

29 Sep 2020: UPSC Exam Comprehensive News Analysis

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A. GS 1 Related

Category: SOCIAL ISSUES

1. [UN expert raises concerns over eviction of slum dwellers in Delhi](#)

This topic has been covered in the [12th September 2020 Comprehensive News Analysis](#).

B. GS 2 Related

Category: POLITY AND GOVERNANCE

1. [Land acquisition order gifted govt. laxity: CJI](#)

Context:

The Chief Justice of India (CJI) has questioned the infallibility of a land acquisition judgment delivered by a Constitution Bench, led by Justice Arun Mishra stating that the verdict had left things unsaid.

Issue:

- The CJI, heading a three-judge Bench, said the order gifted the government laxity in several aspects.
- Most importantly, it was pointed out that:
 - The verdict does not specify for how long the government could possess a land acquired without paying compensation.
 - The verdict does not give clarity on when the acquisition would lapse.
- The Parliament also did not provide clarity with respect to those aspects under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act of 2013.

Land Acquisition Judgement March 2020:

- In March 2020, a Constitution Bench, led by Justice Arun Mishra gave out a judgement on Section 24 on land acquisition compensation awards.
- The five-judge Bench also overruled an earlier 2014 ruling under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act of 2013.
- The judgment had declared that acquisition would only lapse if the government had neither taken possession nor paid the compensation due to the landowner for five or more years prior to January 1, 2014.
- The compensation would be considered paid if the amount is put in the Treasury.
- There was no obligation that the amount should be deposited in the court in order to sustain the land acquisition proceedings. Thus, there is no lapse if possession has been taken and compensation has not been paid.
- Also, if compensation has been paid and possession not taken of the land, there is no lapse.

C. GS 3 Related

Category: DEFENCE

1. Offset clause goes for IGAs

Context:

The new Defence Acquisition Procedure (DAP), 2020 has been released. The draft was finalised by a committee headed by the Director General Acquisition, Defence Ministry that was set up in August 2019.

Details:

- The first Defence Procurement Procedure (DPP) was promulgated in the year 2002 and has since been revised periodically to provide impetus to the growing domestic industry and achieve enhanced self-reliance in defence manufacturing.
- DAP 2020 has been aligned with the vision of the government of Atmanirbhar Bharat and empowering the Indian domestic industry through the Make in India initiative.

The Defence Acquisition Procedure (DAP), 2020:

- The Defence Ministry has removed the offset clause requirement in Inter-Governmental Agreements (IGA).
 - From now on there will be no offset clause in government-to-government, single vendor and IGAs.

- It also introduces a new category for leasing of military equipment.
- Other proposed measures include:
 - Making after-sales support a part of the capital acquisition contract
 - Higher indigenous content in acquisitions
 - Incentives for local material and software and emphasis on product export under offsets.
- Leasing has been introduced as a new category for acquisition in addition to the existing 'Buy' and 'Make' categories.
- This would substitute huge initial capital outlays with periodical rental payments.
- A new procedure has been included as a new chapter in Defence Acquisition Procedure and structured as an enabling provision for Services to procure essential items through Capital Budget under a simplified procedure in a time-bound manner.

Note:

- Under the offset clause, foreign companies are required to invest part of their deal value in the country, and meant to improve the domestic defence manufacturing.
- Recently, the [Comptroller and Auditor General \(CAG\)](#) had observed that French defence majors Dassault Aviation and MBDA have till date not confirmed the transfer of technology to the Defence Research and Development Organisation (DRDO) under the ₹60,000 crore deal for 36 Rafale fighter jets.
- The deal has a 50% offset clause to be executed by the French companies.

Category: ECONOMY

1. 'New codes don't promote hire and fire'

Context:

The Parliament has passed three Bills in the Lok Sabha to amalgamate laws on social security, occupational safety and health and industrial relations.

This topic has been covered in [20th September 2020](#) and [26th September 2020](#) Comprehensive News Analysis.

Details:

- Concerns have been raised about the increase in threshold from 100 workers to 300 workers for seeking prior permission for retrenchment, lay-off and closure.
- The government has responded saying:
 - Workers' rights such as notice before retrenchment, compensation at the rate of 15 days wages per completed year of service and pay in lieu of notice period have not been compromised.
 - Further, the Industrial Relations Code envisages an additional monetary benefit equivalent to 15 days of wages under the newly created Reskilling Fund.
 - There has been no empirical evidence to suggest that higher threshold promotes hire and fire.
- The Ministry also said that the Economic Survey, 2019 analyzed the pain of dwarfism prevalent in Indian firms.
 - Dwarfism refers to the phenomenon in which firms survive for more than 10 years but their growth in terms of employment is stunted.

