

## 7 Dec 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. Europe's concerns about the U.S. IRA

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

*Mains: The new Inflation Reduction Act of the U.S. and its associated concerns*

#### Context

The U.S. in August 2022 introduced its landmark new Inflation Reduction Act (IRA) which acts as a basis for federal spending.

#### Inflation Reduction Act (IRA) of the U.S.

- IRA is a \$430 billion package of federal spending, tax breaks, credits, and levies that aims to combat climate change, rationalise healthcare spending, and mandate larger firms to pay their fair share in taxes.
- IRA is also said to be a scaled-down version of the U.S.'s ambitious Build Back Better plan which failed to get the approval of the Senate in 2021.
- Apart from addressing the issue of inflation, IRA also encompasses one of the biggest climate action packages in U.S. history.
  - The Act earmarks \$370 billion for climate-related funding and investments which are aimed at reducing the emissions by about 40% below 2005 levels by 2030.
  - Further, the Act integrates climate action goals with industrial policy to bring about a shift towards cleaner energy by encouraging domestic manufacturing of clean energy components.

#### Key features of the IRA

- The Act aims to reduce the dependence of the U.S. on China for materials and components for the clean energy industry.
- To provide momentum to the clean energy development in the U.S., the Act extends various consumer and industry-side incentives.
- In order to encourage the use of [electric vehicles](#) (EVs) and secure the domestic supply chains for EV manufacturing, there has been a change in the federal tax incentive policy for EVs.
  - As per the Act, only passenger EVs that are assembled in North America are eligible for a \$7,500 tax credit incentive.
  - Further, the buyers of used EVs would be eligible for a \$4,000 tax credit if at least 40% of the critical minerals used in the car batteries are extracted, processed and recycled in North America or a country having a [Free Trade Agreement \(FTA\)](#) with the US.
- The IRA also offers a \$10 billion investment tax credit to develop clean technology manufacturing facilities, \$2 billion in grants for redeveloping and reconstructing existing auto manufacturing facilities to make zero-emission vehicles, and close to \$20 billion in loans to develop new EV manufacturing facilities across the country.
- Additionally, the Act also offers billions in federal procurement to American-made clean technologies.

**For more information about the Act refer to the following article:**

**[UPSC Exam Comprehensive News Analysis dated 11 Aug 2022](#)**

### **Europe's concerns**

- The countries of the [European Union](#) (EU) have expressed concerns about the IRA tax credits and subsidies to EVs and other green products manufactured in North America and FTA partner countries at a time of a prevailing energy crisis on account of the Russia-Ukraine war.
- The European countries believe that the Act puts the European companies at a disadvantageous position and can force these companies to shift the critical processes of their supply chains to America.
- The new green plan "Fit for 55" of the EU also aims to reduce the CO2 emissions from cars by 55% and vans by 50% by 2030 and all emissions from cars by 2035 and this would require a significant increase in the uptake of EVs.
  - As per the International Energy Agency (IEA), 9 out of the top 10 countries by share of EVs in the total car stock are in Europe.
  - The EU will benefit from the increased uptake of EVs as it would help local automakers to ramp up manufacturing. However, the introduction of the IRA has given rise to fears of automakers shifting to the U.S. and other American countries.
- Experts believe that the concerns of Europe are genuine as various automakers, battery makers and energy-based firms have already announced or shown interest in expanding their presence in America.

- Example: A Swedish battery maker named Northvolt which was all set to establish a [lithium-ion battery](#) factory in Germany, has now said that after the IRA, it could get close to 800 million euros in U.S. state subsidies, which was about four times what the German government was offering.
- Further, the French President has described the IRA as “super aggressive” toward European companies and had hosted the leader of various European companies and had tried to convince them to not shift their manufacturing to America.
- Apart from the European countries, countries such as South Korea and Japan have also raised similar concerns.

### U.S.’s stand

- At a recent joint press conference with the French President, the President of the US said that there was room for improvement of the IRA to ensure that European countries also participate and also said that the US “never intended” to exclude cooperating countries.
- However, the President of the US clarified that the “U.S. makes no apology” for promoting and ramping up domestic American manufacturing and would continue to create jobs for its people.

