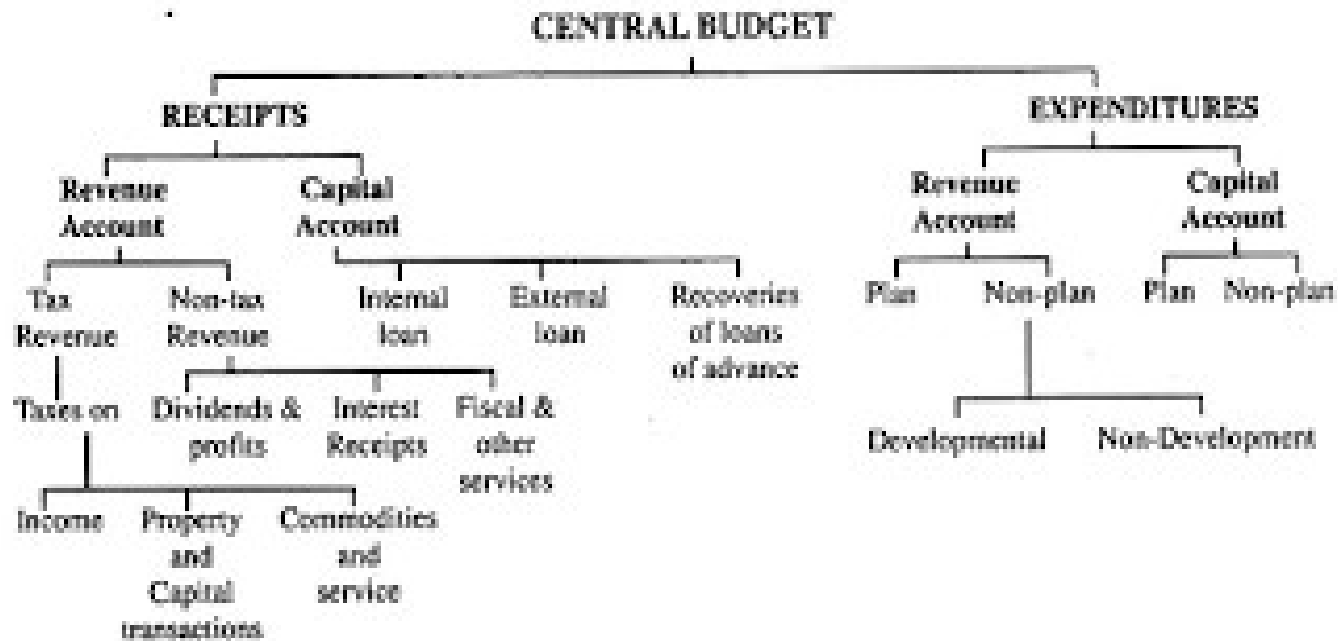


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16 August 2022



- ✓ Fiscal policy refers to the use of government spending and tax policies to influence economic conditions, especially macroeconomic conditions.



TOPIC:FISCAL POLICY

‘States signal intent to raise capex spend’

NIPFP analysis of budgets shows 18 major States looking to rein in revenue deficits this fiscal year

VIKAS DHOOT
NEW DELHI

States aim to ramp up capital spending and rein in revenue deficits this year as they chart a return to **fiscal consolidation** following the pandemic shock, and have even factored in the loss of GST Compensation from the Centre, an analysis of States’ 2022-23 budgets shows.

A study of 18 major States’ budgets by the National Institute of Public Finance and Policy (NIPFP) shows that although they have factored in **slower growth this year**, the States aim to **reduce revenue spending by 0.13% of Gross State Domestic Product (GSDP) and increase capex by 0.24% of GSDP.**

As per their budget estimates, the States aim to increase revenue spending by



Wider stimulus: States aim to increase capital spending by an aggregate ₹1.21 lakh crore in 2022-23. ■AFP

an aggregate ₹3.5 lakh crore and capital expenditure by ₹1.21 lakh crore in 2022-23. If successful, this would help increase the share of States’ capital spending marginally from the **2-2.5% of GSDP levels that it has been hovering around for long**, according

to the study’s author.

“States have resumed following the path of fiscal consolidation post COVID-19 and success in achieving revenue as well as expenditure targets set in the budget of 2022-23 could help them control deficits and debts,”

NIPFP associate professor Sacchidananda Mukherjee concluded on the basis of the 18 States’ budget math.

