

01 Jul 2022: UPSC Exam Comprehensive News Analysis



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A. GS 1 Related

Nothing here for today!!!

B. GS 2 Related

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C. GS 3 Related**Category: ECONOMY****1. The free fall of the rupee**

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

Prelims: *Factors that determine the value of the currency*

Mains: *Reasons for the fall in the value of the rupee and its impact on the economy*

Context

The Indian rupee has reached an all-time low against the U.S. dollar.

Details

- The Indian currency has weakened past the 79 rupee mark against the U.S. dollar.
- Experts predict that the rupee will further weaken in the coming days.
- The International Monetary Fund ([IMF](#)) expects the rupee to weaken past the 94 rupees to a dollar mark by FY 2028-2029.

Decline in the value of the Rupee and forex reserves

- The Indian rupee has experienced a constant decline in its value since the start of 2022, losing more than 6% against the U.S. dollar.
- Forex reserves of the country have also declined below the \$600 billion mark.
 - Forex reserves of India witnessed an all-time high of \$642 billion in September 2021 and there has been a drop of more than \$50 billion since then.

- The decline in the [forex reserves](#) is said to be due to measures undertaken by the Reserve Bank of India (RBI) to support the rupee, but the RBI officials have said that the decline is because of a fall in the dollar value of assets held as reserves by the RBI.
 - **Example:** If a portion of the reserves are in euros and if the value of the euro declines against the dollar, this would result in a drop in the value of forex reserves.

The factors that determine the value of the Rupee

- The value of currencies is determined by the demand and supply of the respective currency.
 - An increase in the demand for the currency increases its value.
 - Whereas, an increase in the supply of the currency decreases its value.
- In advanced economies, central banks determine the supply of currencies and the demand for currencies is dependent on the number of goods and services produced in the economy.
- In the forex market, the supply of rupees is dependent on the demand for imports and other foreign assets.
 - If there is a high demand to import a commodity, then there will be an increase in the supply of rupees in the forex market, this will result in a decline in the value of the rupee.
 - If there is a demand for Indian exports and other domestic assets, there will be an increased demand for rupees in the forex market.
 - Further, if there is an increased interest among the foreign investors to invest in India, there will be an increase in the supply of dollars in the forex market which eventually increases the rupee's value against the dollar.

Reasons for the fall in the value of the Rupee

- The U.S. Federal Reserve has been increasing its benchmark interest rates since March 2022. This has forced the investors to pull away capital back into the U.S from emerging markets like India to gain higher returns.
 - This has put pressure on the currencies of the emerging markets and has caused their currencies to depreciate significantly against the U.S. dollar.
 - Further, the value of developed market currencies like the euro and the yen has also depreciated against the dollar as the dollar index has increased by over 9%.
 - Experts point out that the RBI's decision to increase the rates in May 2022 was to defend the rupee by discouraging the swift outflow of capital from India.
 - Similarly, in 2013, the rupee witnessed a 15% drop against the dollar as the investors were worried about the US Federal Reserve's move to cut down its bond purchase program that had helped keep long-term interest rates low.
- Another key reason is the widening [current account deficit](#) of India.
 - The current account deficit is predicted to reach a 10-year high of 3.3% of GDP in the current FY23.

- This suggests that India's import demand in the wake of increasing global oil prices will adversely impact the value of the rupee unless foreign investors invest capital into the country to fund the deficit. However, it is unlikely that foreign investors will invest capital into the country when investment yields are increasing in the U.S.
- High domestic price inflation in India is also a key reason for the fall in the value of the rupee.
 - This means that the RBI has been creating rupees at a much faster rate as compared to U.S. Federal Reserve creating dollars.
 - This difference in the rate at which both the currencies are created also plays an important role in determining the value of the rupee in the long term.

