

● POLITY

● ECONOMICS

● TECHNOLOGY

● ECOLOGY

INTERNATIONAL RELATIONS

## PASSENGERS OF NICARAGUA FLIGHT QUIZZED IN MUMBAI

**CONTEXT:** An Airbus A340 aircraft of Romania Legend Airlines, carrying Indian passengers and originally destined for Nicaragua, landed at the Chhatrapati Shivaji Maharaj International Airport here on Tuesday, after French authorities let it fly to India after four days of detention at the Vatry airport over allegations of human trafficking.



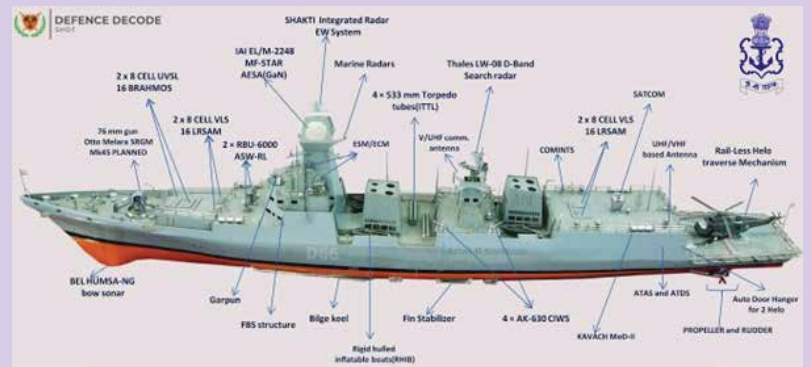
A “non-European” entity had facilitated the journey of 303 Indian citizens who were grounded at the Vatry airport near Paris for five days after the French authorities got an “anonymous signal”. The aircraft, an Airbus A340, had landed at the Vatry airport for a brief stopover to refuel on December 21, when the French officials acted on the tip-off and asked the crew and the passengers to alight for further verification. All 303 passengers were Indian citizens and they had boarded the flight in the United Arab Emirates.

Out of the 303 Indians onboard, 25 sought legal asylum in France and had stayed back for the moment and two passengers were taken into custody as they were found in possession of multiple passports and a substantial amount of money.

INTERNATIONAL RELATIONS

## ATTACKERS OF MERCHANT VESSELS WILL BE BROUGHT TO JUSTICE SOON: RAJNATH

**CONTEXT:** Defence Minister Rajnath Singh commissioned the P-15B class stealth guided missile destroyer INS Imphal, the first warship to be named after a city in Northeast India, at the Naval Dockyard in Mumbai.



### PROJECT-15B Stealth Destroyers

India plays the role of a net security provider in the entire Indian Ocean Region. The Navy had four destroyers of Project 15B and 15A class deployed to counter pirate and drone attacks. The P8I and Dornier aircraft, the Sea Guardian unmanned aerial vehicles, helicopters, and Coast Guard ships were deployed to counter the threats.

INS Imphal is the third of four indigenous Visakhapatnam class destroyers, designed by the Navy's Warship Design Bureau and built by Mazagon Dock Shipbuilders Ltd.

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## ECONOMICS AND DEVELOPMENT

## 'FISCAL DEFICIT MAY BREACH 5.9% OF GDP'

**CONTEXT:** India's fiscal deficit may breach the 5.9 % of GDP target for this year and could hit 6 % with revenue spending exceeding the Budget Estimate by about ₹ 2 lakh crore and a wide shortfall in disinvestment outcomes, despite a buoyant tax collection.

Higher-than-budgeted revenue expenditure triggered through the first and likely second supplementary demand for grants in combination with lower-than-budgeted nominal GDP will push the fiscal deficit to 6 % of GDP. A major reason for the increased expenditure would be higher expenditure by a few select Ministries and recouping of over ₹28,000 crore to the Contingency Fund of India which was drawn by 30 departments as an advance in the past.

