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MAY

06.05.2021

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GS 2 : Polity, Governance, International Relations

1. A CT scan for COVID merits a word of caution

Context:

- The widespread use of **computerised tomography (CT) scans** of the thorax as a diagnostic test for the treatment of the novel coronavirus pandemic.

Background:

- In clinical medicine, diagnostic tests play three important functions:
 - **Diagnosis** (what is the disease?)
 - **Etiognosis** (what caused a disease?)
 - **Prognosis** (how will the disease evolve?)

CT scan:

- A computerized tomography scan (CT scan) is a medical imaging technique used in radiology to get detailed images of the body noninvasively for diagnostic purposes.
- It **uses computers and rotating X-ray machines** to create cross-sectional images of the body.
- These images provide **more detailed information than normal X-ray images**. They can show the soft tissues, blood vessels, and bones in various parts of the body.

Arguments against the widespread use of CT scans:

Inaccuracy in diagnosis:

- Various studies based on available data note that a chest CT is likely to **diagnose only 62% of all individuals having COVID-19, making it a relatively inaccurate test for diagnosis**.
- A normal CT chest does not exclude COVID-19, and, therefore, should not be a reason to come out of isolation, especially when the CT is done very early in the disease.

Inaccuracy in etiognosis:

- Studies have found that when radiologists convincingly labelled a CT pattern as being consistent with COVID-19 disease, they **mislabeled 20% of those who did not have the disease as having COVID-19**, getting the etiognosis wrong in a significant proportion of individuals. Thus the CT scans have not been very accurate in deciphering the cause of an abnormal CT scan.
- Telling someone who does not have COVID-19 that they do have the disease has serious implications, leaving the **real diagnosis undetected**, and subjecting the individual to the psychosocial consequences of the knowledge that she/he has the disease.

Possibility of misleading prognostication:

- CT scans are being prescribed for prognostication.
 - The severity of lung involvement as seen on a CT is reflective of the status of the lungs at that point in time and based on that treatments are being decided.
 - Intensivists have on occasion used CT scans to optimise ventilator strategies for individuals with severe COVID-19 disease.
- However it is to be noted that lung involvement is a dynamic process, i.e., a limited involvement at an early stage could progress with time to severe involvement. Thus the **low lung involvement in the CT scans done in the early stages of the diseases could misguide the doctors** into a false sense of safety and thus affect treatment processes.

Limited usefulness:

- CT scans are being touted as being a monitoring test that provides unique information that cannot be obtained by easier means.
- However, given the fact that a CT scan is unlikely to give a treating physician more information than a **simple tool such as an oximeter**, CT scans can in fact be avoided altogether in people with mild symptoms.

Risks:

Cancer:

- One of the major concerns associated with the widespread use of CT is the associated **increased radiation exposure** incurred by patients. Various studies have indicated that some proportion of **cancer cases can be attributable to the radiation** from CT studies.
 - A study published in The New England Journal of Medicine in 2007 postulated that “0.4% of all cancers in the United States may be attributable to the radiation from CT studies”, and further speculated that the current estimate could be in the range of 1.5%-2%.

- In addition to this risk to the individual undergoing the scan, there are risks to radiology technicians, staff and doctors that need to be accounted for.

Potential for spread of COVID-19:

- CT scanners need to be kept in **closed air-conditioned spaces**. The risk of transmission of the coronavirus at such centres cannot be ruled out.

Conclusion:

- Going by data and the risk factors, the widespread use of CT scan in diagnosing infectious disease needs to be questioned.
- The author calls for more informed decisions on the use of CT scans and argues that they should be the exception, not the norm.

2. After 10 hours, Sri Lanka frees 86 Indian fishermen

Context:

Eighty-six Indian fishermen were detained for about 10 hours by Sri Lankan Navy personnel on charges of crossing the Indian waters while fishing in the Palk Strait.

Issue:

- **The arrest of Indian fishermen on the Sri Lankan side of the International Maritime Boundary Line (IMBL) in the Palk Straits and the Gulf of Mannar by Sri Lankan authorities** has been a long-standing problem with the Sri Lankan Navy firing on Indian fishing vessels.
- The **catch on the Sri Lankan side is better** both in terms of quality (high-value prawns) and quantity.
- The issue started because **of Indian fishermen having used mechanised trawlers**, which deprived the Sri Lankan fishermen (including Tamils) of their catch and **damaged their fishing boats**.
- The **Sri Lankan government wants India to ban the use of mechanized trawlers in the Palk Strait region**.
- So far, **no concrete agreement has been reached since India favours regulating these trawlers instead of banning them altogether**.
- However, the number of trespassing bottom-trawlers has come down considerably, especially after Sri Lanka introduced tougher laws and stiff fines for foreign vessels.

