

**ECONOMY**

**India-US Trade Issues: Free Trade Agreement**

Recently, the new (Joe Biden) US administration has indicated that it is no longer interested in securing a bilateral Free Trade Agreement (FTA) with India. The US is India's largest trading partner, and one with whom it has a significant trade surplus. This calling off of the US-India mini-trade deal provides an opportunity for India to holistically review its stance on global trade.

**Key Points**

**Free Trade Agreement (FTA):**

- **About:**
  1. It is a pact between two or more nations to reduce barriers to imports and exports among them. Under a free trade policy, goods and services can be bought and sold across international borders with little or no government tariffs, quotas, subsidies, or prohibitions to inhibit their exchange.
  2. The concept of free trade is the opposite of trade protectionism or economic isolationism.
- **India and FTAs:**
  1. After India opted out of the Regional Comprehensive Economic Partnership (RCEP) in November 2019, the 15-member FTA grouping that includes Japan, China and Australia, FTAs went into cold storage for India.
  2. But in May 2021 came the announcement that India-EU talks, which had stalled in 2013, would be resumed. This was followed by the news that FTAs with other countries like the UAE, Australia and Britain, too, are in various stages of discussion.

**About US-India Mini-Trade Deal:**

- **India's Demands:**
  1. Resumption of export benefits to certain domestic products under the Generalised System of Preferences (GSP).
  2. Greater market access for its products from sectors like agriculture, automobile, auto components and engineering.
- **US' Demands:**
  1. Greater market access for its farm and manufacturing products, dairy items and medical devices.
  2. The office of the US Trade Representative (USTR) has underlined India's measures to restrict companies from sending personal data of its citizens outside the country as a "key" barrier to digital trade.
  3. USTR report also highlights that India's move to impose data equalisation levy on foreign e-commerce firms discriminates against American companies.
  4. The US has also raised concerns over the high trade deficit with India.

**Other Major India-US Trade Issues:**

- **Tariffs:** India has been referred to by the US as "tariff king" that imposes "tremendously high" import duties.
  1. In June 2019, the Trump administration decided to terminate India's benefits under the GSP scheme.
  2. Removal from the GSP list amidst rising trade tensions prompted India to finally impose retaliatory tariffs on several American imports. This made the US approach the WTO (World Trade Organisation) against India.
- **Intellectual Property (IP):** The two sides differ on how to balance IP protection to incentivize innovation and support other policy goals, such as access to medicines. India remains on the "Special 301" Priority Watch List for 2021, based on such concerns as its treatment of patents, infringement rates, and protection of trade secrets.
- **Services:** India also continues to seek a "totalization agreement" to coordinate social security protection for workers who split their careers between the two countries.

**Issues in India's Foreign Trade Policy:**

- **Poor Manufacturing Sector:** In the recent period, manufacturing holds a share of 14% in India's GDP.
  1. For advanced and developed nations like Germany, the US, South Korea and Japan, the comparable figures are 19%, 11%, 25% and 21%, respectively.
  2. For emerging and developing countries like China, Turkey, Indonesia, Russia, Brazil, the corresponding figures are 27%, 19%, 20%, 13%, 9%, respectively, and for low income countries the share is 8%.

- **Unfavorable FTA's:** In the past decade, India signed FTAs with the Association of Southeast Asian Nations (ASEAN), the Republic of Korea, Japan, and Malaysia. However, it is largely believed that India's trade partners have gained more from these agreements than India.
- **Protectionism:** The Atmanirbhar Bharat campaign has exacerbated the view that India is increasingly becoming a protectionist closed market economy.

#### Way Forward

- **Switching to Multilateralism:** Given that India is not party to any mega-trade deals, this would be an important part of a positive trade policy agenda. Having walked out of RCEP, India needs to demonstrate to its potential FTA partners, including the EU and the UK, that it is a viable alternative to China in a post-Covid world.
- **Economic Reforms:** India's trade policy framework must be supported by economic reforms that result in an open, competitive, and technologically innovative Indian economy.
- **Improving Manufacturing:** The share of manufacturing in the GDP needs to rise through efficient implementation of schemes such as the Make in India initiative. Further, Implementation of India's major schemes—the Smart City Project, Skill India Program, and Digital India—will require foreign direct investment and a comprehensive rebooting and rejuvenation of India's manufacturing sector.
- **Need For Innovation:** If innovation needs to be promoted, perhaps India should have unveiled an innovation incentivization policy, as intellectual property rights are the flip side of the innovation coin.

