

24 May 2021: UPSC Exam Comprehensive News Analysis

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A. GS 1 Related

Category: GEOGRAPHY

1. **Very severe cyclone Yaas to hit north Odisha coast**

Context:

Developments with respect to **Cyclone Yaas** in the **Bay of Bengal**.

This topic has been covered in [May 23rd, 2021 CNA](#).

B. GS 2 Related

Category: **INTERNATIONAL RELATIONS**

1. No access to images of our nuclear sites: Iran

Context:

Iran's Parliament speaker said that international inspectors may **no longer access surveillance images of the Islamic Republic's nuclear sites**.

Details:

- The latest development has led to **escalating tensions amid diplomatic efforts in Vienna to save the [Iran nuclear accord](#)** with world powers.
- It underscored **more hurdles for the U.S. and others to reach terms with Iran**.
- The Islamic Republic is **already enriching and stockpiling uranium at levels far beyond those allowed by its 2015 nuclear deal – Joint Comprehensive Plan of Action**.

Note:

- **Iran's parliament** in December 2020 **approved a bill** that would **suspend part of U.N. inspections of its nuclear facilities** if European signatories did not provide relief from oil and banking sanctions by February 2021.
- The [IAEA](#) had struck a three-month deal with Iran to have it hold the surveillance images.
- However, Iran had threatened to delete them later if no deal had been reached.

Read more on this issue covered in [March 2nd, 2021 CNA](#).

2. Minor 'face-off' in Galwan Valley

Context:

A **minor face-off between Indian and Chinese troops** in the no-patrolling zone at Galwan Valley in eastern Ladakh.

Details:

- The face-off is believed to have happened when both the Indian and Chinese patrols reached the no-patrolling zones (decided in 2020) at the same time. However, no clash occurred and the two sides disengaged.

Background:

- Since April 2020, **Chinese troops blocked Indian troops from reaching at least 10 patrolling points, running from the Depsang plains in the north to Pangong Tso (lake) in the south in eastern Ladakh.**

Read: [India-China Conflict - Galwan Valley Clash. Detailed Analysis & Summary](#)

- Subsequently, **India and China reached an agreement for disengagement in the Pangong Lake area** to cease their forward deployments in a phased, coordinated and verified manner, which would **substantially restore the pre-April 2020 status.**
- India and China have held **11 rounds of talks** so far after the clashes.
- While the troops **partially disengaged on the north and south banks of Pangong Tso**, phased **disengagement is yet to take place** at the other friction areas in eastern Ladakh — **Gogra, Hot Springs, Depsang and Demchok.**

C. GS 3 Related

Category: ECONOMY

1. Cairn Energy verdict 'highly flawed': Ministry

Context:

The Union Government is defending its case against an **international arbitration** order asking it to refund \$1.2 billion to Cairn Energy over a **retrospective tax dispute.**

Details:

- Cairn Energy filed a lawsuit in a U.S. court against Air India, seeking to make the national carrier **liable to pay the damages awarded to it**, but which are **not yet honoured by the Indian government.**
- Earlier, the **Permanent Court of Arbitration (PCA) at The Hague ruled in favour of Cairn Energy PLC** of the U.K and **awarded \$1.2 billion in damages against India** in the **retrospective taxation case.**

India's stand:

- The Indian government has termed the tribunal's December 2020 decision highly flawed.
- The government has raised several arguments that call for **setting aside the award including** but not limited to **the arbitral tribunal improperly exercising jurisdiction over a national tax dispute that India never offered and/or agreed to arbitrate.**
- It argues that the **award improperly ratifies Cairn's scheme to achieve Double Non-Taxation**, which was **designed to avoid paying taxes anywhere in the world**, a significant **public policy concern for governments worldwide.**

This issue has been covered in [January 27th, 2021 CNA.](#)

D. GS 4 Related

Nothing here for today!!!

E. Editorials

Category: **ECONOMY/ENVIRONMENT AND ECOLOGY**

1. The many benefits of an eco tax

Background:

Financial impact of the pandemic:

- The second wave of the pandemic has induced lockdowns in several states and brought **economic activity to a standstill**. This will lead to a lower than estimated economic growth and a subsequent **decline in tax revenue**. This will lead to a **larger than projected [fiscal deficit in the current year](#)**.
- The fiscal deficit for FY 2020-21 (revised estimates) is projected to be 9.5% of the GDP; for 2021-22, it is pegged at 6.8%.
- The continued focus on fiscal discipline is bound to impact public expenditure which is vital for economic revival and also impact expenditure into the ailing health sector which is crucial in the fight against the pandemic.

