

CURRENT AFFAIRS

4 OCTOBER 2022



TOPIC: SCIENCE AND TECHNOLOGY

Swedish scientist gets medicine Nobel for work on human evolution

Associated Press

STOCKHOLM

Swedish scientist Svante Paabo won the Nobel Prize in medicine on Monday for his discoveries on human evolution that provided key insights into our immune system and what makes us unique compared with our extinct cousins, the award's panel said.

Mr. Paabo has spearheaded the development of new techniques that allowed researchers

to compare the genome of modern humans and that of other hominins – the Neanderthals and Denisovans. While Neanderthal bones were first discovered in the mid-19th century, only by unlocking their DNA – often referred to as the code of life – have scientists been able to fully understand the links between species.

CONTINUED ON
» PAGE 10

TOPIC: MACROECONOMICS

With the rupee under pressure, what next

Even without getting into any quantitative measure of vulnerability, it is quite clear that the rupee is under pressure. In the last one year, it depreciated by over 10%, has crossed the psychological marker of ₹80 to a dollar, and India's foreign exchange reserves are down by more than \$100 billion.

The rupee is falling on account of two factors. The first is the widening current account deficit, mainly owing to the rise in the price of oil triggered by the Ukraine war. And the second is capital outflows, driven by a strengthening dollar on the back of aggressive rate hikes by the U.S. Federal Reserve.

Tantrums, but not of the taper variety
Having been at the helm in the Reserve Bank of India (RBI) during the taper tantrums of 2013, I have been asked in recent weeks whether India is heading into a similar crisis. I believe that is unlikely because there are big differences between the external situation then and now. For one, there was pressure built up in the exchange rate then whereas the exchange rate today is tracking fundamentals more closely. Second, India's macro situation then was fragile because of year-on-year high fiscal and current account deficits. Most importantly, India's current war chest of reserves inspires confidence that India lacked at that time.

Arguably, the pressure on the rupee has softened, if only modestly, compared to six months ago, because the price of oil which was ruling above \$100 to a barrel has since dropped to \$88, India's monthly trade deficit appears to have come off the peak, and capital flows are stabilising.

This is by no means to suggest that India is



Duvvuri Subbarao
was Governor,
Reserve Bank of India,
2008-13

Even though a crisis is unlikely because of differences between the external situation then and now, India could still remain vulnerable on many counts

slowly heading into a comfort zone. On the contrary, the country remains vulnerable on many counts.

At risk on different counts

By far the most important vulnerability stems from the **current account deficit (CAD)** – a broader measure than the trade deficit because it takes into account invisibles such as, for example, **travel and tourism** – is expected to widen to beyond 3% of GDP this year, higher than 2.5% that the RBI considers to be the safe limit. India can withstand a one-off overshoot of the CAD beyond the safety zone, but there can be no reassurance that it will soften soon given the Fed's seeming commitment to continue hiking rates until inflation in the U.S. is tamed and there is the unlikely prospect of the Ukraine war ending anytime soon.

What accentuates India's vulnerability is the **fiscal deficit**. For all the talk of fiscal consolidation, the combined fiscal deficit of the Centre and the States is still above 10% of GDP, possibly higher if the contingent liabilities, especially of the States, are also brought to the book. It is worth remembering that India's severe balance of payments crisis in 1991 and the near crisis in 2013 were both consequences of fiscal deficits spilling over into the external sector. The twin deficit problem is still very much with us.

Some comfort is seen to be drawn from the fact that this is a global problem, and India is not in it alone; also, that the rupee has fallen much less than most currencies, including hard currencies such as the euro and the pound. That comfort is misplaced. Even if the problem is global, the consequences are domestic. Moreover, India's fiscal situation is more stretched than that of most economies.

Quite justifiably, India has come to look upon its foreign exchange reserves as a buffer against exchange rate pressures. It cannot get too sanguine though. There are many metrics for measuring the adequacy of reserves; one of them is to see them as a ratio of GDP. That ratio which stood at 21% in March 2022 as a proportion of FY22 GDP has since declined to about 17% of expected FY23 GDP, not very much higher than the ratio of below the 15% it had dipped to during the taper tantrums of 2013.