### INTER NATIONAL RELATION

#### 6th Eastern Economic Forum

Recently, the Prime Minister of India (PM) addressed the plenary session of the 6th Eastern Economic Forum (EEF) via video-conferencing. The PM highlighted the importance of India-Russia relations and potential areas of cooperation in line with the 'Special and Privileged Strategic Partnership'.

#### Key Points

##### Highlights of PM's Address:

- Applauded Russia's vision for the development of the Russian Far East region and reiterated India's commitment (as part of its "Act East Policy") of being a reliable partner of Russia in this regard.
- Highlighted the significance of health and pharma sectors as important areas of cooperation that have emerged during the pandemic.
- Referred to other potential areas of economic cooperation including diamond, coking coal, steel, timber etc.

##### About Eastern Economic Forum:

- EEF was established by the decree of the President of the Russian Federation in the year 2015.
- It takes place each year in Vladivostok, a city in Russia.
- It serves as a platform for the discussion of key issues in the world economy, regional integration, and the development of new industrial and technological sectors, as well as of the global challenges facing Russia and other nations.
- The Forum's business programme includes a number of business dialogues with leading partner countries in the Asia-Pacific region, and with ASEAN, a key integration organization of dynamically developing nations in Southeast Asia.
- Over the years, it has emerged as an international platform for discussing the strategy for developing political, economic and cultural ties between Russia and Asia Pacific.

##### Importance of India-Russia Relations:

- **Balancing China:** The Chinese aggression in the border areas of eastern Ladakh, brought India-China relations to an inflection point, but also demonstrated that Russia is capable of contributing to defusing tensions with China. Russia organized a trilateral meeting among the foreign ministers of Russia, India, and China following deadly clashes in the Galwan Valley in the disputed territory of Ladakh.
- **Emerging New Sectors of Economic Engagement:** Apart from traditional areas of cooperation such as weapons, hydrocarbons, nuclear energy (Kudankulam), space (Gaganyaan) and diamonds, new sectors of economic engagement are likely to emerge — mining, agro-industrial, and high technology, including robotics, nanotech, and biotech. India's footprint in the Russian Far East and in the Arctic is set to expand. Connectivity projects may get a boost too.

- **Reviving Eurasian Economic Union:** Russia seeks to leverage India's soft power to gain legitimacy in the success of the Eurasian Economic Union, and re-establishing its hegemony, as it existed during the cold war era.
  - **Combating Terrorism:** India and Russia are working to close the gap on Afghanistan and are calling for early finalization of the Comprehensive Convention on International Terrorism.
  - **Support at Multilateral Forums:** Additionally, Russia supports India's candidacy for permanent membership of a reformed United Nations Security Council and of the Nuclear Suppliers Group.
  - **Diplomacy:** Russia has been a long-time friend of India; it not only provided India arms to maintain a formidable military profile but also gave invaluable diplomatic support on a variety of regional issues.
  - **Defence Cooperation:** Although India has consciously diversified its new defence purchases from other countries, the bulk of its defence equipment (60 to 70%) is still from Russia.
1. **BrahMos Missile System** as well as the licensed production in India of SU-30 aircraft and T-90 tanks, are examples.
  2. **Indra Exercises** - Joint Tri-Services (Army, Navy, Air Force) Exercises.

## POLITY

### Virtual Courts

Recently, Chief Justice of India (CJI) N.V. Ramana has expressed his dissatisfaction towards the newly put open court software in the Supreme Court for virtual hearings. The dissatisfaction emanates from the problem of disconnections, resonance of voices during virtual hearings.

### **Key Points**

#### **About:**

- Virtual Courts or e-Courts is a concept aimed at eliminating the presence of litigants or lawyers in the court and adjudication of the case online. It requires an Online environment and an Information and Communication Technology (ICT) enabled infrastructure.
- In the wake of the Coronavirus Pandemic in 2020, the Supreme Court (SC) exercising its plenary power under Article 142 passed directions for all courts across the country to extensively use video-conferencing for judicial proceedings.
- Earlier, an Artificial Intelligence (AI) based portal 'SUPACE' was launched by the CJI in the judicial system aimed at assisting judges with legal research.
- Also, the SC has released the Draft Model Rules for Live-Streaming and Recording of Court Proceedings.

