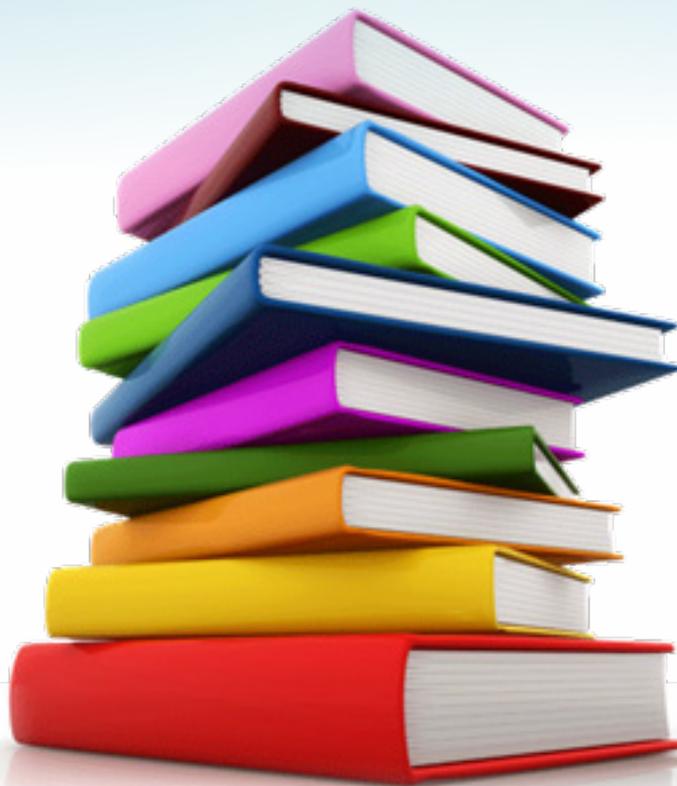




PLUTUS IAS Weekly

CURRENT AFFAIRS



PLUTUS IAS WEEKLY CURRENT AFFAIRS 03-01-2022 to 09-01-2022

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CURRENT AFFAIRS

JANUARY 2022

CYBER CRIMES GS-3 TECHNOLOGY

Cybercrime is a criminal activity that involves any network devices that target individuals, companies and governments for direct financial gain or sabotage or disrupt the operation. Cybercrime is a major threat to two sectors identified under critical information infrastructure that include the financial system, Air traffic control, and telecommunications.

DIFFERENT TYPES OF CYBER CRIMES: THE HINDU ANALYSIS

- **Malware**- also known as malicious software air refers to any kind of software that is designed to cause damage to a single computer, server or computer network. Ransomware, spyware, worms, viruses, Trojans are all varieties of malware.
- **Phishing**- it is the method of trying to gather personal information using deceptive emails and websites.
- **Denial-of-service attacks**-This attack is meant to shutdown a machine on the network, making it accessible to its intended users. Dos attacks accomplish this by flooding the target with traffic of sending its information that triggers a crash
- **Man in the middle attacks**- or eavesdropping attacks, occur when attackers insert themselves into a two party transaction. Once the attackers interrupt the traffic, they can filter and steal data.
- **Social engineering**-it is an attack that relies on human interaction To tricks users into breaking security procedures to gain sensitive information that is typically protected.

MEASURES TO BE TAKEN: THE HINDU ANALYSIS

- Real time intelligence is required for preventing and containing cyber attacks.
- Periodical backup of data is a solution to ransomware.
- Using artificial intelligence for predicting and accurately identifying attacks.
- Using the knowledge gained from actual attacks that have already taken place in building effective and pragmatic defence.
- There is a need to secure the computing environment and IOT with current tools, patches, updates and best known methods in a timely manner.
- The need of the hour is to develop core skills in cyber security, data integrity and data security fields while also setting stringent cyber security standards to protect banks and financial institutions.

One of the highest number of cyber attacks and threat have been detected in India and the country ranks second in terms of targeted attacks banking and telecom are the most attacked sectors, but manufacturing healthcare and retail have also faced the significant number of cyber attacks thus, there is an urgent need to make protective measures to tackle this menace.

Anshum Verma

NON-RENEWAL OF FCRA LICENSE OF NGO GS-2 INTERNATIONAL RELATION

Recently, the ministry of home affairs has cancelled the Foreign contribution regulation Act(FCRA), 2010 registration of various NGOs along with missionaries of charity groups. More than 4/5th of the applications of the 22000 Plus NGOs await scrutiny and hence will lose their ability to access international funding.

FCRA 2010: THE HINDU ANALYSIS

- Foreign funding of persons in India is regulated under FCRA act and is implemented by the ministry of Home affairs.
- Individuals are permitted to assess foreign contributions without permission of the ministry of home affairs but the monetary limit should be less than 25000.
- The act ensures that the recipient a foreign contribution adheres to the stated purpose for which search contribution has been obtained.
- Under the act organisations are required to register themselves every 5 years.
- Registered NGOs can receive foreign contributions for 5 purposes- social,educational, religious, economic and cultural.

FCRA AMENDMENT ACT 2020: THE HINDU ANALYSIS

- Prohibition to accept foreign contribution-The act bars public servants from receiving foreign contribution.
- The act prohibits the transfer of foreign contribution to any other person not registered to accept foreign contribution.
- The act makes Aadhaar number mandatory for all office bearers, directors, aur ki functionaries of a person receiving foreign contribution, as an identification document.
- The act states that foreign contributions must be received only in an account designated by the bank as FCRA account in such branches of SBI, New Delhi.
- The act proposes that not more than 20% of the total foreign fund received could be defrayed for administrative expenses. In FCRA 2010 the limit was 50%.
- The act allows the central government to permit a person to surrender their registration certificate.

CRITICISMS- TODAY CURRENT AFFAIRS

- FCRA prohibits NGOs from receiving foreign contributions for activities harmful to “public interest” or national security however they are ambiguous terms and are left to MHA officials to define.
- NGOs under scrutiny are related to work in sensitive areas like-pollution and climate change issues, human rights, child labour and human slavery, health and religious NGOs, particularly Christian and Islamic charities. It remains to be seen the positive outcomes after such action as government rationale behind it is not clear.
- The political parties are able to access foreign funds for their campaign through electoral bonds under the same FCRA that seeks to restrict funds of NGOs.
- It affects Article 19(1)(c) of the constitution violation of the right to freedom of speech and freedom of association constitutes human right violation.

- In April 2016 the United nation on the rights to freedom of peaceful assembly and of association analysed that the terms public interest and national security are too vague and give the state excessive discretionary power to apply the provision in an arbitrary manner.

WAY FORWARD

- Excessive regulation affects the working of the NGOs which help in filling the gaps where government aid fails to reach.
- The Government's move could result in an estimated 30% drop in international non-profit contribution.
- NGOs offer philanthropic help to the poorest and the most vulnerable and hence need to be given more autonomy.
- Without evidence that there is divergence in the utilisation of the foreign contribution, Hasty and stringent steps should not be taken.

Anshum Verma

DRAFT NATIONAL AIR SPORTS POLICY GS- 2 GOVERNMENT SCHEME

Recently, the government released a draft national policy for air sports in the country that will require the service providers and air sports equipment to be registered and will also be made liable for penalties.

HIGHLIGHTS OF THE POLICY

- It proposes a two-tier governance structure for Air sports in the country, which will include an Apex governing body called the air sports federation of India and association for each air sport.
- ASFI will be an autonomous body under the ministry of civil aviation and will represent India at the lausanne- headquartered federation aeronautics international (FAI) and other global platforms related to air sports.
- ASFI will provide governance over various aspects of air sports including regulation certification competitions reward and penalties.
- ASFI will cover activities like acrobatics, micro modelling MH your build and experimental aircraft, ballooning, drones, gliding, hang gliding, paragliding, micro lightning, paramotoring, skydiving and vintage aircrafts.
- The association for each airports will lay down its safety standards for equipment, infrastructure, personnel and training and specify the disciplinary actions to be taken in case of non compliance.
- The non compliance will attract penal action by the ASFI.
- All persons and entities providing air sports service will be required to register as members of the respective air sports association.
- Key equipment used will also have to be registered.
- Popular air sports places like Bir-billing in H.P, Gangtok in Sikkim, Hadapsar in Maharashtra and vagamon in Kerala can be declared as a "control zone" for Air sports in order to ensure the safety of other manned aircraft.

