

# 06 Aug 2020: UPSC Exam Comprehensive News Analysis

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## TABLE OF CONTENTS

### A. GS 1 Related

#### *SOCIAL ISSUES*

1. [Brus reject resettlement site offer](#)

### B. GS 2 Related

#### *POLITY AND GOVERNANCE*

1. [EWS quota challenge referred to Constitution Bench](#)
2. [Centre formulating R&D policy to bolster drug discovery](#)

### C. GS 3 Related

#### *ENVIRONMENT AND ECOLOGY*

1. [Pokkali rice seedlings travel from Kerala to the Sunderbans](#)
2. [Environment Ministry dithered on decision to close LG plant](#)

#### *ECONOMY*

1. ['M.P. should not get GI tag for basmati rice'](#)

### D. GS 4 Related

### E. Editorials

#### *ECONOMY*

1. [How to pay for the stimulus](#)

#### *INTERNAL SECURITY*

1. [Taking nuclear vulnerabilities seriously](#)

### F. Prelims Facts

1. [Qualified Institutional Placement \(QIP\)](#)

### G. Tidbits

### H. UPSC Prelims Practice Questions

### I. UPSC Mains Practice Questions

## A. GS 1 Related

### Category: SOCIAL ISSUES

#### 1. Brus reject resettlement site offer

##### **Context:**

Three organisations representing the Bru community displaced from Mizoram have rejected the resettlement sites proposed by the Joint Movement Committee (JMC) - an umbrella group of non-Brus in Tripura.

##### **Background:**

The JMC comprising the Bengali, Mizo, Buddhist Barua and other communities had submitted a memorandum to the Tripura Government specifying six places in Kanchanpur and Panisagar subdivisions of North Tripura district for the resettlement of the Brus who fled ethnic violence in Mizoram since 1997.

This topic has been covered in the [24th July 2020 Comprehensive News Analysis](#).

## B. GS 2 Related

### Category: POLITY AND GOVERNANCE

#### 1. EWS quota challenge referred to Constitution Bench

##### **Context:**

The Supreme Court has referred to a five-judge Bench, the substantial question of law whether the grant of 10% reservation to economically weaker sections of the society is unconstitutional and violates the 50% ceiling cap on quota declared by the court itself.

##### **Background:**

- The economic reservation was introduced in the Constitution by amending Articles 15 and 16 and adding clauses empowering the state governments to provide reservation on the basis of economic backwardness.
- The validity of the Constitutional Amendment was challenged, saying the 50% quota limit was part of the [Basic Structure of the Constitution](#).
- A three-judge bench had refused to stay the implementation of the Constitution (103rd Amendment) Act, which provides the 10% quota.

##### **Centre's View:**

- The Centre had argued that it was every State's prerogative to provide 10% economic reservation in State government jobs and admissions in State-run education institutions.

##### **Details:**

- The primary question for the Constitution Bench to decide is whether "economic backwardness" can be the sole criterion for granting quota in government jobs and educational institutions for those who would otherwise have to compete in the general category.

This issue has been comprehensively covered in the [13th January 2019 Comprehensive News Analysis](#).

#### 2. Centre formulating R&D policy to bolster drug discovery

##### **Context:**

The Centre is formulating a new Research & Development (R&D) policy.

##### **Aim:**

The aim of the policy is to boost drug discovery and the manufacture of medical devices in the country.

##### **Details:**

- The government has proposed to set up three major manufacturing parks.
  - It will have an investment of ₹1,000 crore each.
  - It is aimed at helping drive import substitution of basic raw materials, active pharmaceutical ingredients (API) and the making of medical devices.
- Numerous production-linked incentives are also on the anvil.
- There is a renewed focus on bringing together research institutions, academia and the industry to identify new chemicals, update processes and discover new drug delivery systems.

#### **Way forward:**

- Under the current system, approval processes are obsolete. There is a dire need to strengthen institutions.
- Scientists' role in new discoveries must be recognised to help them commercialise the projects.

Read more about this topic covered in [28th July 2020 Comprehensive News Analysis](#).

