



## 'Troops complete disengagement at Depsang, Demchok'

### POLITY & GOVERNANCE



Indian and Chinese troops have completed disengagement at the last friction points, Depsang and Demchok in Eastern Ladakh, ending the standoff that began in May 2020. To celebrate Deepavali, both sides will exchange sweets at the five Border Personnel Meeting (BPM) points along the Line of Actual Control (LAC) on Thursday. Verification of disengagement is underway, and patrols are expected to resume soon. Ground commanders met to discuss patrolling modalities, which will involve small patrol teams of under 20 troops with agreed frequency to avoid clashes.

The five BPM points are Bum La and Kibithu in Arunachal Pradesh, Chushul and Daulat Beg Oldi in Ladakh, and Nathu La in Sikkim. Disengagement at Depsang and Demchok included removing temporary structures, and patrolling will soon resume up to points accessed before 2020, while buffer zones in other areas remain. This step was finalized following a general framework agreement at the diplomatic level and detailed discussions at the Corps Commanders' level on October 21, ahead of the BRICS summit.

The troops of India and China completed disengagement at Depsang and Demchok in Eastern Ladakh on Wednesday, Army sources confirmed. This also marked the completion of disengagement from all friction points of the stand-off that began in May 2020. Following this, the two sides will exchange sweets at all five Border Personnel Meeting (BPM) points, on the account of Deepavali, along the Line of Actual Control (LAC) on Thursday.

Patrolling at Depsang and Demchok is set to resume in a day or two and will be coordinated by the two sides to avoid face-offs and clashes. The size of the patrol teams would be limited, likely under 20 troops, and the frequency of patrols would be agreed upon between the two sides so that each can undertake patrols up to the points they accessed pre-2020, while preventing troops from coming face to face. Disengagement saw the removal of all temporary and semi-permanent structures set up since the stand-off began.

The status at friction points where disengagement occurred from July 2020 to September 2022 remains unchanged, with buffer zones still in place and patrols yet to resume. These buffer zones will be reviewed, and new patrolling guidelines established. The next step involves troop de-escalation and de-induction in Eastern Ladakh. For Depsang and Demchok, a general framework agreement was reached at the diplomatic level, followed by a detailed disengagement and patrolling plan concluded at

the Corps Commanders' level on October 21, just ahead of the BRICS summit in Kazan, Russia, attended by Prime Minister Modi and President Xi Jinping.

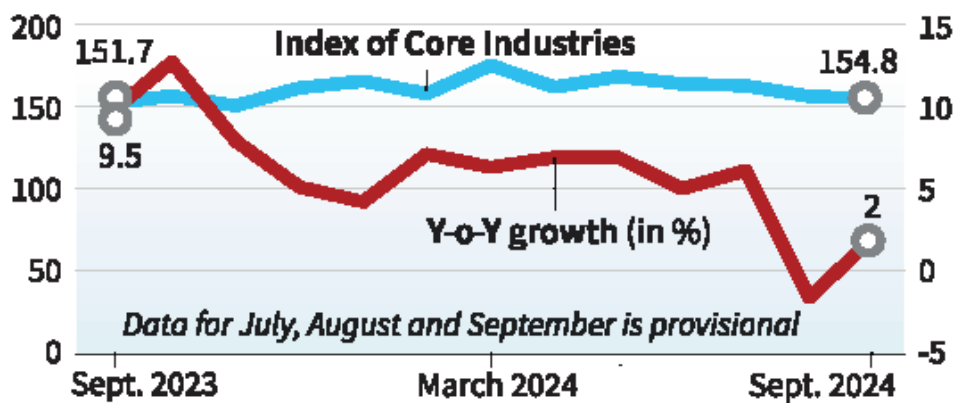
The agreement enables the Indian Army to resume patrols up to Patrolling Points (PP) 10, 11, 11A, 12, and 13 in Depsang and regain access to traditional grazing areas in Demchok. The Chinese PLA had previously restricted Indian patrols at the Y-junction in the Depsang plains.

