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INTERNATIONAL RELATIONS

AS ENVOY SAYS G-20 SUMMIT IS KEY EVENT FOR RUSSIA, PUTIN VISIT NOW A POSSIBILITY

Context:

A senior Russian diplomat indicates the possibility that Russian President Vladimir Putin could attend the G-20 summit. If Putin attends the G-20 summit, this would be the first time he would come face to face with Western leaders since the war in Ukraine began.

Details

- In 2022, Mr. Putin skipped the G-20 summit in Bali, given the war in Ukraine and threats from Western leaders to boycott him. Russian Foreign Minister Sergey Lavrov participated in his place.
- As per the diplomat, Russia was determined to support the Indian presidency to ensure the success of the G-20 Summit. However, he hinted at disagreements with the current draft of joint statement of G-20.
 - Next week G-20 Sherpa meeting is scheduled in Hampi, where top negotiators led by India's G-20 Sherpa Amitabh Kant will try to build a consensus on a joint statement ahead of the summit.
 - The Russian diplomat said unless all countries are on board, there can be no consensus.
 - He said Russia and China's stand against including the Ukraine war in the text, was understood by the other members of the G-20.
 - However, Russia and China had signed on to similar paragraphs on Ukraine in the Bali summit statement last year.
- The envoy said it was the Western states that were undermining India's presidency by politicising the G-20 that is meant to discuss economic issues.
- He said that as a global power pursuing diversified foreign policy according to its national interests, India's partnership with the U.S. is natural.

The Group of Twenty (G20)

- The Group of Twenty (G20) is the premier forum for international economic cooperation.
- It plays an important role in shaping and strengthening global architecture

and governance on all major international economic issues.

- The G20 was founded in 1999 after the Asian financial crisis as a forum for the Finance Ministers and Central Bank Governors to discuss global economic and financial issues.
- The G20 was upgraded to the level of Heads of State/Government in the wake of the global economic and financial



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crisis of 2007, and, in 2009, was designated the "premier forum for international economic cooperation".

- The G20 Summit is held annually, under the leadership of a rotating Presidency. India holds the Presidency of the G20 from 1 December 2022 to 30 November 2023.
- The G20 initially focused largely on broad macroeconomic issues, but it has since expanded its agenda to inter-alia include trade, sustainable development, health, agriculture, energy, environment, climate change, and anti-corruption.

G20 Members

- The Group of Twenty (G20) comprises 19 countries (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Türkiye, United Kingdom and United States) and the European Union.
- The G20 members represent around 85% of the global GDP, over 75% of the global trade, and about two-thirds of the world population.

INDIA, FRANCE GEAR UP FOR MODI'S VISIT, FOCUS ON KEY DEALS

Context: On July 14, Prime Minister Narendra Modi will attend the Bastille Day Parade (France's National Day) in Paris as the guest of honour and hold discussions with the French President Emmanuel Macron during his visit to France. This is a rare honour, as France does not invite foreign dignitaries as chief guests every year.

Expected agenda and outcomes of the visit

- Defence, energy, space, new technologies etc. are the agenda for the strategic partnership between India and France. Next week, India and France are celebrating 25 Years of strategic partnership.
- Deals for Rafale-M (marine) planes for the Navy and the joint development of high-thrust engine for the country's stealth fighter jet programme, the Advanced Medium Combat Aircraft (AMCA) are on the table for the talks.
 - Indo-French deal would not be simply to "transfer production" to India, but a partnership between engineers of both countries to research and develop technology for a new engine together.
- Besides co-development of a more powerful engine, the Indian Navy's acquisition of fighter jets for aircraft carrier and additional Scorpene-class submarines may also get attention during deliberations between the two sides.
- In Space, apart from collaborations in launching satellites, the two sides are also looking at training astronauts and partnerships in space industrial engineering.

- Also the two sides hope to make some progress on the long-stuck nuclear deal for reactors in India, and on education opportunities and visas for students.

