

INDIAN ECONOMY AND INTERNATIONAL ORGANISATIONS

Time Allowed: 3 hrs.

Max. Marks: 250

| Q. | Marks | Instructions to Candidate |
|-----|-------|--|
| 1. | | <ul style="list-style-type: none">• There are 20 questions.• All questions are compulsory• The number of marks carried by a question is indicated against it.• Answer the questions in NOT MORE THAN 200 words each. Contents of the answer is more important than its length.• Answers must be written within the space provided— <p>Any page or portion of the page left blank in the Question-cum-Answer Booklet must be clearly struck off.</p> |
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REMARKS

GS SCORE
GS MAINS TEST SERIES 2017

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Q1. High logistics cost is one of the major reasons for uncompetitive of Indian goods in global markets. In this reference discuss the significance of having multimodal logistic approach in India. What are challenges in present logistics sectors? Also discuss some of the major trans-boundary multimodal projects of India. (12.5 Marks)

High logistics cost not only impacts internal trade but makes Indian goods uncompetitive for export. In this context, steel is one of the apt example as cost of production of steel is almost equal to global production ^{cost}, but its transport makes it uncompetitive due to railways cross-subsidy subsidisation scheme.

The significance of multi-modal logistic approach i.e. using the efficiency of all

modes - i) surface - transport

ii) cargo - airways and

iii) ~~sea~~ inland and coastal waterways.

would help bring efficiency and reduce

the transport cost.

It would create new jobs specially in logistics.

As India is witnessing a boom in e-commerce, efficient logistics has become essential.

The challenges faced by India are

(a) Too much burden on National Highways:- About 45% of Internal Trade

3 1/2

Remarks

- focus more on relevant points.

- (b) Poor Infrastructure → Poor roadways and poor maintenance of bridges.
- (c) Cross subsidisation in Railways
- (d) Unused and unused workshops.
- (e) Inland waterways not fully utilised.

In this context, India has pondered to launch Roll-on and Roll-off trucks

in Railways. NHAI is conducting LEEP logistics Enhancement & Efficiency Programme to survey our national highways.

India's major multi-modal projects are

- (a) Kolkata Multi-modal Project :- It would link the North East of India via Myanmar
- (b) Gwadar Port :- Gwadar Port is to be linked by Daryam Highways, connecting India to Afghanistan and Central Asia.
- (c) Sagarmala Project :- It is port-led development modal, connecting Indian ports with all weather roads, developing manufacturing clusters.

Remarks

Q2. What do you understand by the term Industries 4.0? How it is going to impact the employment generation in India? What possible steps can be taken to avoid any adverse effects on employment generation from Industries 4.0? (12.5 Marks)

Post Industrial revolution which began in 1750s, it has been divided into 3 phases:-

Phase 1:- Iron and steel led growth

Phase 2:- Automobile led growth

Phase 3:- Computer and Microprocessor led growth.

The current phase is called as Industrial 4.0.

Last year, at world Economic Forum, the concept of Industrial 4.0 was unveiled which includes

Internet of Things. The Industrial 4.0 means

blending of technologies with ?? → Biotechnology,

Nanotechnology and Internet of Things.

India has never been an epicentre for any phase of Industrial ^{and} Revolution.

Industrial 4.0 lies as an opportunity

for India to be tapped. This can create a

lot of job opportunities as we have a

(a) Good IT/ITES skill force.

(b) In Biotechnology, ^{and} we have good

Research & Development Institutes like IISc,

TIFR.

2 1/2

Remarks

Many Experts fear that Industries use includes Automation and Artificial Intelligence. Hence, it would be a job killer. But Artificial Intelligence would only kill those jobs which are redundant. It would free out workforce to look for other jobs.

In order to minimise job killings, we need to do :-

(a) Indian IT (Information Technology) sector firms need to invest more in Artificial Intelligence to maintain profitability. Infosys has done this step.

(b) The workforce needs to be re-skilled. New technologies need to be taught at college level.

(c) For Indian engineers, it is essential to revise curriculum and provide the internship opportunities.

(d) India should push hard for Trade Participation in Services so that Indian engineers are not ~~pre~~ denied visa entry.

