

UPSC 2017: Comprehensive News Analysis – October 05

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Category: INTERNATIONAL AFFAIRS/BILATERAL RELATIONS

1. [India extends \\$4.5 billion loan to Bangladesh](#)

Context:

- Finance minister Arun Jaitley's two-day visit to Dhaka.

In news:

- **India operationalized a \$4.5 billion line of credit – its third and largest ever – to Bangladesh.**
 - The announcement of the line of credit was made during the visit of Bangladesh Prime Minister Sheikh Hasina to India in April.
 - It is seen as part of India's larger strategic move to wean Dhaka away from China, the biggest supplier of defence equipment to Bangladesh for many years now.
 - The signing of the third line of credit agreement will enable the implementation of 17 pre-identified projects of developmental priority to Bangladesh in key sectors such as power, railways, roads, shipping, ports, etc.
 - Like the earlier ones extended by India to Bangladesh, this line of credit will also be provided at a concessional interest rate of 1% per annum, with repayment over a period of 20 years including a five-year moratorium.
 - India also signed a Joint Interpretive Note with Bangladesh to update the Bilateral Investment Promotion Agreement to the new investment framework.

Key Points:

- China has been making inroads into countries in India's neighbourhood with major infrastructure projects, development aid and financial assistance.
- India's ties with Bangladesh have improved dramatically in recent years after India signed the land boundary agreement in June 2015 hanging fire since 1974. The conclusion of the pact was seen as a major confidence-building measure between the two neighbours.
- India sees Bangladesh and Myanmar as important neighbours, sharing borders with both countries. Insurgents operating in India's northeast have taken shelter in both countries in the past, using bases there for hit-and-run operations. India has viewed with concern increasing Chinese aid and infrastructure assistance to both countries – fearing a heightening of Beijing's profile and a waning of its own influence in its periphery.

2. [Gathering clouds over West Asia](#)

Context:

Present scenario in West Asia:

- In the Levant, regional powers are scrambling to fill the vacuum created by the steady dismantling of the Islamic State's caliphate across Syria and Iraq.
- Kurds have held an independence referendum which has drawn ire of their Iraqi, Turkish and Iranian neighbors.
- Turkey's relations with the Europe are growing sourer every day.
- **Qatar crisis** A crisis within the **Gulf Cooperation Council (GCC)** , pitting Saudi Arabia and the United Arab Emirates against Qatar, has entered its sixth month, with no sign of resolution.
- UK, France, Germany and the EU all have expressed their categorical support to the nuclear deal.

The EU and Iran:

- EU-Iran trade is 30 times larger than **US-Iran trade** and it has increased by 95% the first half of this year itself.
- European banks, manufacturers and energy companies have also signed dozens of major agreements with Iran over the past year.
- EU has jurisdiction over the SWIFT network for cross-border banking transactions of which Iran is also a member.

Certification:

- Under U.S. law, the president must certify to Congress every 90 days that Iran is complying with the terms of the nuclear agreement. The next deadline is October 15. On this day the US must certify Iran's compliance.
- If it refuses to do so then it might pave the way for the US Congress to re-impose sanctions on Iran.

Reactions from around the world:

- Europe would most likely take legal and diplomatic steps to protect its substantial commerce with Iran, even at the cost of a transatlantic crisis.
- China, Iran's main trading partner, and Russia, Iran's military ally in Syria, would defy U.S. sanctions with even greater enthusiasm.

Reactions from Iran :

- Even if the deal collapses Iran is unlikely to expel inspectors (inspecting its nuclear reactors) entirely, as it did in 1997, or pull out of Nuclear Non-Proliferation Treaty (NPT). This is because such actions would undercut Iran's profession of peaceful intent and it stands to lose the moral high ground.
- **The bargaining chip** : Iran would try to restart accumulating centrifuges and nuclear fissile material that it had halted owing to an interim deal in 2013.
- It is difficult to gauge the future path of Iran's segmented leadership which is divided between an elected president and an autocratic supreme leader.
- The erratic and impulsive behaviour of the US President makes things more unpredictable.
- Iran's Shia militia could unleash war against US troops in Iraq and expand support to Afghan insurgents.
- Saudi Arabia-Iran tensions and the probability of US-Russia confrontation in the West Asia would increase dramatically.
- Pulling out of the Iran-US nuclear deal would be detrimental to the credibility of future US diplomacy.

Implications for India

1. India's ambitious Chabahar project, scheduled for completion next year, could face fresh obstacles.
2. Iran- Pakistan relations may shift unpredictably.

Conclusion:

- Tehran would have to have to balance the support it has garnered from the Europe while bargaining with the US, such that it would not provoke Europeans into siding, reluctantly, with Washington, and that it may push the U.S., Israel, or both, into a preventive war.
- In short, it would be virtually impossible to rebuild today the broad, multinational sanctions regime that helped push Iran to the negotiating table during 2013-15. Hence, it is better to persuade Iran that its economic integration into the world economy could continue regardless and therefore it should abide by the deal.
- The US must not risk its diplomatic credibility and push the West Asian region into spate of war which is still trying to recover from the gradual fall of the ISIS.

