

ECONOMY**Black Money**

Recently, the government has said in the Parliament that Rs 2,476 crore has been collected as tax and penalty under the one-time three months compliance window during 2015.

- It has also been said that there is no official estimation how much worth of black money is lying in foreign accounts over the last five years.
- Total undisclosed credits amounting to Rs 20,353 crore have been detected with respect to 930 India linked entities in the Panama and Paradise Paper Leaks.

Key Points**Black Money:**

- There is no official definition of black money in economic theory, with several different terms such as parallel economy, black money, black incomes, unaccounted economy, illegal economy and irregular economy all being used more or less synonymously.
- The simplest definition of black money could possibly be money that is hidden from tax authorities.
- According to a secret study commissioned by the Finance Ministry concluded in 2014 that about 90% of unaccounted wealth, or black money, was lying within India and not outside.

Source of Black Money:

- **It can come from two broad categories:**
 1. **Illegal Activity:** Money that is earned through illegal activity is obviously not reported to the tax authorities, and so is black.
 2. **Legal but Unreported Activity:** The second category comprises income from legal activity that is not reported to the tax authorities.

Examples for Sources of Black Money

- **Multi-Level Marketing Scheme:** International debit or credit cards issued by offshore banks are used to create black money.
- **Disguised Ownership:** Increasingly, criminals want to own legitimate businesses. It could be to earn a return or to convert black money into white.
- **Mixed Sales:** Mixing illicit money sources with legit ones is a popular method because it's hard to detect, especially if there is a large cash component in the legal business.
- **Smurfing:** This type of transaction is usually done to evade notice by authorities monitoring transactions above a certain threshold.
- **Trade Mispricing:** Traditionally, goods exported and imported were either priced lower or higher to enable money laundering. With current technology, the Organization for Economic Cooperation and Development (OECD) says it's easy to modify invoices or produce fictitious invoices.
- **Money Transfers To Benami Entities:** In a Benami transaction, a property is transferred or held by one person and the consideration for such property is paid by another person for whose benefit such property is held.

Impacts:

- **Loss of Revenue:**
 1. Black money eats up a part of the tax and, thus, the government's deficit increases.
 2. The government has to balance this deficit by increasing taxes, decreasing subsidies and increasing borrowings.
 3. Borrowing leads to a further increase in the government's debt due to interest burden. If the government is unable to balance the deficit, it has to decrease spending, which affects development.
- **Money Circulation:**
 1. People generally tend to keep black money in the form of gold, immovable property and other secret manners.
 2. Such money does not become part of the main economy and, therefore, remains generally out of circulation.

3. The black money keeps circulating among the wealthy and creates more opportunities for them.
- **Higher Inflation:**
 1. The infusion of unaccounted black money in the economy leads to higher inflation, which obviously hits the poor the most.
 2. It also increases the disparity between the rich and the poor.

Government's Initiatives:

- **Legislative Action:**
 1. The Fugitive Economic Offenders Act, 2018
 2. The Central Goods and Services Tax Act, 2017
 3. The Benami Transactions (Prohibition) Amendment Act, 2016
 4. The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
 5. Prevention of Money Laundering Act, 2002
 6. Gold Amnesty scheme: This is similar to the Voluntary Income Disclosure scheme to tap black money in income taxes.
- **International Cooperation:**
 1. **Double Taxation Avoidance Agreements (DTAAs):** India is proactively engaging with foreign governments with a view to facilitate and enhance the exchange of information under Double Taxation Avoidance Agreements (DTAAs)/Tax Information Exchange Agreements (TIEAs)/Multilateral Conventions.
 2. **Automatic Exchange of Information:** India has been a leading force in the efforts to forge a multilateral regime for proactive sharing of financial information known as Automatic Exchange of Information which will greatly assist the global efforts to combat tax evasion. The Automatic Exchange of Information based on Common Reporting Standard has commenced from 2017 enabling India to receive financial account information of Indian residents in other countries.
 3. **Foreign Account Tax Compliance Act of USA:** India has entered into an information sharing agreement with the USA under the act.
 4. **Financial Action Task Force (FATF):** India is a member of the FATF.

