



● POLITY

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India 'protests' new Chinese counties in Ladakh

INTERNATIONAL RELATIONS



CONTEXT: India has lodged a “solemn protest” with China over the formation of two counties in the Hotan prefecture that incorporates territory of India’s Ladakh. India “never accepted” Beijing’s “illegal occupation of Indian territory in this area”.

Concerns conveyed

The protest from the Indian side came after Chinese news agency Xinhua reported on December 27, 2024 that the authorities in northwest Xinjiang Uyghur Autonomous Region had declared the formation of He’an County and Hekang County, in the Hotan prefecture. The Hotan prefecture contains parts of Aksai Chin that India accuses China of occupying and formation of the two new counties appears like Beijing firming up administrative measures in the region. India maintained that the creation of new counties will neither have a bearing on India’s long-standing and consistent position regarding our sovereignty over the area

nor lend legitimacy to China’s illegal and forcible occupation of the same.

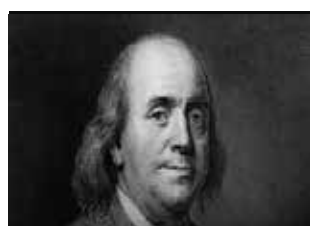
World’s largest dam

India has also conveyed its “concerns” about the building a mega hydro power project in the upstream Yarlung Tsangpo (Brahmaputra), that flows through Arunachal Pradesh and Assam. Chinese news agency Xinhua earlier announced approval of construction of the world’s largest dam, estimated at \$ 137 billion on the Brahmaputra river in Tibet close to the Indian border by Beijing. The Chinese authorities have approved the construction of the hydel power project in the lower reaches of Yarlung Tsangpo. The mega dam is designed to be the largest infrastructure project in the world. Once constructed, the gigantic dam would dwarf even the Three Gorges Dam, which is now considered to be the largest. The Chinese side has been urged to ensure that the interests of downstream states of the Brahmaputra are not harmed by activities in upstream areas. We will continue to monitor and take necessary measures to protect our interests.

India-China meet

The Special Representatives for the border mechanism — National Security Adviser Ajit Doval and Chinese Foreign Minister Wang Yi met on December 18, 2024 to resolve the tension that erupted in eastern Ladakh in June 2020 that has since been termed the ‘Galwan clashes’.

Mr. Jaiswal categorically spelt out India’s concern on the announced mega dam project over Yarlung Tsangpo in the deep gorges of the eastern Himalayas that fall under Chinese control. As a lower riparian state with established user rights to the waters of the river, we have consistently expressed, through expert-level as well as diplomatic channels, our views and concerns to the Chinese side over mega projects on rivers in their territory”.



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

–Benjamin Franklin

'New draft policy on agriculture is worse than previous laws'

AGRICULTURE AND RELATED MATTERS

Samyukt Kisan Morcha, an umbrella organisation of farmers' outfits noted the draft policy National Policy Framework on Agricultural Marketing (NPFAM) released by Union Agriculture Ministry more dangerous than the three farm laws repealed in 2021.

The SKM was formed in 2020, and spearheaded a year-long agitation against three contentious legislation deregulating agricultural trade passed by Parliament in the midst of the pandemic. The SKM has called Kisan Mahapanchayats to be held at Tohana in Haryana and Moga in Punjab on Saturday, with the intention of launching a fresh agitation on January 9, demanding the withdrawal of the NPFAM. The meetings are expected to pass resolutions against the policy framework. The SKM demanded a democratic discourse involving all stakeholders to develop an alternative policy framework to safeguard the interests of the people and the country.

- **Federal Rights of State Governments:** The Samyukt Kisan Morcha (SKM) raised concerns about reforms potentially eroding the autonomy of State governments, affecting their ability to regulate agricultural markets effectively.
- **Lack of minimum support prices (MSP) or minimum wages:** The absence of provisions ensuring MSP for crops and minimum wages for agricultural workers could negatively impact farmers, agricultural labourers, small traders and petty producers
- **Transformation of agricultural marketing:** A shift from the existing system to a unified national market linked to a value chain-centric infrastructure integrating production and marketing could prioritize corporate interests, potentially marginalising small producers and farmers and integrate production and marketing.
- **Integration of technology and private sector:** Leveraging advanced technologies such as digital public infrastructure, block chain, and artificial intelligence might foster collaboration between private and public sectors, but could enable the private sector to dominate production, processing, and marketing.