## Core sector output slips to 10-month low in Sept.; growth anxieties deepen

### ECONOMICS & DEVELOPMENT

#### Worrying trend

The Core sectors' index fell further in Sept. even as the Y-o-Y growth rebounded from a shrinkage in Aug.



Source: Ministry of Commerce and Industry

India's eight core sectors, which make up around 40% of the nation's industrial output, continued to struggle in September as the Index of Core Industries (ICI) dropped to a 10-month low of 154.8, down 0.83% from August. However, on an annual basis, output in these core sectors rose by 2%, marking a modest recovery from August's 1.6% contraction, the first decline in 36 months.

#### Mixed fortunes

The two key construction-related sectors saw varied performance in September: steel output growth fell to a

33-month low of 1.5%, while cement production surged by 7.1%, marking its fastest growth in six months. The challenges in the automobile sector may have impacted steel output and expects overall industrial growth in September to stay weak, likely under 1%.

#### IIP contracts

India's Index of Industrial Production (IIP) saw a slight contraction in August, the first since October 2022, with September's figures set for release on November 12. It is anticipated that the core sector growth is set to slow to 4.5%-5% in 2024-25 from 7.6% last year, which may reduce industrial output growth to 5%. Second-quarter economic indicators, he noted, have raised downside risks to their 7% growth forecast for the year.

#### Power, oil and gas

Five out of eight infrastructure sectors showed year-on-year growth in September, improving from only two sectors in August. However, only three sectors had production levels higher than in August: coal (up 9.8%), cement (up 0.85%), and refinery products, which saw a slight increase of 0.07%. Electricity generation contracted for the second consecutive month, with a 0.5% decline from September 2023 and a sharper 3.5% drop from August levels, possibly due to the delayed monsoon withdrawal and above-normal September rainfall.

Crude oil production declined for the fifth consecutive month, with the contraction widening to 3.9%, while natural gas output fell by 1.3%, marking its third straight month of decline. Both sectors' output levels hit a three-month low. The estimated industrial output growth in September between 3% and 5%,

supported by smaller contractions in electricity and mining, higher GST e-way bill growth, and a favourable base effect from last year.

## Shah 'ordered' campaign to target Sikh activists: Canada

### INTERNATIONAL RELATIONST

A Canadian official alleged on Tuesday that Home Minister Amit Shah directed efforts involving violence, intimidation, and intelligence gathering against Sikh separatists in Canada. Deputy Foreign Affairs Minister David Morrison informed members of the national security committee that he confirmed Mr. Shah's name to The Washington Post, which initially reported the claims.

Prime Minister Justin Trudeau had previously stated that Canada had credible evidence of Indian government agents' involvement in the June 2023 murder of Canadian Sikh activist Hardeep Singh Nijjar in British Columbia. Canadian officials have said they have shared related evidence with Indian authorities.

Indian officials have consistently denied that Canada has provided any evidence, dismissing the allegations as "absurd." India's embassy in Ottawa did not immediately respond to requests for comment regarding the accusation against Mr. Shah. On October 14, Canada expelled India's High Commissioner and five other diplomats, accusing them of involvement in multiple incidents of coercion, intimidation, and violence intended to suppress the movement for an independent Sikh state, Khalistan.

Canada's national security adviser, Nathalie Drouin, informed a parliamentary committee that Canada has evidence suggesting India collected information on Indian nationals and Canadian citizens in Canada through diplomatic channels and proxies, allegedly passing it to New Delhi, which reportedly collaborates with a criminal network tied to Lawrence Bishnoi. Drouin noted a recent meeting in Singapore with Ajit Doval, India's national security adviser, but said Canada went public with the information after India showed unwillingness to cooperate on accountability measures. In response, India has denied the allegations and expelled six Canadian diplomats.

