COMMONWEALTH RELEVANCE IN RECENT YEARS

What is commonwealth?

- The Commonwealth, or The Commonwealth of Nations, is a group of 53 states, all of which (except for two) were formerly part of the British Empire. As nations began the process of succeeding from the British Empire in the early part of the 1900s, it was created, largely, to ease the process of British decolonization. It was seen as a way of maintaining global unity through shared language, history, and culture despite growing independence and self-governance of former British colonies.
- This group of states works together on many important matters, like business, health and the fight against poverty.
- All except Mozambique were part of the British Empire. Some countries such as the United States that were once in the Empire are not in the Commonwealth.

Such common aims include:

- To increase economic cooperation among the member countries.
- To encourage democracy in the member countries.
- To ensure that member countries follow human rights

Commonwealth Ministerial Action Group

- The Commonwealth Ministerial Action Group (CMAG) deals with serious or persistent violations of Commonwealth political values and can recommend measures for collective action.
- CMAG can also consider situations of concern in member countries in a proactive, engaged and positive manner.
- Its authority to suspend or even recommend to Commonwealth leaders that a member country be expelled is unparalleled by other international organisations.
- The Group is convened by the Commonwealth Secretary-General and is made up of a representative of the Commonwealth's Chair-in-Office and foreign ministers from eight countries - who serve a two-year term.

Recent news:

- Since 2012, the organisation has become an incubator for big-ticket ideas such as the **Multilateral Debt Swap for Climate Action** adopted at the last Commonwealth Heads of Government Meeting (CHOGM) in Malta.
- **The Commonwealth charter:**
  - The importance of the **Commonwealth charter arises not just for the message and goals it envisions but also because it represents a political carte blanche from 53**

member states to the Commonwealth Ministerial Action Group (CMAG), which is tasked with assessing and dealing with serious or persistent violations of the core values represented in the charter.

- **The 16-point charter makes it incumbent on member states to hold free, fair and credible elections; ensure the separation of the powers of the executive, legislature and judiciary; ensure the independence of the judiciary;** provide space for an opposition and civil society to function freely; and give the media a level playing field to function in.
- Mr. Sharma agreed that the role of the CMAG has been considerably strengthened
- Recent examples of CMAG' proactiveness
    - Most recently, it gave the Maldives government a one-month ultimatum to begin talks with the opposition in the country.
    - Mr. Sharma pointed out that other multilateral agencies have adopted some of the ideas developed within the Commonwealth. "Take the concept of resilience and vulnerability of economies, an idea developed after I came," he said.
    - Call for reducing the distinction between rich and poor countries.
    - The Commonwealth set up programmes to cover financial risks faced by small states in trading, like the multilateral debt swap and the Climate Finance Access hub.
- Digitisation has made possible for the Commonwealth to connect through a programme called **Commonwealth Connects.**
- One of them is Common Health, a dedicated Web platform to advance public health and the leading health hub after the World Health Organisation.
- Commonwealth today leads in citizen and governance initiatives — whether in the fields of climate change, youth development, health, and electoral oversight.

Handling criticism

- Criticism of the Commonwealth's role peaked in the lead-up to CHOGM 2013 in Sri Lanka. Human rights groups and pro-Liberation Tigers of Tamil Eelam organisations in Britain accused Commonwealth of soft-pedalling the human rights abuses of the Rajapaksa regime, which in turn led to some heads of government boycotting the meeting.
- There is still widespread resistance within several Commonwealth countries to the legalisation of gay rights, and to correcting gender and religious inequalities.
- Sri Lanka, India and two other countries have taken the initiative to **establish Commonwealth Trade Finance Facility,** which will be aimed at boosting trade and investment flows, particularly for small and developing countries of the Commonwealth.
- To mark this, they along with Malta and Mauritius, on Thursday, **signed a Declaration of Intent** in Malta where the Commonwealth Summit is underway. The four countries have inked the document as anchor investors.
- The Facility, structured as a guarantee fund, will cover risk for providers of trade credit in financial institutions of Commonwealth countries.
- The fund, voluntary in nature, hopes to attract start-up capital of $ 20 million. It will provide member countries facing trade challenges with the finance they need to increase their trade capacity.

