

Economics MADE EASY - THEORY to APPLIED
GOOD MORNING TIMES- SEP - 2017



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GOOD
MORNING TIMES
Economics – PT Shots
(SEPTEMBER-2017)

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TOPIC GENERAL STUDIES 3: ECONOMICS- ECONOMIC DEVELOPMENT- GOV POLICIES

September

2017

1. DOMESTIC SYSTEMATICALLY IMPORTANT BANK

- Recently RBI listed HDFC as Domestic – Systematically Important Bank (DSIB) under the bucket structure identified last year.
- **What are Domestic-Systematically Important Banks (DSIBs)?**

☐ DSIBs are also referred to as “Too Big To Fall” (TBTF) because of their size, cross-jurisdictional activities, complexity and lack of substitute and interconnection.

☐ Banks whose assets cross 2% of the GDP are considered DSIBs. If these banks fail, they can have a disruptive effect on the economy.

☐ D-SIBs are categorised under five buckets. According to these buckets the banks have to keep aside the Additional Common Equity Tier 1 as a percentage of Risk Weighted Assets (RWAs).

☐ At present State Bank of India is placed under Bucket 3, mandating to maintain an additional 0.45% of RWAs from the start of fiscal year 2018 which will rise to 0.6% from April 2019.

☐ HDFC and ICICI are under Bucket 1 according to which they have to maintain 0.15% from April 2018 which will rise to 0.2% by next fiscal year.

☐ D-SIBs are mandated under special provisions and are closely monitored by the central bank to ensure their better functioning and prevent the indulgence of such banks in any grey areas such as money laundering etc.

☐ The Systematically Important Banks domestically are identified by Central Banks of a country and globally by BASEL committee on banking supervision.

2. CONSOLIDATION OF PUBLIC SECTOR BANKS

- The government is working on a consolidation of public sector banks with a view to creating 3-4 global-sized banks and reduces the number of state-owned banks from 21 to about 10-12.

• **Significance of Merger/ Large-Size bank**

☐ The consolidation would impact on cost cutting and acquiring efficiency in the wake of mounting problem of stressed balance sheet and NPA.

☐ The amalgamation could cater for the massive credit requirements of the growing economy, absorb shocks and have the capacity to raise resources without depending unduly on the state exchequer.

☐ It would facilitate their resources diversion to other underserved segments.

☐ Large banks in a consolidated banking system enjoy scale benefits leading to better diversification of risks and stronger overall profitability contributing to higher credit ratings.

• **Challenges**

☐ It would be difficult to arrive at the swap ratio as rights of minority shareholders in proposed consolidated bank have to be protected.

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☐ Obstacle in merger will be large-scale shutting of branches in urban centres, reduction in staff strength and exploring the right business synergy and work culture.

- **Narasimhan Committee Report 1991**

☐ Merger of public sector banks to make them stronger.

☐ It had envisaged a three-tier banking structure with three large banks with international presence at the top, eight to 10 national banks at tier two, and a large number of regional and local banks at the bottom.

☐ Setting up large number of local banks for banking penetration ☐ Factors like regional balance, geographical reach, financial burden and smooth human resource transition have to be looked into while taking a merger decision.

☐ Efficient use of Section 44A of Banking Regulation Act 1949 (lays down the norms for voluntary mergers) and Section 45 of the Act. (Forced mergers).

☐ Consolidation should be on par of competition in order to avoid oligopolistic practices.

3. CREDIT RATING AGENCIES

- **The Securities and Exchange Board of India** has proposed measures for credit rating agencies to improve “market efficiency” and enhance “the governance, accountability and functioning of credit rating agencies”.

- **Details: Important provisions include**

☐ to restrict cross-shareholding between rating agencies without regulatory approval to 10%,

☐ increase the minimum net worth requirement for existing and new agencies from ₹5 crore to ₹50 crore

☐ at least five years’ experience for promoters of rating agencies.

- **Impact**

☐ The proposed disclosure norms will improve investor awareness about the operations of rating agencies.

☐ The spin-off of non-core operations of rating agencies will allow SEBI to focus on regulating just their credit rating operations.

☐ This will prevent rating agencies from resorting to collusion in reaching decisions.

- **Role of CRAs (Credit rating agencies):**

It is a tool for borrowers to gain access to loans and debt by providing independent evidence- and research-based opinion on the ability and willingness of the issuer to meet debt service obligations, and distinctively attaching a probability of default to a specific instrument. Issues in credit rating in India

☐ **Conflict of interest:** They work towards maximizing CRA shareholder value by way of increasing revenues from issuers, while trying to provide independent ratings for the consumption of investors.

☐ **Issuer paid model:** As they depend on issuers for their business, it compromises their objectivity.

☐ **Information availability:** If the issuer decides not to answer some determinant questions, the rating may be principally based on public information.

☐ The system does not permit publishing a rating without the issuer’s consent. If the rating is not as

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high as the issuer expects it to be, it can choose to go to another CRA and fish for a better rating. This takes away a lot of freedom from the CRA and puts it in the hands of the issuer.

☐ **Non-rating activities of CRAs:** They generate significant revenue through non-rating activities undertaken by their specialized subsidiaries. Such non-rating activities generate significant conflicts of interest with respect to the main service that CRAs-ratings of the issuers. Suggestions to address these issues

☐ CRAs should refrain from providing advisory services to the rated companies, even via subsidiaries.

☐ Avoid arriving at ratings with limited information, even if it means foregoing that mandate.

☐ Disclose underlying assumptions, allowing potential investors to factor inbuilt risk in the final rating.

☐ Operate on fixed fee structure, restricting competition to quality and not pricing.

☐ Increase objectivity of rating models, thereby reducing subjectivity and cognitive bias.

4. ECONOMIC ADVISORY COUNCIL

- Government has announced the constitution of a five-member Economic Advisory Council to the Prime Minister (EAC-PM) under the chairmanship of Bibek Debroy (member Niti Aayog).
- The EAC-PM is an independent body to give advice on economic and related issues to the Government of India, specifically to the prime minister.

