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INSTITUTE FOR IAS EXAMINATION
(IAS, IFS, IPS, IRS, IRMS, IFoS & Other Civil Services)
Ashok Nagar X Road, Hyderabad
+91-90000 36699 / 90000 66690
www.sosinclasses.com / info@sosinclasses.com

DAILY NEWS DIARY

Of

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FOR PRELIMS AND MAINS

Warm Greetings.

- DnD aims to provide every day news analysis in sync with the UPSC pattern.
- It is targeted at UPSC – Prelims & Mains.
- Daily articles are provided in the form of Question and Answers

- To have a bank of mains questions.
- And interesting to read.
- Providing precise information that can be carried straight to the exam, rather than over dumping.

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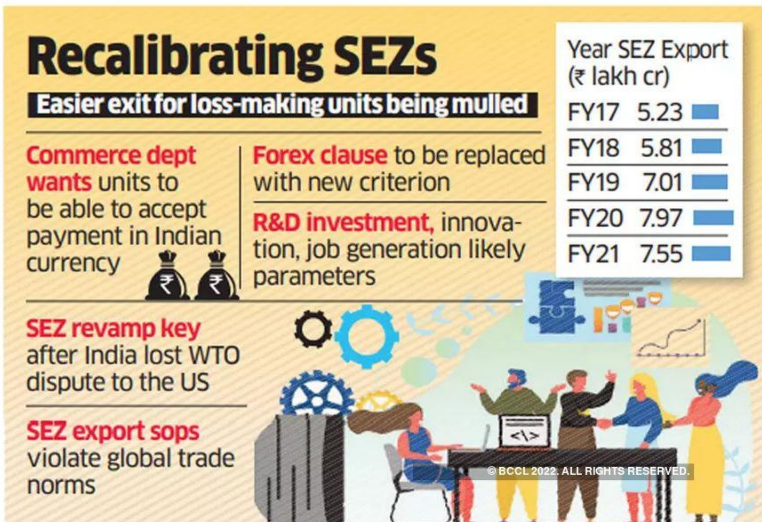
GS 3

❖ ECONOMY

Q) Assess the success and limitations of Special Economic Zones (SEZs) in India.

The Centre plans to table the Development of Enterprise and Service Hubs (DESH) Bill in the monsoon session of the Parliament, which will overhaul the special economic zones (SEZ) legislation.



What are SEZs?

A Special Economic Zone (SEZ) is an area in which the business and trade laws are different from the rest of the country.

SEZs are located within a country's national borders, and their aims include increasing trade balance, employment, increased investment, job creation, and effective administration.

Additionally, companies may be offered tax holidays, where upon establishing themselves in a zone, they are granted a period of lower taxation.

SEZs in India

- The SEZ policy in India first came into inception on April 1, 2000.
- The prime objective was to enhance foreign investment and provide an internationally competitive and hassle-free environment for exports.
- The idea was to promote exports from the country and realize the need for a level playing field must be made available to the domestic enterprises and manufacturers to be competitive globally.
- Subsequently, the SEZ Act 2005, was enacted to provide the umbrella legal framework, covering all important legal and regulatory aspects of SEZ development as well as for units operating in SEZs.

- SEZ units used to enjoy 100% income tax exemption on export income for the first five years, 50% for the next five years, and 50% of the ploughed back export profit for another five years

Why replace the existing SEZ Act?

1. The World Trade Organization's dispute settlement panel has ruled that India's export-related schemes, including the SEZ Scheme, were inconsistent with WTO rules.
2. India has been accused of giving tax benefits to exports through SEZs.
3. Countries aren't allowed to directly subsidize exports as it can distort market prices.
4. SEZs also started losing their allure after the introduction of minimum alternate tax and a sunset clause to remove tax sops.

How is the DESH legislation different?

- The DESH legislation goes beyond promoting exports.
- It has a much wider objective of boosting domestic manufacturing and job creation through 'development hubs'.
- These hubs will no longer be required to be net foreign exchange positive cumulatively in five years (i.e, export more than they import) as mandated in the SEZ regime.
- They will be allowed to sell in the domestic area more easily. The hubs will, therefore, be WTO-compliant.
- DESH legislation also provides for an online single-window portal for the grant of time-bound approvals for establishing and operating the hubs.

Source: The Hindu

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Q) Analyse the issues with Minimum Support Price (MSP).

Context:

Ahead of the nationwide protests demanding a law to ensure MSP, NITI Aayog has asserted that the MSP should continue till markets become competitive and efficient.

MSP:

- The MSP assures the farmers of a fixed price for their crops, well above their production costs.
- MSP, by contrast, is devoid of any legal backing. Access to it, unlike subsidized grains through the PDS, isn't an entitlement for farmers.
- They cannot demand it as a matter of right. It is only a government policy that is part of administrative decision-making.
- The Centre currently fixes MSPs for 23 farm commodities based on the Commission for Agricultural Costs and Prices (CACP) recommendations.

Fixing of MSPs:

- The CACP considered various factors while recommending the MSP for a commodity, including the cost of cultivation.

- It also takes into account the supply and demand situation for the commodity; market price trends (domestic and global) and parity vis-à-vis other crops; and implications for consumers (inflation), environment (soil and water use) and terms of trade between agriculture and non-agriculture sectors.

