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INDIA – ASEAN: CHANGING DYNAMICS IN CONTEXT OF FTA

UPSC MAINS SYLLABUS GS2: Bilateral, Regional and Global Groupings and Agreements involving India and/or affecting India's interests.

WHY IN NEWS?

1. Recently, the Prime Minister (PM) of India attended the 20th Association of Southeast Asian Nations (**ASEAN**)-India Summit and the 18th East Asia Summit (**EAS**) in **Jakarta, Indonesia**.
2. The two summits were an opportunity for India to strengthen its relationships with ASEAN countries and reaffirm its commitment to a *free, open, and rules-based Indo-Pacific*.

WHAT IS ASEAN?

1. ASEAN was established on **8 August 1967** in Bangkok, Thailand, with the signing of **Bangkok Declaration** by the 5 Founding Fathers of ASEAN: Indonesia, Malaysia, Philippines, Singapore and Thailand (IMPST).
2. ASEAN currently comprise of **10 countries**: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.
3. It aims to promote **stability and economic growth** across these nations.
4. Chairmanship rotates annually, based on the alphabetical order of the English names of Member States.
5. The region has one of the largest economies in the world, and it is believed that by 2050, it will have the 4th-largest economy in the world.

IMPORTANCE OF ASEAN FOR INDIA:

1. ASEAN forms an integral part of India's **Act East policy** which focusses on the extended neighborhood in the Asia-Pacific region.
 1. Policy originally conceived as an economic initiative, has gained **political, strategic and cultural dimensions** including establishment of institutional mechanisms for dialogue and cooperation.
 2. By aligning India's Act East Policy with the **U.S. Pivot to Asia**, India seeks to expand its geo-strategic space to contend with China's growing assertiveness and foster balanced relations.
2. ASEAN engulfing regions of **Indo-Pacific** is integral for India for various important aspects:
 1. Indo-Pacific Region makes up **65%** of the global population & generates **62% of global GDP**. For India, **50% of its total trade volume** is concentrated in the Indo-Pacific region.
 2. In addition to being a wealthy market, the region also manages **international supply networks** through important straits such as Strait of

3. The immense quantities of **marine resources** found in the Indo-Pacific Oceans include offshore hydrocarbons, methane hydrates, seabed minerals, Rare earth metals, fisheries, etc.
4. A **competitive environment** for the exploitation of these resources has been established by the extensive coastlines and **Exclusive Economic Zones (EEZs)** of littoral countries. For example: China claiming vast lands in South China Sea under its “**9-dash**” line strategy.
5. Thus, India seeks to guarantee freedom of navigation, protect choke points, end conflicts amicably, and confront unconventional security concerns in the Indian Ocean region (IOR).

INDIA – ASEAN FREE TRADE AGREEMENT (FTA):

WHAT IS AN FTA?

1. Free Trade Agreement (FTA) is a pact between two or more nations to **reduce barriers to imports and exports** among them.
2. Under a free trade policy, goods and services can be bought and sold across international borders with **little or no government tariffs**, quotas, subsidies, or prohibitions to inhibit their exchange.
3. The concept of free trade is the opposite of trade protectionism or economic isolationism.

FTA WITH ASEAN:

1. India signed an FTA with ASEAN (its **4th largest trading partner**), known as the ASEAN-India Trade in Goods Agreement (**AITIGA**), on 13th August, **2009** followed by an FTA in Services and investments in 2014.
2. Apart from this, India has a Comprehensive Economic Cooperation Agreement (**CECA**) with various countries of the ASEAN region which has resulted in concessional trade and a rise in investments.
3. However, it did not bore significant results as envisaged by India as there were various **Shortcomings**:
 1. ASEAN-India trade took over a decade to double in value.
 2. India has been particularly concerned with the rising **trade deficit** with ASEAN, which increased to **US\$ 43.57 billion** in the 2022 from just US\$ 5 billion in 2010-11.
 3. India’s net exports to countries without a trade agreement were only marginally lower than its net exports to countries with FTAs while imports from countries with trade agreements were substantially higher, pushing India into a trade deficit.

