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## GIST OF IDSA

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## IDSA MAY 2020

### 1. INDO-NEPAL BORDER DISPUTE

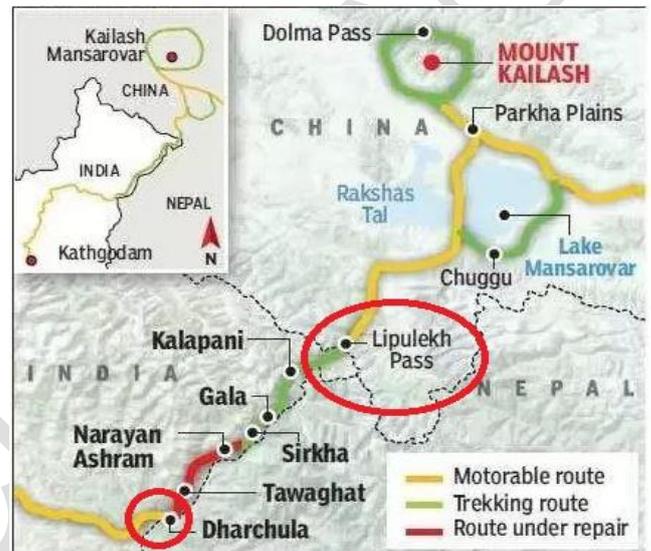
#### Why in news?

Recently, Nepal took a decision to adopt a new political map that claims Indian Territory of Lipulekh, Kalapani and other areas, as a part of Nepal.

#### What is the dispute all about?

- Kalapani is a valley that is currently administered by India as a part of the Pithoragarh district of Uttarakhand.
- The Treaty of Sugauli concluded between British India and the Kingdom of Nepal in the year 1816, states the Kali River in the Kalapani region demarcates the border between India and Nepal.
- Also, the Survey of India maps since the 1870s showed the area of Lipulekh down to Kalapani as part of British India.
- First, Rana rulers of Nepal and later Nepalese Kings accepted the boundary and did not raise any objection with the government of India after India's Independence.
- **Issues raised by India** - For India, the Lipulekh pass has always been part of the road to Tibet and was mentioned as one of the border passes for trade in a 1954 agreement with China, which was also reaffirmed in another trade agreement in 2015.

- In 2019, a new political map of India, made after the bifurcation of the state of Jammu and Kashmir (J&K) into the Union Territories of J&K and Ladakh, showed Kalapani, Lipulekh and Limpiyadhura as part of Pithoragarh district in Uttarakhand state.



- **Issues raised by Nepal** - In recent times, the Nepalese contest that the tributary that joins the Mahakali River at Kalapani is not the Kali river.
- Nepal now contends that the Kali River lies further west to the Lipulekh pass.
- This results in a boundary dispute between India and Nepal.
- Nepal protested strongly against India's "unilateral" act and opined that the issue should be resolved through negotiations.
- Further, the inauguration of a road up to Lipulekh Pass by the Indian

government on the border with China has sparked more protests in Nepal.

- In retaliation, Nepal has released a new map that includes all the disputed territories, which India has described as “unjustified cartographic assertion”.



### **What is the strategic importance of Nepal for India?**

- Nepal lies in the middle of India’s ‘Himalayan frontiers’, and along with Bhutan, it acts as northern ‘borderland’ flanks and acts as buffer states against any possible aggression from China.

- Nepal shares borders with 5 Indian states- **Uttarakhand, Uttar Pradesh, West Bengal, Sikkim and Bihar** and with free movement of people and thereby acting as an important point of cultural and economic exchange in India-Nepal relations.
- Rivers originating in Nepal feed the perennial river systems of India in terms of ecology and hydropower potential.
- Many Hindu and Buddhist religious sites are in Nepal making it an important pilgrimage site for a large number of Indians.
- **China Factor In Indo-Nepal Relations** - In the past, Chinese interest in Nepal was to ensure that Nepalese territory is not used by Tibetans for the breeding of discontent.
- However, in recent times, China has made inroads into Nepal in infrastructure, education and health sectors.
- Also, Nepal wants to take advantage of the BRI project built by China.
- India feels that the Chinese inroads into Nepal are necessarily to counterbalance the Indian influence in Nepal.
- However, Nepal has asserted that its relationship with China is purely economic and will not be hurting the Indian strategic interests in any way.



- Also, India is of the view that the rising Nepal and China cooperation would undermine Nepal's distinction of buffer state between India and China.

### **What measures are needed?**

- India should stop looking at Nepal purely through a security prism, and at bilateral relations only as transactional and part of a zero-sum game with China.
- India should focus on working towards multifaceted relationships to the advantage of both nations.
- India should negotiate diplomatically to resolve the boundary dispute with Nepal under the aegis of International law on Trans-boundary Water Disputes.
- In this case, boundary dispute resolution between India and Bangladesh should serve as a model for this.
- India should maintain a policy of keeping away from the internal affairs of Nepal, while at the same time, in the spirit of friendship, India should guide the nation towards a more inclusive democracy.

