



News Analysis (29 Apr, 2021)

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Launch of Supply Chain Resilience Initiative

Why in News

The Trade Ministers of **India, Japan** and **Australia** have formally launched the **Supply Chain Resilience Initiative (SCRI)**.

- The **SCRI aims** to create a **virtuous cycle of enhancing supply chain resilience** with a view to eventually attaining strong, sustainable, balanced and **inclusive growth in the Indo-Pacific region**.
- **The trio** (India, Japan and Australia) **along with the US** makes **Quad grouping**.

Key Points

- **Supply Chain Resilience (Concept):**
 - **Meaning:** In the context of international trade, supply chain resilience is an approach that **helps a country to ensure that it has diversified its supply risk across a clutch of supplying nations** instead of being dependent on just one or a few.
 - **Importance:** In **unanticipated events** -whether natural, such as volcanic eruptions, **tsunamis**, **earthquakes** or even a pandemic; or manmade, such as an armed conflict in a region — that **disrupt supplies from a particular country** or even intentional halts to trade, **could adversely impact economic activity in the destination country**.

- **Supply Chain Resilience Initiative:**

- **Background:**

- The **Covid-19 pandemic** was having an **unprecedented impact in terms of lives lost, livelihoods and economies affected**, and that the pandemic had **revealed supply chain vulnerabilities globally** and in the region.

- **About:**

- **Objectives:**

- To **attract foreign direct investment** to turn the Indo-Pacific into an “economic powerhouse”.
 - To build a mutually **complementary relationship among partner countries**.
 - To work out a plan to **build on the existential supply chain network**. Japan and India, for example, have an India-Japan competitiveness partnership dealing with locating the Japanese companies in India.

- **Features:**

- The SCRI, first **proposed by Japan**, aims to **reduce dependence on China** amid a likelihood of rechurning of supply chains in the Indo-Pacific region amid the Covid-19 pandemic.
 - **Initially**, SCRI will **focus on sharing best practices on supply chain resilience and holding investment promotion events** and buyer-seller matching events to provide opportunities for stakeholders to explore the possibility of diversification of their supply chains.
 - Joint measures may include **supporting the enhanced utilisation of digital technology and trade and investment diversification**.
 - **Expansion of the SCRI may be considered based on consensus**, if needed, in due course. The **ministers have decided to convene at least once a year** to provide guidance to the implementation and development of the SCRI.
 - This **assumes significance in the wake of Japan's keenness to onboard the ASEAN in the initiative**, something that **India has opposed**.
 - **India wants to safeguard its interests from China's indirect influence through the bloc (ASEAN)** as it builds on its self-reliance through reduced dependence on imports.

- **Significance to India:**
 - Following the **border tensions with China**, partners such as Japan have sensed that India may be ready for dialogue on alternative supply chains.
 - **China still remains a large source of critical imports for India**, from mobile phone components to pharmaceutical ingredients. An internal push to suddenly cut links with China would be impractical.
 - Over time, **if India enhances self-reliance or works with exporting nations other than China**, it could build resilience into the economy's supply networks.

Way Forward

- It will help boost India's manufacturing competitiveness and increase its share in world trade. In this pursuit, there is **a need to create an infrastructure** that raises the competitiveness of India's exports.
- While India appears an attractive option for potential investors both as a market and as a manufacturing base, it **needs to accelerate progress in ease of doing business and in skill building**.

Source: PIB

Government of NCT of Delhi (Amendment) Act, 2021

Why in News

The **Government of National Capital Territory (GNCT) of Delhi (Amendment) Act, 2021**, which gives **primacy to the Lieutenant Governor (L-G) over the elected government** in the city, has **come into force**.