☐ Terms of reference of EAC include:

✓ To analyse any issue, economic or otherwise, referred to it by the prime minister and advising him thereon; to address issues of macroeconomic importance and presenting views thereon to the prime minister.

✓ This could be either suo-motu or on reference from the prime minister or anyone else; to attend to any other task as may be desired by the prime minister from time to time

✓ Other members include Surjit Bhalla, Rathin Roy and Ashima Goyal along with Ratan Watal.

• Need

☐ There have been growing concerns over the pace of growth in the economy and the slow pace of job creation. The 5.7% fiscal first-quarter GDP growth pits the country behind China on the list of worlds' fastest-growing major economies.

☐ EAC-PM will help to keep a closer eye on economic developments and provide advisory on addressing macroeconomic and other important issues.

☐ EAC-PM will push a qualitative shift for advice tender by finance ministry to Prime Minister. Furthermore, PM will have a new source of advice and an opportunity to seek a second opinion within the government system.

☐ Simultaneously, the presence of the council will secure the much-needed balance between the influence exercised by civil servants on economic

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policy making and the advice offered by economists within the government system.

- **History of EAC (PM):** The Economic Advisory Council to the Prime Minister was first constituted by the then Prime Minister Manmohan Singh on December 29, 2004 under the chairmanship of C Rangarajan. The work of the council included offering advice to the PM on policy matters from time to time. Besides, it also prepared a monthly report on economic developments at home and abroad for the Prime Minister. In 2014, the NDA government had disbanded the PMEAC.

5. SHELL COMPANIES

- Ministry of Corporate Affairs (MCA) has cancelled the registration of 2.1 lakh dormant companies and directors of about 1.07 lakh shell companies among them will also be disqualified.
- **What are Shell Companies?**

☐ These are companies without active business operations with significant assets. They can be set up by for both legitimate and illegitimate purposes.

o the legitimate purpose may include promoting a start-up by raising funds and

o Illegitimate purpose includes hiding ownership from the law enforcement, laundering unaccounted money and avoiding tax.

☐ In India Shell companies are not defined under Companies Act, 2013 or any other legislation. However, some laws can help curbing illegal activities such as money laundering and can

indirectly be used to target shell companies — Benami Transaction (Prohibition) Amendment Act 2016; The Prevention of Money Laundering Act 2002 and The Companies Act, 2013 etc.

- **Significance of the move**

☐ The defunct companies strain the regulatory system. There were about 13 Lakh registered companies prior to action and after closing of around 2.10 Lakh Companies, there will be 11 Lakh companies having Active status in the Registry

☐ The measure is important in context of government crackdown on shell companies in post demonetisation phase and also curbing the menace of black money. The crackdown has been successful after demonetisation as layering of transactions has been very little in that phase.

☐ Weeding out of shell companies will improve corporate governance and pave the way for ease of doing business by enhancing investor confidence in Indian regulatory system.

- **Concerns**

☐ The companies which are not shell companies may face economic losses and restrictions on trading.

☐ It may also negatively impact on Startups in the country and hurt prospects for Start Up India Programme.

☐ Apart from the role of Directors of shell companies, role of auditors has also come under the scanner for alleged connivance in facilitating illegal transactions and not raising the red flag when such things came to the fore.

☐ The MCA is also examining the recommendations of the 3-member expert panel on various issues related to audit firms headed by TERI chairman Ashok Chawla.

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6. SMART AGRICULTURE CONCLAVE

- Recently, Department of Biotechnology held Smart Agriculture Conclave in partnership with research organisation in order to set the stage for Farmer Zone to cater to the needs of the farmers.

• Need

☐ Smart Agriculture Conclave with international partnership is a step towards scientific and technological integration of agriculture.

Smart Agriculture Conclave would help to create a roadmap for setting up a cloud-service called "Farmer Zone", where the data would be processed to bring out useful and relevant information for farmers.

☐ At present around 55% of India's agriculture is rain dependent due to which the growth in the sector has been fluctuating since past few years.

☐ It assists in ensuring nutrition of the growing population, need for reliable data to mitigate risks from climate change and also inclusion of smallholder farmers as stakeholder in data revolution.

also talks about achieving food security, improved nutrition and promoting sustainable agriculture.

• Farmer Zone

☐ It involves the initiative for cloud-based platform to collect, collate and curate field and remotely sensed data along with market intelligence to create smart agriculture solutions to smallholder farmers.

☐ Farmer Zone will be a multi-purpose window which will provide solutions to farmer ranging from climate change-based information to weather predictions, soil, water and seed requirements to market linkages.

☐ The information can be accessed by the farmers throughout the world. These services could be accessed by the farmer directly or through intermediaries such as local co-operative.

☐ It also includes Market Zone where farmers can directly sell their produce and the produce can also be directly picked from their farms.

☐ It will also help to reduce technological gap in data acquisition & transfer from farm to cloud and vice versa.

☐ It will also connect various stakeholders and experts such as farmers, scientists, government officials, economists and global companies working in big data analysis and e-commerce. This would ensure that localised technology-based solutions and develop PPP based service delivery mechanism.

- **What is Climate Smart Agriculture?** It is an integrated approach to address interlinked challenges of food security and climate change aim

☐ Sustainable increase agricultural productivity that will further help to increase the farm income, food security and development. ☐ Adapting and

☐ Sustainable Development Goal 2 building Resilience of Agriculture to climate change.

☐ Reducing greenhouse emission from agriculture.

7. GIS-ENABLED PORTAL MAPS LAND-RELATED INFORMATION

- Recently, Centre has launched an online database of more than half a million hectares of land assisting industry.

• Background

☐ The Government pushing for creating a manufacturing hub in the country by 2020 for

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which initiatives such as Make in India and Skill India have been launched.

☐ The government is also developing a new Industrial and manufacturing policy which aims to increase manufacturing sector share from present 16% to 25% by 2020. It also aims to make India a global manufacturing hub and generate employment.