The States studied are Andhra Pradesh, Karnataka, Kerala, Bihar, Tamil Nadu, Maharashtra, Gujarat, West Bengal, Uttar Pradesh, Madhya Pradesh, Telangana, Haryana, Odisha, Punjab, Chhattisgarh, Goa, Jharkhand and Rajasthan.

On a combined basis, these States have pegged GSDP growth at current market prices at 12.1%, compared with 14% in 2021-22 as per revised estimates and 3.6% in the COVID-hit 2020-21.

“In budget estimates of 2022-23, except Goa, Punjab and Uttar Pradesh, all States project a fall in growth rate of GSDP,” the paper’s author noted, adding that States had

adopted a cautious approach in projecting their budget estimates for 2022-23.

‘Signs of improvement’

While their consolidated fiscal deficit in 2022-23 is projected at 3.29% of GSDP, in line with the Finance Commission’s prescribed glide path of 3.3%, they aim to cut the share of revenue deficit sharply from 50.3% in 2020-21, to 16%. Revenue deficit accounted for 32.4% of fiscal deficit in 2021-22.

State finances showed signs of improvement in 2021-22 after two consecutive years of fiscal stress, aided by improved revenue mobilisation which helped States increase spending as well as reduce revenue and fiscal deficits in 2021-22, the NIPFP study noted.

TOPIC:FUNDAMENTAL DUTIES

‘Fundamental duties key to social transformation’

CJI Ramana remembers Pingali

LEGAL CORRESPONDENT
NEW DELHI

Chief Justice of India (CJI) N.V. Ramana on Monday said fundamental duties in the Constitution are not merely to serve a “pedantic or technical” purpose, they are meant to guide citizens engineer a social transformation.

“Our Constitution is the fundamental document which regulates the relationship between the citizens and the government. While it has granted us inalienable rights, it places upon us certain fundamental duties. The fundamental duties are not merely pedantic or technical. They were incorporated as the key to social transformation,” Chief Justice Ramana said in his Independence Day address at the Supreme Court.

Our framers imagined a nation, where citizens are aware, alert and able to make the right decisions,

the Chief Justice said. Highlighting the spirit of unity in diversity, the CJI said “our system will truly belong to the people when we honor and cherish our diversity”.

Chief Justice Ramana remembered the freedom fighter and Gandhian, Keerthishulu Sri Pingali Venkayya, who “designed the pride and identity of Independent India, our National Flag”.

The CJI said the apex court has inherited the backlog of nearly a year on the account of pandemic and resultant lockdowns.

“In the last 16 months, we could physically assemble for only 55 days. I wish situation was different and we could be more productive. It is just and natural for people to have high expectations, but regrettably, the forces of nature were against us. I hope in near future, situation will become normal and courts will function to the full potential,” the CJI said.

- ✓ 42nd Amendment Act of 1976 added 10 Fundamental Duties to the Indian Constitution.
- ✓ 86th Amendment Act 2002 later added 11th Fundamental Duty to the list.
- ✓ Swaran Singh Committee in 1976 recommended Fundamental Duties
- ✓ The Fundamental Duties are dealt with Article 51A under Part-IV A of the Indian Constitution.
- ✓ The Fundamental Duties are confined to Indian citizens only and do not extend to foreigners unlike a few Fundamental Rights
- ✓ They are also nonjusticiable similar to Directive Principle of State Policies

A road map for India-EU ties

India and EU should not let divergence of views on some issues overwhelm the convergence of views on other areas



RAJESH MEHTA & MOHIT ANAND

While India celebrates its 75th year of independence, it also celebrates 60 years of diplomatic relations with the European Union (EU). A cooperation agreement signed in 1994 took the bilateral relationship beyond trade and economic cooperation. The first India-EU Summit, in June 2000, marked a watershed in the evolution of the relationship. At the fifth India-EU Summit in 2004, the relationship was upgraded to a 'Strategic Partnership'. The two sides adopted a Joint Action Plan in 2005 towards strengthening dialogue and consultation mechanisms in the political and economic spheres, enhancing trade and investment, and bringing peoples and cultures together. The 15th India-EU Summit, in July 2020, provided a common road map to guide joint action and further strengthen the partnership over the next five years. The road map highlights engagement across five domains: foreign policy and security cooperation; trade and economy; sustainable modernisation partnership; global governance; and people-to-people relations.

Areas of cooperation

The India-EU partnership has grown rapidly ever since. Bilateral trade between the two surpassed \$116 billion in 2021-22. The EU is India's second largest trading partner after the U.S., and the second largest destination for Indian exports. There are 6,000 European companies in the country that directly and indirectly create 6.7 million jobs.

