UPSC 2017: Comprehensive News Analysis â€“ June 16

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UPSC Current Affairs 2017: News Analysis

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Category: POLITY

1. Government targets 146 districts to accelerate Indiaâ€™s population control drive

In news:

- To achieve the countryâ€™s population control target faster, the government has decided to accelerate family planning measures by identifying 146 districts where the total fertility rate (TFR, the number of children born per woman) is more than three and which add up to 28% of the population.
- The health ministry is set to roll out **â€œMission Parivar Vikasâ€** in these districts to improve access to family planning services, create awareness and make family planning choices available.
- The â€œhigh-focusâ€ districts are in the seven states of **Uttar Pradesh, Bihar, Rajasthan, Madhya Pradesh, Chhattisgarh, Jharkhand and Assam** .
- Though Indiaâ€™s population growth rate has declined, the pace is uneven across states, leading to the policy intervention.

Key facts:

- According to government data, Indiaâ€™s **total fertility rate** has declined from 2 **.6 in 2008 to 2.3** at present.
- India is now just 0.2 points away from reaching the replacement level of 2.1.
- The greater the TFR, the more will be the Maternal Mortality Rate (MMR) and Infant Mortality Rate (IMR). Hence, reducing TFR would lead to decrease in maternal mortality and morbidity and infant mortality and morbidity.

Mission Parivar Vikas

- Under the mission, the government will study each district to find why fertility rates are higher and will take measures to address them.
- As part of the programme, the health ministry will distribute a kit containing products of family planning and personal hygiene among newlyweds.
- The kits will be distributed by ASHA workers to encourage inter-spousal communication and consensual decision making with regards to their reproductive and sexual health as well as delay the birth of the first child and space the second.
- â€œSaas-Bahu Sammelansâ€ will be held to facilitate improved communication between mothers-in-law and daughters-in-law and bridge the gap in their attitudes and beliefs about reproductive and sexual health.
- Special buses called â€œSaarthi-Awareness on Wheelsâ€ will travel through these districts to generate awareness as well as sensitise the community and disseminate family planning messages.
- The government will also augment sterilisation services through enhanced HFD (high fertility district) compensation scheme, roll out injectable contraceptive at sub centre level and generate awareness about condoms and pills.

1. India top remittance-receiving country in 2016: UN report

In News:

- Indians working across the globe sent home USD 62.7 billion last year, making India the top remittance-receiving country surpassing China, according to a UN report
- The **â€˜One Family at a Timeâ€™** study by the UN International Fund for Agricultural Development (IFAD) said about 200 million migrants globally sent more than USD 445 million in 2016 as remittances to their families, helping to lift millions out of poverty

Recent trends in remittance flows:

- The study is the first-ever of a 10-year trend in migration and remittance flows over the period 2007-2016
- Remittance flows have grown over the last decade at a rate averaging 4.2 per cent annually
- It said 80 per cent of remittances are received by 23 countries, led by India, China, the Philippines, Mexico and Pakistan
- The top 10 sending countries account for almost half of annual flows, led by the US, Saudi Arabia and Russia
- Asia remains the main remittance-receiving region, with 55 per cent of the global flows and 41 per cent of total migrants
- Over the past decade, remittances to Asia and the Pacific increased by 87 per cent

Remittance and poverty reduction:

- The study added that the amount of money migrants send to their families in developing countries has risen by 51 per cent over the past decade
- This dramatic increase in the amount of money migrants sent home to their families in developing countries is helping to lift millions out of poverty and in attaining the Sustainable Development Goals (SDG)
- About 40 per cent of remittances â€“ USD 200 billion â€“ are sent to rural areas where the majority of poor people live
- The money is spent on food, health care, better educational opportunities and improved housing and sanitation
- The small amounts of USD 200 or USD 300 that each migrant sends home make up about 60 per cent of the familyâ€™s household income, and this makes an enormous difference in their lives and the communities in which they live

Impacts on the global economy and political landscape:

- Currently, about 200 million migrant workers support some 800 million family members globally
- In 2017, an expected one-in-seven people globally will be involved in either sending or receiving more than USD 450 billion in remittances
- Total migrant earnings are estimated at USD 3 trillion annually, approximately 85 per cent of which remains in the host countries
- The money sent home averages less than one per cent of their hostâ€™s GDP
- Taken together, these individual remittances account for more than three times the combined official development assistance (ODA) from all sources, and more than the total foreign direct investment to almost every low-and middle-income country

2. Government unveils tit-for-tat public procurement policy

In News:

