



News Analysis (04 Apr, 2019)

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Asian Development Outlook 2019- Strengthening Disaster Resilience: ADB

Asian Development Bank has published **Asian Development Outlook 2019**.

- In this, ADB has **cut India's growth forecast to 7.2% for 2019-20** because of a slower-than-expected pickup in investment demand.
- The growth rate in **Financial Year 2020-21 is likely to be 7.3%**.

Findings

- ADB, which had estimated 7.6% economic growth in December 2018, is the **first multilateral lending agency** to slash India's growth estimate.
The **International Monetary Fund (IMF)** and the **Reserve Bank of India (RBI)** had earlier projected **7.5% and 7.4% growth, respectively**.
- Despite this, **India will remain the fastest growing major economy**, as China is projected to grow at 6.3% in 2019.
 - India's strong growth is because of **strong household spending** and **corporate fundamentals**.
 - **Strong household spending**- Income support to farmers, hikes in procurement prices for food grains, and tax relief to taxpayers earning less than Rs 5 lakh, declining fuel and food prices.
 - **Strong corporate fundamentals**- An increase in utilization of production capacity by firms, falling levels of stressed assets held by banks and easing of credit restrictions on certain banks, is expected to help investment grow at a healthy rate.
- **Imports are expected to rise** mainly due to stronger domestic demand, while a growth slowdown in India's key export destinations would dent export growth.
- The **current account deficit is expected to widen a bit to 2.4% of GDP** in FY2019 and 2.5% of GDP in FY2020.

The deficit is expected to be **financed comfortably by capital flows**, given that India has emerged as an attractive destination for foreign investment.

- The **inflation is expected to average around 4% in the first half of FY2019**, and therefore the Reserve Bank would have some room for **lowering policy rates further increasing credit**.

Asian Development Bank (ADB)

- The Asian Development Bank (ADB) is a **regional development bank** established on **19 December 1966**.
- ADB is headquartered in **Manila, Philippines**. It aims to promote **social and economic development in Asia**.
- ADB now has **67 members, of which 48 are from within Asia and the Pacific and 19 outside**.
- **Japan holds the largest proportion** of shares in ADB **followed by the USA**.

Concerns

- The growth forecast for India has some downside risks such as **moderation in global demand** as financial conditions tighten, uncertainty arising out of **global trade tensions**, and the weak economic outlook in industrial countries.
 - The **higher-than-expected moderation** in global demand and a potential escalation of trade tensions.
- On the domestic front, growth could **suffer if tax revenue falls short or any disruption affects** the ongoing resolution of the twin **problems of the bank and corporate balance sheets**.
 - Lower-than-targeted tax revenues** or a **delay in strengthening bank and corporate balance sheets** could also undermine economic expansion.
- **Disaster risk and costs are rising**, and Asia is particularly vulnerable.
 - Suitable policy interventions are required to keep disaster losses from spiraling into the future and across the region.
 - Spending on disaster prevention continues to lag far behind disaster response as access to credit, insurance, and remittances remains sparse and uneven.

Black Holes & Dark Matter

An international research team has ruled out the possibility that **primordial black holes** (formed in the early age of the universe) **might be the primary source of dark matter**.

The theory that **primordial black holes are a source of dark matter was proposed by Professor Stephen Hawking**.

Dark Matter

- **Dark matter, though never detected, is believed to be present in the entire universe, its existence presumed because a number of observable celestial phenomena could not be possible if the universe did not have much more matter in it than is seen.**
- It is believed to make up more than **95% of all universe.**
- Its gravitational force prevents stars in our Milky Way from flying apart.
- However, attempts to detect such dark matter particles using underground experiments, or accelerator experiments including the world's largest accelerator, the Large Hadron Collider (LHC), have failed so far.

