

UPSC CURRENT AFFAIRS NOTES 28-01-2024

ED STATES TUSSLE



The escalating tensions between the Jharkhand Chief Minister and the Enforcement Directorate (ED) appear to be rooted in a series of events related to the agency's investigations into alleged scams and illegal activities involving government officials in the state.

Key points from the provided information

The ED has been conducting investigations into alleged scams and illegal activities involving IAS officers in Jharkhand. The agency claims to have uncovered significant illegal mining activities, estimating the scam at Rs 1,250 crore.

Government's Response

The Jharkhand government has taken a defensive stance against the ED's actions. **The government issued guidelines on dealing with notices or summons from external investigation agencies**, requiring state officials to inform the nodal head or head of the department instead of directly providing records to the agencies.

ED's Response to Government's Intervention

The Enforcement Directorate has criticized the Jharkhand government's guidelines, stating that state officials are not legally authorized to intervene or obtain details of an ongoing investigation under the Prevention of Money



Laundering Act. The **ED sees the government's intervention as "illegal interference."**

Enforcement Directorate - States Tussle

The Enforcement Directorate (ED) is a central agency tasked with investigating financial crimes like money laundering and foreign exchange violations. However, its recent actions in some states governed by opposition parties have triggered a tussle, raising concerns about federal overreach and political misuse.

The ED was established in 1956 under the Foreign Exchange Regulation Act (

Over the years, its mandate has expanded to include investigating offences under the Prevention of Money Laundering Act (PMLA), Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (BMIT), and Fugitive Economic Offenders Act, 2018 (FEOA).

The ED functions under the Department of Revenue in the Ministry of Finance, making it directly accountable to the central government.

Reasons for the Tussle

- The ED has been **accused of focusing its investigations on states governed by parties opposed to the ruling at the centre.**
- Critics allege that the ED is being used as a tool to **target political opponents and silence dissent.** They point to instances where ED raids and summonses have coincided with upcoming elections or political events in opposition-ruled states.
- Some argue that the ED's actions infringe upon the federal structure of India, as law enforcement is primarily a state subject. They believe **the central agency is overstepping its boundaries by investigating matters that fall under the purview of state police.**

Impact of the Tussle

- The ongoing tussle has **eroded public trust in the ED and its impartiality.** It raises concerns about the potential misuse of a powerful investigative agency for political ends.
- **The selective targeting of opposition-ruled states could weaken the cooperative spirit of federalism in India.** It might create an

environment of distrust and hinder collaborative efforts between the centre and states.

- **The ED's actions have further polarized the political landscape in India.** The accusations and counter-accusations have led to a toxic atmosphere that hinders constructive dialogue and policy-making.

Steps Taken

- **Judicial Scrutiny:** Several state governments have challenged ED actions in court, seeking to quash summonses and raids. The Supreme Court has intervened in some cases, upholding federalism and emphasizing due process.
- **Legislative Reforms:** Some states have proposed amendments to their respective police laws to restrict the ED's jurisdiction within their borders. However, these proposals face legal challenges and raise concerns about creating a patchwork of laws across the country.
- **Dialogue and Transparency:** There is a growing demand for open dialogue and increased transparency in the ED's functioning. This could involve setting up independent oversight mechanisms and ensuring fair and impartial investigations, regardless of the political affiliation of the individuals involved.