REASON FOR FAILURE OF FTA WITH ASEAN:

1. **Lack of market access and connectivity:** Some Indian products do not have market access in ASEAN countries due to a number of factors such as **high tariffs and non-tariff barriers**.
 - Despite efforts in this direction, physical and digital connectivity between India and ASEAN countries remains limited, which affects trade, investment, and people-to-people ties.
2. **ASEAN strict rules of origin:** This makes it difficult for Indian exporters to **export products to ASEAN** countries and benefit from the tariff reductions under the FTA.

- On the other hand there are a number of alleged instances where merchandise is being **re-routed from China**, via ASEAN countries with minimum value addition, thereby misusing the India-ASEAN FTA.
3. **Nature of engagement:** India still engages with ASEAN countries **more on a bilateral basis** rather than through a multilateral approach leading to problems of coordination and consensus-building.
 4. **Competing regional agreements:** Engagement of ASEAN countries with other regional agreements like the **RCEP** and the **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)** diverts attention and resources away from the ASEAN-India relationship.

Regional Comprehensive Economic Partnership (RCEP):

1. RCEP is the world's **largest trading bloc** comprising 33% of Global Population & **30% of World's GDP**.
2. The RCEP negotiations began in 2012. It was officially signed in November 2020, marking a major milestone in regional trade.
3. **15 member** countries include ASEAN countries & 5 Associate states: China, Japan, South Korea, Australia & New Zealand.
4. The RCEP negotiation includes trade in goods, services, investment, economic and technical cooperation, intellectual property, competition, **dispute settlement, e-commerce, small and medium enterprises (SMEs)** and other issues.
5. It majorly aims to reduce or eliminate **tariffs and non-tariff barriers** to trade.

India was a founding member of the RCEP, However In 2019, **India decided to withdraw from the RCEP negotiations** due to following concerns:

1. Flooded by Cheap goods from Manufacturing hubs like **China & Vietnam**.
 - **Poor Manufacturing Sector:** In the recent period, manufacturing holds a share of **14%** in India's Gross Domestic Product (GDP).
 - Share of Manufacturing as % of GDP for other countries: **China: 27 %**, Indonesia: 20 % & Germany: 19 %
 - India already has a massive **trade deficit with China**, amounting to \$53 billion (€48 billion)
 2. India was also concerned about the RCEP's potential impact on sectors like **agriculture**, which would affect the country's vast rural population.
 - Indian agriculture is largely **subsistence-based** and beset by alarmingly low levels of modern technology, packaging, processing and storage facilities.
 - Opening it up to competition from much more advanced agriculture producers in places like **Australia, New Zealand and Japan** would have led to an economic and social crisis. For example: Concerns raised by **dairy and food processing sectors**.
 3. Even bigger industrial sectors, like **Steel, iron and rubber** manufacturing, were not in favor of the trade pact. These industries in India are dominated by big family-controlled firms, which are protectionist in nature.
 4. Protectionism: The **Atmanirbhar Bharat campaign** has also exacerbated the view that India is increasingly becoming a **protectionist closed market economy**.
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WAY FORWARD:

1. **Building Resilient Supply Chain:** Current engagement in value chains between ASEAN and India is not substantial. Thus, ASEAN and India must upgrade their logistics services and strengthen the transportation infrastructure. India has focused on promoting connectivity with other ASEAN states through Myanmar and Thailand. For example:
 - India-Myanmar-Thailand (IMT) highway,
 - Bhutan-Bangladesh-India-Nepal (BBIN) road-rail network
 - Kaladan Multimodal Project
 - Mekong-Ganga Economic Corridor.
2. **Maritime Security in Indo-Pacific** region is crucial for the protection of India's interests as well as those of ASEAN:
 - To ensure its role as Net Security Provider (NSP) in region, India participates in Indian Ocean Rim Association (IORA), ASEAN-led frameworks like the East Asia Summit, the ASEAN Defense Ministers' Meeting Plus, ASEAN Regional Forum as well as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).
3. Also, ASEAN should emphasize the principles of the **UN Convention for the Law of the Sea (UNCLOS)** to solve the disputes in the South China Sea region.
4. **Regional Tourism:** India and ASEAN should also enhance regional tourism and people-to-people connectivity as they already have civilizational and cultural influences on each other.
5. **Unfolding Act-East Policy:** Reciprocity and mutual understanding on common concerns will help both ASEAN and India to overcome some of the challenges.
 - Thus, Coordination in the fields of Digitalization, Pharmaceuticals, Agriculture Education and Green Growth is imperative.

