

# **The Indian Express**

## **Front Page**

### **Rupee falls below 80 against dollar, raises worries over imported inflation (Page no. 1)**

#### **(GS Paper 3, Economy)**

Raising concerns over high imported inflation, the rupee fell below the psychological level of 80 to 80.05 against the US dollar intra-day amid tightening monetary conditions and risk-off sentiments as well as persistent outflows from domestic markets.

Significant dollar demand from oil importers amid elevated crude oil prices and concerns about swelling trade deficit have also been key catalysts behind the steep descent seen in the Indian currency, which has fallen by over seven per cent since January this year.

Although the rupee has depreciated against the US dollar, it has appreciated against other major currencies such as euro and the Japanese yen.

Global factors such as the Russia-Ukraine conflict, soaring crude oil prices and tightening of global financial conditions are the major reasons for the weakening of the Indian rupee against the US dollar.

Currencies such as the British pound, the Japanese yen and the euro have weakened more than the Indian rupee against the US dollar and, therefore, the Indian rupee has strengthened against these currencies in 2022.

The RBI is using reserves to smoothen move but correctly allowing market adjustment, the only real cause for concern is imported inflation from energy prices. Given oil import dependence, there is little India can do about this in short term beyond some domestic adjustments (say cutting taxes at the margin) but all such measures have a price.

Even as commodity prices have eased from their peak, they are expected to pose a substantial risk for inflation as almost three-fourths of India's inflationary pressure is seen emerging from imported inflation.

Capital outflows and the RBI's defensive action to protect rupee from a sharp slide against the dollar have resulted in lower forex reserves, posing concerns for the country's current account deficit in this fiscal.

## **In Parliament**

### **Govt says strong lessons from Sri Lanka crisis, brings up freebies, fiscal health of some states (Page no. 5)**

#### **(GS Paper 2, International Relations)**

There are "very strong" lessons to be learnt from the turmoil in Sri Lanka, including lessons on fiscal prudence, responsible governance and abandoning a culture of freebies, External Affairs Minister S Jaishankar said at an all-party meeting to discuss the Lankan crisis.

But a mention of the debt and fiscal condition of states such as Telangana and Andhra Pradesh during a presentation by the government triggered vociferous protests from the Opposition leaders, who asked the government to confine the briefing and the discussion on the crisis in Lanka.

In the meeting, Jaishankar said India, as the immediate neighbour, is naturally worried over the "very serious crisis" in the island-nation.

The reason we took the initiative to request you all to join an all-party meeting was...this is a very serious crisis and what we are seeing in Sri Lanka is in many ways an unprecedented situation... Given the proximity, we naturally worry about the consequences, the spillover it has for us.

Jaishankar said there have been some "misinformed comparisons" in the context of Sri Lanka and some people have asked whether "such a situation" can take place in India.

The lessons from Sri Lanka are very, very strong. They are of fiscal prudence, responsible governance and that there should not be a culture of freebies.

Jaishankar's mention of freebies came days after Prime Minister Narendra Modi accused political opponents of promising freebies in exchange for votes.

Besides presentation by Foreign Secretary Vinay Kwatra on the crisis in Lanka and assistance extended by New Delhi, there was a presentation by the Economic Affairs Secretary, which led to the protests.

The second presentation, Opposition MPs said, made a mention of the debt and fiscal condition of Telangana and Andhra Pradesh.

Several members, including DMK's T R Baalu and TRS's K Keshava Rao, objected. The presentation was thereafter stopped midway.

## **Express Network**

### **Projects near LoC, those of strategic value won't need green nod (Page no. 7) (GS Paper 2, Environment)**

The Ministry of Environment, Forests and Climate Change has notified amendment to the Environment Impact Assessment (EIA) Rules, exempting highway projects of strategic and defence importance, which are 100 km from the Line of Control, among other locations, from an environmental clearance before construction.

The EIA is a process of evaluating the likely environmental impacts of a proposed project or development. This assessment also takes into account human health and socioeconomic impact on the community living in the proposed project area.

In its latest amendment to the Rules, published on July 14, the ministry has made several exemptions to gaining this environmental clearance.

Thermal power plants up to 15 MW based on biomass or non-hazardous municipal solid waste using auxiliary fuel such as coal, lignite or petroleum products up to 15 per cent have also been exempted — as long as the fuel mix is eco-friendly, according to the notification.