## **C. GS 3 Related**

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

#### **1. Pokkali rice seedlings travel from Kerala to the Sunderbans**

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

To tide over a crisis-like situation created by severe seawater incursion into paddy fields in vast areas of the Sunderbans after [cyclone Amphan](#) hit West Bengal, farmers are experimenting on the pokkali variety of rice from Kerala.

##### **Pokkali Rice**

- The pokkali variety is known for its saltwater tolerance.
- It is endemic to central Kerala.
- It is grown in coastal Alappuzha, Ernakulam and Thrissur districts.
- It has been granted the Geographical Indication (GI) tag.
- Pokkali is an ancient farming practice. One season of rice farming is alternated with another season of prawn culture.
  - When the salinity is high, prawn farming takes over.
- The rice crop doesn't require other fertilizer or manure as the tidal flows make the fields highly fertile and it draws nutrients from the prawns' excrement and other remnants.

##### **Details:**

- The rice variety's remarkable tolerance to salinity and floods makes it unique.
- About 80% of the rice paddies in the Sunderbans face the problem of saltwater incursion.
- If the pokkali experiment succeeds, it would be a good step to turn around the fortunes of the farmers.

#### **2. Environment Ministry dithered on decision to close LG plant**

**Context:**

The Union Ministry of Environment, Forests and Climate Change (MoEFCC) decided against closing down operations of the LG Polymers plant in Vishakapatnam, Andhra Pradesh.

**Background:**

- A gas leak in Visakhapatnam in Andhra Pradesh had claimed at least 11 lives and affected thousands of residents in five villages. The source of the leak was a styrene plant owned by South Korean electronics giant LG.

This has been covered in [8th May 2020 Comprehensive News Analysis](#).

- The high-power committee (HPC) formed by the government to investigate the styrene vapour leak at LG Polymers in Visakhapatnam had submitted its 4000-page report to the Chief Minister.

This has been covered in [7th July 2020 Comprehensive News Analysis](#).

**Category: ECONOMY****1. 'M.P. should not get GI tag for basmati rice'****Context:**

- Madhya Pradesh has sought inclusion of its 13 districts for GI tagging for basmati.
- In response, the Punjab Chief Minister has written to the Prime Minister seeking his personal intervention against allowing this, quoting the larger interest of Punjab and other states which are already basmati GI tagged.

**Which states have GI Tag for Basmati Rice?**

Punjab, Haryana, Himachal Pradesh, Uttarakhand, Delhi, Western Uttar Pradesh and select districts of Jammu and Kashmir have GI tagging for basmati rice.

**What are Punjab's concerns?**

- According to Punjab CM, India exports basmati to the tune of ₹33,000 crore every year and any dilution in registration could give advantage to Pakistan in the international market in terms of basmati characteristics, quality parameters.
  - Pakistan also produces basmati as per GI tagging.
- The CM has pointed out that GI tag for basmati has been given on the basis of the traditionally grown areas of basmati due to special aroma, quality and taste of the grain, which is indigenous to the region below the foothills of the Himalayas in the Indo-Gangetic Plains and the basmati of this area has distinct recognition across the world.
- It has been asserted that Madhya Pradesh does not fall under the specialised zone for basmati cultivation.

**Geographical Indication:**

- As per the Geographical Indications of Goods (Registration and Protection) Act, 1999, a geographical indication tag can be issued for agricultural goods that are originating in the territory of a country, or a region or locality in that territory, where a given quality, reputation or other characteristics of such goods is essentially attributable to its geographical origin.

Read more about [Geographical Indication Tag and its Significance](#).

## D. GS 4 Related

*Nothing here for today!!!*

## E. Editorials

**Category: ECONOMY**

### 1. How to pay for the stimulus

**Context:**

- The article explores the options available to finance enhanced public spending to revive the Indian economy.

**Background:**

- Given the economic impact of the pandemic, economists have been deliberating on the appropriate economic policy response.
- Some economists have argued for a more active government intervention to revive the economy in the form of **greater public spending**. This will ensure a **greater amount of money in the hands of the people which can boost the demand and help economic revival**.

