

# 11 Aug 2020: UPSC Exam Comprehensive News Analysis

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*Nothing here for today!!!*

## B. GS 2 Related

### Category: POLITY AND GOVERNANCE

#### 1. ‘Lockdown hit treatment under PMJAY scheme’

##### Context:

According to official data, the nationwide lockdown had a significant negative impact on inpatient care utilisation under the Pradhan Mantri Jan Arogya Yojana (PMJAY).

##### Details:

- The claim volumes under the scheme have fallen by more than 50% compared with the months leading up to the lockdown.

- The steepest decline (more than 75%) was registered in Assam, followed by Maharashtra and Bihar.
- Much smaller declines (about 25% or less) were observed in Uttarakhand, Punjab and Kerala.
- There were declines in admissions for child delivery and oncology; also a sharp fall in cardiovascular surgeries.
- There was a small but perceptible shift in PMJAY utilisation from the public to private hospitals. There was a slight shift from public to private hospitals for neo-natal care.
- While access to medical facilities was one of the few exceptions during the lockdown, care-seeking behaviours and healthcare provision were significantly affected. Reasons being:
  - Hospitals being preoccupied with [COVID-19](#) preparations or caseloads, resulting in fewer resources for non-COVID-19 cases.
  - Delay in seeking treatment or foregoing it due to the fear of infection at a hospital.
  - Public transport shutdowns and mobility constraints.
  - Nascent economic crisis had an effect on financial considerations related to seeking care.

#### **Way forward:**

- Ensuring the least possible impact on key health programmes will be an on-going challenge.
- Continued and close monitoring is the need of the hour.

Read more about [Pradhan Mantri Jan Arogya Yojana](#).

## **C. GS 3 Related**

### **Category: ECONOMY**

#### **1. Balance of payments will be strong this year, says Goyal**

##### **Context:**

The Commerce and Industry Minister has asserted that India's balance of payments this year is going to be "very very strong" with significant improvement in exports and a fall in imports.

##### **Details:**

- He remarked that good green shoots were visible in the economy and exports have shown a good turnaround.
  - India's exports fell for the fourth straight month in June 2020 as shipments of key segments like petroleum and textiles declined.
  - Trade turned surplus for the first time in 18 years as imports dropped by a steeper 47.59%.
  - India posted a trade surplus of \$0.79 billion in June 2020.

##### **Steps taken by the Government:**

- The government has been taking steps to support and promote domestic manufacturing and industry.
- It is being ensured that any unfair treatment meted out to the Indian industry across the world is taken up at the highest levels on the domestic industry's behalf.
- Certain restrictions have been imposed on some products to encourage domestic manufacturing.
  - India has recently imposed import curbs on products such as television sets and tyres.

### **Balance of Payments:**

- The balance of payments (BOP) is a statement of all transactions made between entities in one country and the rest of the world over a defined period of time (such as a year).
- The balance of payments includes both the current account and the capital account.
- The current account includes a nation's net trade in goods and services, its net earnings on cross-border investments, and its net transfer payments.
- The capital account consists of a nation's imports and exports of capital and foreign aid.

Read more about the [Balance of Payments](#).

### **Category: INTERNAL SECURITY**

#### **1. Naga peace talks hit a road bump**

##### **Context:**

Even as the leadership of NSCN-IM held a detailed meeting with two Intelligence Bureau (IB) officials in New Delhi, the Naga Peace talks have run into problems.

##### **Details:**

- The Isaak Muivah faction of the National Socialist Council of Nagaland (NSCN-IM) is one of the largest Naga groups with which the Government of India signed a framework agreement on August 3, 2015.
- NSCN-IM signed a ceasefire agreement with the Centre in 2001.
- NSCN-IM is reportedly peeved with interlocutor R.N. Ravi and has demanded that he be removed from the position.
  - He was appointed Nagaland's Governor in 2019.
  - He had recently addressed a letter to Nagaland Chief Minister that "over half a dozen organised armed gangs were brazenly running their respective so-called governments challenging the legitimacy of the State government."
  - The letter was followed by another order asking government officials to declare if their family members or relatives are members of any underground organisation.

