

17 Sep 2021: UPSC Exam Comprehensive News Analysis

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B. GS 2 Related

Category: INTERNATIONAL RELATIONS

1. AUKUS seeks to reshape Indo-Pacific ties

Context:

- A new **trilateral security partnership for the Indo-Pacific** between Australia, the U.K. and the U.S. (**AUKUS**) has been announced recently.

For information on this development refer to the following article:

[*UPSC Comprehensive News Analysis of 16th Sep 2021*](#)

Details:

- The AUKUS alliance will have a **profound impact on the various stakeholders in the region** and will also **result in the reshaping of relations in the Indo-Pacific region and beyond.**

United States of America:

- This development seems an extension of the **U.S. policy of pivot to Asia** which emphasizes on the need to focus more attention on the Indo-Pacific region while pivoting away from conflicts in West Asia.
- This is also an extension of the **U.S.'s Asia Reassurance Initiative Act (ARIA)** announced in 2018 that authorises US\$1.5 billion in spending for a range of US programmes in East Asia and Southeast Asia to “develop a long-term strategic vision and a comprehensive, multifaceted, and principled US policy for the Indo-Pacific region.”
- The **Indo-Pacific region has assumed great significance in the United States' foreign policy calculus** as its tensions with China have only grown.

United Kingdom:

- Leaving the EU under **Brexit** has left Britain seeking to reassert its global position. As part of this effort, it has **increased focus towards the Indo-Pacific.**

Australia:

- Australia is under increasing pressure from an assertive China. In order to balance this threat, Australia has been trying to strengthen its partnerships with India, the U.S. and the U.K to **strategically balance out China.**
 - Balancing encompasses the actions that a particular state takes in order to equalise the odds against more powerful states; that is to make it more difficult and hence less likely for powerful states to exert their military advantage over the weaker ones.

- Unlike hard balancing which encompasses traditional balancing of power using military capabilities and formal military alliances like [NATO](#), **limited hard balancing** relies on informal alliances or strategic partnerships, where there is some military coordination.
- Under the arrangement, Australia will build at least eight nuclear-powered submarines using U.S. expertise. The nuclear submarines will **increase Australia's maritime security capacity** and also give the alliance a stronger military presence in the region.

China:

- Though none of the countries mentioned China while announcing the deal and also clarified that the alliance was not targeted against any one country, **the Counter China policy is very evident in the new trilateral security partnership** with an emphasis on aspects such as upholding the international rules-based order, and promoting peace and stability in the Indo-Pacific in the light of China's assertiveness in the region.
- China has cautioned that the **new pact would undermine regional peace and stability and "intensify" an arms race and undermine international non-proliferation efforts.**

India and Japan:

- Notably, the Australian Prime Minister said he had called the leaders of Japan and India to explain the new alliance. This is crucial given that **Japan, India, Australia and the U.S. already have a strategic dialogue known as 'the Quad'** which too seeks increased cooperation among the member nations in the Indo-Pacific region.
- Notably, **India and Japan share an uneasy relationship with the increasingly assertive neighbour China.**
- The trilateral grouping would be complementary to arrangements such as the Quad.

France:

- Notably, **Australia had a contract with France for diesel-electric submarines.** With the formal announcement of the AUKUS, Australia has ended its contract with France's state majority-owned DCNS.
- France has criticized this move.

New Zealand:

- New Zealand wasn't asked to be part of the alliance despite **sharing strategic relations with the U.S.**
- New Zealand has a long-standing nuclear-free policy that includes a ban on nuclear-powered ships entering its ports. This stance has sometimes been a sticking point in otherwise close relations with the U.S.

- The omission of New Zealand would prevent it from sharing a range of information, including artificial intelligence, cyber and underwater defence capabilities.

C. GS 3 Related

Category: ECONOMY

1. Govt. sets up 'bad bank' to clear the NPA mess

Context:

- The Cabinet has cleared a Rs. **30,600 crore guarantee programme for securities to be issued by the National Asset Reconstruction Company Limited (NARCL)**.