In order to encourage such activities, the Central Government deems it necessary to increase the threshold capacity for such Thermal Power Plants for which Environmental Clearance shall not be required.

Taking into account issues of livelihood security of fishermen involved at fish handling ports and harbours, and the less pollution potential of these ports and harbours compared to others, increasing the threshold of ports which exclusively deals in fish handling, and caters to small fishermen, will be exempted from environmental clearance.

Toll plazas that need more width for installation of toll collection booths to cater to a large number of vehicles, and expansion activities in existing airports related to terminal building expansion without increase in the airport's existing area, rather than expansion of runways, etc., are two other projects exempted.

Highway projects related to defence and strategic importance in border States are sensitive in nature and in many cases need to be executed on priority keeping in view strategic, defence and security considerations.

In this regard, the Central Government deems it necessary to exempt such projects from the requirement of Environmental Clearance in border areas, subject to specified Standard Operating Procedure along with standard environmental safeguards for such projects for self-compliance by the agency executing such projects.

## **Explained**

### **What Rs 80 to a dollar means (Page no. 9) (GS Paper 3, Economy)**

The Indian rupee breached the psychologically significant exchange rate level of 80 to a US dollar in early trade on Tuesday. It recovered some ground to close at 79.90. Since the war in Ukraine began, and crude oil prices started going up, the rupee has steadily lost value against the dollar.

There are growing concerns about how a weaker rupee affects the broader economy and what challenges it presents to policymakers, especially since India is already grappling with high inflation and weak growth.

The rupee's exchange rate vis-à-vis the dollar is essentially the number of rupees one needs to buy \$1. This is an important metric to buy not just US goods but also other goods and services (say crude oil) trade in which happens in US dollars.

Broadly speaking, when the rupee depreciates, importing goods and service becomes costlier. But if one is trying to export goods and services to other countries, especially to the United States, India's products become more competitive because depreciation makes these products cheaper for foreign buyers.

Chart 1 shows the rupee's exchange rate against the dollar. The dotted line shows the long-term trend of depreciation. If the rupee depreciates at a rate faster than the long-term average, it goes above the dotted line, and vice versa.

In the last couple of years, the rupee has been more resilient than the long-term trend. The current fall has brought about a correction.

Another thing to note is that, at least as of now, the rupee is still more resilient (that is, it has remained relatively strong against the dollar) than it was in some of the previous crises such as the Global Financial Crisis of 2008 and the Taper Tantrum of 2013.

Moreover, the US dollar is just one of the currencies Indians need to trade. If one looks at a whole basket of currencies, then data suggests the rupee has become stronger (or appreciated against that basket).

In other words, while the US dollar has become stronger against all other major currencies including the rupee, the rupee, in turn, has become stronger than many other currencies such as the euro.

It is important to remember that it is more of a story of the dollar strengthening than the rupee weakening. This suggests that as things stand, India is still not facing an external crisis. Take for instance the issue of external debt. Long-term data shows that India is in a relatively comfortable position.

### **Aragalaya (Page no. 9)**

#### **(GS Paper 2, International Relations)**

It started with the farmers. They were the first to protest after an edict in April 2021 by Gotabaya Rajapaksa, then Sri Lanka's President, that they should switch over to organic farming.

The sudden change came as the country's foreign exchange crisis had started to show, and by stopping the use of chemical fertilisers, Rajapaksa was trying to cut down on the import bill. Paddy farmers began to express their concerns as the yala season, the first in the cultivation calendar, came upon them in May.

By the time of the second season or maha in September, farmers had begun coming out in the hinterland, trying to make their voice heard.

Aragalaya, the Sinhalese word for "struggle", is being used widely to describe the daily gathering of people at Colombo's Galle Face Green that began with the demand that Gotabaya resign as President and make way for a new dispensation, even "a new system".

That gathering marked 100 days on July 17, after forcing Prime Minister Mahinda Rajapaksa to step down on May 9, and two months later, sending his brother Gotabaya fleeing.

But it had begun months before in the hinterland, forcing a government U-turn on the ban on chemical fertilisers, and permit the import of ammonia-based fertilisers. In its essential meaning, aragalaya also captures the struggle of individual Sri Lankans to find food, fuel and medicines on a daily basis, bringing them all together in a "janatha aragalaya" — a people's struggle.