3. [US resumes premium processing of all H1B visa categories](#)

H1B Visa:

- It is a visa which allows US employers to employ foreign workers in specialised areas of work that require theoretical and technical expertise.
- As mandated by the US Congress (part of Parliament of the US) every year USCIS (United States Citizen & Immigration Service) can issue a maximum of 65,000 H1B visas and 20,000 to those who have earned higher education in STEM subjects (Science, Tech, Engg. and Maths) from a US higher educational institution.
- H1B visas for academic and research institutes are exempted from the Congressional mandated limit.

Issue:

- The premium processing or expedited processing (processed within 15 days) of H1B visas was suspended in April to handle huge rush in applications.
- The Trump administration believes that the H1B visas have been misused by companies to replace American workers.

Category: ECONOMICS

1. [RBI holds interest rates, warns against fiscal laxity](#)

In news:

- The Reserve Bank of India (RBI) kept **interest rates unchanged** citing concerns about upward risks to inflation and cautioned the government against steps to relax **fiscal discipline** to spur growth as such a move could potentially adversely impact the deficit and add to inflationary pressure.
- Repo rate fixed at 6%.
- **Forecast by the RBI's Monetary Policy Committee (MPC):** current fiscal year in gross value added (GVA) terms to 6.7% and also raised its projected range for CPI inflation in the second half to 4.2-4.6%.
- The MPC also observed that headline inflation rose by two percentage points since the August policy review.

2. [RBI flays banks for keeping rates high](#)

Context:

- An internal RBI group also suggested switching over to an external benchmark in a time-bound manner so that better rates are available to borrowers.
- The group was constituted by RBI to study various aspects of the MCLR system from the perspective of improving the policy transmission.

In news:

- The Reserve Bank flayed lenders for keeping **interest rates high** and flagged concerns over **base rate and marginal cost of fund-based lending rate (MCLR)**, saying these have not improved monetary transmission.
- **The RBI study group observations:**
 1. Internal benchmarks such as the base rate/MCLR have not delivered effective transmission of the monetary policy.
 2. Arbitrariness in calculating the base rate/MCLR and spreads charged over them has undermined the integrity of the interest rate setting process.
 3. The base rate/MCLR regime is also not in sync with global practices on pricing of bank loans.
 4. Proposed three possible external benchmarks to which such lending could be tied to going forward.
 5. Suggestion: the interest rate resets, which are right now at an annual frequency, creating potentially a one-year lag in transmission, can be changed on all floating rate loans to quarterly resets so that transmission would be much faster once the monetary policy changes

BACKGROUND INFORMATION:

- RBI introduced MCLR on April 1, 2016 after finding that the then prevailing base rate had failed to achieve the objectives of easier and faster policy transmission.
- The MCLR was introduced to calculate the benchmark lending rate in another attempt to make banks pass on policy rate cut benefits to borrowers quickly and in a more transparent manner
- MCLR is calculated after factoring in banks' marginal cost of funds (largely, the interest at which they borrow money), return on equity (a measure of banks' profitability), and negative carry on account of cash reserve ratio.
- Before the MCLR was rolled out, the banks were following a more rigid base rate system, which came into force on July 1, 2010 replacing the banks' prime lending rate.
- Under the base rate and BPLR, banks were following individual methodologies for computing the minimum rate at which they could lend. Under the MCLR, RBI asked all banks to follow the marginal cost of funds method to arrive at their benchmark lending rate

3. [A normal but good-in-parts monsoon](#)

Context:

In news:

- A second normal southwest monsoon in a row, is a good thing in today's rather gloomy economic environment

Key Fact:

- But the rains this time have not been as good as last year
- Rainfall during the 4-month season turned out 5.2 per cent below its long period average (LPA)
- This was unlike in 2016, when the overall gap vis-à-vis the LPA was only 2.6 per cent and the rains were more evenly distributed across the monsoon
- This year's output of kharif foodgrains at 134.67 mt, to be marginally lower than the record 138.52 mt for 2016-17
- Kharif oilseeds output may also fall from 22.40 mt to 20.68 mt, as per the ministry's first advance estimates released last week

4. [Coal fired projections: on the draft energy policy](#)

Key Points:

- Niti Aayog's **Draft Energy Policy (DNEP)** predicts that between 2017 and 2040, there will be a quantum leap in the uptake of renewable energy together with a drastic reduction in fossil fuel energy intensity.
- With economic and population growth, India's annual per-capita electricity consumption is expected to triple, from 1075 kWh in 2015-16 to over 2900 kWh in 2040.
- The DNEP assumes 100% electrification throughout India in the near term

- The government will invest \$2.5 billion to provide electricity connections to every home in India by the end of 2018.
- But the DNEP fails to consider several critical issues involved in the ongoing energy transition.

