13 March 2020 UPSC Exam Comprehensive News Analysis

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A. GS 1 Related

Nothing here for today!!!

B. GS 2 Related

Category: HEALTH

1. Bird flu confirmed at three places

Issues:

- Suspected cases of avian influenza (bird flu) are being reported from various parts of Kerala.
- Also, the recent spate of lumpy skin disease, caused by the capripox virus, among cattle and the drought in various parts of the State had taken a toll on milk production in the State.

Details:

- The disease has been confirmed only at three places in Kozhikode and Malappuram.
- Special squads had been formed to cull birds within a certain distance around the affected areas.

Avian Influenza (Bird Flu):

- Avian influenza (AI) is a highly contagious viral disease affecting several species of food-producing birds (chickens, turkeys, quails, guinea fowl, etc.), as well as pet birds and wild birds.
- Occasionally mammals, including humans, may contract avian influenza.
- The symptoms of H5N1 infection in humans include mild upper respiratory tract infection (fever and cough), early sputum production and rapid progression to severe pneumonia.
- It can lead to sepsis with shock, acute respiratory distress syndrome and even death.
- Avian Influenza outbreaks can lead to devastating consequences, particularly in the poultry industry.

C. GS 3 Related

Category: ECONOMY

1. SBI board clears Rs. 7,250 crore investments in Yes Bank

Context:

The executive committee of the central board of the State Bank of India has approved the purchase of 725 crore shares of Yes Bank at Rs. 10 apiece.

Details:

- This would mean SBI can now invest up to 7,250 crore in the troubled private sector lender.
- SBI's shareholding in Yes Bank would remain within 49% of the paid-up capital of Yes Bank.
- The investor bank will not be able to reduce its holding below 26% before completion of three years from the date of infusion of the capital, according to the draft plan.

This issue has been comprehensively covered in the 7th March 2020 CNA and 10th March 2020 CNA.

2. RBI opens dollar-swap window

Context:

The Reserve Bank of India (RBI) has opened a six-month dollar sell-buy swap window to pump liquidity in the foreign exchange market.

Details:

- On a review of current financial market conditions and taking into consideration the requirement of U.S. dollars in the market, it has been decided to undertake a six-month U.S. dollar sell/buy swap to provide liquidity to the foreign exchange market.
- It is RBI's first move following financial markets in India and across the globe experiencing turbulence over the spread of COVID-19.
- The central bank will conduct U.S. dollar-rupee sell-buy swaps worth $2 billion on March 16, 2020.
- The swaps would be conducted through the auction route in multiple tranches and the auctions would be multiple price-based, that is, successful bids will be accepted at their respective quoted premiums.

What are swaps?

- A swap is a derivative contract through which two parties exchange the cash flows or liabilities from two different financial instruments.
- Swaps do not trade on exchanges, and retail investors do not generally engage in swaps.
- Rather, swaps are over-the-counter contracts primarily between businesses or financial institutions that are customized to the needs of both parties.

Currency Swaps:

- A currency swap is an agreement in which two parties exchange the principal amount of a loan and the interest in one currency for the principal and interest in another currency.
- At the inception of the swap, the equivalent principal amounts are exchanged at the spot rate.
- Unlike an interest rate swap, the principal is not a notional amount, but it is exchanged along with interest obligations.
- In a currency swap, the parties exchange interest and principal payments on debt denominated in different currencies.
- Currency swaps can take place between countries.
- The purpose of a currency swap is to hedge exposure to exchange rate risk or reduce the cost of borrowing a foreign currency.

3. Bills on bankruptcy code, mineral law get RS nod

Context:

The Rajya Sabha has passed two Bills — the Insolvency and Bankruptcy Code (Amendment) Bill, 2020 and the Mineral Laws (Amendment) Bill, 2020.

Insolvency and Bankruptcy Code (Amendment) Bill, 2020:

- The Insolvency and Bankruptcy Code (IBC) Amendment Bill, that will help ring-fence successful bidders of insolvent companies from the risk of criminal proceedings for offences committed by previous promoters, has already been passed by the Lok Sabha.
- The Bill replaces an ordinance. The amendments were earlier introduced as ordinances. Now after the Parliament session began the ordinance was introduced as a bill. And the bill has now been passed in the Parliament.
- The IBC, which came into force in 2016, has already been amended thrice.
- The Minister said that the need for amendment in the IBC arose because of the changing requirement and requirement of fine-tuning the law.

