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7 PM COMPILATION

1st to 15th August, 2022

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- **Comprehensive coverage of a given current topic**
- **Provide you all the information you need to frame a good answer**
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The Draft Drugs, Medical Devices and Cosmetics Bill, 2022: Provisions and Concerns – Explained, pointwise
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The Draft Drugs, Medical Devices and Cosmetics Bill, 2022: Provisions and Concerns – Explained, pointwise

Introduction

The Ministry of Health and Family Welfare has released a draft of the proposed Drugs, Medical Devices and Cosmetics Bill, 2022 . The Bill seeks to replace the existing Drugs and Cosmetics Act, 1940, and several sets of rules which are currently followed by the industry. It focuses on regulating medical devices as a separate entity, makes provision for fines and imprisonment for injury and death related to clinical trials or investigations, and seeks to regulate e-pharmacies. The new Bill has been drafted to keep pace with changing needs, times and technology.

What are the key provisions of the Drug and Cosmetics Act, 1940?

The Act establishes regulatory control over the import, manufacture, distribution, and sale of drugs and cosmetics in India. It makes the **sale of substandard drugs a punishable offence**, as these drugs are capable of bringing harm to patients.

It also established the Central Drugs Standard Control Organization (CDSCO) for discharging functions assigned under the Drugs and Cosmetics Act. The State Health department has to regulate the manufacturing, sales, and distribution of drugs. Drug Inspectors control the implementation at ground level.

Further, if the drugs are found to be substandard, then the drugs can be recalled from the market and the manufacturer has to conduct a root cause analysis for the faulted reason. The Act also has provisions to compensate the families of victims of adulteration. It calls for the penalty to be extracted from a convicted manufacturer and given to families of the victims.

When is the medicine considered substandard, adulterated, and spurious?

- **Substandard**: A drug is considered substandard when it doesn't have what is mentioned on the cover. It could be one of several things like the medicine has less than 90-95% of the amount of active ingredient claimed on the label; contains impurities apart from the active ingredient, etc.
- **Adulterated**: It is the one that contains a poison or other noxious matter.
- **Spurious**: A spurious drug is one that pretends to be a genuine drug. It is a drug with no active ingredient in it.

What are the key provisions of the Drugs, Medical Devices and Cosmetics Bill, 2022?

The Bill proposes **new definitions** for clinical trials, over-the-counter drugs, manufacturers, medical devices, new drugs, bioavailability studies, investigational new drugs and imported spurious drugs, among others e.g., diagnostic equipment, their software, implants, devices for assistance with disabilities, life support, instruments used for disinfection, and reagents come under the ambit of medical devices. The 1940 Act has medical devices as one of four categories of "drugs".

It seeks to introduce **regulation for online pharmacies and medical devices**. Though there is no separate chapter on e-pharmacies, the Bill suggests that the Union government should formulate rules to regulate online pharmacies.

It proposes to **empower the Drugs Control Officer** with prior approval of the controlling authority to enter any premises related to clinical trials to inspect the facilities, records, data, documents, books and drugs.

It proposes **stringent penalties** such as imprisonment and compensation in case of injury or death during clinical trials for drugs. It lays the onus of providing medical management for any injury arising due to the trial on the investigators.

A **Drugs Technical Advisory Board (DTAB)** and a **Medical Devices Technical Advisory Board (MDTAB)** are planned to submit recommendations to the Government from time to time on policy matters.

The draft proposes to allow the Union government to **waive the requirement of conducting clinical investigations** for the manufacture or import of a new medical device in public interest.

What is the significance of the Drugs, Medical Devices and Cosmetics Bill, 2022?

First, it is a positive move by the Government to **update an over 60-year-old law on drugs.** India is third-largest pharmaceutical producer in the world. It is important that the regulatory legislation keeps pace with the changing times.

Second, a separate Medical Devices Technical Advisory Board (MDTAB) will help in **catering to the specific and varied needs of the medical device** sector vis-a-vis drugs.

Third, **online pharmacies are currently working completely outside the law**. Most of the websites have perhaps a license for a physical shop or storage unit. In case of a violation, drug inspectors are unaware of the provisions of the law or Rule under which they can proceed against the websites. Further, drug inspectors often find that the licenses these websites hold are from another state, over which they have no jurisdiction. Sometimes the websites don't have any licenses at all, and actually use the license of the pharmacies with which they have tied-up. This makes it even more difficult to take any action.

Thus their inclusion in the new bill was a much needed step.

Fourth, the Bill prohibits clinical trials or clinical investigations of drugs and medical devices without permission from the central licensing authority. While companies have to seek permission from the regulator to conduct trials even now, this is not specifically mentioned in the existing law.

Fifth, the current clinical trial Rules have fines, but a fine of few lakh rupees is not enough to deter a big pharma company. However, the **provisions for imprisonment under the draft Bill might act as a deterrent**.

What are the shortcomings of the Drugs, Medical Devices and Cosmetics Bill, 2022?

First, industry's aspirations for a **separate act for medical devices has not been addressed** and startups, developers and engineers will still need to grapple with a complex joint law. Further, it can become a barrier to Make in India or Innovate in India initiatives.

Second, the draft Bill **completely misses post-marketing surveillance,** especially for medical devices, because implants can remain within a patient's body for years. There should also be provisions for recalling medicines or devices if any issues are detected.

Third, the draft Bill defines provisions for imprisonment or fines for 'adulterated' or 'spurious' medical devices. The draft states that a medical device will be considered to be adulterated if it is rusted, corroded, filthy, putrid, or decomposed, packed or stored in unsanitary conditions etc. However, many experts believe that these are engineering products, not homogeneous powders, tablets, or liquids that can be adulterated. Therefore, treating a rusted part of a medical device as adulterated and a criminal offence is absurd.

Fourth, The new Bill **does not provide for the enforcement of provisions of good manufacturing practices (GMPs)**. GMPs are necessary to ensure quality of the pharmaceuticals. In the US, the drugs manufactured in a facility that fails to comply with GMPs is considered 'adulterated'. The US Drug Inspectors are mandated to publish their inspection reports. In contrast, the Draft Bill envisages no criminal penalties for pharmaceutical companies failing to comply with GMPs. At most, licenses may be canceled, but since inspection reports are never published, citizens have no idea if drug inspectors are conducting GMP compliance-related inspections.

Good Manufacturing Practices (GMPs)

- According to the WHO, Good Manufacturing Practice (GMP) is a **system for ensuring that products are consistently produced and controlled according to quality standards**. It is designed to **minimize the risks** involved in any pharmaceutical production that cannot be eliminated through testing the final product.
- **Risks**: The main risks are:
  - Unexpected contamination of products, causing damage to health or death;
  - Incorrect labels on containers, which could mean that patients receive the wrong medicine;
  - Insufficient or too much active ingredient, resulting in ineffective treatment or adverse effects.
- **Scope**: GMP covers all aspects of production; from the starting materials, premises and equipment to the training and personal hygiene of staff.
- **Impacts**: GMPs ensure several benefits
  - Prevent unintended therapeutic effects.
  - Poor quality medicines are health hazards. GMPs avoid these hazards and save money.
  - Boost exports as most countries accept import and sale of only those medicines that have been manufactured to internationally recognized GMPs.

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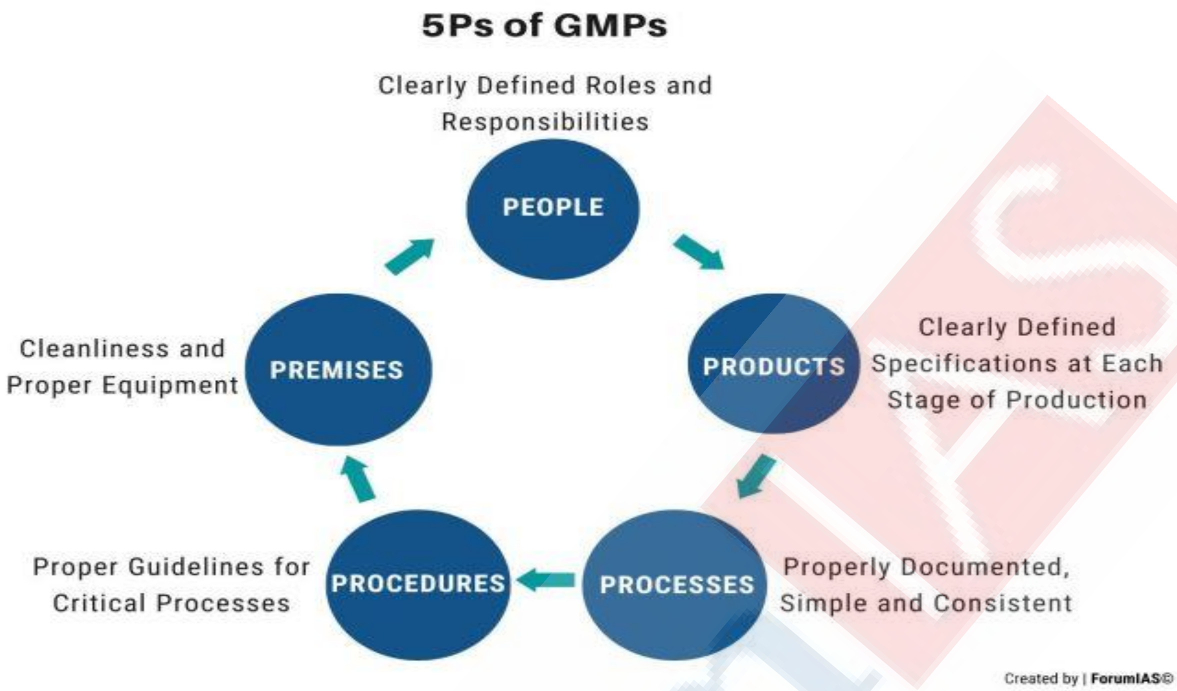


Fifth, **India has 37 agencies along with the Central Drugs Standard Control Organization (CDSCO),** for enforcing drug regulation across the country. The Bill **does not address the need for a single regulator**. Critics argue that States such as Himachal Pradesh, which account for a bulk of pharmaceutical manufacturing on account of tax benefits for the industry, do a poor job in enforcing the Drugs and Cosmetics Act. The fear of scaring away investments by the pharmaceutical industry likely plays a key role in the State's decision to not enforce the law.

Drugs manufactured in Himachal Pradesh are sold across the country and even States with relatively more competent drug regulators can do little to stop the flood of these substandard drugs.

Sixth, the Bill is silent on this **critical issue of transparency** because it is structured largely on the basis of the original colonial-era legislation. It vests huge discretionary power in the hands of unelected bureaucrats with very few requirements of public disclosure.

What more can be done?

First, the **Mashelkar Committee** in 2003 had recommended centralizing drug licensing with the central regulator. This should be created for improving efficiency as witnessed in the U.S which has a single regulator.

Second, the Bill should have provisions for proactive disclosures related to critical documentation associated with regulatory decisions like disclosure of data related to new drug approval (including clinical trial data), GMP compliance data etc.

Third, Public hearings or citizen's petitions should be allowed to enable citizens to participate in the regulatory process and register their objections. For example, every drug approval process should be accompanied by a public hearing to allow doctors and ordinary citizens to question regulators and explain their rationale for approving the new drug.

Conclusion

The Drugs, Medical Devices and Cosmetics Bill has some promising provisions but also leaves critical gaps that must be addressed. The Government must address these gaps to make the law more holistic and inclusive in nature. A robust regulatory arrangement will further enhance the global standing of India's pharmaceutical industry.

Syllabus: Government policies and interventions for development in various sectors and issues arising out of their design and implementation, Issues relating to development and management of Social Sector/Services relating to Health

Source: **The Hindu**, **Indian Express**, **Indian Express**

The Supreme Court's Judgment on PMLA – Explained, pointwise

Introduction

The Supreme Court, in the ***Vijay Madanlal Choudhary and Ors versus Union of India*** case, has upheld the provisions of the PMLA (Prevention of Money Laundering Act) and retained the powers of the Enforcement Directorate (ED). A number of petitions had been filed in the Supreme Court challenging the amendments to the PMLA Act through the Finance Acts. The petitioners claimed that these amendments would violate personal liberty, procedures of law and the Constitutional mandate. The Court said that the provisions pertaining to arrest and bail are reasonable and have direct nexus to the objectives of the Act. However, several experts have criticized the Judgment and raised concerns regarding misuse of the Act by the State.

What is Money Laundering?

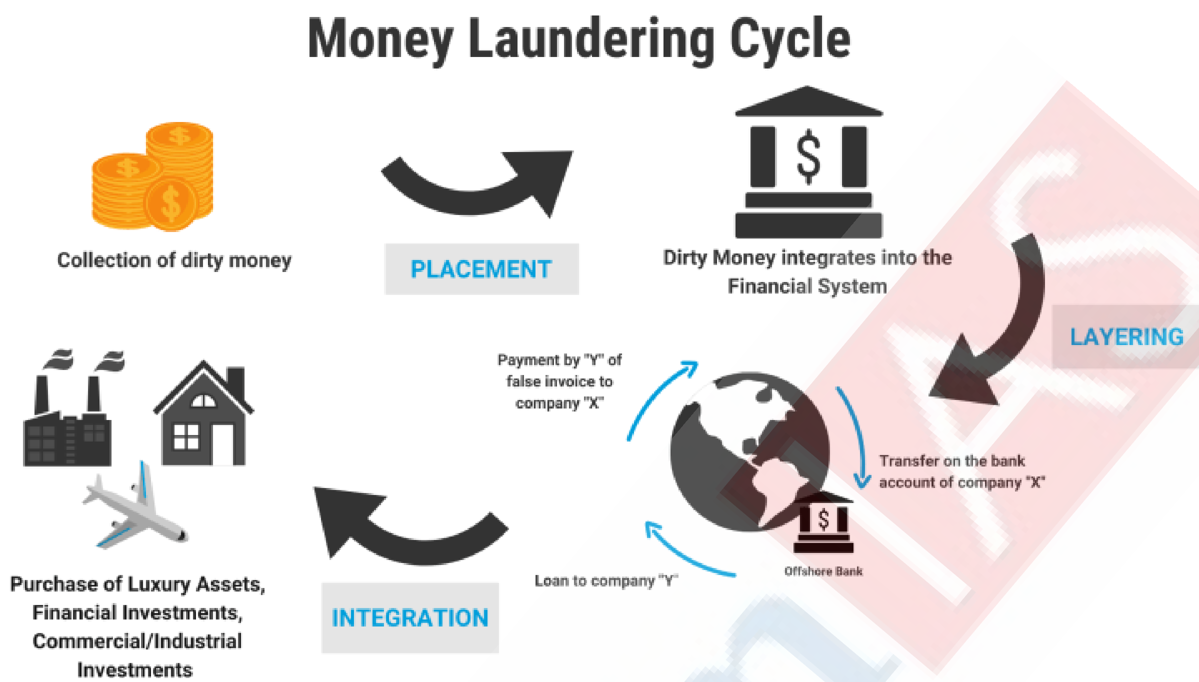
Money laundering is the **method adopted to mask the criminal proceeds to disguise their illegal origin**. Money laundering enables the criminal to enjoy these profits without jeopardizing their source. In a developing country like India, the main source of criminal proceeds could be corruption, extortion, blackmailing, illegal arms sales, smuggling, and the activities of organized crime. Other sources would include fraud, theft, insider trading, bribery and Ponzi schemes etc.

The possessors of the ill-gotten wealth devise clever methods to avoid attention and scrutiny of the law-enforcement agencies. They do so by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention. Money Laundering has been defined under the Article 3.1 of the **UN Vienna 1988 Convention** (United Nations Convention Against Illicit Traffic in Narcotics Drugs and Psychotropic Substances, 1988).

UN Vienna 1988 Convention Article 3.1

"The conversion or transfer of property, knowing that such property is derived from any offense(s), for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in such offense(s) to evade the legal consequences of his actions"

Money laundering is generally undertaken through a 3-step process: **(a) Placement**: The criminals place the proceeds of the crime into the normal financial system; **(b) Layering**: Money introduced into the normal financial system is layered or spread into various transactions within the financial system so that any link with the origin of the wealth is lost; **(c) Integration**: The benefit or proceeds of crime are available with the criminals as untainted money.



Source: United Nations Office on Drugs and Crime

How has the legal framework to counter money laundering evolved Globally and in India?

Since the mid-1980s, there has been global concern over the proceeds of criminal activities such as drug-trafficking being 'laundered' or and used in financing terrorism.

The **UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances** adopted in Vienna in 1988 (Vienna Convention) was the first treaty that called upon nations to adopt domestic laws to combat drug trafficking. As part of these laws, countries were asked to prohibit the conversion or transfer of property gained through dealing in narcotics to conceal its illicit origin. India acceded to the Treat in March, 1990.

The **Financial Action Task Force (FATF)** was established in the G-7 Summit in Paris in 1989 in response to mounting concern over money-laundering. The Task Force made recommendations from time to time to strengthen laws on the subject.

The **UN Convention against Transnational Organized Crime of 2000** (Palermo Convention) also advocated legislative and other measures to combat organised crime, and specifically called for 'criminalizing the laundering of proceeds of crime'.

The **Prevention of Money Laundering Act** (PMLA) was enacted in 2002 and came into force in 2005. Its provisions **gave effect to India's obligations to abide by International Conventions**. The Union Government used this background to argue that PMLA provisions as well as subsequent amendments were valid and necessary to fulfil India's obligations to combat the menace of money-laundering.

In its verdict, the Supreme Court agreed with the Government's contention. "*Every provision in the 2002 Act will have to be given its due significance while keeping in mind the legislative intent for providing a special mechanism to deal with the scourge of money-laundering recognised world over and with the need to deal with it sternly*".

Salient Provisions of the PMLA

- Prevention of Money Laundering Act was enacted to deal with money laundering and has three main objectives:
  - Prevent and control money laundering.
  - Provide for confiscation and seizure of property obtained from laundered money.
  - Deal with any other issue connected with money-laundering in India.
- The **Enforcement Directorate** is empowered to conduct a Money Laundering investigation.
- The provisions of this act are applicable to **all financial institutions** like banks, mutual funds, insurance companies, and their financial intermediaries.
- According to the Act, there can be punishment of **imprisonment up to 3-7 years** with **fine up to INR 5 lakh.**

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What is the SC Judgment on various Sections of the PMLA?

Section 3: The Section defines the offence of money laundering. In the original Act, to prove the offence of money laundering, the prosecution had to establish that: (a) The accused was in possession of proceeds of crime and concealing it; **(b)** The accused was projecting the proceeds as 'untainted property' (i.e., clean money gained through legitimate means). In 2012, the Act was amended to bring it in line with the recommendations of the FATF. The SC upheld the amendment, and observed that projecting proceeds as untainted property is no longer necessary and mere possession and concealment will suffice as crime. The Court held that **generating black money is also money laundering**, even without proof of actually laundering it or converting it to white money.

Further, the SC made it clear that the offence of money laundering gets triggered **only if there are proceeds of crime resulting from criminal activity relating to a scheduled offence** (mentioned in the Schedule to the Act). Absent proceeds of crime, the authorities cannot initiate any prosecution.

Section 5, 8(4), 17 and 19: Under this, the ED has discretionary powers to attach property of the accused, enter and search suspected property without judicial permission and power of arrest.

The Court rejected the notion that the ED has been given blanket powers of arrest, search of person and property and seizure. The SC said there were 'in-built safeguards' within the Act, including the recording of reasons in writing while effecting an arrest.

Section 24: The Section reverses the usual **burden of proof** in criminal law. In a PMLA case, **burden of proof is on the accused** to prove that the assets in question are not proceeds of a crime. The Court upheld this provision and said that this provision did not suffer from the "*vice of arbitrariness or unreasonableness*".

Section 45: The Section deals with the conditions of bail. The SC **upheld the stringent 'twin bail conditions'** required under the law for granting bail to an accused. It requires a court to hear the public prosecutor against the bail plea and reach a satisfaction that there are reasonable grounds to believe that: **(a)** The accused is not guilty of the offense; **(b)** The accused is not likely to commit any offence while on bail.

The SC said that stringent bail conditions can be imposed in exceptional circumstances such as anti-terrorism laws, but cannot be manifestly arbitrary. The SC also relied on Article 39 of the Constitution to uphold the stringent bail conditions under PMLA. It is a part of the Directive Principles of State Policy that mandates the State to prevent concentration of wealth.

