



Civil's IAS
Empowering Nation

Weekly Current Affairs Compilations

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Topic 1. MONEY LAUNDERING

- What is Money Laundering?
- Why India is vulnerable to ML?
- Process of money laundering?
- Steps - National - PMLA, 2002
- International - FATF
- Effect of money laundering
- Prevention

What is money laundering?

- Money earned through illegitimate means
- Money earned through legitimate means but tax evasion

Black Money

Conversion

Legal Money
or
legitimate
money

Process is known as Money Laundering

In News

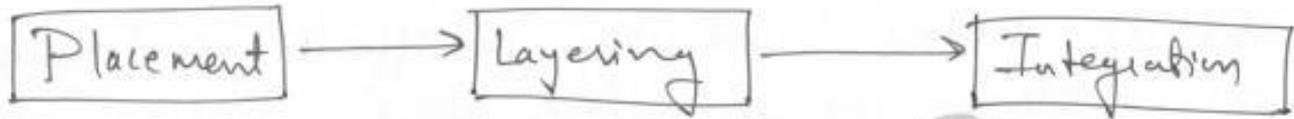
FATF - APG

placed Pakistan on 'enhanced blacklist' after country failed to meet global standards

India vulnerability to money laundering

- Regional financial centre
- large system of informal cross border money flows
- Tax avoidance problems → DTAA
- Rampant use of hard currency
- weak taxation law or ineffective ~~ML~~ ^{Anti-ML} laws
- Tax officials → quantity (officers per capita)
quality (expense)
- Low risk of detection
- developing nations (have requirement of funds)
So they are not strict or selective regarding money inflow.

Process of Money Laundering



- Criminally derived funds is introduced in financial system

- Breaking large sums into smaller sums and then depositing

- property is washed and its ownership and source changed

- scattered Bank account

- movement of fund away from source

- Laundered property is reintroduced into legitimate economy.

eg Real Estate
Luxury assets

Steps to Counter Money Laundering

⇒ Prevention of Money Laundering Act, 2002

→ defines money laundering as offence and provide for freezing, seizure and confiscation of proceed of crime.

→ Investigation of money laundering offences

↓
Directorate of Enforcement

- Law enforcing agency
- power & Authority available with officers to enforce law

↓
FIU - IND

- transaction reporting regime
- Maintenance of record in prescribed format
- verification of client identity
- furnishing information on transaction of entities
- Sectors
 - Banks
 - financial institutions
 - High Risk Sector
 - ↳ Real Estate.

PMLA (Amendment), 2012

- "Corresponding law" to link the provisions of Indian law with laws of foreign countries.
 - ↳ working with other jurisdiction
- "Reporting entity" for Banks, financial institutions etc.
- expanding definition of offence under Money Laundering to include
 - ↳ concealment
 - ↳ Acquisition
 - ↳ possession & use } of proceed of crime
- Remove maximum fine of 5 Lakh
- Provisional attachment and Confiscation of Property.
- Appellate Tribunal
 - ↳ appeal against the order can be done directly to SC within 60 days.

FATF → financial action Task force → money laundering
→ terror financing.

- Intergovernmental body to combat money laundering
- policy making

Major functions

- Monitoring members progress in implementing anti money laundering measures
- Reviewing and reporting on laundering trends, techniques & counter measures.
- Promoting adoption & implementation of FATF anti-money laundering standards globally.

Members

- 37 nations and 2 organisations.

Effects

- Incentives for criminal activities
- Inflation economy (more consumerism)
- **Placement** → enter into Banks & financial institutions by bribing officials.
- Integration** → Company operated by criminals
- Rewards crime & enhance corruption
 - ↳ degradation of morality in society.
- Country financial and commercial sectors are controlled by organised crime instead of influenced by democratic control

Prevention

- Anti Money laundering law should be such that to
 - trace money trail and restore to victims.
 - targeting ML activities & depriving funds to criminals when they are vulnerable.
- strict KYC norms
- Proper accounting uniform
- Economic Intelligence
- Rational Taxation - simple Rules - laws

Topic 2. BLACK MONEY

- facts
- Cause
- Effect
- Solutions

What is Black Money & its quantum in India?

- Money earned by illegal means or money on which there is no tax payment.
- govt doesn't have knowledge
- Global financial Integrity Report (India)
 - \$343 bn
 - ~~7th~~^{4th} largest outflow of Black money in world
 - $\frac{3}{4}$ th of India's GDP

Cause

- Real estate deals
- Mining income - Under Invoicing
Under reporting of
Inflating expenses
- diversion of govt subsidy
- Tax evasion - high rate of Tax
- Kickbacks, Commission & Corruption
- govt Price Control
- Smuggling / organised Crime
- Scarcity - donation in School & Colleges
- hard money
- lack of values in consumer

Effect

→ Result in Inflation - mislocates resources
Shift from Investment to Savings to Consumerism

eg Real Estate

↓
Artificial demand

→ Inequity between tax payers

↳ gov't gets less revenue, so it ↑ tax rate of ↓ spending.

→ loss to gov't exchequer

→ ↑ crime

→ erosion of legitimacy of gov't institutions

→ cannot get true picture of economy, difficult in making policy

→ Capture of power through corruption

→ flight of Capital → Money laundering Round Tripping.

Solution

- ↑ Tax ~~Rate~~ Base, low Rates
- Electronic money
- ↓ govt price control
- state funding of election
- Punishment as deterrent
- Economic intelligence
- giving incentives for voluntary disclosure of income.

Topic 3. ECONOMIC SLOWDOWN

- Causes of Economic Slowdown
- Indicator of Economic Slowdown
- Why Economic growth is required?
- How to achieve Economic growth?
- RBI Transfer of Surplus and Contingency Reserves
- How RBI generate Revenue?
- RBI expenses

Causes

- ↓ In Aggregate demand
 - ↳ not getting job / unemployment
↳ Lay off
 - ↳ Inflation
 - ↳ Stagnant Salary
 - ↳ Banks Conservative approach in giving Credit

Indicators of Economic Slowdown

→ Contraction in Consumption ($\frac{3}{5}$ th of Indian Economy)

① April to June 2019 (Compared to same period in 2018)

- Car sales fell by 23.3% (↓)
- 2 Wheeler sales by 11.7% (↓)
- Tractor sales by 14.1% (↓) } Indicator of Rural demand

②: 1.28 million unsold units in housing sector in March 2019 (7% Rise from March 2018)

↳ no rise in price

• people buying house from investor who purchased from 2003 - 2018

↳ not new houses (no value addition)

③ falling impact by 5.3% (Apr - June 2019)

biggest contraction in 3 years

④ value of new projects announced fell by 79.5%

Why Economic growth is needed?

- trickle down - development
- opening of new opportunities
- enhancement of govt revenue (↑ in social spending)
- enhancement of International Standing
- low govt borrowings.
- ↑ household income - better standards of living
- ↑ domestic Investment
- more resources can be devoted / spend to promote recycling & use of renewable resources.

How to achieve Economic growth?

- boost Investment
 - ↳ encourage tourism, manufacturing etc
 - ↳ structural / policy Reforms
- ease of doing business
- Improving Infrastructure
 - Physical
 - Economic
 - Social
- International partnership
 - ↳ Involvement of diaspora
- easing of monetary policy - More liquidity
- Balanced Regulation
- progressive taxation

RBI Transfer of Surplus

News

- RBI transferred Surplus 1.76 crore to govt for
 - govt spending will ↑
 - will leads to economic growth
 - RBI was maintaining reserves or Capital buffers that were much higher than many many others global Central banks
 - govt can meet deficit targets.
 - provide space for private firms to borrow
 - ↳ Reduce Crowding out effect.

How RBI generate Surplus?

- Intervention to buy or sell foreign exchange.
- open market operations, to prevent rupee from appreciating

Securities purchase by RBI	↑ Liquidity
sale	↓
- Income from govt Securities it holds
- returns from its foreign Currency assets that are Investments in bonds of foreign Central banks or top-rated securities
- from deposit with other Central bank or Banks for International Settlement
- lending to banks for short tenure
- Management Commission on handling borrowing of state govt & central govt.

RBI expenses

- Printing of currency notes
- Staff salary
- Commission to banks for undertaking transactions on behalf of govt

Topic 4. G7 SUMMIT

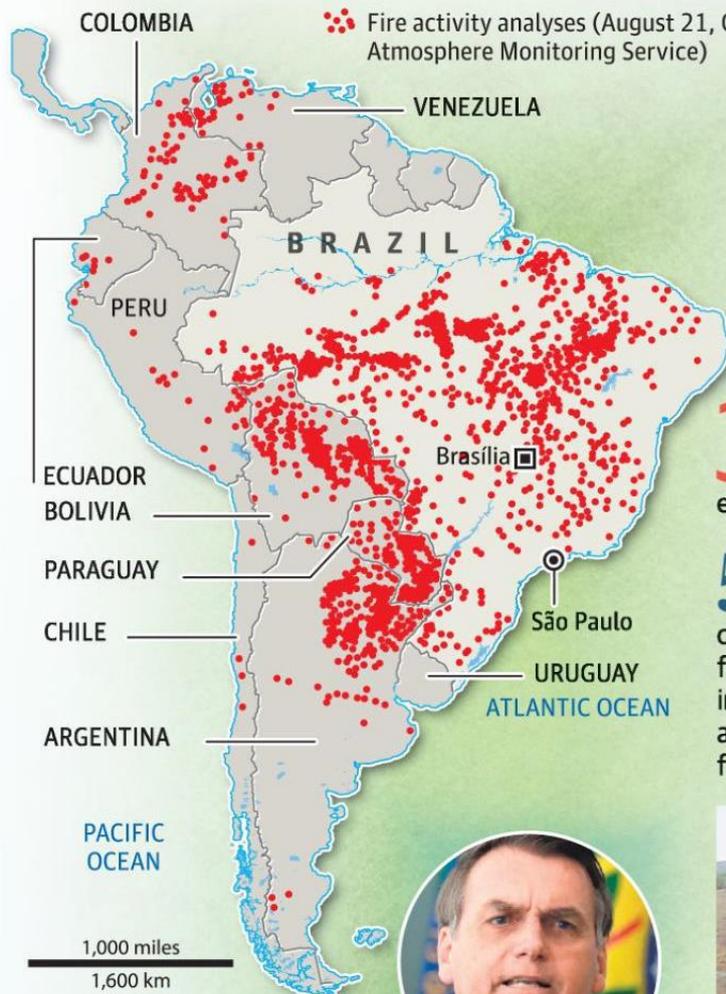
Key take away

- G7 might consider reinstating Russia
US, France, Germany Support
↓
Organising meeting to ease tension between Russia and Ukraine.
- US open to talks with Iran
- US opens door to a possible Trade deal with China
- US skips session on "Climate and Biodiversity"
- India - Pakistan should solve its issue amicably
- G7 Supports Hong Kong autonomy
- US - UK trade deal
- US - Japan Trade agreement

Topic 5. AMAZON FOREST FIRE

The planet's lungs are on fire

Wildfires in the Amazon rainforest in northern Brazil have ignited a firestorm on social media, with millions joining a campaign with #PrayforAmazon as hashtag



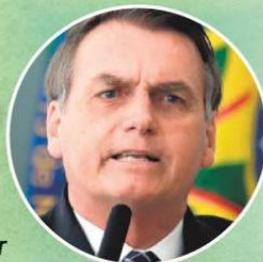
1 There have been 72,843 fires in Brazil this year, with more than half in the Amazon region – an 80% increase from the same period last year

2 Experts blame the fires on illegal loggers who have been burning newly cleared land for cattle ranching and agricultural use

3 Brazil has seen massive deforestation since Jair Bolsonaro, the country's far-right President, assumed office early this year

595 sq km of Amazonian forests were lost in June, an **88%** annual increase from June 2018

April-to-June deforestation was **24.8%** higher than the same period last year



Bolsonaro has blamed NGOs for starting the fires to hurt his government



344,500
HECTARES

Area of Amazon rainforest destroyed since January by illegal loggers, miners and cattle ranchers

The fires were lit in strategic places. All the indications suggest they went there to film and start fires. That's what I feel.

— BOLSONARO



IBAMA: Brazil's environmental enforcement agency has seen its

budget cut by \$23 million

24% SINCE

Bolsonaro took office in January

SOURCE: GRAPHIC NEWS, BRAZIL'S NATIONAL INSTITUTE FOR SPACE RESEARCH | GRAPHIC: KARTHICK S.T.

Brazil's attitude to the destruction of large areas of the Amazon rainforest is worrying

The Amazon rainforest, the largest of its kind in the world, is ablaze, with over 9,500 distinct fires burning through its main basin since August 15. Overall, Brazil has seen more than 76,000 fires ravage the Amazon in 2019, of which around 10,000 have been started in the past few weeks, mainly by loggers and farmers seeking, as they do during the summer months, to clear vast tracts for agricultural or industrial use.

However, this annual exercise of planned deforestation appears to have crossed a tipping point this year. There has been an increase of at least 80% in the number of recorded fires compared to the same period in 2018, according to Brazil's National Institute for Space Research (INPE).

This week, images of darkening skies above Sao Paulo, more than 2,700 km away from the fires, went viral. The number and intensity of the fires are closely linked to the rate of deforestation.

Some reports estimate that in July 2019, the Amazon shrunk by 1,345 sq km, up 39% from the same month last year, and a historical record. The flames are not confined just to Brazil either.

In neighbouring Bolivia, deadly blazes are devastating forests and farmlands, so much so, that its President, Evo Morales, has put his re-election campaign on hold over the weekend, and, unlike his Brazilian counterpart Jair Bolsonaro, was quick to welcome foreign aid to help fight the fires.

The distinctly political undertones of the crisis in Brazil sets it apart. Mr. Bolsonaro's critics say that his economic and environmental policies have virtually set the stage for intensifying degradation of the Amazon's rich biodiversity.

They argue that since he came to power this year, he has chipped away at the protections that the rainforest enjoyed, including by weakening the environment ministry when he made Ricardo Salles, found guilty of administrative improprieties for altering a map to benefit mining companies, the Environment Minister; by driving away Norway and Germany, principal donors who have backed protections for the Amazon; by sacking the head INPE over absurd allegations that he was disclosing how rapidly Amazon deforestation was happening; and by attacking both environmental charities, alleging without proof that they started fires to serve certain foreign interests, and indigenous Amazon dwellers.

Under intense global pressure, including from the ongoing G-7 meetings of world leaders, Mr. Bolsonaro, a right-wing climate-change sceptic, appears to have relented to an extent, and has authorised 44,000 military troops to help with the firefighting efforts.

