



POLITY

1. Partial cover: More needs to be done on the mother and child front

Maternity Benefit (Amendment) Bill

- The Bill extends the period of paid maternity leave for women working in the organized sector to 26 weeks from the current 12.
- This is applicable to all organizations that employ 10 or more people.
- The enhancement of **paid maternity leave** for women in the organized sector through an amendment to the **Maternity Benefit Act, 1961** is a progressive step.
- This is in line with the **World Health Organization**, which recommends exclusive breastfeeding of children for the first 24 weeks.
- It also gives some benefits to adoptive mothers and women who get children using embryo transfers as well.

Need to cover unorganized sector

- It is expected to cover only 1.8 million women, which is a small subset of women in the workforce.
- In the unorganized sector, the only support available is a small conditional cash benefit of ₹6,000 during pregnancy and lactation offered under the Maternity Benefit Programme.
- The reported move to restrict even this meagre benefit to the first child for budgetary reasons is retrograde and must be given up.
- Providing benefits for women and children is a societal responsibility.
- It can be funded through a combination of general taxation and contributory payments from those who have the means.
- Health care should be treated as a right and deliveries handled without cost to women.
- The income guarantees during the 26-week period can be ensured through a universal social insurance system.
- Beneficiaries covered by the latest amendment must be protected from discrimination through clear provisions.
- **Mandating crèche facilities** to help women workers under the changed law is a forward-looking move, but it will work well only with a good oversight mechanism.
- **Access to welfare support** has become even more critical as workers migrate frequently due to economic changes.
 - The twin imperatives are, therefore, to create more jobs for women in a diversified economy,
 - To provide social opportunity through maternal and child welfare measures.

Limitations

- It is likely to adversely impact women in the workplace.
- The gender ratio in corporate India is already highly lopsided.
- In 2015, women accounted for only 21% of the jobs at the entry level to managerial position, according to a report.
- HR managers are wary about the added costs of hiring young, fertile women.

- This extension of maternity leave to six months will effectively double these costs.
- This is likely to result in much fewer women being employed in the corporate sector.
- In progressive countries, at least a part of the maternity costs are borne by the government. In India, this is entirely passed on to companies.
- when teams are small, the cost of the absentee employee is borne by other employees, not so much in money, but in terms of working additional hours to make up for the absence,”
- Also, India’s leaking pipeline – the number of women who quit their jobs between junior and middle levels – is 50%, compared to the average of 29% in Asia.
- This also implies that the number of women who avail their maternity benefits and yet do not resume their jobs is rather high, adding to the cost concerns of their recruiters.

Positives

- Organizations which employ more than 30 women (or 50 people, whichever is less) will now have to provide a crèche.
- The mother is allowed to visit the crèche four times during the day.
- Also, mothers who adopt babies are entitled to 12 weeks of paid maternity leave.

2. Multi-phase polls are here to stay: Nasim Zaidi

- Because of the use of Central police forces for the conduct of free and fair polls.
- Preference for Central police forces by political parties, candidates and even voters that had led to this state of affairs.

3. Punjab varsity develops new Bt cotton varieties

- Punjab Agricultural University in Ludhiana has developed the country’s first genetically-modified varieties of cotton.
- The seeds of which could be reused by farmers with no commercial restrictions, resulting in savings on repeat purchases every season.
- The price of these varieties will be much lower than current Bt cotton hybrid seed, and it can cut cultivation costs.
- **The Indian Council of Agricultural Research (ICAR)** has identified three Bt cotton varieties – **PAU Bt 1, F1861 and RS2013** – for cultivation in Punjab, Haryana and Rajasthan.

Cry1Ac gene at work

- All three varieties carry the Cry1Ac gene imparting resistance against bollworm complex.
- The genetic modification involves introduction of the Bt bacterial gene that codes for a protein which kills the bollworm cotton pest.
- Cotton is the only GM crop allowed to be cultivated in India.

Bt cotton is a genetically modified version of the plant that contains genes for an insecticide. The cotton plants include *Bacillus thuringiensis* (Bt), a spore-forming bacteria that produces cry proteins. When insects eat these cotton plants, the cry proteins bond to cells inside the insect, disturbing the flow of potassium through the insect, eventually killing it. Bt cotton is produced by Monsanto and grown in India.

4. On computing ability, rural India is lost in the woods

- The ability to use computers remains low in the country, an analysis of National Sample Survey Office (NSSO) data reveals.
- An estimated 8.8% of the rural population has computing ability. In urban areas, the figure is nearly four times higher, at 30.2%.
- **Computing ability** was defined as an user's ability to operate a desktop, laptop, palmtop, notebook, smartphone and tablets.
- The study claimed that 'computing ability' is not linked to digital infrastructure or internet penetration.
- It is about use of gadgets. But if any one of the gadgets — especially a smartphone — is taken out, then the measure of computing ability will go further down.

Kerala on top

- Kerala has the highest computing ability at 32.3% in rural areas, while Chhattisgarh has the lowest, 2.9%.
- In the urban areas, Kerala is in second position, after Delhi. Tamil Nadu and Punjab are in the middle of the table.
- Computing ability was found to be the lowest in the tribal population.

Cooking fuel gap

- Data on access to gas, electricity or kerosene for clean cooking indicate a wide gap between rural and urban consumption.
- While 14.9% of rural population has access to clean cooking, the figure goes up to 76.4% in urban areas.

5. Hot debate over Electronic Voting Machines

- Indian EVMs are fully tamper-proof when used under complete administrative safeguards prescribed by the ECI.
- Improvements are always possible and ECI has an open mind to consider all constructive suggestions.

Vulnerable to “dishonest display”

- EVMs were vulnerable firstly to the so-called “**dishonest display**” attack whereby a microcontroller and a Bluetooth radio chip could be smuggled into the device using a genuine-looking display board.
- Through the use of these devices the attacker could then signal which candidates should receive stolen votes via a Bluetooth smart phone.

