

## ● POLITY

## ● ECONOMICS

## ● TECHNOLOGY

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## POLITY AND GOVERNANCE

## KEJRIWAL DEFIES SUMMONS BY ED, GOES FOR ROADSHOW

**CONTEXT:** Delhi Chief Minister Aravind Kejriwal, was summoned by enforcement Directorate for questioning in connection with Delhi Excise Policy. He chose to Skip the questioning and attended party rally in Madhya Pradesh.

**BACKGROUND:** The ED is investigating a money laundering case related to an alleged scam in the Delhi government's excise policy for 2021-22.

The Delhi government's excise policy for 2021-22 introduced a new system of granting licences to liquor traders.

**THE STORY SO FAR:** The new system was supposed to increase revenue for the government and reduce corruption. However, the policy was criticized by the BJP and other opposition parties for allegedly favoring a few big liquor companies.

The Delhi lieutenant governor recommended a CBI probe into the excise policy, following which the ED registered a case under the Prevention of Money Laundering Act (PMLA).

On Thursday, November 2, 2023, Kejriwal was summoned by the ED for questioning. However, he skipped the summons and instead attended an election rally in Madhya Pradesh.

### POLITICAL CONTROVERSY

AAP leaders continued to attack the Union government stating that the ED's summons was politically motivated and it is part of the BJP's conspiracy to arrest Mr. Kejriwal. Kejriwal also said that the ED summons was a "fishing and roving" exercise by the agency.

Delhi BJP president Virendra Sachdeva and others sat on a dharna at Rajghat, and demanded the Chief Minister's resignation.

### ADDITIONAL INFORMATION:

The AAP has been alleging that the BJP is using the ED and other central agencies to target its leaders. The BJP has denied this allegation.

The Delhi excise policy case has become a major political issue in India. The AAP is accusing the BJP of trying to sabotage its election campaigns in Madhya Pradesh and other states. The BJP is accusing the AAP of corruption and trying to protect its leaders.

**CONCLUSION:** The ED may now issue fresh summons to Kejriwal. If he skips the summons again, he could be arrested.

The Delhi excise policy case is still under investigation.

It is not yet clear whether Mr Kejriwal or any other AAP leader will be charged with any crime. The issue is to develop fully.

## POLITY AND GOVERNANCE

## SC SEEKS DATA ON DONATIONS THROUGH ELECTORAL BONDS, RESERVES VERDICT ON SCHEME

**CONTEXT:** The Supreme Court gave the Election Commission of India (EC) two weeks to produce updated data, till September 30, 2023, on contributions received by political parties through the electoral bonds scheme.

### SALIENT FEATURES OF THE ELECTORAL BONDS:

- **TYPE:** Donors interested in making donations can purchase Electoral Bonds in denomination of ₹ 1000; ₹ 10,000; ₹ 100,000 and ₹ 10,00,000 through cheque or digital mode only.
- **TENOR:** Redeemed in the designated account of a registered political party within a prescribed time limit of 15 days from the date of issuance of bond.
- **ELIGIBILITY OF POLITICAL PARTY:** Interest free financial instruments to donate money to registered political parties who secured 1 % of votes in the recently held General Elections or State Assembly Elections.
- The Finance Bill, 2017 amended Section 13A of the Income-Tax Act, 1961 to capped donations to political parties by a single anonymous donor to ₹. 2000 (one tenth of the current limit of ₹ 20,000) and provide political party exemption if the donation not exceeding ₹. 2,000 is received through instruments such as cheque, draft, electronic clearing system or electoral bond.

### OTHER FEATURES:

- Political parties need not disclose the identity of donors for donations below Rs 20,000.
- Information on corporate political funding is available to the public.
- Identity of donors making donations through Electoral Bonds is not disclosed.
- All donations above ₹ 2000 to political parties can be made through Electoral Bonds only. Prevent political funding through unaccounted money.
- Nearly 70 % - 80 % of funds received by political parties are from anonymous sources in the form of cash donations below ₹ 20000.
- Regulated corporate funding through a cap of 7.5 % of the profit.