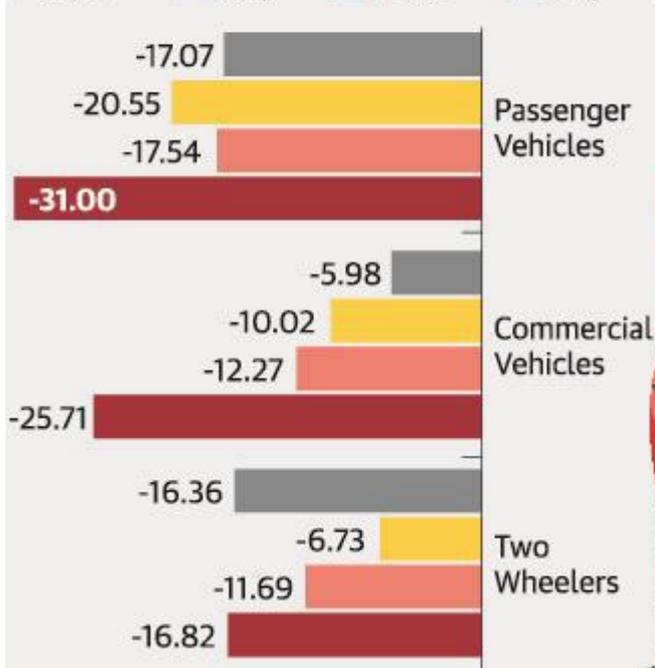
Even if they succeed, and the Bolsonaro administration ultimately bends to global outrage over the destruction of a critical global ecosystem, the discernible shift in Brazilian public institutions responsible for guarding the future of the Amazon rainforest is a worrying sign of worse things to come.

Topic 6. AUTOMOBILE SECTOR

Precipitous fall

From a high growth industry in the first half of FY19, the auto industry skidded to its worst performance in close to two decades, in the first few months of 2019-20

■ April ■ May ■ June ■ July (ALL IN %)



FM'S REMEDY

- Higher depreciation of 30%, up from 15%, for all vehicles purchased from now till **March 31, 2020**
- **Deferment of higher one-time registration fees mooted, till June 2020**
- **Ban on purchase of new vehicles lifted for all government departments**
- **Centre to look into other measures to boost demand, including scrappage policy**
- **GST rate decision in abeyance; Council to decide**

Topic 7. NO FIRST USE POLICY

Nuclear escalation ladder

India's 'No First Use' policy states that nuclear weapons will only be used in retaliation against a nuclear attack on Indian territory or on Indian forces anywhere. A look at the India-Pakistan escalation ladder, at the top of which is a nuclear war



Will India change its 'No First Use' policy?

**What will happen if the country's nuclear posture is revised in the 'most dangerous place in the world?'
What about the stand on deterrence?**

The story so far: Since conducting its second nuclear tests, Pokhran-II, in 1998, India has adhered to a self-imposed commitment to 'No First Use' (NFU) of nuclear weapons on another country. However, last week, on August 16, Defence Minister Rajnath Singh dropped a hint that in the future, India's NFU promise "depends on circumstances."

When did India's N-weapons journey begin?

India embarked on the path of nuclear weapons development after its face-off with China in the 1962 war, followed by China carrying out nuclear tests in 1964 and in the subsequent years. In 1974, under Prime Minister Indira Gandhi, India conducted its first nuclear tests, Pokhran-I, dubbed as a "peaceful nuclear explosion".

Despite more than two decades of international pressure that followed to make India abandon its pursuit of nuclear weapons, India again carried out a test in May 1998, Pokhran-II, involving a fission device, a low-yield device, and a thermonuclear device. Its successful execution meant that India had the ability to introduce nuclear warheads into its fast-developing missile programme.

A fortnight after the Pokhran-II tests, Pakistan also carried out similar tests, confirming progress with its nuclear weapons programme; since that time its nuclear arsenal has expanded rapidly. In 1999, India came out with an explicit nuclear doctrine that committed, among other things, to NFU — that is it would never carry out a nuclear first-strike.

This doctrine emphasised "minimal deterrence, no first use and non-use against non-nuclear weapon states", in the words of former National Security Adviser Shivshankar Menon. The NFU promise thus went together with credible minimum deterrence (CMD).

What does CMD mean for the Indian nuclear doctrine?

Credible minimum deterrence does not imply indefinite expansion of the nuclear arsenal; rather it is built on an assured second-strike capability.

This implies that in the event of another nation carrying out a first nuclear strike of any magnitude against India, India's nuclear forces shall be so deployed as to ensure survivability of the attack and the capability to carry out a massive, punitive nuclear retaliation aimed at inflicting damage that the aggressor will find "unacceptable".

Additionally, CMD requires a robust command and control system; effective intelligence and early warning capabilities; comprehensive planning and training for operations in line with the strategy; and the will to employ nuclear forces and weapons.

Currently, the Nuclear Command Authority is responsible for command, control and operational decisions on nuclear weapons; specifically it is the Cabinet Committee on Security and ultimately the office of the Prime Minister of India, that is responsible for the decision to carry out a nuclear attack.

Why might the NFU policy be revisited?

Regional geopolitical realities have a significant bearing upon India's NFU commitment, to the extent that the CMD is what the "enemy" believes deterrence to be, and their belief is manifested in their actions.

After the 1998 nuclear tests in India and Pakistan, the CMD was established in the sense that in the following decade, including the aftermaths of the attack on the Indian Parliament in 2001 and the Mumbai terror attacks in 2008, neither country felt inclined to instigate all-out war.

However, since that time, the deterrent effect of India's arsenal seemed to have less effect in one significant aspect: Pakistani officials started speaking out about their country's development of tactical nuclear weapons, or "theatre nukes", which had a lower yield but could still inflict enough damage to blunt a conventional attack.

It is surmised that Pakistan's talk of tactical nuclear weapons might have emerged as a counter to speculation that India might have developed the "Cold Start" doctrine. This is a purported classified plan for a conventional military attack by Indian forces on Pakistani soil, likely as a response to a prior sub-conventional attack from across the border (such as a state-sponsored terror-attack).

In this context, in 2013, Shyam Saran, convener of the National Security Advisory Board, said: "India will not be the first to use nuclear weapons, but if it is attacked with such weapons, it would engage in nuclear retaliation which will be massive and designed to inflict unacceptable damage on its adversary. The label on a nuclear weapon used for attacking India, strategic or tactical, is irrelevant from the Indian perspective."

However, there may be some concerns with this idea that India will retaliate massively even if Pakistan uses tactical nuclear weapons — possibly on Indian forces operating on Pakistani soil — against it. First, this strategy would take both countries back into the old-world deterrence paradigm of "mutually assured destruction", because any surviving forces in Pakistan after India's retaliation would surely launch a devastating attack against targets across India.

Second, India may have more to gain by pre-emptive action. This is the question that analysts Christopher Clary and Vipin Narang have studied, and they argue that one option under consideration could be for "a hard counterforce strike against Pakistan's relatively small number — perhaps several dozen — strategic nuclear assets on land (and eventually at sea) to eliminate its ability to destroy Indian strategic targets and cities. Such a strategy would be consistent with India's doctrine of massive retaliation — massive retaliation strategies need not be countervalue — while avoiding the credibility issues associated with a countervalue targeting strategy following Pakistan's use of nuclear weapons on the battlefield."

Will we see India's nuclear doctrine changing to accommodate these realities?

The simple answer: unlikely. As Mr. Clary and Mr. Narang argue, India's adoption of potentially pre-emptive "counterforce options" – i.e. to eliminate Pakistan's strategic nuclear weapons when it deems the risk of a Pakistani first-strike to have crossed a critical threshold – may require no explicit shifts in its declared nuclear doctrine. In fact, remaining silent on this subject might be calculated as a strategic advantage for India as the country would be assuming deliberate nuclear ambiguity.

The downside is that New Delhi remaining silent on this, except for occasional hints — such as what the Defence Minister tweeted recently — might compel Pakistan to adjust its nuclear posture accordingly, based on a calculation that India might be willing to carry out a counterforce attack and thereby eliminate the Pakistani nuclear threat entirely. This in turn risks fuelling an arms race or more unstable nuclear weapons deployment patterns in Pakistan.

The Balakot strikes that followed the Pulwama attack (both in February 2019) demonstrate that the Narendra Modi government is not shy of taking cross-border military action. If another sub-conventional attack, say a terror attack, occurs on Indian soil anytime soon, these theories will likely be tested. What remains unclear is how high up the escalation ladder both countries will be willing to go.

Topic 8. WIRELESS DATA USERS

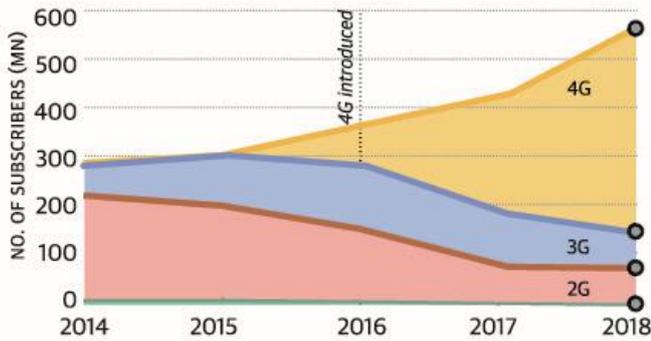
Hooked to high speed wireless

The number of wireless data subscribers doubled between 2014 and 2018, largely due to the cheaper prices of data. On average, wireless subscribers in 2018 used 7.6 GB of data per month, which was 29 times higher than in 2014.

By **Varun B. Krishnan**

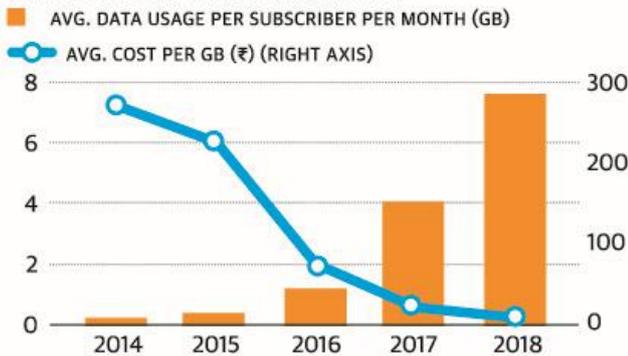
Forging ahead

The number of 3G users peaked in 2016. In 2018, 4G was most widely used, while 2G and 3G users accounted for 12% each of the total wireless subscriber base



Cheap data

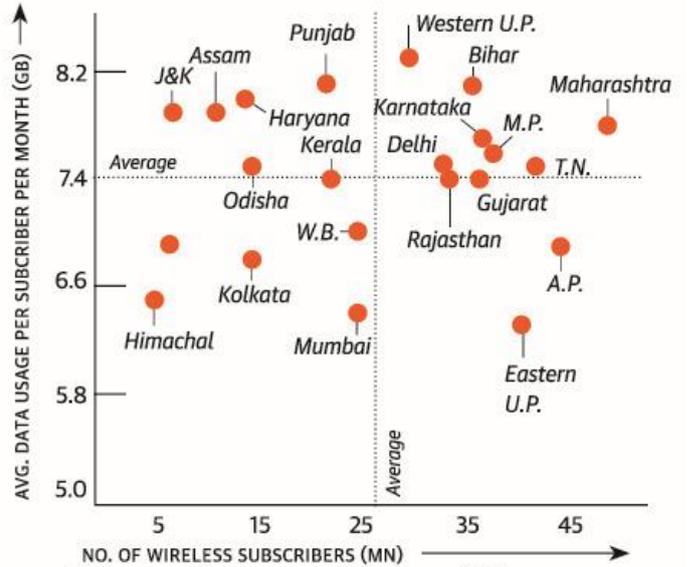
The average cost of data fell dramatically in 2016, with Reliance Jio being a huge disruptor. Correspondingly, there was a steep climb in the total number of data users



Source: TRAI report, "Wireless Data Services in India", 2019

Going giga

Across service areas*, Indian wireless data subscribers used at least 6 GB of data a month in 2018. The average consumption of data was 7.6 GB a month



* Telecom service areas are not the same as States

- Maharashtra (excluding Mumbai) had the highest number of wireless subscribers, followed by Andhra Pradesh and Tamil Nadu (including Chennai)

- Consumers in U.P. (West), Bihar & Punjab used the most data per month on average

- Average data consumption in A.P. and U.P. (East) was lower despite an above average number of subscribers

Migrant magnets

While most Indians migrated to big cities in search of work, a majority of those who moved to Chennai, Agra, Belgaum and Solapur did not go in search of work, data from the 2011 Census show.

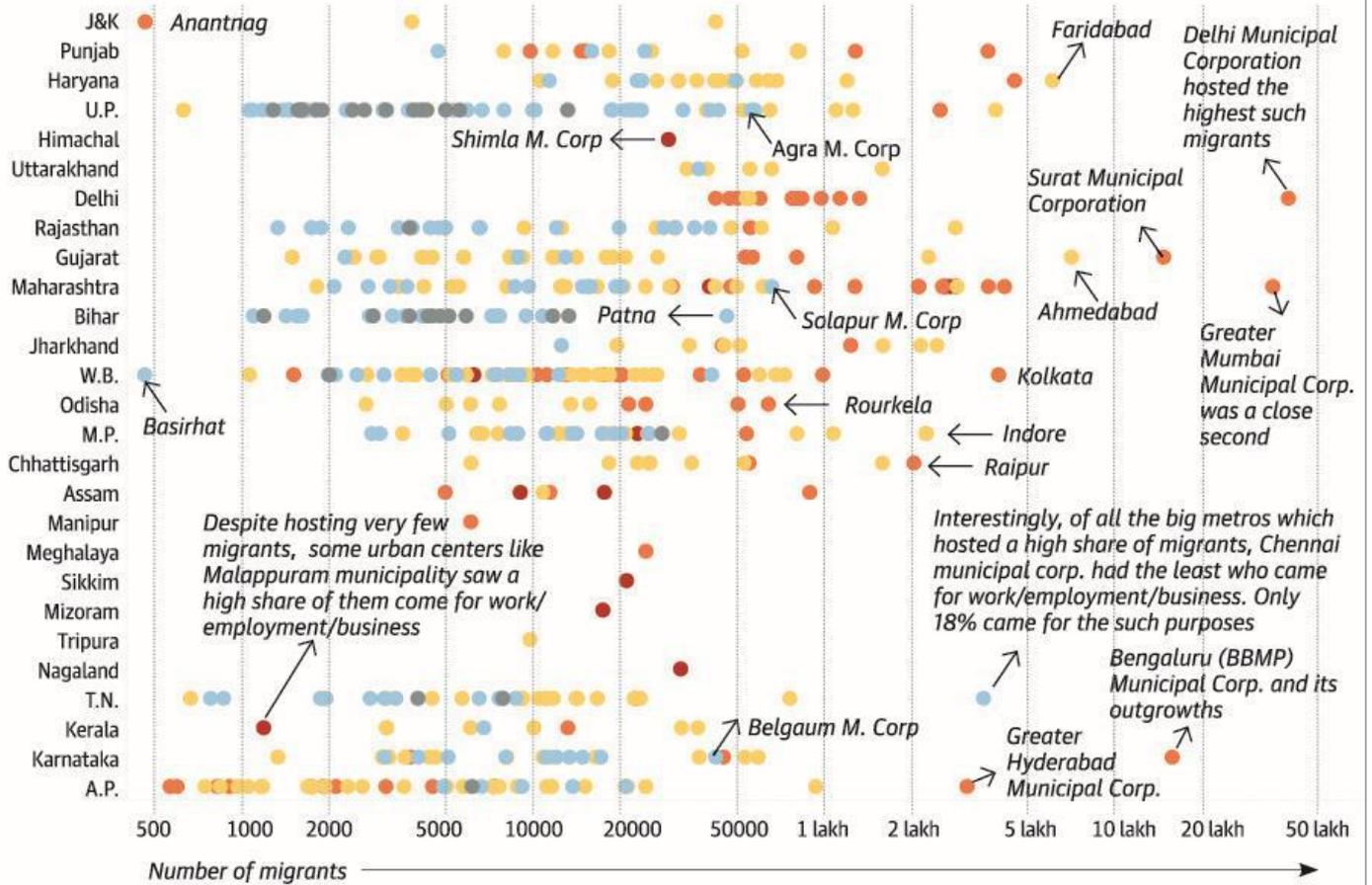
By **Vignesh Radhakrishnan**

The graph shows the number of in-migrants in 501 urban centers* across 29 States as of 2011. It includes only those migrants who previously resided outside the State to which they moved.