Key Features:

- **The threshold for certain creditors for initiating resolution process:**
  - The Code allows the creditors to initiate an insolvency resolution process if the amount of default by the debtor is at least one lakh rupees.
  - The Ordinance adds an additional requirement for certain classes of financial creditors for filing the application.
  - These classes include real estate allottees and security or deposit holders represented by a trustee or agent. The application by these creditors should be filed jointly by at least 100 such creditors or 10% of their total number, whichever is less.
- **Supply of critical goods and services not to be discontinued:**
  - The Ordinance mandates that the supplies of goods and services considered critical by the resolution professional cannot be discontinued during the moratorium period.
  - This applies to goods and services that are considered critical to protect and preserve the value of the debtor and manage its operations as a going concern.

- Suppliers of critical goods and services can stop supplying if: (i) the debtor has not paid dues arising from the supplies during the moratorium period, or (ii) in certain other circumstances as may be specified.

- **Licenses and permits not to be terminated due to insolvency:**
  - The Ordinance states that any existing license, permit, registration, or clearance given by any government authority to the debtor will not be suspended or terminated due to insolvency.
  - This provision will be applicable as long as the debtor does not default in the payment of current dues arising for the use or continuation of such licenses or permits.
- **Liabilities for prior offences:**
  - The Ordinance states that the company will not be liable for any offence committed prior to the commencement of the insolvency resolution process.
  - Further, the Ordinance provides immunity to the company from actions against their property in relation to such offences.
- **Immunity to the company will be given only if the resolution plan results in a change in the management or control of the company**.
- **Appointment of the Interim Resolution Professional and commencement date:**
  - Under the Code, the insolvency commencement date is the date on which an application for the corporate insolvency resolution process (CIRP) is admitted.
  - An Insolvency Resolution Professional (IRP) is required to be appointed within 14 days from the date of admission of the application for CIRP.
  - The date of appointment of the IRP is treated as the insolvency commencement date.
  - The Ordinance states that the IRP must be appointed on the date of admission of the application, which will be considered as the insolvency commencement date.

The Mineral Laws (Amendment) Bill, 2020

- Parliament passed the Mineral Laws (Amendment) Bill, 2020 for amendments in Mines & Mineral (Development and Regulation) Act 1957 and the Coal Mines (Special Provisions) Act, 2015. Rajya Sabha passed the bill today.

Key Features:

- The amended provisions clearly provide that companies which do not possess any prior coal mining experience in India and/or have mining experience in other minerals or in other countries can participate in the auction of coal/lignite blocks.
  - This will not only increase participation in coal/lignite block auctions, but also facilitate the implementation of FDI policy in the coal sector.
- The companies which are not 'engaged in specified end-use' can also participate in auctions of Schedule II and III coal mines.
  - The removal of the end-use restriction would allow wider participation in the auction of coal mines for a variety of purposes such as own consumption, sale or for any other purpose, as may be specified by the Central Government.
- The Bill also allows prospecting license-cum-mining lease (PL-cum-ML) for coal/lignite which increases the availability of coal & lignite blocks, and coal blocks of varying grades in a wide geographical distribution will be available for allocation.
- The successful bidders/allottees have now been entitled to utilize mined coal in any of its plants or plants of its subsidiary or holding company.
- A provision has also been made for the appointment of designated custodian for management of the mines, apart from Schedule II mines, which have come under production and whose vesting/allotment order has been cancelled.
- With the amendments, environment and forest clearances along with other approvals and clearances shall automatically get transferred to the new owners of mineral blocks for a period of two years from the date of grant of the new lease.

    - This will allow new owners to continue with hassle-free mining operations.
    - During the period, they may apply for a fresh licence beyond the period of two years.
- The auction of the lease of mines can now be started before the expiry of the lease period.
    - It will enable the state government to take advance action for auction of mineral blocks so that the new leaseholder could be decided before the existing lease gets expired.
    - This will help in the seamless production of minerals in the country.
- The new provisions will also augment the exploration of the deep-seated minerals and minerals of national interest by allowing Non Exclusive Reconnaissance Permit (NERP) holders to apply for composite licence or Mining Lease (PL-cum-ML).
- Various repetitive and redundant provisions of the MMDR Act and CMSP Act have also been omitted for Ease of Doing Business.
- The Bill replaces the ordinance for amendment of the MMDR Act 1957 and CMSP Act which was promulgated on 11th January 2020.