☐ Manufacturing sector will not only provide impetus to economic growth but will also harness the demographic dividend of the country.

☐ Therefore, in order to provide an enabling environment government has launched GIS-enabled portal maps land related information.

• GIS- enabled Database

☐ It is a database that had been launched by the central government through which industries could access information related to industrial parks or clusters, Special Economic Zones, National Investment and Manufacturing Zones as well as area wise availability of agricultural and horticultural crops and mineral production.

☐ The database will also have information about warehouses, power grids; financial institutions as well as demand for infrastructure could be captured through the applications made by entrepreneurs for projects.

☐ Other information available includes:

o Industrial land use and availability of industrial land.

o Approved and pending projects

o Infrastructure like – state and nation highways, airports, ports, railway stations and electricity

o Investment and employment targets

o Waste disposal facilities etc.

☐ It will also provide details about government approved technical institutions and availability of skilled and semi-skilled talent.

☐ The portal will be highly beneficial for Industrial sector as:

o It will eliminate information asymmetry.

o Improve industrial policy making and investment in manufacturing sector.

o Improve employability of labour in specific job profiles

☐ The Database is being developed by the Department of Industrial Policy and Promotion (DIPP) and National e-Governance Division of Ministry of Electronics and Information Technology as well as the BISAG – an institute for space applications and geo-informatics under the Gujarat Government.

• Geographic Information System

☐ GIS can be defined as a computer-based tool that analyses, stores, manipulates and visualizes geographic information displaying data related to position on Earth's surface.

8. DAIRY SECTOR

• The Cabinet Committee on Economic Affairs has approved a “Dairy Processing & Infrastructure Development Fund” (DIDF) with an outlay of Rs 10,881 crore during the period from 2017-18 to 2028-29.

• Need of Fund

☐ The fund will be used to provide loan for building an efficient milk procurement system and other processing infrastructure.

☐ Benefit to farmers: With this investment 95 lakh farmers in about 50,000 villages would be benefitted.

☐ Capacity creation in milk processing: Additional Milk processing capacity, milk drying capacity, milk chilling capacity, electronic milk

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adulteration testing equipment and value-added products manufacturing capacity shall be created.

□ Employment generation: The implementation of DIDF scheme will generate direct and indirect employment opportunities for skilled, semi-skilled and unskilled manpower. Direct employment opportunities for about 40,000 people will be created under the scheme. About 2 lakh indirect employment opportunities will be created on account of expansion of milk and milk product marketing operations to Tier IV, V & VI cities/towns etc.

- **Dairy sector in India:** The Indian dairy sector provides livelihood to 15 crore farmers. India is the world's largest milk producer with 156 MMT of the item produced annually. However, exports of these items from India are negligible (about 0.5 MMT or 0.3% of the production). While New Zealand controls 25% of the global dairy trade and Australia around 5%. Importance of dairy sector: It provides the livelihood to millions of farmers whom belong to marginalized sections of society. Potential: As per a Crisil report the Indian milk economy is worth Rs 5 lakh crore, growing at a CAGR of 15-16 per cent, out of which the organised milk economy is worth Rs 80,000 crore.

- **Growth factors:**

□ As global dairy consumption stagnates or even dips, Indian consumption is going up. India's per capita consumption of milk at 97 liter's a year is way below that of western countries.

□ The Indian consumer - especially the affluent urban consumer - is consuming more value-added products. As the Indian cooperatives had largely stuck to basic milk, this had left a gap in the market that allowed some of the new players to come in with new product offerings.

□ The phenomenon of working couples with high disposable income also provided the impetus for immediate requirement of complete food (MILK).

□ Finally, global prices of milk are dipping because of overcapacity, while the Indian market is still growing, both for basic milk as well as for value-added products.

- **Challenges:**

- ✓ **International level**

□ Impact of FTAs: Removal of import duties on milk and milk products under Free Trade Agreement (FTA) including the Regional Comprehensive Economic Partnership (RCEP) will make imports cheaper.

□ Low surplus for exports: India is the world's largest milk producer with 156 MMT annually. However, since there is a huge domestic demand for milk and milk products, exports of these items from India is negligible (about 0.5 MMT or 0.3% of the production). While New Zealand and Australia export 86% and 25% of their production.

□ Export restriction by other countries: Most RCEP countries have a highly restrictive regime on dairy products — either high import duties or cumbersome procedures with certification and inspection requirements. For eg China does not allow Indian dairy imports. Similarly, Indonesia, Australia classifies India as an FMD (foot and mouth disease)-hit nation and restricts Indian dairy imports. New Zealand's requirement of several veterinary documentation on dairy products also prevents Indian exports to that nation.

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✓ National level

□ Domination of unorganized sector: this prevents value addition and large-scale investment in infrastructure creation.

□ Infrastructure issues: cold food supply chain, milk processing facilities, vehicles to transport milk products etc, lack of marketing facilities and extension services; Insufficient Veterinary Services

□ Non availability of fodder: especially green fodder round the year. By 2025, going by the present way of cultivation pattern, there will be 65% deficit of green fodder.

□ Segment wise problem: For the backyard farms, the main challenge is the reluctance in acceptance of balanced nutrition for their animals. Most of them still feed their animals in the traditional way with unbalanced feed, forage and supplements and this leads to less than expected milk output from the animals. For semi-organized dairy farms, the key challenge is the improvement in the herd efficiency and maintaining the consistent milk production round the year.

- **Government steps:** Government of India is making efforts for strengthening the dairy sector through various Central sector Schemes like “National Programme for Bovine Breeding and Dairy Development”, National Dairy Plan (Phase-I) and “Dairy Entrepreneurship Development Scheme”.

9. DOUBLING THE FARMERS INCOME

- Agriculture Ministry has recently released a blueprint having 7-point strategy to achieve the vision of

doubling farmer's income by 2022.

