

INTERNATIONAL INSTITUTIONS

BRICS FOREIGN MINISTERS' MEET

China hosted the virtual BRICS Foreign Ministers meet recently with the Indian External Affairs Minister taking part along with his counterparts from the five-member bloc.

About

- The meeting was held in the run-up to the annual Summit which will be held later this year by China who holds the presidency of grouping this year.
- The meeting had a BRICS+ dialogue, with counterparts from emerging markets and developing countries who are not part of the grouping.
- This was the first BRICS leaders' gathering since Russia's invasion of Ukraine.

Major Deliberations

- **Russia-Ukraine conflict:** The grouping assessed the situation in Ukraine and supported talks between Russia and Ukraine to reach peace. They expressed concern at the energy and food security implications of the conflict.
- **Respecting territorial integrity:** BRICS must live up to its commitments on sovereign equality, territorial integrity and international law.
- **Recovery from pandemic:** It discussed the socio-economic recovery from the Covid pandemic and ways to create resilience and reliable supply chains.
- **Global macroeconomy:** The Ukraine conflict has led to sharp increases in the costs of energy, food and commodities. The group pondered over solutions to mitigate the crisis primarily for the well being of the developing world.
- **UNSC Reforms:** The group supported UN Security Council reform asserting that the Security Council should reflect the present global realities and giving developing countries a greater say in global governance.
- **Climate Action:** It pressed for credible commitment of resources by developed nations for climate action and climate justice thus nudging the developed world to exercise their due for a sustainable earth.
- **Terrorism:** It reiterated to zero tolerance for terrorism, especially cross border terrorism which impacts the regional and global security.
- **BRICS+:** BRICS foreign ministers' dialogue was also held with emerging markets and developing countries participating in the meet to broaden their outreach with other developing countries.

BRICS+

About:

- It was first mooted by Chinese Foreign Minister Wang Yi in 2017 with the objective of widening the ambit of BRICS that can bring unity among developing countries and enhance South-South cooperation.

Objective:

- The initiative is aimed at expanding the outresach of the BRICS countries with the Global South and building wider partnership with emerging markets and developing countries (EMDCs).

Why is it not a permanent arrangement?

- There is a lack of consensus among the grouping on institutionalising BRICS Plus arrangement.
- The other four members are wary of China's hegemony in BRICS and its increasing influence in the Global South.
- Through the arrangement, China aims at forging regional and bilateral alliances across the continents, which could also be instrumental in pushing its Belt and Road Initiative (BRI).

Way Forward

- **Stabilsing world:** BRICS should play an important role in stabilising the current events on the globe, primarily resolving the Russia-Ukraine conflict.
- **Ensuring stable macroeconomy:** It can contribute significantly to the global economic growth and stability by leveraging NDB, CRA, AIIB. By effectively using the platform it can resolve the deadlock in the Ukraine region and can unclog the supply chain thus bringing prices and supplies to normalcy.

- Post-pandemic: The world is not the same as it was before the pandemic. The forum should harness its position to bring changes in the governance of the developing world so that they can effectively recover from the pandemic after effects.
- Reforming UNSC: It is committed to a multipolar world and hence should steadfast its efforts to bring forth the reforms in the UNSC so as to reflect the geopolitic paradigm of today's world.

BRICS 2022

- India handed over the BRICS Chairmanship to China in January 2022. India has the chair for the year 2021.
- **Theme:** The theme for BRICS 2022 is 'Foster High-Quality BRICS Partnership Usher in a New Era for Global Development'.
- **Events:** A total of 25 events have been planned for this year's summit. India will host five events this year as part of BRICS Science Technology Innovation Steering Committee.

IMPORTANT FACTS FOR PRELIM

1. Aurangzeb's Tomb

Recently, the Archaeological Survey of India (ASI) shut Mughal emperor Aurangzeb's tomb in the Aurangabad district of Maharashtra for five days after a mosque committee in the area tried to lock the place .