Dark Matter Presence in Universe

- In the solar system, Mercury, the planet closest to the Sun, takes just 88 days to make one revolution around the sun, while Neptune, the farthest one, takes 165 years to make one round.
- Laws of gravity expect us to see stars closer to the center of galaxies rotating faster than the stars on the edge.
- However, in most galaxies, **the stars closer to the center and the stars at the edge of the galaxies take almost the same time to make one revolution.**
- **This implied that something invisible and enveloping the galaxies was giving an extra push to the outer stars, speeding them up.**
- This entity has remained as one of the unresolved puzzles in cosmology since the 1930s. It is named as 'Dark Matter'.]
- **The material is considered to be a 'matter' since it has gravitational attraction and it is 'dark' because it does not seem to interact with light (or any part of the electromagnetic spectrum).**

Black Holes

- It is a **region of space having a gravitational field so intense that no matter or radiation can escape.**
- **Primordial Black Holes**
 - When the big bang hypothesis was proposed, two Soviet physicists, Yakov Borisovich Zel'dovich and Igor Dmitriyevich Novikov, showed that at the initial instant of the big bang, the densities would have been very high at many points, resulting in the formation of small black holes.
 - They were named 'primordial black holes'.
 - Stephen Hawking investigated them in 1971. He computed that the mass of the primordial black holes could range from as low as one-hundredth of a milligram to as high as more than the mass of Thousand Suns.

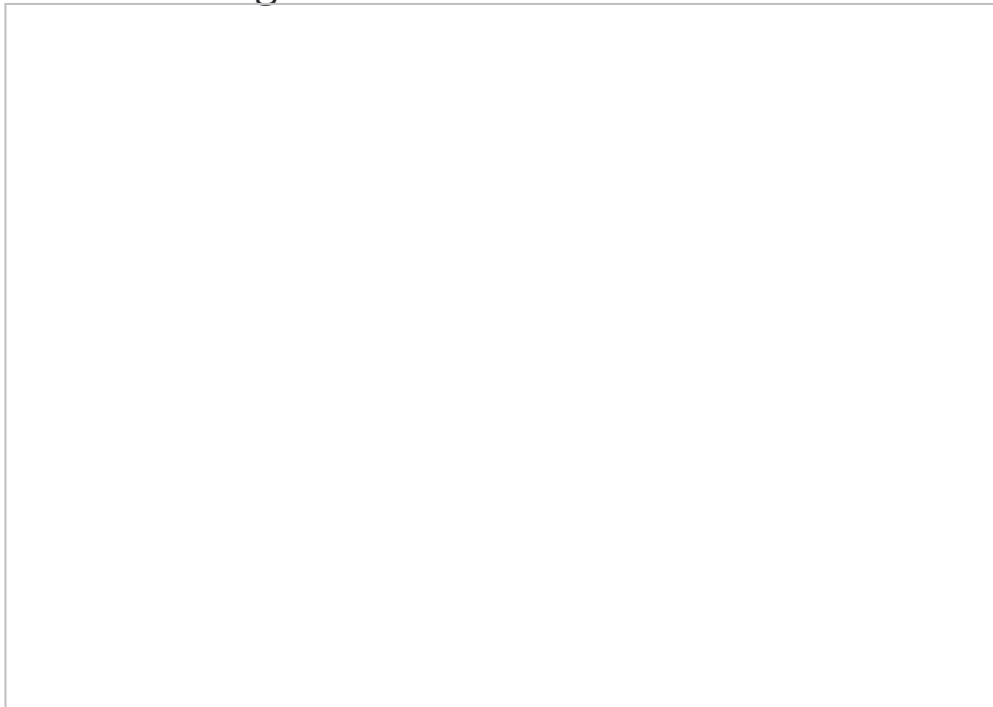
Gravitational lensing

- **When the black hole is in alignment with a distant star, due to gravitational attraction, light rays are bent inwards like a lens, making the star appear brighter. This is called 'gravitational lensing'.**
 - This rare phenomenon can occur only when the star, the black hole and the observer on the Earth are aligned in a straight line.
 - This phenomenon was first proposed in Albert Einstein's General Theory of Relativity.
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President of Algeria Resigns

Abdelaziz Bouteflika, president of Algeria has **resigned** after **remaining in power for more than two decades**.

Protests in Algeria



- **Since February 22, tens of thousands of people are protesting throughout Algeria demanding that President Bouteflika must resign.**
- The protests are still going on, after resignation, demanding change to the country's political system.

Bouteflika rise to power

- In 1999, when the country was going through a civil war, Mr. Bouteflika won the presidency, with support from the military.
- **He resolved the civil conflict in Algeria and built a strong welfare state funded**

by revenues from oil and gas exports.