PREVIOUS YEARS PRELIMS QUESTIONS:

Q1. India is a member of which among the following? (2015)

1. Asia-Pacific Economic Cooperation
2. Association of South-East Asian Nations
3. East Asia Summit

Select the correct answer using the code given below:

- (a) 1 and 2 only
- (b) 3 only
- (c) 1, 2 and 3
- (d) India is a member of none of them

Answer: (b)

Q2. Consider the following countries: (2018)

1. Australia
2. Canada
3. China
4. India
5. Japan
6. USA

Which of the above are among the 'free-trade partners' of ASEAN?

- (a) 1, 2, 4 and 5

- (b) 3, 4, 5 and 6
- (c) 1, 3, 4 and 5
- (d) 2, 3, 4 and 6

Ans: (c)

Q3. The term 'Regional Comprehensive Economic Partnership' often appears in the news in the context of the affairs of a group of countries known as (2016)

- (a) G20
- (b) ASEAN
- (c) SCO
- (d) SAARC

Ans: (b)

Suyash Rai

ASIAN DEVELOPMENT BANK (ADB)

Why in the news?

The Government of India and the Asian Development Bank (ADB) have entered into an agreement for a \$250 million policy-based loan.

About Asian Development Bank (ADB)

- **Establishment:**
 - The Asian Development Bank (ADB) was established on December 19, 1966, as a regional development bank.
- **Headquarters and Field Offices:**
 - ADB is headquartered at 6 ADB Avenue, Mandaluyong, Metro Manila 1550, Philippines.
 - It maintains 42 field offices in Asia and the Pacific, with representative offices in Washington, Frankfurt, Tokyo, and Sydney.
- **Aim and Mandate:**
 - ADB positions itself as a social development organization committed to poverty reduction in Asia and the Pacific.
 - Its objectives include fostering inclusive economic growth, environmentally sustainable development, and regional integration.
 - These goals are pursued through investments in various sectors, such as infrastructure, healthcare services, financial and public administration systems, climate change preparedness, and natural resource management.
- **Membership:**
 - ADB started with 31 members and has now expanded to include 68 members.
 - Membership is open to members of the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) and non-regional developed countries.
- **Decision-Making and Votes:**
 - ADB's decision-making process mirrors that of the World Bank.

- The number of votes held by a member corresponds to the number of shares it owns, distributed in proportion to capital subscriptions.
- Japan currently controls the highest number of shares, constituting approximately 15.5% of the bank's ownership.

Board of Governors:

- **Highest Policy-Making Body:**

- The Board of Governors, consisting of one representative from each member state, serves as the highest policy-making body of the ADB.
- This board elects the twelve members of the Board of Directors, including their deputies.

- **Composition:**

- Eight of the twelve directors represent regional (Asia-Pacific) members, while the others represent non-regional members.

- **Election of President:**

- The Board of Governors is responsible for electing the president, who also serves as the chairperson of the Board of Directors and manages the overall functioning of ADB.

President:

- **Term and Re-election:**

- The president holds a five-year term and is eligible for re-election.
- Traditionally, the president has been Japanese, reflecting Japan's significant shareholding in the bank.

Areas of Focus:

- **Aligned with SDGs:**

- ADB's development initiatives align with the World Bank's Sustainable Development Goals (SDGs).

- **Key Areas:**

- The bank prioritizes key areas, including Education, Health, Transport, Energy, Finance Sector, and Climate Change.