SIGNIFICANCE OF THE POLICY

- Schools and colleges will be encouraged to include their sports in their curriculum and their students will have the opportunity to participate in the FAI's international competition.
- The draft policy will promote domestic design, development and manufacturing of air sports equipment under the Atma Nirbhar Bharat.
- The draft policy will waive import duty on equipment for a few years.
- It will also request the GST council to consider rationalizing the GST rate on air sports equipment to 5% or less.
- India has the potential to be among the leading nations in the world of their sports. It has a large geographical expanse, diverse topography and fair weather conditions.
- India has a large youth population and also a growing culture for adventure sports and aviation.
- In addition to direct revenue from air sports activities, a multiplier benefit will be growth of travel, tourism infrastructure and local employment.
- Creation of air sports hubs across the country will also bring in their sports professionals and tourists from across the world.

CONCLUSION

The vision of the draft National air sports policy is to make India one of the top air sports Nations by 2030. It envisages to promote the country's air sports sector by way of making it safe, affordable, accessible, enjoyable and sustainable. The policy seeks to leverage India's potential for Air sports and places a strong focus on ensuring international best practices in safety.

Anshum Verma

Marine Conservation and Ocean Watch Goa (The Hindu, GS-1)

There have been multitudinous sweats to conserve terrestrial timbers and territories. Still, the same can not be said for our abysses and seascapes. In recent times, littoral zones have been under adding pressure due to population growth, unplanned experimental conditioning, increase in infrastructural growth, littoral lighting, tourism and other affiliated issues frequently leading to the destruction of littoral territories and biodiversity. Either, careless mortal and artificial geste in littoral areas like the jilting of untreated waste and release of artificial backwaters into abysses, chemical runoffs, unbridled fishing, increase in bycatch and the general discourteousness for brutes of the ocean, contributes to the worsening of the marine ecosystems and its biodiversity.

Dead zones, as the name suggests, are void of marine life due to inordinate nutrient pollution leading to reduction in nitrogen and oxygen. The Bay of Bengal has one dead zone. There are over 400 similar linked dead zones around the world's marine waters. It's delicate to impute a single reason for this declination, further complicated due to the challenges in collating data related to marine diversity and its health that's frequently precious, taking specialised structure and moxie.

Marine conservation till now has been the least explored sphere of India's conservation primarily due to limitations of finances, lack of acceptable specialized moxie and the deficit of well- equipped ocean-good vessels to shoulder ecological study and monitoring. Notwithstanding the diversity of marine species, understanding of marine diversity, especially marine mammal diversity, are still in its incipient stages. Further challenges include incorrect species identification, limited geographic content and lack of detailed reporting.

MARINE STRANDING NETWORKS AND INDIA: THE HINDU ANALYSIS

Marine ecologists have looked at marine stranding frequentness as openings to gain knowledge of marine ecosystems and its species. Marine stranding is a global miracle, and as defined by the oldest stranding response network, National Oceanic and Atmospheric Administration (NOAA) Fisheries Service (Southeast Region Marine Mammal Stranding), it's as follows

. “ Marine creatures are occasionally stranded dead or alive on props. They may be sick, injured, trapped, entangled, disoriented, and unfit to return to their natural niche without backing. Stranding can be single or in mass. Mass stranding is when two or further creatures beachfront at the same time in close proximity to one another.”

Colorful stranding networks are functional in several regions of the world. Most records are grounded on media reports or are grounded on anecdotal and secondary information. This gap can be addressed by the creation and support of structured networks of first- askers who can continuously cover the bank.

OCEAN WATCH GOA: THE HINDU ANALYSIS

One similar structured network has been innovated in Goa. The Goa Forest Department has taken the lead in cooperation with International Union for Conservation of Nature (IUCN) India, Drishti Lifesaving Pvt. Ltd. and Terra Conscious. The network, Ocean Watch Goa, established in 2017, is a first of its kind action to cover, respond and validate marine stranding along the Goa seacoast.

The lifeguards and sand drawing staff employed by Drishti LifesavingPvt.Ltd. provides effective and nonstop monitoring of the entire bank of Goa.

Ocean Watch Goa is an advance in marine conservation as in its two times of performing it has captured first-hand data of every stranding incident along the 102 km stretch of Goa's bank and proved it scientifically. The network has proved that inclusivity of stakeholders, in- depth exploration and proper attestation can lead to inestimable information that allows us to reshape policy opinions and issues. The Marine Stranding Network of Goa can evolve into wisdom that maximises the safety of creatures and the eventuality of understanding the ecology of stranding.

The public-private cooperation is a fairly new concept in India for addressing conservation- related challenges. Still, public-private cooperation and citizen wisdom have been encyclopedically recognised for their donation of dependable information that supports in developing new and advanced conservation operation strategies and tools. In India, Ocean Watch Goa is an encouraging illustration of such a cooperation for effective and effective conservation which has successfully been suitable to align the provocations and interests of all the stakeholders to meet its asked objectives.

WAY FORWARD

Effective marine conservation can only be achieved by stakeholders joining hands. There's a critical need to pool coffers (fiscal and mortal) and work collectively to ensure the sustainability of the network. While governments have the pivotal part of guarding wildlife and biodiversity through legislations, laws and allocation of finances to apply schemes, they don't have all the coffers to win the conservation battle alone. NGOs give the last afar outreach and enthusiasm, while the private sector can insure support not only financially but also through the active involvement of their help.

Learnings and recommendations from Ocean Watch Goa include the following

Need for precise detailing of places and liabilities among stakeholders who are part of the marine stranding network and its institutionalisation is a demand.

Need for fiscal coffers from government and private sector to ameliorate specialised structure to house and maintain live stranded/ injured marine creatures.

Need for expansive exploration in order to understand indigenous diversity, community behaviours and comprehensions related to marine ecology in further littoral regions for upscaling of the network.

Need to understand that stranding is an occasion to gain precious scientific information. The capacity of all stakeholders in dealing with marine stranding, thus needs to be enhanced to help in better operation and conservation opinions. The Hindu Analysis.

Similar enterprises can include original communities, original government, and business communities to inclusively and responsibility work towards addressing marine conservation and the challenges we face are seductive models and motorists of change. This new surge of addressing marine conservation in India needs to be valued and upscaled. It's also coincidental that the draft guidelines for addressing marine stranding in Indian beach fronts by the Ministry of Environment, Forest and Climate Change (MoEFCC) also has a compass to include other stakeholders.

Swarn Singh

WORLD TRADE ORGANISATION(WTO) REFORMS GS- 3 INTERNATIONAL ORGANISATION

The 12th ministerial conference of WTO took place from 13 November-3rd December in Geneva. The WTO is the principal forum for setting the rules of international trades for the past two and half decades, it has helped reduce barriers to trade in goods and services and created a dispute resolution system however, due to incongruence in consensus, WTO is under considerable pressure to achieve meaningful results. The committee is yet to find a solution to the issue of public stock holding. India has won that there is an attempt to drive a wedge between developing and least developing countries on public stock holding and sought a permanent solution on an issue that is critical for Procurement by agencies such as FCI.

CHALLENGES FACED BY THE WTO: THE HINDU ANALYSIS

1. Dispute settlement cases continue to be filed for time being and are being litigated a civil dialogue over trade issues persists.
2. Technical functioning is to educate for 21st century problems in critical areas the WTO has neither responded nor adopted not delivered.
3. Functioning of state enterprises engaging in commercial activities is distorting the principles of WTO, which prefers the private sector to operate in a market economy.
4. Many WTO members bear responsibility for the use of trade-distorting domestic subsidies. Agriculture and industrial subsidies have caused blockage in the system and prompted protectionist reactions in a number of WTO members.
5. Blockage and deadlock in the appellate body e stage of the dispute settlement system has halted the progress.
6. The WTO lost the critical balance between the organisation as an institution established to support, consolidate and kind economic reform to counter damaging protectionism, and the organisation as an institution for litigation based dispute settlement.
7. For years now the multilateral system for the settlement of trade disputes has been under intense scrutiny and constant criticism. The United States has systematically blocked the appointment of new appellate body members (judges).and de facto impeded the work of the WTO appeal mechanism.

