

The Hindu

City

City to hosts ‘India’s biggest shopping festival’ (Page no: 3) (GS Paper 1, Art and Culture)

The Capital will host a month long shopping festival between January 28 and February 26 next year. Delhi Shopping Festival, which the Delhi Chief Minister Arvind Kejriwal said will be India’s biggest shopping festival, aims to attract people from across the world, boost local tourism and generate employment for the city’s residents.

The Chief Minister said that the government plans to make next year’s event the biggest shopping festival in the world over the coming years.

CM invited people from the entire country and the world to book their tickets to visit Delhi for the festival, which will be a unique opportunity to buy quality products, and experience the culture and tradition of the city.

He added that all the markets, shops and malls of Delhi will be decorated and that products will be available at unmatched discounts during the festival.

The Chief Minister said there will be exhibitions on spirituality, gaming, technology and health, while artists from across the country and the world will perform in over 200 entertainment programmes during the month-long event.

He added that food would also be a major attraction at the festival, with special food walks being planned throughout the month.

Editorial

Words from Bandung to relive in Bali and Delhi (Page no: 6) (GS Paper 2, International Relations)

Three back-to-back summits in the past fortnight have helped settle the dust on who stands where on the Russian invasion of Ukraine: the BRICS (June 23-24), followed by the G-7 summit (June 26 and 27), and then the North Atlantic Treaty Organization (NATO) Summit in Madrid (June 29).

Prime Minister Narendra Modi attended the BRICS summit virtually, and then travelled to Germany for the G-7 outreach between the seven “most industrialised nations” and the special invitees this year, namely, Argentina, Indonesia, India, Senegal and South Africa.

India was not a part of the NATO summit, which included an outreach to the United States’s Indo-Pacific treaty allies, i.e., Japan, South Korea, Australia and New Zealand.

In order to understand what they portend for the future global world order, it is necessary to study the messages sent out by each of these groupings against the backdrop of the situation in Ukraine.

Some of the impact will be made clearer this week as India’s External Affairs Minister S. Jaishankar attends a Foreign Ministers meeting of the G-20, “the world’s largest economies”, in Bali (July 7-8), and in the next few months, when Indonesia hosts the G-20 summit in November and India takes over the G-20 presidency in December.

Most importantly, how can India, that has hitherto managed a careful balancing act between all the groupings, build a movement out of this moment of deep polarisation in the world?

The Brazil-Russia-India-China-South Africa Summit hosted by Chinese President Xi Jinping in virtual format was significant as it was the first such multilateral grouping Russian President Vladimir Putin attended since February 24, 2022 (the day Ukraine was invaded), and both Mr. Xi and Mr.

Putin took aim at the unilateral economic sanctions imposed by the United States and the European Union.

The fact that Mr. Modi agreed to join the summit showed India’s commitment to BRICS as an alternate grouping of economies spotlighted India’s refusal to shun Russia, and agreement to set aside the two-year stand-off with China’s People’s Liberation Army at the Line of Actual Control (LAC) in favour of multilateral meetings such as BRICS and the Shanghai Cooperation Organisation (SCO).

OPED

Taking stock of five years of GST (Page no: 7) (GS Paper 3, Economy)

The monumental indirect tax reform, the Goods and Services Tax (GST), has completed five years in existence. Before the implementation, it was said that it would be a boon to the economy in terms of higher revenue buoyancy, lower

inflation, higher revenue, higher growth, and so on. On the completion of GST's five years, it makes sense to ask what happened to inflation.

During the 12 months preceding GST implementation, the Consumer Price Index (CPI) inflation was 3.66%, while it increased to 4.24% post-GST in the next 12 months.

However, India is not alone in witnessing higher inflation. A similar pattern was observed in Australia, New Zealand, and Canada.

An Australian Competition and Consumer Commission study showed that GST initially increases inflation. Based on the actual inflation numbers, one can conclude that GST had an inflationary impact on India.

But this is not the correct approach to understand whether GST raised inflation in India. Before we systematically examine this issue, let us understand how GST can affect prices.

In theory, implementing GST should not lead to a change in overall inflation. The revenue-neutral rate (RNR) is calculated so that it would not cause higher inflation.