French aircraft carrier to stopover in Goa, Kochi

INTERNATIONAL RELATIONS



CONTEXT: French aircraft Carrier Strike Group (CSG) led by FNS Charles De Gaulle is set to make stopovers at Goa and Kochi from January 4. Britain has also announced its Carrier Strike Group (CSG) led by carrier Queen Elizabeth would make a stopover in India in 2025.

As two Indian Ocean powers, India and France have long maritime cooperation. Since 2008, France has been a member of the Indian Ocean Naval Symposium, which was initiated by India and brings together 25 navies from countries of the Indian Ocean.

The French aircraft Carrier Strike Group (CSG) Deployed in the Indian

Ocean as part of Mission Clemenceau 25, comprising the aircraft carrier FNS Charles De Gaulle, along with its embarked air fleet and its escort vessels (frigates and supply ships), will be making stopovers at Goa and Kochi from January 4. The CSG operates Rafale-M fighter jets, 26 of which India is looking to procure, and a deal is expected to be concluded in the next couple of months.

India and France have bilateral exercises between all three services — Ex Shakti on land, Ex Varuna at sea, and Ex Garuda in the air. India also plays host to numerous operational stopovers made by French Navy vessels, accounting for 16 port calls since 2022, it said. During Mission Clemenceau 25, the Charles de Gaulle CSG and Indian navy ships will take part in the 42nd edition of Exercise Varuna.

India, cross-border insolvency and legal reform

ECONOMICS AND DEVELOPMENT

CONTEXT: The growth in international trade has amplified cross-border insolvency challenges, highlighting the need for effective regulation. A reliable and predictable insolvency framework is essential for economic stability, attracting foreign investments, and facilitating corporate restructuring.

During the British Raj, India struggled with financial failures and cross-border commerce. The Indian Insolvency Act of 1848, the country's first insolvency law, was introduced to manage domestic insolvencies. It was later replaced by the Presidency-Towns Insolvency Act of 1909 for Calcutta, Bombay, and Madras, and the Provincial Insolvency Act of 1920 for mofussil areas. However, these laws did not address cross-border insolvencies, leaving a significant legal gap.

An evolution

The Third Law Commission recommended reforms in India's insolvency laws. Economic liberalization in the 1990s highlighted the need for comprehensive insolvency reforms, including cross-border provisions. Committees such as the Eradi (2000), Mitra (2001), and Irani (2005) Committees advocated adopting the UNCITRAL Model Law on Cross-Border Insolvency (1997). In 2015, the Bankruptcy Law Reform Committee drafted the Insolvency and Bankruptcy Code (IBC) Bill, primarily focusing on domestic insolvencies.

Sections 234 and 235 addressing cross-border insolvency were added to the Insolvency and Bankruptcy Code (IBC) in response to concerns from the Joint Parliamentary Committee. Section 234 enables the Indian government to enforce IBC provisions in foreign countries via reciprocal agreements, while Section 235 provides a procedure for seeking assistance from foreign courts through a letter of request.

Following concerns from the Joint Parliamentary Committee about the absence of cross border insolvency provisions, clauses 233A and 233B were added, later codified as Sections 234 and 235 of the IBC. Section 234 allows the Indian government to enforce IBC provisions in foreign countries through reciprocal agreements, while Section 235 outlines the procedure for seeking assistance from foreign courts through a letter of request.

Cross-border insolvency challenges in India

The State Bank of India vs Jet Airways (India) Limited (2019) case exposed issues with Sections 234 and 235 of the IBC. The NCLT noted two key problems: the lack of a reciprocal arrangement between India and the Netherlands for cross-border insolvency and the central government's failure to notify these sections, rendering them legally unenforceable. This case highlighted the dormant status of these provisions, effectively making them "dead letters."

The Union Ministry of Corporate Affairs constituted two expert committees: the Insolvency Law Committee (2018) and the Cross-Border Insolvency Rules/Regulation Committee (2020). Both committees identified the shortcomings in the current framework and recommended adopting the UNCITRAL Model Law on Cross-Border Insolvency. The Parliamentary Standing Committee on Finance endorsed these recommendations in its Thirty-Second Report, "Implementation of IBC – Pitfalls and Solutions" (2021), and reiterated in its Sixty-Seventh Report", (2024).