WHAT NEEDS TO BE DONE? THE HINDU ANALYSIS

1. To accommodate conflicting economic models of markets versus state all WTO members will have to accept the operative assumption of a rules based order steered by a market economy, the private sector and competition.
2. WTO should recognise the food security concern will not disappear and has launched negotiation to address the intervening issues of agricultural subsidies and market access.
3. A credible trading system requires a dispute settlement system that is accepted by all.
4. WTO rules are outdated in a number of areas. New rules are required to keep pace with changes in the market and technology. Rules and discipline on topics ranging from trade distorting industrial subsidies to digital trade require updates.
5. Balance in organisation should be restored through serious negotiation in an open ended plurilateral manner that cannot be blocked by those who do not want to move ahead.
6. On the negotiating tables and issues related to the liberalization of the goods and services trade and of course guarantee for free flow of data across international boundaries all aim at facilitating expansion of business of e-commerce firms.

CONCLUSION

WTO should acknowledge that free trade has been an important engine of growth for developing countries in Asia, and it could be promoted in the global trading regime. The developing country should be allowed to limit imports more than developed countries, under special and differential treatment, then only a fair WTO reform could be achieved.

Anshum Verma

5G and India (GS Paper-III, Science & Technology) Source: Indian Express

CONTEXT

- The Department of Telecommunication (DOT) is going to meet senior officials from the Ministry of Home Affairs, Ministry of Civil Aviation, Ministry of Defence and ISRO to work out on the final details of the 5G spectrum.
- Last year Department of Telecommunication had requested Ministry of defence to make 100 mhz in the frequency band of 3300- 3400mhz.
- The Department of Telecommunication stated that the cities of Gurgaon, Bengaluru, Kolkata, Mumbai, Chandigarh, Delhi, Jamnagar, Ahmedabad, Chennai, Hyderabad, Lucknow, Pune and Gandhinagar would be the first one to get 5G services in 2022.

TRIALS OF 5G SERVICES IN INDIA: THE HINDU ANALYSIS

Three private telecom service providers namely Bharti Airtel, Reliance Jio Infocomm and Vodafone-Idea along with Telecom equipment makers like Nokia have been conducting trials at test sites in above mentioned cities.

WHAT IS 5G? TODAY CURRENT AFFAIRS

- 5G is the fifth generation Technology standard for broadband cellular network which has been termed as the successor of 4G network.

ADVANTAGES OF THE 5G TECHNOLOGY: THE HINDU ANALYSIS

- 5G networks have **increased capacity** this can help reduce the impact of the load spikes e.g. that takes place during news events.
- It has the advantage of sending large amount of data at very **high speed** because it operates in the millimeter wave spectrum (30- 300GHz).
- 5G has **low latency** when compared to 4G networks which will eventually support new applications such as Artificial Intelligence and internet of things etc.
- With the aim of **Powering innovation**, the 5G network can connect with a whole range of different devices including drones and sensors.
- Less tower congestion, since 5G operates with more bandwidth and high speed it reduces the tower concession, a problem posed by 4G networks.

DISADVANTAGES OF 5G NETWORK: THE HINDU ANALYSIS

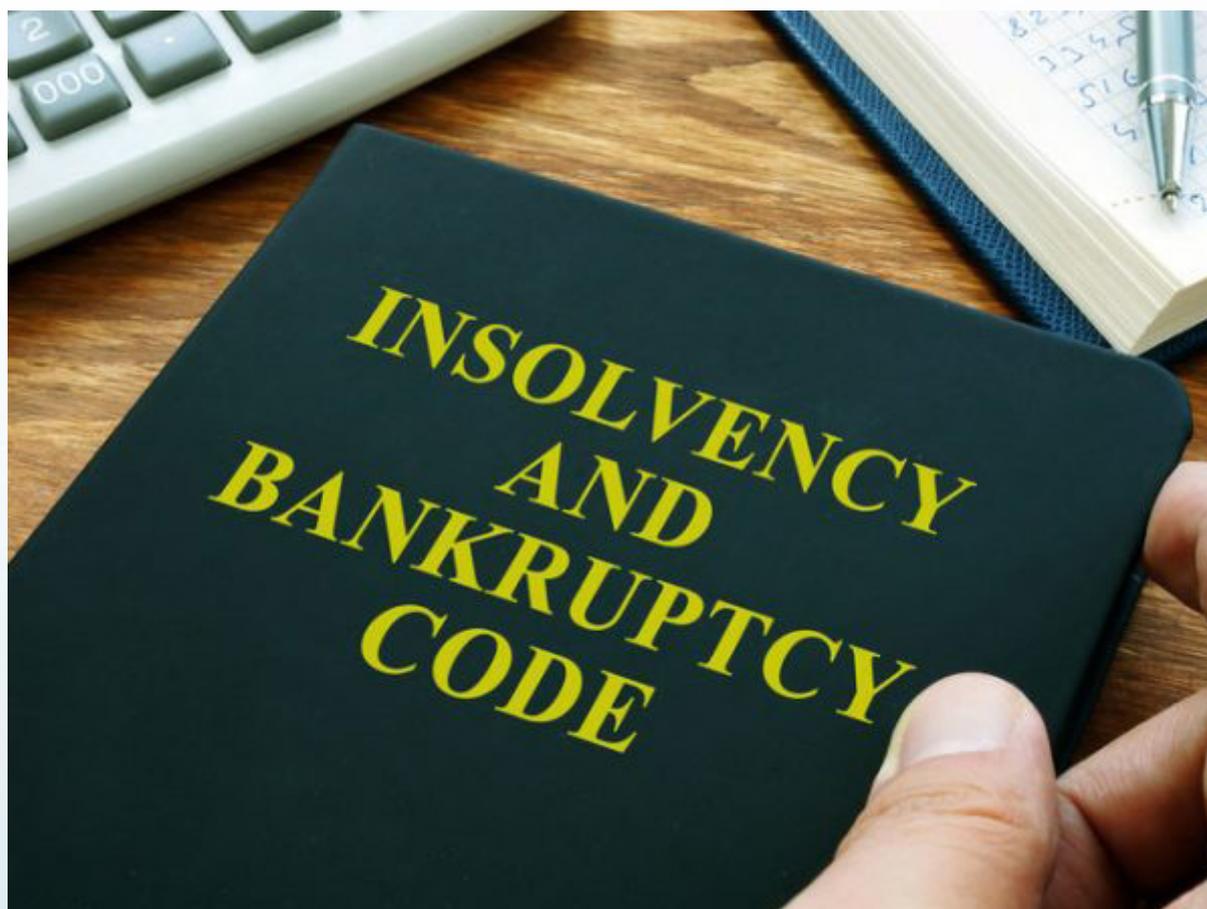
- **Limited coverage**, 5G is available only in the specific location and specially limited to cities. At the same time expenses for setting Tower stations are high.
- **Decreased broadcast distance**, another area of concern is that 5G does not cover long distance. It cannot travel as far as when compared to 4G. This requires more Tower coverage which makes it expensive.
- **Cybersecurity**, the increase to band, enables criminals to easily steal data making it prone to hacking. At the same time **lack of encryption** in the early phase of 5G is too much of a problem as it would impact companies because of hacking.
- **Miscellaneous**, Lower upload speed when compared to its download speed. Problem of heat of the device on which it is operating is another problem reported.

SIGNIFICANCE OF 5G TECHNOLOGY FOR INDIA: THE HINDU ANALYSIS

- The importance of 5G Technology has been highlighted in **The National Digital Communication Policy 2018**. The policy mentions the need to expand broadband connectivity across the country. It talks about the necessity to explore and utilize the opportunities presented by the next generation network – 5G.
- 5G along with Internet of Things, Artificial Intelligence, big data shall be the critical enabler of the **fourth industrial revolution**.
- It will also boost the economy with the increased the connectivity between machines and various sectors which in turn would increase the efficiency.
- It is expected that it will be creating a cumulative economic impact of USD 1 trillion in India by 2035.