3. Maratha quota unconstitutional, violates right to equality, says SC

Context:

A five-judge Constitution Bench of the Supreme Court unanimously declared the Maharashtra State Reservation for Socially and Educationally Backward Classes (SEBC) Act of 2018, unconstitutional.

- The Maharashtra law provides reservation benefits to the Maratha community taking the quota limit in the State in excess of 50%.
- The law granted reservation to the Maratha community in admissions and government jobs in the state.

Details:

- The Bench, led by Justice Ashok Bhushan, found there were **no “exceptional circumstances” or “extraordinary situation” in Maharashtra**, which required the State government to break the 50% ceiling limit to bestow quota benefits on the Maratha community.
- All five judges agreed that the Marathas are a dominant forward class and are **in the mainstream of national life**. The above situation is not extraordinary.
- The SC struck down the findings of the Justice M.G. Gaikwad Commission, which led to the enactment of the Maratha quota law, and set aside the Bombay High Court judgment which validated the Maharashtra State Reservation for Socially and Educationally Backward Classes (SEBC) Act of 2018.

State Government’s Argument:

- The state government’s argument was that **since the population of the backward class is 85% and the reservation limit is only 50%**, an increase in reservation limit would qualify as an **extraordinary circumstance**.
- **All five judges disagreed with this argument.**

Supreme Court Verdict:

- The High Court, in June 2019, reduced the quantum of reservation for Marathas from the 16% recommended by the Gaikwad Commission to 12% in education and 13% in employment.
 - The Supreme Court concluded that even the **reduced percentages were ultra vires**.

- The Supreme Court held that a separate reservation for the Maratha community **violated Articles 14 (right to equality) and 21 (due process of law)**.
- “The ceiling of 50% with the ‘extraordinary circumstances’ exception, is the just balance – what is termed as the ‘**Goldilocks solution**’ – i.e. the **solution containing the right balance that allows the State sufficient latitude to ensure meaningful affirmative action to those who deserve it and at the same time ensures that the essential content of equality,**” Justice S. Ravindra Bhat on the Bench agreed.

Revisiting 1992 Indra Sawhney judgment:

- The Supreme Court **declined to revisit its 1992 Indra Sawhney judgment**, which fixed the reservation limit at 50%.
- The Indra Sawhney judgment had categorically said “**50% shall be the rule**, only in certain **exceptional and extraordinary situations** for bringing far-flung and remote area population into mainstream, **50% rule can be relaxed.**”
- The court said that the **50% ceiling, although an arbitrary determination by the court in 1992, is now constitutionally recognised.**

On 102nd Constitutional Amendment:

- The Constitution (One Hundred and Second Amendment) Act, 2018 gives **constitutional status to the National Backward Classes Commission**. The Amendment also gives the **President powers to notify backward classes**.
- Several states raised questions on the interpretation of the Amendment and argued that it curtails their powers.
- The **Bench unanimously upheld the constitutional validity** of the 102nd Amendment.
 - The Court has ruled that, henceforth, **there will only be a single list of socially and educationally backward classes** with respect to each State and Union Territory notified by the President of India.
- The Supreme Court held that “**the final say in regard to inclusion or exclusion (or modification of lists) of socially and economically backward classes (SEBCs) is firstly with the President under Article 342A (1), and thereafter, in case of modification or exclusion from the lists initially published, with the Parliament**”.
- In the task of **identification of SEBCs**, the President shall be guided by the **Commission set up under Article 338B**; its advice shall also be sought by the state in regard to policies that might be framed by it.
- The **Centre alone is empowered to identify Socially and Educationally Backward Classes (SEBC)** and include them in the Central List for claiming reservation benefits.