The Centre has recently secured parliamentary approval for the first supplementary demand for grants this year, involving an additional cash outgo of ₹ 53,378 crore, lifting its total spending commitment for 2023-24 to ₹ 45.6 lakh crore, including about ₹35.6 lakh crore of revenue expenditure and ₹ 10.1 lakh crore of capital expenditure. There will be a second supplementary demand for grants, as a result of which the revenue expenditure is expected to increase to ₹37.1 lakh crore, over ₹2 lakh crore higher than budgeted for the year.

In the first supplementary demand for grants, the government sought more funds for priority areas like food, fertilizer, and LPG subsidy and for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). Under the MGNREGS, for instance, almost ₹80,000 crore had been spent by December 19, compared with the Budget Estimate of ₹60,000 crore. The government's supplementary demands included a top-up of ₹14,524 crore for the scheme.

**SUPPLEMENTARY DEMANDS FOR GRANTS:** Additional requests for funding made by the government to the legislature after the annual budget has been passed. These requests are necessary when the initial allocation for a particular service or department is found to be insufficient for the current financial year.

**Additional funding:** They are not included in the original budget and represent additional needs arising later.

**Parliamentary approval:** The supplementary demand for grants require approval from the legislature before being released. The legislature examines the justification for the demands and approves them if deemed necessary. If approved, the funds are released to the relevant department or service.

**Reasons for needing them:** Unforeseen events, like natural disasters or economic emergencies, can necessitate them. Unexpected expenses with costs for a program or service exceeding original estimates, new initiatives with launch of new programs or policies requiring additional funding and

shortfalls in revenue, with revenue collection falls short of expectations.

Examples:

Funding for disaster relief after a natural disaster.

Additional resources for healthcare during a pandemic.

Increased security spending due to a terrorist threat.

**Transparency and accountability:** They provide a mechanism for public scrutiny of government spending. The process is open to public scrutiny, ensuring transparency in government spending

## INTERNATIONAL RELATIONS

## INDIA, RUSSIA INK 'KEY' PACTS RELATED TO KUDANKULAM NUCLEAR POWER PLANT

**CONTEXT:** India and Russia on Tuesday signed some "very important" agreements related to the construction of the future power-generating units of the Kudankulam nuclear power plant.



External Affairs Minister S. Jaishankar, who is on a five-day visit to Russia, made the announcement after his "comprehensive and productive" meeting with Deputy Prime Minister Denis Manturov on the bilateral economic cooperation during which they witnessed signing of agreements on nuclear power and in areas of medicines, pharmaceutical substances and medical devices.

The Kudankulam nuclear power plant, India's largest, is being built in Tamil Nadu with the technical assistance of Russia. The construction began in March 2002. Since February 2016, the first power unit of the Kudankulam NPP has been steadily operating at its design capacity of 1,000 MW. The plant is expected to start operating at full capacity in 2027, according to Russian state media.

Mr. Jaishankar noted the significant progress in trade, finance, connectivity, energy, civil aviation and nuclear domains. He described Russia as a "special partner" in a few areas such as defence, nuclear power and space.



**POLITY AND GOVERNANCE**

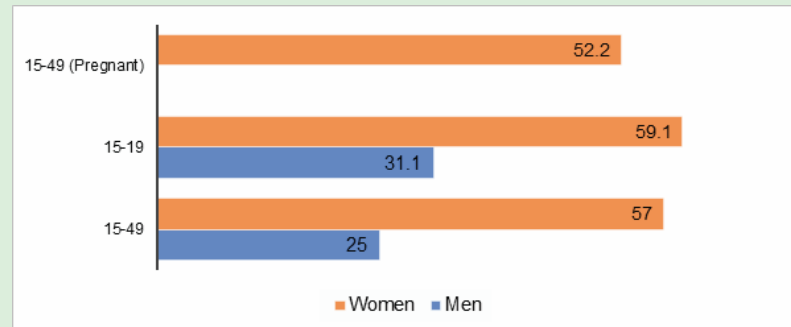
# ICMR INITIATES STEPS FOR NON-INVASIVE TESTING METHOD TO TACKLE ANAEMIA

**CONTEXT:** The Indian Council of Medical Research (ICMR), Delhi, has now invited Expression of Interest (EoI) from the eligible organisations, companies and start-ups manufacturing non-invasive haemoglobinometer useful in effective screening of anaemia.