## **2. INDIA'S AFGHAN POLICY**

### **Why in news?**

Recently, the United Nations Secretariat held a meeting of the "6+2+1" group on regional efforts to support peace in Afghanistan.

### **What is 6+2+1 grouping?**

- 6+2+1 group includes six neighboring countries: China, Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan; two global players the United States and Russia, and Afghanistan itself.
- However, India has not been invited to this peace process.
- The reason given for keeping India out of this regional discussions is that India holds no "boundary" with Afghanistan.
- However, the "6+2+1" grouping ignored India's stand that its territory borders Afghanistan (along Wakhan Corridor) and is currently under Pakistan's illegal occupation.
- Despite all the development work taken up by India in Afghanistan over the past 18 years since the Taliban were ousted from Kabul in 2001, it finds itself on the margins of international diplomacy in Afghanistan.
- In this context, there is a need for India to recalibrate its Afghan policy, in order to secure its strategic and economic interest.

### **US-Taliban Peace Deal**

- U.S. signed a deal (at Qatar's capital-Doha) with the Taliban that could pave the way towards a full withdrawal of foreign soldiers from Afghanistan over the next 14 months



and represent a step towards ending the 18-year-war in Afghanistan.

- Along with this, a separate joint declaration was also signed between the Afghan government and the US at Kabul.
- The salient features include

**Troops Withdrawal:** The US will draw down to 8,600 troops in 135 days and the NATO or coalition troop numbers will also be brought down, proportionately and simultaneously, And all troops will be out within 14 months.

**Taliban Commitment:** The main counter-terrorism commitment by the Taliban is that Taliban will not allow any of its members, other individuals or groups, including al-Qaeda, to use the soil of Afghanistan to threaten the security of the United States and its allies.

**Sanctions Removal:** UN sanctions on Taliban leaders to be removed by three months and US sanctions by August 27.

The sanctions will be out before much progress is expected in the intra-Afghan dialogue.

**Prisoner Release:** The US-Taliban pact says up to 5,000 imprisoned Taliban and up to 1,000 prisoners from “the other side” held by Taliban “will be released”.

### ***What is the role of India in Afghan’s reconciliation process?***

- In the past, due to terror activities of the Taliban, India has been very critical of the Taliban coming into

power and shown resistance to publicly dealing with the Taliban.

- Under the US-Taliban peace deal, the Taliban will be in the centre of power in Afghanistan, as the US forces withdraw from Afghanistan.
- In the present scenario, India has never announced its support for the U.S.-Taliban peace deal.
- Rather, India supports the Ashraf Ghani government and backs the idea of an Afghan-led, Afghan-owned, and Afghan-controlled process.
- Further, in order to provide legitimacy to recently held Afghan president elections, Ashraf Ghani entered into a power-sharing agreement with former chief executive Abdullah Abdullah.
- This agreement will inevitably further weaken Ashraf Ghani and subsequently undermines Indian interest in the region.
- Due to these factors, India’s voice in the reconciliation process has been limited.

### ***Why India is interested in Afghanistan?***

***Economic and Strategic Interest: Afghanistan is a gateway to the oil and mineral-rich Central Asian republics.***

- Afghanistan's main advantage is its geography, as anyone who is in power in Afghanistan controls the land routes connecting India with Central Asia (via Afghanistan).
- **Developmental Projects:** The massive reconstruction plans for the



country to offer a lot of opportunities for Indian companies.

- Afghan Parliament, the Zaranj-Delaram Highway, and the Afghanistan-India Friendship Dam (Salma Dam), along with India's assistance of more than \$3 billion in projects, hundreds of small development projects (of schools, hospitals and water projects) have cemented India's position in Afghanistan.
- **Security Interest:** India has been the victim of state-sponsored terrorism emanating from Pakistan supported terrorist group operating in the region (e.g. Haqqani network).
- Thus, India has two priorities in Afghanistan:
  1. To prevent Pakistan from setting up a friendly government in Afghanistan, and
  2. To avoid the return of jihadi groups, like al Qaeda, which could strike in India.

### **What measure are needed for better Indo-Afghan ties?**

- There has been a dent in India's goodwill, due to recent events in India, especially the controversy over the Citizenship (Amendment) Act, 2019.
- India has been excluded from the Afghanistan peace process many times including the recent meeting (6+2+1 grouping).
- This poses a challenge for India to secure its interest in deciding the fate of Afghanistan and its people, thus India must take following measures
  1. India must also pursue opportunities to fulfil its role in the peace efforts in Afghanistan, starting with efforts to bridge the Ghani-Abdullah divide, and bringing together other major leaders with whom India has built ties for decades.
  2. India should take the diplomatic route to press for its inclusion in "6+2+1" dialogue, to claim its legitimate role in the Afghan peace process.
  3. India should leverage the United Nations's call for a pause in conflicts during the Covid-19 pandemic to restart dialogue with Pakistan, which in turn is necessary for lasting peace in Afghanistan.
  4. Also, India can learn from US-Taliban talks where two opposing





parties came to the negotiating table for talks on Afghanistan's future.