Section 50: The SC held that proceedings under Section 50 are an inquiry, not a criminal investigation. **ED officers are hence not police and CrPC rules for investigation do not apply to the ED**. Therefore, it is not mandatory for the ED to provide a copy of the Enforcement Case Information Report (ECIR) to the accused. For the same reason, **any statement recorded by the Directorate is admissible in evidence**.

What are the concerns associated with the SC Judgment?

First, in upholding the reverse burden of proof condition for grant of bail, the Court overruled its own order of November 2017 that had declared the bail criteria unconstitutional. In ***Nikesh Tarachand Shah vs Union of India (2017)***, the Court had declared the 'twin test' of bail under PMLA as unconstitutional since it was manifestly arbitrary.

Second, the list of crimes included in the PMLA overrides similar crimes in other parts of the law. It can override the safeguards of the Criminal Code of Procedure.

Third, the burden of proof is on the accused. Given the long drawn process of criminal law in India, and the tough conditions associated with grant of bail, the process of proving innocence itself is the punishment.

Fourth, critics argue that International treaties are often used to override domestic rights safeguards. By fulfilling India's global commitment under the Vienna Convention, the Government has restricted civil liberties and the value of dissent.

Fifth, the conviction rate under PMLA is less than 0.5%. But every year thousands of cases are registered and people are arrested.

Sixth, there are also concerns that the provisions of the PMLA and the ED can be used by the Government to target political opponents.

What lies ahead?

First, the petitions had questioned the Amendments to the PMLA through Finance Act (Money Bill). The SC has referred the issue to the larger bench.

Second, various activists and organizations are contemplating filing review petition before the SC. There is possibility that the Judgment might be referred to a larger bench.

Third, setting up and strengthening institutions dealing with illicit money like the Directorate of Criminal Investigation Cell for Exchange of Information, Tax Research and Investigation Division of the CBDT is needed to reduce the menace of black money and money laundering.

Conclusion

Money laundering and its use in terror financing is a big security threat. However, critics argue that the stringent provisions of the PMLA are disproportionate to the threat and provide too much power to the ED. By upholding these provisions, the Court has diluted some well established principles of criminal law. Thus the verdict must be revisited.

Syllabus: GS II, Important Aspects of Governance; GS III, Money Laundering and its prevention

Source: **Indian Express**, **The Hindu**, **The Hindu**, **Mint**, **India Today**

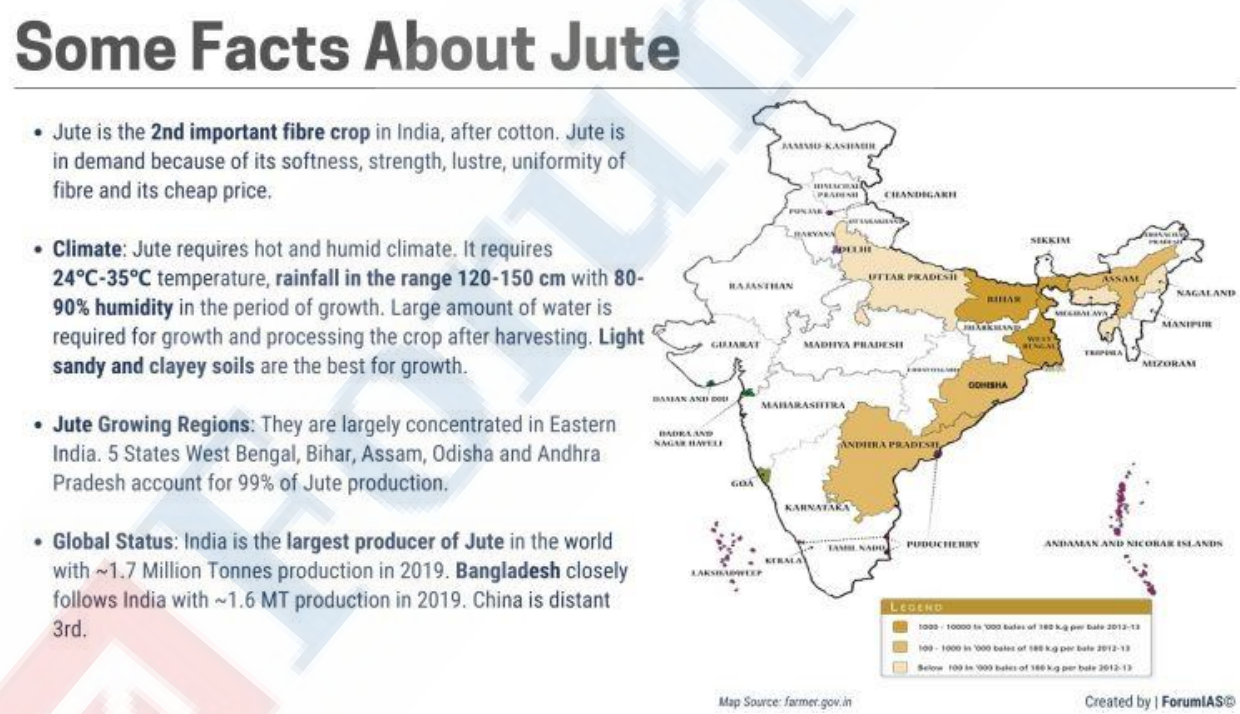
Issues faced by Jute Industry in India – Explained, pointwise

Introduction

The Jute Industry in West Bengal is in a state of disarray. The area under jute cultivation has been falling and so is the price of jute. Several mills are on the verge of closure, putting the livelihood of thousands of people dependent on them in jeopardy. In contrast, the jute industry in Bangladesh is thriving, with Bangladesh accounting for 75% of global jute exports. The Member of Parliament from Barrackpore constituency recently met the Union Minister for Textiles to apprise him about the gravity of the crisis. The situation calls for a focused intervention by the Government to save the livelihoods of thousands of mill workers as well as farmers who are directly or indirectly dependent on the jute industry for their survival.

What is the current status of the Jute Industry in India?

The Jute Industry in India is 150 years old. According to the Indian Jute Mills Association (IJMA), there are about 93 jute mills in India, of which 70 are in West Bengal. Of the 70, 54 are located in the three districts of North 24 Parganas (25), Howrah (15) and Hooghly (14).



The factors behind present localization of the jute industry in Eastern India especially West Bengal are: **(a) Raw material**: West Bengal is the largest producer of jute and most mill are located there; **(b) Water supply:** High rainfall and presence of rivers ensure abundant water for processing raw jute; **(c) Easy Transportation**: The region is well connected by a good network of railways, waterways, and roadways to facilitate the movement of raw materials to the mills. Inexpensive water transport is also provided by the Hugli river; **(d) Labour**: Availability of cheap labour from West Bengal and the adjoining States of Bihar, Orissa, and Uttar Pradesh; **(e)**

Kolkata as a port and large urban centre, provides banking, insurance, and port facilities for the export of jute goods.

What is the significance of the Jute Sector?

Multiple Uses: It is used in insulation (replacing glass wool), packaging, geo-textiles, activated carbon powder, wall coverings, flooring, garments, rugs, ropes, gunny bags, handicrafts, curtains, carpet backings, paper, sandals and furniture. About 80% of the finished product – or B. Twill jute bag — is bought by the Government for packaging food grains and agricultural produce like sugar.

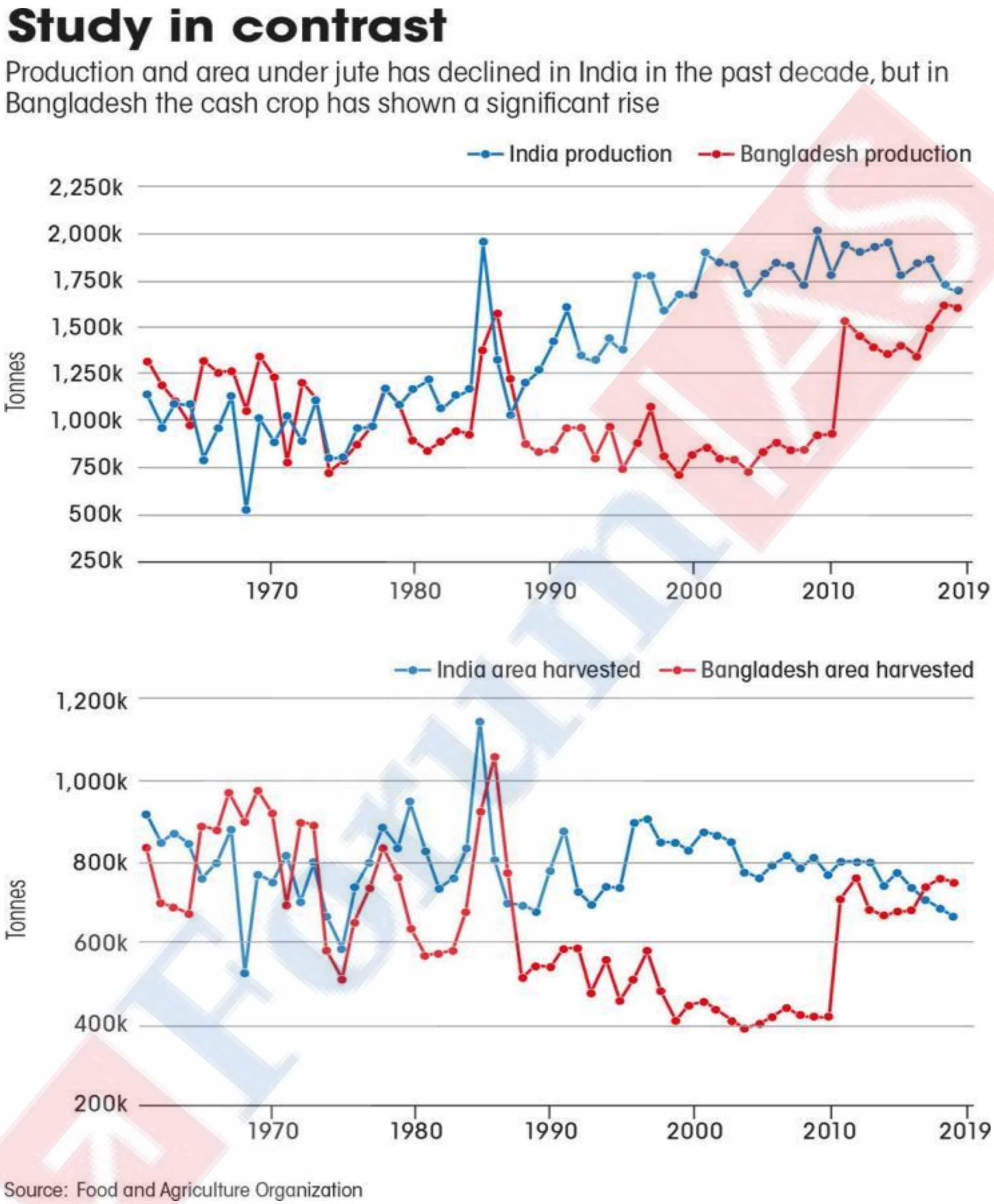
Employment Generation: Jute production is a labour-intensive industry. Jute sector provides direct employment to 3.7 lakh workers and support livelihood of more than 40 lakh farm families.

Environment Friendly: Jute provides a sustainable and environment-friendly alternative to single-use plastic. It is biodegradable and recyclable. Cultivation of just improves fertility of soil if grown in crop rotations. It does not produce toxic gases while burnt.

Agriculture Development: The sustenance of jute industry is crucial for jute cultivators. According to the Indian Jute Mills Association (IJMA), about 40 lakh farmers are associated with the production and trade of the golden fibre.

What are the challenges faced by the Jute Industry?

Stiff Competition: India lags behind Bangladesh in producing superior quality jute fibre. Bangladesh accounts for 75% of global jute exports while India's share is only 7%. Even India imports jute products like yarn, floor coverings and jute hessian from Bangladesh.



Source: Down to Earth

Climate Change: Intensified cyclonic activity in the region as a result of climate change has impacted production of jute e.g., In May 2020, Cyclone Amphan caused considerable damage to the crop. A report by the Commission for Agricultural Costs and Prices (CACP) said that a lower quality of jute fibre was produced in 2020-21 due to the cyclone. Farmers had to harvest the crop prematurely due to water-logging.

Availability of Cheap Alternatives: Jute products costs higher than synthetic fibers and packing materials, particularly nylon and thus losing its market.

High procurement cost: The mills procure raw jute at higher prices than what they sell them at after processing. Mills do not acquire their raw material directly from the farmers, but instead through intermediaries due to cumbersome procurement process (many farmers are far-off from location of mills). The middlemen charge mills for their services which involve procuring jute from farmers, grading, bailing and then bringing the bales to the mills.

The government has a fixed Minimum Support Price(MSP) for raw jute procurement from farmers which is INR 4,750 per quintal for the 2022-23 season. However, jute reaches mill at INR 7,200 per quintal.

Policy Issues: The recent crisis began with the recent notification of Office of Jute Commissioner which capped the price of raw jute at INR 6,500 per quintal. However, mills are procuring material at INR 7,200; INR 700 more than the price cap on the final product. A mill owner in West Bengal estimated INR 12 Lakh loss per day forcing him to shutdown his mill. 10 mills have already closed down, and more mills are feared to follow suit.

Another issue is the **non-implementation of the Tariff Commission's report** for fair price of B. Twill jute bags (bought by the Government). At present, the bags are priced on the basis of provisional rates of 2016. The price was meant to last for only 6 months till Tariff Commission recommended new price. The Commission submitted report in March 2021 but it has not been implemented. This has led to a loss of INR 1,500 crore to the industry, according to jute mill owners.

The losses have hampered to ability of mill owners to invest in new machines/technology or undertake innovation to diversify the products.

Raw material supply: India is not self-sufficient in the supply of raw material. To meet the growing need of the industry, raw material is imported from Bangladesh, Brazil, and Philippines.

How has Bangladesh improved its Jute Exports?

First, Jute produced in Bangladesh is of superior quality. This is because Bangladesh has favourable conditions that allow better retting of the crop. Under retting, jute bundles are kept under water at a depth of about 30 cm. This process gives the fibre its shine, colour, and strength. It should ideally be done in slow moving, clean waterbodies like rivers. But Indian farmers do not have access to such resources.

Second, Bangladesh provided 3-4 different kinds of subsidies to the jute industry. For instance, it gives 9-10% export subsidy for food-grade packing bags, which is much higher than India's 1.5-3% subsidy.

Third, Bangladesh has been successful in capturing the diversified jute products market, for which there is a huge international demand. India's major jute exports, in contrast, are sacking and hessian bags.

Fourth, jute production in Bangladesh is more cost competitive than India. This is because of lower procurement cost, lower wages and lower power tariffs etc. compared to India.

These factors provide a comparative advantage to Bangladesh vis-a-vis India in the export of jute products

What steps have been taken to support the Jute Industry in India?

Jute-ICARE: It was launched by National Jute Board (NJB) in technical collaboration with ICAR-Central Research Institute for Jute and Allied Fibers (ICAR- CRIJAF). The objective of the scheme is to support the small and marginal jute growers with adequate pre- and post-harvesting operations so that they can grow good quality jute & receive higher prices for their produce.

Jute Packaging Material (Compulsory use in Packing Commodities) Act, 1987: It mandates that 100% production of foodgrains and 20% sugar production must be packaged in jute bags.

What steps are required to support the jute industry?

First, the recommendations of the Tariff Commission's report should be implemented in order to cut the losses of mill owners and prevent their closure.

Second, focus can be placed on innovative products like the Jute Geo-Textiles (JGT). It can be made through the special treatment and weaving processes. JGT can be applied to many fields including soil erosion control, civil engineering, protection of river banks and road pavement construction.

Third, Diversification is key if India wants to make the jute market successful. Demand for diversified products has to be created even domestically. This can be a big boost for a plastic-free India as well. At present, 92% of the total domestic jute produced is used for packaging purposes and just 8% is for other products.

Conclusion

Bio-degradable, eco-friendly jute products have a very big international market. But there is an urgent need for the domestic jute market to diversify. The need of the hour is to upgrade and adopt new technology, new manufacturing standards and evolve with time. The Government must support the jute industry and enhance its competitiveness through appropriate policy interventions.

Syllabus: GS I: Factors responsible for the location of the primary, secondary and tertiary sector industries, GS III: Major crops, cropping patterns in various parts of the country.

Source: **Down to Earth**, **The Hindu**, **The Hindu**

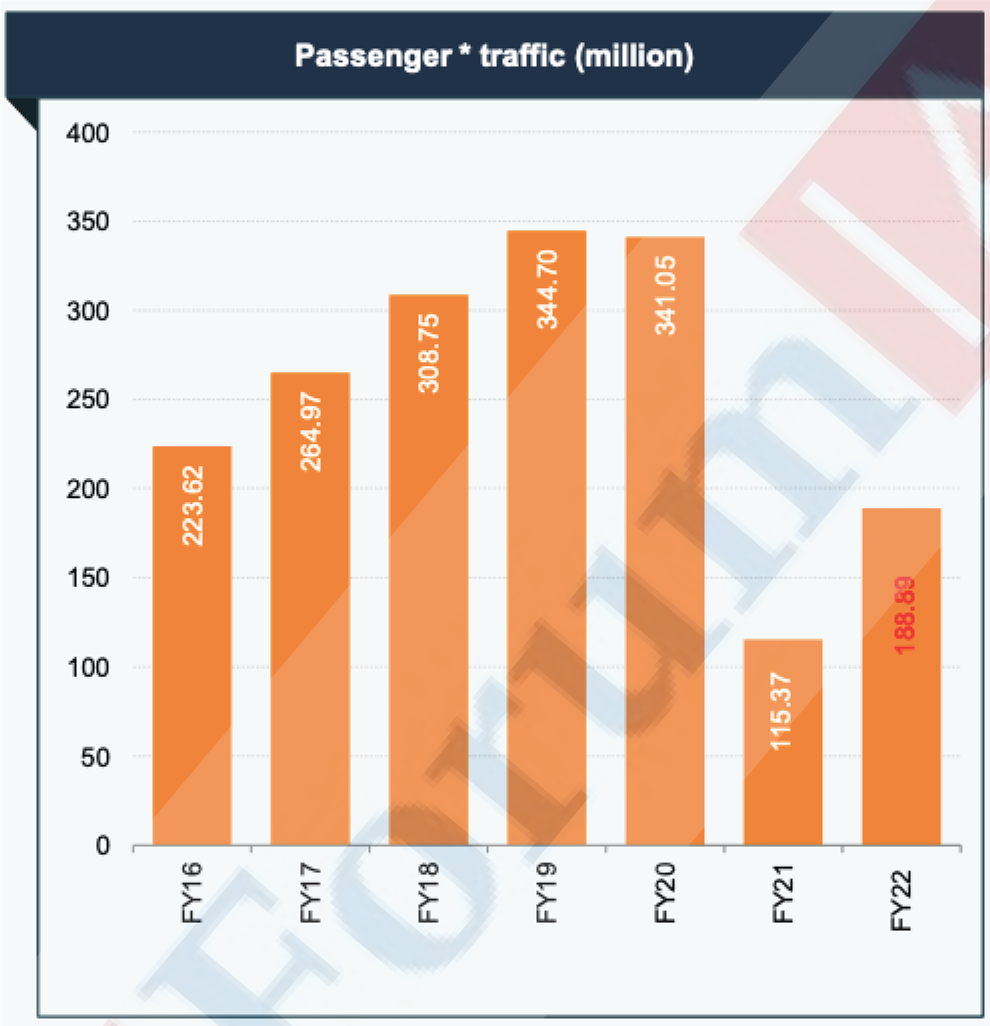
Aviation Sector in India: Status, Opportunities and Challenges – Explained, pointwise

Introduction

Aviation is integral to equitable economic growth and for the economy to be globally competitive. The civil aviation sector in India has the potential to become one of the largest in the world. India has become the third largest domestic aviation market in the world and is expected to overtake the UK to become the third largest air passenger market by 2024. However, the sector is also facing some critical issues which are hindering its progress. While the aviation industry is still recovering from the aftermath of the pandemic, a spate of incidents related to safety has forced the Directorate General of Civil Aviation (DGCA) to step-in. Experts have also raised concerns about the financial health of the airline operators in India.