INDIA SAUDI ARABIA RELATIONS:

Why in news?

Prime Minister Narendra Modi will soon visit Saudi Arabia.

Background of relations:

Upgrading three key agreements —

- the energy security partnership of 2008,
- the strategic partnership of 2010 (which has included robust anti-terror cooperation), and
- the defence partnership of 2014,

The second possibility, which is equally important, is

- improving the trade and investment relationship. Bilateral trade at about $40 billion (lower this year because of falling oil prices) must be built beyond its current oil dependence, say officials, and **India is keen to see Saudi investments in India** on a par with its expectations from the United Arab Emirates.

- Finally, there are **emerging avenues for partnerships** that the two countries want to explore.
- As oil revenues are lower, Saudi Arabia is keen to project itself as a 'kingdom of dreams', a hub for manufacturing and technology. In particular, the Saudi government is pitching its mega project, the King Abdullah Economic City, with a **deep-sea port as a connector between the East and the West,** and wants India to see it as a gateway to its new forays into Africa.
- Given that nearly **half of India's seven million-strong Gulf diaspora** works in Saudi Arabia, with families back in India dependent on them, India is keen to see new jobs created for them.
- It is no secret that both countries would like to move away from the conventional image of exploited Indian labourers living in regimented Saudi labour camps.
- "This is far from the reality of the three million-plus Indians who live and work in Saudi Arabia," says former Indian Ambassador to Saudi Arabia Talmiz Ahmad. "Many of them are top-end engineers and managers in Saudi projects, and it is unfortunate that a few horrific incidents and criminal acts involving Indians are extrapolated to represent the whole reality."
- The truth is that recent negative reports — of a housemaid's hand being severed in Saudi Arabia allegedly by her employer, or of the Saudi diplomat accused of keeping maids as sexual slaves in Delhi — have cast a shadow on ties, and had forced the Prime Minister to put off his visit to Riyadh more than once.
- Instead, both governments want to add a more positive and modern gloss to their ties.
- It is no coincidence that scientific and mathematical collaborations between Indian and Saudi Arabian researchers have seen the sharpest increase in the past few years.

Geopolitical signals

Pakistan angle:

Ties between Saudi Arabia and its closest ally Pakistan were strained, when the Pakistani Parliament shot down a request to send troops to boost Saudi action in Yemen (which has left more than 3,000 dead).

In contrast, during a telephone call to negotiate for Indian ships and planes to evacuate citizens, Prime Minister Modi went as far as to commend Saudi King Salman bin Abdulaziz and hope for a quick resolution of the region's challenges "under [King Salman's] leadership".

PAKISTAN'S refusal to join the Yemen bombing campaign as well as some ambivalence on joining the Saudi-led coalition to fight the Islamic State have affected what was once seen as the most closely woven relationship.

Ties with the U.S.:

the Kingdom's strongest international ally, are under a strain, as the Saudi government battles allegations of funding IS fighters even as it watches its arch-rival Iran bask in new-found international acceptance. Stung by this shifting narrative, the Kingdom's most prominent diplomat Prince Turki bin Faisal recently wrote an angry article published in Arab papers titled "Mr. Obama, we are not 'free riders'".

"Is it because you have pivoted to Iran so much that you equate the Kingdom's 80 years of constant friendship with America to an Iranian leadership that continues to describe America as the biggest enemy," he asked, listing what he claimed was Iran's support to Syrian President Bashar al-Assad, even as he admitted that Saudi Arabia trains and funds Syrian "freedom fighters".

Ties with China:

Saudi Arabia's other major ally China is attempting a similar shift. To the surprise of many, President Xi Jinping added Iran to his tour of Saudi Arabia and Egypt in January. While oil reserves were the currency of the past, connectivity is seen as the coinage for power in the future, and China's entire focus at present is on the One Belt, One Road (OBOR) initiative. Iran plays a major part in OBOR as a connector to Central Asia as well as West Asia, not Saudi Arabia.

