



## News Analysis (11 Feb, 2021)

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### Impact of Crude Oil Price Hike

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#### Why in News

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Recently, the **price of Brent crude crossed the USD 60 per barrel mark after over a year**. The rise in prices is **because of production cuts** by oil-producing countries and **expectations of improvements in global demand** as the **Covid-19 vaccine** is rolled out across the world.

- In April 2020, the **West Texas Intermediate (WTI) crude slipped below zero** for the first time in history, to a negative USD 40.32 per barrel.
- **Two crude oils** which are either traded themselves or whose prices are reflected in other types of crude oil include **West Texas Intermediate (WTI) and Brent**.

#### Key Points

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- **Oil Pricing:**
  - Generally, the **Organization of the Petroleum Exporting Countries (OPEC)** used to **work as a cartel** and fix prices in a favourable band.
    - **OPEC is led by Saudi Arabia**, which is the **largest exporter of crude oil** in the world (single-handedly exporting 10% of the global demand).
    - OPEC has a **total of 13 Member Countries** viz. Iran, Iraq, Kuwait, United Arab Emirates (UAE), Saudi Arabia, Algeria, Libya, Nigeria, Gabon, Equatorial Guinea, Republic of Congo, Angola, and Venezuela.
  - OPEC **could bring down prices by increasing oil production** and raise prices by cutting production.
  - The global oil pricing mainly **depends upon the partnership between the global oil exporters instead of a well-functioning competition**.
  - Cutting oil production or **completely shutting down an oil well is a difficult decision**, because restarting it is immensely costly and complicated.
    - Moreover, if a country cuts production, it risks losing market share if other countries do not follow the suit.
  - Recently, OPEC has been working with Russia, as **OPEC+** to fix the global prices and supply.
    - In 2016, **OPEC allied with other top non-OPEC oil-exporting nations** to form an even more powerful entity named OPEC+ or OPEC Plus.

- **Reasons for Present Price Hike:**

- **Limited Supply:**

- Major oil-producing countries **had cut oil production last year** amid a sharp fall in demand due to the Covid-19 pandemic.

- Saudi Arabia pledged extra supply cuts in February and March 2020 following reductions by other members of the **Organization of the Petroleum Exporting Countries (OPEC)** and its allies.

- In early January 2021, the **OPEC and Russia** (as OPEC+) agreed to **cut back on oil production to increase prices.**

- **Rising Demand:**

- The **production and rollout of vaccines** for Covid-19 and the **rising consumption post the Covid lockdowns** last year have both led to a revival in international crude oil prices.

- **Impact on India:**

- **Current Account Deficit:** The increase in oil prices will **increase the country's import bill**, and further **disturb its current account deficit** (excess of imports of goods and services over exports).

- According to estimates, a one-dollar increase in crude oil price increases the oil bill by around USD 1.6 billion per year.

- **India imports 80% of its crude oil requirements** and the average price of Indian basket of crude oil has already risen to USD 54.8 barrel for January 2021.

- **Inflation:** The increase in crude prices could also further increase **inflationary pressures** that have been building up over the past few months.

- This will **decrease the space for the monetary policy committee to ease policy rates** further.

- The government **had hiked central taxes on petrol and diesel** by Rs. 13 per litre and Rs. 11 per litre in 2020 to boost revenues amid lower economic activity.

- **Fiscal Health:** If oil prices continue to increase, the government shall be forced to cut taxes on petroleum and diesel which may cause loss of revenue and deteriorate its **fiscal balance.**

- The growth slowdown in the last two years has already resulted in a precarious fiscal situation because of tax revenue shortfalls.

- The revenue lost will erode the government's ability to spend or meet its fiscal commitments in the form of budgetary transfers to states, payment of dues and compensation for revenue shortfalls to state governments under the **goods and services tax (GST)** framework.

- **Positive Outcomes:** However, there could be a positive side for India too from the oil price hike.

- The value of Indian oil and gas companies could be positively impacted. The government could get greater value from **disinvestment** in Bharat Petroleum Corporation Limited.

- **Remittances** from the Persian Gulf could **increase.**

## **Difference between Brent and WTI**

- **Origin:**

- **Brent** crude oil **originates from oil fields in the North Sea** between the Shetland Islands and Norway.

