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20/02/2024 TUESDAY www.vedhikiasacademy.org DAILY NEWS ANALYSIS

POLITY | ECONOMICS | TECHNOLOGY | ECOLOGY

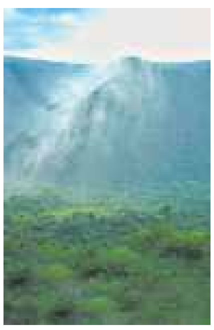
POLITY AND GOVERNANCE

USE DICTIONARY MEANING OF 'FOREST', SUPREME COURT TELLS CENTRAL GOVT.

CONTEXT: The Supreme Court directed that the expression 'forest' will continue to have a "broad and all-encompassing" meaning for the time being, and include 1.97 lakh square km of undeclared forest lands.

Verdict on woods

Some of the observations made by the SC over the pleas challenging the 2023 amendments to the Forest (Conservation) Act, 1980



- The "all-encompassing" dictionary meaning will continue to hold field until the States and Union Territories prepare a consolidated record of forest lands
- Environment Ministry should issue a circular in this regard to the States and Union Territories
- Establishment of "zoos or safaris" must have the final approval of the top court

A three-judge Bench headed by Chief Justice of India D.Y. Chandrachud passed the order on petitions challenging the amendments introduced in 2023 to the Forest (Conservation) Act, 1980 enacted to check further deforestation leading to ecological imbalance.

Section 1A of the Forest (Conservation) (Amendment) Act, 2023 enacted expanded the term 'government records' contained in the provision to include lands recognised as forest by any State or Union Territory, local body, council or recognised communities. The petitions had argued that Section 1A introduced through the amended Act had "circumscribed or substantially diluted" the definition of forest to two categories — declared forests and lands recorded as forests in 'government records' after 1980.

'Government records'

The court directed the government to revert to the "dictionary meaning" of 'forest' as upheld by it in a 1996 decision in the T.N. Godavarman Thirumulpad case. The adoption of this dictionary meaning to forests was made to align with the intent of the Forest Conservation Act, 1980. It is clarified that the expression 'forest' will cover but not be confined to lands recorded as forests in the government records."

The Bench noted that the dictionary meaning would continue to hold field till the States and Union Territories prepare a "consolidated record" of all the lands recorded as 'forest' in government records.

The court directed the Union government to require States and Union Territories, within two weeks, to forward the "comprehensive records" of forest lands their respective expert committees had identified in pursuance of the top court's orders in the Godavarman Thirumulpad case.

The States and Union Territories have to forward the records by March 31. The Environment Ministry has to publish these records on its website by April 15.

Approval for zoos

The Bench further directed that the establishment of "zoos or safaris" by any government or authority should not be consented to without the final approval of the top court. The court listed the case again in July 2024.

INTERNATIONAL RELATIONS

EU LAUNCHES RED SEA MISSION AS U.S. SHIP IS ATTACKED TWICE

CONTEXT: The European Union launched a naval mission on Monday to protect Red Sea shipping from Yemen's Houthi rebels as a U.S.-owned cargo vessel repeatedly came under fire in the region.

The Iran-backed Houthis, who control much of war-torn Yemen, have been harassing the vital shipping lane since November in a campaign they say is in solidarity with Palestinians in Gaza during the Israel-Hamas war. The EU aims to have the mission — called Aspides, Greek for "shield" — up and running in a "few weeks" with at least four vessels. The U.S. is already spearheading its own naval coalition in the area. The dozens of Houthi attacks have roiled shipping in the Red Sea.

Missile attack

In the latest incident, a Greek-flagged, U.S.-owned cargo ship was attacked twice in two hours in the Gulf of Aden, which adjoins the Red Sea. The Greek-flagged bulk carrier reported a "missile attack" before another projectile hit the water just metres from the ship..

INTERNATIONAL RELATIONS

U.S. LAWMAKERS PLAN TO SECURE MARKET AS CHINESE RIVALRY EXPANDS TO BIOTECH

CONTEXT: U.S. lawmakers are raising alarms about what they see as the country's failure to compete with China in biotechnology, warning of the risks to U.S. national security and commercial interests. But as the two countries' rivalry expands to the biotech industry, some say that shutting out Chinese companies would only hurt the U.S.