Besides, experience shows that in times of pressure, market perceptions are shaped more by how rapidly the reserves are falling – the "burn rate" – rather than the absolute level of reserves.

The "R" word, it seems, is no longer a taboo;

recessions in the U.S. and Europe look much more likely today than they did a couple of months ago. How will India's fortunes change if that happens? Much will depend on the depth and the duration of the recessions, but for sure, India's exports, already struggling, will be further hit. On the positive side, the international price of crude will soften and global financial conditions can be expected to ease. How these opposing forces will play off is uncertain, but my hunch is that on a net basis, a recession in advanced economies will hurt the country.

The Russian question, the RBI's actions

In August, the RBI allowed domestic traders to settle their import and export bills in rupees. Although projected as a bold move to internationalise the rupee, it was essentially an effort to enable payments for the crude that India buys from Russia in rupees. That arrangement has not taken off so far; if and when it does, it can save up to \$4 billion a month in forex outgo which will be a substantial relief in a trade deficit of \$20 billion-\$25 billion right now.

The RBI has been intervening in the market – selling dollars from its foreign exchange kitty – to defend the rupee. Presumably, the effort is to prevent volatility but not target any specific exchange rate. Experience shows that any attempt to prop up the rupee against fundamentals will be a costly and futile endeavour. All the RBI can – and indeed should – do is to engineer the trajectory of the fall, not prevent the fall itself. There is in fact a good case for the RBI to allow some depreciation of the rupee. The real effective exchange rate (REER) of the rupee, which is a broader measure of its value against the currencies of India's trading partners, is overvalued, suggesting some room for depreciation. If that movement towards equilibrium is allowed, it will support exports, restrain non-oil imports, and help narrow the current account balance.

For sure, a weaker rupee will be inflationary, but the RBI should deal with that with its monetary policy as it already is doing.

We live in a difficult world where macroeconomic management is hostage to global economic conditions. Former U.S. Treasury Secretary John B. Connally famously told his G-10 counterparts in 1971 that "the dollar is our currency, but it's your problem". That is even truer today because of deepened financial globalisation and the continuing hegemony of the dollar.



GETTY IMAGES/ISTOCKPHOTO

TOPIC: PARLIAMENT

The Mediation Bill, 2021

What are the changes which the Parliamentary Standing Committee has recommended to the draft Bill introduced in the Rajya Sabha last year? Will pre-litigation mediation be mandatory for all disputes before filing a suit in court?

EXPLAINER

G. S. Bajpai
Vikram Karuna

The story so far:

The Mediation Bill, 2021 was introduced in the Rajya Sabha on December 20, 2021, with the Parliamentary Standing Committee being tasked with a review of the Bill. The committee's report to the Rajya Sabha was submitted on July 13, 2022. In its report, the Committee recommends substantial changes to the Mediation Bill, aimed at institutionalising mediation and establishing the Mediation Council of India.

Why does India need to promote mediation?

While there is no standalone legislation for mediation in India, there are several statutes containing mediation provisions, such as the Code of Civil Procedure, 1908, the Arbitration and Conciliation Act, 1996, the Companies Act, 2013, the Commercial Courts Act, 2015, and the Consumer Protection Act, 2019. The Mediation and Conciliation Project Committee of the Supreme Court of India describes mediation as a tried and tested alternative for conflict resolution. As India is a signatory to the Singapore Convention on Mediation (formally the United Nations Convention on International Settlement Agreements Resulting from Mediation), it is appropriate to enact a law governing domestic and international mediation.

What are the key features of the Bill?

The Bill aims to promote, encourage, and facilitate mediation, especially institutional mediation, to resolve disputes, commercial and otherwise.

