



News Analysis (10 Apr, 2019)

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World Economic Outlook 2019- Growth Slowdown, Precarious Recovery: IMF

The **International Monetary Fund (IMF)** has **cut India's Gross Domestic Product (GDP) growth** forecast for 2019-20, **following similar action** by the Asian Development Bank (ADB) and the Reserve Bank of India (RBI).

The World Economic Outlook (WEO) is a **survey by the IMF staff published twice a year.**

Highlights

- **Global**

- The global growth will be **3.3% in 2019, down from 3.6% in 2018 and 4% in 2017.** Few reasons being: **U.S.-China trade tensions, macroeconomic stress in Turkey and Argentina, tighter credit policies in China, mounting debt levels and increasing inequality etc.**

This forecast of global growth is **lowest since the financial crisis of 2008.**

- The **IMF expects growth to pick up** in the second half of the **year and return to 3.6%**, but this is subject to a rebound in Argentina and Turkey.
Brexit uncertainties and China's growth not being as high as expected (down from 6.6% in 2018 to 6.3% and 6.1% in 2019 and 2020 respectively) are **risks that will impact these projections.**
- **Beyond 2020,** the IMF predicts that **global growth will stabilise at around 3.5%**, buoyed mainly by **growth in China and India.**

- **India**

India's growth is **projected to pick up to 7.3% in 2019 (2019-20) and 7.5% in 2020.** The pick up in growth is because of:

- The **continued recovery of investment** and **robust consumption.**
- A more expansionary stance of monetary policy and some expected

impetus from fiscal policy.

- These forecasts are nevertheless less by 10 and 20 basis **points from earlier forecasts.**

Recommendations

- At the global level, the report stated that there is a need for **greater multilateral cooperation to resolve trade conflicts**, to **address climate change** and **risks from cybersecurity**, and to improve the **effectiveness of international taxation**.
- The following are the **recommendations specific to India**:
 - In terms of policy, it has called for a **continued implementation of structural and financial sector reforms** in order to lower public debt and aid growth.
 - The report emphasized **enhancing governance of public sector banks** and reforms to hiring and dismissal regulations that would incentivize job creation and absorb the country's large demographic dividend.
 - A **continued fiscal consolidation** is needed to bring down public debt, strengthening goods and services tax compliance and lowering subsidies.
- The report also noted the steps taken by Government to **speed up the resolution of Non Performing Assets (NPAs)** and a **simplified bankruptcy framework** — measures that can be reinforced by stronger governance of public sector banks.
- The IMF also calls for **laws around land reform to change**, to expedite infrastructure development as well as **changes to hiring and firing laws in order create jobs** and absorb the India's large demographic dividend.

Meteorite Sheds Light on the Sun's Infant Years

By analyzing a piece of meteorite found in Kazakhstan in 1962, researchers have envisaged how the Sun behaved in its infancy.

Findings

- Researchers found that **during initial years Sun was able to generate superflares** which were a million times stronger than the strongest solar flare ever recorded at the 1859 Carrington event.
 - The **solar storm of 1859 (also known as the Carrington Event)** was a powerful geomagnetic storm during solar cycle 10 (1855–1867).
 - A **solar flare is a sudden flash of increased brightness on the Sun**, sometimes they are also accompanied by a **coronal mass ejection**.
- Such superflares must have taken place 4.5 billion years ago when the Sun was barely forming.
- Researchers also inferred that irradiation by such superflares from the Sun is the

sources of elements like beryllium-7.

- **Among the first-formed solids of the solar system were the calcium-aluminum-rich inclusions (CAI).** The CAIs are nearly 4.5 billion years old.

Terms Related to Rocks of Space

- **Asteroid:** These rocks are generally **found between Mars and Jupiter** in an orbit called the **asteroid belt**.
 - These are usually **the fragments of a planet** that never came together.
 - Sometimes asteroids after being ejected from the main belt, intersect earth orbits.
- **Comet:** It is a **chunk of ice and rock originating from the outer solar system**. Some of them occasionally get gravitationally pulled towards the inner solar system, with the possibility of hitting Earth.
 - When passing close to the Sun, **the comet warms and begins to release gases, a process called outgassing**.
 - This produces a **visible atmosphere or coma, and sometimes also a tail**.
- **Meteoroid:** a **space rock that's bigger than a dust grain but smaller than an asteroid**. The dividing line between asteroid and meteoroid is fuzzy, but generally, space rocks bigger than boulders are asteroids and smaller ones are meteoroids.
- **Meteor:** **The streak of light seen when a space rock — an asteroid or a comet — enters the earth's atmosphere and starts burning up**. It's the scientific synonym for "shooting star."
- **Meteorite:** If a meteor doesn't entirely burn up, a piece of **space rock that lands on Earth** are called a meteorite.
- **Bolide:** astronomers use the term to describe a **bright fireball from an incoming meteor**; geologists use it as a catch-all term for a comet or an asteroid that hits the Earth.