Background:

NPA stress in the Indian financial system:

- The Indian banking system has been reeling under the pressure of non-performing assets (NPAs) since 2015. The **twin balance sheet problem** which caused a lot of stress amounted to a huge challenge for the Indian economy.
 - Twin balance sheet problem is a scenario where the balance sheets of both public sector banks (PSBs) and some corporate houses are in bad shape. It is known as the twin balance sheet problem as the challenges faced by the banks are linked to that of the corporate sector. The corporates are unable to repay their loans to banks which in turn affect the capacity of the banks to lend.
- The enhanced stresses experienced by both lenders and borrowers had the potential to lead to **financial instability** and also **undermine the growth potential of the Indian economy**.

Attempts at resolution of NPAs:

- Various resolution measures like **Insolvency and Bankruptcy Code (IBC)**, strengthening of **Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI Act)** and **Debt Recovery Tribunals**, as well as setting up of dedicated Stressed Asset Management Verticals (SAMVs) in banks for large-value NPA accounts were undertaken to bring down NPAs.
- In spite of these efforts, a substantial amount of NPAs continues on the balance sheets of banks primarily because the stock of bad loans as revealed by the Asset Quality Review is not only large but fragmented across various lenders.

Concept of bad bank:

- **A bad bank is a bank set up to buy the bad loans and other illiquid holdings of another financial institution.** The entity holding significant nonperforming assets will sell these holdings to the bad bank at market price.
- It will then manage and dispose of the assets to potential investors for eventual value realization. In other words, it will hold problem loans for public sector banks which can then be sold on to investors at a reduced price. This will ultimately **help clean up the balance sheets of banks.**
- The Union Finance Minister in the budget speech had announced the setting up of an **Asset Reconstruction Company Limited and Asset Management Company.**

For detailed information on the topic of bad banks refer to the following articles:

[UPSC Comprehensive News Analysis of 7th Feb 2021](#)

[Bad Banks](#)

Details:

National Asset Reconstruction Company Limited (NARCL):

- NARCL has been incorporated under the Companies Act and has applied to the Reserve Bank of India for a license as an [Asset Reconstruction Company \(ARC\)](#). The Reserve Bank of India is in the process of granting a licence.
- **NARCL has been set up by banks to aggregate and consolidate stressed assets for their subsequent resolution.** PSBs will maintain 51% ownership in NARCL.
- NARCL proposes to **acquire stressed assets of about Rs. 2 Lakh crore in phases.** It intends to acquire these **through 15% Cash and 85% in Security Receipts (SRs).**
 - A 15% cash payment would be made to the banks based on some valuation and the rest will be given as security receipts. Once the asset has been resolved the balance 85% held as security receipts would be given to the banks.

India Debt Resolution Company (IDRC):

- Public and private lenders would combine forces to set up an India Debt Resolution Company (IDRC) that **would manage these assets and try to raise their value for final resolution.**
 - Public Sector Banks (PSBs) and Public FIs will hold a maximum of 49% stake and the rest will be with private sector lenders.
- IDRCL would engage market professionals and turnaround experts. Thus IDRCL would function as an **Asset Management Company (AMC)** as envisaged in the budget speech.

Co-ordination between NARCL and IDRC:

- The NARCL will acquire assets by making an offer to the lead bank. Once NARCL's offer is accepted, then, IDRC will be engaged for management and value addition.

Guarantee programme for securities issued by NARCL:

- The government's guarantee of up to Rs 30,600 crore will back Security Receipts (SRs) issued by NARCL. The guarantee will be **valid for 5 years**.
- The **condition precedent for invocation of guarantee would be resolution or liquidation**.
- The government backstop will come in only as much as to **pay the gap between the realised value and the face value of the security receipts**.

Significance:

Backstop measure:

- Resolution mechanisms that deal with a backlog of NPAs typically require a backstop from Government. The guarantee programme for securities issued by NARCL is a step in this direction.
- This will **impart credibility to the whole process of resolution of NPAs and will also provide for contingency buffers**.
- The government's guarantee will also **enhance the liquidity of SRs** as such SRs are tradable. This will provide an impetus to the whole process as envisaged under the NARCL and IDRC framework.