Drawback of DNEP

- Despite the fact that existing coal plants are running at low efficiencies (at merely 60% plant load capacity utilization) because of weak industrial growth in last 3 years, the DNEP relies on coal power to sustain the nation's base load requirement to meet rising energy demand.
- It proposes that coal will fuel 67% of India's power generation in 2022.
- It is contrary to the India's claim that it will make a big push for renewables, it will continue to rely on coal for its baseload generation. While renewables grow, coal power grows too.
- This duality is possible because India did not commit to any actual reductions in its greenhouse gas emissions at the Paris climate meeting in 2015.
- Even this target India will need only 741 million tonnes of coal by 2022 however the Ministry of Coal has ambitious target of 1.5 billion tonnes by 2020.
- The DNEP is silent on the fate of the new allotments of coal mines. The concern is what would they do with their coal if they can't generate power with it.
- Generation of power is licence free under the Electricity Act of 2003, so private miners do not need any licence to set up generating plants. All they need is a connection to the grid. Since the grid is State-owned, the Central government has adequate leverage to defer or delay connections.
- The DNEP acknowledges increased oil and gas consumption in India decreased refining of oil and production of gas. Thus, India's energy security does require a large strategic storage of oil to contain any vagaries in international supply chain.
- But this strategic storage of oil does not tackle the systemic causes of this high dependence on oil.
- The peaking of India's oil demand could have been envisaged but has not been identified in the DNEP. But it recognises that by 2040, India's oil import dependence may reach 55% from the current level of 33%. To curtail this import dependence DNEP promotes use of public transportation and railways to reduce oil consumption.
- Unless electric transport is carefully planned, India's dependence on imported oil is likely to continue.

Way Forward

- The drafting committees need to examine the paradigm shifts occurring in storage and electric vehicles to promote new technologies in renewable energy, such as smart grids, smart homes, battery storage and concentrated solar heat and power.
- New institutions, organisations and funding mechanisms for promoting renewable technologies need to be created not later than this year's end.

Category: ENVIRONMENT AND ECOLOGY

1. [Ganga Mission plans turtle sanctuary in Allahabad](#)

In News:

- The marquee **National Mission for Clean Ganga (NMCG)** will establish a **turtle sanctuary in Allahabad**, as part of efforts to protect the **rich aquatic biodiversity of river Ganga** from "escalating anthropogenic pressures,"

Key Fact:

- The project at an estimated cost of **₹11.34 crore** would contribute to the sustenance of more than 2,000 aquatic species, including **threatened gharials, dolphins and turtles** in the Ganga.
- The Ganga and Yamuna at Allahabad are home to some of the most endangered fauna like **turtles** (Batagur kachuga, Batagur dhongoka, Nilssonia gangetica, Chitra indica, Hardella thurjii etc.), the National Aquatic Animal "Gangetic dolphin (Platanista gangetica), the Gharial (Gavialis gangeticus) and numerous migratory and resident birds.
- The government had planned such a sanctuary in Varanasi in 1989 under the Ganga Action Plan-I.

Category: MISCELLANEOUS

1. [8 out of 10 Indians have faced online harassment](#)

In news:

- Highlights of a new survey commissioned by cybersecurity solutions firm, **Norton by Symantec** :
- The online survey was conducted in the summer of 2017 with a sample size of 1,035 respondents drawn mainly from Tier 1 cities
- **Objective:** understanding Indian exposure to online harassment.
- **Eight out of 10 people** in India have experienced some form of online harassment, with 41% of women having faced sexual harassment on the web.
- **Forms of online harassment**
 1. Abuse and insults (63% of respondents).
 2. Malicious gossip and rumours (59%),
 3. Malicious comments/threats on a social media site (54%),
 4. Trolling (50%), and attacks/abuse from a coordinated group (49%).
 5. The occurrence of more serious forms of online harassment were quite high, with 45% having experienced threats of physical violence, and 44% at the receiving end of cyberbullying.
- The study also found that of the four countries from the Asia-Pacific region which were surveyed (India, Australia, New Zealand, and Japan), **India recorded the highest level of online harassment**, with 45% of the respondents

having experienced cyberstalking.

- In 42% of the cyberbullying cases and in nearly half of all instances of cyberstalking where the victim was a woman, the perpetrator was a stranger.

Key Point:

- With Indians spending more time on social media platforms and mobile applications, it is important that online users take basic precautions to protect their safety and security to avoid unwanted contact
- While the survey revealed that men and women reported similar experiences of online harrassment, people with disabilities and poor mental health were more susceptible to some of the more serious threats.
- Seventy-one per cent of people with disabilities or poor mental health reported receiving threats of physical violence, while 67% people were cyberbullied.
- Threats of physical violence experienced by the respondents was highest in Mumbai (51%), followed by Delhi (47%), and Hyderabad (46%). Similarly, online sexual harrassment was reported to be highest in Delhi and Mumbai (43%), followed by Kolkata (37%) and Bengaluru (36%).

Nothing here for Today!!!

F. Practice Questions for UPSC Prelims Exam

G. UPSC Mains Practice Questions

GS Paper III

1. Is India undergoing a structural shift in the inflationary process towards low inflation? Discuss.
2. Cyber attacks and cyber crime are a big business nowadays. What are the types of cyber attacks which are used by these cyber criminals?
3. Critically analyze the National telecom policy-2017, with respect to up gradation of technologies (5g) and penetration of connectivity into rural areas.