Each circle corresponds with an urban centre. The circles towards the right had a relatively larger number of migrants. The colours correspond with the % of migrants who came for work/employment/business:

● >40% ● 30-39.9% ● 20-29.9% ● 10-19.9% ● 0-9.9%

* Urban centers include municipalities, municipal corporations, townships and outgrowths adjoining an urban centre



Topic 10.

CHILD WELL BEING INDEX

Kerala, Tamil Nadu, Himachal Pradesh and Puducherry topped the charts in the child well-being index, a tool designed to measure and track children's well-being comprehensively.

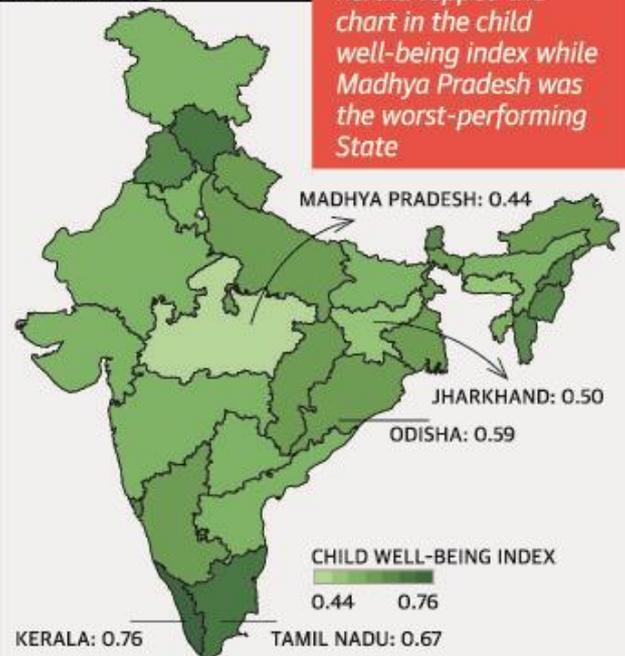
Meghalaya, Jharkhand and Madhya Pradesh featured at the bottom of the list, according to a report released by the non-government organisation World Vision India and research institute IFMR LEAD on Tuesday.

The report is an attempt to look at how India fairs on child well-being using a composite child well-being index.

Children's well-being

1 Among U.T.s, Puducherry was the best-performing with good scores in healthcare and nutrition

2 Madhya Pradesh had higher rate of crimes against children and recorded low scores for child survival and nutrition compared to other States



'Crucial report'

Speaking on the report CEO-Niti Ayog noted: "The India child well-being index is a crucial report that can be mined both by the government and civil organisations to achieve the goal of child well-being and we will use this report effectively. This report provides insights on health, nutrition, education, sanitation and child protection."

The dimensions of the index include healthy individual development, positive relationships and protective contexts.

24 indicators

"Focusing on the three key dimensions, 24 indicators were selected to develop the computation of the child well-being index. The report highlights the multi-dimensional approach towards measuring child well-being — going beyond mere income poverty. Children have the potential to transform the country, but if neglected, they will exacerbate the burden of poverty and inequality. It is imperative that all stakeholders prioritise and invest in the well-being of our children,"

The report, calls for States to look at their respective scores on the dimensions of child well-being, and to prepare for priority areas of intervention with specific plans of action.

It also hopes to trigger policy level changes, seek better budgetary allocations and initiate discussions with all stakeholders, which can help in enhancing the quality of life of all children in the country.

'Compelling insights'

"The research has brought to the fore compelling insights on child well-being in India. One of the primary objectives of this index is to garner attention to the under-researched theme of child well-being in India, and inspire further academic and policy conversations on related issues,"

"Some of the key indicators that need to be studied include mobile usage, digital access, financial literacy, mental health and quality of relationships per se, between parents/peers and children,"

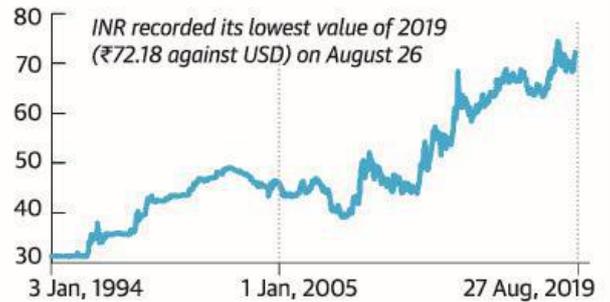
Topic 11. RUPEE DEPRICIATION

Currency tales

The Indian rupee has depreciated sharply in the last one month against the U.S. dollar. It is staring at its worst monthly loss in six years. While it is the worst-performing in Asia for August, it has done better than the currencies of many emerging economies, which have seen a downturn this month. By **Sumant Sen**

Over the years

The Indian rupee (INR) registered its lowest value of 74.39 in October 2018, according to the IMF



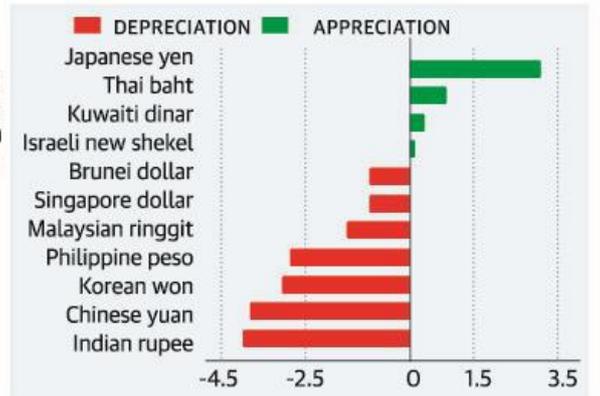
Steep drop

With a 4% depreciation value in August 2019, the rupee might record its biggest monthly loss in six years. The previous lowest monthly loss was in August 2015

Month	Depreciation (Month to date in %)
Aug. '19	4.00
Aug. '15	3.66
Aug. '18	3.38
Nov. '16	2.72
Apr. '18	2.67

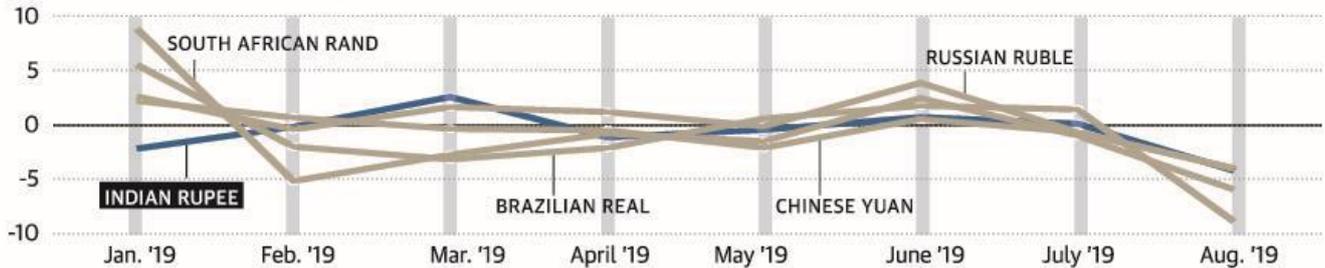
Valued least

The graph shows the % month-to-date appreciation and depreciation of major Asian currencies in August 2019. INR has depreciated the most followed by the Chinese yuan



Dip in emerging markets

The currencies of most emerging markets across the globe have weakened in August after registering gains or remaining stable in the earlier months. Among BRICS countries, the rupee is better-off than the Brazilian real and South Africa rand. The chart shows the change in % month-to-date appreciation and depreciation of BRICS currencies from January 2019



- All currency figures are against the U.S. dollar
- The values for August 2019 are upto the 27th of this month

Source: IMF

Topic 12. AFFORESTATION

The Union Environment Ministry on Thursday transferred ₹47,436 crore to 27 States for afforestation. These are long-pending dues part of the Compensatory Afforestation Fund (CAF), a ₹54,000 crore tranche that has been collected for nearly a decade as environmental compensation from industry, which has razed forest land for its business plans.

Economic value

The amount to be paid by industry depends on the economic value of the goods and services that the razed forest would have provided. These include timber, bamboo, firewood, carbon sequestration, soil conservation, water recharge, and seed dispersal. Industrialists pay this money and this is eventually transferred to the States concerned to carry out afforestation.

Only a fraction of this corpus had actually been disbursed to States, due to the lack of a legal framework and instances of States using it for non-forestry purposes.

Independent authority

The CAF Act 2016, which came into being more than a decade since it was devised, established an independent authority — the Compensatory Afforestation Fund Management and Planning Authority — to execute the fund.

However, it was not until last August that the rules governing the management of the fund were finalised.

Environment Minister, while presenting cheques to senior officials in State forest administration, said the Centre would use geographic tagging technology to keep a tab on whether States were using their allotted funds appropriately.

“The Fund will be used as per provisions of the CAF Act and Rules. These include catchment area treatment, wildlife management, forest fire prevention, soil and moisture conservation work in the forest....it cannot be used for payment of salary, travelling allowances, making buildings and buying office equipment for forest officers. We will use electronic repositories, geographical tagging for tracking expenses,” he added.

Odisha top recipient

Odisha, the top recipient of funds, got nearly ₹6,000 crore followed by Chhattisgarh and Madhya Pradesh with ₹5,791 crore and ₹5,196 crore respectively.

Kerala got the least with ₹81.59 crore.

Activists and environmentalists have raised concerns that the funds are used by the State to ride roughshod over tribal rights and unscientific afforestation methods were often implemented to make good razed forests.

Topic 13. GEOGRAPHICAL INDICATOR TAG

Two iconic, but dying products from Tamil Nadu — the **Dindigul lock** and the **Kandangi saree** — were given the Geographical Indication tag by the Geographical Indications Registry in Chennai.

Both these products were losing their sheen in the market, and the GI tag would help them get some recognition.

While the market is flooded with sarees that are woven in other parts of the State and look like the Kandangi saree, the original saree is made manually made using a winding machine, loom, shuttle and bobbin.

The famous Dindigul locks are known throughout the world for their superior quality and durability, but the industry has been slowly dying due to competition from Aligarh and Rajapalayam, and lack of proper marketing.

Topic 14. STROMS

UN warns of rising seas, storm surges

Draft report says rising global ocean waterline could displace 250 million people by year 2100

The same oceans that nourished human evolution are poised to unleash misery on a global scale unless the carbon pollution destabilising Earth's marine environment is brought to heel, warns a draft UN report obtained by AFP.

Destructive changes already set in motion could see a steady decline in fish stocks, a hundred-fold or more increase in the damages caused by superstorms, and hundreds of millions of people displaced by rising seas, according to the Intergovernmental Panel on Climate Change (IPCC) "special report" on oceans and Earth's frozen zones, known as the cryosphere. As the 21st century unfolds, melting glaciers will first give too much and then too little to billions who depend on them for fresh water, it finds.

Without deep cuts to manmade emissions, at least 30% of the northern hemisphere's surface permafrost could melt by century's end, unleashing billions of tonnes of carbon and accelerating global warming even more.

The 900-page scientific assessment is the fourth such tome from the UN in less than a year, with others focused on a 1.5-Celsius cap on global warming, the state of biodiversity, and how to manage forests and the global food system.

All four conclude that humanity must overhaul the way it produces and consumes almost everything to avoid the worst ravages of climate change and environmental degradation.

Governments meet in Monaco next month to vet the new report's official summary. The final advice to policymakers will be released on September 25.

Extreme events

By 2050, many low-lying megacities and small island nations will experience "extreme sea level events" every year, the report concludes.

Even if the world manages to cap global warming at two degrees Celsius, the global ocean waterline will rise enough to displace more 250 million people.

The report indicated this could happen as soon as 2100, though some experts think it is more likely to happen on a longer timescale.

Topic 15. FOREIGN DIRECT INVESTMENT

Cabinet eases rules for FDI in retail, media

Local sourcing norms for single brand retail diluted

The Union Cabinet announced a number of decisions designed to attract increased foreign direct investment (FDI) into the country, including easing local sourcing norms for single-brand retail companies.

Currently, the FDI policy says that a single-brand retail company with more than 51% FDI needs to source 30% of its goods from within India. The new decision says that this 30% can be calculated over the first five years of operation.

Further, sourcing for exports will also count towards the local sourcing requirement, the government said. The government also updated the FDI policy in keeping with prevalent business practices, it said.

"With a view to provide greater flexibility and ease of operations to SBRT (single brand retail trade) entities, it has been decided that all procurements made from India by the SBRT entity for that single brand shall be counted towards local sourcing, irrespective of whether the goods procured are sold in India or exported," the government said in a release.

The current FDI policy provides for 100% FDI under the automatic route in the manufacturing sector. There was no specific provision for contract manufacturing in the policy.

It has now decided to allow 100% FDI under the automatic route in contract manufacturing in India as well.

Cabinet eases FDI rules in retail, media

Another change the Cabinet has approved is that single-brand retail companies can now start selling online before setting up a brick and mortar store as long as they set one up within two years of starting online sales.

Earlier, they had to set up a brick and mortar store before selling online. "Online sales will lead to creation of jobs in logistics, digital payments, training and product skilling," the government said. Apart from single brand retail, the Cabinet also approved changes to the FDI rules for digital media and coal mining. It has decided to permit 26% FDI, with government approval, for uploading and streaming news and current affairs using digital media, on the lines of print media.

