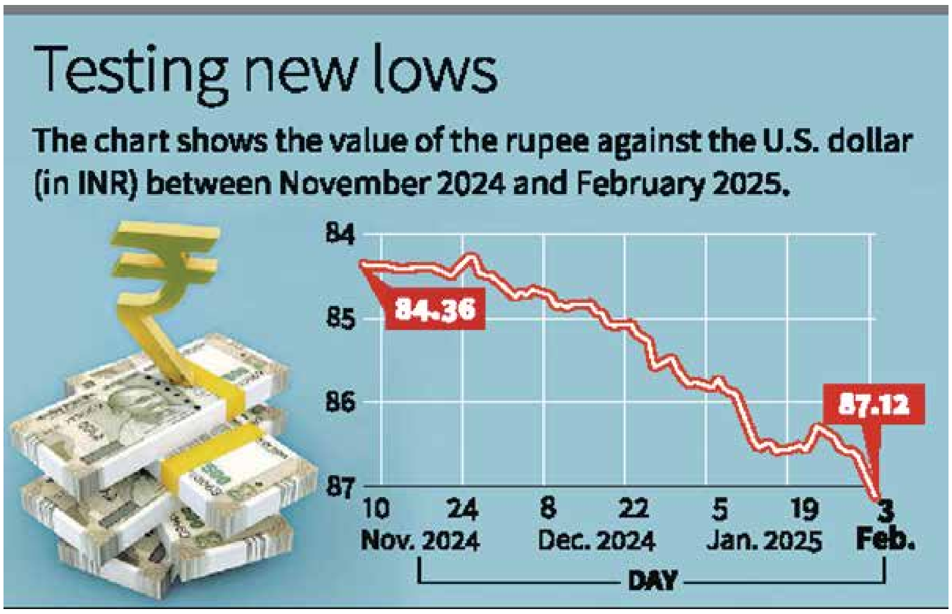
VEDHIK CURRENT AFFAIRS
04/02/2025 TUESDAY www.vedhikiasacademy.org DAILY NEWS ANALYSIS
● POLITY ● ECONOMICS ● TECHNOLOGY ● ECOLOGY

Amid global meltdown, rupee breaches 87 against the dollar

ECONOMICS & DEVELOPMENT



CONTEXT: The Indian rupee slumped almost 0.6 % or 49 paise to breach the 87 mark against the U.S. dollar on Monday, amid a meltdown for most emerging market currencies and stock markets across Asia and Europe on the first day of trading after President Donald Trump imposed higher tariffs on Canada, Mexico and China.

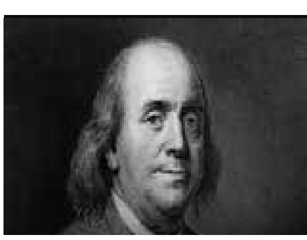
The Indian rupee, which had crossed 86 against the U.S. dollar on January 10, closed at 87.11 after touching 87.3 during the day. A senior Finance Ministry official indicated that the government is unconcerned about the currency's movement, attributing it to global uncertainty and emphasizing that India does not use exchange rate policies to boost trade. Economic Affairs Secretary Ajay Seth noted that the dollar's appreciation, reflected in a high Dollar Index (above 109), affects all currencies, including those of developed nations. He reiterated that India's policy is to manage volatility rather than target specific exchange rates. While a stronger dollar makes imports costlier, it enhances export competitiveness, though India focuses on improving export quality rather than relying on currency devaluation. He acknowledged that sovereign nations make independent economic decisions, and India must navigate global uncertainties by strengthening its economic fundamentals. The government aims to enhance self-reliance by developing competitive advantages and addressing cost inefficiencies through policy reforms, as reflected in the recent Budget.

Trump pauses tariffs on Mexico; no change for Canada and China

INTERNATIONAL RELATIONS

CONTEXT: Mexican President Claudia Sheinbaum said on Monday after a conversation with U.S. President Donald Trump that the planned tariffs are on hold for a month, a statement confirmed by the White House.

