

30 Aug 2020: UPSC Exam Comprehensive News Analysis

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B. GS 2 Related

Category: INTERNATIONAL RELATIONS

1. The land lost between the river and the sea

For information on this issue refer to: [CNA 4th December 2019](#)

C. GS 3 Related

Category: ECONOMY

1. Centre must borrow and pay States' GST dues: Kerala

Context:

- The issue of [Goods and Services Tax \(GST\)](#) compensation.

Background:

- Implemented in 2016, the GST regime had promised the States a 14% increase in tax revenue. The GST system also had provisions for the make up for the shortfall in tax revenue caused due to the transition to the GST system.
- Compensation payment has been an issue since August 2019 with GST collections showing poor growth. In the current fiscal, the compensation requirement of States has been estimated at Rs. 3 lakh crore, of which only Rs. 65,000 crore would be funded from the revenues garnered by levy of cess.
- In the recently held **41st GST Council**, acknowledging the likely GST revenue gap and GST compensation payment to the states in the current financial year, the centre had offered states two options for borrowing to meet the shortfall.

For more information on this refer to: [CNA 28th August 2020](#)

Details:

- **Kerala has rejected the two options for Goods and Services Tax (GST) compensation** mooted by the Centre and has asked the Centre to take a loan and provide compensation to the States.
- Kerala has stated that it would take the lead to arrive at a consensus on the issue by holding discussions with other States.

Concerns raised by Kerala:

- Kerala has argued that the proposals would lead to a **financial loss for the State**.
- The Centre has tried to distinguish between the shortfalls due to GST implementation itself and that caused by the impact of COVID-19. The centre's claim has been that only the former i.e, shortfall due to GST implementation can be claimed under the compensation law. This Kerala claims goes against the provisions of the constitutionally backed GST regime and the **spirit of co-operative federalism**. States have argued that such a distinction is not constitutionally valid.
- Kerala has been arguing that the views of the States in the GST Council were ignored.

- As per the Constitutional provisions, **only 3% of the State's income can be availed as loan** and even if the fiscal limit ceiling is enhanced by 0.5% via a constitutional amendment, it will still not be adequate for some states like Kerala as it will not be enough to cover the GST compensation given the **huge shortfall**.
- Kerala's argument has been that it would be much better if the centre raised the loan given that the interest on **loans raised by the states would be 1-2% higher as compared to the loans raised by the central government**.

Counter-arguments:

Collective economic interest:

- Given that additional **borrowing by the Centre influences yields on Central Government securities (G-secs) and has other macro-economic repercussions**, while yields on State securities do not directly influence other yields and do not have the same repercussions, it would be **economically prudent to restrict any avoidable borrowing at the Central level** when it could be done at the State level.
- Given that States can borrow without hurting the economy, it would be best to have the states to borrow to make up for the shortfall.

'Act of god' argument:

- The Centre's argument has been that going by the wording of the Constitutional provisions of the GST system, the spirit of the law is not to compensate States for all types of revenue losses, but rather for that loss arising from GST implementation

Special window provisions:

- The centre under the special window borrowing would endeavour to keep the cost of borrowing for the states as low as possible.
- As per the proposed option, **the interest on the borrowing under the special window will be paid from the cess** as and when it arises until the end of the transition period. **The State will not be required to service the debt or to repay it from any other source.**
- The borrowing under the special window will also **not be treated as debt of the State for any norms** which may be prescribed by the Finance Commission etc. This would not disadvantage the states for any enhanced borrowing activities.

Category: ENVIRONMENT AND ECOLOGY

1. Butterflies are migrating early in southern India this year

Context:

- Annual **butterfly migration in south India.**

Background:

- The annual butterfly migration in south India generally begins in October-November, with the onset of the northeast monsoon. The butterflies in order to escape the rainfall migrate from the plains to the Ghats.
- In April-June, just before the advent of the southwest monsoon, the butterflies migrate from the Ghats to the plains.

Details:

- As against the normal pattern, the annual migration of butterflies from the hill ranges of the Eastern Ghats towards the Western Ghats has occurred earlier this year. This marks an **early migration** after a gap of eight years.
- **Change in rainfall pattern and a considerable increase in the number of sunny days** could be among the major reasons for the early migration event.
- The major butterfly species involved in early migration involves the **Blue Tiger, Dark Blue Tiger, Common Crow and the Double-branded**. Species like Lime Swallowtail, Lemon Pansy, Common Leopard, Blue Pansy, Common Emigrant and Lemon Emigrants have also been migrating but in lower numbers.