Biotechnology promises to revolutionise everyday life, with scientists and researchers using it to make rapid advances in medical treatment, genetic engineering in agriculture and novel biomaterials.

Bills have been introduced in the House and Senate to bar "foreign adversary biotech companies of concern" from doing business with federally funded medical providers. The Bills name four Chinese-owned companies. The Chinese Embassy alleged the Bills to have an "ideological bias" and seek to suppress Chinese companies "under false pretexts" and demanded that Chinese companies be given "open, just, and non-discriminatory treatment."

The debate over biotechnology is taking place as the Biden administration tries to stabilise the volatile U.S.-China relationship, which has been battered by a range of issues, including a trade war, the COVID-19 pandemic, cybersecurity and militarisation in the South China Sea.

'Impede greater good'

Critics of the legislation warn that restrictions on Chinese companies would impede advances that could bring a greater good.

"In biotech, one cannot maintain competitiveness by walling off others," said Abigail Coplin, an assistant professor at Vassar College who specialises in China's biotech industry. She said she was worried that U.S. policymakers would get too obsessed with the technology's military applications at the cost of hindering efforts to cure disease and feed the world's population.

In a letter to Senators sponsoring the Bill, Rachel King, chief executive officer of the trade association Biotechnology Innovation Organization, said the legislation would "do untold damage to the drug development supply chain both for treatments currently approved and on market as well as for development pipelines decades in the making."

But supporters say the legislation is crucial to protecting U.S. interests.

The National Security Commission on Emerging Biotechnology, a group created by the U.S. Senate to review the industry, said the Bill would help secure the data of the federal government and of American citizens and it would discourage unfair competition from Chinese companies.

POLITY AND GOVERNANCE

EXPEDITE EFFORTS TO TRACE CLAIMANTS TO UNPAID POLICIES: IRDAI TELLS INSURERS

CONTEXT: IRDAI wants insurance companies to redouble efforts in tracing the rightful claimants, including roping in e-commerce portals to locate them, if required concerned over mounting unclaimed amounts of policyholders with the insurers, regulator.

The Insurance Regulatory and Development Authority of India recommended for engaging with credit bureaus, account aggregators, common service centre/POS, e-commerce portals for tracing [such] consumers prescribing measures for insurers to reduce existing unclaimed amounts and to contain future accumulations. From prompting policyholders to update their details such as mobile number, e-mail and address, to urging insurers to update KYC (know your customer) on an ongoing basis as well as re-KYC of minors on their becoming majors, the regulator wants agents, intermediaries, group master policyholders and other distribution channels to also be made accountable. IRDAI said unclaimed amounts would mean any amount held by an insurer and payable to consumers, including income accrued, remaining unpaid beyond 12 months from due date.

INTERNATIONAL RELATIONS

WEST CHALLENGES CHINA'S HOLD ON CRITICAL MINERALS IN AFRICAN CONTINENT

CONTEXT: China's CMOC Group overtook Glencore to become the world's largest producer of cobalt last year as it ramped up its new Kisanfu mine in the Democratic Republic of Congo. The company's production leapt by 174% year-on-year to 55,526 metric tonne, accounting for over a quarter of global demand of 2,13,000 tonne.

Kisanfu, in which Chinese battery giant CATL owns a minority stake, has flooded the cobalt market. The Cobalt Institute estimates global production exceeded demand by 12,500 tonne in 2023, making it one of the "biggest surpluses in recent years". It plans to lift output further this year despite a slump in the cobalt price from $40 per lb in May 2022 to a current $13.

The price implosion has upturned project economics and undermined Western hopes of reducing dependency on China for a metal that is critical both to clean-energy technology and military hardware. But the West is now challenging China's tight grip on the mineral riches lying beneath the soil of the Congo and its neighbour Zambia.

Back to Africa

The Copperbelt straddling northern Zambia and the southern part of the Congo still contains some of the richest copper and cobalt deposits in the world.

