



A Path To Executive Power

Relevancy

- ✓ G.S. Paper 2
- ✓ Debate over office of profit and the principle behind it
- ✓ Issues related to office of profit in other states and measures to tackle the situation

Recently:

- ❖ On January 21, President Ram Nath Kovind approved the recommendation of the Election Commission (EC) to disqualify 20 Members of the Legislative Assembly (MLAs) of the Aam Aadmi Party (AAP).
- ❖ They were deemed to have been holding offices of profit as they were parliamentary secretaries to ministers in the Delhi government.
- ❖ The party protested the move saying the EC had acted in a unilateral manner as its MLAs had not been given a hearing.

What is Office of profit debate and what is the principle behind it?

- The concept of office of profit was first used in Britain in the 16th century.
- The underlying principle behind this is the doctrine of separation of powers.
- The office of profit rule seeks to ensure that legislators act independently and are not lured by offers from the executive.
- India's Constitution makers adopted this idea under Articles 102(1)(a) and 191(1)(a).
- The articles state that a lawmaker will be disqualified if he or she occupies "any office of profit" under the Central or State governments, other than those offices exempted by law.
- While the term "office of profit" is not defined in the Constitution, the SC has laid out its contours.

Similar issues in other states

- Recently, the Supreme Court struck down the Assam Parliamentary Secretaries (Appointment, Salaries, Allowances and Miscellaneous Provisions) Act, 2004, calling it unconstitutional.
- Thus the issue has a chequered legal past as the trend of appointing MLAs as parliamentary secretaries is done across the political spectrum.
- Many of such issues have been legally challenged and struck down by the judiciary.

Why do State governments create such posts in the first place?

- Such posts are mainly to reward MLAs who do find a place in the cabinet.
- One of the major constraints in cabinet formation is Article 164 (1-A) of the Constitution.
- The article limits the number of Ministers in State cabinets — including the Chief Minister — to 15% of the total number of MLAs of the State. For Delhi it is 10% of the total seats.
- While it can be debated whether the prescribed cap is too harsh, constitutional constraints and office of profit restrictions seek to prevent the creation of multiple executive posts to reward loyal legislators.

What are the other issues with such posts?

- In India's parliamentary system, contesting elections to the legislature is primarily seen as a path to exercise executive power.
- It is often ignored that holding the government to account is not only the Opposition's role but also that of the entire legislature. Rewarding MLAs with executive posts can restrict them from performing their primary role.
- The creation of such posts can also be attributed to the larger institutional malaise facing the legislatures.
- Lawmakers have been enfeebled over the years through measures such as binding party whips and a purely executive-driven legislative agenda.
- In such an institutional milieu, lawmakers increasingly seek positions with perks to exercise influence.

Unless legislatures are truly strengthened and the disproportionate power of the executive in the legislature curtailed, the demand for creating such posts will continue to persist.

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A Wider Net: On The Expanding Tax Base

Relevancy

- ✓ G.S. Paper 2
- ✓ Recent findings of economic survey
- ✓ Outcomes of expanding the tax base and what government should do

Recently:

- ❖ The Economic Survey 2017-2018 argues that the large gains on the indirect and direct tax fronts indicate that the primary intentions behind the two big-bang economic strides — of formalizing the economy and bringing more income into the tax net — have been met to some extent.
- ❖ The demonetisation of high-value currency notes and the advent of the goods and services tax regime have triggered a surge in the number of those filing taxes in the country.

What have been the outcomes of expanding the tax base?

- From about 59 million individuals who filed income tax returns or whose tax was deducted at source in 2015-16, the number of tax-filers rose by 10.1 million since the note ban.
- Stripped of statistical adjustments to avoid a bias in findings, the Survey assesses that roughly 1.8 million, or 3% of the existing compliers, started paying up.
- Many of them are reporting incomes close to the rupees 2.5-lakh threshold for personal income tax, so this may not swell the exchequer much. But it holds potential for growth as the new tax payer's progress in their vocations.
- Personal income tax collections are expected to rise to a historic high of 2.3% of GDP in 2017-18, compared to 2% between 2013-14 and 2015-16.
- This may seem glacial progress but could be considered a tipping point in a country where just 4% of adults pay personal income tax, though the government reckons that number should be 23%.