Farmers demand over legalization:

1. Legal entitlement: There is a demand that MSP based on a C2+50% formula should be made a legal entitlement for all agricultural produce.
2. Private traders' responsibility: Some says that most of the cost should be borne by private traders, noting that both middlemen and corporate giants are buying commodities at low rates from farmers.
3. Mandatory purchase at MSP: A left-affiliated farm union has suggested a law that simply stipulates that no one — neither the Government nor private players — will be allowed to buy at a rate lower than MSP.
4. Surplus payment by the govt.: Other unions have said that if private buyers fail to purchase their crops, the Government must be prepared to buy out the entire surplus at MSP rates.
5. Expansion of C2: Farm unions are demanding that C2 must also include capital assets and the rentals and interest forgone on owned land as recommended by the National Commission for Farmers.

Government's position:

The PM has announced the formation of a committee to make MSP more transparent, as well as to change crop patterns — often determined by MSP and procurement.

The panel will have representatives from farm groups as well as from the State and Central Governments, along with agricultural scientists and economists.

Issues with legal backing:

Demand-supply dynamics: Economic theory, as well as experience, indicates that the price level that is not supported by demand and supply cannot be sustained through legal means.

States responsibility: The Centre has suggested that the States are free to guarantee MSP rates if they wish, but also offers two failed examples of such a policy:

[I] Sugar FRP

In the sugar sector, private mills are mandated to buy cane from farmers at prices set by the Government.

Faced with low sugar prices, high surplus stock, and low liquidity, mills failed to make full payments to farmers, resulting in an accumulation of thousands of crores worth of dues pending for years.

[II] Withdrawal of traders

The other example is a 2018 amendment to the Maharashtra law penalizing traders with hefty fines and jail terms if they bought crops at rates lower than MSP.

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As open market prices were lower than the (legalized) MSP levels declared by the State, the buyers withdrew from the market and farmers had to suffer.

Conclusion:

- A growing consensus among economists for guaranteeing minimum "incomes", as against "prices", to farmers.
- That would essentially entail making more direct cash transfers either on a flat per-acre (as in the Telangana government's Rythu Bandhu scheme) or per-farm household (the Centre's PM-Kisan) basis.
- The resource requirement of such interventions will be so huge that no government will be left with resources to help farmers through other means like investment in public infrastructure, irrigation, and other incentives.
- The danger of over-reliance on MSP is already visible in the state of Punjab. Agriculture has reached an almost static stage there.
- The state is unable to diversify away from crops like paddy, which is destroying its natural resources and environment, marring long-term prospects of farming.

Source: Indian Express

❖ ENVIRONMENT & BIODIVERSITY

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Q) Explain the impact of the European Union's sustainable Finance taxonomy.

Context:

Activists have been widely criticizing the EU's sustainable finance taxonomy as a "greenwashing" exercise that puts the European Union's climate change targets at risk.

EU Taxonomy:

The EU taxonomy is a complex system to classify which parts of the economy may be marketed as sustainable investments.

It includes economic activities, as well as detailed environmental criteria that each economic activity must meet to earn a green label.

Why in news now?

- Rules for most sectors came into effect this year, covering investments including steel plants, electric cars and building renovations.
- The rules for gas and nuclear energy, however, have been long delayed amid intense lobbying from governments who disagree on whether the fuels help fight climate change.

What does it say about gas and nuclear energy?

1. The European Parliament supported that proposal in a vote paving the way for it to become law and apply from 2023.
2. Under the proposal, for a gas-fuelled power plant to be deemed green, it must emit no more than 270 grams of CO_2 equivalent per kilowatt hour, or have average emissions of 550g CO_2e/kW over 20 years.

3. It must also commit to switch to low-carbon gases by 2035.
4. Gas and nuclear power plants are classed as transitional activities.

What's the taxonomy for?

- The taxonomy does not ban investments in activities not labelled "green", but it limits which ones companies and investors can claim are climate-friendly.
- The EU's goal to eliminate its net emissions by 2050 will require huge investments, much of it private funding.
- The rules also aim to stamp out green-washing, where organisations exaggerate their environmental credentials, among so-called eco-friendly investment products.

What makes a "green" investment?

The rules classify three types of green investments.

1. First, those that substantially contribute to green goals, for example, wind power farms.
2. Second, those that enable other green activities, for example, facilities that can store renewable electricity or hydrogen.
3. Third, transitional activities that cannot be made fully sustainable, but which have emissions below industry average and do not lock in polluting assets or crowd out greener alternatives.

Source: Indian Express

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Q) Karakalpakstan', recently in the news is a place in:

a) Turkmenistan

b) Uzbekistan

c) Tajikistan

d) Kazakhstan

Hey from Yesterday –

Q) Which of the following statements with regard to the Donbas is incorrect?

1. Donetsk and Luhansk are two states located in eastern Ukraine which are referred as Donbas.
2. Ukraine government recognised Donbas as independent nations.

Options:

a) Only 1
b) Only 2
c) Both 1 and 2
d) Neither 1 nor 2

Answer: b

Explanation:

- Donetsk and Luhansk are the two areas that together make up the Donbas region on the Ukraine-Russia border.
- Donbas is a key industrial hub and important from a resource perspective having the largest coal reserves in Ukraine.
- These two areas broke away from the Ukrainian government's control back in 2014 and proclaimed themselves independent "people's republics". Donbas region also offers strategic advantages for Russia. By controlling the region, Russia intends to create a 'land bridge' to Crimea, a territory it annexed in 2014.
- Access to the Black Sea and warm water ports in Crimea such as Sevastopol allows it to access important trade routes throughout the year.

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