- While the **identification of SEBCs will be done centrally, state governments retain the power to determine the extent of reservation** and make specific policy in the spirit of “cooperative federalism”.
- The **President’s prerogative** as regards the identification and inclusion of SEBCs in the List **would not affect the States’ power to make reservations in favour of particular communities or castes, the quantum of reservations, the nature of benefits and the kind of reservations**, and all other matters falling within the ambit of **Articles 15 and 16**.

4. EU unveils plan to cut dependency on China

Context:

The European Union (EU) has unveiled a plan to **cut its dependency on Chinese and other foreign suppliers** in six strategic areas after the pandemic-induced economic slump.

Details:

- The **six strategic areas** include raw materials, pharmaceutical ingredients and semiconductors.
- EU outlined the urgency of the task citing **Europe’s reliance on China for about half of 137 products used in sensitive ecosystems**, mainly raw materials, pharmaceuticals and other products key to its green and digital goals.
- The updated industrial strategy plan was devised after the COVID-19 pandemic showed **bottlenecks in supply chain**.
- The executive European Commission plans to conduct **in-depth reviews of supply chains** in raw materials, batteries, active pharmaceutical ingredients, hydrogen, semiconductors and cloud and edge technologies, to decide how to deal with them.
- To reduce import dependency, **EU countries could pool resources for Important Projects of Common European Interest (IPCEIs)** in next-generation cloud, hydrogen, low-carbon industry, pharmaceuticals and a second IPCEI on cutting-edge semi-conductors.

GS 3 : Economy, Science and Technology, Environment

5. RBI steps in to ease COVID-19 burden

Context:

The Reserve Bank of India has stepped in with **measures aimed at alleviating any financing constraints** for healthcare infrastructure and services, as well as small borrowers who may be facing distress due to a sudden spike in health expenditure amidst the surge in COVID-19 cases.

Details:

- RBI Governor announced a **Term Liquidity Facility of ₹50,000 crore** with a tenor of **up to three years**, at the **repo rate**, to ease access to credit for providers of emergency health services.
- Under the scheme, **banks will provide fresh lending support to a wide range of entities**, including vaccine manufacturers, importers/suppliers of vaccines and priority medical devices, hospitals/dispensaries, pathology labs, manufacturers and suppliers of oxygen and ventilators, and logistics firms.
- These loans will continue to be **classified under the priority sector till repayment or maturity**, whichever is earlier.
- Under the scheme, banks are expected to **create a COVID loan book**.
- As part of a **“comprehensive targeted policy response”**, the RBI has also unveiled **schemes to provide credit relief to individual and MSME borrowers** impacted by the pandemic.
 - To provide further support to small business units, micro and small industries, and other unorganised sector entities, the RBI decided to conduct **special three-year long-term repo operations (SLTRO) of ₹10,000 crore at the repo rate for Small Finance Banks**.
 - The SFBs would be able to deploy these funds for fresh lending of up to ₹10 lakh per borrower.

6. Unfamiliar lineament among Assam earthquake factors

Context:

An unfamiliar lineament is among the factors behind frequent earthquakes in northern Assam's Sonitpur area.

- Sonitpur was the epicentre of the huge 6.4 earthquake after 33 years because of the **tectonic complexity**.

Details:

- According to the Geological Survey of India (GSI), **Sonitpur district lies within a tectonically complex triangular area** bounded by the **east-west trending Atherkhet Fault**, the **northwest-southeast trending Kopili Fault** and a **north-south trending lineament**.
 - A lineament is a **linear feature in a landscape dictated by an underlying geological structure such as a fault**.
- The **two faults and the lineament**, along with the **oblique convergence of the Indian plate**, have caused **frequent earthquakes**.
 - Both the Atherkhet and Kopilli faults are active.
 - However, Atherkhet and Kopili are not the only faults that impact the Sonitpur region.
 - The Siang Fracture, Yemla Fault, Namula Thrust and Canyon Thrust are spread across the northeast and are active along with Main Himalayan Thrust, Main Boundary Thrust, Main Central Thrust and several subsidiary faults.
- The **northeast is demarcated as Seismic Zone V**, which indicates a **zone with high vulnerability**.
 - The **Indian plate is moving northeast toward the Eurasian plate** in the Himalayan region, **their oblique collision and release of stress and strain accumulated in the local tectonic or fault environments lead to earthquakes**.

