

## 25 Dec 2020:UPSC Exam Comprehensive News Analysis

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### B. GS 2 Related

## Category: INTERNATIONAL RELATIONS

### 1. Britain, EU clinch Brexit trade deal.

#### Context:

- Britain and the European Union have agreed upon a trade deal that is going to govern the trade ties between the two in the future.

#### Details:

- The 11-month period termed the 'Transition Period' following the UK's exit from the EU is coming to an end.
- The EU and UK have reached a post-Brexit trade deal, ending several months of disagreements.
- The U.K. will leave the bloc's single market and customs union.

#### Major points

##### 1. *Fish was a major sticking point.*

- The number of people employed in Britain's fishing industry has witnessed a decline in recent decades, and the British government wants to revive the industry by cutting European companies' access to British waters.
- Britain initially sought a reduction of up to 80% in the share of fish that European Union boats would be allowed to catch in British waters.
- But after several rounds of negotiation, The European Union's fishing quota in British waters will be cut by 25 per cent in the next five and a half years.
- A no-deal scenario would also have forced tariffs on British fishing companies, making it more difficult for them to sell what they caught to the European Union at competitive prices.

##### 2. *Free movement of people*

- Citizens of European Union member states can look for jobs elsewhere in the bloc, work there without needing special permits and stay after they have left their jobs. But the trade deal ends the free movement of people between Britain and the continent.
- As both a single market and a customs union, the European Union also agreed to adopt the same rules and regulations so that goods, services and capital can move freely across borders of countries within the bloc. And it agreed to apply the same taxes on goods from outside the bloc, implying that they can be shipped within the European Union without having to face additional tariffs.
- But Britain will now leave both the single market and the customs union and can pursue trade deals with other countries.
- This point was aggressively fought for by anti-Europe lawmakers in Britain.

#### Conclusion

- The trade deal would mean that Britain would not crash out of the Union after 47 years of shared history.
- The implications of the trade deal on paper will have to be assessed in days to come.

## C. GS 3 Related

### Category: ECONOMY

#### 1. Economic revival beating predictions: RBI bulletin

##### Context:

- The Reserve Bank of India (RBI) bulletin suggests that India is recovering at a very healthy pace and the recovery trajectory is over and above the predictions made previously.

##### Details:

- The Indian economy has gone into a tailspin after the COVID-19 pandemic and the lockdown, there have been a lot of discussions on the recovery path of the Indian economy.

##### Reason for optimism

- The first-quarter data of the financial year 2020-2021 coincided with the onset of pandemic and a tight lockdown, this was reflected in the GDP figures, with GDP contracting by 23.9%.
- However, with the slow easing of lockdown restrictions and gradual resumption in economic activities, the GDP rebounded minimally to witness a contraction of 7.5%.
- The optimism with second-quarter data was also backed up with an improved GST collection and an expansion in manufacturing output by 0.6%.

##### RBI Bulletin

- Real GDP growth is expected to break out into positive territory in Q3 – albeit, to a meagre 0.1%.
- The RBI has cited India's improved performance is largely due to two factors
  - **Better handling of COVID-19**
    - Efforts in dealing with the virus have paved the way for a healthy recovery, in terms of better recovery rate, reduced infections and surges being limited to localized areas.
  - **Government support**
    - The fiscal measures have slowly transformed from consumption expenditure in Pradhan Mantri Garib Kalyan Package to investment expenditure in Aatma Nirbhar 2.0 and 3.0.

##### Recommendations for the future

#### 1. Revenue expenditure

- Revenue expenditure measures that have been directed to enhance social protections to the underprivileged and also to offset labour market dislocations will have to be sustained as the recovery is expected to be not uniform across sectors.

## 2. Capital expenditure.

- The asset creation suffered in the first two quarters as the measures were directed towards social protection.
- However, there is a need to ramp up capital expenditure in sectors like public health, social housing, education etc.

### Conclusion.

- The RBI bulletin has sounded rare optimism in the current troubled times, however, the optimism of a quicker recovery must not lead to complacency, for the economy to recover well in the longer run, it requires constant monitoring, resumption of stalled economic activities and increased public expenditure.

## 2. India files appeal against Vodafone case verdict

### Context:

- The appeal in the Vodafone case against the tribunal award has come in the back of a similar setback to the Indian tax authorities in the Cairns PLC of the U.K.

### Details:

- An international arbitration court has turned down tax authorities' demand for 22,100 crore in retrospective taxes and penalties relating to the Vodafone's acquisition of an Indian operator in the year 2007.
- The 2012 law that enabled tax authorities to issue tax notices under retrospective tax provisions has been the bone of contention.
- The tax authorities' power to reopen past cases, to seek taxes from Vodafone and Cairn over alleged capital gains made several years ago was challenged by both Vodafone and Cairn under bilateral investment protection treaties and initiated the arbitration.

