

INSIGHTS

Lok Sabha, Rajya Sabha and All India Radio Discussions – Summaries FEBRUARY 2016



INSIGHTSIAS
SIMPLIFYING
IAS EXAM PREPARATION

www.InsightsonIndia.com

www.InsightsIAS.com

Lok Sabha, Rajya Sabha and All India Radio Discussions – Summaries

<i>The Big Picture – 10 years of MGNREGA: How successful?</i>	1
<i>The Big Picture – Raghuram Rajan’s red flag on GDP</i>	3
<i>The Big Picture – Writing off bad bank loans</i>	5
<i>India’s World – Importance of the TPP deal</i>	7
<i>The Big Picture – Net Neutrality: Has TRAI said the final word?</i>	10
<i>The Big Picture – Railway Budget: What’s on offer?</i>	13
<i>The Big Picture – Reservation demands: What’s the solution?</i>	15
<i>India’s World – Militarizing the South China Sea</i>	16

The Big Picture – 10 years of MGNREGA: How successful?

[LINK](#)

The MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) scheme has successfully completed 10 years. In all these years the total expenditure on this programme has been rupees 3.14 lakh crore and has generated work of 1980 crore person days. Considered one of the biggest social welfare programmes in the world, this programme aims at generating 100 days of work in rural areas. In the last 10 years, the programme has lifted lakhs of people out of poverty, though many lacunas still exist in it. The present government which initially showed little hostility towards this programme has now however hailed the decade of completion of this scheme as a cause for national pride and celebration.

It was in February 2006, that Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was for the first time notified on an experimental basis in 200 odd districts across the country – exactly 10 years ago. The event marked a watershed in the right-based entitlement framework of the country and for the first time provided a legal guarantee for wage employment. The Act, guaranteed a minimum 100 days of employment out of the 365 days in a year to every willing household, within 15 days of making such a requisition. It should also be noted here that this is the only law in the country that is not budget constrained and is not supply driven.

Out of the total jobs created so far, the percentage of hours put in by women has increased steadily, much above the statutory minimum of 33%. According to the Rural Development Ministry, out of

all the workers benefited under the scheme, the percentage of Scheduled Caste workers has consistently been about 20% and of Scheduled Tribe workers has been about 17%.

However, few people are demanding a change in the type of the work being given to these unskilled labourers under this programme and also a change in the type of assets being created under it. At this juncture, it is understood that the scheme cannot run without money. There are many states without money to run this programme. This is a scheme which cannot be run by states and centre has a greater role in it. The centre should not follow bottom down approach in running this scheme. There is also an allegation the scheme is not able to deliver what is really expected. It has not been able produce the amount of actual labour that is being demanded by the people. The demand is there but is artificially suppressed. Hence, experts argue that some consistency should be maintained in the implementation of this scheme.

MGNREGA is also said to have changed the face of whole rural labour and rural India. In places where it was effectively implemented, it empowered people, and in places where it was not implemented effectively, it gave powers to laboureres to demand higher wages. It has given dignity to them and has acted as a market mechanism. This legislation has been bringing about a silent revolution in rural areas of the country. The Act for the first time brings the role of the state as provider of livelihood within the reach of the participants/beneficiaries themselves. By design it is different from any employment generation scheme that has been previously implemented. It requires different approach towards employment generation schemes and towards overall involvement of the State in providing the right to employment to its masses.

Now, the government has said that it will focus on simplification and strengthening of procedures for the effective implementation of MGNREGA as an employment guarantee. It's time to identify the problems and solve them. The good news is that MGNREGA has witnessed a proliferation of experiments, mostly in better governed States, from creating improved financial management systems to using technology-enabled banking solutions like smart cards, social audits and building grievance redressal systems. The focus must now be on evaluating these experiments and drawing lessons to improve administration in the poorly governed States.

The Big Picture – Raghuram Rajan’s red flag on GDP

[LINK](#)

RBI governor Raghuram Rajan recently said that there are problems with the way we count GDP and that is why we need to be careful while talking about the real growth. Rajan’s remarks indicate the continuing suspicion among key policymakers about the veracity of the new GDP estimates that were launched in February 2015. The new estimates pegged the GDP significantly higher than previous estimates. Moreover, this jump was not in line with other parameters of economic activity.

