

07 Feb 2021: UPSC Exam Comprehensive News Analysis

TABLE OF CONTENTS

A. GS 1 Related

B. GS 2 Related

INTERNATIONAL RELATIONS

1. [Delhi opts to wait, watch U.S. foreign policy shift](#)

HEALTH

1. [FSSAI caps trans fats in food products](#)

C. GS 3 Related

ECONOMY

1. [NITI Aayog seeks to track impact of green verdicts](#)
2. [Mills association seeks rollback of duty on cotton imports](#)

ENVIRONMENT AND ECOLOGY

1. [Water scarcity likely in the Himalayan catchment if warming continues](#)

D. GS 4 Related

E. Editorials

ECONOMY

1. [Can a 'bad bank' solve the growing NPA crisis?](#)

POLITY AND GOVERNANCE

1. [Government regulations and tech platforms](#)

F. Tidbits

1. [Early start](#)
2. [Social media push for electric vehicles](#)
3. [Risk of sharp deterioration in private banks' asset quality has receded: Moody's](#)
4. [India's Internet start-ups on cusp of listing: report](#)

G. Prelims Facts

1. [Ka-226T to be 33% indigenous: HAL](#)
2. [Cloudless, hot Jupiter](#)

H. UPSC Prelims Practice Questions

I. UPSC Mains Practice Questions

A. GS 1 Related

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B. GS 2 Related

Category: INTERNATIONAL RELATIONS

1. Delhi opts to wait, watch U.S. foreign policy shift

Context:

- S. President Joseph Biden's speech at the State Department, outlining the **new administration's foreign policy agenda**

Details:

- The U.S. President has promised a **return to traditional alliances and a strong push back against Russia and China**. The speech mainly focussed on threats from China, Russia.
- China was termed the U.S.'s "most serious competitor", and Russia was referred to as a threat. However the U.S. president stated that Washington would engage both countries if it served U.S. national interests.
- The U.S. president did **not refer to India, Indo-Pacific**, South China Sea or the Quad.
- The reference to China was with respect to 'economic, IPR and human right aspects, instead of the security concerns resulting from the aggressive Chinese posture'.

Concerns in India:

- India and South Asia are not a priority for the Biden administration. This has raised **doubts about the future of U.S.-India ties** and Washington's engagement with the region.
- There are also concerns that the Biden administration will slap **sanctions on India under its Countering American Adversaries Through Sanctions Act (CAATSA)**, when it takes delivery of the Russian S-400 missile system.

Conclusion:

- For the moment, New Delhi appears to be playing down any concerns over U.S. foreign policy agenda, with officials prepared to "wait and watch".

Category: HEALTH

1. FSSAI caps trans fats in food products

Context:

- The [Food Safety and Standards Authority of India \(FSSAI\)](#) has amended its rules to cap trans-fatty acids (TFAs) in food products.

Trans-fatty acids:

- Trans-fatty acids are created when **hydrogen is added to liquid vegetable oils** to make them more solid. They help increase the shelf life of food items and are also used as an adulterant (ex ghee) as they are cheap.
- Trans-fatty acids are present in baked, fried and processed foods.
- Trans-fatty acids are the **most harmful form of fats** as they clog arteries and cause hypertension, heart attacks and other cardiovascular diseases.

Details:

- As per the newly amended rules, food products in which edible oils and fats are used as an ingredient shall not **contain industrial trans-fatty acids more than 2% by mass** of the total oils/fats present in the product, on and from 1st January, 2022.
- This move is in line with the WHO guidelines which has called for the **elimination of industrially produced trans-fatty acids from the global food supply by 2023.**

For related information refer: [Comprehensive News Analysis: 4th Jan 2021.](#)

Conclusion:

- The latest amendments to FSSAI rules are a welcome step in the process of regulating trans fats in India and will thus help reduce the harmful health impact of trans-fats.

C. GS 3 Related

Category: ECONOMY

1. NITI Aayog seeks to track impact of green verdicts

Context:

- The [NITI Aayog](#) has commissioned a study that seeks to examine the “**unintended economic consequences**” of **judicial decisions** that have hindered and stalled major infrastructure projects on environmental grounds.