What are the findings of the Survey?

- The Survey finds a 50% increase in unique indirect taxpayers in the first six months of GST, with around 10 million registered taxpayers now compared to an estimated 6.5 million pre-GST.
- The GST regime, despite the initial chinks, could end up boosting India's macro-economic stability by breaking what the Survey terms 'inertia' of the tax-GDP ratio.
- This ratio for the Centre has remained at the same level since the 1980s, though the economy grew at an annual average of about 6.5%.
- The Survey has noted that both of India's underlying macro weaknesses — the fiscal and current account deficits — tend to get exacerbated when oil prices move up.
- A wider tax base could help tackle the fiscal accounts deficit.



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- Fixing exporters' GST woes and continuing to ease the transition pains under its new features, such as e-way bills to deter evasion, would be critical to attain the 7%-7.5% growth projected for the coming year.

What does the government needs to do further?

- The government needs a road map to expand the direct tax pie by pruning blanket exemptions for vocations such as farming and using a more proactive Big Data-driven approach to target evaders.
- The government must reward this tax base expansion by offering the 'compliant' some relief in the Budget, even if it means slashing high duties on petroleum products.
- High indirect taxes pinch the poorest the most thus the government must inculcate measures that resolve this issue.



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Climate Change And Agriculture

Relevancy

- ✓ G.S. Paper 2,3
- ✓ Economic survey, climate change, agriculture

Recently

- ❖ Economic survey has highlighted the impact of climatic change on the productivity of agriculture

Agriculture income and climatic change

- Agriculture income may fall by up to 25% in the medium term because climate change will hit crop yields, making it imperative to replace power and fertiliser subsidies by direct income support and to drastically expand irrigation, the Economic Survey said.
- Agriculture accounts for 16% of gross domestic product and 49% of employment in India, making it crucial in the overall economy, the survey said.
- Poor agricultural performance can lead to inflation, farmer distress and unrest.
- In recent years, farmers have suffered because of erratic monsoon rains, unseasonal showers on the eve of harvest and volatile prices, which at times dipped below the support price because of large stocks and good harvests. Lower yields because of high temperature and low rainfall due to climate change will add to their distress.
- The survey said the impact of climate change on agriculture was already visible. "The government's laudable objective of addressing agricultural stress ..
- The survey said the impact of climate change on agriculture was already visible.
- The government's laudable objective of addressing agricultural stress and doubling farmers' incomes consequently requires radical follow-up action, including decisive efforts to bring science and technology to farmers, replacing untargeted subsidies (power and fertiliser) by direct income support, and dramatically extending irrigation but via efficient drip and sprinkler technologies.



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Economic Survey 2017-2018- Farm Sector Sees 'Feminization'.

Relevancy

- ✓ G.S. Paper 2
- ✓ Recent changes in agriculture sector
- ✓ Contributions made by women and government's initiatives to increase women contribution

Recently:

- ❖ The Economic Survey 2017-18 released on Monday states that there is a rise seen in migration of men from rural to urban areas.
- ❖ There is 'feminization' of agriculture sector, as the number of women in multiple roles such as cultivators, entrepreneurs and laborers is increasing.
- ❖ The Survey also stressed the need for an 'inclusive transformative agricultural policy', aimed at gender-specific interventions.

What are the recent changes in agriculture sector?

- With growing rural to urban migration by men, there is 'feminization' of agriculture sector, with increasing number of women in multiple roles as cultivators, entrepreneurs, and laborers.
- Worldwide, there is empirical evidence that women had a decisive role in ensuring food security and preserving local agro-biodiversity.
- Rural women are responsible for the integrated management and use of diverse natural resources to meet the daily household needs.
- However women farmers do not have enhanced access to resources like land, water, credit, technology and training which warrants critical analysis in the context of India.
- The Survey observed that crucial role of women in agricultural development and allied fields was a fact long taken for granted.

What are the contributions made by women?

- The contribution of women to agriculture and food production for sustainable development of agriculture and rural economy cannot be ignored.
- Notably, as per Census 2011, out of total female main workers, 55% were agricultural laborers and 24% cultivators.
- However, only 12.8% of the operational holdings were owned by women, which reflected the gender disparity in ownership of landholdings in agriculture.
- The Survey added that with women predominant at all levels — production, pre-harvest, post-harvest processing, packaging, marketing — of the agricultural value chain it is imperative to adopt gender specific interventions.

