



28 September, 2024

China Shock

Context: A steep hike in tariffs, including a 100% duty on electric vehicles, has recently initiated "China Shock 2.0" in global markets.

Overview:

- India faces a significant challenge as imports from China surpassed \$100 billion in 2023-24, despite imposed curbs
- A steep increase in tariffs, including 100% on electric vehicles and 50% on solar cells, is affecting global trade.
- The **China Shock** is a term that refers to the impact of China's economic rise on the global economy, including the United States and Europe



Historical Context

- China's WTO Accession:** Bill Clinton supported China's entry, believing it would foster political reform and economic freedom.
- China Shock:** Following its WTO entry, affordable Chinese goods led to significant job losses globally, impacting Indian manufacturing as imports surged from \$10.87 billion in 2005-06 to over \$100 billion in 2023-24.

India-China Relations

- Establishment of Relations:** Diplomatic ties were established on April 1, 1950, with India being the first non-communist country to recognize the People's Republic of China (PRC).
- Panchsheel Agreement:** In 1954, the two nations signed this agreement, emphasizing peaceful coexistence and respect for sovereignty.
- Border Disputes:** Tensions arose due to border disputes, notably after China's invasion of Tibet in 1950 and the Sino-Indian War in 1962, which resulted in a decisive victory for China.

Key Phases in Relations

- Early Years (1950s-1960s):** Minimal interaction, focused mainly on trade and cultural exchanges; the 1962 war marked a significant setback.
- Normalization Efforts (1980s):** Prime Minister Rajiv Gandhi's 1988 visit initiated engagement, leading to agreements to maintain peace along the Line of Actual Control (LAC).
- Post-Cold War Cooperation (1990s-2000s):** Increased economic engagement and the establishment of the Special Representatives Mechanism in 2003 for resolving boundary disputes.
- Recent Developments (2010s-Present):** Significant tensions arose from the Doklam standoff in 2017 and

the Galwan Valley clash in June 2020, highlighting ongoing border disputes.

Current Challenges

- Border Tensions:** Frequent skirmishes along the LAC have deteriorated trust, with the Galwan Valley clash resulting in casualties.
- Strategic Rivalry:** China's growing influence in South Asia through the Belt and Road Initiative (BRI) is seen as a challenge, especially regarding territorial claims.
- Geopolitical Dynamics:** India's military cooperation with the U.S. and allies is viewed as a counterbalance to China's assertiveness in the Indo-Pacific region.

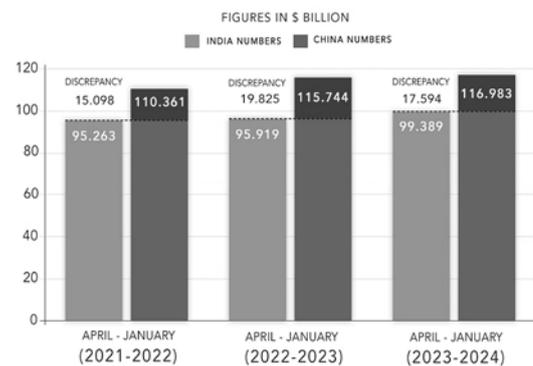
Policy Approaches

- Two-Pronged Strategy:**
 - Engagement:** Continued diplomatic dialogue through forums like BRICS and SCO while maintaining economic ties.
 - Deterrence:** Strengthening military capabilities and forming strategic partnerships with other nations.

Current Trade Dynamics

- Trade Volume:** In FY 2024, India's bilateral trade with China reached \$118.4 billion, with China regaining its position as India's largest trading partner.
- Imports and Exports:**
 - Imports:** Totaled \$101.7 billion, an increase of 3.24% from the previous year.
 - Exports:** Rose by 8.7% to \$16.67 billion.
 - Trade Deficit:** Widened from \$53.57 billion in FY19 to \$85.09 billion in FY24.