Impact of the fall in the value of the Rupee

- A fall in the value of the rupee means that the imports of the country become costlier which will fuel [inflation](#).
 - It impacts the import-oriented industries like oil, gas and chemicals negatively.
 - This will make oil and other imported components costlier, which will fuel inflation.
- The fall in the value of the rupee also impacts companies which pay royalties to foreign companies for franchises in India.
- There will be an increased outflow of Foreign Portfolio Investments (FPI) thereby affecting the forex reserves and the equity market of the country.
- Auto, real estate, and infrastructure sectors would be severely affected.
- Travellers and students studying abroad will have to spend more rupees to buy dollars from banks.

Way forward

- The RBI has tried to slow down the depreciation of the rupee instead of preventing the fall in the exchange value of the rupee against the U.S. dollar.
- The main aim of this policy of RBI is to help the rupee find its natural value in the market without undue volatility or causing unnecessary panic among investors.
- RBI would direct the State-run banks to sell dollars to offer support to the rupee.
- By selling dollars in the market in exchange for rupees, the RBI can improve demand for the rupee and hence increase its value.

Nut graf: *The depreciation in the value of the rupee requires immediate attention and interventions from the policymakers and the central bank as the fall in the value of the rupee is detrimental to the overall health of the economy.*

Category: INFRASTRUCTURE

1. A road safety quartet and the road ahead

Syllabus: Infrastructure: Roads

Mains: The government interventions on road safety in India and the need for interventions on key risk factors of road safety

Context

New Lancet study on fatal road injuries.

Background

For the background on the issue refer to the following article:

[UPSC Exam Comprehensive News Analysis dated 30 June 2022](#)

Details

- The significantly high annual death rate due to road accidents raises questions about India's ability to meet the [Sustainable Development Goal \(SDG\)](#) 3.6, which aims to decrease the fatalities and injuries due to road traffic accidents by 50% by 2030.
- The United Nations is conducting a high-level meeting on Global Road Safety to review the progress and challenges.

Findings of the Lancet study

- Over 14 lakh people die due to traffic accidents every year and about five crore are injured worldwide.
 - More than 50% of those killed are pedestrians, cyclists and motorcyclists.
- It is said that Low and Middle-Income Countries (LMIC) are the most affected countries due to high economic costs which accounted for an average of 3-5% of their GDP in 2014.
- The study proposes that India and other countries could decrease the accident-related deaths by about 25 to 40% by undertaking preventive interventions on four risk factors such as:
 - High speeding
 - Drunk driving
 - Improper use of helmets
 - Not wearing seat-belts and not using child restraints
- The study has used common predictors for individual countries like the GDP per capita, population density, and governmental effectiveness measured through the Worldwide Governance Indicators, to prepare a statistical estimate of how interventions on the identified risk factors would influence injuries and death.

The need for interventions on the four key factors of safety outcomes

- A statistical model has been developed using the Global Burden of Disease data to predict the number of lives that could be saved with interventions.
- About 20,554 lives could have been saved in India with a reduction in speeds.
 - 5,683 with helmet interventions
 - 3,204 with seatbelts
 - The estimate for drunken driving was not available for India as the percentage of total deaths due to alcohol consumption calculations were found to be unstable
- The study calculates that 17% of road traffic injury-related deaths in LMICs can be prevented if trauma care facilities are enhanced.
 - It notes that many accidents occur in rural areas on highways, and the victims are treated at inadequately equipped district hospitals or medical college hospitals.
- The study also suggests that structural problems linked to unplanned motorisation and urbanisation are a key cause of concern in India.
- It says that speedy highway construction without accommodating fast and slow-moving traffic, the presence of faulty vehicles, rampant wrong-side driving, inadequate police forces, and poor trauma care in rural centres result in high death and disability rates.
 - As per the Transport Ministry, over 65% of fatalities in road accidents in 2019 were in rural areas and the densely populated urban areas accounted for 32.9% of deaths.
 - This requires better engineering and enforcement of traffic rules to cut fatalities in the current decade.