##### **Issues:**

- The letter by the Nagaland Governor alluding to the NSCN-IM as an armed gang has been seen as an insult by the leadership.
- The movement is more than 70 years old and they feel that the trust they established with the interlocutor is now broken.

##### **Way forward:**

Security agencies are trying to end the stalemate and find a middle ground so that talks do not collapse.

Read more on this issue covered in the 4<sup>th</sup> November 2019 Comprehensive News Analysis. [Click here to read.](#)

### **Category: ENVIRONMENT AND ECOLOGY**

## 1. Put draft EIA on hold till it is discussed, says Jairam

### Context:

The Chairman of the Parliamentary Standing Committee on Science and Technology, Jairam Ramesh has urged Environment Minister Prakash Javadekar to keep the draft Environment Impact Assessment (EIA) 2020 notification under suspension until the committee examines it in detail.

This issue has been covered in the [1st August 2020 Comprehensive News Analysis](#).

## D. GS 4 Related

*Nothing here for today!!!*

## E. Editorials

### Category: ECONOMY

## 1. Making up for shortfalls in GST collection

### Context:

- The release of the Goods and Services Tax (GST) compensation due to the States for the financial year 2019-20.

For more information on this, refer to:

[CNA dated July 28, 2020](#)

### Background:

### Rationale for the compensation formula:

- Several states had adopted a hard stance against the introduction of the GST system in India based on concerns that the implementation of the system would result in decreased tax revenues for the states.
  - The **GST subsumed several taxes, such as sales tax** which were collected and appropriated by the states.
  - Prior to GST, States exporting goods to other States collected a tax. **GST being a destination-based tax**, i.e., the State where the goods are sold receive the tax meant that manufacturing States would lose out tax revenue while the consuming States were expected to benefit from increased tax revenue.
- To convince States to agree to GST, the compensation formula was introduced.
  - The GST implementation required amendment of the Seventh Schedule of the Constitution of India amounting to a **federal provision amendment** and hence **ratification by the legislatures of half the States** was necessary.

**GST (Compensation to States) Act, 2017:**

- This Act assumed that the GST revenue of each State would grow at an **annual rate of 14%, from the amount collected in 2015-16**, through all taxes subsumed by the GST. Any shortfall from this assumed revenue was to be compensated from the central government **till June 2022**. The Act makes the Central Government constitutionally bound to compensate States for loss of revenue for five years.
- The amount had to be paid every two months based on provisional accounts.
- A **compensation cess was imposed on sin and luxury items** such as pan masala, cigarettes and tobacco products, aerated water, caffeinated beverages, coal and select passenger motor vehicles to finance the compensation payments. The compensation cess collected was deposited in the **compensation cess fund**.

#### **Details:**

- The GST compensation has been an area of concern over the previous year with states repeatedly requesting the centre to ensure timely payment and the centre expressing constraints in ensuring compensation payments.
- Some states like Punjab have even said that it may take the matter to the Supreme Court if the Centre does not release the dues, while other states are considering raising the issue in the GST Council which has a **dispute redressal mechanism** for disputes among the members of the council.

#### **Concerns:**

##### **Delayed payment:**

- The compensation amount due to the states has to be paid every two months based on provisional accounts. However, this has not been adhered to.
- States have expressed apprehensions about not getting their compensation on time with some states claiming that they had to **incur debts to meet the expenses predicated on GST compensation revenues**.

##### **Decreasing growth rate:**

- There have been multiple projections of a **negative real GDP growth, almost zero nominal GDP growth for the financial year 2020-21** in the light of the economic impact of the COVID-19 pandemic.
- This is likely to result in a significant shortfall for States from the assured tax collection as the guaranteed tax growth rate of 14% would be unachievable this financial year.

##### **Shortfall in compensation fund:**

- In the first two years of the compensation scheme, the cess collected exceeded the shortfall of States. In the third year, 2019-20, however, the compensation fund collection fell significantly short of the requirement. This was on account of **slowdown in tax collections** as the economy slowed down coupled with **negative growth in sectors such as motor vehicles which contributed to the cess fund**.
- The shortfall was made up by excess collections in earlier years as well as some of the balance of inter-State GST from earlier years.
- Given the fact that the **GST revenue fell 41% in the first quarter of 2020-21**, the shortfall in cess collections and likely delays in payments to States is likely to continue in the current financial year as well.