Electronic booth capture

- The Indian EVM was also susceptible to attack through the use of an electronic clip, which attached directly to the EVM chips and could rewrite the votes stored there.
- But the secrecy of election data could also be violated as the clip would allow the attacker to copy out the votes stored.
- The paper, wax and string seals used to protect EVMs had been “widely discredited” and were entirely vulnerable to tampering.
- Machines [are] stored around the country in a variety of locations, from abandoned warehouses to schools, etc. [and it is] likely many of them could be accessed by criminals, especially with the aid of dishonest insiders.

- Employees of Public Sector Undertakings and their technicians – responsible for manufacturing the EVMs – were a “huge potential source of fraud.
- A large number of private players were involved in election operations including manufacturers, their agents, vendors of foreign companies, government officials and so on.

Claims denied

- The uniqueness of the Indian EVM was that it had no operating system, could not be networked and no input was possible except from the ballot unit of the machine.
- The claims EVMs had been corrupted with a **Trojan programme** were unfounded.
- Most of the Indian courts including the Bombay, Karnataka, Kerala and Madras High Courts had refuted such claims and recorded their appreciation of the efficiency of EVMs.
- The machines’ new security features include dynamic code hopping with encryption, an interconnecting cable that was crimped and moulded and a digital signature in the control unit.

6. Health policy wants public hospitals certified for quality

- **National Health Policy (NHP)** proposes to raise public health expenditure as a percentage of the GDP from the current 1.15% to 2.5% by 2025.
- The resource allocation to individual States will be linked with their development indicators, absorptive capacity and financial indicators.
- There will be higher weightage given to States with poor health indicators and they will receive more resources.
- The Policy aims to end inequity between States. But at the same time, States will be incentivised to increase public health expenditure.
- Many of the goals listed in the Policy have a deadline of 2025, some of them even sooner.
- The policy advocates a progressively incremental assurance-based approach to health care provision.

Preventive healthcare

- The policy stresses preventive healthcare by engaging with the private sector to offer healthcare services and drugs that are affordable to all.
- It wants to reduce out-of-pocket “catastrophic” health expenditure by households by 25% from current levels by 2025.
- It wants to increase the utilisation of public health facilities by 50% from the current levels by 2025.
- The Centre is working on introducing a **health card**, an electronic health record of individuals.
- The health card will be for retrieving and sharing health data by lower [Primary Health Centre] and higher [secondary and tertiary] healthcare facilities.
- It will be launched in six months to one year’s time in those States that show interest to roll it out in certain districts or across the State.
- The Policy wants to reduce the incidence of new TB cases to reach elimination by 2025.
- The policy has set 2017 as the deadline to eliminate kala-azar and lymphatic filariasis in endemic pockets, and 2018 in the case of leprosy.
- In the case of chronic diseases such as diabetes, cancer and cardiovascular diseases, it envisages a 25% reduction in premature mortality by 2025.

Challenging Targets

- The policy “aspires” to provide secondary care right at the district level and reduce the number of patients reaching tertiary hospitals.
- For the first time, there is a mention of public hospitals and facilities being periodically measured and certified for quality.
- But the most ambitious target is providing access to safe water and sanitation by all by 2020.
 - As per the January 2016 Ministry of Drinking Water and Sanitation’s country paper, sanitation coverage was only 48%.
- Other challenging targets set by the Policy include reducing the infant mortality rate to 28 per 1,000 live births by 2019 and under five mortality to 23 per 1,000 live births by 2025.
 - According to the National Family Health Survey 4 (NFHS-4), IMR was 41 in 2015-16; it took 10 years to reduce IMR from 57 to 41.
 - As against 62% children 12-23 months old, who were fully immunised in 2015-16 according to the NFHS-4 data, the Policy has set a target of 90% by 2025.

7. The Governor’s options

Why in news?

- The legal challenge of the Congress in the Supreme Court against the BJP’s claim to form the government in Goa brings to fore a vacuum in the Constitution.
- The Manohar Parrikar government came to power on a first-come-first-appointed basis despite the fact that the BJP came second in the Assembly elections.
- The Governor did not consult the single largest party, the Congress, before giving Mr. Parrikar the green signal.
- The SC, in turn, said the Congress did wrong by not staking its claim to form the government. It had shown no proof to the Governor that it had the requisite numbers to prove a majority in the House.
- The debacle exposes the fact that there are no specific guidelines in the Constitution on who the Governor should invite to form a government in a State where rival parties with narrow majorities engage in a face-off.

Sarkaria Commission

- The constitutional convention of inviting the single largest party in the case of a fractured mandate has been outlined by the Sarkaria Commission recommendations, which were affirmed by a Constitution Bench of the SC in ***Rameshwar Prasad v Union of India*** in 2005.
- The Commission report specifically dealt with the situation where no single party obtained absolute majority.
- It provided the order of preference the Governor should follow in selecting a Chief Minister in such a fluid situation:
 - An alliance of parties that was formed prior to the elections.
 - The single largest party staking a claim to form the government with the support of others, including independents.
 - A post-electoral coalition of parties, with all the partners in the coalition joining the government.
 - A post-electoral alliance of parties, with some of the parties in the alliance forming a government and the remaining parties, including independents, supporting the government from outside.

8. The heckler’s veto

- **The heckler's veto** is a process by which socially powerful groups can shut down critical or inconvenient speech by threatening public disorder or disturbance.

Some examples

- The plight of artist M.F. Husain and of Salman Rushdie's *The Satanic Verses*, the forced exile from writing for Perumal Murugan etc.
- The threat to freedom of expression came from powerful sections who could use their proximity to administrative power and the lacunae judicial systems.