4. Why oil prices are crashing

Context:

Oil prices saw their biggest single-day crash in almost 30 years, throwing global equity markets into turmoil.

- The price of a barrel of Brent crude closed down 24% after a price war was initiated between Saudi Arabia and Russia, two of the world's largest oil producers.

What happened to the OPEC-Plus alliance?

- After 2014 "glut" diplomacy which brought down prices below $30 a barrel, Saudi Arabia and Russia came together to cut output and steady prices.
- Known as the "OPEC Plus" arrangement (Russia is not a member of the Organisation of Petroleum Exporting Countries, or OPEC), this alliance kept production lower and pumped up the prices.
- The OPEC-Plus cooperation collapsed recently, after Russia rejected a Saudi request to effect more cuts in output given the fall in demand owing to the economic impact of the coronavirus outbreak.
- The exiting output reduction deal is set to expire in March 2020.
- The Russian and Saudi sides have said they are no longer constrained by the deal and are free to ramp up production.
    - Saudi Arabia's oil giant Aramco announced that it would increase output from 9.7 million barrels a day now to 12.3 million barrels a day in April.
    - Aramco also offered a discount to its variety of crude, targeting Russian markets in Asia and Europe.
- The fear of excessive supply at a time of slowing demand (supply and demand shock) rattled the markets, crashing prices.

What does Saudi Arabia want?

- As it was clear that Russia was not ready to cut its output further, the Saudis moved to the attack mode.
- The plan is to flood the markets with Saudi oil and depress the prices, which would hurt all oil exporters.
- Riyadh may have multiple targets.
    - One is to exert pressure on Russia and make it come back to the negotiation table. And if both sides agree to a new deal, they can reverse the decision to ramp up production and collectively take steps to pump up prices.
    - Second, if the Russians do not blink, the plan is to capture market share from Russia with discounts.
    - Third, bleed the U.S. shale oil producers who could not sustain production at depressed prices.

- In a way, Crown Prince Mohamed bin Salman, the de facto ruler of the kingdom, is trying to take on both Russia and U.S. shale oil companies with a single move.
  - The question is whether Saudi Arabia could sustain the price war for a longer term.
  - Roughly 90% of Saudi budget revenues are coming from the petroleum sector.
  - Prolonged depressed prices will leave a bigger hole in the Saudi budget, complicating further the Crown Price's economic reform and diversification agenda.

What's Russia's plan?

- Though Russia had been cooperating with OPEC for three years, there's a growing opinion in Moscow that the output cut was hurting Russian energy companies.
- Russian companies also want to increase the output and gain more market share.
- Furthermore, there's a convergence of interests between Saudi Arabia and Russia in hurting the U.S. shale oil companies, which are flooding markets with shale oil and challenging the supremacy of traditional oil producers in determining the prices.
- Russia is in a relatively stronger economic position than Saudi Arabia.
  - Oil now accounts for less than a third of its budget revenue.
  - The country has also built a war chest of $435 billion in foreign exchange reserves.

Russian President Vladimir Putin may be in for a long game — to weaken both the U.S. shale oil industry and the OPEC's clout in the market.

Category: ENVIRONMENT AND ECOLOGY

1. New environment impact norm cuts time for public hearing

Context:

A set of key updates to India's Environment Impact Assessment (EIA) Act proposes to reduce the time given to people to air objections.

Environment Impact Assessment:

- Environment Impact Assessment (EIA) Act is the law that governs how the threat posed by large infrastructure projects to the environment ought to be evaluated.
- It is a process of evaluating the likely environmental impacts of a proposed project or development, taking into account inter-related socio-economic, cultural and human-health impacts, both beneficial and adverse.
- EIA is basically a tool used to assess the positive and negative environmental, economic and social impacts of a project. This is used to predict the environmental impacts of a project in the pre-planning stage itself so that decisions can be taken to reduce the adverse impacts.