### The stand of Government of India.

- The government is of the opinion that taxation provisions do not come under investment protection treaties.
- The taxation law is a sovereign function and will be dealt with the law of the land and not by investment protection treaties
- The treaties are majorly aimed at encouraging private investments and protection of investments, the tax is levied on 'returns' earned by entities, thus the investment treaties cannot diminish or take away tax levying powers of a nation.

### Conclusion

- The Vodafone and Cairn arbitration cases will be watched closely around the world, it has the potential to malign India as a favorable investment destination, thus the matter needs to be handled with considerable care to avoid any future repercussions.

## **Category: INDUSTRIAL GROWTH**

### **1. Unions boycott consultation on draft rules for labour codes.**

#### **Context:**

- The trade unions boycotted the Ministry of Labour and Employment's consultation with regards to the draft rules for the four labour codes enacted by the government in 2019 and 2020.

#### **Background:**

- In an attempt to reform the archaic labour laws and to facilitate the ease of doing business in India, the Government of India had decided to consolidate twenty-nine (29) central labour laws into four (4) labour codes, namely,
  1. The Code on Wages, 2019.
  2. The Code on Social Security, 2020.
  3. The Occupational Safety, Health and Working Conditions Code, 2020.
  4. The Industrial Relations Code, 2020.

#### **Details:**

- The boycott by the trade unions comes at a time when the Government is aiming to frame the rules to ensure the implementation of the codes from the next financial year onwards.
- In India, 12 major unions are recognized as central trade union organizations and operate in many states, ten out of the twelve central trade unions declined to attend the meeting.

#### **The Central Trade Unions stand.**

- The joint platform of Central trade union organizations has conveyed their stand to the ministry.
- The Central trade unions advocate conducting a physical meeting for discussion on the framing of rules for each of the four codes separately.
- They are not convinced of the efforts on behalf of the Government, the Central Trade Unions allege that conducting a discussion via a video conference involving not all the major stakeholders is not the right way to go about it.
- They believe that the discussion about the rules for all the four labour codes via single day video conference is meant only for the record and would serve no fruitful purpose.
- They have also hinted at a move to take the matter to the International Labour Organization for the violation of the 'Tripartite consultation mechanism'.

#### **Conclusion.**

- The rules that define the four wage codes needs participation from all major and minor stakeholders.

- The codes will have wide implications on India's industrial setup, thus there should be a patient consultative process, going into the nitty-gritty of the codes.

## D. GS 4 Related

*Nothing here for today!!!*

## E. Editorials

### Category: INTERNATIONAL RELATIONS

#### 1. Provocation trap

**Context:** The rocket attacks on the U.S. Embassy in Baghdad has created further unrest in the US, Iran relationship.

#### Details:

- The US-Iran ties have hit a nadir during President Trump's reign.
- The spate of incidences like the US pulling out of the nuclear deal, killing of Iranian General Qasem Soleimani has done the relationship no good.
- The US has accused Iran to being party to this missile attack on its Baghdad embassy.

#### What happened?

- The barrage of rockets launched at the U.S. Embassy in Baghdad was the largest attack on the capital's Green Zone since 2010.
- The rocket attack appears to have been countered by the American C-RAM radar-guided defensive systems that the U.S. has deployed to protect the embassy
- While there have been no casualties reported, the embassy buildings have been damaged.

#### US claim

- The US has claimed that the groups that were involved in this attack are Iranian-backed because Iran provides both material support and direction.
- The outgoing US President has warned Iran that he will not shy away from taking any offensive measures if any such attacks hurt the US interests.

#### Missile warfare

- After the killing of top Iranian general Qasem Soleimani earlier this year, American officials claimed that the drone strike in the Iraqi capital had reestablished America's deterrence.
- Iran in response has launched retaliatory missile attacks on U.S. military camps in Iraq, wounding several soldiers.
- This tussle has led to multiple missile attacks, the pro-Iran Shia militias in Iraq have launched missile attacks at the Green Zone that houses the Embassy and repeatedly targeted American supply lines inside Iraq.

- The U.S. had earlier downsized its Embassy staff, closed the consulate in Basra and decided to reduce troops in Iraq.

### **Lack of statesmanship**

- The U.S.-Iran relation is now at a new low, Mr Trump has to shoulder the major share of the blame for this current situation.
- His actions derailed a functioning international deal and his 'maximum pressure' campaign turned an Iran fully compliant with the deal's terms more dangerous.
- The Iranian regime cannot be given a clean chit, they have to accept a fair share of the blame as well.
- Besides targeting the American Embassy, Iran, directly or through proxies, had attacked oil facilities and tankers in the Gulf over the past two years.
- Recently, a tanker off Jeddah was attacked, allegedly by the Iran-backed Houthi rebels of Yemen.
- Iran is under pressure to counter the repeated attempts by the U.S. and its allies to scuttle its influence.
- The assassination of Mohsen Fakhrizadeh, a top nuclear scientist inside Iran, allegedly by Israeli agents has not gone down well in Iran.