- These measures **bolstered his popularity and helped him stabilize his regime.**

Issues with Presidency

- **However, Bouteflika Presidency was also known for a ruthless administrative style that denied several basic freedom to people.**
- The presidential **election was hardly free and fair.**
- But the resentment was gradually rising, particularly amid **increasing economic woes following the 2014 crash in oil prices.**
- The oil and gas sector has been the backbone of the country's economy accounting for about 20% of the GDP, and 85% of exports.
- The fall in commodity prices hit the economy hard. The **economic growth slowed from 4% in 2014 to 1.6% in 2017. Youth unemployment stood at 29%.**

Way Forward

- **Constitutional Provisions**

- Algeria's Constitutional Council has accepted Mr. Bouteflika's resignation and informed Parliament that his post was officially vacant.
- Algeria's Constitution says that once the President officially resigns, the Speaker of the upper house of Parliament acts as an interim leader for up to 90 days during which a presidential election must be organized.

- **Demand of Protestors**

It is to be seen whether the protesters will now vacate the streets and accept the transition. Some of them have called for a break with the system and demanded a democratic transition.

India-Africa Relations

MH-60R Multi-Mission Helicopters

The United States Department of State has approved the sale of **24 MH-60R 'Seahawk' multi-mission** helicopters to India under its Foreign Military Sales (FMS) program.

- These helicopters are considered to be the **world's most advanced maritime helicopter.**
- The proposed sale will provide India the capability to perform anti-surface and anti-submarine warfare missions.
- It will also enhance the Navy's ability to perform secondary missions, including search and rescue, and communications relay.



India-U.S. Defence Relations

- Since 2008, Indo-U.S. defense trade has steadily increased from under the **U.S.\$ 1 billion to over the U.S.\$ 18 billion.**
- The United States has assumed the spot of **India's second largest arms supplier, after Russia.**
- Crucial intended or completed procurements by India from the U.S. includes 13 C-130 Hercules aircraft, 10 C-17 Globemaster aircraft, 12 P-8 Poseidon aircraft, 22 AH-64 Apache helicopters, 15 CH-47 Chinook helicopters, and 145 M777 Howitzer guns.
- India was granted the unique **Major Defence Partner (MDP)** designation in 2016 by the United States.
- India was then given **Strategic Trade Authorisation-1 (STA-1)** status by the U.S. in 2018. The third Asian country after South Korea and Japan (and 37th country globally) to acquire it.
- This was to further facilitate the transfer of technology in the defense and space sectors.
- India also signed the **Communications Compatibility and Security Agreement (COMCASA)** agreement with the U.S., providing a legal basis for the U.S. to transfer secure communication equipment to India, increasing military equipment interoperability and real-time data sharing.

Significance

- India will use the enhanced capability as a **net security provider in the Indian Ocean region**, deterrent to regional threats like piracy and drug trafficking and strengthen its homeland defense.
 - India has a responsibility to **ensure freedom of movement** throughout the Indian Ocean, stretching from the **Strait of Hormuz to the Strait of Malacca**.
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Important Facts For Prelims (4th April 2019)

Advance Pricing Agreement (APA)

- The Central Board of Direct Taxes (**CBDT**) entered into **18 APAs** in the month of **March 2019**, which include 3 Bilateral APAs (BAPAs).
 - The total number of APAs entered into by the CBDT in the year 2018-19 stands at 52, which includes 11 BAPAs.
 - The total number of APAs entered into by the CBDT as of now stands at 271, which inter alia include 31 BAPAs.
- The Advance Pricing Agreement (APA) programme in India **was launched in 2012** vide the Finance Act, 2012 through the insertion of Sections 92CC and 92CD in the Income-tax Act, 1961.
- APA is **an agreement between a taxpayer and tax authority determining the transfer pricing methodology**, for pricing the taxpayer's international transactions for future years.
 - Once the APA is sealed, the methodology is to be applied for a certain period of time-based on the fulfillment of certain terms and conditions.
 - The agreement helps in addressing complex transfer pricing issues in a fair and transparent manner.
 - **Transfer pricing is the setting of the price for goods and services sold between controlled (or related) legal entities** (may be situated in different countries) within an enterprise.
- An APA can be unilateral, bilateral, or multilateral.
 - **Unilateral APA:** An APA that involves only the taxpayer and the tax authority of the country where the taxpayer is located.
 - **Bilateral APA (BAPA):** an APA that involves the taxpayer, associated enterprise (AE) of the taxpayer in the foreign country, tax authority of the country where the taxpayer is located, and the foreign tax authority.
 - **Multilateral APA (MAPA):** an APA that involves the taxpayer, two or more AEs of the taxpayer in different foreign countries, tax authority of the country where the taxpayer is located, and the tax authorities of AEs.