KoBold Metals, a California-based metals exploration company backed by billionaires Bill Gates and Jeff Bezoz, claims its Mingomba project in Zambia boasts copper grades of around 5%, compared with under 1% for most big mines in Chile, the world's top producer.

U.S. producer Freeport McMoRan brought the Tenke Fungurume copper-cobalt mine into production in 2009. It sold its holding to CMOC in 2016, giving the Chinese company its first foothold in the Congo. Freeport went on to sell CMOC the Kisanfu deposit in 2020 saying it was "no longer strategic" to its long-term growth.

The U.S. International Development Finance Corporation (DFC) is planning to near double its financial commitments to try to de-risk mining in the Copperbelt. The Lobito Corridor project, which will upgrade the existing rail line from the Angolan port of Lobito to the Congo and then extend it into Zambia aims to linking Copperbelt mines directly with the Atlantic Ocean, reducing both the cost and the carbon footprint of the current trucking corridor to South African ports.

U.S. and European government backing, it is hoped, will de-risk logistics for the private sector, a policy that has already borne fruit in the form of a six-year commitment from Ivanhoe Mines to use the upgraded rail line for copper exports from its giant Kamoa-Kakula mine in the Congo.

Solar power

The United States Trade and Development Agency (USTDA), meanwhile, is funding a feasibility study into a new 200-megawatt solar power plant in Solwezi. This will not only supply Zambian industry but has the potential to provide power for two critical mineral mines in the Congo, addressing another persistent problem for Copperbelt operators. Infrastructure is just the start of the West's re-engagement with the Congo and Zambia.

Japan's Organization for Metals and Energy Security has just signed a memorandum of understanding with Congo's state-owned mining company Gecamines for technical cooperation at every stage of the mineral supply chain. The deal falls under the aegis of the Minerals Security Partnership, a U.S.-led alliance of Western countries looking to reduce critical metals dependency on China and other problem suppliers such as Russia.

Regain control

President Felix Tshisekedi's government is taking a harder line with some of the Chinese investment deals struck under his predecessor Joseph Kabila. Gecamines has in recent years been a largely passive minority stake-holder in the country's mines. That is changing as the Congolese government looks to grab a greater revenue share of mineral resources.

The amorphous mega deal with China's Sicomines joint venture has been revisited with the Chinese partners committing to $7 billion in infrastructure spending and annual payment of 1.2% royalties. The real game-changer, however, could be the Congo's second attempt at formalising artisanal mining force, which collectively produces over 10% of the world's supply of cobalt.

POLITY AND GOVERNANCE

INDIA CANCELS LICENCES OF 64 PHARMA FIRMS

CONTEXT: Indian authorities, in the past year, have cancelled licences of 64 pharma companies, while 17 drug testing laboratories have been asked to shut down for non-compliance with 'good manufacturing practices' and other "continued" procedural lapses.

As per the World Health Organization (WHO), 'good manufacturing practices' refer to that aspect of quality assurance that ensures medicinal products are consistently produced and controlled as per the quality standards appropriate to their intended use and as required by the product specification.

Apart from production and quality control matters, there is also a legal component that covers responsibilities for distribution, contract manufacturing and testing, and responses to product defects and complaints.

The Union Ministry of Health and Family Welfare carried out checks and investigations during the last 12 months, where 423 companies — including listed entities and drug testing laboratories — came under the scanner.

Post the investigation, operations were stopped at 101 pharma firms and there were 52 instances of suspension of licences. Another 281 firms were issued show-cause notices. There were 131 drug testing laboratories, against which action was taken. India is the third-largest drugmaker in the world by volume after U.S. and China. Pharma exports are set to rise to more than $20 billion in FY24.

ECONOMICS AND DEVELOPMENT

RED SEA BLUES

CONTEXT: India's goods exports grew last month for the second successive month. A mild 3.1 % uptick from a 1 % rise in December. This marks only the fourth month of growth in outbound shipments in 2023-24.