- **West Texas Intermediate (WTI)** is sourced from **US oil fields**, primarily in Texas, Louisiana, and North Dakota.

- **Light and Sweet:**

- Both oils are relatively light, but **Brent has a slightly higher API gravity**, making WTI the lighter of the two.

- American Petroleum Institute (API) gravity** is an indicator of the density of crude oil or refined products.

- **WTI with a lower sulphur content** (0.24%) than Brent (0.37%), is **considered "sweeter"**.

- **Benchmark Prices:**
  - **Brent crude price** is the international benchmark price **used by the OPEC** while **WTI crude price** is a benchmark for **US oil prices**.
  - Since India imports primarily from OPEC countries, **Brent is the benchmark for oil prices in India**.
- **Cost of Shipping:**
  - Cost of shipping **for Brent crude is typically lower**, since it is produced near the sea and it can be put on ships immediately.
  - **Shipping of WTI is priced higher** since it is produced in landlocked areas like Cushing, Oklahoma where the storage facilities are limited.

Source:IE

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## Privatisation of Banks

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### Why in News

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The Union Budget 2021 has announced the **privatisation of two public sector banks and one general insurance company** in the upcoming fiscal 2021-22.

- The move, coming after 51 years of **nationalisation of government-owned banks in 1969**, will give the private sector a key role in the banking sector.
- Presently, India has **22 private banks** and **10 small finance banks**.

### Key Points

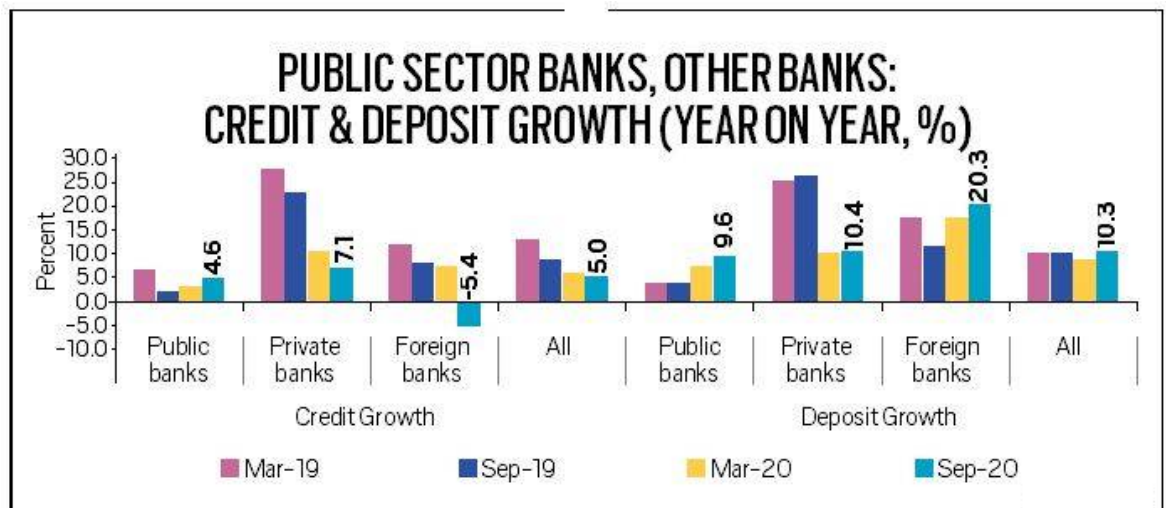
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- **Background:**
  - The government decided to nationalise the **14 largest private banks** in 1969. The idea was to **align the banking sector with the socialistic approach** of the then government.  
State Bank of India (SBI) had been nationalised in 1955 itself, and the insurance sector in 1956.
  - Various governments in the last 20 years were for and against privatisation of Public Sector Undertaking (PSU) banks. In 2015, the government had suggested privatisation but the then **Reserve Bank of India (RBI)** Governor did not favour the idea.
  - The current steps of privatisation, along with setting up an **Asset Reconstruction Company (Bad Bank)** entirely owned by banks, underline an **approach of finding market-led solutions to challenges in the financial sector**.

