

## ● POLITY

## ● ECONOMICS

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## POLITY AND GOVERNANCE

## HC QUASHES HARYANA'S 75% LOCAL QUOTA IN PRIVATE SECTOR

**CONTEXT:** The Punjab and Haryana High Court on Friday quashed the Haryana government's law guaranteeing 75 % reservation in private sector jobs for residents of the State calling it unconstitutional.



The Haryana State Employment of Local Candidates Act, 2020, which came into force on January 15 last year, makes it mandatory for employers to reserve 75 % of jobs paying less than ₹ 30,000 a month for local residents. The government set the reservation applying to jobs paying up to ₹ 50,000, but later revised the upper limit to ₹30,000 following opposition from industrialists.

### Haryana State Employment of Local Candidates Act, 2020 SALIENT FEATURE

Provides for 75% reservation in private sector jobs with a gross monthly salary of not more than ₹30,000 to those having a resident certificate (domicile).

### CONSTITUTIONAL AND LEGAL ISSUES

**1. RESERVATION IN JOBS BASED ON DOMICILE:** Domicile quotas fairly common in education, expanding to employment opportunities raises questions relating to the natural rights of an individuals. Besides, it is highly unlikely to withstand the judicial scrutiny on the touchstone of Article 19(1)(g).

**2. LEGISLATIVE OVERSTEPPING:** The state draws its power from Article 16(4) of the Constitution to make reservations in public employment to secure public interest at large. But, the Constitution has not provided powers for the State Legislature to make laws mandating reservation for private employment.

## RESERVATIONS OR NOT

Though the objective of the law to create a harmonious environment for industry as well as the youth along with creating the right balance between the progress of industries and the economy is laudable, reservations in private sector by introducing a policy of "sons of the soil" was an infringement of the constitutional rights of employers. Forcing the employers to employ local candidates in private sector overlooking skills and analytical bent of mind is the violation of the federal structure framed by the Constitution of India, whereby the government cannot act contrary to public interest and cannot benefit one class. Similarly, and the employees too enjoy a fundamental right to work in any part of India

## INTERNATIONAL RELATIONS

## BUILDING THE FLOOR

**CONTEXT:** U.S. President Joe Biden and Chinese President Xi Jinping met on November 15, 2023, for their first face-to-face encounter in over a year on the side-lines of the Asia-Pacific Economic Cooperation (APEC) summit in San Francisco. The four-hour meeting was held at the Filoli estate outside of San Francisco and was described by both sides as "constructive and productive."

The two leaders discussed a wide range of issues, including Taiwan, trade, climate change, and the war in Ukraine. On Taiwan, Biden reiterated the U.S. commitment to the "one China" policy, but also warned China against any unilateral actions that could change the status quo. On trade, the two leaders agreed to work together to reduce trade barriers and boost economic cooperation. On climate change, they pledged to continue to work together to reduce greenhouse gas emissions and promote clean energy. And on the war in Ukraine, they expressed their shared concern about the humanitarian crisis and called for a peaceful resolution to the conflict.

The meeting was seen as a positive step towards improving relations between the United States and China, which have been strained in recent years. However, there are still a number of significant challenges that the two countries need to address, such as their differences over Taiwan, human rights, and trade.

Here are some of the key outcomes of the meeting:

1. Establish a new high-level dialogue mechanism to discuss a range of issues, including climate change, trade, and technology.
2. Work together to reduce trade barriers and boost economic cooperation.

3. Pledged to continue to work together to reduce greenhouse gas emissions and promote clean energy.

4. Expressed their shared concern about the humanitarian crisis in Ukraine and called for a peaceful resolution to the conflict.

Overall, the meeting was seen as a positive step towards improving relations between the United States and China. However, there are still a number of challenges that the two countries need to address. It remains to be seen whether the two countries will be able to overcome these challenges and build a more stable and constructive relationship.