Mexico will deploy 10,000 National Guard members to its northern border to curb drug trafficking, especially fentanyl, while the U.S. has pledged to prevent the flow of high-powered weapons into Mexico. Mexican President Andrés Manuel López Obrador stated that security and trade discussions between the two nations will continue and that planned tariffs have been paused for a month. Meanwhile, uncertainty looms over the durability of these agreements, as former U.S. President Donald Trump's tariffs on Canada and China are set to take effect. While Canada and Mexico had considered retaliatory tariffs, Mexico has temporarily held back.



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

–Benjamin Franklin

Some wind behind the sails of India's shipping industry

ECONOMICS & DEVELOPMENT

The government deserves credit for its commitment to develop the maritime sector, largely neglected by predecessor governments. This is reflected in the expenditure on the government's flagship programme, Sagarmala, which, as on September 2024, had outlined 839 projects requiring an investment of ₹5.8 lakh crore by 2035. Of these, 241 projects, worth ₹1.22 lakh crore, have been completed, while 234 projects, valued at ₹1.8 lakh crore, are under implementation. Additionally, 364 projects, with an estimated investment of ₹2.78 lakh crore, are in various stages of development.

Within Sagarmala, ₹2.91 lakh crore (over 50%) is allocated for port modernisation; ₹2.06 lakh crore (more than 35%) for port connectivity; ₹55.8 thousand crore (10%) for port-led industrialisation, the remaining 5% distributed between coastal community development, infrastructure for coastal shipping (not ship acquisition) and inland water transport.

India's economy has seen GDP rising from ₹153 trillion in 2016-17 to ₹272 trillion in 2022-23 — an increase of 43%, growing at a CAGR of 7%, despite two years of COVID-19 related setbacks. The economy is projected to reach $3.7 trillion this year, $5 trillion by 2027, and $7 trillion by 2030.

During this period, India's EXIM trade has also grown from $66 billion in 2016-17 to $116 billion in 2022, a cumulative increase of over 77% and an annual growth rate of 12.83%. India aims to boost exports to $2 trillion by 2030, to strengthen its global trade position.

The industry continues to face stagnation

Despite high economic growth and increased investments in the maritime sector, India's shipping industry has remained stagnant. Cargo handled at major ports grew marginally by 14.26 % from 2016-17 to 2020-21, while the number of vessels declined by 5.93 %. The number of Indian-registered ships rose by 16.77 % by 2024, with gross tonnage increasing by 17.44 %.

Aging ships remain a concern, though the average vessel age has improved from 26 to 21 years with the addition of younger ships. However, India's global ship ownership ranking has slipped from 17th to 19th. The assumption that port investments would boost Indian shipping has proven incorrect, as foreign-flagged vessels dominate EXIM trade, and domestic cargo increasingly relies on rail and road transport. The disconnect between the needs of ship-owners and port operators remains a key issue.

Multiple challenges such as in shipbuilding

The Indian shipping industry faces multiple challenges, including capital constraints, high borrowing costs, rigid collateral requirements, unfavourable taxation, stringent regulations, and higher port charges, making Indian-flagged vessels less competitive than foreign-registered ships. Additionally, India's shipbuilding sector struggles with inadequate infrastructure, high input costs, dependence on imports, customs duties, and skill gaps, further deterring investment.

The Indian National Shipowners Association has long advocated financial reforms, leading to the incorporation of a ₹ 25,000 crore Maritime Development Fund (MDF) and infrastructure status for large vessels under the Maritime India Vision 2030. The Union Budget also introduced incentives such as a 10-year customs duty exemption on shipbuilding spares, credit support for shipbreaking, and an expanded tonnage tax scheme.