Way Forward

- Appropriate legislative framework related to Public Procurement, Prevention of Bribery of foreign officials, citizens grievance redressal, whistleblower protection, UID Aadhar is needed.
- **Setting up and strengthening institutions dealing with illicit money:** Directorate of Criminal Investigation Cell for Exchange of Information, Income Tax Overseas Units-ITOU's at Mauritius and Singapore have been very useful, Strengthening the Foreign TAX, Tax Research and Investigation Division of the CBDT.
- **Electoral Reforms:** Appropriate reforms are needed to reduce money power in elections, since elections are one of the biggest channels to utilize the black money.
- **Training Personnel:** Both domestic and international training to personnel for effective action pertaining to the concerned area can also help. For instance, the Financial Intelligence Unit-India makes proactive efforts to regularly upgrade the skills of its employees by providing them opportunities for training on anti-money laundering, terrorist financing, and related economic issues.
- **Incentivising Bank Transactions:** To curb the menace of black money, industry body Federation of Indian Chambers of Commerce and Industry has suggested incentivisation of transactions through banking channels and a suitable framework for taxation of agricultural income. Besides, it suggested reforms in the real estate sector and creation of IT infrastructure to track tax evasion.

INTERNATIONAL RELATION

Protectionism vs Globalization

The External Affairs Minister of India (EAM), at the recent Global Technology summit, has asserted that the Covid-19 pandemic has brought India's capabilities and need for more domestic

production rather than unchecked globalization. He further held that, to foster tech growth, nations must seek more start-ups, supply chains and jobs to be created internally.

This speech of EAM has sparked a debate between protectionism vs globalization.

Key Points

Globalization:

- **About:** Globalization envisages a borderless world or seeks a world as a global village.
- **Origin of Modern Globalization:** What today is referred to as globalization, started with the end of the Cold war and the disintegration of the Soviet Union in 1991.
- **Driving Factors:** Globalization was the offshoot of two systems — democracy and capitalism — that emerged victorious at the end of the Cold War.
- **Dimensions of Globalization:** It may be attributed to accelerated flow of goods, people, capital, information, and energy across borders, often enabled by technological developments.
- **Manifestation of Globalization:** Trade without tariffs, international travel with easy or no visas, capital flows with few impediments, cross-border pipelines and energy grids, and seamless global communication in real-time appeared to be the goals towards which the world was moving.

Pros of Globalization:

- **Access to Goods and Services:** Globalization results in increased trade and standard of living. It heightens competition within the domestic product, capital, and labour markets, as well as among countries adopting different trade and investment strategies.
- **Vehicle of Social Justice:** The proponents say globalization represents free trade which promotes global economic growth, creates jobs, makes companies more competitive, and lowers prices for consumers.
- **Increases Cultural Awareness:** By reducing cross-border distances, globalization has increased cross-cultural understanding and sharing.
- **Sharing Technology and Values:** It also provides poor countries, through infusions of foreign capital and technology, with the chance to develop economically and by spreading prosperity.

Cons of Globalization:

- **Rise of Global Problems:** Globalization has been criticised on account of exacerbating global disparities, spread of international terrorism and cross-border organised crime, and allow for the rapid spread of disease.
- **Backlash of Nationalism:** Despite the economic aspect of globalization, it has resulted in National competition, advancement of national ambitions.
- **Moving Towards Cultural Homogeneity:** Globalization promotes people's tastes to converge which may lead to more cultural homogeneity.
 1. Due to this, there is a danger of losing precious cultural practices and languages.
 2. Also, there are threats of cultural invasion of one country over another.

De-Globalisation or Protectionism

Meaning:

- Protectionism refers to government policies that restrict international trade to help domestic industries.
- Tariffs, import quotas, product standards, and subsidies are some of the primary policy tools a government can use in enacting protectionist policies.

Protectionism in Global Arena:

- Globalization had already begun to plateau or stagnate since the 2008-09 global financial crisis (GFC).
- This is reflected in Brexit and US' America First Policy.
- Further, trade wars and the halting of WTO talks is another recognition of the retreat of globalization.
- These trends pave the way for an anti-globalization or protectionism sentiment, which may further amplify due to the spread of the Covid-19 pandemic.