***Nut graf:** In the wake of the Russia-Ukraine war and the harsh winter, Europe's high energy dependence on Russia has resulted in severe energy shocks causing energy shortages and skyrocketing power prices. The introduction of the IRA by the U.S. at this moment has aggravated the concerns of the European countries as they believe that the clean energy subsidies under the IRA are discriminatory to non-American companies.*

### Category: GOVERNANCE

#### 1. How is TRAI proposing to help callers identify spammers?

***Syllabus:** Government policies and interventions for development in various sectors and issues arising out of their design and implementation*

***Prelims:** About TRAI*

***Mains:** Details about the Calling Name Presentation (CNAP) feature of TRAI and its significance*

### Context

The [Telecom Regulatory Authority of India \(TRAI\)](#) recently released a consultation paper for comments with respect to the introduction of a Calling Name Presentation (CNAP) feature.

## Details

- The Calling Name Presentation (CNAP) feature would help individuals by providing information about the calling party similar to the applications such as “Truecaller” and “Bharat Caller ID & Anti-Spam”.
- The main objective of introducing the CNAP feature is to ensure that telephone subscribers would be able to make informed choices about incoming calls and put a check on harassment by spam callers.

## The need for CNAP feature

- As the subscribers are not provided with the name and identity of the caller, individuals sometimes might not answer such calls believing that it could be commercial calls from unregistered telemarketers. This can lead to various instances where even genuine calls are left unanswered.
- Further, concerns have been raised about robocalls (automatic calls made using IT-enabled systems), spam calls and fraudulent calls.
- As per Truecaller’s “2021 Global Spam and Scam Report”, the average number of spam calls per user per month was about 16.8 in India and the total spam volumes received by its users were more than 3.8 billion calls in October alone.
- Users currently rely on in-built features or third-party applications that present the number of the calling entity to identify spam calls.
  - However, TRAI believes that the data from such applications cannot be reliable as they are from crowd-sourced data.

## Concerns about privacy

- Experts have raised concerns about how the CNAP feature would balance the caller’s right to remain anonymous which is a key component of the [right to privacy](#).
- The right to remain anonymous becomes essential as individuals might opt to remain anonymous for various reasons such as whistle-blowers or employees being harassed.
- Experts have observed that the customers/users provide their consent only to their operators when completing the prerequisite KYC formalities for a connection and hence it would be ideal that a framework for the feature is developed on similar lines instead of hosting the data on a centralised database operated by a third party which is one of the proposed mechanisms.

## Other concerns

- Earlier, telemarketers were mandated to register themselves as promotional numbers, which made it easier to identify and block such numbers. However, telemarketers have now started recruiting people who are “at-home workers” and are not part of the entity.



- These workers are provided SIM cards that are not registered to a particular entity but are registered to the individuals themselves, making it difficult to identify such numbers.
- Experts feel that the feature of presenting the identity would not mean much and the system would have a significant impact only when the mechanism of identifying and marking is completely developed and hundreds of people utilise the system.

**Nut graf:** *With the number of spam, promotional and fraud calls increasing significantly in the country, TRAI is looking to introduce a Calling Name Presentation feature that displays the name of the caller on mobile phones. However, experts feel that the government must also undertake steps to promote digital literacy and digital skilling of the citizens in order to reduce the harassment of consumers from such unwanted calls.*

### C. GS 3 Related

*Nothing here for today!!!*

### D. GS 4 Related

*Nothing here for today!!!*

### E. Editorials

**Category: ECONOMY**

#### 1. Scenarios for the future of India, and the world

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

**Mains:** *Various forecasts and scenarios of the future of the Indian as well as the global economy.*

#### Context

This article talks about the relevance and impact of predictions and forecasts of economists on the economic growth of nations.