Incentivize faster resolutions:

- **The five-year limit on the guarantee**, with an increase in the fees charged for the guarantee every year, is an incentive for the resolution process to be completed at the earliest.
- The quicker action on resolving stressed assets will **help in better value realization**.

Complement existing ARCs' work:

- There are **28 ARCs in the private sector**. Existing ARCs have been helpful in the resolution of stressed assets, especially for smaller value loans. However, considering the large stock of legacy NPAs, additional options/alternatives are needed and the NARCL-IDRC structure is a step in that direction.
- A government-backed ARC in the form of NARCL would be **essential for big-ticket resolutions**.

- Notably, private sector asset reconstruction firms (ARCs) may also be allowed to outbid the NARCL. This will **induce much-needed competition in the resolution domain**.

Improve the state of banks:

- The **upfront cash payment** by the NARCL will immediately be accretive for the profitability and capital of the banks
- In the long term, the envisaged framework would pave the way for a complete clean-up of bad loans in the banking system. This will **help unlock the value of the locked assets** for the banks which can then use it as growth capital for credit provisioning.
- Further, it will bring about **improvement in bank's valuation and enhance their ability to raise market capital**.

Conclusion:

- The bad bank framework as envisaged by the NARCL and IDRC system with a government guarantee for the Security receipts issued by NARCL is a step in the right direction to address the long-pending issue of NPA stress in the Indian financial system.
- The success of this framework would depend on the implementation and management of the transferred NPAs and the resolution of these assets in a time-bound manner.

D. GS 4 Related

Nothing here for today!!!

E. Editorials

Category: POLITY AND GOVERNANCE

1. E-Shram needs some hard work to get going

Context:

In August 2021, the Ministry of Labour and Employment launched the E-Shram. The portal seeks to register an estimated 398-400 million unorganised workers and to issue an E-Shram card.

E-Shram:

- It is a web portal for creating a National Database of Unorganized Workers (NDUW), which will be seeded with Aadhaar.
- Unorganised workers, Building and Other Construction Workers, SHG members, domestic workers, ASHA workers, Anganwadi workers, street vendors, rickshaw-pullers, brick-kiln workers, agricultural labourers, MGNREGA workers, fishermen, shopkeepers and small retailers can register on the website.
- The new portal will help in accessing social security schemes available for the unorganised workers.
- The workers who register on the portal will get an e-SHRAM card which will have a 12 digit unique number.
 - This card is aimed at the integration of the Centre's social security schemes.
 - The Universal Account Number on the e-Shram card will be acceptable across the country.

Know more about [E-Shram](#) in the link.

Issues:

- The portal has come into existence after more than a decade after the passage of the Unorganised Workers' Social Security Act in 2008.
- If inter-State migrant workers are considered, the portal is a little more than four decades late.
- It has come about after repeated nudging by the [Supreme Court of India](#).
- Had the Central and the State governments begun the legally mandated processes on time, much of the distress of lakhs of vulnerable workers could have been avoided.

Significance:

- Workers stand to gain by registration in the medium to long run.
- The main point of attraction is the benefits the unorganised sector workers stand to gain during normal and crisis-ridden periods such as the novel coronavirus pandemic.

Challenges:

- Given the gigantic nature of registering each worker, it will be a long-drawn process.
- In addition, the novel coronavirus pandemic has pushed lakhs of workers into informality.
- The Government has not mentioned a gestation period to assess its strategy and efficiency.
- One of the vital concerns of e-portals is data security, including its potential abuse especially when it is a mega-sized database.
 - The central government would have to share data with State governments whose data security capacities vary.
 - Media reports point to the absence of a national architecture relating to data security.