#### **e-Courts Project**

- It was conceptualized on the basis of the "National Policy and Action Plan for Implementation of Information and Communication Technology (ICT) in the Indian Judiciary-2005" submitted by e-Committee, Supreme Court of India with a vision to transform the Indian Judiciary by ICT enablement of Courts.
- The e-Courts Mission Mode Project, is a pan-India Project, monitored and funded by the Department of Justice, Ministry of Law and Justice, for the District Courts across the country.

#### **Advantages:**

- **Affordable Justice:** The expansion of e-Courts will ensure easy access to justice at affordable courts to all sections of society.
- **Faster Delivery of Justice:** The proliferation of e-Courts will make litigation faster, given that required logistics are provided.
- **Transparency:** e-Courts can overcome the challenges and make the service delivery mechanism transparent and cost-efficient. Litigants can view the status of their case online through various channels created for service delivery.
- **Integration of Judiciary:** Data sharing between different courts and various departments will also be made easy as everything would be available online under the integrated system. This would be beneficial for both improving the court processes and rendering citizen-centric services.

#### **Challenges:**

- **Operational Difficulties:** Virtual Courts witness technical interruptions during hearings owing to poor connectivity, echoes and other disruptions. Other issues might involve the litigant's lack of confidence in the process due to lack of proximity.
- **Hacking and Cybersecurity:** On the top of technology, cybersecurity will be a huge concern too.

- **Infrastructure:** Challenges can erupt due to insufficient infrastructure and non-availability of electricity and internet connectivity in most of the Talukas/villages.
- **Maintaining e-Courts record:** The paralegal staff is not well equipped and trained to effectively handle document or record evidence, and make them readily accessible to the litigant, to the council as well as to the court.

#### Way Forward

- There is a need to address data privacy and data security concerns while developing a new platform for India's judicial system.
- Infrastructure needs to be updated with sufficient machinery and data connectivity to provide virtual proceeding.
- A user-friendly e-courts mechanism can be developed, which is simple and easily accessible by the common public, which will encourage litigants to use such facilities in India.
- Creating awareness around e-courts through talks and seminars can help bring to light the facilities and the ease that e-courts can facilitate.

### ENVIRONMENT & BIODIVERSITY

#### Land Sink & Emissions

Despite caution from scientists, policymakers and corporations still assume that natural carbon sinks like land and oceans will mop up their fossil fuel emissions.

#### Key Points

##### Land Sink:

- Land is a critical component of the climate system, actively engaged in the flows of carbon, nitrogen, water, and oxygen - essential building blocks for life.
  - Greenhouse Gases (GHGs such as carbon dioxide) follow a natural cycle - they are constantly released into the atmosphere and are removed from it via natural 'sinks' such as the land and oceans.
  - Plants and healthy ecosystems have an unparalleled capacity to absorb carbon through photosynthesis and store it in living biomass.
1. About 56% of the carbon dioxide (CO<sub>2</sub>) emitted by humans is absorbed by the oceans and land.
  2. About 30% by land and the rest by oceans.

##### Recognition of Role of Land:

- The role of land (forests and agricultural land) as a mitigation pathway to reduce CO<sub>2</sub> emissions was recognised by the United Nations Framework Convention on Climate Change (UNFCCC) in 1992.
- The Kyoto Protocol in 1997 endorsed the notion that not only should governments employ policies to enhance the land carbon sink capacities of their territories but also that such mitigation could be set against requirements for reductions in emissions from fossil fuel consumption.

##### Related Data:

- Land use accounted for 13% of anthropogenic CO<sub>2</sub> emissions during 2007-2016, according to a report by The Intergovernmental Panel on Climate Change (IPCC) in 2019. But it also provided a net sink of around 11.2 gigatonnes of carbon dioxide per year, equivalent to 29% of the total CO<sub>2</sub> emissions in the same period.
- This means, 29-30% human-driven CO<sub>2</sub> emissions have been soaked up by the world's land sinks during the past three decades.