## ECOLOGY AND ENVIRONMENT

# 'INDIA HAS A CRITICAL ROLE IN DUBAI CLIMATE CONFERENCE'

**CONTEXT:** Heads of states, business delegations and climate and energy think tanks from over 190 countries will converge for the 28th edition of the Conference of Parties (CoP) will be held over two weeks in Dubai next month to negotiate responsibility for keeping global temperatures from rising above 1.50 C.

The 28th Conference of the Parties (COP 28) to the United Nations Framework Convention on Climate Change (UNFCCC) will take place from 30 November to 12 December 2023, in Dubai, United Arab Emirates. It will be the first time that the COP has been held in a Middle Eastern country.

COP 28 is expected to focus on a number of key issues, including

1. Fast-tracking the energy transition and slashing emissions before 2030: This will involve discussions on how to accelerate the deployment of renewable energy, improve energy efficiency, and phase out coal-fired power plants.

2. Transforming climate finance: This will involve discussions on how to increase the flow of climate finance from developed countries to developing countries, and how to mobilize private sector investment in climate action.

3. Addressing climate change adaptation: This will involve discussions on how to help countries build resilience to the impacts of climate change, such as sea level rise, extreme weather events, and droughts.

4. Strengthening international cooperation: This will involve discussions on how to strengthen the global response to climate change, including through the implementation of the Paris Agreement and other international agreements

COP 28 is expected to be a major event in the global fight against climate change. The conference is an opportunity for countries to come together and make progress on implementing the Paris Agreement and taking the necessary actions to address this global challenge.

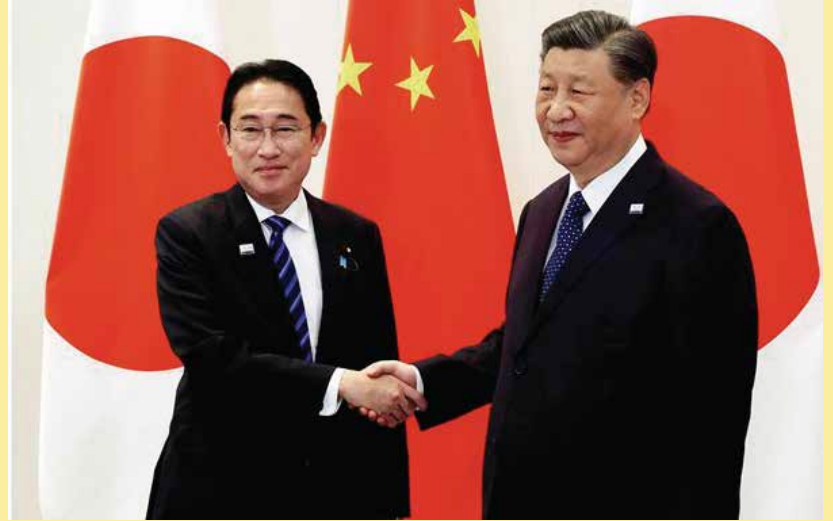


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## INTERNATIONAL RELATIONS

# JAPAN PM RAISES 'SERIOUS CONCERNS' ABOUT MILITARY ACTIVITY IN TALKS WITH XI



**CONTEXT:** Japanese Prime Minister Fumio Kishida and Chinese President Xi Jinping held their first face-to-face meeting in a year on the sidelines of the Asia-Pacific Economic Cooperation (APEC) summit in San Francisco on November 16, 2023.

The leaders' discussion focused on a range of issues, including China's ban on Japanese seafood imports, the case of a Japanese businessman detained in China on suspicion of espionage, and China's growing military activity in the region. Kishida expressed his concerns about China's seafood ban, which was imposed in response to the 2011 Fukushima nuclear disaster. He also called for the release of the Japanese businessman, who has been detained for over two years without trial.