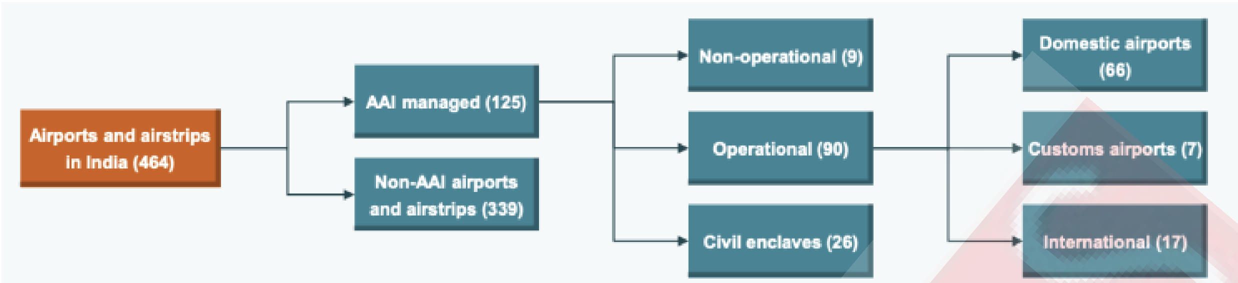
What is the current status of the Aviation Sector in India?

India is the 7th largest civil aviation market in the world and is set to become the world's 3rd largest by 2024. Total Passenger traffic (International + Domestic) had been constantly increasing before the drastic fall in FY2020-21 due to COVID-19. However, the recovery has been strong with 64% increase in traffic in FY2021-22 (with respect to FY2020-21). By 2036, India's total passenger traffic (International + Domestic) is expected to be 480 million surpassing combined traffic of Japan and Germany.



Source: India Brand Equity Foundation

There are 464 Airports and Airstrips in India, of which 125 are managed by the Airports Authority of India. India plans to open 100 additional airports by 2024.



Source: India Brand Equity Foundation

Airports Authority of India (AAI)
It was established in 1994 under the Airports Authority Act. AAI is responsible for developing, financing, operating and maintaining all Government airports in India. The Aircraft Act (1934) governs the remaining airports.

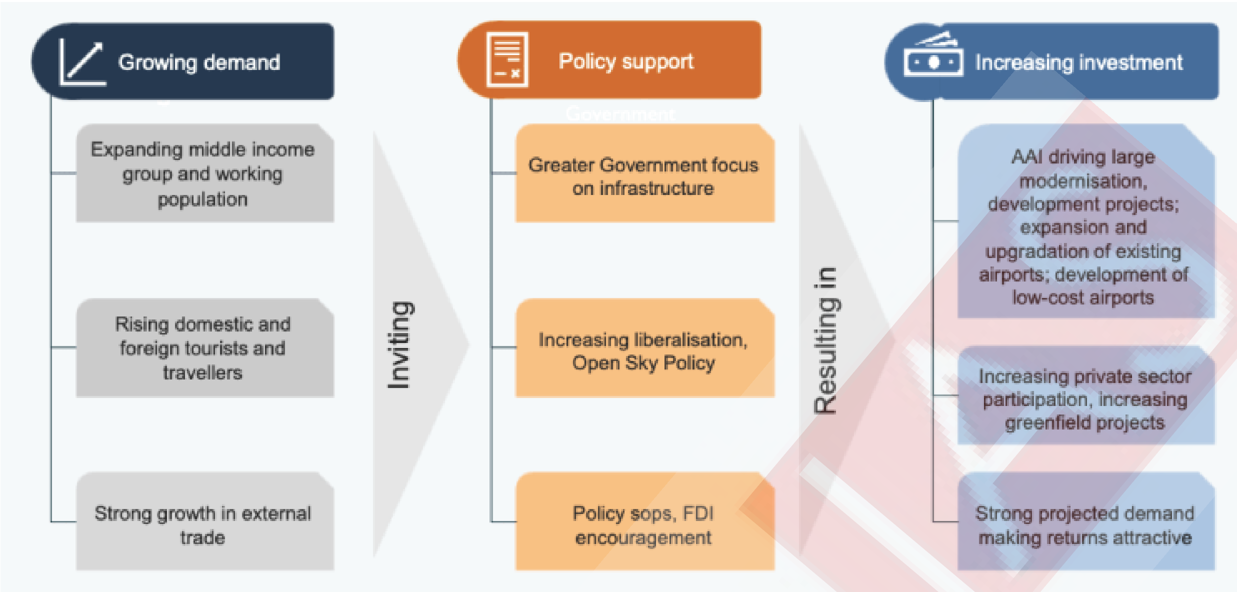
What is the need to focus on the Aviation Sector?

Robust Demand: Rising working group and widening middle class demography is expected to boost demand for air travel. Emergence of business hubs like Mumbai (Finance), Bengaluru (IT), Chennai (IT), and Delhi (Manufacturing, IT) is likely to boost business travel as well. The passenger traffic is expected to increase manifold in coming years. Aviation sector will need 2,380 new commercial airplanes by 2038. Inline with the anticipated demand, the Government has envisaged increasing the number of operational airports to 190-200 by FY40. This necessitates a focused approach towards boosting investments to support infrastructure in the sector.

Further, as India's international trade increases, the demand for cargo services will see a rise.

Huge potential to develop India as an MRO hub: As the aviation market expands, and number of aircraft increase, the demand for Maintenance, Repair and Operations (MRO) will also rise. (*MRO centres can be considered as service centres for aircraft*). India's MRO industry is expected to grow from US$ 800 million in 2018 to more than US$ 2.4 billion by 2028. Indian airline companies will spend over 12-15% of their revenues on maintenance, which is the second highest cost component after fuel. There is lack of adequate MRO facilities at present and India's share is only 2.5% in the Global MRO market.

Regional Connectivity and Development: Aviation sector will be crucial in ensuring balanced regional growth especially in rural and Northeast India. Aviation sector acts as a hub of various activities. The Airports function as a **growth pole**. They propel growth in the region as a result of spill-over & trickledown effect. The sector can give **boost to tourism sector** which in turn drives the supporting infrastructure in a region, like roads, railways, hotels, markets, etc. providing direct and indirect livelihood opportunities for the locals.



Growth Drivers of India's Aviation Sector. Source: India Brand Equity Foundation

What steps have been taken by the Government to support growth of the Aviation Sector?

Northeast India: Over 30 airport development projects are under progress across various regions in Northeast India. AAI plans to develop over 20 airports in Tier-II and Tier-III cities in the next 5 years. It also plans to develop Guwahati as an inter-regional hub and Agartala, Imphal and Dibrugarh as intra-regional hubs.

Greater focus on infrastructure: AAI plans to invest INR 25,000 crore (US$ 3.58 billion) in the next 5 years to augment facilities and infrastructure at airports. The Government is planning to invest US$ 1.83 billion for development of airport infrastructure along with aviation navigation services by 2026.

Liberalization and Open sky policy: With the opening of the airport sector to private participation, 6 airports across major cities are being developed under PPP. Currently, 60% of airport traffic is handled under PPP, while the remaining 40% is managed by AAI. Participation by the private sector has improved the service levels and enhanced the passenger experience.

Increased traffic rights are being enjoyed under bilateral agreements with foreign countries. India has signed Open Sky Agreements with multiple nations like the US, Greece, Jamaica, Japan, Finland, Sri Lanka etc. An Open Sky Air Service Agreement allows for airlines from the two countries to have an unlimited number of flights as well as seats to each other's jurisdictions.

National Civil Aviation Policy, 2016: The policy covers 22 areas of the civil aviation sector. Under the policy, Airlines can commence international operations and will have to deploy 20 aircrafts or 20% of their total capacity (whichever is higher) for domestic operations. This will improve international footprint of India-based airline services.

Regional Connectivity Scheme (RCS)/UDAN (*Ude Desh ka Aam Nagrik*) has been launched under the policy. This has expanded access to air travel. In 2016, India's top 6 airports handled 66% of India's domestic air traffic. This has come down to ~55% in June 2022. This indicates shift of traffic pattern away from Metro routes.

Taxes and duties: 100% tax exemption has been provided for airport projects for a period of 10 years. Indian aircraft Manufacture, Repair and Overhaul (MRO) service providers are exempted completely from customs and countervailing duties. The Airport Authority of India plans to abolish royalty and offer steep discounts in lease rent to encourage MRO units to set up facilities at its airports.

Union Budget 2022-23: The Government has allocated INR 10,667 crore for the Ministry of Civil Aviation. INR 600 Crore has been provided for UDAN Scheme.

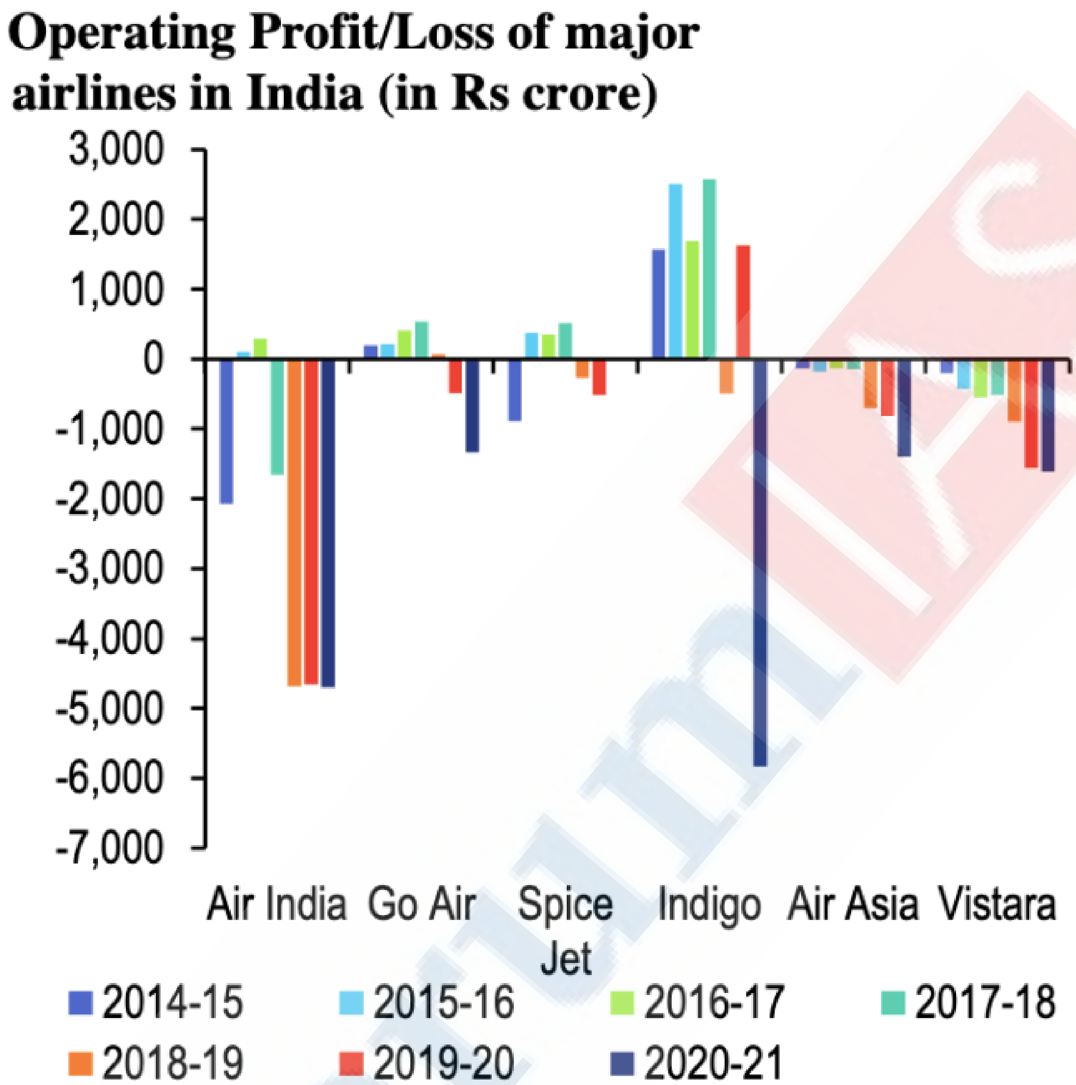
Encouragement to FDI: The Government has allowed 100% FDI under automatic route for greenfield projects, whereas 74% FDI is allowed under automatic route for brownfield projects. 100% FDI is allowed under automatic route in scheduled air transport service, regional air transport service and domestic scheduled passenger airline. FDI over 49% would require Government approval. FDI inflows in India's air transport sector (including air freight) reached US$ 3.54 billion between April 2000-March 2022.

What are the challenges faced by the Aviation Sector?

Safety Concerns: Last couple of months have witnessed several instances of malfunctions before/during flights resulting in diversions/delays. The malfunctions are being attributed to lower turnaround times by airlines to maximize profits after a pandemic-induced slowdown. Experts have argued that low-cost airlines (which dominate the sector) give low priority to maintenance in order to save costs e.g., many snag rectifications are being undertaken by technicians rather than qualified engineers.

Moreover, the ongoing Russia-Ukraine war has created shortage of spare parts, especially those containing titanium.

Profitability of the Sector: Most airline operators have poor financial health. The situation worsened during the COVID-19 pandemic due to lockdowns and flight restrictions. Consistent losses drive down number of operators impacting competition and efficiency. To reduce losses, operators increase turnaround times of aircraft and cut-down on maintenance/safety aspects.



Source: PRS. Most airline operators have returned consistent losses since 2014. Only Indigo was profitable for 5 of the 6 years period between 2014-15 to 2019-20. During COVID-19 pandemic, the sector suffered huge losses.

Absence of robust competition: While the policy is being liberalized; still, there are stiff regulations which act as barrier to the expansion of the sector. According to Mr. GR Gopinath (founder of Air Deccan) **tough entry barriers** for new entrants reduce competition, **high fuel prices** on account of taxes reduce **profitability of airlines** which prohibit the sector from operating at full efficiency. Public sector airports are inefficient and still have a monopoly in the airport segment.

Poor rural connectivity: With mega airports controlling air and ground space, it is almost impossible to connect rural and small towns from the large metros. Although UDAN has showed some positive impact, regional connectivity still remain poor.

Policy Lacunae: There are many policy gaps that remain to be addressed e.g., the Aircraft Act, 1934 and Aircraft Rules, 1937 have not kept pace with modern technology in aerospace. This has increased costs to the industry and ultimately affected passenger growth.

What more steps can be taken going ahead?

First, the statutory regulatory authority, the Directorate General of Civil Aviation (DGCA) should be modernized, well-staffed and incentivised. Experts recommend that DGCA should be headed by aviation professionals rather than by bureaucrats from the government.

Second, The 'Start-up India' initiative must be promoted to the aviation sector. Young entrepreneurs are the driving force in hi-tech companies and disrupting many conventional businesses.

Third, Airport developers can now draw on wider revenue opportunities such as retail, advertising and vehicle parking. Future operators will benefit from greater operational efficiency due to satellite-based navigation systems like 'Project Gagan' which is in development phase.

Fourth, reforms should be undertaken in all areas of aviation for passenger airlines to grow. This includes air cargo, airports, aviation fuel taxes (State and Central, which in India are among the highest in the world) and Maintenance, Repair and Overhaul (MRO).

Fifth, since there are thousands of pilots and technicians unemployed in India, airlines should not look for foreign pilots and engineers as it can further push up the costs.

Sixth, there is a need to modify the India's Aircraft Act, 1934 and Aircraft Rules, 1937 as it is necessary to keep pace with modern technology in aerospace, growth of industry and passenger.

Conclusion

India has a huge aviation market with large untapped potential. There is a need for continuous support to the sector from the Government through appropriate policy interventions. This will benefit domestic economy, as well as enhance the global footprint of India's aviation sector, both in passenger and freight traffic.

Syllabus: GS III, Infrastructure: Airports

Source: **Indian Express**, **Mint**, **Mint**, **The Hindu**, **Business Standard**, **IBEF**

Issues with the Working of the PMFBY – Explained, pointwise

Introduction

The Union Agriculture Ministry recently announced that Andhra Pradesh has decided to rejoin the crop insurance scheme *Pradhan Mantri Fasal Bima Yojana* (PMFBY) from the ongoing kharif season. Andhra Pradesh was one of six states that have stopped implementation of the scheme over the last four years. The States had opted out citing various issues with the design and implementation of the Scheme.

Agriculture insurance is vital to provide income security to the farmers, and to achieve the Government's target to double farm incomes. However, since inception, the PMFBY Scheme has faced several issues; so much so that the Union Government had to undertake major revisions in the Guidelines in September 2018 and February 2020. Nevertheless, the Government has shown flexibility in its approach and has addressed the concerns of Andhra Pradesh and persuaded to join back. Other States may follow suit.

About the PMFBY Scheme

PMFBY is the flagship agriculture insurance scheme being implemented by the Union Government. It was launched in 2016 by the Ministry of Agriculture. The aim of the scheme is to provide **comprehensive insurance cover to the farmers against failure of crops** and help in stabilizing the income of farmers. The Scheme covers food crops, oilseed crops, commercial and horticulture crops.

According to the Union Government, PMFBY is the largest crop insurance scheme globally in terms of farmer participation and the third largest in terms of the premium.

The prescribed premium is 2% for Kharif Crops, 1.5% for rabi crops and 5% for commercial and horticulture crops. Balance of the actuarial premium (95%-98.5%) is shared equally between Union and State Governments. However, in 2020, the share of the Union Government was capped at 25% for irrigated areas and 30% for un-irrigated areas.

The Scheme was initially compulsory for the loanee farmers but has been made voluntary since 2020.

It is a **yield-based index scheme** and is implemented on an **area approach basis**. This approach is distinct form 'individual farm' based approach. Area based approach assumes that **villages are homogenous from the point of view of crop production**, whose annual yield and variability of crop production is similar. This approach is logical in the absence of granular level historical data of farm yields at individual farm levels.

The claims are worked out on the basis of shortfall in the actual yield vis-à-vis the threshold yield in the notified area e.g., if the long-term yield of rice in an area is 2.5 tonnes/hectare and a production has fallen to 1.5 tonne in a farm of 1 hectare due to drought, the claim will be on (2.5-1.5) tonne of rice.

The risks covered include: **(a) Yield Losses** (on standing crops) due to non-preventable risks like Natural Fire and Lightning; Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane, Tornado etc.; Flood, Inundation and Landslide; Drought, Dry spells; Pests/ Diseases etc.; **(b) Prevented Sowing** due to adverse weather conditions; **(c) Post-harvest losses**; **(d) Localized calamities** like hailstorm, landslide, and inundation affecting isolated farms in the notified area.

Need for Agriculture Insurance

- According to the Ministry of Agriculture, Rainfed agriculture occupies about 51% of the net sown area and accounts for nearly 40% of the total food production in India.
- Rainfed agriculture is complex, highly diverse and risk prone.
- Due to lack of irrigation and other infrastructure, crop production is **prone to failures**. Besides the vagaries of weather over wide areas, there are a lot of **localized calamities** which can damage crops.
- Traditional ways to mitigate risks (like crop diversification) fail in extreme weather events. Looming threat of climate change will increase risk of crop failures.
- Insurance is necessary to provide **cover to farmers against the losses**.
- Agriculture insurance provides income security cushion to farmers and reduces the necessity to take loans. Thus insurance is crucial to **address the problem of farm indebtedness**.

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What are the issues associated with the PMFBY?

Since the launch, **6 states have opted out** of the scheme viz., Gujarat, Bihar, West Bengal, Andhra Pradesh (joining back), Telangana and Jharkhand while Punjab had never joined. There are several reasons:

First, Fiscal Burden on States: The Scheme limits farmer's **share of actuarial premium** to 1.5-5%. The rest was to be **shared equally by the Union and State Governments**. However, in 2020 the Government **capped its share to 25%-30%** (irrigated and unirrigated areas respectively). This has increased the **fiscal burden** of States. Consequently, many States have opted out.

Second, Delayed Pay-outs and Denial of Claims: There are **frequent disputes** related to compensation. Farmers complain the compensation paid by insurance companies is less than the losses. There are **long delays in payments**, sometimes up to 18 months. **Yield-related disputes**, **delayed transmission of yield data** and **delay in release of their share in premium subsidy by State Governments** are the major reasons for delays in settlement of claims.

