

The Hindu Important News Articles & Editorial For UPSC CSE

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Edition: International | Table of Contents

Page 09 Syllabus : GS 2 : International Relations	A collective effort towards peace in Myanmar
Page 11 Syllabus : GS 2 : Indian Constitution	Why India is at risk of becoming a 'diminishing democracy'
Page 14 Syllabus : GS 2 : International Relations	New Israeli laws bar UNRWA from operating on its soil
In News	Maithili missed out on Classical Status
Page 08 : Editorial Analysis: Syllabus : GS 2 & 3 : Indian Polity & Economy	A picture of a growing economic divide in India

The 44th ASEAN Summit in Vientiane highlighted growing regional issues, especially Myanmar's crisis. Despite ASEAN's peace efforts, Myanmar's turmoil persists, testing the group's commitment to stability.

A collective effort towards peace in Myanmar

The 44th ASEAN Summit held from October 6 to 11 in Vientiane, Laos, highlighted mounting regional concerns, especially Myanmar's worsening crisis. Since the military coup in 2021, Myanmar has been in turmoil, and despite multiple efforts, including ASEAN's Five-Point Consensus, there has been little progress towards stability. The civil war is not only ravaging Myanmar, but also challenging ASEAN's credibility as a regional bloc committed to peace and stability.

The situation in Myanmar
Myanmar remains engulfed in a brutal civil war between the military junta and various resistance groups, including Ethnic Armed Organisations (EAOs) and the People's Defence Forces (PDFs). The junta, which forcibly took control after toppling the democratically elected government of Aung San Suu Kyi, faces widespread armed resistance. The resistance groups now control significant swathes of territory, including six major border trade routes. The military's efforts to quash the rebellion have led to violence, displacing hundreds of thousands and creating a humanitarian crisis. More than 18.6 million people, including 6 million children, are in need of assistance, according to the United Nations.

The failure of the junta to cooperate with international peace efforts has exacerbated the conflict. The military continues to label opposition groups as terrorists and has shown little interest in holding genuine negotiations. In 2021, ASEAN broke its long-standing non-interference policy in response to the coup in Myanmar, recognising the breach of the ASEAN Charter regarding the rule of law and governance. However, its attempts to implement the 2021 Five-Point Consensus, which calls for an end to violence, inclusive dialogue, and humanitarian assistance, remain largely



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ASEAN and India will need to adopt a more inclusive and pragmatic approach towards Myanmar — one that involves all key stakeholders

unheeded, revealing the limitations of regional responses.

Earlier, ASEAN tried to exclude Myanmar's military leaders from high-level summits due to the country's non-compliance with the Five-Point Consensus. However, this time, after three years of boycotting the summit, Myanmar sent Aung Mye Thaw, a senior official from Myanmar's Foreign Ministry, to Laos. This highlights ASEAN's need to keep dialogue alive and shows a pragmatic shift in its approach. It also indicates that the junta is willing to participate in ASEAN dialogues and is not entirely avoiding the bloc's engagement efforts.

Some ASEAN members, such as Indonesia, Malaysia, and the Philippines, continue to push for stronger action, while others, such as Thailand, Cambodia, and Laos, maintain closer relations with the military government. The principle of consensus-based decision-making complicates matters, as it necessitates unanimous agreement, resulting in diluted and slow responses to the crisis. Thailand's recent proposal to host informal talks later this year with the Troika involving Indonesia (previous chair), Laos (present chair), and Malaysia (future chair) illustrates an attempt to break the diplomatic impasse. However, without the full involvement of all the stakeholders in Myanmar, including the National Unity Government and the EAOs, such efforts may not succeed. For instance, Thailand's humanitarian corridor operates only with the junta's consent in areas under its control. To move forward, engaging non-state actors will be crucial for ASEAN to craft a more inclusive and effective dialogue.

India's Myanmar policy

During the 21st ASEAN-India Summit and the 19th East Asia Summit, Prime Minister Narendra Modi emphasised ASEAN's centrality and the Five-Point Consensus while encouraging

continued engagement with Myanmar. India's approach to Myanmar is closely tied to its Act East Policy. Myanmar is a pivotal land bridge between India and other ASEAN countries, and its stability is crucial for India's bilateral and regional interests. India shares a 1,643 km-long border with Myanmar, so it needs to balance security concerns regarding cross-border militancy and illegal activities by maintaining relations with Myanmar's military regime while supporting democratic processes through diplomacy.