GS 2 : Polity, Governance, International Relations

1. Reading Maratha quota verdict

Six questions

- A five-judge Constitution Bench of the Supreme Court on Wednesday struck down the Maharashtra law granting reservation to the Maratha community.
- The court **had framed six questions of law** on the issue.
- The court **unanimously agreed on three of those issues**, while the verdict was split 3:2 on the other three.

Issue 1: Whether Indra Sawhney judgement needs to be revisited

- One of the key issues was to examine whether the 1992 landmark ruling by nine-judge bench in **Indra Sawhney v Union of India** had to be revisited.
- First, it said that the criteria for a group to qualify for reservation is **“social and educational backwardness”**.
- Second, **it reiterated the 50% limit** to vertical quotas reasoning that it was needed to ensure “efficiency” in administration.
- However, the court said that this 50% limit will apply unless in **“exceptional circumstances”**.
- **The Maratha quota exceeded the 50% ceiling.**
- The arguments by state governments before the court was that the Indra Sawhney verdict must be **referred to a 11-judge Bench for reconsideration** since it laid down an arbitrary **ceiling which the Constitution does not envisage.**
- The court said that the 50% ceiling, although an arbitrary determination by the court in 1992, **is now constitutionally recognised** and held that there is no need to revisit the case.

Issue 2 and 3: Does Maratha quota law come under exceptional circumstances

- The state government’s argument was that since the population of backward class is 85% **and reservation limit is only 50%**, an increase in reservation limit would **qualify as an extraordinary circumstance.**
- All five judges disagreed with this argument.
- The bench ruled that above situation is not extra-ordinary.

Issue 4,5 and 6: Validity of 102nd Amendment

- The Constitution (One Hundred and Second Amendment) Act, 2018 **gives constitutional status to the National Backward Classes Commission.**
- The Amendment also gives the President **powers to notify backward classes.**
- The Bench unanimously upheld the constitutional validity of the 102nd Amendment but **differed on the question whether it affected the power of states to identify socially and economically backward classes (SEBCs).**
- Attorney General, appearing for the central government, clarified that this was not the intention of the law.
- The Attorney General argued that **it is inconceivable that no State shall have power to identify backward class**".
- The Attorney General explained that the **state government will have their separate list of SEBCs** for providing reservation in state government jobs and education.
- The **Parliament will only make the central list of SEBCs** which would apply for central government jobs.
- However, the Supreme Court held that "the final say in regard to inclusion or exclusion (or modification of lists) of SEBCs is **firstly with the President**, and thereafter, in case of modification or exclusion from the lists initially published, **with the Parliament**".
- This raises a question: How does this impact interventions by other states to provide reservations for other communities, for example Jats in Haryana and Kapus in Andhra?
- The majority opinion essentially says that now the National Backward Classes Commission **must publish a fresh list of SEBCs, both for states and the central list.**
- The Supreme Court also issued a direction under Article 142 of the Constitution of India which says that till the publication of the fresh list the existing lists will continue to operate.

2. The Supreme Court struck down law for reservation to Maratha community

About the judgement

- The Supreme Court on Wednesday struck down the provisions of a Maharashtra law providing reservation to the Maratha community.
- It rejected demands to revisit the verdict, or to refer it to a larger Bench for reconsideration.

What the Supreme Court said

- The Bench said that “providing reservation for advancement of any socially and educationally backward class in public services is not the **only means and method for improving the welfare of backward class**”
- The 50% rule is to fulfill the objective of equality as engrafted in Article 14 of **which Articles 15 and 16 are facets.**
- To change the 50% limit is to have a society which is **not founded on equality but based on caste rule.**
- If the reservation goes above 50% limit, it will be a slippery slope, the political pressure, make it hardly to reduce the same.
- It added that “the Constitution (Eighty-first Amendment) Act, 2000 by which sub-clause (4B) was inserted in Article 16 makes it clear that ceiling of 50% **“has now received constitutional recognition”**
- The Supreme Court disapproved the findings of the **Justice M G Gaikwad Commission** on the basis of which Marathas were classified as a Socially and Educationally Backward Class.
- It said that “the data collected and tabled by the Commission as noted in the report clearly proves that Marathas are not socially and educationally backward class”.