Details:

- The study is to be undertaken by CUTS (Consumer Unity and Trust Society) Centre for Competition, Investment and Economic Regulation.
- intends to examine the following five projects that have been “impacted” by judicial decisions of the Supreme Court or the National Green Tribunal.
 - Construction of an airport in Mopa, Goa
 - Cessation of iron ore mining in Goa
 - Shutting down of the Sterlite copper plant in Thoothukudi

- The others are decisions by the NGT involving sand mining, and construction activities in the National Capital Region.
- The intent of this study is to analyse the cost and benefit of the above judicial decisions

Concerns with respect to judicial interventions:

- There has been increased **judicial activism** by courts and tribunals when it comes to environmental v/s developmental issues.
- The judiciary's intervention are marked by **complete absence of ex-ante (before an event) analysis of the economic costs associated with a decision.**
- The stalling of major infrastructure projects has many **negative economic impacts:**
 - Loss of job opportunities
 - Revenue loss to the government in terms of tax from the companies
 - Increased cost on the company involved in terms of business impact of closure or stalling
 - Negative impact on the ease of doing business perception which leads to lower foreign and private investment in the Indian economy.

Counterviews:

- Some environmentalists are of the view that it is the **government's failure to uphold environmental laws or negligence in granting go ahead for major projects** that has forced the courts to give strict orders.
- The SC interventions have also had some **positive impacts.**
 - The Supreme Court's intervention led to the adoption of CNG (compressed natural gas, in transport vehicles in Delhi) and the economic benefits from it.

Way forward:

- The study should contribute to public discourse among policymakers on the critical issue of **balance between environmentalism and developmental economics.**
- The judiciary needs to **take into account environment, equity and economic considerations** while deciding cases, and needs to institutionalise a mechanism for it. Apart from assessing the environmental impact of a project the judiciary must also **promote an 'economically responsible approach'.**

2. Mills association seeks rollback of duty on cotton imports

Context:

- Budget proposes 10% customs duty on import of cotton.

For information on this refer to: [Comprehensive News Analysis: 2nd Feb 2021.](#)

Background:

Cotton imports in India:

- India imports mainly **extra-long staple (ELS) cotton**, organic cotton, contamination-free cotton and sustainable cotton. The production of these varieties is either nil or meagre in India.
 - Indian mills consume about 15 lakh bales of ELS cotton annually as against the domestic production of about five lakh bales.
- India is a major importer of **Pima and Giza cotton**
 - The country imports about 33% of total Pima exports from the U.S. and 45% of Giza cotton from Egypt.

Details:

- The Southern India Mills' Association has sought a rollback of the 10% customs duty on cotton imports announced in the Union Budget.

Concern:

- Unlike the integrated mills which make both the yarn and textiles and get **advance authorisation scheme benefits**, the standalone mills do not such benefits. Higher custom duties will mean **higher costs of their products**.
- Several garment exporters in the MSME segment buy yarn from such domestic mills. Invariably their product prices will also increase.
- Indian products made of imported cotton will become expensive resulting in a **severe blow to the prospects of the Indian textile sector**.
 - **Indian products in the international market will become expensive** giving competitor producers such as Bangladesh and Sri Lanka an edge in the international markets. **India could lose share of its International textile market**, given the price sensitive nature of this sector.
 - In the case of the domestic market, the cost of garments made of imported cotton will increase, **incentivizing higher import of garments**.
- This would have a negative impact on textile sector and the Indian economy.
 - The **textile industry plays a significant role in Indian economy** by providing direct employment to an estimated 35 million people, by contributing 4 per cent of GDP and accounting for 35 per cent of gross export earnings. The textile sector contributes 14 per cent of the value-addition in the manufacturing sector.

Category: ENVIRONMENT AND ECOLOGY

1. Water scarcity likely in the Himalayan catchment if warming continues

Context:

- Study on the **impact of global warming and climate change** on the snowpack's and glaciers of the Himalayan region and the rivers that they feed.