But revenue neutrality does not mean that prices would not go up or down in the economy. This is because the weight of goods in the consumption basket and their contributions to indirect tax collections are not the same.

For example, food and drinks (which comprise 46% of the CPI index), rent, and clothing are all significant parts of the CPI basket that are either not taxed or taxed at low rates. Importantly, the effect of GST on the prices of certain goods and services depends on the structure and design of taxation, such as the level of exemptions, the rate structure of GST, the weight of goods and services in the CPI basket, the tax base, the efficiency of the administrative machinery, and so on.

India-EU: global dynamics (Page no: 7)

(GS Paper 2, International Relations)

With carbon neutrality being the byword to a sustainable world, a host of countries — Norway, Sweden, the United Kingdom, France, Spain, Japan, Germany, Canada, Costa Rica, the United States, Brazil, India, and China among others — have set for themselves net-zero targets for the middle and later part of the century.

At the forefront of the commitment to net-zero is the European Union, which wants to be the first carbon-neutral region in the world by 2050.

It brought out the 'European Union Green Deal' in July last year to focus on a new growth strategy that aims to transform the EU society into a fair and wealthy one with a modern, resource-efficient and competitive economy.

To attain carbon neutrality, the EU has set forth immediate targets and has brought out the 'Fit-for-55' package, a communication of its 2030 climate targets.

A provision in the policy plan is the introduction of Carbon Border Adjustment Mechanism (CBAM), a carbon-pricing system proposed for imports into the EU. The CBAM suggests taxing the imported goods-based difference between carbon used in the production of domestic and imported goods.

Proposed to be complementary to the EU Emission Trading Scheme (EUETS), during the transition phase of CBAM — beginning January 1, 2023 — importers will only have to report emissions embedded in the production of goods and are not obliged to pay a financial penalty.

The CBAM, however, will come completely into force from January 1, 2026 and the measure will see a gradual reduction of free EUETS allowance coverage of 10 percentage points per year and a complete phase-out by 2035.

In the initial phase, five CITE (Carbon Intensive and Trade Exposed) sectors such as iron and steel, aluminium, cement, fertilizers and electricity will be taxed under CBAM. Eventually, all sectors under EUETS will be brought under its ambit.

Text and Context

The new rules to keep advertisements in check (Page no: 8)

(GS Paper 2, Polity and Governance)

The Central Consumer Protection Authority (CCPA) recently issued guidelines to prevent false or misleading advertisements. The guidelines are pathbreaking because they fill significant consumer protection gaps while explicitly outlining advertiser duties.

The guidelines also try to discourage the promotion of illogical consumerism aimed at children. The problem of misleading, bait, surrogate and children-targeted advertisement has festered without respite for far too long.

The guidelines perform an essential function in bringing the Indian regulatory framework at par with international norms and standards.

The guidelines lay down the conditions for non-misleading and valid advertisements. Briefly, an advertisement can be considered non-misleading if it contains true and honest representation of goods and does not exaggerate the accuracy, scientific validity or practical usefulness or capability.

In case of unintentional lapse, the advertisement may still be considered as valid if the advertiser has taken prompt action in letting the consumer know the deficiency.

It must be noted that rather than defining what constitutes a 'misleading or invalid advertisement,' the guidelines have sought to define 'valid or non-misleading advertisement.' This take on policy drafting significantly reduces the scope for exploitation of any inadvertent loopholes.

"Surrogate advertisement" refers to the advertisement of goods in the shadow of other goods. For example, the advertisement of tobacco in the garb of pan masala. Advertisement of tobacco as such is prohibited by the law.

Understanding the all time high in India's trade deficit (Page no: 8) (GS Paper 3, Economy)

Having crossed a record \$400 billion mark in 2021-22, India's exports have moderated in the first quarter of this year, with May and June clocking upticks of 20.6% and 16.8%, respectively, slowing from a 30.7% rise in April.

Sequentially too, overall goods exports declined for the third month in a row in June, even as imports continued to rise sharply, triggering fresh peaks for India's monthly trade deficit.

While India's exports were surging last year, imports were rising too, according to the Ministry of Commerce. Total goods exports in 2021-22 amounted to \$422 billion, up sharply from the pre-COVID levels of \$313 billion in 2019-20. This was the highest ever export number, and marked the first time in years that an official export target (\$400 billion) was not only met, but surpassed.