India - France Strategic Relationship

- India and France share a commitment to "strategic autonomy" in their foreign policy. France supports India's UNSC membership bid and cooperation in fighting terror.
- France has become a key defence partner of India, given the delivery of Rafale fighter jets, joint development of Scorpene submarines (six Kalvari submarines by Mazagon Dock Shipbuilders Limited) and the Airbus deal to manufacture C-295 tactical transport aircraft in Gujarat.
- France has emerged as a big gainer in defence purchases by India, after Russia. Between 2017 and 2021, 85% of India's military imports were from three countries: Russia (46%), France (27%), and the US (12%).
- France was one of the first countries with which India signed a 'strategic partnership' in the post-Cold War era, in January 1998.
- France was one of the few nations to support India's nuclear tests in 1998.
- The two countries have signed the 'Agreement for the provision of reciprocal logistics support between their armed forces', similar to one between India and the US.

WHAT ARE THE PROVISIONS OF THE HIGH SEAS TREATY?

News in gist: *Greenpeace called it "the biggest conservation victory ever".*

The United Nations High Seas Treaty is a legally binding instrument under the United Nations Convention on the Law of the Sea (UNCLOS) for the conservation and sustainable use of marine biological diversity in areas beyond national jurisdiction. It is also known as and is also known as the Biodiversity Beyond National Jurisdiction treaty or the BBNJ treaty. The Intergovernmental conference at the UN adopted United Nations High Seas Treaty on 19 June 2023. Both states and regional economic integration organizations can become parties to the treaty.

The treaty addresses four themes: (1) Marine genetic resources (MGRs), including the fair and equitable sharing of benefits; (2) area-based management tools (ABMTs), including marine protected areas (MPAs); (3) environmental impact assessments (EIAs); and (iv) Capacity building and transfer of marine technology (CB&TMT).

The treaty includes a number of provisions aimed at protecting marine

biodiversity in the high seas, including:

- Establishment of Marine Protected Areas (MPAs) to conserve and sustainably manage vital habitats and species.
- Regulation of fishing activities to prevent overfishing.
- Prevention of pollution from shipping and other human activities.
- Promotion of scientific research on marine biodiversity.
- Provision of financial and technical assistance to developing countries.

Benefits of the High Seas Treaty:

- Help to protect marine biodiversity in the high seas, essential for the health of the ocean and for the livelihoods of millions of people.
 - Help to prevent overfishing and other harmful human activities in the high seas.
 - Promote scientific research on marine biodiversity.
- Provide financial and technical assistance to developing countries to help them implement the treaty.

ECONOMICS

MOMENTUM SOFTENS

News in gist: *Food inflation threatens to undermine efforts to ensure price stability*

The Global Purchasing Managers' Index (PMI) for manufacturing sector fell from 58.7 in May to 57.8 after surging to a 31-month high in May. S&P Global's surveys shows strengthening of private employment generation, with manufacturers recording a stronger expansion in jobs than service providers, CMIE data point to the June unemployment rate having spiked to 8.5 %, from 7.7 % in May. The PMI survey, a survey of about 400 manufacturers do not take into account the contribution of MSMEs, which collectively contribute more than a third to the gross value added generated by the manufacturing sector as a whole. The new orders at factories, which constitute about 30% of the manufacturing PMI's weight, grew at the strongest pace in 28 months, while

demand and higher labour costs spurred charge inflation — the rate of increase in prices of manufacturers' finished goods — to a 13-month high.

The sequential slowdown in activity in the transport, information and communication sectors saw easing of services indices for June. On the services front, the index signalled the expansion in output decelerating to a three-month low. Similarly, service providers noted a quicker expansion in intake of new business, pointing to demand remaining robust, and buoying firms' confidence in growth prospects to the highest level in 2023.

The tight money policy followed by the RBI have not led to fall in domestic demand for manufactured goods and services. The resurgence in food inflation threatens to undermine the RBI's efforts to anchor inflation expectations and ensure growth-supportive price stability.