Remarks

Q3. This Question contain 2 parts and both are compulsory:

- (a) Analyze the recommendations of Bibek Debroy committee. How this would impact the development of Railway infrastructure in India?
- (b) Indian Government recently established the Rail Development Authority. What is the objective of this authority? Will the setting up of the authority will help in tackling the challenges faced by Indian railways? (12.5 Marks)

Ⓐ Bibek Debroy committee made following recommendations

Establishment of Independent Railway Development Authority :- The body should be autonomous in deciding rail fare. It would depoliticise the railways and also minimise the ill effect of cross subsidisation. The government has given green nod and the body would also look after →

Ⓐ Generation of revenue from other sources

Ⓑ Investment and development of infrastructure in railways.

Establishment of Rail Sanjivani Kosh. This is to create a fund so that a focused work on enhancing Indian railways security can be taken.

Ⓑ Indian railways recently established the Rail Development Authority. The objective of the

For other features refer next

11+21
2

Remarks

authority are:-

- (a) To decide fares.
- (b) To look after universal social obligation of railways.
- (c) To attract investment in railways from private sector.
- (d) It will act as a facilitator in PPP projects.

Setting up of Indian Rail Development Authority is a welcome step. It would depoliticise the railways, would help reduce the ill-effects of cross subsidisation and would help in generation of income.

However, the body must be given autonomy, political influence should be minimized and some accountability need to be imposed.

apart from it, in order to heal Indian railways, following things need to be done,

- (a) Modernisation of Rail tracks.
- (b) Cross subsidisation need to be abolished.
- (c) Deliberations on privatising the private land and property held by railways.

Remarks

Q4. What do you understand by Universal Basic income? What is the estimated fiscal impact of this scheme and assess its feasibility in Indian purview? (12.5 Marks)

Universal Basic Income, as its name suggests, seeks to transfer a certain amount of income to every individual irrespective of her socio-economic status. The Economic ~~Survey~~ Survey 2016 talks about UBI in detail.

The merits of UBI are :-

- (a) It would have zero ^{ex.} exclusion error.
- (b) It would provide a certain money, which would act as a cushion in case of adverse conditions like ill-health, job loss.
- (c) It would give choice.

However, it would have huge ~~excl~~ inclusion error, many are worried about privatised spending and it may be harmful for family.

Currently, India spends about 4.5% of its GDP on various welfare and subsidies. India spends primarily on Health, Education, Food security and

(3 1/2)

Remarks

-underline key words

social security. If we go for winding up all such schemes, and roll out UBI. The first question would come is how much money would be basic. If we go by B. 27 and B. 33 which is the line of poverty set by Tendulkar and give ₹ 1000 per person per month, the fiscal impact would be much larger. This will come around 9%.

Feasibility in India.

UBI is not feasible at current situation because

- Ⓐ It would be unwise to wind up ^{to some} all existing welfare schemes. why? fiscal burden on state - Ref. Unit
- Ⓑ The schemes like NFSA (National Food Security Act) and MGNREGS are inflation linked, however UBI is not.
- Ⓒ There needs to be more deliberations on UBI.

UBI is a western concept, It requires more debate and deliberation before switching to it in India.

Remarks

Q5. Government has in recent launched the Regional Connectivity Scheme. How this is going to transform the civil aviation sector? What are the likely challenges it is going to face? (12.5 Marks)

Regional connectivity scheme is one of the ambitious scheme of India which is aimed at boosting tourism, by using the underused and unused airstrips of India. The scheme includes following components (a)

(a) UDAN :- Ude Desh ka Nam Nagrik :- It seeks to connect many tourist places like Shimla, with airlines. The government would cap the fare on this route, the government would provide viability gap funding by levying cess on flights on normal routes.

(b) 5/25 scheme :- the government has switched from 5/25 to 0/25 scheme where any airline can go for international flights provided it has 25 flights for domestic.

(c) open sky policy :- The unlimited number of international deals between SAARC nations and nations with a distance greater than 4000 km.

12

Remarks

- Give more weightage to what is asked

- Refer to it

(d) MRD → Maintenance- Repair and Overhaul → This would create jobs in the civil aviation sector.

The above steps taken by the government would give a boost to Indian civil aviation. India's civil aviation is already growing at a healthy pace of 23% challenges to be faced.