Read more about the Objectives and the Process of EIA.

Public Hearing Process in the Environment Impact Assessment (EIA) Act:

- The public hearing process is considered a key component of the EIA.
  - An organisation has to submit a detailed plan, as part of the EIA process, that details the nature, need, potential impact and remedial measures, if their proposed infrastructure project threatens to significantly impact a region.
  - As part of the process, representatives of the company, State and district administration representatives must discuss the environment impact management plan, record objections from

residents of the region and submit these to a committee of experts, constituted by the Union Environment Ministry, who will then take a holistic view of the comments and the management plan and decide on whether to accord clearance to the project.
    - While expert committees constituted by the MoEF appraise projects, those below a certain size are appraised by State-level authorities called the State Environment Impact Assessment Authority (SEIAA).
    - In 2016, the Ministry further delegated the authority to grant clearances for up to five hectares of individual mining lease of minor minerals and 25 hectares in clusters, to the DEIAA, or District Environment Impact Assessment Authority.

Details:

- The draft EIA notification proposes to be an update to the EIA of 2006.
- Over the years, several provisions in the EIA 2006 have been challenged in the National Green Tribunal (NGT) and led to the MoEF modifying the rules. The EIA 2019 aims to accommodate all these revisions.
- EIA of 2006 specifies a minimum of 30 days for people to respond. The current version of the update, which will likely become law soon, gives a "minimum of 20 days" of notice period.
- It also requires that the public-hearing process be wrapped up in 40 days, as opposed to the existing norm of 45 days.
- Authorities were earlier mandated to monitor projects for compliance with environmental norms every six months. It has now been proposed to relax the monitoring frequency to once a year.

D. GS 4 Related

Nothing here for today!!!

E. Editorials

Category: ECONOMY

1. Danger ahead: On India's road safety record

Context

- According to Union Transport Minister, the amendments made to the Motor Vehicles Act have reduced death toll due to accidents on India's roads.
    - Gujarat, Uttar Pradesh, Manipur, Jammu and Kashmir, Andhra Pradesh, Chhattisgarh and Maharashtra have witnessed reduction in crashes as a result of this amendment.

Stats

- Road accidents in India claimed **over 1.5 lakh lives in the country in 2018**, with over-speeding of vehicles being the biggest reason for casualties.
- Road accident severity **measured by the number of persons killed per 100 accidents,** has seen an increase of 0.6 percentage points in 2018 over 2017.
- **India ranks 1st in the number of road accident deaths** across the 199 countries reported in the World Road Statistics, 2018 followed by **China and the US**.
- **National Highways** which comprise of 1.94 percent of the total road network, accounted for 30.2 per cent of total road accidents and 35.7 per cent of deaths in 2018.

- **State Highways** which account for 2.97% of the road length, accounted for 25.2 percent and 26.8 percent of accidents and deaths respectively.
- **Tamil Nadu and Uttar Pradesh** accounted for the highest number of road accidents and death on account of road accidents respectively in 2018.
- As per the **WHO Global Report on Road Safety 2018, India accounts for almost 11%** of the accident-related deaths in the world.

Key issues yet to be addressed

- Under the Motor Vehicles Act, there is a provision of imposing heavy penalties for road rule violations but this does not mean we have achieved success on multiple fronts.
- The policies still lack scientific road system marked by good engineering, sound enforcement, appropriate technology use and respect for all road users.
- In fact, a **World Bank 'Delivering Road Safety in India' report** is apprehensive that rapid motorization and more high-speed road infrastructure have raised the risks for road users.

Causes of road accidents

The large and rising number of road accidents in India is reason for grave concern.

- **Negligent driving** is reported to be responsible for most road accidents.
  - Indeed, speeding, overtaking from the wrong side and ignoring traffic signals cause many accidents.
- **Under-age driving** is rampant. It is well known that bribes rather than driving expertise determines whether or not a person gets a licence.
- Another important reason for accidents is **faulty road design and engineering flaws**. Multiple accidents happen at certain points along roads.
- Another important killer on roads is **potholes**. Although several accidents, especially those involving two-wheelers are caused by potholes, authorities are rarely willing to admit that it was the pothole that caused the driver to lose control over the vehicle.