Key Points

- **Provisions of the GNCT of Delhi (Amendment) Act 2021:**
 - It **amended the Sections 21, 24, 33 and 44 of the 1991 Act**.
 - States that the **“government”** in the National Capital Territory of Delhi **meant the Lieutenant-Governor** of Delhi.
 - It **gives discretionary powers to the L-G** even in matters where the Legislative Assembly of Delhi is empowered to make laws.
 - It **seeks to ensure that the L-G is “necessarily granted an opportunity”** to give her or his opinion before any decision taken by the Council of Ministers (or the Delhi Cabinet) is implemented.
 - It **bars the Assembly or its committees from making rules** to take up matters concerning day-to-day administration, or to conduct inquiries in relation to administrative decisions.

- **Criticism:**
 - The latest amendment will **greatly reduce the efficiency and timeliness of the Delhi government** by making it imperative for it to hold consultations with the L-G even when a situation demands urgent action.
 - Significantly, the **L-G is not obliged to give his opinion to the State government within a time frame.** Critics argue that the L-G could politically exploit these unbridled powers to hamper the government’s administrative work and thus turn the political tides against the incumbent if he so desires.
 - It is **against the spirit of ‘Federalism.’**
- **Union Government’s Stand:**
 - It is in **keeping with the Supreme Court’s July 2018 ruling** on the ambit of powers of the L-G and the Delhi government following several headliner controversies between the two.
 - The purported fair objectives of the Act, include **enhancing public accountability and easing out technical ambiguities** related to everyday administration.
 - This will **increase administrative efficiency of Delhi** and will **ensure better relationship between the executive and the legislator.**

Background

Enactment of GNCTD Act:

- The **GNCTD Act was enacted in 1991** to “**supplement provisions of the Constitution** relating to the Legislative Assembly and a Council of Ministers for the National Capital Territory of Delhi”.
- It **enabled the process of an elected government in Delhi.**
- The **Supreme Court had in the past appreciated the 1991 developments,** stating that the real purpose behind the **Constitution (69th Amendment) Act, 1991** is to establish a democratic set-up and representative form of government wherein the majority has a right to embody their opinions in laws and policies pertaining to the NCT of Delhi subject to the limitations imposed by the Constitution.

69th Amendment Act, 1992

- It **added two new Articles 239AA and 239AB** under which the Union Territory of Delhi has been given a special status.

- **Article 239AA** provides that the Union Territory of Delhi be called the National Capital Territory of Delhi and its administrator shall be known as Lt. Governor.
 - It also **creates a legislative assembly for Delhi** which can make laws on subjects under the State List and Concurrent List **except on these matters:** public order, land, and police.
 - It also **provides for a Council of Ministers for Delhi** consisting of not more than 10% of the total number of members in the assembly.
- **Article 239AB** provides that the **President may by order suspend the operation of any provision of Article 239AA** or of all or any of the provisions of any law made in pursuance of that article. This provision **resembles Article 356 (President's Rule)**.
- **Point of Friction:**
 - However, over the years, there was **friction between the Chief Minister and the Lieutenant Governor (L-G)** over power-sharing.
 - The focal point of these conflicts was that **in case of a difference between the L-G and the Council of Ministers on any matter,**
 - The **matter was to be referred to the President** by the L-G for his decision,
 - And **pending such a decision the L-G was empowered to take any action** on the matter as he deemed right.
- **Judgement of the Supreme Court:**
 - In the ***Government of NCT of Delhi vs Union of India and Another in 2018*** case, the SC held that:
 - The **government was not under obligation to seek the concurrence of the L-G** on its decisions and
 - That **any differences between them should be resolved keeping in view the constitutional primacy of representative government** and cooperative federalism.
 - Essentially, the SC judgment **made it extremely difficult for the L-G to refer such matters to the President.**

Source:TH

Assam Earthquake

Why in News

Recently, a powerful earthquake **measuring 6.4 on the Richter Scale** jolted Assam and other parts of Northeast.

According to the **National Centre for Seismology (NCS)** report, the tremors have been attributed to **Kopili Fault zone closer to Himalayan Frontal Thrust (HFT)**.

NCS is the **nodal agency of the Government of India for monitoring earthquake activity in the country**. It comes under the **Ministry of Earth Sciences**.