In both reports, the Standing Committee stressed the urgent need for a cross-border insolvency framework to strengthen the IBC, 2016. However, the dismal state of cross-border insolvency regulation in India persists, with unenforceable governing sections and extremely slow progress on necessary amendments.

In Jet Airways (India) Limited vs State Bank of India (2019 (SCC OnLine NCLAT 1216)), the National Company Law Appellate Tribunal (NCLAT) considered a "cross-border insolvency protocol", an internationally recognised approach now used as an ad hoc solution for regulating cross-border insolvencies.

The need for reform

Ad hoc protocols for cross-border insolvency cases are temporary and increase judicial burden, transaction costs, and delays, ultimately reducing asset value. Experts advocate adopting a structured framework, recommending India implement the UNCITRAL Model Law.

Modernizing communication between Indian and foreign courts is essential for cross-border insolvency cases. Adopting the Judicial Insolvency Network (JIN) Guidelines (2016) and its Court-to-Court Communication Modalities (2018) would enhance judicial coordination, transparency, and efficiency.

Section 60(5) of the IBC grants the NCLT exclusive jurisdiction over insolvency matters, including cross-border cases, but it lacks authority to recognize or enforce foreign judgments, limiting its effectiveness. This issue is worsened by the non-implementation of Rule 11 of the NCLAT Rules, 2016, preventing the NCLT from using inherent jurisdiction for cross-border insolvency. Expanding the NCLT's powers is essential for effective cross-border insolvency management.

Implementing these key recommendations will pave the way for India to develop a strong and sustainable framework for managing cross-border insolvencies.

'Tata plant to make chips by 2026'

ECONOMICS AND DEVELOPMENT



CONTEXT: Union Minister Ashwini Vaishnaw announced that Tata Electronics' semiconductor plant will begin producing 'Made in India' chips by 2026, catering to the automobile and telecom industries globally.

Mr. Vaishnaw highlighted that Assam will house the world's most advanced semiconductor industry, marking a significant milestone in realizing Prime Minister Modi's vision of a developed India. This initiative aligns with the PM's vision of developing Ashta Lakshmi States and provides an

opportunity for North East residents to be part of a future-ready industry. An electronic city was being constructed for providing residential facilities to about 40,000 employees. Earlier, in Guwahati, three trains were flagged off and a new road over bridge at Tetelia Station yard, built by the Northeast Frontier Railway, was dedicated to the nation.

The looming threat to federalism and democratic tenets

POLITY & GOVERNANCE

CONTEXT: The ruling Bharatiya Janata Party/National Democratic Alliance is actively pursuing the One Nation, One Election (ONOE) framework, which aims to align Lok Sabha and State Assembly elections into a single electoral cycle. Proponents highlight administrative and fiscal benefits, while opponents raise concerns about its potential impact on India's democratic and federal structure, as defined in the Constitution of India.

The historical context

Simultaneous elections were conducted in India in the early years after Independence by the Election Commission of India (ECI). However, this cycle was disrupted by the imposition of Article 356, or President's Rule, beginning with Kerala in 1959. This led to federal overreach, as the Union began to override State autonomy. Article 356 served as a constitutional mechanism to restore normalcy in states where governance had become unmanageable.

Article 356, once seen as a "dead letter" by Dr. B.R. Ambedkar, has been misused extensively by successive governments to dismiss state governments deemed politically inconvenient. Despite efforts like the S.R. Bommai case judgment to limit its arbitrary use, Article 356 has been invoked over 130 times since Independence, undermining federalism. Additionally, defections have threatened the stability of state governments, prompting the enactment of the Anti-Defection Law through the 52nd Amendment Act of 1985. However, loopholes such as the lack of a time-bound framework for disqualification petitions and provisions for "group defections" have rendered the law ineffective, leading to frequent unconstitutional changes in regimes.

The ONOE proposal to align State election cycles with the Lok Sabha is problematic. It would require amendments to Articles 83 and 172, reducing the five-year terms guaranteed for Parliament and State Assemblies. Issues like the misuse of Article 356 and the inadequacy of anti-defection laws worsen the situation. State governments would face tighter control, as their terms could be shortened or extended to align with the national election cycle, posing a significant threat to the federal structure of the Constitution.

Federal structure under siege

The federal structure of India, a cornerstone of its democracy, allows States to address local issues independently.