- Reason for Privatisation:

- Degrading Financial Position of Public Sector Banks:

- Years of capital injections and **governance reforms have not been able to improve the financial position of public sector banks significantly.**
- Many of them have **higher levels of stressed assets** than private banks, and also lag the latter on profitability, market capitalisation and dividend payment record.



- Part of a Long-Term Project:

- Privatisation of two public sector banks will set the ball rolling for a **long-term project that envisages only a handful of state-owned banks**, with the rest either consolidated with strong banks or privatised.

The **initial plan of the government was to privatise four.** Depending on the success with the first two, the government is likely to go for divestment in another two or three banks in the next financial year.

- This will free up the government, the majority owner, from continuing to provide equity support to the banks year after year.

Through a series of moves over the last few years, the government is now left with **12 state-owned banks, from 28 earlier.**

- Strengthening Banks:

The government is trying to **strengthen the strong banks** and also minimise their numbers through privatisation to reduce its burden of support.

- Recommendations of Different Committees:

- Many committees had proposed bringing down the government stake in public banks below 51%:
  - The **Narasimham Committee proposed 33%.**
  - The **P J Nayak Committee suggested below 50%.**
- An **RBI Working Group** recently suggested the entry of business houses into the banking sector.

- Selection of Banks:

The two banks that will be privatised will be selected through a process in which **NITI Aayog** will make recommendations, which will be considered by a core group of secretaries on disinvestment and then the **Alternative Mechanism (or Group of Ministers).**

- **Issues with PSU Banks:**
  - **High Non-Performing Assets (NPAs):**

After a series of mergers and equity injections by the government, the performance of public sector banks has shown improvement over the last couple of years. However, compared with private banks, they continue to have **high NPAs and stressed assets** although this has started declining.
  - **Impact of Covid:**
    - After the Covid-related regulatory relaxations are lifted, banks are expected to report higher NPAs and loan losses.

As per the RBI's recent **Financial Stability Report**, gross NPA ratio of all commercial banks may increase from 7.5% in September 2020 to 13.5% by September 2021.
    - This would mean the government would again need to inject equity into weak public sector banks.
- **Performance of Private Banks:**
  - **Rising Market Share:**

Private banks' market share in loans has risen to 36% in 2020 from 21.26% in 2015, while public sector banks' share has fallen to 59.8% from 74.28%.
  - **Better Products and Services:**

Competition heated up after the RBI allowed more private banks since the 1990s. They have expanded the market share through **new products, technology, and better services**, and also attracted better valuations in stock markets.

HDFC Bank (set up in 1994) has a market capitalisation of Rs. 8.80 lakh crore while SBI commands just Rs. 3.50 lakh crore.
- **Issues with Private Banks:**
  - **Governance Issues:**
    - **Industrial Credit and Investment Corporation of India (ICICI) Bank** MD and CEO was sacked for allegedly extending dubious loans.
    - **Yes Bank** CEO was not given extension by the RBI and now faces investigations by various agencies.
    - **Lakshmi Vilas Bank faced operational issues** and was recently merged with DBS Bank of Singapore.
  - **Under-reported NPAs:**

When the RBI ordered an asset quality review of banks in 2015, many private sector banks, including Yes Bank, were found **under-reporting NPAs**.

## Way Forward

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- In order to improve the governance and management of PSBs, there is a need to implement the recommendations of the **PJ Nayak committee**.
- Rather than blind privatisation, PSBs can be made into a corporation like **Life Insurance Corporation (LIC)**. While maintaining government ownership, this will give more autonomy to PSBs.

**Source:IE**

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## Low Convictions Rate Under UAPA Act

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### Why in News

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According to data recently presented by the Ministry of Home Affairs in the **Rajya Sabha**, **only 2.2% of cases** registered under the **Unlawful Activities (Prevention) Act, 1967** between the years 2016-2019 ended in convictions by court.

The Ministry quoted figures from the **2019 Crime in India Report** compiled by the **National Crime Records Bureau (NCRB)**.

