

05 May 2022: UPSC Exam Comprehensive News Analysis



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A. GS 1 Related

Nothing here for today!!!

B. GS 2 Related

Category: INTERNATIONAL RELATIONS

1. Modi holds bilateral talks with Nordic leaders

Syllabus: *Effect of policies and politics of developed and developing countries on India's interests*

Mains: *Significance of strengthening bilateral ties with the Nordic countries for India.*

Context

The Prime Minister of India attended a series of bilateral talks with his counterparts from various European countries.

Details

- The Prime Minister of India met the leaders from Nordic countries (Denmark, Norway, Sweden, Iceland and Finland) on the sidelines of the second India-Nordic Summit in Copenhagen.
- The talks included ways to strengthen ties in various sectors like the [blue economy](#), clean energy, space and healthcare.

Significance of the meeting

- Stronger India-Nordic ties have a huge potential to achieve and contribute to global prosperity and sustainable development.
- Norway plays an important role in India's recently announced [Arctic Policy](#).
- Sweden offers India a great opportunity to collaborate in key sectors such as security, IT, research and innovation which benefits both the countries.
- The Prime Minister of India also discussed with his Finnish counterpart about further strengthening bilateral ties in trade, investment, technology, culture and other key sectors.

- The Prime Minister also met the German Chancellor and reiterated the partnership between the two countries.
 - Germany has announced an investment of €10 billion for bilateral cooperation.
 - Germany also said that India is its main partner in Asia.
- The meeting of the Indian Prime Minister with European leaders also gains prominence in the background of the [Russian Invasion of Ukraine](#) as India's neutral stance on the war has been subjected to criticism from the West.
 - Also, Europe is expected to take a more securitised approach to foreign policy from now, in the context of the Ukraine conflict.

To know about the significance of Denmark to India, refer to the following article:

[UPSC Exam Comprehensive News Analysis dated 4th May 2022](#)

Nut Graf

Post the Cold War, India has managed to build stronger ties with both the West and Russia, but that era of multi-directional partnerships is facing its strongest test with the invasion of Ukraine by Russia and the major challenge before India is to build a stronger strategic future with the West without disrupting its crucial traditional strategic partnership with Russia.

Category: POLITY

1. President has no role to play in Perarivalan's plea, says SC

Syllabus: Powers, functions and responsibilities of various constitutional offices

Prelims: Pardoning powers of the President and the Governors

Mains: Details of the Supreme Court's Judgement in the A G Perarivalan case.

Context

The Supreme Court held that the Tamil Nadu Governor is bound by the state legislature's decision on the release of A G Perarivalan.

Background

For a detailed background of the issue refer to the following article:

UPSC Exam Comprehensive News Analysis dated 6th Feb 2021

Supreme Court's views

- The Supreme Court dismissed the Central government's argument that the court should wait till the President took a call on A.G. Perarivalan's mercy plea which was referred to the President by the Tamil Nadu Governor.
- The Court questioned the authority of the Governor to refer the mercy plea to the President as the Governor was bound by the aid and advice given by the Tamil Nadu Council of Ministers in September 2018 under **Article 161** of the Constitution.
- The court said that the Governor in the first place did not have the powers to transfer the mercy plea to the President and there was no role for the President in the case under the Constitution.
- The court also questioned the interests of the Centre to speak for the Governor.

Article 161

- Article 161 of the Constitution mentions the [Pardoning Power of the Governor](#).
- According to the Article, the Governor of a State has the power to grant pardons, reprieves, respites or remissions of punishment, or to suspend, remit or commute the sentence, of any person convicted of any offence against any law relating to a matter with respect to which the Legislature of the State has power to make laws.

Read more about the [Pardoning Powers of the President](#).

Nut Graf

Acknowledging that the President and Governor have been authorised with two distinct powers of mercy under Articles 72 and 161 respectively, the Supreme Court held that the Governor is bound by the State Council's advice under Article 161 and if the Governor has a different opinion, he has to send it back to the State.

C. GS 3 Related

Category: ECONOMY

1. The status of GST compensation dues

Syllabus: Indian Economy and issues relating to planning, mobilization, of resources, growth, and development

Mains: The status of GST compensation dues to States and the need for timely release of funds to the States.

Context

As the Prime Minister urged the states to cut taxes on fuel products, the States countered by saying that the pending GST compensation dues have made it difficult to lower fuel taxes.