- Repealed the 7.5 % cap on corporate donations through electoral bonds.
- Companies, at least 3 years in existence, are eligible for funding political parties.
- Repealed the clause that mandated Companies to have at least 3 years in existence.

### ELECTORAL BOND - AN INSTRUMENT OF TRANSPARENCY

Earlier, political parties need not disclose identity of donors for donations below ₹ 20,000. Nearly 70 %-80 % of funds received by political parties are from anonymous sources, in form of cash donations below ₹ 20000. All donations above ₹ 2000 to political parties now made through Electoral Bonds only acts as a check against traditional under-the-table donations as it insists on cheque and digital paper trails of transactions.

The non-disclosure provisions with regard to identity of donors making contributions through Electoral Bonds makes donations to political parties more opaque. Besides, the repealing of the 7.5 % cap on corporate donations through Electoral Bonds can further strengthen the crony capitalism. Earlier, companies, at least 3 years in existence is eligible for funding political parties. The clause was repealed that would allow newly constituted companies to contribute money.

### INTERNATIONAL RELATIONS

## ANTONY BLINKEN, LLOYD AUSTIN TO VISIT NEW DELHI NEXT WEEK FOR '2+2' DIALOGUE

**CONTEXT:** U.S. Secretary of State Antony Blinken and U.S. Defence Secretary Lloyd Austin will travel to New Delhi next week for the '2+2' meeting with External Affairs Minister S. Jaishankar and Defence Minister Rajnath Singh. The group of Ministers will discuss "both bilateral and global concerns and developments in the Indo-Pacific.

The fifth annual dialogue in this format and the first after Israel and Hamas's latest round of fighting meetings come a few months before India expected to host the Quad Summit in New Delhi, with the leaders of the U.S., Japan and Australia. The speculative date for Quad Summit meeting is January 27 with U.S. President Joe Biden being invited to attend the Republic Day on January 26.

Other subjects are likely to include

- Conflict between Ukraine and Russia
- Reform of international financial institutions such as the World Bank and International Monetary Fund (IMF)
- Diplomatic fall out between India and Canada over the killing of a Canadian Khalistani separatist leader in British Columbia.
- Role of China in the Indo-Pacific region

- Divergence between Washington and New Delhi in their approach to Sheikh Hasina's government in Bangladesh

On defence front, the U.S. and India have also been negotiating Security of Supply Arrangement and the Reciprocal Defence Procurement agreement. India is also moving forward with a purchase of 31 MQ-9B Unmanned Aerial Vehicles. The meeting will also explore efforts to advance democracy and human rights, as well as our expanded cooperation in clean energy, counterterrorism, artificial intelligence, space, and semiconductor manufacture.

### ECONOMICS AND DEVELOPMENT

## 'CBAM WILL KILL MANUFACTURING IN EU; INDIA TO LEVY CARBON TAX'

**CONTEXT:** Union Commerce Minister Piyush Goyal suggested that the European Union's proposed carbon tax on imports as 'ill-conceived' and could serve as a "death knell" for its manufacturing sector.

The European Union's Carbon Border Adjustment Mechanism (CBAM) is a proposed measure to reduce carbon leakage and protect the competitiveness of EU industries. It would impose a carbon charge on certain imports into the EU, based on the embedded carbon emissions in the product. The CBAM is intended to level the playing field between EU industries, which are subject to a carbon price under the EU Emissions Trading System (ETS), and non-EU industries, which may not face similar carbon costs.

The CBAM is still under development, designed to be WTO-compatible expected to be implemented in 2026 will initially apply to imports of certain goods in five sectors: cement, iron and steel, aluminium, fertilisers, and electricity. The CBAM will be phased in over time, and it is expected to cover more sectors and products in the future.

Here are some of the key features of the CBAM:

- Apply to imports of certain goods from non-EU countries.
- Charge will be based on the embedded carbon emissions in the product.
- Charge will be phased in over time.
- Importers required to purchase CBAM certificates to cover the carbon emissions of their imports.

