

**TO JOIN OUR UPSC PAID GROUP**

**WHATSAPP GROUP ➡ 9818323004**

**THE HINDU ANALYSIS – 12 JUNE 2023**



## **EDITORIAL 1: A PRAGMATIC APPROACH, FOR BETTER INDIA-NEPAL TIES**

### **CONTEXT**

- Despite daunting challenges to Nepal's democracy, governance and stability and seemingly intractable bilateral irritants, the Prime Ministers of Nepal and India have shown that a pragmatic approach and mutual sensitivity can re-energise bilateral relations.
- The Prime Minister of Nepal, Pushpa Kamal Dahal Prachanda's first bilateral visit to India since assuming office in the current term is notable in this sense. Driven by challenges presented by the post-COVID-19 world, current realities as well as huge opportunities, India and Nepal were able to review the entire spectrum of the bilateral agenda covering political, economic, trade, energy, security and developmental cooperation.

### **INDIA-NEPAL TIES:**

- Nepal occupies a special significance in India's foreign policy because of the geographic, historical, cultural and economic linkages/ties that span centuries.
- India and Nepal share similar ties in terms of Hinduism and Buddhism with Buddha's birthplace Lumbini located in present day Nepal.
- The two countries have close bonds through marriages and familial ties, popularly known as Roti-Beti ka Rishta.
- The India-Nepal Treaty of Peace and Friendship of 1950 forms the bedrock of the special relations that exist between India and Nepal.

## AREAS OF COOPERATION BETWEEN THE TWO COUNTRIES

- **Trade and Economy:** India remains Nepal's largest trade partner, with bilateral trade crossing USD 7 billion in FY 2019-20.
- **Connectivity:** India is looking to develop the inland waterways for the movement of cargo, within the framework of trade and transit arrangements, providing additional access to sea for Nepal calling it linking **Sagarmatha (Mt. Everest) with Sagar (Indian Ocean)**.
- **Defence Cooperation:** Bilateral defence cooperation includes assistance to the Nepalese Army in its modernisation through the provision of equipment and training. India from 2011, every year undertakes a joint military exercise with Nepal known as **Surya Kiran**.
- **Humanitarian Assistance:** Nepal lies in the sensitive ecological fragile zone which is prone to earthquakes and floods causing massive damage to both life and money, whereby it remains the biggest recipient of India's humanitarian assistance.
- **Multilateral Partnership:** India and Nepal share multiple multilateral forums such as **BBIN** (Bangladesh, Bhutan, India, and Nepal), **BIMSTEC** (Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation), Non Aligned Movement, and **SAARC** (South Asian Association for Regional Cooperation) etc.

## INDIA-NEPAL PROJECTS:

- Mahakali Treaty (6,480 MW)
- Upper Karnali Project (900 MW)
- Arun Three projects (900 MW)
- Seti River (SR6) project

## CHALLENGES

- **Territorial Disputes:** One of the main challenges in the Indo-Nepal ties is the Kalapani boundary issue. These boundaries had been fixed in 1816 by the British, and India inherited the areas over which the British had exercised territorial control in 1947.
- **Issues with Peace and Friendship Treaty:** The 1950 Treaty of Peace and Friendship was sought by the Nepali authorities in 1949 to continue the

special links they had with British India and to provide them an open border and the right to work in India. But today, it is viewed as a sign of an unequal relationship, and an Indian imposition.

- **China's Intervention:** In recent years, Nepal has drifted away from India's influence, and China has gradually filled the space with investments, aid and loans.
- **Internal Security:** It is a major concern for India as the Indo-Nepal border is virtually open and lightly policed which is exploited by terrorist outfits and insurgent groups from North Eastern part of India e.g., supply of trained cadres, fake Indian currency.

### WAY FORWARD

- The need today is to avoid rhetoric on territorial nationalism and lay the groundwork for quiet dialogue where both sides display sensitivity as they explore what is feasible. India needs to be a **sensitive and generous partner** for the neighbourhood first policy to take root.
- India should engage more proactively with Nepal in terms of people-to-people engagement, bureaucratic engagement as well as political interactions.