- It was observed that the threshold under labour legislation creates a perverse incentive to remain small.
- The Ministry said fixed-term employment had already been notified by the Central Government and 14 States.
 - It was pro-worker and such employees would be eligible for all benefits and service conditions that a regular employee enjoyed.
 - Non-availability of fixed-term employment implied that an employer had options to either employ on regular basis or through contractual basis.
 - The employment of workers through contractual basis means higher transaction cost to the employer, lack of permanence of contract labour, untrained and unskilled contract labour.
 - It also lacks a committed and long-term relationship between employer and contract labourer, as there are on the ground, two employers, i.e., contractor and principal employer.

2. RBI extends enhanced borrowing limit for banks till March 31

Context:

The Reserve Bank of India has decided to extend the enhanced borrowing facility provided to banks to meet the shortage of liquidity by six months.

Details:

- The **RBI** had increased the borrowing limit for scheduled banks under the marginal standing facility (MSF) scheme from 2% to 3% of their net demand and time liabilities (NDTL) with effect from March 27, 2020.

Significance:

- The announcement comes as a move to provide comfort to banks on their liquidity requirements.
- It provides increased access to funds and also qualifies as high-quality liquid assets (HQLA) for the liquidity coverage ratio (LCR).
- It enables banks to continue to meet LCR requirements.
 - The liquidity coverage ratio (LCR) is the requirement whereby banks must hold an amount of high-quality liquid assets that's enough to fund cash outflows for 30 days.

Marginal Standing Facility:

- Marginal standing facility (MSF) is a window for banks to borrow from the Reserve Bank of India in an emergency situation when inter-bank liquidity dries up completely.
- Banks borrow from the central bank by pledging government securities at a rate higher than the repo rate under the liquidity adjustment facility. The MSF rate is pegged 100 basis points or a percentage point above the repo rate.

D. GS 4 Related

Nothing here for today!!!

E. Editorials

1. UN and the retreat from multilateralism

Context:

The United Nations recently commemorated its 75th anniversary by adopting a Declaration.

- The world is facing an unprecedented pandemic and is also witnessing a retreat from multilateralism.
- The pandemic has also brought in its wake, the deepest recession the world has seen since the 1930s.
- This has made it more difficult to achieve the [Sustainable Development Goals \(SDGs\)](#) the UN had adopted.

Challenge to multilateralism:

- The main stakeholders of the system are posing a challenge to multilateralism.
- The rift between the permanent members of the Security Council has already started affecting the work of the [UN Security Council](#).

Europe:

- Brexit has shown that nationalism remains strong in Europe and has delivered a blow to the idea of a united and whole Europe.

The U.S.A:

- While the U.S. is not alone in withdrawing from multilateralism, the most important development is the position of the U.S.
- U.S. President Donald Trump stressed “America First” in his speech, and suggested that others too should put their countries first.
- The French President in his speech pointed out that the U.S., which created the international system, is no longer willing to be its guarantor of last resort.
- He pointed out that while the U.S. is withdrawing, the world faces China’s projection beyond its frontiers.
- He also highlighted problems posed by Turkey’s intervention in Syria, Libya, and the Eastern Mediterranean, which is a breach of international law. The last was a reference to Turkey sending a drilling ship in Greek and Cypriot exclusive economic zones.

China:

- China has stepped in to take advantage of the West’s retreat from multilateralism.
- However, China’s assertion of a role on the world stage is not an embrace of the idea of multilateralism.
- Its flagship [Belt and Road Initiative](#) consists of a series of bilateral credit agreements with recipient countries with no mechanism for multilateral consultation or oversight.
- The European Union’s and U.S.’s sanctions against Russia have driven it closer to China.

Hurdles:

The UN Secretary-General's report on the work of the organisation highlights some of the achievements and challenges the world body faces.

- The UN peacekeeping budget suffers from a paucity of resources.
- Over 40 UN political missions and peacekeeping operations engage 95,000 troops, police, and civil personnel. To be effective, there is a need for sound finances.
- Most of the humanitarian assistance, developmental work, and budgets of the specialised agencies are based on voluntary contributions.
- While there are calls for increasing public-private partnerships, this could not be a satisfactory arrangement.
 - The UN provides 'public goods' in terms of peace and development often in remote parts of the world. The corporations may not be as willing to do what the UN is doing in remote parts of the world.

Way forward:

- The Prime Minister of India called for reform of its outdated structures, pointing out that in the absence of comprehensive changes, the world body today faces a crisis of confidence.
- There is a need, not only to expand the permanent members' category of the Security Council but also to revitalise the role of the General Assembly.
- For the UN to continue being relevant in the changing world order, reforms are necessary.

F. Prelims Facts

1. 'Engineering exports drop 18% in April-August'

What's in News?

According to the Engineering Export Promotion Council of India (EEPC), exports of engineering goods declined over 18% to \$26 billion in the April-August period of the fiscal year 2020-21.

Engineering Exports Promotion Council (EEPC) of India:

- It is the premier trade and investment promotion organization in India that seeks to support, protect, maintain, increase and promote the exports of engineering goods.
- It was set up in 1955 and is sponsored by the Ministry of Commerce & Industry.
- It is an advisory body that actively contributes to the policies of the Government of India and acts as an interface between the engineering industry and the Government.