About the New GDP Series:

New GDP series are improved versions of the old series and are on the international lines. However, according to experts, even the new series doesn’t capture the actual state of affairs.

Following are the two changes that were made-

1. **Change in base year:** The government changed the base year for estimating GDP from 2004-05 to 2011-12. This, however, is done routinely after every five years or so to keep the numbers contemporary and incorporate the changing structure of the economy.
2. **Shift from factor-cost-based method to market-cost-based method:** India’s GDP is now measured by using gross value added (GVA) at market price, rather than factor cost. Simply put, the new formula takes into account market prices paid by consumers. It is calculated by adding GDP at factor price and indirect taxes (minus subsidies). Earlier, domestic GDP was calculated at factor or basic cost, which took into account prices of products received by producers.

Significance of the new series:

The new GDP series is seen as a measure to better understand economic growth and prosperity. The new estimation methodology is in line with global norms where increased value addition, as against an actual increase in quantity of production, leads to a higher GDP.

Problems with this approach:

This approach can work seamlessly in an economy where all value addition is tracked formally and recorded in well-codified data.

- But for a country like India, where 93% of labour works in the informal sector and where there is no credible data on employment, this method requires a more nuanced appreciation.

What's the matter now?

It all started when advance estimates of GDP for 2014-15, released in February last year, projected India's growth during the year at 7.4%. Changing the base year to 2011-12 from 2004-05 in January, the CSO said that India's real GDP, that is adjusted for inflation, grew 6.9% in 2013-14 instead of the earlier projected 4.7%, and by 5.1% in the year before compared to 4.5%.

- The new numbers seemed contradictory when compared with other economic indicators such as revenue growth of listed firms, expansion of banks, the index of industrial production numbers as well as real challenges confronting India Inc. such as weak demand, high debt and low earnings.
- Critics pointed to the new methodology showing that manufacturing grew at 5.3% in 2013-14 compared to 0.7%, which, they maintained, was hard to reconcile with the ground level reality.

Concerns:

Indian data have always been somewhat flawed, but they have also been within the realm of the believable. The new series for GDP may also be flawed, but it is not fudged for short-term ends. Yet, silence from the government on questions about the statistics helps create that impression.

- It is not that the new GDP series is totally off; simple examination of the nominal GDP growth figures would suggest an economy slowing down consistently. Nominal annualised growth of 6% in the second quarter of 2015-16 was the lowest since 2011, when the new series started. In fact, nominal growth in the last four quarters is almost half of what it was before this government took office.
- Moreover, the latest figures show a nominal growth rate lower than the real growth rate, due to a negative GDP deflator; this has not occurred for a long time.

Way ahead:

It is only when the GDP figures are corrected for inflation that real GDP growth appears to be healthy and stable. This is not a data problem – simply that business perceptions are formed on the basis of their revenue and earnings reported in nominal rupee values, whereas it is inflation-adjusted figures that are favoured by policymakers.

What can the government do now?

Now, the government needs to hammer out a threefold message-

- First, that there may be other things that may be wrong with the new GDP series, but these will be identified and corrected.
- Second, that India is moving closer and closer to global best practices on national accounting.
- And third, that the new GDP series does reflect what is happening in the Indian economy.

In the absence of such messaging, questions will arise – when government data do not seem in sync with experience, doubt is natural. Silence will only lead to distrust and appear as if the government is either unsure of, or sugar-coating, its own figures. It is also time for people to demand more economic data from the government in order to be able to see the true state of the economy.

The Big Picture – Writing off bad bank loans

The state of Indian banks, especially public sectors banks, has been a matter of serious concern now. Growing debts and stressed loans turning into NPAs have been frequently noticed in the last few years. However, it has now reached alarming levels as the government has decided to write off these NPAs as bad loans. According to a report, 29 PSBs have written off around 1.14 lakh crore bad debts between 2013 and 2015. This is half the amount written off between 2004 and 2013. The alarming rise in bad debts between 2013 and 2015 at 60% compared to 4% between 2004 and 2013 is a cause for serious concern.