**Acceptable to all**

The ICMR noted that testing and treatment of anaemia, using digital methods and point-of-care treatment, with a special focus on pregnant women and on school-going adolescents, is one of the key Anaemia Mukth Bharat (AMB) strategic interventions. The test and treat strategy, for its effective implementation, requires a simple, easy-to-use non-invasive haemoglobinometer which will be acceptable to all, especially young children. Over the past few years, several 'Make in India' non-invasive haemoglobinometer devices have become available. However, these devices need to be validated to establish the accuracy, bias, and precision of the non-invasive point-of-care methods before their use can be recommended in the programme.



**FIGURE:** Bar chart representation of the prevalence of anaemia in India

ICMR intends to carry out a validation study of such non-invasive haemoglobinometer devices followed by health technology assessment for evaluating its suitability for the

AMB programme. The ICMR would conduct a hospital based clinical study to validate the promising non-invasive hemoglobinometers devices against the gold standard method of haemoglobin measurement.

**ECONOMICS AND DEVELOPMENT**

# NARROWING TRADE DEFICIT CUT INDIA'S CAD TO 1% OF GDP IN Q2

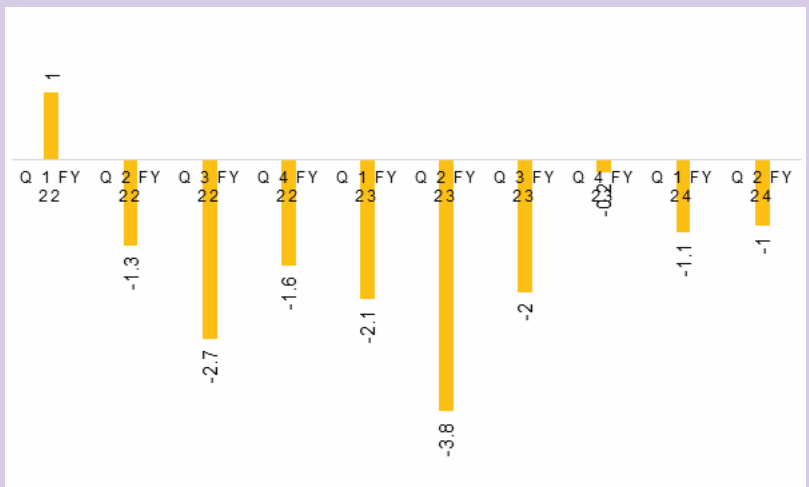
## Cautious optimism

Growth in services exports, lower merchandise trade deficit contributed to the sharp slide in Current Account Deficit

- Trade gap narrowed to \$61 bn in Q2 FY24 from \$78.3 bn in Q2FY23
- Net outgo on primary income account rose to \$12.2 bn from \$11.8 bn a year earlier



- Private transfer receipts rose to \$28.1 bn, an increase of 2.6% year-on-year



**FIGURE:** Column chart representation of share of Current Account Deficit as a per centage of GDP.

India's current account deficit (CAD) declined to \$8.3 billion, which is 1% of the country's GDP in the second quarter of FY24 (July 2023 -September 2023) owing to a "narrowing of merchandise trade deficit". Q2 deficit is lower than \$9.2 billion (1.1% of GDP) in Q1 (April 2023 - June 2023) and \$30.9 billion (3.8% of GDP) a year earlier.