(4) In VGF scheme, state also need to contribute. Hence, many poor states would not like to join it.

(2) Open sky policy:- It is still not tapped. Only Greece has signed open sky policy with India.

(3) Health of Air India is not good. Its privatisation would impact this.

(4) Many private airlines are apprehensive that once government stops VGF and if routes are not profitable, then they would stop flights on such routes.

Remarks

Q6. This Question contain 2 parts and both are compulsory:

- (a) Indian service sector, especially IT sector, has been the main anchor of growth and employment in the 21st century. However, in recent past, the Indian IT sector has been in news for lay-offs and not for job creation. What are the reasons for this? What corrective steps needs to be taken in this regard?
- (b) Indian IT sector has been beneficiary of H1B visa allowances and liberal visa policy of USA in case of highly skilled employees. Examine how Indian IT industry is going to be affected following the strict visa policy under Trump regime.

(12.5 Marks)

(a) Indian IT sector has anchored the growth of Indian services ~~to~~ mainly because of (a) skill of Indian IT workers

(b) affordability

Indian IT firms specially in consultancy have dominated European and North American markets.

However, the sector has been under turmoil. This is because :-

(1) Dependence on foreign firms:- Indian IT sector is dependent on foreign firms specially North American and European

(2) Rise of protectionism:- America's H1B visa policy, Australia's US7 visa policy and similar protectionist visa policies of European countries.

Global slowdown, one of the imp. reason

Remarks

24/12

③ change in technology:- New technologies are coming up specially in data analytics.

④ coming of automation:- Automation is making many jobs redundant.

⑤ Part of 'Business Cycle':- As business of global shrinks, its effect are seen on IT sector.

Various steps to be taken:-
 (a) Retrain the workforce
 (b) Diversify the market
 (c) Invest on new technologies.

⑥ The recent tightening of H1B visa policy by the US is going to affect Indian IT engineers. The visa fee has been increased and the number of visa issued each year is to be decreased.

① India's 60% of revenue in IT comes from the North America. Hence, IT sector is going to be affected.

② They would need to hire local Americans and affordability of US workforce is not as competitive as Indians.

India needs to resolve the H1B issue either bilaterally or going to World Trade Organisation.

Remarks

Q7. In recent there has been a spurt in digitization. Can digitization help in bringing inclusive growth in India? What steps should be taken to realize the goal of inclusive growth in digital economy? (12.5 Marks)

The government's several steps in last couple of years like - Digital India, Demonetisation, launch of UPI (Universal Payment Interface), coming of 4G technology at affordable price has led to spurt in digitization.

In order to bring inclusive growth in India, digitization can become a catalyst. It would create jobs, it would bring many people under financial coverage like - Jan Dhan Yojana, it would also improve public service delivery. Let us

look:-

(a) JAM - Jan Dhan - Aadhaar - Mobile
 Trinity would make welfare programmes less corrupt and more inclusive.

(b) UPI, *99H, BHIM app:- people are coming under financial inclusion.

(c) e-Kranti and e-governance would enhance the public service delivery mechanism.

(d) The convergence of Skill India with Digital India would create jobs, e-commerce

Remarks

Part II of Ans is compromised although have equal weightage.

platforms could be used by MSMEs to diversify market.

e-NAM - National Agricultural market would connect farmers to traders.

However, World Bank report of 2013 talks about Digital Divide. In order to minimize

Digital Divide, 2 things are needed

- ① Development of Digital Infrastructure
- ② Digital Literacy and Digital Awareness

The steps to be taken in order to make realize the goal are -

①. Improve Infrastructure:-

- Government has taken an ambitious plan to connect all Panchayats with Broadband.

② Digital Literacy:- Many schemes like - VESAKA, DEHA, Digigyan are taken.

Remarks

Q8. A decision of merging five associate state banks to State Bank of India was taken recently. Discuss the prudence of this move and critically analyze the need of bank consolidation for Indian financial sector. (12.5 Marks)

Recently, the government decided to merge five associate banks of SBI - ~~(a) SBI State~~ Bank of ~~(a) Patiala~~ (b) Mysore ~~(c) ~~Patna~~ Hyderabad~~

The idea of consolidation of bank was based on improving Economy of scale.
If confusing no need to write

As Indian banks are ailing under stress of Non-performing assets, their profitability has declined. Hence, in order to reduce the costs incurred on overlapping, redundant branches etc. the step was taken to consolidate the banks. It would

(a) ~~Patna~~ Make few branches redundant. Hence, banks can shift these branches to other localities.

