GD PI WAT TOPICS HANDBOOK

If you need any assistance with regard to your GD PI WAT prep and/or need us to take a mock interview, write back to us on contact@learningroots.in

About Learningroots

Our USP is our team and the exposure we have had across domains (you would meet ex-Career Launcher, PaGaLGuY, Accenture, TAS, ITC, Great Place to Work, SEBI, JJ Hospital, National level quizzers, a doctor, a science grad, and an engineer; we have work experience across Education & mentoring, Sales & Marketing, Finance, Strategy, HR, and Operations; who were CII national level event panelists, placement coordinators, media cell associates, etc. all this in a team of three).

The Team

Dr. Shashank Prabhu: A doctor by qualification (who maintains that he IS saving a lot of lives by not practising), Shashank has completed his MBA from FMS, Delhi. He has a happy knack of cracking entrance tests and helping aspirants do so, the highlight being a 100%ile in the CAT 2011. He believes in being able to crack any problem using minimal technical interventions and you would find him designing "elegant" solutions to questions. He has worked with ITC Ltd., TAS and PaGaLGuY.com donning various hats and has been mentoring aspirants since the past five years. When he is not designing "uncrackable" questions, or being a big (literally!) Bollywood buff, he can be seen pondering over his Kindle or reading obscure facts and fun(?) trivia. Always available for a friendly chat over a cup of coffee!

Prasad Sawant: Prasad believes that every CAT aspirant deserves mentorship and that an able mentor can make an individual's career. An MBA from JBIMS, Mumbai with a 99.99 %ile in CET, he is currently putting his entrepreneurial skills gained through his SYB programme from SP Jain to good use by combining it with his lifelong passion for teaching and mentoring. Incredibly humble and helpful, he has mentored hundreds of aspirants in the past who vouch by his name. He has been a faculty with Career Launcher, a senior consultant with Great Place to Work and is a certified interviewer. When he is not burning boards through his speed math techniques, he can be found winning quizzing laurels, the highlight being the national champion of CII Inquizzite and the NHRD Quiz.

Sriram Krishnan: An alumnus of JBIMS and having worked across strategy, finance, media and IT roles, Sriram has a string of 99.5+ CAT scores and a 99.99 %ile in CET. Always on the lookout for learning new stuff, he is sure to rub his enthusiasm on to those who interact with him. Calling him simply a quiz enthusiast would mean playing down the achievements of being the CII Inquizzite winner, NHRD Quiz winner, being national runner up of Mahindra AQ, and Mumbai champion of Tata Crucible.

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1. GST

The concept of a Goods and Services Tax ("GST") as a single tax on any supply of goods or services or both is known and administered in most other jurisdictions.

However, it does not (yet) exist in India.

What do we have right now?

The scheme of indirect taxation in India (as opposed to direct taxation, such as income tax) provides for the division of the powers to tax between the Centre and the states.

Various duties and taxes are therefore imposed and collected either by the Centre or the state(s) from businesses in respect of different economic activities. As you can imagine, sometimes these overlap when both a state and the Centre seek to tax the same economic activity. This multiplicity of taxes substantially adds to the compliance and administrative costs for businesses and often results in avoidable litigation relating to duality of taxation, non-adherence to procedures, etc.

Further, the absence of a comprehensive credit mechanism for taxes levied by the states and the Centre, which would enable them to harvest the benefit of taxes already paid, adds to the woes of businesses, which have to account and pay separately for many different taxes and duties, rather than allowing them to simply set off one tax liability against another tax credit.

On top of that, the line demarcating goods and services has become increasingly blurred, as in the case of intellectual property rights, which are deemed to be goods for the levy of sales tax by the states but deemed to be services for the levy of service tax, making the separate taxation of goods and services untenable. Another prime example is transactions of works contracts.

That does sound complicated.

Yes, it is.

Imagine a toothpaste manufacturer who receives some services from India and others from overseas (some latest research perhaps).

These services are used in relation to the manufacture of toothpaste in India. While the Indian service provider charges our manufacturer service tax, the toothpaste manufacturer has to 'reverse charge' the tax in respect of services received from overseas.

Further, our manufacturer will receive various components and ingredients, all of which would (subject to concessions or exemptions) be subject to central excise duty. Additionally, since these would be sales to our manufacturer, value-added tax (VAT) or central sales tax (CST) would be added to the bill, depending on whether the sale was intra-state or inter-state in nature; these would also accrue on (and be available for set-off) when he finally sells the toothpaste on, down the supply chain.

Oh, and wait, some states or jurisdictions also levy an entry tax. I also forgot to mention that if our manufacturer has any imports of goods from overseas, he will be liable to pay up customs duties which comprise acronyms such as BCD (basic customs duty), countervailing duty (CVD), SAD (special additional duty) and applicable cesses.

And should you want tax credit (set-off), you need to ensure the proper (prescribed) documents are available in the required format but, taxes and duties levied by the Centre and states cannot be set off against each other for credit purposes, so separate silos of each tax liability and credit must be maintained. Additionally, no credit is available in respect of certain levies such as BCD, CST, entry tax or octroi, which then become a cost to business.

That explains why business tax returns are always so complicated. How can GST help?

The proposed GST regime, intended to be introduced from 1 April 2016, also emphasised in this year's Union budget, is said to be a watershed reform in India's tax landscape. In the words of finance minister Arun Jaitley in December 2014, it is the "single most important tax reform after 1947".

The GST will basically wipe the indirect tax slate clean, replacing around a dozen indirect taxes and duties levied by the Centre and state.

GST will basically leave behind only three types of GST (central, state and integrated GST) as well as basic customs duty for imports from abroad. This will finally provide for a single, uniform mechanism of levying indirect taxes. Hopefully, this will also address the complexities of the present system, encourage tax compliance, and streamline the system of tax credits.

From the perspective of the Constitution, GST will nearly eliminate any distinction between the taxing powers of Centre and states, by equally empowering both. However, a dual GST, as proposed, would not violate the constitutional requirement of fiscal federalism, under which the Centre and states have demarcated taxing powers in order to raise revenues.

So what would happen to our toothpaste manufacturer above, after GST?

There is lot of streamlining and simplicity: imports and inter-state movement of goods or services will be subject to IGST (integrated GST), while all local "supplies" will suffer CGST (central GST) + SGST (state GST) or IGST (which is effectively the total of CGST and SGST). All of these are subject to only minimal exemptions.

Imports of goods will remain chargeable to BCD as before.

When selling goods or services, our manufacturer would also charge IGST, or CGST + SGST.

Therefore, VAT, CST, entry tax, central excise duty, service tax, CVD, SAD, and various other cesses are all going to be subsumed within the folds of GST.

That's amazing. Why did no one think of this before?

More than a hundred countries actually have some form of GST or other, which is also known as VAT in other jurisdictions.

In the Indian context, the idea of GST dates back to the year 2000, when the Atal Bihari Vajpayee-led government initiated the discussion on GST by setting up an empowered committee headed by Asim Dasgupta.

After that, the concept of GST was mooted in the Union Budget Speech on 28 February 2006 and the deadline to embrace GST was set for April 2010.

With a view to creating a roadmap, the government and finance ministry's joint working group (JWG) undertook detailed study of international models of GST and came up with the recommendation of a dual GST, to complement the existing federal structure of India.

Its first discussion paper was released in November 2009.

In 2011 the task force formed by the 13th Finance Commission issued its report emphasising the need to adopt a dual GST model. The Constitutional (115th Amendment) Bill, 2011 was introduced in the Lok Sabha, which lapsed with the dissolution of the 15th Lok Sabha in May 2014.

The Bill was suitably re-worked and was introduced as the Constitutional (122nd Amendment) Bill, 2014 in Parliament in December 2014.

On the other hand, with a view to moving closer towards GST, India adopted the negative list approach for taxing services (i.e. all activities to be taxed unless they featur in the negative list) from July 2012 and came up with the Place of Provision of Services Rules 2012 so as to determine the place where a service ought to be taxed.

Why on earth is it taking so long? Who could possibly be against something as great as the GST?

When the Constitutional (115th Amendment) Bill 2011 was put to vote, the states saw the proposed regime as a serious threat to their constitutionally guaranteed freedom of fiscal federalism (i.e., their own independent powers to impose and collect taxes).

The states expressed their disapproval over various issues: one major worry is the abolition of the CST, levied on inter-state sales, which is a major source of revenue for states.

The states also demanded a constitutional framework to be put in place to compensate them for revenue they'd lose by adopting the GST.

In an effort to assuage states' concerns and to bring them on board the proposed introduction of GST, the Constitutional (122nd Amendment) Bill, 2014 proposes to levy an additional 1% tax on the inter-state supply of goods, which would be paid to states where goods originate, as compensation for the lost CST revenue in the first few years of the change to GST.

Besides this there were other areas of concern, such as the proposed form and powers of the dispute resolution mechanism (the GST Council).

If GST is so simple, won't thousands of tax officers at the state and central level lose their jobs because they won't have anything to do anymore?

They are unlikely to lose their jobs. They can be gainfully engaged to ease the transition, and thereafter to facilitate and ensure compliance, detect leakages, widen the tax base, etc.

There must also be other stumbling blocks that remain, right? What does the government still have to do?

While a lot needs to be done for implementation of India's most ambitious tax reform to date, the following remain some of the major steps and roadblocks:

(i) passage of the Constitution Amendment Bill, and its ratification by at least half of all states;

(ii) arriving at a revenue neutral rate for the levy and a minimum threshold value, beyond which a supply of goods or services would attract GST;

(iii) agreeing on model legislation to be adopted by states to implement the proposed GST;

(iv) formulating comprehensive 'place of supply' rules for determining where goods and services should be taxed; and

(v) designing an effective information technology infrastructure, websites, etc, which will be called the GST Network to administer GST and enable credit flows.

What is so important about 'place of supply'?

These rules will determine where a transaction takes place, for GST purposes, and who is liable to pay the GST.

These rules will be drafted by parliament and the Central Government.

Because service transactions involve intangibles and often span multiple states, it will be necessary to have clearly defined rules to determine the right to tax and which state should get how much of the revenue raised.

These rules will form the backbone of the levy of GST and the framers of the provisions have been keenly studying the models in Malaysia, the European Union, etc.

Under the Constitutional (122nd Amendment) Bill, 2014, Parliament will have exclusive powers to make and finetune those rules. Right now, India proposes to adopt a GST regime premised on the 'destination based consumption' principle, which, generally speaking, means that the GST liability would be attracted in the place where the goods were supplied to or where the service was consumed.

So how will all these grand plans likely be implemented?

The Constitutional (122nd Amendment) Bill, 2014 will have to be passed by a majority of the total membership of each house, and by a majority of at least two-thirds of the members of that house who are voting.

The amendment must also be ratified by the legislature of not less than one-half of the states before the Bill is presented to the president for his assent. The Place of Supply Rules can be made effective after that.

Is this likely to happen any time soon?

Given that introduction of GST features fairly high on the pronounced agenda of the Narendra Modi government and that there is an apparent conscious effort on the part of the government to obviate bottlenecks, if any, it's not impossible that they will hit their 2016 target.

What will the GST rate be?

No one knows precisely right now, but experts speculate—based on present trends—that it could be anything from 24% to 27%. The recent budget that hiked service tax to 14% in another step to bringing current rates up another step towards GST.

So if GST arrives, will this mean that companies will pay more taxes and things will get more expensive? How will government and the economy deal with that?

Initial tax costs may rise owing to what is likely to be a higher applicable rate of tax, however, the net burden or impact of having to pay those taxes is expected to decrease. This is because the entire credit mechanism will be streamlined and the burden of every tax borne will be available as credit to offset the taxes you pay.

Also, due to elimination of multiple taxable events and points of taxation, instances of the very same transaction being brought to tax by the states and the centre and situations of tax on tax (known as cascading effect of taxes) will hopefully be history.

GST, in its proposed simplified model over the present-day multifarious systems of levies, is likely to witness a widening of the tax base and is bound to encourage tax compliance.

And interestingly, a recent study by the Tax Force (headed by Vijay Kelkar) has estimated that the GST will provide gains to India's GDP from 0.9% to 1.7%.

Taxes will hike GDP? Well, in that case, fingers crossed it all works out!

Indeed, let's hope the government can push it through while having all stakeholders on board.

Source: Mint

2. Juvenile Justice Bill

Highlights of the Bill

- The Bill replaces the Juvenile Justice (Care and Protection of Children) Act, 2000. It addresses children in conflict with law and children in need of care and protection.
- The Bill permits juveniles between the ages of 16-18 years to be tried as adults for heinous offences. Also, any 16-18 year old, who commits a lesser, i.e., serious offence, may be tried as an adult only if he is apprehended after the age of 21 years.
- Juvenile Justice Boards (JJB) and Child Welfare Committees (CWC) will be constituted in each district. The JJB will conduct a preliminary inquiry to determine whether a juvenile offender is to be sent for rehabilitation or be tried as an adult. The CWC will determine institutional care for children in need of care and protection.
- Eligibility of adoptive parents and the procedure for adoption have been included in the Bill.
- Penalties for cruelty against a child, offering a narcotic substance to a child, and abduction or selling a child have been prescribed.

Key Issues and Analysis

- There are differing views on whether juveniles should be tried as adults. Some argue that the current law does not act as a deterrent for juveniles committing heinous crimes. Another view is that a reformative approach will reduce likelihood of repeating offences.
- The provision of trying a juvenile committing a serious or heinous offence as an adult based on date of apprehension could violate the Article 14 (right to equality) and Article 21 (requiring that laws and procedures are fair and reasonable). The provision also counters the spirit of Article 20(1) by according a higher penalty for the same offence, if the person is apprehended after 21 years of age.
- The UN Convention on the Rights of the Child requires all signatory countries to treat every child under the age of 18 years as equal. The provision of trying a juvenile as an adult contravenes the Convention.
- Some penalties provided in the Bill are not in proportion to the gravity of the offence. For example, the penalty for selling a child is lower than that for offering intoxicating or psychotropic substances to a child.
- The Standing Committee examining the Bill observed that the Bill was based on misleading data regarding juvenile crimes and violated certain provisions of the Constitution.

Source: PRSIndia

3. Digital India

Launched by Prime Minister Narendra Modi on July 1, 2015, the Digital India initiative was started with a view to empower the people of the country digitally. The initiative also aims to bridge India's digital segment and bring big investments in the technology sector.

What is Digital India?

The Digital India initiative seeks to lay emphasis on e-governance and transform India into a digitally empowered society. The program is projected at Rs 1,13,000 crore which will prepare the country for knowledge-based transformation. The Department of Electronics and Information Technology (DeitY) anticipates that this program will have a huge impact on the Ministry of Communication and IT. It is to ensure that government services are available to citizens electronically.

It will focus on providing high speed internet services to its citizens and make services available in real time for both online and mobile platform. Digital India also aims to transform ease of doing business in the country. Modi's government is focusing on providing broadband services in all villages of the country, tele-medicine and mobile healthcare services and making the governance more participative.

Vision of Digital India initiative:

Here is what the government of India aims to achieve through Digital India initiative.

1. Infrastructure: The Digital India initiative has a vision to provide high speed internet services to its citizens in all gram panchayats. Bank accounts will be given priority at individual level. People will be provided with safe and secure cyber space in the country.

2. Governance and services: Government services will be available online where citizens will be ensured easy access to it. Transactions will be made easy through electronic medium.

3. Digital empowerment of citizens: This is one of the most important factor of the Digital India initiative to provide universal digital literacy and make digital sources easily accessible. The services are also provided in Indian languages for active participation.

9 major projects under the initiative:

1. Manufacturing of electronics: The government is focusing on zero imports of electronics. In order to achieve this, the government aims to put up smart energy meters, micro ATMs, mobile, consumer and medical electronics.

2. Provide public access to internet: The government aims to provide internet services to 2.5 lakh villages which comprises of one in every panchayat by March 2017 and 1.5 lakh post offices in the next two years. These post offices will become Multi-Service centres for the people.

3. Highways to have broadband services: Government aims to lay national optical fibre network in all 2.5 lakh gram panchayats. Broadband for the rural will be laid by December 2016 and broadband for all urban will mandate communication infrastructure in new urban development and buildings. By March 2017, the government aims to provide nationwide information infrastructure.

4. Easy access to mobile connectivity: The government is taking steps to ensure that by 2018 all villages are covered through mobile connectivity. The aim is to increase network penetration and cover gaps in all 44,000 villages.