A Committee on Doubling Farmers' Income headed by Ashok Dalwai also gave certain suggestion in the 4 out of 12 reports released earlier.

• About seven-point strategy

□ Increase in production by improving irrigation efficiency through o increased irrigation budget (Madhya Pradesh, which achieved an agricultural growth rate of 9.7% from 2004-2015 against national average of 3.6%, did so on the back of substantial irrigation investment)

o implementing Pradhan Mantri Krishi Sinchai Yojana

o expediting pending medium and large irrigation projects

o fast-tracking watershed development and water harvesting & management projects

□ Effective use of input cost – Government has taken up different steps for different inputs

o Soil - introduced Soil Health Card Scheme to inform farmers about nutrients status of the soils

o Fertilisers – rationalising the use of fertilisers by giving information about nutrient status of soil, curbing illegal use of urea as well as ensuring adequate supply through Neem Coated Urea scheme

o Seeds – Providing with better quality seeds at affordable prices

o Awareness – giving timely information and advisory services to farmers through online and telecom mediums such as Kisan Call Centre and Kisan Suvidha App

o Better Planning – through adoption of new technologies such as space technology which helping in better planning through forecasting of crop production, agricultural land-use mapping, drought prediction, and utilisation of fallow paddy fields for Rabi crops

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o Encouraging organic farming which sells costly while cost on inputs is less.

☐ **Reduction of post-harvest losses**

o Storage facilities - government is encouraging farmers to use warehouses and avoid distressed sales at lower cost. Also, loans are being provided against negotiable warehouse receipts are being provided with interest subvention benefits.

o Integrated cold chains in rural areas.

☐ **Value Addition**

o Promoting quality through food processing – Under Pradhan Mantri Kisan Sampada Yojana, food processing capabilities will be developed by working on forward and backward linkage of agro processing cluster, benefitting 20 lakh farmers and creating employment opportunities for about 5 lakhs.

☐ **Reforms in Agriculture Marketing**

o Integrating markets through e-NAM where 455 mandis have been linked to this platform.

o Model Agricultural Produce Market Committee (APMC) Act is being worked upon which also includes private market yards and direct marketing.

o **Contract farming** - the Government is also working on a Model Act to promote contract farming.

☐ **Risk, Security and Assistance**

o Insurance – through Pradhan Mantri Fasal Bima Yojana (PMFBY) reduces possible risks through fixing lowest rate for Kharif and Rabi crops, covering standing crops as well as pre-sowing to post-harvesting losses, settling 25% of the claim immediately online, carrying out faster assessments of crop loss using new technologies like Smartphones, satellite imagery and drones facilities, increasing compensation amount to 1.5 times, providing compensation if at least 33% of the crop is damaged.

☐ **Promoting Allied Activities– includes**

o Integrated Farming system which focuses on horticulture, livestock, and bee keeping along with agriculture. This scheme will not only increase farmers' income, it will also mitigate the effect of drought, flood, and other natural disasters.

o Blue Revolution: includes promoting activities such as inland fisheries, Aquaculture, Mariculture undertaken by National Fisheries Development Board (NFDB) under Integrated Development and Management of Fisheries, initiating Deep Sea Fishing scheme etc.

o Sub-Mission on Agroforestry: aims to promote inter-cropping. Under this, "Med Per Ped" campaign has also been included.

o Rural Backyard Poultry Development: This scheme involves providing supplementary income and nutritional support to poultry farmers, sensitizing sheep, goat, pig and duck farmers about opportunities to enhance income etc.

- Doubling farmer income will also have possible impacts on achievement of goal number 2 of SDG, i.e., End hunger, achieve food security and improved nutrition, and promote sustainable agriculture. Along with above steps, following measures should also be considered

☐ Arresting falling prices by MSP and procurement – This will also reduce rising debt and thus, farmer protests witnessed in several parts of our country

☐ Encouraging innovation in agriculture – by promoting start-ups on boosting agricultural productivity & yield through newer technology.

☐ Land reforms– includes distribution of ceiling-surplus and waste lands, prevention of diversion of prime agricultural land and forest to corporate

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sector for non-agricultural use, establishing a National Land Use Advisory Service etc.

- **Suggestions by Ashok Dalwai committee**

☐ An additional investment of Rs 6.39 lakh crore is required from both public and private sectors to double farmer income.

☐ There is need of developing financial & other infrastructure in less developed states of eastern region which lags in private investment

☐ Stepping up institutional credit on large scale as they are fulfilling only 50-60% investment requirements of farmers

☐ There is need to enhance public investments in agricultural R&D, irrigation, energy & education in agriculturally less developed states as marginal returns in terms of income here are relatively higher

☐ Focus on "demand-driven fork-to-farm approach", diversification towards high value crops etc.

☐ Focus on exports with an aim to raise agricultural export to reach \$100 billion by 2022-23 and going beyond cereals and meat which constitutes bulk of our exports at present.

- **Horticulture:** through Mission for Integrated Development of Horticulture (MIDH) scheme which provides better planting materials, improved seed and protected cultivation, high density plantation, rejuvenation, and precision farming.
- **White Revolution** through conserving indigenous breeds under Rashtriya Gokul Mission, improving genetic makeup, increasing milk production, establishing Dairy Processing and Infrastructure Development Fund,

generating self-employment opportunities through Dairy Entrepreneurship Development Scheme

- **Beekeeping:** is promoted through training large number of farmers/beekeepers, registering bee keepers and honey societies/companies/firms, establishing Integrated Bee Keeping Development Centres (IBDC).

10. ELECTRONIC WAREHOUSING RECEIPTS

- Ministry of Food Processing Industries has launched negotiable warehousing receipts in electronic format that farmers can use to avail of bank credit easily and without fear of losing or misusing it.

- **More on news**

☐ It also unveiled a web portal for registration of warehouses in a faster and more transparent manner. On the new portal the process of registration with the WDRA has been simplified and fastened.

repositories, with National Commodity and Derivative Exchange (NCDEX) and Central Depository Services (CDSL), on which these negotiable warehouse receipts will be traded.