D. GS 4 Related

Nothing here for today!!!

E. Editorials

Category: ECONOMY

1. What is the new idea on supply chains?

Context:

- In the light of the COVID-19 pandemic and the subsequent lockdowns and trade tensions between China and the United States having caused bottlenecks in the global supply chains, **Japan has mooted the Supply Chain Resilience Initiative (SCRI)**.

Background:

Pandemic crisis:

- China accounts for around 24% of Japan's total imports. The bilateral trade also involves the movement of goods as part of the global supply chains from China to Japan.
- When China had to shut down factories in regions hit by the COVID-19 pandemic, this had also impaired economic activity in Japan.

U.S.-China Trade tensions:

- The ongoing U.S.-China trade tensions are a cause of concern for Japan, as Japan's growth would be affected if the U.S. and China move towards creating their own separate economic zones.
- Recognizing the inherent threat the Japanese government had recently earmarked \$2.2 billion to incentivise its companies to move their manufacturing out of China. This was a measures approach to diversification of risk.

Details:

- **The Supply Chain Resilience Initiative (SCRI) is proposed as a trilateral approach to trade, with India and Australia.** It could also potentially involve other Asian and Pacific Rim nations in the later years.

Supply chain resilience:

- Supply chain resilience is an approach wherein a country instead of being dependent on just one or a few nations has **diversified its supply risk across a range of supplying nations.**

Need for supply chain resilience:

- Given that the currently some assembly lines are heavily dependent on supplies from one country, the impact on importing nations could be crippling if that source nation stops production for involuntary reasons or due to **unanticipated events**, or even as a conscious measure of **economic coercion**.
- Supply Chain resilience could help **overcome such risks to the importing countries.**

The case for India's inclusion:

- The long-standing and **deepening trade relationship between India and Japan** seems to have spurred Japan to include India as a partner for the SCRI.
 - Japan is the fourth-largest investor in India with cumulative foreign direct investments accounting for 7.2% of inflows in the period between 2000-2020.
 - There has been impressive growth in the bilateral trade between India and Japan.
 - Almost 1,400 Japanese companies operate in India.
- Unlike previously, when India would not take any step to overtly antagonise China, currently following the border tensions along the LAC, India may be ready for dialogue on alternative supply chains which indirectly aims to keep China out of such supply chains.
- On the economic front, India comes across as an **attractive option for potential investors both as a large market base and as a manufacturing base with low cost labour.**

The case for Australia's inclusion:

- China has been Australia's largest trading partner accounting for almost 1/3rd of Australia's exports, with iron ore, coal and gas being the major export items.
- However relations including trade ties between the Australia and China have been deteriorating over the recent past. Australia's inclusion marks an attempt to garner Australia's support in countering China.
 - Australia, Japan and India along with the U.S. are part of the **Quadrilateral Security Dialogue, or the Quad.**

Challenges for India:

- Given the **current high reliance on China**, the sudden cut in trade links with China would be impractical.
 - China accounts for a large share of imports into India standing at around 14.5% in 2018.

- Chinese supplies dominate segments such as pharmaceuticals, automotive parts, electronics, shipping, chemicals and textiles sector of the Indian economy. In electronics, China accounts for 45% of India's imports.

Way forward for India:

- The Supply Chain Resilience initiative could help realise trade benefits for India.
- In the coming years India should work towards **enhancing self-reliance or consider working with exporting nations other than China**, to build resilience into the economy's supply networks.
- Apart from **offering tax incentives** to companies to attract investments in manufacturing, India will also have to focus efforts on accelerating **progress in ease of doing business and in skill building**.

F. Tidbits

1. Rain pushes summer crop planting to record

- **Good monsoon rainfall** has spurred Indian farmers to plant summer crops across a record swathe of 108.2 million hectares (267.4 million acres) farmland. This marks a 7% increase compared to the last year.
 - The **major summer crops include rice, corn, cotton, soybeans and sugarcane**.
 - Given that **nearly half of farmland does not receive irrigation**, Monsoon rainfall is significant for Indian agriculture.
- There are hopes that food production will cross the target of 298.32 million tonnes in the 2020-21 year outstripping the previous year's record output of 295.67 million tonnes.

2. Environmentalists petition PM on Char Dham project

- The Char Dham Project (CP) is an attempt to **widen nearly 900 km of hill road** to improve access to pilgrimage spots in Uttarakhand.
- A group of 40 scientists, environmentalists and ecologists have written to the Prime Minister demanding a halt to the Char Dham road construction work **calling for a sustainable execution** of the project keeping in mind the fragile nature of the Himalayan ecosystem.