Imports hit a fresh high of \$613 billion, compared to \$394 billion in the pandemic affected previous year and \$475 billion before that. The trade deficit thus stood at \$191 billion, nearly double of 2020-21.

The chasm between exports and imports has widened in the first quarter of this year, with the cumulative trade deficit already hitting \$70 billion, translating into an average of \$23.3 billion a month.

By contrast, the previous highest monthly trade deficit was \$22.9 billion in November 2021. That record has been surpassed significantly in the past two months, with the deficit hitting \$24.3 billion in May and peaking to a new high of \$25.6 billion in June.

Economists reckoned the deficit was higher on a seasonally adjusted basis, with Nomura analysts estimating that it stood at \$25.8 billion in May and widened to \$29.9 billion in June. Economists at HSBC Securities and Capital Markets (India) pegged the trade deficit even higher in seasonally adjusted terms, at \$31 billion from \$26 billion in May.

In value terms, imports jumped for the fifth month in a row to a fresh record of \$63.6 billion in June, 51% over the same month a year ago and 6.9% higher than May's tally, which in turn was 7.3% over the value of April's inbound shipments. On the other hand, exports slid 2.6% from May's \$38.9 billion to \$37.9 billion in June.

Verstehen (Page no: 9) (GS Paper 1, Society)

The concept of Verstehen, which loosely translates to 'understanding' in German was made popular by Max Weber, one of the "founding fathers" of sociology. It became a critique of the positivist and naturalist approaches to sociology prevalent in the 19th century.

It argues that human actions cannot be analysed by merely adopting the research methods followed in natural sciences with 'absolute objectivity'.

Weber believed that the interpretation of human actions through recognition and empathy was crucial for a better understanding of social phenomena in society. Verstehen is the procedure by which sociologists gain access to the meanings behind human actions.

Verstehen requires researchers to place themselves in the position of the individual observed to see and comprehend the meanings behind the person's action and the meanings attached to the motivation, purpose or outcomes of their actions.

This becomes important as actions can have different meanings in different cultures and societies. Without proper investigation, one is at risk of misinterpreting the data collected.

A good example would be body gestures, which can be misleading if not contextually understood. Different meanings are attached to various body gestures like handshakes, hugs, waving, and clapping among others in different cultures.

During the U.S. Presidential Inauguration day in 2005, President George W. Bush gestured the "Hook 'em, horns" (the salute of the University of Texas Longhorns), where he raised his fist with his index and little finger extended.

Newspapers in many parts of the world were puzzled by the gesture as this was a sign shown to a person whose spouse cheated on them in countries like Argentina, Brazil, Spain and Portugal.

News

P.T. Usha, Ilaiyaraaja, Veerendra Heggade, Vijayendra Prasad nominated to Rajya Sabha (Page no: 11) (GS Paper 2, Indian Constitution)

Olympic Sprinter P.T. Usha, music composer Ilaiyaraaja, philanthropist Veerendra Heggade of the Dharmasthala temple, and screenwriter V. Vijayendra Prasad, who wrote the blockbusters *Bahubali* and *RRR*, have been nominated to the Rajya Sabha in the category of eminent persons nominated by the President of India.

In total, the President of India nominates 12 persons as his nominees to the Rajya Sabha — persons known for their eminence in the fields of arts and letters, and public service. Out of these 12, seven seats are currently vacant, of which four have now been filled.

All four nominees are from the four southern States of Kerala, Tamil Nadu, Karnataka, and Andhra Pradesh, respectively. All four nominees are achievers in their own right, but also reflect a southern push in terms of Prime Minister Narendra Modi's attention.

Ms. Usha, born in Kozhikode in Kerala, is not only India's best known track and field athlete, she also runs the Usha School of Athletics, training young athletes in the sport. She has been given the Arjuna Award and the Padma Shri in the past.

Mr. Ilaiyaraaja, a recipient of the Padma Vibhushan and Padma Bhushan, and many awards for his music, has composed more than 7,000 songs for over 1,000 films (mainly in southern India), and has more than 20,000 concert performances to his credit.