Recommendations

- The transition to a professional road environment requires implementation of **first-tier reforms** that deal with quality of road infrastructure, facilities for vulnerable users and zero-tolerance enforcement of rules by a trained, professional and empowered machinery.
- Jumping signals and driving on the wrong side are the two most violated traffic rules in Indian cities. And, people indulge in these with impunity because of the almost non-existent functional camera surveillance on our streets.
  - Making **dashboard cameras mandatory**, with the video evidence accepted in investigation, would protect rule-abiding motorists and aid enforcement.
  - So, road safety depends on enforcement of rules with zero tolerance to violations, and making officials accountable for safety.
- A key mechanism of change are **District Road Safety Committees**, which were enabled even by the 1988 Act, but remain obscure.
  - A mandatory **monthly public hearing of such committees** involving local communities can highlight safety concerns, and their follow-up action can then be supervised by the Members of Parliaments' Road Safety Committees, created in 2019.
  - Here, it is essential to make the collector, local body and police accountable.
  - Implementing a **comprehensive safety programme** at the local level is one of the first steps that can be taken to reduce the number of motor vehicle deaths and serious injuries on rural areas.
- To save lives on highways, **quality trauma care at the district level** holds the key.

- In the absence of good hospitals and cashless free treatment, no significant improvement is possible in the quest to save life and limb.

Conclusion

Therefore, if there is to be a reduction in traffic crashes, it requires establishing a **system or institutional structure** that enables the generation of new road standards thereby ensuring safe highways and urban roads.

2. Should distressed private banks be saved by PSBs?

For more information on this, please refer to the 10 March 2020 Comprehensive News Analysis.

F. Prelims Facts

1. Sensex slumps 2,919 points, Nifty sinks to 33-month low

What's in News?

- A day after the World Health Organization (WHO) declared the coronavirus outbreak a pandemic, equity markets worldwide went into a bear phase — denoted by more than 20% fall from the recent highs of the benchmarks.
- Global stocks, including India, plunged into a bear market after President Donald Trump banned travel from Europe to stem the coronavirus, threatening more disruption to the world economy.
- Oil prices were also hit, compounded by an intensifying price war between Saudi Arabia and Russia, on top of fears of a sharp slowdown in the global economy.

Read: COVID-19 declared a Pandemic.

Bear and Bull Markets:

- The terms bull and bear market are used to describe how stock markets are doing—that is, whether they are appreciating or depreciating in value.
- At the same time, because the market is determined by investors' attitudes, these terms also denote how investors feel about the market and the ensuing trends.
- A bull market refers to a market that is on the rise. It is typified by a sustained increase in market share prices. In such times, investors often have faith that the uptrend will continue over the long term. Generally, in this scenario, the country's economy is strong and employment levels are high.

A bear market is one that is in decline. Share prices are continuously dropping, resulting in a downward trend that investors believe will continue, which, in turn, perpetuates the downward spiral. During a bear market, the economy will typically slow down and unemployment will rise as companies begin laying off workers.

2. Retail inflation eases to 6.58%, industrial production quickens

What's in News?

Official data released showed that the Retail inflation based on the Consumer Price Index slowed to 6.58% in February 2020, while the industrial production growth as measured in the Index of Industrial Production (IIP) quickened to 2% in January 2020, amid subdued performance by the manufacturing sector.

- The government has mandated the RBI to keep inflation at 4% with a margin of two percentage points on either side.

Retail Inflation:

Retail inflation means the increase in prices of certain products or commodities compared to a base price. In India, retail inflation is linked to Consumer Price Index (CPI) which is managed by the Ministry of Statistics and Programme Implementation.

Read more on Consumer Price Index.

G. Tidbits

1. RBI tells States not to shift deposits from private banks

What's in News?

The Reserve Bank of India (RBI) has asked all State governments to refrain from shifting their deposits from private sector banks to government banks.