Holding simultaneous elections with the national cycle could impair voters' ability to evaluate State governments' performance. In a midterm ONOE, abbreviated State government tenures would breach the democratic principle of "one person, one vote, one value." This would lead to truncated terms, reducing the effectiveness of voter mandates and impacting both State and national elections, as seen in past instances like the mid-1990s political turbulence with multiple elections. If ONOE had been implemented, there would have been four elections in five years, leading to increased costs in terms of finance, administration, and human resources. Additionally, reducing government tenure could disrupt governance, making it difficult to implement long-term policies. The logistical challenges of managing simultaneous Lok Sabha, State, and local body elections for over 900 million voters are immense, potentially overwhelming the Election Commission, security forces, and administrative systems, while also risking voter fatigue and confusion.

Address the issues first

Before adopting ONOE for fiscal and administrative efficiencies, there needs to be careful reflection on systemic challenges affecting State governments. Addressing issues such as the misuse of Article 356, strengthening anti-defection laws, and ensuring stability in State governments is crucial. The federal structure of the Constitution recognizes the diversity and autonomy of States, and a forced alignment with a unified electoral cycle could erode this autonomy and dilute democratic governance. Any hasty implementation of ONOE without necessary reforms risks becoming a threat to the Constitution's basic structure, potentially undermining Indian democracy instead of strengthening it.

The reliance on a malfunctioning fax machine in a cynical operation to dismiss the elected government of Jammu and Kashmir highlights the fragility and opacity of certain institutional processes in India. This underscores the urgent need for systemic reform to ensure accountability to constitutional principles. Without addressing these structural vulnerabilities, ONOE could exacerbate them instead of providing solutions. True democratic governance requires more than simultaneous elections; it demands a firm commitment to federalism and strengthening State governments as equal partners in India's federal system.

Health Ministry monitoring HMPV outbreak in China

INTERNATIONAL RELATIONS

CONTEXT: The Union Health Ministry noted closely monitoring the alleged outbreak of Human Metapneumovirus (HMPV) in China. The Ministry maintained that while China had reported a rise in respiratory illness, particularly HMPV, India had not registered any unusual spike in winter respiratory diseases.

China is experiencing a surge in HMPV cases, particularly in children under 14 years of age in its northern provinces, five years after the COVID pandemic. Cases of HMPV had been reported in 2011-12 in the U.S., Canada, and Europe. Symptoms include cough, fever, and shortness of breath, with potential complications like bronchitis and pneumonia. The country has seen cases rise in its northern provinces. The National Centre for Disease Control is closely monitoring respiratory and seasonal influenza cases in the country and is in touch with international agencies.

No cause of alarm

According to the Centers for Disease Control and Prevention, the public health agency of the United States, HMPV can cause upper and lower respiratory disease in people of all ages, especially among young children, older adults, and people with weakened immune systems. Discovered in 2001, the HMPV belongs to the Pneumoviridae family along with respiratory syncytial virus (RSV). The HMPV is most likely to spread from an infected person to others through secretions from coughing and sneezing, and close personal contact such as touching or shaking hands, touching objects or surfaces that have the viruses on them before touching the mouth, nose, or eyes. In the U.S., the HMPV circulates in distinct annual seasons. HMPV circulation begins in winter and lasts until or through spring.

Broader use of molecular diagnostic testing has increased identification and awareness of HMPV as an important cause of upper and lower respiratory infection. Symptoms commonly associated with the virus include cough, fever, nasal congestion, and shortness of breath. Clinical symptoms of HMPV infection may progress to bronchitis or pneumonia and are similar to other viral infections that cause upper and lower respiratory infections. The estimated incubation period is three to six days, and the median duration of illness can vary depending upon severity but is like other respiratory infections caused by viruses.

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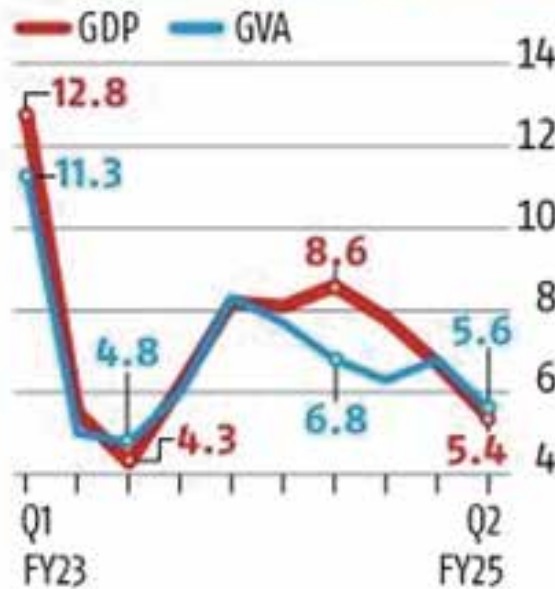
Losing momentum

