

17 May 2020: UPSC Exam Comprehensive News Analysis

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Category: INTERNATIONAL RELATIONS

1. India opposes rejoining RCEP over China concerns

Context:

- Fresh Proposal for India to rejoin RCEP negotiations.

Background:

- India had quit the **ASEAN-led trade Regional Comprehensive Economic Partnership (RCEP)**, which includes the 10 ASEAN nations, Australia, China, Japan, New Zealand and South Korea in November 2019, citing lack of protection for the country's agricultural sector among others.
- The **RCEP's Trade Negotiating Committee (TNC)** Chairperson made an offer to India to reconsider its objections and made a fresh proposal of India rejoining negotiations of RCEP. The TNC had offered protective measures like giving market access only for a limited number of products if India would rejoin the talks.
 - Australia and Japan have been at the forefront of efforts to convince India to rejoin the RCEP as a possible counterweight to China in the grouping that would represent a third of global trade.
- India has decided against agreeing to the fresh proposal from RCEP.

Details:

India's concerns:

- A senior Ministry of External Affairs (MEA) official has stated that the global post-COVID-19 concerns over China had strengthened India's opposition to the RCEP.
 - The **COVID-19 experience has shown the limitations of being overly dependent on imports** from China or any one country.
- India's experience of the past trade pacts was that they had badly affected domestic manufacturing capabilities and would thus hamper the government's renewed commitment to the 'Make in India' policy.

RCEP's stand:

- The **RCEP will provide a more stable and predictable economic environment** to support the much-needed recovery of trade and investment in the region, which has been adversely affected by the COVID-19 pandemic.

- India's willingness to rejoin the RCEP negotiations would send **a positive signal to the world**. It would portray India as an attractive place to invest and highlight its potential of being a global manufacturing hub as envisaged by the government's 'Make in India' policy.

Category: HEALTH

1. Aiming to achieve herd immunity naturally is 'dangerous', WHO warns

Context:

- The World Health Organization has condemned the "dangerous" concept of **herd immunity** for managing the coronavirus pandemic.

Details:

- The concept of herd immunity is **generally used for calculating how many people will need to be vaccinated** in a population in order to protect those who are not vaccinated.

Challenges:

- Achieving herd immunity through natural infections has many challenges.
 - While antibodies (IgG and IgM) against novel coronavirus generally develop in one–three weeks after infection, **some people do not seem to develop an immune response**, as reflected by detectable antibodies.
 - How long neutralising antibodies against the virus would last is currently not known.
 - Infected people may have some level of protection against the virus, but the **level and duration of protection are still not known**.
 - **Possibility of re-infection** is a concern given the evidence of short-lived protective immunity and re-exposure to **genetically distinct forms** of the same viral strain.

C. GS 3 Related

Category: ECONOMY

1. Govt. throws open defence production and coal sectors

Context:

- The fourth tranche of the **Atma Nirbhar Bharat Abhiyan** economic stimulus package.

Details:

Defence sector:

Indigenization efforts:

- In a move aimed at **indigenising defence production and enhancing self-reliance** in defence production, there are provisions for **banning the import of some weapons and platforms**. The list of such weapons and platforms would be widened every year as domestic capacities grew.
 - While the state of the art weapons required by the Services would be met through imports, some that were produced in the country and meet the standards will be procured locally only. The negative list would be worked out in consultation with the **Department of Military Affairs headed by the Chief of the Defence Staff**.
- **Indigenisation of imported spare parts** would be given priority.
- There is a provision for a **separate budget for domestic capital procurement**. This would help reduce the defence import bill and encourage domestic production.

Increasing foreign investment:

- The **Foreign Direct Investment (FDI)** limit in defence manufacturing under automatic route will be **raised from 49% to 74%**.

Corporatization of ordnance factory:

- **Ordnance Factory Boards (OFB) would be corporatized** and listed on the stock market to improve autonomy, efficiency and accountability. However, they would not be privatised.
 - The **Kolkata-headquartered OFB**, with 41 factories spread across the country, functions as a department under the Department of Defence Production.