Supreme Court's Judgments

- Justice Krishna Iyer questioned in the *Periyar Ramayana* case the invocation of powers under **Section 99A of the Code of Criminal Procedure** by various state governments.
- Justice Sanjay Kishan Kaul delivered in the **M.F. Husain case** that a liberal tolerance of a different point of view causes no damage. It means only a greater self-restraint.
- When the enabling environment for free speech gets vitiated, it undermines the redeeming features of democracy.
- The lower courts in India, barring some notable exceptions, in contravention to the legal position taken by the apex court have repeatedly endorsed the heckler's veto.
- by granting an ex parte injunction against publication or broadcast of news

9. 'Legal services bodies ensure justice for all'

- Justice Gogoi said there should be a debate on amendments to statutes to ensure access to justice through legal services authorities.
- He said the Supreme Court Legal Services Authority was not short of funds and needed to be proactive with the best legal talents within its fold.

10. Centre is trying to decimate judiciary: SC

- Chief Justice of India T.S. Thakur on said the Union government did not keep its promise that filling up judicial vacancies is its "topmost priority".
- He said that no action was taken for the past nine months since a Constitution Bench scrapped the NJAC law and asked the government to frame a new Memorandum of Procedure (MoP) for Judicial Appointments.

11. Ganga, Yamuna termed 'living persons'

- The HC said that to protect the recognition and the faith of society, rivers Ganga and Yamuna, all their tributaries, streams are required to be declared as legal persons [or] living persons.
- On March 15, New Zealand river Whanganui became the first in the world to be granted a legal human status.
- A Public Interest Litigation (PIL) petition filed by one Mohammad Salim in 2014.

In a state of neglect

- Centre's **Namami Gange programme** is aimed at restoring their health, but not much has been achieved yet.
- The court ordered that the Director of the Namami Gange programme, the Uttarakhand Chief Secretary, and the Advocate-General of Uttarakhand would serve as "parents" for the rivers.

12. Aadhaar to be a must for filing IT returns, getting PAN card

- From July 1 this year.
- An amendment was moved in the draft Finance Bill 2017 for this.
- The Centre had identified 31 schemes in which the Aadhaar could be made mandatory.
- **Aadhaar number** has already been made mandatory for
 - Pradhan Mantri Kaushal Vikas Yojana for skill development
 - Self Employment Scheme for Rehabilitation of Manual Scavengers
 - Getting subsidised grains under the National Food Security Act, jobs under the MGNREGA and pension benefits under the Employees' Pension Scheme.

ECONOMICS

1. Direct tax receipts climb 10.7%

- Net direct tax collections up to February grew 10.7% as compared with the same period of the previous financial year,
- Net indirect tax collections increased 22.2% during the same period.

'Reflecting slowdown'

- Now, domestic indirect taxes (excise duty and service tax) are also reflecting the slowdown in the economy.
- This implies a poor performance in Q4 brought on largely by demonetisation, since January and February are already captured in the data.

2. MeitY upsets Apple cart, says tax sops not feasible

- **Ministry of Electronics and IT** stated that it "may not be feasible" to grant the U.S.-based technology major exemptions from certain duties that it had sought.
- Apple is seeking an exemption from **Phased Manufacturing Programme (PMP)**, which means that
 - Chargers, batteries and headphones for manufacture of Apple phones be exempted from **basic custom duty (BCD)** and **countervailing duty (CVD)**.
- In a meeting between Prime Minister Narendra Modi and Apple CEO Tim Cook in May 2016, there was an agreement to work together for manufacture of iPhones in India

Current exemptions

- Presently, all inputs for manufacture of mobile handsets, except chargers, batteries and headphones, are exempted from BCD and CVD.
- Since Apple does not intend to source its components locally, it had asked for removal of all forms of duties, pre and post GST.
- The government had introduced the **Phased Manufacturing Programme** for mobile handsets to increase domestic value addition.
 - Under PMP, headphones, chargers and batteries are subject to CVD of 12.5% on import since Budget 2016-17.
 - domestic manufacturers of these products are extended differential excise duty dispensation "by virtue of which all their imports are exempted from BCD and CVD

and excise duty of 2% is levied on domestically manufactured headphones, chargers and batteries.”

- MeitY had proposed that this be extended to five more sub-assemblies of mobile handsets in the budget 2017-18.
- However, the proposal was not agreed to by the Department of Revenue in Budget 2017-18.

3. BRICS to discuss steps to boost investment

- A proposal to frame ‘guiding principles’ for investment policymaking to boost investment as well as take steps to promote e-commerce among the five leading emerging economies.
- **BRICS Contact Group on Economic and Trade Issues (CGETI) meeting** – slated for early next week in Beijing – will also discuss
 - measures for closer cooperation among the BRICS countries for developing their respective national single window for trade facilitation.
- China, the current BRICS chair, wants to push ‘investment facilitation’ and ‘e-commerce’–related issues.
 - Beijing’s proposed for ‘**Guiding Principles for BRICS Investment Policymaking**’.
 - It is similar to the ‘**G20 Guiding Principles for Global Investment Policymaking**’, among other things, which states that, “Governments should avoid protectionism in relation to cross-border investment” and that “investment policies should establish open, non-discriminatory, transparent and predictable conditions for investment.”
 - China has also proposal for a global pact on ‘investment facilitation and promotion’ at the World Trade Organisation (WTO)-level
- India had recently rejected a proposal by the European Union and Canada at the WTO-level for a global investment pact that incorporates the contentious **Investor-State Dispute Settlement (ISDS) mechanism**.
 - The ISDS mechanism allows firms to drag governments to international arbitration without waiting to exhaust the available local remedies and seek huge compensation.

Focus on e-commerce

- China has been leading the discussions on e-commerce at the global level.
- In November 2016, the WTO said China had proposed that discussions at WTO should focus on the promotion and facilitation of cross-border trade in goods enabled by the Internet.
- Incidentally, there is a proposal for setting up a common payment gateway to promote e-commerce among BRICS.

4. Cruise ship damages coral reef

Why in News?