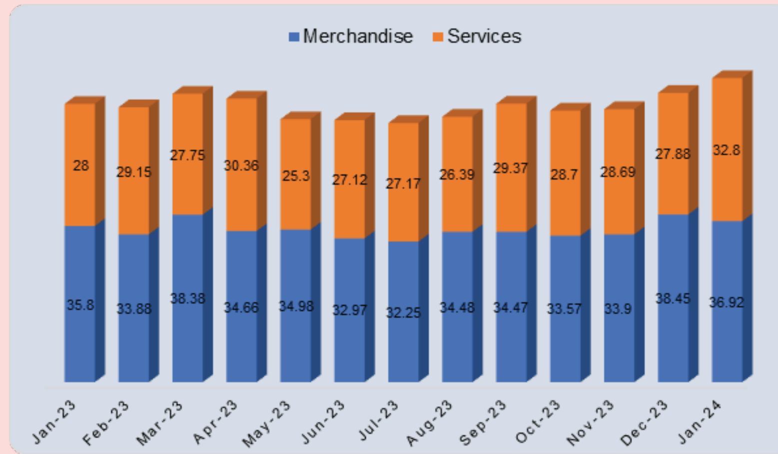


FIGURE: Column chart representation of monthly value of exports of goods and services.

FIGURE: Column chart representation of monthly value of imports of goods and services.

India recorded an export of $ 776 billion in 2022-23, including a merchandise export of $ 451 billion. India will match its record export performance of $ 776 billion in 2022-23, this year as well, despite multiple global headwinds with services exports expected to grow 6.3 % on a Year-on-Year basis. The outlook for the coming year remains mired in uncertainty and risks. There are weak or mixed signals about demand trends from economies such as the U.S. and Germany, even as the U.K. recorded the sharpest sequential jump in retail sales since July 2020.

Shippers have warned that the Houthi factor could compel the use of longer routes for several more months, despite the U.S.-led Operation Prosperity Guardian to protect commercial traffic through the Red Sea. The spiked shipping rates and operational costs of exports with longer delivery times could force some price hikes and deter already frail demand in some markets and make prospective buyers look for more competitive options for Indian wares.

POLITY AND GOVERNANCE

ENGINEERING GRADUATES ARE STEERING THE SERVICE INDUSTRY

CONTEXT: The services sector has emerged as a significant player, contributing 53 % of India's Gross Value Added (GVA) versus the 28 % of the industry sector. This dominance, of services, is also evident in employment distribution — 31 % of employment is generated in the services sector versus 25 % in industries.

The massive growth, not just limited to IT services, but is more broad-based is fuelling the demand for entry-level employees across the spectrum of the services sector. The organised Indian service sector, that comprises retail, telecom, consulting, hospitality, banking and health care, has been growing consistently. India is also the offshore hub, delivering these services for the entire world through captive and third party shared services and Global Business Services (GBS).

The market reality

This massive service industry needs continuous supply of skilled manpower which is being fulfilled from a rather unusual education stream — engineering. Approximately, 57 % of engineering graduates are employable. An All-India Council for Technical Education commissioned report highlighted that less than 60 % of available engineering seats have enrolment. Another industry report claims that about 80 % of graduate engineers end up in a non-technical job which is unrelated to their field of education.

A large number of engineers are employed in non-technical sectors such as banking, insurance, hospitality, health care and retail across a variety of roles such as sales, customer service, back-office operations, logistics and supply chain management. Engineering graduates in India is steering towards the services sector not merely due to an ideal alignment of skills and job demand, but propelled by the dynamic and burgeoning nature of service-oriented opportunities and a lack of relevant jobs for their skills in their core sector.

Engineers are increasingly finding employment not solely based on a precise match of skills but due to the adaptability and problem-solving mindset ingrained in their education. Employers, who are faced with a dynamic market, are recognising the transferability of engineering skills, even if the roles themselves are not conventionally engineering-centric. Critical thinking, problem solving, creativity, innovation, dealing with ambiguity, adaptability and flexibility are some of the most relevant skills required to succeed in these modern organisations. The analytical prowess, problem-solving abilities, and structured thinking ingrained in engineering graduates make them highly sought-after in sectors that may not traditionally be perceived to be engineering-centric. The rising prominence of the services sector has opened avenues for these professionals to be gainfully employed in white-collar jobs.

