

INDIAN ECONOMY

OECD ANNOUNCED GLOBAL MINIMUM TAX DEAL

Recently, the Organisation for Economic Cooperation and Development (OECD) has announced that a global deal to ensure big companies pay a Global Minimum Tax (GMT) rate of 15% has been agreed by 136 countries (including India). The countries behind the accord together accounted for over 90% of the global economy.

A look at how the global minimum tax will work

- Countries will legislate a global minimum corporate tax rate of at least 15% for companies with annual revenues more than \$864 billion
- If companies have earnings that go untaxed or lightly taxed in one of the world's tax havens, their home country will impose a top-up tax that will bring the rate to 15%
- Out of the 140 countries involved, 136 supported the deal. Kenya, Nigeria, Pakistan and Sri Lanka have abstained for now
- According to some developing countries and advocacy groups, the 15% rate is too low and leaves far too much potential tax revenue on the table

Key Points

About GMT:

Objective: GMT is tailored to address the low effective rates of tax shelled out by some of the world's biggest corporations, including Big Tech majors such as Apple, Alphabet and Facebook.

- These companies typically rely on complex webs of subsidiaries to Hoover profits out of major markets into low-tax countries or Tax Havens such as Ireland, the British Virgin Islands, the Bahamas, or Panama.
- GMT aimed at squeezing the opportunities for MultiNational Enterprises (MNEs) to indulge in profit shifting, ensuring they pay at least some of their taxes where they do business.

Proposed Two Pillar Solution: The global minimum tax rate would apply to overseas profits of multinational firms with \$868 million in sales globally.

- **Pillar 1** (Minimum tax and subject to tax rules): Governments could still set whatever local corporate tax rate they want, but if companies pay lower rates in a particular country, their home governments could "top up" their taxes to the 15% minimum, eliminating the advantage of shifting profits.
- **Pillar 2** (Reallocation of additional share of profit to the market jurisdictions): Allows countries where revenues are earned to tax 25% of the largest multinationals' so-called excess profit – defined as profit in excess of 10% of revenue.

Timeline: The agreement calls for countries to bring it into law in 2022 so that it can take effect by 2023. Countries that have in recent years created national digital services taxes (For example, equalization levy by the Indian Government) will have to repeal them.

Impact: The minimum tax and other provisions aim to put an end to decades of tax competition between governments to attract foreign investment. The economists expect that the deal will encourage multinationals to repatriate capital to their country of headquarters, giving a boost to those economies.

Need for GMT:

- **Stopping Financial Diversion to Tax Havens:** Increasingly, income from intangible sources such as drug patents, software and royalties on intellectual property has migrated to Tax Havens, allowing companies to avoid paying higher taxes in their traditional home countries.
- **Mobilising Financial Resources:** With budgets strained after the Covid-19 crisis, many governments want more than ever to discourage multinationals from shifting profits – and tax revenues – to low-tax countries regardless of where their sales are made. The OECD has

estimated that the minimum tax will generate \$150 billion in additional global tax revenues annually.

- **Global Tax Reforms:** Since the inception of the Base Erosion and Profit Shifting (BEPS) programme, the proposal for GMT is another positive step towards global taxation reforms. BEPS refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. OECD has issued 15 Action Items to address this.

Associated Challenges:

- **Impending Sovereignty:** It impinges on the right of the sovereign to decide a nation's tax policy. A global minimum rate would essentially take away a tool countries use to push policies that suit them.
- **Tight Timeline:** Also, bringing in laws by next year so that it can take effect from 2023 is a tough task.
- **Question of Effectiveness:** The deal has also been criticised for lacking teeth: Groups such as Oxfam said the deal would not put an end to tax havens.

TION

SOCIAL JUSTICE

ECONOLOGICAL THREAT REPORT 2021 BY IEP

Recently, the Institute of Economics and Peace (IEP), an international think tank released the Ecological Threat Report (ETR) 2021: Understanding ecological threats, resilience and peace. This is the second edition of the ETR, which covers 178 independent states and territories. The ETR includes the most recent and respected scientific research on population growth, water stress, food insecurity, droughts, floods, cyclones, and rising temperature.