## India joins steering committee of asset recovery network

### INTERNAL SECURITY

India, represented by the Directorate of Enforcement (ED), has been included in the steering committee of the Asset Recovery Inter-agency Network-Asia Pacific (ARIN-AP), a prominent multi-agency network dedicated to tackling the proceeds of crime in the Asia-Pacific region and a member of the global CARIN (Camden Asset Recovery Inter-agency Network).

The new role will enable India to contribute to ARIN-AP's decision-making and administrative responsibilities, furthering its mission to combat economic crimes and support asset recovery at a global scale.

India will assume the presidency of the network and host the annual general meeting (AGM) in 2026. This milestone provides a unique platform to reinforce India's leadership in asset recovery and enhance cooperation with regional and international partners. ARIN-AP was established to facilitate cross-border collaboration on asset tracing, freezing, and confiscation. It includes 28 member jurisdictions and nine observers and serves as an informal yet robust network as part of CARIN. It operates through a network of contact points, enabling effective communication among member agencies, and of over 100

jurisdictions in CARIN with the ED representing India as the nodal agency.

Law enforcement agencies across ARIN-AP and CARIN jurisdictions benefit from this network, as it aids in tracing assets related to criminal activities, both movable and immovable, across borders. Through ARIN-AP and the larger CARIN, agencies can exchange information on individuals, assets, and companies informally, often expediting the identification and recovery of proceeds of crime.

## Govt. mulls new procurement model for multi-role fighters

### INTERNAL SECURITY



Against the backdrop of the controversy in the procurement of 36 Rafale fighter jets, the government is looking at a procurement model that is transparent and non-controversial for the acquisition of 114 multi-role fighter aircraft that has been stuck for several years now, sources said. The Indian Air Force (IAF) is facing a severe shortage in its squadron strength and is looking for quick induction of jets.

A procurement process is being thought of and also to ensure high level of indigenisation. The government is seized of the issue of IAF's fighter

squadrons, and a decision may be taken in the next few months. The government is intent on doing what is required for the IAF, the source stressed.

The Request For Information (RFI) for 114 MRFA was issued in April 2019 to global aircraft manufacturers, which requires the aircraft to be licence-manufactured in India with significant technology transfer, but the process has been delayed and the project is yet to receive the Acceptance of Necessity (AoN), the start point of the formal procurement process.

The long delay is due to caution in avoiding a controversy in the process like the Rafale issue, which, the sources noted, also saw the disclosure of classified documents as part of the legal process. There is a major exercise within the government to find a safe and transparent procurement model.

### Urgent need

IAF chief Air Chief Marshal A. P. Singh said the MRFA was "needed as on yesterday", underscoring the urgency. In April 2015, Prime Minister Narendra Modi, during a visit to Paris, announced the direct purchase of 36 jets citing "critical operational necessity" of the IAF and a €7.87 billion Inter-Governmental Agreement was concluded in September 2016 with 13 India Specific Enhancements (ISE). The earlier tender for 126 Medium Multi-Role Combat Aircraft that was stuck was subsequently scrapped. All 36 jets have been inducted beginning September 2020. India and France are now in advanced stages of price negotiations for 26 Rafale-M jets for the Indian Navy's aircraft carriers.

The IAF is currently at 30 fighter squadrons as against the sanctioned strength of 42 squadrons and is banking on accelerated deliveries of the indigenous Light Combat Aircraft (LCA) variants and early conclusion and induction of the MRFA. The LCA-MK1A, 83 of which have been contracted and order for 97 more is in the pipeline, has been delayed. A larger and more capable LCA-MK2 is under development and is supposed to do its first flight next year October, with December 2027 to be end of research and development for LCA-Mk2. "If these timelines are met and the MRFA is signed parallelly we are okay. But

if these timelines are pushed, then we need to look at alternatives.

## PSU officers knock on Modi's door over EPFO's way of calculating higher pension

ECONOMICS & DEVELOPMENT

Frustrated by the Employees' Provident Fund Organisation's decision to calculate higher PF pensions on a pro rata basis, officers from various Public Sector Undertakings (PSUs) have approached Prime Minister Narendra Modi. They are urging him to instruct the EPFO to grant higher pensions in accordance with the Supreme Court's November 2022 ruling, rather than basing it on the proportion of contributions made to the Employees Pension Scheme (EPS). The officers claim that the EPFO has issued pension payment orders to some recently retired officers without taking into account their contributions to the scheme prior to September 2014.