Consequences of low public expenditure in the health sector:

- Sustained health financing in India has always been a challenge.
- The low public expenditure into the health sector results in the **lack of adequate and quality public health care facilities**, thus leading to the rise of private health care centres. Such a scenario invariably leads to a **high out of pocket expenditure** for health needs.

- The World Health Organization (WHO) data notes that 17.33% of the population in India made out-of-pocket payments on health exceeding 10% of the total household expenditure or income in 2011.
 - This is higher than the global average of 12.67% and also the average for the Southeast Asian region which stands at 16%.
- Similarly, 3.9% of the population in India made more than 25% of out-of-pocket payments on health.
- The [Economic Survey](#) of India 2019-20 notes that an increase in public spending from the current level of 1% to **5-3% of GDP, as envisaged in the National Health Policy of 2017**, can decrease out-of-pocket expenditure from 65% to 30%.
- The high out of pocket expenditure for health pushes many into **poverty**. Also since a lower proportion of disposable income is available for other essentials like food and education, this would also have a long term impact on the nutritional security and development of children of such families.

Details:

- Given the critical need for higher public expenditure in the health sector and the fiscal strain imposed by the pandemic, it becomes important to look for **alternate sources of health financing in India**.
- The COVID-19 pandemic has also forced a **rethink on climate change and the need for environmental preservation**.
- In this direction, the article evaluates possible fiscal reforms which will not only help manage the environment in a sustainable manner but also help generate enough revenues to fund its public expenditure programmes in critical areas like health.
- The article evaluates the potential of environmental tax in this direction.

Environmental regulation:

- Environment regulation may take one of the following forms:
 - **Command and control approach** wherein the government places strict regulations on pollutant emissions and there are fines on non-compliance.
 - **Economic planning/urban planning approach** involves inculcating sustainable management practices in policymaking.
 - **Environmental tax (eco tax)/subsidies approach** involves either taxing the polluters to disincentivize the use of high carbon footprint processes or products and also providing subsidies to encourage the adoption of green technology.
 - **Cap and trade approach** involves the government setting limits for emissions and the establishment of carbon trade markets.
- India currently focuses majorly on the command-and-control approach in tackling pollution.

Eco tax:

- Environmental tax reforms would mainly involve the following three activities:
 - Eliminating existing subsidies and taxes that have a harmful impact on the environment.
 - **Restructuring existing taxes in an environmentally supportive manner.**
 - Initiating new environmental taxes.
- For example, in the energy sector, the following reforms may qualify as environmental fiscal reforms.
 - Correcting the price differential between diesel and petrol.
 - Differential taxation on vehicles in the transport sector based on fuel efficiency and GPS-based congestion charges.
 - Taxes on thermal-based powers and tax rebates for renewable energy producers.
 - Tax on high carbon footprint industries.

Significance:

- The implementation of an environmental tax in India will have the following three broad benefits.

Environmental:

- Environmental taxes help internalise the negative environmental externalities in the overall framework and thus incentivize greener products and processes and disincentivize polluting processes and products. This will **reduce environmental pollution, encourage environmental preservation** and adoption of an environmentally sustainable approach.

Fiscal:

- Tax revenues can be generated through eco taxes by designing them as revenue augmenting.
- The additional revenue so generated can be used for the provision of environmental public goods or directed towards the overall revenue pool to be used in critical social sectors like health. This will **help developing countries like India, constrained by limited fiscal space** to address critical environmental health issues.

Poverty reduction:

- The augmented revenue from eco tax can **finance research and the development** of new technologies thus encouraging the rise of new sunrise sectors and new jobs.
- The augmented revenue will also help **finance social sectors** which will aid in the development process and help reduce poverty.

Concerns:

- Environmental regulations may have significant costs on the private sector in the form of the high cost of compliance. This could lead to a **possible increase in the prices of goods and services**. This may disincentivize demand and thus hamper the economic growth of the nation.
 - Notably, there is no evidence of green taxes leading to a deceleration of the economy. Most countries' experiences suggest a negligible impact on the GDP.