- A British-owned cruise ship has smashed into pristine coral reefs at low tide around Kri, one of hundreds of small islands in Raja Ampat, causing extensive damage in a remote corner of Indonesia known as one of the world’s most bio-diverse marine habitats.
- The accident has damaged an estimated 13,500 sq metre of coral reef, which could cost up to \$16.2 million to restore.
- Even when (the reefs) grow back, they will not be as pristine as they were before.
- The Indonesian government said it was assessing the impact and would seek compensation from the operator.

What is Coral reef?

Coral reefs are diverse underwater ecosystems held together by calcium carbonate structures secreted by corals. Coral reefs are built by colonies of tiny animals found in marine waters that contain few nutrients. Most coral reefs are built from stony corals, which in turn consist of polyps that cluster in groups.

5. Centre unveils plan for export infra

- The Centre unveiled a scheme to create export-related infrastructure and boost the competitiveness of India's shipments.
- The scheme would have a budgetary allocation of Rs. 600 crore, with an annual outlay of Rs. 200 crore per year.
- It would be implemented from FY'18 till FY'20, according to a Commerce Ministry statement.
- **The objective of the proposed scheme, Trade Infrastructure for Export Scheme (TIES) is**
 - to enhance export competitiveness by bridging gaps in export infrastructure,
 - creating focused export infrastructure like border haats, land customs stations, quality testing and certification labs and cold chains,
 - first mile and last mile connectivity for export-oriented projects and
 - Addressing quality and certification measures."
- The scheme replaces a centrally sponsored **scheme Assistance to States for creating Infrastructure for the Development and growth of Exports (ASIDE)**.

6. U.S. trade nominee for 'aggressive' steps on IP**IPRs have been a bone of contention between U.S., India**

- IPR protection has been a bone of contention between India and the U.S. for years now.
- Several American companies and lawmakers have been pressing the administration for stricter measures.
- The USTR annual report on IP rights has kept India on priority watch list for years now, even as U.S. companies have sought stricter measures.
- The provision of 3(d) in the Indian Patents Act and CL provisions have worried international pharmaceutical companies since the amendment to the **Indian Patent Act in 2005**
- **Sec 3 (d) of India's Patent Act** prevents pharmaceutical companies from continually extending patents by making minor changes in the product and American companies find India's compulsory licensing provisions harsh.
- American policy makers have problems with **India's copyrights laws** too, but India maintains that its IPR regime is compliant with WTO standards.
- Indian policy framework is driven by the needs of its people, while all its policies are within the framework of international treaties and agreements.

7. Start-up firms may soon find it easy to wind up

- Department of Industrial Policy and Promotion (DIPP) has written to the Ministry of Corporate Affairs (MCA) to notify start-ups as 'Fast Track firms'.
 - To enable faster exit for start-ups and to bring the winding up process in line with global best practices
 - start-ups shall be able to wind up their business within a period of 90 days from making an application for the same.

- The **DIPP** is the nodal Central government body for the Start-up India initiative, while the **MCA** is the concerned authority for notifications on winding up of companies.
- **Fast Track firms** will be start-ups with simple debt structures or those meeting certain criteria that will be specified.

Notification

- Expediting the company winding up process in India would require the notification of **Sections 304-323 of the Companies Act, 2013**, relating to **voluntary winding up**.
 - The benefits of voluntary winding up operations involve no court supervision.
- Often the entrepreneur leaves from his previous venture and starts a new venture. There should be a provision to carry forward the losses of the failed venture to the new venture.
- Therefore the unutilised losses of an eligible start-up, which is being wound up, should be allowed to be carried forward and set off by the founder of that start-up, against the profits of a new eligible start-up set up within a period of three years from date of winding up of the failed start-up.

8. Last gasp tasks

- GST Council cleared all the requisite State and Central-level legislative measures to implement the indirect tax regime.
- The State and Union Territories' GST bills were approved along with necessary corrections to the three other GST Bills the Council had cleared previously for Central GST, Integrated GST and compensation to States through a cess.
- This paves the way for State Assemblies and Parliament to ratify these laws quickly in order to meet the proposed July 1 rollout date for the system.
- Though industry has indicated that it needs at least three months to prepare for the GST once it sees the fine print.

Unresolved Issues

- But still the fitment of thousands of commodities and services into the five GST rate slabs (zero, 5%, 12%, 18% and 28%) could prove to be among the trickiest for the Council.
- The rate fitment process, unlike legislative nuances, is more susceptible to lobbying not just from different sections of industry, but also States.
 - The GST Council has now approved a ceiling on the cess that could be imposed over and above the highest GST rate of 28% on pan masala, chewing tobacco and cigarettes, luxury cars and aerated drinks.
 - For all such 'sin goods', the cess ceiling has been set higher under the GST than the level necessary to maintain the present level of taxation.
 - But beedis have been kept out of the cess net altogether in order to avoid friction with States that could delay the broader reform.

GST Council

- The GST bill seeks to set up a GST Council. The GST Council aims to develop a harmonized national market of goods and services. According the GST Bill, the President must constitute a GST Council within sixty days of this Act coming into force. The composition of the GST Council includes:
 - The Union Finance Minister (as Chairman),
 - The Union Minister of State in charge of Revenue or Finance, and

The Minister in charge of Finance or Taxation or any other Minister, nominated by each state government.

- The decisions of the GST Council will be made by three-fourth majority of the votes cast. The centre shall have one-third of the votes cast, and the states together shall have two-third of the votes cast.
- The GST Council will make recommendations on:
 - Taxes, cesses, and surcharges to be subsumed under the GST;
 - Goods and services which may be subject to, or exempt from GST;
 - The threshold limit of turnover for application of GST;
 - Rates of GST;
 - Model GST laws, principles of levy, apportionment of IGST and principles related to place of supply;
 - Special provisions with respect to the eight north eastern states, Himachal Pradesh, Jammu and Kashmir, and Uttarakhand; and other related matters.
- The GST Council may decide the system of resolving disputes arising out of its recommendations. The GST Council will also decide when the GST would be levied on petroleum crude, natural gas, high speed diesel, aviation turbine fuel and motorspirit (petrol).