The National Confederation of Officers' Associations (NCOA), representing over 200,000 officers and an equal number of retirees from 255 Central Public Sector Enterprises (CPSEs), sent a letter to Prime Minister Narendra Modi, Union Labour Minister Mansukh Mandaviya, and several MPs from both the Rajya Sabha and Lok Sabha. In the letter, they expressed that the EPFO is obstructing the rightful increase in pensions for retirees after 2014 and for current employees. They also noted that the EPFO has not responded to their grievances. The officers pointed out that the EPFO had granted multiple extensions for subscribers to submit the joint option with their employers to claim higher pensions. Four months have passed since the extended deadline, and there has been no noticeable progress in implementation.

Many Regional Offices of the EPFO are rejecting joint applications submitted by employees and retirees of CPSEs and other institutions classified as Exempted Trusts, using irrelevant excuses based on trust rules that contradict the clear verdict of the Hon'ble Supreme Court." They urged the government to accelerate the processing of joint option applications and to ensure that the calculation method aligns with the Supreme Court's order. They also demanded the withdrawal of the pro-rata calculation approach, which goes against the legal mandate.

They called for fair compensation for pensioners by paying interest on any arrears resulting from delays in pension disbursement. The ongoing delays and inconsistent directives have caused unnecessary anxiety and financial hardship among retirees and employees. Similar letters have also been submitted to the Prime Minister by employees of various CPSEs in their individual capacities. One letter emphasized that the average salary used for calculating pensions should not be divided into two periods: before and after September 1, 2014. "The pro-rata method of calculation should not be imposed on us. Instead, the average salary for pension calculation should be based on the average of the last 60 months of service, in accordance with the 2014 amendments.



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# Centre's fiscal gap eases but ebbing capex pace a worry

## ECONOMICS & DEVELOPMENT



Halfway through FY25, the Central government's fiscal deficit improved to ₹4.74 lakh crore, or 29.4% of its 2024-25 target, relative to the fiscal gap a year ago when it stood at ₹7 lakh crore, or 39.3% of the 2023-24 Budget estimates.

However, worries emerged on whether the Centre is on track to meet this year's ambitious capital spending target of ₹11.11 lakh crore, as fiscal numbers as of September 30 released by the Controller General of Accounts on Wednesday indicated a 15% decline in capex in the first half of the year compared to 2023-24.

Non-tax revenues were bolstered 51% aided by a hefty dividend from the Reserve Bank of India, and tax revenues were up 9%, while revenue expenditure grew just 4%. After Q1 lull in capex due to Lok Sabha polls, the Centre sharply raised capex in July but the momentum hasn't sustained since then. The Centre now needs to spend about ₹1.16 lakh crore a month in the second half of the year to meet its target, which is 52% over last year's spending levels and appears "rather challenging at this juncture, she reckoned. We expect the capex target to be missed by a margin of at least ₹50,000 crore.

## Towards Europe

### INTERNATIONAL RELATIONS

The back-to-back visits to India by German Chancellor Olaf Scholz and Spain's Prime Minister Pedro Sánchez indicate an attempt by New Delhi to engage with Europe's biggest economies bilaterally. While Mr. Scholz's visit was a scheduled engagement for the bi-annual Inter-Government Consultations, this was his third visit since 2023; Prime Minister Narendra Modi had visited Germany in 2022. Thus, there were MoUs on innovation and technology, skilling and mobility, and green energy cooperation, as well as improving trade, pegged at \$26 billion, with about \$27 billion in German investments. The conversation over trade and investment intensified with both leaders attending the Asia-Pacific Conference of German Business, a first in India, amidst an attempt by German businesses to reduce their exposure in China. The two-day visit of Mr. Sánchez (officially called the President of the Government of Spain) shone a spotlight on unnoticed India-Spain bilateral ties. Trade is nearly \$10 billion, and Spain is India's 16th largest investor. Despite its relatively lower stakes in India's economy, Spain is increasingly seen as a technology and engineering partner; one of the MoUs signed was for rail transport. The highlight of the visit was the inauguration of an Airbus-Tata private sector plant to assemble C-295 aircraft for the Indian Air Force. It did not go unnoticed that the visits were scheduled close to each other, even as Germany and Spain are competing for defence deals, indicating New Delhi's desire to diversify its options.

