



EVENT ANALYSIS

Yes Bank Crisis

1. One of the major private player **Yes Bank has also come under the RBI action for mounting bad loans.**
2. In order to save Yes Bank from collapsing and to preserve people's trust in the Indian banking system, RBI has taken several measures.
3. It placed the financially troubled Yes Bank under a **moratorium**, the Reserve Bank of India announced a **draft 'Scheme of Reconstruction'** that entails the State Bank of India (SBI) **investing capital to acquire a 49% stake** in the restructured private lender.



Why Yes bank collapsed?

1. **Domino effect of IL&FS crisis:** Yes Bank illustrates the widening damage from **India's shadow banking crisis**, which has left the Bank with a growing pile of bad loans. Yes Bank's total exposure to Infrastructure Leasing & Financial Services(IL&FS) and Dewan Housing Finance Corp (DHFL) was 11.5% as of September 2019.
2. **Rising NPA's:** Apart from these, Yes Bank suffered a dramatic doubling in gross non-performing assets over the **April-September 2019 to ₹17,134 crores**. Due to this, Yes Bank was unable to raise capital to shore up its balance sheet.
3. **Vicious cycle:** Decline in the financial position of Yes Bank has triggered invocation of bond covenants by investors (redeeming of bonds), and withdrawal of deposits. The bank was facing regular outflow of liquidity. It means that the bank was witnessing withdrawal of deposits from customers.
4. **Governance issues:** The bank has also experienced serious governance issues and practices in recent years which have led to a steady decline of the bank. For instance, the bank under-reported NPAs to the tune **of Rs 3,277 crore in 2018-19**.

RBI Moratorium

All the above factors led the RBI to conclude that there was **no credible revival plan from the end of YES bank** and so in public interest and the interest of the bank's depositors there was no alternative but to place the bank under a moratorium. **After RBI's restrictions, Yes Bank will not be able to grant or renew any loan or advance, make any investment, incur any liability or agree to disburse any payment**

RBI to took over from YES bank board for 30 days. The central bank has appointed deputy managing director and chief finance officer of State Bank of India, **Prashant Kumar, as an administrator of the bank**. The Central Bank of India then **imposed limits on withdrawals to protect depositors**.

Reserve Bank of India under **Sub-section (1) of Section 45 of the Banking Regulation Act, 1949**, the Government of India has made an **Order of Moratorium in respect of Yes Bank Ltd.** under Sub-section (2) of the said Section for the period from 5th day of March 2020 and up to and inclusive of the 3rd day of April 2020.



History

Yes Bank, started in **2004**, is one of the new generation private banks that were allowed to start banking operations by Reserve Bank of India in the **post-liberalisation era**. The bank was founded by **Rana Kapoor and Ashok Kapur**. The bank engaged in highrisk lending, providing loans to those who could not raise funds elsewhere. The assets books of Yes bank showed promising growth until 2017 when the problem of Non-Performing Assets (NPAs) came into the highlight.



What Is Prompt Corrective Action (PCA)?

The fact that the **lender ended up at the resolution stage**, without ever being placed under the central bank's **Prompt Corrective Action (PCA) framework**, also **raises a question mark** over how and why Yes Bank eluded the **specifically tailor-made solution** to address weakness at banks.

1. PCA is a framework under which banks with **weak financial metrics** are put **under watch by the RBI**.
2. The RBI introduced the **PCA framework in 2002** as a structured early-intervention mechanism for banks that become **undercapitalised due to poor asset quality**, or vulnerable due to loss of profitability.
3. It aims to check the **problem of Non-Performing Assets (NPAs)** in the Indian banking sector.
4. The framework was reviewed in 2017 based on the **recommendations** of the working group of the Financial Stability and Development Council on Resolution Regimes for Financial Institutions in India and the Financial Sector Legislative Reforms Commission.
5. PCA is intended to help alert the regulator as well as investors and depositors if a bank is heading for trouble. The idea is to head off problems before they attain crisis proportions.
6. Essentially PCA helps RBI **monitor key performance indicators of banks**, and taking corrective measures, to restore the financial health of a bank.

Prompt Corrective Action (PCA) Measures:

1. RBI can place **restrictions on dividend distribution**, branch expansion, and management compensation.
2. Only in an extreme situation, would a bank be a likely candidate for resolution through **amalgamation, reconstruction or winding up**.
3. RBI may place restrictions on credit by PCA banks to **unrated borrowers** or those with high risks, but it doesn't invoke a complete ban on their lending.
4. RBI may also **impose restrictions on the bank on borrowings from interbank market**.
5. Banks may also **not be allowed to enter into new lines of business**.



The Safety Of The Depositors:

Although the government has limited withdrawals from Yes bank accounts to a maximum of Rs 50,000 per month, the deposits with Yes Bank **are insured for up to Rs 5 lakh by the DICGC.**

Budget 2020 proposed to increase insurance coverage of deposits with scheduled banks from Rs 1 lakh to Rs 5 lakh by **Deposit Insurance and Credit Guarantee Corporation (DICGC).**

Deposit Insurance and Credit Guarantee Corporation (DICGC):

- ❖ DICGC came into existence in **1978** after the merger of Deposit Insurance Corporation (DIC) and Credit Guarantee Corporation of India Ltd. (CGCI) after passing of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 by the Parliament.
- ❖ It serves as a deposit insurance and credit guarantee for banks in India.
- ❖ It is a fully owned subsidiary of and is governed by the Reserve Bank of India

Why SBI has been chosen as an investor?