(b) A more powerful bank would be created in terms of capital. SBI would come under top 50 of the rankings of global banks.

However, there are few concerns →

Remarks

- One need more content although good consistency in writing

34 1/2

(a) Merging of a healthy bank with unhealthy bank is not a wise option because it would ~~make~~ ^{spoil} the books of healthy bank.

(b) Bank consolidation would lead to few banks. In case of economic turmoil, it would make our financial sector more risk averse.

(c) Bank consolidation is cumbersome task. Merging of books of two banks, looking after transfer and posting of employees would create a trade off between economic work and administrative work.

(d) There may be some hesitations from the employees of the bank.

Bank consolidation should be the last option. The government must infuse more capital into banks, make a bad bank and dispose off NPA ^{quickly}.

Remarks

Q9. RBI has been issuing banking licenses under differentiated bank system Wholesale and Long-Term Finance (WLTF) banks. What is the need of such specialized banks? Discuss the scope and benefits of having WLTF banks. (12.5 Marks)

Recently, the RBI has come up with a concept paper of issuing banking licence for wholesale and long term finance. In last two

years, it has come up with

(a) Payment Banks:

(b) Small Finance Banks:

The aim of RBI is to widen financial inclusion. On the lines of Nachiket Mor committee, Payment Banks and Small Finance Banks were launched. The idea was that these two banks would serve the need of different groups like

Payment Banks would look after digital payments and Small Finance Banks would look after giving credit to MSMEs.

On the similar lines, Wholesale and Long Term Finance banks concept paper aims at forming such banks which ~~can~~ will lend money to

can be written in conclusion but in introduction address

ques is in WLTF not pay - in cents in 12 line but not whole pay

2 1/2

Remarks

various projects which are long term like construction of ports, construction of Highways.

Since, public sector Banks are a source of lending money to long term projects, these banks would become an enduring source of capital.

P.I. would reduce the burden of public sector banks which are sometimes politically influenced to lend to such projects which are unsustainable.

WLTFS → since, WLTFS would lend based on its nationality and market forces, it would be politically isolated.

For last few years, RBI has gone for overlap strategy for giving licences. However, it fails to give reasons to many bidders who do not get licences. P.I. is also not understood that why RBI wants to keep many big business houses out of banking sector by making arbitrary conditions like experience of 10 years needed for getting licence.

Remarks

Q10. Government launched Pradhan Mantri Fasal Bima Yojana (PMFBY) to reduce the vulnerability of farmers from natural calamities and ensure sustainable farm income. While highlighting its major provisions, also discuss the performance and challenges it is facing while implementation. (12.5 Marks)

Pradhan Mantri Fasal Bima Yojana was launched to help the farmers and to insure their crops from natural calamities.

Major provisions are:-

- ① Uniform premium of 2% for Kharif crop, 1.5% for Rabi and 5% for Horticulture crop.
- ② There is no upper cap on premium.
- ③ The government would use technology like - UAVs - Unmanned Aerial Vehicles for making an assessment.
- ④ Post Harvest losses were also considered under this scheme.

The challenges faced by PMFBY - Refer links for more

- ① Lack of Infrastructure - UAVs and other technologies for making assessment are lacking.
- ② Post Harvest losses are not considered. Harvest losses due to Man-Animal conflict, are not considered.

Remarks

© Many Eastern states and other poor states are not fully utilizing the benefits of PMFBY.

© Awareness among the farmers is low.

The above study was done by NDRD sayog recently on the eve of one year completion of the scheme.

Remarks

Q11. India is progressing on path of cashless economy. In this reference what are the major initiatives by the government to facilitate cashless economy? Also discuss the critical challenges, Indian economy is facing to adopt cashless transactions. (12.5 Marks)

Among BRICS, the use of cash ~~is~~ vis-a-vis total transactions is highest ~~in~~ in India. The government has taken a lot of steps to make India ~~less~~-cash economy. They are →

(a) To facilitate attitudinal change :-

Demonetisation was one of the step taken by the government.

