

**INTERNATIONAL RELATIONS****India-UAE Comprehensive Economic Partnership Agreement**

The India-UAE Comprehensive Economic Partnership Agreement (CEPA), the biggest bilateral trade pact, comes into force.

**About**

- The bilateral trade pact is India's first in the region and the first comprehensive trade agreement with any country in a decade.
- It would allow 90% of the country's exports duty-free access to the Emirates.
- The CEPA is likely to benefit about \$26 billion worth of Indian products that are currently subjected to 5% import duty by the UAE which is India's third-biggest trading partner behind the US and China.
- The first consignment of goods consisting of jewellery items from India to the UAE under the India-UAE CEPA was flagged.
  - India handed over "Certificates of Origin" to three exporters from the Gems and Jewellery sector.
  - Under the new customs system, the consignment will attract "zero customs duty".

**What is CEPA?**

- It is a kind of free trade pact that covers negotiation on the trade in services and investment, and other areas of economic partnership.
- India has signed CEPAs with South Korea and Japan.

**India-UAE CEPA trade deal**

- The new strategic economic agreement will increase bilateral trade in goods to \$100 billion in five years (2022-27) of the signed agreement and increase trade in services to \$15 billion.
- The Agreement is a comprehensive agreement which will cover:
  - Trade in Goods, Rules of Origin,
  - Trade in Services,
  - Technical Barriers to Trade (TBT),
  - Sanitary and Phytosanitary (SPS) measures,
  - Dispute Settlement,
  - Movement of Natural Persons,
  - Telecom,
  - Customs Procedures,
  - Pharmaceutical products,
  - Government Procurement,
  - IPR, Investment,
  - Digital Trade and Cooperation in other Areas.
- It will include a digital trade element, which is a first of its kind for both countries.
- The United Arab Emirates is India's third largest trading partner and second largest export destination.
  - The UAE is also the eight largest investor in India with an estimated investment of US\$ 18 billion.
- Bilateral trade between India and the UAE stood at \$43.3 billion in 2020-21.
  - Exports were \$16.7 billion, and imports, driven by oil, pushed the balance in favour of the UAE at \$26.7 billion in 2020-21.

**Significance of the deal**

- Enhanced market access: The agreement will provide significant benefits to Indian and UAE businesses, including enhanced market access and reduced tariffs.
- The CEPA will boost bilateral trade from the current \$60 billion to \$100 billion in the next 5 years.
- India welcomed investment from the Gulf country into Jammu and Kashmir that would open new routes for regional trade and connectivity and advance the collective interests of India, Israel, the UAE and the United States.
- The deepening of the relationship with the UAE would also help Indian exporters gain access to other West Asian countries, Africa and some parts of Europe.
- Digital trade: Early harvest agreement would likely include a chapter on digital trade which would be aimed at enhancing cooperation between the two countries on digital trade in the future.
  - Digital trade is likely to include frameworks on paperless trading, digital payments and online consumer protection, as well as address issues such as intellectual property rights in digital trade, and challenges to small and medium enterprises.
- The UAE hopes to get enhanced market access in India for its petrochemicals, metals and dates.

- Indian goods will flow to the other GCC countries as the UAE has no customs barriers.
- Energy ties: UAE is India's third largest supplier of crude oil and second largest supplier of LPG and LNG. Renewable energy is the next stop for bilateral energy ties.
- It may also give a boost to India's jewellery exports.
- It is expected to create new jobs, raise living standards, and provide wider social and economic opportunities in both nations.

**Issues/ Challenges****Lack of negotiations:**

- A free trade agreement with the GCC comprising Saudi Arabia, Kuwait, UAE, Oman, Qatar and Bahrain as its members was first envisaged in 2007, but got stuck after a couple of rounds of negotiations.

**Lacking Global Giant Experience:**

- Despite being a US \$2.5 trillion economy, Indian businesses are small in size. In fact, none of the Indian business giants come close to the big global conglomerates that have the capacity, infrastructure and experience to handle huge investments.

**Procedural Issues:**

- Including lack of planning, lack of complete information, bureaucratic bottlenecks continue to remain a challenge for foreign investors despite significant efforts by the government in this direction to make investments easy and convenient.

**Legal Issues:**

- Legal problems have in the past dampened foreign investments from coming to India. For example, the investments from UAE's Etisalat and Etihad had got stuck in legal problems, thus dampening investor enthusiasm. While checks and regulations are needed, better streamlining of the procedures and processes help in avoiding such problems.