What should be done?

- An 'inclusive transformative agricultural policy' should be there that aims at gender-specific interventions to raise productivity of small farm holdings.
- Integrate women as active agents in rural transformation, and
- Engage men and women in extension services with gender expertise.
- The Union government must implement various schemes to improve the entitlements of women farmers.

What is the government doing?

- To ensure main-streaming of women in the agriculture sector, the government is earmarking at least 30% of the budget allocation for women beneficiaries in all ongoing schemes-programmes and development activities.
- It is also focusing on women self-help groups (SHG) to connect them to micro-credit through capacity building activities and to provide information and ensuring their representation in different decision-making bodies.



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GST Leads To Increase In Number Of Indirect Taxpayers

Relevancy:

- ✓ GS Prelims, GS Mains paper III
- ✓ Economy, GST and increase in number of taxpayers, Economic survey

Recently:

- ❖ The Economic Survey 2017-18 has revealed that:
- ❖ There is a 50% increase in number of Indirect Taxpayers
- ❖ Maharashtra, Gujarat, Karnataka, Tamil Nadu & Telangana account for 70% of India's exports
- ❖ India's internal trade in goods and services is 60 percent of GDP.

Some important findings are as under:

- 50% increase in number of indirect taxpayers
- Large increase in voluntary registrations under GST
- Distribution of GST base among states closely linked to size of their economies
- Strong correlation between export performance and states' standard of living
- India's largest firms account for a much smaller share of exports than in other comparable countries
- India's formal sector is substantially greater than currently believed

Details are as under:

- 50% increase in number of indirect taxpayers:
- The profile of new filers is interesting as out of their total turnover, business-to-consumer (B2C) transactions account for only 17 percent of the total.
- The bulk of transactions are business-to-business (B2B) and exports, which account for 30-34 percent apiece.
- There are about 1.7 million registrants who were below the threshold limit (and hence not obliged to register) who nevertheless chose to do so.
- Indeed, out of the total estimated 71 million non-agriculture enterprises, it is estimated that around 13 percent are registered under the GST.
- Distribution of GST base among states closely linked to size of their economies:
- Maharashtra, UP, Tamil Nadu and Gujarat are the States with the greatest number of GST registrants.
- UP and West Bengal have been large increases in the number of tax registrants compared to the old tax regime.
- It also underlines that the distribution of the GST base among the States is closely linked to the size of their economies, allaying fears of major producing States that the shift to the new system would undermine their tax collections.

Strong correlation between export performance and states' standard of living:

- The five States-Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana account for 70% of India's exports.
- New data on the international exports of States suggests a strong correlation between export performance and States' standard of living.
- Last year Survey had estimated that India's Inter-State trade in goods was between 30 and 50 percent of GDP.
- But the GST data suggests that India's internal trade in goods and services (excludes non-GST goods and services) is actually even higher and is about 60 percent of GDP.
- India's largest firms account for a much smaller share of exports than in other comparable countries:
- Export concentration by firms is much lower in India than in the US, Germany, Brazil, or Mexico. The top one percent of firms accounted for 72, 68, 67 and 55 percent of exports in Brazil, Germany, Mexico, and USA respectively but only 38 percent in the case of India.
- Similarly, the top 5 percent accounted for 91, 86, 91 and 74 percent in those countries, compared with 59 percent in India and the top 25 percent of firms accounted for 99, 98, 99 and 93 percent in those countries, as opposed to 82 percent in India.

India's formal sector is substantially greater than currently believed:



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- Referring to India's formal sector, especially formal non-farm payroll, the Survey says it is substantially greater than currently believed.
- Formality defined in terms of social security provision yields an estimate of formal sector payroll of about 31 percent of the non-agricultural work force; formality defined in terms of being part of the GST net suggests a formal sector payroll share of 53 percent.



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India Not Yet Facing “Late Converger Stall”

Relevancy:

- ✓ GS Prelims, GS Mains paper I, III
- ✓ Economy, Globalisation, late convergence, Economic survey

Recently:

- ❖ Economic Survey 2017-18 was tabled in the parliament.
- ❖ In one of the chapters the Survey examines how far the apprehensions of an impending “Late Converger Stall” are true for India and whether the stall is likely to affect India’s growth in the coming years.