About Aurangzeb's tomb

- Aurangzeb was Born on 3 November, 1618, at Gujarat's Dahoda.
- In 1657-1658, there was conflict over succession amongst Shah Jahan's sons.
 - Aurangzeb was victorious and his three brothers, including Dara Shukoh, were killed.
 - Shah Jahan was imprisoned for the rest of his life in Agra.
- He was exhausted by a seemingly interminable campaign against the Marathas that drained his empire's blood and treasure and died on 3 March, 1709.
- He was buried near the dargah of his "spiritual and religious teacher" Sufi saint Sheikh Zainuddin in keeping with his wishes.
- Lord Curzon later covered the grave with marble and surrounded it with a "pierced-marble screen".
- The tomb is a plain, brilliantly whitewashed structure with a large, arcaded courtyard in a typical mix of Islamic and Rajasthani architecture.
- Aurangzeb's tomb has "few embellishments save a modest dome or two and minarets" (reflecting his austere tastes and in sharp contrast to the tombs of his forefathers).
- The emperor's full name, Abul Muzaffar Muhi-ud-Din Mohammad Aurangzeb, is inscribed on marble in one corner of his tomb.

2. Respiratory Syncytial Virus

Lower respiratory infection attributable to Respiratory syncytial virus (RSV) was responsible for more than 1,00,000 deaths in children under five worldwide in 2019, according to a new estimate published in The Lancet.

About Respiratory syncytial (RSV)

- It is a common respiratory virus that usually causes mild, cold-like symptoms.
- It is the most common cause of acute lower respiratory infection in young children.
- Most people recover in a week or two, but RSV can be serious, especially for infants and older adults.
- It is the most common cause of bronchiolitis (inflammation of the small airways in the lung) and pneumonia (infection of the lungs) in children younger than 1 year of age in the United States.
- It infects the lungs and breathing passages. Healthy people typically experience mild, cold-like symptoms and recover in a week or two.

3. World Governance Indicators

Recently, the Government flagged a low score in the World Bank's Governance Index.

About

- The Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for over 200 countries and territories over the period 1996–2020, for six dimensions of governance:
 - Voice and Accountability

- Political Stability and Absence of Violence/Terrorism
- Government Effectiveness
- Regulatory Quality
- Rule of Law
- Control of Corruption
- These aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries.
- India's WGI score: It is much below the BBB Median on all six indicators.
 - While BBB is an investment-grade rating issued by global rating agencies such as S&P and Fitch.
 - A WGI score below BBB Median would suggest that India falls below the middle when the scores of countries are arranged in a descending order.
 - WGI play a key role in deciding sovereign credit rating of any country. India is losing its sovereign credit rating due to low score in WGI parameters.

DAILY ANSWER WRITING PRACTICE

Q1. Examine the various factors behind the depreciation of Indian rupee. What is its impact on the Indian economy? What measures are required to counter the depreciation? (250 words)

Introduction

Currency depreciation is a fall in the value of a currency in a floating exchange rate system.

Rupee depreciation means that the rupee has become less valuable with respect to the dollar.

The Indian rupee fell to an all-time low of 77.44 against the U.S. Dollar. The outlook for the Indian rupee continues to be weighed down by tighter global monetary policy, a strengthening of the US dollar and risk aversion, and higher current account deficits.

Body

Various factors behind the depreciation of Indian rupee

- **Sell-off of the Equity:** A sell-off in the global equity markets which was triggered by the hike in interest rates by the U.S. Federal Reserve (central bank), the war in Europe and growth concerns in China due to the Covid-19 surge, led to the rupee depreciation.
 - With the US Federal Reserve hiking rates by 50 basis points, there has been a sell-off in global markets as investors have rushed to the dollar.
- **Outflow of Dollar:** The outflow of dollars is a result of high crude prices and the correction in equity markets is also causing adverse flow of dollars.
 - In India, foreign portfolio investors have pulled out around \$5.8 billion since the beginning of this financial year as per data from Kotak, exerting downward pressure on the currency.
- **Tightening of Monetary Policy:** Steps taken by RBI to tighten the monetary policy to counter rising inflation has also led to depreciation.
- Trade deficit: here is also the pressure owing to the rising trade deficit — in April the deficit stood at \$20 billion, up from \$18.7 billion in March. In fact, according to analysts, the current account deficit is likely to be at its highest level since the crisis of 2013.