GST compensation to the States

- The [GST regime](#) was implemented in 2016 which replaced the multiple State and Central levies and created a simplified tax system.
- This resulted in States losing several taxation powers and hence they were assured that revenue losses will be compensated for a period of five years.
- The compensation was to be calculated by assuming a 14% year-on-year growth over revenues from the State taxes subsumed in GST.
- The compensation cess fund has been accumulated by cess levies on sin and luxury goods like pan masala, tobacco, coal and cars.

Status of the outstanding GST compensation due to the States

- The Finance Ministry said that outstanding GST compensation dues to States for 2021-22 stood at ₹78,704 crores, equivalent to four months of such accruals.
 - This suggests that the dues have been remitted to States for the eight-month period between April and November 2021.
- Other than the ₹78,704 crores pending to States for the period of December 2021 to March 2022, compensation for the April to June period also needs to be processed.
 - Experts suggest that the total dues that remain to be paid to States are close to ₹1.4 lakh crores.
- The ministry last released GST compensation of ₹18,252 crores to the States in March 2022 and reiterated its inability to pay the dues immediately due to an 'inadequate balance' in the compensation cess collections fund.

Path ahead

- Experts feel that the record GST collections in the recent months might help the States to get a larger share of the GST collections.

- However, GST compensation cess collections are very less compared to the total GST collections.
- The Centre is expected to give States clarity on when the outstanding dues will be released as it helps States to plan better.
- The expected cessation of GST compensation inflows from July 2023 along with the timing of the release of the pending funds would impact the State borrowing plans.

Nut Graf

As the States are expected to increase their capital expenditure to boost the economic growth, the timely release of GST compensation from the Centre will help the States to plan and implement public infrastructure projects better.

D. GS 4 Related

Nothing here for today!!!

E. Editorials

Category: ECONOMY

1. RBI surprises with 40 bps rate increase, amid inflation ‘alarm’

Syllabus: *Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.*

Prelims: *Important terminologies- Repo rate, SDF, MSF and CRR.*

Mains: *Inflation pressures in the Indian economy- reasons and impact*

Context:

- The [Monetary Policy Committee \(MPC\)](#) in an off-cycle meeting has decided to increase the benchmark interest rates.

Details:

- The **repo rate has been increased** by 40 basis points (bps) to 4.4%. This development gains significance because this repo rate increase was the first since August 2018.

- The interest rate that the RBI charges when commercial banks borrow money from it is called the repo rate.



Image Source: The Hindu

- As part of the increases, the **standing deposit facility (SDF) rate** would become 4.15% and the **marginal standing facility (MSF)** and bank rate would be 4.65%.
 - Standing Deposit Facility (SDF) is a monetary tool that allows the [RBI](#) to absorb excess liquidity from the commercial banks, without an exchange of collateral like government-backed securities (G-Secs). The Reserve Bank of India had introduced a standing deposit facility as a measure aimed at normalising the course of accommodative monetary policy.
 - Marginal Standing Facility (MSF) is a provision made by the Reserve Bank of India through which scheduled commercial banks can obtain liquidity overnight if inter-bank liquidity completely dries up.
- RBI also raised the **Cash Reserve Ratio (CRR)** by 50 basis points to 4.5% so as to drain surplus liquidity in the economy.
 - Under the cash reserve ratio (CRR), the commercial banks have to hold a certain minimum amount of deposit as reserves with the central bank.

- Though the above measures are aimed at **withdrawing of accommodative policy** adopted during the economic disruption caused by the pandemic, notably however the MPC has retained its 'accommodative' policy stance.

Reasoning for the move:

- The main reason to increase the policy interest rates seems to be to **curb the accelerating inflation** levels.
- The inflationary pressures have been becoming acute both globally and at the domestic level.
 - The **International Monetary Fund in the April report** had noted that the war in Ukraine was poised to not only slow global growth in 2022 but would also cause inflation in both advanced as well as developing economies with the latter having to bear larger increases.
 - Domestic inflation too has been high in the recent past and is expected to be at elevated levels in the months to come as well. Indian households' perception and expectations of inflation have been running well **above the RBI's upper tolerance threshold of 6% for more than two years.**
- The Monetary Policy decision is in consonance with the objective of achieving the medium-term target for [consumer price index \(CPI\)](#) inflation of 4% within a band of +/- 2%.

Impact of high inflation:

Impact on the poor:

- Sustained high inflation has pronounced adverse effects on the poorer segments by eroding their **purchasing power.**

Impact of growth prospects:

- The sustained high domestic inflation does not augur well for the medium-term growth prospects of the economy.
- High inflation erodes consumers' purchasing power and **reduces demand in the economy.** It also **hurts savings and investment in the economy** which in turn affects competitiveness and output growth in the economy. Thus, high inflation could undermine economic recovery in the post-pandemic phase and push India into [stagflation](#).