(b) Infrastructure :-

In order to build digital infrastructure, the government has taken ambitious project Digital India, connecting 5 lakh gram panchayats with broadband, coming up of 4G at affordable rate.

Launch of Universal Payment Interface, BHIM app, Aadhaar Enabled Payment System.

(c) Financial Inclusion :- Jan Dhan Accounts and mobile phones acted as a facilitator.

(d) Digital Literacy :- The government launched Digital Saksham - TV channel for spreading benefits of digital Economy. Digital Mela, Vidhya Sabdartha Abhiyan.

4 1/2
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Remarks

Despite ~~making~~ ^{launching} all the above schemes for cashless economy; there are few challenges which are →

- ① Cash is convenient and its familiarity.
- ② Many people (about 70%) are still unconnected to Internet.
- ③ About 50% of our economy is informal, which is cash based economy. Many of the MSMEs ~~are~~ were affected during demonetisation.
- ④ Digital literacy and Digital Infrastructure is poor.

In order to move from cash economy to digital economy, a cautious approach needs to be taken. In this context, Patan Watal committee's recommendations

- like - # preparing Medium Term Strategy
- # Minimising Digital Divide
- # Taking the leverage of Jan Dhan and Aadhaar can be taken.

Remarks

Q12. Tourism is the one of the major economic activity in many advanced nations, though India is catching up in the sector, however, it's potential is still untapped. Discuss why India's tourism potential still largely untapped? (12.5 Marks)

Globally, tourism sector is the largest employer in services. India is endowed with many tourist places including spiritual and aesthetic. However, the tourism sector is still untapped.

The reasons for India's poor performance in tourism sector are →

- ① poor infrastructure: It includes connectivity road, railways, airports as well as lack of hotels.
- ② safety and security.
- ③ the unhygienic and unsanitary conditions of the cities. ~~It~~ It acts as a hindrance in attracting foreign tourists.
- ④ low income :- This is largely for domestic tourists. As people have low income, they don't have affordability.

In order to come out of this problem, the government has launched many schemes like →

elaborate
more
as
ques
ask
demand

34

Remarks

- ② PRAN and Swadesh Darshan scheme
- ③ Connecting tourist places via airlines through UDAN (Ude Desh ka Nam Nagrik)
- ④ Incredible India 2.0
- ⑤ Welcome India kit with giving pre-loaded SIM to foreign tourists.

Tourism sector can act as a net job giver and it has multiplier effect on economy. Tapping the tourism potential of North-Eastern States, we can accelerate the development process.

* FRIDAY

Remarks

Q13. Niti Aayog recently projected a compound annual growth of about 8% of Indian Economy and its transformation by 2031-32. In this light discuss, what policy actions are required for attain and sustaining this level of growth? (12.5 Marks)

In order to achieve 8% of growth, a holistic policy actions are required which should cater to -

- manufacturing
- agriculture
- services

For agriculture growth, the NITI has given 3 pronged formula -

- Enabling Land Leasing
- Focus on food processing - Diversification of fruits & vegetables from APMC.
- Come up with digital market - e-NAM for farmers.

In order, to boost our exports, ^{and} we need to improve our infrastructure. ₹1.5 trillion is required over next 10 years so that our infrastructure could be improved, we need to focus on certain sectors like - pharmaceuticals, textiles, mobile phones. ~~step~~ to keep our development

Remarks

- Ans links content

12/2

Greater formalisation of economy, shift from cash based economy to cashless economy is needed.

The states need to compete with each other in order to implement ease of doing business.

Remarks

Q14. "Sabka Saath, Sabka Vikas" is not possible without sustainable development of agriculture sector of economy. In this reference government's Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) is flagship scheme to reduce vulnerability of Indian agriculture toward failure of monsoon. While highlighting its major objective, discuss the performance of the scheme since its launch. (12.5 Marks)

poor ^{refer hit for more approximate point} growth rate, farmer suicide, reduction in agricultural income are causes of concern.

India's agriculture & ~~sector~~ is primarily rainfed, and depends on the monsoon. In order to reduce this dependence, Pradhan Mantri Krishi Sinchayee Yojana was launched.