- ❖ The choice of SBI as the investor to effect the bailout reflects the scarcity of options with the government.
- ❖ Several other **public sector banks are also currently engaged in merging with weaker peers as part of the Centre's plan.**
- ❖ The SBI, which has received board approval to invest in Yes Bank, will have to pick up to **49% stake**, according to the scheme, at a price that is not less than ₹10 for each share having a face value of ₹2.
- ❖ The investor bank (SBI) also cannot reduce its holding below 26% before the completion of three years from the date of infusion of the capital.

Test Yourself

Within 24 hours of the superseding of the board of **X** Bank by the Reserve Bank of India, Finance Minister Nirmala Sitharaman announced a reconstruction scheme, which clearly suggests that the **Y** would take on the burden of rescuing the country's fifth largest private sector bank. The **Y** will invest in **X**, and hold 49 per cent, paying a premium of up to Rs 8 per share with a face value of Rs 2. The government had no choice but to use the instrument of moral suasion on the **Y** to acquire the bank. For the RBI, it was imperative to act to save **X** from collapsing, to preserve people's trust in the Indian banking system. It has bailed out banks in

the past, but its action this time around is egregious on two counts: The unjustifiable delay, and eroding depositor faith by limiting withdrawals at Rs 50,000.

Having taken an in-principle decision to not let the bank collapse, the most sensible course of action for the RBI would have been to tell depositors their money was safe, and they could withdraw all they wanted the next day. Till Thursday evening, when the RBI superseded the board and capped withdrawals, there were no queues outside X branches. It will have two adverse impacts: One, people will gravitate towards public sector banks which are credit averse, and two, private banks will be forced to offer higher deposit rates, keeping the cost of credit higher. Both these are highly undesirable at a juncture when the economy is floundering at a 5 per cent growth rate.

1. Name the bank which has been redacted by X in the above passage.

- A. Bank of Baroda
- B. Indian Bank
- C. UCO Bank
- D. Yes Bank

2. Name the bank redacted by Y in the above passage which will rescue X.

- A. Punjab National Bank
- B. Union Bank of India
- C. State Bank of India
- D. Canara Bank

3. Which of the following is not a reason for X's Collapse?

- A. Rising NPAs
- B. Governance Issue
- C. Competition
- D. Decline in Financial Position

4. Who has been appointed as the administrator of X?

- A. Manish Kapoor
- B. Prashant Kumar
- C. Siddharth Rao
- D. Dilip Thakkar

5. Under which Section of the Banking Regulation Act, 1949, the Government of India has made an Order of Moratorium in respect of X?

- A. Section 45
- B. Section 12

- C. Section 50
- D. Section 10

6. The RBI introduced Prompt Corrective Action (PCA) framework in?

- A. 2010
- B. 2002
- C. 2012
- D. 2007

7. Which body serves as a deposit insurance and credit guarantee for banks in India?

- A. Credit Guarantee Scheme
- B. Insurance Guarantee Corporation
- C. Deposit Insurance and Credit Guarantee Corporation
- D. Indian Bank Insurance Scheme

Answers: 1-D, 2-C, 3-C, 4-B, 5-A, 6-B, 7-C

SECTION 144

With protests against the Citizenship Amendment Act intensifying at several places across many states, several state governments have imposed Section 144 of the Criminal Procedure Code (CrPC) to curb the protests

What is Section 144?

It gives **power to a District Magistrate, a sub-divisional Magistrate or any other Executive Magistrate** on behalf of the State Government to issue **an order to an individual or the general public** in a particular place or area to **“abstain from a certain act” or “to take certain order with respect to certain property in his possession or under his management”**.

1. This order can be passed against a **particular individual or general public**. The order can be passed even **ex-parte**.
2. As held by the Supreme Court, **mere apprehension of danger is not a sufficient ground to curb citizens’ rights by invoking Section 144 CrPC**.

What Is Unlawful Assembly?

Unlawful assembly’ describes a group of people who gather allegedly to ‘deliberately’ disturb peace. **If the group is just about to begin its disturbance, it is called a ‘rout’**. **But** if it sets off unrest, it starts a ‘riot’.

In legal terms, as per Section 141, an assembly of five or more persons is designated an “unlawful assembly” **if their common objective is:**

1. To overawe the Central or any State Government or Parliament or the Legislature of any State or any public servant by criminal force, or show of criminal force; or
2. To resist the execution of any law or any legal process
3. To commit any mischief or criminal trespass or other offence
4. To take or obtain possession of any property, to deprive any person of the enjoyment of a right of way or of the use of water or other incorporeal right that he possesses or enjoys, to enforce any right or supposed right — all by means of criminal force or show of criminal force; or
5. To compel any person to do what he is not legally bound to do, or to omit to do what he is legally entitled to do.

Attempts Made To Repeal Section 144 and Judgements

- ❖ **Dr Ram Manohar Lohiya case 1967** - The Supreme Court held that “no democracy can exist if ‘public order’ is freely allowed to be disturbed by a section of the citizens”.
- ❖ **Madhu Limaye vs Sub-Divisional Magistrate case 1970**- A seven-judge bench headed by the then **Chief Justice of India M Hidayatullah** upheld the constitutionality of section 144. The court said that “**law may be abused**” is **no reason to strike it down**. It further ruled that the restrictions imposed through Section 144 cannot be held to be violative of the right to freedom of speech and expression. Imposition of Section 144 falls under the “**reasonable restrictions**” under Article 19(2) of the Constitution.
- ❖ In 2012, the Supreme Court **criticised the government for imposing Section 144** against a sleeping crowd in Ramlila Maidan. The court held that such a provision can be used **only in grave circumstances** for **maintenance of public peace**. The emergency must be sudden and the consequences sufficiently grave.