Key Points

- **Himalayan Frontal Thrust (HFT):**

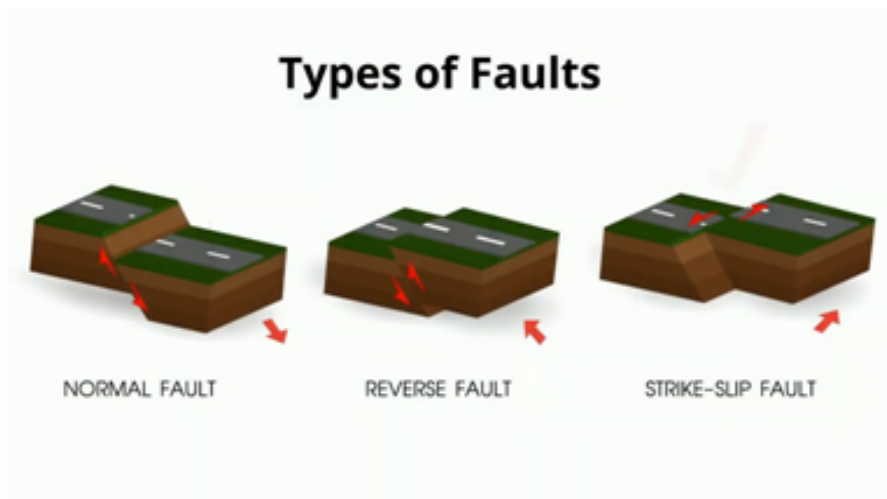
HFT, also known as the **Main Frontal Thrust (MFT)**, is a geological fault along the boundary of the **Indian and Eurasian tectonic plates**.

- **Kopili Fault Zone:**

- The Kopili fault zone is a 300 km long and 50 km wide lineament (linear feature) extending from the **western part of Manipur up to the tri-junction of Bhutan, Arunachal Pradesh and Assam**.
- The area is seismically very active falling in the highest **Seismic Hazard zone V** associated with collisional tectonics where **Indian plate subducts beneath the Eurasian Plate**.
 - Subduction is a geological process in which one crustal plate is forced below the edge of another.
 - Squeezed between the subduction and collision zones of the Himalayan belt and Sumatran belt, the North East is highly prone to earthquake occurrences.

- **Fault:**

- A fault is a fracture along which the blocks of crust on either side have moved relative to one another parallel to the fracture.
- When an earthquake occurs, the rock on one side of the fault slips with respect to the other.
- The fault surface can be **vertical, horizontal, or at some angle to the surface of the earth**.



Tectonic Plates:

- A **tectonic plate** (also called lithospheric plate) is a massive, irregularly-shaped slab of solid rock, generally composed of both continental and oceanic lithosphere.
- A tectonic plate may be a continental plate or an oceanic plate, depending on which of the two occupies the larger portion of the plate.
- The Pacific plate is largely an oceanic plate whereas the Eurasian plate is a continental plate.

Earthquake

- An earthquake in simple words is the shaking of the earth. It is a natural event. It is caused due to release of energy, which generates waves that travel in all directions.
- The vibrations called **seismic waves** are generated from earthquakes that travel through the Earth and are recorded on instruments called seismographs.
- The location below the earth's surface where the earthquake starts is called the **hypocenter**, and the location directly above it on the surface of the earth is called the **epicenter**.
- **Types of Earthquake:** Fault Zones, Tectonic Earthquakes, Volcanic Earthquake, Human Induced Earthquakes.