Key finding:

- The Survey notes that the present era is one of economic convergence whereby poorer countries including India have grown faster than richer countries and closed the gap in standards of living.
- India moved from being a low income country in 1960 to a lower middle income country in 2008, and is now attempting to make a transition to middle income status.
- However, there are fears that this process of convergence may slow down for the late converger countries like India, who are trying to make this transition after the global financial crisis.
- It notes that India needs to take on four challenges in order to ward off the fears of an impending “Late Converger Stall” in the process of economic development.
- The four challenges that the Survey points to include: the backlash against globalization which reduces exporting opportunities, the difficulties of transferring resources from low productivity to higher productivity sectors (structural transformation), the challenge of upgrading human capital to the demands of a technology-intensive workplace, and coping with climate change-induced agricultural stress.

Details are as under:

1. **Hyper globalization repudiation or backlash against globalization –**

- Early convergers like Japan, South Korea and China were able to post average export growth rates of over 15% for thirty years of their convergence periods.
- However, the trading environment has changed for late convergers like India.
- A backlash in advanced countries against rapid globalization has led to a fall in world trade GDP ratios since 2011.
- This means a decline in exporting opportunities, especially since politics in advanced countries is moving de facto in the direction of seeking and forcing lower trade GDP ratios.
- **Thwarted structural transformation or difficulties of transferring resources from low productivity to higher productivity sectors**
- For successful development, resources need to shift from low productivity to high productivity sectors.
- Structural transformation gets thwarted if resources shift from informal, low productivity sectors to ones that are only marginally less informal or more productive.
- Studies in India show a weakening correlation between overall growth and good growth.

2. **Upgrading human capital to the demands of a technology-intensive workplace**

- Late convergers like India have failed to provide even the basic education necessary for structural transformation.
- This is reflected in the finding that in India, roughly 40 to 50% of rural children in grades 3 to 8 cannot meet the basic learning standards.
- This failure will prove increasingly costly because the human capital frontier for the new structural transformation will shift further away as technology will increasingly favour skilled human capital.
- There is, however, some consolation that the trend has started to improve since 2014.

3. **Climate change-induced agricultural stress**

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- Growth rates of agricultural productivity for richer countries have been consistently greater than for developing countries.
- For India agricultural productivity growth has been stagnant, averaging roughly 3% over the last 30 years.
- It is also vulnerable to temperature increase and still heavily dependent on precipitation.
- For late convergers, agricultural productivity is critical not just for feeding people but for ensuring human capital accumulation in those who move from agriculture to the modern sectors.
- The Survey goes on to note that growth in India has occurred with limited transfer of labour resources from low productivity to high productivity and dynamic sectors, and despite relatively modest agricultural growth.
- Rapidly improving human capital, will be key to sustaining India's dynamic growth trajectory.
- Rapidly improving agricultural productivity against the headwinds of climate change and water scarcity will be another key to achieving good sustainable growth.
- As of now India may not be faced with a "Late Converger Stall", but need to act in time to ward it off.



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India-U.S. Civil Nuclear Agreement

Relevancy

- ✓ G.S. Paper 3
- ✓ Status of current agreement between India and USA over nuclear power
- ✓ Importance of the agreement and recent changes in it

Recently:

- ❖ On Republic Day parade, 10 ASEAN leaders were chief guests.
- ❖ This republic day also marked the anniversary of another big visit three years ago of the then U.S. President Barack Obama.
- ❖ Back then he announced a “breakthrough” in the India-U.S. civil nuclear deal, to finally pave the way for a commercial contract.
- ❖ “The deal is done,” Sujatha Singh, who was Foreign Secretary at the time, said as the government issued papers and held briefings describing the nature of the agreement between India and the U.S. on supplier liability and tracking requirements, which would enable American companies to build nuclear power reactors in India.

What is the current status of the agreement?

- The agreement would enable American companies to build nuclear power reactors in India.
- Its been 10 years since the memoranda of understanding was inked.
- There is no sign yet of any concrete contract between an American company and the Indian authorities to build a reactor.

