself ban the use of a hijab, it is neutral, and therefore, there is no discrimination aimed at Muslim women students.

The judgment holds that any accommodation in the uniforms defeat the very purpose of uniforms.

The Court ruled that the individual’s rights could be abridged in the interests of public order, morality or health.

What are the issues with the judgement?

Ideals of the Constitution of India: As per The Preamble, the state has to secure to all citizens, liberty, equality and fraternity which were called as **“a union of trinity”** by Dr. BR Ambedkar. Divorce one from the other defeats the very purpose of democracy.

Enforcing popular morality: In *Resham vs State of Karnataka Case (2022)*, the Karnataka High Court (HC) has enforced the popular morality of the day. It has given a blow to the B.R. Ambedkar’s union of trinity.

Court’s use of Precedent: The court referred to only those “essential religious practices” which are enjoying constitutional protection. These did not cover wearing of a hijab as a legitimate exercise of religious freedom. Similarly, the SC did the same Tandav Dance / Ananda Margis faith related case in 2004.

Free choice and state action: In this case individual freedom was not at odds with group rights. Here, the exercise of **free choice** has been curtailed by state action.

In this case, the wearing of the hijab was pleaded to be a matter of **“freedom of conscience”** guaranteed in **Article 25 of the Constitution**. Unlike this case, In the **Bijoe Emmanuel Case (1986)**, SC protected the freedom of conscience i.e., right of a student of not singing of the national anthem.

In the present case, the **onus to prove** that the petitioners conscientiously believed in the necessity of the hijab was **put on the students**. However, the onus should have been on the state to establish that students were not wearing the hijab out of a sense of conscience.

Choosing to wear the hijab is merely exercising a form of identity relatable to the rights to freedom of speech and privacy.

Ignoring the test of proportionality: Court ignored determining when and how the right to free expression can be legitimately limited

What is the way forward?

There could have been “reasonable accommodation in this case. For example, Kendriya Vidyalayas(KVs), allow for hijabs within the contours of the prescribed uniforms i.e., even within the existing dress code, many accommodations can be made.

Judiciary should act as a “**sentinels on the *qui vive***”. It should prevent any effort to undermine social democracy.

2. May all mothers live: on Maternal Mortality rate

Source: This post is based on the article “**May all mothers live:**” published in **Live Mint** on **15th March 2022**.

News: India’s maternal mortality ratio has decreased from 122 to 103 (maternal deaths per lakh live births) between 2015-17 and 2017-19, shown by SRS data. India’s SDG target is to bring its MMR below 70 by 2030.

What can be done to improve further?

Understanding disparities: Need for different state or region wise solutions. For instance:

- **Kerala** – MMR improved from 42 to 30, showing pushing up standards from already high levels.
- **Uttar Pradesh** – MMR is 167, but it has delivered a dramatic 49 points improvement from 216.
- **West Bengal** – MMR worsened from 94 to 109.

Centre can assess different schemes objectively and increase investment or introduce reform wherever needed.

Collect data on how pandemic has hurt reproductive care services:

- Need to prevent reversal of gains as major interventions such as Institutional deliveries and access to Asha workers was reduced.
- Need to ensure these services are back on track as Covid deaths drop.

Beyond this, India should take inspiration from countries that have already brought their MMR down to single digits – like Belarus, Poland and the UK.

RUSSIA – UKRAINE CONFLICT

3. Looming fertilizer shortage

Source: The Post is based on an article “**Looming fertilizer shortage**” published in the **Business Standard** on **16th Mar 22**.

News: The Ukraine war has disrupted the supplies of fertilisers in the international market. It could impact India too, as it depends heavily on imports for meeting their burgeoning requirement of fertilizers. For example, India's import dependence is about 25% for urea, nearly 90% for phosphates, and 100% for potash.

Why the supplies of fertilisers have shrunk?

It is due to interruption from the war-hit Black Sea region as well as reduction in exports by many European countries and China. For example, Russia, Belarus and Ukraine meet a sizeable part of India's plant nutrients requirement, especially that of DAP and MOP.

What is the likely impact on India?

Inevitable surge in fertiliser subsidy: The subsidy bill is bound to outstrip the budget amount of Rs 1.05 trillion for 2022-23 by a huge margin if the government intends to shield the farmers against the high cost of imported fertilisers by raising the price discount (subsidy) on decontrolled phosphoric, potassic and mixed fertilisers

Any decline in fertiliser use is bound to **impact the crop** yields in the next season. It may affect farmers' income, push up prices of agricultural commodities, fuel inflation and result in the black marketing of fertilizers in several states.

Exploring other markets: Many **private importers** have already begun exploring possibilities of buying the stuff from Canada and other countries.

What measures have been taken by India?

The government invoked the **Fertiliser Control Order** to penalise hoarders and others indulging in malpractices,

The local output of urea is likely to improve due to revival of the defunct fertiliser plants at Ramagundam, Sindhri, Barauni and Gorakhpur. But the same cannot be said about phosphatic and potassic fertilisers.

What is the way forward?

Discovery of some phosphate deposits: It has been found in different parts of the country, notably Rajasthan, Central peninsula, Hirapur area in Madhya Pradesh, and Cuddapah basin in Andhra Pradesh.

India needs to intensify its ongoing efforts to become self-sufficient in urea and explore means to reduce import dependence on phosphatic and potassic fertilisers.

4. THE ECLIPSE OF SOVEREIGN EQUALITY

The Ukraine crisis has shown the weakness of International law and especially given a blow to 'Principle of **sovereign** equality'.

What is principle of sovereign equality under international law?

It is juridical in nature i.e., all states are equal under International law. Despite the differences between military power, economic clout, population, geographical size etc. It is a fundamental principle of the UN.

The UN Charter states that the primary objective is to protect successive generations from scourge of war. To meet this end: principles of sovereign equality, territorial integrity, collective security, non-aggressive and peaceful settlement of disputes are regarded as fundamental.

What is an act of aggression under international law?

International law defines aggression as any use of armed force in international relations. In certain cases the use of aggression is permissible such as:

- Defensive necessity
- International authority (Ex – collective action by UN)
- Consent of state in which force is used.

However, in Russia's invasion of Ukraine, none of these defenses apply. Hence, it is a violation of Ukraine's sovereignty.

Provisions regarding aggression in the UN Charter:

6. **Article 2(4) of the UN Charter** states the principle of non-aggression:
7. "All Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the Purposes of the United Nations."
8. **Article 39** contains the **Doctrine of Collective Security**:
9. Wherein the Security council determines that there is any threat or breach of peace, or an act of aggression. Accordingly, the Council makes recommendations or takes measures to restore International peace and security.

Challenges in the UN system:

10. **Oligarchy in UN:** The Permanent 5 (P5) members of the UN Security Council (US, UK, France, Russia, China) represent an undemocratic and oligarchic system.
11. **Against the principle of sovereign equality:** For instance, Russia vetoed a draft UNSC resolution regarding criticism of Moscow's invasion of Ukraine. This veto rendered futile the vote given by 80 countries in favour of Ukraine.

The Ukraine crisis reflects the 'might is right' world order, one where some are equal but some are more equal than others. There is a need for 'rule-based international order' based on sovereign equality and collective security.

5. Fragmenting world order, untied nations

Source; The post is based on an article “Fragmenting world order, untied nations” published in the Hindu on 15th March 2022

News: The Russian war on Ukraine is going on and it has become three weeks long conflict. Therefore, it is going to have various consequences:

Consequences of Russia Ukraine war

The global order has broken down: The Ukraine crisis is a bigger blow to the post-World War order than any other conflict such as the US Iraq Invasion in 2003, Israel’s bombing of Lebanon in 2006, and the Saudi coalition’s attacks of Yemen in 2015. It violates every line of the UN Charter preamble. It has exposed the **ineffectiveness of the UN system**. For example, An UN General Assembly (UNGA) resolution that decried Moscow’s actions, was brushed off. Also, **UNSC** proved ineffective in even condemning Russian aggression.