5. For India, given its abiding interest in Afghanistan's success and traditional warmth for its people, making that leap should be a bit easier.
6. Thus, India can consider the appointment of a special envoy and start Track II diplomacy with the Taliban.

### **3. TENSIONS BETWEEN INDIA-PAKISTAN**

#### ***What is the issue?***

The rampant ceasefire violations along the Line of Control (LoC) by Pakistan, together with high incidences of infiltration and terrorist attacks in Kashmir, highlight that Pakistan has reverted to its old games.

#### ***What are recent incidents of cease fire violations between India and Pakistan?***

- During the first three months of this year (2020), Pakistan indulged in ceasefire violations as many as 1144 times.
- The corresponding period in 2019 and 2018 saw 685 and 627 violations, respectively.
- March recorded the highest 411 violations just when the COVID-19 positive cases swelled in Pakistan and across the globe, including in the Kashmir Valley. Pakistan has been reportedly pushing militants infected

with COVID-19 into Kashmir to spread the illness among the people of the Valley.

- There are 242 active terrorists in Jammu and Kashmir (J&K), including 104 Pakistanis belonging to Lashkar-e-Toiba (LeT) and Jaish-e-Mohammad (JeM).
- The first week of April 2020, likewise, witnessed a major infiltration bid by the LeT militants in the Keran Sector of Kupwara District.
- Two army officers and one police officer besides two soldiers were killed in an operation in Handwara on May 2 against two militants who had taken civilian hostages.

#### ***How Pakistan uses COVID-19 as a tool of proxy war?***

- Pakistan and its sponsored terrorists were attempting to disrupt the measures being taken to safeguard the lives of the people of J&K.
- In fact, it appears that Pakistan has found in COVID-19 a new weapon to hurt India.
- Pakistan-backed terrorists or their sympathisers in the valley are targeting civilians to coerce them to follow Pakistan's 'azadi' narrative.
- It is indulging in false propaganda accusing India of not providing medical aid and relief to the Kashmiris.
- It further asserted that the lockdown and internet blockade imposed by



India is making it impossible for the Kashmiris to fight the coronavirus.

- Moreover, the Inter-Services Intelligence (ISI) is in a hurry to recoup its post-August losses in the wake of the abrogation of Article 370 in J&K and beef up its proxies as speedily as possible in the changed political situation.
- Simultaneously, Pakistan has strengthened its launching pads and has started pushing its trained militants into J&K under the cover of heavy mortar shelling and firing by its army.
- While coronavirus has given the nations a rare chance to put aside their differences and fight the pandemic jointly, Pakistan on its part is reluctant to cooperate.

#### ***How Pakistan violates FATF?***

- Pakistan is flouting its commitment to the Financial Action Task Force (FATF).
- The money laundering and terror financing watchdog at its plenary meeting held in Paris in February 2019 had criticized Pakistan for not demonstrating a proper understanding of the terror financing risks posed by militant outfits, most of whom are active in J&K and Afghanistan.
- The FATF had placed Pakistan in its 'Grey List' in June 2018.

- It gave Pakistan a four-month grace period to complete its 27-point Action Plan after noting that the country had delivered only on 14-points.
- It asked Pakistan to deliver on the remaining benchmarks by June 2020 with foolproof arrangements against money laundering and terror financing.
- In the wake of the COVID-19 pandemic, the FATF has deferred the deadline to October 2020.
- This means a reprieve of four more months to Pakistan even as it stares at the threat of being placed in the blacklist.
- Like always, Pakistan is misusing the FATF window.
- It has reportedly taken off the names of some 3800 notified terrorists from the prescribed list, with no explanation on offer.

#### ***What are the challenge before Pakistan?***

- Pakistan knows that at this moment it cannot satisfy its people by raising then Kashmir bogey.
- The problem of the people of Pakistan is not Kashmir but the high cost of living, shortage of food items, and joblessness.
- More than 73 years after its independence, Pakistan is facing a crumbling economy with half of its population living under poverty.
- In the last 20 months of his rule, Prime Minister Imran Khan has not



only failed to solve his people's problems but also has made the life of the common man miserable.

- Today, the Pakistan Government meekly depends on China's help and propaganda against India.

#### **4. OPERATION TRF**

##### ***Why in News?***

TRF, or The Resistance Front, is the latest among the terror groups creating waves on the dark web as well on ground in Kashmir.