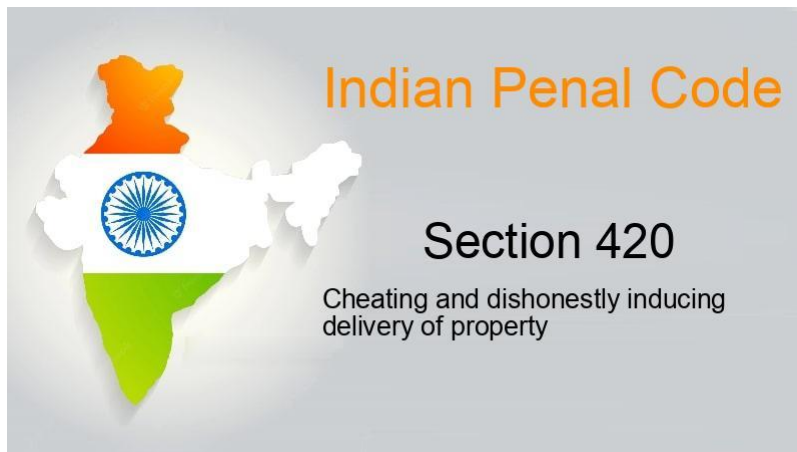
Challenges

- **Balancing National Security and Federalism:** Striking a balance between national security concerns and respecting the autonomy of states remains a key challenge. The ED needs to be able to effectively investigate financial crimes while ensuring its actions do not undermine the federal structure of India.
- **Political Interference:** Preventing political interference in the ED's operations is crucial. Robust internal mechanisms and independent oversight are essential to ensure the agency's impartiality and credibility.
- **Public Perception:** Restoring public trust in the ED and its commitment to fair and impartial investigations is critical. This requires proactive measures to address concerns about bias and ensure transparency in its operations.

Way Forward

- **Strengthening Institutional Frameworks:** Robust legal frameworks and independent oversight mechanisms are essential to prevent misuse of the ED and uphold its impartiality.
- **Collaborative Approach:** Fostering a spirit of cooperation and dialogue between the Centre and states is crucial to addressing concerns about federal overreach and building trust in the system.
- **Judicial Intervention:** The judiciary can play a crucial role in upholding federalism and ensuring due process in ED investigations. Clear guidelines and principles established by the courts can help prevent misuse of the agency.
- **Transparency and Accountability:** The ED needs to be more transparent in its operations and accountable to the public. Regular reporting on its activities and proactive communication can help address concerns and build trust.

SECTION 420 OF THE INDIAN PENAL CODE (IPC)



The Supreme Court's recent ruling on cheating under Section 420 of the Indian Penal Code (IPC) is a significant one, clarifying the essential elements of the offence and potentially impacting future prosecutions.

Details

Section 420 of the Indian Penal Code (IPC) deals with the offence of cheating and dishonestly inducing the delivery of property.

Section 420 of the IPC reads as follows:

"Whoever cheats and thereby dishonestly induces the person deceived to deliver any property to any person, or to make, alter or destroy the whole or any part of a valuable security, or anything which is signed or sealed, and which is capable of being converted into a valuable security, shall be punished with imprisonment of either description for a term which may extend to seven years, and shall also be liable to fine."

Key Elements of Section 420

- **Act of Cheating:** The section requires an act of cheating, which involves deceiving someone.
- **Dishonest Inducement:** The cheating must involve dishonestly inducing a person to do something. This inducement can be through false representation, concealment of facts, or any other fraudulent means.
- **Delivery of Property:** The dishonest inducement should lead to the person being deceived in delivering any property. This property can be tangible (physical items) or intangible (such as rights).

Example: If person A cheats person B by making false promises or fraudulent representations, inducing B to deliver money or property, then A could be charged under Section 420 if the elements of cheating, dishonest inducement, and delivery of property are satisfied.

Punishment

- The punishment for the offence under Section 420 is imprisonment, which may extend to seven years.
- Additionally, the person convicted under this section is liable to pay a fine.

Cognizable and Non-bailable

- The offence under Section 420 is cognizable, meaning the police can arrest without a warrant.

- It is also non-bailable, which means that bail is not a matter of right for the accused, and the discretion lies with the court.
- Courts may interpret and apply the section based on the facts of each case, considering the principles of cheating, dishonest inducement, and the resulting delivery of property.

FPI DISCLOSURE NORMS



The Securities and Exchange Board of India (SEBI) is implementing additional disclosure norms for Foreign Portfolio Investors (FPIs) to address concerns about possible round-tripping.

Details

The Securities and Exchange Board of India (SEBI) has asked Foreign Portfolio Investors (FPIs) to provide additional disclosures, particularly for those holding a concentrated portion of their equity portfolio in a single investee company or corporate group.

The rationale behind these additional disclosure norms is to prevent possible round-tripping by certain promoters who might be using the FPI route to bypass regulatory requirements.

Key points related to SEBI's additional disclosure norms

Concentration of Investments

- SEBI has identified specific Foreign Portfolio Investors (FPIs) with concentrated equity holdings in a single investee company or corporate group.