ECONOMICS AND DEVELOPMENT

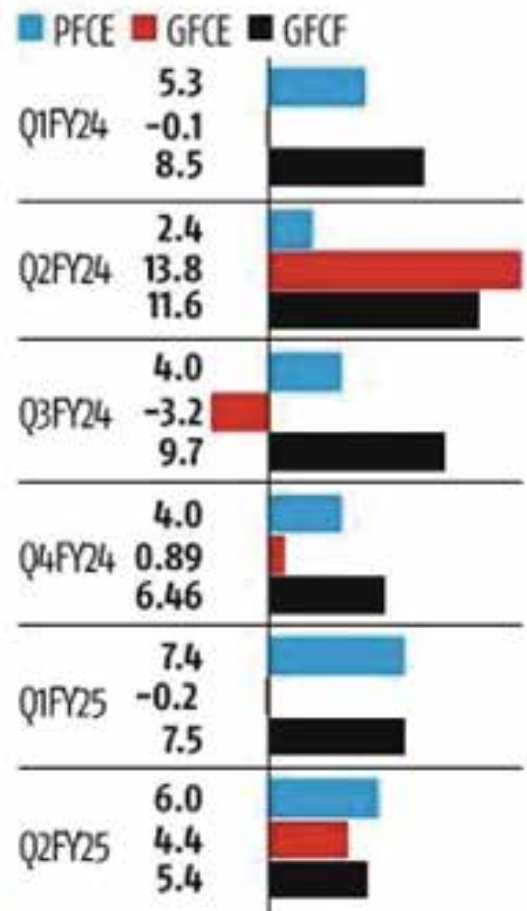
CONTEXT: India's real GDP grew 5.4 % during Q2 (July - September) of FY25 and 6 % for H1 of FY25. The slowdown was mainly concentrated in some manufacturing sections compared to the previous quarter (October-December). On the demand side, Private Final Consumption Expenditure (PFCE) at constant (2011-12) prices grew by 6 % in Q2 (July - September) of FY25, resulting in 6.7 % growth in H1 of FY25. Consumption remained strong, with its share in GDP (at current prices) rising from 60 per cent in H1 of FY24 to 61.2 % in H1 of FY25.



