

Special Issue

November (Week 4)

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All about Solomon Islands unrest

(Source: [Indian Express](#))

Context: *The Solomon Islands' decision to switch its diplomatic allegiance from Taiwan to Beijing has been blamed for arson and looting in the national capital Honiara, where protesters are demanding the prime minister's resignation. Australian police, troops and diplomats are helping local police restore peace and order while trying to keep out of the domestic political dispute.*

Ethnic tensions open old wounds

- The Solomon Islands are famous as a battleground of World War II, the pivotal Battle of Guadalcanal named after the country's largest island where the restive capital Honiara is located.
- It was then known as the British Solomon Islands Protectorate and became the Solomon Islands before independence in 1978. The South Pacific nation of 700,000 people — mostly Melanesian but also Polynesian, Micronesian, Chinese and European — is, like neighboring Australia and New Zealand, a constitutional monarchy with Queen Elizabeth II the head of state.
- A migration of settlers from Malaita, the country's second biggest island and most populous province, to the economic opportunities on Guadalcanal and Honiara stoked ethnic tensions and eventually unrest.
- In the late 1990s, native Guadalcanal islanders, known as Guales, launched a campaign of violence and intimidation to drive the Malaitans off the island. The Malaita Eagle Force militia was formed to protect them in a conflict that led the government to declare a four-month state of emergency in 1999.
- Australia and New Zealand rejected the government's request for help. With the police force ethnically divided, law and order on Guadalcanal collapsed.
- In 2000, the Malaita Eagle Force kidnapped Prime Minister Bartholomew Ulufa'alu, a Malaitan, because they did not consider he was doing enough for the Malaitans' cause.
- Ulufa'alu resigned in exchange for his freedom, and the current Prime Minister Manasseh Sogavare began the first of his four stints as the unstable nation's leader.

What's China's role in the current unrest?

- China has provided another cause for the community to divide, with the government supporting Beijing and the Malaitian leaders supporting Taiwan.
- The self-ruled island of Taiwan split from mainland China after a civil war in 1949, but Beijing claims it as part of its territory and has persuaded all but 15 countries, most of them small and poor in Africa and Latin America, to switch recognition to the mainland.
- But experts say the unrest on the Solomon Islands is driven by the same underlying causes that have undermined the social fabric for decades: inter-island and ethnic tensions, a perceived lack of sharing of resources between Guadalcanal and Malaita, widespread poverty and high youth unemployment.
- "Geopolitical tensions have been the spark but not the major driver," said Jonathan Pryke, Pacific Islands program director at the Lowy Institute international policy think tank.
- "'I'm sure there is some degree of affection for Taiwan in Malaita, but it's also another way for Malaitans to express their frustration at the national government,'" he added.
- Pryke said it was too soon to judge whether the Solomons would benefit financially from their 2019 switch in diplomatic relations to Beijing.
- While Beijing's financial inducements to cut ties with Taiwan have not yet borne fruit, the Solomons had closed its borders throughout the pandemic, which limited Chinese engagement.
- Resentment against Chinese business people is longstanding on the Solomons and resulted in much of Honiara's Chinatown being burned in 2006, and again this week.



- “The Chinese communities are vulnerable in the Solomon Islands because they don’t have the traditional support base,” Pryke said. “They don’t have the tribes the families that would have given them some extra degree of cultural isolation from this sort of unrest.”

How did Australia become involved?

- Australia and the Solomons signed their first bilateral security treaty in 2017. It provides a legal basis for the rapid deployment of Australian police, troops and associated civilians in the event of a major security challenge.
- Australian police were in the air aboard a military transport plane within hours of Sogavare invoking the treaty.
- Australia had led a force of Pacific Islands police and troops under the Regional Assurance Mission to Solomon Islands, or RAMSI, from 2003 to 2017. It included 2,300 police and troops from 17 nations, invited by the Solomons’ government. The deployment successfully ended the conflict that killed 200 people.
- In the five years of ethnic and civil unrest before RAMSI arrived, the Solomons was close to becoming a failed state.
- The bilateral treaty acknowledges that underlying causes of the unrest remained and posed development challenges.
- “The Solomon Islands will need ongoing support to retain the gains made under RAMSI and to help build long-term stability and enduring growth,” the Australian government said in 2017.