#### **Possible solutions:**

- Given that the Central Government is constitutionally bound to compensate States for loss of revenue for five years and the current crisis, the article discusses several possible solutions to this issue.

### Reducing the period of revenue guarantee:

- The Constitution could be amended to **reduce the period of guarantee to three years (ending June 2020)**.

#### Concerns:

- This solution is very unlikely to find support from the states given that this move will only further **weaken the states' finances already battered by the economic impact of the COVID-19 pandemic**.
- In fact, some states have been demanding that the cut-off date for ending compensation to the States be moved from 2021-22 to 2026-27.

### Funding from Central Government revenues:

- The Central Government could consider funding the shortfall in the compensation fund from its own revenue base.

#### Concerns:

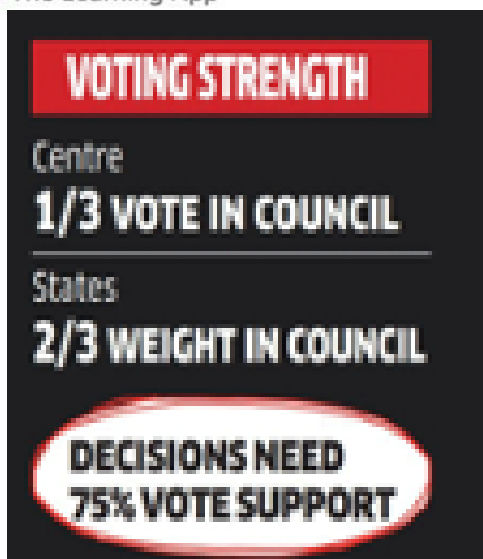
- However, the **Centre's finances are already stretched due to shortfall in its own tax collection and the extra expenditure** to manage the COVID-19 crisis may not allow the Centre to do so.

### Lowering revenue growth target:

- The Centre could convince States to lower the 14% growth target provided for in the GST (Compensation to States) Act, 2017.
- The **revenue target rate could be linked to nominal GDP growth** which would take care of unexpected contingencies like the current pandemic crisis.
  - Most economists consider the 14% target too ambitious. Considering the government's inflation target of 4%, this would imply a real GDP growth plus tax buoyancy of 9%. This proved to be unachievable even prior to COVID-19.

#### Concerns:

- Any such amendment would require the GST Council to approve it. Given the **composition of the GST Council** and the states being unlikely to agree to such a proposition, it would not be possible to bring such an amendment.
- The GST Council is a constitutional body with representations of the Centre and all the States.



- In fact, some states have previously urged the Centre to raise the cess to compensate the States.

#### **Borrowing:**

- The **Centre could borrow to finance its compensation payments to the states.**
- The Centre could borrow on the **guarantee of the cess fund.** The tenure of the compensation cess could be extended beyond five years until the cess collected is sufficient to pay off the borrowed debt and interest on it.

#### *Concerns:*

- Given the fact that the **fiscal deficit has already breached the prescribed limits of the [FRBM Act](#),** the Central Government would be hesitant to borrow further.
- The borrowing from the domestic finance market may **crowd out the private sector.**

#### *Significance:*

- This solution provides a **win-win situation for both the states and the centre** and is likely to find acceptance from both. The states would be receiving the compensation amount as guaranteed by the GST (Compensation to States) Act, 2017 while the central government would not have to worry about arranging resources in the current situation. The compensation cess would help the central government pay back the borrowed money in the long run.
- The **sovereign guarantee on the loans** would enable the availing of loans at attractive rates from the market.

### **Category: INTERNATIONAL RELATIONS**

#### **1. Isolating China, as proposition and the reality**

##### **Context:**

- The author of the article, M.K. Narayanan, a former National Security Adviser, analyzes India's approach to isolate China as a countermeasure to China's military aggressiveness along the LAC.