THE DISCREPANCY BETWEEN INDIA & CHINA TRADE DATA



Sectoral Dependence

- Critical Sectors:**
 - Telecom and Smartphone Parts:** \$4.2 billion imported, accounting for 44% of imports in this category.
 - Laptops and PCs:** Imports reached \$3.8 billion, making up 77.7% of total imports.
 - Electric Vehicles (EV):** Lithium-ion batteries imported amounted to \$2.2 billion, representing 75% of such imports.

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28 September, 2024

- **Solar Equipment:** India relies on China for 80% of solar cells and modules; access is blocked in response to anti-dumping investigations.
- **Steel Imports:** Steel imports reached a seven-year high, with Indian steelmakers seeking government intervention against dumping.
- **Electronics:** Over \$12 billion in electronic components imported in FY24, indicating ongoing reliance despite local manufacturing growth.

➤ Strategic Responses

- **Measures to Reduce Dependency:**
 - Introduction of **Production-Linked Incentive (PLI)** schemes to boost domestic manufacturing.
 - **Imposition of anti-dumping duties** and enforcement of quality control orders to protect local industries from unfair competition.

Biodiversity Beyond National Jurisdiction Agreement (BBNJ)

Context: Recently, India signed the Biodiversity Beyond National Jurisdiction Agreement at UN general Assembly

➤ Overview:

- India signed the High Seas Treaty, enabling enhanced strategic presence and promoting conservation of marine biodiversity beyond its Exclusive Economic Zone.
- The BBNJ Agreement focuses on marine genetic resources, fair benefit sharing, area-based management tools, and environmental impact assessments.

➤ About the BBNJ Agreement

- **Approval Date:** July 2, 2024
- **Implementation:** Led by the Ministry of Earth Sciences.
- **Significance:** Marks a major step in conserving and sustainably utilizing marine biological diversity in areas beyond national jurisdiction, known as the "High Seas."
- **Aim:** Address long-term protection of marine biodiversity in the high seas.
- **Mechanisms:** Establishes frameworks for sustainable use through international cooperation, ensuring fair sharing of benefits.
- **Approach:** Ecosystem-centric, precautionary principle, incorporating traditional knowledge and scientific expertise.
- **Tools:** Introduces area-based management tools and environmental impact assessments.

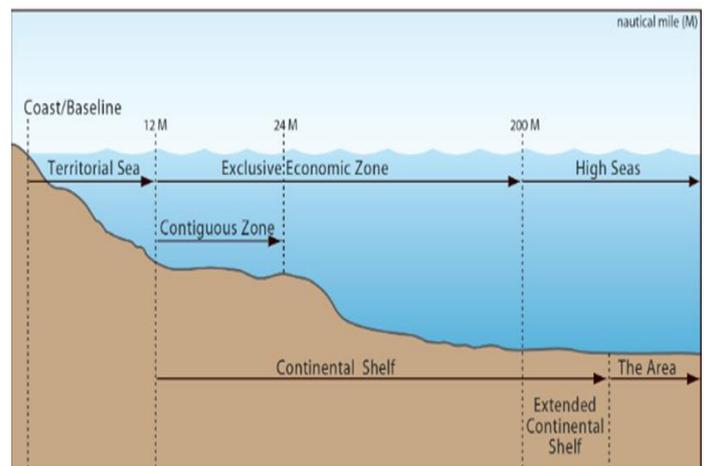
➤ Benefits for India

- **Strategic Presence:** Enhances India's presence beyond its Exclusive Economic Zone (EEZ).

- **Collaborations:** Strengthens marine conservation efforts and opens avenues for scientific research and development.
- **Capacity Building:** Facilitates technology transfer and access to marine resources.

➤ BBNJ Agreement Status

- **Signature Period:** Open for signature from September 2023 for two years.
- **Ratification:** Becomes legally binding after 60 ratifications, with 91 countries signed and 8 ratified as of June 2024.