H owever, concerns remain about the adequacy of the ₹ 25,000 crore MDF, as only 49 % is government-funded, and its mobilisation timeline is unclear. The aging fleet and green technology investments require long-term financing with lower interest rates. Additionally, India needs new and modernised shipyards to build large vessels. Proper use of the MDF to attract external commercial borrowings (ECBs) could help address these funding challenges.

Glaring tax disparities

The Budget 2025 missed a key opportunity to address tax disparities that disadvantage Indian-flagged ships compared to foreign vessels, even in Indian waters. Indian ships face a 5% IGST on purchase price and must deduct TDS on seafarers' salaries, whereas foreign-flagged ships are exempt from these levies. While the Budget introduces positive reforms, the shipping industry requires bold, comprehensive action rather than incremental progress.

The kind of jobs needed for the 'Viksit Bharat' goal

ECONOMICS & DEVELOPMENT

The Union Budget has been presented, and this is the right time to outline the three kinds of jobs this writer believes India must create. Beyond reviving private consumption in urban areas, we must continue to strengthen long-term job creation and real wage growth across India.

The 2024 Budget had introduced Employment Linked Incentives (ELI) under the Prime Minister's five-scheme initiative, designed to create over four crore jobs over five years with a central outlay of ₹2 lakh crore. The Prime Minister's internship scheme saw significant traction in 2024, with 6.21 lakh applications for 1.27 lakh opportunities. The outcomes on the rest four — beyond a draft Cabinet note on ELI and meetings by DPIIT with the Ministry of Labour and CII, remain to be seen. But there must be more deliberation on the kind of jobs we wish to create for a Viksit Bharat.

Impact of climate change

India faces significant climate change challenges, with losses of $159 billion in 2021 and projected adaptation costs of nearly $1 trillion by 2030. To build climate resilience and meet net-zero targets by 2070, the government must create and incentivize climate-resilient jobs while enhancing rural and urban adaptation. Potential solutions include providing subsidized e-rickshaws in villages to create jobs, especially for women, increasing private investment in compressed biogas plants to meet set targets, and accelerating the 500GW non-fossil energy capacity goal. Decentralized and rooftop solar projects, which are more labour-intensive, should also receive stronger support.

On AI resilience

India must build AI-resilience as generative AI threatens jobs, with 50% automation adoption possible in the next decade. The IT and business services sector, a major contributor to exports, may see limited employment potential as AI reduces labour costs. With AI already impacting coding and customer service jobs, future employment must emphasize creativity and physical engagement. To counter AI-driven disruptions, India should expand education and healthcare budgets to address workforce shortages and boost rural employment by financing the National Rural Livelihood Mission, helping farmers and artisans connect with global and urban markets.

Being aspiration-centric

India must adopt an aspiration-centric approach to job creation, especially for rural youth, who often lack confidence due to poor education and limited resources. This insecurity reinforces dependence on government jobs and coaching for entrance exams. With slow non-farm job growth, creating off-farm employment is essential to match evolving aspirations.
Key solutions include rapid infrastructure development, such as 70,000 integrated pack-houses to generate over two million jobs, boosting value-addition in agriculture, and promoting tech-driven rural manufacturing. The National Mission on Edible Oils – Oilseeds can help reduce India's 57% import dependence by revitalizing local processing and retailing cold-pressed oils. Expanding public-private partnerships and investments in large-scale businesses can address economic aspirations and counter youth disillusionment over exam leaks and job shortages.

While tax relief may temporarily boost urban consumer demand, amidst growing household indebtedness and suboptimal private investment trends, the Centre can demonstrate greater commitment for long-term structural reforms which create these climate-resilient, AI-resilient and aspiration-centric jobs. Many opportunities exist as we embark towards our shared vision of a Viksit Bharat.

Green and clean

ECONOMICS & DEVELOPMENT

India has come a long way in its attempt to transition to cleaner forms of power in the past decade. This is partly reflected in the budgetary allocation to the Ministry of New and Renewable Energy between fiscal years 2015 (BE ₹1,535 crore) and 2025 (BE ₹32,626 crore). But these allocations, other than in 2015 and 2023, have been underutilised, leading to lower revised estimates (REs).