Impact on financial stability:

- Letting inflation remain elevated at current levels for too long risked 'de-anchoring inflation expectations' and consequently **financial instability.**

Factors contributing to high inflation:

Geopolitical tensions:

- The **ongoing conflict in Ukraine**, sanctions on Russia and retaliatory actions have resulted in **shortages, volatility in commodity and financial markets and supply chain disruptions**. This has worsened the outlook for prices on a range of commodities, including wheat, edible oil, crude oil and coal.
- With no end in sight for the ongoing conflict, the downside risks from the geopolitical tensions have only risen.

Effect of policy normalization:

- The central banks in advanced economies led by the U.S. Federal Reserve have been pursuing a path of policy normalisation. This would lead to **high levels of volatility in capital flows and have a downward pressure on the Indian exchange rate**.
- The decreased rupee value would give rise to the risk of imported inflation.

Threat of second-round effects:

- Second-round effects emanate from the ability of price-setting firms and wage-setting labour to increase prices (whether through mark-ups or higher marginal costs) and wages, and therefore general prices of goods and services, in response to relative price shocks.

Uncertainty associated with the pandemic:

- The threat from the pandemic is not over yet and the **fresh wave of infections**, as seen in China, adds considerably to the uncertainty around inflation expectations.

Oil prices:

- **Crude oil prices** have reached record levels.
- Also, the **high taxes imposed on petroleum products** in India has resulted in high domestic pump prices of petroleum products which have had a substantial impact on inflation in India.

Challenges:

- A possible near-term impact of higher interest rates would be the adverse impact on output due to a **decrease in the availability of low-cost credit**.

Recommendations:

Other measures to tame inflation:

- While the move to increase the benchmark interest rates will help tame inflation to some extent, the RBI and fiscal authorities should also consider taking other possible measures including cutting fuel **taxes** to keep inflation levels low.

Address growth concerns as well:

- Also, to tame the adverse short-term impacts of the rate increase, the RBI should ensure the availability of **adequate liquidity to meet the productive requirements of the economy**. This will help keep inflation within the target range while supporting growth.

Nut Graf

The move to increase the benchmark interest rates is a welcome move given that the inflation rates had been rising. High inflation has a pronounced adverse effect on the poorer segments and also sustained high domestic inflation does not augur well for the medium-term growth prospects as well as financial stability.

2. Inflation control needs another model

Syllabus: Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.

Mains: Concerns with the current inflation targeting model; recommendations.

Context:

- Inflation has been a major point of concern in the recent past with **accelerating inflation pressure on the Indian economy**.
 - [Wholesale Price Inflation](#) has been in the double digits for over 12 months.
 - Consumer Price Inflation has been above the Reserve Bank of India (RBI)'s upper target of 6% for three months continuously.
- The Monetary Policy Committee in a bid to tame the inflation pressure has increased the repo rate by 40 basis points (bps) to 4.4%.
- In this context, the article critically evaluates the effectiveness of the RBI's policy of 'inflation targeting' in controlling inflation.

Background:

Understanding inflation and inflation targeting as per western models:

- As per the model adopted by Western central banks which has been in turn adopted by the Reserve Bank of India, **inflation reflects an excess of output over its 'natural' level.**
 - The RBI report of 2014 recommended a move to [inflation targeting](#).
- Inflation targeting involves raising the interest rate i.e. the rate at which the central bank lends to commercial banks. This increased rate of borrowing will push the firms to curtail their investment plans and reduce inventories, lowering production. This will help **decrease output** making it equal to the natural level of output thus easing inflation.

Concerns with the current approach:

Use of intangible parameters:

- It is very difficult to explicitly define the **natural level of production**. Something that cannot be visualized or measured cannot be used as an effective tool for financial stability.

Ignoring the domestic factors at play:

- Some studies and research have noted the influence of **prices of agricultural goods** and, to a lesser extent, **imported oil** on inflation in India.
- The model adopted by RBI neglects this salient aspect. The monetary policy of the RBI cannot control the price of agricultural goods nor that of imported oil.