The CBAM has been met with mixed reactions. Some businesses have expressed concerns that it will increase their costs and make them less competitive. However, the EU argues that the CBAM is necessary to protect the competitiveness of EU industries and to prevent carbon leakage.

The CBAM is a complex measure, and it remains to be seen how it will be implemented and enforced. However, it has the potential to be a significant tool in the EU's efforts to reduce greenhouse gas emissions and achieve its climate goals.

**ECONOMICS AND DEVELOPMENT****FED HOLDS INTEREST RATES, ACKNOWLEDGES ECONOMY IS 'STRONG'**

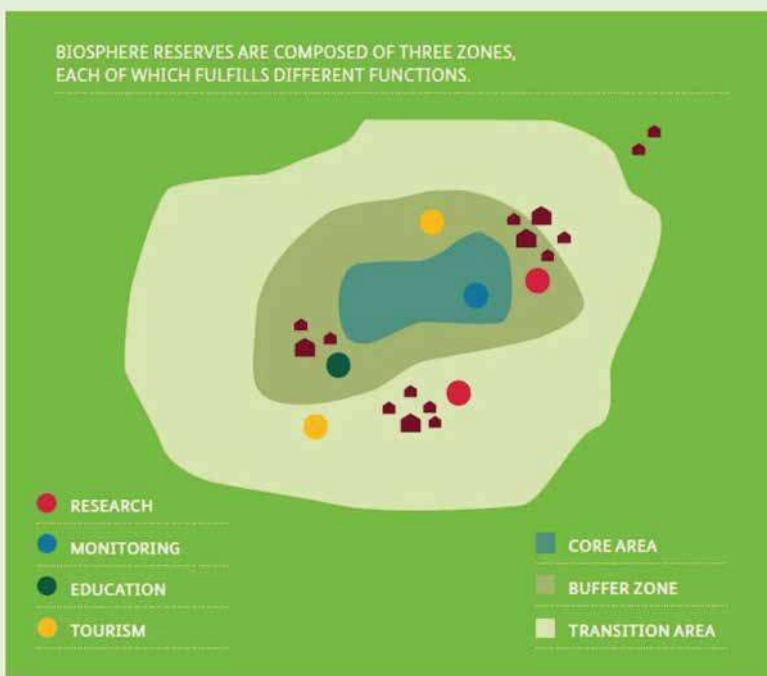
**CONTEXT:** The Federal Reserve held interest rates steady but left the door open to a further increase in borrowing costs in a policy statement that acknowledged the U.S. economy's surprising strength, but also nodded to the tighter financial conditions faced by businesses and households.

The U.S. central bank officials unanimously agreed to leave the benchmark interest rate in the 5.25 % - 5.50 % range of July. The U.S. gross domestic product grew at a 4.9 % annual rate in the third quarter.

**ECOLOGY AND ENVIRONMENT****BIOSPHERE RESERVES ARE EVOLVING AS POCKETS OF HOPE**

**CONTEXT:** World Biosphere Reserve Day is celebrated on November 3 each year to raise awareness of the importance of biosphere reserves and to promote their conservation and sustainable use.

In the heart of each biosphere reserve lies the strictly protected core zone, providing habitat for flora and fauna, and protecting water, soil, air, and biota as a whole ecosystem. There is a buffer zone surrounding the core zone, where people live and work in harmony with nature; a zone that also functions as a laboratory for scientists to study nature, and for training and education. The outermost edge is the transition zone where communities practise socio-culturally and ecologically sustainable human activities.



Designated by UNESCO to promote the conservation of biodiversity, sustainable development, and research, biosphere reserves are also supported by other United Nations agencies, for example the United Nations Development Programme, the United Nations Environment Programme, as well as the International Union for Conservation of Nature. According to UNESCO, there are currently 748 biosphere reserves across 134 countries, including 22 transboundary sites, enhancing the friendly cooperation between neighbouring countries. They impact the lives of more than 250 million people in 134 countries; 12 sites can be found in India alone.