- **What is negotiable warehouse receipt (NWR)?**

☐ Warehouse Receipts are documents issued by warehouses to depositors against the commodities deposited in the warehouses, for which the warehouse is the bailee.

☐ Warehouse Receipts may be either non-negotiable or negotiable. NWRs can be traded,

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sold, swapped and used as collateral to support borrowing.

☐ It is defined in the Warehousing (Development and Regulation) Act, 2007 (WDR Act).

☐ NWR was launched first in 2011 and are regulated by the Warehousing Development and Regulatory Authority (WDRA).

• Benefits

☐ It helps farmers to seek loans from banks against NWRs and this way NWRs become a prime tool of trade.

☐ It allows farmers to extend the sales period of modestly perishable products beyond the harvesting season and avoid distress sale.

☐ It allows transfer of ownership of a commodity stored in a warehouse without having to deliver it physically.

☐ NWRs can enhance banks' interest in lending in respect of farm goods deposited by farmers in the registered warehouses which can increase liquidity in the rural areas and encourage scientific warehousing of goods.

• Warehouse (Development and Regulation) Act, 2007

☐ To make provisions for the development and regulation of warehouses, negotiability of warehouse receipts etc.

☐ Warehousing Development and Regulatory Authority (WDRA) is implementing body.

☐ The WDRA regulates and registers the warehouses in the country. Only a warehouse registered with WDRA can issue Negotiable Warehouse Receipts (NWRs).

☐ The Act makes the warehouseman liable for loss of, or injury to, goods caused by his failure and also provides for compensation to the depositor of the goods.

11. SAUBHAGYA YOJANA

- With an aim to provide electricity to over four crore families in rural and urban areas by December 2018, Prime Minister has launched Pradhan Mantri Sahaj Bijli Har Ghar Yojana 'Saubhagya'.

• Progress of Power to All program till now:

☐ In 2015, PM had announced to electrify the remaining 18,452 unelectrified villages by May 1, 2018. Now less than 3,000 villages remain unelectrified and all villages will be electrified by the end of this year, much ahead of the schedule.

☐ The govt had also fixed target to provide 24X7 power to all by March, 2019. India is aiming to achieve the target of power for all by December 2018. At present four crore out of 25 crore families do not have power connection.

• Why need for new scheme?

☐ Despite the government's aggressive village electrification programme, under the Deen Dayal Upadhyay Gram Jyoti Yojana, it was realised that the problem of electricity 'access' wasn't resolved.

☐ With a large number of households still remaining without access to electricity, the scheme aims at ensuring the coverage of households as opposed to only villages.

• Details of scheme

☐ Objective: to provide electricity to all families in India.

☐ Total Outlay: 16,320-crore scheme, the Gross Budgetary Support (GBS) is Rs 12,320 crore. The scheme is being funded to the extent of 60% by central grants, 30% by bank loans and 10% by states.

☐ The scheme primarily benefits rural areas, which have the vast majority of households without power connections. Of the total outlay of

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Rs 16,320 crore, rural areas will get Rs 14,025 crore. For the urban households the outlay is Rs. 2,295 crores.

☐ Identification of beneficiaries: The government will use Socio Economic and Caste Census (SECC) 2011 data to identify the beneficiaries for free electricity connections. Un-electrified households not covered under the SECC data would also be provided electricity connections under the scheme on payment of Rs 500 which will be recovered by DISCOMs in 10 installments through electricity bill.

☐ Implementation:

- ✓ The Rural Electrification Corporation Limited will remain the nodal agency for the operationalisation of the scheme throughout the country.
- ✓ To ensure on-the-spot registration, mobile applications will be used. While free connections will be provided to below poverty line (BPL) households, even those not covered under this category can avail it by paying Rs500 in 10 instalments with their monthly bill.
- ✓ For those household where the national electricity grid can't reach, households will be provided with solar power packs along with battery banks.
- ✓ Remote hamlets will be powered with solar panels along with five LED lamps,

a DC fan, and a plug point along with repair and maintenance for five years

- ✓ There will be no subsidy component for monthly electricity consumption and the Gram Panchayat and public institutions in the rural areas will be authorised to carry out billing and collection tasks which have been pain points for the discoms.
- ✓ States have also been provided with an incentive of 50% of their loan being converted to grants, if the electrification targets are met by 31 December 2018.

• Possible Impact of the scheme

☐ Earlier the electricity distribution companies (discoms) didn't want to supply to the villages even if the electrification has taken place. By providing electricity access to all households with prepaid and smart meters, demand will be created which in turn will force the discoms to supply to these villages.

☐ The scheme will boost growth. Access to energy is central to development and this initiative to expedite that access is strongly positive for growth.

☐ Last-mile connectivity has always been a huge challenge due high cost of connections for households and higher supply costs for states. This will attempt to address both, by funding energy efficient equipment.

☐ It will improve the environment, public health, education and connectivity with the help of last-mile power connections across India.

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□ It will help reduce the use of kerosene lamps in non-electrified households. Thus, it will help India, the world's third-largest energy consumer after the US and China, to help meet its global climate change commitments.

□ The scheme would inject Rs 16,000 crore into the economy, create assets and generate employment. Importantly, electricity would be billed without any subsidy.

□ Better quality of life, especially for women, in daily chores

- **Way forward:** New India will require an energy framework that works on the principle of equity, efficiency and sustainability. After connecting each house with electricity, the government's next target should be to end load shedding and provide 24x7 power.

12. OIL DISCOVERY IN ARABIAN SEA

- Recently, State-owned Oil and Natural Gas Corp. (ONGC) has made a significant oil discovery to the west of its prime Mumbai High fields in the Arabian sea.
- **Highlight**

□ The discovery in the well WO-24-3 is estimated to hold an in-place reserve of about 20 million tonnes.

□ Mumbai High, India's biggest oil field, currently produces 205,000 barrels of oil per day (just over 10 million tonnes per annum).