The PM-KUSUM scheme, launched in 2019 to promote solar irrigation and grid-connected solar plants, saw limited success. The COVID-19 pandemic underscored the need for energy self-sufficiency, leading India to pledge at COP26 (2021) that half its energy needs would come from renewables within five years.

Budget allocations supported this shift, including ₹18,100 crore for battery storage and ₹19,500 crore for solar PV manufacturing under the PLI scheme. However, high customs duties on solar imports (40% on modules, 25% on cells) slowed installations. Despite renewables making up 46% of installed capacity (October 2024), coal still dominates power generation (70%). Experts stress the need for grid-scale battery storage to address intermittent renewable energy production.

Recognizing that steep import duties could hinder progress, the government has exempted key minerals and capital goods from customs duties. To reduce dependence on China, India must develop a socially and environmentally responsible critical minerals framework and take a leadership role in global energy transition efforts, especially as the U.S. steps back.

Eliminating elitism in mental health

POLITY & GOVERNANCE

The Ministry of Labour and Employment, in its year-end review report for 2024, stated that all States and Union Territories are expected to complete the process of harmonisation and pre-publication of draft rules for the new Labour Codes by March 31, 2025. This provides an efficient window for the government to consider the incorporation of provisions that create a liability-based framework to ensure the mental health of workers, especially those in the blue-collar category.

In 2024, for the first time, mental health was acknowledged as an ‘impactful driver’ for individual and national development in the Economic Survey. The Survey also noted that, 10.6% of adults in India suffered from mental disorders, with the treatment gap ranging between 70% and 92% depending on the specific condition (National Mental Health Survey 2015-16). The World Health Organization, in its fact sheet on mental health at work, outlined several risks, including excessive workloads or rapid work pace, long unsocial and inflexible hours, unsafe or poor physical working conditions, job insecurity, inadequate pay, and conflicting home/work demands. These risks primarily impact blue-collar workers due to their demanding jobs, unsafe work environments, and a lack of adequate legislative and policy protections. The time has come for the government to address the challenge of increasing elitism in the field of mental health and the well-being of workers, highlighting the significant disparity between blue-collar and white-collar employees concerning legislative and policy frameworks.

Challenges

The Occupational Safety, Health and Working Conditions Code (OSHWC), 2020 primarily focuses on physical safety, excluding mental well-being. Section 6(1) (d) mandates a safe working environment but leaves the interpretation of safety standards to the government. The code’s definition of ‘health’ only pertains to physical health, not mental health.
The Code on Social Security (CSC), 2020 limits compensation for employment injuries to physical accidents or occupational diseases, excluding mental strain. It also requires victims to establish a direct link between the injury and employment. The Bombay High Court had previously expanded the definition of occupational injury to include diseases caused or accelerated by employment.

While some companies, like Infosys, Wipro, and TCS, are improving employee well-being and mental health, government initiatives such as Tele Manas aim to provide mental health support but rely on voluntary participation, limiting access among blue-collar workers due to lack of awareness and reluctance to seek help.

The way forward

The Prime Minister envisioned the need to prioritise mental health for blue-collar workers achieve the vision of ‘Satyamev Jayate to Shramev Jayate’. Establishing a rights and duty-based legislative framework that ensures both physical and mental well-being of workers, balancing employer demands with worker safety. Expanding the list of occupational diseases under the Code on Social Security (CSC) to include mental health issues caused by employment conditions, reducing judicial interpretation. The upcoming Labour Codes should foster a partnership between employers, workers, and mental health professionals. The government must act to address unsustainable work culture created by long workweeks, focusing on worker well-being. Awareness of initiatives like Tele Manas should be mandated for employers to ensure blue-collar workers access mental health support. Recognizing blue-collar workers as integral stakeholders in the mental health conversation is crucial to prevent missed opportunities for meaningful change.