Beyond the economic partnership, India and the EU have several avenues of collaboration. For example, the 'green strategic partnership' between India and Denmark aims to address climate change, biodiversity loss, and pollution, and the India-Nordic Summit in May focused on green technologies and industry transformation that are vital for sustainable and inclusive growth. All this will act as a catalyst for enhanced cooperation between the two regions.

Cooperation with the EU in the defence sector has also increased substantially. This is critical for India at this juncture, to reduce its hardware dependence on Russia in the backdrop of the Ukraine conflict and seek diversification of its armament imports from other regions with latest technologies in wake of its confrontation with China. India and the EU regularly conduct joint military and naval exercises which reflects on their

commitment to a free, open, inclusive and rules-based order in the Indo-Pacific. The first maritime security dialogue between the two in 2021 focused on cooperation in maritime domain awareness, capacity-building, and joint naval activities. France's on-time delivery of 36 Rafale fighter jets and willingness to offer Barracuda nuclear attack submarines to the Indian Navy reflects the growing level of trust in their relationships. Leading European defence equipment manufacturers are willing to partner with Indian companies for defence projects aligned with the 'Make in India' programme.

Another rapidly growing area of engagement is the start-up and innovation ecosystem across India and Europe. Furthermore, the Science and Technology Joint Steering Committee between the two focus on areas such as healthcare, Artificial Intelligence, and earth sciences. In 2020, there was an agreement for research and development cooperation in the peaceful uses of nuclear energy between the European Atomic Energy Community and the Government of India.

Challenges

However, challenges remain. Both have differing opinions and divergent interests in some areas. India's reluctance to explicitly condemn Russia's intervention in Ukraine, and the country's increasing economic cooperation with Russia, has been one area of disagreement. India has called out the EU's double standards on the same, for the EU purchases 45% of its gas imports from Russia in 2021. There is also ambiguity on the EU's strategy in tackling the rise of China. Its muted response during the Galwan clash is a case in point. India's economic, political and demographic weight could be deftly leveraged by the EU to counterbalance China's influence across the region. But there seems to be some hesitancy about this.

India and the EU should not let such divergences of views overwhelm the many areas of convergence among them. The proactive resumption of the ambitious India-EU free trade and investment agreement in 2021 is a step in the right direction. European partners acknowledge India as an important pillar in ensuring stability in the Indo-Pacific region. The EU wants to be more than just a trading bloc and is seeking alliances with like-minded countries like India. Indian External Affairs Minister S. Jaishankar rightly said, " [India and the EU] are each political and economic poles in an increasingly multipolar world. Our ability to work together, therefore, can shape global outcomes."

Rajesh Mehta is an expert on international affairs and Mohit Anand is Professor of International Business and Strategy at EMLYON Business School, France

✓ India – E.U relation

✓ Convergent point – trade, Investment, climate change, Arms import

✓ Divergent point – Russia and China.

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TOPIC: POST INDEPENDENCE

The temples that Jawaharlal Nehru built

Nehru's luminous legacy is deeply laid in India's growth story since Independence



C. SARAT CHANDRAN

As India celebrates 75 years of Independence, Indians will see this as an occasion to recall Jawaharlal Nehru's immortal speech, "A Tryst with Destiny", delivered on the night of August 14, 1947, and its haunting poetic expressions – "At the stroke of the midnight hour, when the world sleeps, India awakes to life and freedom." For most, that speech and the man who spoke those words symbolised the spirit of a new nation just born. For them, some of the recent attempts to undermine Nehru's place in history may seem like a minor distraction.

Vision of a modern nation
Nehru's luminous legacy is deeply laid in India's growth story since Independence. In May this year, when the Life Insurance Corporation of India (LIC) launched India's largest public issue and collected ₹21,000 crore from the market, the nation was aware that this was a Nehruvian institution established in the early years of independent India. Equally, when we look at the celebrated names of global CEOs and corporate leaders, we can recognise many of them as Nehru's 'children', as they were educated at the iconic Indian Institutes of Technology (IITs) and

Indian Institutes of Management (IIM).

In 1947, Nehru, as Prime Minister, inherited an India that was politically shattered, socially divided and emotionally devastated. Yet, with restraint and self-confidence, he steered the country through those turbulent times and laid out the vision of a modern, progressive nation that quietly earned the respect of the global community.