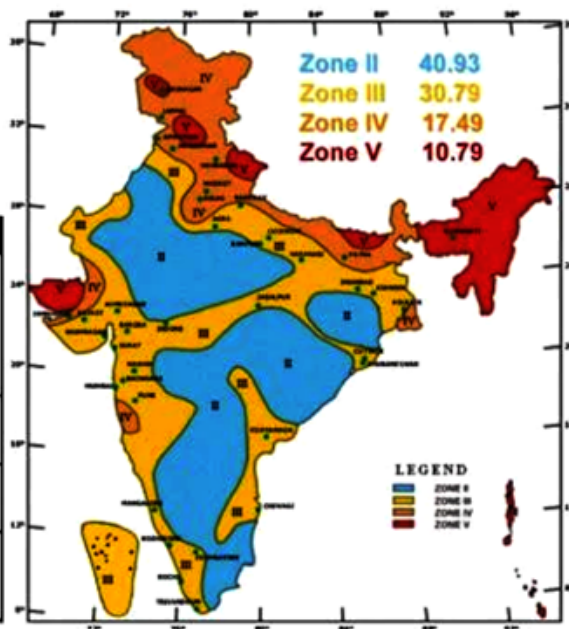
Seismic Hazard Map of India

- India is one of the highly earthquake affected countries because of the presence of technically active young fold mountains - Himalaya.
- India has been divided into **four seismic zones (II, III, IV, and V)** based on scientific inputs relating to seismicity, earthquakes occurred in the past and tectonic setup of the region.
 - Previously, earthquake zones were divided into five zones with respect to the severity of the earthquakes but the **Bureau of Indian Standards** (BIS) grouped the country into four seismic zones by unifying the first two zones.
 - BIS is the official agency for publishing the seismic hazard maps and codes.

Seismic Zone Map of India: -2002

About **59 percent** of the land area of India is liable to seismic hazard damage

Zone	Intensity
Zone V	Very High Risk Zone Area liable to shaking Intensity IX (and above)
Zone IV	High Risk Zone Intensity VIII
Zone III	Moderate Risk Zone Intensity VII
Zone II	Low Risk Zone VI (and lower)



- **Seismic Zone II:**
Area with minor damage earthquakes corresponding to intensities V to VI of MM scale (MM-Modified Mercalli Intensity scale).
- **Seismic Zone III:**
Moderate damage corresponding to intensity VII of MM scale.
- **Seismic Zone IV:**
Major damage corresponding to intensity VII and higher of MM scale.
- **Seismic Zone V:**
 - Area determined by pro seismically of certain major fault systems and is seismically the most active region.
 - Earthquake zone V is the most vulnerable to earthquakes, where historically some of the country's most powerful shocks have occurred.
 - Earthquakes with magnitudes in excess of 7.0 have occurred in these areas, and have had intensities higher than IX.

Source: IE

Antimicrobial Resistance: Threat to Global Health Security

Why in News

Antimicrobial resistance (AMR) is a growing global problem to which the ongoing Covid-19 pandemic may further contribute.

With **resources deployed away from antimicrobial stewardship**, evidence of **substantial preemptive antibiotic use in Covid-19 patients** and indirectly, with **deteriorating economic conditions** fuelling poverty potentially impacting on levels of resistance, AMR threat remains significant.

Key Points

- **Antimicrobial Resistance (Meaning):**
 - Antimicrobial resistance is the **resistance acquired by any microorganism (bacteria, viruses, fungi, parasite, etc.) against antimicrobial drugs** (such as antibiotics, antifungals, antivirals, antimalarials, and anthelmintics) that are used to treat infections.
 - As a result, **standard treatments become ineffective**, infections persist and may spread to others.
 - **Microorganisms that develop antimicrobial resistance** are sometimes referred to as “**superbugs**”.
- **Basis of Antimicrobial Resistance:**
 - **Some bacteria due to the presence of resistance genes** are intrinsically resistant and therefore survive on being exposed to antibiotics.
 - Bacteria **can also acquire resistance**. This can happen in **two ways**:
 - By **sharing and transferring resistance genes** present in the rest of the population, or
 - By **genetic mutations** that help the bacteria survive antibiotic exposure.
- **Reasons for Spread of Antimicrobial Resistance:**
 - The **misuse of antimicrobials in medicine** and inappropriate use **in agriculture**.
 - **Contamination around pharmaceutical manufacturing sites** where untreated waste releases large amounts of active antimicrobials into the environment.