The cause and effects of the U.S.'s withdrawal from WHO

INTERNATIONAL RELATIONS

Withdrawal symptoms

The data for the charts were sourced from the Pew Research Center's surveys and the World Health Organization

Chart 1: WHO's handling of the pandemic was...
...very/somewhat good ...very/somewhat bad (2020)

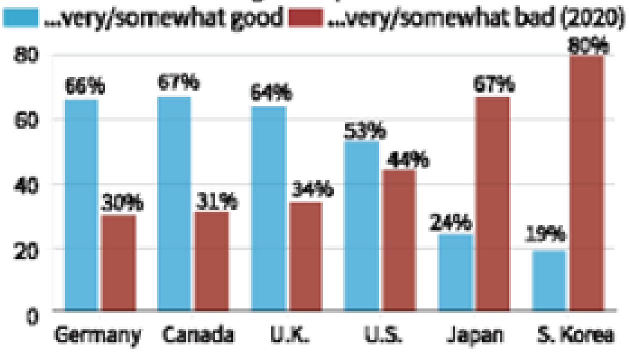


Chart 2: % of Americans who said the U.S. benefits ______ from being a member of WHO 2021 2024

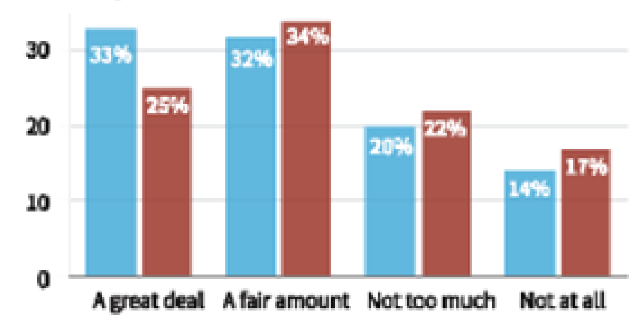


Chart 3: The views of Republicans( ) and Democrats ( ) on whether the U.S. gains from WHO

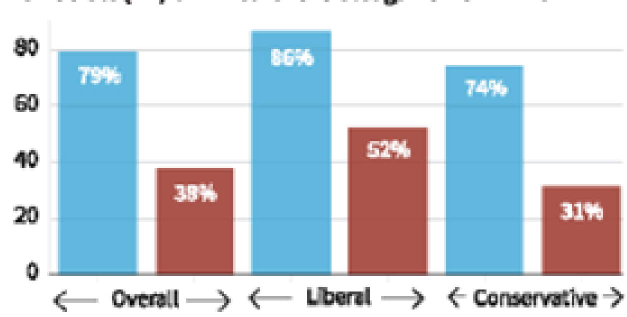


Chart 4: The chart shows the share of the U.S.'s contributions to WHO's total funding