Recommendations:

- It is the right time for India to **adopt environmental fiscal reforms** as it will not only help reduce environmental pollution but also generate resources for financing the health sector.
- The architecture of the **eco tax framework should be credible, transparent and predictable**.
 - The eco tax rate should be commensurate to the marginal social cost arising from the negative externalities associated with the production, consumption or disposal of goods and services. This should consider both short and long term impacts both on humans and other living beings.
- The environmental taxes must be **integrated with the Goods and Services Tax framework**.

Category: ECONOMY

1. Recalibrate growth, reprioritise expenditures

Context:

- The article co-authored by C. Rangarajan, former Chairman, Economic Advisory Council to the Prime Minister and a former Governor, Reserve Bank of India analyzes the **fiscal impact of the second wave of the pandemic** and suggests measures needed in this direction.

Fiscal impact of the pandemic:

- The second wave of COVID-19 and the lockdowns in several states have been eroding economic activities in India. This would have the following implications.

Lower economic growth:

- The **GDP growth rate for both nominal as well as real GDP is going to be substantially lower** than that projected earlier.

Lowering of tax and non-tax revenue:

- The slow economic growth will lead to a lowering of tax and non-tax revenues.
 - The author estimates a shortfall of about Rs. 0.6 lakh crore in the Centre's net tax revenues.
- Given the uncertainty and reluctance on the part of the private players to invest, the budgeted magnitudes for non-tax revenues and non-debt capital receipts premised on implementing the **monetisation and disinvestment programme** are most likely to be unmet.
 - The author estimates a shortfall of Rs. 1.5-lakh crore in non-tax revenues and non-debt capital receipts. Hence the total shortfall on the receipts side for the government may be about Rs. 2.1-lakh crore.

Increase in fiscal deficit:

- The most likely **change in the budgeted nominal GDP growth (lower)** and the **shortfall in the receipts** from tax, non-tax and non-debt sources will invariably push the fiscal deficit beyond the projected budget estimate of 6.76% of GDP.
 - The author estimates a significant slippage in fiscal deficit which may be close to 7.7% of GDP in 2021-22 if the total expenditures are kept at the budgeted levels.

For more related information refer to:

[CNA Dated May 21, 2021: Can the economy survive the second COVID-19 wave](#)

Recommendations:

- The fiscal projections of the Centre's 2021-22 Budget require recalibration given the inevitable economic impact of the pandemic. Such a revised estimate should project more realistic values to stimulate requisite measures.
- Despite the inevitable chances of fiscal slippage, the **government needs to ensure that the total expenditures remain at the budgeted level**, given the inevitability of public expenditure in supporting the economy in these challenging times.
- There is a need for **reprioritising government expenditure**.
 - The allocation for the health sector should be increased substantially.
 - Strong support is needed for the vulnerable groups of the society including migrant labour and the rural and urban unemployed population.
 - Given the fact that universal vaccination at pace is key to minimising economic damage, the central government should invest accordingly in vaccine purchase and distribution among the states.

Additional information:

Economic terminology:

Real GDP:

- The real GDP is the total value of all of the final goods and services that an economy produces during a given year, accounting for inflation. It is calculated using the prices of a selected base year.

Nominal GDP:

- The nominal GDP is the value of all the final goods and services that an economy produced during a given year. It is calculated by using the prices that are current in the year in which the output is produced.

Tax buoyancy:

- Tax buoyancy refers to the responsiveness of tax revenue growth to changes in GDP.
- Tax buoyancy is an indicator to measure the efficiency and responsiveness of revenue mobilization in response to growth in the gross domestic product or national income. A tax is said to be buoyant if the tax revenues increase more than proportionately in response to a rise in national income or output.
- When a tax is buoyant, its revenue increases without increasing the tax rate.

2. Guarantor beware

- This article evaluates the recent Supreme Court judgement allowing financial creditors to initiate insolvency proceedings against personal guarantors of stressed corporate entities under the [Indian Bankruptcy and Insolvency Code \(IBC\)](#).

This issue has been discussed previously in the following article:

[CNA Dated May 22, 2021: SC: personal guarantors liable for corporate debt](#)

F. Prelims Facts

1. Congo volcano spares Goma city; 5 die in crash while trying to leave

What's in News?

Congo's Mount Nyiragongo unleashed lava.