Biosphere reserves are areas of land and sea that are internationally recognized as being important for the conservation of biodiversity and natural ecosystems. They are also intended to promote sustainable development and cooperation between people and nature.

Biosphere reserves are important for a number of reasons:

- **Conservation of biodiversity:** Biosphere reserves protect a wide range of plant and animal species, including many that are rare or endangered. They also help to preserve genetic diversity, which is essential for the long-term survival of species.
- **Maintenance of ecosystem services:** Biosphere reserves provide a variety of ecosystem services, such as water purification, air filtration, and carbon storage. These services are essential for human well-being and economic development.
- **Sustainable development:** Biosphere reserves promote sustainable development by providing opportunities for local communities to benefit from the natural environment in a sustainable way. This can include activities such as tourism, ecotourism, and sustainable agriculture.
- **Research and education:** Biosphere reserves are important centers for research and education on biodiversity, ecology, and sustainable development. They provide opportunities for scientists and students to learn about and monitor natural ecosystems, and to develop new ways to manage them sustainably.

Biosphere reserves are also important for their cultural value. Many biosphere reserves are home to indigenous peoples and local communities who have a deep connection to the land and its resources. Biosphere reserves help to preserve traditional cultures and knowledge, which can be valuable for sustainable development. Overall, biosphere reserves play an important role in the conservation of biodiversity, the maintenance of ecosystem services, the promotion of sustainable development, and the preservation of culture.

Here are some specific examples of the significance of biosphere reserves:

- I. The Nilgiri Biosphere Reserve in India is home to a wide range of biodiversity, including over 5,000 species of plants and 350 species of animals. The reserve is also

important for the conservation of water resources and the provision of ecosystem services such as carbon storage and soil erosion prevention.

- II. The Sian Ka'an Biosphere Reserve in Mexico is a UNESCO World Heritage Site that is home to a diverse range of habitats, including mangroves, coastal forests, and coral reefs. The reserve is important for the conservation of marine life, including sharks, turtles, and manatees.
- III. The Swiss Jura Biosphere Reserve is a transboundary biosphere reserve that straddles the border between Switzerland and France. The reserve is home to a variety of forests, meadows, and wetlands, and it is important for the conservation of species such as the lynx, the capercaillie, and the black grouse.

Biosphere reserves are an important tool for the conservation of biodiversity and the promotion of sustainable development. They play a vital role in protecting our planet's natural resources and ensuring the well-being of future generations.

#### The Asian meet in Chennai

On this second anniversary of World Biosphere Reserve Day, it is important to reflect on the progress that has been made in conserving and sustainably using these vital ecosystems. In this context, UNESCO in partnership with the Ministry of Environment, Forests and Climate Change and the National Centre for Sustainable Coastal Management, concluded the 10th South and Central Asian Biosphere Reserve Network Meeting (SACAM) in Chennai, India (November 1-3). With the theme "Ridge to Reef," the SACAM provided a platform for exchanging knowledge and fostering collaborations in the realm of sustainable environmental practices in the South and Central Asia Region.

The UNESCO Man and the Biosphere (MAB) programme enhances the human-environment relationship through combining natural and social sciences to improve livelihoods, safeguard ecosystems, and promote sustainable economic development.

## INTERNATIONAL RELATIONS

# THE REVENGE OF OLD WEST ASIA

**CONTEXT:** Israel has launched devastating bombing campaigns into Gaza after Hamas brutal attack on October 7th. The Palestine issue of statehood remain as one of the major source of all maladies in the region

**BACKGROUND:** In the 1948-49 war, Israel captured 23% more territories than proposed by the UN Partition Plan. In 1967, Israel seized the West Bank, East Jerusalem, Gaza Strip, Sinai Peninsula, and Golan Heights from Jordan, Egypt, and Syria. The Palestinian territories have remained under Israel's military occupation and control ever since.