It is against this backdrop that Mr. Modi is trying to shore up ties with Saudi Arabia. It will be a visit high on potential, but in a region that is equally high on tensions, the Prime Minister will have to walk a tightrope.

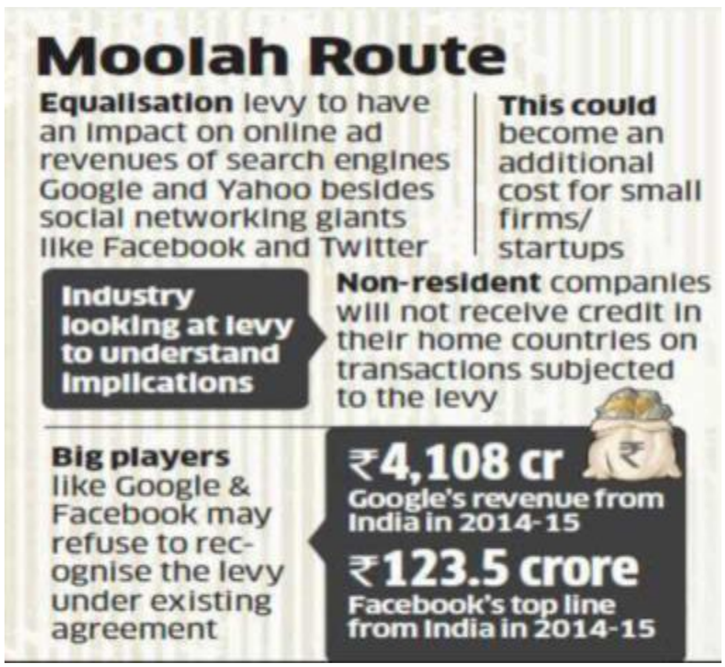
EQUALIZATION LEVY ON ONLINE ADS:

The Government has found a way to indirectly tax companies such as Google and Facebook, a development which could set the stage for **taxation of cross-border digital transactions** and potentially drive up costs for advertisers.
Instead of a straight tax on digital advertising platforms, the government has come up with what it calls an "equalization levy" of 6% on the fees that advertisers pay.

What is equalization?

The 'equalization' happens because the government is supposedly **levelling the playing field** and making companies such as Google and Facebook pay for the money they make from local advertisers. Also called as "Google tax".

- The nub of the issue is that multi-national digital platforms don't have **"permanent establishments**"(PE) in the country, which would make them liable to pay tax in India.
- They cannot also be double-taxed, which means that the government has had to find a way of earning something from the profits that these platforms have been making.
- Google's revenue from India was Rs 4,108 crore in 2014-15, according to disclosures by the company. Facebook's top line was Rs 123.5 crore in the same period.
- The issue of taxing companies such as Google has been vexing tax authorities in several countries, and recently erupted into a controversy in the United Kingdom.
- By completing its transaction in the Irish capital Dublin instead of in the UK, Google was paying negligible amount as tax in a country where its revenue topped $6.5 billion.



- Tax experts said that the levy is a result of coordination between the rich OECD countries and the G20 grouping which includes **India under BEPS.**
- Though the minister mentioned e-commerce companies in his speech, the levy is likely to cover "payments to large ad exchanges as well as ecommerce companies that are located outside India, as these are the entities that are heavily involved in online advertising
- While the intention of the government may be to tax online companies, the levy could actually end up being a cost to small Indian businesses which advertise on these platforms.
- **Effect on Startups:** Startups tend to be very reliant on these online advertising platforms, and a levy of this sort may have a more adverse impact on them than it would on the Facebooks and Googles of the world.
- The government has the power to expand the list of services on which the equalisation levy will be charged and it will not be surprising if tax is levied on more services, including software services, in future

