

SosinClasses

INSTITUTE FOR IAS EXAMINATION

(IAS, IFS, IPS, IRS, IRMS, IFoS & Other Civil Services)

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DAILY NEWS DIARY

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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 2

❖ INTERNATIONAL RELATIONS

Q) Explain the significance of the India-Bhutan relation and various facets of their relations.

Context:

After over two years of the COVID-19-induced lockdown, Bhutan will open its doors to tourists on September 23 with a new expensive policy for Indians and other foreign tourists.

India-Bhutan Relations:

- India and Bhutan have had long-standing diplomatic, economic and cultural relations
- Bhutan and India relations are governed by a friendship treaty that was renegotiated only in 2007, subjecting the Himalayan nation's security needs to supervision.
- Treaty of Friendship in 2007, which brought into the India-Bhutan relationship "an element of equality."
- The Treaty provides for perpetual peace and friendship, free trade and commerce, and equal justice to each other's citizens.

Treaty of Friendship:

- On August 8, 1949, Bhutan and India signed the Treaty of Friendship, calling for peace between the two nations and non-interference in each other's internal affairs.
- India re-negotiated the 1949 treaty with Bhutan and signed a new treaty of friendship in 2007.
- The new treaty replaced the provision requiring Bhutan to take India's guidance on foreign policy with broader sovereignty and not require Bhutan to obtain India's permission over arms imports.
- Under the 2007 India-Bhutan Friendship Treaty, the two sides have agreed to "cooperate closely with each other on issues relating to their national interests."
- Neither Government shall allow the use of its territory for activities harmful to the national security and interest of the other

Various facets of ties:

1. Commercial Relations:

India is Bhutan's largest trading partner. India and Bhutan have signed an Agreement on Trade, Commerce and Transit on in 2016, which provides for a free trade regime between the two countries. Tourism is another point of convergence.

2. Energy Cooperation

A scheme titled "Comprehensive Scheme for Establishment of Hydro-meteorological and Flood Forecasting Network on rivers Common to India and Bhutan" is in operation. The network consists of 32 Hydro-meteorological/ meteorological stations located in Bhutan and being maintained by the Royal Government of Bhutan with funding from India. The data received from these stations are utilized in India for formulating flood forecasts.

Significance of Bhutan to India:

- Buffer to China: Bhutan is a buffer state between India and China. Bhutan shares a 470 km long border with China.
- Vital connectivity through chicken's neck: The Chumbi Valley is situated at the tri-junction of Bhutan, India and China and is 500 km away from the "Chicken's neck" in North Bengal.
- Security in North-East: Bhutan has in the past cooperated with India and helped to flush out militant groups in NE.
- Chinese inroad in Bhutan: China is interested in establishing formal ties with Thimphu, where it does not yet have a diplomatic mission.
- China factor in ties: China predates on small neighbours
- Bhutan is strategically important for both India and China. Chinese territorial claims in western Bhutan are close to the Siliguri Corridor.
- Beijing is reportedly insisting on Bhutan establishing trade and diplomatic relations as a quid pro quo for a border settlement.
- Bhutan is currently India's only neighbour who has stayed away from joining China's Belt and Road Initiative (BRI), but that may change if India can't make itself an attractive ally and neighbour.

Why does India need Bhutan?

- Bhutan has always been India's most trusted ally in South Asia and has often put India's security at the forefront.
- Come to think of it, in December 2003, Bhutan's fourth king personally led the army to throw out Indian militants living in Bhutan's jungles.
- Bhutan was also the only South Asian country besides India not to attend China's Belt and Road Initiative forum in May 2017.
- In other words, land-locked Bhutan has held its end of the bargain.

Various cooperation developments:

- I. Maitri Initiative: Bhutan is the first country to receive the Covishield vaccines under India's Vaccine Maitri Initiative.
- II. Financial connectivity: It has touched new heights through the launch of the RuPay card and the BHIM app.
- III. Start-Up ecosystem: Both nations successfully linked up the Start-Up systems of our two countries via structured workshops; through the National Knowledge Network & the Druk-REN connection.
- IV. E-Library project: It has opened up new vistas of education and knowledge sharing between two countries.

Irritants in ties:

India has not invested significantly in Bhutan and other smaller neighbours that modicum of trust which is critical in building genuine goodwill. This means not only increasing people-to-people contact but also being sensitive to Bhutan's desire for a wider engagement beyond India's borders. This means respecting Bhutan as an equal, sovereign nation-state.

Conclusion:

- ✓ The Indo-Bhutan friendship is built on shared values and aspirations, trust and mutual respect.
- ✓ Bhutan's foreign policy framework holds the relationship with India as being integral to its national interest.
- ✓ The Indian approach to Bhutan has necessarily to be tailored while being sensitive to the growing Bhutanese aspirations of being considered equal.

Source: Indian Express

GS 3**❖ ECONOMY****Q) Explain the significance of the rationalisation of the GST slabs.****Context:**

Customers will have to pay a 5% Goods and Services Tax (GST) on pre-packed, labelled food items such as atta, paneer and curd, besides hospital rooms with rents above ₹5,000.