Swarn Singh

Understanding the Insolvency and Bankruptcy Code, 2016 and the Amendment done in 2021 (GS 3, Economics, The Hindu, Indian Express, PIB)



CONTEXT:

In 2016 Government enacted the Insolvency and Bankruptcy code 2016, an act of parliament to resolve the claims involving insolvent companies.

It is considered a one-stop solution for resolving insolvencies. Previous to this, Insolvency had been a long process, which did not offer an economically viable arrangement.

It is to be understood in a way that when a company declares itself insolvent, means it is unable to run the business in the backdrop of huge losses and would be interested in closing down. During this time the company would be unable to pay the loan amount back to the bank or interest to bondholders or profit to shareholders. The stakeholders would be unhappy with the performance of the company and could demand their share. The chances are that during the phases of losses, the company would be unable to give back the due share/contribution of different stakeholders. The Hindu Analysis.

On looking into the failing of the company, different stakeholders, especially the creditors, can file petitions against the company regarding the unfulfillment of its obligations as per the agreed agreement. (for example National Companies Law Tribunal is a special court to hear the cases of different stakeholders of a company especially the creditors).

Or the company itself can declare itself as insolvent and bankrupt. The company will then stop the business and will start the Liquidation of its assets through auctioning means selling the existing Assets and will be giving the money to the creditors and other stakeholders.

The other option available to the company is Insolvency Resolution that is to sell the whole business to another other party. The new party which has bought the business of the defaulted company or say bought the whole company itself, will be responsible to give the money of different stakeholders of the defaulted company especially the creditors.

On the declaration of bankruptcy, the process of liquidation of assets or the insolvency resolution process used to be very lengthy and time taken. During the said process time, which used to go sometimes like many years, the resources of the company would remain stuck and would not be utilized. The Hindu Analysis.

The Insolvency and Bankruptcy code 2016 introduces a **time bond process** to resolve insolvency. The code aims to protect the interests of small investors and has changed to the **debtor(companies)-creditor(banks) relationship**. This code was intended to tackle the bad debts/NPAs/Stressed Assets problems.

As per the school, when a company (debtors) defaults in the repayment of loans to the banks (creditors), the banks (creditors) gain control over the company's assets and take decisions to resolve insolvency. Under IBC, debtors and creditors both can initiate the recovery proceedings against each other, But the resolving C process has to be completed within 180 days. Hence it is a time bond insolvency process, but could be extended if the creditors do not raise objections. The overall concept of the time bond insolvency resolution is that the company's resources/assets/business/fund if not earning return, should be given (sold via auction) in the other hand of others who can better manage the said resources/assets/business/fund (of the defaulted company) and fulfill the obligations of different stakeholders, For example interest and principal payment to the creditors and bondholders, redemption of bonds and debentures on maturity etc.)

An amendment has been made in the IBC in 2021 (Insolvency and Bankruptcy (Amendment) Act, 2021) which introduces the concept of PIRP (Prepackaged Insolvency Resolution Process). Earlier it was mainly the creditors who can initiate the insolvency resolution process but After this amendment under PIRP, the corporate debtors can also initiate and prepare the resolution plan.

The Amendment brings forth the 'Pre-packaged Insolvency Resolution Process' ["PIRP"] as a method of tackling enterprises in duress, effectively serving as an alternative to the 'Corporate Insolvency Resolution Process' ["CIRP"] The Hindu Analysis.

As opposed to CIRP where apart from the corporate debtor itself, it is primarily the creditors of a company that can initiate the insolvency process,⁴ PIRP foresees application of initiation of resolution only by the Corporate Debtor ["CD"].⁵ In the latter, it is the CD that prepares a resolution plan that undergoes a two-layered approval mechanism i.e. first with the Committee of Creditors ["CoC"], and then the Adjudicating Authority.

The Significance of Australia Japan Historic Security Alliance

CONTEXT :

Australia and Japan will sign a treaty on 5th Jan to increase defense and security cooperation in a move that has been hailed as "Historic".

INTRODUCTION :

The US and Australia along with India and the Japan are also the member of a strategic dialogue known as "the Quad" and this new defense treaty between Australia and Japan will definitely make the Quad more Strong

and from the India's perspective, this treaty would definitely will make China anger

WHAT IS THIS LATEST TREATY BETWEEN AUSTRALIA AND JAPAN:

Prime minister Scott Morrison of Australia and Fumino Kishida of Japan, signed a defense treaty through a virtual conference. After this Treat both nations will come more close to each other and in defense point of view this treaty will make Quad More Stronger. This defense treaty is not only limited up to defense only but it will be helpful in the mutual cooperation regarding the values, and commitment for the democracy. This treaty will definitely enhance the status of both countries Indo Pacific region

In September 2021, Australia also signed a so called Aukus trilateral security pact with the united state and Britain under which Australia would get help from Britain and US regarding the affairs of nuclear power submarine also

WHY CHINA IS UPSET WITH THIS DEAL :

Japan and China have been rivals for a long time and China will never want to increase the influence of Japan in the Pacific sea, therefore on the Aukus, China declared it as the threat for the peace and stability in the pacific sea. China also said that this type of treaty would intensify the arms race and undermine international non proliferation efforts. In Fact after this treaty, the influence of India would also increase in the Indian Ocean with the support of Australia and in the Pacific Ocean with the support of Japan.

SIGNIFICANCE FOR INDIA :

Presently India is facing the issue of China's aggression continuously. New Border laws of the Chinese definitely increased the worries of India. After the is treaty, Chinese aggression may be balanced and for the establishment of the peace in India, the balance of power between India and China must be required. Australian Prime minister stated that "Our cooperation also includes an expanding agenda for the Quad with India and the United States, and our shared technology-led approach to reducing carbon emissions,"

CONCLUSION

The Australia Japan Historical treaty definitely brought some new equations in Asia pacific regions. One side it would bring a palace of power in Asia and influence The QUAD over the Asia pacific region on the other side it could counter the latest Chinese aggression over India. This treaty would definitely be beneficial for India's perspective. Strategically, India would be more powerful as well as economically aslo. As described in Arthasastra of the kauliya, the basic principle of the forein policy is to protect its own interest and to secure its own territory. In this regard, This historic treaty between japan and Australia will be beneficial for India (Source : Indian Express)

Swarn Singh

WORLD TRADE ORGANISATION (WTO) REFORMS

The 12th ministerial conference of WTO took place from 13 November-3rd December in Geneva. The WTO is the principal forum for setting the rules of international trades for the past two and half decades, it has helped reduce barriers to trade in goods and services and created a dispute resolution system however, due to incongruence in consensus,WTO is under considerable pressure to achieve meaningful results. The committee is yet to find a solution to the issue of public stock holding. India has won that there is an attempt to drive a wedge between developing and least developing countries on public stock holding and sought a permanent solution on an issue that is critical for Procurement by agencies such as FCI.

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INDIA'S 5G LEAP

India's telecom sector which has revolutionised the digital space and facilities services- LED growth and quality of life has been estimated to be one of the top performers globally. The 5G network will shape the fourth industrial revolution, quality of service delivery, innovation etc by facilitating smart and developing society.

COMMERCIAL 5G NETWORK

Commercial 5G networks begin to be deployed in 2020 and are expected to reach 12% of world mobile connection and generate revenues Upto 1.3 trillion dollars by 2025 for operators.

The technology that 5G uses will improve data transfer speed at unexpected higher levels almost hundred times more and reduce latency Times helping mission critical services.

POTENTIAL OF 5G

- 5G has the potential to provide a wide range of benefits to the Indian economy as it will provide a new dimension to connect an autonomous system through to enhance artificial intelligence.
- Its use is a chance for policymakers to educate and empower citizens' businesses and transform existing cities into smart cities.
- 5G will enhance the IOT, smart agriculture, energy monitoring, smart grid, tele-health industrial automation, remote patient monitoring etc.
- It will advance digital regulation through a more data-intensive digital economy

CHALLENGES

- It is imperative to undertake an independent economy assessment for commercial viability for 5G deployment in India.
- India's telecom sector has also been in doldrums for the last few years.
- The Supreme court ruling on dues being shot by the department of telecommunication has exacerbated the financial condition of telecom companies.
- The number of telecom operators have reduced.
- In this scenario the huge investment required for 5G may add to the burden of limited operators.
- The trial run of 5G in developed countries such as Japan and the US revealed that the investment is very high.