Implications

Section 144 restricts carrying any sort of weapon in that area where it has been imposed and people can be detained for violating it. The maximum punishment for such an act is three years.

According to the order under this section, there shall be no movement of public and all educational institutions shall also remain closed and there will be a complete bar on holding any kind of public meetings or rallies during the period of operation of this order.

Section 144 also empowers the authorities to block the internet access.

Does Section 144 provide for communications blockades too?

The Temporary Suspension of Telecom Services (Public Emergency or Public Safety) Rules, 2017 are for suspending telecommunication services.

They include services covering voice, mobile internet, SMS, landline, fixed broadband, etc.

These Rules derive their powers from the Indian Telegraph Act of 1885, Section 5(2).

It talks about interception of messages in the “interests of the sovereignty and integrity of India”.

However, shutdowns in India are not always under the rules laid down, which come with safeguards and procedures.

Section 144 of CrPC has often been used to clamp down on telecommunication services and order Internet shutdowns.

Duration of Section 144 order

No order under Section 144 **shall remain in force for more than two months** but the state government can extend the validity for two months and maximum up to six months. It can be withdrawn at any point of time if situation becomes normal.

As per the Section, the order can be passed only “if such Magistrate considers”, that the direction is likely to prevent:

Obstruction, annoyance or injury to any person lawfully employed.

Danger to human life, health or safety.

Disturbance of the public tranquility, or a riot or affray.

Does Section 144 means Curfew?

No, they are not same. Section 144 of CrPC generally prohibits public gathering. And on the other hand, curfew, **orders people to stay indoors for a specific time**. Therefore, the officials can impose curfew for a certain time. Time is very important in this. However, the authorities can extend the period of curfew if required. Most importantly, if you want to go out from your house during the curfew, **you need prior approval from the local police**.

Also, Section 144 of CrPC bars mob gatherings but it does not control it. A curfew is a larger action taken to control the grave situation. You need permissions to move out in a curfew.

Restrictions during Curfew

- ❖ No person can do hunger-strike, without the permission of any competent authority.
- ❖ It is not imposed on examinees, marriage ceremonies, cremation and religious festivals.
- ❖ No person can walk with any sort of tool, or any type of fatal weapon, firearms etc.
- ❖ Even to carry licensed weapons are not allowed at the office.
- ❖ It also prevents playing or selling firecrackers.
- ❖ Even speech or advertisement that hurts the feelings of any community-culture is also prohibited.
- ❖ There is a restriction on the use of loudspeakers, DJs without prior permission.
- ❖ Five or more people cannot be assembled at a distance of two hundred yards from the examination centre.
- ❖ Even in marriages to carry any type of arms and ammunition are banned.

What Are Some Of The Other Circumstances In Which Cities Saw Sec 144 Imposed This Year?

Jammu and Kashmir: The Jammu and Kashmir government imposed restrictions under Section 144 CrPC night, shutting down mobile, broadband internet, and cable TV services

Noida: The district administration asked citizens to maintain peace after the abrogation of Article 370 and imposed Section 144 on the district to pre-empt unrest, especially during Bakrid, Janmashtami and Independence Day.

Ramanathapuram: Between September 11 to 15, Section 144 was imposed to prevent conflicts during the death anniversary of Immanuel Sekaran, a freedom fighter, activist and INC member who had been killed on the 11th, 1957, in a caste conflict.

Nashik: The law was imposed from September 16 to 20, as preventive measures before public rallies by Prime Minister Narendra Modi and the former Chief Minister, Devendra Fadnavis. The use of drones and man-made flying objects was restricted.

Mumbai: On September 27, Sharad Pawar voluntarily appeared before the Enforcement Directorate (ED). To prohibit unrest by the NCP party members, Section 144 was imposed in areas outside the ED office and in the business district. On October 5th, Section 144 was imposed in the Aarey colony, where activists protested against the felling of trees.

Ayodhya: The law was imposed on October 14, even as the sensitive Ram Janmabhoomi issue inched closer towards a closure. UP, Jaipur and many parts of Delhi and Mumbai too were under the section to maintain calm

Hyderabad: On November 16th, before a 'Bus Roko' call demanding the merger of the Telangana State Road Transport Corporation (TSRTC) with the government was put out, Section 144 was imposed in all the Telengana depots on November 16, leading to the suspension of the call. From December 5th to 7th, the section was imposed to prevent unrest following gang rape and murder of a veterinary doctor. It was imposed on Vijaywada too for the same reason.

Bhopal: On November 10, the BJP objected to the installation of ex-Chief Minister Arjun Singh's statue at a spot where Chandrashekhar Azad's statue had once been located. Section 144 in some parts of the city postponed the installation.

New Delhi- Recently, Prohibitory orders under Section 144 of the Code of Criminal Procedure (CrPC) have been imposed in 10 locations of North East Delhi as violence during protests for and against the new citizenship law intensified in the area

Test Yourself

Internet is what Internet does. It can move mountains, monoliths and any leviathan. In the Age of Internet, everything, especially when it is about Internet, happens quickly.

Thus, it was alongside a petition for Internet freedom that the Supreme Court dealt with the state's persistent abuse of X of the Criminal Procedure Code (CrPC) and, struck a historic blow for freedom from the tyranny of this particular section.

Internet came to India in 1995. X, although part of the CrPC of 1973, is a British era law that's been brazenly misused for over 150 years. In less than 25 years, accessing fundamental rights through the use of Internet has won the status of a fundamental right. Freedom from the oppressive X as a fundamental right is still a far cry. Why?