- **Concerns arise over potential misuse of the FPI route by promoters or coordinated investors to bypass regulatory requirements**, including those related to substantial acquisition disclosures and maintaining minimum public shareholding in listed companies.

Preventing Misuse of FPI Route

- While Press Note 3 issued by the government in April 2020 does not apply to FPI investments, there are concerns that entities with large Indian equity portfolios could potentially disrupt the orderly functioning of Indian securities markets by misusing the FPI route. The additional disclosures aim to mitigate these concerns.

Press Note 3, issued during the COVID-19 pandemic, amended the foreign direct investment (FDI) policy to prevent opportunistic takeovers/acquisitions of stressed Indian companies at a cheaper valuation. It introduced restrictions on entities from countries sharing a land border with India and mandated government approval for changes in beneficial ownership in FDI entities in India.

Details Required

- FPIs holding more than 50% of their Indian equity assets under management (AUM) in a single Indian corporate group or holding over Rs 25,000 crore of equity AUM in the Indian markets are required to disclose granular details of all entities holding any ownership, economic interest, or exercising control in the FPI.

Exempted FPIs

- Sovereign wealth funds (SWFs), listed companies on certain global exchanges, public retail funds, and other regulated pooled investment vehicles with diversified global holdings are exempted from making enhanced disclosures.

Potential Impact on Market

- Some experts suggest that the recent withdrawal by FPIs from the domestic market may partly be attributed to meeting the end-of-January deadline set by SEBI for disclosure. FPIs sold a significant amount of domestic shares in January.

Foreign Portfolio Investors (FPIs)

What are FPIs?

- FPIs are entities outside India investing in Indian financial assets like stocks, bonds, and derivatives.
- These investments are passive in nature, meaning they **aim for short-term capital gains rather than control over companies.**

Benefits of FPIs:

- **Increased Market Liquidity:** FPIs bring in fresh capital, boosting market liquidity and facilitating smoother buying and selling of securities.
- **Price Discovery:** Diverse participation by FPIs leads to more efficient price discovery, reflecting fair market valuation of assets.
- **Capital Formation:** Foreign investments contribute to overall capital formation in India, supporting infrastructure development and economic growth.

Challenges and Concerns:

- **Volatility:** FPI inflows and outflows can be volatile, causing quick market swings and impacting domestic investors.
- **Regulation Balancing Act:** Striking a balance between attracting FPIs and protecting domestic interests poses a regulatory challenge.
- **Taxation Issues:** Double taxation treaties and withholding taxes can discourage some FPIs from investing in India.

NO SNOWFALL IN KASHMIR



January is usually the month where Kashmir and Himachal Pradesh are blanketed with snow. This winter has, however, seen these regions extremely dry. Places like Gulmarg and Pahalgam, known to be popular destinations for skiing, have been unable to offer avenues for the winter sport.

Details

- Himachal Pradesh has witnessed dry slopes and valleys of brown grass. The Himalayan ranges of Uttarakhand have also reported minimal snowfall, with the first bout of snow in January at Auli, a popular hill resort, only reported on January 19.
- Records from the India Meteorological Department (IMD) suggest that Himachal Pradesh has registered its driest January since 1901, with a 99.7% shortfall in January rain compared to what is normal.
- **Until this year, the record for the driest January was 1996, which reported a 99.6% shortfall.**

What is the reason for the lack of snowfall?

- Snowfall requires adequate moisture as well as atmospheric temperatures to be zero degrees or less. Temperatures were fairly low since December.
- An analysis by the IMD in mid-January reported that maximum temperatures are running 5-8°C 'below normal' over the plains of north India since December 29.
- Minimum temperatures were also below 4 degrees Celsius at many stations of northwest India for most of January.
- This also resulted in a very dense fog persisting over the plains of northwest India. Several cities in the region reported zero visibility over the entire north-Indian plains from Amritsar to Dibrugarh across Haryana, Delhi, Uttar Pradesh and Bihar.
- While moisture and high aerosol loads contribute to fog, there were three major reasons behind the lack of snowfall and consequently intensifying cold waves over north India. These were a drastic fall in Western Disturbances (WDs) over northwest India; prevailing El-Nino conditions; and the absence of a strong jet stream.