Various interventions undertaken in India to address the challenges with road safety

- The government has introduced the [Road Safety and Motor Vehicles \(Amendment\) Act 2019](#)
- Other interventions include the recommendations made by the [Sundar Committee \(2007\)](#) and directions by the Supreme Court in the S. Rajasekaran vs Union of India case.
 - The interventions include the establishment of an apex national body for road safety, and fixing the decentralised responsibility at the district level.
 - The Sundar Committee highlighted the fact that India lacked adequate technical competence in investigating the cause of accidents.
- The National Road Safety Board Rules, 2021, provide for the formation of technical working groups that include aspects such as crash investigation and forensics.
- However, the study notes that these interventions have largely been inadequate in addressing the problems of road safety in India mainly due to the problems in the enforcement of these legislations.

Nut graf: As accident-related deaths have severe socio-economic consequences on society, the government must undertake interventions in terms of slowing down traffic near habitations, segregation

of slower vehicles, stringent enforcement of seatbelt and helmet use and cracking down on drunken drivers to make the roads of the country safer.

D. GS 4 Related

Nothing here for today!!!

E. Editorials

Category: INTERNATIONAL RELATIONS

1. Home and abroad

Syllabus: Important International institutions, agencies and fora- their structure, mandate.

Mains: Key outcomes of the G7 summit and its significance to India

Context

G7 annual summit 2022.

48th G7 annual summit

- The Group of Seven, famously known as “G7”, is an inter-governmental political forum consisting of the world's “most industrialised” countries namely Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.
- The Group of Seven was formed in 1975 in the backdrop of the 1973 energy crisis.
- Recently, the 48th G7 Summit was held in Germany.
- The Prime Minister of India attended the summit along with leaders from Argentina, Indonesia, Senegal, and South Africa as special invitees.

Know more about [G7 countries and summits.](#)

Key outcomes of the summit

- The launch of a \$600 billion worth Partnership for Global Infrastructure and Investment (PGII).
 - This initiative is said to compete with China's [Belt and Road Initiative](#)
 - The initiative aims to fund projects aimed at bettering a wide range of infrastructure such as roads and harbours in far-flung corners of the world
- Commitments to tackling climate change.

- G-7 leaders are expected to work with partners to establish a “Climate Club”
- This also includes funding renewable energy sources
- Efforts were also undertaken to mitigate the rising inflation and manage the global economic crisis caused due to the COVID-19 pandemic.
- The summit also highlighted the challenges to the international order like the impact on energy markets and cybersecurity resulting due to the [Russia-Ukraine war](#).
 - The G7 leaders also talked about tightening sanctions on Russia.
- The G7 leaders also discussed the challenges of China’s expansive maritime claims, human rights violations, and its debt-trap diplomacy in lower-income countries.
- The summit also resulted in the issue of statements regarding resilient democracies, commitment to free and fair elections, safeguarding freedom of expression, and gender empowerment.

India and the G7 summit

- The Prime Minister of India said that the developing countries would need increased support in addressing the ripple effects of the Russia-Ukraine conflict.
- India also sought to distance itself from the PGII initiative which is regarded as a counter to China’s Belt and Road Initiative.
 - Earlier in the [BRICS](#) summit, India had stayed away from Russia and China’s strong criticism of the West.
- The Indian government has also clarified that India had signed only those statements on “Resilient Democracies” and “Just Energy Transition”, and not other statements which are against Russia and China.
 - India once again clarified its position on the conflict in Ukraine amid pressure from the Western countries at the G7 summit.
- The Indian Prime Minister, at the summit, also offered the G7 countries to invest in India’s emerging green and clean energy market.
- The Indian Prime Minister also made pronouncements regarding democracy and provided written assurance that his government will safeguard civic societies, freedom of expression of thought, conscience, religion and belief.

***Nut graf:** India’s attendance in the latest G7 summit amid the existing geopolitical complexities and uncertainties has gained significance as India continues its 'walk the tightrope' approach and looks to protect its national interests and preserve its relations with the countries of the West as well as with Russia.*

2. Fallout of policy failure

***Syllabus:** Effect of policies and politics of developed and developing countries*

Mains: *The problem of illegal migration in the U.S.*

Context

Several immigrants were found dead in an abandoned tractor-trailer in San Antonio, Texas.