Because X has proved an effective instrument to put down protests, ban people from assembling and enforce curfew-type restrictions even in normal conditions for the authoritarian purpose of thwarting citizens from exercising their constitutional rights and freedoms.

In the decades since, during the British *Raj*, X was regularly enforced to pre-empt and crackdown on protests by freedom fighters. And, our elected elite, of every hue, has kept up this repressive British tradition.

To this day in post-Independence India, this powerful tool of colonial repression continues to be a weapon of choice for preventing peaceful demonstrations and lawful protests. Its indiscriminate use – in blatant violation of the rules and conditions for its use – continues unchecked and for prolonged periods on the pretext of maintaining public order.

1. Name the section which has been redacted by X in the above passage?

- A. Section 370
- B. Section 15
- C. Section 144
- D. Section 12

2. Section X is a Part of which code?

- A. Indian Penal Code
- B. Indian Citizen Code
- C. Criminal Rights Code
- D. Criminal Procedure Code

3. As per the Section, the order cannot be passed in which of the following cases?
 - A. Obstruction, annoyance or injury to any person lawfully employed
 - B. Important International conferences held in India
 - C. Danger to human life
 - D. Disturbance of the public tranquility

4. Which of the following is not true about section x?
 - A. It restricts carrying any sort of weapon
 - B. The maximum punishment for such an act is five years
 - C. There shall be no movement of public
 - D. Complete bar on holding any kind of public meetings

5. What is the duration of Section X?
 - A. Six Months
 - B. Nine Months
 - C. Two Months
 - D. Three Months

6. Which rules govern suspension of telecommunication services?
 - A. The Temporary Suspension of Telecom Services (Public Emergency or Public Safety) Rules, 2017
 - B. The Communication Suspension Rules, 2010
 - C. The Suspension of Telecom Service Rules, 2016
 - D. The Temporary Suspension of Telecom Services (Public Emergency or Public Safety) Rules, 2015

7. Which section deals with unlawful assembly?
 - A. Section 144
 - B. Section 145
 - C. Section 141
 - D. Section 143

Answers: 1-C, 2-D, 3-B, 4-B, 5-C, 6-A, 7-C

HUMAN CAPITAL INDEX

1. The World Bank released its first report on the Human Capital Index (HCI) as part of the World Development Report 2019.
2. The theme of the World Development Report (WDR) this year is “**The Changing Nature of Work**”.
3. Human Capital Index (HCI) has placed **India at the 115th position, lower than Nepal, Sri Lanka, Myanmar, and Bangladesh.**

Human Capital

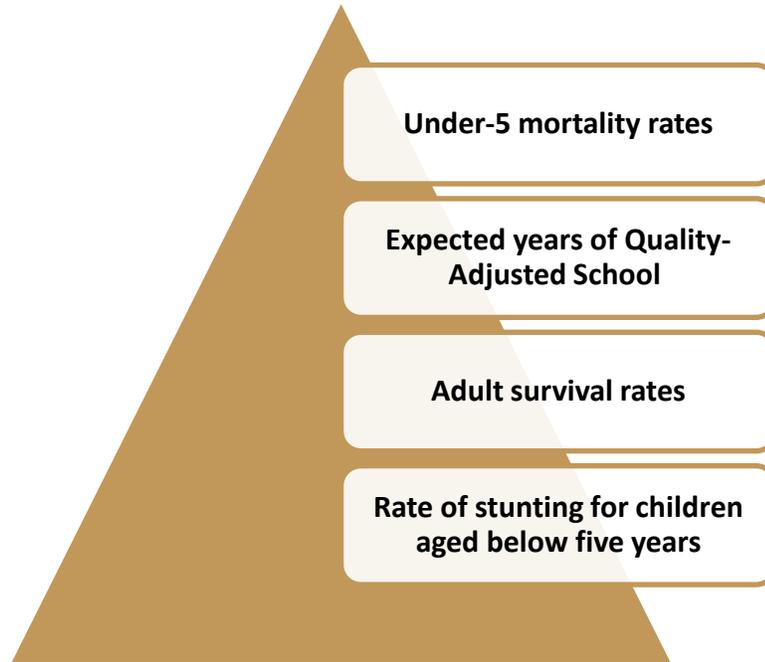
- Human capital consists of the **knowledge, skills, and health** that people accumulate over their lives, enabling them to realize their potential as productive members of society.
- As part of this report, the World Bank has **launched a Human Capital Project (HCP)**.
- The HCP programme is a program of advocacy, measurement, and analytical work to raise awareness and increase demand for interventions to build human capital.
- **There are three components of HCP-**
 1. a human capital measurement metric called the Human Capital Index (HCI)
 2. a programme of measurement and research to inform policy action
 3. a programme of support for country strategies to accelerate investment in human capital.
- This report unveils the World Bank's new Human Capital Index; it seeks to measure the **amount of human capital that a child born today can expect to attain by age 18** and also the consequences of neglecting investments in human capital in terms of the lost productivity of the next generation of workers.
- The HCI has been constructed for **157 countries**.

Objective

The human capital index, which has been modeled on the World Bank's existing doing business index that assesses national business conditions, aims to create a similar ranking for countries based on how well they look after their people.

The HCI index values are contended to convey the productivity of the next generation of workers, compared to a benchmark of complete standard education and full health.