□ The new find, which comes almost 50 years after ONGC began production in Mumbai High, will help the company maintain production levels from the basin for a longer time than currently estimated.

- **Oil & Gas scenario in India:**

□ India has 0.5% of the oil and gas resources of the world and 15% of the world's population. This makes India heavily dependent on the import of the crude oil and natural gas.

□ India the third-largest oil consuming nation in the world: India's oil consumption grew 8.3 per cent year-on year to 212.7 million tonnes in 2016, as against the global growth of 1.5 per cent.

□ India is the fourth-largest Liquefied Natural Gas (LNG) importer after Japan, South Korea and China, and accounts for 5.8 per cent of the total global trade.

□ Government aims to increase the share of gas in the country's energy mix to 15 per cent by 2020 from about 6.5 per cent now to curb pollution and carbon emissions.

□ Draft National Energy Policy target to reduce oil imports by 10% from (2014-15 levels) by 2022

□ According to the Minister of State for Petroleum and Natural Gas, India's oil demand is expected to grow at a compound annual growth rate (CAGR) of 3.6 per cent to 458 Million Tonnes of Oil Equivalent (MTOE) by 2040, while demand for energy will more than double by 2040 as economy will grow to more than five times its current size.

□ According the Petroleum Planning Analysis Cell (PPAC), data and policy analysis wing of the oil ministry, India's crude oil import bill is expected to increase 23% from \$70 billion in 2016-17 to \$86 billion in 2017-18 in the current fiscal year.

- **Oil and Gas supply chain:**

□ **Upstream Sector:** They identify oil and natural gas deposits and engage in the extraction of these resources from underground. Eg: ONGC, Oil India Ltd.

□ **Midstream sector:** This sector involves transportation of oil and gas from blocks to

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refineries and from refineries to distribution centers. It also includes storage infrastructure.

☐ **Downstream sector:** They include refineries and marketing. eg Indian Oil Corporation Ltd – It is largest company in India by sales and second largest refiner (31% share).

- **Oil Producing region In India**

- ☐ Brahmaputra valley of north-east India.
- ☐ Barmer area of Rajasthan.
- ☐ Cauvery on-shore basin in Tamil Nadu.
- ☐ Andhra Pradesh has both on-shore and offshore oil reserves.
- ☐ The Mumbai High in the Arabian sea

13. INTELLIGENT TRANSPORTATION SYSTEMS

- Recently, NITI Aayog and the International Road Federation (IRF Geneva) signed a Statement of Intent (SoI) to cooperate in the field of Intelligent Transportation Systems (ITS).
- The objective of the SoI is to create a national platform, involving all relevant Government of India stakeholders, Indian and foreign companies active in the sector, and relevant technical experts for the purpose of developing a National ITS Policy covering:

- ☐ Traffic Management.
- ☐ Parking Management.
- ☐ Electronic Enforcement of Traffic Rules and Regulations.
- ☐ Fleet Management and Monitoring.
- ☐ Innovation in the field of ITS.
- ☐ Education in the field of ITS.
- ☐ This policy will contribute in reducing urban traffic congestion, improving the situation around

parking of vehicles in cities, improving road safety, and improving the security of passenger and goods traffic.

- **What is Intelligent Transportation Systems (ITS)?**

☐ It visualizes information and communication technology (ICT) and advanced vehicular technologies, helping mobile vehicles and infrastructure communicate on a real-time basis.

☐ It is essentially a multi-disciplinary and cross-functional, and involves the following systems:

☐ Advanced traffic management systems (ATMS): Dynamic integration and management of transportation operations to prioritize movements, alleviate congestion and ensure network efficiency and safety.

☐ Advanced traveler information systems (ATIS): Real-time and dynamic information dissemination to end-users so that informed mobility choices can be made.

☐ Advanced vehicle control systems (AVCS): Computational and communication systems inside the transit vehicles that ensure passenger safety by employing sensory controls and abort mechanisms to help internal systems coordinate with external infrastructure and other mobile systems.

☐ Commercial vehicle operations (CVO): Operations control, monitoring, and productivity enhancement of private commercial fleets.

☐ Advanced public transportation systems (APTS): Systems that enhance the availability and utilization of public transportation.

☐ Advanced rural transportation systems (ARTS): Systems that facilitate adequacy of transportation services in sparsely populated regions, while fulfilling economic considerations.

- **Significance of Adopting ITS in India**

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☐ Smooth public transportation: It will encourage the use of public transport thereby resulting in lesser traffic congestion.

☐ New Economic opportunity: It would help in developing the market for development of smart phone apps and web-based portals.

☐ Smart city: Implementation of ITS will help in better realization Smart cities goal.

☐ Improved safety of commuters: Various online apps like operation Himmat of Delhi police can be used in ITS for-security purposes as it allows commuters to keep track of the routes and travel safely. Further, proposed panic button in smart phones by DEITY can also be helpful here.

☐ Real time information: It will provide real time bus arrival info, delays, scheduled bus availability etc. and in turn will help commuters to plan their trips accordingly.

☐ Promote Inclusive development: Efficient and affordable mobility is important so as to ensure easy access for citizens to labour markets and places of education and leisure.

☐ Positive environmental impact: Problems like air and noise pollution, posing serious health hazards for citizens will be reduced as a result of ITS.

• International Road Federation

☐ The IRF is global non-governmental, not-for-profit organisation with mission to encourage and promote development and maintenance of better, safer and more sustainable roads and road networks.

☐ IRF seeks to promote social and economic benefits of sustainable and environmentally sound road transport infrastructure at all levels of society.

☐ It helps to put in place technological solutions and management practices that provide maximum

economic and social returns from national road investments.

☐ It provides a wide base of expertise for planning road development strategy and policy for governments and financial institutions in all aspects of road policy and development.

14. INDIA THIRD IN NUCLEAR POWER INSTALLATIONS

- According to the World Nuclear Industry Status Report 2017, India is third in the world in the number of nuclear reactors being installed, while China tops the list.