All about cryptocurrency regulation around the world

(Source: [Indian Express](#))

Context: *The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021, listed for introduction in Parliament’s Winter Session starting November 29, seeks to “create a facilitative framework for the creation of the **official digital currency** to be issued by the Reserve Bank of India”.*

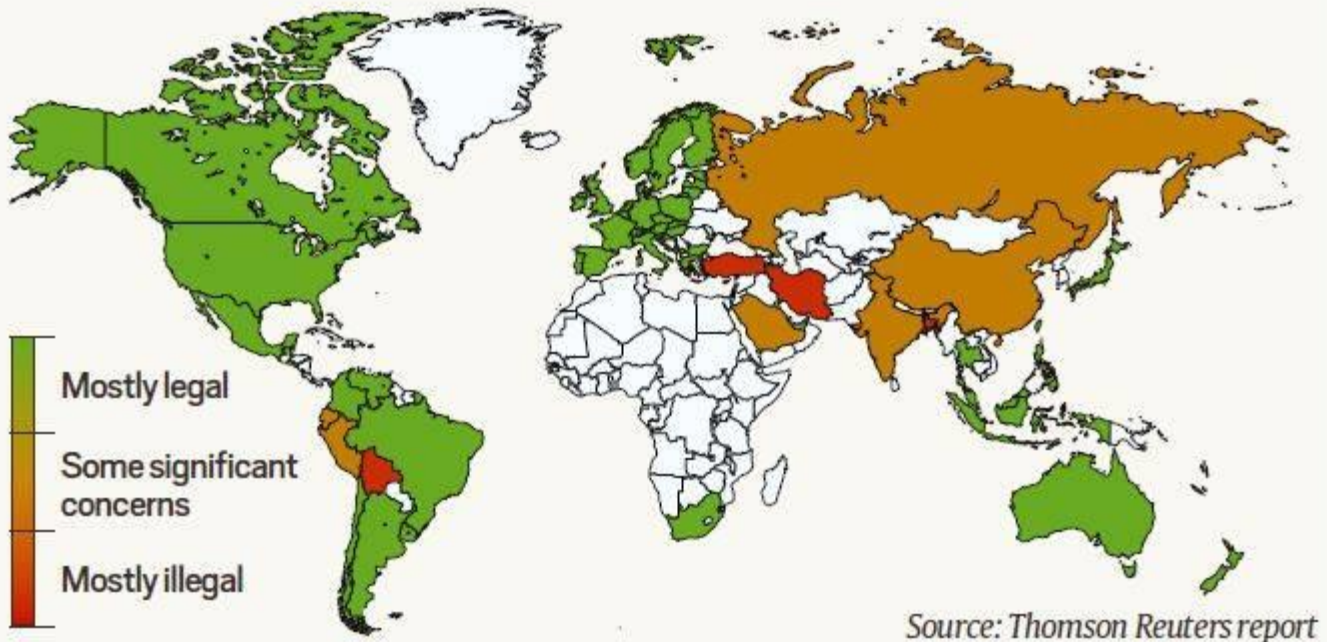
Details:

- The Bill “seeks to prohibit all private cryptocurrencies in India, however, it allows for certain exceptions to promote the underlying technology of cryptocurrency and its uses”.
- Prices of cryptocurrencies on local exchanges crashed overnight after the news broke, even though they remained largely unchanged in global markets.
- Industry sources said there was panic- selling by crypto holders fearing an impending ban or restriction. There is currently no regulation or ban on cryptocurrencies in India; however, national responses to defining and regulating virtual currencies vary widely in jurisdictions around the world.

How are cryptocurrencies regulated in countries around the world?