GOVERNMENT SUPPORT

- The big telecom package along with the reforms announced by the government will create an enabling environment for investment in the sector.
- Steps such as moratorium on dues, redefining adjusted gross revenues, and reducing spectrum charge will help the telecom companies.
- FDI in the telecom sector under the automatic route along with this policy reforms augurs well for the sector to attract investment.

WAY FORWARD

- The immediate priority for India will be in-
 1. Identify users and population to be covered.

2. Analysis of the existing network operators
3. Identification of cities for the 5G roll out.
4. Working out an investment model and pricing based on externalities factors and usage of various sectors.
 - The deployment of 5G in India needs to be carefully planned after a cost benefit analysis by an independent expert which will create a level playing field.
 - Focus on companies having experience of ensuring telecom networks to remote areas and the potential to provide affordable coverage.
 - Sharing of available spectrum to maximise it efficiently used especially in rural areas, and spectrum allocation procedure that favour investment need to be considered.
 - As the deployment is expensive both the central and state governments may concern measures which attract investment through PPP and facility investment funds on a nominal interest basis.

Swarn Singh

Infrastructure in India

HISTORY

The model envisaged a dominant role of the state as an all-pervasive entrepreneur and financier of private businesses. The Industrial Policy Resolution (IPR) of 1948 proposed a mixed economy. Earlier, the 'Bombay Plan', proposed by eight influential industrialists envisaged a considerable public sector with State interventions and regulations so as to guard indigenous industries. The political leadership believed that since planning wasn't possible during a free enterprise, the state and public sector would inevitably play a number one role in economic progress.

India found out the design Commission in 1950 to oversee the whole range of designing, including resource allocation, implementation, and appraisal of five-year plans. The Five-Year Plans were centralised economic and social growth programmes modelled after those prevalent within the USSR. India's first Five-Year Plan, launched in 1951, focused on agriculture and irrigation to spice up farm output as India was losing precious foreign reserves on foodgrain imports. The First Five-Year Plan was supported the Harrod-Domar model with few modifications. By the end of the Plan in 1956, contracts were signed to start five steel plants, which came into existence in the middle of the Second Five-Year Plan.

The Second Five-Year Plan and therefore the Industrial Policy Resolution 1956 (long considered the economic constitution of India) paved the way for the event of the general public sector and ushered in the License Raj. The Second Plan focused on the event of the general public sector and rapid Industrialisation'. The Plan followed the Mahalanobis model, an economic development model developed by the Indian statistician Prasanta Chandra Mahalanobis in 1953.

From the Second Five-Year Plan, there was a determined thrust towards substitution of basic and capital good industries. Hydroelectric power projects and five steel plants at Bhilai, Durgapur, and Rourkela were established with the assistance of the Soviet Union, Britain, (the UK), and West Germany respectively. Coal production increased enormously.

Power and steel were identified as the key bases for planning. In the second plan Germany was contracted to build a steel plant in Rourkela, while Russia and Britain would build one each in Bhilai and Durgapur, respectively. Nationalisation of 14 public sector banks was a major event during the Fourth Plan (1969-74) which had a huge impact on the Indian economy & infrastructure. The Indian National transportation

system was introduced and lots of roads were widened to accommodate the increasing traffic during the Fifth Plan (1974-78).

Infrastructure provisioning requires massive investments, often over a protracted duration of your time, including procedural delays and returns expected after an extended period of investment. Consequently, given the high fiscal requirements, particularly of large-scale infrastructure development projects, public investments alone might not be sufficient to fund infrastructure development in India. Consequently, time and again there have been recommendations to encourage private participation in infrastructure development through various forms of Public-private Partnerships (PPPs)

REAL ESTATE (REGULATION AND DEVELOPMENT ACT) [RERA]

Proactive measures, such as the Real Estate (Regulation and Development) Act, 2016 (RERA), Real Estate Investment Trusts (REITs), the Benami Transactions (Prohibition) Amendment Act 2016, higher tax breaks on home loans, the products and Services Tax (GST), land-related reforms, optimising development control rules, rationalising of the stamp tax and registration charges, digitalisation, etc., have also been introduced by the govt. Before RERA, the Indian land sector was largely unregulated till 2016, which led to several anomalies leading to various unfair practices, ultimately affecting the homebuyers adversely.

Responding to the demand and provide gap in affordable housing, the govt of India launched Pradhan Mantri Awas Yojana (PMAY)- Urban in 2015. The larger goal is to satisfy the housing needs of homeless urban poor and enable them to have decent pucca houses with basic infrastructure facilities by 2022. Based on demand assessment at the state level, the state has the mammoth task of constructing about 12 million houses under the EWS/LIG segment of the society so as to achieve the goal of Housing for All.

These initiatives will be effective in spurring housing and construction activities, providing huge relief to real estate developers. Also, these would attract private and foreign investments within the housing sector, having a positive multiplier effect on GDP and labour market.

The availability of encumbrance-free land within existing municipal areas for urban housing schemes isn't a simple task. Therefore, provision has been made to incorporate rural areas falling within the notified Planning/Development areas, under the ambit of PMAY (U). It would leverage the availability of additional land at a cheaper cost for the construction of affordable houses.

Bharatmala Pariyojana may be a new umbrella programme for the highways sector that focuses on optimising the efficiency of freight and passenger movement across the country by bridging critical infrastructural gaps through effective interventions like the development of Economic Corridors, Inter Corridors, and Feeder Routes, National Corridor Efficiency Improvement, Border and International connectivity roads, Coastal and Port connectivity roads, and Green-field expressways.

URBAN MASS RAPID TRANSPORT- DMRC

The concept of mass rapid transit for brand spanking new Delhi first emerged from a traffic and travel characteristics study which was administered within the city in 1969.

While extensive technical studies and the raising of finance for the project were in progress, the city expanded significantly, resulting in a two-fold rise in population, and a five-fold rise in the number of vehicles between 1981 and 1998. To rectify things, the govt of India and therefore the Government of Delhi jointly found out a corporation called the Delhi Metro Rail Corporation (DMRC) on 3 May 1995, with E Sreedharan as the Managing Director.

WAY FORWARD

The Introduction of 'MetroLite' or 'MetroNeo', as recommended by the Government, is mandated in cities

with lower capacity requirements. This is considering the significantly less capital cost which has a bearing on the overall funding requirement and commercial sustainability.

Over the short term, unbundled private participation for all new/expansions of existing metro systems may be taken up. Herein, various high capital expenditure components such as stations, rolling stock, maintenance facilities, etc., should be undertaken through long-term contract/concession for private investment. Also, securitisation of operational assets should be tested in the market. Innovative financing mechanisms to fund metro projects are required to be explored and Non-Fare Box revenue streams are to be augmented. Provisions have been made in Metro Bill to attract private investment.

The quality of structure development in India needs critical attention if the country intends to realise its profitable and growth eventuality. Structure development remains a crucial constraint in India's profitable development. Although investments in structure alone don't guarantee growth, in general, scholarly studies estimate that a strong association exists between the vacuity of structure vistles and profitable growth measured in terms of gross domestic product (GDP). In other words, artificial growth is contingent upon the development of other infrastructural installations similar as transportation, energy, and electricity, and dispatches. Still, structure development in itself remains both a fiscal and a nonsupervisory challenge. In order to do so, in addition to the available vistles for public investments, sweats must be made to adequately channelise the openings for private participation in the real estate/ casing sector.

Swarn Singh

United Nations Security Council (UNSC) and nuclear weapons

CONTEXT

- The five permanent members of the UN Security Council vow to stop the proliferation of the nuclear weapon.
- A Joint statement was issued by five most powerful countries of the world namely China, Russia, US, UK and France. It said that "the further spread of the nuclear weapons must be prevented as a nuclear war cannot be won and must never be fought".