- **Concerns:**
 - AMR is **already responsible for up to 7,00,000 deaths a year.**
 - A **threat to prevention and treatment of infections** - medical procedures such as organ transplantation, cancer chemotherapy, diabetes management and major surgery (for example, caesarean sections or hip replacements) become very risky.
 - **Increases the cost of healthcare** with lengthier stays in hospitals, additional tests and use of more expensive drugs.
 - It is **putting the gains of the Millennium Development Goals at risk and endangers achievement of the Sustainable Development Goals.**
 - **No new classes of antibiotics** have made it to the market in the last three decades, largely **on account of inadequate incentives** for their development and production.
 - Without urgent action, we are **heading to antibiotic apocalypse** – a future without antibiotics, with bacteria becoming completely resistant to treatment and when common infections and minor injuries could once again kill.
- **AMR in India:**
 - India, with its combination of **large population**, rising incomes that facilitate **purchase of antibiotics**, high **burden of infectious diseases** and easy over-the-counter access to antibiotics, is an important locus for the generation of resistance genes.
 - The multi-drug resistance determinant, **New Delhi Metallo-beta-lactamase-1 (NDM-1)**, emerged from this region to spread globally.
 - Africa, Europe and other parts of Asia have also been affected by multi-drug resistant typhoid originating from South Asia.
 - In India, **over 56,000 newborn deaths each year** due to sepsis are caused by organisms that are resistant to first line antibiotics.
 - India has undertaken **many activities** like **Mission Indradhanush** – to address low vaccination coverage – strengthened micro-planning and additional mechanisms to improve monitoring and accountability.
 - The Ministry of Health & Family Welfare (MoHFW) **identified AMR as one of the top 10 priorities** for the ministry’s collaborative work with the World Health Organisation (WHO).
 - India has also launched the **National Action Plan on AMR resistance 2017-2021.**

Way Forward

- Since microbes will inevitably continue to evolve and become resistant even to new antimicrobials, we need **sustained investments and global coordination** to detect and combat new resistant strains on an ongoing basis.

- **Efforts to control prescription of antimicrobials should be accompanied by efforts to educate consumers** to reduce inappropriate demand, issue standard treatment guidelines that would empower providers to stand up to such demands, as well as provide point-of-care diagnostics to aid clinical decision-making.
- In addition to developing new antimicrobials, **infection-control measures** can reduce antibiotic use. It is critical to ensure that all those who need an antimicrobial have access to it.
- To track the spread of resistance in microbes, **surveillance measures** to identify these organisms need to expand beyond hospitals and encompass livestock, wastewater and farm run-offs.

Source: TH

RBI Report on Asset Reconstruction Companies

Why in News

The **Reserve Bank of India (RBI)** in its report on **Asset Reconstruction Companies (ARCs)** said that the **growth of the ARC industry has not been consistent** over time and **not always been synchronous with the trends in Non-Performing Assets (NPAs)** of banks and **Non-Banking Financial Companies (NBFCs)**.

However, the RBI has **supported the government's proposal for a new ARC**, saying that "such an entity will strengthen the asset resolution mechanism further."

Key Points

- **About the Asset Reconstruction Company (ARC):**
 - It is a **specialized financial institution that buys the Non Performing Assets (NPAs) from banks** and financial institutions so that they can clean up their balance sheets.
 - A **NPA** is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.
 - This **helps banks to concentrate in normal banking activities**. Banks rather than going after the defaulters by wasting their time and effort, can sell the bad assets to the ARCs at a mutually agreed value.
 - The **Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002** provides the **legal basis for the setting up of ARCs** in India.
 - The Act helps reconstruction of bad assets without the intervention of courts. Since then, a large number of ARCs were formed and were registered with the RBI.
 - **RBI has got the power to regulate the ARCs.**