EU-TURKEY DEAL on MIGRANT CRISIS

- The deal was signed between EU and Turkey to handle the EU migrant crisis on April 2016.
- This deal is a win-win situation for both EU and Turkey
- EU-wants to reduce the burden of Syrian and libyan migrants
- Turkey is actively seeking membership of EU
- With the deal, it is hoped people will be discouraged from making the dangerous journey by sea from Turkey to Greece.
- Since January 2015, one million migrants and refugees have entered the EU by boat from Turkey to Greece. **What is there in the deal?**
- **Returns:** All "irregular migrants" crossing from Turkey into Greece from 20 March will be sent back. Each arrival will be individually assessed by the Greek authorities.
- **One-for-one:** For each Syrian returned to Turkey, a Syrian migrant will be resettled in the EU. Priority will be given to those who have not tried to illegally enter the EU and the number is capped at 72,000.
- **Visa restrictions:** Turkish nationals should have access to the Schengen passport-free zone by June. This will not apply to non-Schengen countries like Britain.
- **Financial aid:** The EU is to speed up the allocation of €3bn in aid to Turkey to help migrants.
- **Turkey EU membership:** Both sides agreed to "re-energise" Turkey's bid to join the European bloc, with talks due by July.

ANTI DEFECTION LAW

What is the Anti-Defection Law?

The Tenth Schedule — popularly known as the Anti-Defection Act — was included in the Constitution in 1985 by the Rajiv Gandhi ministry and sets the provisions for disqualification of elected members on the grounds of defection to another political party.

The law was added via the **52nd Amendment Act, 1985,** soon after the Rajiv government came to power with a thumping majority in the wake of the assassination of prime minister Indira Gandhi. The Congress had won 401 seats in the Lok Sabha.

What are the grounds for disqualification under the Anti-Defection Law's Articles 102 (2) and 191 (2)?

a)If an elected member voluntarily gives up his membership of a political party;

b)If he votes or abstains from voting in such House contrary to any direction issued by his political party or anyone authorised to do so, without obtaining prior permission.

As a pre-condition for his disqualification, his abstention from voting should not be condoned by his party or the authorised person within 15 days of such incident.

What were the loopholes?

As per the 1985 Act, a 'defection' by one-third of the elected members of a political party was considered a 'merger'. Such defections were not actionable against. The **Dinesh Goswami Committee on Electoral Reforms, the Law**

Commission in its report on "Reform of Electoral Laws" and the National Commission to Review the Working of the Constitution (NCRWC) all recommended the deletion of the Tenth Schedule provision regarding exemption from disqualification in case of a split.

Finally the 91st Constitutional Amendment Act, 2003, changed this. So now at least two-thirds of the members of a party have to be in favour of a "merger" for it to have validity in the eyes of the law. "The merger of the original political party or a member of a House shall be deemed to have taken place if, and only if, not less than two-thirds of the members of the legislature party concerned have agreed to such merger," states the Tenth Schedule.

GSAT-11 SATELLITE

What is ground segment?

A **ground segment** consists of all the ground-based control elements of a spacecraft system, as opposed to the space segment and user segment. It serves to enable control of a spacecraft, and distribution of payload data and telemetry among interested parties on the ground.

What's the news?

- The Union Cabinet has given a nod for the procurement of launch equipment and other services for the GSAT-11 spacecraft, which shall help provide broadband to rural areas through satellite-based VSAT technology

- The entire project comes at a cost of Rs 1,117 crore and is currently being developed by **Indian Space Research Organization** (ISRO). It will be ready for launch by the end of this year.

- The satellite will be prepared to launch after procurement of a launch vehicle from outside the country due to a heavy 5600 kg lift-off mass.

- The ground segment of the project is also under construction and once completed, GSAT-11 will address rural communication requirements using a long-distance microwave **frequency band called Ku-band.** Around 10 Gbps of broadband bandwidth will be rendered to rural regions, by augmenting the Ku-band's capabilities.