India is involved in regional connectivity projects such as the Kaladan Multi-Modal Transit Transport Project and the India-Myanmar-Thailand Trilateral Highway to enhance trade and connectivity. Recently, both nations signed five Memorandums of Understanding under the Quick Impact Projects framework, focusing on agricultural development, vocational training, disaster management, and education. With India's \$250,000 grant, these projects aim to enhance Myanmar's socio-economic development, but Myanmar's political instability will likely challenge its success.

Concerns over regional stability and refugee influxes have led India to discontinue the Free Movement Regime and fence the border. As the Central government faces resistance from various State governments regarding this move, India is walking a tightrope.

New Delhi is also considering broader engagement with various stakeholders in Myanmar, which would help it safeguard its strategic interests, while also contributing to peace and stability in Myanmar. The effectiveness of this strategy will depend on the evolving undercurrents within Myanmar and India's ability to engage meaningfully with all the parties involved. ASEAN and India will need to adopt a more inclusive and pragmatic approach towards Myanmar — one that involves all key stakeholders.

What are the key challenges facing ASEAN and India in their efforts to stabilize Myanmar?

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- ➔ **Lack of Consensus within ASEAN:** ASEAN's principle of consensus-based decision-making complicates strong, unified responses.
 - Nations like Indonesia and Malaysia advocate for firm action, while others, including Thailand and Laos, maintain closer ties with Myanmar's military government, slowing decisive actions.
- ➔ **Failure of the Five-Point Consensus:** Despite ASEAN's efforts to enforce the 2021 Five-Point Consensus, which mandates an end to violence and inclusive dialogue, Myanmar's military has shown little interest in cooperating, undermining ASEAN's credibility.
- ➔ **Exclusion of Key Groups:** ASEAN's initiatives mainly engage the junta without including the National Unity Government (NUG) or Ethnic Armed Organizations (EAOs), limiting the inclusiveness and effectiveness of peace efforts.
- ➔ **Worsening Humanitarian Crisis:** Myanmar's civil war has led to massive displacement and humanitarian needs, with over 18.6 million people requiring aid.
 - This poses logistical and diplomatic challenges for ASEAN and complicates India's border security and refugee policies.
- ➔ **Balancing Regional and Security Concerns for India:** India faces a dilemma balancing its Act East Policy objectives and the need for stability on its Myanmar border.
 - Issues such as cross-border militancy, illegal activities, and the refugee crisis strain India's relations with the junta and impact regional connectivity projects.

How can Inclusive dialogue be achieved among all stakeholders in Myanmar?

- ➔ ASEAN must involve non-state actors like the NUG, EAOs, and the People's Defense Forces (PDFs) in dialogue efforts to ensure all key groups have a stake in Myanmar's peace process.
- ➔ Thailand's recent 'Troika' proposal to host talks with ASEAN chairs (current, past, and future) and possibly other stakeholders indicates a potential pathway for more flexible discussions, albeit with the need for junta cooperation and broader participant involvement.
- ➔ Establishing humanitarian corridors that operate beyond junta-controlled areas, with the cooperation of EAOs, could lay the groundwork for inclusive engagement and build trust among conflicting parties.

What role does India's Foreign Policy play in addressing the Myanmar crisis? (Way forward)

- ➔ **Strategic Engagement and Regional Connectivity:** Under its Act East Policy, India invests in key infrastructure projects like the Kaladan Multi-Modal Transit Transport Project, linking Myanmar and ASEAN.
- ➔ **Balanced Relations with Junta and Democracy Advocates:** Need to principles of non-interference, India maintains ties with Myanmar's military and democratic groups, addressing security needs while ethically supporting democratic aspirations.
- ➔ **As per Gujral Doctrine:** India should engage constructively with Myanmar, respecting its sovereignty, promoting regional connectivity, and fostering dialogue among all stakeholders to enhance stability and mutual prosperity.

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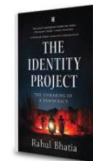
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In her book **“Democracy on Trial: Majoritarianism and Dissent in India”**, Zoya Hasan points out that, though India’s democracy is strong in elections, it has struggled with fairness and freedoms due to growing majoritarianism since 2014.

