



Current Affairs of the Day

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Pompeo, Esper to travel to India for 2+2 Dialogue

GS II: Bilateral, Regional and Global Groupings and Agreements involving India and/or affecting India's interests.

Bottom line: The third annual U.S.-India 2+2 Ministerial Dialogue will focus on advancing the U.S.-India Comprehensive Global Strategic Partnership and expanding cooperation to promote stability and prosperity in the Indo-Pacific and the world



U.S. Secretary of State Michael Pompeo announced that he will fly to India on October 25, for the 2+2 Ministerial Dialogue with Defence Minister Rajnath Singh and External Affairs Minister S. Jaishankar. Mr Pompeo will be accompanied by U.S. Defense Secretary Mark Esper. The third annual ministerial dialogue will take place on October 27, the Ministry of External Affairs said.

Highlights:

1. The 2+2 discussions would also involve looking for the best ways to cooperate to preserve a “free and open Indo-Pacific”.
2. According to the USA, meetings will also include discussions on how free nations can work together to thwart threats posed by the Chinese Communist Party.

Beyond News: Mains Focus

What is 2+2 dialogue mechanism?

A ‘two plus two dialogue’ is a term used for the establishment of a dialogue mechanism between the two countries’ defence and external affairs ministries. India has this mechanism with all three countries of QUAD-Japan, Australia and USA.

What is the Rationale behind 2+2 mechanism?

The mechanism ensures more robust strategic engagement between countries.



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For example, Defense ties and strategic convergence with the USA are enhanced and safeguarded by 2+2 dialogue. It ensured that ongoing trade disputes between the two nations do not snowball to derail strategic relations. Thus, the mechanism effectively isolates strategic engagement with these important partners from other outstanding issues.

What is the significance of the Indo US 2+2 mechanism?

Countries evolved a mechanism to provide a positive, forward-looking vision for the India-U.S. strategic partnership and to promote synergy in *their diplomatic and security efforts*. They resolved to continue meetings in this format on an *annual basis*.

Recognizing that the two countries are strategic partners, *major and independent stakeholders in world affairs*, the countries are committed to working together on *regional and global issues*, including in bilateral, trilateral, and quadrilateral formats. The two sides further decided to *establish secure communication* between the Minister of External Affairs of India and the U.S. Secretary of State, and between the Minister of Defense of India and the U.S. Secretary of Defense, to help *maintain regular high-level communication on emerging developments*.

What is the objective of 2+2 with Australia?

Both sides had discussed issues related to bilateral defence engagements, areas towards enhancing cooperation in the field of defence industry/defence technology as well as prevailing regional security concerns. The two countries underlined the need for a free, open and inclusive Indo-Pacific region in second 2+2 dialogue.

2020 edition of 2+2 dialogue, assumed additional significance as they came months after India, Australia, Japan and the United States (US) decided to upgrade their interactions in 'Quadrilateral Security Dialogue' (Quad) format to ministerial level in September 2019. All aspects of bilateral relations will be reviewed, *with the focus on security and strategic relations*.



Govt. to widen manufacturing PLI plan

GS III: Changes in Industrial Policy and their Effects on Industrial Growth.

News: The production-linked incentive (PLI) scheme for manufacturing investments will soon be extended to eight more sectors, and the government is close to finalising its policy for the strategic sale of public sector enterprises (PSEs)



Highlights

1. In the offing are about seven-eight sectors where the PLI scheme would be extended. Unlike our other schemes, this is an outcome- and output-oriented scheme... incentives will be paid only if the manufacturers make the goods.
2. This scheme will give cash incentives for five to seven years and all the sunrise and important sectors are proposed to be covered in this.
3. There is a lot of hope in the PLI schemes for mobile phones, medical devices and pharmaceuticals.
4. The kind of response India received on mobile phones gives a lot of confidence that there is now a demand in the world to have diversification in your supply chains and India can definitely take advantage of.

Green shoots of revival

1. The green shoots of revival are visible in the economy, such as GST inflows and rail freight in September, steel producers had just now informed the Finance Ministry that they were back to using their full capacity. If steel and cement are doing well, it augurs very well for the economy.
2. The festivals have come and the economy is looking up a bit.

What is the PLI scheme?

As a part of the National Policy on Electronics, the IT ministry had in April 2020, notified a scheme which would give incentives of 4-6 per cent to electronics



companies which manufacture mobile phones and other electronic components such as transistors, diodes, thyristors, resistors, capacitors and nano-electronic components such as microelectromechanical systems.

According to the scheme, companies that make mobile phones which sell for Rs 15,000 or more will get an incentive of up to 6 per cent on incremental sales of all such mobile phones made in India. In the same category, companies which are owned by Indian nationals and make such mobile phones, the incentive has been kept at Rs 200 crore for the next four years.

Aim:

The scheme, according to officials, will, on one hand, attract big foreign investment in the sector, while also encouraging domestic mobile phone makers to expand their units and presence in India.

What is the tenure of the scheme?

The PLI scheme will be active for five years with financial year (FY) 2019-20 considered as the base year for calculation of incentives. This means that all investments and incremental sales registered after FY20 shall be taken into account while computing the incentive to be given to each company.

Which companies and what kind of investments will be considered?

All electronic manufacturing companies which are either Indian or have a registered unit in India will be eligible to apply for the scheme. These companies can either create a new unit or seek incentives for their existing units from one or more locations in India.

Any additional expenditure incurred by companies on the plant, machinery, equipment, research and development and transfer of technology for the manufacture of mobile phones and related electronic items will be eligible for the incentive scheme. However, all investment done by companies on land and buildings for the project will not be considered for any incentives or determine the eligibility of the scheme.

This scheme is now being extended to more sectors.

The economy almost at the doorstep of revival: Das

GS III: Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.

India's economy is 'almost at the doorstep of revival', Reserve Bank of India Governor Shaktikanta Das asserted on Wednesday, adding that banks and non-banking financial companies (NBFCs) had raised, or were in the process of raising, capital to ensure adequate credit availability for businesses once the revival took hold.



Highlights:

1. The RBI's monetary policy and the government's fiscal policy were working in symmetry with an expansionary focus and an accommodative as well as counter-cyclical stance.
2. The government would have to revisit its fiscal roadmap once the worst effects of the pandemic had been contained.
3. There is a need for urgent governance reforms in both public and private sector banks as there has been a lingering concern since the 2008 global financial crisis and needed attention.
4. At this juncture, reforms in the governance of banks and non-banking finance companies, especially in India, are very important.
5. Post COVID-19, once the pandemic is contained, the government will certainly have to spell out a fiscal roadmap to adhere to the [60%] debt-to-GDP target as the general government [Centre and States] deficit was already exceeding the targets for this year.
6. India is at the doorstep of the revival process after the effects of the pandemic. And it's very important that financial entities have adequate capital. Many of

them have already raised capital, others in the public and private sector are planning and would certainly do so in the coming months.

7. The RBI had asked all banks and NBFCs to build capital buffers so that credit is available to support growth when the economy's revival phase begins.

Key Terms to Know:

Countercyclical: Counter-cyclical fiscal measures are policy measures which counteract the effects of the economic cycle. For example, counter-cyclical fiscal policy actions when the economy is slowing would include increasing government spending or cutting taxes to help stimulate economic recovery.

THE BUSINESS CYCLE

The national economy fluctuates resulting in periods of boom and bust.

