

## ● POLITY

## ● ECONOMICS

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## ● ECOLOGY

**SBI'S U-TURN: NO ID CARD, SLIP TO SWAP ₹2,000 NOTES**LALATENDU MISHRA  
MUMBAI

In a sudden volte-face following a huge public outcry, the State Bank of India, the country's biggest bank, on Sunday withdrew its decision on the mandatory filling of a slip for exchange of ₹2,000 bank notes at its branches.

"In partial modification of instructions, it has been decided that the facility of exchange of ₹2,000 denomination bank notes to all members of the public up to limit of ₹20,000 at a time will be allowed without obtaining any requisition slip as per the format attached in Annexure III," said a letter by SBI Chief General Manager (Operations) S. Muralidharan.

"Further, no identity proof is required to be submitted by the tenderer at the time of exchange," the letter issued to SBI branches said. "Hence, Annexure III which is attached to E-Circular dated 19.05.2023 stands withdrawn immediately. There is no change in other instruments given in the E-Circular," it added.

Friday, the same SBI office had issued a letter saying, "Deposit of ₹2,000 banknotes into accounts maintained with our bank will be allowed in the usual manner, that is, without restrictions and subject to compliance with extant Know Your Customer (KYC) norms and other applicable statutory requirements." SBI's KYC norms require a requisition slip and identity proofs.

"The branches are also advised to comply with Cash Transaction Reporting (CT) and Suspicious Transaction Reporting (STR) requirements, where applicable," it had stated. There shall not be any limit on the quantity and value of the ₹2,000 denomination notes to be credited into the account maintained with the bank, it had said.

The Reserve Bank of India had not issued any instructions to banks to collect identity proofs of tenderers swapping the ₹2,000 notes. Sources also say that the condition had been withdrawn following the intervention of the Finance

**Cash flow**

**The State Bank of India has issued instructions to all its branches regarding exchange of ₹2,000 notes**

■ No requisition slip is required for exchange of ₹2,000 notes up to a limit of ₹20,000 at a time

■ No identity proof is required to be submitted by the tenderer at the time of exchange

■ The RBI on May 19 announced withdrawal of ₹2,000 currency notes from circulation but gave public time till September 30 to either deposit such notes in accounts or exchange them at banks.

■ The facility for exchange will be available from May 23



*RBI had not issued orders to collect proofs for exchanging notes, Finance Ministry had intervened to make SBI change its directive, say sources*

Ministry after the public hue and cry. It is likely that no other bank will ask for slip or proofs.

**PM: COUNTRIES SHOULD RESPECT SOVEREIGNTY**KALLOL BHATTACHERJEE  
NEW DELHI

Unrest in any part of the world affects all the countries of the global community, Prime Minister Narendra Modi said on Sunday at the G-7 meeting in Hiroshima, Japan.

Speaking at the 'Working Session 9' of the G-7 summit, Mr. Modi reiterated India's commitment to do "everything" to bring an end to the war in Ukraine and said all countries should "respect" sovereignty and territorial integrity of the member states of the United Nations.

"It is necessary that all sides should respect the UN Charter, international law and nation-states should respect each other's sovereignty and territorial integrity. Everyone should raise their voice against one-sided attempts to change status quo. India has always felt that all tension and disputes should be resolved in a peaceful manner, through dialogue, and if a solution is reached through dialogue then that should be respected," Mr. Modi said in his remarks that came shortly after Ukrainian President Volodymyr Zelensky made his presentation at the G-7 summit.

It is significant that PM Modi spoke about territorial integrity of "all countries" a day after he met President Zelensky.

Speaking ahead of Mr. Modi, the Ukrainian President focused on the ongoing military activities in his country, and called upon the G-7 members and partner countries to support Ukraine in the fight against Russia.