Protectionism in India:

- In the past few years, many countries have criticized the Indian economy for becoming protectionist. This can be depicted in the following instances:
 1. Not opening up for imports, particularly after the Indian Government failed to agree on terms for a mini trade deal with the US.
 2. India walked out of the 15-nation Regional Comprehensive Economic Partnership of Asian countries.
 3. The “Aatmanirbhar Bharat (Self-Reliance) initiative”, launched in May 2020, after the beginning of the pandemic, was also perceived internationally as a protectionist move.

Way Forward

- **De-bureaucratization:** India needs to put in place such policies that improve its competitiveness, de-bureaucratize some sectors such as agriculture, and make labour laws less complicated. A holistic and easily accessible ecosystem, from the procuring of raw materials to the outlet of finished products, must be made available.
- **People-centric policies:** The only way to trigger employment is to step-up value addition in the local area. There is a need for such people-centric and sector-specific policies in order to accelerate growth.
- **Alternative global alliance:** India needs to now move beyond regional alliances and look forward to a cooperative alliance between like-minded countries in terms of trade such as the USA, EU, and Japan, to figure out an alternative to break the hegemony of China in the global supply chain.
- **Promote R&D and capacity building:** There's a need to prioritize building capacity and policy framework to become cost-competitive and quality competitive.
- **Increasing Production:** Enhance domestic Production as well as put thrust to increase exports and promote research to become more independent. India needs to plan now for the next 20 years.

SOCIAL ISSUE

SMILE Scheme

Recently, the Ministry of Social Justice and Empowerment has formulated a scheme SMILE - Support for Marginalized Individuals for Livelihood and Enterprise. It includes a sub-scheme - 'Central Sector Scheme for Comprehensive Rehabilitation of persons engaged in the act of Begging.

Currently, a pilot project of it is ongoing in 7 cities namely Delhi, Bangalore, Hyderabad, Indore, Lucknow, Nagpur and Patna.

Key Points

About:

- It is a new Scheme after the merger of existing Schemes for Beggars and Transgenders.
- Scheme provides for the use of the existing shelter homes available with the State/UT Governments and Urban local bodies for rehabilitation of the persons engaged in the act of Begging. In case of non-availability of existing shelter homes, new dedicated shelter homes are to be set up by the implementing agencies.

Focus:

- The focus of the scheme is extensively on rehabilitation, provision of medical facilities, counseling, basic documentation, education, skill development, economic linkages and so on.
- It is estimated that an approximate 60,000 poorest persons would be benefited under this scheme for leading a life of dignity.

Implementation:

- It will be implemented with the support of State/UT Governments/Local Urban Bodies, Voluntary Organizations, Community Based Organizations (CBOs), institutions and others.

Scheme for Comprehensive Rehabilitation of Beggars:

- It will be a comprehensive scheme for persons engaged in the act of begging.

- The scheme has been implemented in the selected cities on pilot basis having large concentrations of the Beggar community.
- During the year 2019-20, this Ministry had released an amount of Rs. 1 Crore to National Institute of Social Defence (NISD) and Rs. 70 Lakh to National Backward Classes Finance & Development Corporation (NBCFDC) for skill development programmes for beggars.

Status of Beggars In India:

- According to the Census 2011, the total number of beggars in India is 4,13,670 (including 2,21,673 males and 1,91,997 females) and the number has increased from the last census.
- West Bengal tops the chart followed by Uttar Pradesh and Bihar at number two and three respectively. Lakshadweep merely has two vagrants according to the 2011 census.
- Among the union territories, New Delhi had the largest number of beggars 2,187 followed by 121 in Chandigarh.
- Among the northeastern states, Assam topped the chart with 22,116 beggars, while Mizoram ranked low with 53 beggars.
- Recently, the Supreme Court has agreed to examine a plea for decriminalising begging which has been made an offense in various states under Prevention of Begging Act.

National Backward Classes Finance & Development Corporation

- It is a Government of India Undertaking under the aegis of Ministry of Social Justice and Empowerment.
- It was incorporated under Section 25 of the Companies Act 1956 on 13th January 1992 as a Company not for profit.
- Its objective is to promote economic and developmental activities for the benefit of Backward Classes and to assist the poorer section of these classes in skill development and self-employment ventures.

