



UPSC CURRENT AFFAIRS NOTES 12-12-2023

Bank for the Global South

In 2007, China's GDP was about \$3.6 trillion and today, India's GDP is \$3.7 trillion or perhaps more.

This comparison sets the stage for a pivotal moment in Indian diplomacy spearheaded by the current dispensation.

As India concludes its transformative diplomatic year in 2023, marked by its G20 presidency, it's important to assess the lessons from China's geopolitical ascent post-2008 financial crisis.

An Analysis of China's rise to Geo-economic Prominence

China Provided Institutional Responses During Financial Crisis

In 2007, China was not yet the geo-economic power what it is now. But with a GDP lower than India's today, it became the go-to nation during the global financial crisis a year later.

Every nation sought to deepen relations with Beijing, and to create a special place in their diplomacy for the People's Republic.

The reason behind this was that China provided institutional and geo-economic responses which include a development bank, a cross-continental lending programme.

These programmes galvanised the infrastructure layer without the legacy constraints of Western agencies, and a series of economic projects that eventually coalesced into the Belt and Road Initiative.

China Offered a Vital Alternative Outside Western World

China utilized its economic promise in 2008 to garner enormous economic and political influence, which has served it well ever since.

It did this by offering itself as a vital additionality to the global order.

At a time when the US was struggling to recover from the financial crisis and the Eurozone was tearing itself apart, it was China that promised stability and economic dynamism.



The world wanted and needed an additional engine of growth and an additional source of investment.

And therefore, the world also welcomed an additional centre of geopolitical power in the form of China.

Does India Have the Similar Resources to Follow China's Ascent Trajectory?

India Can Exert Huge Influence

India is poised at a similar moment and with a similar GDP. As India enters 2024, this is the framework within which Indians must understand their place in the world today.

The recent past teaches us that an India-sized economy of about \$4 trillion can exert a huge influence.

With vision and skilful diplomacy, it can carve a space for itself alongside economies that are four or five times large, like the United States, the European Union and China.

India is Placed in a Unique Situation: This is a real Indian opportunity in 2024, as Europe stagnates, the US turns inward and China deals with internal problems and its share of the global economy is shrinking in nominal terms.

Agendas of India's Next Government in Coming Years

Information Technology (IT) and Innovation

The work for the next government should be to demonstrate India's potential on the global stage similar to what China did in 2007 and during the 2008 financial crisis.

India has established itself as a global IT hub, with a strong presence in software services and technology.

This sector contributes significantly to exports and economic growth. It still has a lot of potential which takes India's IT export to a new level.

Further Boost Entrepreneurship and Start-ups

India has witnessed a surge in entrepreneurship and a burgeoning start-up ecosystem.



The government has taken initiatives to support start-ups through policies and funding, fostering innovation and economic growth.

India now has almost more than 100 Unicorns and the number continues to grow.

Leverage Strategic Location

India's geographical location gives it a strategic advantage for international trade.

It serves as a gateway between the Middle East, Europe, and Asia, facilitating global economic interactions.

With the India-Middle East Europe corridor, India's importance is only going to rise and provide an alternate route of trade to ME and further Europe.

Take On Key Reforms and Policies

The Indian government has implemented economic reforms to improve the business environment, ease of doing business, and attract foreign investment.

Initiatives like Make in India and Goods and Services Tax (GST) aim to streamline processes and boost economic activity.

Future governments should build on these reforms.

Additionalities India Can Offer on the Lines of China

India's Additionalities Need Momentum Unlike Chinese Case

India's Trajectory and Momentum Additionality, as witnessed in China's case, does not demand extraordinariness but momentum.

India possesses its trajectory, propelled by a green and digital future, contrasting China's mass manufacturing dominance in the 2010s with its platform economy driving the 2020s.

Need A Systematic Approach While Offering Additionalities

The additionality India seeks must embody attributes like China's approach 15 years ago.



A systematic roadmap outlining India's proposition becomes crucial, resonating with partners and signalling that a \$4 trillion economy is poised to exert influence on par with a \$15 trillion one.

A Dedicated Bank for Global Engagement

India emerges as a major source of development finance; it necessitates an outward-focused development finance corporation akin to China's model.

A dedicated bank, on the lines of the China Development Bank, should cater to global corporate needs beyond trade finance.

This financial initiative should be bolstered by a distinct imagery that resonates globally.

External Engagement Approach

Collaborating with like-minded partners, it should strategically map priority infrastructure, connectivity routes, business hubs, and developmental projects.

2024 is being seen as the year to finalise a comprehensive world map outlining India's vision for its global role.

As India stands at the cusp of a transformative period in 2024, its ability to channel its economic momentum into a global force will determine its place in the evolving geopolitical landscape.

The lessons from China's rise underscore the importance of a strategic roadmap, systematic approach, and visionary diplomacy to reshape the global order.

India's journey towards becoming the bank of the Global South centres around its capacity to provide additionality in global growth, institutions, and security.

Karrar Combat Drones

Iran recently unveiled advanced Karrar combat drones armed with air-to-air missiles, enhancing its air defence capabilities.