Mr. Heggade has been the 'Dharmadhikari' (custodian) of the Dharmasthala temple in Karnataka from the age of 20. A philanthropist, he also runs the Shri Dharmasthala Manjunatheswara Educational Trust, which provides education via over 25 institutions. He was awarded the Padma Vibhushan in 2015.

News

'MSP should continue till markets become efficient (Page no: 12) (GS Paper 3, Economy)

Ahead of the nationwide protests by the Samyukt Kisan Morcha (SKM) demanding a law to ensure minimum support price, NITI Aayog member Ramesh Chand said that the MSP should continue till markets become competitive and efficient.

The MSP can be given through means other than procurement, he said at a conference on "Getting agriculture markets right," triggering reactions from leaders of the SKM.

Only two items are procured of the 23 crops that have an MSP. MSP without a legal guarantee will not be effective as the input cost has increased.

The MSP was directly linked to the food security of the country. "MSP is linked to procurement, storage and distribution of foodgrains through public distribution system.

The NITI Aayog member seems to have forgotten the statement of Food Minister Piyush Goyal asking States to encourage paddy sowing.

Farmers cultivate paddy as there is MSP and procurement of the crop. MSP without procurement has no meaning," he said.

Addressing the conference, Mr. Chand had also said that "deficiency pricing payment (DPP)" was one such means of giving MSP to farmers, but added that the DPP could not be stopped once implemented.

Under DPP, the difference between the open market price and MSP is given to farmers. It has been implemented in some States like Madhya Pradesh.

In some cases, MSP is justified in times of volatility in prices and glut. I feel what matters is how we give MSP to farmers. MSP has to be there as long as markets are not competitive and efficient. But MSP can be given through means other than procurement.

The difference between open market price and MSP was about 12-15% and MSP fixed 23 crops would require ₹80,000 crore based on 1920 price. There could be differences in sarkari crops (MSP fixed crops) and bajaari (commercial) crops and added that corporates were showing interest in innovation in bajaari crops.

News

RBI eases overseas borrowing to spur forex inflows (Page no: 14)

(GS Paper 3, Economy)

The Reserve Bank of India (RBI) on Wednesday announced a slew of temporary measures aimed at boosting foreign exchange inflows, including a doubling in the overseas borrowing limit for eligible corporates and removal of interest rate ceilings for NRIs' foreign currency deposits.

The move comes at a time when persistent capital outflows and a widening trade deficit have led to a sharp depreciation in the value of the Indian rupee to new record lows against the U.S. dollar.

Observing that the rupee had depreciated by 4.1% against the dollar (upto July 5) since the beginning of this financial year, the RBI said that, barring portfolio investments, capital flows remained stable with an adequate level of reserves providing a buffer against external shocks. India's foreign exchange reserves stood at \$593.3 billion as on June 24, supplemented by a substantial stock of net forward assets.

The Reserve Bank has been closely and continuously monitoring the liquidity conditions in the forex market and has stepped in as needed in all its segments to alleviate dollar tightness with the objective of ensuring orderly market functioning.

In order to further diversify and expand the sources of forex funding so as to mitigate volatility and dampen global spillovers, it has been decided to undertake measures... to enhance forex inflows while ensuring overall macroeconomic and financial stability.

As part of the measures, banks have been exempted from maintaining the stipulated Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) on incremental FCNR (B) and NRE term deposits mobilised up to November 4.

It has been decided that with effect from the reporting fortnight beginning July 30, incremental FCNR (B) and NRE deposits with reference base date of July 1, 2022, will be exempt from the maintenance of CRR and SLR.

It also allowed banks to temporarily raise fresh FCNR (B) and NRE deposits without reference to the extant regulations on interest rates, with effect from July 7 and up to October 31, 2022.

Govt. releases 4th tranche of PDRD grant (Page no: 14)

(GS Paper 3, Economy)

The Finance Ministry on Wednesday released the fourth instalment of revenue deficit grant of ₹7,183 crore to 14 States for the current fiscal.

The States for which Post Devolution Revenue Deficit (PDRD) Grant had been recommended by the 15th Finance Commission during FY23 are Andhra Pradesh, Assam, Himachal Pradesh, Kerala, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Rajasthan, Sikkim, Tripura, Uttarakhand and West Bengal.

The 15th Finance Commission had recommended a total PDRD Grant of ₹86,201 crore to 14 States for FY23.