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**1. What is a civil nuclear cooperation agreement? Why does Saudi Arabia want one with the US? How would the US benefit from such a deal? What are some likely hurdles to it?**



**Why in News?**

White House National Security Adviser Jake Sullivan will visit Saudi Arabia this weekend for talks expected to touch on a civil nuclear cooperation agreement, one piece of a wider arrangement that the USA hopes will lead to normalisation of Israeli-Saudi relations.

Below is a description of the key issues involved in a US-Saudi civil nuclear deal, what risks and benefits it may offer the United States and Saudi Arabia, and how it fits within US efforts to broker Israeli-Saudi reconciliation.

**What is a civil nuclear cooperation agreement?**

Under Section 123 of the US Atomic Energy Act of 1954, the United States may negotiate agreements to engage in significant civil nuclear cooperation with other nations.

It specifies nine non-proliferation criteria those states must meet to keep them from using the technology to develop nuclear arms or transfer sensitive materials to others. The law stipulates congressional review of such pacts.

**Why does Saudi Arabia want a US nuclear cooperation agreement?**

As the world's largest oil exporter, Saudi Arabia at first glance is not an obvious candidate for a nuclear pact typically aimed at building power plants to generate electricity.

There are two reasons Riyadh may wish to do so.

The first is that under Crown Prince Mohammed bin Salman's ambitious Vision 2030 reform plan, the kingdom aims to generate substantial renewable energy and reduce emissions. At least some of this is expected to come from nuclear energy.

Critics cite a second potential reason: that Riyadh might wish to develop nuclear expertise in case it someday wishes to acquire nuclear weapons despite the safeguards enshrined in any deal with Washington to prevent this. The Saudi crown prince has long said that if Iran developed a nuclear weapon, Saudi Arabia would follow suit, a stance that has fueled deep concern among arms control advocates and some U.S. lawmakers over a possible US-Saudi civil nuclear deal.

The Sunni Muslim kingdom and Shi'ite revolutionary Iran have been at odds for decades.

### **How would the US benefit from a civil nuclear deal with Saudi Arabia?**

There could be strategic and commercial gains.

The Biden administration has made no secret of its hope to broker a long-shot, multi-part arrangement leading Saudi Arabia and Israel to normalize relations. It believes Saudi support for normalization may hinge partly on striking a civil nuclear deal.

The strategic benefits would be to shore up Israel's security, build a wider coalition against Iran and reinforce U S ties to one of the wealthiest Arab nations at a time when China is seeking to extend its influence in the Gulf.

The commercial benefit would be to put U.S. industry in a prime spot to win contracts to build Saudi nuclear power plants, as U.S. atomic companies compete with Russia, China and other countries for global business.

### **What are the hurdles to a US-Saudi civil nuclear deal?**

To start, it is all but inconceivable while the Gaza war rages.

Israel invaded the Gaza Strip after Hamas-led gunmen on Oct 7 attacked southern Israeli communities, killing about 1,200 people and taking 253 hostages, according to Israeli figures. The Gaza death toll, health officials in the Hamas-run coastal enclave say, has risen to more than 35,000 and malnutrition is widespread.

It is hard to imagine the Saudis being willing to normalize relations while Palestinians are dying in such numbers.

### **What is the wider pact in which a nuclear deal might figure?**

The United States hopes to find a way to give Saudi Arabia several things it wants – a civil nuclear pact, security guarantees and a pathway toward a Palestinian state – in return for Riyadh agreeing to normalize relations with Israel. Earlier this month, the Biden administration and Saudi Arabia were finalizing an agreement for U.S. security guarantees and civilian nuclear assistance to Riyadh.

However, the wider Israel-Saudi normalization envisaged as part of a Middle East "grand bargain" remains elusive.

### **What are some of the key issues to be worked out in a Saudi-US nuclear deal?**

A key issue is whether Washington might agree to build a uranium enrichment facility on Saudi territory, when it might do so, and whether Saudi personnel might have access to it or it would be run solely by U.S. staff in a "black box" arrangement.

Without safeguards built into an agreement, Saudi Arabia, which has uranium ore, could theoretically use an enrichment facility to produce highly enriched uranium, which, if purified enough, can yield fissile material for bombs.

Relevance: GS Prelims & Mains Paper II; International Relations

Source: Indian Express

## 2. Rules for political parties to use state-funded media during polls

### Why in News?

Two Opposition leaders — Communist Party of India (Marxist) General Secretary Sitaram Yechury and All India Forward Bloc leader G Devarajan — were asked to make certain changes to their speeches made on Doordarshan and All India Radio (AIR) during the allocated broadcast time in the run up to the ongoing Lok Sabha elections.



Yechury had to delete references to the electoral bond scheme, drop terms “communal authoritarian regime” and “draconian laws”, and replace “bankruptcy” (of governance) with “failure”. Devarajan was made to remove the word “Muslims” from his speech about the Citizenship

Amendment Act.

However, according to a Prasar Bharati official, the TV and radio networks were simply following rules set by the Election Commission of India (ECI) regarding the use of state-controlled media by recognised parties during elections. Prasar Bharati is India’s state-run public broadcaster and the parent organisation of Doordarshan and AIR.

### Allocation of time on state media

Recognised political parties have been allowed to freely use state-owned television and radio during polls since the 1998 Lok Sabha elections. The ECI decides how much time each recognised national and state party will be allotted prior to the start of the election campaign.