Underlying the lower CAD on a year-on-year (y-o-y) basis in Q2 FY24 was the narrowing of merchandise trade deficit to \$61 billion from \$78.3 billion in Q2 FY23. As per data, services exports grew by 4.2% on a y-o-y basis on the back of rising exports of software, business and travel services. Net services receipts increased both sequentially and on a y-o-y

basis. Net outgo on the primary income account, mainly reflecting payments of investment income, increased to \$12.2 billion up from \$11.8 billion a year earlier.

### Remittances rise

Private transfer receipts, mainly remittances by Indians employed overseas, amounted to \$28.1 billion, an increase of 2.6% from their levels during the corresponding period a year ago. In the financial account, net foreign direct investment witnessed an outflow of \$0.3 billion as against \$6.2 billion in Q2 FY23. Foreign portfolio investment recorded net inflow of \$4.9 billion, lower than \$6.5 billion during Q2 FY23.

External commercial borrowings to India recorded net outflow of \$1.8 billion in Q2 FY24 as compared with net outflow of \$0.5 billion in Q2 FY23. Non-resident deposits recorded net inflow of \$3.2 billion as compared with \$2.5 billion in Q2 FY23.

## ECONOMICS AND DEVELOPMENT

# RENEWABLE ENERGY INVESTMENTS TO SURGE 83% TO \$16.5 BILLION IN 2024

**CONTEXT:** India will witness more than 83 % increase in investments in renewable energy (RE) projects to about \$16.5 billion in 2024 as the country focuses on energy transition to reduce carbon emissions.



This is in line with India's ambitious target of having 500 GW of renewable energy by 2030 and its resolve to reduce overall power generation capacity from fossil fuels to less than 50%. India has committed a net zero emission target by 2070. Union Power and New & Renewable Energy Minister R. K. Singh noted that as much as 65 % power generation capacity would be from non-fossil fuels by 2030 and that it would be higher than the set target of 50 %.

India is likely to witness 25 GW of renewable energy capacity addition entailing an investment of ₹1,37,500 crore (about \$16.5 billion) in 2024 calendar year, which would be higher than 13.5 GW with an investment of ₹74,250 crore (nearly \$9 billion) seen in 2023.

Apart from solar and wind energy, India has increased its focus on green hydrogen in a big way to reduce

dependence on fossil fuels, mainly diesel, which is required for long haul vehicles. India is a diesel-based economy - most commercial, passenger vehicles and freight services use diesel as their main fuel. In January this year, the Union Cabinet approved the National Green Hydrogen Mission with an outlay of ₹19,744 crore.

## POLITY AND GOVERNANCE

# A CASE OF REVANCHISM

**CONTEXT:** The Allahabad High Court has ruled that a set of suits filed in 1991 for a declaration that a part of the site of the Gyanvapi Mosque in Varanasi as the property of Lord Vishweshwar is not barred by law.

The court on a 2022 suit by a group of Hindu worshippers noted that the proceedings were aimed at asserting a right to worship the deities on the mosque precincts, and not to convert it into a temple and held that the old suits are not barred by the Places of Worship (Special Provisions) Act, 1991, which invalidates legal proceedings that may lead to altering the status of any place of worship as it stood on August 15, 1947. The court holding that the Act is not applicable as the "religious character" of the structure is yet to be determined.

The court has allowed a full civil trial to decide whether the structure in the Gyanvapi compound is a mosque or a temple and stated that unless this status is determined based on evidence, it cannot be called a temple or a mosque. The order has also upheld the order for a survey of the premises by the Archaeological Survey of India (ASI), but asked for the ASI survey done on the basis of the 2022 suits for the purpose of deciding the 1991 suits also. However, the 1991 suits explicitly seek a declaration that the main part of the site is a mosque and also want the mosque administrators to remove all their religious effects.