• Highlight

☐ Global nuclear power generation increased by 1.4% in 2016 due to a 23% increase in China, although the share of nuclear energy in electricity generation in the world is stagnated at 10.5%.

- Concern regarding future of Nuclear Power Generation

☐ Delay in power generation: Most nuclear reactor constructions are behind schedule, with delays resulting in increase in project costs.

☐ Resurgence of renewable energy: Since 1997, worldwide, renewable energy has produced four times as many new kilowatt-hours of electricity than nuclear power.

☐ Financial crisis: Nuclear industry around is plagued by financial eg: Toshiba filed for bankruptcy of its U.S. subsidiary Westinghouse, the largest nuclear power builder in history.

☐ Closure announcement: Germany announced plans to end all nuclear power generation by 2022. The Swiss have vowed to end nuclear power by 2034; and the Italians voted down plans to restart the country's nuclear power program.

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15. Undersea line from Iran to port cheap gas

- A 1,300-km undersea pipeline from Iran, avoiding Pakistani waters, has been proposed to port cheap gas. It is said that this pipeline can bring natural gas from the Persian Gulf to India at rates less than the price of LNG available in the spot market.

- **Key facts:**

☐ As per the proposal, the pipeline can first travel to Oman, and then onwards to Porbandar in the state of Gujarat.

☐ The pipeline is planned to carry 31.5 million standard cubic meters gas per day and will be built in two years from the date of necessary approvals and a gas sale and purchase agreement (GSPA) being signed.

☐ The subsea pipeline is being seen as an alternative to the on-land, Iran-Pakistan-India pipeline. New Delhi has not been participating in talks on the 1,036-km Iran-Pakistan-India gas pipeline since 2007 citing security and commercial concerns. But it has never officially pulled out of the \$7.6 billion project.

- Benefits of the proposed pipeline:
 - ✓ Presently, liquefied natural gas, or LNG, imported through ships costs about \$7.50 per million British thermal unit. However, natural gas imported through the proposed \$4-billion line would cost \$5-5.50 per million British thermal unit at the Indian coast, cheaper than the rate at which some of the

domestic fields supply gas. Therefore, the cost of landed gas through an undersea pipeline will be at least \$2 cheaper than importing LNG, saving about \$1 billion annually.

- About Iran- Pakistan- India (IPI) gas pipeline:

- ✓ IPI pipeline was envisaged to transport natural gas from South Pars gas field of Iran to Pakistan and India with a carrying capacity of 60 million standard cubic meters per day, to be equally split between India and Pakistan. The total length of the pipeline up to Indian border (near Barmer) was about 2,135 km (1,100 kms within Iran and the rest within the territory of Pakistan). As per past estimates, investments required for this pipeline were in excess of \$7 billion.

16. NGT paves way for Chardham highway project

- The National Green Tribunal (NGT) has paved the way for the NH-34 stretch of the PMO's ambitious Chardham highway widening project, that will connect Uttarakhand's holy sites, as it disposed of a plea that alleged that the project was violating provisions of Bhagirathi eco-sensitive zone.

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- In an undertaking, the Uttarakhand state government and the Border Roads Organisation assured the green court that the project would be carried out with due compliance of laws in force.
- **Background:** A plea was filed before the NGT. It had raised an alarm about mountain blasting and felling of thousands of trees in the Bhagirathi river valley for widening of National Highway-34. One of the related petitions in the matter also pertained specifically to a nine-km stretch in Bhairon Ghati on the Uttarkashi to Gangotri route. It had said that debris were being dumped into the river valley during the road widening. In fact, during a hearing on May 4, the state government had admitted that BRO dumped muck on the fragile hill slopes.
- **Chardham project:** In December 2016, Prime Minister Narendra Modi laid the foundation stone for the all-weather Chardham highway project. The project involves developing and widening 900-km of national highways connecting the holy Hindu pilgrimage sites of; Badrinath, Kedarnath, Gangotri, and Yamunotri at an estimated cost of Rs.12,000 crores. The roads will be widened from 12m to 24m and the project will involve construction of tunnels, bypasses, bridges, subways and viaducts.

17. SAIL's retail sales gets boost with SAIL's Gaon ki Ore campaign

- Steel Authority of India Ltd. (SAIL), is running a nation-wide campaign SAIL steel – Gaon ki ore which is aimed at boosting steel consumption in country. This has started to reflect positively through the dealer sales numbers, which recorded an 18% jump in the month of August 2017 over CPLY selling 91,000 tonnes of steel in the month. SAIL targets to sell 1 Million Tonnes steel through its dealer network this financial year and aims at doubling it in next three financial years.
- **Background:** SAIL had identified the potential of rural markets for enhancing steel consumption which is currently around 10 kgs per capita per year as against around 150 Kg per capita consumption in Urban India.
- **About Gaon ki ore campaign:**
 - ✓ The Gaon ki ore campaign is designed to familiarize end users at the Grass-root level, especially of rural areas, with innovative usage of SAIL steel and its applications and advantages in construction, household equipment, agriculture etc.
 - ✓ Through this nation-wide campaign, SAIL aims to cover more than 100 locations by the end of this year. Through engagement

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activities the audience are informed how using SAIL steel can increase durability, life, safety and longevity of any construction and product.

- ✓ This new age marketing campaign strategically aims to develop a stronger link with consumers through direct engagement. All workshops of the campaign are designed to familiarize participants about SAIL's production process, product range, applications and advantages and the interactive sessions are conducted in local language for easier connect with audience.

18. Hortinet

- To harness the potential of mobile technology, APEDA has developed a mobile app- Hortinet- to allow farmers to apply on-line to facilitate their farm registration, tracking the status of application & approvals by State Government and Lab sampling by authorized Laboratories.
- This mobile app initiative is expected to increase the accessibility and reach of the Traceability software system among the farmers and other stakeholders.