### **Conclusion**

- The quest for revenge should not blind reason, Iran should avoid falling into the trap of provocation.
- Attacks on diplomatic missions cannot be accepted under any circumstances
- It should rein in the militia groups in Iraq that it supports tacitly.
- It must give the Biden administration a chance to reboot diplomacy, which is in the larger interests of Tehran as well as the wider West Asia.
- Iran pursuing attacks like this will ensure that the new president-elect Joe Biden will not have much room to maneuver for better US-Iran relations.

## **Category: ECONOMY**

### **1. The farmers' protest, truths and half-truths.**

#### **Context:**

- The deadlock between the farmers and the government over the recently enacted farm laws does not look like to be heading towards a resolution.

#### **Details:**

- The contentious farm laws have resulted in conflicting opinions, it has led to a faction of proponents and opponents of the new set of laws.
- There are some valid points on both sides of the argument, with issues ranging over contract farming, public procurement, APMCs and mandis.

### **Minimum Support Price relevance in Punjab and Haryana.**

- The agitation has been led overwhelmingly by farmers of Punjab and Haryana.
- This heightened participation from them is due to the lack of assurance over the continuation of MSP by the central government.
- The MSP architecture is the backbone of agrarian set up in Punjab and Haryana.
- This is highlighted by the statistics, close to 88% of the paddy production and 70% of the wheat production in Punjab and Haryana have been accepted by the public procurement.
- Compare this with other states with respect to rice public procurement, only as far as 44% of rice production in Telangana, Andhra Pradesh, Odisha is absorbed by public procurement. The percentage slumps further for wheat public procurement as a share of production.
- The above figures show how much MSP-led public procurement is central to farm incomes in Punjab and Haryana.
- As a result, the MSP became identified with wheat and rice, the two main crops of Punjab and Haryana. Other crops did not get much prominence as APMCs and its attendant MSP did not receive prominent support outside northwest India

### **Protesters' argument**

- The “arhtiyas” (or, the mandi middlemen) are an intrinsic part of the agrarian setup of Punjab and Haryana.
- They are involved in a range of activities like weighing, grading and sorting of grain, most of them are also fertilizer and pesticide agents, money lenders and general knowledge providers.
- APMC mandis charge a transaction fee, or cess, which the State pockets. The proceeds of this money are used primarily to make better roads and storage facilities.
- Contract farming has not been a success for two reasons.
  - Small farmers complain that big contractors easily renege on their commitments and either refuse to buy the produce or beat down the price once harvesting is done.
  - Second, if they give their lands to them then they may not get them back for no contractor will invest in the land if the contract is just for a year and is renewable annually.
  - The anti-zamindari policy of land to the tiller might now work against the interest of farmers if they are not the actual tillers for an extended period.

### **Government's logic**

- The Minimum Support Price is not a product of legislation but a policy decision.
- Therefore, the demand from the farmer lobby to make it a letter of the law is not tenable.
- Proponents of farm laws point out that, agricultural produce should obey market price fluctuations. There will be good years and bad years and this is how agricultural markets function everywhere, and for every other crop in India as well.
- The Minimum Support Price has no economic justification regardless of demand and supply, linking MSP to the manufacture of essential medicines will give a better picture, there are no mechanisms that guarantee a pharmaceutical company a minimum price for essential medicines that it produces, irrespective of whether the quantity produced far exceeds the demand.



- India has achieved self-sufficiency in food grain production, the provisions of the Green Revolution should no longer be binding.
- Contract farming has become another issue of contention, the Government says that the contract farming will liberate small farmers by freeing them from their tiny plots and they will now be free to move outside the village and seek jobs elsewhere.
- The Government claims that the state support to farmers in India in the form of subsidies is around 2%-2.5% of GDP.
- The comparison of data reveals that this is much higher than subsidies farmers receive in the United States, the European Union (EU), Latin America or Japan. Total subsidy in India is in the range of \$45-50 billion, while in the U.S. it is about \$20 billion, in the EU around \$39 billion and Japan nearly \$46 billion.

### Half-truths of protesters

- Protesters want the MSP policy to become a legal decree, therefore, the farmer protests are not limited to roll back of farm laws but to give legal backing to a hitherto policy.
- The second half-truth protesters refuse to fully acknowledge is that when international prices are higher than domestic prices, they resent not being able to sell outside the country. Onions and sugar are recent examples.