- There are issues concerning the eligibility of persons to register as well as the definitional issues.
 - By excluding workers covered by EPF and ESI, lakhs of contract and fixed-term contract workers will be excluded from the tag of UW.
 - Under the [Social Security Code \(SSC\)](#), hazardous establishments employing even a single worker will have to be covered under the ESI, which means these workers also will be excluded.
 - As such, SSC is exclusionary as ESC and EPF benefits will be applicable only to those employed in establishments employing 10 or 20 workers, respectively.
 - It excludes millions of workers aged over 59, which constitutes age discrimination. Given minimal or no social security for them, their exclusion will hurt their welfare.
- The nuances of the unorganised workers' identity are so complex. Apprehensions are raised on how mechanical and assumptions-based portal registration will be able to capture the complexities and dynamics involved regarding them.
- Many workers will not have an Aadhaar-seeded mobile or even a smartphone. Aadhaar-seeding is a controversial issue with political overtones, especially in the North-eastern regions.
- Even though the ministry has included gig workers in this process, it is legally unclear whether the [gig/platform worker](#) can be classified first as a worker at all (the other three [Labour Codes](#) do not include these workers), and second as organised or unorganised workers.
 - The definition of an unorganised worker in the Social Security Code does not specifically include them, unless they are declared 'self-employed' or 'wage workers'.
- However, there is an all-inclusive miscellaneous category that will have to be intelligently used to expand the occupational categories.
- The central government will have to depend on the state governments for this project to be successful.
 - In many states, the social dialogue with the stakeholders especially is rather weak or non-existent.
- There is the concern of corruption as middle-service agencies such as Internet providers might charge exorbitant charges to register and print the E-Shram cards.

Way Forward:

The success of the project depends on:

- The involvement of a variety of stakeholders apart from trade unions.
- Massive and innovative dissemination exercises involving multiple media outlets of various languages.
- The holding of camps on demand by the stakeholders and on their own by the Government, efficiency of the resolution of grievance redress mechanisms, micro-level operations, etc.
- The involvement of surveillance agencies is crucial.

The Government must publish statistics at the national and the regional levels of the registrations to assess the registration system's efficiency.

2. Two democracies and their vigilante problem

The article talks about the vigilante problem in India and the U.S. Vigilantism is the act of enforcement, investigation or punishment of perceived offenses without legal authority.

Vigilantes and Citizen Arrester:

- Vigilantes are anti-democratic. They lack the values of a constitutional democracy.
- A consensus has emerged in India to demand that the law-and-order machinery comes down heavily on such vigilante behaviour.
- One form of the vigilante, in the United States, is the citizen arrester.
 - A citizen's arrest is an arrest made by a private citizen – that is, a person who is not acting as a sworn law-enforcement official.
 - A citizen arrester enjoys legal status.
 - His/her actions are protected by a law that permits him or her to pursue and arrest a person accused of breaking the law.
- There are procedures to be followed, and risks involved for wrongful arrest, but assuming that these are adhered to, the citizen arrester is regarded as aiding the consolidation of a political system based on the rule of law.

The 'Heartbeat Bill':

- The 'Heartbeat Bill' seeks to ban abortions after six weeks when the foetus registers a heartbeat. The passage of this law has produced an active debate in the U.S.
- It deprives women of the right over their own bodies by making abortion illegal after six weeks when many women do not even know that they are pregnant. This in effect means that abortions, when needed, are unavailable.
- The law applies to even women who are victims of rape and incest.
- Anyone associated with an abortion after six weeks could be penalised and this could include the Uber driver who takes the pregnant woman to the clinic, the receptionist, the nurse and the doctor.
- The Supreme Court of the USA has declined to hear the injunction challenging the Texas Anti-Abortion Law.

Rather than diminish the place of the citizen arrester, the recent decisions of the Texas legislature are encouraging the practice.

Conclusion:

In an overview article, Professor Ira P. Robbins discusses the historical origins, pitfalls, good application and reform of the citizen arresters. He argues for the scope of citizen arresters to be restricted to only a small category of people, such as shopkeepers, out-of-jurisdiction police, and private police forces, and being abolished in all other cases. The oldest and the largest democracies both seem to be facing a vigilante problem at present.