It has been mostly leaderless, though some individuals have spoken for the group on occasion. It also used social media to relay its messages.

As Sri Lanka's Parliament votes for a new President on Wednesday, some sections of the aragalaya — which attracted the participation of a wide range of people from students to professionals, from trade unions to the Janatha Vimukthi Peramuna — have sent out the signal that they will not accept a leader who bats for the status quo.

### **Pythagorean geometry in Vedic-era texts, centuries before Pythagoras (Page no. 9)**

#### **(GS Paper 2, Education)**

A position paper by the Karnataka government on the National Education Policy (NEP) 2020, uploaded recently, has revived discussion on something that has long been known to historians of mathematics — that what we call the Pythagoras theorem was already known to Indians from the Vedic times.

The position paper, part of Karnataka's submissions to the NCERT for a National Curriculum Framework, describes Pythagoras's theorem as "fake news" and the "so-called Pythagoras theorem".

"The Pythagoras theorem is disputed in many international forums. Not the content, but Pythagoras claiming it as his own... There are theories that say there was nobody called Pythagoras. He referred to a text called the Baudhayana Sulbasutra, in which a specific shloka refers to the theorem.

The evidence suggests that the Greek philosopher (around 570–490 BC) did exist. However, there is an element of mystery around him, largely because of the secretive nature of the school/society he founded in Italy.

Relatively little is known about his mathematical achievements, because there is nothing today of his own writings (History of Mathematics Archive, University of St Andrews, Scotland).

If any two sides of a right triangle are known, the theorem allows you to calculate the third side. Extended to the sides of squares and rectangles and their diagonals, the equation is of immense importance in construction, navigation and astronomy.

There are references in the sulbasutras, which are texts pertaining to fire rituals (yajanas) performed by Vedic Indians. The oldest of these is the Baudhayana Sulbasutra.

"The period of Baudhayana Sulbasutra is uncertain (as with other sulbasutras), there being no direct internal evidence useful in this respect.

It is estimated based on linguistic and other secondary historical considerations and have varied substantially depending on the author. By and large, in recent literature, Baudhayana Sulbasutra is taken to be from around 800 BCE.

## **Editorial Page**

### **Trusting the rupee (Page no. 10) (GS Paper 3, Economy)**

The geopolitical conflict underway since February 24 has thrown financial and energy markets across the world into a tizzy.

A direct casualty of the Ukraine war is that the Indian rupee has now depreciated by 5.6 per cent against the dollar by 5.6 per cent against the dollar. In terms of relative performance, however, the rupee has done quite well compared to most of its counterparts — barring the Indonesian Rupiah.

In an ideal world, if domestic economic fundamentals are strong, the depreciation of the rupee should be accompanied by an appreciation of the Dollar Index (DXY) along similar lines.

Between January 2008 and February 2012 and October 2012 and May 2014, on a cumulative basis, the rupee had lost a whopping 48.7 per cent against the USD, even as the DXY had appreciated by a modest 5.2 per cent. This indicates that much of the decline in rupee value then was purely because of weak domestic macro fundamentals.

Now, fast forward to the current situation. The rupee has depreciated by a modest 5.6 per cent since the Russian invasion of Ukraine, though the DXY has appreciated by 11.3 per cent.

If we extend the period from March 2021 till July 2022, the rupee depreciation is 9.7 per cent and the DXY appreciation is a sharp 17.4 per cent.

Thus, the recent decline in the rupee has been more because of the strengthening of the dollar and not because of weak fundamentals at home. This is a good omen and is also substantiated by the Indian economy navigating the Ukraine conflict rather well.

In fact, a one per cent change in the DXY (or an appreciation of the dollar) leads to a 1.7 per cent change in rupee exchange rate (depreciation of the rupee), considering the 15-year period ending July 2002. If we go by the regression result, the rupee should have been at 90/dollar currently.

Having established that the recent decline in rupee value is mostly to deal with the DXY strengthening, the logical question is: Is there any possibility of an end to such unabated dollar supremacy in the near future? The answer is perhaps a “no” at this point even though several countries including India are attempting to diversify their foreign exchange reserves in favour of non-dollar currencies.