5. e-Governance: The government aims to improve processes and delivery of services through e-Governance with UIDAI, payment gateway, EDI and mobile platforms. School certificates, voter ID cards will be provided online. This aims for a faster examination of data.

6. IT Training for Jobs: The government aims to train around 1 crore students from small towns and villages for IT sector by 2020. Setting up of BPO sectors in North eastern states is also part of the agenda.

7. e-Kranti: This service aims to deliver electronic services to people which deals with health, education, farmers, justice, security and financial inclusion.

8. Global Information: Hosting data online and engaging social media platforms for governance is the aim of the government. Information is also easily available for the citizens.
MyGov.in is a website launched by the government for a 2-way communication between citizens and the government. People can send in their suggestions and comment on various issues raised by the government, like net neutrality.

9. Early harvest programs: Government plans to set up Wi-fi facilities in all universities across the country. Email will be made the primary mode of communication. Aadhar Enabled Biometric Attendance System will be deployed in all central government offices where recording of attendance will be made online.

Source: DNA

4. Net Neutrality

Q: What is Net neutrality?

A: The expression "network neutrality" was coined by American academic Tim Wu in his 2003 paper "Network Neutrality, Broadband Discrimination". It calls for governments, Internet service providers and other stakeholders to treat all data on the Internet equally - therefore, not charging users, the content providers, platforms, sites, applications or the mode of communicating differentially.

Q: What is Free Basics?

A: A service from Facebook and a part of its Internet.org platform on digital inclusion, Free Basics is an app that promises to make Internet accessible to more people by providing them a range of some basic services for free such as news, health, travel, jobs, sports, communication and other information.

Q: Is Free Basics against concept of net neutrality?

A: The supporters of net neutrality say that by allowing only certain sites and platforms on the app, and by allowing the services only through some service providers, the concept clearly goes against the spirit of net neutrality of open and free access to the World Wide Web and its attendant offerings.

Q: How does Free Basics work?

A: Through this platform, Facebook allows developers to create services (content and applications) that integrate with Free Basics, especially in areas like education, health, economic empowerment, civic participation and critical information. Once downloaded, they can access these services free of charge through the app and through a particular Internet service provider who will partner with Facebook.

Q: Why is there a demand to ban Free Basics in India?

A: This demand is being being made by several people who claim to be supporters of net neutrality and they say Facebook intends to offer the services only through chosen service providers. This is being seen as discriminatory. The social networking site also has the option to reject the entry of any business participant. This apart, there is a charge that the service is pandering to the interests of telecom service providers by not allowing Internet telephony, or hi-resolution images and videos that can potentially slow down the service.

Advertising is another area of debate, as there is no clarity on whether Facebook will introduce it in the future or not. However, Facebook's contention is that it is providing a free service to those who cannot pay for access. It says it does not stop anyone from accessing the Internet through other service providers.

Q: Does concept of Net Neutrality affect bandwidth differential charges?

A: Today, one pays the telecom operator or data service providers towards two aspects - for the speed at which content is downloaded and uploaded, and the amount of information in terms of bits that is accessed. Net neutrality calls for uniformity in such tariff. This may be impossible because service providers have to invest in infrastructure and different bandwidths call for different level of investments.

Q: How does Net Neutrality concept work in other countries, especially the US?

A: In the US, the regulator, Federal Communications Commission, has issued some rules to Internet service providers, like no blocking of legal sites, no throttling by making some site responses slow, and no paid prioritisation to enable some sites to jump the queue in delivering content. The courts have given limited ruling in favour of the regulator, but debate there still continues.

Q: If Net Neutrality has impact on bandwidth, how will this have impact on services like Netflix?

A: While Netflix is a subscription-based service, what is of concern is the extra money which subscribers have to pay for bandwidth to Internet service providers for accessing it through their networks. Here lies the problem. There have been attempts in the past for zero-rated services, where content from some platforms is not taken into account for computing the tariff. But the question is: Will such a plan not go against net neutrality?

Opinion:

The airwaves, the newspapers and even the online space are now saturated with a Rs. 100 crore campaign proclaiming that Internet connectivity for the Indian poor is a gift from Facebook which a few churlish net neutrality fundamentalists are opposing. In its campaign, Facebook is also using the generic phrase "free, basic Internet" interchangeably with "Free Basics", the name it has given its private, proprietary platform. This is in blatant violation of Indian rules on advertising, which forbid generic words being used for brands and products. This is from a company which, in spite of having 125 million Indian subscribers, refuses to be sued in India, claiming to be an American company and therefore outside the purview of Indian law. Nor does it pay any tax in India.

The Free Basics platform is a mildly tweaked rehash of the controversial internet.org that Facebook had floated earlier. Facebook and Reliance, the sixth-largest mobile service provider in the country, have joined hands to offer it as a platform for free data services restricted to a few websites. The Telecom Regulatory Authority of India (TRAI) has stopped this service for now, pending its public consultation on the subject. Facebook's campaign is essentially to influence the outcome of such a consultation.

Data as commodity

Evgeny Morozov, one of the most insightful commentators on technology, has written extensively on how Silicon Valley seeks to subvert the state, promising to give the people connectivity, transport and other facilities, if we only hand over our data to them. Instead of people demanding that the state provide access to various services — from drinking water to transport and communications — people are being led to believe that a few capitalists from Silicon Valley will provide all these services. We will have Internet connectivity instead of education, and Uber will provide private taxis, instead of public transport. To paraphrase Marie Antoinette, let the people have cake instead of bread. This is the Internet monopolies' agenda of hidden and mass-scale privatisation of public services.

By accepting the Silicon Valley model of private services, we pay the Internet monopolies with our data, which can then be monetised. Personal data is the currency of the Internet economy. Data as commodity is the oil of the 21st century. Facebook and Google's revenue model is based on monetising our personal data and selling it to advertisers. Facebook generates an estimated revenue of nearly $1 billion from its Indian subscribers, on which it pays no tax.

Free Basics is not free, basic Internet as its name appears to imply. It has a version of Facebook, and only a few other websites and services that are willing to partner Facebook's proprietary platform.

Today, there are nearly 1 billion websites. If we consider that there are 3.5 billion users of the Internet, 1 out of 3.5 such users also offers content or services. The reason that the Internet has become such a powerful force for change in such a short time is precisely because anybody, anywhere, can connect to anybody else, not only to receive, but also to provide content. All that is required is that both sides have access to the Internet.

All this would stop if the Internet Service Providers (ISPs) or telecom companies (telcos) are given the right to act as gatekeepers. This is what net neutrality is all about — no ISP or telco can decide what part of the Internet or which websites we can access. Tim Wu, the father of net neutrality, has written that keeping the two sides of the Internet free of gatekeepers is what has given a huge incentive for generating innovation and creating content. This is what has made the Internet, as a platform, so different from other mass communications platforms such as radio and television. Essentially, it has unleashed the creativity of the masses; and it is this creativity we see in the hundreds of millions of active websites.

Facebook's ads and Mark Zuckerberg's advertorials talk about education, health and other services being provided by Free Basics, without telling us how on earth we are going to access doctors and medicines through the Internet; or education. It forgets that while English is spoken by only about 12 per cent of the world's population, 53 per cent of the Internet's content is English. If Indians need to access education or health services, they need to access it in their languages, and not in English. And no education can succeed without teachers. The Internet is not a substitute for schools and colleges but only a complement, that too if material exists in the languages that the students understand. Similarly, health demands clinics, hospitals and doctors, not a few websites on a private Facebook platform.

Regulate price of data

While the Free Basics platform has connected only 15 million people in different parts of the world, in India, we have had 60 million people join the Internet using mobiles in the last 12 months alone.

And this is in spite of the high cost of mobile data charges. There are 300 million mobile broadband users in the country, an increase fuelled by the falling price of smartphones.

In spite of this increase in connectivity, we have another 600 million mobile subscribers who need to be connected to the Internet. Instead of providing Facebook and its few partner websites and calling it "basic" Internet, we need to provide full Internet at prices that people can afford. This is where the regulatory system of the country has to step in. The main barrier to Internet connectivity is the high cost of data services in the country. If we use purchasing power parity as a basis, India has expensive data services compared to most countries. That is the main barrier to Internet penetration. Till now, TRAI has not regulated data tariffs. It is time it addresses the high price of data in the country and not let such prices lead to a completely truncated Internet for the poor.

There are various ways of providing free Internet, or cost-effective Internet, to the low-end subscribers. They could be provided some free data with their data connection, or get some free time slots when the traffic on the network is low. 2G data prices can and should be brought down drastically, as the telcos have already made their investments and recovered costs from the subscribers.

The danger of privileging a private platform such as Free Basics over a public Internet is that it introduces a new kind of digital divide among the people. A large fraction of those who will join such platforms may come to believe that Facebook is indeed the Internet. As Morozov writes, the digital divide today is "about those who can afford not to be stuck in the data clutches of Silicon Valley — counting on public money or their own capital to pay for connectivity — and those who are too poor to resist the tempting offers of Google and Facebook" ("Silicon Valley exploits time and space to extend the frontiers of capitalism", *The Guardian*, Nov. 29, 2015). As he points out, the basic delusion Silicon Valley is nurturing is that the power divide will be bridged through Internet connectivity, no matter who provides it or in what form. This is not likely to happen through their platforms.

The British Empire was based on the control of the seas. Today, whoever controls the data oceans controls the global economy. Silicon Valley's data grab is the new form of colonialism we are witnessing now.

Net neutrality is not an esoteric matter, the concern of only a few netizens. It is fundamental to the world, in which the Internet is a source of knowledge, a means of communication, an artery of commerce. Whoever controls access to the Internet will control our future. This is what the current battle over Facebook's Free Basics is all about.

Source: Business Standard, The Hindu

5. ISIS

Where we stand today:

ISIS considers itself the "Islamic Caliphate" (a theological empire) and controls vast swathes of land in western Iraq and eastern Syria. They also have "allegiance" from different radical Islamic groups around the world (from Afghanistan to Nigeria) who "govern" self-proclaimed provinces.

Within the areas they control they have established a reign of terror second to none. They have institutionalized slavery and rape (particularly of adherents to the Yazidi religion who they view as devil worshippers) and have carried out genocide and ethnic cleansing of Christians, Alawites, and other Shiites and Yazidis in the territories they control.

They have struck with a vengeance beyond their territories. Suicide attacks in Baghdad, Beirut, and Ankara killed hundreds. In October 2015, they detonated a bomb aboard a Russian airliner leaving from Sharm el-Sheikh airport in Egypt, killing all 224 people on board. In November, they orchestrated a multi-suicide attack in Paris, killing 129 people. They have inspired "lone-wolf" terror attacks by sympathizers in places as far away as Ottawa and Sydney.

A bit of nomenclature:

You may have heard about ISIS referred to as IS, ISIL, or Daesh. All of these acronyms describe the group in question.

ISIS: Islamic State of Iraq and Syria was the name of the group when it captured Mosul in 2014 and became the terrorist juggernaut it is today. They named themselves that to assert their dominance in Syria (more on that later).

ISIL: Islamic State of Iraq and the Levant (aka Greater Syria) is the name that Obama uses to describe the group (pretty much only Obama uses it). Superficially speaking, it is just a translation thing.

IS: Islamic State is the name the group gave itself after a "rebranding" effort when they wanted to show off their global strategy (they wouldn't be limited to Syria and Iraq anymore).

Daesh: You may have heard French President Francois Hollande refer to the group by this name. This is essentially the Arabic acronym of the group. People assume that using this word somehow weakens them… it doesn't, because unfortunately in this case it is one of those "sticks and stones" things.

Where did they come from?

ISIS was born out of the U.S. invasion of Iraq in 2003. When U.S. administrators, under Paul Bremer, decided to "de-Baathify" the Iraqi civil and military services, hundreds of thousands of Sunnis formerly loyal to Saddam Hussein were left without a job — and they were mad. Al Qaeda chose to capitalize on their anger and established al Qaeda in Iraq (AQI) to wage an insurgency against U.S.

troops in Iraq (Saddam was secular, but his intelligence and military supporters were able to make common cause with the jihadis of al Qaeda).

During this time they were quite active in waging a sectarian war against Iran-backed Shiite militias in central Iraq and bombing hotels in neighboring Jordan. Many of their members were imprisoned in U.S.-run "Camp Bucca," where they were able to meet up and radicalize.

Fast forward to the U.S. "surge" in 2007: The U.S.-installed, Shiite government in Baghdad began reaching out to Sunni tribes, encouraging them to reject AQI. By this point, AQI was basically defeated and it looked like peace was coming to the Middle East (kinda).

Fast forward again to the Arab Spring and the uprising against Syrian dictator Bashar al-Assad. During the Iraq War, AQI would frequently go back and forth between Syria and Iraq to resupply, so it had a lot of contacts in the country. When Assad began shooting and gassing his own people, and the peaceful uprising turned into a civil war, AQI saw an opportunity to establish a presence there.

It quickly moved into Syria, renamed itself as The Islamic State of Iraq and Syria (ISIS), and merged with its Syrian counterpart. This pissed off al Qaeda's HQ, because they were already establishing a separate al Qaeda in Syria (aka al-Nusra front) and wanted it to remain separate. The two groups fought another mini-war amongst themselves and officially separated with AQI rebranding itself into the ISIS we hear about today.

It is important to note that this tiff between the two groups was global and concerned some "practical" things (like if al Qaeda should rule territory or kill Sunnis), as well as ego matters (like if Osama Bin Laden's lieutenants, who have been on the run since 2001, should be the ones calling the shots). The intra-jihadi battle was waged on the battlefields of Syria, Iraq, Somalia, and northwest Africa, as well as in jihadi forums on the darknet.

As the Syrian civil war ground on, ISIS became the first rebel group to capture major cities (Raqqa and Deir ez-Zor). In the summer of 2014, the group had its breakout moment. In a lightning offensive, it captured Mosul in Iraq and drove south until it was on the borders of Baghdad. A few weeks later it rebranded itself as a Caliphate and demanded that all Muslims pledge allegiance (bay'ah). At this point, groups like Boko Haram in Nigeria and Ansar Beit Al Maqdis in Egypt's Sinai began pledging allegiance and flew the black flag of ISIS. They also established presences in half a dozen other countries.

ISIS grew in notoriety through an aggressive social media and viral video strategy that had it engage with sympathizers and glorify violence. It beheaded many of its victims, including U.S. journalist James Foley. It often filmed executions through drowning, burning alive, and shooting. When it captured the northern Iraqi town of Sinjar, it institutionalized slavery and rape of the Yazidi minority. In short, it installed a reign of barbaric terror.

How did ISIS grow to become so powerful?

There are a number of forces that can explain its strength.

- **Feelings of disenfranchisement:** Sunni communities in Iraq and Syria felt alienated by Shiite- and Alawite-led governments. ISIS played on these feelings, pushing forward a sense of victimhood and giving these communities a means to feel in control through violence. They also advanced a twisted interpretation of Islam that found ripe fodder among disenfranchised youth in the area.

- **Unlikely bedfellows:** ISIS partnered with the lieutenants of Saddam Hussein's secular regime (who used to hate jihadis) to perfect their tools of repression along the same lines that Saddam used.

- **Syrian chaos:** There is little doubt that as U.S. allies (Saudi Arabia, Qatar ,and Turkey) ploughed money and arms into the Syrian civil war much of it ended up in the hands of ISIS (and other jihadi groups).

- **Iraqi chaos:** After the U.S. withdrawal from Iraq, the atrophied Iraqi army was over-equipped and underprepared (and very corrupt) to deal with ISIS. Much of the weaponry ended up in ISIS's hands.

- **Racketeering and extortion:** Before ISIS formally controlled Mosul, it would run a racketeering business (similar to that used by the U.S. mafia) under the nose of the Iraqi government. Businesses and individuals had to pay them a "protection fee" to stay safe.

- **Taxation and exploitation:** Properties belonging to religious minorities or regime sympathizers were promptly appropriated (e.g. churches, gold, hard currency), and once ISIS controlled territory and people it began taxing them like any state would.

- **Selling oil:** It is the Middle East, so oil is always involved. While technically shut out from the international markets, ISIS could and did still find markets for its oil (usually in neighboring Turkey whose government was sympathetic to many of the Syrian jihadis).

So what now?

There are about a dozen countries (some of which hate each other) fighting ISIS. All of them (except for Iran, Syria, and Iraq) are basically doing it by bombing them from the sky. The U.S. has committed a few hundred "advisors" to the fight (and they are most certainly not wearing boots).

Despite a yearlong campaign against ISIS, the group still controls a lot of territory (even capturing new ground like Palmyra in Syria) and has demonstrated that it can strike in the heart of the Western world.