**THE STORY SO FAR:** After a Hamas attack on Israel, Israel launched a bombing campaign on Gaza, killing over 9,000 Palestinians. Israel says its heavy response is necessitated by its circumstances, but this is not completely true. The PLO, which for long denied Israel's right to exist, made a major compromise in recognising, but the Oslo talks collapsed and the Israeli occupation of the Palestinian territories continued. This led to the strengthening of Hamas, which had always opposed Oslo. By the time the second intifada broke out in 2000, Hamas was already in the driving seat and the PLO's non-violent campaign for statehood was seen as toothless by most Palestinians. Rather, it is the absence of peace and the continuing occupation that strengthened Islamist radicalism in Palestine.

**IRAN FACTOR:** Iran is a major rival of Israel in the Middle East and backs Hamas and the Palestinian Islamic Jihad. However, Iran became hostile to Israel only after the Islamic revolution in 1979. Before that, Iran was close to Israel and even supplied it with weapons. Iran did not have much influence among the Palestinians during the Oslo process, but began to support radical Palestinian Islamists after Oslo collapsed. Thus, Iran is a factor in the Israel-Palestine crisis, but it is not the only factor.

**HOSTILE NEIGHBOURHOOD:** Israel has become a regional hegemon with the support of the US. However, the Palestine question remains the source of all maladies in the region. Ever since its forced withdrawal from Gaza in 2005, Israel's approach has been to ignore the question of occupation and treat Palestinians as a security nuisance. However, Hamas's brutal October 7 attacks shattered the foundations of the "new Middle East". The Palestine question must be addressed in order to achieve peace in the region.

**CONCLUSION:** The Israel-Palestine conflict is a complex and long-standing one, with no easy solutions. However, it is clear that the Palestinian issue of statehood remains one of the major sources of all maladies in the region. The absence of peace and the continuing occupation have strengthened Islamist radicalism in Palestine, and the conflict has become a regional hegemonic struggle between Israel and Iran. The Palestine question must be addressed in order to achieve peace in the region.



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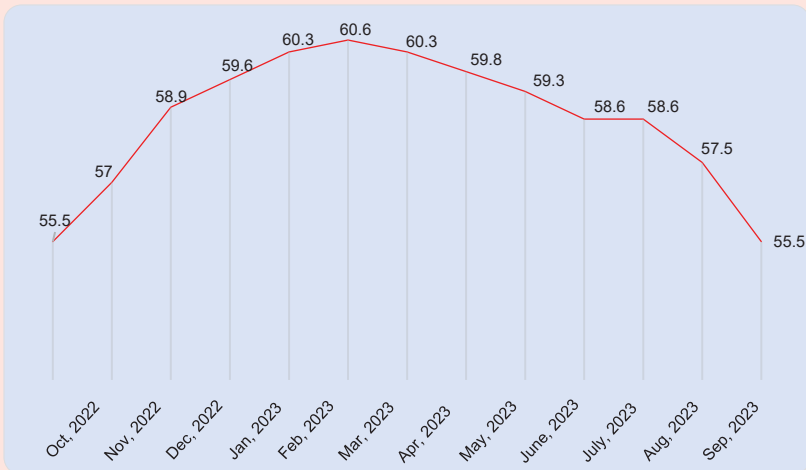
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**ECONOMICS AND DEVELOPMENT**

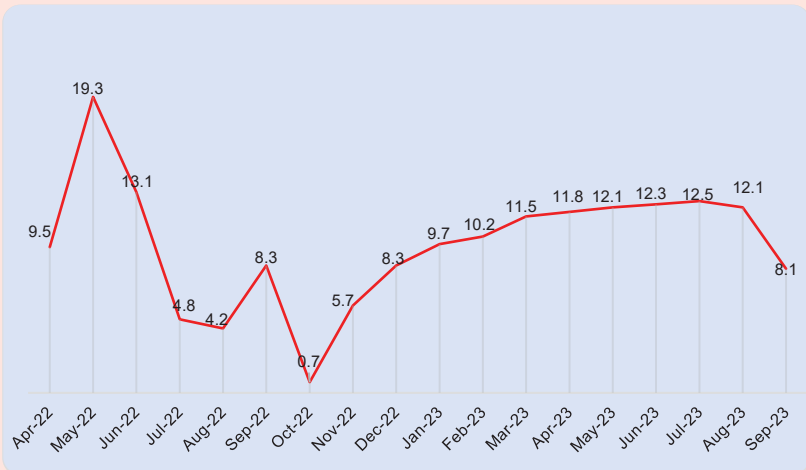
## SLOWING MOMENTUM

**CONTEXT:** The S&P Global India Manufacturing PMI unexpectedly dropped to 55.5 in October 2023 from 57.5, missing market consensus of 57.7.