The four key indicators of the index include:



Findings of the report at Global Level

- The HCI measures the Index outcomes for each country as a fraction of maximum value of 1.
- The advanced economies such as **North America and Europe have HCI value of above 0.75.**
- African countries with high childhood stunting rates and low access to formal education fared the worst in the rankings, with Chad and South Sudan taking up the two lowest spots.
- **Singapore topped the poll** as it was highly rated for its universal health care system, education exams results, and life expectancy figures.
- Singapore is followed by **South Korea, Japan, Hong Kong, and Finland.**

Key Observations In HCI For India

- **Human Capital Index:** A child born in India today will be only 44 per cent as productive when she grows up as she could be if she enjoyed complete education and full health.

- **Probability of Survival to Age 5:** 96 out of 100 children born in India survive to age 5.
- **Expected Years of School:** In India, a child who starts school at age 4 can expect to complete 10.2 years of school by her 18th
- **Harmonized Test Scores:** Students in India score 355 on a scale where 625 represents advanced attainment and 300 represents minimum attainment.
- **Learning-adjusted Years of School:** Factoring in what children actually learn, expected years of school is only 5.8 years.
- **Adult Survival Rate:** Across India, 83 per cent of 15-year olds will survive until age 60.
- **Healthy Growth (Not Stunted Rate):** 62 out of 100 children are not stunted. 38 out of 100 children are stunted, and so at risk of cognitive and physical limitations that can last a lifetime.
- **Gender Differences:** In India, HCI for girls is marginally higher than for boys.

What Is Government's Response In This Regard?

- Indian government summarily **"ignores"** the findings of the HCI and the government's reservations were on multiple levels.
- Government argues that the HCI did not reflect on the efforts that have been undertaken in the recent past ranging from **Samagra Shiksha Abhiyan (for education) to Ayushman Bharat (for health)**.
- Government officials argued that the HCI used metrics of the industrial era to measure the status of human capital for the digital age.
- There was also much consternation about some methodological inaccuracies and data gaps.

HCI vs HDI

The United Nation's Human Development Index is the benchmark which is the most widely used statistical measure of development across the world. Here are a few key differences between the two indices:

UN Human Development Index	World Bank Human Capital Index
Uses Life Expectancy at birth as a measure of health	Uses Survival and stunting rates at or below 5 years of age as a measure of health
Uses number of years of schooling to measure of education	Uses quality adjusted learning to measure education
Includes per capita income to measure development	Does not use per capita income to measure development

From the above table, we can see why the Government of India is skeptical of the findings of HCI, as it does not take into account factors like the total size of the population in relation to GDP and over-reliance on parameters related to education as measured by standardised tests.

Test Yourself

Children eating roti and salt in a mid-day meal in a Mirzapur primary school in UP shocked many of us. But, more shocking was charging the very journalist, who broke the story, with criminal conspiracy. Ironical indeed! Only a couple of months back, a notification from the human resources development ministry asked all states for “strict adherence to nutrition standards in midday meals and collection of students’ feedback”.

India’s midday meals scheme was adjudged the world’s largest school programme feeding nearly 120 million children daily by the World Food Project (WFP) in 2013. However, an HRD review mission in 2013-14, made the observation that it could make “little impact on malnutrition among schoolchildren and a large number of elementary school children remained severely malnourished in as many as nine states

Sadly, more than one third of the world’s malnourished children live in India, and it tops the list with 46.6 million stunted children as per the 2018 Global Nutrition Report.

X’s first Human Capital Index (HCI) in 2019 ranked India at Y among 157 countries with a score of 0.44 on a scale of 0 to 1, which makes an Indian child born today will be only 44 per cent productive at the age of 18 with complete education and full health. India, however, rejected the assessment for its “faulty methodologies” and “data gaps”.

1. Name the organization redacted by X in the passage.

- A. UN
- B. World Bank
- C. WTO
- D. IMF

2. Name the rank redacted by Y in the above passage.
 - A. 120
 - B. 102
 - C. 115
 - D. 150
3. Which programme is a program of advocacy, measurement, and analytical work to raise awareness and increase demand for interventions to build human capital?
 - A. Human Capital Project
 - B. Human Development Project
 - C. Human Nutrition Project
 - D. Human Advisory Project
4. This index seeks to measure the amount of human capital that a child born today can expect to attain by the age of ____
 - A. 21
 - B. 16
 - C. 25
 - D. 18
5. The index has been constructed for how many countries?
 - A. 170
 - B. 112
 - C. 157
 - D. 198
6. Which country topped the poll as it was highly rated for its universal health care system, education exams results, and life expectancy figures?
 - A. Singapore
 - B. US
 - C. Japan
 - D. Germany
7. Which of the following country has the lowest spot in the index?
 - A. Sri Lanka
 - B. Bangladesh
 - C. South Korea
 - D. Chad

Answers: 1-B, 2-C, 3-A, 4-D, 5-C, 6-A, 7-D

BRICS Summit

1. The **11th BRICS Summit** took place from 13th-14th November 2019 in **Brasilia, Brazil**.
2. The **theme** of the 2019 BRICS summit is "**Economic Growth for an Innovative Future.**"
3. **BRICS** countries adopted the Brasilia Declaration.

11th BRICS Summit

At a time when the five countries are heading in different directions politically, they found ways to build a common vision for the world's economic future

Emphasis on multilateralism and a joint statement at Brasilia that decried "unilateral and protectionist" actions.

Member nations held dialogues on cementing ties in trade, innovation, technology and culture.

The grouping decided to open a regional office of the New Development Bank (NDB) in India.