Indicating at his discussion with Mr. Modi and other neutral countries,

Mr. Zelensky said that Kyiv is trying to convince "certain leaders" about the position of Ukraine in the war with Russia. Mr. Modi in his remarks said, "Today we heard President Zelensky. I met him yesterday. I do not consider the current situation (in Ukraine) a political or economic issue. I think it is a pressing humanitarian matter. We have maintained from the beginning that dialogue and diplomacy are the only way out of this and India will do everything that is required to resolve the current conflict."

"Global peace, stability and prosperity are part of the common goals of us all. In today's inter-connected world, unrest in any region affects every country and developing economies that have limited resources are easily affected by such events. The developing countries are paying a heavy price because of the food, fuel and fertiliser crisis," Mr. Modi said. The Indian leader raised the issues relevant to the Global South in his most-detailed statement at the G-7. On Saturday, he met several world leaders, including Mr. Zelensky, French President Emmanuel Macron and others.

The meeting between Mr. Modi and Mr. Zelensky on Saturday was the first face-to-face discussion the two had since their meeting on November 2, 2021 in Glasgow. A major part of Mr. Zelensky's visit to Hiroshima focused on securing support from countries like India and Brazil, which have maintained a neutral position in the war while deepening economic ties with Russia. Significantly, a meeting between Mr. Zelensky and Brazil's President Luiz Inacio Lula Da Silva was cancelled because of "scheduling" issues.

**JUDGING JALLIKATTU**

A rural sport seen by courts for years as one inflicting cruelty on animals has now received judicial imprimatur. An upsurge in popular support for jallikattu led to legislative changes in early 2017, exempting it from the rigours of the law against animal cruelty. Six years after the amendments ended a Court-ordered

ban, the Supreme Court has upheld the changes made by the Tamil Nadu Assembly, as well as the cultural sentiment behind jallikattu, a traditional sport in which men try to control raging bulls. There has been an endless conflict between activists and proponents of the game, which culminated in a 2014 Court

judgment banning the sport. The activists argue that any sport involving a physical contest between man and bull violates animal rights, while the other camp contends that none should stop something that is part of the State's tradition and culture. The State government responded to the ban by amending the central Prevention of Cruelty to Animals Act, 1960, in its application to the State, and obtained the President's assent. A Constitution Bench of the Supreme Court has now settled the issue, ruling in favour of jallikattu as a cultural event.

The verdict of the five-judge Bench is anchored to two key findings. That the fresh regulations minimise the game's potential for cruelty and pain formed the basis for the 2014 judgment. Those conditions were no more prevalent. Second, the Court has accepted the legislature's view that jallikattu is a sport conducted every year to follow tradition and culture. It has accepted the legislature's wisdom on what constitutes cultural heritage, holding that the Court

cannot embark on such an inquiry. However, it does not mean the Court has in any way diluted the part of the earlier Bench's verdict reading into Indian law the full import of international rules in favour of animal rights. Rather, it has deferred to the cultural sentiment underlying the legislative scheme by which sports such as jallikattu, kambala, a buffalo race in Karnataka, and bullock-cart racing in Maharashtra are not interdicted by the law preventing animal cruelty. This means organisers as well as the respective governments, still bear the burden to prevent infliction of pain and cruelty on animals. These sports also pose an undeniable hazard to humans too; to the participants mainly, but sometimes spectators too. It may be time for organisers to mandate protective gear for the participants and strictly enforce rules for proper barricades to keep spectators safe. Cultural assertion, and kindness to animals and adherence to safety norms need not be mutually exclusive.

## INDIA AS A QUAD-LED BIOMANUFACTURING HUB

*Shambhavi Naik is a researcher at the Takshashila Institution*

In March 2021, the Quad (Australia, India, Japan, and the United States) set up a Critical and Emerging Technology Working Group to facilitate cooperation, monitor trends, and scout for opportunities related to developments in critical and emerging technologies, that included biotechnology. However, the potential for Quad cooperation in biotechnology remains insufficiently tapped. The establishment of a Quad-led biomanufacturing hub in India will give the necessary fillip to enhance this cooperation. (The writers have examined this proposal with researchers at the Australian National University.)