BIBLIOGRAPHY



Transcending voices: Women protesters at the protest site in New Delhi's Shaheen Bagh. FILE PHOTO



Why India is at risk of becoming a ‘diminishing democracy’

In her new book, Zoya Hasan holds a mirror to rising majoritarianism and what it means for freedom of expression, dissent and equality. Other writers like Rahul Bhatia, Aakar Patel and Seema Mustafa point at problematic laws which target minorities

Zoya Us Salam

It is rare that the opening sentences of a book grip you, leaving you nodding in silent agreement. Yet this is what happened when I picked up veteran academic and writer Zoya Hasan’s new book, *Democracy on Trial: Majoritarianism and Dissent in India*, published by Aakar Books. Its opening sentences read, “India is a thriving democracy when it comes to elections but a diminishing democracy when it comes to equality and freedoms. The very idea of a democracy based on equal rights irrespective of caste, class or faith has changed under the pressure of majoritarian politics which gained ground after the assumption of power by the Bharatiya Janata Party government in 2014.”

Hasan’s words took me back to Sambhal in western Uttar Pradesh where a large section of the electorate, mostly Muslims, were subjected to violence when they came to exercise their franchise in the 2024 Lok Sabha election. Many voters showed their bruises to the media and alleged they were not allowed to cast their vote because of their religion. The allegation could not be proven yet the lingering thought remained: why were most people with injuries from a single community? Were they being wilfully denied their democratic right under an avalanche of majoritarianism with compromised institutions?

Failures of Congress
A little later in the book, Hasan provides the answer, writing, “Majoritarianism

dominates politics in the current conjuncture.” She then analyses how, even as we criticise the right-wing government today, the groundwork for its rise, incredibly, was laid by the Congress. Back in the mid-1980s, when the BJP was gasping for breath after winning two seats in the 1984 Lok Sabha election, the Congress’ politics gave the still nascent BJP the lifeline it needed. It came with the party’s dubious role in the entire Ayodhya saga; first the opening of the mosque’s lock in 1986, then the destruction of the Babri Masjid in 1992 with Prime Minister Narasimha Rao at the helm.

As Aakar Patel analysed in *Our Hindu Rashtra* (Penguin), “In 1986, the court ordered the opening of the mosque to Hindu worshippers with the acquiescence of the Rajiv Gandhi government.” Three years later, Rajiv Gandhi allowed the Vishwa Hindu Parishad to lay the foundation stone of “a future Ram temple”.

Hasan doesn’t hold back, writing, “The party’s ill-advised actions and inactions ended up creating a space for the Hindu right to play a more central role in public life. This undermined its own monopoly over political power.” Since 1992, the Congress has not formed the government at the Centre on its own. In 2014, the party notched up its worst numbers.

For all its paradoxical attitude towards minorities, the decline of the Congress has given a free run to majoritarian politics with the BJP using every trick in the book, and many outside the book, to ride roughshod over democratic norms, particularly, the pluralist ethos of the country. For instance, Hasan brings up the increasing political subjugation of the

media. For long, India had a tradition of free press, broken only briefly during Indra Gandhi’s ill-advised Emergency. Yet, the media houses objected to many of her manoeuvres, unlike today when, as Hasan puts it, “Media (is) on government duty”. It is, of course, partly caused by the widely prevalent corporate ownership of media houses, as she points out.

“Indian news media landscape is vast but this vast landscape is owned by a few corporate houses. This trend started when Mukesh Ambani-owned Reliance Industries entered the media sector taking over Network 18, and several television channels, including CNBC TV 18, CNN-IBN and CNN Awaz as well as online websites.” Needless to say, most media house owners have close ties with the government. It translates to prime-time anchors working like the government’s cheerleaders. This works for the corporate house, and it works for the government.

Shaheen Bagh and CAA

The passage of laws like the Citizenship (Amendment) Act, 2019, which introduces religion as a factor in granting Indian citizenship, and its links to a National Register of Citizens contradicts the protections provided to all communities in the Constitution, like the right to equality enshrined in Article 14. Hasan has discussed this constriction of rights threadbare in another of her recent works, *When People Rise in Protest*, co-authored with Avishek Jha and published by Three Essays Collective.

Tracing what came to be called the Shaheen Bagh movement led by the homemakers of a south-east Delhi colony,

Hasan contends that “the Shaheen Bagh protests were largely organised, led, and sustained by Muslim women who previously did not have an autonomous or significant presence in public life”. Hasan says Shaheen Bagh was a powerful symbol of civil disobedience in the face of countless pressures. The government, on its part, refused to talk to the protesters, and some of the statements from its top Ministers targeting minorities did not help. The Uttar Pradesh government used disproportionate force. The disengagement with a section of the citizenry was complete.