Post-Paris, there seems to be growing momentum for ground troop involvement against ISIS. The Obama administration has remained reluctant, insisting that its strategy is the successful one and that ISIS is weaker now than before. Syrian President Bashar al-Assad feels emboldened with Russia and Iran by his side, knowing that it is less likely for the West to oust him if the alternative will be ISIS.

As the Syrian civil war closes its fifth year, ISIS seems stronger than ever and the refugee exodus does not look like it will end. As Western governments try to grapple with the threat of ISIS terror reaching the Western world, they will feel the pressure to lock out these refugees (who are also fleeing ISIS). By using refugees as a convenient scapegoat, the risk is alienating them, leaving them susceptible to the toxic mix of conspiracy theories and extremism that breeds jihadi violence.

Source: The Week

6. China currency devaluation

Just as markets were beginning to adjust to relative calm in China's equity markets after a fortnight of turmoil, the People's Bank of China (PBC) on Aug. 11, surprised by effectively "devaluing" the Chinese yuan by cutting its daily reference rate by 1.9%.

As might be expected, the impact on global markets was quite huge, with the initial reading of the move as a signal of weakness of China's economic metrics.

In India, bond yields rose 405 basis points and equity markets sold off close to 3%. But the biggest impact was on the Indian currency, which lost almost a rupee to the US dollar at opening of trading hours.

Why China devalued the yuan

There is little doubt that China's growth has slowed, and that measures to boost consumption and rebalance growth engines from exports and investment have not gained traction. But, it is difficult to gauge how much the action was a response to the proximate unexpected drop in China's July exports and to the equally recent message from the International Monetary Fund (IMF) expressing reservations on the renminbi's inclusion in the special drawing rights (SDR) basket. (The SDR is a reserve of foreign currency assets created by the IMF and the basket comprises four key international currencies—the US dollar, euro, British pound and Japanese yen.)

Was the de facto devaluation China's entry into the currency wars or was it more reflective of structural changes in the process of currency management for making a stronger case for inclusion as an SDR currency? The case for inclusion in the SDR basket is an important component in China's strategy of internationalising the renminbi, by providing it a multilateral legitimacy as a benchmark currency.

Getting a sense of the underlying motive is important to be able to gauge the extent of further depreciation. Statements from the central bank indicated that China's strong economic fundamentals and large currency reserves provided "strong support" to the renminbi. While currency and equity markets are likely to remain volatile for some time, and policy intentions remain ambiguous, it might be a useful to look at impact channels of both a slowdown in China and the policy responses.

The Indian impact

The immediate impact is likely to be capital inflows, if continuing volatility in China's markets lead to a deeper emerging markets risk-off. Selloff in Indian bonds, in the absence of any significant buying interest, typically results in enhanced price volatility of Indian bonds and a commensurate move in the rupee.

But the impacts go beyond markets into the real economy. China's role in the global economy has increased rapidly and disproportionately in trade. Its share of world gross domestic product was over 10% in 2014.

In exports, its share is over 15% and in imports—although a bit lower than in 2014—is over 11%. China accounts for close to half of the global consumption of copper, aluminum and steel, and more than 10% of crude oil.

The first, and an overwhelmingly positive, impact therefore of a slowdown in China's commodities demand on India is through lower commodity prices. India imported $139 billion worth crude and petroleum products in the 2015 fiscal, and as a rough rule of thumb, every $1 drop in crude prices results in a $1 billion drop in the country's oil import bill. India also imports $3 billion of copper and copper products.

However, there is a flip side to falling commodities prices—the effects on companies in India operating in the minerals space, including steel, mining, selected chemicals, and some trading companies. Many large companies in the production space are quite leveraged, with debt-funded production capacities built up in the high-growth years. Stress on debt servicing ability is already high, and a further drop in commodities prices and a slowdown in exports will add to this.

In addition, it might be reasonable to expect that the renminbi depreciation will lead to a further drop in prices of commodities China exports to India.

Indian manufacturers have already complained of non-market prices—maybe even dumping below cost—of China's exports to India, and a further drop in China's capacity utilisation in segments like iron and steel, bulk drugs and chemicals will lead to a further drop in prices.

Besides imports, India's exporters will also lose out on currency competitiveness to China in segments it competes directly with China—particularly textiles and apparels—as well as chemicals and project exports.

India's trade deficit with China has almost doubled from $25 billion in 2008-09 to $50 billion in 2014-15. And China's share of India's total trade deficit is up from just under 20% in 2009-10 to 35% in 2014-15.

There are indirect consequences as well.

China holds about $1.5 trillion of its reserves in US securities. Another half a trillion is held by Russia and OPEC countries, whose resources too will be under stress with falling crude prices. This has implications for US sovereign yields, already on the way up with expectations of a rate hike by the Federal Reserve in 2015.

A move up in developed market rates will have consequences, via reduced capital flows on emerging market yields as well and the ability of central banks of these countries to cut rates significantly, despite slowing growth.

Source: Quartz

7. Volkswagen ethics

What is Volkswagen accused of?

It's been dubbed the "diesel dupe". In September, **the Environmental Protection Agency (EPA) found** that many VW cars being sold in America had a "defeat device" - or software - in diesel engines that could detect when they were being tested, changing the performance accordingly to improve results. The German car giant has since admitted cheating emissions tests in the US.

VW has had a major push to sell diesel cars in the US, backed by a huge marketing campaign trumpeting its cars' low emissions. The EPA's findings cover 482,000 cars in the US only, including the VW-manufactured Audi A3, and the VW models Jetta, Beetle, Golf and Passat. But VW has admitted that about 11 million cars worldwide, including eight million in Europe, are fitted with the so-called "defeat device".

The company has also been accused by the EPA of modifying software on the 3 litre diesel engines fitted to some Porsche and Audi as well as VW models. VW has denied the claims, which affect at least 10,000 vehicles.

In November, VW said it had found "irregularities" in tests to measure **carbon dioxide emissions levels** that could affect about 800,000 cars in Europe - including petrol vehicles. However, in December it said that following investigations, it had established that this only affected about 36,000 of the cars it produces each year.

This 'defeat device' sounds like a sophisticated piece of kit.

Full details of how it worked are sketchy, although the EPA has said that the engines had computer software that could sense test scenarios by monitoring speed, engine operation, air pressure and even the position of the steering wheel.

When the cars were operating under controlled laboratory conditions - which typically involve putting them on a stationary test rig - the device appears to have put the vehicle into a sort of safety mode in which the engine ran below normal power and performance. Once on the road, the engines switched out of this test mode.

The result? The engines emitted nitrogen oxide pollutants up to 40 times above what is allowed in the US.

What has been VW's response?

"We've totally screwed up," said VW America boss Michael Horn, while the group's chief executive at the time, Martin Winterkorn, said his company had "broken the trust of our customers and the public". Mr Winterkorn resigned as a direct result of the scandal and was replaced by Matthias Mueller, the former boss of Porsche.

"My most urgent task is to win back trust for the Volkswagen Group - by leaving no stone unturned," Mr Mueller said on taking up his new post.

VW has also launched an internal inquiry.

With VW recalling millions of cars worldwide from early next year, it has set aside €6.7bn (£4.8bn) to cover costs. That resulted in the company posting its **first quarterly loss** for 15 years of €2.5bn in late October.

But that's unlikely to be the end of the financial impact. The EPA has the power to fine a company up to $37,500 for each vehicle that breaches standards - a maximum fine of about $18bn.

The costs of possible legal action by caw owners and shareholders "cannot be estimated at the current time", VW added.

How widespread are VW's problems?

What started in the US has spread to a growing number of countries. The UK, Italy, France, South Korea, Canada and, of course, Germany, have opened investigations. Throughout the world, politicians, regulators and environmental groups are questioning the legitimacy of VW's emissions testing.

VW will recall 8.5 million cars in Europe, including 2.4 million in Germany and 1.2 million in the UK, and 500,000 in the US as a result of the emissions scandal.

No wonder the carmaker's shares have fallen by about a third since the scandal broke.

Will more heads roll?

It's still unclear who knew what and when, although VW must have had a chain of management command that approved fitting cheating devices to its engines, so further departures are likely.

Christian Klingler, a management board member and head of sales and marketing is leaving the company, although VW said this was part of long-term planned structural changes and was not related to recent events.

In 2014, in the US, regulators raised concerns about VW emissions levels, but these were dismissed by the company as "technical issues" and "unexpected" real-world conditions. If executives and managers wilfully misled officials (or their own VW superiors) it's difficult to see them surviving.

Are other carmakers implicated?

That's for the various regulatory and government inquiries to determine. California's Air Resources Board is now looking into other manufacturers' testing results. Ford, BMW and Renault-Nissan have said they did not use "defeat devices", while other firms have either not commented or simply stated that they comply with the law.

The UK trade body for the car industry, the SMMT, said: "The EU operates a fundamentally different system to the US - with all European tests performed in strict conditions as required by EU law and witnessed by a government-appointed independent approval agency."

But it added: "The industry acknowledges that the current test method is outdated and is seeking agreement from the European Commission for a new emissions test that embraces new testing technologies and is more representative of on-road conditions."

That sounds like EU testing rules need tightening, too.

Environmental campaigners have long argued that emissions rules are being flouted. "Diesel cars in Europe operate with worse technology on average than the US," said Jos Dings, from the pressure group Transport & Environment. "Our latest report demonstrated that almost 90% of diesel vehicles didn't meet emission limits when they drive on the road. We are talking millions of vehicles."

Car analysts at the financial research firm Bernstein agree that European standards are not as strict as those in the US. However, the analysts said in a report that there was, therefore, "less need to cheat". So, if other European carmakers' results are suspect, Bernstein says the "consequences are likely to be a change in the test cycle rather than legal action and fines".

It's all another blow for the diesel market.

Certainly is. Over the past decade and more, carmakers have poured a fortune into the production of diesel vehicles - with the support of many governments - believing that they are better for the environment. Latest scientific evidence suggests that's not the case, and there are even moves to limit diesel cars in some cities.

Diesel sales were already slowing, so the VW scandal came at a bad time. "The revelations are likely to lead to a sharp fall in demand for diesel engine cars," said Richard Gane, automotive expert at consultants Vendigital.

"In the US, the diesel car market currently represents around 1% of all new car sales and this is unlikely to increase in the short to medium term.

"However, in Europe the impact could be much more significant, leading to a large tranche of the market switching to petrol engine cars virtually overnight."

Source: BBC

8. Make in India

Make in India initiative launched by Prime Minister Narendra Modi on 25th September, 2014 was an initiative aimed at making India a global manufacturing hub.

It was also rolled out with the aim of creating millions of jobs in the country.

Under the 'Make in India' initiative, the government has, in the last one year, announced several steps to improve the business environment by easing processes to do business in the country, and attract foreign investments.

As PM Modi's flagship program completes a year, let's go through the basics of the 'Make in India' initiative, and what it stands to cover.

What is 'Make in India' program?

The 'Make in India' program is an initiative launched to encourage companies to increase manufacturing in India. This not only includes attracting overseas companies to set up shop in India, but also encouraging domestic companies to increase production within the country.

'Make in India' aims at increasing the GDP and tax revenues in the country, by producing products that meet high quality standards, and minimizing the impact on the environment.

Fostering innovation, protecting intellectual property, and enhancing skill development are the other aims of the program according to the 'Make in India' website.

AT A GLANCE

25 major 'Make in India' focus areas:

Automobiles
Automobile Components
Aviation
Biotechnology
Chemicals
Construction
Defence manufacturing
Electrical Machinery
Electronic systems
Food Processing
IT and BPM
Leather
Media and Entertainment
Mining
Oil and Gas
Pharmaceuticals

Ports and Shipping
Railways
Renewable Energy
Roads and Highways
Space
Textiles and Garments
Thermal Power
Tourism and Hospitality
Wellness

Government has allowed 100% FDI in all sectors except Space (74%), Defence (49%) and News Media (26%)

Policies under 'Make in India' initiative:

There are 4 major policies under the 'Make in India' program:

1. New Initiatives: This initiative is to improve the ease of doing business in India, which includes increasing the speed with which protocols are met with, and increasing transparency.

Here's what the government has already rolled out

-- Environment clearances can be sought online.
-- All income tax returns can be filed online.
-- Validity of industrial licence is extended to three years.
-- Paper registers are replaced by electronic registers by businessmen.
-- Approval of the head of the department is necessary to undertake an inspection.

2. Foreign Direct Investment (FDI):

The government has allowed 100% FDI in all the sectors except Space(74%), Defence (49%) and News Media (26%).

FDI restrictions in tea plantation has been removed, while the FDI limit in defence sector has been raised from the earlier 26% to 49% currently.

3. Intellectual Property Facts:

The government has decided to improve and protect the intellectual property rights of innovators and creators by upgrading infrastructure, and using state-of-the-art technology.

The main aim of intellectual property rights (IPR) is to establish a vibrant intellectual property regime in the country, according to the website.

These are the various types of IPR:

-- Patent: A patent is granted to a new product in the industry.

-- Design: It refers to the shape, configuration, pattern, colour of the article.

-- Trade mark: A design, label, heading, sign, word, letter, number, emblem, picture, which is a representation of the goods or service.

-- Geographical Indications: According to the website, it is the indication that identifies the region or the country where the goods are manufactured.

-- Copyright: A right given to creators of literary, dramatic, musical and artistic works.

--Plant variety Protection: Protection granted for plant varieties, the rights of farmers and plant breeders and to encourage the development of new varieties of plants.

--Semiconductor Integrated Circuits Layout-Design: The aim of the Semiconductor Integrated Circuits Layout-Design Act 2000 is to provide protection of Intellectual Property Right (IPR) in the area of Semiconductor.

4. National manufacturing:

Here the vision is,

- to increase manufacturing sector growth to 12-14% per annum over the medium term.
- to increase the share of manufacturing in the country's Gross Domestic Product from 16% to 25% by 2022.
- to create 100 million additional jobs by 2022 in manufacturing sector.
- to create appropriate skill sets among rural migrants and the urban poor for inclusive growth.
- to increase the domestic value addition and technological depth in manufacturing.
- to enhance the global competitiveness of the Indian manufacturing sector.
- to ensure sustainability of growth, particularly with regard to environment.

Response to the 'Make in India' initiative:

The government has said that it has, so far, received Rs 1,10 lakh crore worth of proposals from various companies that are interested in manufacturing electronics in India.

Companies like Xiaomi, Huawei have already set up manufacturing units in India, while iPhone, iPad manufacturer Foxconn is expected to open a manufacturing unit soon.

Recently, Lenovo also announced that it has started manufacturing Motorola smartphones in a plant near Chennai.

In a report released by the World Bank, about a state-wise bifurcation based on ease of doing business, Gujarat was ranked as the top state, followed by Andhra Pradesh and Jharkhand.

Source: DNA

9. Greek Debt Crisis

What's the latest?

After several contentious months of negotiations between the country and its creditors, Greece received its third bailout in five years. Terms of the bailout including commitments by the country to implement austerity measures and economic reforms, which Greek lawmakers recently approved.

The legislation covered some of the economic changes sought by the country's international creditors, which include raising the retirement age, cutting pensions, liberalizing the energy market, opening up cosseted professions, expanding a property tax that Greeks already revile and pushing forward a stalled program to privatize state assets.

Passing that package paved the way for Greece to receive the first 2 billion euros, or about $2.3 billion, from the bailout program. But Greece's international bailout program has hit snags, even before the first euro of loan payouts has been dispensed.

How does the crisis affect the global financial system?

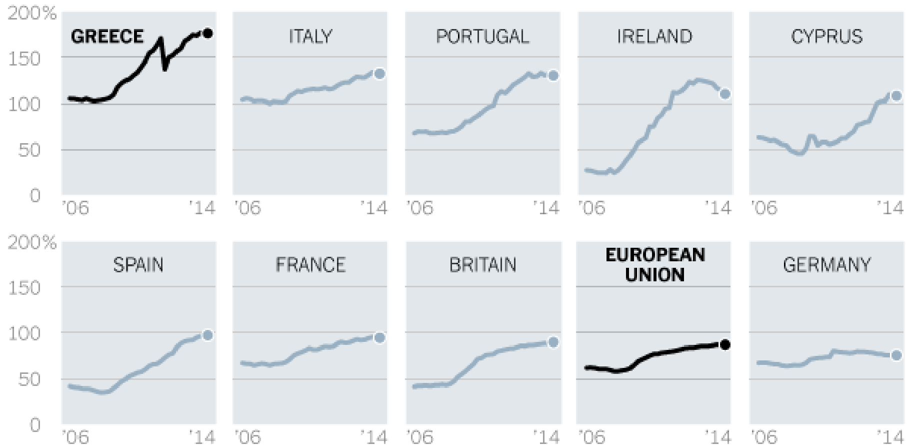
In the European Union, most real decision-making power, particularly on matters involving politically delicate things like money and migrants, rests with 28 national governments, each one beholden to its voters and taxpayers. This tension has grown only more acute since the January 1999 introduction of the euro, which now binds 19 nations into a single currency zone watched over by the European Central Bank but leaves budget and tax policy in the hands of each country, an arrangement that some economists believe was doomed from the start.