**For more information on this issue, refer to:**

[CNA dated August 3, 2020](#)

- However, there are concerns that greater public spending will increase the fiscal deficit and this **expansion of public spending will have to be financed**.
  - Considering that the economy has stalled and the government will not be getting its revenues, the “general” government (that is, Centre plus states) **fiscal deficit is expected to shoot up** to around 15% of GDP when the permissible limit is only 6%.
  - The announcement of a bailout or relief package would only further increase the fiscal deficit.
  - The government’s fiscal deficit (the total amount of borrowings to bridge the gap between its spending and revenues) will be way over the permissible limit.

**For more information on the issue of fiscal deficit, refer to:**

[CNA dated April 25, 2020](#)

**Details:**

- The article analyzes the options available to finance enhanced public spending.

### Increasing taxes:

- Theoretically, public spending can be financed by higher tax rates for both **direct as well as indirect taxes**.

### Challenges:

- However, when the economy is in a recession this option may not work as incomes would have decreased and subsequently, there would be decreased expenditure on the purchase of goods and services. This is already evident as the government is facing a **major shortfall in revenues through GST**.
- New avenues for tax revenues are not feasible in the short term.

### Domestic debt financing:

- One of the available options to finance the government expenditure would be to **issue debt to the public**.

### Challenges:

- However, with the economy stalled, there **isn't enough money in the market** for the government to borrow from.
  - Data show that savings of domestic households have been faltering and are barely enough to fund the government's existing borrowing needs.
- Moreover, as the government borrows more from the market, it **pushes up the interest rate**. This would affect private investment.

### External borrowing:

- The government could also consider borrowing from the [World Bank](#) and the International Monetary Fund (IMF).

### Challenges:

- In the case of debt financing, the borrowed money will have to be repaid in hard currency. This would require India to earn hard currency by stepping up exports by substantial proportions. This would be a difficult task under present circumstances given that Indian exports have been faring poorly since 2014 and the **multiple shocks that have been witnessed in global output and trade**.
- Other significant issues when considering borrowing from the World Bank and the IMF include the **issue of conditionalities** and the extended time frame required for loan negotiations.
- Also, external borrowing accounts for being a national debt as compared to domestic borrowing. Most economists believe developing economies like India should not have debt higher than 80%-90% of the GDP. At present, it is around 70% of GDP in India.
- Foreign investors have been pulling out and rushing to safer economies like the US, and are unwilling to lend in times of such uncertainty.

### Money financing:

- Another option worth exploring is money financing which involves borrowing from the Reserve Bank of India (RBI). **Deficit monetisation by the RBI involves printing new money**. This involves

the “**direct**” monetisation of government deficit. This is also termed ‘money financing’ as it increases the money supply.

*Mechanism of money financing:*

- In this case, the government asks the RBI to print new currency in return for new bonds that the government gives to the RBI. Now, the government would have the cash to spend and alleviate the stress in the economy.
- In lieu of printing this cash, which is a liability for the RBI, it gets government bonds, which are an asset for the RBI since such bonds carry the government’s promise to pay back the designated sum at a specified date.
- This is different from the “**indirect**” monetising that RBI does when it conducts the so-called **Open Market Operations (OMOs) and/or purchases bonds in the secondary market**

*Significance:*

- The money financing tool provides an opportunity for the government to boost overall demand at the time when private demand has fallen. Government expenditure using this **new money boosts incomes and raises private demand in the economy.**
  - Recently, the Bank of England extended direct monetisation facility to the UK government to help revive the slowing economy.

*Challenges:*

- Until 1997, the RBI “automatically” monetised the government’s deficit. However, given the concerns regarding direct monetisation of government deficit this facility was ended by 1997.
- There have been concerns expressed by economists that money financing may lead to high intangible and institutional costs.

*Fiscal profligacy:*

- An argument against direct monetising is that **governments are considered inefficient and corrupt in their spending choices.**
- Extended fiscal profligacy in the past had led to the balance of payments crisis in 1991.