9. Centre eyes ways to open multi-brand retail

- Centre is considering various options including allowing FDI in MBRT of certain non-food items such as health and wellness products, with a rider that they should be locally manufactured.
- Food Processing Industries Ministry has proposed to allow FDI in MBRT of non-food items.
- **The consolidated FDI policy** still retains the decision taken by the previous UPA government, which was to allow 51% FDI in MBRT through the approval route.
- The policy stipulates many conditions including on a specified level of minimum investment and local sourcing.
- This is not being implemented because several states through their respective Shops & Establishment Act, do not currently allow foreign-owned and controlled firms to open multi-brand retail outlets in their territory.
- The NDA government has allowed 100% FDI under the government approval route for trading, including e-commerce, in respect of food products manufactured and/or produced in India.
- FDI can be allowed in MBRT in non-food items also, given the potential benefits of such a decision including greater FDI inflows and transfer of technology.

INTERNATIONAL RELATIONS

1. Commonwealth Ministers commit to boosting trade

- An intra-Commonwealth trade meet in the face of the growing clamour for protectionism globally was held in London
- Bloc targeting increase in trade to \$1 trillion by 2020, from \$750 billion now
- The two-day meeting involved round-table discussions that brought businesses and politicians from around 35 Commonwealth member states together in what was the first meeting of trade ministers from the Commonwealth in the past 12 years.

- One of the idea is that of a Commonwealth ambassador, who will be commissioned to identify tangible ways in which trade among Commonwealth nations could be promoted and raised to around \$1 trillion.
- The trade meeting has gained increased significance as the United Kingdom seeks to increase its trade links beyond the European Union after the Brexit, while India also looks at the Commonwealth with renewed focus.
- **Commonwealth Enterprise and Investment Council** noted the sharp disparity between the population of the Commonwealth (around a third of the world's population) and its share of trade (around 15%)
- India announced for a summit on trade amongst Commonwealth SMEs last year and meeting will take place in Delhi this year
 - The meeting will provide an opportunity for policy makers and businesses to continue discussions on boosting trade in this area.

Role of India:

- India is thought to be particularly well placed when it comes to taking a leading role in driving forward the Commonwealth growth, given that it along with the U.K. is one of the few Commonwealth nations that has established trade relations stretched across the globe, while many other Commonwealth members are regionally focused.
- In addition to providing opportunities to discuss trade with long-standing partners — including in Africa, where India has the established channel of the India-Africa Summit — Commonwealth summits provide an opportunity for India to converse with the smaller island states.
- Commonwealth meeting of **small and medium sized** businesses will help developing Commonwealth nations benefit from India's global value chains, tapping into the diversification of their export markets and improvements to their supply chain capacity.

2. Hurdles to domestic production of OIL and GAS

- Prime Minister wants India to reduce its oil and gas imports by 10 per cent by 2022.

What are the hurdles?

- Farmers in Neduvasal have been protesting against work in a block allotted under the Discovered Small Fields bidding.
- The HELP (Hydrocarbon Exploration Licensing Policy) regime brought in last year seeks to address pain points in the older NELP (New Exploration Licensing Policy).
- The HELP has progressive provisions — easy-to-implement revenue-sharing contracts, unified licensing policy that lets exploration of all hydrocarbons in a block, open acreage licensing that allows on-tap bidding, and pricing and marketing freedom for new gas production from difficult terrains.
- However the problem lies in replacing production sharing contracts (PSC).
- In PSCs, contractors could recover costs before sharing profits with the government. This reduced their risk significantly.
- But in the **revenue sharing mechanism** under HELP, contractors have to share revenue with the government from the start of production; costs cannot be recovered first.

Problem with Gas Pricing

- Then, there is the problem of formulae-based gas pricing. Unlike crude oil, domestic gas price in India is not market-linked. From November 2014, it is being determined every six

months as a weighted average of four international benchmarks — US-based Henry Hub, Canada-based Alberta gas, UK-based NBP and Russian gas.

- Given the prolonged weakness in international gas markets, domestic gas price has gone downhill.
- Market-linked pricing is imperative to encourage gas production in the country.
 - Under the HELP, the pricing and marketing freedom for domestic gas is restricted to new gas production from deepwater, ultra deepwater, and high-pressure, high-temperature areas.
 - Here too, the price is subject to a ceiling, based on a formula, involving the import price of alternative fuels. The current gas price notified for such blocks is \$5.3 a unit, not exactly commensurate with the risks involved.
- There is also the danger of the government nudging PSU companies to make sub-optimal investments. In December, ONGC acquired the Gujarat-government controlled GSPC's 80 per cent stake in the not-so-successful Deen Dayal asset for \$1.2 billion.
- There are apprehensions in many quarters that this is a bailout deal for GSPC that is straining under high debt, though ONGC denies this.
- Sub-optimal capital allocation impedes the ability of the PSU companies to invest in the future.

Fuel pricing reforms and the crash of crude oil have kept the oil and gas sector on a high. But there could be challenges ahead

- The key structural change, though, has been pricing reforms. This has largely resolved a fundamental problem that afflicted the sector for long — fuel price control — and benefited public sector oil companies by slashing their subsidy burden.
- The government too has gained by the cut in subsidy outgo and a sharp increase in its revenue from excise duty hikes.
- In October 2014, diesel pricing was freed. This turned around the fortunes of the PSU oil marketing companies as diesel accounted for more than 60 per cent of their under-recoveries from selling fuels below cost.
- Besides, the cap on subsidised LPG cylinders to 12 a year for a household, direct benefit transfer of LPG subsidy and gradual price hikes in kerosene and LPG have reduced under-recoveries further.
- Petrol pricing was decontrolled way back in 2010. Now, only a small portion of fuels is under price control.
- The difference in the price of their fuel basket and crude oil — translated into huge profit growth for these companies. This has enabled them to undertake big expansion plans that should aid profit growth in the coming years.
- Paradoxically, even the PSU hydrocarbon exploration companies ONGC and Oil India have benefited from the crude oil crash. That's because these companies also bear a **portion of the under-recoveries** through product discounts to the oil marketers. With this burden sharply reduced, the net realisations of these companies improved despite a fall in their gross realisations.
- Clarity in the subsidy sharing mechanism also helped. The government agreed to bear the subsidy up to ₹18 a kg on LPG cylinders and ₹12 a litre of kerosene. The rest was to be borne by ONGC and Oil India; GAIL was exempted.
- Of course, when crude oil went under \$45 a barrel and further to under \$30 a barrel in early 2016, the oil producers got squeezed. Even without the subsidy burden, their net realisations dipped lower than in previous years. But the subsequent price recovery to about \$55 a barrel currently has eased the situation somewhat.