#### Forecasts and predictions on economic growth

- Making predictions of the long term, annual, and quarterly economic growth of nations has become a lucrative industry that employs several economists, researchers, analysts, and commentators.
- The fast growth of [BRICS](#) economies was predicted by economists at the turn of the millennium and this prediction has had a significant impact on the public imagination and on corporate investments.
- However, experts of the [World Economic Forum \(WEF\)](#) say that economists in the 1980s had forecasted that the 21st century would be Japan's based on the remarkable post-war performance of Japan and very few had predicted/forecasted the collapse of the Soviet Union or the remarkable growth of China.
- Further, the forecasts by economists do not compute the impacts of social conditions and domestic politics on economic policies whereas the strategic thinkers in the Shell Oil company had predicted the collapse of the Soviet Union and the integration of the Russian economy with the West using various "scenario planning" methods.
  - By using such various scenario planning methods, Shell companies had redirected billions of dollars of investments and had gained a strategic advantage over others.

### Scenario planning exercise

- The key aspect which distinguishes scenario planning from other forecasting methods is "systems thinking".
- Systems thinking exercises include subjective perceptions of poverty and inequality, and also concerns about the institutions of governance, which are not considered by economists.
- Unlike other methods, the scenario planning method does not start with the data but it begins by hearing diverse points of view about the trends in a complex system and understanding the undercurrents that will surface and disrupt predictions made.
- Scenarios predict the possible changes in the country's economy in the future depending on changes in social and political conditions with economic growth.
- Acknowledging the requirements of its members, WEF started a "scenario planning" exercise for the BRICS countries in 2004.

### Scenarios of the Indian Economy

- WEF joined hands with the [Confederation of Indian Industry \(CII\)](#) to prepare scenarios for India's growth.
- The "India and the World: Scenarios to 2025" which was published by WEF/CII in 2005 had projected three scenarios of India's future based on India's economic policies.
- The first scenario was labelled "**BollyWorld**": This scenario identified various forces which would affect the growth in the future if not addressed in a timely manner.

- This scenario also indicated that the opening of the economy created more opportunities for private enterprises and significantly increased the wealth of the top 1% of millionaires.
  - However, as the entrepreneurial spirit was increasing and the youth aspired to become wealthy, signs of their increasing frustration were also visible as violence was now not just restricted to rural or Naxal areas but also to urban areas.
- The second scenario was named “**Atakta Bharat**”: This scenario highlighted how increasing inequality and insecurity could force the government to impose stringent controls and regulations on politics for security, and also force it to play a larger role in the economy without the required resources.
  - It noted that the stringent governance would impact India’s democracy and stall its economy.
  - In both the BollyWorld and Atakta Bharat scenarios, the “theory of change” was top-down i.e. the change was led by leaders on top of large organisations in government and businesses.
- The third scenario was called “**Pahale India**”: According to this scenario, the changes that people need are to be produced by them.
  - As per this scenario “enterprises by the people for the people” such as self-help groups; cooperatives and business enterprises based on local production and consumption were more sustainable than top-down or large-scale programmes.
  - Experts had projected that if India adopted such a model of change, economic growth would be more inclusive, environmentally sustainable, and faster.