- **Growth of the ARC Industry:**
 - **Number of ARCs:** The **ARC industry began** with the **establishment of the Asset Reconstruction Company India Ltd (ARCIL) in 2003**. After remaining **subdued in the initial years** of their inception, **a jump** was seen in the number of ARCs **in 2008**, and then in **2016**.
 - **Concentration of Business among Few ARCs:** There has been a concentration in the industry **in terms of Assets Under Management (AUM) and the Security Receipts (SRs)** issued.
 - **Security Receipts (SR) are issued by the ARCs** when NPAs of commercial banks and/or financial institutions are acquired by the ARCs for the purpose of recovery.
 - **AUMs can be measured** with the help of SRs outstanding.
 - **Decline in ‘Assets Under Management’:** The **growth in ARCs’ AUM has been largely trendless** except for a major spurt in FY14.
 - The AUM of ARCs has been on a declining trend **when compared with the volume of NPAs of banks and NBFCs**, except during the period of high growth in the AUM around 2013-14.
 - During **2019-20, asset sales by banks to ARCs declined**, which could probably be due to **banks opting for other resolution channels** such as **Insolvency and Bankruptcy Code (IBC)** and SARFAESI.
- **Issues with Indian ARCs:**
 - Indian ARCs have been **private sector entities** registered with the Reserve Bank. **Public sector AMCs in other countries** have often enjoyed easy access to government funding or government-backed.

The **capital constraints** have often been highlighted as an area of concern for ARCs in India.
 - Despite the regulatory push to broaden, and thereby enhance, the capital base of these companies, they **have remained reliant primarily on domestic sources of capital, particularly banks**.
 - Banks supply NPAs to the ARCs, hold shareholding in these entities and also lend to them, which makes it necessary to monitor if there is a **"circuitous movement of funds between banks and these institutions"**.

- **About the New ARC:**

- The **movement in asset quality of banks and NBFCs** following the Covid-19 pandemic **could bring ARCs into greater focus and action.**

- The **ARC** proposed in the Budget **will be set up by state-owned and private sector banks**, and there will be **no equity contribution from the Centre.**

The ARC, which will have an Asset Management Company (AMC) to manage and sell bad assets, **will look to resolve stressed assets of Rs. 2-2.5 lakh crore** that remain unresolved in around 70 large accounts.

- The introduction of a new ARC for addressing the NPAs of public sector banks **may also shape the operations of the existing ARCs.**

- There is **a definite scope** for the entry of a well-capitalised and well-designed entity in the Indian ARC industry. Such an entity will strengthen the asset resolution mechanism further.

- **Committee on ARCs:**

The RBI has announced the setting up of a committee, under the **chairmanship of Sudarshan Sen**, to undertake a comprehensive review of the working of ARCs in the financial sector ecosystem.

Source: IE

Post-Brexit Trade Treaty Ratified

Why in News

The **European Parliament** has ratified the **post-Brexit trade deal** between the **European Union** and the United Kingdom (UK).

- The **EU–UK Trade and Cooperation Agreement (TCA)** is a free trade agreement signed in December 2020, between the EU, the European Atomic Energy Community (Euratom) and the United Kingdom (UK).
- The deal was ratified nearly five years after Britain decided to leave the European Union. It has **already been ratified by the UK Parliament.**