➤ United Nations Convention on the Law of the Sea (UNCLOS)

- **UNCLOS Adoption:** Adopted in 1982 and effective since 1994, it governs maritime boundaries, rights to marine resources, and dispute resolution.
- **Background:** The BBNJ Agreement is an implementation agreement under the United Nations Convention on the Law of the Sea (UNCLOS).
- **Existing Agreements:** Complements the 1994 Part XI Implementation Agreement and the 1995 UN Fish Stocks Agreement.
- **Global Participation:** Over 160 countries have ratified UNCLOS.

Global Innovation Index (GII)

Context: Recently, WIPO released the Global Innovation Index (GII)

➤ Overview:

- India has ascended 42 positions in the Global Innovation Index over the past nine years, currently ranking 39th globally.
- China, Türkiye, India, Viet Nam and the Philippines are the fastest 10-year climbers.

➤ About the Global Innovation Index

- **Established: Inception in 2007;** shapes innovation measurement and economic policymaking.

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28 September, 2024

- **Purpose:** Assists governments in assessing the impact of innovation on social and economic changes.
 - **Co-Publishers:** WIPO, Cornell University, and INSEAD Business School.
 - **Evaluation Criteria:**
 - Institutions
 - Human capital
 - Research infrastructure
 - Credit and investment
 - Linkages and knowledge diffusion
 - Creative outputs
- **Key Findings from GII 2024:**
- **Top Performers:** Switzerland remains the leading nation, followed by Sweden, the US, and Singapore.
 - **India's Progress:** India has moved up to 39th place among 133 economies, ranking first among lower middle-income countries and in the Central and Southern Asia region for several categories, including knowledge and technology outputs.
 - In Central and Southern Asia, India (39th) continues to lead,
 - **Strengths:** India excels in ICT services exports, venture capital, and intangible asset intensity.
 - **Challenges in Green Technologies:** Slower progress in green technologies compared to the last decade.
 - **Research and Development Growth:** Global R&D grew by 5% in 2022 but is projected to slow to 3% in 2023 in real terms.
 - China reached the 11th position and remains the only middle-income economy in the GII top 30.

- **7 SEO economies are innovation leaders:** Singapore (4th), South Korea (6th), China (11th), Japan (13th), Hong Kong (18th), Australia (23rd), New Zealand (25th, up two places).

➤ **Theme of the Report Social Entrepreneurship**

- The 2024 GII emphasizes the growing importance of social entrepreneurship, defined as the development of innovative models to address social or environmental issues without profit as the primary goal.

➤ **Significance of Social Entrepreneurship:**

- **Economic Impact:** Contributes about \$2 trillion to the global GDP.
- **Job Creation:** Supports approximately 10-11 million social enterprises and around 30 million social entrepreneurs, fostering sustainable livelihoods.
- **Social Impact:** Aims to alleviate poverty, address environmental challenges, and combat social injustices.

➤ **About WIPO**

- **Headquarters:** Geneva, Switzerland.
- **Established:** 1967 as a specialized UN agency.
- **Objective:** To create a balanced and accessible international IP system that rewards creativity and stimulates innovation for economic development.
- **Membership:** 193 members, with India joining in 1975.
- **Major Treaties:** India is a member of the Paris Convention, Berne Convention, and Patent Cooperation Treaty.

NEWS IN BETWEEN THE LINES

Today, on 28th of September, Union Minister for Social Justice and Empowerment will inaugurate the 20th Divya Kala Mela in Pune, Maharashtra.

About Divya Kala Mela:

- The Divya Kala Mela is a **government-organized event** that showcases the products and craftsmanship of **people with disabilities (PwD)**.
- The event features a **variety of local products, cultural performances by Divyang artists, regional food stalls** and promotes the **"Vocal for Local"** initiative.
- It aims to **provide a larger platform** for Divyang artisans to market and **promote their products**, fostering their **economic empowerment**.
- The Department of Empowerment of Persons with Disabilities (Divyangjan) under the **Ministry of Social Justice & Empowerment**, Government of India, organizes the event.
- The **12th Divya Kala Mela** was held in Surat, Gujarat, from December 29, 2023, to January 7, 2024.

Divya Kala Mela



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Directorate General of Quality Assurance



Recently, the Directorate General of Quality Assurance under the aegis of Department of Defence Production, Ministry of Defence celebrated 68th DGQA day.