- A good portion of the price recovery has happened after the late 2016 deals among OPEC and major non-OPEC nations to cut oil output. A further sharp rally could queer the pitch for the PSU oil companies and the government.
- But a rise above \$60 a barrel seems unlikely. US shale oil could make a strong comeback around these levels, with support from the Trump administration, which is expected to follow a pro-US energy agenda and provide sops to the shale industry in the country.
- The other big problem is stagnating domestic output and high import dependency
 - India now imports more than 80 per cent of its crude oil and 40 per cent of its natural gas requirement.

Gas utilities on a roll

- Artificially low domestic gas prices have benefited city gas distributors (CGD) such as Indraprastha Gas and Mahanagar Gas. These companies have been given top priority in the allocation of domestic gas for compressed natural gas (CNG) supply to vehicles and piped natural gas (PNG) supply to households. These segments account for a chunk of these entities' business.
- While their costs have dipped, volumes have soared due to price advantages vis-à-vis other fuels such as petrol, diesel and LPG. The regulatory push in favour of the environmentally cleaner natural gas has also helped. Good growth momentum is likely to sustain for these entities.

3. ISRAEL PALESTINE PROBLEM

- In a report released on March 15 the UN has proclaimed that Israel 'is guilty of the crime of apartheid'.
- The report that they have now produced makes the 'grave charge' that Israel is guilty of apartheid not only in the West Bank, Gaza and East Jerusalem — the Occupied Territory — but also within its own boundaries and against the Palestinian refugees. This is a very sharp report, which will be hard for Israel to ignore.

End of two state consensus?

- This report and others show, the two-state solution has been long vitiated.
- Even US has not shown support to two state solution recently
- **The Israeli government's illegal Jewish settlement project in the West Bank** and its virtual annexation of East Jerusalem makes it impossible to imagine the establishment of Palestine in that region.
- What exists is a one-state, with Israel having exercised its dominion in the entire land west of the Jordan River, but a one-state with an apartheid system, with Israeli Jews in a dominant position over the Palestinians.
- This disturbing apartheid situation not only in the Occupied Territory of the West Bank and East Jerusalem, but in all of Israel.
- **One reason why the Israeli government is unwilling to consider a one-state solution with equal rights for all Israelis and Palestinians is what they call a 'demographic threat'.**
- If the 12 million Palestinians — exiles and refugees included — would be citizens of this one-state, then they would dwarf the six million Jews in the country.
- Israel is a 'racial regime' because its institutions are premised on maintaining a Jewish nation by techniques of suppression and expulsion.

Gross discrimination in Israel against Palestinians

- Palestinians who have Israeli citizenship do not have the right to nationality, which means that they can only access inferior social services, face restrictive zoning laws, and find themselves unable freely to buy land.
- Palestinians in East Jerusalem are reduced to the status of **permanent residents**, who have to constantly prove that they live in the city and that they do not have any political ambitions.
- Palestinians in the West Bank live 'in ways consistent with apartheid'
- Those who are exiled to the refugee camps in Lebanon, Syria and Jordan have absolutely no rights to their homeland.
- All Palestinians – whether those who live in Haifa (Israel) or in Ain al-Hilweh (Lebanon) suffer the consequences of Israeli apartheid.
- This indignity is punctuated with laws that humiliate the Palestinians. The latest law — the Muezzin Bill — imposes limits on the Muslim call to prayer in Israel and East Jerusalem.
- Matters would be less grave if the Israeli political system allowed Palestinians rights to make their case against apartheid-like conditions. Article 7(a) of the Basic Law prohibits any political party from considering a challenge to the State's Jewish character.
- Since this description of the Israeli state renders Palestinians as second-class citizens, their voting rights are reduced to merely an affirmation of their subordination.
- As the UN report suggests, '**An analogy would be a system in which slaves have the right to vote but not against slavery**'.
- Palestinians inside Israel and in the Occupied Territories, as well as in enforced exile, are forbidden to fight to change the terms of politics in Israel. This roadblock is the reason why the UN report appeals to the international community to live up to its commitments.
- Since most of the world's states have signed the Convention Against Apartheid, they are now obliged to act to punish instances of apartheid.

4. INDIA- PAKISTAN 'No rethink on Gilgit-Baltistan'

- Taking strong exception to Pakistan's plans to turn Gilgit-Baltistan region into a province, India asserted that the entire State of Jammu and Kashmir, including Gilgit-Baltistan constitutes its sovereign territory.
- India regards it as a part of Jammu and Kashmir since 1947 has been under illegal occupation of Pakistan.
- Despite being part of Pakistan since the first India-Pakistan war of 1947, Gilgit-Baltistan is the only geographical unit which has so far not sent members to the Pakistan National Assembly.
- Gilgit-Baltistan is significant for Pakistan as it hosts a part of the China Pakistan Economic Corridor (CPEC).