*Inflation concerns:*

- The standard economic argument against money financing is that it is inflationary.
  - Retail inflation in India has been on the uptick breaching the central bank’s tolerance limit of 6%.
- Printing new currency notes increases the flow of money in the economy. This leads to an increase in inflationary pressures which lead to the rise in prices of goods and services in the country. **Deficit financing is inherently inflationary.**
- High inflation can have an undesired effect on the economy.
  - When there is inflation in the economy employees demand higher wages to survive. If their demands are accepted it increases the cost of production which de-motivates the investors. **Deficit financing thus affects investment adversely.**
  - This could lead to a situation where India enters a phase of slow growth and rising prices often referred to as the **stagflation phase.**
  - Higher inflation and higher government debt provide grounds for **macroeconomic instability.**

*Counter arguments:*

- The article argues that the perception that money financing would be inherently inflationary is wrong. The article argues that whether a fiscal expansion is inflationary or not is related more to the state of the economy than the medium of its financing.
- Economic resources are currently unemployed. With enhanced public expenditure and the subsequent increase in demand, these unused resources will get back to work and this will lead to an increase in output without inflation.
- The article argues that enhanced public expenditure through money financing will help India revive its economy to pre-COVID-19 levels of output and employment.

**Conclusion:**

- Given the concerns that money financing may be imprudent to do so in the current circumstances, it is suggested that money financing must only be used as the last resort when all other options are exhausted.

**For more information on money financing, refer to:**

[CNA dated June 9, 2020](#)

**Category: INTERNAL SECURITY**

**1. Taking nuclear vulnerabilities seriously**

**Context:**

- The article discusses the concerns associated with nuclear weapons.

**Concerns:**

**Increasing nuclearization:**

- Since 1945, **the United States, the Soviet Union/Russia, the United Kingdom, France, China, Israel, India, Pakistan, and North Korea have armed themselves with destructive nuclear weapons.**
- Over 1,26,000 nuclear weapons have been built since the beginning of the atomic age.

**Damage potential:**

- The use of existing weapons against civilian populations can cause a high number of casualties as observed in the atomic bombing of Hiroshima and Nagasaki.
  - The atomic bombing of Hiroshima and Nagasaki killed over 2,00,000 people. Another 2,00,000 people or more who survived the bombings of these two cities have suffered permanent disabilities.
- The large number of nuclear tests are causing grave and **long-lasting damage to the environment and public health.**

**Vulnerability:**

- Nuclear weapons could be launched at any moment against any target around the world.



- There is **no realistic way to protect against nuclear weapons**, whether they are used deliberately, inadvertently, or accidentally.
- The **availability of ballistic missiles** has made it impossible to intercept nuclear weapons once they are launched. Neither fallout shelters nor ballistic missile defence systems have succeeded in negating this vulnerability.

#### **The problems of deterrence:**

- Nuclear weapons supporters have often argued that the use of nuclear weapons is impossible because of deterrence.
  - Deterrence theory holds that nuclear weapons are intended to deter other states from attacking with their nuclear weapons, through the promise of **retaliation and possibly mutually assured destruction (MAD)**.

#### *Lack of restraint:*

- Nuclear weapons supporters claim that nuclear weapons do not just protect countries against the use of nuclear weapons by others, but even prevent war and promote stability. However, the article argues that the claims of deterrence do not hold up to evidence.
- Nuclear threats have not always produced fear and caution as propounded by nuclear enthusiasts. On the contrary, countries with nuclear weapons have gone to war quite often, even with other countries with nuclear weapons, albeit in a limited fashion. **Countries have not always shown the expected restraint.**

#### *Unstable policy:*

- Nuclear deterrence cannot be considered stable.
- Strategic planners often use worst-case assumptions about the intentions and capabilities of other countries to argue for the acquisition of greater destructive capabilities, driving **endless upgrades of nuclear arsenals, and offering a rationale for new countries to acquire nuclear weapons.**
- All nuclear-weapon states have admitted to the possibility that deterrence could fail, evident in their plans for **preparing to fight a nuclear war.**

#### **The illusion of control:**

- A major concern with respect to nuclear weapons is the **illusion regarding the controllability of nuclear weapons.**
- In the real world scenario, it would not be possible to have complete control. The desire to believe in the perfect controllability and safety of nuclear weapons creates overconfidence, which is likely to lead to **accidents** and possibly to the use of nuclear weapons.