Reserve Bank Governor Raghuram Rajan has repeatedly expressed concern over the health of public-sector banks, and pushed for steps to ensure that banks classify certain stressed assets as non-performing assets (NPAs) and make adequate provisions to “strengthen their balance sheets”, besides working out schemes of merger. With public sector banks sitting on over Rs 7 lakh crore stressed assets, including NPAs and restructured loans, Rajan had recently said the estimates of NPAs being 17-18% are bit on the high side and that entities should be careful not to treat NPAs as total write-offs but see if they can change promoters and repay as the economy recovers. But, the recent move goes against his wish.

Main reason behind the creation of bad loans:

- The main reason behind the rise is improper management of these loans by the banks.

-
- Many of the assets created utilizing these loans remain unutilized or partially utilized because of the ineffective management.
 - Even the courts take many years for the resolution of these cases.
 - In the last two years, especially, the bank bad loans have gone up dramatically mainly because of two reasons. One, the market failure and the other, bad debts were often not reflected properly by the banks.
 - Crony capitalism is also to be blamed. Under political pressure banks are compelled to provide loans for certain sectors which are mostly stressed.
 - In the case of sectors like electricity, the poor financial condition of most SEBs is the problem; in areas like steel, the collapse in global prices suggests that a lot more loans will get stressed in the months ahead.
 - Other stressed sectors include infrastructure, textiles and mining.

Why PSBs' conditions are bad compared to other banks?

It is because public sector banks provide loans under various compulsions including social banking. Often, these loans are not paid back.

What can be done now?

- Pass the Bankruptcy law.
- Revamp the existing management in all the stressed banks.
- Some banks would have to merge to optimise their use of resources.
- RBI and government both should together form an ARC. This ARC may purchase these bad loans and can effectively handle them.
- The government should also come up with appropriate policies aimed at improving the health of these banks.
- RBI also needs to move fast to put in place its proposed ceiling on bank exposures to large groups.
- The government might also consider abolishing the department of banking.

What can the government do?

- While there is little that can be done about the loans going bad, the government has to ensure the earlier hurdles, like not having enough debt recovery tribunals, hinder the banks from getting closure on their legal suits.

- Also, banks have to be encouraged to take up higher stakes in projects and use this to sell off companies.
- The government must also work with the regulator to ensure that banking practices improve in PSBs.
- Politically and administratively, the government should be aware that the state-owned banking sector is undergoing extreme fragility, and this is not the time to stress it further with various “nation-building” demands, particularly when it is reluctant to take bold steps that entail their fundamental restructuring.
- It should also work to ensure their structural and operational independence.
- A bank holding company as recommended by the P J Nayak Committee should not be long delayed, even though it would require legislative assent.

The Indian banks are in real danger of losing not only their market share but also their identity unless the government intervenes with surgical precision and alacrity. It is tie for the government and the RBI to come out with a smart option to resolve this issue that can no longer be put on the backburner.

India's World – Importance of the TPP deal

[LINK](#)

The Trans-Pacific Partnership or TPP is one of the biggest trade deals in history. It was signed in February in New Zealand by 12 Pacific Rim countries. The TPP involves 12 nations (the US, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam). Together these countries account for the 40% of the global economy and 26% of world trade. The TPP, as yet, does not include China.

The TPP is aimed at dismantling tariff and non-tariff barriers to trade and investments between the participant countries. It also hopes to streamline regulations to implement among other things common standards for the protection of foreign investments and intellectual property rights. However, the TPP has not come into force yet and will have to be ratified over the next two years. In this time period, at least six member countries must approve the final text of the deal for the TPP to be implemented. The TPP is expected to serve as model for future trade deals in other regions.

The pact aims to deepen economic ties between these nations, slashing tariffs and fostering trade to boost growth. Member countries are also hoping to foster a closer relationship on economic policies and regulation. The agreement could create a new single market something like that of the EU. The deal is a remarkable achievement given the very different approaches and standards within the member countries, including environmental protection, workers' rights and regulatory coherence – not to mention the special protections that some countries have for certain industries.

Those in favour say this trade deal will unleash new economic growth among countries involved. Those against fear it could mean jobs will move from the US to developing countries. They also do not like the fact the five-year talks were held largely in secret.

It is being said that the TPP has high potential to promote economic growth and improve people's living standards by facilitating the free cross-border movement of key factors of economic activity, such as goods, people, money, and information. Failure to bring the TPP into force would be a great loss to not only the TPP countries such as Japan and the US but also the global economy.