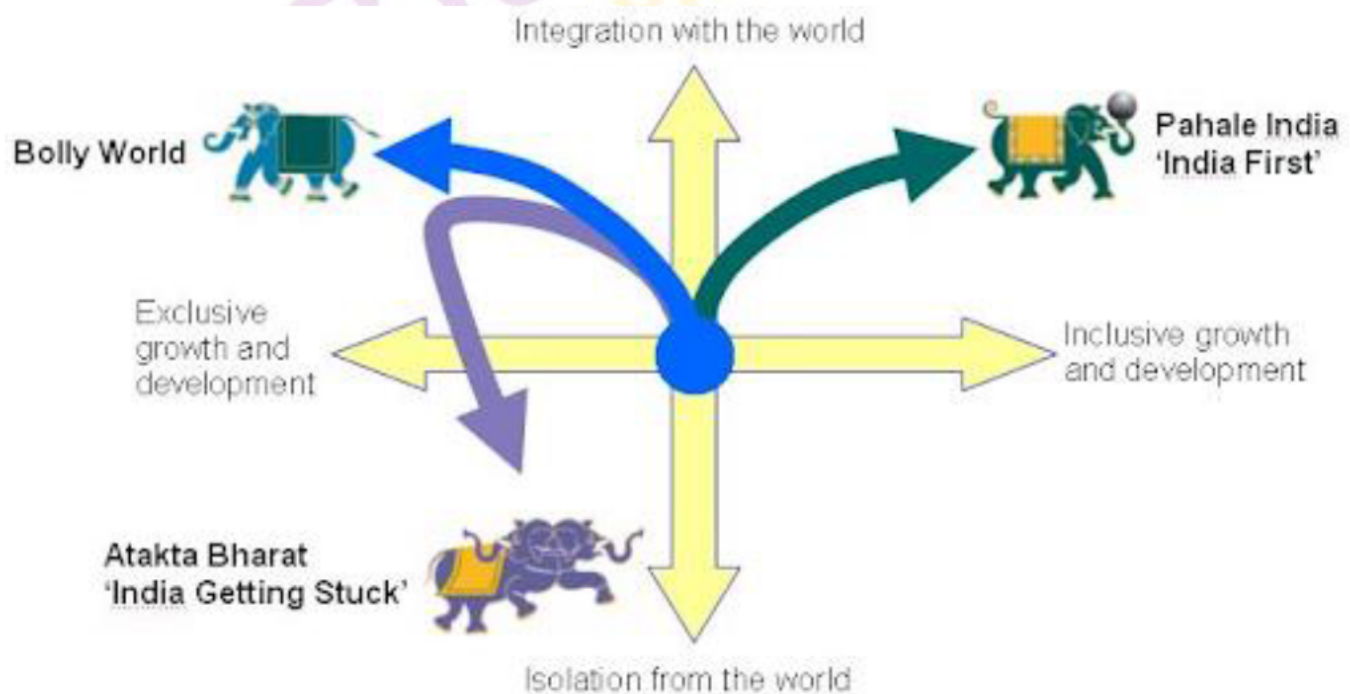


Image Source: WEF



### Analysis of the three scenarios

- The three scenarios on the Indian economy were made in 2006 before the global financial crisis and the governments of the G-7 had to take actions to save the “too large to fail” financial institutions in order to recover from the crisis.
- Further, there have been conflicts within the “BollyWorld” model of top-down, which the world has pursued in the last three decades.
- Increasing inequality and insecurity around the world along with the free market globalisation on account of the adoption of the top-down model, have led to various reactionary forces in many countries such as China, Russia and India too.
- Further, the violence between powerful countries by using the latest technologies is also affecting millions of people around the world.
- As per the Indian scenarists, there are two choices for policymakers when societal tensions increase in a “BollyWorld”-like scenario.
  - One choice is the concentration of power in governments and large business monopolies for imposing more security and pushing faster GDP growth which would result in further unrest and “Atakta” (stalling) economies.
  - The other choice is the adoption of local systems solutions for environmental and economic problems, and cooperative implementation by local communities. This model is said to be the solution to systemic problems across the globe.

**Nut graf:** *As the world seems to be caught up in a “BollyWorld”-like situation, where the societal tensions are increasing significantly, India which has been accorded the presidency of the G-20 must adopt a “Gandhian” approach of using solutions based on local systems to help the world get out of the current situation.*

### Category: ENVIRONMENT

#### 1. Delhi choking, but do not blame stubble burning alone

**Syllabus:** *Conservation, environmental pollution and degradation*

**Mains:** *Issues associated with the poor quality of air in India and the possible solutions*

#### Context

According to the [System of Air Quality and Weather Forecasting And Research \(SAFAR\)](#), the overall Air Quality Index (AQI) of Delhi has continued to be under the “very poor” category.

## Background

- About 2.5 million air pollution-related deaths are reported every year in India.
- Pollutants such as PM2.5 and PM10 which are small are able to enter the bloodstream affecting almost every organ in the body and causing several health issues such as stroke, heart disease, respiratory diseases and cancer.
- Further, this issue has become a recurring phenomenon every winter in the country.

## Cause of concern

- Various measures that have been undertaken to address this issue have not been effective but still, these measures are being adopted year after year.
- Measures such as closing schools, advising people to stay indoors, carpooling, working from home and bans on firecrackers have not yielded the intended outcomes.
- Blaming stubble burning in neighbouring States as the main and only reason for air pollution in Delhi when in fact the [stubble burning](#) in Delhi is of the same level as compared to other States.
  - However, the municipal body and the Public Works Department are not willing to take responsibility for it or find a solution to the issue.
- Further, the “Happy Seeder”-based solutions which are seen as an alternative to stubble burning have also failed to produce desired results.