- **Sustainable and Inclusive Growth:**

- ADB aims to foster sustainable and inclusive economic growth by financing projects in education and health.
- It also contributes to improving capital markets and business infrastructure in target countries.

- **Specialized Areas:**

- ADB engages in specialized areas such as Public-Private Partnerships (PPPs), Information Technology, Regional Cooperation and Integration, etc.
- These serve as secondary capacity-building programs to complement primary focus areas.

Source:

<https://timesofindia.indiatimes.com/business/india-business/asian-development-bank-injects-250-million-to-boost-indias-industrial-corridors/articleshow/105860657.cms?from=mdr>

Rishabh

CURRENT RELEVANCE OF A NEW ECONOMY FOR INCLUSIVE DEVELOPMENT

(This article is from 'Institute of New-Economy Thinking', 'Official website of the Ministry of External Affairs, Government of India', 'United States Agency for International Development', 'The Hindu', 'Indian Express', 'Sansad TV program Sarokar', Brief summary of the accompanying editorials of 'Energy and Environment', an interdisciplinary journal that invites energy policy analysts, natural scientists and engineers, as well as lawyers and economists to contribute to mutual understanding and learning' and 'PIB' This plan also includes suggestions from the YOJNA IAS team. This article is specifically related to the 'Indian Economy and Development, Growth and Employment, Sustainable and Inclusive Development and Environment and Ecology' section of the UPSC Civil Services Examination. This article is related to the 'Daily Current Affairs' section. Relates to 'Relevance of a New Economy for Inclusive Development').

General Studies: Indian Economy and Development, Growth and Employment, Sustainable and Inclusive Development and Environment and Ecology.

WHY IN DISCUSSION / NEWS ?

"May everyone be happy and may everyone be healthy. Let all look for the good, and let no one suffer." That is, "May all human beings in this entire world be happy, may all be free from disease, may all witness the good of each other and may no one suffer in this world." This proverb, written in ancient Indian scriptures, wishes the welfare and happiness of the entire creature. The concept of 'inclusive development' is not new in the Indian context. If you observe the ancient scriptures, they also contain the sense of taking all people together and since the time of development of Indian civilization (ancient times) who believed in the concept of 'Vasudevam Kutumbkam' and he called the entire world 'Vasudevam Kutumbkam' That is, it has been a country that believes in 'one family' namely India has always considered this entire world human civilization as a family or mutually related / allies and this is also affirmed in Indian theologies of sustainable and inclusive development at the recently concluded G20 meeting hosted by India India has drawn the attention of developed and developing countries all over the world towards the need for the development of a new economy. During the hosting and meetings of the G20, the Prime Minister of India used the motto 'Vasudevam Kutumbkam' for the G20, which meant 'One Earth, One Family, One Future'. "This aptly reflects our vision for the G20 Presidency. The whole earth is like a family to us. In any family, the future of each member is closely linked to that of every other member. So, when we work together, we move forward together, leaving no one behind."

भारतीय अर्थव्यवस्था 5 : सतत विकास और समावेशी विकास



KEY OBJECTIVES/PRIORITIES OF A NEW ECONOMY FOR INCLUSIVE GROWTH:

The priorities of the G20 meetings were also the following -

- Inclusive, equitable and sustainable development.
- Life (lifestyle for the environment).
- Women Empowerment.
- Digital public infrastructure and technology - enabling growth in sectors ranging from health, agriculture and education to commerce.
- Skills-Mapping, Culture and Tourism, Climate Finance, Circular Economy, Global Food Security, Energy Security, Green Hydrogen, Disaster Risk Reduction and Adaptation.
- Development cooperation, the fight against economic crime, and multilateral reform.

This concept of development emerged in a new form after 'globalization' arising from liberalization in the nineties because during liberalization, global economies got an opportunity to join together and this concept went out of the scope of countries and states and gained its importance in the global context. Was successful in maintaining. In India too, under liberalization, privatization and globalization in the nineties, India also moved towards a new economy under inclusive development and maintained its importance in the global context. At present, India is the fifth largest economy in the world, which is moving towards becoming the third largest economy in the world in the coming few years.