##### Concerns:

- **Rising Heat Levels:**
  1. Increased heat levels are adding to the moisture stress in forests and leading to widespread burning.
  2. So, on the one hand, forests are being cut for different economic activities, reducing their role as sinks for the CO<sub>2</sub> released from fossil fuel burning.
  3. On the other hand, as temperatures increase, the forests will shrink further.
- **Anthropogenic and Natural Factors:** Human-induced factors such as deforestation and natural factors such as climate variability in sunshine, temperature and rainfall can cause a variation in the strength of the land carbon sink.
- **Rising CO<sub>2</sub> Concentration:** Climate Change 2021 Report: IPCC states that CO<sub>2</sub> emissions are the highest in at least two million years. Humans have emitted 2,400 billion tonnes of CO<sub>2</sub> since the late 1800s.

##### Suggestions:



- **Growing Trees:**
  1. The world is not on track to reduce GHG emissions at the scale needed to avert a temperature rise of 1.5°C over pre-industrial levels.
  2. The solution, then, is to find ways in which emissions can be removed from the atmosphere and growing trees becomes part of this package.
- **Get off Fossil Fuels:** There is a need to use land especially in this interim of moving from fossil fuels to Renewables; but in the end fossil fuels must be gotten rid of.
- **Artificial Carbon Sequestration:**
  1. The artificial carbon trapping technologies efficiently capture carbon in large amounts, convert it and also store it for thousands of years. The technique is based on passing air through a stack of charged electrochemical plates.
  2. The technology aims to make coal a viable, technical, environmental and economic case for the future.

**Related Initiatives:**

- **Bonn Challenge:** Bonn Challenge is a global effort to bring 150 million hectares of the world's deforested and degraded land into restoration by 2020, and 350 million hectares by 2030.
- **UN Decade on Ecosystem Restoration:** In March 2019, the United Nation General Assembly declared 2021-2030 as the UN Decade on Ecosystem Restoration to "prevent, halt and reverse the degradation of ecosystems worldwide".
- **LEAF Coalition:** It is an effort led by the US, the UK and Norway to mobilise at least USD 1 billion for financing countries committed to protecting their tropical forests.

**2. Threat to Bhitarkanika National Park: Odisha**

Recently, some environmental activists pointed out that Odisha's Bhitarkanika National Park, is under severe threat due to planned diversion of freshwater from the Brahmani river basin.

**Key Points**

**Concerns:**

- Excess water allocation for industries, which is likely to reduce fresh water discharge to the sea.
- The lack of normal flow of fresh water would increase saline ingress upstream, it would affect the local flora and fauna as well as the livelihoods of the farmers and fishermen dependent upon the Brahmani and the Kharasrota (tributary of the Brahmani). There could be a quantum increase in the man-crocodile conflict since the estuarine crocodiles would leave the core sanctuary area and migrate upstream once salinity increases.
- The reduction in water discharge will reduce the mangroves and without the mangroves, the Gahirmatha Marine Sanctuary will become a marine desert. Nutrients from Bhitarkanika are flushed out to the Gahirmatha Marine Sanctuary, which attracts the world's largest population of Olive Ridley sea turtles for congregation and nesting.

**Bhitarkanika National Park:**

- **About:**
  1. It has the second-largest mangrove forest in India and is a Ramsar site. It was declared as a Bhitarkanika National Park in the year of 1988.
  2. Bhitarkanika is located in the estuary of Brahmani, Baitarani, Dhamra, and Mahanadi river systems. It is located in Kendrapara district of Odisha.
  3. It is one of Odisha's finest biodiversity hotspots and is famous for its mangroves, migratory birds, turtles, estuarine crocodiles, and countless creeks.
  4. It is said to house 70% of the country's estuarine or saltwater crocodiles, conservation of which was started way back in 1975.
- **Protected Areas:** The Bhitarkanika is represented by 3 Protected Areas which are:
  1. Bhitarkanika National Park.
  2. Bhitarkanika Wildlife Sanctuary.
  3. Gahirmatha Marine Sanctuary.

**River Brahmani:**

- It is a river in northeastern Odisha state, eastern India. Formed by the confluence of the Sankh and South Koel rivers in southern Bihar state, the Brahmani flows for 300 miles.
- It winds generally south-southeast past Bonaigarh and Talcher and then turns east to join northern branches of the Mahanadi River, which then empties into the Bay of Bengal at Palmyras Point.