Biomanufacturing uses living systems, particularly microorganisms and cell cultures, to produce molecules and materials on a commercial scale. It has the potential to transform the global industrial system, with up to 60% of physical inputs to the global economy expected to be producible using this technology. Many countries, including the United States and China, recognise the need to optimise this ecosystem and have designed specific policies to shape their bio-economies.

### The Quad and complementary strengths

India's National Biotechnology Development Strategy also envisions the country as a "Global Biomanufacturing Hub" by 2025. While the strategy sets a target of \$100 billion for the hub, it is important to recognise that India's ambitions require external support, particularly through its Quad partners, to enable its initial development.

Specifically, the Quad should establish a biomanufacturing hub in India to benefit from the country's economic potential and address supply-chain vulnerabilities. Quad nations have complementary strengths that can be leveraged to create this hub. The U.S. has significant funding capability, while all three (Japan, Australia and the U.S.) also possess advanced biotechnology innovation ecosystems and intellectual property. India has skilled manpower and the potential to provide affordable scale.

Indeed, India is the ideal choice to host the biomanufacturing hub thanks to its existing infrastructure, pharmaceutical manufacturing expertise, and the available workforce. According to the Australian Strategic Policy Institute, India is among the top performers in the field of biomanufacturing in both the quality of research output and in the share among research publications. India also has significant potential in low-cost biomanufacturing, particularly in the production of enzymes, reagents, research materials, and equipment. According to at least one analysis, the cost of manufacturing in India

is around 33% lower when compared to that in the U.S. However, India still requires significant capability and capacity uplifts to become a world leader.

### Strengthening physical infrastructure

India also aims to become a leading biomanufacturing hub with plans to increase fermentation capacity tenfold to 10 million litres in the next three to five years. China has also expressed its intention to capture this market, similar to how it dominated small-molecule active pharmaceutical ingredients (APIs). In fact, concerns about China's dominance in APIs pushed India to launch a production-linked incentive scheme that allocated \$2 billion to the pharmaceutical sector to make biopharmaceuticals, APIs, key starting materials, and related products.

Such dependence in the biomanufacturing sector will be detrimental to both India and the Quad. The proposed hub can help facilitate technology transfer, connect investors, and establish a biomanufacturing fund that is administered through the Quad, to support India's efforts to reduce dependency on China.

### Boosting workforce, lowering barriers

To scale up the biomanufacturing sector, India needs to uplift its workforce quality. While there are many life science professionals in the country, they lack access to cutting-edge technology and training. To address this, permanent training facilities can be established in universities around the Quad hub, with experts from other Quad countries providing the training. Recent policy changes in India allow the establishment of foreign universities and can encourage scholar exchange programmes. Training should also focus on commercialising research and development, a common challenge for non-U.S. countries in the Quad.

To facilitate cross-Quad collaboration, the biomanufacturing hub can house all current bilateral government efforts and establish a research collaboration office for this purpose. The hub can also harmonise language, regulations, and data-sharing regarding biomanufacturing to secure supply chains for Quad nations and facilitate international collaboration. Such streamlining will boost collaboration efforts within the Quad and create opportunities for collaboration with nations outside the Quad as well.

The proposed hub in India can capitalise on the economic potential of the biomanufacturing industry and address existing and potential vulnerabilities in the global system. India can become a leading player in the field of biomanufacturing and help the Quad to compete in this key area.

## UNDERSTANDING A HUMAN PANGENOME MAP

*What is genome sequencing and why is it important? Why is the reference genome map considered one of the most important scientific breakthroughs? What is the difference between a reference map and a pangenome map? How is India hoping to benefit from the latest genome map?*

**BINAY PANDA**

EXPLAINER

### The story so far:

A new study published in the May 10 issue of the Nature journal describes a pangenome reference map, built using genomes from 47 anonymous individuals (19 men and 28 women), mainly from Africa but also from the Caribbean, Americas, East Asia, and Europe.