Impact on the Indian economy of falling rupee

- The current account deficit is bound to widen, depleting foreign exchange reserves and weakening the rupee.
- With higher landed prices of crude oil and other crucial imports, the economy is definitely inching towards cost-push inflation.
 - Cost-push inflation (also known as wage-push inflation) occurs when overall prices increase (inflation) due to increases in the cost of wages and raw materials.
- Companies may not be allowed to fully pass on the burden of high costs to consumers, which, in turn, affects government dividend earnings, raising questions about budgeted fiscal deficits.
- Depreciation in rupee is a double-edged sword for the Reserve Bank of India.
 - Weaker rupee should theoretically give a boost to India's exports, but in an environment of uncertainty and weak global demand, a fall in the external value of rupee may not translate into higher exports.
- Inflation: It poses risk of imported inflation, and may make it difficult for the central bank to maintain interest rates at a record low for longer.
 - India meets more than two-thirds of its domestic oil requirements through imports.

- India is also one of the top importers of edible oils.
- A weaker currency will further escalate imported edible oil prices and lead to a higher food inflation.

Measures required to counter the depreciation

- Curbing imports of non-essential goods will lessen the demand for Dollars and promoting export will help in increasing the flow of Dollars into the country, thus, helps in control rupee depreciation.
- The Masala Bond is directly pegged to the Indian currency. If Indian borrowers issue more rupee denominated Masala Bonds, this would increase liquidity in the market or increase in the rupee stock against few currencies in the market and this would help in supporting the rupee.
- External Commercial Borrowing (ECB) is a type of loan in foreign currencies, made by non-resident lenders. Thus, easing conditions of ECB's helps in receiving more loans in foreign currencies would increase the inflow of forex, leading to rupee appreciation.
- The Reserve Bank of India (RBI) has been intervening to soften the currency's slide — the fall in its foreign exchange reserves suggests that is the case. This reduces the volatility of the currency.

Conclusion

Considering that the rupee is overvalued, the central bank should allow the currency to slide, allowing it to find its own level, intervening only to smoothen excess volatility. Currency depreciation will act as an automatic stabiliser. It will help ease current account pressures by curbing imports, but more importantly, it will help boost exports a critical driver of the country's economy at the current juncture.

DAILY QUIZ

Q1. Which of the following are exempted from the Places of worship Act that was recently in news?

1. The Ramjanmabhoomi-Babri Masjid case.
2. Any places of worship that qualify as archaeological sites covered under the Ancient Monuments and Archaeological Sites and Remains Act of 1958.
3. Any place of worship is disputed, in August 1947.

Select the correct answer using the code given below:

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

Q2. Which of the following are likely impacts of depreciation of Rupee?

1. Increasing Current Account Deficit.
2. Oil becomes costly.
3. Attracts more investments from abroad
4. Export Oriented companies suffer.

Select the correct answer using the codes given below.

- (a) 1 and 3 only (b) 2 and 4 only (c) **1 and 2 only** (d) 1, 3 and 4

Q3. With reference to Reservation, consider the following statements:

1. In *Indira Sawhney vs Union of India* (1992), the Supreme Court had upheld the 50-percent ceiling on reservations.
2. There is no reservation for OBCs in Lakshadweep, Tripura, Meghalaya, Mizoram and Arunachal Pradesh.
3. There are no separate political reservations for OBCs in State legislatures or local bodies.

Which of the statements given above is/are correct?

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

Q4. With reference to the BRICS+, consider the following statements :

1. It was conceptualised by the India at the BRICS Summit of 2017.
2. It is a permanent arrangement under the ambit of BRICS.

Which of the statements given above is/are correct?

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

Q5. Which of the following organizations releases the World Governance Indicators Index?

- (a) **World Bank (WB)**
- (b) Economic Intelligence Unit (EIU)
- (c) Heritage Foundation (HF)
- (d) United States Agency for International Development (USAID)