- The move came after the Maharashtra government directed all its departments, civic bodies and semi-government corporations not to transact with private banks after private sector lender Yes Bank was put on moratorium.
- Observing that some other State governments were also contemplating such a move, the RBI, in a strongly-worded letter to all chief secretaries of the States, said apprehension regarding safety of deposits in private sector banks was highly misplaced and such reactions would not be in the interest of the financial stability of the banking system.
- It was also highlighted that such a move can have banking and financial sector stability implications.
- It was pointed out that the Reserve Bank has adequate powers to regulate and supervise private sector banks and by using these powers it has ensured that depositors' money is entirely safe.
- The fact that the resolution of weak private sector banks in the past had been done in a manner that the depositors were not put at a loss, was also highlighted.
- "It is precisely with the view to retaining depositors' confidence in private banks and their mitigating their hardship that, after the imposition of moratorium on Yes Bank Ltd., the RBI has drawn up the draft scheme without any delay, and we are making every effort for the finalisation of the scheme," RBI said.

H. UPSC Prelims Practice Questions

Q1. Consider the following statements with respect to Avian influenza:

1. It is a highly contagious viral disease affecting several species of birds, mammals.
2. All the avian influenza viruses infect humans.

Which of the given statement/s is/are correct?

a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2

Answer: a

Explanation:

Avian influenza (AI) is a highly contagious viral disease affecting several species of food-producing birds (chickens, turkeys, quails, guinea fowl, etc.), as well as pet birds and wild birds. Occasionally mammals, including humans, may contract avian influenza. Most avian influenza viruses do not infect humans, however, A(H7N9) and A(H5N1) virus strains have caused serious infections in people. Only strains of five subtypes, H5N1, H7N3, H7N7, H7N9, and H9N2, have been known to infect humans.

Q2. Consider the following statements:

1. Swap is an agreement between two parties to exchange financial instruments.
2. Swaps do not trade on exchanges.
3. In currency swap, the parties exchange interest as well as principal payments denominated in two different currencies.

Which of the given statement/s is/are correct?

a. 1 only
b. 1 and 2 only
c. 2 and 3 only
d. 1, 2 and 3

Answer: d

Explanation:

A swap is a derivative contract through which two parties exchange the cash flows or liabilities from two different financial instruments. Swaps do not trade on exchanges, and retail investors do not generally engage in swaps. A currency swap is an agreement between two parties to exchange interest payments and principal denominated in two different currencies.

Q3. Which of the following countries are NOT the members of Organization of the Petroleum Exporting Countries (OPEC):

1. Russia
2. Ecuador
3. Venezuela
4. Iran

Choose the correct option:

a. 1 only
b. 1 and 2 only
c. 1, 2 and 4 only
d. 1, 2 and 3 only

Answer: b

Explanation:

The Organization of the Petroleum Exporting Countries (OPEC) was founded in Baghdad, Iraq, with the signing of an agreement in September 1960 by five countries namely the Islamic Republic of Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Ecuador suspended its membership in December 1992, rejoined OPEC in October 2007, but decided to withdraw its membership of OPEC effective 1 January 2020. Russia is not a member of OPEC.

Q4. Consider the following statements:

1. Terms 'Bull market' and 'Bear market' are associated with foreign trade.
2. A market where share prices are falling is described as a bull market.
3. Typically, in a bull market, unemployment will be on the rise.

Which of the given statement/s is/are incorrect?

a. 1 only
b. 1 and 3 only
c. 1, 2 and 3
d. 1 and 2 only

Answer: c

Explanation:

Terms Bull market and Bear market are associated with Share Markets. The terms bull and bear market are used to describe how stock markets are doing—that is, whether they are appreciating or depreciating in value.

- A bull market refers to a market that is on the rise. It is typified by a sustained increase in market share prices. In such times, investors often have faith that the uptrend will continue over the long term. Generally, in this scenario, the country's economy is strong and employment levels are high.
- A bear market is one that is in decline. Share prices are continuously dropping, resulting in a downward trend that investors believe will continue, which, in turn, perpetuates the downward spiral. During a bear market, the economy will typically slow down and unemployment will rise as companies begin laying off workers.

I. UPSC Mains Practice Questions

1. Punitive measures, however stringent, will not achieve much without the adequate number of traffic personnel, road-safety devices and institutional structure. Discuss. (15 Marks, 250 Words).
2. Discuss the key features of the Mineral Laws (Amendment) Bill, 2020, and also explain how it will promote Ease of Doing Business. (15 Marks, 250 Words).