TRADE FACILITATION AGREEMENT

Trade facilitation has its intellectual roots in the **fields of logistics and supply chain management.** Trade facilitation looks at operational improvements at the interface between business and government and associated transaction costs. Trade facilitation has become a **key feature in supply chain security and customs modernisation programmes.** Within the context of economic development it has also come to prominence in the Doha Development Round. However, it is an equally prominent feature in unilateral and bilateral initiatives that seek to improve the trade environment and enhance business competitiveness. Reference to trade facilitation is sometimes also made in the context of "better regulation". Some organisations promoting trade facilitation will emphasize the cutting of red tape in international trade as their main objective. Propagated ideas and concepts to reforming trade and customs procedures generally resonate around the following themes:

- Simple rules and procedures
- Avoidance of duplication
- Memoranda of Understanding (MoUs)
- Alignment of procedures and adherence to international conventions
- Trade consultation
- Transparent and operable rules and procedures
- Accommodation of business practices
- Operational flexibility
- Public-service standards and performance measures
- Mechanisms for corrections and appeals
- Fair and consistent enforcement
- Proportionality of legislation and control to risk
- Time-release measures
- Paperless trade [6] [7] [8]
- Risk management and trader authorisations
- Standardisation of documents and electronic data requirements [9] [10]
- Automation
- International electronic exchange of trade data
- Single Window System

WTO members reached consensus on the Agreement on Trade Facilitation at the Bali Ministerial Conference in December 2013, as part of a wider Bali Package. Since then, WTO members have undertaken a legal review of the text. The Trade Facilitation Agreement will enter into force once two-thirds of members have completed their domestic ratification process.

The Trade Facilitation Agreement has three sections:

- **Section I** contains provisions for expediting the movement, release and clearance of goods, including goods in transit.. It also sets out provisions for customs cooperation.

- **Section II** contains special and differential treatment (SDT) provisions that allow developing and least-developed countries (LDCs) to determine when they will implement individual provisions of the Agreement and to identify provisions that they will only be a ble to implement upon the receipt of technical assistance and support for capacity building.

- To benefit from SDT, a member must categorize each provision of the Agreement, as defined below, and notify other WTO members of these categorizations in accordance with specific timelines outlined in the Agreement (see below).

- **Section III** contains provisions that establish a permanent committee on trade facilitation at the WTO, require members to have a national committee to facilitate domestic coordination and implementation of the provisions of the Agreement. It also sets out a few final provisions.

EDI IN PORTS:

- More than half of India's ports and customs points are yet to be covered by Electronic Data Interchange (EDI), a trade facilitation system, even 22 years after the project began

- There are as many as 298 ports and customs points (excluding those in the Special Economic Zones) and over half of these are not covered by the EDI or the 'paperless' international trading platform

- Concerned that only 132 of the 298 ports and customs points are on the EDI platform, the commerce department recently asked the revenue department to formulate an action plan soon to help link the remaining 166 also to the EDI gateway at the earliest.

- The customs department claims that the EDI system is presently operational at 134 major customs locations handling nearly 98 per cent of India's international trade in terms of import and export consignments.

- The sources said the ICEGATE (or the Indian Customs E-commerce/EDI Gateway) system is also being upgraded.

- They said the commerce department wants customs officials to start accepting digitally signed documents to expedite export and import clearances.

- These shortcomings were due to systemic issues, inadequate controls, incorrect or insufficient mapping of Foreign Trade Policy provisions, lack of validations, permissions for too many manual interventions and alterations of data and incorrect updation of important rate directories.

- The EDI system is a component of the project **'e-Trade'** to ensure trade facilitation and in turn greater ease of doing business in India.

- The project electronically links the **customs department, Directorate General of Foreign Trade (DGFT), exporters/importers, agents, banks, airports and seaports, inland container depots and container freight stations, Container Corporation of India and shipping lines and airlines.**

- Currently, the ICEGATE has about 24,000 registered users serving nearly seven lakh importers and exporters. ICEGATE is meant to enable quicker customs clearance to facilitate export-import trade.

- As per the World Bank's latest (ease of) Doing Business Report (2016), India fared poorly on the "trading across borders" criterion that records the time and cost (excluding tariffs) associated with the logistical process of exporting and importing goods.