Farmers claim that the private insurers are not following the **assessment by the government officials based on Crop Cutting Experiments** (CCEs) and **rejecting many claims** on the basis of their own assessment.

Note: CCEs are conducted just before harvest to assess crop loss by estimating average yield for all notified crops in the notified insurance units. Insurance companies are bound to settle the claims within two weeks of receiving the yield data.

Third, **Implementation Issues**: Farmers face hurdles in uploading the documents and claiming damages as network connectivity is poor in rural areas.

Under the scheme, both Public and Private insurance companies bid their premium rates for a district in a State. The lowest bidder is awarded the contract to provide insurance under the scheme for **one agricultural season only**. This discouraged the companies from investing in that district in terms of awareness activities, assigning personnel or setting up offices. This led to farmer grievances.

In 2020, the Government has increased the contract duration to 3 years in one district (6 agriculture seasons). It is hoped that companies would set up help centres and employ more personnel to gather yield data and faster claim settlement.

Fourth, Absence of Grievance Redressal Committees (GRCs): **Only 15 States and UTs have notified GRCs** at both the State and District level, as mandated under the PMFBY scheme. Farmers are left with no resort in case of under-payment or delay in claim settlement.

Fifth, **Opposition from States**: States have cited multiple reasons for opting out e.g., Bihar Government wanted zero premium from farmers. Jharkhand left after the revised guidelines were issued in 2020 that mandated strict timeline for the State Government to pay their share of premium. Gujarat opted out because of high premiums quoted by the insurance companies. Telangana faced hurdles on payment of its share of premium which have been pending since 2018-19 season.

Sixth, **Opposition from Farm Leaders**: Farm leaders claim **insurance companies have made windfall gains** at the behest of the public exchequer and farmers. Data from Maharashtra show that Insurance companies often earn more in premiums than paid in claims. However, for some years the trend is opposite.

PMFBY IN MAHARASHTRA

Year	Premium collected	Claims paid
2016-17	₹3,995.02 cr	₹1,924.72 cr
2017-18	₹3,544.33 cr	₹2,707.81 cr
2018-19	₹4,914.16 cr	₹4,655.46 cr
2019-20	₹4,925.57 cr	₹5,511.68 cr
2020-21	₹5,801.73 cr	₹823.19 cr*

** Rabi claims for 2020-21 yet to be finalised*

Source: Indian Express. The premiums collected far exceeded the claims in 2016-17 and 2017-18. However, the situation was reverse in 2019-20.

In several states, the claims have exceeded the gross premium. Between 2017-19, claims exceeded premiums collected in several state like Chhattisgarh, Haryana, Madhya Pradesh, Odisha, Kerala and Tamil Nadu. The Union Government replied in Rajya Sabha (July 2021) that, out of the total gross premium of INR 107,449 crore collected by the insurance companies in four years (2016-17 to 2019-20) about INR 92,426 crore (86%) has been paid to farmers to settle insurance claims.

Seventh, High Premiums: Insurance companies tend to charge high premiums in order to ensure that claims do not exceed premiums collected. This is more common in areas more prone to crop loss.

Data from the PMFBY dashboard show that since 2016, there has been a 62% decrease in farmers covered under crop insurance during kharif season to 15.1 million in 2021, and 46% decrease during rabi to 9.2 million in 2021. Area insured has also reduced — 57% under kharif crops and 22% under rabi crops.

What is the 'Beed Model' of Farm Insurance?

In March 2022, the Government of Maharashtra suggested the Union Government to adopt the Beed Model in the implementation of the scheme. Beed Model was first experimented in Beed district of Maharashtra in 2020.

Under this model, insurance companies provide **cover to an extent of 110% of the premium collected**. In case the claims exceed this amount, the **State government will bridge the extra amount.** In case the compensation amount is less than the premium collected, the **company will refund 80% premium surplus** (gross premium – surplus) to the State government and keep 20% for its administrative expenses.

Through this model, the windfall gains made by insurance companies can be checked. At the same time, in a particularly poor year, the Government will support by paying excess of claims over premium. This will ensure that Insurance Companies do not suffer from huge losses and remain interested in providing insurance coverage.

The profits of the insurance companies will be reduced and the **State governments would access another source of funds**. The reimbursed amount can lead to lower provisioning by the State for the following year. This will **help in financing the paying the bridge amount** in case of a year of crop loss.

Working of the Beed Model

Beed Model is also called 80-110 Model and balances the interests of Insurance Companies and the Government.

Claims exceed Premiums

Premiums Collected: INR 100
Claims: INR 125
Claims Paid by Insurance Company: INR 110
Amount Paid by the State Government: INR 15
(Bridge Amount)

Premiums exceed Claims

Premiums Collected: INR 100
Claims: INR 60
Premium Surplus: INR 40
Premium Surplus retained by Insurance Company: 20%*INR 40 = INR 8
Premium Surplus returned to the Government: INR 32

Created by: **ForumIAS©**

What is the way forward?

First, the Union Government should consult with State Governments and explore the possibility of replicating the Beed Model in the PMFBY.

Second; The Parliamentary Standing Committee on Agriculture had given several recommendations on reforming the Scheme. These include: **(a)** Using technology and the coordination of all institutional mechanisms to ensure faster claim settlement; **(b)** Implementing timeline for settlement of claims by insurance companies; **(c)** Uploading the contact details of officials insurance companies on the insurance portal so that they are accessible to farmers; **(d)** Penalising defaulting insurance companies in a time-bound manner; **(e)** Ensure the **formulation of GRCs in all States**. Nominate local public representatives (including Members of Parliament) in the Committees to ensure accountability.

Third, the disputes related to yields should be addressed by enhancing quality of yield data and making it readily available. State Government should also be prompt in release of their share of premium subsidy

Farm insurance is critical to provide income security to the farmers. The Union and State Governments must take appropriate steps to remove all the bottlenecks in the proper implementation of the scheme.

Syllabus: GS III, Issues related to direct and indirect farm subsidies.

Source: **Indian Express**, **Indian Express**, **Hindu BusinessLine**, **Down to Earth**

China-Taiwan Crisis and its Implications for India – Explained, pointwise

Introduction

The tensions between the US and China are at their worse in the recent times over the visit of Speaker of the US House of Representatives to Taiwan and the consequent China-Taiwan Crisis. China had been warning the US about grave consequences before the visit. Since the Speaker went ahead with her visit, China's People's Liberation Army is now conducting massive military drills in the Taiwan Strait. Although, the US has played down the visit and has called the visit a private affair of the House Speaker. The US has confirmed that nothing has changed about the US' 'One-China Policy' and the US does not support Taiwan's independence. Nevertheless, tensions in the Taiwan Strait will have profound implications for India as well. Some foreign policy experts have argued that it's time India should review its 'One-China' Policy amid tensions on the northern borders.

About the China-Taiwan Dispute

The Taiwan dispute has roots in the early decades of the 20th century. After the collapse of the Qing dynasty and the revolution that made China a republic in 1911, there was a bitter power struggle between the nationalist Kuomintang (KMT) under Chiang Kai-shek and the Communist Party of China (CPC).

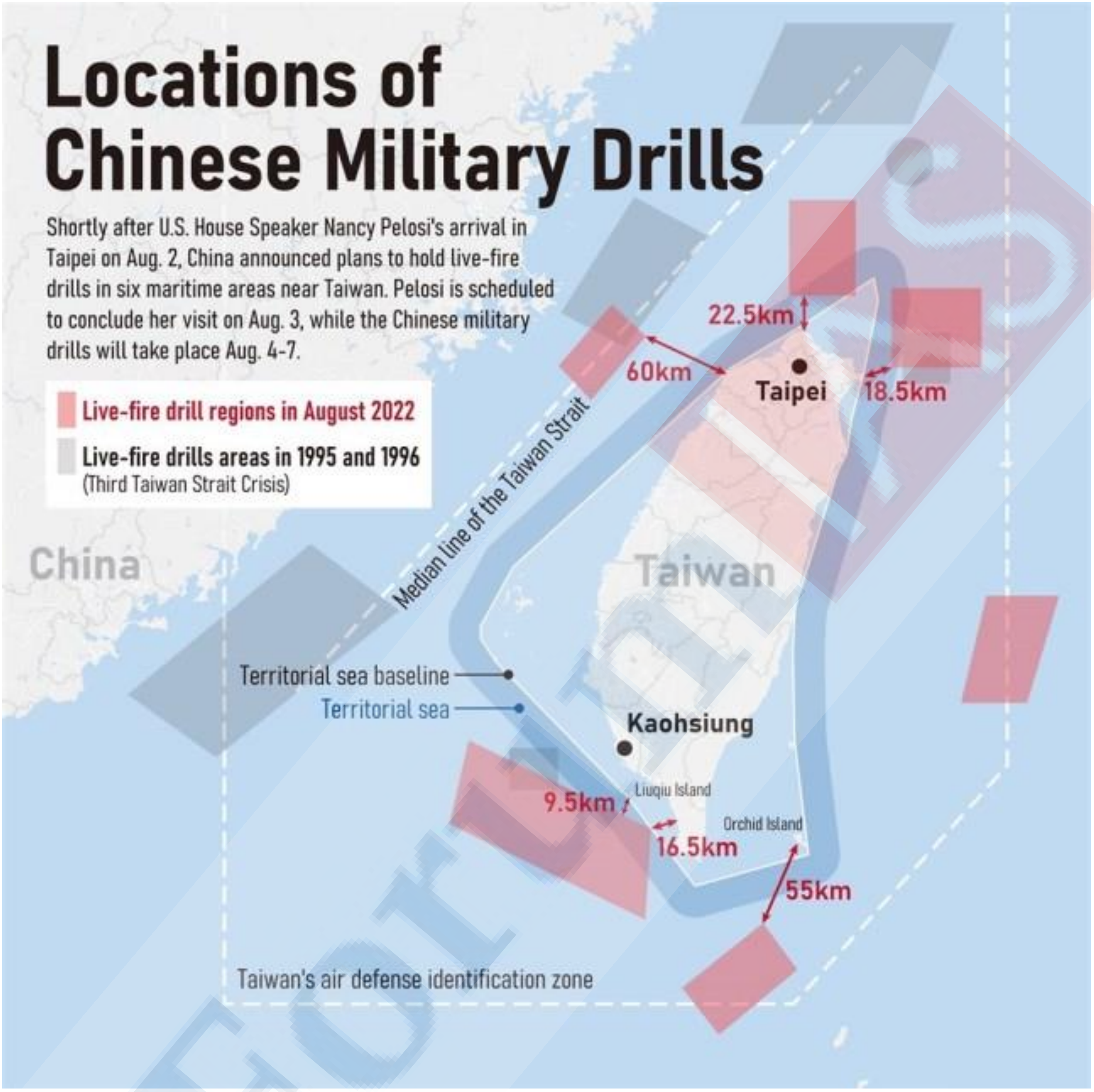
In 1927, after a massacre in Shanghai, the Communist Party rose up against the Kuomintang government, leading to a bloody civil war. The internal was put on a pause during the World War II (WW II) and the Japanese invasion, but resumed again in full force after the WW II.

In 1949, the Communists under Mao Zedong won the war. The leaders of Kuomintang fled to the island of Taiwan, established Republic of China (ROC) Government and moved their capital from Nanjing to Taipei. The Communist Party took over mainland China and established People's Republic of China (PRC) Government. Taiwan was a Japanese Colony from 1895 to 1945. The Communist Party of China (CPC) views Taiwan as a renegade provide and aims to unify it with Mainland China. Taiwan argues that it was never a part of the modern Chinese State (PRC).

The relationship between the two nations improved in the 1980s. In 1992, China's CPC and Taiwan's KMT leaders signed an understanding although there were differing interpretations regarding One-China.

However, in 1995-96 the two countries came close to a military conflict. Taiwan's President was steering the country's foreign policy away from the 'One-China' theory to a 'State-to-State' principle that meant China and Taiwan ought to engage as two separate States. Economic relations improved in late 1990s with the last Kuomintang government adopting a more Beijing-friendly position.

The relationship has soured since 2016. The main reasons are more aggressive nationalism under China's Xi Jinping and the firm stance of Taiwan's Tsai Ing-wen (President) regarding independence from China. The relationship is at a new ebb with the Speaker's visit and given rise to the current China-Taiwan crisis.



Source: Reuters

From 1949 to 1979, the US had recognised Taiwan (ROC) as China. However, when the US established ties with the Communist Party and the PRC, it recognised PRC as the 'sole legal Government of China'. and de-recognised Taiwan (ROC).

As of 2022, only 15 countries recognise the ROC. Even international inter-governmental bodies like the United Nations and the World Trade Organization don't officially recognise the ROC.

What is the political significance of the US House Speaker's Taiwan visit?

The visit has reassured the US' allies of its commitment towards the Indo-Pacific. The visit further establishes Taiwan as a part of the US' Indo-Pacific strategy even though Taipei was not invited to be a part of the Indo-Pacific Economic Framework (IPEF).

The visit sends an important message to other countries in the Indo-Pacific that the US is indeed serious about Taiwan as part of its countering the China challenge.

What are the reasons behind current China-Taiwan Crisis?

First, top leaders of Taiwan and China have shown a **contradictory stance over their relationship.**

Taiwan's View: It will not accept the China's use of 'one country, two systems' to downgrade Taiwan and undermine the cross-strait status quo.

China's View: Resolving the Taiwan question and realizing China's complete reunification is a historic mission. China calls for resolute action to utterly defeat any attempt towards Taiwan's independence.

Second, the Taiwanese have **democratically elected governments**, and greater prosperity and political rights, so they strongly oppose reunification. But formal secession would be costly because a Chinese law from 2005 warns of military action in case of secession.

Third, **Taiwan's legal status is a grey area,** despite China's rising global clout. Majority of countries don't recognise Taiwan (ROC) as a separate nation, but 15 nations do recognise it. This recognition challenges the notion of 'One-China Policy' and China fears that more nations will give recognition to Taiwan in future.

Fourth, **Taiwan-U.S closeness** is deteriorating China's relationship with Taiwan. While the US has long maintained strategic ambiguity, the previous US administration (under President Trump) broke with this diplomatic policy by engaging more directly with Taiwan, infuriating China.

What is the status of India-Taiwan Relationship?

India **does not have formal diplomatic ties with Taiwan yet**, as it follows the **One-China policy**. However, during the Chinese premier's visit to India in December 2010, India did not mention support for the One-China policy in the joint communique. There has been no official mention of One-China since then. In fact, the ambassador of Taiwan was invited to the Official inauguration of the Government of India after the 2014 General Elections.

While following the One-China policy, India has an office in Taipei for diplomatic functions — India-Taipei Association (ITA) is headed by a senior diplomat. Taiwan has the Taipei Economic and Cultural Center (TECC) in New Delhi. Both were established in 1995.

India-Taiwan ties focus on commerce, culture and education. Although the relationship is its third decade, the ties have been kept low-profile deliberately, owing to China's sensitivities e.g., Parliamentary delegation visits and legislature-level dialogues have stopped since 2017, around the time the India-China border standoff happened in Doklam.

However, more recently, India has tried to play up its relationship with Taiwan, as its ties with China have been strained. In August 2020, the Government formally condoled the death of former President of Taiwan, Mr. Lee Teng-hui. He was described as 'Mr. Democracy'; a political message directed to China (with poor democratic credentials). The present Taiwanese Government is keen on expanding areas of cooperation with India as it is one of the priority countries for Taiwan's New Southbound Policy.

Till now, the relationship had largely been an economic and people-to-people relationship. However, amid rising tension with China, India and Taiwan are paying attention to bolster their ties.

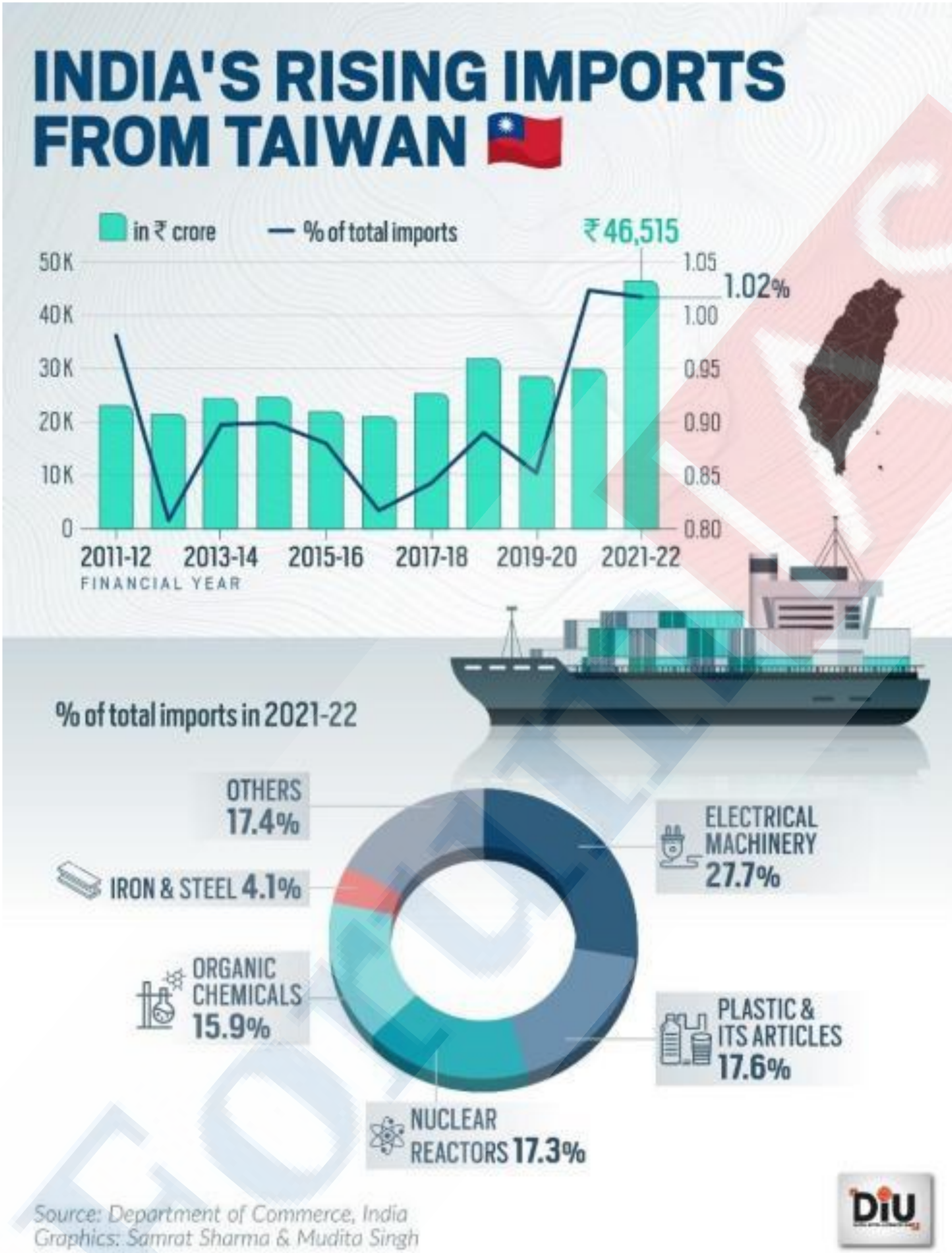
What are the implications of China-Taiwan Crisis?

First, Taiwan is the world's leading chipmaker, and home to **Taiwan Semiconductor Manufacturing Corporation (TSMC),** which holds 90% of the market for advanced chips that power computers and phones. Disruption in the exports of chips will lead to global shortage of electronic goods and appliances, automobiles and other manufacturing industries dependent upon semiconductor chips.

Second, it will lead to **militarization of the region**. China has started its military operations against Taiwan while the U.S stationed four warships close to the East of Taiwan. The intensification of the situation may invite more players to the conflict and fuel more militarization.

Third, any extreme military action and forced annexation attempt might result in a **Russia-Ukraine-like conflict**. This will be detrimental for the global economy, which is already facing recession fears amid the war in East Europe.

Fourth, India's trade with Taiwan has risen rapidly in the last decade. India imports iron and Steel, electrical machinery, electronics and chemicals among other things from Taiwan. Disruption in the India-Taiwan trade and a global recession will further add to domestic inflation and slowdown economic growth.