**Political Will:**

- There are challenges pertaining to political diversions, especially when an election year is approaching.
- India has a tendency to become focused inward and in the process, ignore foreign policy.
- The UAE with an appetite for large-scale investments needs to be continuously engaged.

**Way Ahead**

The India-UAE CEPA will further cement the already deep, close and strategic relations between the two countries and will create new employment opportunities, raise living standards, and improve the general welfare of the peoples of the two countries.

Further, both countries need to identify clear areas of focus and establish ways of working together to resolve trade remedy cases.

**IMPORTANT FACTS FOR PRELIM****1. Open Network for Digital Commerce**

The Indian government is set to launch an Open Network for Digital Commerce (ONDC).

**About ONDC**

- Open Network for Digital Commerce (ONDC) is an initiative whose objective is to promote open networks for all aspects of exchange of goods and services over digital or electronic networks.
- ONDC is to be based on open-sourced methodology, using open specifications and open network protocols independent of any specific platform.

**ONDC and India**

- The government is ready to launch the indigenously developed online e-commerce network for the public in 100 Indian cities by Diwali this year.
- Pilot Project: The open network platform will be launched in five cities including Delhi NCR, Bengaluru, Bhopal, Shillong and Coimbatore initially.
- Implementing Body: An initiative of Department for Promotion of Industry and Internal Trade (DPIIT), once fully executed, the platform would be to e-commerce, what UPI is to the digital payment domain in India.
- 'Public' Nature: The initiative is aimed to democratise digital commerce and move it from platform-centric model to an open-network model so that it remains largely 'public' in nature.

**Significance**

- Open Platform: By launching ONDC, the government's objective is to promote an open platform for exchange of goods and services through electronic networks.
- Helping hand to Kirana stores: It will provide millions of 'kirana' stores and consumers, an alternative to multinational platforms such as Amazon and Walmart.
- End Monopolies: It will end the monopoly of the tech giants who have abused their positions to benefit only big sellers at the cost of smaller ones like Kirana store owners and small shops.
- Interactive platform: The platform will let buyers and sellers interact with each other and transact online.

- Revolutionise: It will digitise the value chains, standardise operations, will bring efficiency in logistics and more formalisation of the unorganised economy.
- Local Languages: The apps would be in local languages for buyers and sellers so that a greater number of stakeholders can interact. The apps would highlight small merchants and rural consumers.

### **2. Reserve Bank of India's (RBI) Report on Currency and Finance (RCF)**

Recently, the Reserve Bank of India released a Report on Currency and Finance (RCF).

#### **Major Points**

- RCF estimated 6.5-8.5 percent as a feasible range for medium-term GDP growth with a timely re-balancing of monetary and fiscal policies likely being the first step in this journey.
  - The report reflects the views of the contributors and not of the central bank.
- The RCF cautioned that growth is at risk once general government debt exceeds a threshold of 66 per cent of GDP.
- India suffered among the biggest pandemic induced losses in the world in terms of output, lives and livelihoods, which may take years to recover.
- Economic activity has barely recovered to pre-COVID levels even after two years.
  - India's economic rebound also faces difficult challenges from the legacy of deep-rooted structural bottlenecks as well as the scars of the pandemic.
- The Russia-Ukraine conflict has also dampened the momentum of recovery, with its impact transmitting through record-high commodity prices, weaker global growth outlook and tighter global financial conditions.

#### **Recommendations**

- Timely re-balancing of monetary and fiscal policy should be the first step in the journey towards sustained growth.
- The report has suggested structural reforms, including enhancing access to litigation-free low-cost land, raising the quality of labour through public expenditure on education and health and Skill India Mission, and scaling up R&D activities with an emphasis on innovation and technology.
- The report recommended creating an enabling environment for startups and unicorns, rationalisation of subsidies that promote inefficiencies and encouraging urban agglomerations by improving the housing and physical infrastructure.
- RCF emphasised that it is necessary to wean away public sector banks (PSBs) from their dependence on the government for recapitalisation.
- Monetary policy has to assign priority to price stability as the nominal anchor for the future growth trajectory.

### **3. Design Linked Incentive (DLI) Scheme**

The government will review norms of the Design Linked Incentive (DLI) program which envisages to support 100 companies involved in product design in the semiconductor space as part of a Rs 76,000 crore scheme for developing the electronic chip ecosystem in the country,

#### **About Design Linked Incentive (DLI) Scheme**

- It was announced in December 2021 by MeitY.
- It aims to provide financial and infrastructural support to companies setting up fabs or semiconductor making plants in India.
- Aims: To create a vibrant ecosystem for Semiconductor Chip Design in the country.
- To promote the domestic manufacturing of semiconductors and allied devices.
- The scheme is expected to provide a globally competitive incentive package to companies in semiconductors and display manufacturing as well as design.