##### ***What is The Resistance Force means?***

- The Resistance Force is an amalgamation of terrorist groups fronted by the Lashkar-e-Tayyiba of UN-designated terrorist Hafiz Saeed.
- Hizbul Mujahideen and Jaish-e-Mohammed have been hit very hard and are short of weapons, money and cadres after the Article 370 abrogation which resulted in a communication blackout and an extended lockdown which continues now due to COVID-19 pandemic in Jammu & Kashmir.
- Lashkar-e-Tayyiba still remains better off with its finances and is being well supported from across the border in Pakistan.
- TRF began roaring from the servers of GHQ Rawalpindi in October 2019 once it became clear that Pakistan wasn't going to be taken out of the Grey list of the Financial Action Task Force (FATF) anytime soon.

- On various telegram channels, it began circulating jihadi literature, in classic Pakistan military propaganda language, on Kashmir.
- TRF wasn't alone, Joint Kashmir Front, Jammu Kashmir Ghaznavi Force, and many such new groups, suddenly mushroomed overnight.

##### ***What is the action of India in this regard?***

- National Security Council Secretariat in New Delhi had been closely monitoring the activities of TRF.
- National Security Advisor (NSA) Ajit Doval, chaired a high-level briefing for an operational review of the security situation in Jammu & Kashmir, especially along the Line of Control (LOC).
- The meeting happened days after the Handwara operation in which the Indian Army lost a Commanding Officer and four other soldiers and jawans.
- NSA focused on synergy between forces in anti-terror ops, he also focused on gathering more human intelligence from the ground to thwart the nefarious designs of Pakistan.
- The meeting also noted that, "Pakistan had failed to control cross-border infiltration under pressure of jihadi leaders of Jaish, Lashkar and Hizbul, and was pushing in terrorists which it would continue to do through May and June this year.



- The security establishment had recently stopped the convoy movement of the Army and paramilitary across the Union Territory due to the perceived high-level nature of the threat.

### ***What is the modus operandi of TRF?***

- TRF is a ploy on two fronts – one, to get deniability in terms of linkages with Pakistan, and two, to bring all terrorist cadres under one common umbrella.
- It is also seen as an attempt by the ISI to secularize terrorism in Jammu & Kashmir by doing away with Lashkar-e-Tayyiba, Jaish-e-Mohammed and Hizbul Mujahideen, and merging them into one common non-religious label to make it look like an indigenous rebel movement with a modern outlook.
- While the ISI would be trying to put more emphasis on suicide bombings in the pattern of LTTE without assigning any hardcore religious overtones, they would be investing in creating public unrest in Kashmir and a global image of a humanitarian crisis in the Valley.
- National Security Advisor of India has briefed about Pakistan's TRF Operation which was referred to as the Terror Revival Front or Fund of Pakistan, to easily escape the eyes of the United Nations Security Council's

1267 sanctions committee, or the FATF.

### ***What is Indian Army's policy shift on terrorists in J&K?***

- The mass funerals for terrorists that were earlier allowed in Kashmir, often led to terror recruitment drives which in-turn radicalized youth to join terror ranks.
- Not handing over mortal remains of terrorists to family members is an important and clear message to the common people to avoid this violent path.
- The shift in policy could also be seen in the Indian Army deciding not to officially name terrorists killed in the Pulwama encounter.
- The local youth are reluctant to join militancy given the shortage of weapons and slow communication due to the absence of 4G.
- They are also aware that their life expectancy decreases exponentially once they join the insurgency.
- That out of 139 youths who joined militancy in 2019, only 89 survived reinforces this argument.
- Indian Security Forces Eliminated About 80 Terrorists Since January 2020 in J&K

### ***What lies ahead?***

- The war isn't just against the terror groups on ground. It's also against the invisible ecosystem of terror, prevalent



for last three decades, which has encouraged and given life to terror, radicalism and an anti-India mindset in the mainstream press, politics and the larger discourse.

- As security forces prepare for yet another hot summer in Kashmir, the challenge wouldn't just be to neutralise terrorists on ground but also the narrative in international media and diplomacy around a 'crisis in Kashmir', and the so called indigenous rebel group 'TRF'.

## **5. ABYSMAL HUMAN RIGHTS SITUATION IN BALUCHISTAN**

### **Why in news?**

On the Eid-ul-Fitr day this year, instead of celebrating and feasting, relatives of Baloch missing persons chose to assemble outside Quetta press club and stage a hunger strike.

### **Where is Balochistan?**

- Balochistan is one of the four provinces of Pakistan, It is the largest province in terms of land area, forming the southwestern region of the country, but is the least populated.
- Its provincial capital and largest city is Quetta.
- Balochistan shares borders with Punjab and the Khyber Pakhtunkhwa to the northeast, Sindh to the east and southeast, the Arabian Sea to the south, Iran to the west and

Afghanistan to the north and northwest.