Key Points

Conflict and Ecological Threats:

- Around 1.26 billion people across 30 countries are suffering from both extreme ecological risk and low levels of resilience. These countries are least likely to be able to mitigate and adapt to new ecological threats, leading to mass displacement.
- As many as 13 countries faced extremely high and 34 others faced high ecological threats. The most vulnerable countries are clustered in the Middle East and North Africa, sub-Saharan Africa and South Asia.
- Ecological degradation and conflict work in a vicious circle, whereby one degradation of resources leads to conflict and vice versa.
- Climate change will have an amplifying effect, causing further ecological degradation and pushing some countries through violent tipping points

Food Risk:

- Global food insecurity has increased by 44% since 2014, affecting 30.4 % of the world's population in 2020, and is likely to rise further. As a region, south Asia is the worst-placed, with water and food risks driving the average ETR score in the region.
- Covid-19 has amplified food insecurity further and will likely have a long-lasting negative impact on world hunger due to stagnant economic growth.

Water Risk:

- By 2040 over 5.4 billion people will live in countries facing extreme water stress. Lebanon and Jordan are the countries most at risk.
- Sub-Saharan Africa has the most countries with the lowest levels of social resilience combined with the highest population growth. 70% of its population suffer from inadequate access to safely managed water, which will be compounded by high population growth.

Rapid Population Growth:

- Eleven countries are projected to double their population between 2021 and 2050. They are all in sub-Saharan Africa.
- The three countries with the largest projected increases in population are Niger, Angola and Somalia, where the populations will increase by 161, 128 and 113% respectively.

Temperature Anomalies and Natural Disasters:

- From 1990 to 2020, a total of 10,320 natural disasters occurred globally. Flooding has been the most common natural disaster, accounting for 42% of the total disaster count.

- In 2020, 177 countries and territories recorded a warmer average temperature compared to their historical average temperatures.

Recommendations:

The report recommended a policy to combine health, food, water, refugee relief, finance, agricultural and business development into one integrated agency in high-risk areas and empowering local communities.

SCIENCE AND TECHNOLOGY**Meteorite from Katol, Maharashtra**

Recently, some researchers studied a meteorite from Katol, Maharashtra which was from the meteor shower of 2012. A meteorite is a solid piece of debris from an object, such as a comet, asteroid, or meteoroid, that originates in outer space and survives its passage through the atmosphere to reach the surface of a planet or moon.

Key Findings:**Depth of Olivine:**

- Initial studies revealed that the host rock was mainly composed of olivine, an olive-green mineral.
- Olivine is the most abundant phase in our Earth's upper mantle. Earth is composed of different layers including the outer crust, followed by the mantle and then the inner core.
- It was believed that we can reach the upper mantle if we drill for about 410 kilometers.
- However, by studying the composition of these meteorite fragments, researchers have unravelled the composition expected to be present in the Earth's lower mantle which is at about 660 km deep.

Formation of Bridgmanite:

- Various computational and experimental studies have shown that about 80% of the Earth's lower mantle is made up of bridgmanite. By studying this meteorite sample, scientists can decode how bridgmanite crystallized during the final stages of our Earth's formation.
- Bridgmanite is a magnesium-silicate mineral, $MgSiO_3$, the most abundant mineral on earth.
- The mineral was named in 2014 after Prof. Percy W. Bridgman, recipient of the 1946 Nobel Prize in Physics. As the bridgmanite of the Katol meteorite sample closely matches with the bridgmanite on Earth.

Bridgmanite on Earth vs Meteorite:

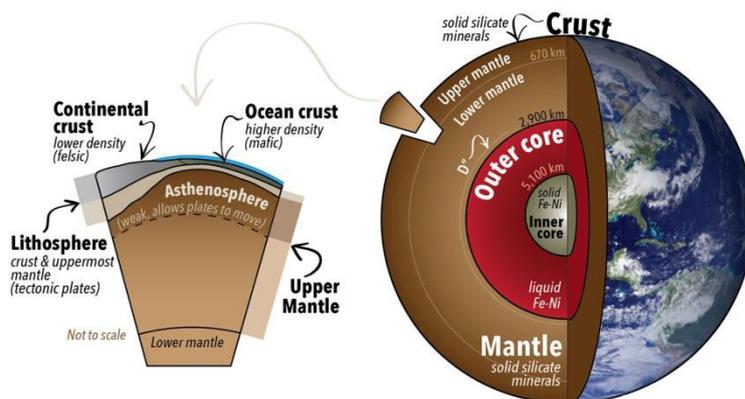
- The bridgmanite in the meteorite was found to be formed at pressures of about 23 to 25 gigapascals generated by the shock event.
- The high temperature and pressure in our Earth's interior have changed over billions of years causing crystallisation, melting, remelting of the different minerals before they reached their current state.