Category: INTERNATIONAL RELATIONS

1. Three is company

Context:

The U.S. has joined the U.K. and Australia and announced a new trilateral security partnership, the AUKUS.

Details:

- The partnership aims to ensure that there will be enduring freedom and openness in the Indo-Pacific region, particularly to address the current strategic environment in the region.
- It complements several pre-existing similar arrangements for the region such as the Five Eyes intelligence cooperation initiative, [ASEAN](#) and the Quad.
 - The Five Eyes (FVEY) is an intelligence alliance comprising Australia, Canada, New Zealand, the United Kingdom, and the United States.
 - ASEAN is an economic union comprising 10 member states in Southeast Asia.
 - **QUAD** is an informal strategic dialogue comprising India, Japan, Australia and the US.

Nuclear Powered Submarines:

- AUKUS proposes to transfer technology to build a fleet of nuclear-powered submarines for Australia within 18 months.
 - Australia has ratified the nuclear NPT and has vowed to abide by its tenets, despite the highly sensitive technology transfer implied in the latest proposal.
 - However, the US President has assured that AUKUS was not talking about nuclear-armed submarines, but conventionally armed submarines that are powered by nuclear reactors.

- Australia will become only the second nation, after the U.K., that the U.S. has ever shared its nuclear submarine technology with.

Concerns:

- The announcement of the partnership led to a minor stir with New Zealand.
 - New Zealand Prime Minister said that under her country's 1984 nuclear-free zone policy, Australia's nuclear-powered submarines would not be allowed into its territorial waters.
- It also appeared to upset the political leadership in France, with whom Australia had struck a deal for \$90 billion worth of conventional submarines, which has now been cancelled.

Containing China's influence in the Indo-Pacific:

- The broader strategic question that the creation of AUKUS raises is the unstated challenge that the group poses to the regional ambitions of China.
 - It particularly highlights how far the U.S., the U.K. and Australia, along with other regional powers, will go, to preserve a free and open Indo-Pacific, including the South China Sea.
- It is to be seen whether the operationalisation of this security partnership will lead to closer coordination among the nations concerned in terms of joint military presence, war games and more in the region.
- Undersea capabilities including the ability to patrol may be vital to deterring Chinese military coercion in the region.
- Although no explicit mention of China is made in any of the AUKUS announcements, it is clear that the transfer of nuclear propulsion technology to an ally was intended to send a message of reassurance to countries in Asia.

Conclusion:

While it remains to be seen whether or not the purpose of AUKUS is to contain China's aggressive territorial ambitions, the imperatives of the Indo-Pacific would be better served by broadening strategic cooperation initiatives of this sort by including other powers that are deeply invested in the region, including India, Japan, and South Korea.

Category: ECONOMY

1. Delaying the inevitable

Context:

The Union Cabinet has approved a relief-cum-reforms package for the financially stressed telecom sector. The Government has also decided to offer telecom service providers the option of a four-year moratorium on the payment of outstanding adjusted gross revenue (AGR) and spectrum purchase dues.

This issue has been covered in [Sep 16th, 2021 CNA](#).

F. Prelims Facts

1. Russia-led bloc to hold military drills on Afghanistan border

Collective Security Treaty Organisation (CSTO):

- The Collective Security Treaty Organization (CSTO) is an **intergovernmental military alliance in Eurasia** that consists of selected post-Soviet states.
- Its members include **Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan**.

Context:

- Collective Security Treaty Organization has announced its plan to hold **large military drills in Tajikistan** amid the deteriorating situation in neighbouring Afghanistan.
 - **Tajikistan is the only country out of the six-member bloc led by Russia that shares a border with Afghanistan.**

2. China questions India's missile project

Agni-V missile:

- Agni-V is an Indian **nuclear-capable intercontinental ballistic missile (ICBM)** developed by the Defence Research and Development Organisation.
- The exact range of the Agni-V missile is classified. The missile is believed to have a **range of over 5,000 km and expandable up to 8,000 km**.
- It is a **three-stage solid-fuelled missile**.
- Agni-V incorporated advanced technologies involving **ring laser gyroscope and accelerometer for navigation and guidance**.
 - A ring laser gyroscope based inertial navigation system (RLG-INS) is primarily responsible for guiding the Agni-V to its target. However, Agni-V is equipped with

another guidance system called **micro inertial navigation system (MINGS)** as a backup. These are capable of interacting with Indian and non-Indian satellite navigation systems.