Details:

Methodology of the study:

- The study involved analyzing the impact of different components – rainfall-runoff, snow-melt and glacier-melt on Himalayan Rivers.
- The team studied **five basins in the central Himalaya – Sutlej, Thulo Bheri, Kali Gandaki, Dudh Kosi and Arun.**
- The team developed a new glacier melt model and integrated it to the currently used land surface model to make the integrated model more accurate.
- The currently used land surface model does not take into account glacier melt and thus could lead to serious errors in the study of north-Indian rivers.

Important observations:

- The study notes that if drier and warmer scenarios continue in the near future (2031–2050), the **catchment areas are more likely to face a water stress.**
 - Snow will melt easily in a warming climate and should contribute to water flow in the region. However, the reduced snowfall will in turn reduce the amount of snow-melt.
 - Though glacier melt will increase initially, they will shrink in size quickly and the amount of glacier melt will also decline in the latter end of the century.
- The study also notes that if there is increased rainfall, this could lead to a water surplus situation in the region.

Concerns:

- The glaciers of the Himalayas are **important sources of water for about a billion people** who live in the basins of the Indus, Ganges and Brahmaputra rivers. This along with changing patterns of precipitation systems — **Indian Summer Monsoon and Western Disturbances** — could adversely impact water security of the region. **Water insecurity** poses a grave threat to the habitants of this region.
- The global warming would also affect the Himalayan hydrology. India, Nepal, Pakistan and China hugely depend on these Himalayan Rivers for their **energy production.**

Way forward:

- Sustainable water-management practices and better governance structures are required.

D. GS 4 Related

Nothing here for today!!!

E. Editorials

Category: ECONOMY

1. Can a 'bad bank' solve the growing NPA crisis?

Context:

- Finance Minister Nirmala Sitharaman in her budget speech has stated that the Centre proposes to set up an **asset reconstruction company** to acquire bad loans from banks, thus reviving the idea of a 'bad bank'.

Background:

The issue of non-performing assets in India:

- Bad loans have been a perennial problem in the Indian banking sector.
 - According to the latest figures released by the RBI, the total size of bad loans in the balance sheets of Indian banks at a gross level was around **₹9 lakh crore as of March 31, 2020**.
- Notably, though the gross bad loans have come down from over ₹10 lakh crore two years ago, it is the result of large write-offs rather than due to improved recovery of bad loans or a slowdown in the accumulation of fresh bad loans.
 - **The size of bad loan write-offs by banks has steadily increased. The size of fresh bad loans accumulated by banks has also increased.**
- The COVID-19 pandemic-triggered lockdown and the moratorium subsequently extended to borrowers by the Reserve Bank of India (RBI) have only worsened the crisis.
 - The proportion of banks' **gross non-performing assets is expected to rise sharply from 7.5% of gross advances in September 2020 to at least 13.5% of gross advances in September 2021.**
- With banks expected to report high proportion of bad loans, the idea of a 'bad bank' to deal with bad loans has gained particular significance.

Bad bank:

- A bad bank is a financial entity set up to **buy non-performing assets (NPAs), or bad loans, from banks**. The bad bank helps take bad loans off the balance sheets of stressed banks.
- The bad bank may further try to **restructure and sell the NPA to investors** who might be interested in purchasing it.
- The idea of a bad bank has been tried out in countries such as the United States, Germany, Japan and others in the past.
 - The troubled asset relief program, also known as **TARP, implemented by the U.S. Treasury in the aftermath of the 2008 financial crisis**, was modelled around the idea of a bad bank. Under the program, the U.S. Treasury bought troubled assets from U.S. banks and later resold them when market conditions improved.

Arguments in favour of a bad bank:

Ease the pressure on banks:

- A bad bank helps **isolate illiquid and high risk assets held by a bank**. This helps ease the burden on banks, holding a large pile of stressed assets.
- The better balance sheets would be able to attract more investments in such entities at lower prices. It can **help recapitalise public sector banks**.

Revive credit flow in the economy:

- By taking bad loans off the books of troubled banks, a bad bank can **help free capital that is locked in by banks as provisions against the existing bad loans**. The freeing of the banks from these bad loans will give banks the freedom to use the freed-up capital to extend more loans to their customers.
- A new bad bank set up by the government can improve banks' capital buffers by freeing up capital. It could help banks feel more confident to start lending again. This could provide an **impetus for higher credit disbursal in the economy**.