The Bill further proposes mandatory mediation before litigation. At the same time, it safeguards the rights of litigants to approach competent adjudicatory forums/courts for urgent relief. The mediation process will be confidential and immunity is



ISTOCKPHOTO

provided against its disclosure in certain cases. The outcome of the mediation process in the form of a Mediation Settlement Agreement (MSA) will be legally enforceable and can be registered with the State/district/taluk legal authorities within 90 days to ensure authenticated records of the settlement. The Bill establishes the Mediation Council of India and also provides for community mediation.

What are the concerns with the Bill?

According to the Bill, pre-litigation mediation is mandatory for both parties before filing any suit or proceeding in a court, whether or not there is a mediation agreement between them. Parties who fail to attend pre-litigation mediation without a reasonable reason may incur a cost. However, as per Article 21 of the Constitution, access to justice is a constitutional right

which cannot be fettered or restricted. Mediation should just be voluntary and making it otherwise would amount to denial of justice. Additionally, according to Clause 26 of the Bill, court-annexed mediation, including pre-litigation mediation, will be conducted in accordance with the directions or rules framed by the Supreme Court or High Courts. However, the Committee objected to this. It stated that Clause 26 went against the spirit of the Constitution. In countries that follow the Common Law system, it is a healthy tradition that in the absence of statutes, apex court judgments and decisions carry the same weight. The moment a law is passed however, it becomes the guiding force rather than the instructions or judgments given by the courts. Therefore, Clause 26 is unconstitutional.

Furthermore, the Bill considers interna-

tional mediation to be domestic when it is conducted in India with the settlement being recognised as a judgment or decree of a court. The Singapore Convention does not apply to settlements that already have the status of judgments or decrees. As a result, conducting cross-border mediation in India will exclude the tremendous benefits of worldwide enforceability.

What next?

In order to enable a faster resolution of disputes, the Bill should be implemented after discussion with stakeholders. If the issues of the Bill aren't fixed, our aspirations to become an international mediation hub for easy business transactions could be crushed before they've even begun.

G.S. Bajpai is the Vice Chancellor, Rajiv Gandhi National University of Law, Punjab where Vikram Karuna is Assistant Professor

THE GIST

The Mediation Bill, 2021 was introduced in the Rajya Sabha on December 20, 2021, with the Parliamentary Standing Committee being tasked with a review of the Bill. The committee's report to the Rajya Sabha was submitted on July 13, 2022.

The Bill proposes mandatory mediation before litigation. At the same time, it safeguards the rights of litigants to approach competent adjudicatory forums/courts for urgent relief. The mediation process will be confidential and immunity is provided against its disclosure in certain cases. It also establishes the Mediation Council of India and also provides for community mediation.

According to the Bill, pre-litigation mediation is mandatory for both parties before filing any suit or proceeding in a court. Parties who fail to attend pre-litigation mediation without a reasonable reason may incur a cost. However, as per Article 21 of the Constitution, access to justice is a constitutional right which cannot be fettered or restricted. Furthermore, the Bill considers international mediation to be domestic when it is conducted in India with the settlement being recognised as a judgment or decree of a court.

TOPIC: SCHEMES

MGNREGS to fund work to reverse desertification of land across the States

The employment scheme will work in tandem with the Pradhan Mantri Krishi Sinchayee Yojana to help take up treatment of about 30% more land than feasible with the current scheme size

Sobhana K. Nair
NEW DELHI

With limited funds to deal with the gargantuan task of restoring degraded land and reversing desertification in the country, the government is now planning to bring convergence between the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY).

According to the Desertification and Land Degradation Atlas published by the Environment Ministry in 2021, at least 30% of India's total geographical area is under the category of "degraded land".

Jharkhand, Rajasthan, Delhi, Gujarat and Goa have more than 50% of land area undergoing desertification or degradation, while States with less than 10% land degradation are Kerala, Assam, Mizoram, Haryana, Bihar, Uttar Pradesh, Punjab and Arunachal Pradesh.