Source: India Today

What lies ahead?

First, China can intensify its attacks on and around Taiwan's territory. It will only worsen the China-Taiwan Crisis. There were cyberattacks on Taiwanese government websites. Exports of some limited items from Taiwan has also been banned by China. There have been encroachments into Taiwan's Air Defence Identification Zone.

Second, the western countries may impose sanctions on China if it continues its intrusion in Taiwan's territory. It is doubtful if China can withstand economic sanctions at this stage as it already needs to stabilize its rapidly nosediving economy. An indication of political and economic response by the Western Governments in the form of economic sanctions, in case China doesn't reduce its aggression, can send a message to China.

Third, India should try its best to be part of all attempts to scale down the crisis situation without getting drawn into the vortex of the flashpoint.

Greater economic partnership with Taiwan should be followed up by encouraging the domestic manufacturing sector, removing all impediments, liberalizing tax laws and strengthening the supply chain mechanism.

Fourth, some foreign policy experts argue that India must be more forthright in its criticism of Chinese aggression on India's borders. A small nation like Taiwan withstood immense pressure and went ahead with the Speaker's visit with high-profile meeting. India on the other hand, continues to downplay border stand-off with China domestically as well as at international fora. The fear of disruption in economic ties may be unfounded, as China is stand to lose more than India if trade ties are cut-off.

Fifth, India should also focus on finding alternate destinations of critical import/export items that are traded with Taiwan as escalation of conflict can choke the supply. Amongst them, the most critical item is semiconductor chips.

Conclusion

For the international community, it is vital to consider the meaning of isolation of Taiwan. It means an aggressive and emboldened China and greater chances of China invading Taiwan. This situation can't be beneficial for geo-political stability of the region and maintenance of international order.

Syllabus: GS II, Effect of Politics of Developed and Developing Countries on India's Interests.

Source: **The Times of India**, **The Times of India**, **Indian Express**, **Mint**, **The Hindu**

India's New Climate Targets (INDCs) – Explained, pointwise

Introduction

The Union Government has revised India's INDCs (Intended Nationally Determined Contributions) under the Paris Agreement. The Paris Agreement is a global treaty wherein some 200 countries have agreed to cooperate to reduce GHG emissions and rein in the climate change. The Agreement seeks to 'limit global warming to well below 2°C, and preferably to 1.5°C, in comparison to the pre-industry levels'. According to the Paris Agreement's provisions, countries must 'update' their pledges every 5 years to make higher commitments to greenhouse gas (GHG) emissions reductions. In this regard, the Government has given approval to India's New Climate Targets. The pledge will lay out India's clean energy transition pathway from now through 2030 and will be communicated to the United Nations Framework Convention on Climate Change (UNFCCC).

About India's INDCs

India had submitted its first pledge in 2015. India's first pledge had three primary targets: **(a)** Reduce emissions intensity of the economy by 33–35% below 2005 levels; **(b)** Have 40% of installed electric power from non-fossil-based energy resources by 2030; **(c)** Create an additional (cumulative) carbon sink of 2.5-3 gigatonnes of carbon dioxide equivalent (GtCO2e) by 2030 through additional forest and tree cover.

What are India's Updated INDCs?

In 2021, the Prime Minister of India had announced a new 5-point set of targets at COP-26 (*Panchamrit)* **(a)** India will increase its non-fossil fuel energy capacity to 500 gigawatt (GW) by 2030; **(b)** It will meet 50% of its energy requirements from renewable sources by 2030; **(c)** The total projected carbon emissions will be reduced by 1 billion tonnes from now through 2030; **(d)** The carbon intensity of its economy will be brought down to less than 45%; **(e)** India will achieve its target of **Net Zero by 2070**.

Read More: India announces new climate targets at COP26 – Explained, pointwise

A press statement on August 3 confirmed that 2 of these, viz. Reduction in Emission Intensity by 45% and Achieve 50% cumulative electric power installed capacity from non-fossil fuel-based technology by 2030, were upward revision of existing targets and would become part of India's INDCs.

The notable change from COP-26 declaration is that the 50% installed power capacity target will now be from non-fossil sources, which include large hydropower and not just from renewable energy (RE) sources like solar and wind.

The statement issued by the Government also noted that the Net Zero is a long-term target and does not qualify to be included in the NDCs which seeks five to 10 year climate targets from countries.

The remaining two targets linked with carbon intensity and carbon sink, announced at Glasgow COP-26, have not been converted into official targets. But these are closely linked with others, and any progress on official targets would get reflected in these goals as well.

India's INDCs do talk about the need for low-cost international finance and transfer of technology, but do not make achievement of targets contingent on their availability.

What has been the progress regarding India's INDCs?

India's emissions intensity was **24% lower than the 2005 levels in the year 2016** itself, the latest year for which official numbers are available. It is very likely that the 33 to 35% reduction target has already been achieved, or is very close to being achieved. A further reduction of 10-12% from here, to meet the new target, does not appear too challenging.

The other target (having at least 40% of electricity coming from non-fossil fuels) has officially been reached. According to the latest data from the Ministry of Power, **41.5% of India's current installed electricity capacity** of 403 GW is now powered by non-fossil fuels. Renewables (wind, solar and others) alone account for more than 28% of this capacity while hydropower contributes over 11%.

What is the significance of India's New Climate Targets?

First, it demonstrates India's commitment at the highest level for decoupling of economic growth from greenhouse gas emissions (GHGs).

Second, it takes forward the Prime Minister's vision of sustainable lifestyles and climate justice to protect the poor and vulnerable from adverse impacts of climate change. The Prime Minister had proposed a 'One-Word Movement', to the global community; **LIFE i.e. Lifestyle For Environment**.

Third, the updated INDCs also represents the framework for India's transition to cleaner energy for the period 2021-2030.

Fourth, the updated framework, together with many other initiatives of the Government will provide an opportunity for enhancing India's manufacturing capabilities and enhancing exports. It will lead to an overall increase in green jobs.

Why have the other two targets been dropped?

The 500 GW non-fossil fuel electricity capacity target for 2030 is not easy. Of the current installed capacity of 403 GW, over 236 GW, or 58.5% comes from fossil fuel sources, while non-fossil fuels make up only 167 GW. Capacity additions from non-fossil sources would have to **triple in the next 10** years to reach the 500 GW target.

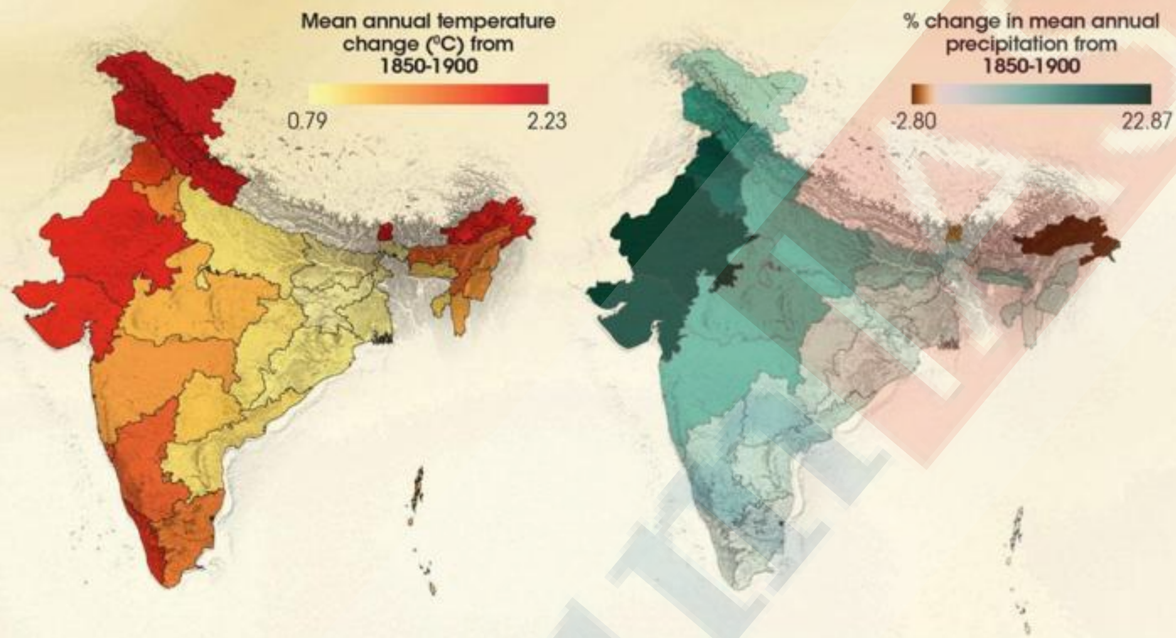
The promise to reduce at least one billion tonnes of carbon dioxide equivalent from the cumulative projected emissions till 2030 has been even more problematic. India does not have any official projection of its emissions in 2030. The emissions pathway from now to 2030 is also not clear. In the **absence of a baseline, the target would have been meaningless**.

What would be the adverse impacts of 1.5 degree temperature rise on India?

According to a study undertaken by the Centre for Science and Environment (Down to Earth) based on the information released by the IPCC Assessment Report 6 (Working Group I); **(a)** India could become 1.2°C warmer and receive almost 10 per cent more rainfall every year; **(b)** Ladakh is likely to be the worst hit (2.23°C warmer). Annual mean temperatures may rise in five other Himalayan states / UTs by more than 1.5°C (Refer image). Arid Rajasthan and Gujarat will likely see 1.43°C and 1.33°C increases respectively in annual average temperatures; **(c)** The temperature rise is most likely to trigger the **rapid melting of glaciers and precipitation change**; **(d)** The northern and western parts of India will likely be more vulnerable than the eastern part, in terms of temperature rise; **(e)** The warmer temperatures may translate into an **increase in the number of days of heatwaves**. Rajasthan can record 13 additional days with temperatures beyond 40°C, followed by Delhi, Gujarat (12 additional days each), Telangana (10 additional days) and Andhra Pradesh (8 additional days); **(f)** Most of India is **expected to see an increase in rainfall**, the distribution of this increase is likely to be uneven. The maximum increase in rainfall is expected in northwestern India. Rajasthan can receive up to 22.87% more rain than the 1850-1900 average, followed by Gujarat with 22.16% and Punjab with 20.54%.

India in a 1.5°C warmer world

Northern and western parts of the country are likely to see a drastic increase in annual average temperature and precipitation; a moderate rise in eastern parts



	Mean annual temperature change (°C)	Annual precipitation change (%)
Andaman & Nicobar	1.14	-0.19
Andhra Pradesh	1	4.19
Arunachal Pradesh	1.47	-2.8
Assam	1.21	1.45
Bihar	0.81	8.04
Chandigarh	1.26	18.17
Chhattisgarh	1	3.99
Dadra & Nagar Haveli*	1.2	19.77
Delhi	1.1	16.26
Goa	1.25	8.83
Gujarat	1.33	22.16
Haryana	1.17	19.41
Himachal Pradesh	1.73	13.92
Jammu & Kashmir	1.76	13.51
Jharkhand	0.79	4.56
Karnataka	1.21	5.32
Kerala	1.31	2.01
Ladakh	2.23	6.23
Lakshadweep	1.23	7.84
Madhya Pradesh	1.07	11
Maharashtra	1.16	10.84
Manipur	1.16	4.98
Meghalaya	1.04	8.81
Mizoram	1.12	2.65
Nagaland	1.16	5.29
Odisha	0.9	2.5
Puducherry	1.06	3.19
Punjab	1.27	20.54
Rajasthan	1.43	22.87
Sikkim	1.55	-1.76
Tamil Nadu	1.18	1.68
Telangana	1.05	5.41
Tripura	1.03	4.87
Uttar Pradesh	0.98	11.18
Uttarakhand	1.62	11.72
West Bengal	0.81	4.11

Note: State-wise temperature and rainfall deviation calculated for a period when the global temperature increases by 1.5°C from 1850-1900 average.
Source: *Down to Earth* analysis of the IPCC Working Group I Interactive Atlas. The raw data is based on CMIP6 modelling for 1.5°C warming from 1850-1900 on the SSP5-8.5 pathway

Source: Down to Earth. Impact of Global Warming on India's Average Temperature and Precipitation.

What is the criticism of India's INDCs?

The Paris Agreement advocates revision of the INDCs every 5 years to nudge the countries to continually improve their self-determined ambition. Hence the revised INDCs should reflect more aggressive targets compared to earlier targets. However, critics argue that India's revised INDCs do not result in significant improvement over earlier target.

First, India's 2015 INDCs contained a target to create new forest cover capable of absorbing 2.5 billion tons of carbon from the atmosphere by 2030. However, this has been dropped from the new INDCs altogether. This was an ambitious target. Critics argue that there was little clarity on its actual scope and it was dropped because India was unlikely to meet it.

Second, India's emission intensity had already fallen by 24% (of its 2005 levels) by 2016. The new target of 45% is thus not a significant improvement, but more of 'business-as-usual' target, because this reduction can be achieved without any significant enhancement in climate action.

Third, India hasn't made the target of 500 GW non-fossil fuel electricity by 2030 as official target. This show continued dependence on coal for power generation in the near future.

Environmentalists are saying that India has dropped the tough-to-achieve targets from its INDCs.

What should be the approach going ahead?

First, No developed economy has declared INDCs reflecting their 'fair share' to historic emission. Neither has the climate finance target been met.Developed countries must accept historical responsibility and provide financial resources to the developing countries based on equity and justice principle. Experts say India needs US$ 1.4 trillion over next 2 decades to decarbonize its energy sector. Developed countries must step-in here.

Second, India's PAT Scheme (Perform, Achieve, Trade) has proven to be ineffective in curbing emissions from energy intensive sectors. According to a study, the emission reduction under the scheme has been only 1.57% and 1.44% over the two cycles. The scheme must be revised, and there should be sector-specific targets. This would make the scheme more effective to realise the actual emission reductions.

Third, countries must switch to **Green GDP or Green Accounting** in order to decrease damage to the environment.

Fourth, Adaptation efforts must go hand in hand with ambitious reductions in greenhouse gas emissions. As with increased warming, the effectiveness of many adaptation options declines. In this regard, the successful local level adaptation plans in cities such as Surat, Bhubaneswar and Indore can be adopted. They have enabled its people to make cities resilient to climate change.

Fifth, **the general public should be made more aware towards climate change** by taking support of NGOs. Lifestyle for Environment (LIFE) must become a popular movement.

Read More: Breathing LiFE into the climate narrative

Conclusion

India's INDCs do not bind it to any sector specific mitigation obligation or action. India's goal is to reduce overall emission intensity and improve energy efficiency of its economy over time. At the same time, India aims to protect the vulnerable sectors of the economy and segments of our society.

Syllabus: GS III, Conservation, Environment Pollution and Degradation

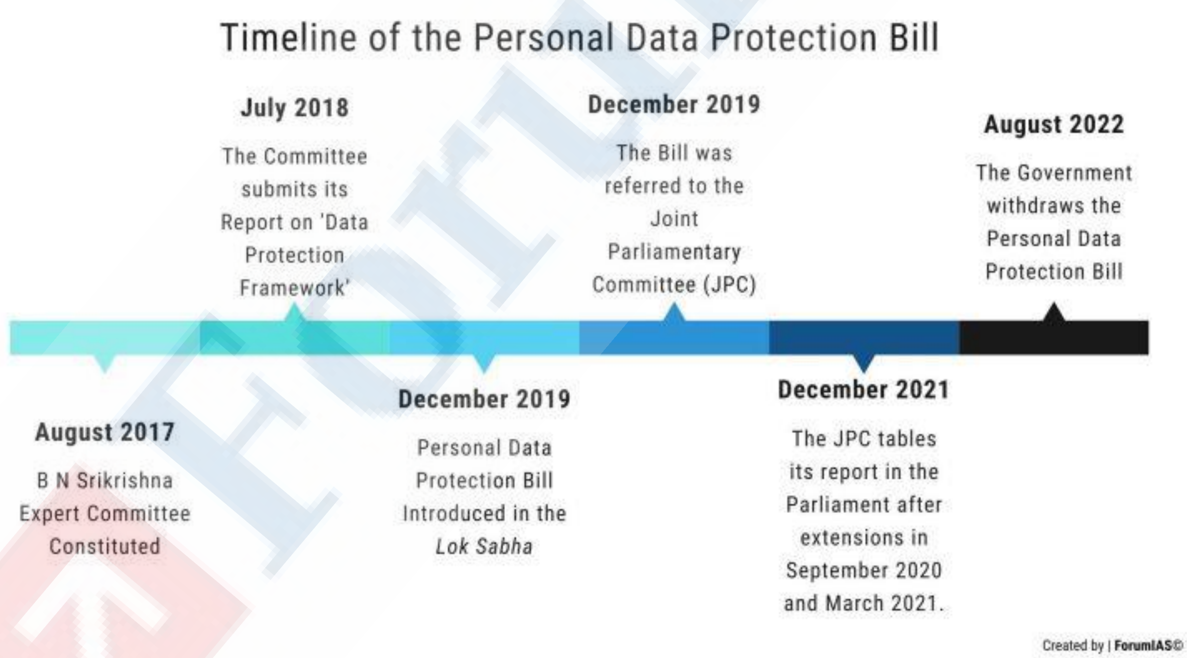
Source: **Down to Earth**, **Down to Earth**, **Down to Earth**, **Indian Express**, **PIB**, **The Diplomat**

Data Protection Framework in India – Explained, pointwise

Introduction

The Union Government has withdrawn the Personal Data Protection Bill, 2019 from the Parliament. The Government has said that it is considering a 'comprehensive legal framework' to regulate the online space. This includes bringing separate laws on data privacy, the overall Internet ecosystem, cybersecurity, telecom regulations, and harnessing non-personal data to boost innovation in the country. The Government has withdrawn the Bill after nearly 4 years of the Bill being in the works. It had gone through multiple iterations, including a review by a Joint Parliamentary Committee (JPC). The Bill had faced major pushback from a range of stakeholders including big tech companies (like Facebook and Google), privacy and civil society activists.

The Joint Committee of Parliament had proposed 81 amendments to the Bill and gave 12 recommendations on creating a comprehensive legal framework for the digital ecosystem in India. The Government will consider the report of the JPC and work on the new framework.



What were the key provisions of the Personal Data Protection Bill, 2019?

Personal data definition: The Bill defined 'personal data' as any information which renders an individual identifiable. Also, it defined data 'processing' as collection, manipulation, sharing or storage of data.

Territorial applicability: The Bill included the processing of personal data by both government and private entities incorporated in India. It also covered the entities incorporated overseas if they systematically deal with data principals within the territory of India.

Grounds for data processing: The Bill allowed data processing by fiduciaries if consent was provided by the individual.

Sensitive personal data: It included passwords, financial data, biometric and genetic data, caste, religious or political beliefs. The Bill specifies more stringent grounds for the processing of sensitive personal data, such as seeking explicit consent of an individual prior to processing.

Data Protection Authority: The Bill provided for the establishment of a Data Protection Authority (DPA). The DPA would have been empowered to: **(a)** Draft specific regulations for all data fiduciaries across different sectors; **(b)** Supervise and monitor data fiduciaries.

Cross-border storage of data: The Bill stated that every fiduciary shall keep a 'serving copy' of all personal data in a server or data centre located in India.

Transfer of data outside the country: Personal data (except sensitive personal data which is 'critical') may be transferred outside India under certain circumstances.

Read More: Draft Personal Data Protection Bill – Explained, pointwise

What was the criticism of the Bill?

First, the technology companies had questioned a proposed provision in the Bill called **data localisation**. Under this, it would have been mandatory for companies to store a copy of certain sensitive personal data within India, and the export of undefined "critical" personal data from the country would be prohibited.

Second, the activists had criticized the provisions that allowed the Union government and its agencies **blanket exemptions** from adhering to any and all provisions of the Bill.

What were the recommendations of the Joint Parliamentary Committee?

The JPC had called for expanding the scope of the proposed law to **cover discussions on non-personal data**. It had thus changed the mandate of the Bill from personal data protection to broader data protection. Non-personal data are any set of data that does not contain personally identifiable information.

It had recommended changes on issues such as regulation of social media companies, and on **using only "trusted hardware" in smartphones,** etc.

It proposed that **social media companies that do not act as intermediaries** should be treated as content publishers — making them liable for the content they host.

What is the need for Data Protection Law in India?