Undesirable impact of monetary policy:

- The suppression of output comes at the cost of **depressed growth prospects and employment opportunities.**

Ineffectiveness:

- Monetary policy manoeuvres, typified by the RBI's raising of the repo rate are not an efficient solution for **agricultural price-driven inflation.**

Recommendations:

- Given that inflation in India is driven by agricultural goods prices, the focus should be on **increasing the supply of agricultural goods and ensuring their availability at affordable prices.** Access to cheap food will ensure the availability of a substantial share of a household's budget for spending on non-agricultural goods.
- Lasting inflation control would require placing agricultural production on a steady footing. Also, necessary measures need to be taken towards continuously **raising agricultural productivity.**

- Keeping in mind, the **shift in average consumption basket** towards foods rich in minerals, such as fruits and vegetables, and protein, such as milk and meat, the focus should be on such products along with staple cereals like rice and wheat.
- The **ill effect of continuously increasing procurement prices** driven primarily by political reasons needs to be understood and necessary measures taken to address these concerns.

Nut Graf

India needs to adopt a model for controlling inflation based on more relevant parameters keeping in mind the fact that inflation in India is more dependent on the prices of agricultural goods and imported oil.

F. Prelims Facts**1. List of gifts given by PM Modi to leaders of Nordic countries**

Syllabus: GS1, Indian Heritage and Culture; Salient aspects of Art Forms

Prelims: Various Indian art forms in news

Dokra

- **Context:** A Dokra boat from Chhattisgarh was gifted to the Crown Prince of Denmark.
- Dhokra is a non-ferrous metal casting process using the lost-wax casting technique.
- Lost-wax casting technique has been used in India for over 4,000 years and is still being used.
- **Process:** An image of the sculpture is made using wax and covered with a cast or a mould. The mould is heated, draining the wax out. Then, molten bronze is poured into the mould and cooled down. After a while, the cast is carefully broken to reveal the metal sculpture.

Rogan painting

- Context: A Rogan painting from Gujarat was gifted to the Queen of Denmark.
- Rogan art is a form of cloth printing practised in the Kutch district of Gujarat.
- The word 'Rogan' in Persian means varnish or oil.
- A paint made from boiled oil and vegetable dyes is used to paint the textiles.
- The painting is done by using either a metal block (printing) or a stylus (painting).
- The process of making a Rogan painting is labour intensive and requires skilful artisans.

- **Process:** Artists place a small amount of paint into their palms and the paint is carefully twisted into motifs and images using a metal rod that never comes in contact with the fabric. Next, the artisan folds his designs into a blank fabric, thereby printing its mirror image.

Banaras Meenakari

- **Context:** The Silver Meenakari Bird figure from Varanasi was gifted to the Crown Princess of Denmark.
- The art of silver enamelling has been practised in Varanasi for the last 500 years.
- The art has its roots in Persia.
- The most distinguishing feature of this art form is the use of pink colour in various shades on various products.
- The base is a silver sheet, which is fixed on a metallic base.
- **Process:** 'Meena' is ground to a fine powder and mixed with pomegranate seeds in water. Later, it is fixed on various parts of the product with a flat metallic tool called 'qalam'. Finally, the product is decorated with semi-precious stones and pearls.

The Tree of Life

- **Context:** The Prime Minister gifted the Brass Tree of Life from Rajasthan to his counterpart from Finland.
- The Tree of Life symbolizes the development and growth of life.
- The branches of this tree grow and develop upwards and contain various life forms representing inclusiveness.
- The roots of the tree depict the connection with the earth; the leaves & birds depict life and the candle stand depicts light.

Koftgiri Art

- **Context:** The PM gifts 'Dhaal' with Koftgiri art from Rajasthan to the PM of Norway.
- Koftgiri of Tarkashi on metal is a traditional art in India as a means of decorating Arms and Armour.
- Koftgiri craft is intended to enrich the surface of the metal of which the article is made.

Kutch Embroidery

- **Context:** The Prime Minister of Denmark received a wall hanging with Kutch embroidery as a gift.
- The Kutch Embroidery is a handicraft and textile signature art tradition of the tribal community of Kutch District in Gujarat.

- This embroidery with its rich designs has made a notable contribution to the Indian embroidery traditions.
- This embroidery is practised mainly by women and is usually done on cotton fabric, in the form of a net using silk or cotton threads of myriad hues. Certain patterns are also crafted over silk and satin.
- The signature effect of the colourful embroidery sparkles when small mirrors called 'abhla' are sewn over the geometrically shaped designs.