Details:

- It destroyed homes on the outskirts of Goma.
- An eruption in 2002 caused hundreds of deaths.



Source: <https://www.nature.com/>

- Mount Nyiragongo is an active stratovolcano. It is located in the Virunga Mountains associated with the **Albertine Rift**.
 - The Albertine Rift is the **western branch of the East African Rift** covering parts of Uganda, the Democratic Republic of the Congo, Rwanda, Burundi and Tanzania.
 - It extends from the northern end of **Lake Albert to the southern end of Lake Tanganyika**.
- It is located inside Virunga National Park, in the Democratic Republic of the Congo.
- It is to the **north of the town of Goma and Lake Kivu** and west of the **border with Rwanda**.

2. INS Jalashwa brings oxygen to Vizag

What's in News?

The Indian Navy's INS Jalashwa arrived in Visakhapatnam with oxygen and oxygen cylinders from Singapore and Brunei under the ongoing Operation Samudra Setu II.

Read about [Operation Samudra Setu II](#).

INS Jalashwa:

- INS Jalashwa is the **second-largest combat warship in the Indian Navy** after the **aircraft carrier INS Vikramaditya**.
- Unlike regular warships, this ship has a **flight deck for helicopter operations** from which **four medium helicopters can operate simultaneously**.
- This deck can also be used to **operate vertical take-off and landing (VTOL) aircraft** like the Sea Harrier, in special circumstances.
- Since the ship is capable of embarking over 1000 troops, she is fully equipped with extensive medical facilities to ensure the health care of the embarked personnel.

Read more on: [INS Jalashwa: Description, Specifications and History](#)

3. Baul

- The Baul or Bauls are a **group of mystic minstrels or poets of mixed elements of Sufism and Sahaja** from **Bangladesh** and Indian states of **West Bengal, Tripura and Barak Valley of Assam**.
- Bauls are primarily identified by their music i.e, loud vocals accompanied by an **ektara and Khomok**.
 - Ektara is a single-stringed instrument.
 - Khomok is a hand-drum.
- While Bauls are a very heterogeneous group, with many sects, their membership mainly consists of **Vaishnava-Sahajiyas and Sufi Muslims**.
- In 2008, Baul songs were listed under UNESCO's Intangible Cultural Heritage of Humanity of Bangladesh.

3. Lithuania quits 'divisive' China group

What's in News?

Lithuania quit the 17+1 cooperation forum calling it divisive.

- In recent months, Lithuania has taken several steps that have angered Beijing.
- Some of the steps include blocking Chinese investment and announcing it would open a trade office in Taiwan.

17+1 Initiative:

- 17+1 Initiative is the **official cooperation between China and Central and Eastern European Countries**, and it **promotes business and investment relations** between China and the 17 European countries.

- It includes **twelve EU member states and five Balkan states** — Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.
- This **format was founded in 2012 in Budapest**.
- China states that the 17+1 initiative is about improving its relations with the European countries that are less developed as compared to the Western European states.
- The initiative is largely seen as an **extension of China’s flagship Belt and Road initiative (BRI)**.

4. ‘Tuber Man’ wins India Biodiversity Awards

What’s in News?

Called the ‘**Tuber Man of Kerala**’, Shaji N.M has been awarded the **India Biodiversity Award 2021**.

- He has been awarded in the **individual category of ‘Conservation of domesticated species’**.

India Biodiversity Award:

- India Biodiversity Awards are given by the **Ministry of Environment, Forests and Climate Change** in association with **UNDP**.
- The first round of Awards was **launched in 2012 during India’s Presidency of the Eleventh Meeting of Conference of Parties to the Convention on Biological Diversity**.
- The **award selection process** is conducted in partnership with the **National Biodiversity Authority of India**.
- The awards are announced on **22nd May on the occasion of the International Day for Biological Diversity**.
- Awards are given in the following **categories**.
 1. Conservation of Wild and Domesticated Species
 2. Sustainable Use of Biological Resources
 3. Replicable Mechanisms for Access and Benefit Sharing
 4. Best Biodiversity Management Committees

G. Tidbits

1. U.K. to unveil plans for ‘digital border’

What’s in News?