First, India has one of the **highest numbers of data breaches** each year and many sites, both government and private, suffer from data losses and leaks. Recently, data of almost 28 crore Indian citizens registered in the Employees' Provident Fund Organization (EPFO) were leaked online. This included sensitive information like full name, nominee details, Aadhaar details, bank account details, etc.

Second, With a billion population, India has the second highest internet user base in the world. India has 450 million internet users and is expected to increase up to 730 million by 2020. Therefore, a strong data protection law is needed to protect their personal data.

Third, for efficient management of data in the age of digitisation, a data protection law is needed. One of the major challenges to big data is information privacy which necessitates a robust data protection. Further, the Supreme Court (SC) in ***K.S Puttaswamy vs Union of India* case,** maintained the **right to privacy** as an inherent part of the fundamental right under Article 21 of the constitution.

Fourth, the delay will result in an **unnecessary vacuum for many of the laws** already taking shape, like the Criminal Procedure Identification Act used for police surveillance and digital policing.

Fifth, To curtail the perils of unregulated and arbitrary use of personal data. As most of the servers like Google and Facebook are outside India.

Read More: Data protection and privacy core tenets

What is the status of Data Protection in other Nations?

The EU: The most important data protection legislation enacted to date is the General Data Protection Regulation (GDPR). It governs the collection, use, transmission, and security of data collected from residents of any of the 28 member countries of the European Union. The law applies to all EU residents, regardless of the entity's location that collects the personal data. Fines of up to € 20 million or 4% of total global turnover may be imposed on organizations that fail to comply with the GDPR. Some important requirements of the GDPR include: **(a) Consent**: Data subjects must be allowed to give explicit, unambiguous consent before the collection of personal data; **(b) Data Breach**: Organizations are required to notify supervisory authorities and data subjects within 72 hours in the event of a data breach affecting users' personal information in most cases; **(c) Rights of the Users**: Data subjects (people whose data is collected and processed) have certain rights regarding their personal information.

Rights of Users under the GDPR

- **The right to be informed**: Data subjects must be informed about the collection and use of their personal data when the data is obtained.
- **The right to access their data**: A data subject can request a copy of their personal data via a data subject request. Data controllers must explain the means of collection, what's being processed, and with whom it is shared.
- **The right of rectification**: If a data subject's data is inaccurate or incomplete, they have the right to ask to rectify it.
- **The right of erasure**: Data subjects have the right to request the erasure of personal data related to them on certain grounds within 30 days.
- **The right to restrict processing**: Data subjects have the right to request the restriction or suppression of their personal data (though it can still be stored).
- **The right to data portability**: Data subjects can have their data transferred from one electronic system to another at any time safely and securely without disrupting its usability.
- **The right to object**: Data subjects can object to how their information is used for marketing, sales, or non-service-related purposes. The right to object does not apply where legal or official authority is carried out, a task is carried out for public interest, or when the organization needs to process data to provide customized services.

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The **e-Privacy Regulation (ePR)** was supposed come into force alongside the EU's General Data Protection Regulation in 2018 but has been stalled for years. It is now expected to come to force in 2023. The e-Privacy Regulation, if passed, would create privacy rules for traditional electronic communications services and entities such as WhatsApp, Facebook Messenger, and Skype. It would create **stronger rules on electronic communication's privacy**. It would cover content of the communications as well as metadata. Service providers and electronic communications networks have to get prior consent from the user before processing their electronic communications metadata.

The US: There is no one comprehensive federal law that governs data privacy in the U.S. There's a complex patchwork of sector-specific and medium-specific laws like: **(a)**The Children's Online Privacy Protection Act (COPPA), which governs the collection of information about minors; **(b)** The Health Insurance Portability and Accounting Act (HIPAA), which governs the collection of health information.

In addition, many States in the US have their own data protection and privacy acts like California Consumer Privacy Act (CCPA), California Privacy Rights Act (CPRA), Virginia's Consumer Data Protection Act (CDPA), Colorado Privacy Act (CPA), New York SHIELD Act etc.

What should be done going ahead?

Legal and Privacy Experts have proposed that:

First, the new Law should focus on personal data and **exclude non-personal data**. Personal data protection falls in domain of privacy and allows an individual to control how information about her is used. Non-personal data regulation more related to economic aims. The mandate of BN Srikrishna Committee was to suggest framework for protection of personal data. Brining in non-personal data, the Government had diluted the proposed law.

Second, there must be **checks on the use of the data by the Government** and its Agencies. Privacy advocates have been calling for reform of Indian surveillance laws. The new law must minimize the amount of data collected by security agencies, limiting how long it can be stored, requiring agencies to adopt security measures to safeguard the data.

Third, there is a **need for a strong data regulator**. The new regulator should work closely with other regulators and stakeholders like the RBI, TRAI etc. for sector specific regulations e.g., RBI has already issued some data related regulations like mandating local storage of payments data, barring merchants and payment aggregators from storing card data.

Fourth, the Government should also **allow cross-border flow of data**. Data localisation should be limited only to clearly and narrowly defined critical data. Cross-border data flows add to the economy growth. A McKinsey Global Institute paper from 2016 estimates that global data flows contributed US$ 2. 8 trillion to the global GDP.

Fifth, the new legal framework should be finalized only after **extensive public consultation**. This will ensure that the protection of the rights of Indian citizens is the cornerstone on which this new legal framework is built.

It has been close to 10 years since the (Justice) A P Shah Committee Report on privacy, 5 years since the Puttaswamy Judgment and 4 years since the Justice B N Srikrishna Committee's Report. All of this signals an urgency for a data protection law and surveillance reforms.

Syllabus: GS II, Government policies and interventions for development in various sectors and issues arising out of their design and implementation; GS III, Awareness in the field of IT.

Source: Indian Express, The Hindu, The Times of India

The Issue of Jobless Growth in India – Explained, pointwise

Introduction

India's GDP has grown at the annual rate of 7-8% in the last decade. However, this growth hasn't translated into creation of more employment opportunities for the labour force. No other major economy has been expanding as fast as India lately. But beyond the headlines lies the grim reality of rising unemployment. At present, output is increasing as a result of pandemic-related spending by the Government. The private sector remains wary of new investments and is deterred by the rapidly changing geo-political scenario. Economists have been raising concerns regarding the jobless growth for quite some time now, as it further exacerbates inequalities in an already unequal Indian society. The Governments, Union and State, must take remedial steps urgently before the job crisis deepens further.

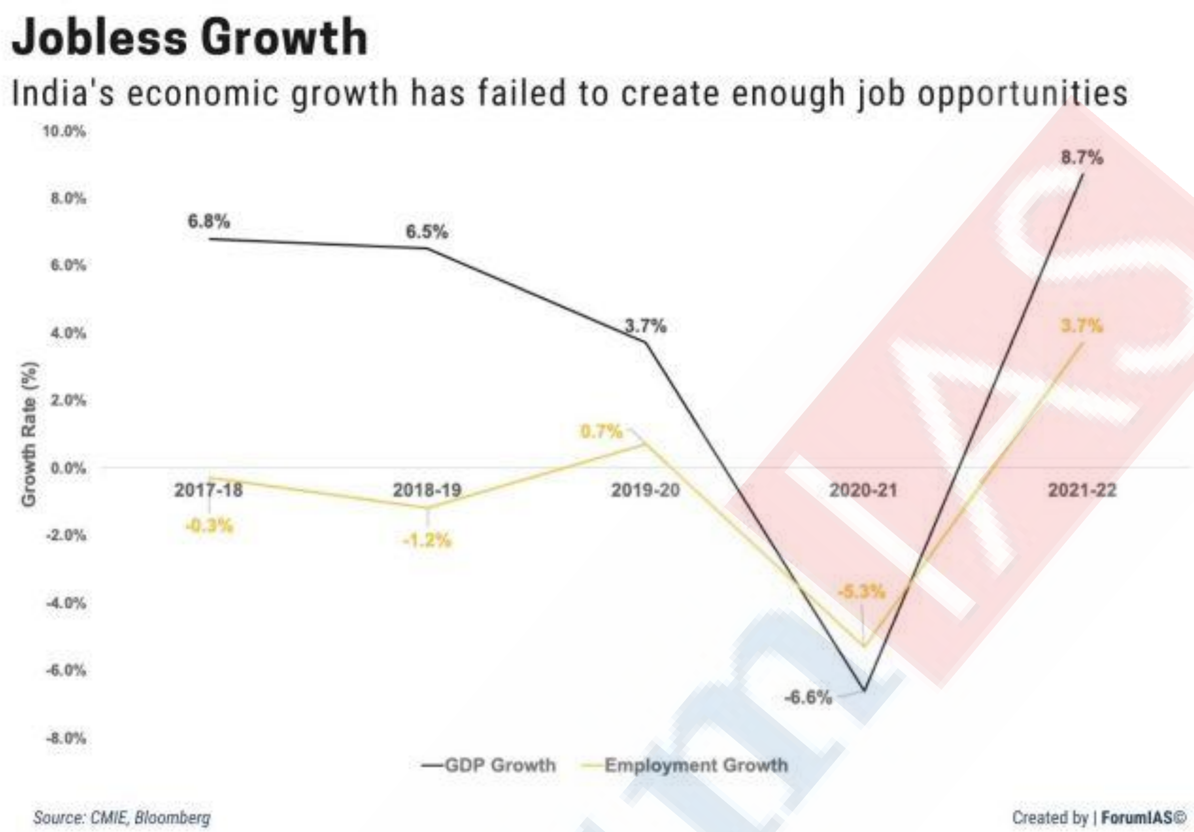
What has been the trend with respect to Unemployment?

The unemployment rate in India has been hovering around 7% or 8%, up from about 5% five years ago, according to the Centre for Monitoring Indian Economy (CMIE). At the same time, the workforce shrank as millions of people pulled out of the job market due to weak prospects since the pandemic.

The labor force participation rate has dropped to just 40% from 46% six years ago, according to the CMIE. By comparison, the participation rate in the US was 62.2% in June 2022. Between 2010 and 2020, the number of working women in India dropped to 19% from 26%, according to data compiled by the World Bank.

The situation turned worse with the setback to the economy by the COVID-19 pandemic. According to CMIE, the female labour force participation has plummeted to 9% for January-April 2022 period. This puts India in the league of war-torn Yemen.

CMIE estimated the unemployment in the 20-24 age group was 43.7% in June 2022. On the other hand, it was 18.4% in May 2022 for the 16-24 category in China.



What are the reasons behind India's Jobless Growth?

First, India has **failed to create enough jobs in the manufacturing and services sector**. For an emerging economy, the path to higher incomes, productivity and growth must lead workers away from agriculture. However the transition has failed to happen in India. In fact, the share of manufacturing in employment has been declining. According to CMIE, manufacturing sector employed 51 million Indians in 2016-17, which had come down to 27.6 million in 2020-21. Manufacturing sector in India has been capital intensive rather than employment intensive. Moreover, most of the jobs in the manufacturing and services are limited to skilled or semi-skilled professionals.

Second, in contrast to Bangladesh, India has not witnessed an export boom of low-skill, labour-intensive products. India's **economic growth has been largely services led in contrast**. A leap from the primary to the tertiary sector hasn't been able to generate sufficient jobs. Further, the bulk of the jobs in the service sector case are in petty retailing, small eateries, domestic help, sanitation, security staffing, transport and similar other informal economic activities. They seldom provide reasonable pay and adequate social security benefits.

Third, India's **poor system of education and job-training** means that graduates have limited skills and are not valued by the employers. In large-scale surveys, employers have said that less than 50% of the college graduates entering the workforce have the cutting-edge skills they need or the ability to pick them up in the workplace. So many would-be job seekers decide instead to **(a)** Continue their studies; **(b)** Join family members in farming (this enhances disguised unemployment); **(c)** Just stay home, surviving on rental income, pensions received by elderly household members or government transfers.

Fourth, the Government has made efforts to generate jobs but these are hindered by legacy issues of poor infrastructure, complex and variable rules, skill deficiencies, hidden costs and more.

Fifth, India's growth **elasticity of employment is on decline**. It is a measure of how output expansion generates jobs. A 10% growth in gross domestic product is associated with only a 1% rise in employment.

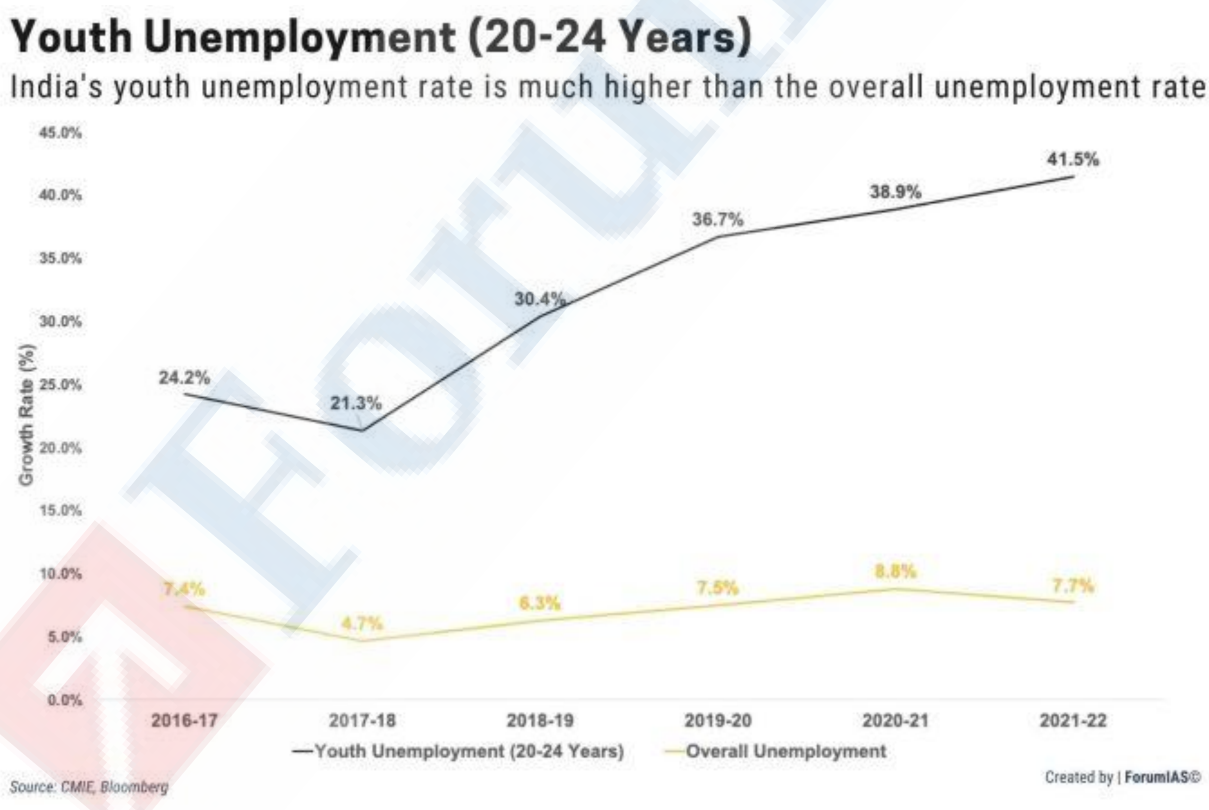
Sixth, many women are opting for unpaid work at home, taking care of elderly relatives and kids. In most Indian families, care work is the **exclusive responsibility of the female members**.

Seventh, enhanced adoption of new technologies like AI, Automation etc. is decreasing the demand for manpower. With these technologies, the **companies are able to generate higher revenues with minimum manpower.** Some economists worry that this may worsen the jobless growth scenario.

Why is Jobless Growth a cause for concern?

First, India has the advantage of youth, half the population is under 30; but it will start ageing in the coming decades. Therefore a significant number of jobs are desired to reap this **demographic dividend.**

What is more worrisome is that the rate of unemployment among the youth (20-24 years) is much higher than the overall unemployment rate.



Read More: Reaping the demographic dividend

Second, to sustain **the growth and attract global investments**, India needs to ensure there's a trained workforce for the industry.

Third, in the absence of meaningful livelihood opportunities, the society will be susceptible to **social unrest**. This was evident by the protests that erupted in June over the *Agnipath* Scheme.

Fourth, poor people have little to no savings which makes it very difficult for them to survive in extreme situations like the COVID-19 pandemic, or natural calamities etc., especially if they have no job or a temporary job. They starve for food, clothing and other basic things which **undermines their right to a dignified life**.

Fifth, weak structural transformation and persistence of informality induces the masses, especially the rural families, to **pursue multiple livelihoods.** Many of them cling on to their small plots of lands, even while earning incomes wholly or predominantly from non-farm sources. It is these very tiny holdings, along with free government food rations, that saved the day during the post-Covid economic collapse.

What steps have been taken to improve the situation?

The Union Government has announced plans to **hire a million people** by the end of 2023 to fill vacancies in government departments.

Read More: Union Government's 1 Million Job Promise: Need and Challenges – Explained, pointwise

National Education Policy, 2020: The Aim of the policy is not only be cognitive development, but also building character and creating holistic and well-rounded individuals **equipped with the key 21st century skills**.

Sector Skills Councils were set up from 2009-10 onwards, and competency frameworks were prepared for short- and long-duration skill programmes. Industrial Training Institutes (ITIs), polytechnics and other skill-oriented institutions were brought on a common platform. As a result, apprenticeships increased. Over 100,000 training institutions came forward to work with 55 million youth to prepare them for the job market.

What more steps are required to address Jobless Growth?

First, the **private sector should be given greater support in form of subsidies and tax rebates**, especially the budding start-ups which have the potential to generate multiple jobs. Effective implementation of current schemes like MUDRA, Startup India etc. could be a game changer in this regard. Further, the **commercial dispute redressal mechanisms need to be strengthened** in order to attract more investment into the industrial sector. Currently India has 163rd rank in enforcing contracts as per Ease of Doing Business reports.

Second, a more focused approach is necessary with respect to skilling and educating the youth according to the demand of the 21st century. They should be **encouraged to learn new age skills** like 5G technology, Big Data, Digital Marketing etc. that would enhance their probability of employment.

Third, the Government should also focus on **boosting the social security net** apart from creating 1 million jobs. This includes enhancing days under MGNREGA, introducing an urban MGNREGA and taking a decision on Universal Basic Income.

Fourth, the focus should also be placed on **tackling the inefficiencies of government setup which includes corruption, maladministration, red tapism** etc. This will ensure optimum utilization of resources and ensure creation of more jobs with minimum inputs. Further, it should **avoid sudden introduction of reforms and policies.** For instance, since 2017, the dual impact of demonetisation and the rushed introduction of goods and services tax has caused many small and medium businesses to shut down.

Fifth, the educational institutions must focus on **inculcating an entrepreneurial mindset in the students**. This will ensure that students become job givers rather than job seekers in future thereby helping to solve the unemployment crisis.

Sixth, the local governments and community organisations like women self-help groups and youth organisations should be fully involved in the skilling plan for a local area. A database of all men and women seeking employment or enterprise support needs to be drawn up for each and every local body, rural or urban. Equally important is a detailed micro credit plan for each and every household developed after assessing the asset base of a poor household.

Conclusion

Jobless growth remains the single biggest challenge to the Indian economy. To create jobs on a mass scale there is a need to boost manufacturing that hinges on creating infrastructure, removing red tape and reviving investor sentiment. A robust manufacturing sector is a must for absorbing the excessive workforce of the agriculture sector as well as enabling the nation to reap its demographic dividend.

Syllabus: GS III, Indian Economy and Issues related to growth, development and employment, Inclusive Growth and issues arising from it.

Source: **Indian Express**, **Business Standard**, **Business Standard**, **Mint**, **Bloomberg**, **CMIE**

Carbon Markets: Benefits and Challenges – Explained, pointwise

Introduction

The Union Government has introduced the Energy Conservation (Amendment) Bill, 2022 in the Parliament. The purpose of the Bill is to strengthen the Energy Conservation Act, 2001. The Amendments are expected to facilitate the achievement of more ambitious climate change targets and ensure a faster transition to a low-carbon economy. The Energy Conservation Act, 2001 had powered the first phase of India's shift to a more energy-efficient future. Over the years, the energy intensity (energy consumed per unit of GDP) of India's economy has declined consistently. However, as India embarks on more ambitious climate action pledged under the Paris Agreement, there is a need to widen the scope of Act to include instruments that will aid the achievements of these ambitious goals. One of the proposed amendment is to establish domestic carbon market to facilitate trade in carbon credits.