Criticisms:

- Some experts argue that the Trans-Pacific Partnership (TPP) is a secretive, multinational trade agreement that threatens to extend restrictive intellectual property (IP) laws across the globe and rewrite international rules on its enforcement.
- The TPP would have extensive negative ramifications for users' freedom of expression, right to privacy and due process, as well as hindering peoples' abilities to innovate.
- The TPP suffers from a serious lack of transparency, threatens to impose more stringent copyright without public input, and pressures foreign governments to adopt unbalanced laws.
- Some critics also claim that TPP paves the way for companies to sue governments that change policy on, say, health and education to favour state-provided services.
- The TPP will also intensify competition between countries' labour forces.
- But the biggest criticism has been of what the campaigners allege were secretive negotiations, in which governments were said to be seeking to bring in sweeping changes without voters' knowledge. However, defenders say the reason the negotiations were not made public was because there was no formal agreement on them.

Negatives of this agreement:

- Most of the gains in income would go to workers making more than \$88,000 a year. Free trade agreements contribute to income inequality in high-wage countries by promoting cheaper goods from low-wage countries.
- That would be especially true of the TPP because it protects patents and copyrights. Therefore, the higher-paid owners of the intellectual property would receive more of the income gains.
- The agreement regarding patents will reduce the availability of cheap generics, making many drugs more expensive.

India and TPP:

The TPP will likely affect India's exports to the member countries of TPP. It is estimated that, once this deal is in place, trade worth \$2.7 billion will be diverted away from India. The costs could be even higher if India is unable to participate in global supply chains due to the TPP's rules on standards, labour and environment policies. And, standardisation of intellectual property regimes across the TPP countries and rules on expropriation may make it more difficult for India to attract foreign investment over, say, a Vietnam. Besides, it might even alter India's bargaining power and negotiating positions.

For India, the agreement provides an opportunity to reflect on its approach to multilateral trade talks, while underscoring the need to build a strong multi-disciplinary cadre of specialist free-trade analysts and negotiators. Though the World Bank projects a limited 'trade diversion' impact on non-members, including aggregate GDP losses of about 0.1 per cent by 2030, India could suffer market share losses in certain categories of exports as a result of preference erosion. With the South Asian Free Trade Agreement (SAFTA) having made little to no difference to India's terms of trade in the neighbourhood, and the country having ceded substantial ground at the latest Nairobi meeting of the World Trade Organisation, it is high time the government proactively girded for the challenges ahead. Like China, where an editorial in the state-run Global Times exhorted the Asian giant's leadership to focus on strengthening its own economy than worry about the TPP, India too needs to aim at setting its house in order. From ensuring the creation of a domestic common market through adoption of the long-delayed Goods and Services Tax, to building its own multilateral bloc of emerging and developing economies that can act as a bulwark against TPP-like groupings, India has its task cut out.

The Big Picture – Net Neutrality: Has TRAI said the final word?

[LINK](#)

In a major support to Net Neutrality, TRAI recently ruled against differential pricing for data services. The TRAI ruling can be seen as a blow to Facebook's Free Basics, Airtel Zero and other similar data services which offered access to some websites and content for free. TRAI has ruled against differential pricing in order to keep the Internet open and non-discriminatory for users. This is seen as an historic decision which will shape the future of the digital world and the internet. The decision comes after one of the most extensive consultations in public sphere witnessed in India ever.

However, Facebook has expressed its dissatisfaction over this decision. It might be recalled here that Facebook had recently launched an extensive social media campaign seeking support for its Free Basics across the sub continent. Facebook had argued that freebasics would lift people out of poverty, provide them quality education and also create millions of jobs.

TRAI's stance on differential pricing is strong, clear, and laudable in the face of Facebook's relentless onslaught. It is now being said that Facebook miscalculated in introducing the program in India. While Facebook expected to be welcomed with open arms, its message to the country focused on itself rather than the broad coalition of telecommunications firms supporting the effort. The result was inevitable. Some people even saw Facebook's move as an attempt to colonize India's cultural life and telecom infrastructure.

Reasons for TRAI's stand on Net Neutrality:

1. **Capitalistic/Free market** – Big corporations won't be able to offer their services for free to people as it would be deemed unethical and unfair towards smaller players. The marketplace would be equally competitive for both startups and established companies. The competition from many would drive innovation and ideas for better products and services. Theoretically everyone has an equal chance to succeed.
2. **Assuring a level playing field** – Making sure that websites are equally accessible to everyone and that one service is not given preference over another by the Internet Service Provider(ISP) by means of blocking content or having different speed lanes for different services through the activities of data throttling and traffic shaping.

