

The Hindu

Front Page

Tamil Nadu tops food safety index (Page no 1)

(GS Paper 3, Indian Economy)

Tamil Nadu topped the State Food Safety Index (SFSI) this year, followed by Gujarat and Maharashtra.

Among the smaller States, Goa stood first, followed by Manipur and Sikkim.

Among the Union Territories, Jammu and Kashmir, Delhi and Chandigarh secured the first, second and third ranks.

The SFSI measures the performance of States on the basis of five parameters set by the Health Ministry.

The rating is done by the Food Safety and Standards Authority of India (FSSAI).

States had an important role in ensuring food safety and healthy food practices.

Editorial

The weight of the GST Council ruling (Page no. 6)

(GS Paper 2, Governance)

In *Union of India Anr. vs Mohit Minerals Pvt. Ltd.*, the Supreme Court of India on May 19, 2022 while deciding on a petition relating to the levy of Integrated Goods and Services Tax (IGST) on ocean freight paid by the foreign seller to a foreign shipping company.

The recommendations of the GST Council are not binding on either the Union or the States.

While the issue before the Court was with reference to the levy of IGST on a particular transaction, the question is why should the Supreme Court of India have to deliberate at length on the nature of recommendations of the GST Council?

Some States have rejoiced over the ruling and said that this has restored the autonomy of States to legislate on GST.

As a 'super body' immediately after the pronouncement of the judgment, the Revenue Secretary of the Government of India said: "... (this) reiterates the scheme of things in the constitution and the GST laws... the council will continue to work in future the way it has worked in the last 5 years."

This creates the notion that the Union government is in agreement with this ruling and there is no question of law in this regard.

On the contrary, the Union government (represented by the Additional Solicitor General) submitted to the Supreme Court in this case that the recommendations of the GST Council are binding on the executive and the legislature while they frame laws relating to the GST by the power under Article 246A.

Thus, the Government of India was of the opinion that the GST Council could function as a super Parliament/Assembly by sending binding recommendations on laws, rules and regulations with reference to the GST to the Union and State governments.

Article 246A gives powers to the Union and State governments simultaneously to legislate on the GST. In other words, the two tiers of the Indian Union can simultaneously legislate on matters of the GST (except the IGST, which is in the legislative domain of the Union government); obviously it can be inferred that neither of the legislations can supersede each other.

The shadows over global growth recovery are long (Page no. 6)

(GS Paper 3, Indian Economy)

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hough it was not a full recovery from the aftershocks of the COVID-19 pandemic, the global economy was on the mend until the invasion of Ukraine by Russia. Economic prospects have worsened since then, exacerbating the divergence between the economic recoveries of advanced economies and those of the developing ones.

The prevailing uncertainties in global growth prospects come in the aftermath of frequent disruptions to worldwide supply chains in the last two years with recurrent lockdowns in key manufacturing hubs, creating supply bottlenecks.

As a consequence of the current situation, two key macroeconomic variables have a persistent effect on growth rebound. First, there is a tenacious price pressure, leading to policy trade-offs especially in developing economies; and second, there have been capital outflows and a tightening of financial conditions, affecting investment and growth in the medium and long term.

Inflation concerns globally, inflation has become a central concern. In some of the advanced economies, it has reached its highest level in the last 40 years. According to the International Monetary Fund (IMF), "inflation is expected to remain elevated for longer".

For 2022, it says “inflation is projected at 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies and in 2023 it is projected at 2.5 percent for the advanced economy group and 6.5 percent for emerging market and developing economies”.

So, for the immediate foreseeable future, commodity prices, oil and gas prices, and with a lag, food prices, would remain high. The major contributors to high inflation are energy and food prices.

A spike in oil and gas prices due to a tight fossil fuel supply and geopolitical uncertainty have led to substantial increases in energy costs worldwide.

In developing economies, rising food prices have had cascading effects, culminating in higher overall inflation. This gets intensified if poor weather hits harvests and rising oil prices drive up the cost of producing and transporting fertilizers.