INTERNATIONALISING THE RUPEE WITHOUT THE 'COIN TOSSING'

The News

- The government's announcement of a long-term road map for further internationalisation of the rupee can turn out to be a positive exercise.

Back ground

- In the 1950s, the Indian rupee was legal tender for almost all transactions in the United Arab Emirates (UAE), Kuwait, Bahrain, Oman and Qatar, with the Gulf monarchies purchasing rupees with the pound sterling.

Gulf Rupee

- In 1959, to mitigate challenges associated with gold smuggling, the Reserve Bank of India (Amendment) Act was brought in, enabling the creation of the "Gulf Rupee", with notes issued by the central bank for circulation only in the West Asian region.
- Holders of the Indian currency were given six weeks to exchange their Indian currency, with the transition happening smoothly.

Lack of confidence

- However, by 1966, India devalued its currency, eventually causing some West Asian countries to replace the Gulf rupee with their own currencies.
- Flagging confidence in the Indian rupee's stability combined with an oil-revenue linked boom, slowly led to the introduction of sovereign currencies in the region.
- The move, in 2023, to withdraw the ₹2,000 note has also impacted confidence in the rupee.
- The demonetisation of 2016 also shook confidence in the Indian rupee, especially in Bhutan and Nepal. Both countries continue to fear additional policy changes by the RBI (including further demonetisation).
- The rupee's internationalisation cannot make a start without accounting for the concerns expressed by India's neighbours.

Very little international demand

- The rupee is far from being internationalised — the daily average share for the rupee in the global foreign exchange market hovers around ~1.6%, while India's share of global goods trade is ~2%.

Rupee Vostro accounts

- India has taken some steps to promote the internationalisation of the rupee (e.g., enable external commercial borrowings in rupees), with a push to

Indian banks to open Rupee Vostro accounts for banks from Russia, the UAE, Sri Lanka and Mauritius and measures to trade with ~18 countries in rupees instituted.

A Rupee Vostro account is an account held by a foreign bank in India in Indian rupees. "Vostro" is an Italian term that means "yours" and is used in banking to refer to accounts held by one bank on behalf of another bank. In this case, a foreign bank maintains a Vostro account with an Indian bank.

Rupee Vostro accounts are essential for foreign banks operating in India as they enable them to access the Indian financial system, conduct transactions in the local currency, and provide services to their customers in India. These accounts facilitate cross-border trade, investments, and other financial activities between India and foreign countries.

- However, such transactions have been limited, with India still buying oil from Russia in dollars. Ongoing negotiations with Russia to settle trade in rupees have been slow-going, with Russia expected to have an annual rupee surplus of over \$40 billion — reports indicate that Russian banks have been averse to the trade, given the risk of further currency depreciation and a lack of awareness among traders about local currency facilities. In short, there is very little international demand to trade in the Indian rupee.

Advantages of Internationalizing the Rupee:

Increased Global Trade: Internationalizing the rupee can facilitate international trade by making it easier for Indian businesses to conduct transactions in their own currency. It reduces the reliance on other currencies and reduces exchange rate risks, potentially boosting trade volume.

Reduced Transaction Costs: When the rupee is widely accepted, there would be less need for currency conversion, resulting in reduced transaction costs for businesses and individuals involved in cross-border transactions. This can enhance economic efficiency and competitiveness.

Enhanced Monetary Policy Autonomy: Internationalization of the rupee can provide the Reserve Bank of India (RBI) with greater control over its monetary policy. By reducing the dominance of other currencies in international trade

settlements, the RBI can have more influence over domestic interest rates and exchange rates.

Attraction of Foreign Investment: A globally recognized rupee can attract foreign investment into India. Investors may feel more comfortable investing in Indian assets denominated in their own currency, reducing currency risk and facilitating capital flows.