About Karrar Combat Drones:



It is an Unmanned Combat Air Vehicle (UCAV) developed by Iran.

It is the first long-endurance, combat-capable Iranian drone.

It will be strategically deployed along border areas, providing air defence units with the capability to intercept and neutralize hostile aerial threats at significantly reduced costs compared to traditional manned fighter sorties.

Features:

The Karrar drone, which was first introduced in 2010, has an operational range of up to 1,000 kilometres (620 miles).

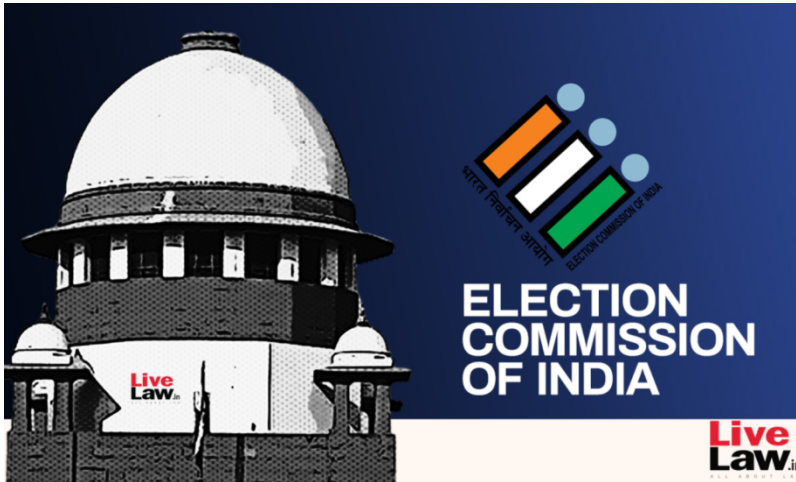
It has a maximum speed granted by its turbojet installation of 560 miles per hour.

It reportedly boasts a service ceiling altitude of 47,000 feet.

Lacking any retractable or fixed undercarriage, the Karrar is launched via rocket-assist (with a catapult launching rail) and is recovered by way of a parachute-retarded freefall.

It has been equipped with the Majid thermal missile with a range of 8 kilometres.

ECI MEMBERS TO HAVE SAME STATUS AS SC JUDGES



A Bill introduced in the Rajya Sabha faces criticism for diminishing the status of Election Commission of India (ECI) members from that of a Supreme Court judge to that of the Cabinet Secretary; however, amendments proposed aim to reinstate their previous status.

Details

The Indian Constitution doesn't specify the appointment process for the Chief Election Commissioner (CEC) and Election Commissioners (ECs).

Currently, the president appoints the CEC and ECs based on the recommendation of a selection committee, comprising the prime minister, a union cabinet minister, and the leader of the opposition or the leader of the largest opposition party in the Lok Sabha.

In March 2023, a five-judge Constitution Bench of the Supreme Court ruled that the Chief Election Commissioner (CEC) and Election Commissioners (ECs) should be appointed by a committee comprising the Prime Minister, Leader of Opposition in Lok Sabha, and the Chief Justice of India (CJI).

The government, in response to the court verdict, introduced The Chief Election Commissioner and Other Election Commissioners (Appointment, Conditions of Service and Term of Office) Bill, 2023.

Provisions of the Bill

The Bill proposed a committee for the appointment of the CEC and ECs, consisting of the Prime Minister, the Leader of the Opposition, and a Cabinet



Minister nominated by the Prime Minister (instead of the CJI as suggested by the Supreme Court).

The Bill also suggested giving the CEC and ECs the same salary, perks, and allowances as that of the Cabinet Secretary.

The proposed Bill aimed to replace The Election Commission (Conditions of Service of Election Commissioners and Transaction of Business) Act, 1991, which currently equates the salaries of the CEC and ECs with that of a Supreme Court judge.

Criticism

Opposition leaders criticized the Bill for replacing the CJI with a **Cabinet Minister in the selection committee, potentially giving the government majority influence over the appointment process.**

The main concern raised by current and former ECI officials was the perceived **downgrading of the status of the ECI**. The change in status from that of a Supreme Court judge to that of a government official could affect the ECI's ability to summon officials and Ministers.

Recent Amendments

The Bill was not taken up for discussion during the Monsoon Session but has been listed for consideration and passing. Key amendments are expected to be moved by the Law Minister, to address the concerns raised.

The proposed amendments aim to restore the equivalence of the status of the EC with that of a Supreme Court judge, maintaining the same salary, dearness allowance, and leave encashment rules.

Current Status

No appointments have been made through the new mechanism laid down by the Supreme Court as no vacancy has arisen in the ECI since the March 2 order.

The next expected vacancy is in February 2024 when EC Anup Chandra Pandey will retire.



NCRPS

The Securities and Exchange Board of India (SEBI) proposes reducing the face value of non-convertible debentures (NCDs) and non-convertible redeemable preference shares (NCRPS) from Rs 1 lakh to Rs 10,000.