Topic 16. RECORD SURPLUS TRANSFER

RBI showers ₹1.76 lakh crore bonanza on government

Record surplus transfer to take care of Centre's fiscal stress

The Reserve Bank of India (RBI), at its board meeting, decided to transfer ₹1.76 lakh crore to the Centre — including the interim dividend of ₹28,000 crore paid in February — which is likely to address the precarious fiscal situation of the government to a great extent.

The ₹1.76 lakh crore includes the central bank's 2018-19 surplus of ₹1.23 lakh crore and ₹52,637 crore of excess provisions identified as per the revised Economic Capital Framework adopted at the board meeting.

The RBI said that as financial resilience was within the desired range, the entire 2018-19 net income of ₹1.23 lakh crore had been transferred.

The RBI had formed a committee, chaired by former Governor Bimal Jalan, to review its economic capital framework and suggest the quantum of excess provision to be transferred to the government. The committee was formed after a demand from the government for more money. The RBI Board has accepted all the recommendations of the Jalan committee.

The panel recommended a clear distinction between the two components of economic capital - realized equity and revaluation balances. It was recommended that realized equity could be used for meeting all risks/ losses as they were primarily built up from retained earnings, while revaluation balances could be reckoned only as risk buffers against market risks as they represented unrealized valuation gains and hence were not distributable.

The committee also recognised that RBI's provisioning for monetary, financial and external stability risks is the country's savings for a 'rainy day', (a monetary or financial stability crisis), which has been consciously maintained with the RBI in view of its role as the Monetary Authority and the Lender of Last Resort.

"This risk provisioning made primarily from retained earnings is cumulatively referred to as the Contingent Risk Buffer (CRB) and has been recommended to be maintained within a range of 6.5% to 5.5% of the RBI's balance sheet comprising 5.5 to 4.5% for monetary and financial stability risks and 1.0% for credit and operational risks," the RBI said in a statement.

The 'Surplus Distribution Policy', as recommended by the committee, says only if realized equity is above its requirement, the entire net income will be transferable to the government.

Boost to finances

At a board meeting on Monday, the RBI decided to hand over its entire 2018-19 surplus of ₹1.23 lakh cr. to the govt

In ₹ crore	2013-14	2014-15	2015-16	2016-17	2017-18
Income	64,617	79,256	80,870	61,818	78,281
Expenditure	11,934	13,356	14,990	31,155	28,277
Net surplus	52,683	65,900	65,880	30,663	50,004
Surplus given to centre	52,679	65,896	65,876	30,659	50,000
% of RBI's net profit	99.99	99.99	99.99	99.99	99.99

Topic 17. G7 SUMMIT

Rifts emerge as G7 summit kicks off

U.S. President at odds with Western allies on issues ranging from his trade war with China to Iran

Done deal: Donald Trump greeting Japanese Economy Minister Toshimitsu Motegi, while Japanese PM Shinzo Abe greets U.S. Trade Representative Robert Lighthizer in Biarritz on Sunday. AP Andrew Harnik

BIARRITZ

U.S. President Donald Trump insisted on Sunday that he was getting along well with leaders at a G7 summit in France, but rifts emerged with his Western allies on issues ranging from his trade war with China to Iran, North Korea and Russia.

The G7 gathering is taking place against a backdrop of worries about a global economic downturn and coincides with an era of international disunity across an array of matters.

“Before I arrived in France, the Fake and Disgusting News was saying that relations with the 6 other countries in the G7 are very tense, and that the two days of meetings will be a disaster,” Mr. Trump wrote on Twitter shortly before meeting new British Prime Minister Boris Johnson.

“Well, we are having very good meetings, the Leaders are getting along very well, and our Country, economically, is doing great - the talk of the world!”

Tensions were quickly on show, however, as the first full day of talks between the leaders of Britain, Canada, France, Germany, Italy, Japan and the United States got underway in the Basque coast resort of Biarritz in southwest France.

Trump's call

Before leaving Washington, Mr. Trump stepped up his tariff war with Beijing in a battle between the world's two largest economies that has spooked financial markets, and called on U.S. companies to move out of China.

Britain's Johnson voiced concern on Saturday about creeping protectionism and said those who support tariffs “are at risk of incurring the blame for the downturn in the global economy.” Sitting across from Mr. Trump on Sunday, he said: “We're in favour of trade peace on the whole, and dialling it down if we can.” Asked if he was being pressed by allies to relent in his standoff with China, Mr. Trump said: “I think they respect the trade war.”

Underlining the multilateral discord even before the summit got under way, Mr. Trump threatened the meeting's host, saying Washington would tax French wine “like they've never seen before” unless Paris dropped a digital tax on U.S. technology companies.

European Council President Donald Tusk, who takes part in the G7 discussions, warned the EU would respond “in kind” if Mr. Trump acted on his threat.

Topic 18. WTO REFORM

Is the WTO becoming a new battlefield?

Why is the U.S. President critical of the organisation? Where do India and China stand in this confrontation?

The story so far: U.S. President Donald Trump earlier this month attacked the World Trade Organization (WTO) for allowing countries such as India and China to engage in unfair trade practices that affect American economic interests. While addressing a gathering in Pennsylvania, Mr. Trump took issue with the “developing country” status enjoyed by India and China at the WTO. He argued that these countries are not developing economies, as they claim to be, but instead grown economies that do not deserve any preferential trade treatment from the WTO over developed countries such as the U.S.

What is the “developing country” status?

The “developing country” status allows a member of the WTO to seek temporary exception from the commitments under various multilateral trade agreements ratified by the organisation. It was introduced during the initial days of the WTO as a mechanism to offer some respite to poor countries while they try to adjust to a new global trade order marked by lower barriers to trade. Countries such as India and China, while seeking exception from various WTO agreements, have argued that their economic backwardness should be considered when it comes to the timeline of implementation of these agreements. The issue of farm subsidies, for instance, is one over which rich and poor countries have had major disagreements. The WTO, however, does not formally classify any of its members as a developing country. Individual countries are allowed to unilaterally classify themselves as developing economies. So, as many as two-thirds of the 164 members of the WTO have classified themselves as developing countries.

How do countries such as India and China benefit from the special status?

The WTO was envisaged as an international trade body to help foster more trading in goods and services between nations by lowering various barriers to trade such as tariffs, subsidies and quotas. Towards this end, several trade agreements have been ratified over the years under the WTO.

Developing countries such as India and China, however, as earlier mentioned, can seek to delay the implementation of these WTO agreements owing to their disadvantaged economic status. They can continue to impose tariffs and quotas on goods and services in order to limit imports and promote domestic producers who may otherwise be affected adversely by imports that are lower in price or better in quality. India, for instance, subsidises agriculture heavily in the name of food security in order to protect its farmers. While local producers may be protected by protectionist barriers such as tariffs, consumers in India and China will have limited access to foreign goods.

Is the U.S. justified in criticising the WTO?

While the “developing country” status was supposed to help poor countries ease gradually into a more globalised world economy, it has had other unintended effects. Since the WTO allows countries to unilaterally classify themselves as “developing”, many countries have been happy to make use of this freedom. Even many developed economies such as Singapore and Hong Kong which have per capita income levels higher than the U.S., have made use of the provision to classify themselves as growing economies. Further, countries such as China justify that while their per capita income level has increased many-fold over the last few decades, these are still far below that of high income levels in countries such as the U.S. Thus, Mr. Trump may have a prima facie case in urging the WTO to address the issue of how countries arbitrarily classify themselves as “developing” to justify raising trade barriers. This is, however, not to say that WTO rules always work to the advantage of developing countries alone.

Developed countries such as the U.S. have tried to force poorer countries to impose stringent labour safety and other regulations that are already widely prevalent in the West. These regulations can increase the cost of production in developing countries and make them globally uncompetitive. Developing countries further view the introduction of labour issues into trade agreements as beyond the scope of the WTO, which is primarily supposed to be an organisation dealing with trade. Many economists also oppose the fundamental argument of poorer countries that low per capita income levels justify their decision to raise trade barriers. They argue that free trade benefits all countries irrespective of their income levels. In fact, they argue that protectionist trade barriers impede the transition of developing economies to higher income levels. The developing country status may thus simply be a false pretext to justify protectionism.

What lies ahead?

Mr. Trump's criticism of the WTO is seen by many as the opening of a new front in his trade war against China. Earlier, the U.S. President had termed China as a "currency manipulator" for allowing the yuan to depreciate against the dollar. China and the U.S. have also been slapping steep tariffs on imports from each other since early last year. China's developing country status at the WTO gives Mr. Trump yet another opportunity to attack China. Since developing countries are likely to oppose any efforts to stop them from protecting their domestic economic interests, global trade rules are unlikely to experience any drastic reform any time soon. Further, ahead of the next ministerial-level talks of the WTO scheduled to be held in Kazakhstan next year, the inability of the WTO to rein in global trade tensions has raised questions about its relevance in today's world. This is particularly so given that global tariff rates over the years have dropped more due to bilateral trade agreements rather than due to multilateral trade agreements brokered at the WTO.

Further, the dispute resolution mechanism of the WTO, which can pass judgments on disputes, lacks the powers to enforce them as the enforcement of decisions is left to individual member states. While initially envisaged as a global body to promote free trade, the WTO has now deteriorated into a forum where competing governments fiercely try to protect their narrow interests.

Topic 19. FATF group 'blacklists' Pakistan

Task force's regional panel says too few safeguards exist against terror financing

Pakistan has been placed on the lowest rung, or "blacklist", of the Financial Action Task Force's Asia Pacific Group (APG) for non-compliance and non-enforcement of safeguards against terror financing and money laundering.

The APG, one of nine regional affiliates of the FATF, met in Canberra from August 18 to 23 to discuss a five-year review of the Mutual Evaluation Report (MER) for Pakistan, and decided to place it among countries requiring "enhanced, expedited follow-up".

Quarterly reporting

While the placing does not bring any new punitive measures on Pakistan, it will mean quarterly reporting to the group on improvement in its financial safeguards.

While the APG's final report will be published in October, the group said in a statement that it had "adopted a number of follow-up reports for APG members and for joint APG/FATF members and also agreed on revised evaluation procedures for the coming year reflecting recent changes to global procedures". Countries under review during the current session included China, Chinese Taipei, Hong Kong, China, Pakistan, the Philippines and the Solomon Islands

The APG process is one of three review processes that Pakistan faces in the next few months. On September 5, the APG will meet again, to take forward the main 15-month process of Pakistan's FATF evaluation, which will present its recommendations for the FATF plenary session in Paris from October 18 to 23. At present, Pakistan is on the "greylist" of the FATF, a common group for countries that are termed "high risk and non-cooperative jurisdictions".

The Paris plenary will decide whether to remove Pakistan from the greylist, continue the listing, or downgrade it to a blacklist of non-cooperative countries. Officials said the downgrade might not occur, given that any three countries in the FATF can veto it, and Pakistan is likely to secure the backing of China, Turkey and Malaysia. However, the APG decision on Friday would make it difficult for Pakistan to extricate itself from the greylist.

'Wrong terminology'

In a statement, Pakistan's Finance Ministry accepted that it had been placed in the enhanced follow-up, which requires it to report on a quarterly basis, but said that the term "blacklist" did not apply to the APG process, calling the terminology "incorrect and baseless".

Pakistani officials said that since the APG process only looked at Pakistan's actions till October 2018, it did not represent the decisions taken in the past year, which will be considered by the next two reviews.

Status downgrade

- The Asia Pacific Group of the Financial Action Task Force met in Canberra from August 18 to 23

- The placing of Pakistan on the lowest rung does not bring punitive measures but the country will have to send quarterly reports on safeguards against terror financing



- The regional group will present its recommendation at the Paris plenary of the FATF in October

- Pakistan says the term 'blacklist' is incorrect

Topic 20. ARMS CONTROL

An end to arms control consensus

An end to the New START in 2021 will leave the arsenals of the two major nuclear powers unencumbered by any pact

The countdown on the U.S.-Russia Intermediate Range Nuclear Forces (INF) Treaty began last October when President Donald Trump announced that the U.S. was considering a withdrawal. On August 2, the U.S. formally quit the pact. Concluded in 1987, the agreement had obliged the two countries to eliminate all ground-based missiles of ranges between 500 km and 5,500 km, an objective achieved by 1991.

At risk is the New START (Strategic Arms Reduction Treaty) signed in 2010 and due to lapse in February 2021. It has a provision for a five-year extension but Mr. Trump has already labelled it “a bad deal negotiated by the [Barack] Obama administration.”

In May, Director of the Defence Intelligence Agency Lt. Gen. Robert Ashley declared that “Russia probably is not adhering to the nuclear testing moratorium in a manner consistent with the ‘zero-yield’ standard” imposed by the Comprehensive Test Ban Treaty (CTBT). The CTBT has not entered into force but the U.S. is a signatory and Russia has signed and ratified it. Many have interpreted Lt. Gen. Ashley’s statement as preparing the ground for a resumption of nuclear explosives testing. Taken together, these ominous pointers indicate the beginning of a new nuclear arms race.

The decade of the 1980s saw heightened Cold War tensions. Soviet military intervention in Afghanistan in 1979 provided the U.S. an opportunity to fund a (barely) covert jihad with the help of Pakistan. President Ronald Reagan called the USSR “an evil empire” and launched his space war initiative. Soviet deployments in Europe of SS-20 missiles were matched by the U.S. with Pershing II and cruise missiles.

Cold War talks

In 1985, the two countries entered into arms control negotiations on three tracks. The first dealt with strategic weapons with ranges of over 5,500 km, leading to the START agreement in 1991 that limited both sides to 1,600 strategic delivery vehicles and 6,000 warheads. A second track dealt with intermediate-range missiles, of particular concern to the Europeans, and this led to the INF Treaty in 1987. A third track, Nuclear and Space Talks, was intended to address Soviet concerns regarding the U.S.’s Strategic Defence Initiative (SDI) but this did not yield any concrete outcome.

The INF Treaty was hailed as a great disarmament pact even though no nuclear warheads were dismantled and similar range air-launched and sea-launched missiles were not constrained. Further, since it was a bilateral agreement, the treaty did not restrict other countries, but this hardly mattered as it was an age of bipolarity and the U.S.-USSR nuclear equation was the only one that counted. By 1991, the INF had been implemented. The USSR destroyed a total of 1,846 missiles and the U.S. did the same with 846 Pershing and cruise missiles. Associated production facilities were also closed down. In keeping with Reagan’s dictum of ‘trust but verify’, the INF Treaty was the first pact to include intensive verification measures, including on-site inspections.

With the end of the Cold War and the break-up of the USSR in end-1991, the arms race was over. Former Soviet allies were now joining the North Atlantic Treaty Organization (NATO) and negotiating to become European Union (EU) members. The U.S. was investing in missile defence and conventional global precision strike capabilities to expand its technological lead. Importantly, some of these were blurring the nuclear-conventional divide.

U.S. withdrawal from ABM

In 2001, when the U.S. announced its unilateral withdrawal from the 1972 Anti Ballistic Missile Treaty (ABM Treaty), a keystone of bilateral nuclear arms control was removed.