Mineral sector:

- The Union Finance Minister has announced measures to **liberalize the mineral sector**.

Coal:

- The government monopoly on coal would be removed with the **introduction of commercial mining on a revenue sharing basis**.
 - Any private player would be allowed to bid for a coal block and sell it in the open market as against the earlier system where only captive consumers with end-use ownership could bid for coal blocks.
- The private sector would be allowed to bid for 50 coal blocks. Private players would also be allowed to undertake **exploration activities**.
- The government also plans to auction **Coal Bed Methane (CBM)** blocks.

Other minerals:

- **Composite exploration cum mining cum production regime** for minerals will be announced under which 500 mining blocks would be auctioned.

Space sector:

- Measures to **encourage private involvement in space** projects have been announced.

- The government has promised to create a level playing field for private players in the space sector, **allowing them to use ISRO facilities** and participate in future projects on space travel and planetary exploration.
- The government has assured of a **predictable policy and regulatory environment**.
- The government will **ease geo-spatial data policy** to make remote-sensing data more widely available to tech entrepreneurs, with safeguards put in place.

Aviation sector:

- Six more airports are up for auction on private public partnership mode, while additional private investment will be invited at 12 airports.
- Measures to **ease airspace restrictions** have been announced which would make flying more efficient.
 - Currently only 60% of the airspace is freely available.
- The **MRO (maintenance, repair and operations)** sector of aviation has received attention in the recent announcements. There has been the rationalising of the MRO tax structure with an aim to **make India an MRO hub**.

Power sector:

- **Power departments/utilities and distribution companies in U.T.s would be privatized** based on a new tariff policy to be announced.
- The government plans to introduce a **tariff policy with reforms** focused on consumer rights, promotion of industry and sustainability of the sector.

Atomic sector:

- **Research reactor in PPP mode** would be set up for production of medical isotopes.

Significance:

- Many sectors need policy simplification to decongest these sectors to realize their growth and employment generation potential. The recently announced measures would bring in the much needed **structural reforms** in the sector.
- With the current set of reforms these sectors would become more attractive for investments.

Defence sector:

- The stress laid on domestic manufacturing of defence equipment is very encouraging as **India today is among the largest importers in the world of defence equipment**. The list of non-importable items and corporatisation of OFB are some landmark steps and will boost the confidence of domestic manufacturers.
- The increase in FDI limit for the defence sector to 74% would attract foreign funds into this sector, along with technology infusion.

Mineral sector:

- The structural reform measures in the coal and mining sector are expected to give a boost to private investments in the sector **enhancing supplies and reduce India's reliance on imports** thus helping save precious foreign exchange.
- The reforms could help **double the mineral sectors' contribution to the GDP**.
- The elimination of distinction between captive mines and non-captive will ensure a level playing field for players in the integrated metals space.

Power sector:

- The Centre's decision to privatise power distribution companies in union territories would help improve government finances and bring much **more efficiency to the sector**.
- Private ownership should bring in greater efficiency and better governance and help address some of the deep seated problems of the power sector.
- The new tariff policy for the power sector can be expected to **remove cross-subsidies that are adding to manufacturing costs** and thus help make Indian goods more competitive in the global market.

Aviation sector:

- The move to invite PPP in more airports will provide AAI with the resources to develop smaller airports across the country and popularise the **government's UDAN Scheme**.
- Rationalising the MRO tax structure would help create a level-playing field for Indian entities and help attract foreign investment.
 - The plans to make India a global MRO hub will ensure **savings of precious foreign exchange** and enable Indian airlines to get their aircraft serviced locally.
 - The impetus given to the MRO sector would help **create new jobs and a strong global value chain** within India.