### What is a genome?

The genome is the blueprint of life, a collection of all the genes and the regions between the genes contained in our 23 pairs of chromosomes. Each chromosome is a contiguous stretch of DNA string. In other words, our genome

consists of 23 different strings, each composed of millions of individual building blocks called nucleotides or bases. The four types of building blocks (A, T, G and C) are arranged and repeated millions of times in different combinations to make all of our 23 chromosomes. Genome sequencing is the method used to determine the precise order of the four letters and how they are arranged in chromosomes. Sequencing individual genomes helps us understand human diversity at the genetic level and how prone we are to certain diseases.

The genome is an identity card like Aadhaar. As each of our Aadhar card is unique, so is our genome. As sequencing individual genomes of all humans is expensive, we do not yet have all our genome identity cards. To circumvent this, one can have a collective identity card. For example, we can

have a single genome identity card for everyone living in a region.

#### What is a reference genome?

When genomes are newly sequenced, they are compared to a reference map called a reference genome. This helps us to understand the regions of differences between the newly sequenced genome and the reference genome. One of this century's scientific breakthroughs was the making of the first reference genome in 2001. It helped scientists discover thousands of genes linked to various diseases; better understand diseases like cancer at the genetic level; and design novel diagnostic tests. Although a remarkable feat, the reference genome of 2001 was 92% complete and contained many gaps and errors. Additionally, it was not representative of all human beings as it was built using mostly the genome of a single individual of mixed African and European ancestry. Since then, the reference genome map has been refined and improved to have complete end-to-end sequences of all the 23 human chromosomes.

Although complete and error-free, the finished reference genome map does not represent all of human diversity. The new study published in Nature changes this. The main paper and the accompanying articles published in the same journal and Nature Biotechnology describe the making of the pangenome map, the genetic diversity among the 47 individuals, and the computational methods developed to build the map and represent differences in those genomes.

#### What is a pangenome map?

Unlike the earlier reference genome, which is a linear sequence, the pangenome is a graph. The graph of each chromosome is like a bamboo stem with nodes where a stretch of sequences of all 47 individuals converge (similar), and with internodes of varying lengths representing genetic variations among those individuals from different ancestries. To create complete and contiguous chromosome maps in the pangenome project, the researchers used long-read

DNA sequencing technologies, which produce strings of contiguous DNA strands of tens of thousands of nucleotides long. Using longer reads helps assemble the sequences with minimum errors and read through the repetitive regions of the chromosomes which are hard to sequence with short-read technologies used earlier.

#### Why is a pangenome map important?

Although any two humans are more than 99% similar in their DNA, there is still about a 0.4% difference between any two individuals. This may be a small percentage, but considering that the human genome consists of 3.2 billion individual nucleotides, the difference between any two individuals is a whopping 12.8 million nucleotides. A complete and error-free human pangenome map will help us understand those differences and explain human diversity better. It will also help us understand genetic variants in some populations, which result in underlying health conditions. The pangenome reference map has added nearly 119 million new letters to the existing genome map and has already aided the discovery of 150 new genes linked to autism.

Although the project is a leap forward, genomes from many populations are still not a part of it. For example, genomes from more people from Africa, the Indian sub-continent, indigenous groups in Asia and Oceania, and West Asian regions are not represented in the current version of the pangenome map.

Even though the current map does not contain genome sequences from Indians, it will help map Indian genomes better against the error-free and complete reference genomes known so far. Future pangenome maps that include high quality genomes from Indians, including from many endogamous and isolated populations within the country, will shed light on disease prevalence, help discover new genes for rare diseases, design better diagnostic methods, and help discover novel drugs against those diseases.