The SC upheld 102nd Constitution amendment

- The SC also upheld the 102nd Constitution amendment, saying it does not violate the basic structure of the Constitution.
- The bench, by 3:2 majority, held that after the amendment, only the President will have the power to identify backward classes in a state or Union Territory.
- The amendment inserted **Articles 338B and 342A in the Constitution.**
- Article 338B deals with the structure, duties and powers of the National Commission for Backward Classes.
- Article 342A speaks about the **power of the President to notify a class as Socially and Educationally Backward (SEBC)** and the power of Parliament to alter the Central SEBC list.

3. SVAMITVA Scheme

Why in News

Recently, the **Ministry of Panchayati Raj** has released the new framework for implementation of the **SVAMITVA Scheme**.

- **SVAMITVA** stands for **Survey of Villages and Mapping with Improved Technology in Village Areas**.

Key Points

- **Launch:** It is a **center sector scheme** which was **launched nationally** on the occasion of **National Panchayati Raj Day** on 24th April 2021.
- **Aim:** To provide an integrated property validation solution for rural India.
- **Features:**
 - The **demarcation of rural inhabited areas** would be done using **Drone survey** and **CORS (Continuously Operating Reference Stations) Networks** which provides mapping accuracy of 5 cms.
 - This would provide the '**record of rights**' to village household owners possessing houses in inhabited rural areas in villages.
 - It will cover **around 6.62 Lakh villages** of the entire country **during 2021-2025**.
- **Objectives:**
 - To bring **financial stability** to the citizens in rural India by **enabling them to use their property as a financial asset for taking loans** and other financial benefits.
 - **Creation of accurate land records** for rural planning.
 - Determination of **property tax**.
 - Creation of **survey infrastructure and GIS (Geographic Information System) maps** that can be leveraged by any department for their use.
 - To support in preparation of better-quality **Gram Panchayat Development Plan (GPDP)** by making use of GIS maps.
 - To **reduce property related disputes** and legal cases
- **Nodal Ministry:** Ministry of Panchayati Raj (MoPR)
 - **Survey of India** is a Technology Implementation Agency.

GS 3 :Economy, Science and Technology,Environment

4. Export of Organic Millets

Why in News

In a major boost to exports of organic products from the country, the first consignment of millets grown in the Himalayas would be exported to Denmark.

- **APEDA (Agricultural and Processed Food Products Export Development Authority) has sourced ragi (finger millet), and jhingora (barnyard millet) from farmers in Uttarakhand for exports.**
- At present, organic products are exported provided they are produced, processed, packed and labelled as per the requirements of the **National Programme for Organic Production (NPOP)**.

Key Points

- **National Programme for Organic Production (NPOP):**
 - The NPOP has been implemented by APEDA since its **inception in 2001** as notified under the **Foreign Trade (Development and Regulations) Act, 1992**.
 - NPOP **covers** standards for crops and their products, live stocks and poultry products, aquaculture, apiculture etc. The exports from the country are as per the provisions in NPOP.
 - The NPOP certification **has been recognized by the European Union and Switzerland** which enables India to export unprocessed plant products to these countries without the requirement of additional certification.
 - It also facilitates export of Indian organic products to the **United Kingdom** even in the **post Brexit phase**.
 - NPOP has also been **recognized by the Food Safety Standard Authority of India (FSSAI)** for trade of organic products in the domestic market.
 - Organic products covered under the bilateral agreement with NPOP need not to be recertified for import in India.
- **Organic Farming:**
 - According to FSSAI, '**organic farming**' is a **system of farm design and management to create an ecosystem of agriculture production without the use of synthetic external inputs** such as chemical

fertilisers, pesticides and synthetic hormones or genetically modified organisms.

- **Related Initiatives:**
 - Mission Organic Value Chain Development for North East Region (MOVCDNER).
 - Paramparagat Krishi Vikas Yojana (PKVY), etc.
- The Indian state of **Sikkim** achieved the feat of being the **world's first organic state** and was awarded the UN Future Policy Gold Award 2018, also known as the Oscar for best policies.
- **Status of India's Export of Organic Food:**
 - India's export of organic food products rose by **more than 51% to Rs. 7078 crore** during April-February (2020-21) compared to the same period in the previous fiscal (2019-20). In terms of **quantity**, the exports of organic food products **grew by 39%**.
 - **Oil cake meal is a major commodity** of the organic product exports from the country followed by oil seeds, fruit pulps and purees, cereals & millets, spices, tea, medicinal plant products, dry fruits, sugar, pulses, coffee, essential oil etc.
 - India's organic products have been **exported to 58 countries** including USA, European Union, Canada, Great Britain, Australia, Switzerland, Israel and South Korea.