Since Greece's debt crisis began in 2010, most international banks and foreign investors have sold their Greek bonds and other holdings, so they are no longer vulnerable to what happens in Greece. (Some private investors who subsequently plowed back into Greek bonds, betting on a comeback, regret that decision.)

And in the meantime, the other crisis countries in the eurozone, like Portugal, Ireland and Spain, have taken steps to overhaul their economies and are much less vulnerable to market contagion than they were a few years ago.

Debt in the European Union

Gross government debt as a percentage of gross domestic product plotted through the fourth quarter of 2014.



Source: Eurostat

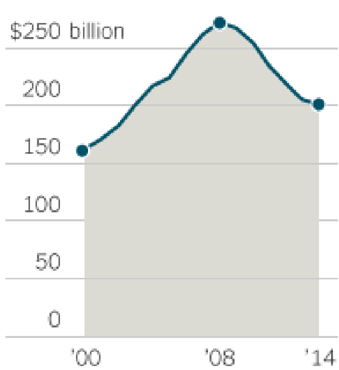
What if Greece left the eurozone?

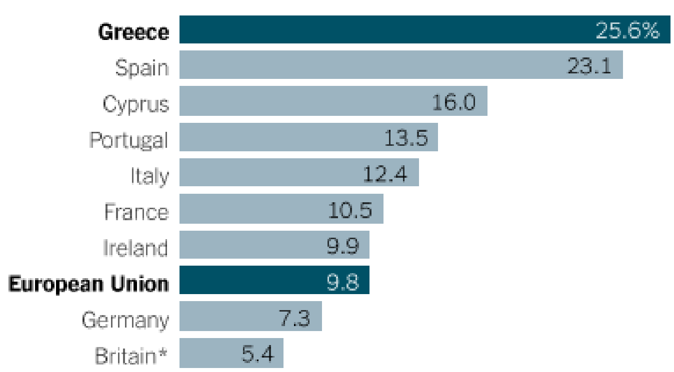
At the height of the debt crisis a few years ago, many experts worried that Greece's problems would spill over to the rest of the world. If Greece defaulted on its debt and exited the eurozone, they argued, it might create global financial shocks bigger than the collapse of Lehman Brothers did.

Now, however, some people believe that if Greece were to leave the currency union, in what is known as a "Grexit," it wouldn't be such a catastrophe. Europe has put up safeguards to limit the so-called financial contagion, in an effort to keep the problems from spreading to other countries. Greece, just a tiny part of the eurozone economy, could regain financial autonomy by leaving, these people contend — and the eurozone would actually be better off without a country that seems to constantly need its neighbors' support.

Greece's G.D.P. and Unemployment Rates in Europe

First quarter 2015 average; *Britain is the three-month average through February.





Source: Eurostat

How did Greece get to this point?

Greece became the epicenter of Europe's debt crisis after Wall Street imploded in 2008. With global financial markets still reeling, Greece announced in October 2009 that it had been understating its deficit figures for years, raising alarms about the soundness of Greek finances.

Suddenly, Greece was shut out from borrowing in the financial markets. By the spring of 2010, it was veering toward bankruptcy, which threatened to set off a new financial crisis.

To avert calamity, the so-called troika — the International Monetary Fund, the European Central Bank and the European Commission — issued the first of two international bailouts for Greece, which would eventually total more than 240 billion euros, or about $264 billion at today's exchange rates.

The bailouts came with conditions. Lenders imposed harsh austerity terms, requiring deep budget cuts and steep tax increases. They also required Greece to overhaul its economy by streamlining the government, ending tax evasion and making Greece an easier place to do business.

If Greece has received billions in bailouts, why has there still been a crisis?

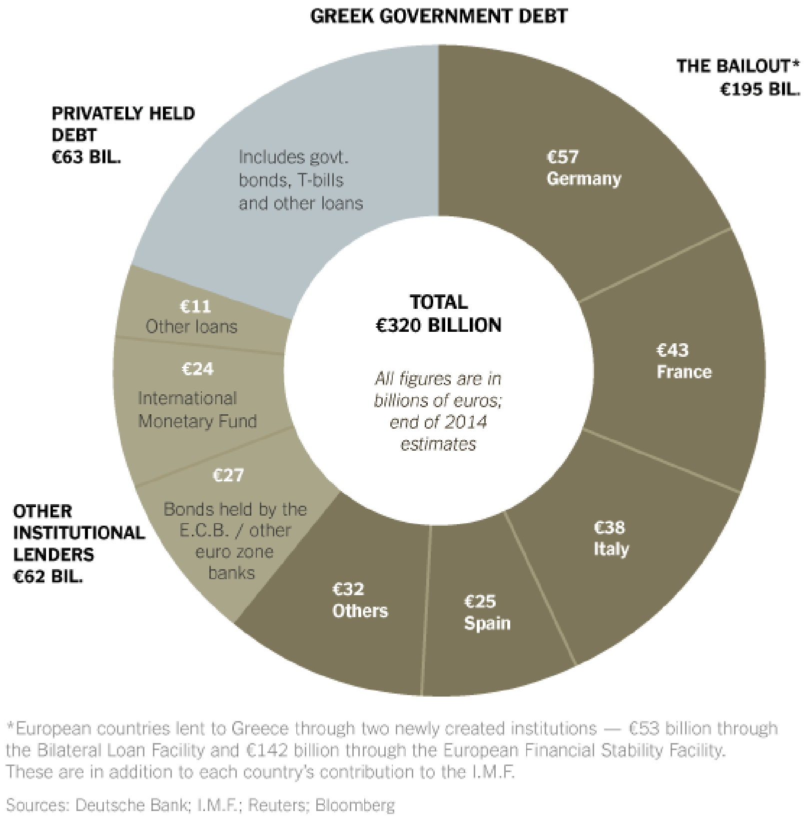
The money was supposed to buy Greece time to stabilize its finances and quell market fears that the euro union itself could break up. While it has helped, Greece's economic problems haven't gone away. The economy has shrunk by a quarter in five years, and unemployment is above 25 percent.

The bailout money mainly goes toward paying off Greece's international loans, rather than making its way into the economy. And the government still has a staggering debt load that it cannot begin to pay down unless a recovery takes hold.

The government will now need to continue implementing deep economic reforms required by the bailout deal Mr. Tsipras brokered in August, a recapitalization of the country's banks, and the unwinding of capital controls.

Greece's relations with Europe are in a fragile state, and several of its leaders are showing impatience, unlikely to tolerate the foot-dragging of past administrations. Under the terms of the bailout, Greece must pass dozens of laws before the end of the year, many of them measures that were supposed to have been passed years ago.

Greece's Creditors



Source: New York Times

10. Swachh Bharat

On October 2, 2014, Prime Minister Narendra Modi launched the Swachh Bharat Abhiyan, a mission to clean India's cities and villages.

The campaign, inaugurated to coincide with Gandhi Jayanti, aims to realise its vision of 'Clean India' by October 2, 2019, the 150th birth anniversary of Mahatma Gandhi.

In the months after it was launched, the campaign gained momentum with many celebrities, politicians and academic institutions organising cleanliness drives across the country.

As a reminder of how seriously his government takes this mission, the prime minister brought up the issue during his Independence Day speech as well, talking about inadequate number of toilets .

A total of 31.83 lakh toilets were built between April 2014 and January 2015 under this campaign, which is 25.4% of the target for 2014-15. Over the next 5 years, the government plans to invest nearly Rs 2 lakh crore to construct 12 crore toilets across India.

The ambitious campaign has its fair share of challenges too. An impact assessment study conducted by the National Sample Survey Organisation (NSSO) revealed that toilets built in rural areas were lying unused, as the villagers were wary of using them.

Mission Objectives

The national campaign, which will run till October 2, 2019, aims to :

1. Eliminate open defecation by constructing toilets for households, communities

2. Eradicate manual scavenging

3. Introduce modern and scientific municipal solid waste management practices

4. Enable private sector participation in the sanitation sector

5. Change people's attitudes to sanitation and create awareness.

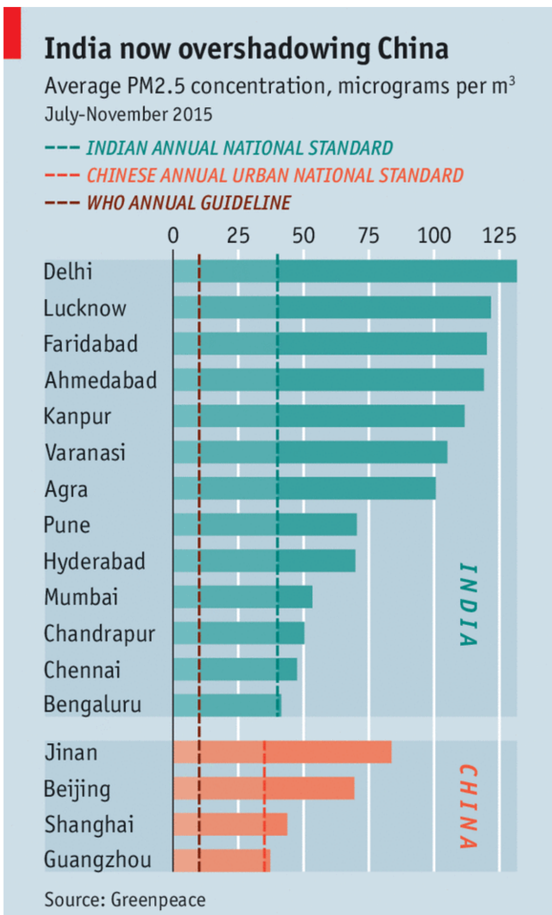
Courting Controversy

The campaign waded into controversy with allegations that many politicians were turning it into a mere photo-op. Members of the BJP's Delhi unit, including president Satish Upadhyay, came under fire when it was reported that garbage was littered on a clean pavement so they could clean it.

Source: Hindustan Times

11. Odd even formula in Delhi

If a fine powder combining arsenic, black carbon, formaldehyde, nickel, sulphur dioxide and nitrogen oxide sounds unpleasant, imagine how it would be if 200 tonnes of it were dumped on your town every day. Imagine, too, that it was proved to be cancerous, with most of it coming in the shape of particles small enough to lodge in the deepest, most tender parts of your lungs. Such is the woe of India's capital. With a count of "respirable suspended particulate matter" that is roughly double that of China's notoriously smoggy capital, Beijing, Delhi is ranked by the World Health Organisation (WHO) as the world's most polluted big city. Several other Indian cities are nearly as atrocious (see table).



Economist.com

Perhaps 25,000-50,000 of greater Delhi's 25m people die prematurely every year because of air pollution. The number is growing: admissions for respiratory ailments at a busy teaching hospital soared fourfold between 2008 and 2015 according to an investigation by the *Indian Express*, a newspaper. And the trouble is not confined to the capital. In the country as a whole the number of early deaths caused by toxic air could exceed 600,000 a year. The largest cause is not cars or factories: it is smoke from home cooking, while in northern India stubble-burning in the countryside is also a factor. But vehicles play a big part, and it is to this source that the keenest attention is now being paid.

Ashes to Ashes

On January 15th Delhi wrapped up a drastic two-week experiment to reduce car emissions by restricting road use to odd- or even-numbered licence plates on alternate days (a method occasionally used in Beijing, São Paulo and a dozen other cities). When the local government announced the scheme in December, many predicted failure. Proud car-owners would ignore it. Police would be too few or too corrupt to enforce compliance. And anyway, in a city with 2.9m cars but some 7m motorbikes and motorised rickshaws, and with many exempt from the ban such as taxis and other public vehicles, the effects would be minimal.

Yet it seems to have been a striking success. With teams of volunteers manning corners to shame would-be shirkers into parking their cars, and police out in force to slap on fines, few flouted the ban. Nor can anyone now claim to be unaware of a problem to which residents had become so inured that it has hardly featured in elections to date. Public transport was more crowded, but passengers were delighted to find traffic markedly lighter.

True, by the measure of the nastiest element in Delhi's toxic cocktail, ultrafine particles, the drop in emissions was not drastic. The first days of the new year even saw a discouraging spike in concentrations of PM10 and PM2.5, as the diameter of two sizes of particles are commonly defined in thousandths of a millimetre. In parts of the city, PM2.5 (the more harmful of the two sorts, because it penetrates the lungs more deeply) exceeded 500 micrograms per cubic metre. That is 20 times the WHO's guideline for safe air.

Still, notes Anumita Roychowdhury of the Centre for Science and Environment, a think-tank in Delhi, those highs were largely due to winter weather, and were lower and shorter-lasting than previous peaks. The odd-even test not only showed that such emergency measures can limit dangerous pollution; it showed how much more efficient public transport can be when road space is freed up to let it move.

The positive response has jolted politicians and India's courts into action. In December the country's Supreme Court slapped a citywide ban on the registration of luxury diesel cars. Soon afterwards, the national government declared that it would speed up the introduction of stricter emissions standards for new passenger cars. It is now considering a similar move for two- and three-wheelers. The government is also hurrying to improve the quality of fuel.

If both new sets of regulations come into effect by 2020, as is planned, new vehicles will emit only a fraction of the pollution they do today. Other initiatives include the expansion of Delhi's metro, measures to maintain roads better (the dust kicked up from these accounts for a big proportion of breathable particulates), restrictions on lorries entering the city, and plans to enforce the replacement or retrofitting of older vehicles. If all this is done, Delhi may get acceptable air in a few years' time.

It is not the first time the central government has acted against air pollution. Over a decade ago it introduced a battery of pollution controls, such as requiring most buses, taxis and auto-rickshaws to convert to natural gas. It banned the burning of rubbish and shut down heavily polluting industries as well as power plants. Those measures worked too, getting rid of the coarsest grit. People noticed that their shirt collars were no longer dirty, says Sumit Sharma of Delhi's The Energy and Resources Institute, another NGO. "They thought the problem was solved."

Wild is the Wind

Two things then intervened to undermine progress. One was a tripling of the number of vehicles on India's roads between 2002 and 2013. The other was misguided government policy. By subsidising diesel in a bid to woo farmers who rely on it to power water pumps and tractors, successive governments encouraged a massive shift in Indian vehicle markets. Between 2000 and 2013 the proportion of new cars with diesel engines rose steeply, from one in 20 to one in two.

California's environmental regulatory agency—the body that recently exposed cheating on diesel emissions tests by the German car firm Volkswagen—says diesel exhaust poses the highest cancer risk of any toxic air contaminant it has evaluated. Luckily, the Indian government's mistake has already been corrected. In October 2014 it scrapped diesel subsidies; sales of diesel vehicles have already dropped. This month a supreme-court judge had this to say to lawyers from a carmaker who argued against the ban on diesel-guzzlers: "So are your vehicles emitting oxygen?" The horrors of Delhi's air are sinking in.

Source: Economist

12. Start up India

On the evening of Saturday, 16 January, in New Delhi, when Prime Minister Narendra Modi unveiled measures to boost the growth of Indian start-ups, investors and entrepreneurs in attendance cheered him on like rock music fans listening to their favourite band.

The measures included a Rs.10,000-crore fund to be deployed over the next four years, exemptions from capital gains tax on investments, favourable labour policies, faster and cheaper patent applications and easy registration for new firms. The measures were announced by Modi at an event called Start-up India, a government initiative that brought young entrepreneurs, venture capitalists and policymakers under one roof.

In August, while delivering his Independence Day address from the ramparts of the Red Fort, Modi coined the slogan “Start-up India, Stand up India” to encourage innovation and entrepreneurship among the young.

Modi’s aim is to make India a top destination for all kinds of start-up businesses. The government invited some of the world’s biggest start-up names to the event on Saturday, including SoftBank Corp.’s founder Masayoshi Son, taxi-hailing service Uber Technologies Inc.’s founder Travis Kalanick and collaborative workspace provider WeWork founder Adam Neumann. Apart from them, all the top Indian entrepreneurs were present.