Terrorism was one of the priority areas for BRICS 2019

Brasilia Declaration

- It advocates and supports multilateralism, the central role of the U.N. in international affairs and respect for international law.
- **Reforming Multilateral Systems:** There is an urgent need to strengthen and reform the **United Nations** and other multilateral organisations, including the **World Trade Organisation (WTO)** and the **International Monetary Fund (IMF)**, to address the significant challenges being faced by the developing countries.
- **Support to Multilateralism:** The trade war between China and the U.S. and rising protectionism is hurting the global economy. Multilateralism is crucial for emerging countries to protect their own interests.

Background

- BRICS is an informal group of **Brazil, Russia, India, China and South Africa (joined in 2010)**.
- The BRICS leaders' summit is **convened annually**.
- BRICS does not exist in form of organization, but it is an annual summit between the **supreme leaders of five nations**.
- The Chairmanship of the forum is rotated annually among the members, in accordance with the **acronym B-R-I-C-S**.
- Together, BRICS accounts for about **42% of the world's population** and about **23% of the global GDP** (Gross Domestic Product), and **17% of the world trade**, making it a critical economic engine.
- The five nations account for **50 per cent** of the world economic growth, 27% of the world area and 13.24% of World Bank voting power.
- **Pitted as a counterweight to G7**, the combine of developed economies, BRICS represents the world's top emerging economies and claims to serve as a bridge between the developed and developing world.

History

- The **acronym "BRICS" was initially formulated in 2001 by economist Jim O'Neill, of Goldman Sachs**, in a report on growth prospects for the economies of Brazil, Russia, India and China – which together represented a significant share of the world's production and population.
- In 2006, the four countries initiated a regular informal diplomatic coordination, with annual meetings of Foreign Ministers at the margins of the General Debate of the UN General Assembly (UNGA).

- This successful interaction led to the decision that the dialogue was to be carried out at the level of Heads of State and Government in annual Summits.
- **The first BRIC Summit took place in 2009 in the Russian Federation** and focused on issues such as reform of the global financial architecture.
- **South Africa was invited to join BRIC in December 2010**, after which the group adopted the acronym BRICS. South Africa subsequently attended the Third BRICS Summit in Sanya, China, in March 2011.
- **12th BRICS Summit will be held in Russia in 2020** under the slogan '**Partnership for global stability, common security and innovative growth**'.

Objectives of BRICS

- One of the major objectives of the grouping is **broadening, deepening and intensifying cooperation** among the member countries for mutually beneficial, sustainable and equitable development.
- Every member's growth and development are considered to ensure that relations are built on the **economic strengths** of individual countries and eliminate competition wherever possible.
- Such diverse objectives allow BRICS to emerge as an **innovative and encouraging Political-Diplomatic entity** which was earlier formed just to resolve the global financial issues and reform institutions.

Areas of Cooperation

Economic Cooperation

- There are rapidly growing **trade and investment flows** between BRICS countries as well as economic cooperation activities across a range of sectors.
- Agreements have been concluded in the areas of Economic and Trade Cooperation; Innovation Cooperation, Customs Cooperation; strategic cooperation between the BRICS Business Council , Contingent Reserve Agreement and the New Development Bank.
- These agreements contribute to realisation of the shared objectives of deepening economic cooperation and fostering integrated trade and investment markets.

People-to-People exchange

- BRICS members have recognised the need for strengthening People-to-People exchanges and to foster **closer cooperation in the areas of culture, sport, education, film and youth.**
- People-to-People exchanges seek to forge new friendships; deepen relations and mutual understanding between BRICS peoples in the spirit of openness, inclusiveness, diversity and mutual learning.
- Such People to people exchanges include the **Young Diplomats Forum, Parliamentarian Forum, Trade Union Forum, Civil BRICS as well as the Media Forum.**

Political and Security Cooperation

- BRICS member political and security cooperation is aimed at **achieving peace, security, development and cooperation for a more equitable and fair world.**
- BRICS provides opportunities for sharing policy advice and exchanges of best practices in terms of domestic and regional challenges as well as advancing the restructuring of the global political architecture so that it is more balanced, resting on the pillar of multilateralism.
- BRICS is utilised as a driver for South Africa's foreign policy priorities including the pursuit of the African Agenda and South-South Cooperation.

Cooperation Mechanism

Cooperation among members is achieved through:

Track I: Formal diplomatic engagement between the national governments.

Track II: Engagement through government-affiliated institutions, e.g. state-owned enterprises and business councils.

Track III: Civil society and People-to-People engagement.

Meetings On The Sidelines Of The Summit

- **India - Brazil**
 - India invited the President of Brazil as the **Chief Guest at the Republic Day 2020.**
 - Brazil has decided to grant **visa-free travel to Indian citizens.**
- **India - China**

- The Chinese President invited the Indian Prime Minister for the 3rd **informal summit in China in 2020**. The first informal summit took place at Wuhan (China-2018) and second at Mamallapuram (India-2019).
- Both the leaders reviewed preparations for celebrating the **70th anniversary of the establishment of diplomatic relations** between the two countries in 2020.
- **India - Russia**
 - **1st Bilateral Regional Forum** at the level of Russian Provinces and the Indian States will be held in 2020.
 - India has been invited for **investment in the Arctic region**. The US \$ 25 billion target of bilateral trade by 2025 has already been achieved.

India's stand in the BRICS Summit 2019

1. India put forward the **concern of increasing terrorism** in the world.
2. As per PM Modi's speech in the summit, the menacing threat of terrorism has caused the world economy of huge value of **\$1 trillion**.
3. He proposed various steps that are needed to be taken in to account in order to overcome this loss.
4. India invited the leaders of the participating countries to **invest in India's infrastructure development** which will eventually help in increasing the trade participation of India.
5. India also proposed to hold the **first meeting of BRICS Water Ministers** in India.