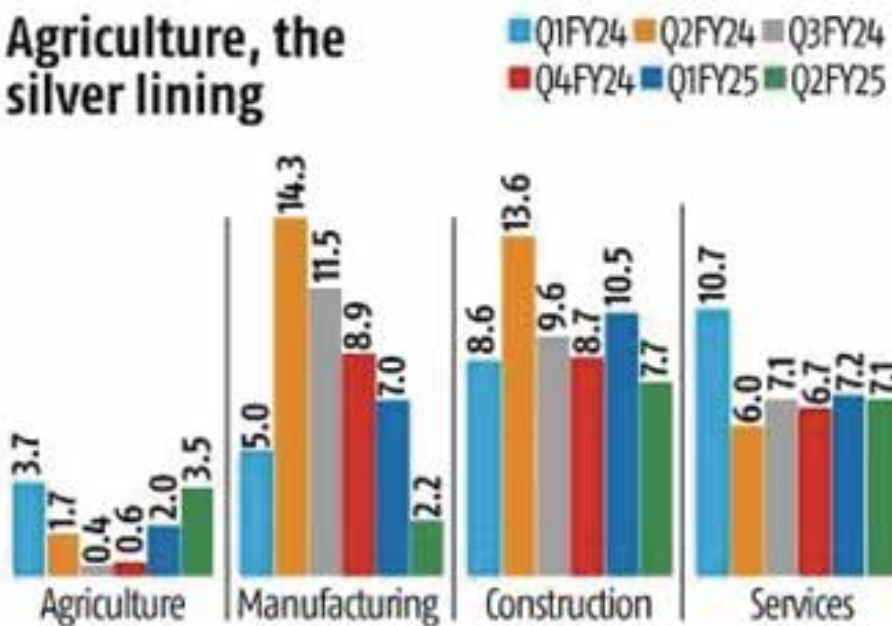
Productivity metric tumbles



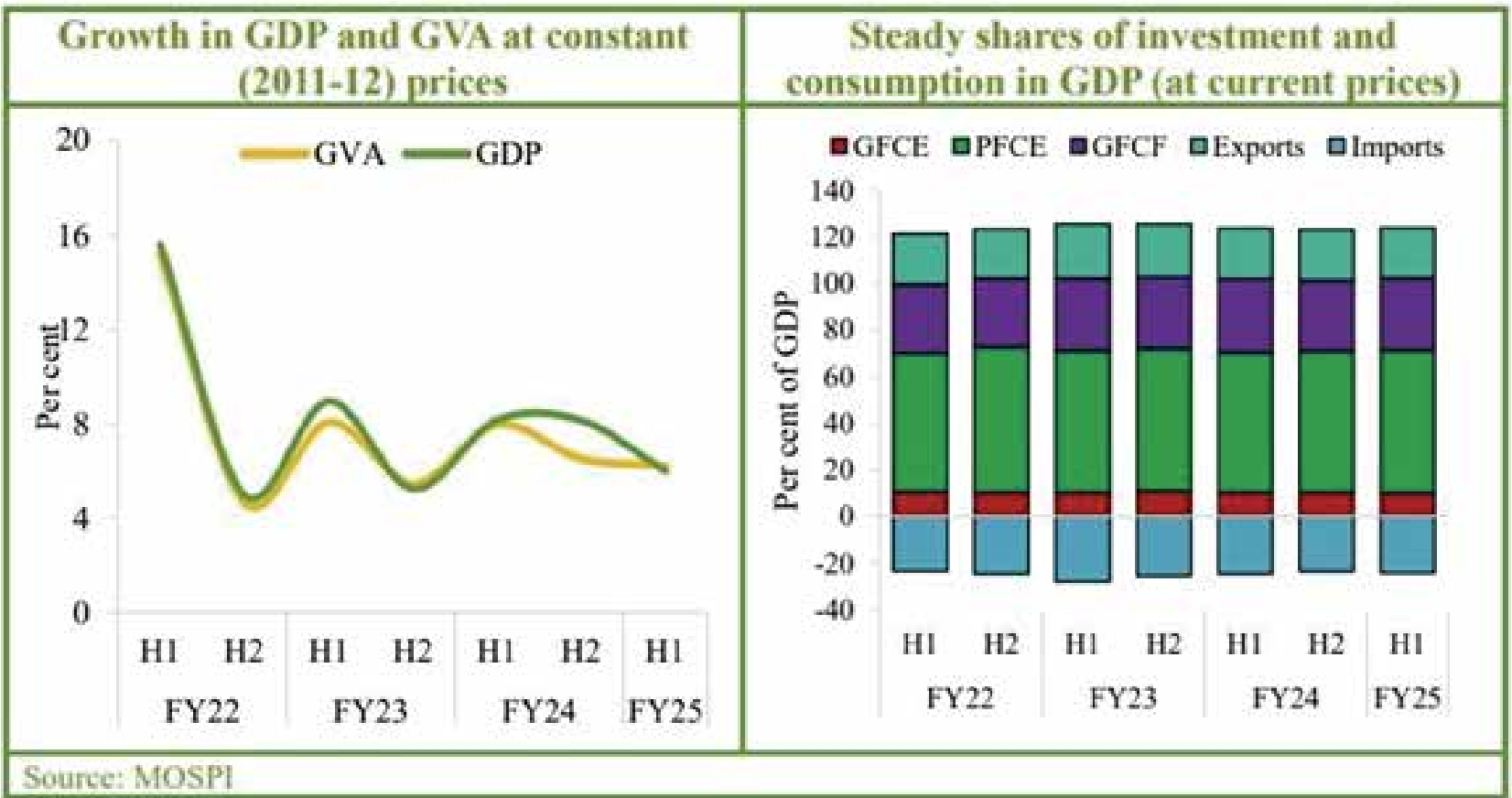
Govt expenditure picks up steam



Agriculture, the silver lining

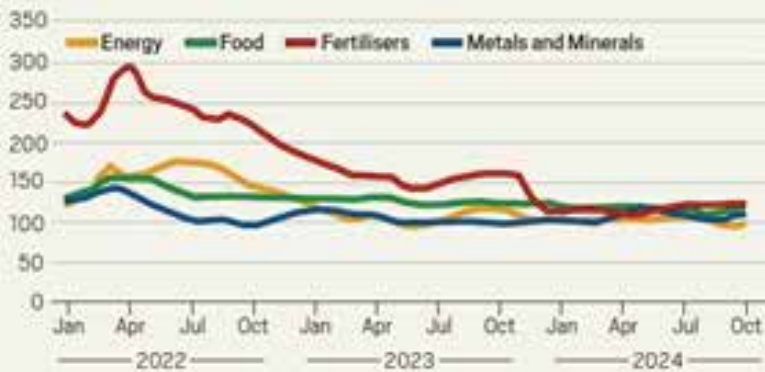


PFCE: Private final consumption expenditure
 GFCE: Government final consumption expenditure
 GFCF: Gross fixed capital formation
 Source: Mospi

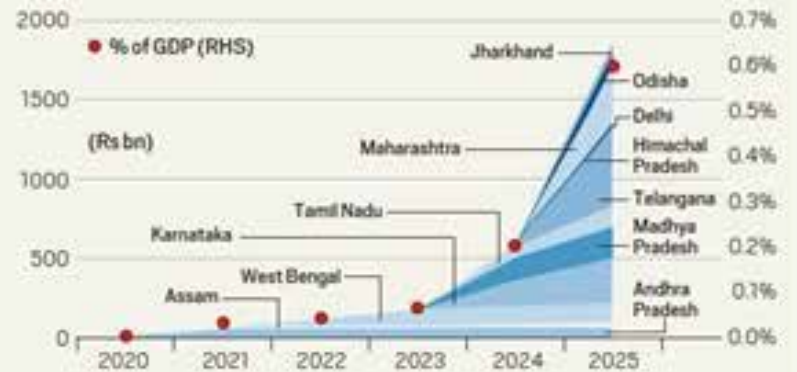


State of the economy: Some indicators

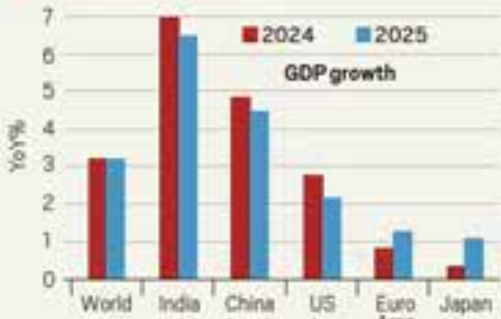
1. Stable commodity prices as reflected in World Bank price indices



2. Income transfer schemes in FY25: Rs1.9 trillion



3. Global growth steady



4. Monetary policy tracker indicating that most countries loosening policy



5. 1.5% higher demand just due to income transfers



Source: 1 World Bank Pink Sheet; 2 State Budget documents, media articles, Ash Bank Research; 3 IMF WEO Oct 2024, Ash Bank Research; 4 Council for Foreign Relations (CFR); 5 JHCS 2022-23, Ash Bank Research

The poor revenue growth rates for major consumer States such as Uttar Pradesh (1 %) and Gujarat (4 %), and the persistent contraction in Andhra Pradesh and a few north-eastern States (including Manipur), also need closer scrutiny.

The Union Budget shows slowing bank credit growth for the fifth consecutive month in November. Core infrastructure sectors grew at a four-month high of 4.3 %, but production levels were 3.3 % below October, with six out of eight sectors operating at reduced capacities. Factory activity, as indicated by the Purchasing Managers' Index, showed the worst performance through November and December 2024, with rising input costs likely impacting future demand.

December's GST receipts, based on November transactions, showed a three-month low of ₹ 1.77 lakh crore, marking just a 7.3 % increase from the previous year—one of the slowest upticks in three and a half years. The fourth consecutive month of below-10 % growth indicates a decelerating trend, with the year-to-date revenue growth at 8.6 %, far from the 11 % estimate in the Budget for the final quarter. Net revenues after refunds were at a fiscal low of just 3.3 %, partly due to high refund pay-outs. Revenue growth from domestic transactions slowed to 8.4 %, while import revenues grew only 3.9 %, despite a record high import bill in November.