Emergence of Alternative trading arrangements and Non-Dollar System: Russia can explore alternative trading arrangements with countries such as China, India, and much of Eastern Hemisphere. For example, New Delhi used a rupee-rouble mechanism and banks that were immunised from the U.S.’s [CAATSA](#) sanctions (or Countering America’s Adversaries Through Sanctions Act) for advance payments in the S-400 missile defence deal. There is a possibility that Russian banks can now use the **Chinese “UnionPay”** for online transactions. Gradually, the world may see a **“non-dollar”** system emerging which would run banking, fintech, and credit systems separately from the “dollar world”.

Nuclear safeguards have been withered: The nuclear non-proliferation regime’s credibility has been challenged, for example, Ukraine & Libya willingly gave up nuclear programmes. In fact, in this conflict, Ukrainian Chernobyl Nuclear Power Plant and the Zaporizhzhya nuclear power plant are being attacked by the Russian military. On the other hand, Iran and North Korea could defy the global order because they have held on to their nuclear deterrents.

Rise in the role of non-state actors: For example, Pro-Russia armed militia are operating in the Donbas regions. Also, the Ukrainian President, has invited all foreign fighters to voluntarily fight from the Ukrainian Side. It reminds us “International Brigades” in the Spanish Civil War of the 1930s, comprising foreign volunteers from about 50 countries.

Cultural isolation of Russia: The Western countries have imposed a comprehensive boycott of Russia. Russia is going to be socially and culturally isolated. For example, Russian-owned, Russian-controlled or Russian-registered planes have been banned from EU airspace. The Russian channels have been banned in Europe. Such an “isolation” extends to art and music. Therefore, it brings to memory Churchill’s famous speech, “The Sinews of Peace”, when he first referred to the **“Iron curtain coming down”** between Soviet Russia and Western Europe.

6. The war’s cold facts and what India needs to glean

Source: the post is based on an article “The war’s cold facts and what India needs to glean” published in the Hindu on 15th March 2022

Context: As the Ukraine-Russia war nears the end of three weeks, it is time for India to learn lesson from this war and find its position in the real world of geopolitics.

What is the lesson to be learnt from the Ukraine-Russia War?

First, a **nation's vital interests** can be protected **only by that nation itself**. For example, in this war Ukrainians alone are facing the brunt of the Russian military might. The West is only supplying arms and intelligence inputs.

Similarly, during the 1962 India-China war, Moscow had no time for New Delhi and the Americans offered only moral and logistic support despite New Delhi's request for military help.

Therefore, after the 1965 and 1971 wars, India re-armed itself in a big way. Later, in 1974, and 1998, India demonstrated its scientific capability through a 'peaceful' nuclear explosion and India became a nuclear power.

Is status of nuclear power nations enough for India?

A country cannot only be **nuclear power**, it also needs to be **conventional power**. Nuclear weapons act as a deterrent between two nuclear powers only in the nuclear realm, it cannot be a substitute for 'conventional' power. It is because **conventional Power** provides strategic autonomy in matters of national security.

India lacks independence in this area. India has been heavily dependent on Russia and US for arms.

Russia: India purchased MiGs, Sukhoi's, S-400, etc. from Russia. Therefore, India had to abstain on Ukraine in United Nations (UNs) resolution.

West: After the end of Cold War, India **diversified its arms purchases** to dilute its dependence on Russia for arms. But now India has also become heavily dependent on the West. For example, India purchases from the West include the American C-17 and C-130J Super Hercules aircraft, Chinook and Apache attack helicopters, Boeing P-8I long range aircraft for maritime surveillance, The Indian Army's M777 artillery guns, the IAF's Rafale and Mirage fighters from France, Jaguars from Britain and a multitude of drones from Israel;

India has signed three 'foundational' agreements with the U.S. such as Countering America's Adversaries Through Sanctions Act (CAATSA) etc.

Way Ahead

There is no other way out but to make India self-reliant in defence sector. Therefore, self-sufficiency in defence research and development and manufacturing is an inescapable imperative.

7. Ukraine invasion and the great geopolitical reset

Source: This post is based on the article **"Ukraine invasion and the great geopolitical reset"** published in **Indian Express** on **15th Mar 2022**.

Context: Article explains the global dynamics after Russia-Ukraine war.

Major wars have significant consequences for the internal and international politics of the combatant nations. For instance, **Indo-Pak war of 1971:**

- Liberated Bangladesh
- Altered balance of power between Delhi and Islamabad
- New Pakistani Constitution in 1973 to democratize a nation that was dominated by the Army.

However, in 1977 the army made a decisive comeback when General Zia-Ul-Haq seized power. He accelerated Pakistan's nuclear weapon program and institutionalized a strategy of cross-border terrorism against India.

Similarly, other great wars were also not without consequences;

Consequences of wars between great powers

The Napoleonic wars led to:

- Start of the Concert of Europe that limited local conflicts
- Sustained a regional balance of power for a century.

The First World War led to:

- Collapse of the Ottoman and the Austro-Hungarian empires
- Created new nations in Europe
- Boosted nationalism in the non-Western world

The Second World War led to:

- Defeat of fascism and the rise of the US and USSR.
- Accelerate the decolonisation of the global South.

Cold War led to:

- The defeat of Communism
- Breakup of the Soviet Union
- Setting the political stage for economic globalization.

Can the Russian war against Ukraine turn into a global war?

Presently, Biden has said that the US will not fight Russia in Ukraine. French President Emmanuel Macron has said that Europe is “not at war” with Russia.

However, Russia has begun to bombard the western part of Ukraine that borders NATO. Putin has signaled that the use of nuclear weapons is not off the table. This could lead to the sharpening of the conflict.

Will Ukraine’s invasion produce fundamental changes in the international system?

Presently, Russia’s unprovoked attack on Ukraine is triggering some major geopolitical changes across the world. Such as:

New dynamism in the great power triangle between the US, Russia, and China:

- Earlier the US hoped to distance Russia from China and focus all of America’s energies on the Indo-Pacific.
- Now, the US has reached out to China — to restrain Russia before the invasion.
- China has provided “rock-solid” support to Moscow. However, it is under some pressure to balance between Russia and the West due to its deep economic interdependence with the US and Europe.

Restoration of US primacy amongst the great powers by show of strategic unity by the West.

American disciplining of Europe: Especially Germany, where soft power has given way to rearmament.

EU’s Russia dilemma due to dependence on Russia in the energy domain. To reduce this dependence, America is reaching out to Saudi Arabia, Iran, Venezuela to fill the gap.

Adapting Asia:

- Japan is rethinking its nuclear abstinence.

9 PM Compilation for the Month of March, (Third Week) 2022

- South Korea wants to strengthen ties with the US, and explore potential cooperation with the Quad.
- Countries in the ASEAN region are waking up to the dangers of Beijing's rise.

What should India do?

Use the opportunity to increase its heft in the changing global balance.

More immediately, Delhi should move on a war-footing towards a rapid modernisation and expansion of its domestic defence industrial base to sustain India's strategic autonomy.

8. Ukraine invasion, global wheat supply and India's opportunity

Source: The post is based on the article "**Ukraine Invasion, Global Wheat Supply and India's opportunity**" published in the Indian Express on 14th March 2022

Topic: Economic opportunity for India in wake of Ukraine Crisis 2022

News: the Russia-Ukraine war continues to be at the centre of the world debate and recently, the Ukrainian President Volodymyr Zelenskyy has denied insisting on NATO membership which was one of the reasons for Russian invasion of Ukraine.

What are the negative effects of the Russia-Ukraine Conflict?

The **energy, gas prices** are surging and **wheat prices** are skyrocketing. For example, wheat prices in exporting countries like the US shot up to \$525/tonne, Australian wheat export prices touching \$395/tonne, Argentina at \$425/tonne, etc.

The US and its western allies may not compromise on the matter. They can put the strictest sanctions on Russia.

Russia-China Relation: China has openly indicated that it will stand firmly with Russia, it may not be good news for either NATO or India.

What are the opportunities for India in the wake of the crisis?