Concerns:

- There are concerns that the current set of announcements was **more of industrial reforms than an economic stimulus**.
- The sectors covered are of strategic importance and would involve a long time period. They would not be able to help revive the economy as it comes out of the lockdown.
 - The only direct budgetary cost in the new announcement is the 8,100 crore rupees to be provided as a hiked 30% viability gap funding to boost private investment in social sector infrastructure.
- Some sections have alleged that the government has used the crisis time to utilise the ordinance route or other ways to **fast-track industrial reforms**, which would have faced resistance otherwise.
- **Labour unions have expressed concerns** with regard to the reform measures over concerns of privatization of important sectors.

Category: INTERNAL SECURITY

1. Navy to aid Northern Theatre command

Context:

- India's Chief of Defence Staff's views on the integration of the three services into theatre commands.

Background:

Theatre commands:

- The first of the integrated commands under consideration is the **integrated Air Defence (AD) command** headed by the IAF followed by a **maritime command** and then the **land-based theatre commands**.
- The next step in the integration of the services is **having common communications and having common training establishments and equipment** wherever possible.
- Basically with integration, **maintenance and logistics elements go down** and bring in a lot of savings for the forces.

Details:

Utilising navy assets:

- Though the theatre commands (land) will mainly be between the Army and the IAF, the Chief of Defence Staff (CDS) has suggested that the **proposed Northern theatre command along the border with China** should also have a small Navy element in it as some of the naval systems would be useful there.
- The Navy's fighter jets and other naval assets can be used on the land borders.
 - In the past the capabilities of the Navy's **P-8I long range maritime surveillance aircraft** were used for observing the Chinese movements during the Doklam stand-off in 2017.
 - The naval fighter aircraft can be deployed in the Western sector in the desert areas when not required at sea to effectively utilise existing resources.

D. GS 4 Related

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E. Editorials

Category: ECONOMY

1. Reforms and agriculture

Background:

COVID-19 crisis and Agriculture:

- Mandi closures and supply chain disruptions** caused havoc in agricultural marketing during the national lockdown.

- The third tranche of the **Atmanirbhar Bharat Abhiyan** has listed measures to deal with **critical infrastructure gaps and long-pending governance issues** that plague the farm sector.

Reforms announced in the farm sector:

- There has been a focus on long-term issues in the agricultural sector.
 - **Financing** to strengthen infrastructure
 - Building better **logistics** and ramping up **storage capacities**.
 - Major **governance and administrative reforms** have been proposed in promoting contract farming, inter-state trade of farm produce and deregulation of agricultural produce.

For more information on this issue refer: [CNA 16th May 2020](#)

Essential Commodities Act, 1955:

- The Essential Commodities Act, 1955 allows the government to control price rise and inflation by **imposing stock limits and movement restrictions** on commodities, giving States the power to regulate dealer licensing, confiscate stock and even jail traders who fail to comply with restrictions.
- The Essential Commodities Act, 1955 came into being at a time of food scarcity and famine.

Concerns:

- **Traders have complained of harassment** under the Act on the suspicion of hoarding, black marketing and speculation.
- **Food processors and exporters** have argued that they may need to stock commodities for longer periods of time as against the provisions of the act making them prone to harassment under the act.
- The Act has dis-incentivized construction of storage capacity and hindered farm exports.
- The need to amend or repeal the Act has been going on for almost two decades.

Measures taken:

- The Act would be amended to **deregulate six categories of agricultural foodstuffs**: cereals, pulses, edible oils, oilseeds, potato and onion.
- **Stock limits on these commodities will not be imposed** except in times of a national calamity or a famine.
- The stock restrictions will not be imposed at all on food processors or value chain participants, which/who will be allowed to store as much as allowed by their installed capacity.
- Exporters will also be exempted from stock limitations.

Significance:

- The amendment will **bring more private investment** into warehouses and post-harvest agricultural infrastructure, including processors, mills and cold chain storage.
- The amendment is likely to give a boost to farm exports.

- The farmers would be able to **realize better prices** for their produce.

Promoting inter-state trade:

Model APMC Amendment Act and concerns:

- The Central government has been trying to coax State governments into adopting its Model APMC Amendment Act which aims at developing unified State-level markets by offering a State-wide licence and single point levy of market fees while also allowing private markets, direct marketing, ad hoc wholesale buying and e-trading.
- However, only a few large States have amended their Acts accordingly.