## Key Points

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- **Enactment:**

The UAPA was **originally passed in 1967**. It is an upgrade on the Terrorist and Disruptive Activities (Prevention) Act - **TADA** (lapsed in 1995) and the **Prevention of Terrorism Act - POTA** (repealed in 2004).
- **Main Provisions:**
  - Till the year 2004, **“unlawful”** activities referred to **actions related to secession and cession of territory**. Following the 2004 amendment, **“terrorist act”** was added to the list of offences.
  - The Act assigns **absolute power to the central government**, by way of which if the Centre deems an activity as unlawful then it may, by way of an Official Gazette, declare it so.
  - Under the UAPA, the investigating agency can file a charge sheet in **maximum 180 days** after the arrests and the duration can be extended further after intimating the court.
  - **Both Indian and foreign nationals can be charged**. It will be applicable to the offenders in the same manner, even if crime is committed on a foreign land, outside India.
  - It has **death penalty and life imprisonment as highest punishments**.
- **Amendment in 2019:**
  - In August 2019, Parliament cleared the **Unlawful Activities (Prevention) Amendment Bill, 2019** to designate individuals as terrorists if the individual commits or participates in acts of terrorism, prepares for terrorism, promotes terrorism or is otherwise involved in terrorism.

A **similar provision already existed** in Part 4 and 6 of the legislation for organisations that can be designated as a **“terrorist organisation”**.
  - The Act empowers the Director General of **National Investigation Agency (NIA)** to grant approval of seizure or attachment of property when the case is investigated by the said agency.
  - The Act also empowers the officers of the NIA, of the rank of Inspector or above, to investigate cases of terrorism in addition to those conducted by the DSP or ACP or above rank officer in the state.
- **Issues With UAPA:**
  - **Undermines Individual Liberty:** It gives the state authority vague powers to detain and arrest individuals who it believes to be indulged in terrorist activities. Thus, the state gives itself more powers vis-a-vis individual liberty guaranteed under **Article 21 of the Constitution**.
  - **Indirect Restriction on Right to Dissent:** The right of dissent is a **part and parcel of fundamental right to free speech and expression** and therefore, cannot be abridged in any circumstances except for mentioned in Article 19 (2).

The UAPA, 2019 empowers the ruling government, under the garb of curbing terrorism, to impose indirect restriction on right of dissent which is detrimental for a developing democratic society.
  - **Undermines Federalism:** Some experts feel that it is against the federal structure since it **neglects the authority of state police in terrorism cases**, given that ‘Police’ is a **state subject under 7<sup>th</sup> schedule of Indian Constitution**.

## Way Forward

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- **Preventing Misuse:** Terrorism is undoubtedly a big threat and must be tackled with stringent counter-terrorism laws. But only if provisions of UAPA are followed in letter and spirit, without its callous usage to wrongfully implicate individuals.

- **Maintaining Balance between the Fundamental Freedoms and the Interest of the State:**  
Drawing the line between individual freedom and state obligation to provide security is a case of classical dilemma. It is up to the officers to ensure professional integrity, follow the principle of objectivity and avoid any misuse.
- **Judicial Review:** There is a greater role for the judiciary here to carefully examine the cases of alleged misuse. Arbitrariness and subjectivity under the law should be checked through **Judicial review**.

**Source:TH**

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## **Motion of Thanks**

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### **Why in News**

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Recently, the **Prime Minister** replied to the motion of thanks to the **President's address** in the Lok Sabha.

### **Key Points**

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- **President's Address:**
  - **Constitutional Provisions:**
    - **Article 87** provides for the special address by the President. It **provides two special occasions** on which the **President addresses a joint sitting**.
      - At the commencement of the **first session after each general election** to the House of the People and
      - At the commencement of the **first session of each year**.
    - The President **shall inform Parliament of the causes of its summons**.
    - Such an Address is called 'special address', and it is also an **annual feature**.
    - **No other business is transacted** till the President has addressed both Houses of Parliament assembled together.
  - **Regarding Joint Session:**
    - This Address has to be to **both Houses of Parliament assembled together**.
    - However, at the commencement of the first session of the year, if Lok Sabha is not in existence and has been dissolved, then **Rajya Sabha has to meet. And Rajya Sabha can hold its session without the President's Address**.
    - In the case of the first session after each general election to Lok Sabha, the President addresses both Houses of Parliament assembled together **after the members have made and subscribed the oath** or affirmation and the **Speaker has been elected**.
  - **Content of the President's Address:**
    - The President's Address is the **statement of policy of the Government** and, as such, is drafted by the Government.
    - The Address **contains a review of various activities and achievements of the Government during the previous year** and sets out the **policies, projects and programmes which Government of the day wishes to pursue** with regard to the important national and international issues.