5. INDIA - AFGHANISTAN TRADE RELATIONS-APTTA

Islamabad to be asked to facilitate transit of goods through Pakistan

- India will soon hold talks with Afghanistan on ways to boost bilateral trade and investment.
- India-Afghanistan goods trade had jumped nearly 22% to \$834.5 million in 2015-16 with India's exports to Afghanistan being \$526.6 million and its imports from Afghanistan worth \$307.9 million
- It is also aimed at mounting pressure on Islamabad to facilitate trouble-free transit of goods from India to Afghanistan through Pakistan (Wagah-Attari route)

- This is to help in the development of Afghanistan which is a land-locked and Least Developed Country (LDC) as well as to boost trade and investment in South Asia through better regional connectivity, the sources said.
- **It will also help India to improve trade ties with Central Asian nations.**
- **‘India-Afghanistan Joint Working Group on Trade, Commerce and Investment’** meeting will discuss ways to make use of the **United Nations TIR (Transports Internationaux Routiers or International Road Transport) Convention** to boost trade between India and Afghanistan through Pakistan.

The TIR Convention facilitates trade and international road transport by permitting customs-sealed vehicles and containers to transit nations without them being generally inspected at border crossings.

The Union Cabinet chaired by Prime Minister Narendra Modi had earlier this month granted its nod for India’s accession to the TIR Convention. Pakistan and Afghanistan are also ‘contracting parties’ to the TIR Convention.

- **Afghanistan-Pakistan Transit Trade Agreement (APTTA)**, Afghanistan can use Pakistan’s territory for transit trade while Pakistan’s goods can move through Afghanistan to nations bordering Afghanistan. However, Islamabad has not agreed to allow using APTTA for goods to be transported from India to Afghanistan through Pakistan’s territory (via the Wagah-Attari route).
- India is keen to join APTTA and Afghanistan has backed India’s readiness to be an APTTA member but Pakistan has so far rejected such a proposal.
- The sources said while India is likely to soon make renewed efforts to be an APTTA member, it will also look at how the **UN TIR Convention** can help send goods to Afghanistan through Pakistan.
- While there have been informal proposals recommending India and Afghanistan joining the over \$50 billion China-Pakistan Economic Corridor (CPEC), India has strategic concerns regarding the CPEC that would cover areas including Pakistan-occupied-Kashmir.
- CPEC is the so-called ‘flagship’ project of China’s One-Belt-One-Road (OBOR) initiative. The OBOR is aimed at developing infrastructure in more than 60 countries.

INDIA needs to look at alternative Transit route

- In the absence of transit route through Pakistan, India depends on other countries, including Iran, to send goods to Afghanistan even though it increases time and costs for Indian exporters.
- India is also planning to strengthen air cargo links with Afghanistan as well as help expedite the development of Chabahar Port in Iran to bypass the Pakistan route to increase trade relations with Afghanistan, Iran and Central Asian countries.
- The **India–Afghanistan trade and investment** meeting will also consider more support from India to Afghanistan through Line of Credit, especially the Buyer’s Credit for project exports by Indian companies to Afghanistan.
- India’s main export items to Afghanistan are textiles, pharmaceuticals, tobacco, iron & steel and electrical machinery, while its imports from Afghanistan are fruits and nuts, gums and resins, coffee, tea and spices.

6. SOUTH ASIAN FREE TRADE AREA

- The South Asian Association for Regional Cooperation (SAARC) was established in 1985, the region has not been able to make much headway.
- Intra-regional trade is at an abysmally low level of 5% against ASEAN's 25%.

Hurdles to growth

- Absence of a more integrated regional transport network was a serious drawback for the SAARC mission of building a South Asian free trade area.
- South Asian Trade obstacles can be removed by chipping in standard Washington formulae such as removing non-trade barriers, normalising trade policies, reducing transportation costs, creating supply chains, promoting intra-regional FDI and so forth.
- The next chapter draws attention to the need to establish dry ports to improve logistics for landlocked countries. Cross-border transport facilitation is plagued by non-physical barriers. Sub-regional transport initiatives are many and include ASEAN, BIMSTEC, etc.
- However, challenges faced by them include varying infrastructure standards, missing links in railway lines, financing and a plethora of non-physical and procedural barriers.
- SAARC Motor Vehicle Agreement (SAARC-MVA) and its sub-regional variant BBIN-MVA, encompassing Bangladesh, Bhutan, India and Nepal.
- Though work on the former commenced in 2007, it is incomplete till date; the latter was signed by all members on June 15, 2015.
- The challenges faced by BBIN-MVA and how it might replicate mini versions among others in the region.
- Sadly, these do not offer transit for third country trade, particularly 'between India's Northeast and the rest of India through Bangladesh.'

Role of Geography in Trade

- Trade and transit cooperation between Afghanistan and Pakistan is insightful. Geography and politics play havoc with their trade. Increasing volumes of informal trade pose special threats.
- It is seen that Afghanistan's imports are far in excess of its local demand and the surplus is sent into Pakistan through illicit channels.
- The section on Nepal's trade logistics throws light on issues peculiar to a landlocked country. Nepal's export to GDP is the lowest among all SAARC countries except Afghanistan. Though India has been offering access to its ports under **Trade and Transit Treaty**, there are recurrent strains in relations.
- Letters were exchanged in February last year between the two to simplify transit between Nepal and Bangladesh through India's corridor and to operationalize Visakhapatnam Port.
- With China's roads and railways getting closer to Nepal border and with some additional road connectivity, Nepal will be able to access world trade through China's ports at affordable costs.
- Strategic location occupied by Bangladesh as the route to connect countries covered under the BIMSTEC initiative with the Kunming initiative and, thereby, extend them to mimic the historic Southern Silk Route.
- Even for its internal trade, India can send merchandise through Bangla corridors avoiding the 'chicken neck.' Many ambitious projects are visualized with competing corridors entailing huge financial outlays. The question is who will bear the cost. Bangladesh can charge only transit fees and the benefits of higher trade volumes will go to others, especially India.

Indo-Pak trade

- India has accorded MFN status to Pakistan; Pakistan continues to adopt a negative list for Indian imports.
- Indeed, there are lobbies in Pakistan which resist the import of those items. However, strangely, Pakistan imports the very same items from other countries, especially China.