Coronal Mass Ejection

- A coronal mass ejection (CME) is a **significant release of plasma and accompanying magnetic field from the solar corona**. They are **often followed by solar flares**.
- **Solar Flares on reaching earth causes spectacular light** shows by interacting with the earth's magnetic field called Aurora's.
- **Solar Flares can also disrupt** radio transmission and harm satellites in orbit.

India Remained the Highest Recipient Of Remittances

According to the latest edition of the World Bank's Migration and Development Brief, **India** has retained its position as the **world's top recipient of remittances** with its diaspora sending a whopping \$79 billion back home in 2018.

Key Findings

- **Increase in Remittances**

- Remittances to low- and middle-income countries reached a record high in 2018.
- **Global remittances**, which also include flows to high-income countries, **reached \$689 billion in 2018**, up from \$633 billion in 2017.
- The officially recorded annual remittance flows to **low- and middle-income countries** reached \$529 billion in 2018, an **increase of 9.6 %** over the previous record high of \$483 billion in 2017.

- **Regional Stats**

- **Growth** in remittance inflows ranged from almost **7% in East Asia and the Pacific** to **12 %in South Asia**.
- Remittances to South Asia grew 12% to \$131 billion in 2018, outpacing the 6% growth in 2017.
- The overall increase was driven by a **stronger economy and employment situation in the United States** and a rebound in **outward flows** from some Gulf Cooperation Council (GCC) countries and **the Russian Federation**.
- **In 2019**, remittance flows to **low- and middle-income countries** are expected to reach **\$550 billion**, to become their **largest source of external financing**.

- **Country-wise stats**

- Among countries, **the top remittance recipients were India with \$79 billion**, followed by China (\$67 billion), Mexico (\$36 billion), the Philippines (\$34 billion), and Egypt (\$29 billion).
- In Pakistan, remittance growth was moderate (7%), due to significant declines in inflows from Saudi Arabia, its largest remittance source.
- In Bangladesh, remittances showed a brisk uptick in 2018 (15%).
- Remittances grew by **more than 14% in India**, where a **flooding disaster in Kerala likely boosted the financial help** that migrants sent to families. India received \$62.7 billion in 2016 and \$65.3 billion in 2017 from remittances.

- **High Remittance Cost**

- Global average cost of sending \$200 remained high, at around **7% in the first quarter of 2019**.
- Remittance costs across many African corridors and small islands in the Pacific in general remain above 10%.
- **Banks** were the **most expensive remittance channels**, charging an average fee of 11 percent in the first quarter of 2019. Post offices were the next most expensive, at over 7 percent.
- **Reducing remittance costs to 3% by 2030** is a global target under **Sustainable**

Development Goal (SDG) 10.7.

- Renegotiating exclusive partnerships and letting new players operate through national post offices, banks, and telecommunications companies will increase the competition and thus lower the remittance prices.”

World Bank’s Migration and Development Brief

- This is prepared by the **Migration and Remittances Unit, Development Economics (DEC)**- the premier research and data arm of the World Bank. .
- The brief **aims to provide an update on key developments in the area of migration and remittance flows** and related policies over the past six months.
- It also provides medium-term projections of remittance flows to developing countries..
- The brief is **produced twice a year**.

Remittances

- Remittances are usually understood as **financial or in-kind transfers made by migrants to friends and relatives back in communities of origin**.
- These are basically sum of two main components - **Personal Transfers** in cash or in kind between resident and non-resident households and **Compensation of Employees**, which refers to the income of workers who work in another country for a limited period of time.
- Remittances help in stimulating economic development in recipient countries, but this can also make such countries over-reliant on them.

Data Protection Law in the United States

The U.S. government is bringing a law which could **allow people to see or prohibit the use of their data by tech firms**.

- This will be the **first of its kind data protection law in the US** at the national level.
- The new law will **control the ability of the largest technology companies to collect and make money off people’s personal data**. Companies would need permission to release such information.

Necessity for Such Law

- The need for such a law was felt due to and other information technology (IT) giants.
- In the US, the **IT industry has been lightly regulated and has resisted closer oversight** as a threat to its culture of free-wheeling innovation.
- Support for privacy law is part of a **broader effort by regulators and lawmakers to lessen the domination of companies like Facebook, Google, and Amazon**.

- Recently, the US state of California also enacted data privacy law. The law allows **California citizens to see the personal data being collected on them and where it's being distributed and to forbid the sale of it.**

With some exceptions, consumers could also request that their personal information be deleted entirely.

'GAFA' tax plan

- France parliament has approved a **new tax on digital giants such as Facebook and Apple.**
- The legislation, called as "GAFA" after Google, Amazon, Facebook, and Apple, comes amid **rising public outrage at the minimal tax paid by some of the world's richest firms.**

India and Data Privacy

- Recently, **India has also enforced Data Localisation norms for Payment firms.**
 - To address the issue of the protection of data the government of India has formed the **BN Srikrishna Committee** and has also brought Data Protection Bill 2018. Highlights of which are:
 - all personal data to which the law applies must have at least one serving copy stored in India
 - personal data critical to national interest must be stored and processed only in India
 - the Centre will have the power to exempt transfers on the basis of strategic or practical considerations.
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