#### **Components: It has three components which are:**

##### **Chip Design infrastructure support:**

- Under it, C-DAC will set up the India Chip Centre to host the state-of-the-art design infrastructure (viz. EDA Tools, IP Cores and support for MPW (Multi Project Wafer fabrication) & post-silicon validation) and facilitate its access to supported companies.

##### **The Product Design Linked Incentive:**

- Under it, reimbursement of up to 50% of the eligible expenditure subject to a ceiling of ₹15 Crore per application will be provided as fiscal support to the approved applicants who are engaged in semiconductor design.

##### **The Deployment Linked Incentive:**

- Under it, an incentive of 6% to 4% of net sales turnover over 5 years subject to a ceiling of ₹30 Crore per application will be provided to approved applicants whose semiconductor design for Integrated Circuits (ICs), Chipsets, System on Chips (SoCs), Systems & IP Cores and semiconductor linked design are deployed in electronic products.

**DAILY ANSWER WRITING PRACTICE**

**Q1. India's pursuit of its ambitious net zero targets is conditional upon many internal and external factors. Do you think India can achieve net zero emissions by 2070? Critically examine. (250 words)**

**Introduction**

Net-zero emission is the method of balancing the greenhouse gas emissions in the atmosphere by the greenhouse gas absorption from the atmosphere. In zero-carbon emission, the country will focus on limiting carbon emission. But in Net-zero carbon the country will focus on bringing the net carbon emission to zero.

**Body****Background**

At the 26th Conference of Parties (CoP26), Indian Prime Minister Narendra Modi declared a five-fold strategy — termed as the panchamrita — to achieve this feat. These five points include:

- India will get its non-fossil energy capacity to 500 gigawatt (GW) by 2030
- India will meet 50 per cent of its energy requirements from renewable energy by 2030
- India will reduce the total projected carbon emissions by one billion tonnes from now onwards till 2030
- By 2030, India will reduce the carbon intensity of its economy by less than 45 per cent
- So, by the year 2070, India will achieve the target of Net Zero.

**Challenges for India to achieve carbon neutrality**

- India is the world's third-biggest emitter of GHG.
- India's per capita CO<sub>2</sub> emissions – at 1.8 tonnes per person in 2015 – are around a ninth of those in the USA and around a third of the global average of 4.8 tonnes per person.
- India must also meet the aspirations of 1.4 billion people for faster economic development. This will limit India's development potential.
- India's (Baa3 stable) 2070 net-zero target and intermediate goals through 2030 present significant policy implementation challenges for the government.
- Meeting the nation's existing target of 450 gigawatts of renewables by 2030 is already a massive lift. Hitting net zero will require an even more dramatic acceleration.
- By 2050, India's total electricity demand would be about 5500 to 6000 terawatt-hours (TWh), roughly a factor of five on today's level.
- In developed countries, emissions have already peaked. Their decision is only about the path to net-zero. Emerging economies like India, instead, will go through a high-growth phase with rising energy demand and emissions. So, before a net-zero year can be targeted, India must discuss options for its peaking year
- India's pursuit of its targets is conditional upon the country receiving as much as \$ 1 trillion in climate finance from external donors, including multilateral development banks and advanced economies – an unlikely prospect.
- Indian banks' significant loans to carbon-intensive sectors expose them to transition risks, and they will face pressure to decarbonise their loan books.
- Many argue that net zero is not equitable and fair as it does not differentiate between developing and developed countries in sharing the burden of mitigation.
- Some also criticise mid-century net zero as allowing uncontrolled emissions today while relying on uncertain technologies to offset emissions in the future.
- Many net zero pledges are premised upon trading and offsetting emissions, allowing the rich to continue emitting and buying their way out.
- Measures needed to achieve net zero emissions

**Focus on Energy Efficiency:**

- Will need energy efficient buildings, lighting, appliances and industrial practices to meet the net-zero goal.

**Increased usage of Biofuels:**

- Can help reduce emissions from light commercial vehicles, tractors in agriculture.
- In aviation, the only practical solution for reducing emissions is greater use of biofuels, until hydrogen technology gains scale.

**Transition towards Electric vehicles:**

- This will further help curb the carbon emissions.

**Carbon Sequestration:**

- India will have to rely on natural and man-made carbon sinks to soak up those emissions. Trees can capture 0.9 billion tons; the country will need carbon capture technologies to sequester the rest.