Read – [How much do Russia and Ukraine contribute to Wheat exports?](#)

Wheat Export can reduce India's **food subsidy bill** as well as compensate for the **higher costs of imports of crude oil**.

Structural Reforms: There are a number of issues, like state wise variation in procurement prices, for example, Punjab has 8.5% mandi fee/cess/ arhatiya commission while in most other states, it hovers around 3-4 per cent. Therefore, central government and states like UP. Punjab and Madhya Pradesh being the largest contributors to the central pool can take lead.

Way Ahead

To tap wheat window, the buffer stock of Food Corporation of India (FCI) can be used for exports of wheat.

Scaling down the target of procuring wheat in the coming marketing season: It can be done by letting the private sector buy wheat at competitive prices.

Procurement reforms: There should be symmetry in procurement costs. like the FCI can put a ceiling on procurement expenses (including arhatiya commissions/fees) to be no more than 3% of the MSP in all states.

Promotion of the private sector companies: state government can promote private players to build export lines, storage silos with grading, packaging and processing facilities.

PDS beneficiaries in wheat-growing states: they can be given an option to get grain or cash in lieu of grains.

9. RUSSIA'S MISADVENTURE IN UKRAINE SETS OFF EUROPEAN RE-ARMAMENT

Source: This post is created based on the article “Russia’s misadventure in Ukraine sets off European re-armament”, published in **Business Standard** on 14th March, 2022.

Syllabus: GS Paper 2 – International Relations – Effect of policies and politics of developed and developing countries on India’s interests

News: Russia’s ongoing invasion of Ukraine has been described as a turning point in the modern history of Europe. It has catalyzed European re-armament, rejuvenated NATO, caused Germany to reassert European leadership, and galvanized tentative Japanese militarism.

Situation before Russian invasion:

NATO countries, except USA and UK, were reluctant in spending at least 2 percent of their GDP on their militaries. It was suggested to ensure the alliance’s readiness to face any military challenge.

Just two months ago, Germany flatly declined to supply Ukraine with lethal weaponry. It also forbade other NATO countries from sending German-made weapons to Ukraine.

How Ukraine crisis has restarted the European armament?

Firstly, Germany immediately sent anti-tank weapons and Stinger anti-aircraft defense systems to Ukraine. Berlin also revoked its block on European Union (EU) countries that were supplying German-made equipment to other countries. This was accompanied by a huge rise in military spending.

Secondly, Former Japanese PM Shinzo Abe suggested that Japan should assume responsibility for nuclear defense and that it should consider a NATO-style nuclear-sharing arrangement with the US.

Third, The share prices of European and American defense industries have risen sharply. For example – Lockheed Martin’s share price saw a rise of 12.16 per cent.

Fourth, The Russian advance in Ukraine is moving close to Polish borders (NATO borders). Here, the US has dispatched soldiers to bolster NATO forces, creating a potential flashpoint.

How could it impact India?

Positive: For certain Indian micro, small and medium enterprises (MSMEs) that are a part of the supply chains of global aerospace and defence (A&D) companies, this event could trigger a significant increase in orders.

Negative: Shift towards **seller’s market** can give a blow to “**Make in India**” →

Earlier, New Delhi was pushing the big western defense corporations to set up production in India under the **Atmanirbhar Bharat**. It was calling shots in the buyer’s market. Now, their priority would be re-arming Europe and setting up corporations there.

Who is set to benefit?

Beijing is the biggest beneficiary of this crisis → The Russian advance has shifted the focus of the USA from China to the European theater. Along with increasing Russian dependence on China.

10. NO OVATION FOR INDIA'S STAND ON UKRAINE WAR

Source: This post is created based on the article “No ovation for India’s stand on the Ukraine war”, published in **The Hindu** on **14th March, 2022**.

News: The recent Russian invasion of Ukraine has put moral responsibility on India as one of the world’s largest countries and its populous democracy. At present, the Indian government has abstained in the UN Security Council vote on Ukraine. It has refused to condemn the violation of rights of the Ukrainians.

What are the arguments justifying India’s stance?

“Principle of National Interest” – In international affairs a country must be guided by its national interest. In the present situation, India’s interests have been clearly spelled out as:

- High dependence of India on Russia for defense equipment.
- India need of Russia for support on the Pakistan issue in the Security Council.

“East-West Conflict” – the Russian invasion and the West’s reaction is a conflict between the east and the west and India should stay out of it.

Historical Precedent – This is not the first time that such a line has been taken by India. Based on the same principles, India has previously abstained from voting in the UN on the Soviet invasion of Hungary in 1956.

What are the arguments against India’s stance?

National interest lies in following International Principles: India presently is facing territorial aggression from China. If India doesn’t want to see itself as a victim of territorial aggression in future, it must condemn Russia’s action. Hence, India should base its decision on international principles of “peaceful co-existence” and “territorial sovereignty.”

Defence supply agreement: It is not evident that anything supplied by the Russians cannot be sourced from the global arms market. For example, India has brought guns from Sweden, ships from the UK, aircrafts from France.

Difference between 1956 and now: Unlike in the 1950’s, the West doesn’t unconditionally support Pakistan vis-a-vis India. Presently, Russia encourages Pakistan.

looking at this situation through an **“East v. West”** lens **Narrow approach** is not correct. This situation shows “unprovoked aggression” by a strong country towards an Independent country. It is against the Indian principles of **“Vasudev Kutumbakam”** and its aim of becoming a **“Vishwaguru”**.

Lastly, at present, India should stands in the company of Russia and China, which are not democracies as understood. India needs to rethink on the lines of it’s democratic principles and Panchsheel.

GS2 – INTERNATIONAL RELATIONS – INDIA AND ITS NEIGHBORHOOD

INDIA'S FOREIGN POLICY

11. 'BHARATNATYAM' IN INDIAN DIPLOMACY

Source: This post is created based on the article “Bharat Natyam’ in Indian diplomacy” published in The Hindu on 16th March 2022.

This term was coined by Jyotindra Nath Dixit, who was a former Foreign Secretary. **‘Bharatnatyam’** in Indian diplomacy means that – “you may appear in different forms to others but after you have first secured your interests.” The following events can be regarded as an example:

1.) Republics and Moscow – After the dissolution of the USSR in 1991, India accepted the challenge. It started to build new relationships with newly formed republics in Central Asia, South Caucasus, Central Europe. While maintaining its traditional ties with Moscow.

2.) Israel – In 1992, India established a full diplomatic relationship with Israel, leading to one of India’s most significant strategic partnerships.

3.) Nuclear deal – In 1992, India and US bilateral meeting it was decided that the countries need to have frank exchanges on issues that divided them during the Cold War. This ultimately led to the Indo-US Civil Nuclear Cooperation Agreement in 2008.

4.) ASEAN – Establishment of ‘Look-East’ policy in 1992. Since 2002, this relationship has strengthened as an annual India-ASEAN summit.

5.) China and Taiwan – In 1993, confidence building measures were initiated. Such as Agreement on the Maintenance of Peace and Tranquility along the Line of Actual Control in India-China border areas. Simultaneously, India and Taiwan negotiated to open economic and cultural centers.

Use of similar strategy by India during Ukraine-Russia war

The Dixit principle is visible in India’s stand on the Ukraine conflict in the UN. The Indian government has chosen to ‘abstain’ based on its core interest. ‘Abstaining’ reflects a grey zone. It can either be seen as a sign of helplessness or create space for diplomatic maneuvers. In this case, both West and Russia should feel satisfied that India is not giving into Russian or western persuasion respectively.

INDO-PAK RELATIONS

12. A MISFIRING AND ITS TRAIL OF POOR STRATEGIC STABILITY

Source: This post is created based on the article “A misfiring and its trail of poor strategic stability” published in The Hindu on 16th March 2022.

News: Accidental misfiring of Indian missile and the analysis of mechanisms available to avert such type of crisis.

The accidental misfiring of an Indian missile to Pakistan highlights the sorry state of bilateral mechanisms for crisis management between two nuclear adversaries. Such accidents are known

as **“broken arrows”** (accidents that involve nuclear weapons or nuclear weapons components, but do not create the risk of nuclear war).