The timing of the visits followed just after Mr. Modi's Russia visit for the BRICS summit, and his meetings with Russian President Vladimir Putin and Chinese President Xi Jinping, which show how India continues to balance ties amid the Russia-Ukraine conflict. India expressed deep concerns over the loss of life in the Ukraine conflict and the need for lasting peace, in the joint statements with Germany and

Spain. But the statements differed to a degree in the paragraphs on the West Asian crisis. The statement with Germany squarely condemned Hamas for its actions on October 7 last year, and called for the immediate release of Israeli hostages. The statement with Spain did not name Hamas, and emphasised the need to protect civilians and for all parties to comply with international law. Spain has taken a step away from other European countries by recognising Palestine and blocking all shipments of armaments including from India to Israel. It is important that India continues to engage with European countries individually, as well as with the European Union, especially with such evidence that even the closest partners have nuanced differences on geopolitical issues of the day.

## Sun signs

### DISASTER MANAGEMENT

Policy decisions that are clairvoyant are most likely to serve well, and for long. A clairvoyance that comes from reading the signs today and now, can save lives, and make living better. Tamil Nadu's move to declare heat as a State-specific disaster, rendering people so affected eligible for assistance from the State, is unequivocally a beacon shining in a country where environmental degradation goes together with unplanned cities, poverty, and limited access to shelter and health care. The World Meteorological Organization declared that 2023 was the hottest year on record. A study on 'Deadly heat waves projected in the densely populated agricultural regions of South Asia' portends that the most intense hazard from extreme future heatwaves will be concentrated around the densely populated agricultural regions of the Ganges and Indus basins. It is critical that the human body remains at the optimal temperature of 37° Celsius: living in temperatures that constantly and consistently exceed this limit can cause immeasurable stress and the breakdown of bodily functions, impact vital organs, and lead to death in vulnerable populations. Tamil Nadu's move is a laudable recognition of the inevitability of extreme weather events affecting people's health even as it prepares to address issues arising out of extreme heat events. The government order says many parts of Tamil Nadu have consistently recorded temperatures above 40° C during the summer of 2024, acknowledging that heatwaves are emerging as a threat affecting the day-to-day life of the elderly, children, those with prior illnesses, co-morbidities and those who work in open environments. Tamil Nadu's vulnerability is exacerbated by its long coastline where humidity goes up during summer, giving rise to the peculiar wet-bulb temperature phenomenon. The World Economic Forum has warned that global warming is on track to reach a 'wet-bulb temperature' level of 35° C, where humans can no longer regulate safe body temperature through sweating.

While mechanisms must be alerted to mitigate the effects of global warming at the local, regional and national levels, it is also sagacious to prepare during the interim. The Tamil Nadu government's move to provide relief to the victims of heatwave under the State Disaster Response Fund will feature a comprehensive range of activities, including ex gratia payment to families of those who died of heat-related conditions; provision for medical care, and drinking water, including supply of ORS packets, and rescheduling working hours, will make the State and its most vulnerable at least prepared for the worst. Other States would do well to be inspired by this model.