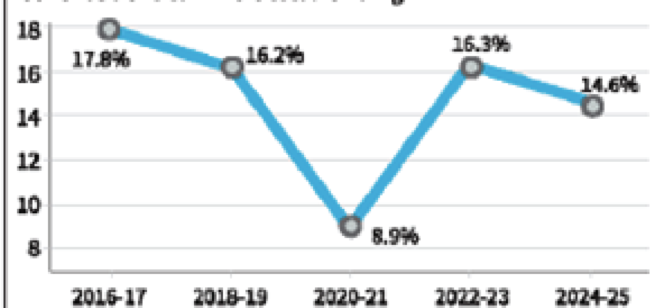


Chart 5: The chart shows how the funds from the U.S. are being utilised by WHO

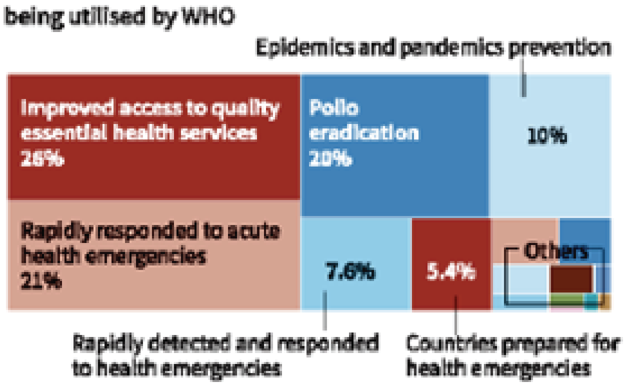
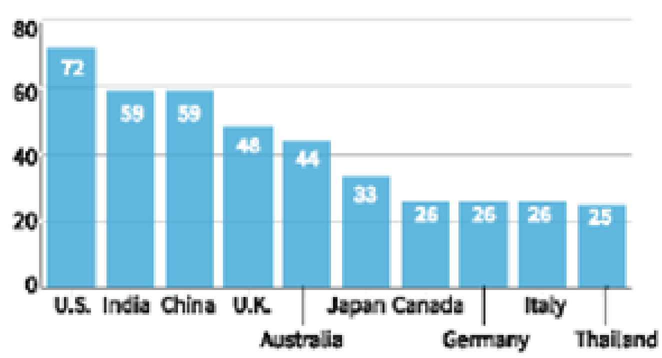


Chart 6: The chart shows the top 10 countries with the most number of WHO collaboration centres



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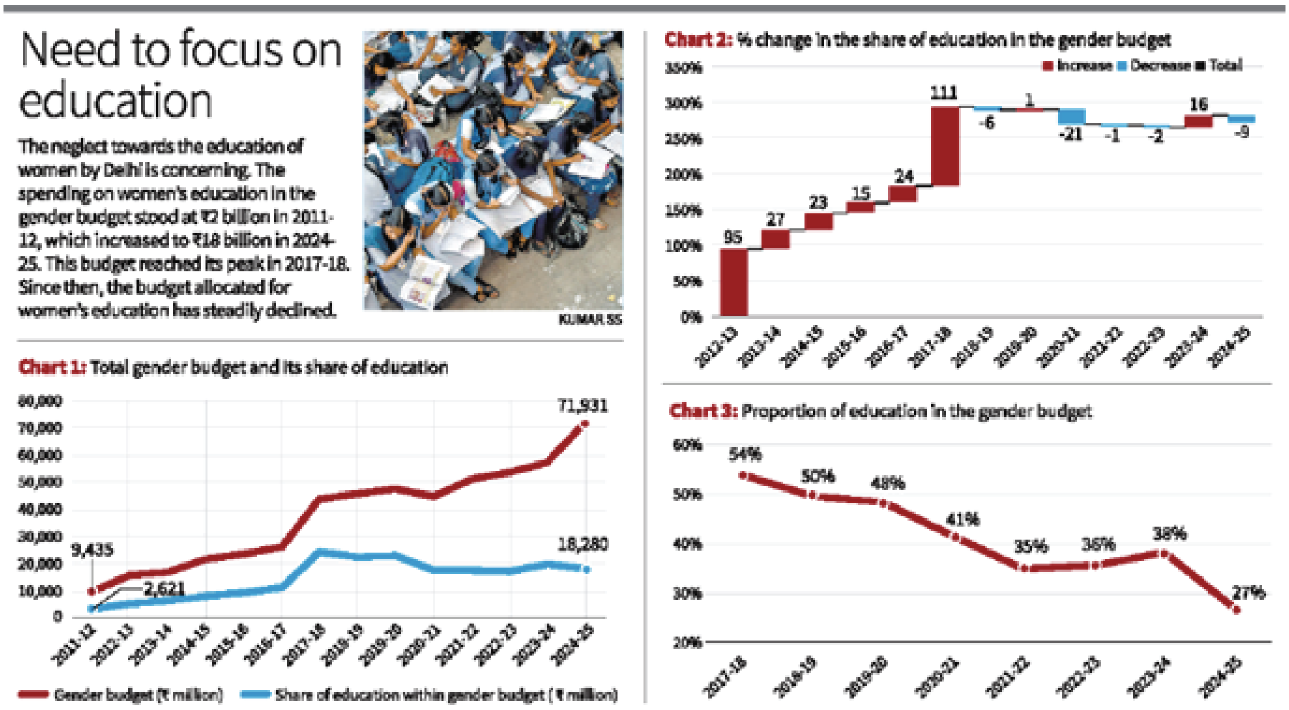
Delhi's gender budget: its decline and impact