### **A limited farm vision (Page no. 10) (GS Paper 3, Economy)**

Like the monsoons, just when everyone was giving up hope, it poured with a vengeance. The government made a commitment last year when it repealed the farm laws to constitute a committee. This body has finally been constituted to promote zero budget-based farming, change crop patterns and make MSP more effective and transparent. It is an exhaustive body of 28 members with cross representation from the Central and state governments, farmers, agricultural scientists and economists.

The new committee was preceded by a Supreme Court-appointed panel that in its wisdom spoke against the withdrawal of the controversial farm laws, saying that the “majority” of the farm unions supported them and a repeal would be “unfair to this silent majority”. Parking this issue for the time being, questions need to be asked about the composition of the new committee and the crux of its agenda.

Of the eight farmer members in the committee, five were nominated by the government and are known to be sympathetic to its views. Three were to be nominated by the Samyukt Kisan Morcha. But SKM’s boycott of the committee, citing under-representation, was a foregone conclusion.

Contrary to the expectations of those who supported the farmer agitation, many of the SKM members contested the Punjab elections and, predictably, lost spectacularly. Candidates identified with farmer protests met with the same fate in the UP elections. The SKM has lost much of its sheen and relevance. Unions should now strive to earn respect, not popularity.

Many will criticise the committee for having farmers who mirror the government stand, which in my opinion is unfair. One may disagree with some of Anil Ghanwat’s views but he is a sensible voice on the committee. Vested interests need to be eliminated from the committee.

It is also a little curious that the Former Secretary, Ministry of Agriculture and Farmer Welfare Sanjay Agarwal has been appointed the committee’s chairman. He was at the vanguard of the misconceived government campaign on the farm laws. Agarwal should recuse himself from the position for the sake of propriety and, more importantly, to allow space for building the trust of those sceptical of the exercise. It is quite out of order for a NITI Aayog member with a rank and status of a Union Minister of State to be asked to serve as a member under Agarwal.

Again, the committee, by design, has no state representation from Punjab, a major grain procurement state. This could be used to whip up divisive sentiments in the state.

Like many who equate incomes with livelihoods, the committee's mandate obscures changing cropping patterns with diversification. It is, at best, a subset of diversification. The agriculture department may have an understanding of the problems but it now needs to comprehend that they cannot be solved by having discussions centred around cropping choices and practices. Solutions require a systems approach. This cannot happen when the mandate is limited to crops, with the Secretary, Ministry of Animal Husbandry not even a member of the committee, even though one-third of all agricultural GDP comes from rearing animals. It reminds one of John Maynard Keynes's perceptive comment: "The difficulty lies not in the new ideas, but in escaping from the old ones". Given this state of affairs, it is not difficult to understand why things have gone so wrong and why there is a threat of them turning worse.

## **Idea Page**

### **The absentee stakeholder (Page no. 11)**

#### **(GS Paper 3, Economy)**

There are those who say that India's digital economy has been operating in a regulatory vacuum. Perhaps a more appropriate formulation would be of a regulatory roller coaster.

In 2022 itself, the Ministry of Electronics and Information Technology (MeitY) has announced the draft amendment to the IT Rules 2021 (June 2022), the draft India Data Accessibility and Use Policy (February 2022), National Data Governance Framework Policy (May 2022) and the new cyber security directions (April 2022).

Besides these, the most awaited and critical e-commerce policy and the Data Protection Bill, both of which have been in the making for at least a few years now, are likely to be announced soon.

This hyperactivity signals the accelerated growth of the digital ecosystem which needs regulatory nurturing. With due credit to the policymakers, all these proposals have been put out for consultation.

In fact, the government has recently invited stakeholders to an open house discussion on the proposed changes to the IT Rules. This piece, however, is about those missing from these discussions.

There has been an enormous backlash against the growing power and influence of internet giants. They do bring benefits to consumers, businesses and governments, but then they also enjoy dominant positions, engender misinformation and at the extreme, undermine democratic processes.

Governments have been pushed to respond to myriad aspects of the digital economy — from financial sector regulation to anti-trust to data privacy. With so much at stake, Big Tech platforms have upped their advocacy by hiring qualified professionals and funding empirical research, not only in India but also across the world.

A sceptic would view this as another way to influence the government. The balance is somewhere in the middle. But I am digressing.