- **Discussion on the Address by Motion of Thanks:**

- **Background:**

The Address of the President, which corresponds to the 'speech from the Throne in Britain', is discussed in both the Houses of Parliament on a motion called the 'Motion of Thanks'.

- **Constitutional Provisions:**

- **Article 87 (2)** of the Constitution requires that **provision shall be made by the rules** regulating the procedure of either House **for the allotment of time for discussion** of the matters referred to in the President's Address.
- Under **Rule 15 of Rules of Procedure and Conduct of Business in Rajya Sabha**, discussion on the matters referred to in the President's Address **takes place on a Motion of Thanks** moved by a member and seconded by another member.

Members who are to move and second the Motion are **selected by the Prime Minister** and the **notice of such a Motion is received through the Ministry of Parliamentary Affairs**.

- **Procedure:**

- It is available to the members of Parliament to raise discussions and debates to examine and criticise the government and administration for its lapses and failures.
- Generally, three days are allotted for the discussion on the Motion of Thanks.
- If any of the amendments are put forward and accepted then the Motion of Thanks is adopted in the amended form.

Amendments may refer to matters contained in the Address as well as to matters which, in the opinion of the member, the Address has failed to mention.

- At the end of the discussion, **the motion is put to vote**.

- **Significance of Motion of Thanks:**

The **Motion of Thanks must be passed in the House**. Otherwise, it amounts to the **defeat of the government**. It is one of the ways through which the Lok Sabha can also express a lack of confidence in the government. The other ways are:

- Rejection of a **money bill**.
- Passing a censure motion or an adjournment motion.
- The defeat of the government on a vital issue.
- Passing a cut **motion**.

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## Climate Change Report on Hindukush Karakoram Ranges

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### Why in News

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According to the '**Assessment of Climate Change over the Indian Region**' report, **snowfall** over the higher reaches of the **Hindukush Himalayan mountain ranges** has been **increasing** in recent decades, which has **shielded the region from glacier shrinkage**.

- The recent **massive flooding in the Alaknanda river**, probably due to **glacial bursts** has highlighted the issue of higher **glacier retreat in recent decades due to global warming**, however, the report indicates a contrasting picture of the Hindukush Himalayas.
- Assessment of Climate Change over the Indian Region Report has been **published by the Ministry of Earth Sciences (MoES)**. It is **India's first-ever national forecast on the impact of global warming** on the subcontinent in the coming century.

### HinduKush Himalayan (HKH) Region

- The HKH region spans Afghanistan, Bangladesh, Bhutan, China, India, Kyrgyzstan, Mongolia, Myanmar, Nepal, Pakistan, Tajikistan, and Uzbekistan.



- It traverses about 5 million square kilometres and hosts a large and culturally diverse population.
- It is **considered the Third Pole** (after the North and South Poles), and has significant implications for climate.
- It contains **vast cryospheric zones** (frozen water parts) and is also the world's largest store of snow and ice outside the polar region.



## Key Points

- **Findings of the Report:**

- Several areas of **Hindukush Karakoram Himalayas** have experienced a **declining trend in snowfall** and also **retreat of glaciers** in recent decades.
- **In contrast**, the **high-elevation Karakoram Himalayas** have experienced **higher winter snowfall** that has shielded the region from glacier shrinkage.

The **Karakorams are part of a complex of mountain ranges** at the centre of Asia, including the HinduKush to the west, the Pamirs to the northwest, the Kunlun Mountains to the northeast, and the Himalayas to the southeast.

- Even when the **winter snowfall has increased over the high-elevation Karakoram Himalayas**, the **overall climate along the Hindukush Karakoram region is undergoing warming** at a higher rate during the winter season as compared to other seasons.