Xi said that China was willing to work with Japan to resolve these issues, and that the two countries should continue to cooperate on areas of mutual interest, such as trade and investment. The meeting was seen as an important step towards improving relations between Japan and China, which have been strained in recent years. However, there are still a number of significant challenges that the two countries need to address, such as their territorial disputes in the East China Sea and Taiwan Strait.

Here are some of the key outcomes of the meeting:

1. The two leaders agreed to hold high-level dialogues on economic issues.
2. The two leaders welcomed the launch of a new framework to discuss export controls.
3. The two leaders agreed to continue to work on resolving the issue of China's seafood ban on Japanese imports.
4. The two leaders agreed to continue to work on the case of the Japanese businessman detained in China.

Overall, the meeting was seen as a positive step towards



improving relations between Japan and China. However, there are still a number of challenges that the two countries need to address. It remains to be seen whether the two countries will be able to overcome these challenges and build a more stable and constructive relationship.

## INTERNATIONAL RELATIONS

# THE GEOPOLITICAL FALLOUT OF THE ISRAEL-HAMAS WAR

**CONTEXT:** The U.S. sought to do bring two of the pillars of its regional policy, Israel and the Gulf Arabs, closer via Abraham Accords, so that the US could shift its strategic focus to more conventional rivals such as Russia and China.

The U.S.'s de-prioritisation of West Asia opened an opportunity for China, which has good ties with countries across the Gulf to forge the Iran-Saudi reconciliation agreement. The U.S.'s response to the Saudi-Iran détente was to double down on the Abraham Accords. The India-Middle East-Europe Economic Corridor (IMEC) proposal earlier this year, which hinged on Arab-Israeli peace was sold as an alternative to China's outreach into the region.

## Re-regionalisation of Palestine

In 1978, the Camp David Agreement between Egypt and Israel signed the Framework For Peace Agreement, which became the blueprint for the Oslo process in the 1990s. Jordan signed its peace treaty with Israel only after the first Oslo Accord, 1993. Israel delinked the Palestine question from their engagement making no concessions for the Palestinians with the United Arab Emirates (UAE), Bahrain and Morocco signing the Abraham Accords in 2020.

Israel's disproportionate and indiscriminate attack on Gaza has triggered massive protests across the Arab Street, mounting enormous pressure on monarchs and dictators. Arab countries, which witnessed violent destabilising street protests and civil strife just 10 years ago, cannot completely turn away from the growing pan-Arab sympathy with the Palestinians and the antipathy towards Israel.

Iran has called for collective action against Israel, while its proxies, the Houthis in Yemen and Hezbollah in Lebanon, have launched limited attacks on Israel. Iran is trying to claim the leadership of the Islamic world, bridging the Shia-Sunni divide. The Saudis convened an Islamic summit on Gaza, which saw the landmark visit by Iranian President Ebrahim Raisi to the Kingdom, and reiterated its call for the creation of a Palestine state based on the 1967 borders for peace and security in the region. In effect, Mohammed bin Salman, the Saudi Crown Prince, has relinked the Palestine issue with peace talks with Israel. This is a setback for both America and Israel.

The Iran-Saudi reconciliation, under Chinese mediation, itself was a setback for the U.S. In recent years, Arab countries have also shown an increasing hunger for autonomy. The UAE and Saudi Arabia refused to join American

sanctions against Russia after the Ukraine war. Saudi Arabia continued its Organization of the Petroleum Exporting Countries (OPEC) Plus cooperation with Moscow, defying Washington's requests and diktats. China is playing an increasingly greater role in the Gulf, which includes secret plans to build a military facility in the UAE.

The situation in Gaza is effectively back to the pre-2005 days, but the geopolitical reality is entirely different from the early 2000s when the U.S. was the sole superpower in the region. Russia and China may not replace America in West Asia in the near future given the U.S.'s huge military presence, but the growing footprint of other great powers is offering space for better manoeuvrability for regional players.