CURRENT INTERNATIONAL ISSUES

- The rise of China and its growing tension with the US could escalate into conflict specially over Taiwan.
- China considers Taiwan as a part of one China and can even capture it by force if required.
- There has also been mounting tension between Russia and the US, a rare phenomenon seen since the Cold War. The issue is the rising deployment of Russia's military near the Ukrainian border.

A WELCOME STEP

- Russia welcomed the declaration and stated that such initiations would help reduce the Global tension.

WHAT IS NPT?

- NPT stands for Non Proliferation Treaty of nuclear weapons. The Treaty aims to prevent and control the spread of nuclear weapons and nuclear Technology for the purpose of conflict and war and to promote cooperation in the Peaceful use of nuclear energy.
- NPT includes three elements

- 1) Non-proliferation
 - 2) Disarmament
 - 3) Peaceful use of nuclear energy
- NPT was signed in the year of 1968 and came into force in 1970.

KEY PROVISIONS

- Those states that have devised nuclear weapons prior to 1 January 1967 were termed as Nuclear Weapons State(NWS) and the remaining countries were considered as the Non Nuclear Weapons States(NNWS).
- This implies that the state with the nuclear weapons will move towards disarmament and the states without the nuclear weapons will not acquire them.
- However the Treaty does not prevent or deny the rights of the states to use nuclear energy/ Technology for the peaceful purpose.

ISSUES RELATED TO NPT

- There was the failure of the disarmament process during the cold war period. The major power blocks rushed towards various nuclear and other weapons development during this period. Therefore the objective of heading towards the disarmament process met with a setback.
- The Treaty has also been categorised as the discriminatory one, which focuses entirely on preventing the horizontal proliferation and not on the vertical proliferation.

INDIA AND NPT

- India has always considered NPT to be a discriminatory one. The Treaty divides the world into two i.e. haves and have nots.
- India's stand since the beginning has been that either the five nation in the possession of the nuclear weapon shall either denuclearized themselves or every Nation shall have equal right to possess them.
- Therefore India never signed the Treaty.

WAY FORWARD

- The rising demand for energy has made many countries pursue energy independence. The countries are racing towards nuclear energy.
- The challenge for the international community lies in Reconciling the Nation's demand for being energy independent with non-proliferation of nuclear weapons.
- The world shall establish a nuclear weapon free zone which can help reduce the proliferation.(Source: The Hindu)

Swarn Singh

FRCA licensing Issues (GS Paper-II, Polity, Constitution, Governance and International Relations) Source: The Hindu

CONTEXT

The renewal of the license of Missionaries of Charity (order founded by Mother Teresa) was refused by the

Union Home Ministry, stating that some adverse inputs were noticed in the NGO.

BACKGROUND

- Ministry of Home Affairs canceled the license of about 6600 organizations to receive money from Overseas under the Foreign Contribution (Regulation) Act 2010 between 2016 to 2020.
- Recently in 2020 FCRA Amendment Bill was passed by the Indian Parliament.

WHAT IS FCRA?

- The objective of the Act is to supervise and regulate the foreign funds and donations to the NGOs and ensure that such funds do not affect the internal security of the country.
- The act came into force in 1976 and was amended in 2010 and then in 2020.
- Ministry of Home Affairs is the nodal agency for the implementation of the FCRA.
- The union government has the ultimate power to declare an organization unfit to receive the foreign funding on the ground of being political in nature under article 5 of FCRA 2010.

LATEST AMENDMENT, FCRA BILL 2020

KEY PROVISIONS

- Public servants are not allowed to receive foreign funding.
- There is prohibition on the transfer of foreign contribution to any other person.
- The bill define the term person as an individual and Association or a registered company.
- Only FCRA accounts must be used for the deposition of the foreign contribution.

NEED FOR AMENDMENT

- Between 2010-2019 the inflow of the foreign funds increased and almost doubled. But the funds have not been utilized for the registered purpose. For Example, recently the license of 6 NGOs were suspended for allegedly using the fund for the religious conversion.
- There has been several instances of lack of proper maintenance of accounts and poor adherence to statutory compliance.
- These have adversely undermined the internal security of the country.

ISSUES ASSOCIATED WITH AMENDMENT

- Several checks and caps on the administrative expenses would make the functioning of even the big NGOs impossible. This would also impact the livelihood of the workers associated with the NGOs.
- The NGOs are of diverse nature. And sometimes it may happen that in order to curtail the dubious activities of the organizations, the government may fail to recognise its diversity. This may hamper the competitiveness of the NGOs.
- The amendment also fails to comply with India's constitutional provision to protect fundamental rights to freedom of association, expression etc.
- It also does not resonate with the International laws. Example according to the United Nation Human Right Commission no laws should delegitimize activities in defense of human rights.

WAY FORWARD

- NGOs play a very pivotal role in the country specially in the area where the government fails to render

its duty.

- It must be noted and understood that the sharing of ideas and resources across the border is important for the development of the world as whole.
- The government shall adhere and stick to the ideas of Vasudeva Kutumbakam and shall not interfere and discourage the funding unless there is a strong reason for it.

Vivek Raj

Western disturbances and rainfall in India (The Hindu, GS-1)

CONTEXT-

The continuous rainfall across Punjab, Haryana, Chandigarh, Delhi, north Rajasthan, west Uttar Pradesh in the last 3-4 were predicted by the Meteorological Department earlier itself. First, it was the jitters and now it's the rains. IMD predicted that after a shivering cold surge, two successive western disturbances are likely to bring downfall to the corridor of North India and the central corridor of India in the days to come.

WESTERN DISTURBANCES

Western Disturbances develop in the mid-latitude region (north of the Tropic of Cancer), not in the tropical region, thus they're called mid-latitude storms or extra-tropical storms.

Extra-Tropical Cyclones are also called downtime storms and blizzards.

It's a term given by an Indian Meteorologist for the rainfall miracle which is propagated from the West.

Western Disturbances are low- pressure systems, bedded in western winds (westerlies) that flow from west to the east.

The low pressure generally forms over the Mediterranean Sea and travels over Iran, Iraq, Afghanistan, and Pakistan before entering India loaded with humidity.

These humidity-laden western disturbances ultimately come up against the Himalayas and get blocked, as a consequence, the humidity gets trapped and rush is participated in the form of snow and rain over Northwest India and occasionally, other corridors of North India.

A normal of 4-5 western disturbances form during the downtime season and the downfall distribution and quantum varies with every western disturbance.

The word 'Western' refers to the direction from which they appear with regard to India.

The word 'disturbance' is used because the air within the low- pressure systems tends to be unstable or perturbed.

Occasionally, when western disturbances come more violent in the Indian Region, they can extend indeed up to 15 degrees north, performing in downfall up to north Maharashtra, Gujarat, and the entire Madhya Pradesh to the south.

HOW WILL THE TWO WESTERN DISTURBANCES AFFECT INDIA?

IMPACT

North-West India receives most of its winter precipitation and pre monsoon rains from Western Disturbances only. This miracle is generally associated with a cloudy sky, advanced night temperatures, and unusual rain. If we go by some of the estimates say India receives almost 10% of its total periodic rainfall from these disturbances. Also disturbances bring snowfall and moderate to heavy rains in different parts of north india.

India is a rain-dependent country and while the southwest thunderstorm covers most of India, the corridor of North India doesn't get important rain from it. These regions depend upon snow and rain from western disturbance during the downtime season from November to March.

Rush during the downtime season has great significance in husbandry particularly for rabi crops including wheat, which is one of the most important Indian crops.

They start declining after downtime. These western disturbances move across North India in the month of April and May and sometimes thunderstorms in certain parts of northwest India are also activated by it.

During the thunderstorm season, western disturbances may sometimes beget thick clouding and heavy rush.

If the western disturbances are weak, will result in crop failure and water problems in north India states.

Strong western disturbances can help residents, growers and governments avoid numerous of the problems associated with water failure.

CASUALTIES

Since western disturbances aren't high-intensity rainfall systems, they aren't generally associated with disasters but in recent history, it's observed that this salutary rainfall miracle is decreasingly getting disastrous during the summer and thunderstorm seasons.

The 2010 rainstorm in Leh, in which 71 municipalities and townlets were damaged and 225 people failed was caused due to the western disturbances.