ACTION PLAN

1. **Self-certification** for nine environment and labour laws for three years to reduce regulatory burden
2. A **start-up India hub** to create a single point of contact for the entire start-up ecosystem and enable knowledge exchange and access to funding
3. A **mobile app** for registering as a company and all other interactions with the government and regulators
4. A **Start-up Intellectual Property Protection (SIPP)** scheme to facilitate the filing of patents, trademarks and designs by innovative start-ups
5. **Relaxed norms** for start-ups to participate in government procurement tenders
6. For **faster exit** in case of failure, an insolvency professional to be appointed to wind up the start-up within 90 days
7. To provide **funding support** to start-ups, government to set up a fund of funds with an annual corpus of ₹2,500 crore per year over a period of four years
8. A **credit guarantee fund** for start-ups with a budgetary corpus of ₹500 crore per year for four years to encourage experimentation
9. **Exemption of capital gains tax** if the investor invests capital gains in a registered fund of funds
10. **Income tax exemption** on profits of start-ups for three years
11. **Tax exemption on investments** above the fair market value for incubators in start-ups
12. **Start-up fests** at national and international venues to provide visibility and encourage collaboration
13. Launch of Atal Innovation Mission (AIM) and Self-Employment and Talent Utilization (SETU) to serve as platforms for **innovation hubs**
14. **Public-private partnership** for setting up 70 incubators across the country
15. Setting up and scaling up **31 start-up centres** across the country
16. Setting up **seven research parks** modelled after the research park at IIT-Madras for joint research and development efforts between academia and industry
17. **Five new bio-clusters** and 50 new bio-incubators for promoting start-ups in the biotechnology sector
18. The **National Initiative for Developing and Harnessing Innovations** (NIDHI) scheme to award ₹10 lakh each to 20 students to promote a culture of innovation among students
19. Ten incubators, selected through a **grand challenge**, to be given ₹10 crore each to encourage the mentoring of start-ups

What stakeholders say

The biggest win for us was to see the kind of attention and acceptance start-ups are getting today by policymakers. Having run a business and struggled with teething problems of registering a company and getting all licences in early days, I think it will be great for aspiring entrepreneurs that they can register easily (on an app) and self assess environment/labour laws, etc., in the early stages. Also, non-institutional funded start-ups would find the first three-year tax-break very supportive. It is an important step in Indian entrepreneurial journey.

NEERAJ KAKKAR
Co-founder at Hector Beverages which owns the Paperboat brand

With the introduction of the start-up policy reforms, I think the government is taking significant steps towards enabling entrepreneurs to actually start up. By solving the challenges start-ups have had to overcome so far—from the removal of regulatory red tape, to tax benefits for early-stage start-ups—the government has given them a huge impetus to get from the idea stage to growing a business quickly. While these impact the current generation of entrepreneurs positively, the introduction of innovation-focused programmes for students could see a whole new cohort of future entrepreneurs. The onus is on the start-ups of tomorrow to work towards growing and adding value.

DEEPINDER GOYAL
Co-founder and chief executive of Zomato

For India to realize its true potential, it is imperative for us to harness the power of start-ups and young entrepreneurs building for this country of over a billion people. The start-up India initiative is testimony to the fact that the government acknowledges the impact of start-ups on India's economic growth. The event itself was encouraging and saw engagement between the prime minister, cabinet ministers, secretaries and senior government officials with start-ups. This is the biggest win for the ecosystem and is a positive sign of times to come. Simplifying registrations, self-compliance and encouraging start-ups to be a part of the government's purchases were some of the steps announced that sent a strong signal of the government's commitment to the sector.

BHAVISH AGGARWAL
Co-founder and chief executive of Olacabs

It is incredible what the government has done for the start-up ecosystem. I can say it is a populist start-up budget on steroids. They have given more than what has been asked for; it touches so many points, right from reducing the patent fee to registering the company faster and even the events to promote start-ups in schools and colleges. This will help start-up jobs become as popular as MNC jobs are during campus placements.

VIJAY SHEKHAR SHARMA
Founder of One97 Communications which runs payments platform Paytm

The effort that the government has put behind the start-up initiative is phenomenal. I have never seen such an event where the top bureaucrats are available on one platform to interact and discuss start-up problems. The biggest takeaway was to see the government's awareness and understanding around issues that start-ups face today. Reducing government intervention, supporting IPs (intellectual property), relaxation in capital gain taxes...all these are steps in the right direction to help build a strong start-up ecosystem. We should not eye immediate results, the outcome should be measured in 5-10 years.

RAHUL KHANNA
Co-founder and managing partner of Trifecta Capital

It is a watershed moment for Indian start-ups. Self compliance, one-day company registration, fast-track patent applications, insolvency and bankruptcy bill, fund of funds, capital gains tax exemption in investment in fund of funds, three-year tax holiday are nothing short of revolutionary. I hope action on these follows. For the first time in my life I've seen government officials speak the same language as young entrepreneurs. Reduced compliance needs will help our start-ups spend more time on building the business and for domestic VCs (venture capitalists), it could be helpful to invest in a fund of funds as planned by the government from a capital gains tax perspective.

TARUN DAVDA
Managing director at Matrix Partners India

It will definitely have a positive impact on the ecosystem as now the start-up ecosystem is a focus area for policymaking at the top-most level. This is a great move towards creating awareness, and the impact of the specific policies announced will become clear after on-the-ground implementation.

DEEPAK GAUR
Managing director at SAIF Partners

In India, start-ups such as online marketplaces Flipkart and Snapdeal have almost overnight become among the most valuable and successful private companies. In all, new-age start-ups attracted more than $9 billion in capital over the past two years.

India ranks third among global start-up ecosystems with more than 4,200 new-age companies, behind only the US and the UK, information technology lobby group National Association of Software and Services Companies (Nasscom) said in a report in October 2015.

The number of active investors grew from 220 in 2014 to 490 in 2015, while the number of incubators or accelerators grew to 110, a 40% increase.

"With 100% growth in the number of private equity, venture capitalists, angel investors, along with a 125% growth in funding over last year, the Indian start-up ecosystem has risen to the next level," said the report, titled *Start-up India-Momentous Rise of the Indian Start-up Ecosystem*.

India is also the youngest start-up nation with 72% of the founders being less than 35 years of age, the report said.

Start-ups present a rare bright spot in an economy that has expanded at a disappointing pace over the past three years and one in which private investment still hasn't picked up.

Jury is still out

No wonder then that the government is keen to promote the growth of start-ups or be associated with them to boost its own image. After the hype of Start-up India, however, the jury is still out on whether the measures announced by the government amount to much. While some of these measures enthused existing and aspiring entrepreneurs, it remains to be seen how these policies take shape.

On behalf of tech start-ups, iSPIRT, a software products think tank, had intensely lobbied with the government and regulators to obtain favourable policies. iSPIRT had submitted to the government a list of 34 issues that it said were driving Indian start-ups away from the country. Of the 34 problems, only eight have been resolved so far by the Start-up India measures and other announcements, iSPIRT said.

"No doubt the Start-up India action plan has provided various important exemptions and incentives to start-ups. However, the key question is this—whether the action plan adequately addresses the irritants that make the Indian start-up ecosystem unattractive? In our view, the answer is no," iSPIRT said.

Tax holidays, ease of closing companies and investment fund are measures that will make it easier for companies to do business, said Sudhir Singh, partner at consultancy PricewaterhouseCoopers India.

"However, these measures alone will not help spurt the government's ambition of having 300,000 start-ups. Today, entrepreneurs require world-class infrastructure to build world-class companies. Basics such as electricity, Internet connectivity, roads, clean environment and curbing corruption require immediate attention for building a strong foundation to achieve our ambition," Singh said.

The positives

To be sure, some measures announced by Modi have the potential to effect significant change.

The exemption of the 20% capital gains tax has been a long-pending demand of overseas venture capital investors who route their investments through Mauritius to avoid paying taxes. While investors are exempted from paying tax on long-term capital gains in the case of listed companies in India, they have to pay 20% on such gains from investments in privately-held firms. So, most investments in Indian start-ups are routed through Mauritius as capital gains tax on investments from that country is waived due to a provision in a double taxation avoidance treaty.

However, the proposed waiver of capital gains tax will only come into effect after a formal proposal in the budget next month is approved by Parliament. Several venture capital firms are also waiting for the fine print before they assess its impact.

“From what it looks like, the capital gains tax kicks in only when you invest in the MSMEs (micro, small andmedium enterprises). I can only wish that the universe of these investments is expanded,” said a top executive at a venture capital firm on condition of anonymity.

Reducing red tape and making patent filing simpler are other positive measures.

Start-ups, which the government has defined as companies registered in India in the past five years and with an annual turnover not exceeding Rs.25 crore, will now be allowed to self-assess businesses for the first three years of operations.

Modi, in his speech on Saturday, said start-ups will not have any inspection visits by government officials for the first three years, in a measure aimed at helping young companies save time and money.

“Having run a business and struggled with teething problems of registering a company and getting all licences in the early days, I think it will be great for aspiring entrepreneurs that they can register easily (on an app) and self-assess environment/labour laws, etc., in the early stages,” said Neeraj Kakkar, co-founder of Hector Beverages Pvt. Ltd that owns the Paperboat brand.

Protecting innovations

The intent to clear roadblocks for younger companies is clearly there and should be helpful in attracting investment in early-stage companies and encouraging young people to start their own ventures, said Albinder Dhindsa, co-founder of grocery delivery app Grofers.

Protection of intellectual property in India has been challenging, and the new policy on patents can help protect innovations in the country, said Anurag Jain, co-founder and chief operating officer at Girnar Software Pvt. Ltd, which owns automotive marketplace Cardekho.

Some other measures as well as the government’s definition of a start-up itself are questionable, experts said.

“The government seems to have given only one, narrow definition for start-ups. This needs to be changed because it excludes many innovative businesses,” said Harish H.V., partner at Grant Thornton India.

Start-ups have been exempt from paying taxes for the first three years. But considering most start-ups don’t make money so early, such an exemption would have little impact.

Spending taxpayer money

The government will set up a fund with an initial corpus ofRs.2,500 crore and a total corpus of Rs.10,000 crore over a period of four years. The creation of state-sponsored funds for start-ups is fraught with danger. Most start-ups fail. Should the government put taxpayer money into funding new ventures, a task that is tough even for experienced investment professionals?

Additionally, the government made no reference to two of the most important issues for start-ups—rules on foreign direct investment (FDI) and Net neutrality.

Many of India’s top e-commerce firms, including Flipkart and Snapdeal, are being investigated for possible violation of FDI rules. The status of these investigations is not clear.

There is the perceived threat to start-ups from initiatives such as Facebook Inc.’s Free Basics, which violates the principle of Net neutrality, according to Net neutrality activists. Free Basics is an initiative under which users get free access to Facebook and some other sites and apps on their smartphones.

By giving free access to some sites at the expense of others, telecom networks and Facebook will make it tough for new Internet ventures to come up, Net neutrality activists say.

The government will give its ruling on Net neutrality after the Telecom Regulatory Authority of India, or Trai, submits its final recommendations on the issue early this year. While hyperbole marked the Start-up India event on Saturday, regulatory clarity and favourable policies still remain elusive for start-ups.

“It is undeniable that India’s start-ups need to be saluted, encouraged and fostered. The Modi government deserves to be lauded for recognizing this and accomplishing it in its characteristic pomp and splendour. However, the temptation to translate that into policy actions by splurging taxpayer funds in venture capital is illogical and a travesty of the ‘minimum government’ promise,” Praveen Chakravarty, co-founder of angel investor network Mumbai Angels, wrote in an article this week.

Source: Mint

13. Bullet train

Last week Indian Prime Minister Narendra Modi's cabinet cleared a $14.7bn (£9.6bn), 650km (403 miles) long bullet train system linking the western Indian cities of Mumbai and Ahmedabad, which will cut travel time on the route from eight hours to two.

"This enterprise will launch a revolution in Indian railways and speed up India's journey into the future. It will become an engine of economic transformation in India," Mr Modi said.

But will it?

To be sure the BJP's election manifesto released in April 2014 promised a 5,846km (3632 miles) "high speed train network (bullet train)" linking Delhi, Chennai (Madras), Kolkata (Calcutta) and Mumbai. Interestingly, it didn't include Ahmedabad, the largest city in Mr Modi's native state, Gujarat.

Creaky infrastructure

Indian Railways is the third largest railway network in the world. It has come a long way since its first passenger train service began on 16th April 1853, when 14 carriages carrying about 400 guests left Bori Bunder in Mumbai.

- Operates 19,000 trains every day, comprising 12,000 passenger trains and 7,000 freight trains
- Transports 23 million passengers every day
- Carries 2.65 million tonnes of freight every day
- Earns about $20bn annually
- Owns 7,083 railway stations and 131,205 railway bridges
- Runs 51,030 passenger coaches and 219,931 freight cars
- Employs 1.36 million people.

More than anything, the railways typifies the vast, creaking and dilapidated nature of the country's infrastructure.

At the root of this is that the railways hardly earns enough to pay for itself, let alone invest in modernisation and safety.

It is cash strapped mainly due to the recurring losses - last year it lost $5bn - in the passenger segment of its operations. The network has surplus cash of only $115m.

Its top managers have frequently warned about the crisis.

A top official said: 'In the final analysis, the performance of the organisation would be just at the bottom line and unless we are in a position to control the expenditure and increase the earnings on a sustained basis, survival for the organisation becomes a very difficult proposition."

But the railways get by every year with huge dollops of government funding and increasingly by postponing vital investments.

For instance important decisions such as the filling of tens of thousands of safety-related posts, including track maintenance and signalling workers, keep getting postponed.

The consequences of this are seen in the increasing number of railways related accidents and deaths.

Since 2000 there have been 89 major accidents - almost two thirds of them since 2010.

It is estimated is that almost 15,000 people die crossing the tracks every year - some 6,000 on the busy Mumbai suburban network alone.

Challenge

Last year, according to the government, more than 25,000 people died and 3,882 were injured in 28,360 railway accidents across the country.

The challenge has been clear for many years.

In 2012 a government committee said the condition of the tracks and bridges was a cause of concern and made several recommendations:

- Modernise 19,000km (11,806 miles) of existing tracks comprising nearly 40% of the total network and carrying about 80% of the traffic.
- Eliminate level crossings and provide fencing alongside tracks. To eliminate level crossings by building rail over and under bridges.
- Strengthen 11,250 bridges to sustain higher loads at higher speeds, noting that about a quarter of out of 131,000 bridges are over 100 years old.
- Provide 100% mechanised track maintenance on the main routes to provide for superior quality of track laying and maintenance.

But neither the railways nor the government has so far been able to rustle up even a fraction of the $130bn outlay for this.

Shouldn't the focus be on modernising and upgrading the entire system?

The question therefore must be, how does a bullet train joining Mumbai and Ahmedabad address any of these urgent needs?

On the face of it the Japanese offer is very attractive.

Japan has offered to meet 80% of the Mumbai-Ahmedabad project cost, on the condition that India buys 30% of its equipment including coaches and locomotives from Japanese firms. In the coming years, up to 70-80% of the components could be manufactured in India.

The Japanese government has offered cheap loans, technical support and is willing to drive the local manufacturing and technology transfer initiative within a specified period, said sources. These terms cannot be scoffed at.

Questions

But questions will persist.

Can this be the most competitive offer? Did the government even consider or invite other offers? How much are the Japanese going to make out of this?

The purpose of competitive offers is to eliminate all these. But this due process was given a go by.

Finally, the big question that will not go away is whether the same investment on upgrading the entire railway network would be more economically beneficial than a single high cost project?

India adds a million young people to its work force every month. There is little disagreement that revamping the entire network would entail the creation of many more new jobs than a single capital and import intensive project.

How does this tie in with Prime Minister Modi's hope that "it will become an engine of economic transformation in India?"

Source: BBC

14. UN Climate talks Paris COP21

After four years of talks , representatives from 195 countries have created history in Paris by agreeing to a comprehensive climate change deal that will commit nearly every country to lowering planet-warming greenhouse gas emissions besides giving a boost to clean energy business.

The COP21 agreement will have a lot in store for economies in transition like India with over a trillion dollars in green investment set to be handed out in the next decade or so, enabling the adoption of greener technologies — an endgame that the agreement sets out to achieve.

On Earth Day, falling on April 22, 2016, it will be opened for the signatures of members for one year. And it will enter into force once 55 countries accounting for at least 55% of emissions ink it.