Agricultural and Processed Food Products Export Development Authority

- APEDA was established by the Government of India under the **Agricultural and Processed Food Products Export Development Authority Act, 1985**.
- It functions under the **Ministry of Commerce and Industry**. The Authority **has its headquarters in New Delhi**.
- It has been **mandated with the responsibility of export promotion and development of the scheduled products** viz. fruits, vegetables, meat products, dairy products, alcoholic and non-alcoholic beverages etc.
- It has also been entrusted with the **responsibility to monitor import of sugar**.

5. Model Insurance Villages

Why in News

The **Insurance Regulatory and Development Authority of India (IRDAI)** has mooted the concept of '**Model Insurance Village (MIV)**' to boost insurance penetration in rural areas.

- According to the **Economic Survey for 2020-21**, **India's insurance penetration**, which was at **2.71% in 2001**, has steadily **increased to 3.76% in 2019**, but stayed much below the global average of 7.23%.

- Recently, the Parliament has passed the **Insurance Amendment Bill 2021** to increase the **foreign direct investment (FDI) limit in the insurance sector to 74% from 49%**.

Key Points

- **Concept of Model Insurance Village (MIV):**
 - The idea is to **offer comprehensive insurance protection to all the major insurable risks that villagers are exposed to** and make available covers **at affordable or subsidised cost**.
 - In order to make the premium affordable, **financial support** needs to be explored through **NABARD, other institutions, CSR (Corporate Social Responsibility) funds, government support and support from reinsurance companies**.
 - It may be implemented in a **minimum of 500 villages** in different districts of the country in the first year and **increased to 1,000 villages** in the subsequent two years.
 - **Every general insurance company and reinsurance company** accepting general insurance business and having offices in India **needs to be involved** for piloting the concept.
- **Possible Offerings under MIV:**
 - Weather Index product or hybrid product combining weather index and indemnity-based insurance protection for various **crops that remains uncovered under Pradhan Mantri Fasal Bima Yojna (PMFBY)**.
 - Flexible Farm Insurance Package Policies **targeting comprehensive needs of crops, livestock, farmer, farm implements**.
 - Separate products for **high value agriculture, contract farming and corporate farming community** as their needs are different.
 - **States can be offered macro insurance covers** based on predefined parametric weather indexes covering large complex risks arising out of natural catastrophes affecting the agriculture ecosystem and rural economy.
- **Challenges in Spreading Insurance to Rural Areas:**
 - **Lack of awareness, limited choice of insurance products, absence of people-friendly and transparent claim settlement mechanisms, and weak network of insurance firms**, are some of the issues and challenges in advancing growth of rural insurance business.

Insurance Regulatory and Development Authority of India

- Following the recommendations of the **Malhotra Committee report, in 1999**, the **Insurance Regulatory and Development Authority (IRDA)** was

constituted as an **autonomous body** to regulate and develop the insurance industry.

- The **IRDA** was incorporated as a **statutory body in April 2000**.
- The key **objectives** of the IRDA include the promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums while ensuring the financial security of the insurance market.
- It is **headquartered in Hyderabad**.

Reinsurance

- It is a process whereby one entity (the **reinsurer**) takes on all or part of the risk covered under a policy issued by an insurance company in consideration of a premium payment. In other words, it is a form of an insurance cover for insurance companies.

6. India should go all out in its Westward trade push

Forging trade deals with the Western countries

- Our rejection of RCEP, which covers much of the eastern hemisphere, had exposed us to the risk of losing out on cross-border commercial relations in a highly dynamic part of the world.
- To compensate for the opportunity cost of that decision, it was imperative to strike other alliances.
- As a part of this, India adopted a roadmap for the rest of this decade to elevate ties with the UK and also moving to revive free-trade talks with the EU.
- An India-UK plan unveiled recently will raise our bilateral relationship to a '**comprehensive strategic partnership**' in such areas as economic affairs, defence and health.
- The two countries **signed a £1-billion trade investment pact** that is expected to generate jobs in both.
- Separately, India and the EU are reportedly working out how to resume stalled negotiations for a trade deal.