National Institute of Social Defence

- The NISD is an Autonomous Body and is registered under Societies Act XXI of 1860 with the Government of National Capital Territory (NCT), Delhi.
- It is a central advisory body for the Ministry of Social Justice and Empowerment.
- It is the nodal training and research institute in the field of social defence.
- The institute currently focuses on human resource development in the areas of drug abuse prevention, welfare of senior citizens, beggary prevention, transgender and other social defence issues.
- The mandate of the institute is to provide inputs for the social defence programmes of the Government of India through training, research & documentation.

PRELIMS FACT

Ramanujan Prize

Recently, the DRDO (Defence Research and Development Organization) successfully test fired the Pinaka Extended Range (Pinaka-ER) Multiple Launch Rocket System (MLRS). Earlier, the DRDO also launched the Supersonic Missile Assisted Torpedo System (SMART).

Key Points:

About:

- The Pinaka, a Multi-Barrel Rocket-Launcher (MBRL) system named after Shiva's bow, can fire a salvo of 12 rockets over a period of 44 seconds.
- The new version is equipped with advanced technology to enhance its strength. The metal weight is lesser compared to the earlier version.
- The newly tested system can achieve a range of up to 45km which is a big feat for the Indian Army. The existing Pinaka system, which is already in the Army, has a range of up to 35-37km.

Significance:

- The new incarnation of pinaka represents one of the few examples of an evolutionary process being followed with an indigenous Indian weapon system.

DAILY ANSWER WRITING PRACTICE

Qns. Since the 26/11 Mumbai attacks, there has been a discernible improvement in India's counterterrorism mechanisms. Complex challenges, however, continue to confront India. Examine. (150 words)

Ans:

Introduction

The November 2008 Mumbai attacks, also referred to as the 26/11 attacks, prompted the central government to critically heighten its counter-terrorism operations and re-examine several aspects of its already straining ties with Pakistan. It is 13 years since the series of dreadful terror attacks in Mumbai when 10 members of the Lashkar-e-Taiba (LeT), a jihadist outfit based in Pakistan, carried out 12 coordinated attacks leaving 166 dead and lasting as many as four days across major locations.

Body

Improvements in India's counterterrorism mechanisms

- The major domestic response to Mumbai has been an emphasis on streamlined coordination between agencies across state and federal lines.
- A new National Investigation Agency (NIA) was created with aim of the NIA is to empower a federal agency to investigate major crimes such as terrorism and organized crime without having to be asked to do so by the states.
- India's security apparatus has been reinforced with the establishment of Multi-Agency Coordination Centres (MACCs) and Subsidiary Multi-Agency Coordination Centres (SMACCs).
- An infusion of funding and personnel into the overall security apparatus has also been promised, and the NSG has been deployed throughout the country to offer a quicker response to future attacks.
- One significant reform undertaken post-26/11 was the clear designation of coastal security responsibilities to different agencies like Indian Navy (beyond 12 NM), Coast Guard (5-12 NM) and Marine Police (Baseline to 5 NM).
- Coordination between various agencies has improved, joint exercises are being regularly conducted to familiarise with the standard operating procedures (SOPs), and the levels of surveillance has been enhanced as well.
- Coastal mapping has also been undertaken by the states towards improving awareness about the coastal areas. For instance, ISRO in collaboration with the West Bengal state police has also developed a coastal information system with the dual aims of creating a digital database, and creating a framework for the visualisation and analysis of coastal geospatial data.
- After successful proof-of-concept trials by the Indian Navy and the Indian Space Research Organisation (ISRO) of a satellite-based tracking system using GSAT-6 satellite, and subsequent successful field trials, close to 5,000 mechanised boats in Tamil Nadu are been progressively fitted with the indigenously developed satellite-based transponder systems.
- Some states have already initiated concerted steps to ramp up their cyber capabilities.
- Besides enacting cyber legislations, the government has also undertaken organisational measures by establishing new centres for cyber security such as the National Critical Information Infrastructure Protection Centre and the National Cyber Coordination Centre; creating a division covering Cyber and Information Security within the Ministry of Home Affairs; and improving institutional capacity building through training of personnel and generating awareness.
- India has also fought hard to cut off the terror finance to rogue nations with the global support like FATF.