## ECONOMICS AND DEVELOPMENT

# STATE OF THE ECONOMY — TEMPER THE EUPHORIA

**CONTEXT:** In its semi-annual report, World Economic Outlook, 'Navigating Global Divergences' October 2023, the International Monetary Fund (IMF) has revised its projected GDP growth rate for India for 2023-24 to 6.3%, up from the earlier 6.1%.

During the second quarter of 2020, India's GDP contracted by 25.6%, quarter on quarter. The output contraction in 2020-21, at 8.5% over the previous year, was one of the worst among the world's large economies. India's real (inflation adjusted) annual GDP growth rate slowed down from 6.8% in 2016-17 to 2.8% in 2019-20, immediately prior to the pandemic. Real per capita income level in 2021-22, at ₹1.09 lakh, was higher than that in 2019-20 by about ₹600. In the following year, 2022-23, recovery gained momentum as domestic supplies were restored and global supply chains were straightened out.

## Effects are cause for concern

The effects of output recovery on employment, its quality and persistence of inflation of essential food items affecting the poor the most remain causes of concern.

The immediate concern is India's susceptibility to its soaring deficit with China. India's economic frailty has increased even as the net exports (exports minus imports) to GDP ratio has declined sharply. India's dependence on Chinese imports of manufactures seems structural, and not easily corrected by changes in relative prices.

India undid many import restrictions, as domestic production was getting throttled for lack of critical Chinese inputs. The mirror image of rising Chinese imports is a steady decline in industrial growth rate, from 13.1% per year in 2015-16 to negative 3.5% per year in 2019-20 (before COVID-19). Industrial growth rates as per the Index of Industrial Production (IIP), despite its limitations, shows an alarming regression over a longer period. During the boom period (2004-05 to 2013-14), manufacturing grew at an annual average rate of 5.7%; the rate declined to 3.1% during 2014-15 and 2022-23 — the fall is acute in capital goods, plummeting

from 9.7% to 1%.

From 2011-12 to 2021-22, gross fixed capital formation to GDP ratio at current prices, declined steadily from 34.3% to 28.9% — an unprecedented fall in post-independent India. And its public sector share has remained constant at 8% (National Accounts). Net foreign direct investment (excluding disinvestment and outward foreign direct investment), to current GDP ratio fell from 3.6% in 2008 to 2.4% in 2022 (World Development Indicators).

The official optimistic picture of public investment growth since FY22, based on budgetary statistics, seems suspect. Public investment has three parts: the central government, the States and central public sector undertakings (PSUs). Public investment by State governments, based on the Centre's loans and advances to States, is conditional upon policy reforms. The widely reported rise in the Centre's investment is apparently due to the merging of extra-budgetary borrowing by central PSUs with the Centre's own Budget. Hence, the projected boost in public investment seems illusory. Combining the three items, public investment seems around 6% of GDP — perhaps similar to its pre-COVID-19 levels.

#### Credibility of the HDI

On social development, official spokespersons and

critics have battled over the veracity of (questionable) multidimensional poverty measure, and the unrepresentativeness of the Global Hunger Index. Instead, the UN Development Programme's Human Development Index may be more credible and an acceptable measure. The value of India's HDI index moderated from 0.645 in 2018 to 0.633 in 2021; and, its global rank went down by one rank during 2015-21 — meaning that other countries have performed better than India.

To sum up, if official spokespersons enlarged the frame of economic assessment slightly, a few stark facts come into focus. These are: the strategic threat posed by an unrelenting rise in trade deficit with China, despite government's best efforts; its mirror image is a decline in industrial output growth rates, especially capital goods' decimation; and a decade long, unprecedented, decline in the economy's fixed investment rate; with an unchanging public sector's share in it, at least up to 2021-22; India's HDI ranking slipped by one. Official commentators would perhaps do well to engage with its critics in appreciating the gravity of economic setbacks in recent years than scoring brownie points over the IMF's short-term growth projections.



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