

03 FEBRUARY 2019

1. Centre’s crackdown hits Greenpeace

Environment NGO cuts workforce, shuts down two offices in India

Greenpeace has been forced to close two of its regional offices and “considerably” reduce its staff in India because of a government crackdown on allegedly unlawful foreign funding of NGOs.

The organisation has been campaigning on environmental issues in India for nearly two decades but has clashed in recent years with the Narendra Modi government, which has accused the watchdog of violating the country’s foreign funding laws.

Greenpeace India announced on Saturday that the crackdown had forced the organisation to “shrink in size considerably” and close its offices in New Delhi and Patna.

Nearly 40 employees — one-third of its staff — across India have been asked to leave, a former staff member said on condition of anonymity.

Greenpeace India had its foreign funding blocked in 2015 as part of a nationwide crackdown on charities.



NGO denies allegations

Since coming to power in 2014, the Modi government has cancelled the licences of nearly 15,000 charities to receive money from abroad.

The main Greenpeace office in Bengaluru was raided by officials last year, and nearly a dozen of its bank accounts were frozen over alleged violation of rules.

The NGO has denied the allegations, and said it generates donations from within India.

The government can only freeze our accounts and shut our offices but Greenpeace is an idea that can never be extinguished.”

The move was “inevitable”, the former employee said on Sunday, because Greenpeace India has been “struggling with finances after the government targeted it over funding”.

Greenpeace India has been critical of government policies over their environmental impact, including coal mining and nuclear power. It has also campaigned over worsening air pollution across the country, which experts have blamed for nearly a million deaths.

Many charities critical of the Indian government have been in the

Note



crosshairs in recent years.

Last year, Amnesty International's office was raided by police over alleged funding violations. The watchdog described it as a move to "instil fear" among rights groups.

2. Interim Budget 2019: A booster dose for consumption, investment

Focus must now be on relentless implementation of the reforms announced in the Interim Budget

The Interim Budget should spur consumption that, in turn, would impel the private investment cycle.

After three years of prudence, the NDA government slipped on the fiscal deficit target in fiscal 2018, and then again in 2019. For fiscal 2020, in the Interim Budget, it has pencilled in fiscal deficit at 3.4% of GDP, or 30 basis points (bps) more than envisaged under the **Fiscal Responsibility and Budget Management (FRBM) Act**.

No surprise there, because persuasions of a battle of hustings typically preclude fiscal rectitude.

In the milieu, the Interim Budget's focus on rural India and agriculture was expected. The pension and personal tax proposals come as the icing. This should push up consumption, especially in the social strata that has a higher propensity to consume, and in the process, animate a slothful private-sector investment cycle. That is important because the government, which gamely drove investments in the past couple of years, will have to take a back seat with the fiscal slippage showing.

What will be helpful here is that capacity utilisation has ticked up and the corporate deleveraging cycle is progressing well. The Interim Budget also promises to leave more money in hinterland hands. The PM Kisan scheme alone could inject 95,000 crore into the farm economy in the current and next fiscals. CRISIL estimates this would boost profit from farming by 22%. Add the impact of proposed interventions on insurance, credit and calamity relief, interest subvention on animal husbandry and fisheries, and agriculture, the economy already looks reassuring.

Tax rebate

Then, there is something for the middle class, too. The tax rebates for those earning up to 5 lakh, the 10,000 increase in standard deduction, and the hike in the TDS threshold on interest earned on deposits up to 40,000 are also consumption triggers. The focus should now be on relentless implementation of announced reforms by getting the State machinery moving at full tilt.

Sectorally, the consumption boosting measures augur well for low-value consumer durables, fast-moving consumer goods and select automobile segments. Sales of mobile phones, smaller-sized television sets and entry-level two-wheelers should be positively impacted. Higher rural income will also spur demand for packaged food items such as biscuits and bakery products.

Focus on road building under National Highway Authority of India and PradhanMantri Gram SadakYojana will spur demand for commercial vehicles and tractors, respectively. Construction of roads has payoffs as it is highly labour-intensive and in addition to job creation, is productivity-enhancing.

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Without doubt, consumption would be on a firm stead if these measures are pursued in the post-election budget as well. As the Finance Minister indicated, the Budget is best read in the context of India's development journey.

Future of India's growth in next fiscal

Coming after two years of slowing private consumption, continuing sluggish rural demand and wage growth — both on and off the farm — the measures in the Interim Budget can help re-invoke demand from middle and lower strata. That would be opportune because the global economy is witnessing weak and asynchronous growth, with risks tilted to the downside. Export growth, which had made a comeback in 2018, faces risks of weakening global trade growth owing to escalating trade wars, this year.

Next fiscal, therefore, India's growth will have to be driven largely domestically. At this juncture, India needs good luck on crude oil and monsoons as well as relentless execution of budgetary proposals to fire growth.

Private consumption, which accounts for over 55% of GDP, can be that domestic driver. If the monsoon turns out to be adequate for the fourth straight season, and crude oil prices remain leashed as now, India's GDP could grow at 7.3% in fiscal 2020.