### Background:

- In the light of **Chinese aggression along the Line of Actual Control (LAC) in the Ladakh sector**, India had adopted both military as well as non-military countermeasures. The **non-military measures included efforts to isolate China in the realm of global trade and investment, international relations.**
- India has repeatedly reiterated that the state of the border and the future of its bilateral ties with China are closely related.

### Details:

- The author of the article **expresses doubts over India's approach to isolate China.**

### Choosing between China and the U.S.:

- As relations between the United States and China continue to deteriorate, there has been the realignment of forces, with the U.S. and China leading opposite camps. Most countries have been hesitant to take sides.
- India's attempt to isolate China would lead to **a perception of India aligning with the U.S.**

### Chinese economic prowess:

- Despite the expansionist attitude displayed by China and its utter disregard for international organizations, **hardly any country in Asia is willing to openly confront China.**
- Despite **growing anti-China sentiments the world over and repeated calls for an economic boycott of China**, some nations have continued to be in favour of continued economic relations with China. Very few nations across the world are willing to risk China's ire because of strong economic ties that these countries have forged with China over the years. **Economic ties are proving way stronger than military and strategic ones.**
  - **Australia**, a member of the Quad (the U.S., Japan, Australia and India), that is widely seen as an anti-China coalition has recently reiterated Australia's desire for a strong economic engagement with China.
  - **The U.K.'s** Secretary of State for Foreign and Commonwealth Affairs has recently stated that the U.K. would continue to work with China.
  - Even though the majority of **ASEAN countries** have expressed grave concerns about China's expansionist tendencies, the ASEAN grouping has never taken sides against the Chinese given the fact that **ASEAN happens to be one of China's biggest trading partners.**
- China's **stranglehold on the global economy** has led to the Chinese confidence in overcoming any calls for an economic boycott.
- China has **been using its economic prowess to increase its influence in Asia and the surrounding areas.**
  - Recently, the Chinese Foreign Minister organised a virtual meeting of the Foreign Ministers of Nepal, Afghanistan and Pakistan. This included a proposal for an economic corridor plan with Nepal, styled as the **Trans-Himalayan Multi-Dimensional Connectivity Network**, and **expanding the China-Pakistan Economic Corridor (CPEC) to Afghanistan.**

For more information on this issue, refer to:

[CNA dated July 28, 2020](#)

### India and the neighbourhood:

- India's efforts to isolate China seem to be countered by **China focussing its attention to garner support among India's neighbouring countries.**
  - Pakistan, considered China's ally, has used the current situation of tense relations between China and India to take a more anti-India stand.
  - India's relations with Nepal have been deteriorating. **China has made headway in enhancing its relations with Nepal.**
  - In Sri Lanka, the return of the Rajapaksas to power after the recent elections does not augur too well for India-Sri Lanka relations given the **pro-China attitude** displayed by the administration in its previous stint.
  - The **strain in India-Bangladesh relations** is a real cause for concern given the previous warm ties between India and Bangladesh.
  - **China has also made headway in Iran to an extent, again at India's expense**, with the economic and security partnership between Iran and China.

For more information, refer to:

[CNA dated July 13, 2020](#)

#### **Conclusion:**

- **Geo-balancing is not happening to China's disadvantage.** India should recognize this fact and must consider this aspect while planning its future strategy.

For more information on the topic of possible counter China policies by the same author, refer to:

[CNA dated July 22, 2020](#)

## **F. Prelims Facts**

*Nothing here for today!!!*

## **G. Tidbits**

### **1. India's imports from China rise in June and July**

#### **What's in News?**

Two-way trade between India and China continues to be heavily tilted in China's favour.

- India's imports from China have risen to \$5.6 billion in July 2020, climbing for the second straight month, although imports are still down by 24% from 2019.
- India's imports from China had fallen to a record low of \$3.2 billion both in April and May, coinciding with India's lockdown on account of the pandemic.
- Economists say that the increase in imports is driven by Chinese exports of medical supplies.

### **2. China slaps sanctions on U.S. Senators**

## What's in News?

China has sanctioned 11 Americans, including Senators Marco Rubio and Ted Cruz, in retaliation for similar moves by the U.S., prompted by Beijing's crackdown in Hong Kong.