Rahul Bhatia’s new book, *The Identity Project* (Westland Books), also does not hold back on the controversial Act, stating, “The CAA gave refuge while the NRC took it away.”

Earlier, in 2020, Seema Mustafa had edited a volume on the protests in *Shaheen Bagh and the Idea of India* (Speaking Tiger Books) in which Hasan contributed an essay on ‘Occupying Streets: Women in the Vanguard of the Anti-CAA Struggle.’

In the introduction, Mustafa points out that a group of women, led by elderly women in their eighties, “came out of their homes to safeguard their homes.” They wanted to ensure that their citizenship was not brought into question, that their youth remained assured of a future as equal citizens of India, and that their menfolk remained safe and secure, she writes.

Hasan’s books – like the tomes of Bhatia, Patel, and Mustafa – hold a mirror of Indian society and polity. They warn readers that India is at risk of soon having a democracy in body but not in spirit.

What factors contribute to the erosion of civil liberties in India?

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Daily News Analysis

- ➔ **Majoritarian Politics:** Since a decade ago, India's democracy has seen a shift toward majoritarianism, with the rights of minorities, particularly Muslims, facing marginalization.
 - This tilt toward majoritarian views fosters unequal treatment, weakening the universal protection of civil liberties and undermining the democratic principles of inclusion and equality.
- ➔ **Compromised Media Landscape:** Traditionally, media acted as a watchdog on power, but now it frequently functions as a government advocate.
 - This shift has narrowed public discourse on civil rights and accountability, reducing the media's role in preserving civil liberties.
- ➔ **Legislation Targeting Minorities:** Laws such as the Citizenship (Amendment) Act (CAA) are seen as religiously discriminatory, especially when considered with the National Register of Citizens (NRC).
 - Such laws challenge the Constitution's guarantee of equal rights for all citizens, placing undue pressure on certain communities and further eroding civil liberties.

Role of Political Institutions in Undermining Democracy:

- ➔ **Judicial Autonomy and its Challenges:** While the judiciary has traditionally been a pillar of democracy, recent trends indicate compromised judicial independence.
 - There are instances where courts appear reluctant to challenge the executive because political pressure may be impacting judicial autonomy, thereby diminishing an essential check on power.
- ➔ **Media's Decline as a Check on Power:** Media independence has weakened as corporate and political influences have taken root, limiting its role in holding power to account.
- ➔ **Legislative and Executive Power Dynamics:** The increasing concentration of power within the executive, combined with a legislative body that often aligns with the ruling agenda, limits checks and balances.

Impact of Political Polarization on Democratic Processes:

- ➔ **Divisive Identity Politics:** Identity-based polarization is intensifying, with significant events such as the Ayodhya dispute and the Shaheen Bagh protests illustrating how political narratives can frame majority identities against minority rights.
- ➔ **Silencing of Dissent:** Governmental responses to protests, like those against the CAA, often include the use of force, indicating reduced tolerance for opposition.

Steps taken by the Election Commission of India:

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- ➔ **Voter Education and Awareness Campaigns:** The ECI has launched extensive voter education campaigns to promote awareness about the electoral process, emphasizing the importance of informed voting.
- ➔ **Monitoring and Regulation of Political Parties:** The ECI has increased scrutiny over political parties' funding and activities to ensure transparency.
- ➔ **Strengthening Electoral Laws:** Recent amendments to electoral laws have been made to enhance the integrity of elections.
- ➔ **Use of Technology:** The ECI has implemented technology-driven solutions such as Electronic Voting Machines (EVMs) and Voter Verified Paper Audit Trails (VVPATs) to ensure transparency and reliability in the voting process.

Way forward:

- ➔ **Strengthening Institutional Independence:** Reinforce the autonomy of key institutions like the judiciary, media, and law enforcement through stricter legal safeguards and transparent appointment processes.
- ➔ **Promoting Inclusive and Balanced Governance:** Establish mechanisms to ensure equal representation and protection for all communities, addressing grievances through impartial review processes. Implementing inclusive governance policies can help counter majoritarian biases and foster a more cohesive democratic environment.

Israel's Knesset has banned the United Nations Relief and Works Agency (UNRWA) from operating within its borders, citing alleged ties between UNRWA staff and Hamas.