MEANING OF INCLUSIVE DEVELOPMENT:

The meaning of inclusive development can be understood on the basis of the following criteria -

- Inclusive development is taken to mean such development which creates employment opportunities and which proves helpful in reducing poverty.
- It includes providing equality of opportunity and empowering people for education and skills, that is, it includes promoting development with equality of opportunities.
- A form of development that not only creates new economic opportunities, but also ensures equitable access to such opportunities for all sections of society.

- Objectively, inclusive development refers to a situation where high growth rates of GDP per capita are reflected in high growth rates of GDP, accompanied by reduction in inequality between the distribution of income and wealth.
- Inclusive development focuses on providing basic amenities to all sections of the population, i.e. housing, food, drinking water, education, health as well as generating means of livelihood to live a dignified life. Along with all this, it is necessary to take care of environmental protection for inclusive development because development done at the expense of the environment can neither be called sustainable nor inclusive.

INITIATIVES TAKEN BY THE GOVERNMENT FOR NEW ECONOMY AND INCLUSIVE DEVELOPMENT:

- The concept of inclusive development was first introduced in the 11th Five Year Plan. **The 11th Five Year Plan continued from the year 2007 to 2012 and was the second last Five Year Plan of India . The theme of which was – “Rapid and more inclusive development”**. In this plan, the concept of inclusive development was introduced. It was said to improve the quality of life of all sections of people and provide them equality of opportunities.
- **The 12th Five Year Plan (2012-17) completely focused on inclusive growth and its theme was – “ Rapid, Inclusive and Sustainable Development”**. In this plan, special emphasis was given on poverty, health, education and providing livelihood opportunities. So that the growth rate of 8 percent prescribed in the plan can be achieved.
- Many schemes have been launched by the government to achieve inclusive development. These include- **‘Deendayal Antyodaya Yojana’, ‘Integrated Child Development Programme’, ‘Mid-Day Meal Scheme’, ‘MNREGA’, ‘Sarva- Education campaign’** etc.
- Keeping women in mind, schemes like **‘Start-up India’, ‘Support to Training and Employment Program for Women ’** have been started by the government. Apart from this, schemes like **‘Women Entrepreneurship Forum’** and **‘Pradhan Mantri Kaushal Vikas Yojana’** have been started by the government. Efforts also include financial inclusion efforts for women.
- Many initiatives/schemes have also been started by the government for financial inclusion. These include important schemes like **‘Mobile Banking’, ‘Pradhan Mantri Jan Dhan Yojana’, ‘Pradhan Mantri Mudra Yojana’, ‘Senior Pension Insurance Scheme’** etc. Has been done
- Steps like **Disability Act 1995, National Trust for Welfare Act 1999, SIPDA, Sugamya Bharat Abhiyan, Swavalamban Yojana and the Rights of Persons with Disabilities Rules, 2017** have been taken by the government to include the persons with disabilities in inclusive development.
- **‘Soil-Health-Card’, ‘Neem-Coated-Urea’, ‘Pradhan Mantri Krishi-Irrigation Yojana’, ‘Pradhan Mantri Fasal-Bima-Yojana ’** have been launched by the government to promote financial inclusion in agriculture sector and for farmers .And important schemes like **‘National Food Security Mission’** are being implemented.

METHODS OF MEASUREMENT OF INCLUSIVE DEVELOPMENT:

Measuring a nation’s progress based on the progress of its poorest segment, i.e. measuring per capita income based on the progress of the bottom 20 percent of the population, is the best way to measure inclusive growth.

- An indicator of healthy inclusive development is that if there is an increase in per capita income then it is an indicator of healthy inclusive development.
- **If a country or state has to achieve high growth rate, then the weakest sections of the society will also have to be included in the mainstream pace of development.** The concept of inclusive development depends on this.



NEED FOR INCLUSIVE DEVELOPMENT: RELEVANT IN THE PRESENT TIMES.