Details

- It is said that these migrants were hailing from Mexico, Honduras, Guatemala, and El Salvador.
- It is claimed that they died due to the extreme temperatures inside the truck, in the wake of a severe heat wave.
- Mexican officials have claimed that the truck passed through a federal immigration checkpoint within the territory of the U.S. but it was not inspected.

The problems with illegal migrants in the US

- Despite the extreme temperature, border crossings have remained very high on the southern border of the US.
- In May 2020, the U.S. Border Patrol encountered 23,237 migrants, and the number in May 2022 was 2,39,146.
- As over 20,000 trucks pass through the commercial corridor from Laredo to San Antonio every day, and even more in the U.S.-Mexico crossing routes, there is an extreme shortage of manpower and surveillance systems.
- Further, the Democrats and Republicans have failed to reach a consensus on undertaking a comprehensive immigration reform.
 - The Democrats have argued on issues like extending citizenship for law-abiding undocumented workers in the U.S. who meet certain conditions, including Deferred Action for Childhood Arrivals.
 - The Republicans remain focused mainly on restricting the entry of undocumented migrants into the U.S.

Nut graf: *The humanitarian issue of migrants escaping poverty, violence and degradation of society in their homeland has been a constant problem to the US administration and there is an urgent need for the US Congress to introduce a well-funded and comprehensive immigration policy.*

F. Prelims Facts

1. Snake Island

Syllabus: *GS-1, Geography; World's physical geography*

Prelims: Snake Island**Context**

Russian troops have withdrawn from Snake Island in Ukraine.

Snake Island

Image Source: BBC

- Snake Island which is also referred to as Serpent Island or Zmiinyi Island, is an island located in the Black Sea and belongs to Ukraine.

- It is an “X-shaped” island situated about 25 miles off the southern coast and is a critical outpost for controlling shipping lanes.
- Snake Island lies close to the mouth of the River Danube, which delineates Romania's border with Ukraine.
- The bedrock of the island consists of Silurian and Devonian sedimentary rocks.
- The closest coastal location to the island is Kubanskyi Island on the Ukrainian part of the Danube Delta.
- The status of Snake Island is of significance for the delimitation of the continental shelf and exclusive economic zones between Romania and Ukraine.

G. Tidbits

1. Modified PSLV places three foreign satellites into orbit

- The PSLV-C53 of the Indian Space Research Organisation ([ISRO](#)) placed three Singaporean satellites into their intended orbits in the second dedicated mission for the commercial arm of ISRO, New Space India Limited (NSIL).
- The mission also served an additional purpose for ISRO by using its fourth stage PSLV-4th stage “PSLV Orbital Experimental Module (POEM)” as a stationary platform in orbit to conduct scientific experiments.
- ISRO is expected to take over the PS-4 stage and give it the energy to do some cost-effective experiments in orbit that can satisfy the growing demand from startups, and the student and scientific communities.

2. Concern over shortage of leprosy drug in private sector

- The private sector in India is facing a shortage of Clofazimine which is a key drug for the treatment of leprosy and the alternative drugs are very expensive and are not feasible.
 - Clofazimine is one of the three essential drugs in the Multi-Drug Treatment of Multibacillary Leprosy (MB-MDT) cases, along with Rifampicin and Dapsone.
- Clofazimine has shown activity against MultiDrug Resistant Tuberculosis and has been recommended by the WHO to treat drug resistance.
- Studies show that India reports over 1,25,000 new patients of leprosy every year.
- The shortage of Clofazimine is seriously affecting the Indian Leprosy Treatment scenario as dermatologists and leprologists are facing a serious challenge in treating leprosy patients.