Significance:

- Studying the meteorite could also tell us more about how our Earth evolved from being a magma ocean to a rocky planet and researchers can unearth more details about the formation of Earth.
- It is important to study these individual minerals to get a thorough idea of how and when the Earth's layers formed. Scientists can also decode how bridgmanite crystallized during the final stages of our Earth's formation.

Formation of Inner Planets (Earth)

- The inner planets or terrestrial planets or rocky planets Mercury, Venus, Earth, and Mars are formed by accretion or by rocky pieces coming together and forming a planet by increased pressure and high temperature caused by radioactive elements and gravitational forces.
- Earth was an ocean of magma before the elements crystallised and stabilised and the different layers such as core, mantle and crust were formed.
- The heavier elements like iron went to the core while the lighter silicates stayed in the mantle.



IMPORTANT FACTS FOR PRELIM

NOBEL PRIZE FOR ECONOMIC SCIENCES 2021

The 2021 Nobel Prize in Economic Sciences has been awarded in one half to Canadian-born David Card and the other half jointly to Israeli-American Joshua D Angrist and Dutch-American Guido W Imbens. David Card has been awarded for his empirical contributions to labour economics. Joshua D Angrist and Guido W Imbens won the award “for their methodological contributions to the analysis of causal relationships.”

The 2020 Nobel Prize in Economic Sciences was awarded to Paul R Milgrom and Robert B Wilson “for improvements to auction theory and inventions of new auction formats”.

Key Points

Established: Unlike the other Nobel prizes, the economics award wasn't established in the will of Alfred Nobel but by the Swedish central bank in his memory in 1968.

Contributions:

- David Card: He has analysed how minimum wages, immigration and education impact the labour market. One of the significant findings of this research was that “increasing the minimum wage does not necessarily lead to fewer jobs”.
- It also led to the understanding that “people who were born in a country can benefit from new immigration, while people who immigrated at an earlier time risk being negatively affected”. It also illuminated the role of resources available in school in shaping the future of students in the labour market.

Joshua Angrist and Guido Imbens: They were rewarded for their “methodological contributions” to the research tool. Their work demonstrated “how precise conclusions about cause and effect can be drawn from natural experiments”.

Nobel Prizes 2021

1. Chemistry

- Benjamin List and David W.C. MacMillan
- Finding an easier and environmentally cleaner way to build molecules that can be used to make compounds, including medicines and pesticides (organocatalysis).

2. Physics

- Syukuro Manabe, Klaus Hasselmann and Giorgio Parisi
- Understanding of complex physical systems.

3. Medicine

- David Julius and Ardem Patapoutian
- For their work in the field of somatosensation, that is the ability of specialised organs such as eyes, ears and skin to see, hear and feel.

4. Peace Prize

- Maria Ressa and Dmitry Muratov
- For their efforts to safeguard freedom of expression, which is a precondition for democracy and lasting peace.

5. Literature

- Abdulrazak Gurnah

- For his uncompromising and compassionate penetration of the effects of colonialism and the fate of the refugee in the gulf between cultures and continents.

6.Economics

- David Card, Joshua Angrist and Guido Imbens
- Research on wages, jobsGARV (Grameen Vidyutikaran) App.

DAILY ANSWER WRITING PRACTICE

Qns. POSHAN Abhiyaan 2.0 has created an enabling atmosphere to tackle hunger and malnutrition. However, its needs to account for the new realities in the covid times to make India malnutrition free. Examine. (250 words)

Introduction

Poshan Abhiyan, which vowed to make India free of malnutrition by 2022, repositioned nutrition as central to development and emphasised its multi-factorial and multi-sectoral nature. It was launched to strengthen nutritional content, delivery, outreach and outcome, with renewed focus on developing practices that nurture health, wellness and immunity to disease and malnutrition in the country.