## WHAT IS THE 'OPEN NETWORK FOR DIGITAL COMMERCE'?

*How does the ONDC intend to achieve a level-playing field for online sellers? Why are major e-commerce players such as Amazon and Flipkart reluctant to join the ONDC?*

#### PRASHANTH PERUMAL

##### The story so far:

The Union government is looking to formally launch the Open Network for Digital Commerce (ONDC) this year to "democratise e-commerce" and "to provide alternatives to proprietary e-commerce sites". While it has urged companies to join the ONDC platform, major e-commerce players such as Amazon and Flipkart have been reluctant to get on board.

##### What is the ONDC?

The government wants to change the fundamental structure of the e-commerce market from the current "platform-centric model to an open-network model". The ONDC is modelled after the Unified Payments Interface (UPI) project that is seen as a success by many. The UPI project allows people to send or receive money irrespective of the payments platforms on which they are registered. Similarly, the government wants to ensure that buyers and sellers of goods in the e-commerce market can transact regardless of the platforms on which they are registered. So under ONDC, a buyer registered on Amazon, for example, may directly purchase goods from a seller who sells on Flipkart. To make such transactions a reality, the government has ordered companies to list themselves on the ONDC. The pilot version of ONDC was launched last year in a few major cities and thousands of sellers have already been on-boarded onto the platform. Amazon and Flipkart, however, have not on-boarded their main shopping platforms onto the ONDC network yet.

##### Why is the Centre pushing for it?

The government believes that the ONDC will put an end to the domination of the e-commerce market by a few large platforms. It says that the e-commerce market is currently broken into "silos" operated and dominated by private platforms. Amazon and Flipkart, for instance, have been accused of promoting certain seller entities in which they hold indirect stakes. Food delivery apps such as Swiggy and Zomato have also been accused of charging high

commissions from sellers. With an open network like ONDC that connects buyers and sellers across platforms, the government hopes to level the playing field and make private platforms redundant.

##### What do critics say?

Critics argue that the purported benefits of an open network for digital commerce are far from certain at the moment. For one, sellers are already free to list their products across various e-commerce platforms even in today's platform-centric e-commerce model. Buyers also routinely shop across platforms. Then there are also services such as price-comparison that are offered by various private websites that bridge the information gap and help buyers make better decisions. So, critics argue, the domination of the e-commerce market by platforms such as Amazon and Flipkart may not be due to any captive hold that these platforms have over buyers and sellers. Further, the supposed monopoly that platforms are said to enjoy may be no different from the limited monopoly that any business today has over its property.

##### What lies ahead?

The capacity of the government's technocrats to come up with an efficient alternative to e-commerce platforms that can work seamlessly will be tested as the government rolls out the ONDC. It remains to be seen if and how the government's open network will list products offered by various sellers. Competition generally pushes e-commerce platforms to prominently list products that are most likely to catch the fancy of buyers. Their on-boarding and listing of sellers is also heavily influenced by the ability of sellers to fulfil customer orders. In fact, platforms may invest money to build exclusive on-boarding and listing processes. If the open network's rules prevent platforms from benefiting from such investments, they may cease to make them anymore. This will eventually affect the quality of services available to consumers. Building an efficient marketplace for the sale of goods and services may turn out to be the key challenge for ONDC.

## INDIA, U.S. TO HIKE TECHNOLOGY COOPERATION; CO-PRODUCTION OF JET ENGINES ON THE TABLE

#### DINAKAR PERI NEW DELHI

India and the U.S. are discussing possibilities of co-producing jet engines, long-range artillery and infantry vehicles under the Initiative on Critical and Emerging Technologies (iCET) announced earlier this year, and officials said

some high-technology initiatives are expected to be announced during Prime Minister Narendra Modi's upcoming visit to the U.S. next month.

Ahead of the visit, the launch of INDUS-X under the iCET to promote partnerships between the two countries' defence innovation ecosystems is scheduled in Washington.



In the run-up to the visit, these issues were discussed at the 17th meeting of India-U.S. Defence Policy Group (DPG), chaired by Defence Secretary Giridhar Aramane from India and Under Secretary of Defence for Policy Colin Kahl last week.