- The main ethnic groups in the province are the Baloch people and the Pashtuns, who constitute 52% and 36% of the population respectively (according to the preliminary 2011 census).
- The remaining 12% comprises smaller communities of Brahuis, Hazaras along with other settlers such as Sindhis, Punjabis, Uzbeks and Turkmens.
- Largely underdeveloped, its provincial economy is dominated by natural resources, especially its natural gas fields, estimated to have sufficient capacity to supply Pakistan's demands over the medium to long term.
- Balochistan is noted for its unique culture and extremely dry desert climate.





### **What are the conflicts existing in Baluchistan?**

- Right from the days of partition, the people of Balochistan have resisted the Pakistan Army's bid to subjugate them by force.
- As a mineral-rich area with invaluable resources ranging from copper to natural gas, Balochistan remains a prized possession for the Pakistan state, one that Pakistan has tried to keep under tight control.
- Beginning with the passing of a resolution for independence in the Kalat National Assembly on August 15, 1947, the aspirations of the Baloch people have oscillated between autonomy and independence.
- The Pakistan Army has unsuccessfully tried to silence the Baloch voice through the use of overwhelming force, while the ongoing fifth wave of resistance (earlier ones were in 1948, 1958, 1962, and 1973) continues to rage on.
- The Pakistan military's practice of enforced disappearances, arbitrary detention in illegally established military and paramilitary cantonments in and around Balochistan, and innovative methods of torture and torture-killing has continued unabated.
- Baloch activists, innocent women, children, students, journalists,

researchers, and social workers have been put to death indiscriminately.

- There has also been a proliferation of state-sponsored radical outfits in Balochistan.
- The Baloch people are known to be temperamentally secular and tolerant in their approach to religion.
- Pakistan's agencies have unleashed radical Islamist groups such as the Lashkar-e-Jhangvi, Lashkar-e-Taiba and other non-state actors and collaborators on the Baloch population in their bid to Islamise them.

### **What are the demographic concerns prevailing in Balochistan?**

- Balochistan, almost the size of Germany, constitutes 44 per cent of the total area of Pakistan; however, it is sparsely populated and accounts for only 2.4 per cent of the total population of Pakistan.
- The Baloch see the dominance and exploitation of the resources from the province as a form of "internal colonialism."
- For example, roughly 5.81 per cent of the total gas produced in Balochistan is consumed by it and the rest goes to other provinces, leaving the majority of the province without gas.
- According to the official data, Balochistan contributed gas and oil royalty to the tune of Rs 23.8 billion



but it received only Rs 0.09 billion from the year 2013-14 to 2017-18.10

- The Baloch fear that the activation of China-Pakistan Economic Corridor (CPEC) and development of Gwadar Port will lead to further colonisation of the state by the Punjabis.
- The Baloch are targeting the Chinese workers as they think that China is colluding with their tormentors to colonise them and exploit their resources.
- They argue that the Baloch people were not consulted when the decision to build the port was taken, and that a major part of the revenue from it will fill the coffers of the central government while the province will receive only a minor share of it.

### ***What is the case of missing Baloch people?***

- Balochistan provides an apt example of how the Pakistan state has failed to accommodate the socio-cultural, political, and economic aspirations and grievances of the Baloch people, which has led to the present state of affairs.
- The coercive kill-and-dump policy of the army has only resulted in killings and disappearance of hundreds of innocent Baloch people, hardened nationalist sentiment among the people and steeled their nerves to continue with a popular movement

that has become a thorn in the flesh of the Pakistan state.

- The Human Rights Commission of Pakistan (HRCP) has over the years condemned the Pakistan state for its dismal record in handling the cases of enforced disappearances in Balochistan and hinted at the involvement of state agencies in such cases.
- A 2019 report of the group read that “students remained a main target of military and military-backed death squads during the year 2019.”
- The Pakistan state has been extremely sensitive to all expressions of ethnic autonomy and resistance, and more so in the case of Baloch leaders championing their rights.
- They are often charged with treason, branded as terrorists, and killed in encounters or picked up by security forces at will only to be added to the ever-expanding list of missing persons.
- In many cases, their dead bodies are either found in a badly mutilated condition by the roadside or their skeletal remains are discovered in mass graves.
- While the world is busy fighting its war on terror in the region, the state terror unleashed on the Baloch people has largely gone unnoticed.



## 6. RMB

### *Why in news?*

The People's Bank of China (PBC) has rolled out pilot trials of its digital currency.

### *What is china's plan on digital currency?*

- The PBC had set up a 'Cross-border Interbank Payment System' in 2015 – its own international payments system to provide clearance and payment services for financial institutions in the cross-border RMB and offshore RMB business.
- In October 2016, the IMF added RMB to the Special Drawing Right<sup>20</sup> (SDR) valuation basket as the fifth currency, along with the USD, Euro, Japanese Yen, and the British Pound.
- For inclusion into the SDR basket, the issuer of the currency (an IMF member or a monetary union that includes IMF members) has to be one of the top five world exporters, and the currency has to be widely used to make payments for international transactions and traded in the principal exchange markets.
- China has, thereafter, made several efforts to propel international acceptance of RMB such as currency swap lines with foreign central banks, encouraging international trade pricing and payment settlement in RMB, and enhancing its status as value storage and reserve currency.