How do these three factors influence snowfall?

- **Decline in Western Disturbance:** Western Disturbances are storms that originate in the mid-latitude regions and travel thousands of kilometres to bring rains to northern India.

- Such WDs in the winter dissipate fog and increase the sunshine incident on the ground raising temperatures.
- They also, when the temperatures are low, result in snowfall and water being available as snow melts. The melting glaciers contribute to the water available in the Ganga, Indus and Yamuna.
- On the other hand, they can also bring in hail, which is destructive to standing wheat crop. Usually, 5-7 WDs impact northwest India during December to January.
- But this winter there have been none. There were two WDs in this period, but their impact was mainly confined to Gujarat, north Maharashtra, east Rajasthan and Madhya Pradesh. As a result of the lack of these rains, the Western Himalayan Region got 80% less rain than normal.

Role of Climate Change and El Nino:

Prevailing El-Nino conditions over the equatorial Pacific Ocean, or warmer ocean temperatures, may also have had a role to play.

- However, irrespective of El Nino, or the converse, La Nina, the number of WDs in December and January have been on a decline.
- In the winter of 2022-23 (December and January), India reported its hottest ever December. The northwest region, which usually reports nearly a third of its rainfall during this season, saw an 83% rainfall deficit.
- In recent years, there has been a rise in these WDs in February and March that have caused **flash floods**, particularly in Uttarakhand and Himachal Pradesh. In 2023 for instance, saw record-breaking rain in February.
- In general, the traditional pattern of WDs have been disrupted since 2019, the last year we saw a conventional WD pattern.
- These instances of extended dry periods and intense wet spells are characteristic of global warming, as several meteorologists and climate scientists have been pointing out in recent years.

Implications of No Snowfall in Kashmir

- Short-term effects include an increase in forest fires, agricultural drought, and a drop in crop production.



- Long-term consequences include a reduction in hydroelectricity generation, an increase in glacier melting, and adverse effects on drinking water supply due to less recharge of groundwater.
- **Crop:** The winter snow, crucial for moisture in the soil, is vital for winter crops, particularly horticulture. The yields of apples and Saffron, significant contributors to the local economy, are adversely affected in the absence of sufficient snowfall.
- **Tourism:** Gulmarg, a key winter tourism spot in Kashmir, is witnessing a sharp decline in tourist visits this season due to insufficient snow. Despite substantial tourist numbers in 2023, officials project at least a 60% reduction in footfall.
- The scarcity of snow is adversely affecting ski resorts and related businesses, impacting the local economy.

Tasar Silk

Jharkhand's tableau in the recently held Republic Day parade showcased the skill of tribal women in the production of Tasar silk.

About Tasar Silk:

It is a type of wild silk, which is made from silkworms that feed on plants like Asan and Arjun.

People from different parts of India call it tusaar, tusser, tushar, tusa, tassore, and tasar etc.

Producers:

Globally, it is produced in **China, Sri Lanka, and Bangladesh.**

India is the second-largest producer of tussar silk and the exclusive producer of Indian tussar (also known as tropical tussar), which is largely tended to by tribals.

In India, it is primarily produced in Madhya Pradesh, Jharkhand, and Chattisgarh. Currently, Jharkhand is one of the largest producers.

Features:



o It is famous and valued for its **natural golden color**. The silk can also be found in shades of brown, cream, and orange.

The color is caused by the production process due to the presence of carotenoids in the silk.

o It is known for its distinctive texture, which is often described as being 'rough' or 'crinkly.'

This is due to the fact that the fibers of tasar silk are shorter than those of other silks, such as mulberry silk.

As a result, tasar silk fabrics are less smooth and have a more uneven surface.

Tasar silk fabrics have a characteristic weave that is different from other types of silk.

The threads of tasar silk are often thicker than those of other silks, and they are woven in a way that creates a 'checkerboard' pattern.

It is lightweight yet surprisingly strong, with a luxuriously soft feel often compared to that of cashmere or velvet.

It does not retain moisture, and this quality makes it a delight to wear in warmer climates of the world.

Tasar silk is more porous, which makes it more wearable