OPED

Crime and copyright infringement (Page no. 7)

(GS Paper 2, Governance)

The Supreme Court of India has passed a far-reaching judgment resolving the question of whether copyright infringement, which is punishable with imprisonment for a term, which may extend up to three years under the Copyright Act of 1957, is a cognisable offence under the Code of Criminal Procedure (CrPC), 1973.

While the *Knit Pro International v. The State of NCT* judgment is sparse in its reasoning, its conclusion is clear: copyright infringement is a cognisable offence under the CrPC.

It means that the police can begin investigations into allegations of copyright infringement on receiving a complaint. If the court had held copyright infringement to be a non-cognisable offence, the police could have started investigations only after a judicial magistrate had taken cognisance of the offence and directed the police to initiate an investigation. The immediate consequence of this judgment is that many copyright owners, especially in the software and music industries, will use the threat of police involvement to scare potential infringers, to extort licence fees in excess of the amount payable in a scenario where the police cannot get involved without prior judicial authorisation.

As a result of the offence being made cognisable and non-bailable, it takes away the right of the accused to post a bail bond with the police and shifts the responsibility on to the courts for judicial determination on a case-by-case basis.

Decoding China's occupation (Page no. 7)

(GS Paper 2, International Relation)

There are three reasons why India should be particularly concerned about China's construction activities on Pangong Tso. One, India's war with China in 1962 revealed its diplomatic miscalculations and inadequacies in defence preparedness.

China surprised India with an announcement in 1957 that it had built a road through Aksai Chin linking Tibet and Xinjiang. India protested this move formally in 1958.

There is still trauma in India surrounding that war. Two, China does not seem to favour the idea of entering into treaties for resolving territorial disputes and maritime disputes with its neighbours.

Recently, China began constructing a bridge on a portion of Pangong Tso which India claims is its international boundary and is within its territory.

A portion of the area has been under Chinese control since 1958. The Pangong Tso saw military action between the Indian and Chinese forces in 1962.

There were confrontations between the forces of the two countries in 2017, and in 2020, violent clashes resulted in casualties.

Three, what is most worrying is that China does not adhere to the general rules of international law; rather, it tries to derive its claims on the basis of historic rights to the detriment of the rights of its neighbours, as is the case with its claims in the South China Sea.

Explainer

Of what good is a bad bank? (Page no. 8)

(GS Paper 3, Indian Economy)

Finance Minister Nirmala Sitharaman announced that the National Asset Reconstruction Company (NARCL) along with the India Debt Resolution Company (IDRCL) will take over the first set of bad loans from banks and try to resolve them. While the problem of bad loans has been a perennial one in the Indian banking sector, the decision to set up a bad bank

was taken by the Union government during the Budget presented last year in the aftermath of the nationwide lockdowns, and the moratorium was subsequently extended to borrowers by the Reserve Bank of India (RBI).

It should be noted that the health of the balance sheets of Indian banks has improved significantly over the last few years with their gross non-performing assets (GNPA) ratio declining from a peak of 11.2% in FY18 to 6.9% in Q2FY22. A bad bank is a financial entity set up to buy non-performing assets (NPAs), or bad loans, from banks. The aim of setting up a bad bank is to help ease the burden on banks by taking bad loans off their balance sheets and get them to lend again to customers without constraints.

After the purchase of a bad loan from a bank, the bad bank may later try to restructure and sell the NPA to investors who might be interested in purchasing it.

A bad bank makes a profit in its operations if it manages to sell the loan at a price higher than what it paid to acquire the loan from a commercial bank.

However, generating profits is usually not the primary purpose of a bad bank — the objective is to ease the burden on banks, of holding a large pile of stressed assets, and to get them to lend more actively.