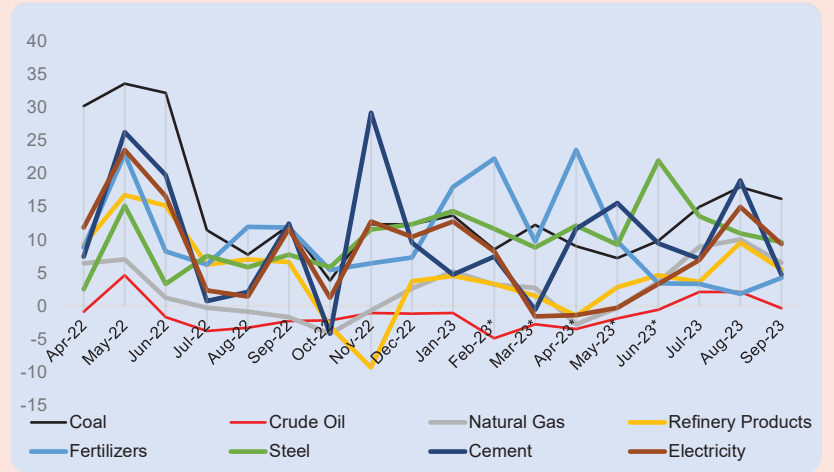
The S&P Global India Manufacturing Purchasing Managers' Index (PMI) for October 2023 was 55.5, down from 57.5 in September. This was the second consecutive month of slowing growth in the manufacturing sector, but the reading was still above the long-run average of 53.9. Output growth in October was the weakest since February, and new order growth was at its slowest pace since last year. Foreign sales also expanded at the softest pace in 4 months. Despite the slowdown in growth, manufacturers remained confident about the outlook for the coming year. The overall level of positive sentiment improved to its highest in 2023 so far. Overall, the S&P Global India Manufacturing PMI for October 2023 suggests that the manufacturing sector is still growing, but at a slower pace than in previous months. Manufacturers are facing some headwinds, such as rising input costs and weakening global demand. However, they remain optimistic about the outlook for the coming year.



**FIGURE:** Column chart representation of the monthly S&P Global India Manufacturing Purchasing Managers' Index (PMI).



**FIGURE:** Line chart representation of the core sector growth rates (on Y-o-Y basis in per cent)



**FIGURE:** Line chart representation of the sub-sectorial growth rates (on Y-o-Y basis in per cent) of core sector industries.

The government's provisional figures for output across the key infrastructure industries, from cement and coal to steel and electricity, show the average year-on-year growth in production eased appreciably to a four-month low of 8.1 % in September, from the 12.5% pace posted in August. The pace of expansion flagged across all but one of the eight sectors, with only fertilizers registering a quickening in growth from the preceding month as farmers stocked up on the key agricultural input ahead of the rabi season. Heavy rains in the final month of the southwest monsoon season, which resulted in 13 % surplus precipitation for September, also likely contributed to dampening demand and output for cement, electricity and steel, all of which saw significant slowing in growth from double-digit paces in August. Sequentially, production in fact contracted across all the eight sectors, with the overall index declining 4.8 % from August's level. Coal offered the silver lining: the year-on-year growth in output of the fuel eased only slightly to a still robust 16.1 % pace, from August's 17.9%, and posted just a 1.5% sequential contraction.

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## ECONOMICS AND DEVELOPMENT

## UNDERSTANDING WORKER PRODUCTIVITY

**CONTEXT:** Infosys founder N.R. Narayana Murthy sparked a debate last week by urging young Indians to work 70 hours per week, citing Japan and Germany as examples of countries that grew because their citizens worked harder and for longer hours to rebuild their nations in the aftermath of the Second World War.