- The stance of countries and regulators has ranged from a total ban on these financial assets, to allowing them to operate with some regulations, to the other extreme of allowing virtual currency trading in the absence of any guidelines.
- Governments and regulators remain divided on how to categorise it as a currency or asset — and how to control it from an operational point of view. The evolution of the policy and regulatory response has been uncharacteristically discordant, with no apparent coordination in the responses of countries.

WHO ACCEPTS, WHO REJECTS, WHO HAS CONCERNS



- As stated above, the regulatory and policy response can vary from complete openness of the kind seen in countries like El Salvador, which has approved bitcoin as legal tender, to a total clampdown like in China, which has imposed stringent regulations on both cryptocurrencies and service providers.
- Countries such as India are somewhere in between — still in the process of figuring out the best way to regulate cryptos after some policy and regulatory experimentation. The United States and European Union have been proactive in trying to pin down the regulatory mandate, while discussions continue.
- Among the countries that haven't issued detailed regulations, there are those that have recognised and defined these currencies.
- **CANADA** for example, through its Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations, defines virtual currency as:
 - (a) a digital representation of value that can be used for payment or investment purposes that is not a fiat currency and that can be readily exchanged for funds or for another virtual currency that can be readily exchanged for funds; or
 - (b) a private key of a cryptographic system that enables a person or entity to have access to a digital representation of value referred to in paragraph (a).
 - A report by the Thomson Reuters Institute in June this year noted that Canada has been among the early adopters of crypto, and the Canada Revenue Authority (CRA) generally treats cryptocurrency like a commodity for purposes of the country's Income Tax Act.
- **ISRAEL**, in its Supervision of Financial Services Law, includes virtual currencies in the definition of financial assets. The Israeli securities regulator has ruled that cryptocurrency is a security subject, while the Israel Tax Authority defines cryptocurrency as an asset and demands 25% on capital gains.
- **IN GERMANY**, the Financial Supervisory Authority qualifies virtual currencies as “units of account” and therefore, “financial instruments”. The Bundesbank considers Bitcoin to be a crypto token given that it does not fulfil typical functions of a currency. However, citizens and legal entities can buy or trade cryptoassets as long as they do it through exchanges and custodians licensed with the German Federal Financial Supervisory Authority.



- **IN THE UNITED KINGDOM**, Her Majesty's Revenue & Customs, while not considering crypto assets to be currency or money, notes that cryptocurrencies have a unique identity and cannot, therefore, be directly compared to any other form of investment activity or payment mechanism.
- **IN THE United States**, different states have different definitions and regulations for cryptocurrencies. While the federal government does not recognise cryptocurrencies as legal tender, definitions issued by the states recognise the decentralised nature of virtual currencies.
- **IN THAILAND**, digital asset businesses are required to apply for a licence, monitor for unfair trading practices, and are considered “financial institutions” for anti-money laundering purposes among others, according to the Thomson Reuters Institute report. Earlier this month, Thailand's oldest lender, Siam Commercial Bank, announced a move to purchase 51% stake in local cryptocurrency exchange Bitkub Online.
- While most of these countries do not recognise cryptocurrencies as legal tender, they do recognise the value these digital units represent — and indicate their functions as either a medium of exchange, unit of account, or a store of value (any asset that would normally retain purchasing power into the future).
- Like India, several other countries have moved to launch a digital currency backed by their central bank.

How would a Central Bank Digital Currency (CBDC) work?

- The Reserve Bank of India plans to launch its CBDC, a digital form of fiat currency that can be transacted using wallets backed by blockchain, and which is regulated by the central bank.
- Though the concept of CBDCs was directly inspired by Bitcoin, it is different from decentralised virtual currencies and crypto assets, which are not issued by the state, and lack the ‘legal tender’ status declared by the government.
- CBDCs enable the user to conduct both domestic and cross-border transactions that do not require a third party or bank. Since several countries are running pilot projects in this space, it is important for India to launch its own CBDC, making the rupee competitive in international financial markets.
- While CBDC too is a digital or virtual currency, it is not comparable to the private virtual currencies that have mushroomed over the last decade.
- The private virtual currencies sit at odds with the historical concept of money — and they are certainly not currency as the word has come to be understood historically.