3. Is COVID-19 intensifying in Rural India?

- Apart from the concern that COVID-19 cases have been growing at a relatively quick pace in the recent past, more **worryingly the hotspot of the pandemic seems to have shifted to rural areas** where the health infrastructure is fragile.
- The **health infrastructure is not equally spread between rural and Urban India**. While the rural areas account for around 65% of India's total population, about 65% of all government hospital beds are in urban areas.
- Only 20% of the total doctors in India are serving in the rural areas.

G. Prelims Facts

1. India pulls out of Kavkaz due to China

- The Kavkaz 2020 is a **multilateral military exercise**, also referred to as Caucasus-2020.
- It is to be held **in Southern Russia**.
- India has withdrawn its participation in Kavkaz 2020 exercise.

2. Tree of life

- **The African baobab**, known as the tree of life, is native to the African continent.
- These long-living species are typically found in **dry, hot savannahs of sub-Saharan Africa**.
- They have traditionally been valued as **sources of food, water, health remedies, medicinal compounds or places of shelter**.

3. President presents National Sports Awards

- The **Rajiv Gandhi Khel Ratna**, officially known as Rajiv Gandhi Khel Ratna Award in Sports and Games, is the highest sporting honour of the Republic of India.
- It is awarded annually by the **Ministry of Youth Affairs and Sports**.
- This year's Rajiv Gandhi Khel Ratna awardees:
 - Manika Batra (Table Tennis)
 - Vinesh Phogat (Wrestling)
 - Rani Rampal (Hockey)
 - Mariyappan Thangavelu (Para Athletics)
 - Rohit Sharma (Cricket)

H. UPSC Prelims Practice Questions

Q 1. Which of the following statement/s is/are correct?

1. KavKaz 2020 is a multilateral military exercise involving only the SCO member nations.
2. KavKaz has been an annual military exercise since its inception in 2011.

Options:

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

Answer: d

Explanation:

- KavKaz 2020 is not restricted to the SCO member nations.
- Apart from India which has backed out from its participation in the KavKaz 2020 China, Pakistan, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Mongolia, Syria, Iran, Egypt, Belarus, Turkey, Armenia, Abkhazia, South Ossetia, Azerbaijan and Turkmenistan are set to take part in Kavkaz 2020.
- KavKaz 2020 is part of Russia's large-scale multilateral military exercises scheduled in four major drills on a rotating basis between Vostok (East), Zapad (West), Tsentr (Center), and Kavkaz (South), correlating to Russia's military districts. It was Zapad 2017, Vostok 2018, Tsentr 2019, and now Kavkaz 2020.

Q 2. Which of the following statement/s is/are correct?

1. Seonath, Ib, Hasdeo and Bhargavi river are the major tributaries of the Mahanadi river.
2. The Hirakud dam is an earthen dam built across the Mahanadi River.

Options:

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

Answer: b

Explanation:

- While Seonath, Ib, Hasdeo are the major tributaries of the Mahanadi river, Bhargavi River forms the Mahanadi–Kuakhai distributary system branching off from the Kuakhai River and draining into Chilka Lake.
- It flows across Odisha, India.

Q 3. The Senkaku islands lie in which of the following?

- a. South China Sea
- b. Yellow Sea
- c. East China Sea
- d. Philippine Sea

Answer: c

Explanation:

- The Senkaku Islands are a group of uninhabited islands in the East China Sea.

Q 4. Which of the following are correctly matched?

1. Spitzer telescope: Infrared
2. Chandra Observatory: X-ray
3. Compton observatory: Gamma ray
4. Hubble: UV, Visible and near-infrared

Options:

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

Answer: a

Explanation:

- The Hubble Space Telescope is a space telescope that was launched into low Earth orbit in 1990 and remains in operation. The Hubble telescope is one of NASA's Great Observatories, along with the Compton Gamma Ray Observatory, the Chandra X-ray Observatory, and the Spitzer Space Telescope.
- Hubble telescope observes in the ultraviolet, visible, and near-infrared regions of the electromagnetic spectrum.

I. UPSC Mains Practice Questions

1. What is meant by supply chain resilience? Discuss the significance of achieving supply chain resilience. Evaluate the challenges for India in this respect and suggest suitable policy measures. (15 marks, 250 words)(GS paper 3/economy)
2. In the light of the indications of the COVID-19 pandemic hotspot shifting to the rural areas in India, analyze the concerns and suggest remedial short and long term measures. (10 marks,150 words)(GS paper 2/Health)