7. Bilateral exercises give fresh push to India's strategic ties

- India is **leveraging bilateral military exercises** to further strategic cooperation. The Indian Army is currently engaged in or has just concluded four separate exercises with the armies of Nepal, Oman, Singapore and the U.S., with a focus on aspects like counter-insurgency, jungle warfare, heli-borne and special operations, meant to promote interoperability.
- The exercise with Nepal also comes at a time when the Himalayan neighbour is expected to conduct its first military drills with China.

Latest drills

- The **Surya Kiran exercise with Nepal** is underway at Pithoragarh in Uttarakhand, while **the Al Nagah-II exercise with Oman** is underway at Bakloh in Himachal Pradesh. They are infantry exercises meant to improve interoperability and focus especially on counter-terrorism. Both the exercises are spread over 14 days.
- During the last three years India has signed defence agreements/memorandum of understandings (MoU) with 21 countries.
- The Army has conducted exercises with 18 countries during the three-year period, including the current year, and Indian military personnel attended training and courses in 34 countries.
- This is the ninth edition of the Surya Kiran exercise from March 9-20 with Nepal.
- There is a component involving special heliborne operations in the counter insurgency environment, in which the Nepal Army personnel would be trained in basic skills of launching helicopter-borne operations.
- There is also a **component on the study of Left Wing Extremism in South East Asia** and the Indian Army hopes to gain from the experience of the Nepal Army, including their best practices.

8. Why is the World Bank keen on resolving Indus divide?

- World Bank was keen on resolving the disagreements between the two nations over the interpretation of the Indus Waters Treaty (IWT) following the construction by India of two hydroelectric power plants.
- Though the two nations have had no fresh conflict over the sharing of river waters for more than five decades, differences cropped up after Pakistan opposed the construction of the Kishenganga (330 MW) and Ratle (850 MW) power plants by India on the Jhelum and Chenab in Jammu and Kashmir, over which Pakistan has unrestricted rights under the treaty.

Why did the Bank intervene?

- Even before Partition, the Indus had created problems among the states of British India. The problems became international after the creation of two nations as the political boundary was drawn right across the Indus basin.
- The World Bank (then IBRD in 1952 to settle the dispute between the two nations on the sharing of the Indus river basin waters.

- After eight years of hard negotiations, Prime Minister Jawaharlal Nehru and President Ayub Khan signed the IWT on September 19, 1960.
- The Bank is also a signatory to the treaty. The IWT is a complex instrument, comprising 12 articles and eight annexures. It sets forth provisions of cooperation between the two countries in their use of the rivers, known as the Permanent Indus Commission (PIC).

Has there been any violation?

- Among other uses, India is permitted to construct power facilities on these rivers subject to regulations laid down in the treaty. India had asked the bank for appointment of a neutral expert following Pakistan's objections to two projects, while Pakistan demanded the formation of a court of arbitration, alleging that India had violated the treaty.
- In December 2016, the Bank announced a 'pause' and asked both parties to resolve the issue amicably by the end of January 2017.

What stand did the Bank take?

- India welcomed the Bank's neutral stand, while Pakistan sought intervention of the Bank after being unable to find an amicable solution to the dispute through the commission. Given that India has remained the Bank's single largest borrower since its inception with cumulative borrowings from IBRD and IDA touching \$103 billion, the bank did not perhaps want to upset it.
- With buoyancy in foreign exchange reserves, the Bank needs India more than the other way round and this has created some anxiety in the Bank circles about the future direction of their relationship.

Why is the Bank playing a role again?

- This is because India and Pakistan are important partners and clients of the Bank. In South Asia, Pakistan (\$2,280 million) received the highest lending from the Bank after India (\$3,845 million) during the fiscal 2016. Moreover, there are not too many borrowers with a credible record like India.

Miyar project

- India and Pakistan on Tuesday agreed on redesigning the Miyar Hydroelectric project, at the end of two-day talks of Indus Water Commissioners in Islamabad
- It was also agreed that the Lower Kalnai and the Pakal Dul projects would be inspected again.
- The talks between the two countries began after 22 months when Pakistan in 2015 skipped consultations following objections on the Kishenganga and the Ratle hydroelectric projects by India.
- Kishenganga is in arbitration while officials of the two countries are meeting in Washington next month on the Ratle project on the invitation of the World Bank.
- Pakistan's request for arbitration on Ratle is still pending with the World Bank, which is the guarantor of the 1960 Indus Water Treaty.

9. INDIA-TURKEY relations

- Turkish President Recep Tayyip Erdogan will visit India in May, 2017
- Two countries will broadly follow the "road map for cooperation" in various fields, including tourism and trade

NSG session

- India will push for membership to Nuclear Suppliers Group plenary session
- In June 2016, Turkey had backed a “process-based” approach for inducting members, and was understood to have wanted both Pakistan and India to be considered together.
- Turkey’s close ties with Pakistan, including a strategic partnership between them, have led to the two countries aligning themselves on several issues.
- During a visit to Islamabad in November 2016, President Erdogan had said that events in Kashmir “continue to hurt our conscience,” in a reference to violence in the Valley as he addressed a joint session of the Pakistan Parliament,
- Turkey even fully supports Pakistan’s position on Jammu and Kashmir
- Turkey is also a member of the **Uniting for Consensus group of countries** that oppose U.N. Security Council Memberships to be increased, another source of friction between the two countries, where India would like to see some flexibility.

No response from MEA

- On its part, Turkey will hope for an endorsement for recent government moves and a crackdown on dissidents that have drawn international criticism, especially after the failed coup in July 2016.
- Turkey expects the Indian government to take action against India-based supporters of the man they allege was behind the coup, Fethullah Gulen.
- India will be among the first countries, if not the first to also welcome the Turkish President after what is being seen as a controversial referendum on April 16th which will turn Turkey from a parliamentary democracy to an executive presidency, abolish the Prime Minister’s post, give the president several new powers, and allow him two five-year terms after the next elections in 2019.