## Recommendations

- A fundamental shift in agricultural patterns is the need of the hour as unless the farmers are compensated sufficiently the problem is expected to continue. This requires some bold political decisions.
- Despite an expansion of public transport, citizens who mainly use their own vehicles have still not moved to use the public transport system.
  - Last-mile connectivity is said to be the main reason and efforts must be initiated to address the problem along with other problems such as overcrowding of buses and metros and the sorry state of maintenance of buses.
- Creative and long-term solutions must be adopted such as correcting the governance structure.
- There is a need for setting up a single entity that takes responsibility for air quality management as the lack of an efficient system that works in a coordinated way has been a key challenge.

**For more detail on the issue, refer to the following article:**

**[UPSC Exam Comprehensive News Analysis dated 10 Nov 2022](#)**

***Nut graf:** Poor air quality is not just witnessed in Delhi but also in many other cities in India. In this regard, there is an urgent need for adopting comprehensive and long-term solutions not just during the winter season but also throughout the year in order to address this recurring annual issue.*

## **Category: INTERNATIONAL RELATIONS**

### **1. Intense engagement**

***Syllabus:** Bilateral agreements involving India*

***Mains:** India-Germany Relations*

#### **Context**

The German Foreign Minister visited India and held bilateral discussions with the Indian Foreign Minister.

#### **Key takeaways from the discussion**

- The two countries signed a comprehensive partnership on migration and mobility which aims to ease travel for research, study and work for people in both countries.
  - According to the Indian Foreign Minister, this new agreement would be the basis for a more contemporary partnership between the two countries.
- The Ministers held discussions on bilateral issues such as Germany's assistance to India on renewable energy and energy transitions, their Indo-Pacific strategies, and other international issues relating to China, Afghanistan and Pakistan.
- The meeting was preceded by Germany's agreement to fund renewable energy projects worth a billion Euros.
- The Indian Foreign Minister highlighted the need for pushing for the [UN Security Council reforms](#), where India and Germany have been part of the G-4 grouping since 2005.
- Further, the German Foreign Minister walked back on her previous controversial comments calling for the "United Nations track" to resolve the Kashmir dispute.
  - The Foreign Minister ahead of her visit said that Kashmir is a "bilateral dispute" and it is to be resolved between India and Pakistan bilaterally.
- During the bilateral talks, the Indian Foreign Minister defended the Indian government's decision to increase the intake of Russian oil since the war in Ukraine by telling that India's consumption of Russian oil is just about one-sixth of Europe's consumption and must not be compared unfavourably.

- Meanwhile, India's imports of Russian oil have increased 21-fold, making Russia the biggest supplier of India.

**Read more about - [India-Germany Relations](#)**

***Nut graf:** At a time when there have been significant changes in the global geopolitical scenario post the Russia-Ukraine war and when India assumes the G-20 presidency, it has become significantly crucial for India to work closely with Germany and other western partners to forge global unity and build consensus on issues such as climate change, inequality, poverty and the digital divide.*

## F. Prelims Facts

### 1. ChatGPT

***Syllabus:** GS-3, Science and Technology - developments and their applications in everyday life.*

***Prelims:** ChatGPT*

#### Context

Recently a tool called ChatGPT was released on the internet which has been regarded as a milestone development in the field of [Artificial Intelligence \(AI\)](#).

#### ChatGPT

- ChatGPT is developed by **OpenAI**, which is a research institute and company that focuses on developing AI technology in a responsible and safe way.
  - OpenAI was set up in 2015 by a group of entrepreneurs and researchers such as Elon Musk, Sam Altman, and Greg Brockman.
- ChatGPT is said to be a chatbot tool that knows every topic under the sun.
- ChatGPT tool can answer various questions or queries and also carry on a conversation.
- Due to its various functions and abilities, ChatGPT is regarded as a “Language Model” rather than just a chatbot.
  - A language model is software that prints out a sequence of words as output that are related to some words given as input with appropriate semantic relation.
- The tool also uses natural language processing (NLP) applications, such as speech recognition, automatic translation, and text generation.
- ChatGPT is a part of a generation of language models that have been released by OpenAI since 2018.