- Agni-V is also expected to feature **Multiple independently targetable re-entry vehicles (MIRVs)** with each missile being capable of carrying 2–10 separate nuclear warheads.
 - While single-warhead missiles are generally launched against one target, the MIRVed missiles can dispense warheads against multiple targets even separated by hundreds of kilometres.
 - The technology will minimise the requirement of a number of missiles providing an **edge in battle preparedness**. MIRVs also help **ensure a credible second strike capability** even with few missiles.
- **India is the eighth country to have intercontinental ballistic missiles** after the US, UK, Russia, China, France, Israel and North Korea.
- Agni V is primarily for enhancing India's nuclear deterrence against China.

Context:

- China has cited a United Nations Security Council (UNSC) resolution issued after the 1998 nuclear tests to question India's first user trial of nuke capable intercontinental-range ballistic missile (ICBM) [Agni-V](#) signalling its induction in the armed forces.

3. Packed agenda for GST Council today

Inverted duty structure issue:

- In Pre-GST Regime Inverted Duty Structure is applicable under cases where **import duty on raw materials used in the production of finished goods is higher than the import duty of finished goods**. This incentivizes imports and disincentivises domestic production.
- But Under GST Regime the Inverted Duty Structure refers to the cases where the **rate of tax on inputs/purchases received are higher than the rate of tax paid on outward supplies/sales**.
- Taxpayers who face an inverted duty structure will always have **Input Tax Credit (ITC)** in their GST electronic credit ledger even after paying off the output tax liability. This creates working capital issues for the taxpayers, as crucial resources remain blocked in the form of ITC. The inverted duty structure has caused refund-related issues under the GST regime.

Context:

- The issue of the inverted duty structure has re-acquired prominence over time and the [Goods and Services Tax \(GST\) Council](#) is expected to take up the issue at its upcoming meeting.

G. Tidbits

1. 'Immediate action needed to limit global warming'

- The 'United in Science 2021' report published by a range of UN agencies and scientific partners notes that **climate change and its impacts were accelerating**. The report also states that the temporary reduction in carbon emissions caused by the COVID-19 pandemic induced lockdowns had done nothing to slow global warming.
- In this context, United Nations Secretary-General Antonio Guterres has noted that **limiting global warming to 1.5 degrees Celsius as envisaged under the Paris climate agreement** will be impossible without **immediate, largescale emissions cuts**.

2. 'Waste-to-energy plant is not an acceptable disposal method'

Context:

- Civil society groups, NGOs and individuals have opposed the proposal to set up a waste-to-energy plant at Bandhwari landfill off Gurugram-Faridabad road.

Objections to waste-to-energy plant:

- The waste-to-energy plant which involves **burning of the waste material to derive heat energy** results in the **emission of particulate matter and gaseous pollutants including many carcinogens**.
- Also unlike the land and water pollution induced by landfills which is limited to some specific areas, the **air pollution created by WtE plant can spread across many kilometres**, depending on the prevailing wind patterns.

Alternatives:

- There should be an **emphasis on the segregation of waste into wet and dry waste components at the source level itself**. While the wet waste (organic) should be dealt with through processes such as composting and anaerobic digestion, the **dry waste should be recycled**.
- Also rather than a centralized approach, **a decentralized approach must be adopted** wherein the garbage produced in each of the municipal wards should be treated within the ward itself.

H. UPSC Prelims Practice Questions

Q.1 Why are nuclear-powered submarines preferred over conventional diesel-electric submarines?