The need for a generic course

This trend prompts a critical reflection on the evolving nature of job markets and the role of education in preparing graduates for a diverse array of professional challenges. As engineers seamlessly transition into roles such as sales, customer service and finance across a wide variety of sectors, it becomes imperative for the educational ecosystem to evolve and address this need from the service industry, and recalibrate their approach towards curriculum design and pedagogy.

Currently, services-oriented educational courses are only available in niche domains such as health care or hospitality. There is no generic course to cater to the needs of the services sector. As a result, services are consuming engineers, and to some extent management graduates/postgraduates, into entry-level jobs. There is a pressing need to develop generic services-oriented courses that can equip students to thrive in white-collar service environments rather than focusing on bridging the gap between existing engineering education and job demand.

Such a course can offer a holistic blend of technical proficiency, soft skills, and industry-specific knowledge essential for success in service-centric roles. These courses should not only emphasise technical proficiency but also cultivate soft skills, business acumen, and industry-specific knowledge that are essential for success in the service sector.

By integrating cutting-edge technologies such as Artificial Intelligence and the Internet of things (IoT) into the curriculum, these programmes can enhance students' employability, particularly in emerging sectors such as fintech and edutech. Such a course would foster a cadre of professionals adept at navigating the complexities of modern service-oriented industries, with skills around process reengineering, problem solving and client management.

Structured around a diverse curriculum, this course could encompass essential subjects and skills tailored to meet the demands of today's dynamic service landscape. Professionals enrolled in this course would gain a solid foundation in service delivery fundamentals, covering core sector overview and nuances of service delivery in a physical as well as digital environment.

Additionally, they could receive training in service management principles, process improvement methodologies such as Lean Six Sigma, and critical thinking frameworks, empowering them to optimise service processes, drive operational efficiency, and tackle complex challenges with confidence. An emphasis on client management, communication skills and ethical conduct would foster a culture of professionalism and integrity among professionals, crucial to build strong client relationships and maintain trust in service-oriented roles.

As a growth booster

The introduction of such a course — "service engineering" — holds transformative potential, offering a pathway to enhanced employability, improved service delivery, and sustained economic growth. Graduates would emerge as highly sought-after professionals, equipped with the knowledge, skills, and mindset needed to excel in white-collar service environments across a variety of industries. Moreover, the affordability and accessibility of service engineering courses would make them an attractive option for students from tier 2 and 3 cities. The recent Periodic Labour Force Survey (PLFS) 7 reported the women's participation in the workforce to be 37 %. Since services typically offer better flexibility to employees, such a course can also help enable a supportive environment for women to balance work and family commitments while contributing to the workforce.

Unlike conventional engineering programmes that require extensive hard infrastructure, service engineering courses would leverage digital platforms and virtual learning environments, significantly reducing costs and eliminating geographical barriers to education. This democratisation of education not only fosters inclusivity but also unleashes the potential of aspiring professionals from diverse backgrounds to contribute to India's burgeoning services-driven economy. By investing in the development of a skilled workforce tailored to the needs of the services sector, India can position itself as a global leader in service innovation and delivery, driving prosperity and competitiveness in the services-driven economy of the future.

INTERNATIONAL RELATIONS

GREECE'S GATEWAY TO ASIA, INDIA'S GATEWAY TO EUROPE

CONTEXT: The state visit by Greek Prime Minister Kyriakos Mitsotakis to New Delhi (February 21-22) will be another important step in building a strategic relationship between India and Greece — a process which began with the historic visit of the Indian Prime Minister, Narendra Modi, to Greece in August 2023.

India is perceived as an old and traditional friend of Greece, but also as a rising great power in the fast-changing global scene. Mr. Mitsotakis will be accompanied by a high-level Greek business delegation comprising business leaders not only looking at India's potential as their gateway to Asia but also as a manufacturing base for their global operations.