Pursue these reforms

Government should pursue these reforms to make rupee an effective international currency

1. Full convertibility
 2. Rupee bond market
 3. Rupee invoice for Foreign Trade
 4. Currency Swap Agreements
 5. Tax incentives
 6. Stable and transparent rupee management
 7. Implement Tarapore committee recommendations
- It must be made more freely convertible, with a goal of full convertibility by 2060 – letting financial investments move freely between India and abroad. This would allow foreign investors to easily buy and sell the rupee, enhancing its liquidity and making it more attractive.
 - RBI should pursue a deeper and more liquid rupee bond market, enabling

foreign investors and Indian trade partners to have more investment options in rupees, enabling its international use.

- Indian exporters and importers should be encouraged to invoice their transactions in rupee — optimising the trade settlement formalities for rupee import/export transactions would go a long way.
- Additional currency swap agreements (as with Sri Lanka) would further allow India to settle trade and investment transactions in rupees, without resorting to a reserve currency such as the dollar.
- Tax incentives to foreign businesses to utilise the rupee in operations in India would also help.
- The RBI and the Ministry of Finance must ensure currency management stability (consistent and predictable issuance/retrieval of notes and coins) and improve the exchange rate regime. More demonetisation (or devaluation) will impact confidence.
- A start could be made to push for making the rupee an official currency in international organisations, thereby giving it a higher profile and acceptability.
- The Tarapore Committees' (in 1997 and 2006) recommendations must be pursued including a push to reduce fiscal deficits lower than 3.5%, a reduction in gross inflation rate to 3%-5%, and a reduction in gross banking non-performing assets to less than 5%.

SOCIAL JUSTICE

LIMITS OF EXPANSION

Context : *Effective implementation of food security schemes must be the focus*

- The National Conference of Food Ministers failed to resolve the issue of the discontinuance of rice and wheat sales to States under the Open Market Sale Scheme (OMSS) in view of the Centre's restrictions.
- The meet was to discuss topics such as an action plan for the procurement of coarse grains and a strengthened focus on food and nutritional security.
- However, given the row in Karnataka over the Centre's stringent restrictions on the OMSS, it was expected that there would be a solution.
- But the Centre was in no mood to oblige the States, which use the OMSS to cover a considerable portion of their foodgrain requirements.
- Apart from Karnataka, Tamil Nadu and Rajasthan asked that the restrictions be removed. Rejecting the plea, Union Food Minister Piyush Goyal reiterated the Centre's position of taking care of the interests of those outside the scope of the National Food Security Act (NFSA).

Price Control

- Though it is indisputable that we have to look after the non-NFSA category of beneficiaries, the States' plea too considers the needs of sections of the non-NFSA population, as those covered under the Act get their entitlements under the Centre's monthly allocation of foodgrains. Besides, if States are forced to tap the open market, rice and wheat prices are bound to go up. This will defeat the Centre's objective behind restrictions on quantity sold through OMSS, i.e., keeping prices under control. Finding middle ground would have addressed everyone's concerns, at least partially.
- The controversy over the OMSS should have sent out the message to States

that it would not be wise to rely on the Centre or its agencies when it comes to implementing State schemes in the food sector. They must identify their own sources, and in a cost-effective manner.

Food Security, means that all people, at all times, have physical, social, and economic access to sufficient, safe, and nutritious food that meets their food preferences and dietary needs for an active and healthy life.

Anna Bhagya 2.0 programme

- The scheme is election promise by congress in karnataka but after the U-turn by the Food Corporation of India in providing additional foodgrains for the Anna Bhagya 2.0 programme, the Congress government in Karnataka could not find an equivalent supplier, cost being a key reason. States should introspect whether it is feasible to double the size of entitlements, as Karnataka had sought to, from 5 kg to 10 kg.
- Though Karnataka has found a way out — it will now transfer cash for the proposed additional quantity — the episode brings into focus its ill-planned attempt to replicate, in the area of food security, a scheme of the Union government, which has a bigger resource base.

Concern on Food Productions

With the fear of the El Niño factor in foodgrain production and procurement, the Centre and the States should focus more on making the Public Distribution System foolproof than on expanding existing schemes. Delay in Monsoon have affected the sowing season in many regions of India



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