"The two sides reviewed the progress made in furthering defence industrial cooperation and operationalising the India-U.S. Major Defence Partnership. Important aspects such as military-to-military cooperation, and cooperative activities in the Indian Ocean Region were discussed," the Defence Ministry said in a statement.

#### Enhancing cooperation

The Ministry further said that considerable focus was given on the ways and means to enhance defence industrial cooperation, including technology partnership, long-term research and development, and improving supply chain security.

Officials from both sides confirmed that the jet engine collaboration was discussed during DPG along with other collaboration mechanisms within co-production and co-development.

Among proposals being discussed is to jointly produce a jet engine for India's future indigenous jets for which General Electric is competing with Safran of France and Rolls-Royce of U.K.

Commenting on this, Mukesh Aghi, president and CEO of the U.S.-India Strategic Partnership Forum (USISPF), said only four countries make jet engines for planes, and India will be the fifth one if the deal is announced.

"So the jet engine deal will take India's capability in the aircraft industry to a new level. The deal also sends a message to the Chinese that the relationship between India and the U.S. is not just a surface relationship and is getting deeper," he told The Hindu.

If the U.S. agrees to transfer jet engine [technology] to India, which China doesn't at present have the capability for, it sends a very strong message, Mr. Aghi further said.

Earlier efforts at co-developing a jet engine has failed to take off owing to U.S. domestic legislation.

(With inputs from Suhasini Haidar)

## JAISHANKAR, BLINKEN MEET IN HIROSHIMA, DISCUSS PLANS FOR PM'S U.S. VISIT IN JUNE



*Diplomatic terms: S. Jaishankar, left, with Antony Blinken on the sidelines of the G-7 Summit, in Hiroshima on Sunday. ANI*

*Retreat with President Biden outside Washington, diaspora events on the cards; Secretary of State says the U.S. is looking forward to hosting Prime Minister Modi, whose visit will celebrate the deep partnership between the two countries; it will be the first state visit for an Indian PM since 2009*

**SUHASINI HAIDAR**  
NEW DELHI

As External Affairs Minister S. Jaishankar and U.S. Secretary of State Antony Blinken met in Hiroshima on Sunday, the two sides discussed plans for Prime Minister Narendra Modi's visit to the U.S. in June, with sources saying a number of possible plans, including a "short retreat" outside Washington, were still being finalised.

"We look forward to hosting Indian Prime Minister Narendra Modi in June, whose visit will celebrate the deep partnership between the United States and India," Mr. Blinken said in a tweet, which Mr. Jaishankar thanked him for. At the Quad meeting held on the sidelines of the G-7 summit on Saturday, U.S. President Biden also reportedly referred to the upcoming visit.

According to the BJP's National Information & Technology Department in-charge, Amit Malviya, who tweeted that Mr. Biden heaped "fawning praise" on Mr. Modi, the U.S. President said that there was a "huge demand from people

across U.S. to attend the state dinner next month", joking that he should seek Mr. Modi's "autograph".

Neither the External Affairs Ministry nor the U.S. Embassy in Delhi confirmed the remarks by the U.S. President in Hiroshima.

#### Ceremonial welcome

While the state visit, the first for an Indian Prime Minister since 2009, will include a ceremonial welcome at the White House and a state banquet, the visiting dignitaries are also often accorded a lunch at the State Department [to meet with the Vice-President and the Secretary of State].

Last month, India Caucus co-chair Ro Khanna confirmed he was writing to the U.S. Speaker to request that Mr. Modi also address the U.S. Congress. In addition, the Prime Minister, who will reach Washington on June 22, ahead of the official events on June 23, is expected to address a large gathering of U.S. CEOs and Chambers of Commerce, and attend a reception for the Indian diaspora organised by the Indian Embassy.

Earlier, the BJP's overseas wing and diaspora groups were looking into possible diaspora events in Chicago or Atlanta, but sources said there was "no clarity" on whether a large diaspora event on the lines of the 2018 "Howdy Modi" address in Houston would be included.