In September 2014, the Kashmir region suffered disastrous cataracts across numerous of its sections killing over 200 people and western disturbances were the cause of this.

Expert opinion on western disturbances is divided regarding the 2013 cataracts in Uttarakhand in which over 5000 people were killed, after three days of ceaseless downfall. While numerous believe that Uttarakhand cataracts may have passed due to relations between western disturbances and the summer thunderstorm, numerous others believe that western disturbances and thunderstorms occur in fully different time frames.

SIGNIFICANCE OF WESTERN DISTURBANCES

The western disturbances affect rainfall conditions during the downtime season up to Patna (Bihar) and give occasional downfall which is largely salutary for the standing rabi crops, (wheat, barley, mustard, gram, lentil, etc.).

Ritu

Unrest in Kazakhstan and its impact over Indian's Economy GS Paper 2 and Paper 3 Source : The Hindu, Indian Express

CONTEXT :

A Moscow military alliance dispatched troops to help quell mounting unrest in Kazakhstan and dozens people were killed who were demonstrating against the government of the Kazakhstan

INTRODUCTION

- Kazakhstan is a central Asian country of Turkic tribes. Earlier it was a member of the Soviet Union. It is oil rich country and now days it is facing the problem of huge protest against the government. Generally Kazakhstan was a stable but repressive country so protests are not common in this country. After 4th Jan

2022, Kazakhstan is burning in the flame of Chaos, thousands of people are killed and many are injured. As India's point of view stability in Kazakhstan is more required. Kazakhstan is India's largest trade and investment partner in Central Asia.

- The protest erupted in Kazakhstan because of the hike in the price of LPG which is generally used by the citizens in their cars as a fuel. In fact, after the amendment in national laws, first parliamentary elections were held in 2021 and the government was formed under the presidency of Kassym Tokayev.

RELATION OF KAZAKHSTAN WITH INDIA

- Kazakhstan is an energy rich central asian country. India has bilateral economic relations with Kazakhstan also. India has good political relations with Afghanistan also. With the establishment of Afghanistan, India opened its embassy in Almaty in May 1992 and With the shifting of the capital Kazakhstan India opened another embassy in Astana in 1997.
- Although India has had a close cultural relation with Kazakhstan for thousands of years. India has already invidee the kazakhstan president as chief guest on the occasion of 26th January celebration (2009). Prime Minister Shri Narendra Modi participated in the 17th SCO Summit in Astana on June 8-9, 2017.
- India was admitted as a full member of the SCO during the Summit. India and Kazakhstan actively cooperate under the aegis of Multilateral Fora including CICA, SCO and the UN organizations. Kazakhstan supports India's permanent membership in an expanded UNSC. India supported Kazakhstan's successful candidate for non-permanent membership of UNSC in 2017-18.
- There are almost 6000 (As per the report of Ministry of external affair), most of them are students (3400) this shows that This country is the partner of Indians in knowledge imparting also.

WHAT SHOULD BE ROLE OF INDIA ON THE MATTER OF KAZAKHSTAN'S UNREST

Initially, India should not interfere in the internal affairs of the kazakhstan. Kazakhstan is countreing the unrest with the support of Russia and at any cost the president of Kazakhstan is not ready to negotiate with protesters because the government of Kazakhstan has already declared that these protesters or the armed bandit and the foreign militant. The Indian government should make the effort for the establishment of the peace in Kazakhstan. India should also appeal to the government of Afghanistan to protect human rights along with national security. Russia and most of the countries of the former USSR have been good friends of India, so India should maintain this relationship for a long time.

CONCLUSION

The deteriorating condition of Kazakhstan has also been a matter of concern for India because Kazakhstan has been a good friend, partner, and Indian for a long time. Any unrest or any political instability can adversely influence India's interstrt. therefore Government of India should keep its close eyes over the matter of Kazakhstan and support kazakhstan as per the requirement

Dr. Anshul Bajpai

Significance of Japan US defense Cooperation : In Special Reference to India and China (GS paper II) Source : The Hindu

CONTEXT :

Japan moved ahead with an expansion of support to U.S. troops as the allies held top-level talks on Friday over tensions with China and North Korea. The new agreement “will invest greater resources to deepen our military readiness and interoperability”

INTRODUCTION

After the second world war, Japan has been facing threats from the side China and North Korea. Japan was deprived from the right to wage war from any country and almost its security responsibility was transferred to the US therefore US – Japan defense cooperation is the byproduct of the defeat of the Japan during second world war. For the peace of Asia, the US – Japan security alliance is essential.

In Asia, to counter the Chinese aggression as well as North Korea, the defense sector of Japan must be independent and strong. Therefore the US – Japan defense treaty had been signed in 1951 but it took effect by 1960.

WHAT IS THE US JAPAN DEFENSE TREATY

This treaty allows US army to enter in any strategic important regions to protect them

Both nations are committed to defend each other

Both Countries would resolve any international dispute peacefully only

Japan should bear the cost of US army if deployed in the protection of the Japan

SIGNIFICANCE

- North Korea and China have been rivals of Japan for a long time. Both countries are anti democratic and aggressive. The Chinese concern is Taiwan which is enjoying its sovereignty but China does not recognise Taiwan as the independent country
- The new agreement “will invest greater resources to deepen military readiness and interoperability of both countries
- US – Japan Treaty must not only strengthen the tools which they have but also develop new ones,
- The allies were “evolving roles and missions of US and Japan both to reflect Japan’s growing ability to contribute to regional peace and stability
- Japan renounced its right to wage war after the Second World War and has since developed a close alliance with Washington, which is treaty-bound to defend the world’s third-largest economy.
- Japan increased the package for this treaty 5 % more so that they could show their common rivals that they will not be going to tolerate any aggression in the Indo Pacific region. The package comes amid growing tensions with China, which has stepped up incursions near the self-ruling democracy Taiwan.
- From the India’s perspective, this treaty would be helpful to counter Chinese aggression against India

CONCLUSION

Beijing’s provocative actions keep raising tensions across the Taiwan Strait and in the East and South China Sea and North Korea’s missile programmes in which Pyongyang fired a suspected ballistic missile into the

sea are the incidents which had created the threat in South China sea. Similarly, the Chinese aggression over the territory of India (Building a bridge in disputed area in Arunachal region, Amendments border law a and allowing Chinese forces and civilians to protect its border). Along with these incidents happening during a month, the renewal of the US Japan Defense treaty is good news for India. Similarly Australia Japan Security Alliance is also in the favor of India's interest. Any how, for the national interest, Chinese aggression must be counter and it can be only countered by Japan, US, Australia as well as India which is essential for the peace in Asia

Dr. Anshul Bajpai

SEBI's new norms for the process of IPOs : Lets understand with examples (GS 3, Economics, The Hindu, Indian Express, Financial Express)



NEWS/CONTEXT:

Recently the regulator of stock market, Securities and Exchange Board of India (SEBI) has announced the tighter rules for unlisted companies raising capital from the market (Retail investors/institutional investors/anchor investors/preferential investor) through the issuance of IPOs (Initial Public Offerings).

- As per the new rule the minimum Price band will be at least 105% of the floor price.
- SEBI has tightened norms for the sale of share via OFS.
- Shareholders who own more than 20% pre-issue cannot sell more than 50%. Those holding less than 20% pre-issue cannot offer more than 10% under OFS.
- The lock-in period is also increased from existing 30 days to 90 days for 50% of the portion of the pre issue shares. The existing 30 days lock in period shall continue for the 50% of the portion.

All these technicalities can be understood with examples : Supposedly a private limited company wants more capital which it can raise from the market through issuing Initial Public Offerings. Initial Public Offerings are new shares which are issued to the market /public. These can be bought by Individual Investors (also called as retail investors) or Institutional Investors (which are mostly banks, companies or Financial Institutions). After issuing IPOs, the company gets listed in any stock exchange and becomes a public limited company. It means that the company's shares are held with public or market people. In this process companies raise funds from the market and it will be said that the company went public.

But before issuing IPOs, companies issue Pre-IPOs (or generally said as Pre Issue). The investors which buy the pre issue of a company, are called as anchor investors. They are generally big Companies or Financial Institutions or NBFCs.