The INF Treaty had been under threat for some time. The U.S. had started voicing concerns about the Novator 9M729 missile tests nearly a decade ago. As Russia began production, formal allegations of violation of the INF Treaty were raised by the Obama administration in 2014. Russia denied the allegations and blamed the U.S. for deploying missile defence interceptors in Poland and Romania, using dual-purpose launchers that could be quickly reconfigured to launch Tomahawk missiles.

Basically, Russia believes that nuclear stability began getting upset since the U.S.'s unilateral withdrawal from the ABM Treaty. As the U.S. used its technological lead to gain advantage, Russia became more dependent on its offensive nuclear arsenal and began its modernisation and diversification.

The U.S.'s 2017 National Security Strategy and the Nuclear Posture Review (NPR) the following year reflected harsher-than-before assessment of its security environment and sought a more expansive role for nuclear weapons, in a break from the policies that had been followed since the end of the Cold War. Russia was seen as a 'disruptive power' pushing for a re-ordering of security and economic structures in Europe and West Asia in its favour. China was identified for the first time as a strategic competitor that was seeking regional hegemony in the Indo-Pacific region in the near-term and "displacement of the U.S. to achieve global pre-eminence in the future".

With the geopolitical shift to the Indo-Pacific, the U.S. believes that the INF Treaty was putting it at a disadvantage compared to China which is rapidly modernising and currently has 95% of its ballistic and cruise missile inventory in the INF range. Against this political backdrop, the demise of the agreement was a foregone conclusion.

The 2011 New START was a successor to the START framework of 1991 and limited both sides to 700 strategic launchers and 1,550 operational warheads. It lapses in February 2021 unless extended for a five-year period. Mr. Trump has indicated that a decision on the agreement will be taken in January 2021, after the 2020 election. Given his dislike for it, if he is re-elected, it is clear that the New START will also meet the fate of the INF Treaty. This means that, for the first time since 1972, when the Strategic Arms Limitation Act (SALT) I concluded, strategic arsenals from the U.S. and Russia will not be constrained by any arms control agreement.

Testing of low-yield weapons

The 2018 NPR envisaged development of new nuclear weapons, including low-yield weapons. The Nevada test site, which has been silent since 1992, is being readied to resume testing with a six-month notice. The U.S. Senate had rejected the CTBT in 1999 but as a signatory the U.S. has observed it. In addition to pointing the finger at Russian violations, Lt. Gen. Ashley declared that "China is possibly preparing to operate its test site year-round in a development that speaks directly to China's goals for its nuclear force". He suggested that China cannot achieve such progress "without activities inconsistent with the CTBT". Since the CTBT requires ratification by U.S., China, Iran, Israel and Egypt and adherence by India, Pakistan and North Korea, it is unlikely to ever enter into force. Resumption of testing by the U.S. would effectively ensure its demise.

A new nuclear arms race could just be the beginning. Unlike the bipolar equation of the Cold War, this time it will be complicated because of multiple countries being involved. Technological changes are bringing cyber and space domains into contention. All this raises the risks of escalation and could even strain the most important achievement of nuclear arms control — the taboo against the use of nuclear weapons that has stood since 1945.

Topic 21. SILK ROAD

Letting the pearl on the Silk Road shine brighter

The Dunhuang city has been witness to multiple interactions and mutual learning between China and India

Recently, Chinese President Xi Jinping visited the Mogao Grottoes in Dunhuang city of China to inspect cultural relics protection and research work. Some Indian friends may have heard about Dunhuang, but not many know about its unique beauty, history and culture. Here I wish to share with you stories about the Dunhuang that I know.

Dunhuang is a land that has gone through vicissitudes of history with ancient legacies and magic beauty. Around 2,000 years ago, a Chinese geographer of the Eastern Han dynasty Ying Shao said: “Dun, means grand; Huang, means splendid.” Therefore Dunhuang means the land of grand splendour. Historical changes over the millennium shaped the magnificent landscape of this frontier region west of China’s Gansu province and left colourful and gorgeous cultural treasures.

The Mogao Grottoes, located in a desert oasis surrounded by water and mountain, have stood quietly for over 1,650 years and become the most abundant and exquisite Buddhist art relics in China and beyond. Mogao Grottoes are a treasure house of art, architecture, sculpture and painting with 735 grottoes, over 45,000 square meters of murals and 2,000 painted sculptures. These works of art are exquisitely crafted, with unique craftsmanship, vivid charm, and combination of form and spirit. Like an amazing and colourful movement, they tell a beautiful and touching legend of magic charm lasting thousand years.

Dunhuang is a witness to interactions and mutual learning between China and India, two ancient civilisations. The Mogao Grottoes in Dunhuang remind me of Ajanta Caves and Elora Caves in India, which I visited before. All being world-famous, the murals and Buddha figures in these caves tell the historical and cultural ties between Chinese and Indian civilisations, and witness the light of inter-civilisational exchanges and mutual learning.

Indian-style sculptures can be seen in the Mogao Grottoes built during the 4th to 6th centuries. The moves of the most commonly seen Apsara figure in Dunhuang murals are similar to those in Indian classical dances. Dunhuang also keeps many ancient Buddhist sutras written in Sanskrit and Pattra-Leaf Scripture, a wealth of information for China-India cultural exchanges.

Convergence of cultures

Dunhuang is a classical example of convergence of Oriental and Western civilisations. President Xi Jinping said that Dunhuang is an important hub where Oriental culture met the Western culture in history, and different cultures met and mingled here, shaping the unique charm of Dunhuang culture. The rich and colourful painted sculptures and murals in the Mogao Grottoes absorb the strength of ancient Eastern and Western art. The splendid Dunhuang culture is a fusion of the best of cultures of various nations. Ji Xianlin, a master scholar on culture in China, said that there are only four cultural systems in the world with long history, vast territory, self-contained system and far-reaching influence, i.e. Chinese, Indian, Greek and Islamic, and these four cultural systems converge in Dunhuang and Xinjiang of China.

Being an important hub city, Dunhuang is known as the “Pearl on the Silk Road”. For thousands of years, envoys and officials, merchants and caravans, monks and scholars, capital and technology, integrated and communicated through this silk road, nourishing the development and prosperity of countries along the route.

China and India have also developed close economic, trade and cultural exchanges along the ancient Silk Road of both land and sea. China’s paper making, silk, porcelain and tea were introduced to India, while Indian singing and dancing, astronomy, architecture and spices were introduced to China, which became the historical witness of the mutual exchanges between the two sides. Zhang Qian was sent on a

diplomatic mission to the Western Regions. Zheng He sailed to the Western Ocean seven times and visited India six times. Xuan Zang, Kumarajiva, Bodhidharma and other great monks made the expeditions by crossing over mountains and sailing the deep sea. All of them left touching stories.

Road of friendship

The Silk Road is not only a road of trade, but also a road of friendship and mutual learning among civilisations. It will certainly further promote the deep inter-connectivity and cultural exchanges between countries along the route. The Silk Road spirit is about openness, exchanges and inclusiveness. It reveals the truth that there will be no progress without openness, no development without exchanges and no strength without inclusiveness. Facing challenges of today's world, we should draw wisdom from the history of the Silk Road, unleash strength from the win-win cooperation today, and create a bright future of common development.

Not long ago, Chinese State Councilor and Foreign Minister Wang Yi and Indian Minister of External Affairs Subrahmanyam Jaishankar co-chaired the second meeting of China-India High Level People-to-People (P2P) and Cultural Exchanges Mechanism in Beijing. The mechanism was set up under the joint initiative of President Xi Jinping and Prime Minister Narendra Modi.

Since the first meeting, bilateral people-to-people and cultural exchanges and cooperation have seen a fresh boom. At this meeting, China and India agree to host more colourful P2P and cultural events, work for new progress in P2P and cultural exchanges and consolidate the popular support for the sound development of China-India relations.

In the long course of history, China and India, two ancient oriental civilisations, have engaged in exchanges and mutual learning, created two vigorous and charming civilisations, and made great contributions to the development of human civilisation. In the new era, China and India should also adhere to inclusiveness and resolve differences through building common ground. We should transcend civilisation barriers through exchanges, rise above "civilisation conflicts" by mutual learning, and overcome the sense of superiority by promoting coexistence of civilisations. Let's polish the ancient "Pearl on the Silk Road" Dunhuang, paint a new picture of dialogue and harmony and write a new chapter of mutual respect and harmonious coexistence between Chinese and Indian civilisations.

Topic 22. PRESIDENT RULE

Under the cover of President's Rule

Unless some limitations are read into the Centre's role under Article 356, the designated powers of States are in peril

The lynchpin of the government's legal measures to declare Article 370 inoperative and reorganise Jammu and Kashmir (J&K) into two Union Territories is the Constitution (Application to Jammu and Kashmir) Order of August 5, 2019. However, the task was not accomplished by that Order alone. The Centre and Parliament also used the fact that the State was under President's Rule to act on behalf of the State government and the State Assembly. This means that another principal source of the government's power was the President's proclamation issued on December 18, 2018, imposing Central rule.

Much has been written about the constitutionality or otherwise of the two principal moves of the Centre: hollowing out Article 370 using the two-pronged mechanism referred to above, and downgrading the State into two Union Territories. One clear way to question and challenge the legality of the measures is to find out whether there are any limitations on the Centre or Parliament using the prevalence of President's Rule to do anything that is not realistically possible to be done if there were a popularly elected legislature in a State.

Proviso suspension

While assuming to himself the functions of the State government and Assembly under Article 356 of the Constitution, the President also suspends portions of the Constitution. One such suspended part is the proviso to Article 3 (this Article empowers Parliament to create or divide States and alter their boundaries). The proviso says the President must refer any proposal to alter a State's name or boundaries to the State legislature for its views. It is an acknowledged fact that under the constitutional scheme, Parliament has overriding powers over the States in this matter. However, in respect of J&K, there is an additional proviso, one found only in the State's own Constitution. This says J&K's legislature has to give its consent to any altering of its boundaries or size or name. Significantly, the Presidential proclamation suspends the second proviso too.

Consider the following: (a) the issuance, "with the State government's concurrence", of the Order of 2019, by which the Order of 1954 was superseded and the reference to 'Constituent Assembly of Jammu and Kashmir' was to be read as the 'Legislative Assembly' (b) the passage of a statutory resolution in Parliament recommending the declaration of Article 370 as inoperative (c) the adoption of a resolution accepting the Jammu and Kashmir Reorganisation Bill, 2019 and, finally, (d) the issuance of a notification by the President on August 6 midnight, declaring Article 370 inoperative. All these were made legally and constitutionally possible only because the State was under President's Rule and the President's Proclamation under Article 356 provided for it.

The legal fiction is that whatever Parliament or the President does in respect of J&K, it is the State Assembly or the State government that is actually doing it. How far should this legal fiction be allowed to prevail? Are there any legal limitations on this substitution of the State's powers and functions with the Centre's own, even if one concedes the wide amplitude of executive power under Article 356?

Extent of judicial intervention

A presidential proclamation under Article 356 is subject to judicial review, going by the verdict of the nine-judge Bench of the Supreme Court in *S.R. Bommai vs. Union of India* (1994). However, the scope for judicial intervention is limited to the adequacy and relevance of the material on the basis of which the President comes to the subjective satisfaction that the governance of a State cannot be carried on in accordance with the Constitution. At the same time, the court read another limitation into the same Article. It said the initial exercise of the power is limited to taking over the executive and legislative functions without dissolving the Assembly. Once Parliament approves the proclamation, the Assembly may be dissolved.

India's quasi-federal Constitution is admittedly weighted in favour of the Centre, but the courts have always emphasised that, in their limited domain, States remain 'supreme'. They are not "mere appendages

of the Centre". Notwithstanding the Centre taking over all the State government's functions under Article 356, there are certain functions that the States alone can do. If these functions are allowed to be performed by the Centre in lieu of the State government or Assembly in the garb of President's Rule, the concept of States being supreme in their own domain is completely destroyed.

In the realm of law and policy, the Centre may issue orders or enact laws that fundamentally alter the State's policies and programmes. This appears to be permissible under the Constitutional scheme of Article 356, which says the President may assume to himself all or any of the functions of the State government; and Parliament may perform the functions of the State legislature, but the President shall not assume any power vested in the respective High Courts. This schema poses a real danger to the will of the people of a State, as decisions that a popular regime would never make may become possible under President's rule.

What could happen

Some of the possibilities of the kind of anti-federal damage that may be done while a State is under Central rule can be listed: (a) suits instituted by the State against other States or the Centre under Article 131 may be withdrawn or claims against it conceded (b) the power of a State Assembly to ratify Constitution amendments may be exercised by Parliament, and (c) the Assembly may be denied the opportunity to give its views on a proposal to alter the boundaries of the State. In the case of J&K, the consent of its legislature was mandatory, but the State Assembly's consent was given by Parliament itself. The resolution adopted in Parliament stated that since the State legislature's powers are vested in Parliament, "This House resolves to express the view to accept the Jammu and Kashmir Reorganisation Bill, 2019."

To this list of State responsibilities that ought not to be discharged by the Centre while a State is under President's Rule, one may add two more aspects in respect of J&K. One is the power of the J&K government to concur with proposals to modify the way in which provisions of the Constitution apply to the State; and two, the recommendation of the State 'Constituent Assembly' to the President to declare Article 370 inoperative. These two measures have been adopted by the Centre in the name of the Governor and by reading the term 'Constituent Assembly' as 'Legislative Assembly', and using the factum of the State being under President's Rule to make Parliament itself perform the duty of recommending the step.

It may be argued that Article 356 empowers the Centre to assume and perform these two functions. However, these are clearly powers exercisable by elected regimes, and not by the Centre discharging its emergency powers. The implicit limitation on the Centre performing nothing more than routine governance functions on behalf of the State will have to be traced to the overall scheme of Article 356 itself. First, the power is invoked only with the objective of restoring constitutional governance in the State, and not to exercise absolute powers to change policies, laws and programmes of the State in the limited period during which a State is under President's rule. Parliament may pass the State Budget, or essential legislation so that existing programmes and statutory measures survive, but Article 356 does not give a blanket power to the President or Parliament to alter any matter in which the political leaders and the electorate of the State have a legitimate stake. Unless these implied limitations on the way the President or Parliament performs the functions of a State under Central rule, no State law or policy is safe. Another example may drive home the point. Let us suppose the Centre finds that it does not have the requisite number of State Assembly resolutions ratifying a Constitution amendment it has managed to pass with a two-thirds majority in both Houses of Parliament. Can a few State governments be dismissed, and Parliament used to adopt resolutions ratifying the amendments on behalf of those States?

This may happen in other ways too. A State law may be amended by Parliament during President's Rule, and thereafter, the subject it falls under may be shifted to the Union or Concurrent List through a Constitution amendment; and the latter may be ratified on behalf of several State governments by placing them under President's Rule for a limited period. This route may be used to abrogate any State law, and thereafter future elected regimes in the State may be prevented from restoring its old law, by stripping it of its legislative competence.