1. They can operate for long periods underwater as they need not surface frequently
2. They are harder to detect
3. They do not contribute to emissions
4. They have higher chances of surviving a first-nuclear strike

Select the correct answer from the code given below:

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

Answer: d

Explanation:

- Nuclear powered submarines can be deployed for longer periods and need to surface less frequently.
- They have longer ranges and are more capable compared to the conventional diesel-electric submarines. Unlike conventional submarines, which are generally considered helpful for defensive purposes, the ability of a nuclear-powered submarine to go long distances, at a higher speed, without being detected gives a nation the ability to protect its interests far from its shores.
- Also given that they can stay put in deep waters for longer periods, they have higher chances of surviving a first nuclear strike.
- Given that they do not emit combustion products as in conventional diesel-based submarines during the surfacing phase, they have a low heat signature and hence are difficult to detect.
- Notably, the fact that nuclear-powered submarines do not give rise to emissions is not a reason for choosing them over conventional diesel-electric submarines.

Q.2 The RS Virus primarily affects which function in humans?

- a. Reproduction
- b. RNA synthesis
- c. Ribosomal activity
- d. Respiration

Answer: d

Explanation:

- RS (Respiratory Syncytial) Virus primarily affects respiration function in humans.
- Respiratory syncytial virus, also called human respiratory syncytial virus and human orthopneumovirus, is a very common, contagious virus that causes infections of the respiratory tract.

Q.3 What best describes the term 'bad bank', seen recently in news?

- a. A bank used by those involved in money laundering and fraudulent activities
- b. A bank which is unable to honour its depositors
- c. A bank that takes over and resolves non-performing assets (NPAs) in the banking system
- d. A bank which deliberately violates the regulations of the central bank

Answer: c

Explanation:

- A bad bank is a bank set up to buy the bad loans and other illiquid holdings of another financial institution. The entity holding significant nonperforming assets will sell these holdings to the bad bank at market price.
- It will then manage and dispose of the assets to potential investors for eventual value realization. In other words, it will hold problem loans for public sector banks which can then be sold on to investors at a reduced price. This will ultimately help clean up the balance sheets of banks.

Q.4 Which of the following statements are correct?

1. The 'Doing Business' report is brought out by the World Economic Forum.
2. Its publication has been recently discontinued due to data irregularities and ethical concerns.

Select the correct answer from the code given below:

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

Answer: b

Explanation:

- The 'Doing Business' report is brought out by the World Bank.
- The World Bank Group has decided to discontinue publication of its 'Doing Business' rankings of country business climates after a review of data irregularities and ethical concerns in the 2018 and 2020 reports. The World Bank will work on a new approach to assessing countries' business and investment climates.

Q5. Due to some reasons, if there is a huge fall in the population of species of butterflies, what could be its likely consequence/consequences? (UPSC-2017)

1. Pollination of some plants could be adversely affected.
2. There could be a drastic increase in the fungal infections of some cultivated plants.
3. It could lead to a fall in the population of some species of wasps, spiders and birds.

Select the correct answer using the code given below:

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

Answer: c

Explanation:

- Butterflies pollinate plants and hence a fall in their population could result in a scenario where pollination of some plants could be adversely affected.
- Fungi is one of the foods which butterflies consume. Similarly, a butterfly is one of the agents which helps in the distribution of fungi spores. If there is a huge fall in the population of species of butterflies, the possibility of a drastic increase in the fungal infections of some cultivated plants is unlikely. "Drastic increase" and "some cultivated plants" are words that are vague and extreme and hence could be considered incorrect.
- Wasps, spiders and birds are predators of butterflies at some stage of their lifetime. The fall in the number of butterflies could reduce their number as well as forms a part of its food chain.

I. UPSC Mains Practice Questions

1. AUKUS security alliance will promote stability in the Indo-Pacific region and establish rules-based international order. In the light of the statement discuss the consequences on the existing alliances. (15 marks, 250 Words)[GS-2, International Relations]
2. Is there a connection between State failure and vigilantism? Critically Examine. (15 marks, 250 Words)[GS-2, Governance]