Why were the responses from both countries not aggressive?

Despite this lack of bilateral mechanism, both countries responded maturely to the accident. Pakistan did not allege that it was done intentionally by India and Indian sides owned up the mistake and ordered for inquiry.

This can be because in the subcontinent, unlike the Cold War, neither side keeps its nuclear forces on high alert. In case of India:

- Warheads are separated from delivery vehicles
- Nuclear weapons are de-alerted
- No presence of tactical nuclear weapons
- No pre-delegation of nuclear launch authority to local commanders, even during a crisis.

The situation in Pakistan is different i.e., there is presence of tactical weapons and reports of pre-delegation to forward commanders. However, like India, its nuclear forces are also not on high alert.

Is South Asia prepared for dealing with such accidents?

South Asia is hardly prepared for dealing with such crisis due to following reasons:

1) “Pre-Notification of Flight Testing of Ballistic Missile Agreement” is insufficient as it does not cover cruise missiles. In this incident also the missile that was misfired was a cruise missile (suspected to be BrahMos).

2) Confidence Building Measures (CBM) are weak: Two sides have not held structured meetings on nuclear and conventional CBMs for years now. There is a need to revive such dialogue mechanisms. Such as, started by Cold war adversaries after the 1962 Cuban Missile crisis.

3) Refusal of China to engage in strategic stability discussions with India and Pakistan – even though today China is involved in the Indo-Pak conflict even more.

What should be done?

1.) Setting up of **Nuclear Risk Reduction Centres:** These can provide a faster mechanism to communicate sensitive information during a crisis. This should have the objective of timely communication and proper implementation of already agreed mechanisms. A case in point could be **‘Permanent Indus Commission’** (Resolving disputes under Indus Water Treaty).

2.) **Use of existing hotlines** in case such an accident happens. In this case, the Indian Director General of Military Operations didn’t use the hotline to inform Pakistan about misfiring.

New Delhi should devise ways to provide assurances to Pakistan and to improve strategic stability between two countries.

13. BrahMos can’t be mistaken for nuclear-tipped missile

Source: The post is based on an article **“BrahMos can’t be mistaken for nuclear tipped missile”** published in the Business Standard on 15th march 2022

News: There has been an accidental launch of supersonic Brahmos cruise missile from India into Pakistani territory

India’s Response

India officially admitted that “in the course of a routine maintenance, a technical malfunction led to the accidental firing of a missile”.

India has ordered a **high-level Court of Enquiry (Inquiry)**. It said “While the incident is deeply regrettable, it is also a matter of relief that there has been no loss of life due to the accident.”

Pakistan’s Response

Islamabad has criticised Indian “**security protocols and technical safeguards against accidental or unauthorised launch of missiles in a nuclearized environment**”. It wants India to explain its procedures to prevent accidental missile launches and the particular circumstances of this incident.

Why is Pakistan’s argument that India has launched a Strategic nuclear weapon is incorrect?

First, as per **India’s nuclear launch posture**, the strategic weapons (commonly referred to as “nukes” or nuclear-tipped missiles) are invariably delivered via ballistic missiles, never via cruise missile. It was a cruise missile (named Brahmos). Therefore, it was not a strategic nuclear weapon.

Second, the cruise missile had been launched from near **Sirsa**, which is home to a major **air force base**, not from any Army Brahmos units, which are related to the strike corps.

Thirdly, launch of a strategic, nuclear-tipped ballistic missile require a two-person launch protocol, whereas, the Brahmos Air Launched Cruise Missile (ALCM) was launched from a Sukhoi-30MKI fighter.

14. On the Issue of Accidental Indian missile drop in Pakistan

Sources

1. The post is based on an article “Hit and Miss” published in the Business Standard on 13th March 2022.
2. The post is based on an article “Truly Scary moment: IAF must thoroughly investigate accidental missile launch” published in the Times of India on 13th March 2022.
3. The post is based on an article “Unguided missile: On a malfunction and Pakistan’s probe demand” published in the Hindu on 14th March 2022.

News: There was an accidental launch of an IAF cruise missile that landed 124 km inside Pakistan. The missile did not carry any warhead. Thus, there was no loss of lives.

What could have been the impact?

India’s global image and reputation of being a responsible nuclear power is challenged by the incident.

India and Pakistan do not have any robust risk-reduction protocols or mechanisms to deal with such mishaps. If Pakistan had air defence systems, it could have easily judged it as a hostile attack and retaliated. Also, the reaction time in the event of missile launches is only a matter of minutes.

It could have resulted into escalation between two nuclear-powered countries which are undergoing strains in their relations in recent years.

How was the potential crisis averted?

A potential crisis was averted by right diplomatic responses from both sides. Indian side admitted to a “**technical malfunction**” that led to the accidental firing of a missile.

A “high-level” enquiry has been ordered to investigate the incident and recommend appropriate action to prevent a repeat.

Argument by Pakistan

Inadequate explanation from Indian Side: The Indian government has not revealed either the nature of the missile, nor the location from which it was fired, nor which of the services fired it. It is Pakistan which claimed that an unarmed supersonic missile was fired from the Sirsa Air Force Base. It could have been the Brahmos cruise surface-to-air missile.

Pakistan has alleged that the incident “indicates many loopholes and technical lapses of a serious nature in the Indian handling of strategic weapons”.

Enquiry into the incident: Pakistan has demanded for a joint probe to investigate into the incident. It has also requested that the international community be involved to promote “strategic stability in the region”.

India’s Stand against Pakistan demand

Indian government has rejected the Pakistani demand for a joint probe. Further, it has refuted the claims that it was a Brahmos missile. Indian side stated that all Brahmos trials take place in the eastern part of India or on the Andaman & Nicobar Islands of India.

Status of Missile Regime in India

India became a member of the **Missile Technology Control Regime in 2016**. Thus, India is seen as a **reliable defence partner** that is capable of handling its strengths and contributing to global security. India is developing more missile systems, including a hypersonic variant.

Suggestions for the way ahead

Indian side must give information on the incident as inadequate explanation leaves scope for Pakistan to shape the narrative on this incident if Indian inputs are not provided.

New Delhi and Islamabad must work out a risk-reduction protocol that can help diffuse the misunderstandings and prevent hostile responses to any kind of accident or false alarm.

If it was due to human error: In this case the **operational, command and control procedures** must be reviewed.

If it was due to a technical glitch: It cast doubts over the weapon system itself, especially at a time when India is looking to export BrahMos to countries like the Philippines. For example, in 1983, during the cold war, the nuclear early warning radar of the USSR reported the launch of intercontinental ballistic missiles from the US. But the Soviet officer Stanislav Petrov prevented the WWII by rightly judging that the warning was false due to malfunctioning detection systems.

GS2 – GOVERNANCE – ISSUES RELATED TO DEV & MGMT OF EDU

CHILD EDUCATION

15. Our weak educational outcomes have a wide set of societal causes

Source: This post is created based on the article “**Our weak educational outcomes have a wide set of societal causes**” published in **Live Mint on 17th March 2022**.

News: There are various societal reasons due to which children are not achieving appropriate

learning outcomes in schools. This article describes the societal reasons. **Overall governance and administrative culture**

Low prioritization of education – as manifested in budget allocation and human resources.

Failure to recognize that education is a matter of deep expertise: Key decisions are taken by people who have almost no background in the field.

Lack of continuity of direction and action: Education interventions require 10-15 years to show changes. However, in India priorities and directions change rapidly.

Socio-political trends

Considering the private sector as a panacea: India has lost two decades due to this. Wherein over 30% of children go to private school but learning outcomes have still dropped.

Notion that technology will solve problems: This has been debunked during the pandemic which has seen tragic learning losses. But still, too much of our little resources got diverted.

Effect of sharp and deep inequalities: The children of the well-to-do have more access to more resources at school and home. But the vast majority of other children do not receive such facilities.

Effect of poverty

Poverty means poor nutrition: It hinders physical and social development along with causing day-to-day implications. Such as → Lack of concentration and frequent illness causing absenteeism.