New Israeli laws bar UNRWA from operating on its soil

Associated Press
JERUSALEM

Israeli lawmakers passed two laws on Monday that could threaten the work of the main UN agency providing aid to people in Gaza by barring it from operating on Israeli soil, severing ties with it.

The laws, which do not immediately take effect, signal a new low for a long-troubled relationship between Israel and the UN. Israel's international allies said they were deeply worried about their potential impact on Palestinians.

Under the first law, the UN agency for Palestinian refugees, or UNRWA, would be banned from conducting "any activity" or providing any service inside Israel. The second law would sever Israel's diplomatic ties with the agency.



The laws, which do not immediately take effect, signal a new low for a long-troubled relationship between Israel and the UN. AP

The laws risk collapsing the already fragile process for distributing aid in Gaza at a moment when Israel is under increased U.S. pressure to ramp up aid. UNRWA's chief called them "a dangerous precedent."

The head of UNRWA, Philippe Lazzarini, said the laws were part of an "ongoing campaign to discredit

UNRWA." "These Bills will only deepen the suffering of Palestinians, especially in Gaza," he said.

UN Secretary-General Antonio Guterres said UNRWA would be prevented from doing UN General Assembly-mandated work if the laws are implemented. "There is no alternative to UNRWA," he said.

What is Israel's Knesset?

- ➡ The Knesset is Israel's unicameral parliament, established in 1949.
- ➡ It consists of 120 members, elected every four years through proportional representation, and is responsible for legislation, government oversight, and electing the president.

About UNRWA:

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Full Name	United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)
Establishment	Established by the UN General Assembly in 1949.
Primary Purpose	To provide relief, healthcare, and education for Palestinian refugees displaced after the 1948 Arab-Israeli war.
Headquarters	Originally in Beirut, moved to Vienna in 1978, and relocated to Gaza in 1996.
Mandate Renewal	The mandate has been renewed repeatedly, currently extended until June 30, 2026.
Fields of Operation	Operates in Jordan, Lebanon, Syria, Gaza, and the West Bank, including East Jerusalem.
Beneficiaries	Supports over five million Palestinian refugees and their descendants displaced in 1948 and 1967.
Services Provided	<ul style="list-style-type: none"> • Education • Healthcare • Social services • Infrastructure improvement • Microfinance • Emergency assistance
Funding Sources	Primarily funded by voluntary contributions from UN member states, with limited funding from the UN Regular Budget for staffing costs.
Leadership	Led by a Commissioner-General, appointed by the UN Secretary-General with General Assembly approval.
Controversies	<ul style="list-style-type: none"> • Disputed mandate regarding descendants of original refugees. • Allegations of staff affiliations with militant groups.
Global Response	Condemned by the international community regarding bans and criticisms, with calls to support UNRWA's humanitarian role.

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In News : Maithili missed out on Classical Status

While five languages were granted classical status earlier this month, Maithili was not considered as the Bihar government had not officially forwarded the proposal, despite ongoing demands for its inclusion.



About Maithili Language

- Maithili belongs to the eastern sub-group of the Indo-Aryan branch of languages.
- It is believed to have evolved from Magadhan Prakrit.
- The poet Vidyapati (14th century) popularized Maithili, establishing its importance in literature and folk culture.
- It was added to the Eighth Schedule of the Indian Constitution in 2003, making it one of the 22 officially recognized languages of India.
- It is an optional subject in the UPSC exams, providing an opportunity for candidates to take it as a paper.
- It was granted second official language status in Jharkhand in 2018.
- It is spoken primarily in Bihar and Jharkhand in India, with a significant presence in Nepal.
- According to the 2011 Census, there are around 12 million Maithili speakers in India.
- It is the second most spoken language in Nepal, especially in the Terai region.
- Mithilakshar, also known as Tirhuta, is the original script used for writing Maithili.
- It belongs to the same family as Bangla, Assamese, Odia, Tibetan, and Nepali scripts.
- The script's oldest records date back to 950 AD, found in Sahodara stone inscriptions.