Ideas and institutions

Nehru's vision of India was anchored in a set of ideas such as democracy, secularism, inclusive economic growth, free press and non-alignment in international affairs and also in institutions that would lay the foundation for India's future growth. These institutions touched every kind of economic activity, ranging from agriculture to aviation and space research. An agnostic Nehru described them as "the temples of modern India". There were around 75 of these institutions including the Bhakra-Nangal dam, Bharat Heavy Electricals Limited, the All India Institute of Medical Sciences, the LIC, the Oil and Natural Gas Corporation, Indian Oil Corporation, the National Library of India and the National Institute of Design. Nehru saw them occupying the commanding heights of a stable, self-sustaining economy with people's welfare as their central mission. Nehru's inclusive vision ensured that these institutions spanned the entire social spectrum. When the IITs were



planned, Nehru also established a network of Kendriya Vidyalayas. Along with large projects in steel and petroleum, Nehru saw the importance of promoting small and cottage industries and set up the Khadi and Village Industries Commission. When Bhilai, Durgapur and Rourkela were taking shape as functional townships, the Prime Minister also felt the need for a well-designed, modern city and thus was born Chandigarh. Chandigarh was perhaps India's first 'smart city' when that term was not yet fashionable.

Two of these institutions deserve special mention: the Election Commission of India and the Planning Commission. They relate to the fundamentals of the Nehruvian vision: the triumph of democracy along with development. Nehru's institutions flourished under the management of a group of accomplished persons who shared his idealism and his vision of a modern India. These were people of stature and high learning. They were technocrats, scientists and

professionals with impressive records of past achievements. They included Homi Bhabha, Vikram Sarabhai, P.C. Mahalanobis, Verghese Kurien, S.S. Bhatnagar, S.Bhagavantam and C.D. Deshmukh. Each of them steered the fortunes of the project under them with high professional standards, laying down benchmarks for the performance of the project and identifying second layers of leadership for the project's future growth. Many of these institutions, over the years, rose to global standards. Indian Oil became the first Indian company to be listed in the Fortune 100, in 2014. Amul emerged as the country's best known consumer brand and India became the largest milk-producer in the world.

Shifts in the economy

Prime Minister Nehru's 17-year rule set the stage for momentum in the Indian economy and his management model became a template for many succeeding Prime Ministers. This was a period which saw seismic shifts in the Indian economy. The Green Revolution which transformed India from a basket case to a grain-exporting nation, the telephone revolution that changed the telephone from being a symbol of elite lifestyle to mass ownership, and the digital revolution which turned India into a global technology hub all played out one after another. And then came the momentous reforms in 1991 under Prime Minister P.V. Narasimha Rao which transformed the economy into an open, liberal

and largely market-driven regime.

The success of these missions owed a great deal to the Nehruvian model, with several scientists and technocrats playing a central role in these accomplishments, such as M.S. Swaminathan, Sam Pitroda, Dr. Manmohan Singh and Nandan Nilekani. Collectively, these shifts have lifted over 300 million Indians above the poverty line and heralded the arrival of a modern, diversified globally connected economy with a significant digital component.

Now, well into the third decade of the 21st century, India is widely recognised as the fastest-growing large economy of the world. It is an incredible transformation in scale and depth to unfold in 75 years. It all began with one man's dream and the many shrines of growth and development that he built. Their enduring impact reaffirms Nehru's place in history. Among the political leaders of the newly independent nations of the 20th century, Nehru stands out as a unique personality who combined intellectual stature with mass popularity. The Economist in a widely-read obituary titled "World Without Nehru", on May 30, 1964, observed, "Throughout the long years of his premiership, he retained his magical grip on the great masses of people." That equation, which an Indian Prime Minister had with his people, remains unequalled and untested till now.

C. Sarat Chandran is Senior Fellow, London School of Economics

The fragility of the Northeast's integration

The idea of India is under transformation again, and any return to 'mainstream versus sub-stream friction' spells danger

- ✓ 1.Sixth Schedule
- ✓ 2.AFSPA
- ✓ 3.State Division
- ✓ 4.North Eastern Council
- ✓ 5.DONER
- ✓ 6.Look East Policy



Sixth Schedule

- ✓ It provides for the administration of tribal areas in Assam, Meghalaya, Tripura and Mizoram to safeguard the rights of the tribal population in these states.
- ✓ This special provision is provided under Article 244(2) and Article 275(1) of the Constitution.
- ✓ It seeks to safeguard the rights of the tribal population through the formation of Autonomous District Councils (ADC).
- ✓ ADCs are bodies representing a district to which the Constitution has given varying degrees of autonomy within the state legislature.