Britain is to announce plans for a **fully digital border**, including the introduction of **U.S. style electronic travel authorisation to pre-check travellers to the U.K.**

- It is believed to be the U.K's new legal migration and border strategy which is **based upon digitalisation of its borders**, but also the **simplification of its immigration laws**.
- A fully digital border will provide the **ability to count people in and out of the country**, giving the U.K control over who comes to the country.
- It is believed that the approach will **make it easier to identify potential threats** before they reach the border.
- Under the new system, people coming to the U.K. without a visa or immigration status will have to apply for an American-style Electronic Travel Authorisation (ETA).

H. UPSC Prelims Practice Questions

Q1. With reference to Baul, which of the following statements is/are correct?

1. They are a group of mystic singing minstrels living in rural West Bengal and Bangladesh.
2. They belong to a devotional tradition influenced by Vaishnavism only.
3. Baul songs are listed under UNESCO's Intangible Cultural Heritage of Humanity.

Options:

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

Answer: c

Explanation:

- The Baul are a group of mystic minstrels or poets of mixed elements of Sufism and Sahaja from Bangladesh and Indian states of West Bengal, Tripura and Barak Valley of Assam.
- They belong to a devotional tradition influenced by Vaishnavism, Buddhism and Sufism.
- In 2008, Baul songs were listed under UNESCO's Intangible Cultural Heritage of Humanity.

Q2. Consider the following statements:

1. Mount Nyiragongo is an active stratovolcano in the Philippines.
2. Barren Island is the only active volcano in India.

Which of the above statements is/are correct?

- a. 1 only

- b. 2 only
- c. Both
- d. None

Answer: b

Explanation:

- Mount Nyiragongo is an active stratovolcano in the Democratic Republic of the Congo.
- Barren Island is the only active volcano in India.

Q3. Which of the following statements about International Atomic Energy Agency (IAEA) is/are correct?

1. It is an organization within the United Nations family.
2. It is headquartered in Geneva, Switzerland.
3. IAEA was awarded the Nobel Peace Prize in 2005.

Options:

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

Answer: c

Explanation:

- The International Atomic Energy Agency (IAEA) is a UN agency. Although the IAEA is an independent international organisation, it reports annually to the UNGA.
- It is headquartered in Vienna, Austria.
- IAEA was awarded the Nobel Peace Prize in 2005, along with its former Director-General Mohamed ElBaradei.

Q4. Which of the following statements is/are incorrect?

1. Treasury bills can be issued by the Government of India only.
2. Dated securities are issued at a discount to their true (PAR) value and upon expiry, it's redeemed at its true value.
3. G-Secs can be used as collateral to borrow funds in the repo market.

Options:

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

Answer: b**Explanation:**

- G-Secs are of two types: Treasury bills with maturity less than a year and G-Secs with maturity of more than a year.
- Treasury bill is one such money market instrument that the government issues for the short-term requirement of funds. Only the government of India can issue treasury bills.
- Dated securities can be issued by both the state government as well as the central government.
- Treasury bills are issued at a discount to their true (PAR) value and upon expiry, it's redeemed at its true value. Dated securities are not issued at a discount on their PAR value.
- G-Secs can be used as collateral to borrow funds in the repo market.

Q5. With reference to 'National Skills Qualification Framework (NSQF)', which of the statements given below is/are correct? (UPSC 2017)

- 1. Under NSQF, a learner can acquire the certification for competency only through formal learning.
- 2. An outcome expected from the implementation of NSQF is the mobility between vocational and general education.

Select the correct answer using the code given below:

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

Answer: b**Explanation:**

- The National Skills Qualification Framework (NSQF) is a quality assurance framework. It is a nationally integrated education and competency-based skill framework that will provide for

multiple pathways, horizontal as well as vertical, both within vocational education and vocational training, and among vocational education, vocational training, general education and technical education, thus linking one level of learning to another higher level.

- Hence, the learner is not restricted to acquiring the certification for competency through formal learning only.
- NSQF will also provide facilities for multiple entry and exit between skill training, vocational education, job markets, general and technical education.
- An outcome expected from the implementation of NSQF is the mobility between vocational and general education.

I. UPSC Mains Practice Questions

1. The pandemic has led to a surge in black marketeering of essential drugs and medicines. Suggest measures to dismantle these networks. (250 words; 15 marks) (GS 2 Governance).
2. Environmental fiscal reforms will reduce pollution and generate resources for financing the health sector. In light of this statement, evaluate the viability of an environmental tax in India. (250 words; 15 marks) (GS 3 Environment and Ecology).