- China also attaches great importance to RMB as a reserve currency because it could then serve as a standard unit for international payments and cushion RMB against shock, but it fundamentally rests on the confidence others have in China's ability to meet its obligations.
- China intends to partially digitize its existing monetary base or the cash in circulation, first in the world to do so.
- Beginning with the integration of digital currency with the monetary system, the first step is to pay the salaries, subsidies transport and spur adoption in the retail sector.
- The PBC, since 2014, has been working on the idea of partially digitising China's existing monetary base, or cash in circulation, under the project called DC/EP or Digital Currency/Electronic Payments.
- The bank established a Digital Currency Research Institute in 2017 and launched a pilot programme in Beijing in December 2019.

### *How digital RMB works?*

- China's DC/EP leverages block chain technology, but the ensuing digital currency is not a cryptocurrency.
- In fact, it is the electronic version of RMB, a digital legal tender pegged 1:1 to the RMB, backed by the Chinese Government, and much more stable than a typical cryptocurrency such as Bitcoin.



- The digital currency, which could be used without being linked to any bank account, is expected to replace physical cash in high-frequency but small denomination transactions pivoting on low issuance costs, efficiency and usability.
- If required, two phones in proximity can execute a contactless transaction, even doing away with the need for an internet connection.
- The circulation of the digital currency will be under the purview of the PBC, while the commercial banks will process the payments and deposits.
- Moreover, the transactions will be anonymous from the user's perspective, but the DC/EP Platform will allow sufficient oversight on the transactions (value and identity of the transacting parties) and traceability to ferret out tax evasion, money laundering, and terror financing – in line with the existing regulatory requirements.
- The digital currency, which could be used without being linked to any bank account, is expected to replace physical cash in high-frequency but small denomination transactions pivoting on low issuance costs, efficiency and usability.
- Around 47 per cent of the global payments are in USD and it is involved in 88 per cent of foreign-exchange trading.
- More than a decade ago, in 2009, China, along with Russia, had called for “a new reserve currency” to replace the USD, basically, a currency “that is disconnected from individual nations”.
- The US has been accused on multiple fronts, even by the European countries, for using the SWIFT (Society for Worldwide Interbank Financial Telecommunication) system to enforce economic sanctions, as it did with Iran and Cuba.
- SWIFT is a global financial messaging service used by 11,000 institutions around the world to securely transmit information and instructions to enable cross-border payments.
- China believes that the US maintains its dominance on SWIFT's decision-making by holding the majority in the organisation's board.
- China has been extremely wary of the punitive sanctions or the threats of exclusion (both at the country and company level) from a USD-based (or the US-dominated) settlement system, and the DC/EP provides it with the much needed alternative – an RMB-based trade settlement system, seen as one of the ways to reduce the

per cent, with RMB at just 1.96 per cent.

### **What is china's plan on RMB's internationalization?**

- The USD holds a dominant position as investment and reserve currency under the existing international monetary system.
- Data from the International Monetary Fund (IMF) suggests that, as of 2019, the USD accounted for 61 per cent of all central bank foreign exchange reserves, followed by the Euro at 20



dominance of the USD in trade and financial transactions.

- But the prime motive behind DC/EP is to enhance international adoption of the RMB.

#### ***What are the intended benefits?***

- Internationalization of the RMB could be termed as China's long-standing aspiration, which essentially aims to create a stable international monetary environment for its own economic development.
- Internationalization of the currency actually gives the issuing country a lot of leverages.
- The exporters can limit exchange rate risk, and so do the domestic enterprises and financial institutions when accessing international financial markets.
- It reduces the cost of capital and allows the government to finance part or all of its budget deficit by issuing debt in domestic currency on international markets, that too without drawing down its reserves.

#### ***What lies ahead?***

- The RMB is already the second most-used currency in global trade, but it still falls far behind USD on many parameters.
- In the aftermath of the COVID-19 pandemic, digital means are going to be the favourable mode of transactions.

- Unlike physical cash, digital transactions over a digital wallet or a digital currency are traceable
- Replacing cash with the digital currency, especially when the salaries are paid in this form, extends the Chinese Government's surveillance net to the elusive territory of cash transactions.
- A digital currency, therefore, intends to bypass US-dominated financial infrastructure, for instance, the SWIFT system.
- In the next step, China is likely to extend the reach of the DC/EP to regions and countries which are part of the BRI for an RMB-based trade settlement system.
- Riding the technology wave, China eyes global dominance of the RMB as a reserve currency and a favourable international monetary environment for its economic development.
- The dominance of a currency in the global economy is often associated with the financial power of the issuing country and its ability to influence the economic calculations of others.
- However, it is a distant dream without transparency and the trust and confidence of others, and China is deficit of all three of them at present.