Productivity of an activity is usually measured as the quantum of output value per unit of labour (time) cost at a micro level. At a macro level, it is measured in terms of the labour-output ratio or change in Net Domestic Product (NDP) per worker in each sector (where working hours are assumed to be 8 hours per day).

Worker productivity in India is significantly lower than in advanced economies. For example, in 2020, manufacturing productivity in India was \$ 94,249 per worker, compared to \$ 484,862 per worker in the United States. This means that an average Indian manufacturing worker produces less than one-fifth of the output of an average American manufacturing worker.

Even after adjusting for purchasing power parity (PPP), Indian manufacturing productivity is still only about three-fifths of the level in the United States. This suggests that the difference in productivity between India and advanced economies is not simply due to differences in the cost of living.

There are a number of factors that contribute to the lower productivity of Indian workers. These include:

- Lower levels of education and skills. The average Indian worker has less education and fewer skills than the average worker in an advanced economy. This makes it difficult for Indian workers to compete in high-value-added industries.
- Less investment in technology and infrastructure. Indian businesses invest less in technology and infrastructure than businesses in advanced economies. This makes it difficult for Indian workers to be productive.
- More rigid labour regulations. Indian labour regulations are more rigid than labour regulations in most advanced economies. This makes it difficult for Indian businesses to hire and fire workers, and it also makes it difficult for workers to move between jobs.
- A larger informal sector. The informal sector in India is much larger than the informal sector in advanced economies. This

means that a significant number of Indian workers are employed in low-productivity jobs.

The Indian government is aware of the need to improve worker productivity. It has taken a number of steps to address the factors that contribute to low productivity, such as investing in education and skills training, promoting investment in technology and infrastructure, and reforming labour regulations. However, more needs to be done to improve worker productivity in India.

Here are some specific examples of the productivity gap between India and advanced economies:

- In the automotive sector, it takes an average Indian worker 150 hours to assemble a car, compared to 30 hours for an average Japanese worker.
- In the steel sector, it takes an average Indian worker 30 hours to produce one ton of steel, compared to 10 hours for an average Chinese worker.
- In the textile sector, it takes an average Indian worker 2 hours to produce one garment, compared to 1 hour for an average Bangladeshi worker.

In 1980, India's Gross Domestic Product was about \$200 billion, which by 2015 exceeded \$2,000 billion. However, in terms of the distribution of income across groups in India, Lucas Chancel and Thomas Piketty have shown that during 1980-2015, where the share in the national income of 40 % of the middle-income group and 50% of the low-income group in India had decreased from 48 % to 29 % and 23 % to 14 % respectively, the top 10 % income groups share had increased from 30 % to 58 %.

This effectively means that the income groups in the bottom 50% in India experienced an increase in their income from 1980 to 2015 by 90 %, whereas income groups in the top 10% experienced an increase in income by 435 %. The top 0.01% has had an increase of 1699% percent from 1980 to 2015 and the top 0.001 % have had an increase of 2040 %. Chancel and Piketty note that the increase in incomes or the prosperity of the richest people is not quite explained by their productivity. On the contrary, this prosperity is either linked to hereditary transfers of wealth upon which the rich are earning yields (he called this patrimonial capitalism) or to the 'super managerial' class who seem to be deciding their own exorbitant pay packages, quite arbitrarily, not related in any way to their productivity.



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



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MG Road, Ravipuram,  
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*Corporate office:*

**Vedhik IAS Academy**  
Samkalp Bhawan, Plot No.15,  
Sector 4, Rama Krishna Puram,  
New Delhi, Delhi-110022

*Regional office*

**Vedhik IAS Academy**  
202, Raheja Chambers, 12,  
Museum Road. Bangalore -  
560001. Karnataka, India.

*GCC Office:*

**Bobscoedu,**  
Bobsco Trading & Contracting Co. W. L. L  
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Road: 2701, Adliya, Kingdom of Bahrain  
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