- Government may restrict bids of foreign companies for Government Procurement in India if in their country there is any restriction on Indian suppliers for the same.
- **Reasons:** This provision of â€œreciprocityâ€ has been included in the Indian governmentâ€™s new policy to encourage â€˜Make in Indiaâ€™ by granting preference to local suppliers in public procurement
- **Committee for implementation:** A five-member committee chaired by the Secretary in the Department of Industrial Policy and Promotion has been set up to oversee the implementation of the policy
- **Aim of the tit-for-tat policy** : This policy is aimed at boosting domestic manufacturing and services, thereby creating employment and enhancing income, as well as to stimulate the flow of capital and technology into domestic manufacturing and services

3. CAD widens to $3.4 billion in Q4

In News:

- The current account deficit widened in the fourth quarter of 2016-17 to $3.4 billion or 0.6% of the GDP
- It was $ 0.3 billion or 0.1% of the GDP during the same period of the previous financial year

Reason behind this increase:

- The widening of the CAD on a year-on-year basis was primarily on account of a higher trade deficit ($29.7 billion) brought about by a larger increase in merchandise imports relative to export.

Basic Information:

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Countries trade with one another to buy goods not produced in domestic economy. With the

advent of globalization, investment to and fro have also increased many fold. A countryâ€™s

trade and other economic exchanges with the world are recorded on its external account in

the form of balance of payment (BoP) transactions.
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There are two components of BoP

1. Current Account
2. Capital Account

Current Account â€“ It deals with current, ongoing, short term transactions like trade in goods, services (invisible) etc. It reflects the nationâ€™s net income.

For instance, if you a buy a laptop from US, it will be a current account transaction and it will be debit on current account as you have to pay to US.

There are 4 components of Current Account-

1. Goods â€“ trade in goods
2. Services (invisible) â€“ trade in services eg. tourism
3. Income â€“ investment income
4. Current unilateral transfers â€“ donations, gifts, grants, remittances

Note that grants might appear as component of capital account but are included in current account as they are unilateral, create no liability. Recipient does not have to give anything back in return.

Capital Account â€“ It deal with capital transactions i.e. those transactions which create assets or liabilities. It reflects the net changes in the ownership of national assets.

For instance, if you buy a stocks or property in US, it will be a capital account transaction and it will be debit on capital account as you have to pay to US to buy the asset.**Â**

Components of Capital Account

Foreign Direct Investment (FDI)

Foreign Portfolio Investment (FPI)

External Borrowings such as ECB

Reserve Account with the Central Bank

Note here that foreign investment is under capital account but dividends and income from investment comes under current account in the category income from abroad as dividend is transferred periodically, does not result in creation of asset or liability.

Balance of Payment (BoP) = Current Account + Capital Account = 0

Why?

Current Account and Capital Account always balance each other because a country always has to pay for its imports. It does so by exports or other two components of current account. If it cannot, it runs deficit on current account and has to pay off by drawing off on its assets i.e. running capital account surplus.

What is Current Account Deficit?

Itâ€™s simply deficit on all 4 components of current account.

(Export â€“ Import) + Net income from abroad + Net Transfers

(Export â€“ Import) is trade deficit

CAD = Trade Deficit + Net Income From Abroad + Net transfers

Note that Trade Deficit and CAD are not one and the same. Trade deficit is only a component of CAD.

What does deficit on Current Account imply?

If we forget income and transfers for a moment, what it means is that we import more than what we export.

How do we pay for that extra import?

Either we get more foreign investment (FDI & FII) and pay via that or we borrow from foreign banks (ECB) or we will have to dip into our external reserves to pay for that Amount and in the process our forex reserves come down. When forex reserves come down below a critical level, country appears on the brink of BoP crisis.

So, is CAD such a bad thing?

Depends on what you do with those extra imports and how you finance the deficit!

CAD is bad because â€“

If a CAD is financed through borrowing, it is unsustainable because borrowing lead to high interest payments in the future

Attracting capital flows (hot money, FII) to finance the deficit is risky as when confidence falls, hot money flows dry up, leading to a rapid devaluation and crisis of confidence. Eg. East Asian Crisis

Run a CAD necessarily means running a surplus on the capital account. This means foreigners have an increasing claim on your assets, which they could redeem any time.

However a current account deficit is not necessarily harmful

CAD during a period of inward investment particularly stable long term FDI may not be a bad things as investment can create jobs. Investments will lead to higher growth will be able to pay debts back.

Developing countries may use CAD to buy Capital goods and later export consumer goods and thus repay the debt

Moderate current account deficit (2% of GDP) financed mainly by stable foreign investments which creates jobs and infrastructure in the economy can be helpful in the long run as it improves productivity.Â

What is this twin deficit?

Current Account Deficit and Fiscal Deficit together are knows as twin deficits and often both reinforce each other i.e. High fiscal deficit leads to higher CAD and vice versa.

Category: SCIENCE AND TECHNOLOGY

1. X-ray space telescope launched

In news:

- China launched its first **X-ray space telescope** to **study black holes** , **pulsars and gamma-ray bursts** .
- The Hard X-ray Modulation Telescope (HXMT) has been named Insight

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