About Eighth Schedule:

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	Details
Purpose	<ul style="list-style-type: none"> ○ Lists the official languages of India as recognized by the Constitution.
Relevant Articles	<ul style="list-style-type: none"> ○ Part XVII (Articles 343 to 351) of the Constitution outlines provisions for official languages.
Key Constitutional Provisions	<ul style="list-style-type: none"> ○ Article 344(1): Mandates the formation of a Commission by the President to recommend steps to promote Hindi after five years of the Constitution's commencement. ○ Article 351: Promotes the development of Hindi as a medium to represent India's composite culture.
Languages in the Eighth Schedule	<ul style="list-style-type: none"> ○ Currently includes 22 languages: Initially Included (14 languages): Assamese, Bengali, Gujarati, Hindi, Kannada, Kashmiri, Konkani, Malayalam, Manipuri, Marathi, Nepali, Oriya, Punjabi, Sanskrit, Sindhi, Tamil, Telugu, and Urdu. ○ Later Additions: Sindhi (21st Amendment, 1967), Konkani, Manipuri, Nepali (71st Amendment, 1992), Bodo, Dogri, Maithili, Santhali (92nd Amendment, 2003).
Official Language Status	<ul style="list-style-type: none"> ○ Hindi (in Devanagari script) is the official language of India, with English as an additional official language for administrative purposes.

A picture of a growing economic divide in India

In September this year, the Economic Advisory Council to the Prime Minister (EAC-PM) released a paper titled, 'Relative Economic Performance of Indian States: 1960-61 to 2023-24'. It presents the share of each State in the country's income and the per capita income compared to the all-India average.

The data tell us the importance of each State in the country's economy and the average welfare of the citizens of each State relative to the all-India level. The average hides the inequality. For instance, Maharashtra, which is the highest contributor to the nation's economy, has a per capita income of about 150% of the national average. But, it consists of Mumbai, which is rich, and Vidharba, which is known for farmers' suicides due to poverty. Mumbai's rich contribute the largest amount of direct taxes and the city's municipality is the richest in the country. But it has huge slums with uncivilised living conditions.

Regional differentials

The report points to the consistently better performance of the western and southern regions of India and the weak performance of the eastern States. The northern States have done poorly with the exception of Haryana and Delhi. Overall, the picture is of a growing divide in the country, which is not good for a federal and diverse nation such as India.

This growing gap is leading to the questioning of federalism. Representatives of the richer States recently held a conclave in Kerala and argued that they are not receiving their fair share of resources from the Centre. They say that they contribute much more to the national kitty than what the Centre gives back to them. In the year 2000 also there was a 'Conclave of the successful' to protest the devolution by the Eleventh Finance Commission. So, slowly, the spirit of federalism is weakening.

The report lists liberalisation (1991) as a marker of when the southern States began to perform better. But it does not go into the causes. It also points to the coastal areas doing better, which includes Odisha in the east. But, could it be that the poorer performance of some States is linked to the better performance of some others?

Investment is the most important determinant of output. The higher the level of investment, the larger the size of the economy. So, for a more complete analysis, the level and the rate of investment in each State needs to be studied. The better-off States typically have a higher rate of investment than the poorer States, and, therefore, perform better.

Investment comes from the public and the



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Data from the paper titled, 'Relative Economic Performance of Indian States: 1960-61 to 2023-24', show a growing gap that is leading to a questioning of federalism

private sectors. The first is based on policy decisions while the second is determined by profitability considerations. Government may invest in a backward area to develop it even if no profit accrues in the short run. The private sector will not do so unless the government gives it concessions such as tax breaks and electricity at concessional rates.

On its own, private investment goes to developed areas where a large market ensures profits. So, urban conglomerates such as Mumbai, Delhi, Chennai, Bengaluru and Hyderabad are preferred investment destinations. Haryana which is contiguous with Delhi (with the highest per capita income) has also benefited. Kolkata is not preferred for other reasons. Coastal regions are preferred since they enable cheaper access to external markets through exports. Also, cheap imported inputs may be available.

Infrastructure availability and quality of governance in a State are important determinants of profits. Richer States are better in both and attract more investments. Better governance is also linked to better quality of education and health. This leads to the availability of more productive labour. But this is not critical since there is huge migration from the poorer to the richer States.

Private investment is 75% of the total investment. After the launch of the New Economic Policies (NEP) in 1991, the public sector's role as the leading sector shifted to the markets. Therefore, more investment has been going to the richer States where profits are higher. Further, the financial sector which guides investments became more important after 1991. The considerable household savings increasingly got diverted from the poorer States to the richer ones which offered higher profits. This is reflected in the low credit-deposit ratio of the poorer States when compared to the richer States. This diversion of investment leads to growing disparity.