**Carbon Pricing:**

- India, which already taxes coal and petroleum fuels, should consider putting a tax on emissions to drive change.

**Deploying lower-carbon Energy:**

- There are four main types of low-carbon energy: wind, solar, hydro or nuclear power. The first three are renewable, which means these are good for the environment – as natural resources are used (such as wind or sun) to produce electricity.
- Deploying lower carbon energy would help address both domestic and international climate challenges while simultaneously improving the economic well-being of India's citizens.

**Mainstreaming Renewable energy:**

- India's energy mix is dominated by coal powered electric generation stations as of now.
- The need of the hour is increase the share of renewable energy in this energy mix.

**Way forward for India:**

- Given the massive shifts underway in India's energy system, we would benefit from taking stock of our actions and focusing on near-term transitions.
- This will allow us to meet and even over-comply with our 2030 target while also ensuring concomitant developmental benefits, such as developing a vibrant renewable industry.
- We can start putting in place the policies and institutions necessary to move us in the right direction for the longer-term and also better understand, through modelling and other studies, the implications of net-zero scenarios before making a net-zero pledge.
- It would also be in India's interest to link any future pledge to the achievement of near-term action by industrialised countries.
- That would be fair and consistent with the principles of the UNFCCC and also enhance the feasibility of our own actions through, for example, increasing availability and reducing costs of new mitigation technologies.

**DAILY QUIZ**

1. Digital DESH e-portal will be launched to
  - (a) To facilitate supplementary learning for all classes
  - (b) For better e-teaching outcomes.
  - (c) Urban sector development.
  - (d) Skilling, up-skilling, Re-skilling of youth**
2. Which of the following is likely to be the most inflationary in it's effect.
  - (a) Repayment of public debt
  - (b) Borrowing from the public to finance a budget deficit.
  - (c) Borrowing from banks to finance a budget deficit.
  - (d) Creating new money to finance a budget deficit.**
3. Consider the following statements about drone shakti initiative.
  1. The Drone Shakti initiative has been announced to be launched in selected states on pilot basis.
  2. The requirement courses for the skilling will be started in all ITIs of selected states
 Choose the incorrect statements.
  - (a) 1 only
  - (b) 2 only
  - (c) Both**
  - (d) None
4. The term 'KAWACH' technology recently seen in news is related to which of the following
  - (a) This technology saves up to 3000 MW of Energy costs.
  - (b) It is a technology from Japans shinkansen E5 series for High Speed rail corridor.
  - (c) Train collision Avoidance system (TCAS) for achieving the goal of 'Zero accidents'.**
  - (d) Technology for bullet proof jackets for BSF.
5. Which of the following schemes is / are aimed at empowerment and protection of women and children.
  1. Mission Poshan 2.0
  2. Mission Shakti
  3. Mission Vatsalya
  - (a) 1 and 2 only
  - (b) 1 and 3 only
  - (c) 2 and 3 only
  - (d) All**
6. Consider the following statement with regards to P-75I project recently in news
  1. This project for the Navy to indigenously build and induct 24 submarines by 2030
  2. Recently a submarines named Vagsheer, was commissioned under the project
 Choose the correct statement/s using the codes given below
  - (a) 1 only**
  - (b) 2 only
  - (c) Both
  - (d) Neither 1 nor 2
7. Arrange the products according their export quantity in recent times in decreasing order.
  1. Petroleum products
  2. Engineering goods
  3. Gems and jewelry
 Choose the correct answer using the codes given below
  - (a) 1,2,3**
  - (b) 2,1,3
  - (c) 3,2,1
  - (d) 1,3,2
8. Consider the following statement
  1. The Lokpal have the administrative power over any investigating agency, including the CBI, for cases transferred to them by the Lokpal.
  2. Expenses of Lokpal to be charged on Consolidated Fund of India
 Choose the correct statement/s using the codes given below
  - (a) 1 only
  - (b) 2 only
  - (c) Both**
  - (d) Neither 1 nor 2
9. Operation Sadbhavana recently seen in news is related to which of the following
  - (a) Jammu and Kashmir
  - (b) Ladakh
  - (c) North eastern states
  - (d) All of the above**
10. Recently the Asian Water bird Census (AWC) is being carried out across seven wetlands in the NCR , consider the following with respect to Asian Water Bard Census
  1. The AWC is conducted in January each two year
  2. Bombay Natural History Society is the nodal agency to conduct this census.
 Select the statement/s is /are not correct
  - a) 1 only
  - b) 2 only
  - c) Both**
  - d) Neither 1 nor 2