### PLACES OF WORSHIP (SPECIAL PROVISIONS) ACT, 1991

- **ENACTED:** 1991
- **TERMS OF REFERENCE:** Seeks to maintain the "religious character" of places of worship as it was in 1947 except in the case of the Ram Janmabhoomi-Babri Masjid dispute, a then-sub-judice matter.
  - **SECTION 3\*:** Prohibits conversion of places of worship.
  - **SECTION 4(1):** Protect the religious character of a place of worship as on August 15, 1947.
  - **SECTION 4(2):** Prohibits filing any fresh suit or legal proceedings, except any suit or legal proceeding concerning the conversion of the religious character of any place of worship existing on August 15, 1947.
  - **SECTION 5:** Excludes the scope of the Act to the Ramjanmabhoomi-Babri Masjid case, and to any suit, appeal, or proceeding relating to it.
  - **SECTION 6:** Prescribes a punishment of a maximum of three years imprisonment along with a fine for contravening the provisions of the Act.



- No person shall convert any place of worship of any religious denomination or any section of a religious place into a place of worship of a different section of the same religious denomination or a different religious denomination.
- Besides the **AYODHYA DISPUTE**, the Act also exempts any:
  - Place of worship that is an ancient and historical monument or an archaeological site or covered by the Ancient Monuments and Archaeological Sites and Remains Act, 1958;
  - Suit that has been finally settled or disposed of.
  - Any dispute that has been settled by the parties or conversion of any place that took place by acquiescence before the commencement of the Act.
- **ROLE OF THE STATE**
  - Positive obligation upon the State to maintain the religious character of every place of worship as it existed at the time of Independence
  - Legislative obligation on the part of the State to preserve and protect all faiths equally
- **GROUNDINGS FOR CHALLENGING THE LAW**
  - Bars judicial review, which is a basic feature of the Constitution;
  - Imposes an “arbitrary irrational retrospective cut-off date” and;
  - Abridges the right to religion of Hindus, Jains, Buddhists and Sikhs.
- **CONSTITUTIONAL SCOPE OF LEGISLATURE TO MAKE A LAW,**
  - Selectively curtailing of the rights of Hindus, Jains, Buddhists, Sikhs to approach the court to reclaim the religious place. The Act “has barred the remedies against illegal encroachment on the places of worship and pilgrimages and now Hindus, Jains, Buddhists, Sikhs cannot file suit or approach High Court under Article 226.
  - Bar the right and remedy against encroachment made on religious property of Hindus exercising might of power by followers of another faith” under Section 4 of the Places of Worship (Special Provisions) Act, 1991.

## ECONOMICS AND DEVELOPMENT

# A NEW ECONOMICS FOR INCLUSIVE GROWTH

**CONTEXT:** In their book, *Breaking the Mould: Reimagining India's Economic Future*, Raghuram Rajan and Rohit Lamba recommend that India give up its policies to build its manufacturing sector and jump straight to export more high-end services.

### A growth-affecting mismatch

The obstacle tripping India's growth is the mismatch between skills, jobs, and incomes. Traditionally, masses first transition from agriculture to manufacturing and then to services. China lifted its masses from poverty by moving them up the ladder into a large manufacturing sector, becoming the factory of the world.

India invested in world-class institutions of science and engineering 70 years ago. The Indian Institutes of Technology enabled India's software industry to become a globally competitive force. They also produced CEOs for U.S. multinational companies. India's space programme is delivering results at a fraction of the National Aeronautics and Space Administration's costs. However, India's pattern of growth, with investments in high-end skills, has not generated enough decent jobs for India's masses.

### The realities are being missed

Most economists do not understand the process of “learning” (which is the essence of “development”) whereby citizens learn new skills and increase their incomes, and nations acquire capabilities they did not have before. An agricultural worker is willing to apply his intelligence and labour to a new job; but cannot take much time off from working and earning to learn new skills. Therefore, his next job, though different in content, must be close enough to his capabilities for him to take the leap from one to the other and then continue to increase his skills on the job. If the next job is near his present habitation, he will save living costs too. Therefore, “adjacencies” in work and location in rural areas are the best steps for climbing the skill-income ladder. They also create dense webs of economic activity.