The point is Google, Amazon, Facebook, Twitter and the likes are all actively engaged in policy discussions, either directly or through third parties to put forth a point of view. Similarly, start-ups, think tanks, civil society organisations and academics invested in the issues of the digital economy either as users or as observers contribute to the policy discourse.

## **Economy**

### **No GST on 11 food items when sold loose, decision with consensus (Page no. 13)**

#### **(GS Paper 3, Economy)**

Finance Minister Nirmala Sitharaman gave a list of food items that are exempted from GST, provided they are sold loose and not pre-packed or pre-labeled.

These include items such as pulses/daal, wheat, rye, oats, maize, rice, aata/flour, suji/rawa, besan, puffed rice and curd/lassi.

The minister in a series of tweets clarified the new rates on GST which came into effect on Monday. The move comes after Lok Sabha proceedings were adjourned on Tuesday amidst opposition protests over GST rates and price rise.

Sitharaman defended the imposition of 5 per cent GST on food articles in her tweets and said that the decision was unanimous by the GST Council and all states were present in GST Council meeting when this issue was presented by the Group of Ministers on Rate Rationalisation on June 28, 2022.

She said that this isn't the first time that such food articles are being taxed. "States were collecting significant revenue from foodgrain in the pre-GST regime. Punjab alone collected more Rs 2,000 cr on food grain by way of purchase tax. UP collected Rs 700 cr.

Explaining the GST, she said that when GST was rolled out, a GST rate of 5 per cent was made applicable on branded cereals, pulses, flour. Later this was amended to tax only such items which were sold under registered brand or brand on which enforceable right was not foregone by supplier.

However, she said that soon there was rampant misuse of this provision by reputed manufacturers and brand owners and gradually GST revenue from these items fell significantly.

The minister wrote that the Fitment Committee which consisted of officers from Rajasthan, West Bengal, Tamil Nadu, Bihar, Uttar Pradesh, Karnataka, Maharashtra, Haryana and Gujarat had also examined this issue over several meetings and made its recommendations for changing the modalities to curb misuse.

### **Over 3 times more women in part-time jobs than men: National Statistical Office (Page no. 13) (GS Paper 3, Economy)**

The employment rate of females at all-India level for age groups 25-49 years living in a household with at least one child under 3 years of age is less than their employment rate in a household with no child under 3 years of age during 2017-18-2019-20.

For males, however, presence of a child under age 3 years in the households does not seem to make any difference to their employment rate, as per the latest labour indicators released by National Statistical Office.

Also, more females work part-time than males across all age groups in both rural and urban areas.

The proportion of employed persons working part-time in the 46-59 years age group at all India level was more than 10 per cent between 2017-18 to 2019-20 while in the age group of above 60 years, the proportion of employed persons working part-time was more than 15 per cent, the NSO said in its Working Paper on Compilation of Labour Indicators of Minimum Set of Gender Indicators.

There has been rapid growth in part-time work in the past few decades in developed economies. This trend is related to the increase in female labour force participation, but also results from policies attempting to raise labour market flexibility in reaction to changing work organisation within industries and to the growth of the services sector.

Of concern to policymakers in the apparent move towards more flexible working arrangements is the risk that such working arrangements may be less economically secure and less stable than full-time employment.

Rural females working part-time in the working age population (15+ years) at all India falls between 23-24 per cent as compared to 7-8 per cent for rural males during 2017-18 to 2019-20.

For urban females working part-time in the same age group at all-India level, it falls between 15-16 per cent as compared to 3-4 per cent for urban male during the same period.

In both rural and urban areas, part timers as a proportion of total employed are more in the 60+ age-group among males and urban females.

It said that in developed countries, policymakers have promoted part-time work in an attempt to redistribute working time in countries of high unemployment, thus lowering politically sensitive unemployment rates without requiring an increase in the total number of hours worked.

The employment rate of workers living in a household with no child under age three years rose to 61.2 per cent in 2019-20 from 58.37 per cent in 2017-18 in the 26-49 years age group and 59.6 per cent in 2018-19.

The proportion of employed persons who are employers in the 15+ age group stood at 2.02 per cent in 2019-20, down from 2.17 per cent in 2018-19 but up from 1.91 per cent in 2017-18.