It has 3 components :-

- (A) On Farm Water Management
- (B) Accelerated Irrigation Benefit Program
- (C) Integrated Watershed Management

The major objectives of this programme is

- (a) Hail khet ko paani :- It wants to irrigate every purland.
- (b) more crop per drop :- It envisages maximum efficiency in irrigation using ~~latest~~ latest technology like sprinkler system.

Since its launch a long term Irrigation fund of corpus Rs.

Remarks

2+1/2

20000 more has been established with NABARD.

There are certain challenges in land procurement, inter-ministerial clearings which is acting as impediment.

Few schemes like - sprinkler irrigation and drip irrigation is benefiting the farmers of Maharashtra, Karnataka.

In FY 2016-17, 5 lakh paddy ponds were created. This not only helps in irrigation but also provide job opportunities and ~~water~~ recharge of groundwater.

Remarks

Q15. Indian manufacturing products are uncompetitive in global market due to their low quality and standards, especially the exports from MSME sector. Discuss the issues pertaining to low quality of Indian manufacturing. Also discuss the significance of Zero Defect - Zero Effect (ZED) scheme in this regard. What else can be done to improve the quality and standards? (12.5 Marks)

- Refer link for this part
- Indian Manufacturing products are uncompetitive in global market due to their low quality and standards. The issues pertaining to low quality of manufacturing are -
- # Indian MSMEs are largely informal in nature. They cater to the domestic needs and hence quality is compromised.
 - # poor Infrastructure :- Connectivity is a problem including last mile connectivity.
 - # Indian MSMEs find it difficult to get credit loans. However, government's MUDRA scheme has helped in stepping up $\frac{1}{2} + \frac{1}{2} + \frac{1}{2}$
 - # Most of the workers in MSMEs are unskilled. The need is to skill them. This would increase efficiency.
 - # ~~Domestic Foreign Market~~ :-
- quality issues
- ranking issues
- Zero Defect and Zero Effect was launched recently with an aim to boost entrepreneurship among SC/ST.

Remarks

It focuses on two issues →

Ⓐ Quality

Ⓑ Carbon footprint

The scheme wants to enhance the quality of goods produced with minimum effect on environment.

In order to improve the quality and standards →

Skill the workforce

Give easy access to credit so that MSMEs could adopt new technologies.

Incentivise them to export more.

We can have an overhaul committee which shall look after quality standards of goods.

Make the ~~Great~~ Geographical Indication Goods more marketable.

Remarks

Q16. India has been facing twin balance sheet problem with Indian characteristics. What are Indian characteristics and what steps should be taken to find out the solution? How the recently passed ordinance, empowering RBI, is going to tackle the situation?

(12.5 Marks)

Twin balance sheet problem refers to

(A) rising non-performing assets in Indian Banks.

(B) the reducing ~~aff.~~ profitability of Indian firms. Both have become cause-effect of each other.

The steps which need to be taken to find the solution are →

(A) Resolve the issue of NPAs :-

The government including RBI has come up with many remedies like →

(1) S: 20 scheme where additional credit was given to certain projects, so that it could be completed. However, it led to over-investment

(2) SRA :- A sustainable strategic transport of Assets

(3) Pradakharch scheme etc - explain in detail here

In order to quicken the process, the government can come up with

Bad Bank that would buy all NPAs

and help in disposing off them.

Economic survey 2016 suggests creating

(3/2)

Remarks

PARA:- An Asset Reconstruction Agency which would be similar to bad bank.

The government has already passed Insolvency and Bankruptcy Code; the need of the hour is to quicken the process of bankruptcy of private firms.

Recently, an ordinance was passed which empowered RBI to directly monitor the insolvency and bankruptcy process of various firms. An oversight committee under the mentorship of RBI was formed. Few firms like Bhushan Steel are to be declared insolvent and it would dispose off the NPAs.

Remarks

Q17. This Question contain 2 parts; both are compulsory:

- (a) World Bank has been changing its spending pattern from infrastructure to healthcare. How does this change augment the efforts toward achievement of SDG and improved welfare?
- (b) The funding available with the international humanitarian spending agencies, like World Bank, UNCTAD, etc. is far less than optimum. Examine the reasons for such shortfall and suggest how spending deficit can be overcome.