- In 2018, OpenAI released the Generative Pre-Training (GPT) language model and updated versions such as GPT-2, GPT-3, and GPT-3.5 have also been released.
- ChatGPT is said to be the most powerful NLP tool at present.

## G. Tidbits

### 1. Yuan Wang 5, surveillance vessel of China, re-enters Indian Ocean

- The Chinese research and survey vessel Yuan Wang 5 has re-entered the Indian Ocean as India plans to undertake a long-range missile test.
  - Similarly, Yuan Wang 6 had entered the Indian Ocean Region (IOR) coinciding with a planned Indian missile launch, but the launch was then deferred.
- Yuan Wang 5 entered the IOR through the Sunda strait close to Indonesia.
- Previously, the [docking of Yuan Wang 5 at Hambantota](#) in Sri Lanka had led to a major diplomatic conflict between India and Sri Lanka.
- According to reports, there has been an increase in the deployment of Chinese research vessels in the IOR and the deployment has been witnessed near the 90-degree east ridge and southwest Indian ridge.
  - The Chinese presence in the IOR started in 2008 under the pretext of anti-piracy operations in the Gulf of Aden.
  - Further, China has since set up its military bases in Djibouti and has developed several dual-use ports in Sri Lanka, Myanmar, Pakistan and other countries.

### 2. DoT proposes not to monetise Bharatnet infrastructure

- Reports suggest that the Department of Telecommunications (DoT) has proposed not to monetise rural broadband network infrastructure built under the [Bharatnet project](#).
- Reports also reveal that DoT plans to replace it with alternative assets to achieve the target fixed under the [National Monetisation Pipeline](#).
- Earlier, reports had indicated that the attempts to monetise assets under Bharatnet failed to get a satisfactory response from private players.

### 3. World Bank raises India's growth projection to 6.9%



# In a better place

India is better positioned to manage external shocks, according to the World Bank's India Development Update. **Excerpts:**



■ India's growth is affected

by slower growth in major economies but the Impact on India is relatively less compared to other emerging market economies



■ The merchandise trade deficit will widen, driven by high oil prices. Goods export growth expected to moderate but will be 'somewhat offset' by Services exports



■ Forex reserves down 10% this year, but still provide 'adequate buffer against global spillovers' with about eight months' import cover

Image source: The Hindu

- The World Bank raised its growth forecast of India's economy to 6.9%, after having reduced it to [6.5% in October](#) on account of the resilience in economic activity despite a deteriorating external environment.
- The World Bank's country director in India has said that India's economy has been resilient to the deteriorating external environment, and strong macroeconomic fundamentals have ensured that the economy in India is in good stead as compared to other emerging market economies.
- The recent report of the World Bank also noted that a one percentage point decline in growth in the U.S. is associated with a 0.4 percentage point decline in India's growth.
  - This effect is about 1.5 times more for other emerging economies, and the result is also similar for growth spillovers from the EU and China.
- Economic experts believe that a well-crafted and prudent policy response to global spillovers is helping India to navigate global and domestic challenges.
- However, the widening of the goods trade deficit due to an increase in imports and a decline in exports which have widened the [current account deficit](#) continue to be key challenges.

**H. UPSC Prelims Practice Questions**

**Q1. With respect to Kangaroo courts, which of the following statements is/are correct?**

1. It is an unauthorized court not sanctioned by law.
2. Kangaroo courts are inequitable.

**Options:**

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

**Answer: c**

**Explanation:**

- **Statement 1 is correct**, Kangaroo courts are unauthorized courts that are not sanctioned by any law.
- **Statement 2 is correct**, Kangaroo courts are courts that ignore the standards of law or justice and are inequitable.

**Q2. Shantilal Shah Committee is related to which of the following?**

- a. RBI appointed committee on digital payments.
- b. Committee appointed to examine the functioning of banks.
- c. Committee constituted by India's Ministry of Environment to review India's major environment laws.
- d. The Committee proposed comprehensive abortion care for women.