G. Tidbits

1. Two speeches

What's in News?

The speeches at the [UN General Assembly](#), by Pakistan's Prime Minister Imran Khan, and by Prime Minister Narendra Modi, were a study in contrast.

- India's Prime Minister focused on India's own role on the world stage and the need to reform the UN and expand the Security Council to give India more representation.

This topic has been covered in the [23rd September 2020 Comprehensive News Analysis](#).

- While India's PM made no reference to Pakistan and spoke about terrorism only in broader terms, the Pakistani counterpart focused less time on Pakistan, launching a verbal attack against India.

Pakistan's Prime Minister's Speech:

- With references to India forming more than a third of his text, he repeated the condemnation in his previous speeches: accusing the Indian government of "state sponsorship of Islamophobia", of following an extremist ideology, which he claims is inspired by Nazi concepts of "racial purity and supremacy", and of planning to cleanse the country of minorities.
- Extreme comparisons were made between the [Citizenship \(Amendment\) Act](#) and the Nuremberg laws, as well as between detention camps in Assam and the concentration camps of Nazi Germany.
- Jammu and Kashmir also formed a part of his speech which included accusations that the government's moves to dilute Article 370 and reorganise J&K State into Union Territories contravene UN laws.
- The speech was concluded with a reference to LoC tensions and an exaggerated note that referred to Kashmir as a nuclear flashpoint.

H. UPSC Prelims Practice Questions

Q1. Consider the following statements with respect to the Monetary Policy Committee (MPC) :

1. The RBI Governor chairs the committee and enjoys a veto power.
2. Members of the MPC will be appointed for a period of four years and shall not be eligible for reappointment.
3. No government official will be nominated to the MPC.

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

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

CHECK ANSWERS:-

Answer: a

Explanation:

- The RBI Governor will chair the committee.
- The governor does not enjoy a veto power to overrule the other panel members but will have a casting vote in case of a tie.
- The committee will have six members. Of the six members, the government will nominate three. No government official will be nominated to the MPC.
- The other three members would be from the RBI with the governor being the ex-officio chairperson.

- Members of the MPC will be appointed for a period of four years and shall not be eligible for reappointment.

Q2. Consider the following statements with respect to the Marginal Standing Facility (MSF) :

1. It is the rate at which banks can borrow overnight funds from RBI against the approved government securities.
2. The MSF rate is always lesser than the repo rate.
3. An increase in the cap for MSF will decrease liquidity with banks.

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

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

CHECK ANSWERS:-

Answer: c

Explanation:

- Marginal standing facility (MSF) is the rate at which banks can borrow overnight funds from RBI against the approved government securities.
- It is a window for banks to borrow from the Reserve Bank of India in an emergency situation when inter-bank liquidity dries up completely.
- Banks borrow from the central bank by pledging government securities at a rate higher than the repo rate under the liquidity adjustment facility. The MSF rate is pegged 100 basis points or a percentage point above the repo rate.
- Generally, banks are allowed to borrow under MSF within a cap (based on SLR reserves or NDTL). An increase in this cap will open up more avenues for the bank to borrow from the RBI. Hence an increase in the cap for MSF will increase liquidity with banks.

Q3. Which of these countries border the Caspian Sea?

1. Iran
2. Russia
3. Armenia
4. Azerbaijan
5. Turkmenistan

Options:

- a. 1, 2, 3 and 5 only
- b. 2, 3 and 5 only
- c. 1, 2, 4 and 5 only
- d. 1, 2, 3, 4, 5 and 6

CHECK ANSWERS:-

Answer: c

Explanation:

Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan border the Caspian Sea.

Q4. Consider the following statements with respect to the Liquidity Coverage Ratio (LCR) :

1. It indicates the proportion of highly liquid assets held by banks to ensure their ability to meet short-term obligations.
2. The LCR is calculated by dividing a bank's high-quality liquid assets by its total net cash flows, over a 30-day stress period.

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

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

CHECK ANSWERS:-

Answer: c

Explanation:

- Liquidity Coverage Ratio (LCR) indicates the proportion of highly liquid assets held by banks to ensure their ability to meet short-term obligations.
- The LCR is calculated by dividing a bank's high-quality liquid assets by its total net cash flows, over a 30-day stress period. The high-quality liquid assets include only those with a high potential to be converted easily and quickly into cash.

I. UPSC Mains Practice Questions

1. The retreat from multilateralism would undermine the UN's capacity to face diverse challenges. Discuss. (10 Marks, 150 Words) (GS 2 International Relations).
2. At a time when the COVID-19 pandemic has exposed the lack of basic safety nets for large sections of the labour force, the introduction of the Labour Codes is a step in the right direction to bring about a transformational impact on labour empowerment in the country. Critically comment. (15 Marks, 250 Words) (GS 3 Economy).