In a recent jointly signed advisory, Nagendra Nath



Working the land: The MGNREGS has a budget of ₹73,000 crore for the financial year 2022-23. FILE PHOTO

Sinha, Secretary, Rural Development, and Ajay Tirkey, Secretary, Department of Land Resources, urged the Chief Secretaries of the States to ensure that the two schemes work in tandem. Under the latter, activities such as ridge area treatment, drainage line treatment, soil and moisture conservation, rainwater harvesting, nursery raising, afforestation, horticulture and pasture deve-

lopment are done.

The Union government now wants the States to undertake these activities using MGNREGS funds, which go towards both material and wage components.

In 2019, the government raised its target of restoration of degraded land from 21 million hectares to 26 million hectares by 2030 following a commitment made during the UN Con-

vention to Combat Desertification (COP14). Nearly three years on, the government is nowhere near this target.

Though the Ministry has been making efforts to contribute towards meeting the international commitment, the constraints posed on economy by the pandemic restricted the target to 4.95 million hectares by 2025-26. Therefore, there is a compelling reason for the Ministry to explore alternative opportunities to fulfil the commitment, the advisory read.

The Rural Development Ministry is now hoping that by making use of the MGNREGS, which for the financial year 2022-23 has a budget of ₹73,000 crore, the government can scale up the area to be covered.

As of now, there is Central allocation of ₹8,134 crore for developing 4.95 million hectares.

By the Ministry's own estimate, a convergence with the MGNREGS could help take up treatment of about 30% more land than feasible with the current scheme size.

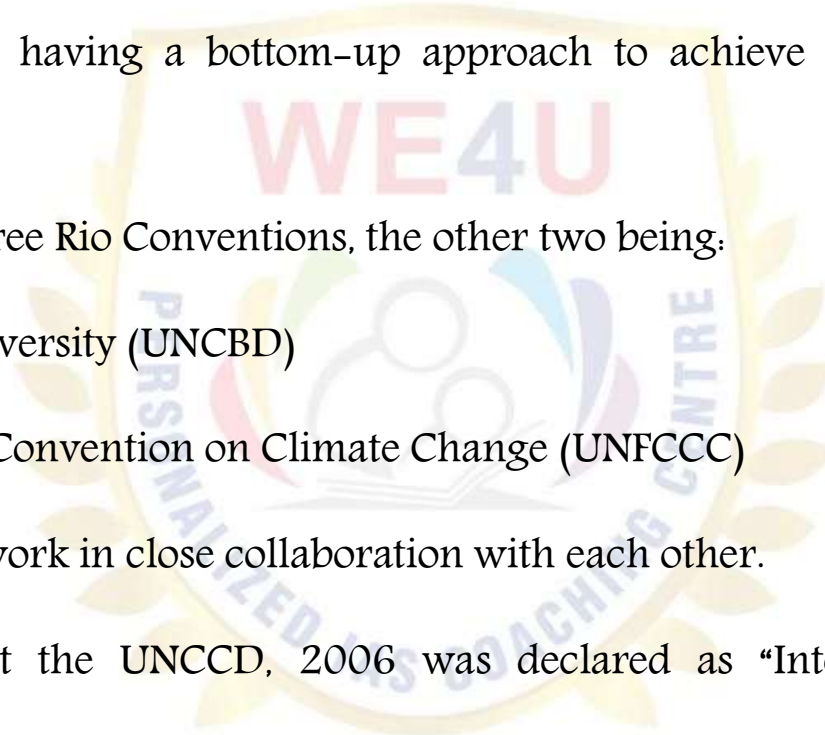
MGNREGA

- ✓ The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), also known as Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) is Indian legislation enacted on August 25, 2005.
- ✓ The MGNREGA provides a legal guarantee for one hundred days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage.

- ✓ The Ministry of Rural Development (MRD), Govt of India is monitoring the entire implementation of this scheme in association with state governments.
- ✓ This act was introduced with an aim of improving the purchasing power of the rural people, primarily semi or un-skilled work to people living below poverty line in rural India.
- ✓ It attempts to bridge the gap between the rich and poor in the country.
- ✓ Roughly one-third of the stipulated work force must be women.