## 7. INDIA'S MEMBERSHIP IN UNSC

### Why in news?

India is due for election to the temporary membership of the United Nations Security Council (UNSC) later this year, for the 2021-22 period.

### How powerful is UNSC?

- The United Nations Security Council (UNSC) is one of the six principal organs of the United Nations (UN), charged with ensuring international peace and security, recommending the admission of new UN members to the General Assembly, and approving any changes to the UN Charter.
- Its powers include establishing peacekeeping operations, enacting international sanctions, and authorizing military action.
- The UNSC is the only UN body with the authority to issue binding resolutions on member states.
- Like the UN as a whole, the Security Council was created after World War II to address the failings of the League of Nations in maintaining world peace.
- It held its first session on 17 January 1946, and in the ensuing decades was largely paralyzed by the Cold War between the United States and the Soviet Union and their respective allies.
- The Security Council consists of fifteen members, of which five are permanent – P5 nations - China,

France, Russia, the United Kingdom, and the United States of America.

- These were the great powers, or their successor states, that were the victors of World War II.
- Permanent members can veto any substantive resolution, including those on the admission of new member states or nominees for the office of Secretary-General.
- The remaining ten members are elected on a regional basis to serve a term of two years.
- The body's presidency rotates monthly among its members.

### Why UNSC needs reforms?

- UNSC has been in existence for more than 75 years. However, it does not represent the geopolitical and economic realities of the 21st century.
- **Undemocratic UNSC:** Barring two regions (North America and Europe), other regions are either underrepresented (like Asia) or not represented at all (Africa, Latin America and the Small Island developing states).
- **Lack of Global Governance:** There are no regulatory mechanisms for global commons like the Internet, Space, High Seas (beyond your EEZ-exclusive economic zone) and no unanimity on how to deal with global issues like terrorism, climate change, cybersecurity and public health (as seen in the current pandemic).



- **Misuse of Veto Power:** The veto power is used by permanent five countries to serve the strategic interest of themselves and their allies.
- Since 1990, the United States has cast a veto on Council resolutions 16 times, concerning Israeli-Palestinian relations. Russia has done so 17 times, including eight times over Syria.
- Due to all these factors, the former UN Secretary-General Kofi Annan said that the Security Council must either reform or risk becoming increasingly irrelevant.
- India's acquired status of a Nuclear Weapons State (NWS) in May 1998 also makes India a natural claimant as a permanent member similar to the existing permanent members who are all Nuclear Weapon States.
- India's international profile and capabilities rise due to its ever-expanding global footprint in diverse areas like politics, sustainable development, economics, and culture and science and technology.
- This can be seen in proactive initiative pertaining to maritime and space diplomacy.

### ***Why India is very capable of becoming a permanent member of UNSC?***

- In the past, India's was offered to join the UNSC by both the superpowers, the US and the then Soviet Union in 1950 and in 1955 respectively,
- However, India denied the offer due to Cold war politics in that era.
- India, till now has been elected for seven terms for a two-year non-permanent member seat, the last being 2011-12.
- India has almost twice the number of peacekeepers deployed on the ground as much as by P5 countries.
- India being the largest democracy and second-most populous country (soon to become most populous) in the world, are the primary reasons for India to be granted permanent membership in UNSC.
- Also, India has been inducted in various export control regimes like MTCR, Wassenaar arrangement, etc.
- Based on these credentials, India's claim for permanent membership is supported by G4 countries, majority of the permanent members of UNSC and the majority of countries in the united nation General Assembly.
- India's inclusion in UNSC will strengthen India's stature as a 'moralistic force' for the developing states and help in making UNSC more democratic.

### ***What are the intended benefits for India?***

- Permanent seat in the UNSC, would provide India with the much-needed leverage to expand its geo-political and geo-economic clout globally.
- Inclusion of India into UNSC will help in transforming its status from being



a responsible stakeholder' (following international norms) along with becoming a global rule-maker.

- Indian presence at the Security Council would ensure Indian interests are not sacrificed at the altar of great power politics.
- It would serve as an equalizer to China, its rival and an emerging hegemony in Asia and an ever-increasing strategic and security concern in its immediate neighborhood and beyond.
- Most importantly, it will stall any possible intervention by China, a permanent member at the behest of its ally Pakistan.

#### ***What are the challenges ahead?***

- It is argued by critics that India has still not signed the NPT and also refused to sign the CTBT in 1996.
- China, which has veto power in the UNSC being one of its five permanent members, has been stonewalling India's efforts to become a permanent member.
- Though India is a bright spot in the global economy and its macroeconomic fundamentals are stable, yet it shows poor performance in many socio-economic indicators like the Human Development Index.
- India is competing with other countries of G4 grouping (Japan, Brazil and Germany) for a spot for permanent membership in UNSC.