National parties, all put together, get a minimum of 10 hours of telecasting time on Doordarshan’s national channel, and at least 15 hours on its regional channels. They also get 10 hours of broadcasting time on the national hook-up of AIR and 15 hours of broadcasting on regional AIR stations.

State parties, all put together, get a minimum of 30 hours of telecasting time on the appropriate regional Doordarshan channel and AIR radio station.

### Allocation of time in this elections

On March 28, the ECI allocated broadcast and telecast time to each of the six national parties — AAP, BSP, BJP, CPI(M), Congress, and Conrad Sangma’s National People’s Party — and 59 state parties for the 2024 elections. For national parties, out of the 10 hours prescribed, a total of 4.5 hours (45 minutes each) was allocated in both Doordarshan and AIR. The remaining 5.5

hours was further allocated on the basis of vote share in the 2019 Lok Sabha elections. Similar formulae was followed while allocating time to state parties.

### **Guidelines on speeches' contents**

Parties and their speakers are expected to submit transcripts of their speeches three to four days before recording — these have to be approved by the concerned authorities in the respective AIR and Doordarshan stations.

The ECI's guidelines forbid "criticism of other countries; attack on religions or communities; anything obscene or defamatory; incitement of violence; anything amounting to contempt of court; aspersions against the integrity of the President and judiciary; anything affecting the unity, sovereignty and integrity of the nation; and any criticism by name of any person".

However, both Devarajan and Yechury, whose edited speeches were aired on Doordarshan on April 16, were not happy with the changes made to their speech.

Relevance: GS Prelims & Mains paper II; Governance

Source: Indian Express

### **3. What prompted the central bank to increase its scrutiny of the gold loan business of NBFCs?**

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

The Reserve Bank of India (RBI) earlier this month asked gold loan lenders to stick to regulatory norms while lending in a bid to tighten its grip over Non-Banking Financial Companies (NBFCs). The RBI has increased its scrutiny of NBFCs after it found certain NBFCs to be flouting regulatory norms. In March, the RBI banned IIFL Finance from issuing fresh gold loans after the firm was found violating lending norms.



#### **What are the RBI's gold loan norms?**

The RBI stipulates lenders to comply with certain norms while lending money in lieu of gold. For instance, lenders are not allowed to lend any amount of money that is greater than 75% of the value of the gold that is submitted as collateral by the borrower. This is to ensure that banks have sufficient cushion to absorb any

losses by selling the gold in case the borrower defaults on the loan.

And in order to comply with income tax rules, the RBI also mandates that when a loan is disbursed to a borrower, no more than ₹20,000 can be disbursed in the form of cash; the remaining loan amount needs to be deposited in the borrower's bank account. It also instructs lenders to conduct the auction of any gold (in case a borrower defaults) in a fair and transparent manner in locations that are accessible to the borrowers.

It is believed that the RBI is working on detailed guidelines for gold loans that lenders will have to follow.

### **Why does the RBI want to reinforce these norms now?**

The RBI says it has found some NBFCs to be violating regulations linked to gold-based lending. IIFL Finance was disciplined in March for violating norms related to the size and form of loan disbursements, the evaluation and assaying of gold, the levying of charges, and irregularities in the auction process. For instance, the RBI found that there were loan-to-value irregularities in over two-thirds of defaulted accounts in the case of IIFL Finance.

It should be noted that NBFCs may want to increase the size of their loan book at an aggressive pace in an attempt to grow their business, and thus may be willing to offer loans of value that exceed 75% of the value of the underlying collateral. To do this, NBFCs may try to deliberately overestimate the value of the gold that the borrowers submit as collateral. It is thus not surprising that the RBI has raised concerns about the way in which gold is assayed and valued by NBFCs.

Lenders such as IIFL Finance were using internal assayers to evaluate the value and the purity of the gold offered as collateral by borrowers. This is in contrast to gold loans extended by banks wherein external assayers determine the value and purity of the gold. It should be noted that the gold loan portfolio of NBFCs has increased at an aggressive pace since the pandemic, growing over four fold from about ₹35,000 crore at the end of financial year 2020 to about ₹1,31,000 crore by the end of FY 2023.

The RBI may fear that such aggressive lending by NBFCs is happening in widespread violation of lending norms and that this could potentially cause systemic trouble in the future as the gold loan industry grows in size rapidly.

### **How will the RBI's scrutiny affect NBFCs?**

The NBFCs expect the RBI's scrutiny of their lending practices to affect their growth and profitability. The RBI's insistence that no more than ₹20,000 shall be disbursed as cash when a loan is approved, for instance, is expected to make NBFC gold loans less attractive.

The NBFCs have taken pride in offering emergency cash to borrowers at short notice unlike banks, particularly to those who are not part of the banking system and deal primarily in cash. Many NBFCs might also have to become less aggressive in their lending practices as the RBI enforces the loan-to-value rules more strictly.

It should be noted that the RBI had temporarily allowed lenders to make loans up to 90% of the value of the underlying gold collateral during the pandemic to help borrowers, and this also helped NBFCs expand their loan books aggressively.

Further, measures to make the auction process more transparent and accessible to borrowers could increase the cost of doing business for NBFCs and lead to higher borrowing rates for lenders. The RBI, on the other hand, may believe that its lending norms will make the gold loan business more sustainable and help avoid systemic risks in the long run.

Relevance: GS Prelims & Mains Paper III; Economics

Source: The Hindu

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