The importance of security and stability

Greece and India are in many ways 'prisoners' of geography. They are located in areas strategically important to the global system but are areas that are at the same time geopolitically volatile. As recent events in the Red Sea have shown, the security, stability and prosperity of the East Mediterranean region, where Greece is situated, is vitally dependent on the security, stability and prosperity of the Indian Ocean region. The political leadership in India and Greece is aware of the compelling strategic reasons and urgency to build a strategic relationship between the two countries.

Cooperation at various levels

Bilateral strategic, military and business cooperation has been moving along over the years, but at a slow and unhurried pace. The Indian Navy and Indian Air Force have been participating in joint exercises with the Greek armed forces and reciprocal exercises are planned from time to time. An Indian construction company is involved with a major Greek Construction company in the building of a new airport on the island of Crete. A well-known Indian business family has made major investments in several companies in the food business in Greece. A mid-sized Indian shipping company has already opened a brokerage firm in Athens and looks to become a key player in the trans-Atlantic shipping market. A large systemic bank in Greece has tied up with a major Indian financial institution to sell mutual fund products globally. Greece's most important long-term foreign investor is Indian-Canadian billionaire Prem Watsa, founder and CEO of the Fairfax Financial Holdings. Mr. Watsa often states that "Greece is still by far the best European country to invest in." With knowledge of both countries, he has been a steady promoter of Greek-Indian business cooperation. But the question is, is this enough?

As economic reforms by the Mitsotakis government over the last five years push the Greek economy towards a more sustainable growth path, and as Greece positions itself as the reliable eastern flank of the European Union (EU) and the North Atlantic Treaty Organization in the Eastern Mediterranean, also building its defence industry, the idea of constructing the India-Middle East-Europe Economic Corridor (IMEEC) is gaining in salience.

It is hoped that Greek and Indian business will discover many more reasons to partner with each other. Greece has been a strong supporter of deeper EU-India relations and is now working to ensure the EU-India bilateral trade and investment agreement (BTIA) is rapidly concluded, which would be a further catalyst to bilateral economic ties.

Scope for more links

The value of closer people-to-people ties that will preserve the heritage of our ancient linkages must not be ignored. It must be ensured that there is an attempt to remain familiar to each other even while Greece and India modernise themselves. There need to be more university student exchange programmes, more cultural exchanges and more media cooperation. Think tanks in both countries need to build more scholarship together. And, there definitely needs to be more travel links between the two countries.

The fact that the political leaders of Greece and India are exchanging visits within a short time frame shows not just their determination to move the relationship forward but also the urgency they attach to this task. It is now for government policymakers and businesses to follow their lead. The year 2024 is a critical one for the world and for Europe, and it has become a critical year in the building of the Greece-India strategic partnership.

ECONOMICS AND DEVELOPMENT

THE RECENT REPORT ON LOCAL FINTECH PLAYERS

CONTEXT: The Standing Committee on Communications and Information Technology in its report presented to Parliament on February 8 has raised concerns about the dominance of fintech apps owned by foreign entities in the Indian ecosystem and recommended promotion of the local players. The Unified Payments Interface (UPI) commanded a 73.5 % share of the total digital payments in terms of volume in FY 2022-23, while the share in terms of value was only 6.67 % in FY 2022-23.

Head Office:
Vedhik IAS Academy, Mercy Estate,MG Road,
Ravipuram, Ernakulam- 682 015
+91 7777 875 588 | +91 9383 432 123 | 0484 4527777

What does the report infer about the existing ecosystem?

The Committee in its report emphasised that digital payment apps must be effectively regulated. The Committee has observed that it will be more 'feasible' for regulatory bodies such as the Reserve Bank of India (RBI) and the National Payments Corporation of India (NPCI) to control local apps, as compared with foreign apps, which operate in multiple jurisdictions.