POLITY & GOVERNANCE



There are 71 lakh women voters in Delhi, which is nearly half of the total electorate. Further, women have a high turnout rate as well. So, it is no surprise that all contesting parties provide incentives tailored towards women. These incentives then come to light through the budget. Over the last decade, the overall budget for Delhi has increased from ₹271 billion to ₹760 billion. But, how much of this budget is reserved for women?

Investing in women

The passage discusses the significant increase in Delhi's gender budget, from ₹10 billion in 2011-12 to ₹71 billion in 2024-25. While financial assistance for women and child development is important, the passage emphasizes the need for greater investments in areas like education and health to reduce the gender gap. Education, especially for women, is highlighted as a key factor in closing the gender gap in employment and achieving wage parity.

However, the passage points out a concerning trend in Delhi's budget allocation for women's education. Although the spending on women's education increased from ₹2 billion in 2011-12 to ₹18 billion in 2024-25, it peaked at ₹24 billion in 2017-18 and has since declined. The education budget, which made up 54% of the gender budget in 2017-18, dropped to just 27% in 2024-25. The education budget has shown negative growth over the past five years, with a 9% decline in the past year. This decline signals a shift towards cash transfers and freebies, overshadowing investments in education and long-term empowerment for women.

Priority for women's education

The passage highlights the critical role of education and technical training in ensuring sustainable long-term growth, emphasizing the negative impacts of underinvestment in the education sector, particularly for women.

Key points include:

- Female labour force participation in Delhi is significantly low at 21%, compared to the national average of 45.2%. Many women are in low-paying, low-skill jobs, such as housework or cleaning, which result in poor pay and living standards.
- The lack of skilled women workers contributes to high gender inequality in the labour market, with a 51.6 percentage point gender gap in labour force participation and a stark gender disparity in top roles. Men hold 94% of positions like legislators, senior managers, and CEOs.
- Underrepresentation of women in high-skilled jobs, such as technicians and associate professionals, where only 3.8% of women are employed compared to 10.34% of men, further underscores the need for investments in education to close the skills gap.
- Women's education is concentrated in certain sectors like teaching and health, but promoting technical and professional education for women is essential to bridge gender gaps in various industries.

Cash transfers are necessary for relief but for empowerment of women, education and training are of utmost importance. Improving the budget for women's education would greatly reduce the gap in the long run.

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How will the govt. produce the required fuel ethanol?

ECONOMICS & DEVELOPMENT

Union Minister Nitin Gadkari said that India will achieve its target of 20% ethanol blending of petrol in the next two months, at least a year ahead of what was originally planned. This would entail the production of nearly 1,100 crore litres of fuel ethanol in one year.

Where will this come from?

India's ethanol production is set to reach 1,100 crore litres from various feedstock like sugar, high-grade molasses, FCI rice, broken rice, and maize. India's ethanol distillery capacity has grown to 1,600 crore litres due to government incentives and a stable market.

Sugar is expected to contribute about 400 crore litres of ethanol this year, with around 40 lakh tonnes of sugar being diverted for fuel ethanol production. Low-grade molasses, which don't go into sugar production, will provide ethanol for non-fuel uses.