## **F. Prelims Facts**

### **1. Qualified Institutional Placement (QIP)**

- Qualified institutional placements (QIPs) are a way to issue shares to the public without going through standard regulatory compliance. It follows a looser set of regulations; however, the allottees are highly regulated.
  - Qualified institutional buyers (QIBs) are the only entities allowed to purchase QIPs.

- A qualified institutional placement (QIP) is, at its core, a way for listed companies to raise capital without having to submit legal paperwork to market regulators.
- [SEBI](#) created the rule to avoid the dependence of companies on foreign capital resources.

## G. Tidbits

*Nothing here for today!!!*

## H. UPSC Prelims Practice Questions

Q1. Consider the following statements with respect to Qualified Institutional Placements (QIP) :

1. It is a tool for raising capital with limited regulatory compliance.
2. In a QIP, only equity shares can be issued.
3. Only qualified institutional buyers are allowed to participate in a QIP issuance.

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

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

**CHECK ANSWERS:-**

**Answer: c**

**Explanation:**

- Qualified institutional placements (QIPS) are a way to issue shares to the public without going through standard regulatory compliance.
- It follows a looser set of regulations; however, the allottees are highly regulated.
- Qualified institutional buyers (QIBs) are the only entities allowed to purchase QIPs.
- QIBs include mutual funds, domestic financial institutions such as banks and insurance companies, venture capital funds, foreign institutional investors, and others.
- In a QIP, a listed company can issue equity shares, fully and partly convertible debentures, or any security (other than warrants) that is convertible to equity shares.

Q2. Consider the following statements with respect to "Pokkali rice":

1. It is a variety of rice known for its saltwater tolerance.
2. It has got a Geographical Indication Tag.
3. It is extensively cultivated in Tamil Nadu.

Which of the given statement is/are correct?

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

**CHECK ANSWERS:-**

**Answer: b**

**Explanation:**

- The pokkali variety is known for its saltwater tolerance.
- It is endemic to central Kerala.
- It is grown in coastal Alappuzha, Ernakulam and Thrissur districts.
- It has been granted the Geographical Indication (GI) tag.
- Pokkali is an ancient farming practice. One season of rice farming is alternated with another season of prawn culture.
  - When the salinity is high, prawn farming takes over.

**Q3. Which of these states have Geographical Indication Tag for Basmati Rice?**

1. Punjab
2. Haryana
3. Uttarakhand
4. Madhya Pradesh

**Choose the correct option:**

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

**CHECK ANSWERS:-**

**Answer: b**

**Explanation:**

In May 2010, Geographical Indication status was given to basmati grown only in Punjab, Haryana, Delhi, Himachal Pradesh, Uttarakhand and parts of western Uttar Pradesh and a few districts of the Union Territory of Jammu & Kashmir.

**Q4. Consider the following statements with respect to River Sarayu:**

1. The river originates from Lake Mansarovar in the Himalayas and is also known as the Ghaghra.
2. Sarayu flows through Uttarakhand and Uttar Pradesh.
3. Ayodhya is situated on the banks of this river.

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

- a. 2 only
- b. 3 only
- c. 1 and 2 only
- d. None of the above

**CHECK ANSWERS:-**

**Answer: d**

**Explanation:**

All the statements are correct.

- The Sarayu originates from Lake Mansarovar in the Himalayas and is also known as the Ghaghra and the Manas Nandini. It merges with the Ganga in Bihar's Saran district.
- Sarayu flows through Uttarakhand and Uttar Pradesh.
- Ayodhya is situated on the banks of this river.

## I. UPSC Mains Practice Questions

1. Given the calls for increased public spending to revive the Indian economy, analyze the options available to finance such a public spending programme. (15 marks, 250 words)(GS paper 3/Economy)
2. Possession of nuclear weapons not only provides credible deterrence capability against the use of nuclear weapons, but also prevents war and promotes stability. Critically examine. (10 marks, 150 words)(GS paper 3/Internal Security)