Significance Of BRICS For India

- As the developing countries face an aggressive club of developed countries, raising challenges on issues from WTO to climate change, **New Delhi believes BRICS has to protect the rights of the developing countries**.
- **Escaping Middle Income Trap:** While China, India, and Brazil still have very large rural populations, they have made great strides in reducing poverty. Rapid progress in the emerging economies has contributed to growth in middle classes.
- **The BRICS cooperation has two pillars** — consultations on issues of mutual interest through meetings of leaders and ministers, and cooperation through meetings of senior officials in areas including trade, finance, health, education, technology, agriculture, and IT.

- **Platform for proactive engagement with China & Russia:** A BRICS helps in resolving some outstanding issues between China, Russia and India like the Doklam crisis.
- **India's foothold in Latin America:** In view of India's growing demand for energy, Latin America's richness in extractive resources offers a big avenue. The India-Brazil association in emerging multilateral groupings such as the BRICS and IBSA can be leveraged in this regard.
- **Multilateralism,** India has articulated a vision for strengthening and reforming the multilateral system itself.
- **Anti-terrorism efforts:** India has taken the lead in galvanising BRICS has also worked within the grouping to take a **strong stand against terrorism** and bring about focused consultations on specific aspects relating to terrorism.
- **Non-alignment:** Many in India see the BRICS forum as a continuation of the past attachment to non-alignment and third world
- **Will BRI undermine the BRICS grouping?** Two of China's main BRICS partners—Russia and India—harbor reservations about BRI, while for the other two members (Brazil and South Africa), it is not of such geo-political significance. India can use BRICS platform for critical review of BRI.

Significance Of BRICS In The World

- **Building a multipolar world** has been one of the central themes of India's foreign policy. BRICS has been the main forum for the pursuit of that objective.
- BRICS will continue to be an influential voice as long as its convergences prevail over its divergences.
- **South South Cooperation:** BRICS is a club of Global South leaders and has potential to expand to other Asian, African and Latin American countries.
- **The New Development Bank (NDB) of BRICS:** Compared to Western-dominated funding mechanisms like the World Bank, which on average take two years to approve loans, NDB is doing so in just six months and that too by disbursing in local currencies. The idea of development bank (NDB) and **Contingency Reserve Arrangement (CRA)** has strengthened BRICS as a grouping.
- **Global governance:** BRICS has been pushing for deep reforms in global governance.

- **BRICS has political benefits.** It helps to soften worst-case scenarios stemming from bilateral bad blood. For example, the military face-off between India and China over the Doklam plateau was resolved partly owing to the BRICS summit in Xiamen.
- **All BRICS countries oppose** Western economic sanctions, restrictions on international trade and migration of skilled personnel that would deprive them of export markets and revenues.
- **A revised globalisation chaperoned by BRICS**, which includes democracies like India, South Africa and Brazil, is relatively credible.
- **Sino-Indian cooperation in Africa** Both India and China are engaged in oil exploration in Sudan and Syria.

Achievements

- The main reason for co-operation to start among the BRICs nation was the financial crises of 2008. The crises raised doubts over sustainability of the dollar-dominated monetary system.
- The BRICs called for the “the reform of multilateral institutions in order that they reflect the structural changes in the world economy and the increasingly central role that emerging markets now play”.
- BRICs managed to push for institutional reform which led to International Monetary Fund (IMF) quota reform in 2010 (finally implemented in 2016). Thus the financial crises had momentarily reduced western legitimacy and briefly let the BRICs countries become “agenda setters” in multilateral institutions.

New Development Bank

- **NDB is headquartered in Shanghai**
- At the Fourth BRICS Summit in New Delhi (2012) the possibility of setting up a new Development Bank was considered **to mobilize resources for infrastructure and sustainable development projects** in BRICS and other emerging economies, as well as in developing countries.
- During the Sixth BRICS Summit in Fortaleza (2014) the leaders signed the Agreement establishing the New Development Bank (NDB).

- **Fortaleza Declaration** stressed that the NDB will strengthen cooperation among BRICS and will supplement the efforts of multilateral and regional financial institutions for global development thus contributing to sustainable and balanced growth.
- NDB's key areas of operation are clean energy, transport infrastructure, irrigation, sustainable urban development and economic cooperation among the member countries.
- The NDB functions on a consultative mechanism among the BRICS members with all the member countries possessing equal rights.
- Equal capital infused in NDB by BRICS members.
- **NDB's achievement has 44 projects with its lending touching \$12.4 billion**, in just five years.

Contingent Reserve Arrangement

- Considering the increasing instances of global financial crisis, BRICS nations signed **BRICS Contingent Reserve Arrangement (CRA) in 2014 as part of Fortaleza Declaration at Sixth BRICS summit.**
- The BRICS CRA aims to provide **short-term liquidity support** to the members through currency swaps to help mitigating BOP crisis situation and further strengthen financial stability.
- The initial total committed resources of the CRA shall be US one hundred billion dollars **(USD 100 billion).**
- It would also contribute to strengthening the global financial safety net and complement existing international arrangements (IMF).

Challenges

- BRICS has failed its founders is in the vision of **interdependence between the five countries**
- Economic slowdown in all countries eg Russia at 1% and South Africa & Brazil less than 1%.