The government has reduced the price of FCI rice to ₹22.5 per kg for distilleries, and 110 crore litres of ethanol are expected to come from FCI rice this year. Maize, which was previously not used for ethanol production until 2020, will now contribute almost 400 crore litres. Some sugar distilleries have modified to produce ethanol from maize during the off-season.

How is maize playing a role?

There is an increased reliance on maize for ethanol production and its impact on both maize cultivation and imports. Traditionally, maize was used for poultry feed, livestock, starch, and 10% for human consumption. However, with government restrictions on using sugar and high-quality molasses for ethanol, maize imports surged, with ₹100 crore worth of maize imported between April and June 2024, and $188 million worth from April to November 2024.

The promise of a lucrative ethanol market has encouraged farmers to cultivate more maize, particularly in states like Karnataka, Madhya Pradesh, and Uttar Pradesh. For the 2024-25 ethanol year, India is expected to produce 42 million tonnes of maize, with 9 million tonnes allocated for ethanol production, contributing to 350-400 crore liters of ethanol. Maize cultivation has increased by 10% in area and yield, with farmers favoring ethanol production due to higher profits.

While there are concerns that this shift might disrupt traditional maize markets, byproducts like DDGS (Distiller's Dried Grains with Solubles) can be used for poultry. The long-term sustainability of fuel ethanol depends on whether the focus on maize negatively impacts other food grain production. However, ethanol production could lead to significant savings on oil imports, with 100 crore liters of ethanol saving ₹6,000 crore in oil costs, contributing to the domestic economy.

Factory activity improved to six-month high in January

ECONOMICS & DEVELOPMENT

India's private sector manufacturing activity rebounded in January, reaching a six-month high after hitting a one-year low in December. This growth was driven by strong export performance, marking the best month in nearly 14 years, and the fastest expansion in factory order books since July 2024, according to a survey of 400 firms.

The HSBC India Manufacturing Purchasing Managers' Index (PMI) rose from 56.4 to 57.7, reversing a two-month slowdown. Firms reported strong demand, with slower price increases, and a significant easing of input cost pressures. Job growth surged to a record pace, with the highest level of hiring in nearly 20 years of PMI data collection. Production volumes also increased at the fastest rate since October, and companies are optimistic about future growth, with 32% of firms expecting expansion and only 1% predicting a decline in output.

'₹40,000 crore of tax stimulus may reach banks'

ECONOMICS & DEVELOPMENT

India's Finance Ministry officials urged India Inc. to embrace the "animal spirit" and invest, following the ₹1 lakh crore income tax relief announced in the Budget. Finance Secretary Tuhin Kanta Pandey encouraged businesses to act with confidence, similar to the "animal spirit" described by Adam Smith, suggesting that entrepreneurs should invest without overthinking the uncertainties. Financial Services Secretary M. Nagaraju noted that a significant portion of the tax savings (₹40,000-₹45,000 crore) is expected to be deposited in banks, which could increase credit flows to businesses and promote job creation.

SEBI mulls digital assurance for firms' financial statements

ECONOMICS & DEVELOPMENT

Markets regulator SEBI has proposed mandating digital assurances for the financial statements of the top 100 listed companies, aiming to enhance transparency, improve disclosure standards, and increase investor trust. According to SEBI's consultation paper, the digital assurance report should be prepared by an auditor certified by the Institute of Chartered Accountants of India (ICAI) and subject to peer review. The proposal is set to apply to the top 100 listed companies from the 2024-25 financial year.

ICAI previously issued a technical guide on digital assurance, focusing on the use of external audit evidence and how auditors can incorporate digitally available information into their procedures. SEBI also held consultations with the Primary Market Advisory Committee (PMAC) to discuss the need for a separate digital assurance report. Listed entities would be required to submit a management statement and auditor's report on digital assurance by July 31 each year, with fines for delays. SEBI is accepting public comments on the proposal until February 24.


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