No country can develop in the absence of inclusive development. Inclusive development is not only economic development but it is also a social and moral imperative of economic development. The importance of inclusive development in the context of the development of the new economy can be understood on the basis of the following context –

- Inclusive growth is essential for sustainable development. Therefore, if development is not sustainable then a situation of decline will arise in the economy.
- Due to imbalance in income distribution, wealth will be concentrated in a few people, as a result demand for goods will decrease and GDP growth rate will also decrease. If there is no inclusive development, there will be imbalance in income distribution.
- Due to lack of uniform inclusive development, inequality increases in different parts of the country due to which the deprived sections are not able to join the main stream of development.
- Disruptive tendencies like communalism, regionalism, racial and ethnic violence within the geographical boundaries of any country are born due to lack of inclusive development, which sometimes creates a situation of dissatisfaction in the country, as a result of which the geographical boundaries of the country deteriorate. Disruptive tendencies like communalism and regionalism are born .

CHALLENGES BEFORE INCLUSIVE DEVELOPMENT:

- Migration towards urban areas is having a negative impact on the agricultural economy due to which agricultural productivity is decreasing.
- Due to lack of basic facilities in villages, people migrate from villages to cities. Due to this, population pressure increases in cities.
- There is still a need to create permanent and long-term employment sources in rural areas because MNREGA and many other such employment related schemes are being

implemented in rural areas but these cannot be included as permanent sources of employment.

- Corruption also has a negative impact on the country's economy by hindering the pace of inclusive development.

PATH TO SOLUTION/WAY FORWARD/ CONCLUSION:

At present, if the goal of rapid inclusive growth is to be achieved in India, then there will be a need to pay special attention to the agriculture sector, because the United Nations has set a target of eliminating all forms of poverty (unemployment, low income, poverty etc.) by the year 2030. The target is specified in Goal 1 of the Sustainable Development Goals. Since the agricultural sector in India provides employment to half of the total labor force. Apart from this, the government had also set a target of doubling the income of farmers by the year 2022, but the per capita productivity in this area is very low due to which it is associated with the highest area of poverty. However, in a country with a large population like India, the biggest challenge is how to spread the benefits of development to all sections and all sections of the society and this is where the role of appropriate use of technology comes into play. The recently launched 'Digital India Programme' is a good initiative to face this challenge. Therefore, India is poised to become the leader of the G20 group of countries in developing a new economy for inclusive growth and the third largest economy in the world, growing at a very fast pace. Which is a sign of the bright future of India's strong and new economy among the countries with developed economies globally.

PRACTICE QUESTIONS FOR PRELIMINARY EXAM:

Q.1. CONSIDER THE FOLLOWING STATEMENTS IN THE CONTEXT OF DEVELOPMENT OF A NEW ECONOMY FOR INCLUSIVE GROWTH.

1. The global agenda of sustainable development is possible only when all countries fulfill their share of responsibilities.
2. India is one of the few countries in the world where forest and tree covered areas are continuously increasing despite the development process. The extent of tree covered area in India has reached 80.73 million hectares which is 24.6 percent of the total geographical area of the country.
3. The agenda of the Rural Development Program revolves around its development mantra – "Sabka Saath, Sabka Vikas" (inclusive development), which aims to ensure that the benefits of development reach the poor and deprived sections.
4. Deen Dayal Upadhyaya Jyoti Yojana aims to provide electricity at affordable rates and focus on green energy, clean energy to increase the power supply.

1. Only 1, 3 and 4
2. Only 2 and 4
3. Only 1, 2 and 4
4. All of these.

Which of the above statement(s) is/are correct?

Answer - (d)

PRACTICE QUESTIONS FOR MAIN EXAM:

Q.1. In a New economy for inclusive growth, can technological change create an inclusive future of work and promote inclusive growth? How can pollution be addressed while considering inequalities and injustices in the vision of inclusive development?

Akhilesh kumar shrivastav



Yojna IAS
योजना है तो सफलता है