Topic 23. MEDIA

The PCI must act in the interest of a free media and not kowtow to the government

The Press Council of India (PCI)'s support of government restrictions on communication last week was brazenly contrary to its mandate and purpose. It has sought to intervene in a petition by Kashmir Times executive editor Anuradha Bhasin, pending before the apex court, seeking an end to the restrictions on communication in Jammu and Kashmir that were imposed before the Government's decision on August 5 to revoke the special constitutional status of the erstwhile State. The petitioner has cited Articles 14 (equality before the law) and 19 (freedom of speech and expression) of the Constitution of India, and the PCI's intervention, if any, should have been on the side of the petitioner. Instead, it has justified restrictions on communication "in the interest of the integrity and sovereignty of the nation". The notion that an open society, and an independent media, are somehow a threat to the nation's integrity and sovereignty is nothing less than a rationale for despotism. That it is coming from a statutory, quasi-judicial, autonomous body whose mandate it is to protect and reinforce a professional and objective media is shocking.

The PCI explains its *raison d'être* as "rooted in the concept that in a democratic society the press needs at once to be free and responsible". Of course, freedom of expression like any other freedom is subject to reasonable restrictions. But the operative word is 'reasonable'. "Where the norms are breached and the freedom is defiled by unprofessional conduct, a way must exist to check and control it. But, control by Government or official authorities may prove destructive of this freedom... Hence, the Press Council," it says. The PCI's stance in the instant case goes against the letter and spirit of this claim. Its track record may not have been stellar; nevertheless, its interventions occasionally held the mirror to deviant journalists and publications and, at the same time, sought to shield the profession and professionals from the highhandedness of the state and non-state actors. It supported the Punjab Press in its "efforts to inform the people truthfully and impartially" during the years of militancy in the early 1990s; around the same period, it pulled up several publications that showed communal bias in coverage of the Ayodhya agitation. In fact, the PCI considers "defaming a community a serious matter" and believes "ascribing to it a vile, anti-national activity is reprehensible and amounts to journalistic impropriety". India is currently witnessing a disturbing debasement of standards in journalism, and the PCI's legal and ethical obligation has never been so critical. Media is often called upon by the state to privilege a narrowly defined national interest over truthful reporting; professional media in a democracy must view truthful reporting in itself as in national interest. The PCI must play its mandated role and not kowtow to the government of the day.

Topic 24. PRIVACY

Privacy no longer supreme

Two years on, the judgment in 'K.S. Puttaswamy' has hardly resulted in a rights-based handling of personal data

Two years ago, this month, a nine-judge bench of the Supreme Court unanimously held that Indians have a constitutionally protected fundamental right to privacy. It held that privacy is a natural right that inheres in all natural persons, and that the right may be restricted only by state action that passes each of the three tests: First, such state action must have a legislative mandate; Second, it must be pursuing a legitimate state purpose; and third, it must be proportionate i.e., such state action — both in its nature and extent, must be necessary in a democratic society and the action ought to be the least intrusive of the available alternatives to accomplish the ends.

Prescribing a higher standard

That judgment in Justice K.S. Puttaswamy (Retd) vs Union Of India fundamentally changed the way in which the government viewed its citizens' privacy, both in practice and prescription. It undertook structural reforms and brought transparency and openness in the process of commissioning and executing its surveillance projects, and built a mechanism of judicial oversight over surveillance requests. It demonstrated great care and sensitivity in dealing with personal information of its citizens. It legislated a transformative, rights-oriented data protection law that held all powerful entities that deal with citizens' personal data (data controllers), including the state, accountable.

The data protection law embodied the principle that the state must be a model data controller and prescribed a higher standard of observance for the state. The law also recognised and proscribed the practice of making access to essential services contingent on the citizen parting with irrelevant personal information. This law established an effective privacy commission that is tasked with enforcing, protecting and fulfilling the fundamental right to privacy implemented through the specific rights under the legislation.

The data protection law also revolutionised the technology sector landscape in the country, paving way for innovative privacy-aware and privacy-preserving technical solution providers to thrive and flourish, and establishing the country as a global leader in the space.

This fairytale would have been the story of the last two years if the government had followed the script. But it did the exact opposite. The judgment in K.S. Puttaswamy effected little change in the government's thinking or practice as it related to privacy and the personal data of its citizens.

National security as reason

It continued to commission and execute mass surveillance programmes with little regard for necessity or proportionality, with justifications always voiced in terms of broad national security talking points. The Ministry of Home Affairs, in December last year, authorised 10 Central agencies to "intercept, monitor and decrypt any information generated, transmitted, received or stored in any computer in the country". This notification is presently under challenge before the Supreme Court. In July last year, it became known that the Ministry of Information Broadcasting had floated a tender for 'Social Media Monitoring Hub', a technical solution to snoop on all social media communications, including e-mail. The government had to withdraw the project following the top court's stinging rebuke. A request for proposal for a similar social media surveillance programme was floated in August last year by the Unique Identification Authority of India (UIDAI), which is presently under challenge before the Supreme Court. The Income-Tax department has its 'Project Insight' which also has similar mass surveillance ends. These are but a few examples.

Data use vs. privacy

The government has shunned a rights-oriented approach in the collection, storage and processing of personal data and has stuck to its 'public good' and 'data is the new oil' discourse. In other words, personal data in the custody of the state is for the state to use, monetise and exploit in any manner it desires so long as it guards against security incidents such as breaches and unauthorised access — i.e. unauthorised by the government. This convenient redux of the idea of privacy to mere information security appears to inform all its policies. This is evident from this year's Economic Survey as it commends the government for having been able to sell and monetise the vehicle owners' data in the Vahan database and exhorts it to replicate the success with other databases. The Justice Srikrishna committee which has published the draft Personal Data Protection Bill uses a similar language of 'free and fair digital economy', with the digital economy being the ends and the notion of privacy merely being a shaper of the means — not only misrepresenting the purpose of the bill, but also its history and the mischief that it intended to tackle. The committee made the choices it made despite being aware that the courts are likely to interpret every provision of the legislation purposively, taking note that the purpose is couched in terms of the economy as opposed to the bill having a singular focus on the fulfilment of the right to privacy.

As K.S. Puttaswamy ages and steps into its third year, the script is still on the table. A rights-oriented data protection legislation — which includes comprehensive surveillance reform prohibiting mass surveillance and institution of a judicial oversight mechanism for targeted surveillance — and which recognises the principle that the state ought to be a model data controller as it deals with its citizens' personal information; is still possible, one hopes.

Topic 25. CURRENCY

Currency capers

The rupee is falling, but it is too early to start worrying

The rupee is back in the news following a sharp depreciation in its value versus the dollar in the last one month after a prolonged period of relative stability. It has weakened by a little over 4% since mid-July and on Friday nudged the 72 mark to a dollar before retracing its steps. The fall has to be seen in the context of the overall weakness in currencies of emerging markets and Asia in August. The Turkish lira, Brazilian real, South Africa's rand, the Mexican peso have all uniformly lost value versus the dollar with the Argentine peso losing the most, but this has more to do with the Argentine economy's woes. The trigger was China's devaluation of the yuan to below the 7 per dollar level for the first time in more than a decade; the last time that the yuan was seen below the 7 per dollar mark was during the global financial crisis in 2008. The yuan's devaluation is itself a part of the complex trade war that Beijing is now waging with the United States whose President has labelled China a currency manipulator. Emerging market currencies have also been depressed more since the bond yield curve inverted in the U.S. last week when yields on 10-year bonds fell below the two-year note signalling the market's fear of a recession in the U.S. economy. While there's no data to support such fears as of now, the trade spat with China seems to be giving the jitters to the market.

The fall in the rupee is, of course, influenced to some extent by the overall economic slowdown and the sell-out in the equity markets in the last couple of months leading to capital withdrawal by foreign portfolio investors. The capital outflow particularly has hit the currency's valuation. But the fall is no cause for alarm as yet because there is stability on the external account with the current account deficit at a comfortable 0.7% in the quarter ended March 2019. Of course, export growth is depressed but the forex reserves are at historically high levels of \$430 billion. In fact, the fall will make India's exporters competitive. Economists often complain that the rupee is over-valued in terms of the real effective exchange rate making exports uncompetitive. Interestingly, the Reserve Bank of India does not appear to have intervened in support of the rupee, signalling that it is not uncomfortable with the fall. The central bank can be relied upon to enter the market if things get too depressing for the currency. The Finance Minister's announcements on Friday are sure to perk up the markets on Monday and the rupee may yet bounce back. But, eventually, in an environment where other major emerging market currencies are depreciating, the rupee cannot be an outlier.

Topic 26. CONSERVATION

A bottom-up approach to conservation

The Western Ghats panel's suggestions stressed the need to strengthen grass-roots governance

In 2018, many people thought that the floods and landslides in Kerala that caused huge financial losses and manifold human tragedies marked a once-in-a-century calamity, and that normalcy will return soon and we can merrily return to business as usual. Further, the probability of two such back-to-back events was only 1 in 10,000. Hence, in 2019, a repeat of the shocking train of intense floods, landslides, financial losses and manifold human tragedies has not just left the same set of people stunned but also made them realise that it is unwise to continue business as usual, and that we must think afresh of the options before us.

What are these alternatives? One set of possibilities is provided by the recommendations of the Western Ghats Ecology Expert Panel (WGEEP) which I had the privilege of chairing. Would those measures have averted the disasters of 2018 and 2019? Certainly, they wouldn't have pre-empted the intense rainfall, but they would have definitely reduced the scale of devastation caused by the downpours.

All our recommendations were grounded in a careful examination of facts. Furthermore, the policy prescriptions fell firmly within the framework of our constitutional duties and laws. We did not ask for any new law. All we suggested was that the existing laws relating to environmental protection and devolution of powers, right down to the gram sabha and ward sabha level, be followed.

A leader in devolution

Kerala leads the country in democratic devolution. The Kerala High Court had ruled in favour of Plachimada Panchayat that cancelled Coca-Cola's licence because the company polluted and depleted groundwater reserves, drying up wells and adversely impacting agriculture and livelihoods. While doing so, the panchayat invoked its constitutional rights, arguing that it had the duty to protect the well-being of its citizens and had the right to cancel — or refuse permission for — anything that affected its citizens adversely. The company's counterargument was that the panchayat was subordinate to the State government, which had granted the licence. The Kerala High Court rejected this contention, affirming that grass-roots institutions have the authority to decide on the course of development in their own locality. Furthermore, the Kerala legislature unanimously passed a law asking Coca-Cola to pay Plachimada Panchayat due compensation for losses inflicted on them.

Kerala had also been at the forefront of the country's Literacy Mission of the late 1980s; it pioneered Panchayat Level Resource Mapping involving neo-literates and followed it up with the People's Planning campaign that attempted to involve every panchayat in the preparation of a Panchayat Development Report.

The WGEEP called for a model of conservation and development compatible with each other; we sought a replacement of the prevailing 'Develop Recklessly, Conserve Thoughtlessly' pattern with one of 'Develop Sustainably, Conserve Thoughtfully.' This fine-tuning of development practices to the local context would have required the full involvement of local communities. It would have therefore been entirely inappropriate to depend exclusively on government agencies for deciding on and managing Ecologically Sensitive Zones, and our panel certainly had no intention of imposing any development or conservation priorities on the people.

So, why were our recommendations not implemented? For one, they were dubbed "impractical". What then is "practical"? Is violation of constitutional provisions that pertain to environmental protection and sabotaging of democratic processes practical? May be so, but it is certainly not desirable. Acting on the WGEEP report would have implied using our recommendations regarding ecological sensitivity as the starting point for a bottom-up democratic process for deciding on how we should safeguard this global biodiversity hotspot and water tower of peninsular India.

Preserving the 'sensitive zones'

The WGEEP's mandate asked it "to demarcate areas within the Western Ghats Region which need to be notified as ecologically sensitive and to recommend for notification of such areas as ecologically sensitive zones under the Environment (Protection) Act, 1986." In line with the National Forest Policy, we decided to assign 60% of the total area of Western Ghats in Kerala, including the region housing wildlife sanctuaries and national parks, as a zone of highest ecological sensitivity, 'ESZ1'.

We proposed 'elevation' and 'slope' as two indicators of sensitivity. In Kerala, rainfall increases rapidly with elevation, and high rainfall and steep slopes render localities vulnerable to landslides. Hence, areas prone to landslides would come under ESZ1.

The extent and quality of natural vegetation was the third indicator for classifying an area as ESZ1. Landslides are under check in areas with intact natural vegetation because the roots bind the soil. Any disturbance to such vegetation would render any locality that has steep slopes and experiences high rainfall susceptible to landslides. Such disturbances may include quarrying or mining, replacement of natural vegetation by new plantations, levelling of the land using heavy machinery, and construction of houses and roads. Therefore, we recommended that such activities be avoided in ESZ1 areas. Had our recommendations been accepted, the extent and intensity of landslides being encountered today would have been much lower. Implementation of our overall recommendations would have also had a plethora of other desirable results, both for nature and for people.

So, it would surely be wise to apply the panel's recommendations now. This would imply building on India's greatest strength, its deep-rooted democracy. Democracy is not merely voting once in five years; it is the active involvement of us citizens in governing the country at all levels, most importantly at the local level. We must insist that the Kerala High Court ruling that local bodies have the authority to decide on the course of development in their own localities be made genuinely operational across the country.

We must take full advantage of powers and responsibilities conferred on citizens under provisions such as the 73rd and 74th Amendments to the Constitution, and the Biological Diversity Act, 2002. We should assert that conservation prescriptions should not be merely regulatory, but include positive incentives such as conservation service charges. We must hand over economic activities like quarrying to agencies like the Kudumbashree groups that are accountable to local communities. We, the sovereign people, are the real rulers of India and must engage ourselves more actively in the governance of the country and lead it on to a path of people-friendly and nature-friendly development.

Topic 27. JUDICIARY

Time to strike the gavel

The judiciary needs to dispel the perception that its standing as the guardian of constitutional rights is faltering

The biggest blow to the people of India was delivered by the Supreme Court of India on April 28, 1976. five-member Constitution Bench (the Chief Justice of India, A.N. Ray, and Justices H.R. Khanna, M. Hameedullah Beg, Y.V. Chandrachud and P.N. Bhagwati) delivered its judgment in the Additional District Magistrate, ... vs. S.S. Shukla Etc. Etc. The scars it inflicted on the Constitution, constitutional morality and constitutionalism are deep.

Emergency formulation

This was the judgment that allowed the suspension of the writ of habeas corpus during Emergency.