UNCCD

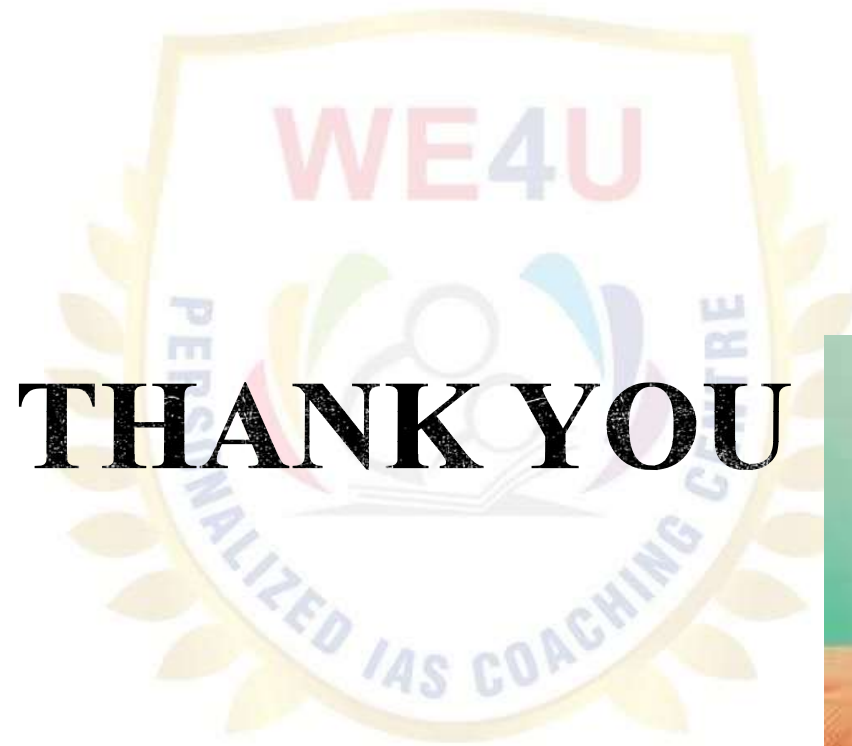
- ✓ United Nations Convention to Combat Desertification. Established in 1994, UNCCC is a sole legally binding environment convention that links development and environment to sustainable land management.
- ✓ The UNCCD addresses particularly the arid, semi-arid & dry sub-humid areas, called drylands, where some of the most vulnerable ecosystems and peoples are found.
- ✓ The convention was drafted and opened for signing in 1994. It became effective in 1996 after receiving 50 ratifications.
- ✓ The convention obliges national governments to take measures to tackle the issue of desertification.

- 
- A large, semi-transparent watermark logo for WE4U is centered on the page. The logo features the text 'WE4U' in large, bold, red letters at the top. Below it, the words 'PERSONALIZED TEACHING CENTRE' are written in a circular arrangement around a central graphic of three stylized human figures in white and blue. The entire logo is enclosed in a yellow laurel wreath.
- ✓ The convention focuses on having a bottom-up approach to achieve its goals, by involving the local communities.
 - ✓ The UNCCD is one of the three Rio Conventions, the other two being:
 - ✓ Convention on Biological Diversity (UNCBD)
 - ✓ United Nations Framework Convention on Climate Change (UNFCCC)
 - ✓ The three Rio Conventions work in close collaboration with each other.
 - ✓ To spread the word about the UNCCD, 2006 was declared as “International Year of Deserts and Desertification”.

TOPIC: FUNDAMENTAL RIGHTS

Delhi Police books PFI under UAPA

- ✓ Unlawful Activities (Prevention) Act
- ✓ Originally enacted in 1967, the UAPA was amended to be modelled as an anti-terror law in 2004 and 2008.
- ✓ In August 2019, Parliament cleared the Unlawful Activities (Prevention) Amendment Bill, 2019 to designate individuals as terrorists on certain grounds provided in the Act.
- ✓ In order to deal with the terrorism related crimes, it deviates from ordinary legal procedures and creates an exceptional regime where constitutional safeguards of the accused are curtailed.



THANK YOU