What is the Importance of the agreement?

- The U.S. had considerably shifted its stand on non-proliferation to give India the waivers required.
- They were to herald India’s arrival on the global nuclear power stage.

What has changed in the recent years?

- There has been a shift in global politics.
- Use of renewable energy technology has risen.
- Change in the United States commitment towards India.
- The supplier’s capacity and ability has come under the scanner.

What are the changes the deal underwent?

- Westinghouse, a supplier of nuclear reactors, underwent major cost overruns to build four AP1000 reactors at two projects in the U.S.
- This is the same reactors as the ones meant for India.
- When work was halted on the Westinghouse projects in South Carolina, the construction was already five years over schedule.
- India’s past record with Russian projects puts the meantime to construct a reactor here at nine years.
- This would mean that even if an India-U.S. techno-commercial contract is finally readied in 2019, it may not see fruition until 2029.
- Donald Trump’s presidency has taken a very sharp turn away from renewable energy.
- Mr. Trump said that the U.S. will now mine, export and push oil, gas, coal and shale trade into its foreign outreach.
- As a result, New Delhi may not get the support that the Obama administration had promised both on financing renewable energy projects and in facilitating India-U.S. civil nuclear power deals.
- India’s own requirements from the India-U.S. civil nuclear deal have changed.
- In May 2017, the Cabinet approved an \$11 billion, 7,000 MW construction plan for 10 Indian-made pressurized heavy water reactors (PHWRs).
- India hopes to have 14,600 MW of nuclear power online by 2024.
- India has also found much more comfort in its existing agreement with Russia’s Atomstroy export.

What should be India’s focus?

- India must study the Shifts in the world nuclear industry closely before heading back into negotiations with new companies.



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- Nuclear safety requirements have become more stringent and nuclear power is losing its primacy in the energy mix.
- More countries now see nuclear power as a “base-load” option, to be kept as back-up for the unstable, but infinitely less costly and eco-friendly solar and hydroelectric power options.
- Thus the India-U.S. civil nuclear agreement for commercial projects, as it was completed all those years ago, is now obsolete.
- Reviving it will require a different template that takes into account India and the new global realities.



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Role of private sector in Research and Development

Relevancy

- ✓ G.S. Paper 2,3
- ✓ Economy, research and development in India
- ✓ Role of private sector in science and technological development

Recently

- ❖ As India emerges as one of the world's largest economies, the Economic Survey 2017-2018 has cautioned that it needs to gradually move from being a net consumer of knowledge to becoming a net producer.
- ❖ In fact, the Survey has called for a doubling of R&D spending - led by the private sector - to help propel the country to a global science and technology leader.

What role has private sector played w.r.t investment in science and technology?

- As per the Survey, investments in science in India - measured in terms of Gross Expenditure on R&D (GERD) - have shown a consistently increasing trend over the years.
- However, as a fraction of GDP, public expenditures on research have been stagnant over the past two decades - between 0.6-0.7% of GDP - well below that of major nations like US and China.
- In these countries, private sector carries out the bulk of research and development unlike in India, where the government is the primary source of R&D funding.
- In fact, the Survey states that private investments in research have severely lagged public investments in India.
- According to an analysis conducted by Forbes and quoted by the Survey in 2017, there are only 26 Indian companies in the list of the top 2,500 global R&D spenders, out of which, 19 are concentrated between just three sectors.



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Son Meta-Preference

Relevancy

- ✓ G.S. Paper 2
- ✓ Economy, behavioural pattern in India for the preference for son

Recently

- ❖ The Economic Survey has mentioned that the desire for a male child has created 21 million “unwanted” girls in India between 0 and 25 years.

What is India's preference for the son?

- While India has shown improvement in several parameters related to women's empowerment, the preference for a son has not diminished.
- In some sense, once born, the lives of women are improving but society still appears to want fewer of them to be born

Behavioural Pattern

- The Survey has taken note of the behavioural pattern of Indian parents who prefer to have children “until the desired number of sons are born.”
- Calling this the “son meta-preference,”
- The Survey has found that while an average Indian family prefers to have two children, there are instances where families have more than five children if the last child is not a male.
- The biologically determined natural sex ratio at birth is 1050 males per 1000 females
- After sex selection was declared illegal in India in 1994, the sex ratio at birth (SRB) began to stabilise. In 1970, the SRB was 1060 males per 1000 females. In 2014, this rose to 1108, contrary to the belief that development would mend the skewed sex ratio.