## EDITORIAL 2: UNWAVERING FOCUS

### CONTEXT

- The **Monetary Policy Committee (MPC)**'s latest decision, to extend the pause in the Reserve Bank of India (RBI)'s monetary tightening while staying focused on the withdrawal of accommodation, reflects the rate setting panel's reassuring resolve to keep inflation front and centre of its approach to policy.

### DETAILS

- RBI Governor Shaktikanta Das was unequivocal in asserting that "the best contribution of monetary policy to the economy's ability to realise its potential is by ensuring price stability".
- The MPC's recent unwavering focus on price stability is informed largely by its mandate to achieve the Consumer Price Index (CPI) inflation target of 4%, a goal that it has struggled to actualise right since January 2021.
- Specifically, Mr. Das flagged the spatial and temporal distribution of rainfall during this monsoon in the wake of El Niño conditions, unabated geopolitical tensions, uncertainty over international commodity prices including those of sugar, rice and crude oil, and the volatility in global financial markets as upside risks to the MPC's inflation projections.
- Another key factor feeding into the RBI's policy approach is its conviction that macroeconomic fundamentals have strengthened after the unrelenting focus on preserving price and financial stability.

### RBI'S MONETARY POLICY

- Monetary policy refers to the policy of the central bank – ie Reserve Bank of India – in matters of interest rates, money supply and availability of credit.
- It is through the monetary policy, RBI controls inflation in the country.
- RBI uses various monetary instruments like **REPO rate, Reverse RERO rate, SLR, CRR** etc to achieve its purpose.

## EXPANSIONARY AND CONTRACTIONARY MONETARY POLICY

- The monetary policy can be expansionary or contractionary.
- An **expansionary monetary policy** is focused on expanding (increasing) the money supply in an economy. An expansionary monetary policy is implemented by lowering key interest rates thus increasing market liquidity.
- A **contractionary monetary policy** is focused on contracting (decreasing) the money supply in an economy. A contractionary monetary policy is implemented by increasing key interest rates thus reducing market liquidity.

## MAIN GOAL OF MONETARY POLICY OF INDIA

- The primary objective of monetary policy is to **maintain price stability** while keeping in mind the objective of growth. Price stability is a necessary precondition for sustainable growth.
- To maintain price stability, inflation needs to be controlled. The government of India sets an inflation target for every five years. RBI has an important role in the consultation process regarding inflation targeting. The current inflation-targeting framework in India is flexible in nature.

## FLEXIBLE INFLATION TARGETING FRAMEWORK (FITF)

- Now there is a flexible inflation targeting framework in India (after the 2016 amendment to the Reserve Bank of India (RBI) Act, 1934).
- The amended RBI Act provides for the inflation target to be set by the Government of India, in consultation with the Reserve Bank, once every five years.
- The Central Government has notified 4 per cent Consumer Price Index (CPI) inflation as the target for the period from August 5, 2016, to March 31, 2021, with the upper tolerance limit of 6 per cent and the lower tolerance limit of 2 per cent.

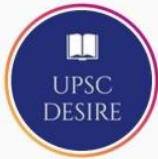
## CONCLUSION

- Price stability is after all a public good and achieving durable disinflation must remain a non-negotiable goal, especially amid widening income inequality and high levels of joblessness.

[Click here](#)  [upsc.desire](#)



upsc.desire



 UPSC | SSC | RAILWAY 

Educational Consultant

 DEDICATED TO UPSC ASPIRANTS 

 IAS | IPS | IFS | IRS | PCS | RAS 



 UPSC GS NOTES AVAILABLE 

[Click here](#)  [everyday.current.gk](#)



everyday.current.gk



 SSC | RAILWAY | BANK | UPSC 

 CURRENT AFFAIRS IN DETAIL

 MATHS | REASONING

 ALL GK TOPICS | SCIENCE

 STUDENTS REVIEWS  

UPSC.DESIRE WHATSAPP GROUP 8054000000