- **Reasons:**

- **Faster Heating of Himalayas:**

- Weather dynamics is intricate in the Himalayan region, arising due to **extensive interactions of tropical and extratropical weather systems**.
- The Himalayas have been **warming at a faster rate** than the rest of Indian landmass during 1951 - 2018.
- Besides, the warming reported from this region is **higher than global mean temperatures**.

- **Global Warming:**

The decadal warming trend recorded over these ranges from 1951 to 2014 was **1.3 degree Celsius**. This is a rise from 0.16 degree Celsius recorded from 1900 to 1950, when global warming was less pronounced.

- **Effect:**
  - **Increasing Annual Mean Surface Temperature:**  
The Report has forecast an increase in annual mean surface temperature by 2.2 degree Celsius during 2040 - 2069 and a further increase by 3.3 degree Celsius during 2070 – 2099, along these ranges.
  - **Extreme Precipitation:**  
Due to this warming trend, there is **an expected increase in the precipitation** projected over the region. It is predicted that there will be a significant increase in extreme precipitation over the Hindukush Karakoram region, with maximum consecutive five-day precipitation events.
- **Significance:**
  - **Driver of Monsoon:** The Hindukush Karakoram ranges, along with the **Tibetan Plateau**, are the **main drivers of the Indian Summer Monsoon**.
  - **Source of Subsistence:** These ranges form the source to 10 major river systems in Asia, supporting drinking water, irrigation and power supply to 1.3 billion people in the continent.
    - Major Indian rivers which replenish due to the melted snow are **Indus, Ganges and Brahmaputra**.
    - After the North and the South poles, the Hindukush – Karakoram ranges, along with the Tibetan Plateau, hold the largest reserves of freshwater.

**Source:IE**

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## **Gaganyaan Mission**

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### **Why in News**

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Recently, the Union Minister of Science and Technology informed that the human spaceflight module of **Gaganyaan** will be launched after the **second unmanned mission planned in 2022-23**.

- It was initially envisaged that the Rs. 10,000 crore **Gaganyaan mission** aims to send a three-member crew to space for five to seven days by 2022 when India completes 75 years of independence.  
First **unmanned mission is planned in December 2021**.
- It has been delayed due to the **Covid-19** induced **lockdown**.

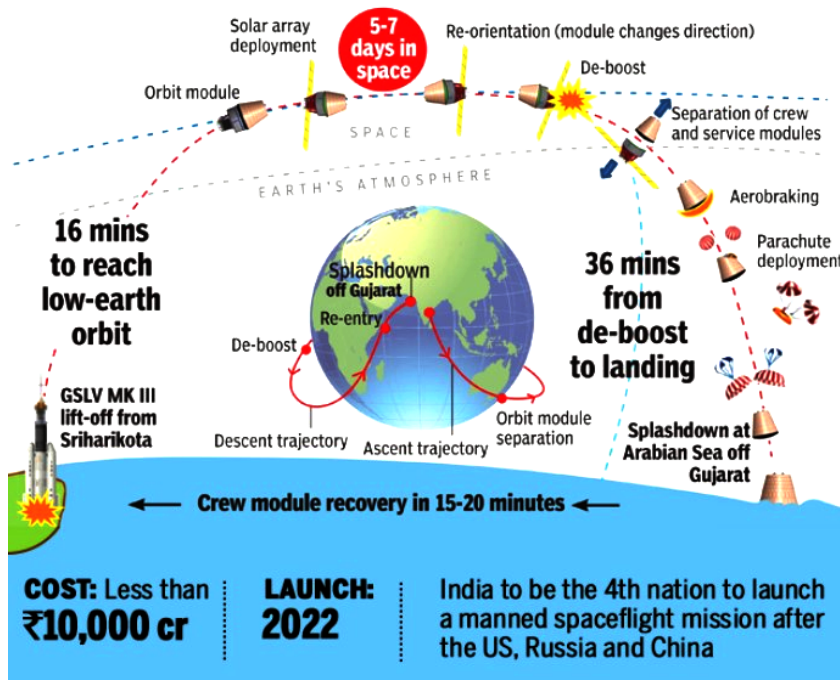
### **Key Points**

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#### **About:**

- Gaganyaan is a mission by the **Indian Space Research Organisation (ISRO)**.
- Under the Gaganyaan schedule:
  - Three flights will be sent into orbit.
  - There will be two unmanned flights and one human spaceflight.
- The Gaganyaan system module, called the **Orbital Module will have three Indian astronauts, including a woman**.
- It will circle Earth at a **low-earth-orbit** at an altitude of 300-400 km from earth for 5-7 days.