### Half-truths of the government

#### 1. **Contract Farming**

- There is no denying that the government policy has its share of lacunae.
- The contract farming might do well to liberate small farmers from their uneconomic landholdings, but this does not provide solutions to the problems of contract farming.
- The typical issues faced by the farmer are in terms of selling their produce and when they want their lands back from the contractors.
- It is true that mainly big farmers, not small or marginal ones, go to mandis. This hides the fact that most small farmers find the transportation cost too expensive as APMC-run mandis are few and far between. If there had been more of them nearby, then these mandis would have been their preferred choice.

#### 2. **Farm subsidy**

- The farm subsidy in India can probably be as high as \$50 billion (about ₹83-lakh crore), but per farmer, the subsidy just about touches \$48, compared to over \$7,000 in the U.S.
- The economic stature of farmers in USA and India cannot be compared, When this is contextualised, it can be seen that only 2% of US farmers are below the poverty line, whereas close to 85% of Indian farmers are small and marginal farmers with meagre farm returns.
- Poor farm incomes are further exacerbated by expenditures on health, education etc

#### 3. **MSP coverage**

- The MSP covers 22 crops in all, however, it has become largely limited to wheat and paddy so much so that MSP has become synonymous with wheat and paddy.
- This above-mentioned phenomenon is because there is a strong farmers' lobby in the northwest. Also in the early years of food shortages, it was wheat and rice that received attention.

#### **4. The ecological mishaps associated with MSP**

- The farmers in Punjab and Haryana have silently abetted an ecological crisis.
- This has been encouraged by the APMC and the MSP nexus, farmers in the northwest primarily cultivate paddy and wheat and this has led to the deprivation of the soil of vital nutrients.
- Additional to soil losing its fertility, the groundwater reserves are plummeting to new lows, as rice is a water-intensive crop and Punjab and Haryana do not receive very high rainfall, thus making groundwater a casualty.
- The Government seeks to suggest that the dismantling of APMC and the MSP, the farmers would diversify and the ecology would be restored, so also the economy.

#### **Political truth about subsidies**

- The fact is that everybody benefits from subsidies in one way or the other.
- A subsidy is a benefit given to an individual, business, or institution, usually by the government. It is usually in the form of a cash payment or a tax reduction. The subsidy is typically given to remove some type of burden, and it is often considered to be in the overall interest of the public, given to promote a social good or an economic policy.
- Major subsidies in India are petroleum subsidy, fertilizer subsidy, food subsidy, interest subsidy.
- However, the subsidy has slowly degenerated into a claim on behalf of the beneficiaries and apolitical tool for the government.
- When a particular subsidy is withdrawn, the population that was being served by it will protest, but it offers no solution.

#### **Conclusion**

- The farmer agitation over the farm laws is based on conflicting opinions on either side.
- The farmer lobby and the government are right and wrong on a number of issues, but what is more important here is there is an open dialogue between the two to arrive at a common ground to find a resolution to this agitation that is not benefitting any of the parties.

## **F. Prelims Facts**

*Nothing here for today!!!*

## **G. Tidbits**

*Nothing here for today!!!*

## **H. UPSC Prelims Practice Questions**

**Q1. The city of Basra is located in**

- a. Saudi Arabia
- b. Iran
- c. Syria
- d. Iraq

**Q2. Consider the following statements.**

- 1. Kaundinya Elephant Sanctuary is located in West Bengal.
- 2. The sanctuary is covered under Project Elephant.

**Which of the following statements are correct?**

- a. I only
- b. II only
- c. Both I and II
- d. Neither I and II

**Q3. Considering the degree of economic integration, arrange the following in the increasing order of integration:**

- 1. Free Trade Agreement
- 2. Economic Union.
- 3. III. Preferential trading area.
- 4. Customs Union.

**Choose the correct answer:**

- a. III-I-IV-II
- b. I-II-III-IV
- c. III-I-II-IV
- d. I-III-II-IV

**Q4. Consider the following statements.**

- 1. All India Trade Union Congress is the first Central Trade Union of India.
- 2. All India Trade Union Congress was founded by Gopal Krishna Gokhale.
- 3. The first session of the All India Trade Union Congress was held in 1920 at Bombay

**Choose the correct answer.**

- a. I and II.
- b. II and III
- c. I and III
- d. All of the above.

## I. UPSC Mains Practice Questions

1. "Lack of proper consultation mechanism in policy making has left stakeholders alienated", explain the above statement with respect to farmer protests and boycott by labour unions. (15 marks, 250 words)[GS-2, Polity]
2. What is a bilateral investment treaty? What is the significance of such arrangements? (10 marks, 150 words)[GS-3, Economy]