Issues India may face

- The signing of pacts would involve **mutual tariff reductions and the lowering of other barriers**, both of which have proven thorny so far.

- In general, while the West wants us to lower import duties, our negotiators have been citing **India's sovereign right to protect domestic businesses** under World Trade Organization rules.
- Globally, even before covid knocked the wind out of the sails of cargo ships, commerce across borders had been doing badly under the extended effects of a financial crisis that shook things up in 2008-09.
- But world trade remains a **reliable path to global prosperity** and must therefore regain its gusto.
- For us, deal-making would **mean opening up markets to imports in lieu of easier access to foreign ones.**

Way forward

- Concessions that **cause very few job losses in India** can easily be made.
- Of course, a broad cost-benefit analysis will have to guide our approach to talks, especially since there are other complexities involved; US visa rules, for example, affect our software exports.
- Since it is governments that thrash out deals, **geopolitical convergences are often sought too.**
- We seem to be in a favourable position on this, given the West's need to keep China's rise in check.
- The UK's Rolls-Royce has just inked a memorandum with Hindustan Aeronautics Ltd for warship engines, a sign of our strategic ties.
- Technology could come our way from the US, too.
- If we can leverage an ability **to play a role in Asia's balance of power** to our economic benefit, we should.

Conclusion

Mutually assured flexibility on tariff concessions would help India and its Western partners score economic gains and also counterbalance China's growing dominance of world trade.

7. India notifies rules for digital tax

Threshold for significant economic presence

- Starting April 2022, overseas entities that don't have a physical presence in India but derive significant financial benefit from Indian customers will come under the Indian tax net.
- While the main legal provision was introduced in 2018, the revenue department notified the thresholds for the purposes of significant economic presence (SEP) on May 3.

- The concept was introduced via Finance Act, 2018, to **enlarge the scope of income of non-residents** that accrues or arises in India, by establishing a “business connection” of the foreign entities.
- The idea is to tax profits of those online and offline businesses that don’t have a physical presence in India but derive significant economic value from the country.
- Only those entities will get impacted by the SEP provisions who come from non-treaty jurisdictions.
- That’s because the treaties specify non-resident entities will come under the tax net only if they have a permanent establishment in India.
- Permanent establishment is, in tax parlance, a fixed place of business.
- India currently has a **Double Taxation Avoidance Agreement with 97 countries**.

Thresholds

- **Transaction Threshold:** Any non-resident whose revenue exceeds Rs 2 crore for transactions in respect of goods, services or property with any person in India. This will include transactions on download of data or software.
- **User Threshold:** Any entity that systematically and continuously does business with more than 3 lakh users in India.

Prelims Practice Questions

1. With reference to Purchasing Managers’ Index(PMI), consider the following statements:

1. It is a survey-based measure.
2. It is calculated for the services sectors only.
3. PMI is compiled by IHS Markit for economies worldwide.

Which of the statements given above is/are correct ?

- A 2 and 3 only
- B 1 and 2 only
- C 1 and 3 only
- D 1,2 and 3

Answer : C

Explanation

- It is a **survey-based measure** that asks the respondents about changes in their perception about key business variables as compared with the previous month. **Hence, statements 1 is correct.**
- The purpose of the PMI is to provide information about current and future business conditions to company decision makers, analysts, and investors.
- It is calculated separately **for the manufacturing and services sectors** and then a **composite index is also constructed. Hence, statement 2 is not correct.**
- PMI is compiled by IHS Markit for more than 40 economies worldwide.
 - IHS Markit is a global leader in information, analytics and solutions for the major industries and markets that drive economies worldwide. **Hence, statement 3 is correct.**

2. Consider the following statements:

1. Self-driving cars are just one of the many potential advantages of 5G over 4G.
2. Latency is low with 4G, but 5G will make it virtually zero.

Which of the above statements is/are correct?

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

Answer: c

Explanation:

- Network latency is the time required for a set of data to travel between two points. 5G technology is different from previous generations of cellular technology because of how short that amount of time is. Latency is low with 4G, but 5G will make it virtually zero.
- Latency plays a very important role in self-driving cars.
- Self-driving cars are just one of the many potential advantages of 5G over 4G.

3. Consider the following statements:

1. Pradhan Mantri Mudra Yojana (PMMY) was launched in 2015.
2. MUDRA is a financial institution set up by the Government.