*"If you invest more in your education, then you are likely to get more interest in it."*

*—Benjamin Franklin*

# Why is there an upward rally in gold prices?

## ECONOMICS & DEVELOPMENT

Mired amidst geopolitical tensions and economic uncertainty, spot price of gold scaled a record high of \$2,758.37 for an ounce on October 23. At the time of writing, the yellow metal was priced at \$2,731.45/ounce having marginally corrected course from the record high. In India, gold was mirroring the upward trajectory at ₹7,513.37/gram, 40% higher than ₹5,354.20/gram a year ago. Imperative to note, the demand for the yellow metal has historically been observed to peak in lieu of the festive season, thus, potentially translating to a positive effect on its prices.

### What determines the price of gold?

Central to the assessment are two currents: prevailing investor appetite (compared to other assets such as bonds) but more importantly, the yellow metal's safe haven characteristic. Gold has lower co-relation with other asset classes and, therefore, provides a safety cushion during periods of geopolitical stress and prevailing economic uncertainty and/or downturn in markets.

Further, prices of gold are suggested to hold an inverse relationship with interest rates. That is, when interest rates are tightened gold becomes less attractive to investors as they do not offer any yield — even in tightened conditions. Conversely, lower interest rates coupled by a weaker dollar can prompt investors to also opt for the safety bullion cushion. However, the relationship is not airtight and has been observed to prompt exceptions owing to inflationary conditions and/or geopolitical tensions, among other factors.

The notion about gold being a safety cushion is best reflected in the purchase of the yellow metal by central banks to hedge against global uncertainties, other than diversifying their forex reserves. For perspective, as per the World Gold Council (WGC), central banks made net purchases of 8 tonnes in August. Leading buyers were the National Bank of Poland, Central Bank of the Republic of Turkey followed by the RBI.

Broadly, gold prices are determined by forces of supply and demand. Imperative to note here, that gold is finite. The gestation period from mining to production cannot effectively respond to market dynamics. According to WGC, it often takes decades to move from discovery of a mine to production.

### What have we observed about demand dynamics in India?

Demand for the yellow metal traditionally peaks in the second half of the year with the arrival of the festive season and the onset of the wedding season. The buffer period in between (generally, mid-September to the onset of October) is considered inauspicious for such purchases as per the Hindu calendar. According to the WGC's October update, the above stipulated buffer period further marred by high prices have kept consumers away from buying the precious metal. However, it observed from market reports, about a resurgence in gold buying with the festive season and a demand largely driven by wedding purchases. With respect to prices, the monthly report held that the price increased in September primarily because of a decline in the U.S. dollar with the Fed's rate cut. This coupled with geopolitical tensions helped the rally. Imperative to note that globally the prices of gold are referenced in U.S. dollars. Thus, the decline in dollar spurs demand for the yellow metal seeking safe haven and hedging.

### What happens from here?

Saiyam Mehra, Chairman at the All-India Gems and Jewellery Domestic Council told The Hindu that prices of the yellow metal may further continue their upward trajectory. According to Mr. Mehra, the international market rates may come down between early to mid-November by about \$50 to approximately \$2,650/ounce. However, he observes that the rates could again go up between \$2,800 and \$3,000 in the next year — about ₹92,000 to ₹96,000. The latter being 20% higher compared to the present prices. "(At present) Even after the rates have increased, there is a good footfall in the market but not what we saw



last year. The volume has decreased 10% but the value has increased about 15%," Mr. Mehra informed. Separately, he further anticipated 20% sales of bullion and 80% of jewellery during the important Dhanteras season.

Kavita Chacko, Research Head (India) at the WGC further observed that investment demand has been rather strong. The investment interest is being supported by strong price performance of the yellow metal. Furthermore, WGC also expects an increased demand for the yellow metal from rural areas emanating from "improvements in overall consumption". It observes, "Favourable monsoons and higher crop sowing this year are anticipated to boost rural incomes, potentially leading to higher gold purchases."

Reflecting on the domestic economic currents and their impact on prices, Ms. Chacko observed that the reduction in gold import duties in July has "significantly boosted demand". Further, she told The Hindu, "Strong monsoons have raised rural consumers' spending power, which has raised demand in both rural and tier II and III cities. Gold demand is typically high throughout the festive and wedding seasons, which we are currently in."

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