H. UPSC Prelims Practice Questions

Q1. Consider the following statements with respect to Anthrax: (Level – Difficult)

1. Anthrax is a serious infectious disease caused by gram-negative, rod-shaped bacteria known as *Bacillus anthracis*.
2. It mainly affects animals. Humans can be infected through contact with an animal or by inhaling spores.

Which of the statements given above is/are incorrect?

- a. 1 only
- b. 2 only
- c. Both
- d. None

Answer: a

Explanation:

- **Statement 1 is not correct**, Anthrax is a serious infectious disease caused by **gram-positive**, rod-shaped bacteria known as *Bacillus anthracis*.
- **Statement 2 is correct**, Anthrax mainly affects livestock and wild animals and humans can become infected through direct or indirect contact with sick animals or by inhaling spores.

Q2. Which of the following statements is/are correct? (Level – Medium)

1. The Polar Satellite Launch Vehicle (PSLV) is a four-stage rocket.
2. The PSLV Orbital Experimental Module (POEM) is a platform that will help perform in-orbit experiments.
3. POEM will derive its power from solar panels mounted around the PS4 tank, and a Li-Ion battery.

Options:

- 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,** The Polar Satellite Launch Vehicle (PSLV) is a four-stage rocket that alternately utilizes solid & liquid propulsion systems.
- **Statement 2 is correct,** The PSLV Orbital Experimental Module (POEM) is a platform that will help perform in-orbit experiments using the final stage of ISRO's PSLV.
- **Statement 3 is correct,** POEM will derive its power from solar panels mounted around the PS4 tank, and a Li-Ion battery and it will navigate using four sun sensors, a magnetometer, gyros and NavIC.

Q3. With respect to the National Security Council (NSC), which of the following statements is/are correct? (Level – Medium)

1. The NSC was established in 1998 by the government of AB Vajpayee.
2. Before the NSC was formed, these functions were carried out by the Cabinet Secretary.
3. The NSC is headed by the National Security Advisor (NSA).

Options:

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

Answer: a

Explanation:

- **Statement 1 is correct,** The NSC was established in 1998 by the government of AB Vajpayee.
 - Brajesh Mishra served as the country's first National Security Advisor (NSA).
- **Statement 2 is not correct,** Before the NSC was formed, these functions were carried out by the **Principal Secretary to the Prime Minister**.
- **Statement 3 is not correct,** The NSC is headed by the **Prime Minister**.
 - NSA is the Secretary of NSC.

Q4. Snake Island recently seen in the news is part of (Level – Easy)

- a. Japan
- b. Vietnam
- c. Ukraine
- d. Sweden

Answer: c

Explanation:

- Snake Island which is also referred to as Serpent Island or Zmiinyi Island, is an island located in the Black Sea and belongs to **Ukraine**.
- Snake Island lies close to the mouth of the River Danube, which delineates Romania's border with Ukraine.

Q5. With reference to “Gucchi” sometimes mentioned in the news, consider the following statements: (Level – Difficult)

1. It is a fungus.
2. It grows in some Himalayan forest areas.
3. It is commercially cultivated in the Himalayan foothills of north-eastern India.

Which of the statements given above is/are correct?

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

Answer: c

Explanation:

- **Statement 1 is correct**, Guchhi mushroom is a species of fungus in the family Morchellaceae of the Ascomycota.
- **Statement 2 is correct**, Guchhi mushroom is grown in some Himalayan forest areas.
- **Statement 3 is not correct**, Gucchi mushrooms **cannot be cultivated commercially** and instead they grow in the wild only.
 - They grow in conifer forests across temperate regions, and the **foothills of Himachal Pradesh, Uttaranchal, and Jammu and Kashmir**.

I. UPSC Mains Practice Questions

1. [Why is the rupee falling and how will it impact the Indian economy and people? \[GS-3, Economy\] \(150 words, 10 marks\)](#)
2. [Discuss the controversies surrounding film censorship in India. \[GS-2, Polity\] \(150 words, 10 marks\)](#)