- India was ranked 133rd out of 189 economies (the same as in the previous year) while China came 96th. This was because of more time taken in India in terms border and documentary compliance to export and import.

- The Union Cabinet had last month approved the proposal for India to ratify the World Trade Organisation's Trade Facilitation Agreement (TFA), aimed at easing customs rules to expedite global trade flows of goods.

- Trade facilitation reforms such as **e-Trade and the EDI platform are also meant to help India comply with the Trade Facilitation Agreement requirements.**

MONETARY POLICY COMMITTEE

- After four months of debate and discussion, the Reserve Bank of India and the Finance Ministry have overcome the stalemate on the proposed amendments to the Reserve Bank of India Act to reset the responsibility of deciding India's monetary policy.
- The Ministry's note for the Cabinet's approval proposes a five-member Monetary Policy Committee.

- The government will nominate two members and the RBI three members.

- Each of the five members would have one vote and the RBI Governor, chair of the committee, will have a casting vote in the event of a tie in situations such as the absence of a member, a top official of the Finance Ministry told The Hindu.

- The source, however, refused to say whether the Governor would also have the right to overrule the committee's decisions.

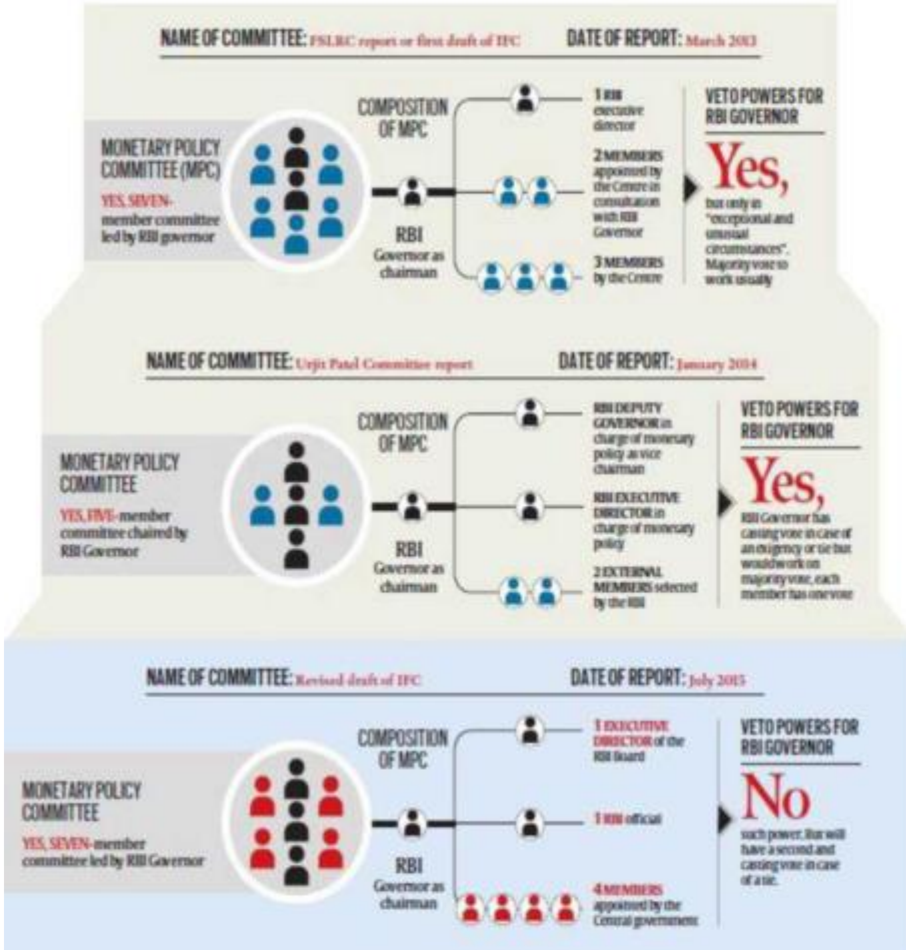
- The inflation target for the RBI in each financial year will be determined by the Government in consultation with the RBI itself.