Pashmina stole

- **Context:** The PM presented a Pashmina stole from Jammu and Kashmir to the PM of Sweden.
- Pashmina stoles are a symbol of luxury and elegance.
- Kashmiri Pashmina stoles are known for their rare material, exquisite craftsmanship and reminiscent designs.
- The wool used for making Pashmina stoles comes from a special breed of Kashmiri goat found in the high altitude regions of the Himalayas.
- The pashmina wool is produced by the people known as the Changpa, a nomadic people who inhabit the region.

2. Shigella Sonnie bacteria

Syllabus: GS3, Science and Technology - developments and their applications and effects in everyday life.

Prelims: Shigella Sonnie Bacteria

Context

The Kerala government seeks to contain the spread of the Shigella bacteria.

Shigella sonnie Bacteria

- Shigella bacteria is known to cause an infection called shigellosis.
- People with Shigella infection experience diarrhoea (sometimes bloody), fever, and stomach cramps.
- No vaccines are available against Shigella infections.
- The best method of prevention against shigellosis is through frequent handwashing with soap and water.
- Shigella bacteria is said to be developing antibiotic-resistant capabilities.

- Due to the increasing rate of multidrug resistance in Asian and African regions, shigellosis has been classified as a medium priority for research and development of new and effective antibiotic treatments by the WHO Priority Pathogens List of antibiotic-resistant bacteria.

G. Tidbits

1. ISRO plans mission to Venus by Dec. 2024

- After missions to the moon and Mars, ISRO plans to send a spacecraft to orbit Venus.
- The objective of the mission would be to study what lies below the surface of the hottest planet in the solar system and also unravel the mysteries under the sulphuric acid clouds enveloping it.
- The ISRO Chairman said that the Venus mission has been conceived and has urged scientists to focus on high impact outcomes.

2. Highest sex ratio at birth in Ladakh

- Ladakh has recorded the highest sex ratio at birth in the country in 2020 according to a report based on the 2020 Civil Registration System report.

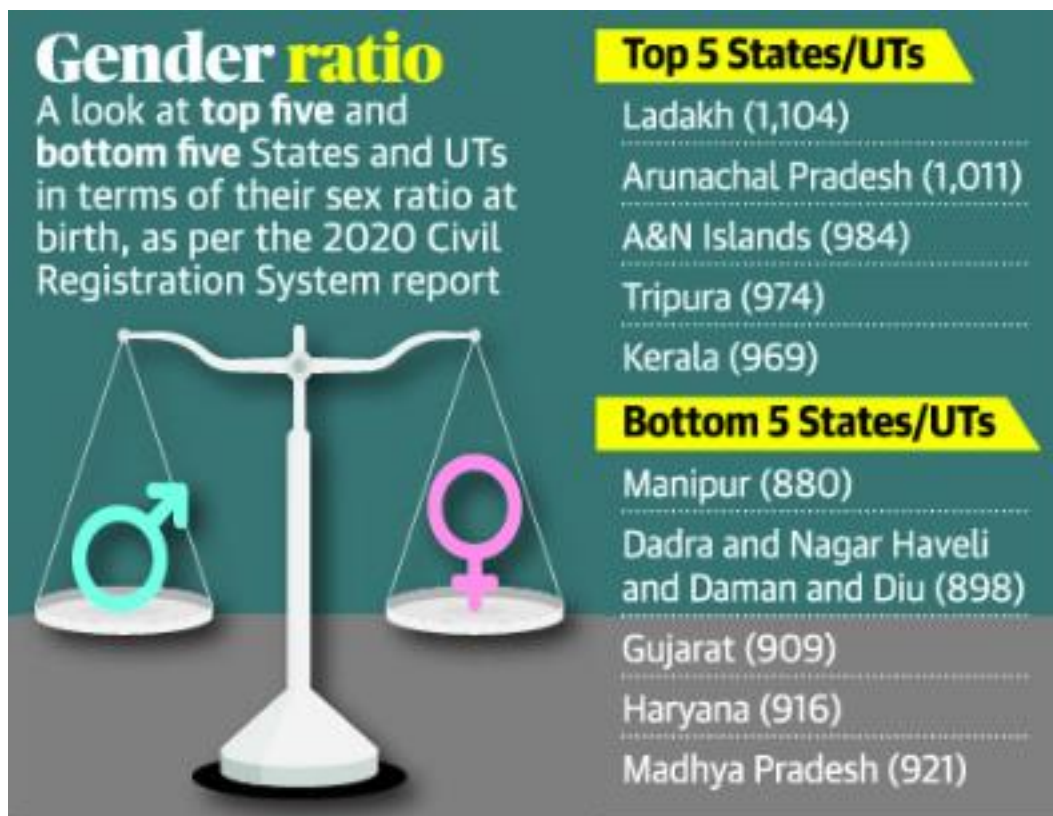


Image source: The Hindu

3. North Korea fires ballistic missile

- North Korea has fired a ballistic missile a week (May 2022) after its leader vowed to boost the country's nuclear arsenal.
- North Korea has conducted 14 weapons tests since January 2022, including firing an intercontinental ballistic missile at the full range for the first time since 2017.
- The move is criticised as a “blatant violation of UN Security Council resolutions” by South Korean officials.