Challenges that India is still facing

- Terrorist groups are making effective use of technology, social media and other innovative tactics not only to evade arrest and prosecution but to disseminate their propaganda and recruit foot soldiers.

- The impact of social media on the spread of terrorism can be seen in the conflict in Kashmir, where there is a growing trend of increased radicalisation especially amongst the youth.
- The multiple challenges emanating from the cyber domain include interference in elections through the use of propaganda in social media, fake news leading to panic, and digital disruption of energy assets and transportation systems.
- Recognising the difficulty of militarily defeating state forces, terrorists are aiming to create spectacle through lone-wolf attacks and suicide missions.
- Funding of the terror outfits are being done through the money from drug peddling, dark web, cryptocurrency and money laundering activities.
- India also suffers from inadequate inter-agency coordination which, in turn, leads to lack of effective intelligence monitoring and security response.

Way forward

- To improve the level of coordination, inter-operability amongst the agencies must be enhanced.
- This can be complemented with a comprehensive integrated border management system to guard the border areas where infiltrations take place.
- Enabling timely transportation of security forces during terrorist attacks
- India must integrate all its resources for deployment to combat any future contingency. Essential equipment and weapons systems must be acquired.
- Terrorism has moved beyond the physical space to the digital space. In this context, the gathering of intelligence needs to become multi-faceted as well.
- India's security forces must create effective counter-narratives and build an environment that does not lead to marginalisation and radicalisation as is increasingly seen in the case of homegrown jihadis in the Valley.
- Radicalism must be dealt with by intelligently balancing "soft" and "hard" approaches.
- India should build robust systems to ensure uninterrupted and safe operations of the country's digital infrastructure.
- Collaboration between government, media and public to raise awareness about anti-terrorism.
- At a global level, India can use its UNSC membership to get the CCIT ratified at UN.

Conclusion

As the manifestations of terrorism continue to change rapidly and become increasingly technology-centric, State forces responsible for the country's counterterrorism response will have to adapt to these shifts and build the resilience of India's security ecosystem.

DAILY QUIZ

Q1. The "Roshini Act" of the Jammu and Kashmir was in news recently, is related to:

- 24/7 electricity supply
- Scholarships for girl students
- City cleaning service
- Hydroelectric power projects**

Q2. Consider the following statements:

1. A Central Bank Digital Currency (CBDC) is the legal tender issued by a central bank in a digital form.
2. It is exchangeable one-to-one with the fiat currency.

Which of the statements given above is/are correct?

- 1 only
- 2 only
- Both 1 and 2**
- Neither 1 nor 2

Q3. Consider the following statements about the "ACROSS scheme":

1. It pertains to the atmospheric science programs of Ministry of Earth Sciences (MoES).

2. It addresses different aspects of weather and climate services, which includes warnings for cyclones, storm surges and heat waves.

Which of the statements given above is/are correct?

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

Q4. With reference to “Hydrogen-enriched compressed natural gas” (HCNG), consider the following statements:

1. It reduces emissions of CO up to 70%.
2. Its cost is less than CNG.
3. It enables up to 5 % savings in fuel.

Which of the statements given above is/are correct?

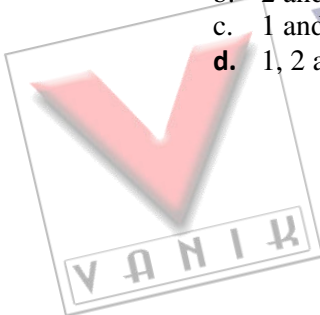
- a. 1 only
- b. **1 and 3 only**
- c. 2 and 3 only
- d. 1, 2 and 3

Q5. Consider the following statements about the Information Management and Analysis Centre (IMAC):

1. It is the nodal centre of the National Command Control Communication and Intelligence System (NC3I).
2. It was set up after the 26/11 Mumbai terror attacks.
3. It is located in the Indian Navy’s Western Naval Command, Mumbai.

Which of the statements given above is/are correct?

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



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