- At present, the **Governor is advised by a technical committee but can veto decisions, being singularly responsible for monetary policy.**

- A draft of the Indian Financial Code that the Ministry had posted on its website in July proposed to strip the Governor of veto vote on the monetary policy. The draft proposed a six-member monetary policy committee, besides powers for the government to appoint four of the six members.

- The release of a revised draft of the Indian Financial Code last week may have finally set the stage for an overhaul of the country's financial sector regulations and architecture but it has also opened up a debate on who should have the ultimate responsibility for deciding the monetary policy stance.
- "The objective of monetary policy is to achieve price stability while striking a balance with the objective of the Central government to achieve growth," said the revised IFC, proposing to do away with the veto power enjoyed by the central bank Governor for determining policy rates, instead suggesting a decision by a majority vote.

Changes in drafts over the years



- This is a major shift from the current practice where the RBI Governor can take his decision on the interest rate even though he is **consults the Technical Advisory Committee** on policy rates that **includes Deputy Governors of the central bank** as well as experts and economists.
- Interest rates form the core of the tussle between the Centre and the RBI, with the finance ministry often pitching for lower rates to boost growth while the central bank opting for a more careful policy keeping in mind a number of factors such as inflation.
- But experts are split on their views on how the proposals would impact the RBI's mandate in setting interest rates with some arguing that it would not only take away autonomy but also downgrade powers of the central bank.
- RBI Governor Raghuram Rajan had met Prime Minister Narendra Modi on Friday and one of the items discussed at the meeting included the revised FSLRC code.
- But contending that the new monetary policy framework agreement puts the onus on the RBI to control inflation, former RBI Governor C Rangarajan said, "Under these circumstances, if at all an MPC is required, the majority of its members must come from RBI. This will avoid the question of veto powers for the RBI Governor while making it more accountable for maintaining the inflation rate within a specified zone."

- Another former RBI Governor agreed: "There is no problem with the setting up of a MPC. But the ultimate responsibility for setting the interest rates must reside with the RBI Governor because who else can take hard decisions in difficult times."

History of IFC code:

- The IFC holds its origins in the FSLRC — headed by Justice BN Srikrishna — that was set up in 2011 to review the country's financial sector architecture and submitted its report in March 2013.
- In the original draft of the IFC, the RBI chairperson was envisioned as the first amongst equals and had the power to "supersede the decision" of the committee in "exceptional and unusual circumstances" though decisions normally would be taken by the majority vote.
- In the revised draft, the chairperson does not enjoy any such power but will have a second and casting vote in case of tie. The MPC would consist of seven members including the RBI chairperson.
- The other members would include one executive member of the Reserve Bank Board nominated by the Reserve Bank Board; one employee of the Reserve Bank nominated by the RBI chairperson; and four persons appointed by the Central government.
- Additionally, the Centre would be allowed to nominate one representative to attend all the meetings of the MPC and take part in deliberations but he or she will not have a vote. The RBI will be expected to publish a report every two months on the sources of inflation and the forecast for inflation for next six to 18 months.
- **Further, in case, the inflation target is not met,** the RBI would submit a report to the Centre on the reasons. The original draft of the IFC, too, had suggested seven members in the MPC but with more play to the RBI chairperson in selection of the members.
- Apart from the RBI chairperson, the MPC was expected to consist of one executive director of the RBI. The Centre was expected to appoint two members in consultation with the Reserve Bank chairperson apart from three other members it could appoint independently.
- Significantly, the RBI and the finance ministry had early this year signed a monetary policy framework agreement — a key recommendation of the Urjit Patel committee on monetary policy reform — under which the central bank would target retail inflation for policy rates. This is in line with the Urjit Patel committee, submitted in March 2014 that called for the nominal anchor or the target for inflation should be set at 4 per cent with a band of +/- 2 per cent around it.