With higher growth comes higher inflation. Higher demand will maintain the pressure on core inflation which continues to hover around 5.5%. Food inflation too is expected to move up from a very weak base of fiscal 2019 as global food prices move up and efforts to improve the realisations of farmers bear fruit. CRISIL estimates indicate inflation could move up from 3.7% in fiscal 2019 to 4.5% in fiscal 2020.

The focus of the full Budget in June-July next, irrespective of political outcome, needs to be generously on the lower- and lower-middle income strata. The next leg of growth can then be materially inclusive and therefore more sustainable.

3. Interim Budget Highlights - 2019

An Interim Budget usually doesn't list out new schemes or doesn't unveil any policy measures. The government will present the vote on account for the next four-to-five months. A full-fledged Budget will be presented after the House reassembles after the general election.

	2017-18 (Actuals)	2018-19 (Budget Estimates)	2018-19 (Revised Estimates)	2019-20 (Budget Estimates)
Revenue Receipts	14,35,233	17,25,738	17,29,682	19,77,693
Capital Receipts	7,06,742	7,16,475	7,27,553	8,06,507
Total Receipts	21,41,975	24,42,213	24,57,235	27,84,200
Total Expenditure	21,41,975	24,42,213	24,57,235	27,84,200
Revenue Deficit	4,43,602	4,16,034	4,10,930	4,70,214
Effective Revenue Deficit	2,52,568	2,20,689	2,10,630	2,69,474
Fiscal Deficit	5,91,064	6,24,276	6,34,398	7,03,999
Primary Deficit	62,112	48,481	46,828	38,938

1. No income tax for earnings up to 5 lakh

Note



2. Individuals with gross income of up to 6.5 lakh need not pay any tax if they make investments in provident funds and prescribed equities
3. Standard tax deduction for salaried persons raised from 40,000 to 50,000
4. TDS threshold on interest on bank and post office deposits raised from 10,000 to 40,000
5. TDS threshold on rental income increased from 1.8 lakh to 2.4 lakh
6. I-T processing of returns to be done in 24 hours
7. Within the next 2 years, all verification of tax returns to be done electronically without any interface with the taxpayer
8. Package of 6000 per annum for farmers with less than 2 hectares of land. Scheme to be called PradhanMantriKisanSammanNidhi.
9. Vande Bharat Express, an indigenously developed semi high-speed train, to be launched
10. One lakh digital villages planned in the next five years
11. Fund allocation for the Northeast region increased to 58,166 crore, a 21% rise over last year for infrastructure development
12. Anti-camcord regulations to be introduced in the Indian Cinematograph Act to prevent piracy and contact theft of Bollywood films.
13. Single window clearance for Indian filmmakers.
14. 25 per cent of sourcing for government projects will be from the MSMEs, of which three per cent will be from women entrepreneurs.
15. National Artificial Intelligence portal to be developed soon
16. ESI cover limit increased to 21,000. Minimum pension also increased to 1000.
17. Mega pension scheme for workers in the organised sector with an income of less than 15,000. They will be able to earn 3000 after the age of 60. The scheme will be called PradhanMantriShramyogiMaanDhanYojana.
18. 2% interest subvention for farmers pursuing animal husbandry.
19. All farmers affected by severe natural calamities to get 2% interest subvention and additional 3% interest subvention upon timely repayment
20. Decision taken to increase MSP (minimum support price) by 1.5 times the production cost for all 22 crops
21. The 22nd AIIMS to come up in Haryana

4. Russia suspends participation in N-pact

Move comes a day after U.S. said it was starting a process to withdraw from the INF treaty

President Vladimir Putin suspended its participation in a key Cold War-era missile treaty in a mirror response to a U.S. move the day before. Moscow and Washington have long accused the other of violating the Intermediate-Range Nuclear Forces (INF) agreement, which was signed in 1987.

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President Donald Trump last year announced plans to withdraw unless Russia fulfilled its obligations.

Background of Intermediate-Range Nuclear Forces (INF) agreement

- The treaty was signed in Reykjavik, Iceland, in 1987 by President Ronald Reagan and Soviet leader Mikhail Gorbachev, and led to the destruction of more than 2600 missiles by 1991.
- It originally banned only the U.S. and the Soviet Union (later Russia) from deploying all ground-launched nuclear and conventional missiles with a range of 500 to 5500kms. After 1991, treaty also covered Russia, Belarus, Kazakhstan, and Ukraine under it.
- Through the treaty, the superpowers for the first time, agreed to reduce their nuclear arsenals, eliminate an entire category of nuclear weapons, and utilize extensive on-site inspections for verification.
- As a result of the INF Treaty, the United States and the Soviet Union destroyed a total of 2,692 short-, medium-, and intermediate-range missiles by the treaty's implementation deadline of June 1, 1991.

Russia

- In the past, Russia has raised the possibility of withdrawing from the INF Treaty. It contended that the treaty unfairly prevents it from possessing weapons while its neighbors, such as China, are developing and fielding weapons.
- Russia has suggested that the proposed U.S. deployment of strategic anti-ballistic missile systems in Europe might trigger a Russian withdrawal from the accord, presumably so as to deploy missiles targeting any future U.S. anti-missile sites.