Body

Poshan 2.0: Overview

- Under Poshan 2.0, several related schemes have been merged to tap the synergies. Malnutrition hotspots are being identified and 112 aspiring districts will receive extra attention.
- **Poshan Maah:** It includes a month-long activity focussed on antenatal care, optimal breastfeeding, Anaemia, growth monitoring, girls education, diet, right age of marriage, hygiene and sanitation and eating healthy (Food Fortification).
- The activities focus on Social and Behavioural Change Communication (SBCC) and are based on Jan Andolan Guidelines.
- Under the current Poshan Maah, the drive to identify children suffering from severe acute malnutrition has been intensified and Anganwadi workers have been asked to refer those having medical complications to health institutions and NRCs.
- **Poshan Vatika:** Its main objective is to ensure supply of nutrition through organically home-grown vegetables and fruits simultaneously ensuring that the soil must also remain healthy.
- Plantation drives for Poshan Vatikas would be taken up by all the stakeholders in the space available at anganwadis, school premises and gram panchayats.

Covid and impact on nutrition in India

- The momentum set by this entire nutrition movement was disturbed once Covid lockdowns led to the shutting of schools, Anganwadi centres, Nutritional Rehabilitation Centres;
- Further, frontline workers had to be engaged in Covid-related work that took precedence over their daily duties, which entailed identifying, referring and monitoring children suffering from severe acute malnutrition and moderate acute malnutrition among other nutrition-strengthening activities.
- States tried to cope to the best of their abilities by replacing hot-cooked meals with dry ration or cash transfers.
- But understandably, they couldn't match the intensity of Poshan Abhiyan with Covid surveillance taking over as priority.
- Moreover, indirect forces triggered by the pandemic such as disruption in food systems, dried-up income sources, job losses and consequent financial hardships also mean that access to nutrient-rich food might have reduced among economically vulnerable people.

Streamlining Poshan 2.0 to overcome covid related nutritional challenges

- **Community management protocols:** For those facing severe acute malnutrition without medical complications, community management protocols should be strengthened, so that they do not go on to develop medical complications in times of the pandemic.
- **Adaptation:** Fresh waves of Covid cannot be ruled out in the near future, and we must adapt our nutrition interventions to the possibility of such repeated shocks.
- **Document Learning:** Rising above political differences, it is important to document and learn from states like Gujarat, Madhya Pradesh and Rajasthan, which have scaled up Community-based Management of Malnutrition practices in recent times, so that best practices can be adopted and incorporated.

- **Revamp health awareness and monitoring:** Other activities, such as making new mothers breastfeed for longer, managing childhood diarrhoea, distributing deworming tablets and iron and folic acid diligently while convincing target groups to take these diligently will go a long way in improving the nutrition status of children and new mothers.

Conclusion

Covid-related shocks could lead to an additional 9 million children under the age of five suffering from wasting, of which two-thirds will be in South Asia, predicted research in Nature in August. So it is important to not only renew but multiply our efforts towards Poshan 2.0 with full vigour while practising physical distancing, mask wearing and hand hygiene. Internal matters of other member countries in sharp violation of the SAARC Charter, it will be better to proceed with a “small SAARC” option.

DAILY QUIZ

Q1. Consider the following statements about Malaria:

1. It is a serious and sometimes fatal disease caused by a Virus.
2. Mosquirix is the first and, to date, the only vaccine shown to have the capability of significantly reducing malaria.

Which of the statements give above is/are correct?

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

Q2. Consider the following statements about International Criminal Police Organisation, or Interpol:

1. It is the global money laundering and terrorist financing watchdog.
2. It was formed by the 1949 UN Security Summit in Paris.

Which of the statements give above is/are correct?

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

Q3. ‘Blue Berets or Blue Helmets’, often in the news, is

- (a) a division of World Health Organization
- (b) a non-governmental international organization
- (c) an inter-governmental agency sponsored by European Union
- (d) a role held by the Department of Peace Operations**

Q4. The National Health Authority or the NHA has been set-up to implement the

- (a) Ayushman Bharat Digital Mission**
- (b) Pradhan Mantri Matri Vandana Yojana
- (c) Ayushman Bharat Pradhan Mantri Jan Arogya Yojana**
- (d) All of the above

Q5. Consider the following statements:

1. Coal sector was nationalized by the Government of India under Indira Gandhi. Now, coal blocks are allocated on lottery basis.
2. Till recently, India imported coal to meet the shortages of domestic supply, but now India is self-sufficient in coal production.

Which of the statements given above is/are correct?

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