Consolidated effort:

- A supposed advantage in setting up a bad bank, it is argued, is that it can help **consolidate all bad loans of banks under a single exclusive entity**.
- This would allow this single entity to deal with the issue more effectively as it avoids the need to work with multiple agencies with multiple levels of expertise and abilities.

Concerns:

Idea of a government backed bad bank:

- A bad bank backed by the government will merely shift bad assets from the hands of public sector banks, which are owned by the government, to the hands of a bad bank, which is again owned by the government.
- The ultimate impact will be on the **taxpayers who will once again have to foot the bill for bailing out troubled banks**.

Efficacy of a government backed bad bank:

- Many analysts believe that unlike a bad bank set up by the private sector, a bad bank backed by the government is likely to **pay too much for stressed assets**. While this may be good news for public sector banks, it does not augur well for the efficiency of the resolution process.
- The mere transfer of assets from one arm of the government to another **will not lead to a successful resolution of the bad debts**.

Root cause remains unaddressed:

- A key reason behind the bad loan crisis in public sector banks is the fact that unlike private banks, which are owned by individuals who have strong financial incentives to manage them well, public sector banks are managed by **bureaucrats who may often not have the same commitment to ensuring these lenders' profitability**.
- The bailing out banks through a bad bank does not really address the root problem of the bad loan crisis.

Risk of moral hazard:

- The idea of a bad bank endangers a huge risk of moral hazard.
- Banks that are bailed out by a bad bank are likely to **lend more recklessly in view of the safety net provided by a bad bank**. This could further exacerbate the bad loan crisis.

Category: POLITY AND GOVERNANCE

1. Government regulations and tech platforms

Context:

- Indian Central government's notice to Twitter.

Background:

- The government had issued an order to Twitter on January 31 to block more than 250 accounts and a controversial hashtag that spoke of an impending 'genocide' of farmers. The government position was that the controversial hashtag was **promoting misinformation about the protests and thus was adversely affecting public order**.
- Though initially Twitter took down the accounts, Twitter later reinstated the accounts and tweets on its own, contending that it found no violation of its policy.
- The Indian Central government has issued a notice to Twitter for failure to comply with the government's 'legal demand'.

Details:

Laws governing the cyber world in India:

- In India, the **Information Technology Act, 2000** governs all activities related to the use of computer resources. It also **covers all 'intermediaries'**.
 - Intermediaries includes any person who, on behalf of another, "receives, stores or transmits" any electronic record. It includes providers of telecom service, network service, Internet service and web hosting, besides search engines, online payment and auction sites, online marketplaces and cyber cafes and also **social media platforms**.

Centre's powers:

- **Section 69 of the Act** empowers the Central and State governments to issue directions "to intercept, monitor or decrypt any information generated, transmitted, received or stored in any computer resource". The governments are allowed to do these on the grounds of interest in the sovereignty or integrity of India, defence of India, security of the state, friendly relations with foreign states, public order, or for preventing incitement to the commission of any cognisable offence relating to these, or for investigating any offence.
- **Section 69A** also empowers the Centre to ask any agency of the government, or any intermediary, to **block access to the public of any information generated, transmitted, received or stored or hosted on any computer resource**. Any such request for blocking access must be based on reasons given in writing and should be based on the established procedures and safeguards incorporated in the rules.

Obligations of intermediaries:

- Intermediaries are required to preserve and retain specified information in a manner and format prescribed by the Centre for a specified duration.

- When a direction is given for monitoring, interception or decryption, blocking access to the public, the **intermediary, should extend required technical assistance and must comply with the request.** Failure to do so is punishable with imprisonment and fines.

Liability of the intermediary:

- Though **Section 79 of the Act** makes it clear that “an intermediary shall not be liable for any third-party information, data, or communication link made available or hosted by him”, the exemption from liability does not apply if there is evidence that the intermediary abetted or induced the commission of the unlawful act involved.
- The intermediaries have the responsibility to remove offensive content or block access to it, as soon as it is brought to their notice

Conclusion:

Co-operative and collaborative approach:

- Cooperation between technology services companies and law enforcement agencies is deemed a **vital part in handling the threats from the cyber world.**
 - The potential of the Internet and its offshoots such as mail and messaging services and social media networks to disseminate potentially harmful content such as hate speech, rumours, inflammatory and provocative messages and child pornography, is on the rise.