- India's capacity to project its military power beyond the Indian Ocean region is still to be tested.
- Further, India heavily relies on weaponry imports from US and Russia for its military requirements.

## **8. COVID-19'S IMPACT ON MULTILATERALISM**

### ***What is the issue?***

In recent years, multilateral cooperation has encountered unprecedented crises.

### ***What are recent issues in multilateral co-operation?***

- From Brexit to burgeoning populist-nationalism across the globe as well as apathy of the once patron power, the United States (US), a range of issues threatens the very existence of multilateral institutions.
- While in the United Nations (UN) the crisis has manifested in the form of fund cuts and ever-increasing policy paralysis in its Security Council, other institutions, like Bretton Woods, have faced skepticism of effectiveness.
- The COVID-19 pandemic is latest in the list of issues, which pushed the idea and practice of multilateralism into a profound dilemma.
- For the international community, COVID-19 was an opportunity to reinvigorate multilateral cooperation.
- The pandemic is the world's biggest challenge since World War II.



- The deadly virus is affecting societies at their core, claiming millions of lives and destroying countless livelihoods.
- COVID-19 revealed that pandemic has no national boundaries and such issues require international cooperation and multilateral solutions, not unilateral national responses.

### ***What is the response of UNSC to COVID-19?***

- The UN response to COVID-19, particularly of the Security Council, is a case in point.
- The primary responsibility of the UN is to maintain international peace and security.
- Though scholars and practitioners are divided on the question of whether health emergencies constitute a threat to global peace and security, the gravity of the COVID-19 pandemic shows that it is one of the gravest dangers the modern nation-states ever faced.
- UN Secretary-General called the pandemic “gravest test since the founding of the UN” and noted that it “poses a significant threat to the maintenance of international peace and security.” And also called for a global ceasefire and submitted a plan to tackle the disastrous consequences of the pandemic.
- The response of the UN Security Council (UNSC) on COVID-19 was not

only disappointing but self-defeating as well.

- The Security Council took almost a month to discuss this pressing matter even after the World Health Organization (WHO) declared COVID-19 a pandemic.
- Estonia initiated the first effort to discuss COVID-19 in the Security Council; however, accusations and counter-charges hindered a positive outcome.
- COVID-19 is one of the most significant threats that the P-5 members ever faced since the formation of the UN.
- More than half of the reported cases and casualties are in these five countries.
- Other non-permanent members of the Council – Germany, Belgium and South Africa as well as the allies of the P-5 nations – Italy, France, Japan, South Korea and the Gulf countries, have also reported a large number of cases and casualties.

### ***How COVID-19 deepens US-China divide?***

- In the initial days, it was China and allies like Russia and South Africa who prevented the Security Council’s efforts, and later it was the US that became a stumbling block in producing a joint statement on the pandemic.



- Throughout March 2020, China blocked every effort to discuss the pandemic in the Security Council.
- In Beijing's view, COVID-19 did not constitute a threat to peace and security and should be addressed in institutions like the WHO.
- Ironically, China was holding the presidency of the Security Council during the month.
- Next month, under the presidency of the Dominican Republic, the efforts were resumed, and, the UNSC convened a closed-door meeting to discuss COVID-19.
- At the meeting, the US hit out at China by calling for transparency and timely sharing of public health data.
- China, however, urged the members to reject any acts of stigmatization and politicization of the pandemic.
- In the first week of May, a draft resolution co-authored by Tunisia and France that called for a global ceasefire in the context of the pandemic also met the same fate.
- This time, the US opposed an indirect reference to the WHO in the draft and blocked a vote in the Security Council.
- The US-China friction in the Security Council was more explicit this time.
- Beijing dismissed Washington's concerns and insisted that the resolution should mention and endorse the works of the WHO.

### ***How multilateralism is impacted by Covid-19?***

- No pandemic in the past led to the collapse of the international economy in a manner that is witnessed today.
- In the absence of a coordinated multilateral response, it would be difficult for the states to effectively tackle the socio-economic fallout of the pandemic, individually.
- Similarly, in the absence of a multilateral institution, it will be costlier and difficult for the states to collect information and data on the origin and spread of the pandemic.
- This would affect not only the vaccine research but the progress of global public health as well.
- It has been aptly observed that the "threats posed by SARS in 2003, H1N1 (swine flu) in 2009, MERS in 2012, Ebola in 2014-2016, and the 2008 global financial crisis were all contained through rapid multilateral action."
- The COVID-19 pandemic has also exposed vulnerabilities of the international system, particularly those of multilateral institutions.
- When the much spoken borderless threat became a reality, the multilateral institutions were found not only unprepared but acting in a self-destructive mode.