#### Short trip

Sources also said that the two governments were discussing a short trip outside Washington by Mr. Biden and Mr. Modi. According to the sources, officials have discussed the possibility of the two leaders travelling to the U.S. presidential retreat for hosting foreign dignitaries at Camp David, or Mr. Biden's private vacation home on Rehoboth beach.

"The programme is evolving, and details are not finalised yet," said at least two officials involved in planning the visit.

In the past, Mr. Modi has shared such "retreat" sojourns with German Chancellor Angela Merkel at the Schloss Meseberg palace outside Berlin, U.K. Prime Minister David Cameron at Chequers, Russian President Vladimir Putin at his dacha in Sochi, and Chinese President Xi Jinping in Wuhan.

Mr. Modi will be the third state guest that Mr. Biden will host during his presidency, after French President Emmanuel Macron in December 2022 and South Korean President Yoon Suk-yeol.

Mr. Blinken's meeting with Mr. Jaishankar also came a week after India sharply rejected a U.S. State Department report on international religious freedom that criticised the Modi government for the "continued targeting of minorities" in India.

External Affairs Ministry officials on Thursday sidestepped a question on whether the issue would be raised during the India-U.S. bilateral.

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## RETURN OF ₹2,000 CURRENCY NOTES TO BOLSTER BANK COFFERS, MONEY MARKET LIQUIDITY: REPORT

VIKAS DHOOT  
NEW DELHI

The Reserve Bank of India's (RBI) decision to withdraw ₹2,000 notes could boost banks' deposit base and liquidity in the money markets by anywhere between ₹40,000 crore to ₹1.1 lakh crore, even if just about a third of these heavily hoarded high currency notes are flushed out by the exercise, according to a research report.

A part of those notes which are being hoarded to avoid taxes on unaccounted-for incomes could be funnelled into assets such as real estate and jewellery, the report reckoned. The central bank has said that the notes will remain legal tender, but has asked people holding such notes to deposit or exchange them by September 30.

With no clarity yet on what the status of these notes will be after that deadline, a flurry of exchanges is expected over next four months, which could "rekindle memories of demonetisation" from 2016, QuantEco Research said in a note. Estimating the stock of ₹2,000 denomination banknotes to be around ₹3.7 lakh crore or 1.3% of GDP — equivalent to 10.8% of the cash in circulation at the end of March — the note said that banks' deposit base would be bolstered if all of those notes came back by the stipulated deadline.

"However, since ₹2,000 denomination notes were not commonly used for transactions, it implies that they were either hoarded for precautionary reasons or for bypassing the formal taxation channel. In either case, the increase in banks' deposit base on account of its withdrawal from circulation could prove to be temporary as precautionary demand would eventually settle for lower denominations," QuantEco's team of economists, led by founder Shubhada Rao, pointed out.

"Unaccounted-for income might fuel demand for high value consumption items like real estate and precious metals, like the experience post the Demonetisation episode in 2016," they added.

"However, if we assume a scenario where 10%-30% of erstwhile hoarded cash gets back to circulation, then this could have a durable impact on banks' deposit base and money market liquidity to the extent of ₹400-1,100 billion," they concluded.

### Dividend income

Another decision taken last Friday by the central bank — to transfer a hefty ₹87,416 crore to the government as dividend, compared to around ₹30,300 crore in 2022-23 — would also boost liquidity, the report noted. The government had only provided for about ₹48,000 crore as dividend income from financial institutions, including the RBI, in its 2023-24 Budget.

The move provides a fiscal buffer of about 0.13%-0.15% of GDP to the



Centre and will help mitigate some of the expenditure spillovers that could potentially take place through the year, it said.

"More importantly, this strong dividend transfer would provide a bonanza for core money market liquidity with the central government eventually using this for its expenditure in the coming months," the report underlined.