Finally, the poorer States have a larger share of the unorganised sector working at low productivity and low incomes. Under the NEP, policy has favoured the organised sector. This has been aided by the construction of freight corridors and highways which enables this sector to penetrate into the hinterland. So, the organised sector has grown at the expense of the unorganised sector and fuelled the faster growth of the richer States.

In brief, the NEP has played a major role in the growing divide across States since 'liberalization', as the EAC-PM paper points out.

West Bengal and Kerala are special cases. Both

States have had strong Left movements and labour militancy. So, the private sector has invested little in these States. The border States of India have received less public investment for strategic reasons. It is also because many of them suffered from insurgency which scared the private sector.

Opposition-ruled States have accused the Centre of playing politics with public investment. The often flaunted slogan of 'Double Engine *ki Sarkar*' captures this idea. Further, growing cronyism in India impacts investment decisions since political signals are important. This spoils the investment climate by lowering the risk for the cronies while raising it for others. The result is a decline in the overall investment rate which impacts the poorer States more.

The black economy is also proportionately more in the poorer States. This vitiates the investment climate due to policy failure and weak governance and reduces the investment they receive. Therefore, it reduces their growth potential.

Threat to federalism

The persisting differentials in the economic performance of different States are threatening federalism. Thus, policy needs to reverse this trend. Even keeping differentials at the present level is no more an option. This requires a reversal of the trend of private investment, weak governance and poor infrastructure in the States that are lagging.

Both the Centre and the States need to act. The States need to improve governance and reduce the levels of corruption in their jurisdiction. Public expenditures on social sectors need to be raised substantially. Private investment in the poorer States cannot be raised by fiat in the market-driven economy. It requires a change in the Centre's strategy of favouring the organised sector at the expense of the unorganised sector. If the focus shifts to the unorganised sector, the incomes of the marginalised would rise and that would boost demand and production in the poorer States. As demand rises in these States, it would attract more private investment.

The organised sector, which is constrained by shortage of demand, would also benefit. More concessions from the government are not what they need since they have enough resources to increase their investment. These policy changes will not mean that the richer States would not grow; only disparities would decline. This would be development from below which would strengthen federalism and help preserve the nation's unity.

GS Paper 02 & 03 : Indian Polity & Economy

UPSC Mains Practice Question: India's GDP growth rate has shown resilience amidst global economic challenges. Analyze the factors contributing to this growth and discuss the potential risks that could impact India's economic trajectory in the near future. (150 words/10m)

Context :

Data from the paper titled, 'Relative Economic Performance of Indian States: 1960-61 to 2023-24', show a growing gap that is leading to the questioning of federalism.

Introduction

In September this year, the Economic Advisory Council to the Prime Minister (EAC-PM) released a paper titled, Relative Economic Performance of Indian States: 1960-61 to 2023-24. It presents the share of each State in the country's income and the per capita income compared to the all-India average.

- ➔ The data tell us the importance of each State in the country's economy and the average welfare of the citizens of each State relative to the all-India level.
- ➔ The average hides the inequality. For instance, Maharashtra, which is the highest contributor to the nation's economy, has a per capita income of about 150% of the national average.
 - It consists of Mumbai, which is rich, and Vidharba, which is known for farmers' suicides due to poverty.
 - Mumbai's rich contribute the largest amount of direct taxes and the city's municipality is the richest in the country. But it has huge slums with uncivilised living conditions.

Regional differentials

- ➔ **Regional performance in India:** The report points to the consistently better performance of the western and southern regions of India and the weak performance of the eastern States.
 - The northern States have done poorly with the exception of Haryana and Delhi.
 - Overall, the picture is of a growing divide in the country, which is not good for a federal and diverse nation such as India.

What is the impact on Federalism?

- ➔ This growing gap is leading to the questioning of federalism.
- ➔ Representatives of the richer States recently held a conclave in Kerala and argued that they are not receiving their fair share of resources from the Centre.

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- ➔ They say that they contribute much more to the national kitty than what the Centre gives back to them.
- ➔ In the year 2000 also there was a 'Conclave of the successful' to protest the devolution by the Eleventh Finance Commission.
- ➔ Slowly, the spirit of federalism is weakening.

What are the factors influencing regional performance?

- ➔ The report lists liberalisation (1991) as a marker of when the southern States began to perform better.
- ➔ But it does not go into the causes. It also points to the coastal areas doing better, which includes Odisha in the east.
- ➔ Could it be that the poorer performance of some States is linked to the better performance of some others?
- ➔ **Role of Investment:** is the most important determinant of output. The higher the level of investment, the larger the size of the economy.
 - So, for a more complete analysis, the level and the rate of investment in each State needs to be studied.
 - The better-off States typically have a higher rate of investment than the poorer States, and, therefore, perform better.