Measures taken:

- The Centre plans to bring in a **new federal law** to break the nearly half-century long monopoly of the Agricultural Produce Market Committee (APMC) mandis. The federal law aims to **abolish inter-State trade barriers**.

Significance:

- A National market will bring in more options for the farmer, offering more competitive prices for the farmers.

Contract Farming:

- Contract farming can be defined as agricultural production carried out according to an agreement between a buyer and farmers, which establishes conditions for the production and marketing of a farm product or products.

Concerns:

- Contract farming seems to promote the interests of the large corporate player at the expense of safeguarding the small farmer.

Measures taken:

- There are plans to ensure a **facilitative legal framework** to oversee contract farming.

Significance:

- Contract farming would provide farmers with assured sale prices and quantities even before the crop is sown and also allow private players to invest in inputs and technology in the agricultural sector.

Infrastructural investments:

Concerns:

- Reforming governance structures is of no use unless there is adequate infrastructure available for the farmers to back the reforms in the governance structures.

- There are **critical infrastructure gaps in the agricultural sector**.

Measures taken:

- A **1-lakh crore rupee agriculture infrastructure fund run by the National Bank for Agriculture and Rural Development** will help create affordable and financially viable post-harvest management infrastructure at the farm gate and aggregation points.

Significance:

- This move would help bring **better infrastructure and logistics support** to fish workers, dairy and other livestock farmers, beekeepers and vegetable and medicinal plant growers.
- The new scheme also offers support to lakhs of small informal food processors, mostly women, who need technical upgradation and marketing support in order to compete in a changing marketplace.

Conclusion:

- A section of farmers and activists have argued that in the light of the COVID-19 crisis, **immediate support and relief in the form of cash transfers, loan waivers, and compensation for unsold produce** should have come before long-term reforms.
- The government's rationale for the structural reforms was that improving farmers' income **needs long-term investments and changes**, rather than a focus on short-term crop loans.
- Taking the opportunity of a crisis situation, the government has pushed through reforms that the Centre has been trying to implement for years.

2. How will the COVID-19 relief for MSMEs help?

Background:

- The Prime Minister has announced a **20-lakh crore rupees economic relief package** titled **Atmanirbhar Bharat Abhiyan**.
- The relief package is being unveiled in tranches.
- The first tranche was aimed at **micro, small and medium enterprises (MSMEs)**, **Non-Banking Financial Companies (NBFCs)**, **DISCOMS** and at some individuals.

Financial crisis in MSMEs:

Concerns:

- The MSMEs are facing a **financial liquidity crunch** due to the closures on account of the national lockdown.
- **Banks, though flush with funds, have been unwilling to lend** to this category of borrowers as they fear that the money will not be repaid.
- The small businesses having pledged all their assets already for other loans do not have any more assets to pledge.

Measures taken:

- The government has proposed to offer **collateral-free loans to MSMEs which will be fully guaranteed by the Centre**.
- There will be a principal repayment moratorium for 12 months and the interest rate will be capped and there will be no guarantee fee.
- A total of **3-lakh crore rupees** have been allocated for this.

Significance:

- The loan amount will act as **initial seed money for the small enterprises** hit by zero cash flow due to the national lockdown.
- The loan amount will help them buy raw materials, pay initial bills and daily wages to employees. In short, this will be **like working capital** for cranking up their businesses again.
- About 45 lakh MSMEs are expected to gain from this proposal.

Access to funding:

Concerns:

- About two lakh stressed MSMEs are facing the issue of non-performing assets (NPAs).

Measures taken:

Credit guarantee fund:

- A partial credit guarantee scheme has been extended to enable promoters of MSMEs to increase their equity.
- A total of 20,000 crore rupees will be funnelled through the **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)** whereby banks will lend money to promoters which can be infused as equity in their businesses. The CGTMSE will offer a partial credit guarantee to banks.