Poverty means lack of adult care: Children do not get the same adult support and care as in middle class families, which are critical for learning.

Lack of resources to support the learning environment: As there is shortage of books, learning resources, adults are also insufficiently educated.

As a society we regard education as a panacea. Despite this we treat education and our educators poorly. We need to re-calibrate our expectations from education.

HIGHER EDUCATION AND RELATED ISSUES

16. Towards inclusive education

Source: This post is created based on the article “**Towards inclusive education**” published in **The Hindu** on **17th March 2022**.

News: Recently, the draft accessibility guidelines and standards for Higher Education Institutions (HEIs) and Universities were released by the Universities Grants Commission (UGC).

How can the guidelines be further improved?

Correction of Procedural flaw: The public notice preceding the guidelines was inaccessible to persons with visual disabilities. The document was poorly scanned, instead a **digital document** would have been fully accessible.

The guidelines have a wide scope but can be more realistic. Each chapter of the guidelines can be followed by a checklist that distils the key action items contained in that chapter. Checklist can divide these items into ‘immediately implemented’ and those which can be ‘implemented progressively’.

Powers to UGC with regards to checklist should be given: UGC should monitor such compliance of HEIs with the checklist. It should also be empowered to take disciplinary action in case of non-compliance.

Requirement of assessment of disability based needs

- **An annual or biannual assessment** should be conducted of persons with diverse disabilities. This can equip the institution to take specific **need based intervention**.
- **Each HEI should maintain data of students with disabilities.** It should contain information regarding application, enrollment, retention, participation of students in academic and non-academic activities.

Grievance redressal mechanism

- Provision should be provided for redressal along the lines of **Rights of Person with Disabilities Rules, 2017**.
- **District Education Officers** can be empowered to deal with any violations by the HEIs.
- Provisions of **time-bound redressal** of complaints can be provided.

For disabled, high quality education can lead to meaningful participation in society. If modified suitably, these guidelines can serve as a catalyst towards an inclusive society.

17. Fixing Indian Higher Education is the ideal way to rescue students

Source: The post is based on an article “Fixing Indian Higher Education is the ideal way to rescue students” published in the Livemint on 16th march 2022

Context: Ukraine Crisis has brought the issues faced by Indian students going abroad for education

Problems faced by Foreign University Studying Students?

Crisis Situation: like the covid pandemic forced India to carry out largest rescue operations from China and the current war situation in Ukraine forcing Indian students to stand at a loss.

Impact of crisis situation: The abrupt discontinuation of foreign education takes a severe toll on students. They had to suffer on educational, economic, mental health and physical fronts.

Status of Indian Students Studying Abroad

There are over 1.1 million Indian students studying in 99 countries across the world.

What is lost in case of Indian students studying abroad?

Monetary Loss: India's budget for higher education is estimated at ₹1.04 trillion for fiscal year 2022-23. But Indian students studying abroad spend more than ₹2 trillion for their education which is lost by the Indian exchequer.

Loss of human resources: India's gross enrolment ratio (GER) for higher education is just above 27%. The National Education Policy 2020 envisages achieving a GER of 50% by 2030.

Inadequate Infrastructure: Our present education infrastructure is inadequate even for handling demand at a GER of 27%.

What measures should be taken to arrest this drain of wealth and human resources?

One, increase the supply of public and private institutions. Promote and incentivize private entities to set up educational institutions.

Two, rationalize the country's current **caste-based reservation system**. Introduce a '**creamy layer**' **criterion** for Schedule Caste and Schedule Tribe candidates. It could also enforce the **seat reservation-limit** that was mandated by a Supreme Court ruling.

Three, there is a need to standardize the **curriculum** across universities. For example, facilitate inter-disciplinary learning and promote research-oriented education.

Four, start scholarships and on-campus jobs such as those for research and teaching assistants, etc.

Fifth, facilitate loans for education.

Conclusion

The plight of Indian students is not merely an issue of a large gap between demand and supply. A good-quality education can lead to the creation of better human resources and will be an asset for the country over the long term.

GS2 – SOCIAL ISSUES – HEALTH RELATED ISSUES

INDIA'S COVID VACCINATION PROGRAM

18. Let an open market for vaccines fulfill demand

Source: The post is based on an article "Let an open market for vaccines fulfil demand" published in the **live mint** on **16th March 2022**

News: India's state-run covid vaccination drive was primarily aimed at pandemic mitigation for public health.

Outcomes/Impressive coverage of the India's Vaccine Program

A vast proportion of our adult population has got one or more shots, for example More than 1.8 billion doses have been administered so far.

The Children aged 15 years and above were made eligible for covid jabs in the later stages of the programme (Also, the 12-14-years age group will be covered)

The co-morbidity conditions have also dropped for people above 60year who had a booster shot to supplement the usual double-jab regimen.

Average of daily infections is under 4,000, and the virus has lost virulence. It has lessened the risk.

What are the challenges in India's vaccine programme?

The government has a **limited capacity for immunizing the population of India**. For example, there was a low outlay for this.

Slow pace of expansion of eligibility: Some parents also want under-12s immunized (as kids aged above 4 are eligible in the US),

Individuals aged under 60 who were vaccinated in early-2021 might have lost immunity gained from the jab. They are in need of boosters too.

Way Ahead

Allow the open vaccine market to emerge in India that can help fulfil unmet vaccine requirements.

Give people choice to opt for a mix-and-match boost, with an mRNA jab to enhance what they took.

The Centre should allow vaccine makers to get clearances for local distribution independent of the restrictions imposed by the govt guidelines.

GS2 – INTERNATIONAL RELATIONS – INTERNATIONAL ORGANIZATIONS AND GROUPINGS

FATF AND RELATED ISSUES

19. Why next FATF review is critical for India?

Source: This post is created based on the article “**Why next FATF review is critical for India?**” published in **Live Mint on 17th March 2022**.

News: The evaluation of India by the Financial Action Task Force (FATF) could start by the September-October year, followed by an on-site visit in February 2023.

What is FATF and what is its objective?

FATF is an inter-governmental body that

- Sets standards, and develops and promotes policies to combat **money laundering and terrorist financing**.
- Generates the necessary political will to bring about national legislative and regulatory reforms in these areas.
- Works to stop funding for **weapons of mass destruction**.

FATF currently comprises 37 member jurisdictions (countries) and two regional organizations (European Commission and Gulf Cooperation Council).

What are the FATF recommendations?

These are framework of measures that countries should implement in order to combat money laundering and terrorist financing.

FATF also **monitors and conducts peer reviews** of each member to ensure they implement its standards fully and effectively.

What is FATF's grey list?

This means that a jurisdiction is under **increased monitoring**. The country has to swiftly resolve the identified strategic deficiencies within agreed timeframes. Presently, 23 countries — including Pakistan, Myanmar, Cambodia, Philippines, Morocco — are in the grey list.

FATF also has ‘**high risk jurisdictions**’ above the grey list. These are countries with serious deficiencies in their anti-money laundering (AML) rules and regulations.

Why should India be concerned this time?

The last review of India was in 2010. In that review, FATF observed that India has made significant progress in addressing the deficiencies.

This round will be crucial due to following reasons:

Money laundering instances: From Yes Bank to IL&FS to Dewan Housing Finance. In all these cases, allegations of money laundering were levelled against the top management and promoters.

Questions over demonetization and crackdown on shell companies will be raised during the assessment.

Recent case of the Paytm Payments Bank – The banking regulator has ordered an external audit of the IT systems of the payments bank. The reason for clampdown is not clear but it could be due to violation of the **KYC-AML norms**.

Issue of PEP — Politically Exposed Persons: There has been no mention of PEPs in the **Prevention of Money Laundering Act, 2002**. This could be viewed as a regulatory gap during the FATF assessment.

How are the regulators preparing?

The Indian financial sector regulators have also **increased their vigil and scrutiny** on regulated entities. The focus on AML has gone up significantly in the last two-three years.

The Reserve Bank of India has, for instance, introduced a dedicated **KYC-AML inspection team** to exclusively look into compliance of banks and other financial sector entities.