## G-7 WANTS TO DE-RISK, NOT DECOUPLE FROM CHINA: BIDEN



Friend in need: Ukraine President Volodymyr Zelenskyy and his U.S. counterpart Joe Biden at the G-7 summit in Hiroshima. REUTERS

**U.S. President says G-7 leaders agreed to diversify supply chains to reduce dependence on one country; he expects a thaw in relations with Beijing and hopes to speak with Xi Jinping soon**

REUTERS  
HIROSHIMA

U.S. President Joe Biden on Sunday said the Group of Seven (G-7) nations had agreed on a united approach to China that called for diversifying supply chains to reduce dependence on one country, and hinted that he could speak with China's President Xi Jinping soon.

"We're not looking to decouple from China. We're looking to de-risk and diversify our relationship with China," Mr. Biden told a press conference after a three-day summit with G-7 leaders. He said G-7 nations were more unified than ever in terms of "resisting economic coercion together and countering harmful practices that hurt our workers".

G-7 leaders outlined a shared approach to "de-risk, not decouple" economic engagement with China in a Saturday communique, prompting China's embassy in Japan to urge the G-7 to stop creating confrontation and division.

Despite the reaction, Mr. Biden said he expected a thaw in frosty relations with China "very shortly" after strains caused by an incident earlier this year when the U.S. shot down a Chinese balloon that flew over sensitive military sites.

Taiwan issue

On the issue of tensions between China and Taiwan, Mr. Biden said there was a clear understanding among most of the allies that if China were to act unilaterally against the self-governed island Taiwan, there would be a response. "We're not going to tell China what they can do," he said, "But in the meantime we're going to put Taiwan in a position where they can defend themselves."

## CAPITAL QUANDARY

*Delhi's quest for administrative autonomy is hostage to BJP-AAP rivalry*

The Centre has through an ordinance overturned a Supreme Court judgment of May 11 that held that the elected government of the National Capital Territory of Delhi had executive and legislative powers over its officials. The move has set in motion a new legal battle. The AAP government in Delhi has decided to challenge the ordinance, while the BJP government at the Centre has moved the Court to review its judgment. The National Capital Territory of Delhi Act (NCTD), 1991 created a unique administrative unit, and judicial interpretations have never completely resolved the conflicts between the Centre and the elected government of the NCTD all these years. The judgment held that Union Territories with a Legislative Assembly of their own are comparable to States, and their government's executive powers would extend to all matters on which they are allowed to make laws. In Delhi's case, law and order and land remained with the Centre, unlike other States. The Court also pointed out the absence of a law on services, and the lack of oversight by elected representatives over the officials under the present scheme. The ordinance purportedly removes the basis of the judgment by creating the National Capital Civil Service Authority. The Chief Minister is the chair, with the Chief Secretary and Principal Secretary, Home — both appointed by the central government — as members. The Central reclaimed all powers it lost in the judgment.

The Centre is well within its powers to overturn a judicial pronouncement through legislation. Whether the basis of the instant judgment has been removed by the ordinance remains an open question, but the more pertinent issue is the political intent of the Centre's move. The Centre under the current BJP dispensation has been confrontational, rather than cooperative, with States in resolving governance issues. It has shown little regard for elected governments at lower levels, while claiming for itself all powers on the grounds of its electoral majority. Delhi being the national capital has to maintain a unique administrative character, and it should not be left to the exigencies of local politics. Equally, the voters of Delhi cannot be disenfranchised for extraneous reasons. The irony is that AAP itself has been a votary of centralisation, though it could swing to provincialism to suit its leaders in a changed situation. The AAP government had resorted to provincialist rhetoric in the past, also going to the extent of questioning the rights of people from other States to access health care and education in the national capital. It was also a cheerleader of the Centre's brazen move that dismantled the State of Jammu and Kashmir into two Union Territories. Democracy and federalism are threatened by an unprincipled hunger for power, and AAP is both villain and victim.



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