Fund of funds system:

- There is a proposal to infuse equity into MSMEs through a Fund of funds system where the government will provide 10,000 crore rupees as initial corpus of the Fund. This will be leveraged to raise 50,000 crore rupees in total. This fund will be used to support MSMEs in desperate need of equity.

Significance:

- The increased access to funding will allow the **MSMEs to expand their size and capacity** and help them get listed on the stock exchanges.

Definition of MSMEs:

Concerns:

- MSMEs in order to ensure that they continue to receive the benefits available to MSMEs, either run their operations at a reduced level or incorporate multiple units so that turnover is distributed in a way that they remain within the threshold that will give them the benefits. This was **limiting the growth potential of the MSMEs**.

Measures taken:

- Henceforth MSMEs will be defined not based on their investment alone but also on their turnover. The definition has been tweaked and the **existing distinction between manufacturing and services units has been eliminated**.
- Henceforth, a unit with up to 1 crore rupees investment and 5 crore rupees turnover will qualify as a micro unit, investment up to 10 crore rupees and turnover up to 50 crore rupees will qualify as a small unit, and investment up to 20 crore rupee and turnover up to 100 crore rupees will qualify as a medium enterprise.

Significance:

- The decision to **add turnover criteria to investment** would ensure that the units that leverage a small capital to post large revenues do not receive the benefits that are meant for MSMEs.

Proposals for Non-Banking Financial Companies (NBFCs):

Concerns:

- NBFCs, housing finance companies and micro finance institutions are finding it difficult to raise debt capital due to a **confidence crisis in the debt markets**.

Measures taken:

- The government has announced a **special liquidity scheme of 30,000 crore rupees** to buy investment grade debt paper from both primary and secondary markets. Such paper will be **fully guaranteed by the government**.
- **Partial credit guarantee scheme** has been extended to cover primary market debt paper wherein the first 20% loss will be borne by the government. A total of 45,000 crore has been set aside for this Partial Credit Guarantee Scheme 2.0.

Significance:

- The special liquidity scheme is expected to **break the low confidence cycle in the market** for lending to the NBFCs, housing finance companies and microfinance institutions.
- It will help these low rated finance companies to raise debt.

Electricity distribution companies (discoms):

Concerns:

- Discoms are in a **huge liquidity crisis** and unable to pay their dues to electricity generation companies. Their cash flow and revenues have been hit due to low demand from industrial consumers for power during the lockdown.
- The various State discoms together owe about 94,000 crore rupees to their suppliers, the generation and transmission companies.

Measures taken:

- The government, through **Power Finance Corporation-Rural Electrification Corporation**, will **infuse liquidity of 90,000 crore rupees** to discoms which will be securitised against their receivables from consumers.
- The loans will be against a guarantee from the respective State related to the discom.

Significance:

- The emergency liquidity infusion will avert a crisis where generation and transmission companies stop supplies to discoms that are in default.

Measures for the common man:

- Under the **Pradhan Mantri Garib Kalyan Yojana**, the government offered to pay the **24% provident fund contribution** (employer+employee) for those earning up to 15,000 rupees a month as salary and working in units that employ less than 100 workers for three months. This has now been extended for another three months up to August 2020.
- The **statutory PF contribution** for those employed in the private sector and not in the category of establishments as above has been **reduced to 10% (from 12% now)** for the next three months in order to increase liquidity in their hands.
- The **rate of tax deducted at source (TDS) and tax collected at source (TCS) has been reduced by 25%** for a range of receipts. In the cases where TDS/TCS has been reduced, the tax liability is not reduced. It will be payable while filing a return or while paying advance tax.

Significance:

- The PF proposal is expected to benefit 4.3 crore people and 6.5 lakh establishments and release a total of 6,750 crore rupees **liquidity**.
- The reduction in TDS and TCS will **offer immediate cash relief to people**.

For more information on this issue refer: [CNA 14th May 2020](#)

F. Tidbits

1. Odisha gears up for cyclone

- As per the predicted path of the **cyclone developing in the Bay of Bengal**, around seven lakh people in 649 villages along the sea coast are likely to be affected. **Standing crops** in lakhs of hectares particularly,

ripe summer paddy, pulses and oil seeds, cashew, mango, coconut and vegetables are likely to be damaged.