Central Board of Direct Taxes (CBDT)

- It is a **statutory authority** that functions under the **Central Board of Revenue Act, 1963**.
- It is a **part of the Department of Revenue** in the Ministry of Finance.
- It provides inputs for policy and planning of direct taxes in India and is also responsible for the administration of direct tax laws through the Income Tax Department.
- Direct Taxes include income tax, corporation tax etc.

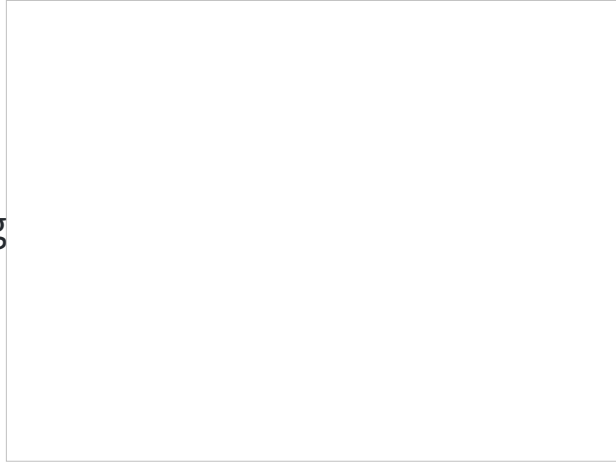
NuGen Mobility Summit 2019

- The International Centre for Automotive Technology (**ICAT**) will organize a **NuGen Mobility Summit, 2019, at Manesar, NCR, from 27th to 29th November 2019**.
- The objective of the Summit is to share new ideas, learnings, global experiences, innovations and future technology trends for faster adoption, assimilation and **development of advanced automotive technologies for a smarter and greener future**.
- It will help in building a **platform for bringing together all stakeholders in the automotive industry** to understand global advancements in technologies.
- Track demonstrations, drive-touch-feel activity and lab demonstrations on upcoming vehicle technologies like connected mobility, electric mobility, alternate fuels, intelligent transportation system, hydrogen fuel cell, hydrogen IC engine, vehicle dynamics, advanced materials and lightweight, end of life vehicles and recycling will be the uniqueness of this event.

ICAT Manesar

- It is a **division of NATRIP Implementation Society (NATIS)** under the Department of Heavy Industries, Government of India.
National Automotive Testing and R&D Infrastructure Project (**NATRIP**) is the **largest and most significant initiative in the automotive sector** which represents a joining of hands between the Government of India, a number of State Governments and Indian Automotive Industry to create a state of the art testing, validation and R&D infrastructure in the country.
- It provides services for testing, validation, design and homologation of all categories of vehicles and has a mission to **assist the automotive industry in adopting cutting edge technologies** in vehicle evaluation and component development to ensure reliability, durability and compliance to the current and future regulations in new generation mobility solutions.

Coral Bleaching



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- The **world's southernmost coral reef** has been hit by bleaching highlighting that the **rising sea temperatures from climate change were affecting even the most isolated ecosystems.**
 - The corals off **Lord Howe Island (600 km offshore from Sydney)** were affected by elevated temperatures, despite escaping severe bleaching that damaged the **Great Barrier Reef in 2016 and 2017.**
 - **Bleaching occurs when abnormal environmental** conditions, such as warmer sea temperatures, cause corals to expel tiny photosynthetic algae, draining them of their colour.

Increasing baseline temperatures caused by climate change, and local factors such as elevated temperatures in the area this summer, caused the bleaching to occur.