- It is one of the few rivers that cut across the Eastern Ghats, and it has formed a minor gorge at Rengali, where a dam has been built.

### IMPORTANT FACTS FOR PRELIM

#### International Fund for Agricultural Development

Recently, IFAD (International Fund for Agricultural Development) has committed to focus 30% of its climate finance to support nature-based solutions in rural small-scale agriculture by 2030. Ahead of the IUCN (International Union for the Conservation of Nature) World Conservation Congress (WCC), it calls for more investment to protect biodiversity. The IUCN convenes WCC every four years. The Congress brings together its various members, who vote on recommendations and set the agenda for the global conservation efforts.

#### **Key Points**

##### **About:**

- IFAD is an international financial institution and specialized United Nations agency working in the field of poverty eradication in the rural areas of developing countries providing grants and loans with low interest for allied projects.
- It works with marginalized and vulnerable groups such as farmers with small holdings, foresters, Pastoralists, Fishermen and small scale entrepreneurs by giving them disaster preparedness, access to weather information, technology transfer and social learning.

**Formation:** It was created in 1977, which is the outcome of the World Food Conference of 1974.

**Headquarters:** Rome, Italy

##### **Members:**

1. It has 177 member countries.
2. India is also a member country.

##### **Objectives:**

- To increase the productive capacity of poor people.
- To increase benefits for them from market participation.
- To strengthen the environmental sustainability & climate resilience of their economic activities.

**Reports:** It brings out the Rural Development Report every year.

### DAILY ANSWER WRITING PRACTICE

**Qns. Creation of National Monetisation Pipeline (NMP) is a pioneering initiative to establish a roadmap for “monetisation ready” assets. How will asset monetisation help the country? What are potential bottlenecks to NMP? Explain. (250 words)**

**Ans:**

#### **Introduction**

- Asset Monetization involves the creation of new sources of revenue by unlocking of the value of hitherto unutilized or underutilized public assets. Internationally, it is recognized that public assets are a significant resource for all economies.
- A 4 year National Monetisation Pipeline (NMP) has been unveiled by the Finance Minister. This monetisation will create further value for infrastructure creation in the country. It will explore innovative ways of private participation without transfer of government ownership.

#### **Body**

##### **Key features of the National Monetisation Pipeline :**

- The NMP's roadmap has been formulated by NITI Aayog in consultation with infrastructure line ministries, under the 'Asset Monetisation' mandate of the Union Budget 2021-22.
- The sectors in which assets are being identified to monetise include roads, ports, airports, railways, power generation and transmission, telecom, warehousing, gas & product pipeline, mining, stadium, hospitality and housing.
- For now, the government has only included the assets of infrastructure line ministries and Central Public Sector Enterprises (CPSEs) working in the infrastructure sectors.
- Monetisation through disinvestment and monetisation of non-core assets have not been included in the NMP.

##### **The framework for monetisation of core asset monetisation has three key imperatives:**

- Monetisation of rights not ownership which means the assets will have to be handed back at the end of transaction life. The overall transaction will be structured around revenue rights.

- Brownfield de-risked assets: There is no land here, this entire (NMP) is about brownfield projects where investments have already been made and there is a completed asset which is either languishing or it is not fully monetised or is under-utilised.
- Structured partnerships under defined contractual frameworks & transparent competitive bidding, where Contractual partners will have to adhere to Key Performance Indicators and Performance Standards.
- The assets and transactions identified under the NMP are expected to be rolled out through a range of instruments.
- 1. These include direct contractual instruments such as public private partnership concessions and capital market instruments such as Infrastructure Investment Trusts (InvIT) among others.
- 2. For Ex: Under the plan, private firms can invest in projects for a fixed return using the InvIT route as well as operate and develop the assets for a certain period before transferring them back to the government agency.
- 3. The choice of instrument will be determined by the sector, nature of asset, etc.
- NMP aims to provide a medium term roadmap of the programme for public asset owners; along with visibility on potential assets to the private sector.
- The NMP will run co-terminus with the National Infrastructure Pipeline of Rs 100 lakh crore announced in December 2019.
- An empowered committee has been constituted to implement and monitor the Asset Monetization programme. The Core Group of Secretaries on Asset Monetization (CGAM) will be headed by the Cabinet Secretary.
- Real time monitoring will be undertaken through the asset monetization dashboard. The government will closely monitor the NMP progress, with yearly targets and a monthly review by an empowered committee
- The top 5 sectors (by estimated value) capture ~83% of the aggregate pipeline value. These include: Roads (27%) followed by Railways (25%), Power (15%), oil & gas pipelines (8%) and Telecom (6%)

