



Antariksha Abhyas 2024

[Source: PIB](#)

Recently, the [Defence Space Agency](#) under the **Ministry of Defence** conducted India's first-ever [Space Exercise 'Antariksha Abhyas'](#) in New Delhi.

- **Objective:** Simulating and analysing **threats to and from space-based assets and services** to secure national strategic objectives in space.
- **Key Focus Areas:**
 - Enhancing **the integration of space capability** into military operations.
 - Providing a better **understanding** of operational dependencies on **space assets**.
 - Identifying vulnerabilities and handling disruptions or **denial of space-based services**.
- **Military Use of Space:** Armed forces use space capabilities for detecting **border infiltration, artillery movements and missile launches**.
- **India's Capability:** In **March 2019**, India successfully tested an [anti-satellite \(ASAT\) test](#) designed to **destroy or disable enemy satellites** in orbit under **Mission Shakti**.
- **Regulation:** According to the [Outer Space Treaty of 1967](#), outer space should be used only for peaceful operations.
 - The [Kármán line](#), **100 kilometres** above mean sea level, is considered the **boundary** where **Earth ends and outer space begins**.

Read More: [India Beyond Earth](#)

Inter-State Council

For Prelims: [Inter-State Council](#), [Federalism](#), [Governor](#), [Goods and Services Tax](#), [Sarkaria Commission](#), [Zonal Councils](#)

For Mains: Inter-State Council and issues, [Centre-State relations](#), Federalism in India

[Source: BS](#)

Why in News?

The Indian government has recently reconstituted the [Inter-State Council \(ISC\)](#) after two years, with the **last reconstitution in 2022**, appointing the **Prime Minister (PM) as chairman** and underscoring a renewed commitment to [Centre-State relations](#) and [cooperative federalism](#).

What is the Inter-State Council?

- **Establishment:** The ISC was constituted to **facilitate Centre-State and Inter-State cooperation** in India.
 - It was established under [Article 263 of the Constitution](#), which empowers the **President of India to establish an ISC** for better coordination between States.
 - The [Sarkaria Commission \(1988\)](#) recommended making the ISC a permanent body, leading to its formal establishment in **1990 through a Presidential Order**.
- **Functions of the ISC:** It discusses subjects of common interest to states and the Union and makes recommendations for the coordination of policies and actions.
 - The ISC also **investigates issues affecting Centre-State and Inter-State relations** to ensure seamless governance.
- **Composition of the Council:** The **PM serves as the Chairperson**. Members include **Chief Ministers(CMs) of all States, CMs of Union Territories** having a Legislative Assembly and Administrators of UTs not having a Legislative Assembly, and **6 Union Ministers of Cabinet rank, nominated by the Prime Minister**, are also part of the ISC.
 - The Presidential Order of 1990 has been amended twice, first in 1990 and then in 1996, to allow the [Governor of a State under President's rule](#) to attend the meeting of the ISC and for the **Chairman to nominate permanent invitees** from amongst the other Union Ministers, respectively.
 - In the second meeting of the INC held in 1996, the Council decided to set up a **Standing Committee for continuous consultation** and processing of matters for consideration of the Council.
 - Accordingly, a Standing Committee was set up under the **Chairmanship of the Home Minister** and has been reconstituted from time to time with the approval of the Chairman of the Council.
- **Secretariat:** The **Inter-State Council Secretariat(ISCS)** in New Delhi was established in 1991 and is headed by a **Secretary to the Government of India**.
 - The secretarial functions of the [Zonal Councils](#) have been transferred to the ISCS since 2011.
- **Benefits:** Policies developed through ISC deliberation would hold **greater social legitimacy**, enhancing acceptance among states and reducing friction.
 - The ISC maintains the **balance of power between the Union and states**, preventing dominance by either side. It ensures that Union decisions align with the **constitutional framework and federal principles**, especially during reforms like [Goods and Services Tax \(GST\)](#) or [demonetization](#) that may strain Union-state relations.

Other Key Inter-State and Centre-State Bodies

- **Zonal Councils:** These are statutory bodies established under the [States Reorganisation Act of 1956](#).
 - There are **five Zonal Councils** (Northern, Central, Eastern, Western, and Southern). They aim to promote interstate cooperation and coordination, each Zonal Council is headed by the **Union Home Minister**, with CMs from the constituent states serving as **Vice-Chairpersons on a rotating basis**.
 - The **North Eastern region** has a separate council, the **North Eastern Council**, created in 1972, set up under the **North Eastern Council Act, 1972**.
- **River Water Dispute Tribunals:** These tribunals are constituted under the [Inter-State River Water Disputes Act, 1956](#), to adjudicate disputes between states over the sharing of river waters.
 - **Article 262** provides that [Parliament](#) may by law provide for the adjudication of any dispute or complaint with respect to the use, distribution or control of the waters of, or in, any inter-State river or river valley.
- **The Goods and Services Tax (GST) Council:** It was established under [Article 279A of the Constitution](#), is a constitutional body responsible for deciding key issues related to GST implementation in India.
 - It comprises the Union Finance Minister, the Union Revenue Minister, and State Finance Ministers, with decisions made through a consensus-based approach.
 - Since its inception in 2016, the Council has made significant decisions on tax rates, and exemptions, **promoting cooperative federalism** and streamlining business operations in India.