Financial sector is only a part of the FATF assessment. The watchdog will also look at other sectors such as narcotics, smuggling, wildlife trafficking, which are known for fund diversion and money laundering.

UNITED NATIONS AND RELATED ISSUES

20. United Nations votes are not black and white

Source: The post is based on an article “**United Nations votes are not black and white**” published in **the Hindu** on **17th Mar 22**

News: Article highlights the finer details of the voting system followed at the UN and various other organs like UN Security Council.

Nature of Voting in UN System

The UN General Assembly: The member country has various options for voting like ‘Yes’, ‘No’, ‘Abstention’, ‘present and not participating’ or ‘absent at the time of the vote’. This makes it possible for member states to nuance their positions to suit their needs

The UN Security Council: Here it is required that there is a “concurring votes of the permanent members. A permanent member who does not wish to cast a veto, may choose to abstain, thus allowing the resolution to be adopted (Earlier, abstention by a permanent member would amount to a veto), if it obtains the required number of nine favourable votes.

In UNSC, the members have an additional provision. It is allowed to add explanation of the vote before and after the vote. **For example**, China in present Ukrainian Crisis 2022, abstained from voting in UNSC. If it had voted against the resolution, it would have amounted to a veto. It would not be right for China which creates its image of a country which opposes foreign intervention in sovereign states.

The UN regulations and practices on voting are designed to enable the delegations to express their national opinions, considering their vital national interests.

The delegations do not vote for or against other countries. They vote for themselves.

What are the instances of Indian Abstention in Past and Present?

In 1979, India abstained in the UN General Assembly after the Soviet Union had vetoed a Security Council resolution against its intervention in Afghanistan.

In 2022, India abstained on the resolution criticized Russian invasion of the Ukraine in the UN General Assembly, the UN Security Council and the Human Rights Council.

Justification for India's abstention

- India expressed its **fundamental position** that **war is not a solution**. The diplomacy should be the only option to prevent war.
- India's votes in the UNSC, the UNGA and the Human Rights Council reflect its current national concerns in the light of the situation in Ladakh, Afghanistan, the increasing ties between Russia and China, and its membership of the Quad.

GS2 – GOVERNANCE – DATA GOVERNANCE
GS3 – INDIAN ECONOMY – COVID AND ITS IMPACT

DATA GOVERNANCE AND RELATED ISSUES

LESSONS FOR THE FUTURE

21. Aarogya Setu proved to be of limited utility, and it only aroused the suspicion of a wary citizenry.

It led to **loss of time** and **energy**. It means due to lack of data, much of the 'covid management' protocol was diverted for imposing stringent conditions for recording covid deaths. For example, State governments set up audit committees to certify covid deaths.

Poor data result in **poor program formulation** and **implementation**. For example, India's poor covid data resulted in the **poor progress** in ramping up health infrastructure. It also slowed down the pace of the vaccination programme till the second wave hit us in the spring of 2021?

What are the suggestions to improve India's data governance?

First pandemic data lesson: "An **Open data ecosystem** can be literally life-saving". For example, A **geo-tagged database** can help epidemiologists to better predict the evolution of the epidemic.

Second pandemic data lesson: When data quality is poor, uncritical use of data in policymaking is fraught with dangers. Therefore, a better quality of data should be generated which is beneficial for policy making

A **well-regulated data ecosystem** can be built. It can help reap the benefits during a crisis. For instance, the UK's statistics watchdog, **the Office for Statistics Regulation (OSR)**, worked to keep the data honest. An independent and credible watchdog can check the distortion of honest data.

An **empowered statistical regulator** is the need of an hour in a healthy democracy. He should be answerable to its citizens and Parliament rather than the ruling regime.

General Studies Paper – 3

GS3 – INDIAN ECONOMY – MOBILIZATION OF RESOURCES

SPECIAL SITUATION FUNDS (SSF)

1. Why special situation funds are necessary

Source: The post is based on an article “**Why special situation funds are necessary**” published in the Indian Express on 16th March 2022.

News: Recently, Indian financial markets witnessed two crucial reforms. One was release of a dedicated regulatory framework for **special situation funds (SSFs)** by SEBI and, the other was approval of a new dual-structure for bad-bank (called **NARCL-IDRCL**) by RBI.

Why have such new reforms been undertaken?

India suffers from a bad loan problem which requires higher provisioning, and locking up more capital in the banking system. This reduces credit supply and hurts economic growth.

Special Situation Funds (SSFs) can buy bad loans (in addition to Asset Reconstruction Company (ARC) which can also do the same). This can release capital locked-up in the banking system and help improve credit supply.

Concept of Special Situation Fund (SSF)

SSFs is a sub-category of Category I Alternative Investment Funds (AIFs). AIFs manage privately pooled funds. The funds are raised from sophisticated investors with deep pockets.

Traditionally, AIFs could participate in the equity markets. But, could not participate in the **distressed debt markets**. It is because regulations did not allow AIFs to participate in the secondary market for corporate loans extended by banks and NBFCs.

Now, a special sub-category of AIFs, namely SSFs can participate in the secondary market for buying loans extended to companies that have defaulted on their debt obligations.

What more steps can be undertaken regarding SSFs?

SSFs must be allowed to have seamless access across the entire secondary market. It should be allowed to have access for investment as well as non-investment grade corporate debt (loans and bonds). It is an international practice. It was also suggested by the RBI task force (chaired by T N Manoharan) on secondary markets for corporate loans.

SSFs could also be allowed to participate in the secondary market for corporate debt even before the company defaults on its debt obligations. It has multiple advantages as given below:

- It will help lenders and bond investors to **offload potentially stressed assets** to SSFs before any default.
- SSFs would also get **adequate time for debt aggregation** before default. It reduces the collective action problems that may arise after default during insolvency or restructuring.

Indian lenders or bond investors should have **full freedom to sell their loans or bonds in the secondary market** at the best price possible, irrespective of whether default has happened or not.

Conclusion

Introduction of SSFs promises to usher in a modern era of **distressed debt investing** in India.

PUBLIC FINANCE MANAGEMENT SYSTEM (PFMS)

2. GoI tracks the money trail: How PFMS will pull plug on spending slippages

Source: The post is based on an article “GOI tracks the money trail: How PFMS will plug on spending slippages” published in the Business Standard on 15th March 2022.

Context: By midnight of March 31, the Controller General of Accounts will assess the spending in FY22 with help of the public money-tracking system known as the **Public Financial Management System (PFMS)**.

Background of PFMS

The PFMS was conceptualized in 2009. But it became fully functional in a decade. PMFS was conceptualized because the Expenditure Management Commission in its 2016 report, showed that a lot of government money spent was not tracked. i.e., Over a trillion rupees goes undetected through government finances every year.

Also, Bose’s study suggested “**quality monitoring**” for all **programmes of panchayats**. For example, the direct benefit transfer and the payment of wages for the MNREGA has been a huge success. He also pointed out that when the money spent is not tracked, the weakest links, such as rural de-v-elopment, are hurt the most.

The World Bank has supported the switch and recommended African and other countries to emulate the model.

Thus, PMFS addresses the issue of slippages in government spending.

What does the Public Finance Management System (PFMS) do?

First, it is a key decision support system for the government. It tracks the flow of funds to the last beneficiary or implementation level. It also ensures the timely release of funds through the effective management of fund floats.

Second, it covers the Central Sector Scheme, Central Sponsored Schemes as well as other expenditures including Finance Commission Grants.

Third, it has been extended to all central government functions including payments, receipts, accounting, expenditure control, management of provident fund and pensions etc. It is integrated with the core banking system/solution and also with RBI and NPCI.

Fourth, the PFMS makes every agency using public money to route it through bank accounts. Since banks report to the RBI in real time, any fiscal stress now becomes apparent immediately.

What is the significance of Public Finance Management System?

It helps to make informed decisions regarding resource allocation and the implementation of policies.

It is important when the government needs to respond rapidly to black swan events, such as the Covid-19 pandemic.

Lastly, it has cut the diff-er--ence between audited and un-audited public accounts data of the central government to less than one per cent.

How does it work?