**Answer: d**

**Explanation:**

- In the 1960s, a high number of induced abortions were reported in the country and the union government then constituted a **Shantilal Shah Committee in 1964 to look into the issue of abortions** and find out if there was a need to formulate a law on abortions.
  - The Committee conducted a detailed study on the medical, legal, and sociocultural aspects of abortion in the country.
  - The Committee recommended the legalisation of abortion and comprehensive law on abortions to address the issues of unsafe abortions and maternal mortality rates.

**Q3. Which of the following statements is/are incorrect with respect to BharatNet Project?**

1. The objective is to provide internet connectivity in rural and remote areas.
2. The entire project is being funded by the Universal Service Obligation Fund (USOF).
3. The project is a Centre-State collaborative project, with the States contributing free Rights of Way for establishing the Optical Fibre Network.

**Options:**

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

**Answer: d**

**Explanation:**

- **Statement 1 is correct**, BharatNet project envisages digitally connecting all the Gram Panchayats (GPs) and Villages of India and providing internet connectivity to rural and remote areas.
- **Statement 2 is correct**, The project is being executed by BSNL, RailTel, and Power Grid and is being funded by the Universal Service Obligation Fund (USOF).
- **Statement 3 is correct**, The project is a Centre-State collaborative project, with the States contributing free Rights of Way for establishing the Optical Fibre Network.

**Q4. Consider the following pairs:**

Battle	Fought between
1. Battle of Hydaspes	Alexander the Great and King Porus
2. Battle of Baligram	Humayun and Sher Shah
3. Battle of Venni	Chola King Karikala & Pandya & Chera kings
4. Battle of Khanwa	Babur and Sultan Mahmud Lodi

**How many pairs given above are correctly matched?**

- a. Only one pair
- b. Only two pairs
- c. Only three pairs
- d. All four pairs

**Answer: c**

**Explanation:**

- **Pair 1 is correct,** The Battle of Hydaspes was a decisive battle fought between the armies of Alexander the Great and King Porus (also known as Poru, Paurava) in 326 BC.
- **Pair 2 is correct,** The Battle of Baligram (Battle of Kannauj) was fought between Sher Shah Suri and Mughal Emperor Humayun on 17 May 1540.
- **Pair 3 is correct,** The Battle of Venni was fought between Karikala Chola with a confederacy of the two crowned kings of Pandya and Chera.
- **Pair 4 is not correct,** The Battle of Khanwa was a decisive engagement between the **Mughal forces under Babur and the Rajput alliance under Rana Sanga of Mewar** in 1527.
  - In the **Battle of Ghaghra** (1529), the forces of Mughal Emperor Babur fought the Afghan king Sultan Mahmud Lodi.

**Q5. Consider the following statements: PYQ (2022)**

1. Tight monetary policy of the US Federal Reserve could lead to capital flight.
2. Capital flight may increase the interest cost of firms with existing External Commercial Borrowings (ECBs).
3. Devaluation of domestic currency decreases the currency risk associated with ECBS.

**Which of the statements given above are correct?**

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

**Answer: a**

**Explanation:**

- **Statement 1 is correct,** Tight (contractionary) monetary policy is usually undertaken by a central bank such as the Federal Reserve to slow down overheated economic growth and to constrain spending in an economy.
  - However, tight monetary policy discourages investments and could lead to capital flight.
- **Statement 2 is correct,** As there is a reduced money supply in the system, capital flight can increase the interest cost of firms with existing External Commercial Borrowings (ECBs).
- **Statement 3 is not correct,** Devaluation of domestic currency **does not impact the ECBS** as it is denominated in the foreign currency and not in the domestic currency.

## I. UPSC Mains Practice Questions

1. India can find a dependable ally in the form of Germany in multiple spheres. In this context, bring out the areas of collaboration between India and Germany. (250 words; 15 marks) [GS-2, International Relations]
2. Tackling Delhi's pollution would need much more than a ban on stubble burning. Elaborate. (250 words; 15 marks) [GS-3, Environment]