SEBI Requires that there should be a minimum price band of 105% of the floor price. (The price band is a range of price within which investors can bid).

After issuing a pre-issue (shares) the company issues IPOs in the market to the public (retail investors and institutional investors can buy). And then the trading of the share (shares hold by public or say IPOs) of the company in the market on the platform of a stock exchange, starts.

During this trading Anchor investors who acquired pre-issue shares can also become interested in selling their shares, if they don't want to retain their shares (This is called as offer-for-sale (OFS). If the anchor investors sell their shares on the very first day of the trading (after issuing IPOs), the share value of the companies on the first day of trading could fall like anything. To stop this sudden fall there is a concept of lock-in period, where anchor investors can sell their shares (pre issue shares through OFS) only after the completion of the lock in period. SEBI has increased the lock-in period for 50% of the pre issue share from 30 days to 90 days and for 50% of the pre issue share, it is still 30 days. Here SEBI simply wants that these larger investors like anchor investors should invest in the shares of the newly listed companies for a longer number of days.

As per the new rule the minimum Price band will be at least 105% of the floor price. Sebi simply has ensured that the minimum gap in the offer price band be such that the cap price is at least 105% of the floor price. This, again, is an interesting intervention by the regulator, particularly because issuers were not providing a 'real price band'. The change will now allow investors to have multiple price points at which they may bid for shares in an IPO.

SEBI has also put restrictions on the utilization of funds raised through IPOs, If the details of the utilization are not disclosed in the offer document. Now onwards credit rating agencies registered with SEBI(rather than scheduled commercial banks and public Financial Institutions) will monitor the utilization of funds raised through IP use by the company. The utilization report is required to be submitted before the audit committee every quarter rather than annually.

The new norms of the SEBI on public issuance is basically designed to keep the large shareholders longer in the company. It will limit the selling of shares by promoters for big shareholders and will minimize the volatility and the share price after listing.

Strict rules for the utilization of funds will control the opportunistic use of funds by the promoters. It ensures a better checks and balance on the funds raised from the market/public by the company.

MD. Layeeque Azam

The debate over Foreign Contribution (Regulation) Act, FCRA : Let's understand the issue (GS 3, Economics, The Hindu, Indian Express, PIB)



NEWS/ CONTEXT:

The Central home ministry foreign contribution Regulation Act registration of Missionaries of Charity. Earlier to this the ministry had issued a statement in which it was said that “some adverse inputs were noticed” and because of which the registration was not renewed.

Foreign contribution Regulation Act registration is mandatory to receive foreign donations. Missionaries of Charity like many other civil organizations and NGOs receive foreign donations to run its day to day business. The Missionaries of Charity is a Catholic religious congregation which was set up by Nobel Laureate Mother Teresa.

The UK Parliament also debated the issue And asked the British government whether it had raised the issue with India of blocking the Overseas funds for Missionaries of Charity and other NGOs.

At present there are nearly 6000 NGOs whose registration has ceased to exist from January 1 as the Ministry of Home Affairs had refused renewal application for registration. Some of the organizations that lost their registrations include the Missionaries of Charity, set up by Nobel laureate Mother Teresa, the Medical Council of India, the India Islamic Center, the Oxfam India Trust and Common Cause, which have filed several PILs against central legislation in recent times.

What is FCRA? Foreign Contribution (Regulation) Act, 1976 was enacted in order to regulate the acceptance and regulation of foreign contribution or foreign hospitality. The Foreign Contribution (Regulation) Act, 2010 repealed and replaced the FCRA, 1976.

The Foreign Contribution (Regulation) Act, 2010 came into effect on first May 2011 along with foreign contribution regulation rules 2011.

Under FCRA 1976 there was a concept of the deemed prior permission in which if an application of prior permission is not disposed of within 90 days from the date of receipt of such application then the permission prayed in that application would be deemed to be granted. The deemed prior permission granted under FCRA, 1978 will remain valid for a period of 5 years from the date of commencement of the Foreign Contribution Regulation Act, 2010 after which it will have to be renewed. There is no such concept of deemed prior permission in FCRA,2010. It has to be now proper prior permission.

The Origins of FCRA: The original FCRA was enacted in 1976 by Indira Gandhi led government during the Emergency. It is alleged that the government wanted to prohibit Electoral Candidates, Political Parties, Judges, MPs and even cartoonist from accepting foreign contributions/foreign funds/foreign donations so as to clamp down on political dissent. The inclusion of cartoonists suggests the same. The justification given for the law was to curb foreign interference in domestic politics. **This was the period of cold war era when both American and Soviets to secure their strategic interest meddled in the internal affairs of post-colonial nations.**

Both Congress and Bharatiya Janata Party pulled up by Delhi High Court in 2014 for violating the SCRA as they had expected contributions from the Indian subsidiaries of London-based multinational Vedanta. The high court ordered the election commission and the government to take action against both the parties. In the financial bill of 2016 (one of the various budget documents) a section Was added that amended the relevant sections of FCRA, 2010, So what was Hitler to a foreign company now became an Indian company. This amendment was brought with retrospective effect, and legitimized the FCRA violations by the two parties. This also opened the doors for all political parties to accept funding from foreign countries if it is channeled through an Indian subsidiary.

What is new in the FCRA 2010: Firstly the registration under the FCRA 1976 was permanent but under the new one of 2010, it expired after 5 years and has to be renewed afresh. Secondly, the new law put a cap on the proportion of foreign foods that could be used for administrative expenses which is 50%, thereby allowing the government to control how a NGO/ Civil society organization spends its money. is that while 1976 law was primary targeting political parties the new law of 2010 shifted focus to organizations of a political nature. Any organization which habit will engages itself bandh hartal restaurant railroad aur jail bharo in support of public houses can be considered as organization of a political nature. For example student union, Trade union, youth forums, worker unions, farmers organization, youth organization based on caste community religion language etc could be an count.

The essence of the Act of 1976 was to protect the values of a sovereign democratic republic whereas the Act of 2010 was for, to prohibit any activities detrimental to the national interest. Thus it (national interest) required certain associations, companies or individuals to be prohibited from accepting foreign contributions.

In a recent judgment in Indian Social Action Forum (INSAF) v. UOI, the Supreme Court has held on 6th March 2020 :“The object sought to be achieved by the Act is to ensure that Parliamentary institutions, political associations and academic and other voluntary organizations as well as individuals working in the important areas of national life should function in a manner consistent with the values of a sovereign democratic republic without being influenced by foreign contributions or foreign hospitality. The long title of the Act makes it clear that the regulation of acceptance and utilization of foreign contribution is for the purpose of protecting national interest. Candidates for election and political parties or office bearers of political parties are barred from accepting any foreign contribution. The legislative intent is also to prohibit organizations of a political nature from receiving foreign contributions.”

The Supreme Court differentiated between the nature of an organisations and further held that:

“A balance has to be drawn between the object that is sought to be achieved by the legislation and the rights of the voluntary organisations to have access to foreign funds...Prohibition from receiving foreign aid, either directly or indirectly, by those who are involved in active politics is to ensure that the values of a sovereign

democratic republic are protected. On the other hand, such of those voluntary organisations which have absolutely no connection with either party politics or active politics cannot be denied access to foreign contributions. Therefore, such of those organisations which are working for the social and economic welfare of the society cannot be brought within the purview of the Act or the Rules by enlarging the scope of the term 'political interests'...

...Support to public causes by resorting to legitimate means of dissent like bandh, hartal etc. cannot deprive an organisation of its legitimate right of receiving foreign contribution. It is clear from the provision itself that bandh, hartal, rasta roko etc., are treated as common methods of political action. Any organisation which supports the cause of a group of citizens agitating for their rights without a political goal or objective cannot be penalized by being declared as an organisation of a political nature. To save this provision from being declared as unconstitutional, we hold that it is only those organisations which have connection with active politics or take part in party politics, that are covered by Rule 3(vi). To make it clear, such organisations which are not involved in active politics or party politics do not fall within the purview of Rule 3(vi)."

By this verdict, the apex court has tried to strike a balance between organizations supporting public causes by restoring legitimate means of dissent and organizations having political objectives. The former cannot be denied to access to foreign contributions.

MD. Layeeque Azam