Fissures in the West's anti-Russia alliance (Page no. 8)

(GS Paper 2, International Relation)

In a significant departure from the position of the trans-Atlantic alliance (EU-NATO-U.S.) on the ongoing Russia-Ukraine war, French President Emmanuel Macron, in an interview on June 3, said that the West “must not humiliate Russia so that the day when the fighting stops we can build an exit ramp through diplomatic means”.

Viewed alongside recent phone calls from Mr. Macron and German Chancellor Olaf Scholz to Russian President Vladimir Putin, the statement hints at a pivot toward a diplomatic solution.

This is at odds with the West's stance so far — adopted in solidarity with Ukraine — that the only acceptable outcome of the ongoing conflict is a military victory for Ukraine, unconditional withdrawal of all Russian forces from Ukrainian territory, and restoration of Ukraine's pre-2014 territorial boundaries.

Mr. Macron's comments elicited strong rebuke from Ukraine. Ukrainian Foreign Minister Dmytro Kuleba tweeted, Calls to avoid humiliation of Russia can only humiliate France and every other country that would call for it.

Because it is Russia that humiliates itself. We all better focus on how to put Russia in its place. This will bring peace and save lives.”

Earlier, in May, Ukrainian President Volodymyr Zelensky had already gone on record claiming that Mr. Macron wanted Ukraine to compromise its sovereignty so that Russia can “save face” when deciding to cease hostilities.

With Russia now in possession of one-fifth of Ukrainian territory, Kyiv wants the West to supply it with more advanced weapons, especially longer-range missiles, so that Ukraine can strengthen its position before contemplating diplomatic possibilities.

News

India aims to join NSG: Minister (Page no. 10)

(GS Paper 2, International Organisation)

In a message aimed at China blocking India's membership at the Nuclear Suppliers Group (NSG), External Affairs Minister S. Jaishankar said that India looks forward to joining the NSG, overcoming “political impediments”.

Mr. Jaishankar was addressing foreign diplomats in Delhi, on the foreign policy achievements of the Modi government in the past eighty years.

India has a deep belief of the world being a family and expresses it through greater development. Last eight years has seen a tripling of our lines of credit commitments.

The 48-member NSG is an elite club of countries that deals with the trade in nuclear technology and fissile materials besides contributing to the non-proliferation of nuclear weapons.

Strengthening a rules-based order is a natural inclination of a polity like India. We value all opportunities to contribute it.

World

China, Cambodia to begin port project (Page no. 13)

(GS Paper 2, International Organisation)

Cambodia denied again that it will allow any Chinese military presence at a port where it and China are beginning an expansion that has prompted concern in the United States and elsewhere that it will be used by Beijing as a naval outpost on the Gulf of Thailand.

The expansion of the Ream Naval Base as “cooperation between China and Cambodia” and said the Chinese ambassador to Cambodia will preside over the groundbreaking along with Cambodia’s defense minister and other senior military officials.

He denied, however, a report in the Washington Post newspaper citing an anonymous Chinese official that the facility on the northern side of the Cambodian base would be used in part by the Chinese military.

It would

be a violation of Cambodia’s Constitution to host a foreign military power. He would not comment on the extent of the Chinese involvement and said the project involved constructing a facility for repairing ships.

Business

World Bank cuts India’s FY23 GDP growth forecast to 7.5% (Page no. 14)

(GS Paper 3, Indian Economy)

The World Bank cut India’s economic growth forecast for the current fiscal to 7.5%, as rising inflation, supply-chain disruptions and geopolitical tensions dampen recovery.

This is the second time the World Bank has revised its GDP growth forecast for India in the current fiscal FY23.

In April, it had trimmed the forecast from 8.7% to 8%. The latest estimate compares with the 8.7% expansion in FY22.

In India, growth is forecast to edge down to 7.5% in the fiscal year 2022-23, with headwinds from rising inflation, supply-chain disruptions, and geopolitical tensions offsetting buoyancy in the recovery of services consumption from the pandemic,” the World Bank said in the latest issue of the Global Economic Prospects report.