Water woes

POLITY & GOVERNANCE

CONTEXT: The Central Ground Water Board (CGWB) on the state of groundwater in an annual assessment noted increase in number of districts with excessive nitrate in their groundwater has risen from 359 in 2017 to 440 in 2023. This translates to a little more than half of India's 779 districts having excessive nitrate, or more than 45 mg/L (milligram per litre).

Excess nitrate content in groundwater poses two main concerns: methemoglobinemia, which reduces red blood cells' ability to carry oxygen and causes 'Blue Baby Syndrome' in infants, and environmental issues, as high nitrate levels contribute to algal blooms that harm aquatic ecosystems. The Central Ground Water Board (CGWB) found that 19.8 % of 15,239 groundwater samples analysed across India had nitrate levels above safe limits, a proportion similar to 21.6 % in 2017 when 13,028 samples had excessive nitrates.

Rajasthan, Karnataka, and Tamil Nadu have the highest nitrate contamination, with 49 %, 48 %, and 37 % of samples exceeding safe limits. States like Rajasthan, Madhya Pradesh, and Gujarat face perennial nitrate issues due to geological factors, with levels largely unchanged since 2017. Central and southern India are experiencing rising nitrate levels, causing concern. Studies link elevated nitrate levels to intensive agriculture, while other contaminants such as fluoride and uranium are significant concerns in states like Rajasthan, Haryana, Karnataka, Andhra Pradesh, and Telangana. Over-exploited groundwater blocks, where extraction exceeds replenishment, are more prone to chemical contamination. India's groundwater extraction rate is 60.4 %, with 73 % of blocks in the 'safe' zone, meaning they are replenished adequately. Despite a robust system to monitor groundwater health, there is a need for greater leadership and awareness to address the crisis effectively.

Dec. palm oil import at 9-month low as buyers prefer soyoil

INTERNATIONAL RELATIONS



CONTEXT: India's palm oil imports in December plunged to their lowest in nine months as a rally in prices to a 2-1/2-year high prompted refiners to increase purchases of substitute soyoil that was available at a discount.

Lower palm oil imports by India, the world's biggest buyer of vegetable oils, could weigh on benchmark Malaysian palm oil prices, but support U.S. soyoil futures. Palm oil imports plunged 40 % in December from the previous month to 5,03,000 metric tonne, the lowest since March 2023. Soyoil imports in December rose 3 % from a month earlier to 4,20,000 metric tonne, the highest in four months, while sunflower oil imports fell 22 % to 2,65,000 metric tonne. Lower imports of palm oil and sunflower oil brought down the country's total edible oil imports in December by 25 % to 1.19 million tonne, the lowest in three

months.

Making the switch

Indian buyers were actively switching from palm oil to soyoil after palm oil's premium over soyoil surged in November and December. Palm oil usually trades at a discount to soyoil and sunflower oil, but falling stocks lifted prices above rival oils.

Trump calls to 'open up' North Sea and get rid of windmills

INTERNATIONAL RELATIONS

CONTEXT: U.S. President-elect Donald Trump called to "open up" the North Sea and get rid of windmills in a post on his social media platform Truth Social on Friday.

Oil companies have been steadily exiting the North Sea in recent decades with production declining from a peak of 4.4 million barrels of oil equivalent per day (boe/d) at the start of the millennium to around 1.3 million boe/d today.

Apache's exit

Mr. Trump's post was in response to a report about U.S. oil and gas producer APA Corp's unit Apache's plans to exit North Sea by year-end 2029. The company expects North Sea production to fall by 20 % year over year in 2025.

In October last year, the British government said it would increase a windfall tax on North Sea oil and gas producers to 38 % from 35 % and extend the levy by one year. The government wants to use the revenue from oil and gas to raise funds for renewable energy projects. North Sea producers have warned that the higher tax rate could lead to a sharp drop in investments and are exiting from the ageing basin ahead of the new tax increases.

'Revamped 'Baanknet' to aid one-stop property e-auction'

ECONOMICS AND DEVELOPMENT

CONTEXT: Financial Services Secretary M. Nagaraju unveiled the revamped 'Baanknet' portal for e-auction of properties, including commercial properties, industrial land, shops, vehicles, and agricultural and non-agricultural land. This platform consolidates information on e-auction of properties from all public sector banks (PSBs) and offers a one-stop destination for buyers and investors to discover a wide range of assets.



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