Here are the highlights of the deal:

1. Goal: The long-term goal is to limit global warming to "well below" 2 degrees celsius over pre-Industrial Revolution levels, and to try for 1.5 degree if possible.

Impact: Will push out fossil fuels from economies.

2. Peak: The world will aim for climate-changing greenhouse gas emissions to peak "as soon as possible", probably in second half of the century.

Impact: Will provide affordable green technologies to developing countries.

3. Climate action: Intended Nationally Determined Contributions (INDCs) to be reviewed again in 2023 and then once every five years to reflect highest possible ambition as per the individual capabilities of countries.

Impact: Introduces 'name and shame' regime for nations that don't have an ambitious climate plan.

4. Emission reduction: Developed countries to take economy-wise absolute emission reduction (no target) and developing countries to enhance their mitigation efforts.

Impact: Introduces cooperative effort to reduce emissions, with higher burden on richer nations.

5. Loss and damage: The agreement includes a section recognising "loss and damage" associated with climate-related disasters. The US was worried it would lead to claims of compensation for damage caused by extreme weather events . It was included with a footnote specifically stating that loss and damage does not involve liability or compensation.

Impact: Most vulnerable nations will be partially covered for loss because of disasters. It is a victory for small island nations threatened by rising seas.

6. Finance: Developed countries to take lead in providing financial assistance with floor of $100 billion by 2020 from variety of sources including "significant role" of public funds. Expansion of donor base to be considered in future.

Impact: Countries like India, say after 2030, will have to contribute.

7. Transparency: Technical Expert Review of climate action plans for all parties with different level for developed and developing world depending on national capability and circumstances. Biennial update in form of established International Assessment and Review for rich nations and International Consultation and Analysis for developing world.

Impact: Brings all countries on single accountability platform.

8. Taking stock: First of climate action plans to happen in 2023 and then every five years with an aim to enhance voluntary commitments by each country. India has committed emission intensity reduction by 33-35% and a 40% non-fossil energy use by 2030 in its first climate action plan submitted this October.

Impact: Gives permanency for periodic enhancement of climate action plans.

Here is what the agreement means for India:

1) The 2 degree and 1.5 degree goals

India: The 2 degree goal means that India will have to dramatically slow down its emissions with nonew coal fired power plants in the near future. India will have to draw a coal roadmap for the 2 degree scenario to reduce its dependence on coal for electricity generation. Around 60% of India's electricity comes from coal-fired power plants. However, the 1.5 degree scenario could have been scary for India as it would have had shut down its coal-fired plants within a few years, with a quicker shift to renewable energy. But India has avoided this scenario as the goal is only aspirational.

2) Differentiation: Role and responsibilities

India: Wanted the Common But Differentiated Responsibilities with Respective Capabilities (CBDR-RC) in all elements of the Paris agreement. Was able to get it in four aspects only — finance, technology transfer, capacity building and adaptation. On emission reduction, the danger is that the already diluted CBDR will further vanish in the future. As a whole, differentiation has gotten diluted further but for the time being, India has protected its interests.

3) Climate finance

India: Will not get much, as least developed and island nations have been identified as benefactors. May need more funds to buy clean technologies as copyright has not been addressed in the agreement. After the next review in 2023, emerging economies like India may have to become donors, which it managed to avert this time.

4) Climate mitigation

India: India will have two options in 2020 — the first will be to review its INDCs or to re-submit its 2015 INDC and give an enhanced one. The first option is highly unlikely as global moral pressure will be to increase commitment.

5) Transparency and accountability

India: Has agreed as the weak differentiation agreed in Cancun five years ago has been maintained. India has data generation mechanism to verify its 33-35% emission intensity reduction and 40% non-fossil by 2030, the two targets in its INDCs.

More Details: http://indianexpress.com/article/explained/climate-conference-no-big-losers-in-paris-heres-how-everyone-won-something/

http://edition.cnn.com/2015/10/30/world/cop21-paris-conference-five-things/

Source: Hindustan Times

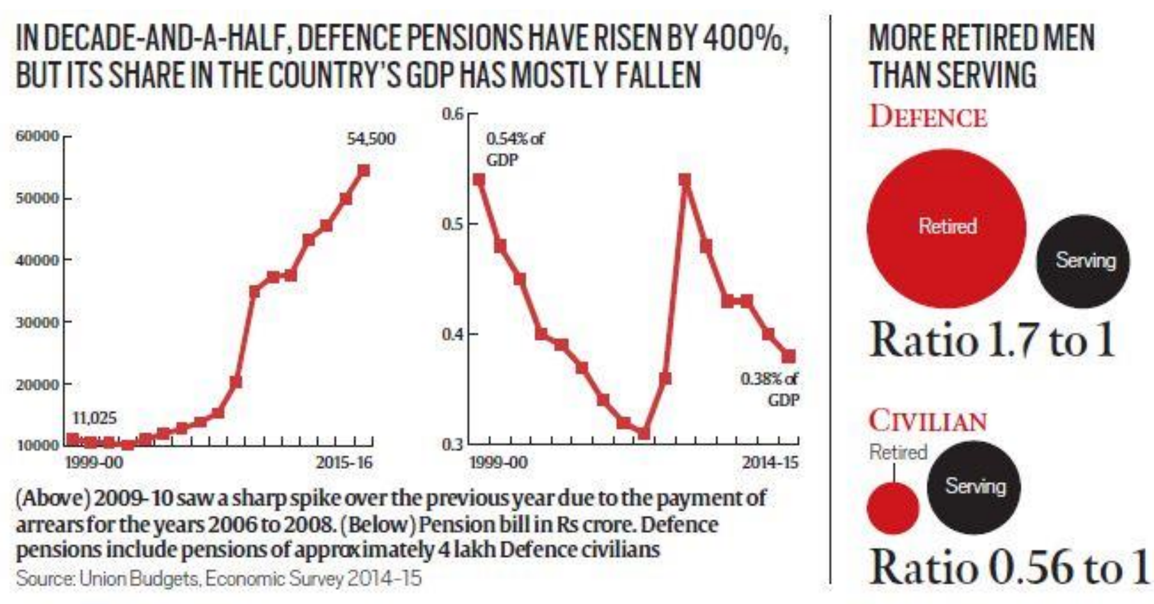
15. One Rank One Pension

OROP — or One Rank, One Pension — means that every pension-eligible soldier retiring in a particular rank gets the same pension, irrespective of his date of retirement. As of now, soldiers who retired more recently receive more pension than those who retired earlier. This is because pensions are dependent on the last salary drawn, and successive pay commissions have raised salaries. Thus, a Colonel who retired after the Sixth Pay Commission recommendations were accepted in 2006, gets more than a Colonel who retired when his salary was computed on the basis of the recommendations of the Third Pay Commission. OROP, though promised by both the UPA and NDA, is yet to be implemented, triggering emotional, countrywide protests by ex-soldiers.

FOR OROP

Compensation for early retirement, and a national obligation.

The nation needs a young Army, necessitating early recruitments and retirements. Soldiers have short careers — a jawan retires at age 35, while a civilian can work until he is 60. To make up for their shorter working lives, without lateral absorption into another government job of the same grade and status, veterans need compensation that is comparable to what a soldier of the same rank retiring today would get from the government. A curtailed career results in denial of longer service at higher pay and, therefore, higher pension. Soldiers are denied the opportunity to earn more increments and promotions, as well as the benefits offered by more recent pay commissions, which significantly affects their pensions. OROP can address all of this. There is also the emotional argument. Defence forces personnel give up their best years to the service of the nation and society, suffering hardships of military life — and, at the end of their service, face limited opportunities for re-employment.

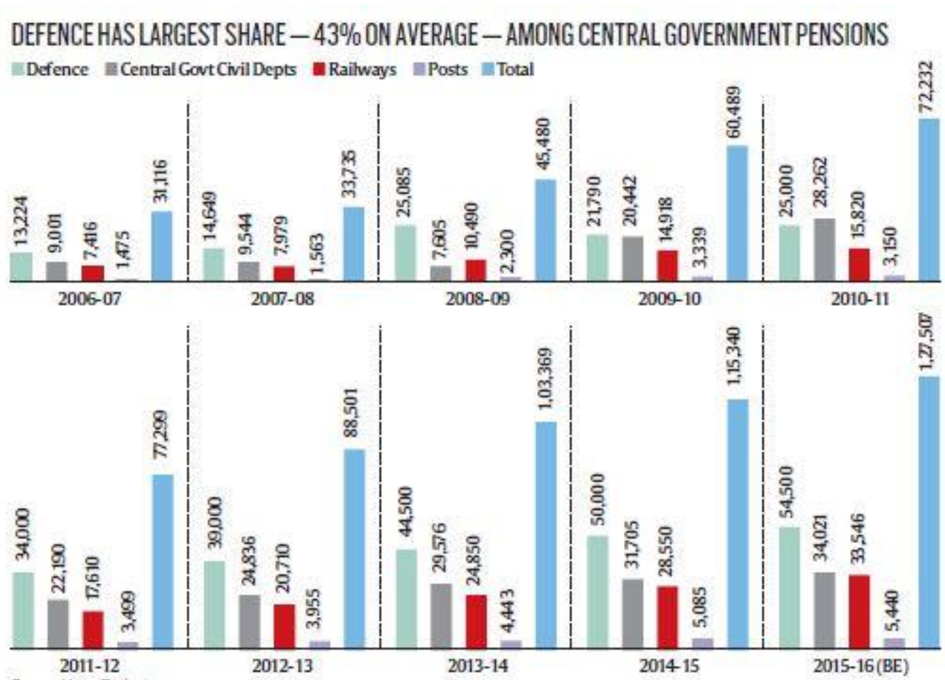


Many defence personnel, both serving and retired, feel that their contribution to the nation and society is not adequately recognised or appreciated. Their terminal benefits bear no resemblance to the realities of life in the civilian world. A nation cannot allow its soldiers to feel that it does not care for them. OROP is essentially an obligation of the Indian nation towards its soldiers — and the price it must pay for maintaining a standing Army. OROP would send a strong emotional signal to soldiers and veterans.

AGAINST OROP

Administrative nightmare, an unbearable financial burden.

The arguments against OROP are based on administrative, financial and legal complications in implementing the scheme. In 2011, the Defence Ministry told the Koshiyari Committee that records going back further than 25 years were no longer available — a major administrative "difficulty in introducing the concept". There are cases where soldiers who retired in the 1940s are still being paid family pensions, and it will be administrative impossible to reconcile the nearly 20 lakh cases over such a long period for OROP over any reasonable timeframe.



Source: Union Budgets

It is argued that OROP must become a grateful nation's obligation to its brave soldiers. However, the cost of this burden can be increasingly difficult to bear, especially if police forces and civilian employees too begin to make similar demands

2006: THE TURNING POINT*

BEFORE	AFTER	DIFFERENCE
Rs 5,574 + 113% DR	Rs 7,200 + 113% DR	Rs 3,463 (29%)

*Monthly pension for sepoy who retired after 17.5 years of service

DEFENCE PENSIONS COMPARED

USA	50-100% of last pay*
China	85% of pay
Australia	76.5% of pay
France	75% of pay
Germany	75% of pay
Sri Lanka	75% of pay
Japan	70% of pay
Pakistan	50-75% of pay**
Malaysia	60% of pay
India	50% of last pay, plus DA

*Fully protected against inflation
**With service element of military pension

The Law Ministry told the committee that "if today's pension and emoluments are passed automatically to somebody who retired 30 years ago, there will be inherent discrimination against terms and conditions of service which would lead to discrimination under the Constitution". A related aspect: people who retire in the same rank often earn different pensions because they may have served for longer periods in that rank. A Colonel who serves for 12 years in that rank will earn more pension than someone who served for 4 years as Colonel. Equating their pensions was unlikely to withstand a legal challenge.

The financial argument is about the long-term cost of implementing OROP. Defence Minister Manohar Parrikar's estimate of Rs 8,300 crore is only a one-time payout. This amount will increase substantially every time a new pay commission makes its recommendations, with all old pensioners being paid at the new rate. There is also the likelihood of civilian employees, such as the Central Armed Police Forces and the state police forces, raising the demand for OROP. Finally, there are fears that civilian employees who moved to a contributory pension scheme in 2004 might demand a reversion to fixed pensions, thus unravelling the whole system. That, perhaps, is the strongest argument against setting a precedent with OROP.

Source: Indian Express

16. India's bid for permanent membership to the UNSC

India's bid for permanent membership of the United Nation Security Council (UNSC) received a major boost on Monday, when the UN general assembly (UNGA) agreed to adopt a negotiating text for Security Council reforms.

In a statement, India's permanent representative to the United Nations, Asoke Mukerji, said (PDF), "This is the first time in the history of the Inter-Governmental Negotiation (IGN) process that a decision on UNSC reform has been adopted through an official formal L Document of the UNGA". He added, "This decision sets the IGN process formally on an irreversible textbased negotiations path...The twin objectives of saving our work done in the 69th UNGA and carrying it meaningfully forward have therefore been achieved."

Another point that Mukerji made was, "...text and its annexure of 31st July, 2015 which we all agreed will be the guiding basis for our deliberations in the 70th General Assembly session. I would like to quote from your (Presidency) letter of 31st July 2015, which has been recognized in the decision, in which you had stated that the text attached to your letter, and I quote 'represents a sound basis upon which Member States can engage in text-based negotiations through the next phase of IGN'."

China, which is also among the five permanent members of the UNSC, and Pakistan opposed the move, with the former saying that it was "not fair and transparent". Keen to maintain their veto power, three permanent members—China, the US and Russia—are against expanding the security council and, therefore, did not contribute to the text that was adopted on Monday.

Here's an explainer on what a seat in the UNSC could mean for India:

What does Monday's decision mean?

While it is significant, Monday's decision simply means that for the first time in "more than two decades of discussions", as the ministry of external affairs statement said, "we can now commence text-based negotiations". The next phase of negotiations on the text will take place next year, in the 70th session that commences on 15 September, with Jamaican ambassador Courtenay Rattray as the chair of the IGN process.

What does the UNSC currently look like?

As of now, there are 15 members on the UNSC. Five of those (mostly powers who emerged victorious in the World War II), including the US, UK, France, China and Russia are permanent members. These members have the all-important veto power (essentially a negative vote) which would mean that a "resolution or decision would not be approved".

The remaining 10 non-permanent members are elected by the General Assembly for two-year terms, starting 1 January. Five members are replaced each year. India has been elected as a non-permanent member to the UNSC for seven such terms, the last of which was in 2011-12.

What is India's case for a permanent membership?

India (or any other country for that matter) would want a permanent membership to the UNSC for two reasons. First, the veto power, which India could use to defend its interests, say against Pakistan (just like Russia did last year over the civil war in Ukraine). Second, the sheer prestige associated with permanent membership of a multilateral forum. India's elevation will also be an acknowledgment of its rise as a global power, ready to play a key role in the council's objectives of international peace and security.

India also believes that the UNSC, which was constituted in 1945 after the World War II, does not reflect the geopolitical realities—the emergence of a multipolar world order largely thanks to the rise of developing economies like China, Brazil and India.

Also, India is the largest contributor to the UN Peacekeeping Operations (UNPKO), with nearly 180,000 troops serving in 44 missions since it was established. India is also among the highest financial contributors to the UN, with the country making regular donations to several UN organs like the United Nations Democracy Fund (UNDEF).

Who supports India's bid to become a permanent member?

India's candidature as a potential permanent UNSC member has received support from a vast majority of nations. At several public occasions, four of the five permanent members have supported India's bid. China is the only permanent member that has been ambiguous in its support for India, owing to its close ties with Pakistan. Other member states, like the United Arab Emirates (UAE), Singapore, Malaysia and the whole of the African Union have also endorsed India's bid.

And who opposes?

India's nuclear-armed rival Pakistan has been leading the opposition to its inclusion in the UNSC's list of permanent members. Other countries, part of an interest group called the "Uniting for Consensus" (UfC), also curiously called "The Coffee Club", formed in 1995, are opposed to India (and the

G4's bid) for permanent seats. Italy, Pakistan, Mexico and Egypt were founder members of the UfC. The list also includes Argentina, South Korea, Spain, Turkey and Indonesia.

How can India become a permanent member?

For now, it seems like an uphill task (unless China comes on board soon). The reform of the Security Council can only take place if two-thirds of UN member states vote in favour, along with an affirmative vote from all the permanent members, who enjoy the veto power. Effectively, even if India secures the support of two-thirds of UN members, who are present and voting, it would still need the five permanent members to not use the veto and thereby, prevent the adoption of the reform process.