3. **No censorship** – Net neutrality laws would include clauses against censorship too. That would imply that governments or ISPs won't have any rights to trim or block the content that people can access over the internet.
4. **Free Speech** – Protecting the right to communicate freely without any restrictions. Content not being banned based on political motivations
5. And last but not the least the will of the people. This verdict is nothing but a mandate of the more than 2.4 million people who responded favourably to Net Neutrality when TRAI issued a Consultation Paper on 'Differential Pricing for Data Services'.

Was the TRAI right?

It is being argued that the poor nature of Facebook's public-relations campaign did not influence Trai's decision in any way. In any event, one of the limits of "public consultation" by regulators has been shown up in this case. It may not be wise to depend entirely on public consultation for a wide enough set of views, when a significant set of people affected by a regulatory decision – in this case, the large numbers of those unconnected to the digital world – are necessarily going to be unrepresented.

- Trai's mandate is to nurture the growth of telecommunications in India. Zero-rated offerings such as Free Basics would unquestionably have aided that aim, and thus Trai's decision to ban them is difficult to explain.
- There is no compelling evidence for harm to consumers being caused by the availability of free low-bandwidth websites. If there are eventual anti-competitive effects, as some fear, then those should be addressed by the Competition Commission of India as and when they arise – this is specifically mandated by the Trai Act.

Other choices:

- Trai could have allowed differential pricing, subject to specific safeguards like ensuring non-discrimination to all consumers and transparency through disclosures of all details of the available schemes.
- Trai could have made sure that consumers have the choice of accessing other services in the event a differentiated pricing policy of a service provider reduces consumer options.

Way ahead:

Given the size of the unconnected population in India and the poor quality of data connections in much of the country, this particular decision to restrict consumer choice completely is puzzling.

- A free low-bandwidth option is unquestionably a distant second to the “real”, un-truncated internet; but given Indian conditions, it is far better than nothing.
- Trai recognises these arguments in its explanation of its regulations – but chooses to ignore them, saying simply that it “can prove to be risky in the medium to long term as the knowledge and outlook of those users would be shaped only by the information made available through those select offerings”.
- It is difficult to see the benefits of such apparent paternalism about consumer choice by a regulator.

Is it all over now?

No. The ban on differential pricing is only part of the battle for net neutrality. There are other tricks in the telcos’ bag that can still be deployed to discriminate and exercise control on the internet. These include commercial deals that allow faster data speeds to some sites and slower to other sites, referred to as ‘slow/fast lanes’, sponsored data or prioritisation.

Government’s role:

The ball is now in the government’s court. Now remains a huge government policy objective that has to be independently dealt with as we create the architecture of a neutral internet. In addition to completing the remaining parts of the net neutrality legal framework, the time is ripe the government to evolve a magna carta, a grand charter, of digital consumer rights for citizens.

- This would include the right to privacy, a stringent regulatory framework to ensure adherence to quality-of-service norms, and adequate competition within the sector. These issues, along with net neutrality, will have to feature topmost on the government’s action plan to accelerate Digital India and transform the yet-unconnected Indians into Digital Indians.

Conclusion:

In any case, it would be premature to declare the debate over. It remains possible that Facebook – or some other entity that wishes to provide a zero-rated service – will appeal to the telecom tribunal or to the high court. Hopefully consumer concerns will get a look-in at that point.

The Big Picture – Railway Budget: What's on offer?

[LINK](#)

Railway Minister Suresh Prabhu has announced his second Railway Budget. Interesting here to note is that unlike past, he has not announced any new trains, tracks or projects. While departing from his predecessors, Prabhu announced a slew of measures aimed at improving the travelling experience of passengers. Focus was also given on restructuring, reorganizing and rejuvenating the railways, and completion of pending projects. However, many are disappointed as the railways could not reach its revenue targets, both in passengers and freight. The newly announced capital expenditure projects are also being looked at with some amount of skepticism.

There are few projects which will not be completed even after two decades. This is due to lack of resources. Shelf of projects is more than 200,000 crores. Hence, giving focus on completion of existing projects rather than introducing new projects is a good move.