As per instructions, **a single nodal account** for each centrally sponsored scheme is opened with a bank. Implementing agencies use the same account with clearly defined drawing limit.

As per PFMS instruction, it should be a “**zero balance accounts**”. i.e., government money along with interest earned on the sum should be transferred to the Consolidated Fund. This prevents funds from being misappropriated.

Some Deviations at different level

The Indian Railways is yet to board the PFMS.

States have the freedom to make decisions regarding exp-enditure from their own resources and the shared tax corpus (in which the Centre cannot interfere). Therefore, they have developed a different machinery to handle state funds separately. Therefore, it leads to some difficulty in the financial management system.

States are using both PFMS and their own **integrated financial management information systems**. There, it has resulted in some conceptual challenges that have to be overcome.

PRIVATIZATION AND RELATED ISSUES

3. LESSONS IN OUR HICCUPS OVER SELLING AN LIC STAKE

Source: This post is based on the article “**Lessons in our hiccups over selling an LIC stake**” published in **Live Mint** on **15th March 2022**.

News: Russia’s invasion of Ukraine has caused market uncertainty. This has prompted the government to rethink the launch of the Initial Public Offering (IPO) of Life Insurance Corp (LIC).

Why is this IPO important for the government?

The regulator’s approval of the IPO is valid only till mid-May. Any delay will upset the Centre’s fiscal math. It can also:

12. Provide significant revenue for the Centre.
13. Lead to reduction of fiscal deficit.
14. Will take LIC to the market.
15. Further push disinvestment agenda.

What lessons do uncertainty over IPO hold out?

Need to take faster approach: First lesson stems from the fact that since the Ministry has 2 years to finalize the strategy, the IPO need not have been timed just before the end of 2021-22. Reasons for such a slow approach are not clear. They could be due to:

- **Attempt to time the market:** As financial advisors often advise retail investors to ride the bull run i.e. when market is growing.
- **Politics:** In the past, politics has played a role in deciding the timing of public-sector disinvestment. Example – **Offshore listing of VSNL** was pulled back due to apprehension of the coalition government that low prices will lead to Parliamentary opposition.

However such frequent flip-flops send mixed signals about share offer intended price range and also confuses investors.

Need to reduce over-reliance on disinvestment: Second lesson is related to the government’s over-reliance on disinvestment to get its fiscal right.

- Earlier, disinvestment was used as an emergency measure to make up for revenue shortfalls.
- Now it has been institutionalized. However, it has neither led to improvement in fiscal gaps over the year, nor has led to improvement in public sector efficiency.

- There is continuous failure to meet the disinvestment targets year after year.

Hence, disinvestment can be effective as an utilitarian exercise, but it is vulnerable to failure if used as a means of grand transformation.

NATIONAL LAND MONETISATION CORPORATION (NLMC)

4. Monetising surplus land held by state is a good idea, it needs to be done with transparency, sensitivity to public interest

Source: The post is based on an article “Monetising surplus land held by state is a good idea, it needs to be done with transparency, sensitivity to public interest” published in the Indian Express on March 14th, 2022.

Topic: National Land Monetization Corporation

News: Last week, the Union cabinet approved the creation of a **National Land Monetisation Corporation Mandate**

Read more – [About National Land Monetisation Corporation](#)

It will work to monetise the surplus land holdings of Central Public Sector Enterprises (CPSEs) and other government agencies. It will have a detailed and comprehensive inventory of the state's land holding.

Why has the government come up with NLMC?

First, it will help identify **the surplus land**. It will give a push for monetising surplus land and also create a database for **potential investors**.

Second, public sector entities hold vast tracts of land that are either **unused** and **underused** land. For example, the Indian Railways is estimated to have around 1.25 lakh acres of total vacant land.

Third, proceeds from the monetisation of these assets will help **generate additional resources**, boosting government coffers.

Fourth, it will **resolve** the issue of the “**artificial**” **scarcity of land**, with an increase in **the supply of land** by auctioning off surplus land. It will depress land prices and thus have a moderating effect on costs of projects.

What are the challenges in front of NLMC?

First, the Ministries, departments, and public sector entities may be **reluctant to demarcate land parcels as “surplus”**.

Second, there will be issues like **absence of clear titles**, ongoing litigation, and muted investor interest.

Third, there is the issue of the **encroachment of government lands**.

Fourth, it raises questions over the management of commons, i.e., whether a public purpose can be better looked after by more effective management of public land by the state.

What are the suggestions to tackle the challenges?

Therefore, the separate agency should be housed with professionals with specialised skills that are better suited for this task.

A “specialised skills and expertise” in areas such as “market research, legal due diligence, valuation, master planning, investment banking and land management” is the need of the hour for land monetization.

GS3 – INDIAN ECONOMY – ISSUES RELATED TO GROWTH AND DEV

INDIA'S TRADE POLICY

5. Will a services exports-driven economic growth strategy work for India?

Source: The post is based on an article “Will a services exports-driven economic growth strategy work for India” published in the **business standard** on 14th Mar 22

Topic: External Sector

Context: India's service exports have lagged the outbound shipment of manufactured items, though the **gap** between the two was narrowing immediately before Covid-19 struck.

Why should India adopt a service exports-led growth strategy for India instead of China's model of manufacturing exports-led growth?

According to the data provided by the World Trade Organization (WTO), India's share in global services exports is more than its global merchandise exports. Service exports stood at 4.12% in 2020 compared to share of 1.57% in global merchandise exports in 2020.

Share of manufacturing in India's GVA is low. It is in the range of 15-17% since 2014-15.

It is difficult to adopt the China's strategy in a democratic India: Due to difference in economic environment and the nature of polity in India and China, experts have argued against China's model. It is because China did so by suppressing wages, consumption, keeping borrowing costs low by lowering interest paid to households etc.

Broadened scope of services-export: Pandemic has broadened the scope for India in the export of services. For example, IT-related services can be advanced to other areas such as education, health, legal services (for instance, the Indian law firms can start setting up international offices and advise on the Indian laws sitting in other countries) etc.

Merchandise exports remain susceptible to cyclicalities in commodity prices. Therefore, services exports can reduce the pressure on merchandise exports of India to provide jobs as well as foreign exchange inflows.

What are the challenges in service exports?

Job Creation: It is doubtful whether a service export-led growth model would add millions of jobs needed by the economy. Even in the developed countries, the bulk of jobs are not created in service sector like doctors, etc. These are created in restaurants, etc.

Widening of the services export: Until the Indian regulator allows foreign firms to set up in India, it is difficult to boost the Indian export of legal services.

the regulatory regime for legal services requires a number of fundamental changes. For this, the suggestion of legal fraternity can be taken.

Way Ahead

Both, the services and the geographies which require them need to be identified, and the two should be mapped.

India can focus on various services export like legal services, financial advisory, education and telemedicine that can be exported using technologies and where India also has intellectual capabilities.

The making inroads into financial services can also help in the **internationalisation of the rupee**.

The Indian government need to bring measures to protect privacy of data, reforms its education system etc.

GS3 – ENERGY AND INFRASTRUCTURE – ELECTRIC VEHICLES

ELECTRIC VEHICLES AND RELATED ISSUES

6. Electric vehicles can't go too far in reducing our use of fossil fuel

Source: The post is based on an article “Electric vehicles can't go too far in reducing our use of fossil fuel” published in the Live Mint on 16th March 2022.

News: The Russia's invasion of Ukraine has resulted in fuelling the price of crude oil. It has triggered renewed calls for the use of electric vehicles (EVs) to lower the human dependence on fossil fuels which pollute the environment.

Concept of Electric Vehicles

Electric vehicles don't run on fossil fuels like petrol, diesel or CNG. They run on the electricity.

What are the issues in reduction of fossil fuel dependence by the Electric Vehicles (EVs) Technology?

EVs are also powered by fossil-fuel based electricity: The electricity is generated from various sources like coal, natural gas, water flows, nuclear fission, solar energy and wind etc. At present, majority of electricity is produced using fossil fuels, like coal and natural gas. For e.g., 61.4% of our electricity was drawn from fossil fuel sources (the share of coal in total electricity is 54%) in 202-21.