Manufacturing is performed not only in large, capital-intensive smart-phone factories, and value-adding services not only in large software factories. Manufacturing and value-added services can be carried out in rural areas and around farms, in small, labour-intensive, and low-capital, enterprises, for processing agricultural produce and transporting and selling it in nearby markets. Such enterprises add value to agricultural commodities locally, without requiring their transportation to more distant, large-scale processing centres.

Targets of trillions of dollars of GDP will not be achieved if economic growth does not become inclusive and sustainable very soon. The pattern of economic growth must be changed. More Indians must be employed so that they can earn and learn and, by earning more, increase the market for more producers. India cannot afford to neglect its small-scale



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and informal manufacturing sector any longer. While India has abundant resources of willing human beings, large, capital-intensive, factories require more land and financial capital to operate on scale — resources which are relatively scarce in India.

### Make more for India, in India

Investing in education and skills for “high end” manufacturing and services will not benefit the masses if they cannot be employed. Richness of economic activity within local webs will create more sustainable growth than policies to participate in long, international supply chains when barriers are rising. The Indian state has limited financial capacity. It cannot afford to misspend it, by reducing taxes and duties and giving incentives to investors, with the expectation that benefits will gush down to the masses. More imports will not increase the well-being of Indian citizens if they do not have more incomes to buy. Foreign direct investment will not boost growth if it does not increase employment soon.

The mould in which economics was cast in the later part of the 20th century must be broken. Policymakers must reimagine the path for India’s growth. They must get down to the basics of inclusive economic growth. There are no shortcuts.

The global economy is not growing like it was when China became the factory for the world. Producers everywhere are looking for new markets. India, with its unmet needs is very attractive for them. India’s policies must take advantage of this opportunity and make more for India in India, thus growing both jobs and incomes for India’s masses.

### What specific measures are being implemented?

China is no longer content with being just the “world’s factory.” The country is aggressively pursuing self-sufficiency in sectors deemed critical for national security and long-term prosperity. This includes areas like semiconductors, advanced materials, and artificial intelligence. The establishment of “agriculture innovation centers” exemplifies this commitment to self-reliance, aiming to boost domestic food production and secure the nation’s food security.

Self-reliance in core technologies has continued to be a repeated and explicit goal for the revival of the Chinese economy in the backdrop of intensifying tech-related export controls placed by the U.S. and its issue-based and treaty-based allies (such as the Netherlands and Japan respectively) against China. Although, the language of the CEWC readout has changed from “self-improvement” in high-technology in 2022 to “strength” in 2023. China maintains a “prudent monetary policy” and a “proactive fiscal policy,” focusing on financial stability. The latter was also reiterated at the Central Financial Work Conference that took place just a month ago and has now become part of the implementational mandate of the newly established Central Finance Commission. Under ‘proactive fiscal policy’, in the past year, China has mobilised tools such as tax rebates for medium and small enterprises, as well as interest rate discounts for local governments. This is to enable them to alleviate some of the debt stress and continue to invest either in keeping employees on a regular payroll or in the unhindered development of infrastructure. Fiscal tools like tax rebates and interest rate discounts aid small enterprises and local governments in managing debt and sustaining infrastructure development. Efforts to ease local government debt include a special bond issuance for post-disaster recovery. However, the local authorities are warned to embrace frugality and stricter financial discipline due to escalating debt burdens, reaching around \$60 trillion. The emphasis is on “fiscal sustainability” rather than bailouts. Monetary policy aims for stabilised liquidity levels, avoiding infusion despite past promises of an economic boost. Economic challenges like currency depreciation, income insecurity, rising unemployment, and capital outflows suggest injecting more liquidity won’t improve investment and borrowing sentiments.