#### **Advantages of Asset Monetisation**

- **Resource Efficiency:** It leads to optimum utilisation of government assets.
- **Fiscal Prudence:** The revenue accrued by leasing out these assets to private sector will help fund new capital expenditure without pressuring government finances.
- **Streamlining the Process:** Monetisation of assets is not new, but the government has finally organised it in baskets, set targets, identified impediments, and put in place a framework.
- **Mobilising Private Capital:** Since the assets are de-risked as it is brownfield projects, it will help in mobilising private capital (both domestic & foreign). Global investors have revealed that they are keen to participate in projects to be monetised through a transparent/competitive bidding process.
- **Less Resistance:** The plan involves leasing to private sector without transferring ownership or resorting to fire sale of assets. Therefore, it is going to face less resistance from the opposition.
- **Cooperative Federalism:** To encourage states to pursue monetisation, the Central government has already set aside Rs. 5,000 crore as incentive.
- 1. If a state government divests its stake in a PSU, the Centre will provide a 100 per cent matching value of the divestment to the state.
- 2. If a state lists a public sector undertaking in the stock markets, the Central government will give it 50 per cent of that amount raised through listing.
- 3. If a state monetises an asset, it will receive 33 of the amount raised from monetisation from the Centre.
- **Promoting Public-Private Partnership:** The end objective of NMP is to enable 'Infrastructure Creation through Monetisation' wherein the public and private sector collaborate, each excelling in their core areas of competence, so as to deliver socio-economic growth and quality of life to the country's citizens.

#### **Challenges to NMP**

**Among the key challenges that may affect the NMP roadmap are**

1. Lack of identifiable revenue streams in various assets.
2. Inadequate level of capacity utilisation in gas and petroleum pipeline networks.
3. Lack of dispute resolution mechanism.

4. Regulated tariffs in power sector assets.
5. Low interest among investors in national highways below four lanes.
6. Lack of independent sectoral regulators.

### Conclusion

Monetisation of assets is not new. But the government has finally organised it in baskets, set targets, identified impediments, and put in place a framework. While unlocking assets worth Rs. 6 lakh crore is an ambitious plan, resolving the impediments is expected to bring investors.

### DAILY QUIZ

Q1. The Bonn Agreement was in news recently, is mentioned in the news in the context of the affairs of:

- a. Palestine
- b. Pakistan
- c. Afghanistan**
- d. Israel

Q2. Recently, which of the following state government has announced a wage employment scheme for urban poor?

- a. Kerala
- b. Tamil Nadu**
- c. Uttara Pradesh
- d. West Bengal

Q3. Consider the following statements:

1. The Genetic Engineering Appraisal Committee (GEAC) is the apex body that allows for commercial release of GM crops.
2. Use of the unapproved GM variant can attract a jail term of 5 years and fine of Rs. 10 lakh under the Environment Protection Act, 1986.
3. The Food Safety and Standards Authority of India (FSSAI) is the authorised body to regulate the imported crops in India.

Which of the given above statements is/are correct?

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

Q4. With reference to the Genetically Modified mustard (GM mustard) developed in India, consider the following statements :

1. GM mustard has the genes of a soil bacterium that give the plant the property of pest-resistance to a wide variety of pests.
2. GM mustard has the genes that allow the plant cross-pollination and hybridization.
3. GM mustard has been developed jointly by the IARI and Punjab Agricultural University.

Which of the statements given above is/are correct?

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

Q5. The terms 'Bhuvan', 'VEDAS' and 'MOSDAC', sometimes mentioned in news recently are related to:

- a. non-fungible tokens
- b. earth observation satellites
- c. geospatial portals**
- d. new infrastructure projects