

Fitch downgrades US

On August 1, rating agency Fitch downgraded the United States of America's (U.S.A.) rating to 'AA+' from 'AAA' a rating that it had been holding at the agency since 1994.

This was the first major downgrade for the country since Standard & Poor's (S&P) actions in 2011.

Fitch argued the downgrade cumulatively reflected the expected fiscal deterioration over the next three years, the "high and growing" general government debt burden, and the "erosion of governance" in comparison to similarly rated peers over the last two decades.

What exactly is the downgrade?

Before moving to the downgrade, it is pertinent to note that rating agencies are institutions that assess the creditworthiness or financial capability of a region, country, its institutions, or individual organizations.

They assess its ability to meet future payment obligations particularly important for those making investment decisions.

Fitch rates credit quality from 'AAA' (its highest rating) to 'D' (lowest rating). 'AAA' is assigned to entities with "exceptionally

strong capacity for payment of financial commitments".

The downgrade in the discussion, that is 'AA', denotes "very low default risk", in other words, "very strong capacity for payment of financial commitments".

THE HINDU

Jan Vishwas bill

The Jan Vishwas (Amendment of Provisions) Bill, 2023 was passed in Parliament recently

What is the Jan Vishwas Bill about?

The Jan Vishwas (Amendment of Provisions) Bill, 2022 amends 42 laws, across multiple sectors, including agriculture, environment, media, and publication and health.

The Bill converts several fines to penalties, meaning that court prosecution is not necessary to administer punishments.

It also removes imprisonment as a punishment for many offenses.

Covered under the Jan Vishwas (Amendment of Provisions) Bill, 2023 are changes in the Drugs and Cosmetics Act, of 1940, the Food Safety and Standards Act, of 2006, and the Pharmacy Act, of 1948.

This has evoked heated debate about its pros and cons among healthcare activists, experts in the

descendants of the extinct dinosaurs.

The proof of Huxley's idea came a century later, yet some mysteries persisted as well.

A study published in the journal Royal Society Open Science suggests the nasal cavity might have the answer.

THE HINDU

Ballast

Gravel used on railway tracks is known as ballast.

It is used to dissipate the vibration produced by trains traveling at high speeds. The gravel layer acts as a cushion and damps the vibrations so that they do not travel long distances.

If the rails are laid on a solid base, these vibrations can travel long distances and lead to cracks on the base as well as in nearby buildings.

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Payment issue - Russia & India

There has been an unexpected turn in the use of the Indian rupee for international transactions after the Ukraine-Russia war began in early 2022, in turn leading to sanctions imposed by the United States and

the European Union on Russia, by directly targeting the assets of Russian financial institutions.

The issue became serious for Russia (one of the largest suppliers of India's 212.2 million tons of crude oil imports during 2022) and for India (a large market for Russian exports).

An alternative route was chosen to settle payments between India and Russia by using the Indian rupee in transactions related to trade between the two countries.

When it comes to the modalities, payments from either India or Russia now go to the Rupee Vostro accounts, opened in Russian banks by the authorized dealer banks in India, which take care of settling payments between the two countries.

Indian importers, going by the terms in this arrangement, pay rupees to the Rupee Vostro account through authorized Indian banks against invoices presented by the Russian supplier.

The arrangement is supposed to provide payments to Russians for items India has been importing on a regular basis such as mineral fuels, crude oil, and even the air defence system.

Exports from India can also be paid in rupees from the same Vostro

account maintained with the corresponding bank in Russia.

While the arrangement seemed to be fool proof, a problem emerged in meeting the payments, with Russia continuing with a trade surplus despite global turmoil, the sum in 2020-21 amounted to \$3.42 billion, followed by similar surpluses in the following years.

With Russia reluctant to hold more of the Indian rupee as an asset in the Vostro account (as the rupee has a low rank in the global currency hierarchy and may be subject to depreciation), India faced an issue in arranging for payments and letting the agreement continue.

A new financial architecture With the Indian rupee, the Russian rouble, China's yuan, the UAE's dirham, and even Indonesia's rupiah sharing the common goal of local currency transactions, one also notices a geo- economic and political turn with countries in the South getting ready to trade and settle their payments with one another without the use of the hegemonic currencies from the advanced economies in the North.

It follows, as a sequel, that the setup will also avoid seeking the help of institutions in the advanced countries, which include the International Monetary Fund and

the World Bank as well as private capital at least in settling their mutual transactions.

Political differences as well as the disparate status of currencies may crop up as issues, especially with China's role in it.

But geoeconomics may prevail over geopolitics to overcome the differences.

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CHIPS ACT

The United States' Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (CHIPS Act) completes one year as a law today (August 9).

The Act authorizes \$52.7 billion over five years to boost American competitiveness, innovation, and national security in semiconductors.

The Act involves cooperation and coordination between several arms of the government.

Four separate funds have been created for the execution of the Act.

The Department of Commerce is the lead agency administering the \$50 billion CHIPS for America Fund for accelerating semiconductor manufacturing and research.

But there are also allocations for the Department of Defense (\$2 billion) for defense unique technologies, the Department of State (\$0.5 billion) to coordinate with foreign partners on semiconductor supply chain security, and the National Science Foundation (\$0.2 billion) to promote the growth of the semiconductor workforce.

This structure highlights the priority accorded to semiconductors.

On the other hand, India's semiconductor industrial policy is being managed mainly by the Ministry of Electronics and Information Technology (MeitY).

The schemes for manufacturing, assembly, displays, and compound semiconductors have been assigned to an independent division called India Semiconductor Mission (ISM) within a non-profit company set up by MeitY.

The policy for chip design is being administered by C-DAC, an R&D organization again under the MeitY.

Companies seeking funding under the CHIPS Act are required to submit workforce development plans.

A nodal agency, the National Semiconductor Technology Center (NSTC), has been created to collaborate with industry and educational institutions.

This must become a focus area for India as well. A competent semiconductor engineering workforce is India's quickest route to gaining leverage in the semiconductor industry

In the Indian case, however, many private training centers prepare chip designers outside the conventional university system.

The CHIPS Act has also created a CHIPS Program Office (CPO) to lay down the guidelines for assessing the financial viability of a project.

The CPO is hiring Investment Principals and Financial Structuring Directors to catalyze private sector investments.

While India also has guidelines for assessing the viability of proposals, a lot remains to be done concerning transparency

In India's semiconductor strategy, advanced manufacturing and packaging research are not priority areas of focus.

This makes sense to the extent that India is currently nowhere in the picture in high-volume chip manufacturing. However, the lesson from the CHIPS Act is that India's strategy needs to identify and invest in research on future technologies.

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