- About Hortinet: Hortinet is an integrated traceability system developed by APEDA for providing Internet based electronic services to the stakeholders for facilitating farm registration, testing and certification of Grape, Pomegranate and Vegetables for export from India to the European Union in compliance with standards.
- This new Mobile app will also assist State Horticulture/ Agriculture Department to capture real time details of farmers, farm location, products and details of inspections like date of inspection, name of inspecting directly from field. After registration and approval of farm, farmer gets approval information.

• The key features of the app are:

- ☐ Online Farm registration application and status tracking
- ☐ Processing and approval on on-line farmer applications by State Horticulture /Agriculture department.
- ☐ Registration of farmers, farms and products by State Horticulture/Agriculture department
- ☐ Capture geo location of the farms registered through the app
- ☐ Sample collection by APEDA authorized Laboratories along with geo location of the sample.

- **About APEDA:** The Agricultural and Processed Food Products Export Development Authority (APEDA) was established by the Government of India under the

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Agricultural and Processed Food Products Export Development Authority Act 1985. The Authority replaced the Processed Food Export Promotion Council (PFEPCC).

- APEDA is mandated with the responsibility of export promotion and development of the following scheduled products:

- ☐ Fruits, Vegetables and their Products.
- ☐ Meat and Meat Products.
- ☐ Poultry and Poultry Products.
- ☐ Dairy Products.
- ☐ Confectionery, Biscuits and Bakery Products.
- ☐ Honey, Jaggery and Sugar Products.
- ☐ Cocoa and its products, chocolates of all kinds.
- ☐ Alcoholic and Non-Alcoholic Beverages.
- ☐ Cereal and Cereal Products.

- **Administrative set up:**

- ☐ Chairman – Appointed by the Central Government.
- ☐ Director– Appointed by APEDA.
- ☐ Secretary – Appointed by the Central Government.
- ☐ Other Officers and Staff – Appointed by the Authority.

19. 'Saurashtra Narmada Avataran Irrigation Yojana' (SAUNI)

- The President of India, Shri Ram Nath Kovind recently laid the foundation stone of 'Saurashtra Narmada Avataran Irrigation Yojana' (SAUNI) Phase-II Link-4 in Rajkot, Gujarat.

- **What is the SAUNI Yojna?**

- ✓ SAUNI stands for Saurashtra Narmada

Avataran Irrigation, a project launched in September 2012. SAUNI envisages filling 115 major dams of the arid Saurashtra region by diverting floodwaters overflowing from the Sardar Sarovar Dam across the Narmada in south Gujarat. It involves laying a 1,125-km network of pipelines at a cost of Rs 12,166 crore to carry Narmada water to these dams, and irrigate 4.13 lakh hectares (ha) land. Parts of Saurashtra are prone to drought, and irrigation water is also a politically sensitive issue in this region.

- ✓ Unlike traditional irrigation projects, SAUNI is technically a 'linking' project, where the water will be filled in irrigation dams that are already equipped with canal network. This network of canals will then help channel water into farms.
- ✓ Also, SAUNI project involves making pipe canals instead of the conventional open canals. The pipelines in the SAUNI project are underground, which means that no land needs to be acquired.

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20. Sardar Sarovar Dam

- Prime Minister Narendra Modi has inaugurated world's second biggest dam Sardar Sarovar, 56 years after its foundation stone was laid by former PM Jawaharlal Nehru.
- **Key facts:**

☐ Sardar Sarovar project is the second biggest dam in the world after the Grand Coulee Dam in the United States.

☐ The Sardar Sarovar Dam has two power houses – river bed power house and canal head powerhouse. The two powerhouses have the installed capacity of 1,200 MW and 250 MW respectively.

most controversial development project of the nation. Activists have been long demanding that the filling of the reservoir with water be stopped immediately. They want the dam gates to be open to reduce the water level.

☐ As per the arrangement, the power generated from the Sardar Sarovar Dam will be shared among Maharashtra, Madhya Pradesh and Gujarat. About 57% of the electricity produced from the Sardar Sarovar Dam would go to Maharashtra while Madhya Pradesh will get 27% and Gujarat 16%.

☐ Sardar Sarovar Dam is ~~have~~ been consistently providing trade-distorting subsidies to their farmers at levels much higher than the ceiling applicable to developing countries. In WTO parlance, these subsidies are called as Aggregate Measurement of Support (AMS) or Amber Box support.

- ✓ India and China have raised objections over developed countries, including the US, the EU and Canada, that have the been consistently providing trade-distorting subsidies to their farmers at levels much higher than the ceiling applicable to developing countries. In WTO parlance, these subsidies are called as Aggregate Measurement of Support (AMS) or Amber Box support.
- ✓ The subsidies by the developed countries amount to about USD 160 billion. On the other hand, countries like India provide a subsistence amount of about USD 260 per farmer annually. Most of the developing countries, including India and China, do not have AMS entitlements.
- ✓ Besides, developed members of the WTO have

21. India, China jointly oppose trade-distorting agri subsidies

- India and China, in a joint proposal to the World Trade Organization (WTO), have called for elimination of trade distorting agricultural subsidies given by developed countries. The proposal counters the efforts of some WTO member countries that are targeting the subsidies given by the developing

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access to huge amount of AMS beyond their de minimis — the minimal amount of domestic support that are allowed even though they distort trade up to 5% of the value of production for developed countries, 10% for developing. In contrast, most developing members have access only to de minimis resulting in a major asymmetry in the rules on agricultural trade.

- **How are subsidies categorised?**

The WTO divides subsidies into amber, blue and green box subsidies. Amber box are trade-

distorting subsidies, blue box are subsidies with restrictions designed to reduce distortion and green box subsidies are non-trade distorting subsidies. Direct cash transfers, coupons and subsidies that do not impact production are not considered trade distorting subsidies and categorised as green box.

- Way ahead: Elimination of this support, "India and China believe, should be the starting point of reforms rather than seeking reduction of subsidies by developing countries.

All the Best
Jai Hind 😊

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