What has been highlighted by economic survey w.r.t SRLC?

- The Survey pointed out the missing link by analysing the sex ratio of last child (SRLC).
- The SRLC in India is biased against females and is lower by 9.5 percentage points in 2015-16 in comparison with other countries.
- The sex ratio among families with one child stood at 1.82 i.e., 1820 males per 1000 females.
- This drops to 1.55 for families with two children and rises to 1.65 for three, and drops to 1.51 and 1.45 for four and five children, respectively.
- Comparing it with the sex ratio of families where the last child is not a male, it stands at 1.07, 0.86, 0.85, 0.84, 0.88 respectively. This shows the Indian families tend to “stop” having children after a son is born.
- The Survey pointed out several reasons behind preferring a male child such as compulsion of a woman to move to her husband's house post marriage, inheritance of property, rituals performed by sons, and dowry, among others.

Male child preference lowest in Meghalaya

- The male child preference is highest in Punjab and Haryana and lowest in Meghalaya. More than 2 million women go missing across age groups every year either due to sex-selective abortion, disease, neglect, or inadequate nutrition, according to the National Family and Health Survey (NFHS).

Conclusion

- The Survey recommended that the nation must confront the societal preference for male offspring. Noting that schemes such as Beti Bachao, Beti Padhao, Sukanya Samridhi Yojana, enhanced maternity leave and mandatory creches in workplaces are steps in the right direction, the Survey called for a stronger commitment on the gender front similar to the government’s push for Ease of Doing Business.





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The Balancing Act, In India-ASEAN Ties

Relevancy

- ✓ G.S. Paper 3
- ✓ Outcomes of recent Indo-ASEAN summit in New Delhi
- ✓ Importance of ASEAN for India

Recently:

- ❖ Association of Southeast Asian Nations (ASEAN)-India Commemorative Summit, held in New Delhi last week.
- ❖ The principal gain of the Summit is to provide ample clarity on what their partnership has achieved and where it should move in the future.

What is the Scope for cooperation?

- A good way to begin is to listen to ASEAN voices.
- The participation of ASEAN leaders in a second summit in Delhi in five years and their historic presence as chief guests at the Republic Day celebrations convey a clear message: India is important to ASEAN and is viewed as a benign power.
- Thus there is huge scope to develop cooperation with it.

What is the outcome of the recent Indo-ASEAN summit?

- Recent developments in the Indo-Pacific region have lent special significance to the summit.
- China's economic progress is welcomed, with every ASEAN nation keen to derive optimal benefit from it.
- However Beijing's assertive diplomacy, strategic postures and coercive action in the South China Sea have combined to sour the environment.
- This mix has impelled ASEAN states to expect and encourage India to enhance its role as a balancer in the region.

What is the importance of ASEAN from India's point of view?

- For India, ASEAN is of vital importance both for strategic and economic considerations.
- India seeks to redefine the contours of its neighborhood.
- Constraints and setbacks in South Asia and opportunities in Southeast Asia have led it to blur the traditional distinction between 'immediate neighborhood' and 'extended neighborhood.'
- Friendly South Asians and welcoming Southeast Asians now constitute our new neighborhood, with an eastward tilt.

On political and security cooperation

- Two themes like Freedom of navigation and over flight "in the region" is of the highest importance.



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- Maritime cooperation and its extended practical collaboration among the navies of major ASEAN states and India will be watched closely.
- ASEAN also wants India's support to ASEAN efforts to obtain a legally binding Code of Conduct with China in the South China Sea.

On trade and economic cooperation

- Full utilization of the ASEAN-India Free Trade Area and “the swift conclusion” of a modern, comprehensive and high quality Regional Comprehensive Economic Partnership (RCEP) are the next steps.
- Of course, the RCEP should be “mutually beneficial”, but note that the adjective “balanced”, preferred by India, is missing from the text.
- India does not have the option to stay out of the RCEP, but it needs ASEAN's support to secure an acceptable bargain. Tough negotiations lie ahead.



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