Some of the points made were: "In period of public danger of apprehension, the protective law which gives every man security and confidence in times of tranquillity has to give way to interest of the State." (CJI A.N. Ray); Enforceability, as an attribute of a legal right, and the power of the judicial organs of the State to enforce the right, are exclusively for the State, as the legal instrument of Society, to confer or take away in the legally authorised manner." (Justice Beg); "Personal liberty is but one of the Fundamental Rights... therefore the suspension of the right to enforce the right conferred by Article 21 means and implies the suspension of the right to file a habeas corpus petition or to take any other proceeding to enforce the right to personal liberty conferred by Article 21." (Justice Y.V. Chandrachud); "The Constitution... if it says that even if a person is detained otherwise than in accordance with the law, he shall not be entitled to enforce his right of personal liberty, whilst a Presidential order under Article 359, clause (1) specifying Article 21 is in force I have to give effect to it." (Justice Bhagwati).

This was an anti-constitutional and anti-people decision. But in the true spirit of Rabindranath Tagore's words, Justice Khanna held: "If they answer not to your call, walk alone.

"But Article 21 cannot be considered to be the sole repository of the right to life and personal liberty. The right to life and personal liberty is the most precious right of human beings in civilised societies...."

Justice Khanna said, "The cases before us raise questions of utmost importance and gravity, questions which impinge not only upon the scope of the different constitutional provisions, but have impact also upon the basic, values affecting life, liberty and the rule of law... What is at stake is the rule of law. If it could be the boast of a great English judge that the air of England is too pure for a slave to breathe, cannot we also say that this sacred land shall not suffer an eclipse of the rule of law and that the Constitution and Indian laws do not permit life and liberty to be at the mercy of absolute power of the executive, a power against which there can be no redress in courts of law? Even if it chooses to act contrary to law or in an arbitrary and capricious manner... The question is whether the laws speaking through the authority of the courts shall be absolutely silenced and rendered mute because of such threat."

Rights in Kashmir

That was during the Emergency. Today, there is no Emergency, yet the constitutional and basic rights of scores have been suspended in Jammu and Kashmir (J&K). Worse, the Supreme Court has virtually taken away their constitutional remedy to enforce those rights. Regrettably, the court has treated habeas corpus petitions in a most casual manner by justifying negation of the rule of law. Two episodes — though not directly connected — have left us searching for answers as to functioning of the court.

While adjourning for two weeks, a writ petition challenging the imposition of restrictions in Jammu and Kashmir, following the abrogation of Article 370, a bench of the top court, on August 12, 2019, merely accepted the pleas of the Attorney General on behalf of Centre to the effect that, "we have to ensure that

law and order situation in Jammu and Kashmir is maintained and that it will take a few days to return to normalcy.” It further observed, “the situation is such that nobody knows what exactly is happening there. Some time should be given for bringing normalcy”.

In other words, the top court — the custodian of the right to life and liberty — handed over its duty to the Central government. Subsequently, on August 16, another court bench hearing writ petitions on lifting the communication ban said, “let us give it a bit of time” and adjourned these matters to an unspecified date. During the hearing, the Central government urged that “things will settle down in next few days” and that “these are security related issues that are best left to the government and armed forces”.

The court’s handling of these cases is a harsh reminder of the ADM Jabalpur case. More than a million people have been locked down in one of the biggest clampdowns by the Indian armed forces; and all under the cover of Section 144 of Cr.P.C. Article 21 is about life and liberty, and all that the Supreme Court has done is to defer these crucial matters without taking the government to task. In the first instance, the state failed “to ensure normalcy” from the day it abrogated Article 370; it has now tried to buy more time from the top court to do so. The “situation is such that nobody knows what exactly is happening there”, but that is precisely why it is the duty of court to ascertain true facts. It cannot shy away from doing justice in the name of “security” and “law and order”.

It is not suggested here that the security of the nation can be compromised; nor can one argue that law and order ought not to be controlled. But preservation of both is the duty of the state. If it intends to do so by taking away fundamental and basic human rights then one can infer that the state has failed in its duty.

An individual’s rights

Equally, the court’s approach to protecting the rights of individuals is disturbing as seen in the case of the former Union Minister P. Chidambaram. On August 14, 2017, the Supreme Court entertained an SLP filed by the Central Bureau of Investigation (CBI) on the same day, included in the supplementary list as the last item before the Court of the CJI. The order of the Madras High Court appealed against was stayed. On February 22, 2018, the Supreme Court entertained the CBI’s interlocutory application on being mentioned and listed it for the next day. In both these cases, the respondent was Karti P. Chidambaram. Contrary to these actions, on August 21, 2019, it shied away from entertaining a petition by Mr. P. Chidambaram on super technical grounds. On August 16, a court bench entertained a petition filed by the Serious Fraud Investigation Office, on the same date and stayed the order of the Madras High Court. The reluctance to even list the matter on the same day is disappointing.

It is not suggested for a moment that Mr. Chidambaram should not face the inquiry. But in a case where the retiring Judge of the High Court delivers the judgment after several months and in the afternoon (3 p.m.), virtually making it impossible for the petitioner to get relief from Supreme Court and which simultaneously fails to extend the interim protection which was operating for this period, is a case where the top court should have intervened. In its actions, the top court that made the right to anticipatory bail sacrosanct (*Gurbaksh Singh Sibbia Etc vs State Of Punjab, 1980*) has now made it infructuous. Does the judiciary have to be reminded of the fundamental principle, *actus curiae neminem gravabit* (no person should be prejudiced by an act of Court)?

The judiciary needs to dispel the perception that it is no longer the pillar created to protect constitutional and legal rights. In any failure, its stature and status as the “bulwark of the rule of law and the democracy” will be compromised.

Topic 28. AIR CONNECTIVITY

Giving wings to better air connectivity

A cooperative federalism framework can provide the required impetus to the civil aviation sector

Civil aviation is a Central subject and one that barely got significant attention from the States until recently. It is evident from the fact that very few States in India have active civil aviation departments. This is also due to the reason that States have had a passive role, invariably, having had to look up to the Central government for the development of airports and enhancing air connectivity. However, in the last four years, the situation has changed considerably.

The cooperation of States is seen as a major factor in the growth of the civil aviation sector. The Regional Connectivity Scheme, UdeDeshkaAamNaagrik (UDAN), has become a game changer as this flagship programme has a built-in mechanism to develop stakes of State governments in the growth of the sector.

Key policy interventions

Thirty States and Union Territories have already signed memoranda of understanding with the Central government. The policies of States and Centre are now being interlinked to make flying accessible and affordable. Governments are poised for the growth as they have the potential to strengthen their partnership under the cooperative federalism framework to provide the required impetus to the sector. Here are some policy intervention suggestions to jump-start the aviation market.

For any airline in India, the cost of Aviation Turbine Fuel (ATF) forms about 40% of the total operational cost. Keeping petroleum products out of the purview of Goods and Services Tax (GST) may be a policy imperative for the State governments but this is a step that adversely impacts the expansion of air services to the States. States have very high rates of value-added tax (VAT) on ATF — sometimes as high as 25% — which has dampened the growth trajectory of civil aviation. ATF is a small component of overall petroleum products and deserves to be treated separately.

The airline industry is capital-intensive and works on very thin profit margins. Therefore, relief on ATF is a major incentive for airlines to augment their operations. For States, it would be a notional revenue loss which can be offset by enhanced economic activities as a result of increased air connectivity to the region. An International Civil Aviation Organization (ICAO) study has shown that the output multiplier and employment multiplier of civil aviation are 3.25 and 6.10, respectively. Empirically, this has been proved in many airports within India where the connectivity has changed the economic landscape in a positive way.

Pending the decision on ATF at the GST Council where States are the major stakeholders, UDAN has motivated State governments to reduce the VAT on ATF to 1% for the flights that are operated under this scheme. Airports such as Jharsuguda (Odisha) and Kolhapur (Maharashtra) have successfully attracted airlines to connect these hitherto unconnected regions. Reducing VAT on ATF is the biggest lever States can operate, which will enable them in being an equal partner in steering sector policy.

Airport development

The second area is in the development and management of airports. There are many regional airports which can be developed by States on their own or in collaboration with the Airports Authority of India (AAI). In this, there have been different models of public-private-partnership which can be leveraged to develop infrastructures. Land involves huge capital and is a scarce resource. Innovative models can be explored to create viable 'no-frill airports'. These functional airports can open up regions and change the way people travel. India had about 70 airports since Independence until recently. Under UDAN, the Union government, with the help of the States, has operationalised 24 unserved airports over the past two years; 100 more are to be developed in the next five years, which can only be achieved through the active collaboration between willing States and the Centre.

Linking the hinterland

Third, States and the Central government can play a crucial role in supporting airlines to develop air services in the remote regions. To reduce operational cost of airlines and airport operators, incentives from State governments have been sought: some in the form of financial support such as VAT reduction; sharing of viability gap funding with airlines, and non-financial incentives such as providing security and fire services free of cost to airport operators. Similarly, under the scheme, the Union government has declared concessions on excise duty on ATF and made budgetary allocations for airport development. This unique scheme has been successful in encouraging airlines to operate on regional unconnected routes instead of trunk routes. Market appetite and aspirations of remote areas can match the plans of airlines where States play a catalytic role. Under UDAN, some success stories have motivated States to announce innovative approaches and policies in support of airlines.

However, to attract airlines from regional to remote connectivity, further interventions are necessary. Considering the infrastructural constraints and difficult terrain, small aircraft operators need to be encouraged. Many a time, policy reluctance is observed considering the financial non-viability of the models to connect remote areas using smaller aircraft and helicopters. But air connectivity to these difficult regions is indispensable. Areas which cannot be connected meaningfully by road or rail have to be linked by air. No doubt, they will be cost-effective if the economic analysis is factored-in. For example, travel from Dehradun to Pithoragarh (both in Uttarakhand) by road takes 16 hours and communication is almost cut-off in the rainy season. Air connectivity would not only bring down travel time but also be a boon in emergencies. This is also true for northeast India, the islands and also hilly States.

Convergence is an element in governance which is often overlooked due to a compartmentalisation in implementation. States may converge their relevant schemes relating to tourism, health, and insurance for supporting air connectivity to supplement the objectives of regional connectivity.

Currently the penetration of the aviation market in India stands at 7%. There is potential to be among the global top three nations in terms of domestic and international passenger traffic. For this States need to create a conducive business environment to facilitate the strong aspirations of a burgeoning Indian middle class to fly at least once a year. It would boost ticket sales from the present level of eight crore domestic tickets. Developing airports, incentivising airlines and pooling resources of both the Union and State governments can accelerate the harmonised growth of the Indian civil aviation sector which would be equitable and inclusive.

Topic 29. EUROPEAN UNION

Talking trade with the EU

Why it is important for India to hasten talks with the EU on a free trade agreement

As the economy begins to suffer from the U.S.-China trade war, it is imperative for India to pursue a free trade agreement (FTA) with the European Union (EU). Last month, negotiators from both sides met in Brussels, for more talks about talks, but time is now running out for New Delhi.

Moving beyond the U.S. and China, this is the right time for India to engage the EU as an indispensable democratic partner to craft a favourable geo-economic order. A series of economic and geo-strategic factors make the need for an economic deal with the EU more urgent.

First, India risks being left behind amidst a collapsing global trade architecture, rising protectionism and a new emphasis on bilateral FTAs. India is the only major power lacking an FTA with any of its top trade partners, including the EU, the U.S., China and Gulf economies. This situation is not tenable as most trade is now driven either by FTAs or global value chains.

The EU's revived focus on FTAs could only exacerbate this risk for India. In June, Brussels concluded a trade deal with Vietnam and a historic FTA with the Mercosur countries in South America. India, in the meantime, is hanging on to its Most Favoured Nation (MFN) status. Its status under the EU's Generalised Scheme of Preferences (GSP) will face rising competition from Pakistan or Sri Lanka, who enjoy GSP+ benefits.

Stuck in a 'grey zone'

Stuck in a 'grey zone', without preferential FTA tariffs or GSP+ status, India will struggle to keep exports competitive for Europe, its largest trade partner where 20% of its exports land up.

The good news here is that India's talks with the EU have been advancing slowly but steadily. From agriculture to intellectual property, the EU and India have quietly been exchanging and aligning views. New areas like e-commerce have registered significant convergence because India's position on data privacy is not that different from the EU's. As with the EU-Japan deal, India may wish to proceed at two speeds: it could delay discussions about free flow of data for a few years and freeze differences on the tax moratorium issue or data localisation, even while committing to liberalise in other areas.

Second, beyond mere economic cost-benefit analysis, India must also approach an EU FTA from a geo-strategic perspective. With Mr. Trump's hostile spotlight focussing on India, and lingering concerns about the Regional Comprehensive Economic Partnership, New Delhi must realise the long-term strategic benefits of a trade deal with Europe.

Democratic regulations

EU negotiators are now more willing to make concessions on labour or environmental regulations, which used to be insurmountable obstacles. The collapse of the Transatlantic Trade and Investment Partnership and concerns about excessive economic reliance on China have propelled the EU to become a little more pragmatic, which New Delhi should leverage before it's too late.

The EU also offers India a unique regulatory model that balances growth, privacy and standards. India's governance framework shares the European norms of democratic transparency and multi-stakeholder participation on a variety of new technological domains, from regulating artificial intelligence to 5G networks. New Delhi must see this as a strategic premium that is not accounted for in a strict cost-benefit economic analysis.

When New Delhi speaks of Europe as a strategic partner to uphold a multipolar order, it must go beyond security and begin with the business of trade and technology.

Topic 30. DEVELOPMENT BANKS

Rediscovering development banks

The agenda to set up a development bank is a welcome initiative, but questions remain on its design

Finance Minister Nirmala Sitharaman's press conference on August 23, announcing a slew of measures to boost the economy and financial market sentiments, had an interesting idea. It was about setting up a development bank.

Ms. Sitharaman said: "In order to improve access to long-term finance, it is proposed to establish an organisation to provide credit enhancement for infrastructure and housing projects, particularly in the context of India now not having a development bank and also for the need for us to have an institutional mechanism. So, this will enhance debt flow toward such projects." The announcement could have far-reaching implications for India's financial system. This article explains why.

What are development banks?

Development banks are financial institutions that provide long-term credit for capital-intensive investments spread over a long period and yielding low rates of return, such as urban infrastructure, mining and heavy industry, and irrigation systems. Such banks often lend at low and stable rates of interest to promote long-term investments with considerable social benefits. Development banks are also known as term-lending institutions or development finance institutions. To lend for long term, development banks require correspondingly long-term sources of finance, usually obtained by issuing long-dated securities in capital market, subscribed by long-term savings institutions such as pension and life insurance funds and post office deposits. Considering the social benefits of such investments, and uncertainties associated with them, development banks are often supported by governments or international institutions. Such support can be in the form of tax incentives and administrative mandates for private sector banks and financial institutions to invest in securities issued by development banks.