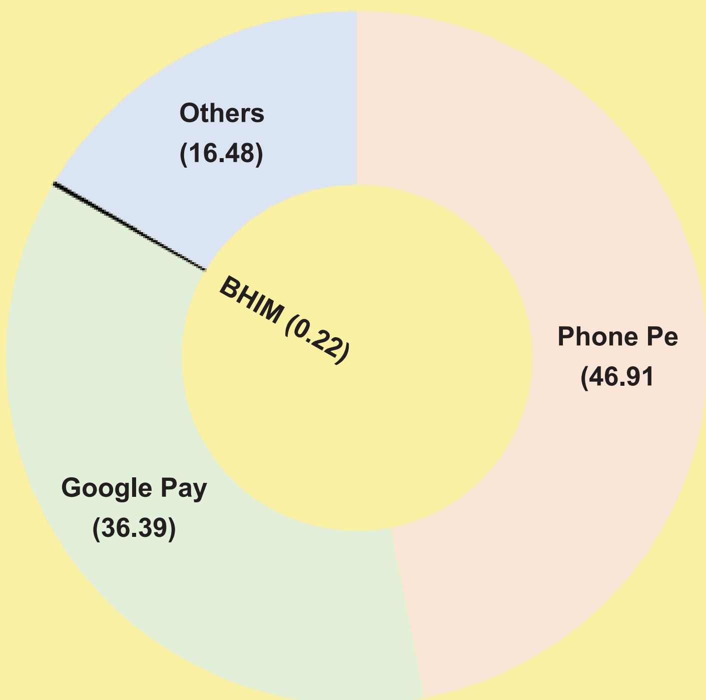


FIGURE: Pie Chart representation of the market share of fintech companies, apps and platforms in terms of volume

NPCI's data for December last year show that a total of 5,642.66 million transactions were initiated by customers using PhonePe, while another 4,375 million used Google Pay and only about 24.30 million used BHIM.

The Committee's recommendations are also largely in tune with the NPCI issuing a 30 % volume cap on transactions facilitated using UPI, back in November 2020. That is, the total number of transactions initiated by any third-party app (like PhonePe and Amazon Pay) individually, could not exceed 30 % of the overall transactions made using the interfaces cumulatively over three proceeding months. Apps exceeding the specified cap were given two years to comply with the directive in a phased manner. The regulator had stated that it would help address the risks and protect the UPI ecosystem as it further scales up. However, the timeline for compliance was extended in December 2022 to December 31, 2024. In view of the significant potential of digital payments and the need for multi-fold penetration from its current state, it is imperative that other existing and new players (banks and non-banks) scale-up their consumer outreach for the growth of UPI and achieve overall market equilibrium.

What are the concerns about fraud?

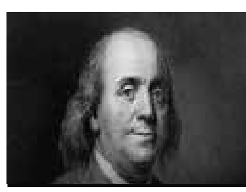
The Committee while examining the different modes used by scamsters to dupe people and park illegal money observed that fintech companies were also being used for money laundering. It was apprised of one such example — an Abu Dhabi-based app called Pyppl. The app was being administered by Chinese investment scamsters. This made it difficult for Indian law agencies to track the trail of money collected through scams on the platform.

The fraud to sales ratio, which represents the total number of fraudulent transactions in comparison to the total number of transactions in a financial year, has largely remained around 0.0015 %. The trend is notwithstanding the rise in volume of the payment mode in the last five years. In the ongoing financial year (till September 2023) the figure stood at 0.0016 %. The percentage of users affected by UPI frauds stood at 0.0189 %.

What does it mean for the ecosystem?

Local fintech players have a "natural advantage" when it comes to understanding the customer, various ecosystem participants, the digital public infrastructure and broader market infrastructure. While foreign fin-techs enjoy the same advantage with respect to new technologies, techniques and global connectivity. A suitably balanced mix to serve the Indian ecosystem needs to be allowed to evolve, and this mix may well vary across different areas such as payments, lending, wealth management, insurance, etc."

The instant payments in India were only expected to contribute less than 10% of future revenue growth because no fees are charged for the interface (UPI). Although UPI generates minimal transaction fees, these revenues still represent an uplift from no-fee cash events, and the paperless process eliminates the hidden costs of managing cash transactions, associated change in consumer behaviour has enhanced security and increased access to digital commerce channels". For perspective, printing and ensuring availability of cash too entails certain costs for the exchequer, thus, the analogous comparison with transaction costs for digital payments.



"If you invest more in your education, then you are likely to get more interest in it."
–Benjamin Franklin