# MANNED MISSION



- **Payloads:**

- The payload will consist of:
  - **Crew module** - spacecraft carrying human beings.
  - **Service module** - powered by two liquid propellant engines.
- It will be equipped with emergency escape and emergency mission abort.

- **Launch:**

**GSLV Mk III**, also called the **LVM-3 (Launch Vehicle Mark-3)**, the three-stage heavy lift launch vehicle, will be used to launch Gaganyaan as it has the necessary payload capability.

- **Training in Russia:**

In June 2019, the **Human Space Flight Centre of the ISRO and the Russian government-owned Glavkosmos** signed a contract for the training, which includes Russian support in the selection of candidates, their medical examination, and space training.

- The **candidates will study in detail the systems of the Soyuz** manned spaceship, as well as be trained in short-term weightlessness mode aboard the **Il-76MDK aircraft**.
- The **Soyuz is a Russian spacecraft**. The Soyuz carries people and supplies to and from the space station.
- The **Il-76MDK** is a military transport plane specially designed for parabolic flights of trainee astronauts and space tourists.

- **Significance:**
  - It will help in **enhancement of science and technology levels** in the country and **help inspire youth**.  
Gaganyaan will involve numerous agencies, laboratories, disciplines, industries and departments.
  - It will help in **improvement of industrial growth**.  
Recently, the Government has announced a new organisation, **IN-SPACE**, part of reforms to **increase private participation in the space sector**.
  - It will help in **development of technology for social benefits**.
  - It will help in **improving international collaboration**.  
One **International Space Station (ISS)** put up by multiple countries may not be enough. Regional ecosystems will be needed and Gaganyaan **will focus on regional needs: food, water and energy security**.
- **India's Other Upcoming Projects:**
  - **Chandrayaan-3 Mission:** India has planned a new moon mission named **Chandrayaan-3**. It is likely to be launched in early 2021.
  - **Shukrayaan Mission:** The ISRO is also planning a **mission to Venus**, tentatively called Shukrayaan.

Source:IE

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## TROPEX 21

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### Why in News

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Indian Navy's largest **biennial Theatre Level Operational Readiness Exercise (TROPEX 21)** is currently underway.

Exercise commenced in **early January**, which will culminate by the **third week of February**.

### Key Points

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- **Theme:**  
**'Combat Ready, Credible and Cohesive force'**.
- **Participants:**  
Indian Navy, Coast Guard, Marine Police of 13 coastal States and Union Territories along with other stakeholders in the maritime domain.
- **'Sea Vigil':**
  - **'Sea Vigil':** In the first phase, the Indian Navy had **conducted coastal defence exercise 'Sea Vigil'** along the entire coastline and Island territories of India on 12-13 January 2021.
  - Exercise Sea Vigil was followed by a large-scale Tri-Service joint amphibious exercise AMPHEX-21.
- **Location:**  
The exercise is being conducted over a **vast geographical expanse** in the **Indian Ocean Region**.
- **Overseen By:**  
Conduct of TROPEX is being overseen by **Naval Headquarters** with participation from all **three Commands of the Indian Navy (Eastern, Western and Southern Naval Command)** and the only **Tri-Service theatre command** of the Indian Armed Forces located **at Port Blair**.

- **Aims:**

- **Promote Stability and Peace:** The Theatre Level exercise also aims to validate the **Navy's offensive-defence capabilities, safeguard national interests in the maritime domain and promote stability and peace in the Indian Ocean Region.**
- **Coastal Defence Setup:** This exercise aimed to validate the coastal defence setup of the country, which was **entirely revamped after the 26/11 Terror attacks** at Mumbai.
- **Combat readiness:** It aimed at testing combat readiness of the Navy in a **complex multi-dimensional scenario** set in the context of the **current geo strategic environment.**

**Source: PIB**

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