G. Prelims Facts

1. Private sector in space was part of 2017 Bill

- The July 2019 Budget speech had mentioned the creation of a public sector company by ISRO called **New Space India Limited**, similar to Antrix.
- This would involve **transferring the small satellite technology to private industry** and outsourcing the development of ISRO's workhorse **Polar Satellite Launch Vehicle** to the private sector.

2. Coal, mineral reforms to help reduce imports

- The Government of India plans to push **coal gasification technology**. It involves using products of coal gasification to **replace natural gas in the fertiliser manufacturing process**. This would help reduce India's dependence on gas imports and help utilize its vast coal reserves.
- However, ammonia produced from coal gasification has a **carbon footprint** that is 1.8 times higher than that produced from the conventional process using natural gas. This could potentially offset the emissions intensity reductions achieved through investments in renewables affecting **India's INDC goals of reducing its emission intensity by 33-35% by 2030**.

3. 'Commonwealth collaboration has never been more important'

- The Commonwealth of Nations, generally known as the Commonwealth is a **political association of 54 member states**, nearly all former territories of the British Empire.
- The Commonwealth dates back to the first half of the 20th century with the **decolonisation of the British Empire** through increased self-governance of its territories.
- The current Commonwealth of Nations was formally constituted by **the London Declaration in 1949**, which modernised the community and established the member states as "free and equal".

H. UPSC Prelims Practice Questions

Q1. Which of the following statement/s is/are correct?

1. The Department of Military Affairs is headed by the Chief of the Defence Staff.
2. The Defence Planning Committee headed by the National Security Adviser (NSA).

Options:

- a. 1 only
- b. 2 only
- c. Both 1 and 2

- d. Neither 1 nor 2

Answer: c

Explanation:

- Self-explanatory.

Q2. Which of the following country is not part of the RCEP negotiations?

- a. Australia
- b. Japan
- c. US
- d. South Korea

Answer: c

Explanation:

- There were 16 countries involved in RCEP: the 10 members of ASEAN—Brunei-Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam plus the six countries with which ASEAN has free trade agreements—Australia, China, India, Japan, Korea, and New Zealand. However India has pulled out of the negotiations.

Q3. Which of the following statement/s is/are correct with respect to India's

Intended Nationally Determined Contribution (INDC)?

1. India aims to reduce its emission intensity by 33-35% by 2030 below 2015 levels.
2. India aims to have an installed renewable energy capacity of 175 GW by 2030.

Options:

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

Answer: d

Explanation:

- India aims to reduce its emission intensity by 33-35% by 2030 below 2005 levels.
- India aims to have a installed renewable energy capacity of 175 GW by 2022.

Q4. Which of the following statement/s is/are correct :

1. The Commonwealth of Nations was formally constituted by the London Declaration in 1949.
2. India is not a member country of the Commonwealth of Nations.

Options:

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

Answer: a

Explanation:

- The Commonwealth of Nations, generally known as the Commonwealth is a political association of 54 member states, nearly all former territories of the British Empire.
- The current Commonwealth of Nations was formally constituted by the London Declaration in 1949, which modernised the community and established the member states as “free and equal”.
- The Commonwealth comprises 54 countries, across all continents. The members have a combined population of 2.4 billion people, almost a third of the world population, of whom 1.37 billion live in India or 94% live in Asia and Africa combined.

I. UPSC Mains Practice Questions

1. Apart from immediate support and relief in the form of cash transfers, loan waivers, and compensation for unsold produce, long-term investments and reforms in the agricultural sector are extremely important. Analyze this statement in the context of the provisions for the agricultural sector under the Atmanirbhar Bharat Abhiyan. (15 marks, 250 words)

2. The recently unveiled policy changes in the defence sector and Mineral sector under the Atmanirbhar Bharat Abhiyan hold immense potential in helping revive India's economy. Comment. (10 marks, 150 words)