What are the Challenges Regarding the Inter-State Council?

- **Infrequent Meetings:** Despite its purpose, the ISC has been criticised for irregular meetings, having met only **11 times since its establishment in 1990**.
 - The procedure mandates that it **should meet at least three times a year**, but the last meeting was held in **July 2016**.
- **Non-Binding Recommendations:** The ISC faces key challenges due to its **advisory and non-binding nature**, which limits its impact on resolving disputes and hinders effective Union-State coordination.
 - Its **broad mandate lacks enforcement authority**, making it more a discussion forum than a decision-making body.
 - Additionally, there is often a **lack of robust follow-up mechanisms** to ensure that recommendations are **tracked and implemented**, necessitating a more structured approach for meaningful outcomes.
- **Political Dynamics:** The political landscape can influence the functioning of the ISC. **Differences in political ideologies between the central and state governments** can affect the council's ability to reach consensus on various issues.

What Reforms are Needed for ISC to Function Effectively?

- **Amendment of Article 263:** The [Punchhi Commission \(2010\)](#) emphasised making the ISC a specialised body to address intergovernmental relations and federal challenges.
 - Amending **Article 263 to strengthen the ISC's mandate** for addressing both inter-state and Union-state issues could enhance its role as a consultative and decision-making forum.
- **Regular and Timely Meetings:** Reviving the mandate for regular meetings could foster continuity in discussions and provide states with a regular platform for policy input.
- **Clear Agenda and Priorities:** Establish a clear agenda and set of priorities for each meeting, focusing on pressing inter-state issues such as **water disputes, infrastructure development, and economic cooperation**.
- **Technology Integration:** Utilise digital tools and platforms to facilitate communication, data sharing, and decision-making processes within the ISC, making it more efficient and responsive.

Conclusion

To truly strengthen India's federal framework, the Inter-State Council needs to evolve from a **largely advisory body into a more proactive and empowered institution**. Reforms like enhancing its mandate and ensuring regular, outcome-driven meetings will be crucial in fostering deeper cooperation and resolving the complexities of Centre-State relations.

Drishti Mains Question:

Discuss the role and significance of the Inter-State Council in maintaining cooperative federalism in India. How effective has it been in addressing Centre-State issues?

UPSC Civil Services Examination Previous Year's Questions (PYQs)

Prelims:

Q.1. Which one of the following in Indian polity is an essential feature that indicates that it is federal in character? (2021)

(a) The independence of judiciary is safeguarded.

- (b) The Union Legislature has elected representatives from constituent units.
- (c) The Union Cabinet can have elected representatives from regional parties.
- (d) The Fundamental Rights are enforceable by Courts of Law.

Ans: A

Q.2. Which one of the following is not a feature of Indian federalism? (2017)

- (a) There is an independent judiciary in India.
- (b) Powers have been clearly divided between the Centre and the States.
- (c) The federating units have been given unequal representation in the Rajya Sabha.
- (d) It is the result of an agreement among the federating units.

Ans: D

RBI's Framework for Reclassification of FPI to FDI

[Source: IE](#)

Why in News?

Recently, the [Reserve Bank of India \(RBI\)](#) introduced a framework to allow **foreign portfolio investors** to convert their investments to [foreign direct investment \(FDI\)](#).

What are the Key Highlights of the Framework?

- **Threshold Crossing:** Any **foreign portfolio investor** investing above 10% of the total paid-up equity has the option of **divesting their holdings or reclassifying** such holdings as **FDI**.
 - FDI is the investment through **capital instruments** by a person resident outside India.
 - In an **unlisted Indian company** or
 - In **10% or more of the paid-up equity** capital of a **listed** Indian company (Below 10% is considered [Foreign portfolio investment \(FPI\)](#)).
- **Timely Conversion:** The reclassification must be completed within **five trading days** from the transaction that results in **breaching the 10% limit**.
- **Compliance Requirements:** FPIs must adhere to reporting obligations under the **Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019** (FEM (NDI) Rules, 2019).
 - FEM (NDI) Rules, 2019 mandates that investments by non-residents in India must follow **entry routes, sectoral caps, or investment limits** unless specified otherwise.
- **Sector Restrictions:** Reclassification is not permitted in sectors where **FDI is restricted** E.g., Gambling and betting, **Real Estate Business**, [Nidhi company](#) (Mutual Benefit Funds Company) etc.
- **Complementary Measures:** It complements a similar update from the [Securities and Exchange Board of India \(SEBI\)](#) which mandates that once an **FPI exceeds the 10%** equity threshold, it may opt to convert the holdings to FDI.