H. UPSC Prelims Practice Questions

Q1. Consider the following pairs:

Tiger Reserve	State
1. Achanakmar	Chhattisgarh
2. Anamalai	Tamil Nadu
3. Kawal	Telangana

Which of the above pairs is/are correctly matched? (Level: Easy)

- 1 and 2 only
- 2 and 3 only
- 1 and 3 only
- 1, 2 and 3

Answer: d

Explanation:

Tiger Reserve	State
Achanakmar Wildlife Sanctuary	Chhattisgarh
Anamalai Tiger Reserve (Indira Gandhi Wildlife Sanctuary and National Park)	Tamil Nadu
Kawal Tiger Reserve	Telangana

- All the pairs are matched correctly. Hence **option d** is correct.
- To know more about the list of [Tiger Reserves in India](#), check the link.

Q2. With respect to the Protection of Children from Sexual Offences Act, 2012, (POCSO Act), which of the following statements is/are correct?

- There is no time or age bar for reporting sexual offences under the POCSO Act.
- It is a gender-neutral law.

Options: (Level: Medium)

- 1 only
- 2 only
- Both
- None

Answer: c

Explanation:

- Statement 1 is correct**, in 2018, the Union Ministry of Law and Justice has clarified that there is no time or age bar for reporting sexual offences under the POCSO Act.
- Statement 2 is correct**, “Children” according to the Act are individuals aged below 18 years and the Act is gender-neutral, i.e. it is applicable to both male and female genders.

Q3. Consider the following statements with respect to the Sahitya Akademi Award:

1. It is the highest literary award in India.
2. The literary work should be written by an Indian and published in India.
3. It is awarded to writers who write in one of the “scheduled languages” only.

Which of the statements given above is/are incorrect? (Level: Medium)

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

Answer: c

Explanation:

- **Statement 1 is not correct**, The Sahitya Akademi award is the **second-highest literary award** by the Government of India, after the Jnanpith award.
- **Statement 2 is correct**, The literary work should be written by an Indian and published in India.
- **Statement 3 is not correct**, It is conferred annually on 24 writers for their outstanding original literary works published in 24 Indian languages recognised by the Akademi.
 - Sahitya Akademi has recognised English and Rajasthani apart from the 22 languages enumerated in the Indian Constitution.

Q4. The Bay of Pigs Invasion is related to which amongst the following countries? (Level: Easy)

- a. Cuba
- b. Iran
- c. Libya
- d. Ukraine

Answer: a

Explanation:

- The Bay of Pigs invasion was a failed landing operation in **Cuba** in 1961 by Cuban exiles who opposed the Cuban Revolution.
- The invasion was also the first CIA attempt to assassinate Fidel Castro, a Cuban revolutionary who led Cuba from 1959 to 2008.

Q5. With reference to furnace oil, consider the following statements: [UPSC 2021]

1. It is a product of oil refineries.
2. Some industries use it to generate power.
3. Its use causes sulphur emissions into the environment.

Which of the statements given above are correct? (Level: Medium)

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

Answer: d

Explanation:

- **Statement 1 is correct**, Furnace oil is a dark viscous residual fuel obtained by blending heavier components of crude oil and is produced as a product of crude oil refineries.
- **Statement 2 is correct**, Furnace oil is used in heating up homes, producing steam for industrial uses and for generating electric power.
- **Statement 3 is correct**, Furnace oil contributes to high Sulphur-di-oxide (SO₂) emissions and secondary sulphate formations as particulate matter (PM).

I. UPSC Mains Practice Questions

1. Write a short note on the pardoning powers of the Governor of a state in India and draw a comparison with the pardoning powers given to the President of India. (250 words; 15 marks) (GS II - Polity)
2. What is GST compensation cess? Does the demand by the state governments to extend GST compensation by 5 more years have merit? (250 words; 15 marks) (GS III - Economic Development)