GST:

- GST launched in India on 1 July 2017 is a comprehensive indirect tax for the entire country.
- It is charged at the time of supply and depends on the destination of consumption.
- For instance, if a good is manufactured in state A but consumed in state B, then the revenue generated through GST collection is credited to the state of consumption (state B) and not to the state of production (state A).
- GST, being a consumption-based tax, resulted in loss of revenue for manufacturing-heavy states.

GST Slabs:

1. In India, almost 500+ services and over 1300 products fall under the 4 major GST slabs.
2. There are five broad tax rates of zero, 5%, 12%, 18% and 28%, plus a cess levied over and above the 28% on some 'sin' goods.
3. The GST Council periodically revises the items under each slab rate to adjust them according to industry demands and market trends.
4. The updated structure ensures that the essential items fall under lower tax brackets, while luxury products and services entail higher GST rates.
5. The 28% rate is levied on demerit goods such as tobacco products, automobiles, and aerated drinks, along with an additional GST compensation cess.

Rationalize GST slabs:

- ✓ From businesses' viewpoint, there are just too many tax rate slabs, compounded by aberrations in the duty structure through their supply chains with some inputs taxed more than the final product.
- ✓ These are far too many rates and do not necessarily constitute a Good and Simple Tax.

- ✓ Multiple rate changes since the introduction of the GST regime in July 2017 have brought the effective GST rate to 11.6% from the original revenue-neutral rate of 15.5%.
- ✓ Merging the 12% and 18% GST rates into any tax rate lower than 18% may result in revenue loss.

Source: The Hindu

Q) Elucidate the risks experienced by the firms for External Commercial Borrowings.

Context:

The Reserve Bank of India has relaxed norms for companies raising external commercial borrowings (ECBs), as part of a set of measures to stem the slide in the rupee.

ECBs taken by Indian companies:

- ECBs are commercial loans that eligible resident entities can raise from outside India, i.e. from a recognized non-resident entity.
- ECBs can be buyer's credit, supplier's credit, foreign currency convertible bonds, foreign currency exchangeable bonds, loans etc.
- ECBs can be raised via the automatic route where cases are examined by the Authorized Category Dealer, or the approval route where borrowers are mandated to forward their request to RBI through their authorized dealers.
- Borrowers must follow norms on minimum maturity period, maximum all-in-cost ceiling, end-uses etc.

Relaxation offered by the RBI:

RBI earlier had raised borrowing limit under the automatic route from \$750 million or its equivalent per financial year to \$1.5 bn up till up to 31 December, 2022.

Necessity of such move:

The objective was to increase the supply of foreign exchange reserves. This in turn would thereby prevent the fast depreciation of the rupee witnessed over the last few months.

Clarity do foreign lenders want from RBI:

- Lenders want to know whether the investment grade needs to be rated by domestic or international agencies.
- If it is only by global agencies, it would limit the number of potential borrowers.
- This is because companies which might be rated high domestically might not necessarily have made the investment grade when rated by international agencies.

Indian firms go for ECBs:

- Low cost: ECBs give companies the benefit of borrowing abroad at lower interest rates.
- Long term repayment: They are also an avenue to borrow a large volume of funds for a relatively long period of time.
- Surpassing exchange fluctuation: Also, borrowing in foreign currencies enables companies to pay for their machinery import etc., thereby nullifying the impact of varying exchange rate.

- Long term profitability: ECBs can help diversify the investor base and funds available at lower cost, helping improve profitability of companies.
- Better credit ratings: ECB interest rates are also a function of their ratings in the international market.

Risks for firms raising ECBs:

- ✓ Though companies get attracted to ECBs due to lower interest rates, the comfort level of the borrower depends on how stable the rate of exchange is.
- ✓ Depreciation of the rupee will raise debt servicing burden as compared to what has been worked out at the time of availing of the ECB facility.
- ✓ Thus, the companies might need to incur hedging costs (amount equal to the aggregate costs, fees, and expenses) to cover the exchange rate risk.

Source: The Hindu

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Q) Which of the following can be considered applications of quantum computing?

1. Artificial intelligence and machine learning
2. Computational chemistry
3. Drug design and development
4. Cybersecurity and cryptography
5. Weather forecasting

Options:

- a) 1, 2, 3 and 5 only
- b) 2, 3, 4 and 5 only
- c) 1, 2, 3, 4 and 5
- d) 1, 3 and 5 only

 **Hey from Yesterday –**

Q) I2U2 recently seen in news is associated with_____.

- a) North Atlantic Treaty Organization (NATO)
- b) Organisation for Economic Co-operation and Development (OECD)
- c) Shanghai Cooperation Organization (SCO)
- d) West Asian Quad

Answer: d

Explanation:

- I2U2 stands for India, Israel, the UAE, and the US, and was also referred to as the ‘West Asian Quad’ by Ahmed Albanna, Ambassador of the UAE to India.
- Back in October 2021, a meeting of the foreign ministers of the four countries had taken place when External Affairs Minister S Jaishankar was visiting Israel. At that time, the grouping was called the ‘International Forum for Economic Cooperation’.
- Its stated aim is to discuss “common areas of mutual interest, to strengthen the economic partnership in trade and investment in our respective regions and beyond”.
- Six areas of cooperation have been identified by the countries mutually, and the aim is to encourage joint investments in water, energy, transportation, space, health, and food security.

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