- Despite their combined population, intra-BRICS trade still makes up just **17% of world trade**.
- The New Development Bank's (NDB) vision to 'supplement the existing efforts of multilateral and regional financial institutions for global growth and development' **remains far away from realisation**.
- So far the only members of NDB are its founders and its own limitations.
- Lack of transparency and good governance among member States with the bank.
- Politically, these countries are not all on the same page at the same time.
- **China has been shielding Pakistan** and has been uneasy discussing the issue of terrorism on this platform.
- Lack of a binding ideology, bilateral differences, diversity in terms of socio-cultural and political systems
- China's overwhelming presence, which reduces the space for other countries in the grouping.

Weaknesses

- **Failed in reforming Multilateral Financial Institutions:** Little progress has been achieved in reforming the multilateral systems like IMF, WTO, UN and other international organisations.
- **Failure of BRICS to sign any agreement with US:** None of the BRICS countries has signed trade or investment agreements with the United States and some of the negotiations have been failed due to opposition to US approach. This has hindered economic expansion of BRICS countries.
- **Slowing down of Chinese economy:** it has caused turmoil in not just in BRICS bloc but across the world.
- **Recession in Russia and Brazil:** The political and economic isolation of Russia, orchestrated by the US after the Ukraine crisis, has had a tremendous negative impact on the once surging economy. Even Brazilian economy is slipping into recession.

- **Failure to sustain economic growth:** the emerging member countries have failed to gain any momentum for sustained growth.
- **Structural disparity between China and other BRICS members:** Chinese economy has the largest share among the member countries and it accounts for 38 percent share in the total export of BRICS. This has resulted in dominance of China in the BRICS bloc and in turn has stoked the economic nationalism in other member countries.

List of BRICs Summits till 2018:

Sr. No.	Date and Year	Host country	Host leader	Location
First	16 June 2009	Russia	Dmitry Medvedev	Yekaterinburg (Sevastianov's House)
Second	15 April 2010	Brazil	Luiz Inácio Lula da Silva	Brasília
Third	14 April 2011	China	Hu Jintao	Sanya (Sheraton Sanya Resort)
Fourth	29 March 2012	India	Manmohan Singh	New Delhi (Taj Mahal Hotel)
Fifth	26–27 March 2013	South Africa	Jacob Zuma	Durban (Durban ICC)
Sixth	14–17 July 2014	Brazil	Dilma Rousseff	Fortaleza (Centro de Eventos do Ceará) Brasília
Seventh	8–9 July 2015	Russia	Vladimir Putin	Ufa (Congress Hall)
Eighth	15–16 October 2016	India	Narendra Modi	Benaulim (Taj Exotica)
Ninth	3–5 September 2017	China	Xi Jinping	Xiamen (Xiamen International Conference Center)
Tenth	25-27 July 2018	South Africa	Cyril Ramaphosa	Johannesburg

Test Yourself

Asserting that terrorism and organised crimes harm trade and businesses, Prime Minister Narendra Modi expressed hope that efforts by BRICS member countries will give a thrust to security cooperation against the menaces.

"The atmosphere of doubt created by terrorism, terror financing, drug trafficking and organised crime harms trade and businesses. I am happy that the first seminar on BRICS Strategies for Countering Terrorism was organised. We hope that such efforts and activities of five sub-working groups will increase strong BRICS security cooperation against terrorism and other organised crimes," he said while addressing the plenary session of the BRICS summit

The Prime Minister said that 2.25 lakh people have lost their lives due to terrorism in the last 10 years. "According to estimates, there has been a loss of USD 1 trillion economy. This has also reduced the economic growth of developing countries by 1.5 per cent," he noted.

Modi said that the growing people-to-people relationship will give energy to the partnership among the BRICS countries.

"BRICS countries should organise youth summits. In this, the youth of five countries should take part in activities like start-ups, hackathon, sports and creativity in large numbers. Students of BRICS countries in India will be given internships and fellowships every year to study subjects related to BRICS. We should also consider promoting the traditional sports of our countries," the Prime Minister said.

The prime minister added that films can be an important means to enhance the relationship between the people of BRICS countries.

"India has the highest number of films made in many languages, and in the world. India will hold the BRICS Film Technology Symposium in Mumbai in March next year," he said.

The Prime Minister arrived in X on a two-day visit to attend the 11th BRICS Summit.

1. Name the country redacted by X in the passage.

- A. Brazil
- B. China
- C. Australia
- D. Singapore

2. Which Declaration advocates and supports multilateralism, the central role of the U.N. in international affairs and respect for international law?

- A. Chinese Accord
- B. Brasilia Declaration
- C. Multilateralism Declaration
- D. Doha Agreement

3. Which of the following country is not a part of BRICS?

- A. Russia
- B. China
- C. Brazil
- D. Singapore

4. Which country joined the BRICS in 2010?

- A. South Korea
- B. Sri Lanka
- C. South Africa
- D. Singapore

5. The acronym "BRICS" was initially formulated in 2001 by?

- A. Jim O'Neill
- B. Adam Smith
- C. Amartya Sen
- D. Joseph Still

6. The first BRIC Summit took place in?

- A. 2010
- B. 2009
- C. 2005
- D. 2011

7. 12th BRICS Summit will be held in?

- A. China
- B. India
- C. Chile
- D. Russia

8. In the sideline of the summit, which country has decided to grant visa-free travel to Indian citizens?

- A. Thailand
- B. Indonesia
- C. Brazil
- D. Bhutan

9. New Development Bank is headquartered in?

- A. Shanghai
- B. London
- C. Abu Dhabi
- D. Kabul

10. Banks of BRICS nations have agreed to establish credit lines in _____ currencies.

- A. Legal
- B. Plastic
- C. Cryptocurrency
- D. National

Answers: 1-A, 2-B, 3-D, 4-C, 5-A, 6-B, 7-D, 8-C, 9-A, 10-D

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