Balancing the often contradicting interests:

- There is the need to balance the **national security and the desire to maintain peace and law and order situation** on the part of the governments with the intermediary’s concerns about the threat of **privacy violations and online surveillance.**

Using technology to counter the threats:

- The intermediaries should deploy **automated tools for proactively removing or disabling public access to unlawful information,** and to have a 24x7 mechanism to deal with requisitions of law enforcement.

F. Tidbits

1. Early start

- **Microbiome refers to micro-organisms living inside humans** and animals.
- There is a balance of useful and harmful components, which **If disturbed results in ill-health.**
- A recent study notes that eating too much fat and sugar as a child can alter one’s microbiome forever, even if the person later switches to healthy food.

2. Social media push for electric vehicles

- The Delhi government has social media handles for its **Switch Delhi campaign.**

- Switch Delhi campaign is an eight-week **mass awareness campaign to promote the use of electric vehicles (EVs) in Delhi**. The aim is to inform, motivate, and encourage Delhiites to accelerate the adoption of EVs.
- The social media handles will be used to sensitise Delhiites on the need to switch to Electric Vehicles, the environmental and financial benefits as well as the benefits that can be availed by consumers under Delhi's Electric Vehicle policy.
- The social media handles will also be used as a medium to directly connect with the public, addressing grievances of people trying to claim subsidies or any other issues they have in buying EVs.

3. Risk of sharp deterioration in private banks' asset quality has receded: Moody's

- The performance of top 5 private banks have been better than expected with the growth in **non-performing loans (NPLs) softening over time, thus averting the risk of a sharp deterioration in asset quality**
- The Indian government's policy measures to support bank borrowers in the form of loose monetary policy ensuring ample domestic liquidity, **moratoriums on loan repayments and government-guaranteed loans to small businesses** have supported Indian banks' asset quality. A recovery in India's economy in 2021 would support borrowers' debt-servicing capability even after the government support measures expire.

4. India's Internet start-ups on cusp of listing: report

- Given the **growing scale and maturity of India's Internet economy**, which is starting to create more value and investment opportunities in the Indian economies, India's Internet start-ups may be on the cusp of public listing.
- The Internet start-up total sector value (ex-fintech) would reach \$180 billion by 2025. India has 42 unicorns (firms with \$1-billion valuation) and more than 45 soonicorns (potential to become unicorns).
- E-commerce, Ed-tech, online insurance and food delivery are the most visible sectors in this domain.

G. Prelims Facts

1. Ka-226T to be 33% indigenous: HAL

- In 2015, India and Russia concluded an Inter-Governmental Agreement (IGA) for around 200 **Ka-226T twin engine utility helicopters**, with 60 helicopters to be directly imported and remaining 140 manufactured locally.
- The helicopters would be manufactured by India Russia Helicopters Limited (IRHL) — a joint venture between HAL and Russian Helicopters with **Transfer of Technology (ToT) from Russia**.
- The Ka-226T is meant to replace the ageing and obsolete Cheetah and Chetak fleet of the Army and Air Force.
- The deal is held up owing to a shortfall in Russian proposal for indigenous content. The Russian proposal of 62% indigenous content in assembled helicopters falls short of the tender requirement of 70%.

2. Cloudless, hot Jupiter

- Astronomers have come across a huge planet which is about half the mass of Jupiter and is cloudless. It has been named **WASP-62b**.
- The planet is 575 light years away and orbits its star in just four-and-half days.

H. UPSC Prelims Practice Questions

Q1. The terms Pima and Giza are associated with which of the following?

- Crude oil grades
- Cotton varieties
- Wheat varieties
- Sugarcane varieties

Answer: b

Explanation:

- There are three different species of cotton used to make the products we know and love. The most common type is Upland cotton, comprising nearly 90% of all cotton produced around the world. The remaining 10% is made up of two higher-quality cottons — Egyptian cotton and pima cotton.
- Egyptian and pima cotton are classified as “extra-long staple cottons”, a term that refers to the length of the individual cotton fibers. These longer, silkier fibers produce a luxuriously soft fabric that is also incredibly strong.
- Pima cotton is primarily grown in the United States, and Egyptian cotton thrives in the hot, dry climate of the Nile River Valley.