Development banks are different from commercial banks which mobilise short- to medium-term deposits and lend for similar maturities to avoid a maturity mismatch — a potential cause for a bank's liquidity and solvency. The capital market complements commercial banks in providing long-term finance. They are together termed as the Anglo-Saxon financial system. Historically, in the U.K. and the U.S., such a debt market took root to fund expansion of the market economy and colonial investments in the 19th century, such as financing of railways worldwide. This market was mostly sweetened by fiscal sops to promote Britain's global political and commercial interests.

Industrialisation of continental Europe and Asia was, however, financed under the aegis of German-type universal banks (providing long- and short-term credit) and state-sponsored (or guaranteed) development banks underwriting the risks of long-term credit. For instance, the earliest and ubiquitous saving institution, namely the post office bank (mostly government-owned and managed), mobilised national savings and channelled them into development banks for long-term investments whose social rates of return were higher than the assured interest rates for depositors. Alexander Gerschenkron, a Ukrainian economic historian at Harvard University, famously theorised that the greater the backwardness of a country, the greater the role of the state in economic development, particularly in providing long-term finance to catch up with the advanced economies in the shortest possible time.

In the context of the Great Depression in the 1930s, John Maynard Keynes argued that when business confidence is low on account of an uncertain future with low-interest rates, the government can set up a National Investment Bank to mop up the society's savings and make it available for long-term development by the private sector and local governments.

Following foregoing precepts, IFCI, previously the Industrial Finance Corporation of India, was set up in 1949. This was probably India's first development bank for financing industrial investments. In 1955, the

World Bank prompted the Industrial Credit and Investment Corporation of India (ICICI) — the parent of the largest private commercial bank in India today, ICICI Bank — as a collaborative effort between the government with majority equity holding and India's leading industrialists with nominal equity ownership to finance modern and relatively large private corporate enterprises. In 1964, IDBI was set up as an apex body of all development finance institutions.

As the domestic saving rate was low, and capital market was absent, development finance institutions were financed by (i) lines of credit from the Reserve Bank of India (that is, some of its profits were channelled as long-term credit); and (ii) Statutory Liquidity Ratio bonds, into which commercial banks had to invest a proportion of their deposits. In other words, by sleight of government hand, short-term bank deposits got transformed into long-term resources for development banks. The missing capital market was made up by an administrative fiat.

However, development banks got discredited for mounting non-performing assets, allegedly caused by politically motivated lending and inadequate professionalism in assessing investment projects for economic, technical and financial viability. After 1991, following the Narasimham Committee reports on financial sector reforms, development finance institutions were disbanded and got converted to commercial banks. The result was a steep fall in long-term credit from a tenure of 10-15 years to five years. The development of the debt market has been an article of faith for over a quarter-century, but it has failed to take off — as in most of Europe and industrialising Asia, where the bank-centric financial system continue to prevail.

China's development banks — the Agricultural Development Bank of China, China Development Bank, and the Export-Import Bank of China — have been at the forefront of financing its industrial prowess. After the global financial crisis, these institutions have underwritten China's risky technological investments helping it gain global dominance in IT hardware and software companies. Germany's development bank, KfW, has been spearheading long-term investment in green technologies and for sustainable development efforts requiring long-term capital.

In this light, the Finance Minister's agenda for setting up a development bank is welcome. However, a few hard questions need to be addressed in designing the proposed institution. How will it be financed? If foreign private capital is expected to contribute equity capital (hence part ownership), such an option needs to be carefully analysed, especially in the current political juncture. The design of the governance structure is fraught with dangers with many interest groups at work. One sincerely hopes that the political and administrative leadership carefully weigh in the past lessons to lay a firm foundation for the new institution.

Topic 31. COOKING FUEL

Cooking with gas, not wood

Under the PM Ujjwala Yojana, rural areas that still rely on solid fuel can be encouraged in three ways to use clean fuel

When we introduced ourselves to Kishan Kumar Dubey, he remembered that we had visited his home four years ago. Mr. Dubey was a respondent in our study conducted on solid fuel use in 1,550 households between August and December 2018. Wearing glasses, Mr. Dubey sat on his bed in a pucca house with green stone flooring. He was thin and coughed often. On the shelf above him were books neatly wrapped in saffron cloth.

Preference for the chulha

Mr. Dubey had recently received an LPG cylinder and stove through the Pradhan Mantri Ujjwala Yojana. His family could afford to hire labourers to cut wood, and they used the gas stove only to make tea. Dal, sabzi, roti and rice were made by Mr. Dubey's daughters-in-law on the chulha (earthen/ brick stove). Mr. Dubey believed that food cooked on a chulha was healthier and tastier. In contrast, rotis cooked on gas cause indigestion, he said. He thought that cooking with solid fuels was healthy for the person cooking too: fumes purified the eyes because they caused tears, and in blowing into a traditional stove, a woman did kasrat (exercise). Clearly, Mr. Dubey had never cooked on a chulha.

In another part of the same village in Madhya Pradesh, Rajni Bai, a Dalit woman, had also received LPG through the same scheme. Ms. Rajni's household did not own any land or animals. She did not have access to dung or agricultural produce to burn in a traditional stove. She appreciated the cylinder and the gas stove. The cylinder lasted her two and a half months. She had used it "carefully", supplementing it with wood collected from the forest. But when we interviewed her, the cylinder had been sitting empty for 15 days. Ms. Rajni could not afford a refill. The rains had made the wood wet and harder to burn, but she made all the food on her traditional stove made from mud.

Ms. Rajni and Mr. Dubey are at opposite ends of the wealth spectrum, but it would be hard to see this by looking at their cooking fuel. They are not unique. In our survey conducted in 127 villages across four States — Bihar, M.P., Rajasthan, and Uttar Pradesh — we found that the rich were less likely to use a chulha for cooking compared to the poor, but not by much: more than 60% of the richest households had used a chulha yesterday.

Using cleaner fuels such as LPG is essential to reduce rural air pollution and improve health. What can policymakers do to achieve exclusive use of clean fuels in rural India? Three strategies could work: communicating the harms of solid fuels and the benefits of cleaner fuels; reducing the cost of LPG cylinder refills in rural areas; and promoting gender equality within households, particularly in cooking and related tasks.

Using clean fuel

Like Mr. Dubey, 92% of the respondents in the survey said food cooked on a chulha tastes better than food cooked on gas, and more than 86% believed that food cooked on a chulha is healthier. Fortunately, only 22% agreed with Mr. Dubey that cooking food on a chulha is better for the health of the cook than cooking food on gas. Even among those who believed that cooking on a chulha harms health, the harms most often invoked were not respiratory, but to the eyes of the person cooking. A large anti-tobacco style campaign communicating that solid fuels harm respiratory health may change these beliefs. Similarly, advertisements that food cooked on gas can be as tasty and healthy as food cooked on a chulha would be helpful.

Reducing LPG prices in rural areas, where residents are poorer and solid fuels are easier to access, would also help. One way is to build on the targeting experience of the National Food Security Act. Under this Act,

75% of rural households are classified as priority households and entitled to subsidised rations. Another 10% of extremely poor households are classified as Antyodaya households, eligible for higher grain amounts at even lower prices. If priority households could become eligible for even higher subsidies in a revamped LPG pricing regime, and Antyodaya households could become eligible for LPG cylinders free of cost, exclusive LPG use would likely be higher.

Finally, public policy must recognise that in households such as Mr. Dubey's, if he was doing his share of the cooking, a complete transition to LPG would have happened already. Our survey asked questions on who cooks food, who makes dung cakes, and who collects wood in rural households. Men rarely cook or make dung cakes in rural households. Current Ujjwala messaging, which focuses on the benefits of clean fuels for women, reinforces this inequality. Advertisements showing that gas is so good that even men can cook with it will challenge both misinformation on LPG and gender inequalities in household tasks.

Topic 32. HONOUR KILLING

Murder most foul

India needs a comprehensive law to deal with 'honour killing'

The use of murderous violence in the face of imagined threats to family or community honour is an unfortunate reality in most parts of the country. The term 'honour killing' is being used widely to describe the class of murders that family members commit while seeking to impose on young couples their medieval view that all marriages should be within their community. The Supreme Court, which has been intervening repeatedly to preserve the freedom of marital choice of individuals, once remarked that there is no 'honour' in 'honour killing'. Various judgments have highlighted the need to come down on such crimes, as well as the social structures that keep such a communal outlook alive. The judgment of the Principal Sessions Court, Kottayam, Kerala, awarding life imprisonment to 10 men involved in the abduction and murder of Kevin Joseph, a 23-year-old Dalit Christian, in May 2018, is in line with the apex court's views. The investigation and trial into Kevin's murder have been notably fast. Kevin was abducted by a group led by Shyanu Chacko, the principal accused and brother of Neenu, Kevin's fiancée, just as the young man was making arrangements to have his marriage registered. The court ruled that it was an 'honour killing' based on Neenu's testimony that her family was vehemently against the marriage as Kevin was a Dalit. The police managed to drive home the guilt of the accused by digital and electronic evidence, including records showing mobile phone signal locations and CCTV footage, to confirm the time and the routes through which the accused had taken Kevin before drowning him.

The court rightly chose not to award the death penalty. Instead it handed down two separate life terms, one each for kidnapping with intention to threaten the victim with death, and for murder. Even though there is a Supreme Court judgment allowing trial courts to deem 'honour killings' as those that fall under the 'rarest of rare cases' category, the trial judge chose to take note of the fact that the accused were young and had no previous criminal background. It is disquieting that the 'honour killing' phenomenon persists in highly literate societies too. Discrimination against Dalits is not limited to Hindu communities listed as Scheduled Castes, but extends to those who have converted to other religions too. At a time when caste groups have become politically organised and caste associations attract the young and the educated, there is a need for a redoubled effort to eliminate the evils of a stratified society. In particular, administrators must give full effect to the various preventive, remedial and punitive measures recommended by the Supreme Court. The Centre may also examine the need for a comprehensive law to curb killings in the name of honour and prohibit interference in matrimonial choice of individuals.

Topic 33. DEMOCRACY and its DISCONTENTS

India must strengthen institutions that lie between the public sphere and formal government institutions

Civilisation progresses with the evolution of institutions designed by humans to govern their affairs. Institutions of electoral democracy have evolved over the centuries, with notable innovations in the U.K., France and the U.S. that provided models for electoral democracies everywhere. These models have been vigorously exported by Western countries to promote democracy around the world. Now, the system of democracy invented in the West and exported to the rest is failing in the West. “Are Western democracies becoming ungovernable?” asks The Economist. Elected governments are in office, but not in power, it says. Many countries in Europe cannot form stable governments because the largest party does not command a majority. Coalitions are unstable. Parliaments are unable to pass laws. “The home of failure to pass meaningful laws is the United States”, it says. Americans will point a finger back to The Economist’s home country: the performance of political parties in the British House of Commons has not been edifying either.

Democracy in India

By these yardsticks, democracy is shining in India. With a strong government at the Centre, Parliament has passed a slew of big laws recently. The most recent is the change in the governance set-up of Jammu and Kashmir, which has been haunting India’s constitutional arrangements.

However, democracy consists of much more than elections and passage of laws. India has a great Constitution. It conducts free and fair elections. Its Parliament has passed many landmark laws since Independence. Yet failures of governance (and democracy) in India can be seen on the ground, in so-called ‘backward areas’ in the heartlands. Indeed, the Indian government has justified its bold reduction of powers of Jammu and Kashmir’s elected Assembly on the grounds that democracy was not functioning within the State and benefits of good governance were not reaching the citizens.

Democracies need an architecture of institutions. Some institutions provide the vertical pillars. Other institutions provide the lateral binders that give strength and stability to the democratic structure. In the popular discourse about democracy, too much attention has been given to the vertical institutions required for people to elect their leaders, and too little to the lateral institutions required to create harmony amongst people.

Universal franchise, elections, and political parties fighting each other to win elections enable a society to determine who is in the majority and has the right to govern. The problem with a majoritarian democracy is that it is not designed to find solutions for complex problems with many points of view. A government with a majority, especially a large one, can become as authoritarian as a dictatorial one. It can deny minorities their rights for their views to be considered while framing laws and resolving contentious issues. The people have spoken once in the election; that should be enough. Now, they must leave it to the government in power. Thus, a government elected by a majority can justify the exclusion of the minority.

However, by excluding the views of the many that did not vote for it — and quite often these may even be the majority in the first-past-the-post system — a government reduces its own effectiveness. Those dissatisfied with the governments’ decisions go to courts wherever courts are independent, like in India. However, courts are not set up to find policy solutions to complex problems and must interpret the laws as written. In India, many have complained that courts are venturing into matters of governance that they should not. This is a sign that something is missing in India’s democracy.

When problems are complex, good governance requires effective methods for people’s participation. Referendums of the entire electorate give an illusion of good democracy — that the people have been consulted. Politicians on both sides of a referendum will run populist campaigns appealing to the basest of instincts to sway the opinions of the masses. Whereas, when the issue is complex, voters should be educated about what they are voting for. And then, when a small majority determines how all must go

(52% wanted Britain to leave the European Union versus 48% that did not), referendums become yet another example of the problem with a majoritarian democracy rather than a good solution.

Three layers of institutions

Healthy democracies need three vibrant layers of institutions. At the bottom is the public space and the media in which people must be free to speak up if they want to. On the top is the layer of constitutional institutions — parliaments, courts, etc. Social media has enlarged the public space enormously. Many more people are speaking up and many issues are being raised. Social media provides a good platform for opposing views, but is glaringly inept at reconciling them. On the contrary it is heightening divisive walls. Therefore, more problems require the attention of constitutional institutions above, and they have more on their plate than they can digest.

When elected representatives are expected to vote in their assemblies only according to the wishes of their own constituency and to also follow party whips, they cannot open their minds to listen to the views of other constituents. Thus, assemblies of elected representatives, in which framers of the U.S. Constitution hoped representatives would deliberate upon what is best for the whole system and not just for their parts of it, have become incapable of performing the role they should perform, The Economist laments.

With democratic governance slipping into ineffectual log-jams, it is tempting to close down the public space at the bottom, or to impose a majoritarian view from above to strengthen the government. There is fear that India may be slipping down this path, which may strengthen government on the ground, while stifling democratic governance. It is the road to 'maximum government, minimum governance'.

The weak intermediate layer

Political middles are thinning in democracies everywhere. People want change. Radical parties of the Right and Left are gaining support. The solution for strengthening governance and democracy at the same time is to strengthen the middle layer of institutions within democracies that lie between the open public sphere and formal government institutions. These are spaces where citizens with diverse views can listen to each other, and understand the whole system of which they are only parts. Neither elected assemblies nor social media provide such spaces. Sadly, even think tanks have become divided along ideological and partisan lines.

It is imperative for India to build intermediate level, unofficial or semi-official institutions for non-partisan deliberation amongst concerned citizens. The government must give more space for such institutions to form and operate. When there is global despair about the ability of democratic institutions to deliver the benefits of good governance to citizens, this innovation must become India's invaluable contribution to the history of democracy's evolution.