Source: Mint

17. Syrian Crisis

More than 250,000 Syrians have lost their lives in four-and-a-half years of armed conflict, which began with anti-government protests before escalating into a full-scale civil war. More than 11 million others have been forced from their homes as forces loyal to President Bashar al-Assad and those opposed to his rule battle each other - as well as jihadist militants from Islamic State. This is the story of the civil war so far, in eight short chapters.

1. Uprising turns violent

Pro-democracy protests erupted in March 2011 in the southern city of Deraa after the arrest and torture of some teenagers who painted revolutionary slogans on a school wall. After security forces opened fire on demonstrators, killing several, more took to the streets.

The unrest triggered nationwide protests demanding President Assad's resignation. The government's use of force to crush the dissent merely hardened the protesters' resolve. By July 2011, hundreds of thousands were taking to the streets across the country.

Opposition supporters eventually began to take up arms, first to defend themselves and later to expel security forces from their local areas.

2. Descent into civil war

Violence escalated and the country descended into civil war as rebel brigades were formed to battle government forces for control of cities, towns and the countryside. Fighting reached the capital Damascus and second city of Aleppo in 2012.

By June 2013, the UN said 90,000 people had been killed in the conflict. However, by August 2014 that figure had more than doubled to 191,000 - and continued to climb to 250,000 by August 2015, according to activists and the UN.

The conflict is now more than just a battle between those for or against President Assad. It has acquired sectarian overtones, pitching the country's Sunni majority against the president's Shia Alawite sect, and drawn in neighbouring countries and world powers. The rise of the jihadist groups, including Islamic State, has added a further dimension.

3. War crimes

A UN commission of inquiry, investigating alleged human rights violations since March 2011, has evidence that those on both sides of the conflict have committed war crimes - including murder, torture, rape and enforced disappearances. Government and rebel forces have also been accused by investigators of using civilian suffering - such as blocking access to food, water and health services - as a method of war.

In February 2014, a UN Security Council resolution demanded all parties end the "indiscriminate employment of weapons in populated areas". Since then, activists say, more than 6,000 civilians have been killed by barrel bombs dropped by government aircraft on rebel-held areas. The UN says in some instances, civilian gatherings have been deliberately targeted, constituting massacres.

Islamic State has also been accused by the UN of waging a campaign of terror in northern and eastern Syria. It has inflicted severe punishments on those who transgress or refuse to accept its rule, including hundreds of public executions and amputations. Its fighters have also carried out mass killings of rival armed groups, members of the security forces and religious minorities, and beheaded hostages, including several Westerners.

4. Chemical weapons

Hundreds of people were killed in August 2013 after rockets filled with the nerve agent sarin were fired at several agricultural districts around Damascus. Western powers, outraged by the attack, said it could only have been carried out by Syria's government. The regime and its ally Russia blamed rebels.

Facing the prospect of US military intervention, President Assad agreed to the complete removal or destruction of Syria's chemical weapons arsenal as part of a joint mission led by the UN and the Organisation for the Prohibition of Chemical Weapons (OPCW). The destruction of chemical agents and munitions was completed a year later.

Despite the operation, the OPCW has since documented the use of toxic chemicals, such as chlorine and ammonia, by the government in attacks on rebel-held northern villages between April and July 2014 that resulted in the deaths of at least 13 people.

Islamic State has also been accused of using homemade chemical weapons, po0ssibly including the blistering agent sulphur mustard, against Kurdish forces and civilians in northern Syria.

5. Humanitarian crisis

More than four million people have fled Syria since the start of the conflict, most of them women and children. It is one of the largest refugee exoduses in recent history. Neighbouring countries have borne the brunt of the refugee crisis, with Lebanon, Jordan and Turkey struggling to accommodate the flood of new arrivals. The exodus accelerated dramatically in 2013, as conditions in Syria deteriorated.

A further 7.6 million Syrians have been internally displaced within the country, bringing the total number forced to flee their homes to more than 11 million - half the country's pre-crisis population. Overall, an estimated 12.2 million are in need of humanitarian assistance inside Syria, including 5.6 million children, the UN says.

In December 2014, the UN launched an appeal for $8.4bn (£5.6bn) to provide help to 18 million Syrians, after only securing about half the funding it asked for in 2014. By a year later, it was less than half funded.

A report published by the UN in March 2015 estimated the total economic loss since the start of the conflict was $202bn and that four in every five Syrians were now living in poverty - 30% of them in abject poverty. Syria's education, health and social welfare systems are also in a state of collapse.

6. Rebels and the rise of the jihadists

The armed rebellion has evolved significantly since its inception. Secular moderates are now outnumbered by Islamists and jihadists, whose brutal tactics have caused widespread concern and triggered rebel infighting.

Capitalising on the chaos in the region, Islamic State - the extremist group that grew out of al-Qaeda in Iraq - has taken control of huge swathes of territory across northern and eastern Syria, as well as neighbouring Iraq. Its many foreign fighters in Syria are now involved in a "war within a war", battling rebels and jihadists from the al-Qaeda-affiliated Nusra Front, who object to their tactics, as well as Kurdish and government forces.

In September 2014, a US-led coalition launched air strikes inside Syria in an effort to "degrade and ultimately destroy" IS, helping the Kurds repel a major assault on the northern town of Kobane. But the coalition has avoided attacks that might benefit Mr Assad's forces or intervening in battles between them and the rebels.

In the political arena, opposition groups are also deeply divided, with rival alliances battling for supremacy. The most prominent is the moderate National Coalition for Syrian Revolutionary and Opposition Forces, backed by several Western and Gulf Arab states. However, the coalition has little influence on the ground in Syria and its primacy is rejected by other groups, leaving the country without a convincing alternative to the Assad government.

7. Peace efforts

With neither side able to inflict a decisive defeat on the other, the international community long ago concluded that only a political solution could end the conflict in Syria. However, a number of attempts by the Arab League and the UN to broker ceasefires and start dialogue have failed.

In January 2014, the US, Russia and UN convened a conference in Switzerland to implement the 2012 Geneva Communique, an internationally backed agreement that called for the establishment of a transitional governing body in Syria formed on the basis of mutual consent.

The talks, which became known as Geneva II, broke down in February after only two rounds. The then-UN special envoy Lakhdar Brahimi blamed the Syrian government's refusal to discuss opposition demands and its insistence on a focus on fighting "terrorists" - a term Damascus uses to describe rebel groups.

UN Secretary General Ban Ki-moon says the organisation's long-term strategic objective remains a political solution based on the Geneva Communique. The UN special envoy Staffan de Mistura has also proposed establishing a series of "freeze zones", where local ceasefires would be negotiated to allow aid deliveries in besieged areas. But his attempt to broker a truce in Aleppo in March 2015 was rejected by rebels in the city, who feared the government would use it to redeploy its forces elsewhere and that IS militants would simply ignore it.

8. Proxy war

What began as another Arab Spring uprising against an autocratic ruler has mushroomed into a brutal proxy war that has drawn in regional and world powers.

Iran and Russia have propped up the Alawite-led government of President Assad and gradually increased their support.

Tehran is believed to be spending billions of dollars a year to bolster Mr Assad, providing military advisers and subsidised weapons, as well as lines of credit and oil transfers. In September 2015, Russia launched an air campaign against Mr Assad's opponents. Moscow said it was targeting only "all terrorists", above all members of Islamic State, but many of the strikes hit Western-backed rebels and civilians.

The Syrian government has also enjoyed the support of Lebanon's Shia Islamist Hezbollah movement, whose fighters have provided important battlefield support since 2013.

The Sunni-dominated opposition has, meanwhile, attracted varying degrees of support from its main backers - Turkey, Saudi Arabia, Qatar and other Arab states along with the US, UK and France. However, the rise of hardline Islamist rebels and the arrival of jihadists from across the world have led to a marked cooling of Western backing.

US-led coalition aircraft provide significant support to Kurdish militia fighters seeking to defend three autonomous enclaves in the country's north from attacks by IS. But a programme to train and arm 5,000 Syrian rebels to take the fight to IS on the ground has suffered embarrassing setbacks.

Source: BBC

18. Amravati, the new state capital

Prime Minister Narendra Modi on Thursday laid the foundation stone of Andhra Pradesh's capital city Amaravati at a village in Guntur district, in a mega event for which the state government made elaborate arrangements.

Here are all the facts you need to know about the development:

The function

Around five lakh people attended the function at Uddandarayunipalem village on the banks of river Krishna. After performing the 'shila nyas' for the capital city — about 40 kms from Vijayawada, the commercial capital of Andhra Pradesh, Prime Minister Narendra Modi addressed the gathering.

With Union minister M Venkaiah Naidu providing a Telugu translation, Modi spoke of urban development being the need of the hour, and exhorted his audience to view this as an opportunity and not a problem. The usual criticism of the preceding UPA government at the Centre was followed by words of encouragement and congratulation for Chief Minister Chandrababu Naidu for all his work.

Among the dignitaries in attendance were Andhra Pradesh Governor ESL Narasimhan, Tamil Nadu Governor K Rosaiah, Assam and Nagaland Governor Padmanabha Acharya, Telangana Chief Minister K Chandrasekhar Rao — who notably buried the hatchet with his Andhra Pradesh counterpart — Central ministers Nirmala Sitaraman, YS Chowdary and Bandaru Dattatreya. Ministers and delegations from Singapore and Japan also attended the event. More than 8,000 police personnel were deployed as part of security arrangements for the grand event.

Why Amaravati?

Amaravati, is situated in Guntur district, was once the seat of power of Satavahana rulers. Apart from the historical and cultural importance, the city is also centrally located. A report in The Indian Express notes that it is "easily accessible from north and south, coastal districts and the Rayalaseema region".

The plan

Chief minister Naidu has promised that it will be a world-class and 'people's capital'. The city will be spread over 54,000 acres and in 10 years will have the state secretariat, high court and legislative assembly, among other things. Singapore government agencies have prepared the master plans for the three-layered capital -- seed capital, capital city and capital region. While the Centre would provide funds for construction of legislature buildings as per the Andhra Pradesh Re-organisation Act, the state government has plans to set up hubs of sports, entertainment and in other fields to promote economic activity, an official release said earlier. According to IANS, Telugu Association of North America (TANA), the oldest and the largest association of Telugu people outside the Telugu states, is also raising funds for the development of the city through a 'My Brick -

My Amaravati' campaign. It will accept donations from all non-resident Telugus who are interested in contributing. Interested public can sponsor 'bricks' with each brick at Rs 10.

As per a call given by Naidu, soil and water from 16,000 villages in the state and prominent pilgrim centres in the country have been brought to the capital region to be used in the construction of the capital city. The idea is to promote a sense of belongingness among the people.

Land acquisition

The biggest plus point of the whole project is the new scheme devised to acquire the required land. According to a report in the CNBC-TV18, of the total required 54,000 acres, the government owns about 21,000 acres. Over 23,000 farmers in 29 villages own the balance. The government has used a unique land pooling scheme to overcome difficulties of acquiring this land. According to The Indian Express, the government has bought 31,000 acres from 18,000 farmers. The farmers are to get Rs 50,000 per acre per year for 10 years and also 1,250 sq yards of residential space and 200 sq yards of commercial space in Amaravati for every acre they gave up. The CNBC-TV18 report estimates that the land acquisition in the normal route would "have cost the AP government more than Rs 7500 crore and have taken several years".

Opposition

Yes, there is opposition to the plan. Naidu, whose Telugu Desam Party (TDP) is a partner in BJP-led NDA government at the Centre, is under fire from the opposition for failing to get the special status despite the promise made by Modi during poll campaign. According to a report in Deccan Chronicle, the leaders of the Congress and YSR Congress won't be attending the function today. Meanwhile, CPM has termed the creation of Amaravati a scam in the making as the government's plan to create green zones will mean undue benefit to only the business community who is ready to invest in the capital city. More importantly, a section of residents in Rayalaseema, a backward region, feel they have been given a short-shrift by the "unilateral decision" to set up the state capital at Amaravati.

Source: Firstpost

19. Oil Prices: What's Behind the Drop?

The oil industry, with its history of booms and busts, is in its deepest downturn since the 1990s, if not earlier.

Earnings are down for companies that have made record profits in recent years, leading them to decommission roughly two-thirds of their rigs and sharply cut investments in exploration and production. An estimated 250,000 oil workers have lost their jobs, and manufacturing of drilling and production equipment has fallen sharply.

The cause is the plunging price of a barrel of oil, which has been cut roughly by more than 60 percent since the June 2014.

Prices have recovered a few times last year, but a barrel of oil has already sunk this year to its lowest level since 2004. Executives think it will be years before oil returns to $90 or $100 a barrel, pretty much the norm over the last decade.

1. What is the current price of oil?

Brent crude, the main international benchmark, was trading at around $33a barrel on Thursday.

The American benchmark was at around $32 a barrel.

2. Why has the price of oil been dropping so fast? Why now?

This a complicated question, but it boils down to the simple economics of supply and demand.

United States domestic production has nearly doubled over the last several years, pushing out oil imports that need to find another home. Saudi, Nigerian and Algerian oil that once was sold in the United States is suddenly competing for Asian markets, and the producers are forced to drop prices. Canadian and Iraqi oil production and exports are rising year after year. Even the Russians, with all their economic problems, manage to keep pumping.

There are signs, however, that production is falling in the United States and some other oil-producing countries because of the drop in exploration investments. But the drop in production is not happening fast enough, especially with output from deep waters off the Gulf of Mexico and Canada continuing to build as new projects come online.

On the demand side, the economies of Europe and developing countries are weak and vehicles are becoming more energy-efficient. So demand for fuel is lagging a bit.

3. Who benefits from the price drop?

Any motorist can tell you that gasoline prices have dropped. Diesel, heating oil and natural gas prices have also fallen sharply.

The latest drop in energy prices — regular gas nationally now averages under $2 a gallon, roughly down about 14 cents from a year ago — is also disproportionately helping lower-income groups, because fuel costs eat up a larger share of their more limited earnings.

Households that use heating oil to warm their homes are also seeing savings.

4. Who loses?

For starters, oil-producing countries and states. Venezuela, Nigeria, Ecuador, Brazil and Russia are just a few petrostates that are suffering economic and perhaps even political turbulence.

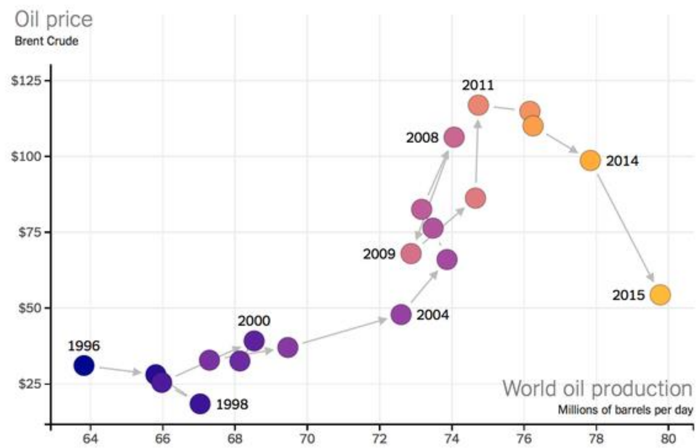
The impact of Western sanctions caused Iranian production to drop by about one million barrels a day in recent years and blocked Iran from importing the latest Western oil field technology and equipment. With sanctions now being lifted, the Iranian oil industry is expected to open the taps on production soon.

In the United States, Alaska, North Dakota, Texas, Oklahoma and Louisiana are facing economic challenges.

Chevron, Royal Dutch Shell and BP have all announced cuts to their payrolls to save cash, and they are in far better shape than many smaller independent oil and gas producers that are slashing dividends and selling assets as they report net losses. Other companies have slashed their dividends.

About 40 companies in North America have gone into bankruptcy protection.

5. Photo



World oil production has generally increased since 1996 to more than 80 million barrels a day, from 63 million. When demand doesn't follow the same trajectory, prices are affected; that is the reason for the most recent spike in 2011 and the steep drop in 2015.

What happened to OPEC?

A central factor in the sharp price drops, analysts say, is the continuing unwillingness of OPEC, a cartel of oil producers, to intervene to stabilize markets that are widely viewed as oversupplied.

Iran, Venezuela, Ecuador and Algeria have been pressing the cartel to cut production to firm up prices, but Saudi Arabia, the United Arab Emirates and other gulf allies are refusing to do so. At the same time, Iraq is actually pumping more, and Iran is expected to become a major exporter again.

Saudi officials have said that if they cut production and prices go up, they will lose market share and merely benefit their competitors. They say they are willing to see oil prices go much lower, but some oil analysts think they are merely bluffing.