Read More: India's New Climate Targets (INDCs) – Explained, pointwise

What are the proposed amendments under the Energy Conservation (Amendment) Bill, 2022?

The Bill has two main objectives: **(a)** It seeks to make it **compulsory** for a select group of industrial, commercial and even residential consumers to **use green energy**. A prescribed minimum proportion of the energy they use must come from renewable or non-fossil fuel sources; **(b)** It seeks to **establish a domestic carbon market** and facilitate trade in carbon credits. It seeks to widen the scope of energy conservation to include large residential buildings as well. Till now, the energy conservation rules applied mainly on industrial and commercial complexes.

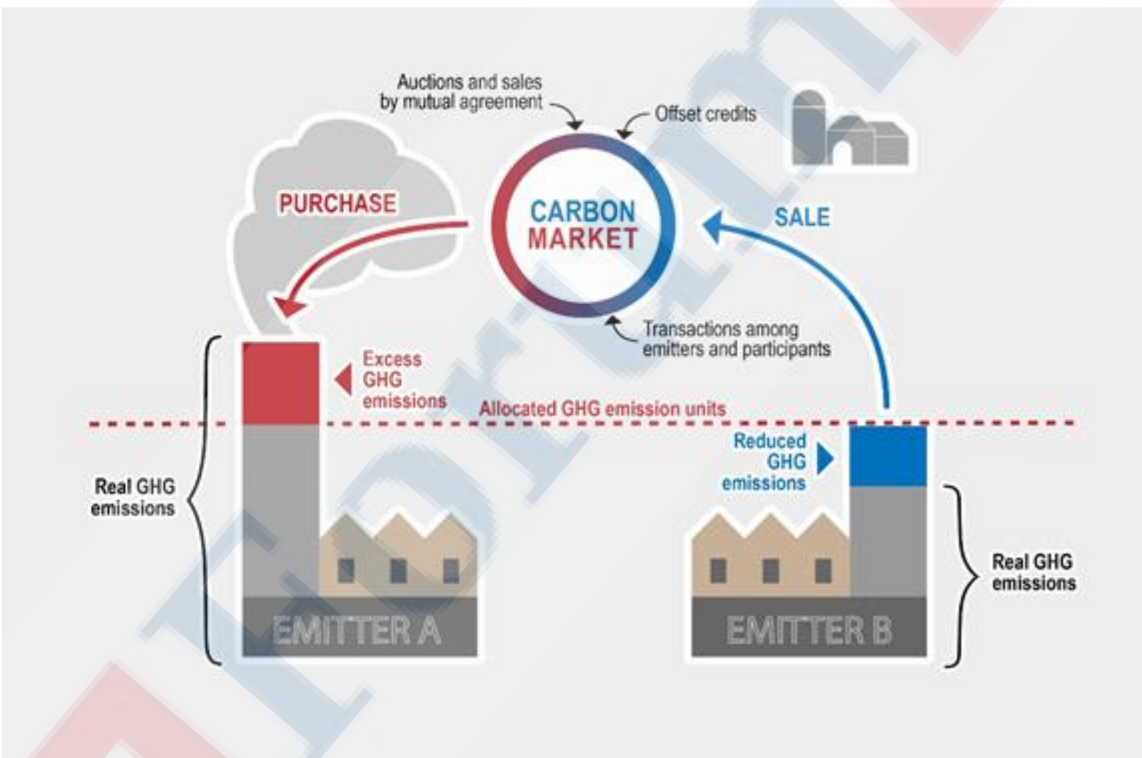
Read More: Explained | The Energy Conservation (Amendment) Bill 2022

What is a Carbon Market?

Carbon Markets and Carbon Credits are components of emissions trading, a **market-based approach to to reduce the concentration of Greenhouse gases** (GHG) in the atmosphere. It works by **providing economic incentives** for reducing the emissions of the designated pollutants. A carbon market allows investors and corporations to trade both carbon credits and carbon offsets simultaneously.

Carbon credits (or allowances) work like permission slips for emissions. When a company buys a carbon credit, they gain permission to generate more CO2 emissions. One tradable carbon credit equals one tonne of carbon dioxide or the equivalent amount of a different greenhouse gas reduced, sequestered or avoided.

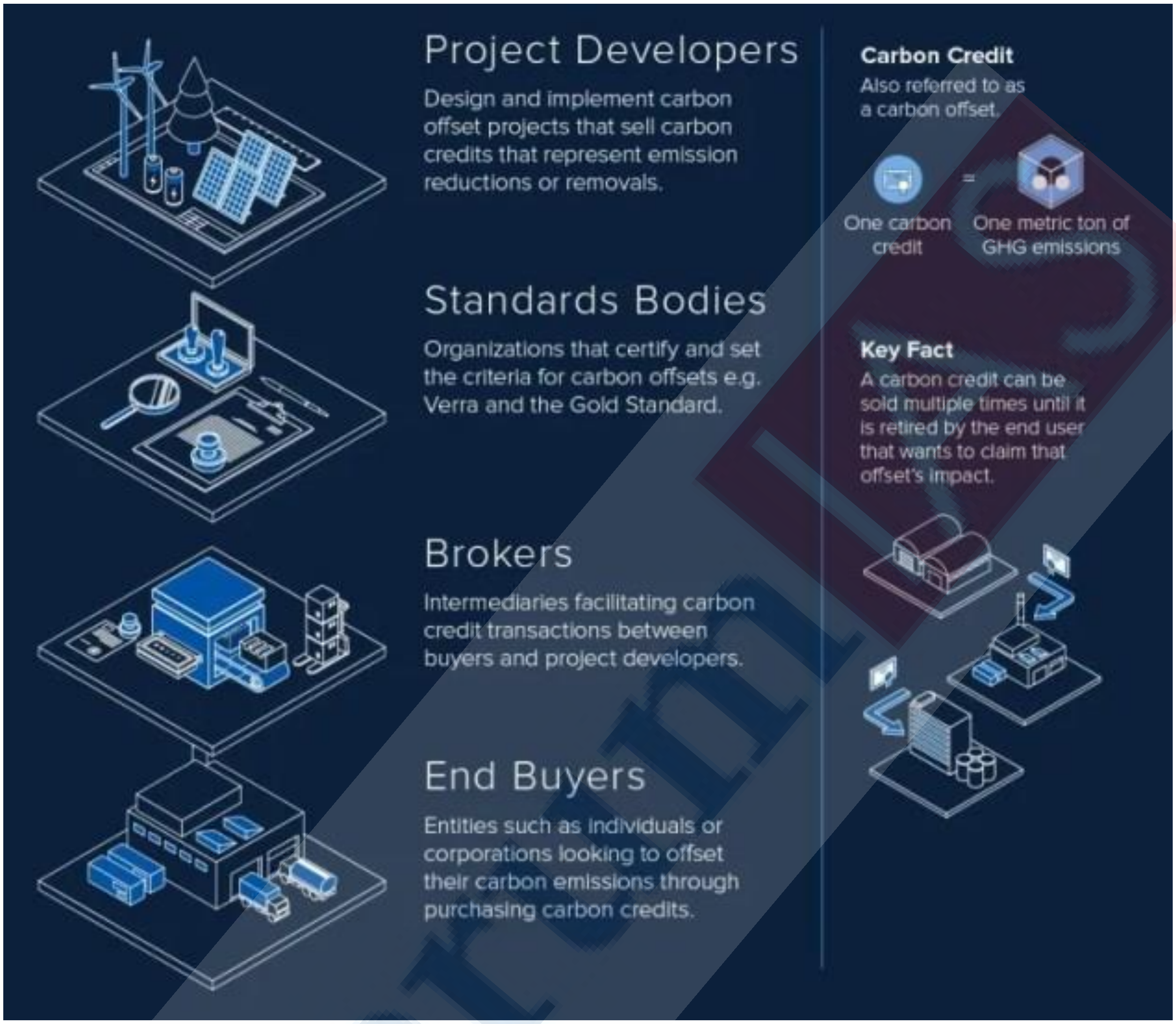
Credits are measured against 'benchmarks' or allowed GHG emissions. If emissions are below the allowed limit, the emitter earns carbon credits (reducing 1 tonne of CO2 earns 1 carbon credit). If emissions are above the allowed limit, the emitter must buy carbon credits from those who have excess credits. Thus, crossing the emissions limit imposes a cost (amount spent on purchase of carbon credits) on the emitter. The idea is that this cost will force the emitters to be more efficient and reduce emission.



Source: climatechange.org

There are two types of carbon markets: **(a)** One is a regulated market, set by "cap-and-trade" regulations at the regional and state levels; **(b)** The other is a voluntary market where businesses and individuals buy credits (of their own accord) to offset their carbon emissions.

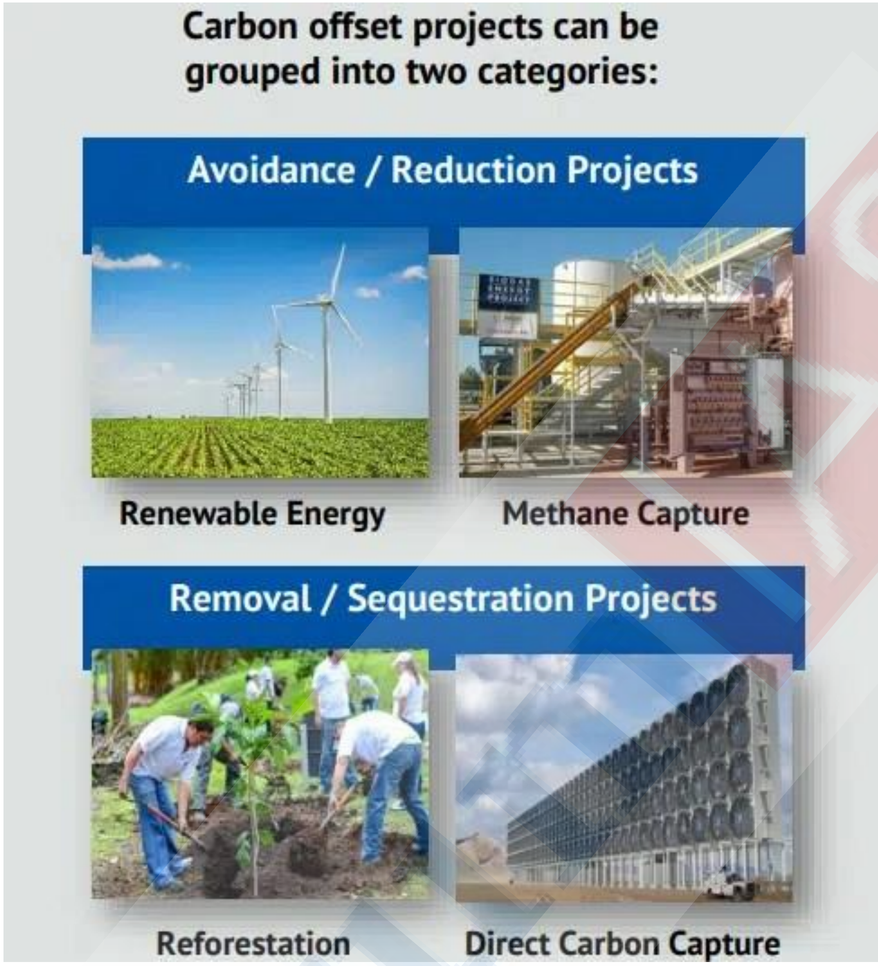
Carbon Markets were allowed under the 1997 UN Kyoto Protocol. Its Clean Development Mechanism (CDM) allowed industrialized countries to reduce emissions abroad where that might be cheaper than at home, such as by planting trees in the tropics.



Source: Visual Capitalist. Components of Carbon Market

How can companies offset carbon emissions?

There are multiple ways for companies to offset carbon emissions. They are broadly classified into **(a)** Carbon Avoidance/Reduction Projects (i.e., reduce the amount of carbon emitted); **(b)** Carbon Removal/Sequestration Project (i.e., remove the carbon already emitted from the atmosphere).



Source: climatechange.org

Investing in renewable energy by funding wind, hydro, geothermal, and solar power generation projects, or switching to such power sources wherever possible.

Improving energy efficiency across the world, for instance by providing more efficient cookstoves to those living in rural or more impoverished regions.

Capturing carbon from the atmosphere and using it to create biofuel, which makes it a carbon-neutral fuel source.

Returning biomass to the soil as mulch after harvest instead of removing or burning. This practice reduces evaporation from the soil surface, which helps to preserve water. The biomass also helps feed soil microbes and earthworms, allowing nutrients to cycle and strengthen soil structure.

Promoting forest regrowth through tree-planting and reforestation projects.

Switching to alternate fuel types, such as lower-carbon biofuels like corn and biomass-derived ethanol and biodiesel.

What is the status of Carbon Markets across the world?

National or Regional

Domestic or regional carbon markets are already functioning in several places, most notably in **Europe**, where an **Emission Trading Scheme** (ETS) works on similar principles. Industrial units in Europe have prescribed emission standards to adhere to, and they buy and sell credits based on their performance. China, too, has a domestic carbon market.

A similar scheme for incentivising energy efficiency has been running in India for over a decade now. This BEE scheme, **called PAT**, (or perform, achieve and trade) allows units to earn efficiency certificates if they outperform the prescribed efficiency standards. The laggards can buy these certificates to continue operating.

International

Under the **Kyoto Protocol,** carbon markets have worked at the international level as well. The Kyoto Protocol had prescribed emission reduction targets for a group of developed countries (Annex I Developed Countries). Other countries did not have such targets, but if they did reduce their emissions, they could earn carbon credits. **These carbon credits could then be sold off to those developed countries which were unable to meet their reduction targets**. This system functioned well for a few years. But the market collapsed because of the lack of demand for carbon credits.

As the world negotiated a new climate treaty in place of the Kyoto Protocol, the developed countries no longer felt the need to adhere to their targets under the Kyoto Protocol. A similar carbon market is envisaged to work under the successor **Paris Agreement**, but its details are still being worked out.

Read More: Paris Climate Change Agreement -From Kyoto Protocol to Paris Agreement

What are the advantages of a Carbon Market?

First, it will help in **mitigating the adverse impacts of climate change** by reducing the GHG emissions.

Second, there are multiple **co-benefits of offset projects** such as: ecosystem management, forest preservation, sustainable agriculture, renewable energy generation in third-world countries, etc.

Third, the voluntary carbon market for offsets is smaller than the compliance market, but **expected to grow much bigger** in the coming years. It's open to individuals, companies, and other organizations that want to reduce or eliminate their carbon footprint, but are not necessarily required to by law.

Fourth, consumers are increasingly aware of the importance of carbon emissions. Consequently, they're increasingly critical of companies that don't take climate change seriously. By contributing to carbon offset projects, companies signal to consumers and investors that they're paying more than just lip service to combat climate change.

Fifth, it opens an **additional revenue stream** for environmentally beneficial businesses. For instance, Tesla, the electric car maker, sold carbon credits to legacy car manufacturers to the tune of $518 million in just the first quarter of 2021.

What are the challenges in the functioning of Carbon Markets?

First, there are concerns regarding the **effectiveness of carbon markets in curbing emissions**. Some companies simply buy credits without making any effort to reduce emissions themselves. It is **cheaper for them to buy carbon credit than to invest in emission reducing technologies** e.g., an analysis by the Center for Science and Environment of the PAT scheme for thermal power plants found that the value of one ESCert* is very less — INR 700 — compared to the actual investment of INR 4,020 that has to be made for reducing energy equal to one tonne equivalent. *Unless, the price of carbon credits is higher than the cost of reducing emissions, there is no incentive for high emitters to make efforts to reduce their emissions* (i.e., companies have to invest more in purchasing credits than investing in emission reduction technologies).

**(ESCerts are similar to carbon certificates that will be sold and purchased under the carbon market scheme).*

Second, environmental activists argue that **only high-quality carbon offsets are effective in reducing emissions**. High quality carbon offsets have certain features like **(a) Additionality**: Emission reductions must be additional i.e., they would *not* have occurred in the absence of a market for offset credits e.g., a renewable project could be set up only because a high emitter paid for it; **(b) Verifiable**: There must be proper audits to ensure monitoring, reporting and verification of emission cuts; **(c) Permanence**: The emission reduction should not be reversed.

Source: Visual Capitalist

However, many credits available in markets are of poor quality i.e., they do not meet the above criteria. Most of the credits are not 'additional' i.e., the emission reduction projects would have happened even in absence of carbon credits (without any prospect for project owners to sell carbon offset credits). Also it is **very difficult to establish 'additionality'**. According to a US-based environmental group more than 60% percent of credits on the market are from projects that have 'questionable additionality claims'.

In some cases, the emission reduction is not permanent. There have been instances where afforestation projects were undertaken to buy carbon credits. However, later on the planted trees were cut-off, thus reversing the reduction.

Third, buying carbon credits can **deviate the rich nations from the path of reducing emissions**. They can simply continue to emit and buy cheap carbon credits from developing countries.

Fourth, there has been **huge surplus of carbon credits in the voluntary markets**. According to an estimate, credits for about a billion tons of CO_2 have been put up for sale on the voluntary market. But there have been more sellers than buyers. Supply exceeding demand suppresses the price of carbon credits and it become easier for emitters to offset, while continuing high emissions.

Fifth, It is difficult to establish the amount of carbon reduced by offset projects (like afforestation or wind energy project). The **complexity is in establishing baseline emissions** (Emissions baseline represents what would happen if your project did not occur i.e., the emissions in the absence of the project). This makes it difficult to verify emission reductions and **assigning carbon credits**.

India's own PAT (Perform, Achieve, Trade) Scheme has failed to achieve meaningful emissions reduction. According to an analysis by the Center for Science and Environment, the emission reduction under the scheme has been only 1.57% and 1.44% over the two cycles.

What should be done going ahead?

First, there is a need to create a **national level environment regulator** on the lines of SEBi (Stock Market Regulator), RBI (Banking Regulator) in order to ensure **carbon markets work efficiently**.

Second, there must be strong regulatory safeguards to ensure that the **emission offsets traded are of high quality**. Else, as experts contend, an ineffective carbon market can end up doing more damage.

Third, there is a need to **develop environmental consciousness** in the general public so as to make them understand their environmental responsibilities. For instance, consumers can purchase offsets for emissions from a specific high-emission activity, such as a long flight, or buy offsets on a regular basis to eliminate their ongoing carbon footprint.

Fourth, it's crucial that cap-and-trade does not end up as an inspect-and-extort regime in India. For this, a tech-enabled model of open verification can be adopted by the government.

Conclusion

The establishment of a domestic carbon market is a progressive step. However, the actual benefit will depend upon the effectiveness of the market. For this, the Government must ensure that proper regulations are established. Moreover, there must be periodic assessment of its functioning and corrective steps its necessary. Climate Change is real and imminent, Government must take all possible steps to mitigate the challenges.

Syllabus: GS III, Conservation, environment pollution and degradation.

Source: **Indian Express**, **The Guardian**, **Yale Environment360**

[Kurukshetra August Summary] Unlocking Rural Industrial System – Explained, pointwise

Introduction

Rural India can be seen as a resource for drawing immense human capital with 68.8% of India's population and 72.4% of the workforce. These areas offer immense opportunities to develop rural industries that can be used to support India's future growth. In rural areas, businesses operate primarily in agriculture, forest, handloom and small-scale industries. A spree of schemes has been implemented across ministries that support various small and micro-level enterprises in rural areas. This has led to some industrial development. However, much more needs to be done to unlock the potential of rural areas.

What is the current status of the rural economy?

Agriculture and allied sectors grew at a growth rate of 3.6% during 2020-21 with a share of 18.8% in the total Gross value Added (GVA) in 2021-22.

Allied sectors including animal husbandry, dairying and fisheries play a vital role in the economy and are steadily emerging to be a progressive contributor to the overall growth of the agriculture sector. The livestock sector has been growing at a Compound Annual Growth Rate (CAGR) of 8.15% (at constant prices) from 2014-15 to 2019-20. Production of milk, egg and meat is growing at a CAGR of 6.28%, 7.82% and 5.15% respectively from 2014-15 to 2019-20.