Why revenue targets were not achieved and how can we improve the situation?

- First of all, the economy is facing a number of problems. Production has been coming down with manufacturing and other industries being affected very badly. Added to it is the overall global slowdown, with worsening Chinese and US economy.
- Another reason is the government's policy on coal. Railway is relying on 10 commodities for freight earning. Of this, coal constitutes 50% of total earnings. But, government this year announced that it will use only indigenous coal in the government run power houses. Due to this coal freight suffered a lot. Hence, it is time for railways to increase the basket or commodities that the railways should carry.
- The Railways has also been losing market share to road haulage due to ever increasing freight rates as well as infrastructure bottlenecks that have reduced average freight train speeds to around 25 kmph, one of the slowest in the world. The creation of dedicated freight corridors and the increased focus on containerisation will help the Railways move away from overdependence on low yield bulk cargo and speed up transit times, enabling it to compete better with road transport.

The minister also noted that the operating ratio has gone up beyond 90%. Resources for this will be raised by charging passenger amenities and providing add-on services. Revenues from freight

terminals, advertisements and station development will also be used. Premium trains and parcel services will also yield a good amount of revenue.

The railway minister has also announced modernization plans of worth Rs 8 lac crore. Of this 1 lac crore funds will come from the LIC and 40,000 crore will be budgetary support. However, roadmap for rest of the resource is not clearly laid out. It is being assumed that remaining resources will be raised by monetization of railway assets. Given the huge expenditure, railway minister should clearly indicate the roadmap for raising revenues.

However, experts are also skeptical about PPP projects. It is because of unclear policies of the government. The government, in the recent times, has been trying to get state governments on board by forming joint ventures with them. This has also increased confidence among the investors. The minister has also that by 2017, 2800 km of tracks will be laid. This is an ambitious announcement.

What is most worrying perhaps is that provisions under a key head – depreciation reserve fund – which is used to carry out critical repairs like replacing ageing tracks (a fall in this activity can lead to more accidents) have been lowered to a paltry Rs 3,200 crore for next year from the revised estimate of Rs 5,500 crore for the current year, which itself was substantially lower than the Budget estimate of Rs 7,900 crore. Actual expenditure can be a bit different but the numbers (presumably the best that can be afforded) send out a negative signal.

Perhaps most critically, the Railway Budget has not shed any light on how to engage with the railways' huge workforce. There is no progress towards ideas that non-core activities like security (Railway Protection Force) and running hospitals and schools should be hived off. Staff and pension expenses already account for almost half of total expenditure. After the blow delivered by the pay commission, their share of expenditure will go up further. Other biggest accusation is that there are very less men to manage railways. It is because of irregular recruitment policies. Control on this front is a survival issue for the railways.

The Big Picture – Reservation demands: What’s the solution?

[LINK](#)

The issue of reservation has once again come to the fore. The Jats in Haryana have taken it to the streets demanding that they be included in the OBC list. This demand was considered by then Haryana state government in 2014 and the centre too had included them under the central OBC list in 2014. However, these decisions were quashed by the Supreme Court and Haryana High Court. Subsequently, a review petition filed by the centre was also rejected. It’s not just the Jats, their brethren in Uttar Pradesh, Patidars or Patels in Gujarat, Marathas in Maharashtra and Kapus in Andhra Pradesh are also agitating for quota. Incidentally, all these castes are from the farming community and are relatively known to be economically in a better position.

The reservation policy which was initiated as a temporary provision (for 10 years) for Scheduled Castes(SC) and Scheduled Tribes (ST) in our Constitution in 1950, has expanded its coverage and contents multifold over the past six to seven decades. It has now become an almost a permanent feature of the national policies. The reservation policy however, has been used in the State mainly in vote bank politics played around the castes and has failed in including the people at the bottom in the mainstream economy and society.

Few recent incidents indicate that this policy has ended up as a tool that discriminates against the high caste youths in favour of the low caste youths, sometimes coming from the same economic background. Few experts argue that the tool of reservation has failed miserably in removing caste differences and has promoted the caste divide and caste conflicts.

Clearly, the time has come to rethink our reservation policies. The radical rethinking on reservation should aim at:

1. Excluding the entire creamy layer from reservation.
2. Developing the capabilities of the deprived and excluded beyond offering them admission to higher education or jobs on a platter.