United States

- The United States first alleged in its Compliance Report 2014 that Russia is in violation of its INF Treaty obligations- "not to possess, produce, or flight-test" a ground-launched cruise missile having a range of 500 to 5,500kilometers.
- The present context of US pulling out of the INF treaty is based on the allegation that Russia has developed and deployed Novator 9 M 729 missiles, also known as the SSC-8, that could strike Europe at short notice. Russia has, however, repeatedly denied the allegations

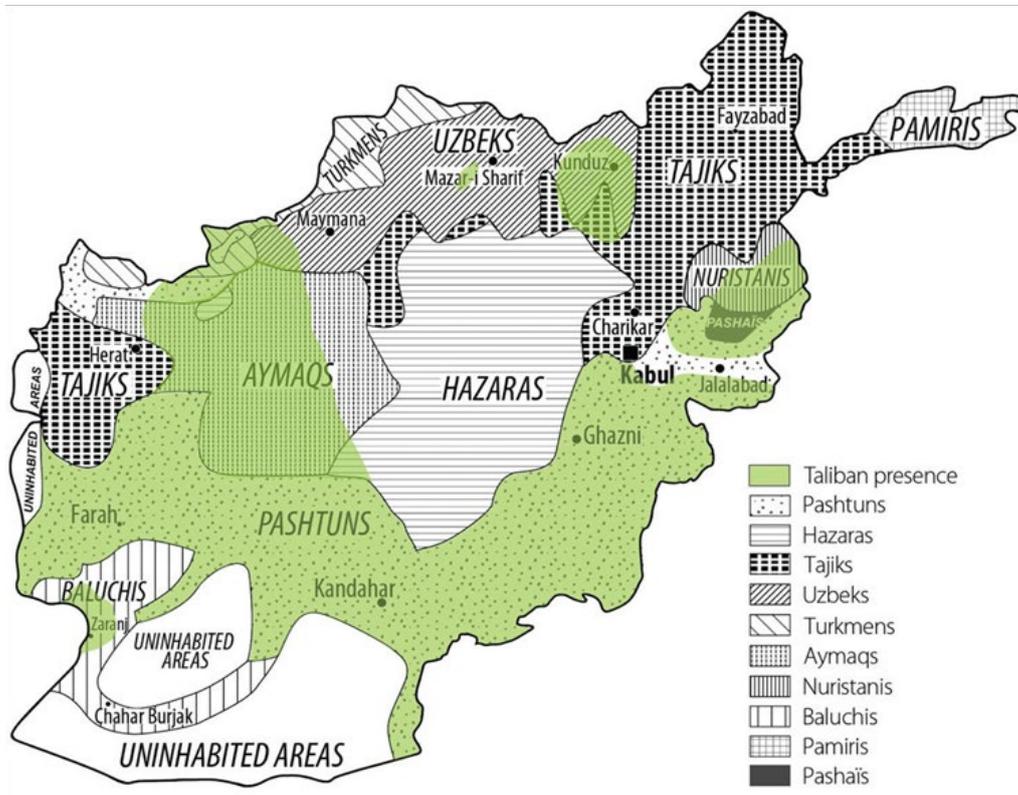
Other motives

- According to US, Cold War-era treaty did not address new missile threats from countries such as China, Iran and North Korea, and is therefore redundant.
- A withdrawal will allow the U.S. to have new weapon options, which are not bound by the INF treaty, in the Pacific region where growing influence of China in the past decade is challenging the dominance of US in the region. In the recent past, China's growing military might has become the strategic centrepoint of US nuclear strategy.
- According to US, the existence of the INF Treaty creates hindrance in establishing a line of total U.S. domination and supremacy in the military sphere all over the world.

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5. America's war and peace with Taliban



New developments in the peace talks between the U.S. and the Taliban have raised both hopes and concerns of the Afghan people.

In the latest round of meeting between the U.S. special envoy, ZalmayKhalilzad, and Taliban representatives, which lasted six days, both sides agreed in principle to the framework of a deal. While there are several unverified accounts in the media as regards this framework, one thing is certain — the withdrawal of U.S. troops from Afghanistan.

Due to strong resistance from the Taliban, the Afghan government has not yet been fully included in the talks. “There is a lot more work to be done before we can say we have succeeded in our efforts,

but I believe for the first time that I can say that we have made significant progress.

Several international media houses reported that the proposal for an interim administration was discussed with the Taliban, raising concerns over the reasons for the delay of the upcoming presidential election.

Vulnerable groups

However, despite assurances from both Taliban and the Afghan government, several Afghans have expressed concerns over a framework that will allow the return of the Taliban; this is more evident among vulnerable groups like women and minorities, who suffered under the extremist regime in the late 1990s.

The first [point of] fear me and a lot of women who are educated and working outside [have] is that we might lose our freedom once again. Second, our schools will be closed again.

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