(12.5 Marks)

Remarks

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Remarks

Q18. The emergence of China-led Globalization is the biggest challenge to the uni-polar world, that is in existence for almost 25 years. Elucidate. (12.5 Marks)

Post USSR collapse, the United States have enjoyed the tag of sole super power. However, a fast and steady growth of Chinese economy coupled with its growth in military, infrastructure is challenging the uni-polar world.

Economy:- China has become the second largest economy in dollars, while in terms of PPP (purchase power parity), it has become the largest economy.

The inclusion of Yuan in IMF's SDR conclusively shows that Chinese economy is to be reckoned with. Various sectors like shipbuilding, mobile phones, e-commerce, steel, pharmaceuticals, textiles are monopolised by China.

Infrastructure:- China led one belt one Road plan to connect Eurasian mainland with Chinese mainland & Maritime Silk Route also supports it.

Military:- Chinese assertiveness in Indian Ocean, South China Sea and the many.

Remarks

Key issues such as - Growing Chinese assertiveness?
- Dumping of Goods?

2 1/2

~~military~~ border dispute with its neighbours is also a concern.

Recently, when International Court of Arbitration passed a judgement ~~withdrawing~~ the Chinese claims of South China Sea, most of the South ~~East~~ East Asian countries did not speak. This is because of growth of China - economically and militarily.

Chinese led globalisation also includes birth of Asian Infrastructure Investment Bank which is to counter the Asian Development Bank.

India, too have huge trade deficit with China amounting \$ 52 Billion.

Slowly but steadily, the influence of U.S. is declining. This is evident from Donald Trump's U turn ~~of~~ on the issue of ~~of~~ one-China policy.

Remarks

Q19. IMF faces legitimacy crisis, if it can't solve the grievances of the developing countries regarding unequal representation and lack of leadership role. Critically analyze.

(12.5 Marks)

IMF - International Monetary Fund was created in 1945 with its mandate to

- Ⓐ deal with balance of payment crisis
- Ⓑ maintain liquidity and healthy exchange rate.

However, it is largely criticised for unequal voting rights and unequal representation. The western countries have monopoly in decision making. Last year, it was decided that IMF would make reforms in two fields:

- Ⓐ Voting Rights
- Ⓑ And SDR rights

Many of the countries like China, India and Russia gained from such reforms. However, the reform was postponed once again.

For many years, the reform was not made largely due to pressure from the U.S. Congress. If IMF wants to

Remarks

- lack of logical consistency in writing

have its legitimacy, it has to consider the aspirations of developing countries as well.

When IMF came to rescue India during early 1990s, it put many conditions like - devaluation of currency, liberalisation of economy etc. However, similar thing was expected during Greece crisis. way forward.

Regional Economics like South East Asia and emerging economies like BRICS are looking for an alternate institutes which could cater the aspirations of such countries.

In this context, Asian Infrastructure Investment Bank and New Development Bank have already been established. Sooner or later, they would challenge the monopoly of Bretton Woods funds.

Remarks

Q20. BRICS and AIIB has been two emergent institutions, which can challenge the hegemony of Bretton Woods institutions. However, for that to happen, China requires cooperation of the other developing countries rather than establishing hegemony over the new institutions. Critically analyze. (12.5 Marks)

BRICS and AIIB were formed to reduce the hegemony of IMF and World Bank. Since, these two institutions are controlled by western countries, emerging economies always found themselves discriminated.

BRICS include the emerging 5 economies of the world - Brazil, Russia, India, China and South Africa. BRICS has come up with its own bank New Development Bank (NDB) which would cater to the needs of these economies. In order to reduce complexity

BRICS come up with a solution that each BRICS member would have equal voting rights. The bank's head headquarters would be located at Shanghai while its first CEO would be from India. Looking at this egalitarian mandate, BRICS has so far not been influenced by Chinese.

Remarks

- Underline -

shy?
how?

2/2

Hegemony. However, closeness of China and Russia is a cause of concern. China-led Asian Infrastructure and Investment Bank has hegemonic element present. This is evident from ~~it is~~

- ① China's vote share is maximum
- ② AIIB is financing many of the China-led One Belt - One Road infrastructure projects.

As both institutes need to develop more, greater cooperation in decision making, is needed among the ~~the~~ developing economies.

Remarks