Key Points

- **About the Trade and Cooperation Agreement (TCA):**
 - **Provisionally Enacted:** This deal was **provisionally enacted in January 2020** in order to minimize trade disruptions between the EU and the UK.
 - Provisional approval was set to expire on 30th April 2021, so the European Parliament's ratification ensures that the flow of trade between the EU and the UK will continue uninterrupted.
 - **Key Provisions:**
 - **Level Playing Field:** It essentially means that in order to trade with the EU's single market, the UK will have to follow the same rules and regulations to ensure that it does not have an unfair advantage over other EU businesses.
 - **Rules of Governance:** These will dictate how any deal is enforced as well as the penalties that will be imposed if one party violates the terms of a mutually-approved agreement.
 - **Fishing Rights:** The agreement gives free access to EU fleets to fish in UK waters, including up to six miles off the shoreline for a five-year transition period. At the end of the transition, everything will return to normal arrangements and the UK will have full control over its waters.
 - **Framework for Policing:** It also provides for a framework governing law enforcement matters, which will allow UK and EU policing agencies to coordinate in the future.
 - Agreement addresses other key aspects of international trade, including **intellectual property protections and road transportation provisions.**
 - **Limitations:**
 - The important sectors of the UK economy, such as **legal and financial services, were left unaddressed.**
 - Currently, legal and financial service companies based in the UK are subject to the same restrictions as other firms outside of the EU.
- **European Union (EU) and United Kingdom (UK):**
 - The United Kingdom is an island nation in northwestern Europe.
 - It is made up of **England, Scotland, Wales and Northern Ireland.**
 - The United Kingdom **borders one European Union member state: Ireland.**
 - Relations between the EU and the United Kingdom of Great Britain and Northern Ireland (UK) date back to the foundation of the European Communities (EU predecessor) in 1957.
 - The UK was a member state of the European Union after joining it in 1973, until it became the first country to voluntarily end its membership on 31st January 2020 after a referendum was held in 2016.

- **North Ireland Issue:**

- Geographically, Northern Ireland is part of Ireland. Politically, it's part of the UK.
- Northern Ireland is the **only part of the UK that has a border with an EU nation**, Ireland. It has been called the “problem child” of **Brexit**.
- An open Irish border, over which people and goods flow freely, underpins the peace process, allowing people in Northern Ireland to feel at home in both Ireland and the UK.
- The insistence of Britain's government on a “hard Brexit” that took the country out of the EU's economic order meant the creation of new barriers and checks on trade.
- Both Britain and the EU agreed that the border could not be in Ireland because of the risk that would pose to the peace process.
 - The alternative was to put it, metaphorically, in the Irish Sea between Northern Ireland and the rest of the UK.
 - That arrangement has alarmed British unionists, who say it weakens Northern Ireland's place in the UK and could bolster calls for Irish reunification.



Source: TH

Agriculture Infrastructure Fund

Why in News

Agriculture Infrastructure Fund has crossed the eight thousand crore mark. The investment will give a boost to several agricultural projects which will unlock value for farmers across the country.

Key Points

- It is a **central sector scheme**
- **Aim:**
 - To provide **medium - long term debt financing facility** for investment in viable projects **for post-harvest management Infrastructure** and community farming assets.
 - The funds will be provided for setting up of cold stores and chains, warehousing, grading and packaging units, e-marketing points linked to e-trading platforms, besides PPP projects for crop aggregation sponsored by central/state/local bodies.
- **Duration:** Financial Year **2020 to 2029.**
- **Features:**
 - **Eligible Beneficiaries:**

They are **Farmers, FPOs, PACS**, Marketing Cooperative Societies, SHGs, Joint Liability Groups (JLG), Multipurpose Cooperative Societies, Agri-entrepreneurs, Start-ups, and Central/State agency or Local Body sponsored Public-Private Partnership (PPP) Projects.
 - **Financial Support: Rs. 1 Lakh Crore will be provided by banks and financial institutions as loans** to eligible beneficiaries.

Moratorium for repayment may vary subject to minimum of 6 months and maximum of 2 years.
 - **Interest Subvention:** Loans will have interest subvention of 3% per annum up to a limit of Rs. 2 crore. This subvention will be available for a maximum period of seven years.
 - **CGTMSE Scheme:** A credit guarantee coverage will be available for eligible borrowers from the scheme under **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme** for a loan up to Rs. 2 crore.

Central Sector Scheme

- These schemes are 100% funded by the Central government.
- Implemented by the Central Government machinery.
- Formulated on subjects mainly from the Union List.

- E.g.: Bharatnet, Namami Gange-National Ganga Plan, etc.

Source: PIB