About **two-third of rural income is now generated in non-agricultural activities** and **more than half of the value added in the manufacturing sector in India is contributed by rural areas**. It is contrary to the common perception about predominance of agriculture in the rural economy.

How are the rural industries classified?

There are different types of rural Industries in India, classified on the basis of scale and primary functions. According to the Eighth Plan, **four groups of industries** are classified that can be expanded or developed in rural areas:

Traditional Village Industries: These include Khadi, leather tanning, woodwork, artisan industries, cotton cloth, handloom, power loom and fabrics, handicrafts, coir, sericulture and wool development, etc.

Heavy Industries: These include mini-steel plants, fertilizer plants which use biomass, pesticide manufacturing plants using biological inputs, ancillary engineering units, etc.

Medium Group Industries: These include mini-cement plants which use molasses or coal as energy, minor paper plants, etc.

Light Industries: These include animal feed and fodder industries, industries producing binding materials like hinges, screens, doors, windows frames and roofing materials etc.

What is the need to focus on the development of Rural Industries?

First, it will help in the **economic development** of the country and move it a step closer towards achieving a US$ 5 trillion economy.

Second, it will lead to **employment generation** in the hinterland regions thereby helping in reducing unemployment rate among rural youth. It would result in three kinds of employment opportunities viz. regular employment for relatively better educated; casual employment of a daily wage type for less educated; and self-employment for entrepreneurs. Further, India has one of the largest working populations in the world which demands dignified jobs, else **demographic dividend can easily get converted into demographic disaster**.

Read More: Reaping the demographic dividend

Third, with better livelihood opportunities, **the social indicators of rural regions** and the overall nation will improve. This includes poverty levels, hunger rates, literacy rate, life expectancy rate etc.

Fourth, it will also **curtail forced migration to urban regions** in wake of good job opportunities thereby reducing pressure on urban resources and decongesting them.

Fifth, it will also **release pressure on agriculture** that currently employs the majority of rural youth and in many cases showcases disguised unemployment. Further, a robust industrial sector will also ensure employment in off season months.

Sixth, it will allow **farmers to do more contract farming** especially if industries like food processing, apparel etc. get developed; as their main input is an agricultural commodity.

Seventh, it will **improve standard of living** as the industrial sector requires development of robust infrastructure and services to support it. Hence, these would get automatically developed along with industry thereby improving living conditions.

Eight, rural areas have a **high female labor force participation** rate in comparison to urban counterparts therefore rural industry can generate a high degree of women empowerment. In 2011-12, workforce participation rate for urban male and urban female was 54.6% and 14.7% whilst rural male and rural female participation were 54.3% and 24.8% respectively.

What steps have been taken by the Government for the promotion of Rural Industries?

Prime Minister's Employment Generation Programme (PMEGP): PMEGP is a credit-linked subsidy scheme initiated for setting up new micro-enterprises in rural as well as urban areas of the country. It is supported through Khadi and Village Industries Commission (KVIC), State Khadi and Village Industries Board (KVIB) and District Industries Centre (DIC).

Women entrepreneurs are covered as a Special Category under the PMEGP scheme. They are entitled to 25% and 35% subsidies for setting up projects in urban and rural areas, respectively.

Scheme for Promoting Innovation, Rural Industry and Entrepreneurship (ASPIRE): The ASPIRE programme was launched in 2015 and includes training and incubation support to prospective entrepreneurs in the agro-rural sector through rural Livelihood Business Incubator (LBO), Technology Business Incubator (TBI) and Fund for start-up.

Innovation and Agri-Entrepreneurship Development: It was started in 2018-19 under *Rashtriya Krishi Vikas Yojana* (RKVY-RAFTAAR). It provides technical and financial support in nurturing the incubation ecosystem.

***Pradhan Mantri Kisan Sampada Yojana* (PMKSY)**: It has been implemented by the Ministry of Food Processing industries (MoFPI) since 2017 for development of the food processing sector. Its components include: **(a)** Mega Food Parks; **(b)** Integrated Cold Chain and Value Addition

Infrastructure; **(c)** Creation /Expansion of Food Processing and Preservation Capacities; **(d)** Infrastructure for Agro-Processing Clusters etc.

Scheme of Fund for Regeneration of Traditional Industries (SFURTI): It was initiated to recognise the talent, creativity, and enterprise of hard work of rural artisans in a variety of fields. It covers a wide range from food products to handicrafts; leather products to ayurvedic medicines. It organize traditional industries and artisans/small farmers into clusters and provide them with sustainable employment by making their products competitive through value addition.

How have the Government schemes performed till now?

Prime Minister's Employment Generation Programme (PMEGP): Since its inception up to December 2021, about 7.38 lakh new micro-units have been assisted utilizing margin money subsidies of INR 17,819.23 Crore. About 80% of the assisted units are in rural areas and about 50% units are owned by SC, ST and women categories.

Scheme for Promoting Innovation, Rural Industry and Entrepreneurship (ASPIRE): A total of 31 Livelihood Business Incubators (LBIs) were sanctioned during the financial year 2020-21 and now 61 LBIs have become functional. 54,801 persons have been trained in LBIs across the country as per impact assessment data till December 2021.

Innovation and Agri-Entrepreneurship Development: A total of 799 start-ups in the field of agriculture and allied sectors including agritech startups are supported by Innovation and Agri-entrepreneurship Development programme.

***Pradhan Mantri Kisan Sampada Yojana* (PMKSY)**: The Ministry of Food Processing Industries has approved 41 Mega food Parks, 353 Cold Chain projects, 63 Agro Processing Clusters, 292 Food Processing Units under corresponding component schemes of PMKSY.

Scheme of Fund for Regeneration of Traditional Industries (SFURTI): 434 clusters have been approved from the year 2015 to November 30, 2021, with a Government of India grant worth Rs. 1,106 crore that will benefit about 2.50 lakh artisans.

What more steps can be taken going ahead?

First, the focus should be on supporting start-ups in agriculture and allied sectors through NABARD. It will boost developmental projects and investment in rural areas.

Read More: [Kurukshetra January Summary] Agri-startups and Enterprises – Explained, pointwise

Second, it is also vital to improve the marketing links between the village entrepreneurs and the larger business firms located in the towns/cities. Such strategic alliances or partnerships can contribute to the sustainability of small villages and tiny enterprises in rural areas.

Third, other important considerations that need to be focused on include human resource development, financial/credit facilities, research and development etc. It will help in making the activities self-sustaining in the changing competitive environment.

Conclusion

Rural Industries are key to unlock advancements in economic and social development of India. Supporting rural industries through thoughtful policy interventions, supporting innovations, incentivising start-ups, and digitalisation, can create employment opportunities in rural India. Moreover, it will be a good step in the direction towards realizing *Atma Nirbhar Bharat*.

Syllabus: GS II, Government policies and interventions for development in various sectors and issues arising out of their design and implementation; GS III, Indian Economy and issues related to growth, Inclusive growth and issues arising from it.

Source: Kurukshetra August 2022

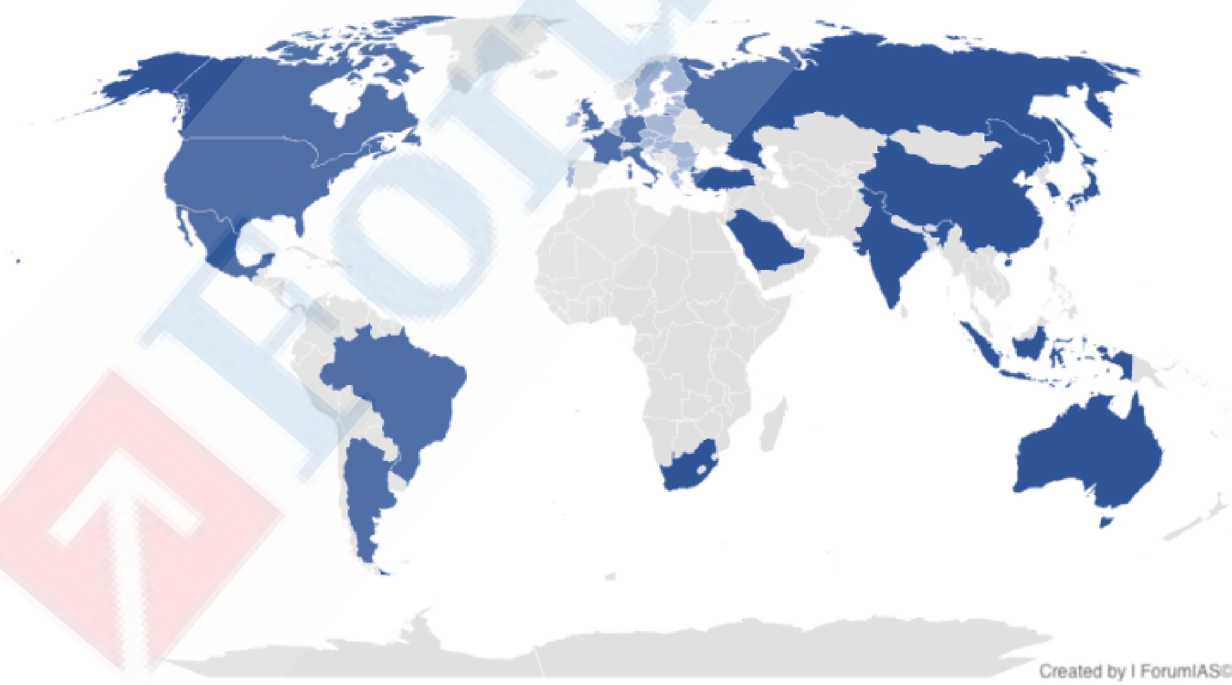
G20 and its Significance – Explained, pointwise

Introduction

In the late 1990s, as the existing geo-economic multilateral order was found ineffective in dealing with the Mexican, Asian and Russian financial crises, countries moved towards forming G20. A group of developed and emerging economies, including OECD and BRICS, were chosen as a 'perfect mix' of the old world and new to create the new grouping. The G20 played an important role in shaping and strengthening global architecture and governance on all major international economic issues. It recognised that global prosperity is interdependent and economic opportunities and challenges are interlinked. The current challenge is to craft new approaches to overcome the acute global discord and grouping's shortcomings in the international arena.

What is G20 and its background?

The Group of G20 (G20) comprises Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, and the United States along with the European Union. Spain is a permanent invitee, as are several international agencies like the UN, the IMF, ASEAN, the African Union, etc.



Countries in light blue are represented through the membership of the EU.

G20 members currently account for ~80% of world GDP, 75% of global trade, and 60% of the global population. The group was **founded in 1999** after the Asian financial crisis as a forum for the Finance Ministers and Central Bank Governors to discuss global economic and financial issues. It was later upgraded to the level of Heads of State/Government and was designated the 'premier forum for international economic cooperation'. Since 2011, the G20 Summit has been held annually, under the leadership of a rotating Presidency.

The G20 initially focused largely on broad macroeconomic policy, but it has since expanded its ambit to include trade, climate change, sustainable development, energy, environment, climate change, anti-corruption etc.

The objectives of the G20 are: **(a)** Policy coordination between its members in order to achieve global economic stability, sustainable growth; **(b)** Promote financial regulations that reduce risks and prevent future financial crises; **(c)** Create a new international financial architecture.

What is the organizational structure of G20?

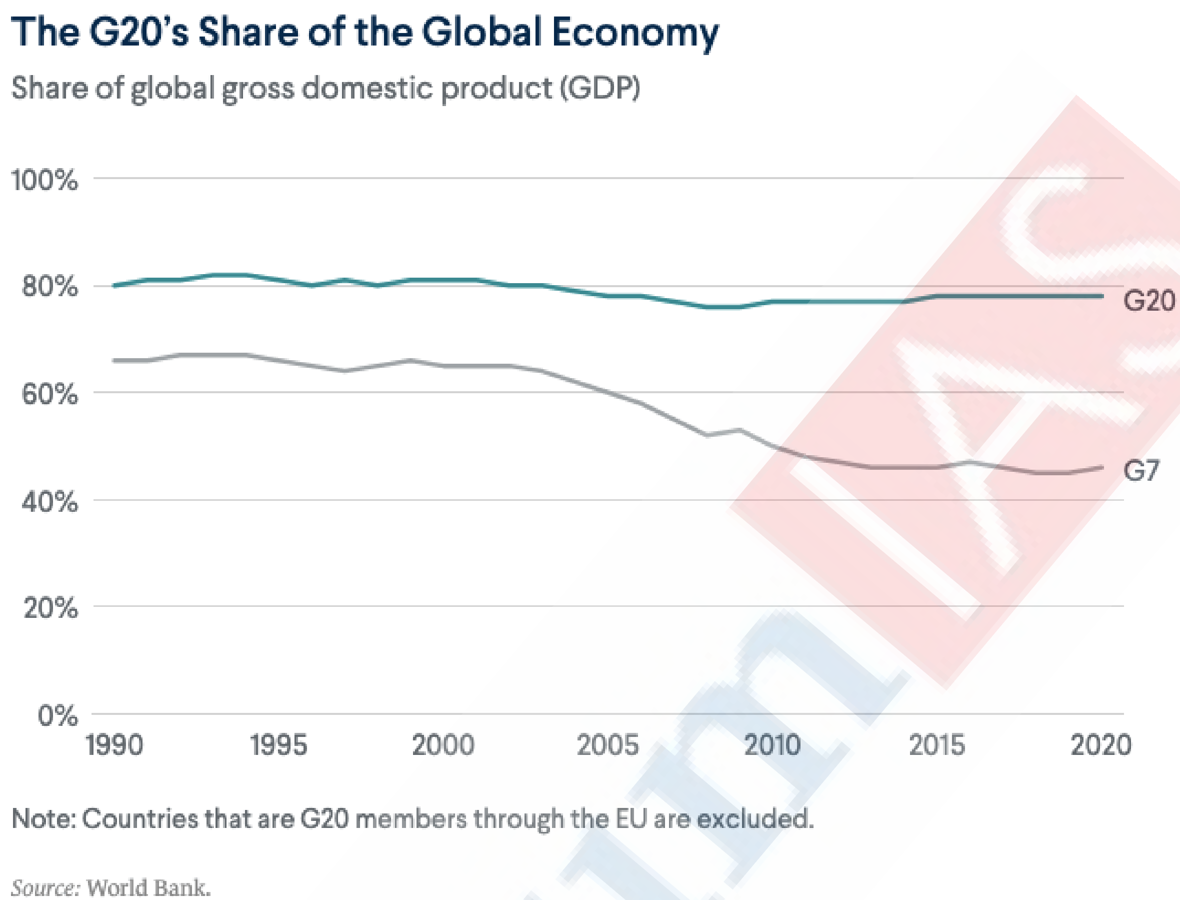
The G20 does not have a charter or a secretariat. The Presidency, aided by the countries holding the Presidency before and after it (**Troika**), is responsible for setting the agenda of each year's Summit. **At present, the Troika is made up of Italy (2021), Indonesia (2022) and India (2023).**

The G20 process is led by **the Sherpas of member countries**, who are personal emissaries of the Leaders. The Sherpas oversee negotiations over the course of the year, discussing agenda items for the Summit and coordinating the substantive work of the G20.

The G20's work is divided into two tracks: the **Finance Track** and the **Sherpa Track**. Within the two tracks, there are working groups in which representatives from the relevant ministries of the members as well as from invited/guest countries and various international organizations participate.

What is the significance of G20?

First, It is a **more representative grouping** in comparison to its predecessors like G7 which comprised only industrialized economies and also ignored the interests of the global south. Moreover, while the share of G7 countries in the global economy has been falling, G20's share has been largely consistent.



Source: Council on Foreign Relations

Second, it plays a major role in **tackling financial crises effecting global economy**. For instance, during the 2007 financial crisis, G20 members took concerted actions, including boosting spending and lowering trade barriers, to revive economies.

Third, It offers an **opportunity to undertake bilateral or trilateral meetings** with leaders of 20 countries on the sidelines of G20 summits.

Fourth, the economic and financial clout of the group provides **a dominant say to the grouping in critical international matters** like world tarde, climate change, data decentralization etc.

Fifth, It also played a pivotal role in providing relief to countries during **the COVID-19** pandemic. The G20 countries agreed to suspend debt payments owed to them by some of the world's poorest countries, providing billions of dollars in relief. Further in October 2021, G20 leaders pledged to help vaccinate 70% of the world's population by mid-2022.

What are the challenges surrounding G20?

Russia-Ukraine Crisis: This is currently the biggest roadblock impairing functioning as the U.S and its allies are not willing to sit on the same table with Russia and its allies. This may cause a severe stalemate in the grouping's functioning and impair its progress.

Rising Protectionism: Globalization is retracting, and multilateral organizations have a credibility crisis. Countries around the world are choosing to be **'G-zero'** over the G7, G20, BRICS, P5 (UNSC Permanent Members) and others.

'G-zero' is a term coined by political commentator Ian Bremmer to denote **Every Nation for Itself**.

The current US administration under President Biden has agreed to reverse various decisions of the Trump administration on climate change and migration but not on tariff policy. They have so far kept most of earlier tariffs in place, though the US recently reached an agreement with the EU to replace the tariffs on steel and aluminum products with a quota arrangement.

Informal structure of G20: It has no permanent secretariat. The agenda changes every year according to the priorities of the presiding nation. So, critics say that G20 basically was an extension of the G7.

Influences decision-making of smaller countries: The smaller countries, which are not a member of the G20 grouping, have to implement the declarations and commitments agreed by G20 nations for their growth and opportunity e.g., the G20 nations agreed to end international financing for coal power plants. So, a small nation can not get any finance from G20 nations for a new coal power plant and has to use its own limited financial resources or phase out coal and look for other alternatives.

Not able to address challenges within member nations: The G20 grouping is not able to solve the issues within its member nations like the US-China issue on trade, the US – Russia divide on nuclear weapons, etc.

No Enforcement mechanism: The G20's toolkit ranges from simple exchanges of information and best practices to agree on common, measurable targets. None of this is achieved without consensus, nor is it enforceable, except for the incentive of peer review and public accountability. Further, the **G20 declarations are not legally binding.**

Under-representation of Africa: Except for South Africa, none of the African nations is a member of the G20.

What should be a new global vision for G20?

First, the starting point should be building on the global consensus in the Vienna Declaration on Human Rights 1993 reaffirming the indivisibility of all human rights. Ensuring adequate food, housing, education, health, water and sanitation and work for all should guide international cooperation.

Second, grouping needs to harness the potential of the **digital information technology revolution**. This requires redefining digital access as a "universal service" that goes beyond physical connectivity to sharing specific opportunities available. Further, open access software should be offered for more cost-effective service delivery options, good governance and sustainable development.

Third, it needs to **focus on the space sector** for finding solutions to problems of natural resource management ranging from climate change-related natural disasters, supporting agricultural innovation to urban and infrastructure planning.

Fourth, **public health** should be made a key agenda especially after the deadly impact of COVID-19. Further, a major global challenge is the rapidly growing antimicrobial resistance which needs new antibiotics and collaboration between existing biotechnology facilities.

Fifth, a **Global Financial Transaction Tax**, considered by the G20 in 2011, needs to be revived to be paid to a Green Technology Fund for Least Developed Countries.

What lies ahead?

Bridging powers between the East and West: The global economic disruption caused by Western economic sanctions and the ongoing boycott of Russia in global economic forums need initiatives from the countries like India, Indonesia and South Africa. They can act as bridging powers between the East and West.

Formalization of G20: The G20 has to include objectives, vision and mission statements, a permanent secretariat, and staff to oversee commitments and ensure continuity in the agenda.

Focus more on domestic commitments: The G20, instead of international commitments, can focus on domestic commitments and start implementing them. For instance, instead of ending international financing for coal power, the G20 Nations should phase out domestic coal consumption. This will create a significant impact as G20 nations represent more than 75% of the world's greenhouse gas emissions.

Make it more representative: A 2011 report had criticized the G20's exclusivity, so the G20 has to make itself more representative.

Conclusion

India, which will assume the Presidency of the G20 in December 2022, will have to bear the burden of ensuring the G20's continued existence in a globally polarized world through 2023. The challenge before India will be to assist Indonesia in protecting the idea of the G20 and keeping it away from fragmentation in the face of geopolitical fissures.

Syllabus: GS II, Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.

Source: The Hindu, The Hindu, Ministry of External Affairs, Council on Foreign Relations