If prices remain low for another year or longer, the newly crowned King Salman may find it difficult to persuade other OPEC members to keep steady against the financial strains. The International Monetary Fund estimates that the revenues of Saudi Arabia and its Persian Gulf allies will slip by $300 billion this year.

6. Is there a conspiracy to bring the price of oil down?

There are a number of conspiracy theories floating around. Even some oil executives are quietly noting that the Saudis want to hurt Russia and Iran, and so does the United States — motivation enough for the two oil-producing nations to force down prices. Dropping oil prices in the 1980s did help bring down the Soviet Union, after all.

But there is no evidence to support the conspiracy theories, and Saudi Arabia and the United States rarely coordinate smoothly. And the Obama administration is hardly in a position to coordinate the drilling of hundreds of oil companies seeking profits and answering to their shareholders.

7. When are oil prices likely to recover?

Not anytime soon. Oil production is not declining fast enough in the United States and other countries, though that could begin to change this year.

Demand for fuels is recovering in some countries, and that could help crude prices recover in the next year or two. There is now little or no spare production capacity to give the market a cushion in case of another crisis in a crucial oil-producing country.

The history of oil is of booms and busts followed by more of the same.

Source: New York Times

20. Payment Banks

The RBI on August 19, 2015 granted 'in principle' approval for payment banks to 11 entities, including big names like Reliance Industries, Aditya Birla Nuvo and Tech Mahindra, as also Airtel and Vodafone.

What are they?

New stripped-down type of banks, which are expected to reach customers mainly through their mobile phones rather than traditional bank branches.

What they can and can't do

-They can't offer loans but can raise deposits of upto Rs. 1 lakh, and pay interest on these balances just like a savings bank account does.

-They can enable transfers and remittances through a mobile phone.

-They can offer services such as automatic payments of bills, and purchases in cashless, chequeless transactions through a phone.

-They can issue debit cards and ATM cards usable on ATM networks of all banks.

-They can transfer money directly to bank accounts at nearly no cost being a part of the gateway that connects banks.

-They can provide forex cards to travellers, usable again as a debit or ATM card all over India.

-They can offer forex services at charges lower than banks.

-They can also offer card acceptance mechanisms to third parties such as the 'Apple Pay.'

Who has Reserve Bank granted in-principle approval to be a payment bank?

-Aditya Birla Nuvo Ltd

-Airtel M Commerce Services Ltd

-Cholamandalam Distribution Services Ltd

-Department of Posts

-Fino PayTech Ltd

-National Securities Depository Ltd

-Reliance Industries Ltd

-Dilip Shantilal Shanghvi

-Vijay Shekhar Sharma

-Tech Mahindra Ltd

-Vodafone m-pesa Ltd

Why are they going to be a game-changer?

This is for the first time in the history of India's banking sector that RBI is giving out differentiated licences for specific activities. RBI is expected to come out with a second set of such licences — for small finance banks — and the process for those is in its final stage. The move is seen as a major step in pushing financial inclusion in the country.

It's a step to redefine banking in India. The Reserve Bank expects payment banks to target India's migrant labourers, low-income households and small businesses, offering savings accounts and remittance services with a low transaction cost. It hopes payments banks will enable poorer citizens who transact only in cash to take their first step into formal banking. It could be uneconomical for traditional banks to open branches in every village but the mobile phones coverage is a promising low-cost platform for quickly taking basic banking services to every rural citizen. The innovation is also expected to accelerate India's journey into a cashless economy.

India's domestic remittance market is estimated to be about Rs. 800-900 billion and growing. With money transfers made possible through mobile phones, a big chunk of it, especially that of the migrant labour, could shift to this new platform. Payment banks can also play a crucial role in implementing the government's direct benefit transfer scheme, where subsidies on healthcare, education and gas are paid directly to beneficiaries' accounts.

Also, this is the first time since banks were nationalized, that private sector business groups have bagged the RBI's nod for banking services.

What has the experience been in other countries?

Payment technologies have proved hugely popular in other developing countries. In Kenya, the most cited success story, Vodafone's M-Pesa is used by two in three of adults to store money, make purchases and transfer funds to friends and relatives.

Source: The Hindu

21. Smart Cities

From the very beginning of his election campaign, Prime Minister Narendra Modi has spoken about building 100 smart cities in India. The promise has always been part of the great Modi vision to make this India's century, alongside bullet trains, linked rivers and bringing back black money. But not much had been done, with only Rs 7,000 crore allocated to the smart cities in this year's budget and a tiny fraction of that spent.

On Wednesday, the Union Cabinet finally took the bull by the horns. It cleared an approval for Rs 48,000 crore to be allocated to the Smart Cities Mission, with Rs 100 crore to be given to each city per year for the next five years. That represents a huge investment in urban renewal overall, although a relatively small amount per city, making it clear that the government still expects most of the real financial support for smart cities to come from private sources. Reports suggest the government plans to begin with shortlisting 20 cities.

And since it first spoke about smart cities in last year's interim budget, the government has made some progress on defining what it means with the project.

What are smart cities?
There's no simple definition for smart cities. The term encompasses a vision of an urban space that is ecologically friendly, technologically integrated and meticulously planned, with a particular reliance on the use of information technology to improve efficiency. In most parts of the world, the idea begins with using digital technology to make a city more efficient and to improve wellbeing.

The Modi government's idea is a little different. The government's reference note for Members of Parliament on the issue actually offers a fairly simple definition: "Smart Cities are those that are able to attract investments." Everything else, such as good infrastructure and simple processes that make it easy to start and run businesses, follow from this.

What is smart about them?
Traditional ideas of smart cities suggest lots of data collection, using sensors – electricity, gas, water, traffic and other government analytics – that can be carefully compiled and integrated into a smart grid and then fed into computers that can focus on making the city as efficient as possible.

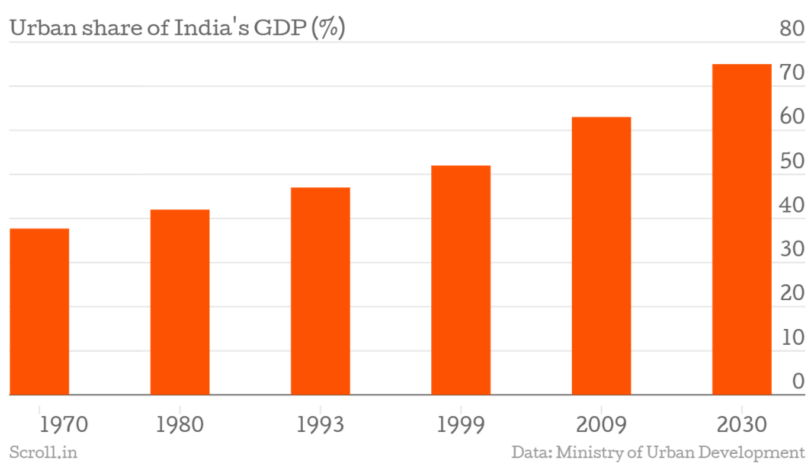
The Modi government is going a bit broader with its concept of a smart city, to basically mean any city that works well, especially for businesses. Admitting that it is hard to define smart cities, the ministry of urban development's concept note from last November on the issue still attempts to do so.

Figure 4: What is a Smart City

"Smart Cities are those that are able to attract investments and experts & professionals. Good quality infrastructure, simple and transparent online business and public services processes that make it easy to practice one's profession or to establish an enterprise and run it efficiently without any bureaucratic hassles are essential features of a citizen centric and investor-friendly smart city," the note said.

Why do we need them?

India's is urbanising at an unprecedented rate, so much that estimates suggest nearly 600 million of Indians will be living in cities by 2030, up from 290 million as reported in the 2001 census.



Alongside the hordes of Indians go the jobs and the money as well: a McKinsey Global Institute study estimated that cities would generate 70% of the new jobs created by 2030, produce more than 70% of the Indian gross domestic product and drive a fourfold increase in per capita income across the country.

"The cost of not paying attention to India's cities is enormous," the McKinsey report said. "The speed of urbanisation poses an unprecedented managerial and policy challenge – yet India has barely engaged in a national discussion about how to handle the seismic shift in the makeup of the nation."

Are they going to be new cities?

In his budget speech last year, Jaitley listed out exactly why the government believes it needs to be spending money on 100 smart cities. He claimed that "unless new cities are developed to accommodate the burgeoning number of people, the existing cities would soon become unlivable."

But the government isn't going to be building entirely new cities with Rs 100 crore each. Instead, the money will mostly be spent on upgrading existing facilities, since the very selection process requires current cities to prove that they are eligible. States could potentially suggest areas that are going to be built up as options for the smart city mission – Andhra Pradesh's new capital for example – but most will come from existing cities.

Which cities have been picked and how ?

The Lok Sabha reference note suggests one satellite city for each of India's metros, all state capitals, all cities in the population range of 1-4 million or more, and few others including those of tourist and religious importance.

The Cabinet's note explains that the cities will be picked based on a City Challenge Competition, with the aim of financing those that have shown the potential to fulfill the mission's objectives. "Each state will shortlist a certain number of smart city aspirants as per the norms to be indicated and they will prepare smart city proposals for further evaluation for extending Central support," the cabinet note said. Reports suggest that the government will first begin with shortlisting 20 cities.

How will the government turn them smart?

The cabinet note focuses on retrofitting, redevelopment, pan-city initiatives and development of new cities. It also gave a few examples.

"Under retrofitting, deficiencies in an identified area will be addressed through necessary interventions as in the case of Local Area Plan for downtown Ahmedabad. Redevelopment enables reconstruction of already built-up area that is not amenable for any interventions, to make it smart, as in the case of Bhendi Bazar of Mumbai and West Kidwai Nagar in New Delhi. Pan-city components could be interventions like Intelligent Transport Solutions that benefits all residents by reducing commuting time," it said.

Who will pay for them?

Rs 100 crore per city will clearly not be enough, and even if more is added, it's unlikely the government will have the resources to pay for the cities. In the budget last year, the government announced that it was relaxing norms for foreign direct investment to make it easier for outside companies to invest in smart cities. The Cabinet note also mentions that it expects Special Purpose

Vehicles to be set up for smart cities by each state, which will ensure their financing. In addition, India has spoken to France, Japan and Singapore and other countries about collaborating on the projects.

What about those cities that don't make the cut?
At a meeting regarding the smart cities in June 2014, the urban development ministry secretary said that the focus will not be just 100 cities but all urban areas across the country. "There exists no valid reason to leave the 101st city in the process of development," he said. Those will not, however, be eligible for central funds under the Smart City Mission.

Do we have any smart cities already (and who is building them)?
A quick Google search for India's "first smart city" produces more than 70,000 results, and many of them lead to different places.

In Bangalore, Cisco is working to set up a smart grid-based Education City, where all the utilities will be integrated with data. Outside Mumbai, the Lodha group has given IBM a contract to build all data systems in their Palava city project. Kochi has a special economic zone that seeks to replicate Dubai's smart city project. Gujarat has two projects, the Dholera urban area, which is part of the Delhi-Mumbai industrial corridor, and the Gujarat International Finance Tec-City, both of which have problems but are being touted as examples that could be scaled up across the country.

Source: Scroll

22. World Economic Forum – Davos

What happens in Davos?

Organisers say the three-day event is "a platform for collaborative thinking and searching for solutions - not for making decisions". With dozens of panel discussions, workshops and closed-door meetings, it also serves as networking event for the 2,500 delegates, who are made up of business figures, central bankers and political leaders from more than 100 countries.

"In addition to all the talking, there is a lot of partying," says the BBC's Emily Young. "But they're not exactly parties to write home about. Unless chief executives shaking their thing does it for you."

Who is attending?

Nearly everyone who matters in the world of business and politics, says CNN. This year's guest list includes Prime Minister David Cameron, Microsoft boss Bill Gates and IMF chief Christine Lagarde. The entertainment industry is also well represented, with actor Leonardo DiCaprio and musicians Bono and Will.i.am due to attend.

What will be discussed?

Convening under the theme of "the fourth industrial revolution", the WEF will focus on technologies such as robotics and artificial intelligence that are poised to transform economies and societies.

The volatility in Chinese markets, plummeting oil prices and rising interest rates are also guaranteed to be high on the agenda, as is the ongoing refugee crisis.

Why the focus on new technologies?

In short, because their increasing use is supplanting human labour and posing severe challenges. A report published on the eve of the conference predicts more than seven million jobs in the world's largest economies will be put at risk in the next five years as new technologies transform the workplace.

What other issues are on the agenda?

In addition to the matters outlined above, climate change will underpin much discussion. In the wake of last month's agreement in Paris to tackle the issue and limit global temperature rises, a survey of experts published last week identified the consequences of climate change as the biggest threat facing the global economy over the next decade.

Here's a list of the key trends emerging from the Davos meeting:

China is "not falling off the cliff", may have a "bumpy landing"

Raghuram Rajan, in an interview to Bloomberg Television, said, “My sense is there is an underlying growth in China. It’s not falling off a cliff.” His view was echoed by American economist Nouriel Roubani, who during a China-based discussion at the annual meeting said, “China will neither have a soft or hard landing — growth this year is going to be somewhere around 6%. It’s a bumpy landing, but the good news is that eventually the markets will calm down.”

Jiang Jianqing, chairman of the board, Industrial and Commercial Bank of China said, “I do not believe there is volatility in the Chinese economy.” Growth in China, he added, was still 6.9%.

Robots, automation will replace 5 million jobs by 2020

It might sound unbelievable initially, but a report released by the WEF said that the biggest impact of the fourth industrial revolution will be felt in the way we do our jobs (or how our jobs get done). Significant technological advances, the report added, was transforming the labour markets “beyond all recognition from decades ago”, while predicting that it will lead to “a net loss of over 5 million jobs in 15 major developed and emerging economies by 2020.” The report said that economies like Australia, China, France, Germany, India, Italy, Japan, Britain and the United States would feel the impact.

Schwab added, “Without urgent and targeted action today to manage the near-term transition and build a workforce with future-proof skills, governments will have to cope with ever-growing unemployment and inequality, and businesses with a shrinking consumer base.”

Future of the European Union

One of the more important discussions at the WEF took place on the future of the European Union, which has been grappling with several challenges over the last two-three years, including the refugee crisis, the Ukraine civil war, the rise of terrorism and extremism, and the Greek economic crisis, to name a few.

French Prime Minister Manuel Vallssaid, “Terrorism must bring Europe closer together. It’s not just Paris that was struck,” referring to the November terrorist attack on the Fench capita. On the refugee crisis, Greek Prime Minister Alexis Tsipras said, “What’s happening in Aegean is a crisis: people losing their lives in the sea because traffickers are working there unimpeded.” He proposed a mechanism that “will help relocate refugees throughout the rest of Europe, in all EU states.”

Climate change

Global warming, according to a pre-meeting WEF report, was at the very top of the list of concerns likely to confront the global economy.

“Climate change is exacerbating more risks than ever before in terms of water crises, food shortages, constrained economic growth, weaker societal cohesion and increased security risks,” said Cecilia Reyes, chief risk officer at Zurich Insurance Group who collaborated on the report, was quoted as saying in The Guardian.

The annual meeting saw a discussion on the theme on Thursday at which UN secretary general Ban Ki Moon urged governments to quickly ratify the agreement reached in Paris in December. He also invited world leaders to a signing ceremony at the UN's headquarters on 22 April, which is celebrated as Mother Earth Day.

Source: The Week, Mint

23. India – Statistics

1. GDP

Nominal: $2.18 trillion (October, 2015)

PPP: $8.02 trillion (October, 2015)

Rank: 7th nominal/3rd PPP

Growth Rate: 7.4% (Q2 FY16)

Sector: Agriculture (17%) Industry (26%) and Services (57%)

2. Inflation

CPI: 5.41%

WPI: -1.99%

3. Population

Total: 1.21 billion (2011-12)

Below Poverty Line: 12.4% (2011-12)

Unemployment: 3.6% (2014)

4. Banking

Bank Rate: 7.75%

Cash Reserve Ratio (CRR): 4%

Statutory Liquidity Ratio (SLR): 21.5%

Repo Rate: 6.75%

Reverse Repo Rate: 5.75%

Marginal Standing Facility (MSF): 7.75%

5. Public Finances

Fiscal deficit: 4% (2014-15)

3.9% (2015-16)

Credit Rating: BBB- (Standard and Poor)

6. Ease of doing business: Rank 130 (2015)

7. Corruption Perception Index (Transparency International): Rank 76 (2016)