- Foreign Ministry spokesman said that China had decided to impose sanctions on some people that behaved badly on Hong Kong-related issues.
- Earlier, Washington had accused 11 officials of suppressing freedom and democratic processes in Hong Kong, and announced plans to freeze their U.S. assets.
- Washington and Beijing have already imposed sanctions on each other over China's mass internment of mostly Muslim minorities in Xinjiang.
- The measure is the latest in a diplomatic spat between China and the US that has involved closing down consulates in Houston and Chengdu along with previous rounds of reciprocal sanctions.

### 3. Nepal stalled flood works citing COVID-19, says U.P.

## What's in News?

The Uttar Pradesh government has expressed concerns stating that eleven new flood prevention projects worth ₹53.64 crore could not be executed before the current flood season on the India-Nepal border as the neighbouring country did not grant permission for their implementation in its geographical area due to the COVID-19 pandemic.

- Every year, flood projects would be built on the Gandak river on the Nepal border with central funds. However, this year due to COVID-19, Nepal did not allow 11 new approved flood projects in its area.
- As per the State Relief Commissioner, 582 villages in around 20 districts of UP remained affected by floods, with 303 of them marooned despite a 15% below normal rainfall so far.
- 15 districts of Purvanchal, and neighbouring Nepal and Uttarakhand got 20% more rain than normal causing the Ghagra, Rapti, Gandak and Sharda rivers to flow above the danger mark.

## H. UPSC Prelims Practice Questions

Q1. Consider the following classifications in the IUCN Red List:

1. Asian Elephant – Critically Endangered
2. Bengal Florican – Critically Endangered
3. African Elephant – Vulnerable
4. Great Indian Bustard – Critically Endangered

Which of these is/are correct?

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

**CHECK ANSWERS:-**

**Answer: a**

**Explanation:**

- Asian Elephant – Endangered
- Bengal Florican – Critically Endangered
- African Elephant – Vulnerable
- Great Indian Bustard – Critically Endangered

**Q2. Consider the following statements with respect to the Chicago Convention:**

1. The Convention establishes rules of airspace, aircraft registration and safety, and details the rights of the signatories in relation to air travel.
2. International Civil Aviation Organisation is a specialized agency of the UN established to manage the administration and governance of the Convention.

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

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

**CHECK ANSWERS:-**

**Answer: d**

**Explanation:**

Both statements are correct.

**Q3. Consider the following statements with respect to Melghat Tiger Reserve:**

1. It is located in Madhya Pradesh.
2. It is among the first nine tiger reserves notified under the Project Tiger.
3. River Tapi flows through the Reserve.
4. It consists of Ambawarba and Narnala sanctuaries.

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

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

**CHECK ANSWERS:-**

**Answer: b**

**Explanation:**

- Melghat Tiger Reserve is located in the northern part of the Amravati District of Maharashtra.
- It is among the first nine tiger reserves notified under the Project Tiger in 1973-74.
- The Tapi river flows through the northern end of the Melghat Tiger Reserve.
- It consists of the Gugamal National Park, Melghat wan, Ambawarba and Narnala sanctuaries.

Q4. Tropical Cyclone "Nisarga" was named by:

- a. India
- b. Sri Lanka
- c. Bangladesh
- d. Pakistan

**CHECK ANSWERS:-**

**Answer: c**

**Explanation:**

- Bangladesh named [Cyclone Nisarga](#).
- Cyclones that form in every ocean basin across the world are named by the regional specialised meteorological centres (RSMCs) and Tropical Cyclone Warning Centres (TCWCs).
- There are six RSMCs in the world, including the India Meteorological Department (IMD), and five TCWCs.
- As an RSMC, the IMD names the cyclones developing over the north Indian Ocean, including the Bay of Bengal and the Arabian Sea, after following a standard procedure.

## I. UPSC Mains Practice Questions

1. The GST compensation payment has been an area of concern over the previous year. Discuss the underlying concerns and suggest possible solutions to this issue. (15 marks, 250 words)(GS paper 3/Economy)
2. India's policy of using non-military countermeasures like the moves to isolate China economically and in international organizations has its limitations. Comment. (10 marks, 150 words)(GS paper 2/International Relations)