What are the key details about the investments?

- ➔ **Sources of investment:** Investment comes from the public and the private sectors.
 - The first is based on policy decisions while the second is determined by profitability considerations.
 - Government may invest in a backward area to develop it even if no profit accrues in the short run.
 - The private sector will not do so unless the government gives it concessions such as tax breaks and electricity at concessional rates.
- ➔ **Investment trends:** On its own, private investment goes to developed areas where a large market ensures profits.
 - Urban conglomerates such as Mumbai, Delhi, Chennai, Bengaluru and Hyderabad are preferred investment destinations.
 - Haryana which is contiguous with Delhi (with the highest per capita income) has also benefited.
 - Kolkata is not preferred for other reasons. Coastal regions are preferred since they enable cheaper access to external markets through exports.
 - Cheap imported inputs may be available.

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- ➔ **Determinants of investment success:** Infrastructure availability and quality of governance in a State are important determinants of profits. Richer States are better in both and attract more investments.
 - Better governance is also linked to better quality of education and health.
 - This leads to the availability of more productive labour. But this is not critical since there is huge migration from the poorer to the richer States.
- ➔ **Shifts Post-Liberalization:** Private investment is 75% of the total investment.
 - After the launch of the New Economic Policies (NEP) in 1991, the public sector's role as the leading sector shifted to the markets.
 - More investment has been going to the richer States where profits are higher.
 - The financial sector which guides investments became more important after 1991.
 - The considerable household savings increasingly got diverted from the poorer States to the richer ones which offered higher profits.
 - This is reflected in the low credit-deposit ratio of the poorer States when compared to the richer States. This diversion of investment leads to growing disparity.
- ➔ **Consequences of Investment disparities:** The poorer States have a larger share of the unorganised sector working at low productivity and low incomes.
 - Under the NEP, policy has favoured the organised sector. This has been aided by the construction of freight corridors and highways which enables this sector to penetrate into the hinterland.
 - The organised sector has grown at the expense of the unorganised sector and fuelled the faster growth of the richer States.
- ➔ **Special Cases: West Bengal and Kerala:** West Bengal and Kerala are special cases.
 - Both States have had strong Left movements and labour militancy. So, the private sector has invested little in these States.
 - The border States of India have received less public investment for strategic reasons. It is also because many of them suffered from insurgency which scared the private sector.

What are the Political Dynamics and Investment?

- ➔ Opposition-ruled States have accused the Centre of playing politics with public investment.
- ➔ The often flaunted slogan of 'Double Engine ki Sarkar' captures this idea. Further, growing cronyism in India impacts investment decisions since political signals are important.
- ➔ This spoils the investment climate by lowering the risk for the cronies while raising it for others.
 - The result is a decline in the overall investment rate which impacts the poorer States more.
- ➔ The black economy is also proportionately more in the poorer States.
 - This vitiates the investment climate due to policy failure and weak governance and reduces the investment they receive. Therefore, it reduces their growth potential.

Threat to federalism

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- ➔ The persisting differentials in the economic performance of different States are threatening federalism.
 - Thus, policy needs to reverse this trend. Even keeping differentials at the present level is no more an option.
 - This requires a reversal of the trend of private investment, weak governance and poor infrastructure in the States that are lagging.
- ➔ Required Actions from Centre and States: Both the Centre and the States need to act.
 - The States need to improve governance and reduce the levels of corruption in their jurisdiction.
 - Public expenditures on social sectors need to be raised substantially. Private investment in the poorer States cannot be raised by fiat in the market-driven economy.

Way Forward

- ➔ It requires a change in the Centre's strategy of favouring the organised sector at the expense of the unorganised sector.
- ➔ If the focus shifts to the unorganised sector, the incomes of the marginalised would rise and that would boost demand and production in the poorer States. As demand rises in these States, it would attract more private investment.

Conclusion

- ➔ The organised sector, which is constrained by shortage of demand, would also benefit.
- ➔ More concessions from the government are not what they need since they have enough resources to increase their investment.
- ➔ These policy changes will not mean that the richer States would not grow; only disparities would decline.
- ➔ This would be development from below which would strengthen federalism and help preserve the nation's unity.