Details

The Securities and Exchange Board of India (SEBI) has proposed significant changes to the issuance of non-convertible debentures (NCDs) and non-convertible redeemable preference shares (NCRPS) to enhance the participation of non-institutional investors in the corporate bond market and to manage associated risks.

Key points from the SEBI proposal

Reduced Face Value

SEBI has suggested permitting companies to issue NCDs and NCRPS with a face value of Rs. 10,000, as opposed to the existing system of Rs. 1 lakh face value.

The rationale behind this is to make the securities more accessible to non-institutional investors by reducing the entry barrier imposed by the high face value.

Risk Mitigation Measures

To safeguard the interests of non-institutional investors, SEBI proposes that these NCDs and NCRPS should be "plain vanilla" instruments with a simple structure. They should not have complex features such as credit enhancements or structured obligations.

The issuer must appoint a merchant banker to conduct due diligence for the issuance and disclosures should be made in the private placement memorandum.

Online Bond Platforms (OBPs)

The proposal aligns with the introduction of a regulatory framework for online bond platforms. SEBI notes that a substantial portion of investors on these platforms comprises non-institutional investors.

The reduction in face value is seen as a measure to further increase participation, especially among non-institutional investors.



Previous Face Value Reduction

SEBI had already reduced the face value of debt securities and NCRPS from Rs. 10 lakh to Rs. 1 lakh in October 2022. This move was intended to encourage non-institutional investors to participate in the corporate bonds market.

Investor Participation

The paper highlights that during the period from July to September 2023, non-institutional investors subscribed to 4% of the total amount raised, compared to the general average of less than 1%.

SEBI attributes this increase in participation to the earlier reduction in face value and the mainstreaming of online bond platforms.

QR Code for Listed NCDs

Issuers with listed outstanding NCDs are proposed to include a QR code in the offer document.

Scanning the QR code would open a web link to the audited financials for the last three financial years and stub period financials on the stock exchange's website.

Non-Convertible Redeemable Preference Shares (NCRPS)

NCRPS are a type of financial instrument that combines features of both equity and debt.

Unlike convertible preference shares, NCRPS cannot be exchanged for equity shares (common stock) in the issuing company.

They have a fixed redemption date, meaning the issuer must buy them back at a predetermined price. This offers a guaranteed return on investment, similar to a bond.

The holders have priority over common shareholders in terms of dividend payments. This means they receive dividends before common shareholders receive any. However, remember that dividends are not guaranteed and depend on the company's profitability.

NCRPS can be beneficial for investors seeking fixed income and some downside protection while offering companies a way to raise capital without diluting ownership.

These proposed changes aim to make the corporate bond market more inclusive, especially for non-institutional investors, while also ensuring necessary risk mitigation measures are in place. The reduction in face value and the integration of online bond platforms are seen as key strategies to achieve these goals.

ANARCHO-CAPITALISM



Javier Milei's victory in Argentina's presidential elections has brought the term “anarcho-capitalism” into the spotlight, sparking debates around its principles and feasibility.

Details

Anarcho-capitalism is a political philosophy that advocates for the abolition of the state and the provision of law and order through private companies in a free market.

The ideology has gained attention, particularly with figures like Javier Milei winning the presidential elections in Argentina.

How Anarcho-Capitalism Works:

Private Provision of Services

Traditional free-market advocates believed that some services, like police and courts, could only be provided by the state. Anarcho-capitalists challenge this idea, asserting that **private companies in a free market can offer policing and legal services more efficiently.**

Competition in the Market

Anarcho-capitalists argue that, similar to how private companies offer goods and services more efficiently than the government, competition in the market for policing and legal services would lead to higher quality and lower prices.



Customer Accountability

In an anarcho-capitalist society, **individuals would pay private police and courts for protection and dispute resolution.** Advocates argue that customer patronage would ensure accountability, as dissatisfied customers could switch to competing services.

Criticisms of Anarcho-Capitalism

Feasibility and Conflict

Critics argue that having **multiple private firms provide police and legal services within a single region could lead to disagreement and conflict**, with armed private entities protecting their paying clients, potentially causing chaos.

Bias toward the Rich

Critics contend that anarcho-capitalism might favour the rich, as those with more financial resources could potentially manipulate private police and courts to escape justice, leaving the poor without protection.

Anarcho-Capitalist Responses to Criticisms

Cooperation and Common Rules

Anarcho-capitalists argue that private police and courts, seeking long-term profits, would likely cooperate and agree to common rules to avoid costly conflicts. Cooperation would be necessary to prevent a situation where one firm defends a criminal against another firm's client.

Market Dynamics and Justice for the Poor

Anarcho-capitalists assert that private firms, reliant on broad societal patronage, would not disproportionately favour the rich. They argue that the poor might have better chances of obtaining justice in a competitive market, where firms seek to satisfy the demands of a larger customer base.

The debates around anarcho-capitalism involve fundamental questions about the role of the state, the feasibility of private provision of essential services, and the potential implications for social justice. While anarcho-capitalists emphasize the efficiency and accountability of private markets, critics raise concerns about conflict, inequality, and the practical challenges of implementing such a system.