Armed Forces (Special Powers) Act (AFSPA), 1958

- ✓ It is an act of the Parliament of India that grants special powers to the Indian Armed Forces to maintain public order in "disturbed areas".
- ✓ According to the Disturbed Areas (Special Courts) Act, 1976 once declared 'disturbed', the area has to maintain status quo for a minimum of 6 months.
- ✓ One such act passed on 11 September 1958 was applicable to the Naga Hills, then part of Assam. In the following decades it spread, one by one, to the other Seven Sister States in India's northeast (at present, it is in force in the States of Assam, Nagaland, Manipur {excluding Imphal Municipal Council Area}, Changlang, Longding and Tirap districts of Arunachal Pradesh, and areas falling within the jurisdiction of the eight police stations of districts in Arunachal Pradesh bordering the State of Assam.

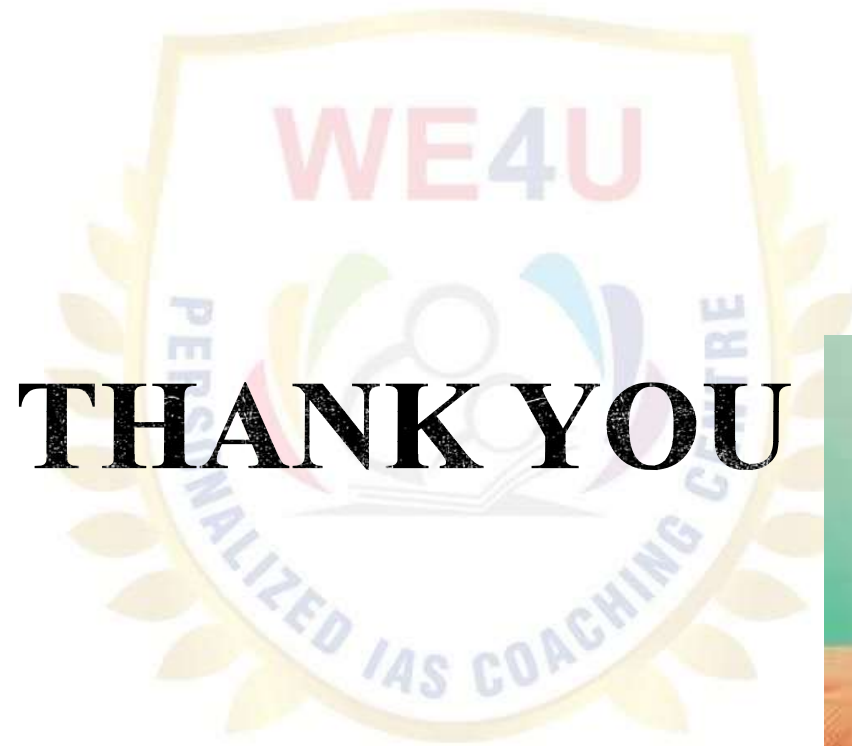
North Eastern Council (NEC)

- ✓ is a statutory advisory body constituted under the North Eastern Council Act 1971 and came into being on 7 November 1972 at Shillong.
- ✓ The eight States of Northeast India viz. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim, are members of the council, with their respective Chief Ministers and Governors representing them. Sikkim was added to the council in the year 2002.
- ✓ The headquarters of the council is situated in Shillong and functions under the Ministry of Development of North Eastern Region (DONER) of the Government of India.

The Ministry of Development of North Eastern Region

- ✓ is a Government of India ministry, established in September 2001, which functions as the nodal Department of the Central Government to deal with matters related to the socio-economic development of the eight States of Northeast India: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim.
- ✓ It acts as a facilitator between the Central Ministries/ Departments and the State Governments of the North Eastern Region in the economic development including removal of infrastructural bottlenecks, provision of basic minimum services, creating an environment for private investment and to remove impediments to lasting peace and security in the North Eastern Region.

- ✓ **India's Look East policy** is an effort to cultivate extensive economic and strategic relations with the nations of Southeast Asia to bolster its standing as a regional power and a counterweight to the strategic influence of the People's Republic of China. Initiated in 1991, it marked a strategic shift in India's perspective of the world.
- ✓ It was developed and enacted during the government of Prime Minister Narsimha Rao (1991–1996) and rigorously pursued by the successive administrations of Atal Bihari Vajpayee (1998–2004) and Manmohan Singh (2004–2014).



THANK YOU