To address economic concerns, China aims to promote balanced trade to increase international demand. This move signals a willingness to open its market to key trade partners, potentially creating more balanced trade relations without favouring China excessively. This approach aligns with China’s goal of “opening-up,” supporting high-quality growth, focusing on self-reliance, especially in areas like technology and food security, amid ongoing U.S.-China geopolitical competition.

## INTERNATIONAL RELATIONS

# WHAT DOES CHINA’S 2024 ECONOMIC POLICY LOOK LIKE?

**CONTEXT:** The 2023 Chinese Central Economic Work Conference (CEWC) recently concluded, highlighting a stability-focused pathway for the nation’s 2024 economy. Key directives include shifting from export-led to domestic demand-led growth, enhancing high-quality production, striving for tech self-reliance while cooperating with trade partners, and maintaining financial discipline. While echoing previous goals, this agenda emphasises the need for structural reforms, necessitating a departure from entrenched Chinese party-state practices to shape the country’s economic future.

### How is China strategically addressing the challenges?

With global demand waning under a rising tide of protectionism and risk aversion, China has switched gears to prioritize domestic consumption. This “New Pattern of Development,” championed by President Xi Jinping, signals a bold shift for the world’s factory floor, one that seeks to cultivate a thriving inner market alongside, rather than solely rely on, international demand.



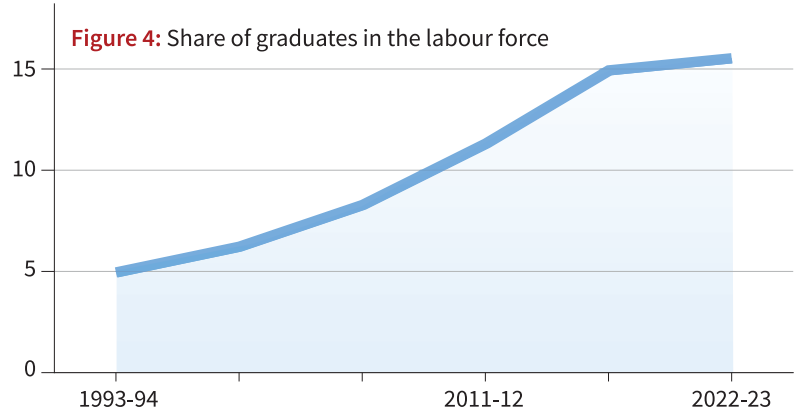
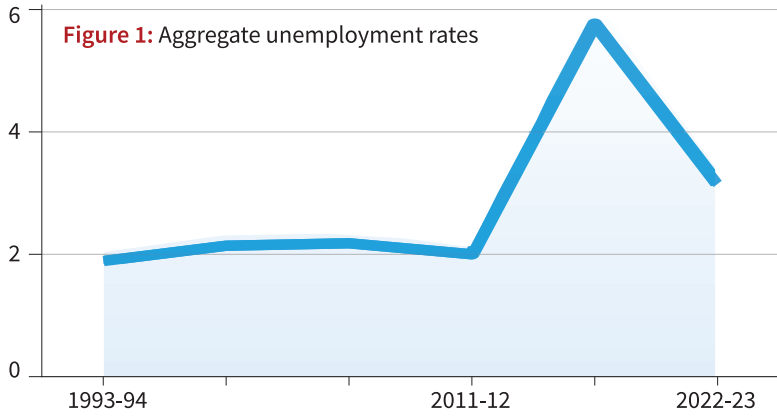
*“Education is the ability to listen to almost anything without losing your temper or your self-confidence.” - Robert Frost*

ECONOMICS AND DEVELOPMENT

# ARE GRADUATES FACING UNEMPLOYMENT?

## Career disparity

Persistent high unemployment among educated Indian youth reveals structural challenges in job creation despite overall declining unemployment rates



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