3. MUDRA lends directly to micro-entrepreneurs/individuals.

Which of the statements given above is/are correct?

- A 1 and 2 only
- B 2 only
- C 3 only
- D 1, 2 and 3

Answer : A

Explanation

- **Pradhan Mantri Mudra Yojana (PMMY)** was launched by the government in 2015 for providing loans up to Rs. 10 lakh to the non-corporate, non-farm small/micro-enterprises. **Hence, statement 1 is correct.**
 - MUDRA, stands for **Micro Units Development & Refinance Agency Ltd.**, is a **financial institution set up by the Government.** Hence, **statement 2 is correct.**
- MUDRA provides funding to the non-corporate small business sector through various last-mile financial institutions like Banks, Non-Banking Financial Companies (NBFCs) and Micro Finance Institutions (MFIs).
 - It does **not lend directly** to micro-entrepreneurs/individuals. **Hence, statement 3 is not correct.**
- MUDRA has created three products i.e. 'Shishu', 'Kishore' and 'Tarun' as per the stage of growth and funding needs of the beneficiary micro unit.
 - Shishu: Covering loans up to Rs. 50,000.
 - Kishore: Covering loans above Rs. 50,000 and up to Rs. 5 lakh.
 - Tarun: Covering loans above Rs. 5 lakh and up to Rs. 10 lakh.
 - Loans under this scheme are collateral-free loans.

4. Which of the following is/are correct regarding the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)?

1. MGNREGA wages are calculated based on the Consumer Price Index-Agriculture Labourer i.e. CPI-AL.
2. In FY21, as many as 11 crore individuals got work under the scheme, the highest since its inception in 2006.

Options:

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

Answer: c

Explanation:

- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) wages are calculated based on the Consumer Price Index-Agriculture Labourer (CPI-AL).
- In the Financial Year 2021, as many as 11 crore individuals got work under the scheme, the highest since its inception in 2006, owing to the huge demand for work under the MGNREGA scheme in FY-21.

5. Which of the following statements is/are correct?

1. The Gujral Doctrine is a set of seven principles to guide the conduct of foreign relations with India's immediate neighbours.
2. The Gujral Doctrine is based on the principles of cooperation, accommodation and reciprocity.

Options:

- a. 1 Only
- b. 2 Only
- c. Both 1 and 2
- d. Neither 1 nor 2

Answer: d

Explanation:

- The Gujral doctrine was a **five-point roadmap** that sought to build trust between India and neighbours, of the solution to bilateral issues through bilateral talks and to remove immediate quid pro quos in the diplomatic relationship between India and her neighbours.
- **The five principles are:**

1. With neighbours such as Bhutan, Bangladesh, Nepal, Maldives and Sri Lanka, India **does not seek reciprocity** but offers and accommodates what it can in good faith and trust.
 2. No South Asian country should permit its territory to be used against the interest of another south Asian nation.
 3. Countries should not interfere in the internal affairs of one another.
 4. All South Asian countries should respect each other's territorial integrity and sovereignty.
 5. They should settle all their disputes via peaceful bilateral negotiations.
- The Gujral Doctrine is based on **cooperation, accommodation and non-reciprocity**.

6. The Nagara, the Dravida and the Vesara are the

- a. three main racial groups of the Indian subcontinent
- b. three main linguistic divisions into which the languages of India can be classified
- c. three main styles of Indian temple architecture
- d. three main musical Gharanas prevalent in India

Answer: c

Explanation:

Ancient Indian temples are classified into three broad categories. The Nagara (Northern India), the Dravida (Southern India) and the Vesara (Deccan, parts of North India and Central India, between the Vindhya and the river Krishna).

Mains Practice Questions

1. 'Indian diaspora has a decisive role to play in the politics and economy of America and European Countries'. Comment with examples.

Approach

- Start your answer by briefly discussing the significance of the Indian diaspora.
- Discuss in what ways the Indian diaspora affects the politics and economy of America and European Countries
- Conclude suitably.

2. How does the draft Environment Impact Assessment (EIA) Notification, 2020 differ from the existing EIA Notification, 2006.

Approach

- Start your answer by mentioning the context of the draft Environment Impact Assessment (EIA) Notification, 2020
- Highlight major differences between the draft and current notification.
- Conclude suitably.