Q2. Which of the following is incorrectly matched?

- S-400 missile system: Russia
- Ka-226T: Russia
- Heron UAVs: Israel
- K9 Thunder artillery guns: France

Answer: d

Explanation:

- The K9 Thunder is a South Korean self-propelled 155 mm howitzer designed and developed by the Agency for Defense Development and Samsung Aerospace Industries for the Republic of Korea Armed Forces.

Q3. Which of the following statement/s is/are correct with respect to Western Disturbances?

1. It is an extra-tropical storm.
2. They are more frequent and strong in winter season.

Options:

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

Answer: c

Explanation:

- Western disturbance is an extra-tropical storm originating in the Mediterranean region that brings winter rain to the northwestern parts of the Indian subcontinent.
- Extratropical storms are a global phenomena with moisture usually carried in the upper atmosphere, unlike their tropical counterparts where the moisture is carried in the lower atmosphere.
- It is a non-monsoonal precipitation pattern driven by the westerlies. The moisture in these storms usually originates over the Mediterranean Sea, the Caspian Sea and the Black Sea.
- In the case of the Indian subcontinent, moisture is sometimes shed as rain when the storm system encounters the Himalayas. Western disturbances are more frequent and strong in winter season.
- Western disturbances are important for the development of the Rabi crop, which includes the locally important staple wheat.

Q4. Which of the following statement/s is/are correct with respect to trans-fatty acids?

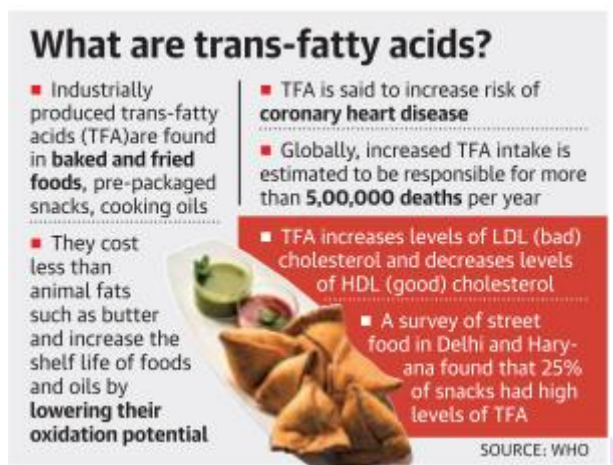
1. They help increase the shelf life of foods and oils by lowering their oxidation potential.
2. They increase levels of High-Density Lipoprotein (HDL) and decrease levels of Low-Density Lipoprotein (LDL) cholesterol.

Options:

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

Answer: a

Explanation:



- There are two main types of cholesterol: high-density lipoprotein (HDL) and low-density lipoprotein (LDL). Lipoproteins are made of fat and proteins. Cholesterol moves through your body while inside lipoproteins.
- HDL is known as “good cholesterol” because it transports cholesterol to your liver to be expelled from your body. HDL helps rid your body of excess cholesterol so it’s less likely to end up in your arteries.
- LDL is called “bad cholesterol” because it takes cholesterol to your arteries, where it may collect in artery walls. Too much cholesterol in your arteries may lead to a build up of plaque known as atherosclerosis. This can increase the risk of blood clots in your arteries. If a blood clot breaks away and blocks an artery in your heart or brain, you may have a stroke or heart attack.

I. UPSC Mains Practice Questions

1. In the light of the recent proposal to set up an asset reconstruction company, discuss the need for such an entity in the Indian context. Also discuss the significance and concerns associated with the idea of a government backed ‘bad bank’ to deal with bad loans. (15 marks, 250 words) [GS-3, Economy]
2. In the light of the recent order issued by the central government to the micro blogging site, Twitter, evaluate the Indian laws governing the cyber space and their salient provisions. What steps are required to handle the threats emanating from the cyber space? (15 marks, 250 words)[GS-2, Polity and Governance]