About the Directorate General of Quality Assurance:

- The Directorate General of Quality Assurance (DGQA) is an **Inter-Service Organisation organization that ensures the quality of defense equipment** and stores for the Indian Armed Forces.
- It also ensures **Documentation, Codification and Standardisation Action** for minimizing the variety of components and equipment.
- It functions under the Department of Defence Production in the **Ministry of Defence**.
- It also **works on import substitution** and collaborates with the Defence Research and Development Organisation (DRDO) on development projects.
- This Organisation is structured into **eleven Technical Directorates, two-tiered for functional purposes, with additional Proof Establishments in Armament Discipline** for weapons and ammunition testing.
- Though, the origin of the DGQA dates back to **1869**, when the first Inspectorate was set up at Ammunition Factory, Kirkee in Maharashtra.
- The organization was **formally established in 1957** when Maj Gen Pratap Narain was appointed on 27th September 1957 as the first Director General.

GST Council



Recently, the GST Council set up a 10-member Group of Ministers to determine the taxation framework for luxury, sin and demerit goods after the compensation cess ends in March 2026.

About the GST Council:

- The GST (Goods and Services Tax) Council is a **constitutional body** established under **Article 279A (1) of the Indian Constitution** by the Constitution (One Hundred and First Amendment) Act, 2016.
- As per **Article 279A (1)** of the amended Constitution, the GST Council has to be constituted by the President within **60 days** of the commencement of Article 279A.
- It is responsible for making recommendations to the **Union and State governments** on important issues related to the Goods and Services Tax (GST), including **tax rates, exemptions, threshold limits and model GST laws**.
- The Council is **chaired by the Union Finance Minister** and includes the Union Minister of **State for Finance and the Finance Ministers** of all the states.
- Article **279A (5)** mandates that the Council recommends the date for levying GST on petroleum products and aviation turbine fuel.
- Article **279A (8)** determines procedures for the Council's functions.
- Article **279A (11)** establishes mechanisms to adjudicate disputes arising from the Council's recommendations.

Place in News The Vizhinjam International Seaport



Recently, Mediterranean Shipping Company's Anna, one of the world's largest container ships, docked at Vizhinjam International Seaport, Thiruvananthapuram, marking increased activity at the port in the past month.

About the Vizhinjam International Seaport:

- The Vizhinjam International Seaport is a major project in India's maritime sector, and is being **developed under a Public Private Partnership (PPP) model**.
- The port is **India's first deepwater container transshipment port, located near Thiruvananthapuram, Kerala**.
- The construction of the port began in **December 2015** and is progressing towards completion.
- The port is strategically situated about **10 nautical miles from the international shipping route that connects Europe and the Persian Gulf with East Asia**.
- The port has a **capacity of one million TEU (Twenty-foot Equivalent Unit) in its first phase**, which can be increased to 6.2 million TEU.
- The port has a **natural depth of more than 18 meters**, which can be increased to 20 meters.
- The port is **designed to handle container transshipment, multi-purpose and break-bulk cargo**.
- The port has **state-of-the-art infrastructure** to handle Megamax container ships.

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28 September, 2024

POINTS TO PONDER

- Which ministry signed a Memorandum of Understanding (MoU) with Amazon for 2 years to leverage the National Career Service (NCS) portal for boosting job opportunities? – **Ministry of Labour & Employment**
- China recently test-fired an Intercontinental Ballistic Missile (ICBM) into which body of water for the first time in decades? – **Pacific Ocean**
- Which state government rejected the report of the High Level Working Group on Western Ghats (2013) headed by Dr. K. Kasturirangan? – **Karnataka**
- India has been elected to the steering committee of which network focused on anti-corruption law enforcement authorities? – **GlobE (Global Operational Network of Anti-Corruption Law Enforcement Authorities)**
- Which galaxy was recently featured in a stunning video shared by NASA's Hubble Space Telescope? – **Caldwell 45 (NGC 5248)**

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