Restriction of Renewable Energy: The wind doesn't always blow and the sun doesn't always shine.

Inadequate affordable batteries: A large number of affordable batteries are need to store energy to power a city for few days, for example, more than 14 million batteries would be needed so that Tokyo can have enough power for three days if wind and solar power could not be produced in those 3 days

The electricity accounts for only part of the total global energy consumption: i.e., only 18%: Most energy produced is consumed in the production of four pillars of modern civilization: cement, steel, plastics and ammonia. They are heavily dependent on the combustion of fossil fuels.

Fossil fuels are even required to generate renewable power: for example, if wind power is to supply 25% of global demand for electricity by 2030, it would require around 400 million tonnes of steel. The production of the steel used in wind power requires combustion of fossil fuels. e

Fossil fuels are even required to produce electric car: A typical lithium car battery require lithium, cobalt, nickel, copper, graphite, steel, aluminium, and plastics. A massive expansion in EV requires the massive extraction of these metals and, in turn, mean massive use of fossil fuels for their production.

Way Ahead

In India, the proportion of installed capacity that depends on wind and the sun to produce power has gone up, and now amounts to a little over one-fifth of our overall capacity, against 8% in 2014-15.

To conclude, moving the world away from fossil fuels is not just complicated, it's complex. As David Wallace-Wells writes in The Uninhabitable Earth, people are "mesmerized by the threat" of climate change "without ever perceiving it clearly".

GS3 – INDIAN ECONOMY – MONETARY POLICY

DE-DOLLARIZATION BY CENTRAL BANKS

7. Why 'de-dollarisation' is imminent?

Source: The post is based on an article "Why 'de-dollarization' is imminent?" published in the **Indian Express** on **17th Mar 22**

News: The ongoing Russia-Ukraine crisis has given an impetus to the question of de-dollarisation of the global forex framework.

Efforts are already underway for the possible introduction of a new Russia-China payment system, bypassing SWIFT and combining the Russian SPFS (System for Transfer of Financial Messages) with the Chinese CIPS (Cross-Border Interbank Payment System).

What is "de-dollarisation"?

It refers to the changes in the **overall global forex market framework** where the leading central banks would diversify their reserves away from US Dollar to other assets or currencies like the Euro, Renminbi or gold.

How this hegemony of dollar was established?

The US sealed a deal with the oil-rich Kingdom of Saudi Arabia in the 1970s to conduct global energy trade in dollars.

The collapse of the Bretton Woods system in the 1970s: It enhanced the status of US Dollar by eliminating other developed market currencies from competing with the USD.

Why "de-dollarisation" by central banks is imminent?

To **insulate the economies from geopolitical risks**. US dollar as a reserve currency can be used as an offensive weapon, leading to potential foreign policy coercion or sudden disruptions. **For example**, the war in Ukraine and the subsequent economic sanctions can trigger central banks to proceed in this direction.

The multipolar world requires each country to enjoy economic autonomy in the sphere of monetary policy.

2008 global financial crisis exposed underlying cracks within the US economy and challenged the western hegemony of the financial system.

Rise of Asian economies: As major economic powers like China and India rise, the importance of other currencies like the Yuan and the Indian rupee is going to increase

What are Russian and Chinese efforts towards de-dollarisation?

Russia: It started **three-pronged** efforts towards **de-dollarisation** in 2014 (after annexation of Crimea).

9 PM Compilation for the Month of March, (Third Week) 2022

- **First**, Russia reduced its share of dollar-denominated assets.
- **Second**, it prioritises national currencies (instead of US Dollar) in bilateral trade.
- **Third**, Russia developed a national electronic payments system called “Mir” in 2015.

China: China aims to use trading platforms and its digital currency to promote de-dollarisation. It has established **RMB trading centres** in Hong Kong, Singapore and Europe.

- In 2021, the People’s Bank of China submitted a “**Global Sovereign Digital Currency Governance**” proposal at the Bank for International Settlements (BIS) to influence global financial rules via its digital currency, the e-Yuan.
- The **IMF** has already added Yuan to its SDR (Special Drawing Rights) basket in 2016.
- In 2017, the European Central Bank exchanged EUR 500 million worth of its forex reserves into Yuan-denominated securities.

What are the challenges that de-dollarisation faces?

US Dollar share in the global trade and foreign exchange: Currently, about 60% of foreign exchange reserves of central banks and about 70% of global trade is conducted using USD.

Psychological Angle: The USD is considered as a “safe-haven” asset i.e., the people continue to view the currency as a relatively risk-free asset. Therefore, the world will continue to prefer the USD as a “store of value” and a “medium of exchange”, fulfilling the basic functions of money.

Side effects of de-dollarisation: Sudden dumping of dollar assets by adversarial central banks, may give rise to balance sheet risks as it will erode the value of their overall dollar-denominated holdings.

Most other foreign currencies (Apart from the Euro and gold) have some inherent risks associated with them.

What is the way forward?

Thus, despite triggers to the move away from the dollar, in reality, it will be a protracted process.

GS3 – ENERGY AND INFRASTRUCTURE – INDIA'S ENERGY SECTOR

CIRCULAR ECONOMY

8. Clean energy should use the battery of a circular economy

Source: The post is based on an article “**Clean Energy should use the battery of a circular economy**” published in **The Hindu** on 17th Mar 22.

Syllabus: GS3 – Issues in mobilization of resources, Infrastructure (Energy), Environment

Relevance: Clean Energy and Circular Economy

News: The Union Finance Minister, in the Budget speech 2022-23, emphasised the role of circular economy, and cleaner technologies such as solar energy and batteries in India’s future economic growth.

A robust renewables waste management and recycling ecosystem could help people and India reduce environmental harm, provide energy security, and also create new jobs.

In order to achieve India’s net-zero target in the year 2070, India would need over 5,630 GW of solar and 1,792 GW of wind energy.

Why India should transition towards a circular economy?

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It can lead to an **efficient waste management ecosystem** necessary to manage the enormous waste that would be generated by renewable energy projects in the coming decades. For example, India's total installed solar capacity could be as high as 325 kilotonnes by 2030.

A circular economy could also **partially insulate the renewable energy industries** from **potential supply chain shocks** triggered by extraneous developments.

It would also offer **quality employment opportunities for the future generations**. For example, new jobs across the entire value chain of waste management and recycling.

What are the steps needed to nurture a circular economy in the Indian renewable energy industry?

First, the existing **electronic waste management rules** should be revised. **For instance**: Bringing various clean energy components under its ambit, and clear definition of responsibilities of various stakeholders involved in the **renewable energy value chain** for example, manufacturers, assemblers, importers and distributors etc.

Second, **dumping** in landfills and **burning** of different components should be banned. It is because dumping leads to leaching of metals (*like heavy metals such as lead and cadmium*) and non-metals into the environment. They then enter the food chain. Also, burning the items of the solar photovoltaic modules releases toxic gases such as sulphur dioxide and some volatile organic compounds.

Third, the renewable energy industry should invest in the **research and development of recycling technologies/new ways of recycling** that result in higher efficiency and a less environmentally damaging footprint.

Fourth, there is a need to create **innovative financing routes for waste management**. It may include (a) nudging public and private sector banks to charge lower interest rates on loans in this sector, (b) issuing **performance-based green certificates** to recyclers that could be traded to raise money for waste management and (c) The mandatory procurement by the renewable energy and other relevant manufacturing industries be done to create market for recycled materials.

Fifth, there is a need to improve the product design like finding substitutes for toxic metals such as cadmium and lead used in their products. There is a need to improve **product designs** to reduce recycling steps.

Sixth, the **end-of-life of components** may be increased by imposition of **stringent quality control standards**. It will consequently reduce waste creation. Such quality enforcement could also position India's renewable energy industry as a global supplier of quality products.

Seventh, India's recycling sector is informal. The workers have to work in unsafe environments without standardised wages. Therefore, the government should develop an **efficient renewable energy waste management and circular ecosystem**, i.e., a kind of formal industry.