Note

In order to curb **opportunistic takeovers/acquisitions** of Indian companies due to the [Covid-19](#) pandemic, Government amended the **FDI policy 2017** vide **Press Note 3 (2020)**.

- It required **entities** from countries sharing a **land border with India**, or whose **beneficial owner** is from such countries, can **only invest** in India through the **Government route**.
- For the purpose of **Press Note 3**, India recognises **Pakistan, Afghanistan, Nepal, Bhutan, China (including Hong Kong), Bangladesh and Myanmar** as countries sharing land border with India (Bordering Countries).

What is the Difference Between FDI and FPI?

Parameter	FDI (Foreign Direct Investment)	FPI (Foreign Portfolio Investment)
Nature of Investment	Direct investment and business ownership in India by a foreigner.	Indirect investment in financial assets like stocks and bonds .
Investor Role	Active role	Passive role
Control and Influence	High degree of control over management and business operations.	No significant control over day-to-day operations of the company.
Asset Type	Physical assets of the foreign company.	Financial assets like stocks, bonds, and Exchange-Traded Fund (ETF) .
Investment Approach & Time Frame	Long-term approach. It can take years to progress from planning to implementation.	Shorter term than FDIs. It is focused on market-linked gains.
Motive	Securing market access or strategic interests in a foreign country for long-term gains.	Short-term returns and market-linked gains .
Risk Factor	Generally more stable , but affected by the host country's policies, political environment, and regulations.	Generally more volatile due to fluctuations in asset prices.
Entry and Exit	Entry and exit are difficult .	Entry and exit are easy due to liquidity and wide trading of assets.

FDI and FPI



Foreign Direct Investment (FDI)

About:

- Investment made by foreign entities/individuals in **businesses and assets** located in a different country

FDI Routes:

Automatic Route:

- No prior government approval required
- Up to 100% allowed in non-critical sectors

Government Approval:

- Necessary in certain sectors or for investments above specific thresholds
- Administered by **Department for Promotion of Industry and Internal Trade (DPIIT)** and RBI

Examples of Approval via Auto and Govt Route:

- Banking (Private sector): up to 49% (auto) + above 49% and up to 74% (Govt)
- Defence: up to 74% (auto) + above 74% (Govt)
- Healthcare (Brownfield): up to 74% (auto) + above 74% (Govt)
- Telecom Services: up to 49% (auto) + above 49% (Govt)

Foreign Investment Promotion Board (FIPB):

- Comes under Ministry of Finance
- Responsible for processing FDI proposals - facilitated by **Foreign Investment Facilitation Portal (FIFP)**
- Making recommendations for Government approval

Govt's prior approval is mandatory for FDI from countries sharing land border with India (China, Bangladesh, Pakistan, Bhutan, Nepal, Myanmar and Afghanistan)

India's Top 5 FDI Sources (FY 2022-23):

- Mauritius
- Singapore
- USA
- Netherland
- Japan

India's Top 5 Sectors Attracting FDI (FY 2022-23):

- Services Sector
- Computer Software & Hardware
- Trading
- Telecommunications
- Automobile Industry



Foreign Portfolio Investment (FPI)

About:

- Investments made by foreign individuals, institutions, or funds in financial assets
- Known as Fly by Night or Hot Money

Imp Features:

- Purchase of financial assets** occur without gaining ownership
- Passive investment approach
- Investors earn returns through **dividends, interest, and capital appreciation**

Example:

- Stocks, Bonds etc.

Regulatory Body:

- Securities and Exchange Board of India (SEBI)

Difference between FDI and FPI		
Features	FDI	FPI
Nature of Investment	Long-term	Short-term
Objective	Long-term presence in a foreign country	Earning quick returns on investments
Control	Significant (over the invested entity)	No or limited control
Investments in	Tangible assets (e.g., factories, buildings)	Financial assets (e.g., stocks, bonds)
Returns	Profits, Dividends, and Capital appreciation	Dividends, Interest, and Capital appreciation
Policy Regulations	Govt policies and sector-specific regulations	Flexible regulations and easier entry/exit
Impact on Economy	Job creation, technology transfer, and economic growth	Short-term liquidity and impact on stock market performance



UPSC Civil Services Examination, Previous Year Question

Q. Consider the following: (2021)

- Foreign currency convertible bonds
- Foreign institutional investment with certain conditions
- Global depository receipts
- Non-resident external deposits

Which of the above can be included in Foreign Direct Investments?

- 1, 2 and 3
- 3 only
- 2 and 4
- 1 and 4

Ans: (a)

Q. With reference to Foreign Direct Investment in India, which one of the following is considered its major characteristic? (2020)

- (a) It is the investment through capital instruments essentially in a listed company.
- (b) It is a largely non-debt creating capital flow.
- (c) It is the investment which involves debt-servicing.
- (d) It is the investment made by foreign institutional investors in the Government securities.

Ans: (b)

PDF Reference URL: <https://www.drishtias.com/current-affairs-news-analysis-editorials/news-analysis/13-11-2024/print>