The underlying principle should be that all the poorest at the bottom get support and all the poorest – excluded socially and economically – get a preference.

It should be noted that most of the poor in disadvantaged sections are sullen and angry as their lot does not seem to improve irrespective of ability and hard work. At the same time, the communities excluded from reservations harbour animosity and prejudice against the castes included in the reservation category. There are also several poor and semi-literate families among castes not categorised as SCs or OBCs. When a child in such a family is overtaken by an obviously wealthy child enjoying caste reservation, the resentment created has a snowballing effect. This caste polarisation is accentuated by the political mobilisation of caste groups for voting. Given this complex process, short-sighted politicians and caste-based leaders can easily provoke primordial loyalties and arouse animosities based on caste.

What needs to be done?

- First, while caste will continue to be the mainstay of reservation policies, the benefits should flow to the vast majority of underprivileged children from deprived castes; not to a few privileged children with a caste tag.
- Second, we have to address the anger and aspirations of poor families among unreserved communities.
- These efforts should be coupled with a vigorous national effort to improve school education outcomes.

It is time we address the challenge of reservations honestly, fairly and innovatively by creating opportunities for all disadvantaged children. Along with improving school education outcomes, a more rational model of reservation based on equity and common sense must be envisaged.

India's World – Militarizing the South China Sea

[LINK](#)

There are reports that China has placed surface to air missile batteries in the **Woody Island**, a link in the chain of Paracel Islands in the South China Sea. Woody Island has been claimed by China, Taiwan and Vietnam. However, the island is under the control of China since 1974. Islands and rock formations in the South China Sea are subject to claims by number of surrounding countries. However, to strengthen its claims China has been extending its coastline by building on reefs and rock formations. The US, Australia and Vietnam have accused China of militarizing the region. However, China has hit back by saying that US is the main reason for the militarization of this region.

It should be noted here that recently a US naval ship sailed close to the disputed area in the South China Sea. It is also significant to note that this region witnesses around 5 trillion dollar worth international trade passing through it annually.

Some experts argue that China's spectacular economic rise accompanied by its increased military strength and spending is the real concern for the rest of the world, especially the US. China, too, is willing to push western countries out from the western Pacific Ocean. However, Philippines and Vietnam are not happy with the recent increased Chinese assertion. China, however, defends this action citing historical connections. But, this has certainly raised concerns among other countries. Roughly, 12 nautical miles from the coast is considered as sovereign zone of any country. According to UNCLOS, 200 nautical miles is considered as EEZ. However, the problem here is that China, Vietnam and Philippines have a concept called as ***Territorial Sea***, which means whatever their claims are no country can enter into this zone, be it military or civilian vessels. And this is the problem for international trade. International vessels going through this region have to take the permission of these countries.

Why is the United States so interested in what goes on in the South China Sea?

Officially, the United States holds that freedom of navigation is important. But, few experts argue that US is doing all these things just to suppress China. Fundamentally the United States will not allow a challenger to replace it, either regionally or globally.

Why does China want to control the South China Sea?

Control of the South China Sea would allow China to dominate a major trade route through which most of its imported oil flows. It would also allow China to disrupt, or threaten to disrupt, trade shipments to all countries in East and Southeast Asia – as well as deny access to foreign military forces, particularly the United States. The floor of the South China Sea may contain massive oil and natural gas reserves. Sovereignty over the region could give China a level of energy security and independence far beyond what it currently possesses.

The dispute between the United States and China is likely to escalate to some degree. U.S. Pacific Command planners are preparing to sail and fly again within 12 nautical miles of areas that China claims as sovereign territory. However, China has stated that it will defend what it considers its

territorial limit. If the Chinese government blinks, it could suffer domestically due to the loss of face for the Communist Party. If the United States wavers, it will risk perpetuating the impression, among U.S. partners and allies, that it lacks resolve in light of its policy in the Middle East, Iraq and Ukraine. The stakes are high for both sides, as is the risk of a miscalculation. The United States is marshaling major allies in the region to take a role, in the hope that the combined weight of U.S., Japanese and Australian forces will give China pause.

[] [ARCHIVES](#) []

=====/\=====

INSIGHTSIAS
SIMPLIFYING
IAS EXAM PREPARATION

