

# NEWS TODAY

## BOYCOTTING CHINA MAY NOT BE EASY

• Taking economic retaliation against China may not be easy for India **due to various reasons like:**

- > **India's widening trade deficit:** Trade deficit with China is around \$46.83 billion and China is India's second-biggest trade partner after US.
- > **India's Import dependence:**
  - ⇒ **Power sector**
    - ➔ **Solar power generation is dependent** largely on Chinese solar cells and modules.
    - ➔ Barring a few, all privately owned thermal power units, constructed over the past decade were built using Chinese equipment.
  - ⇒ **Share of Chinese products in Smartphones** is around 70% and they dominate every price segment.
- > **Start-up Funding:** China tech giants and venture capital funds have become the primary vehicle for investments in Indian start-ups such as BigBasket, BYJU's etc.

• **Recent steps taken to curb China's impact**

- > **Govt. approval made mandatory for FDI from neighbouring countries** like China curbing opportunistic takeovers/acquisitions of Indian companies.
- > **India will continue to treat China as a non-market economy**, which allows it to impose steep anti-dumping duties on imports from China
- > **India is considering placing tighter restrictions on import of 371 items**, ranging from toys and plastic goods to electronics, drugs, 4G equipments etc.

### THE DRAGON'S SHARE IN IMPORTS

- ▶ **70%** pharma API and intermediates
- ▶ **45%** DAP fertilisers
- ▶ **38%** electronics
- ▶ **38%** organic chemicals
- ▶ **31%** machinery and nuclear reactors
- ▶ **25-27%** auto components
- ▶ **18%** plastics
- ▶ **13%** urea

## LABOUR MINISTRY TO FAST-TRACK NATIONAL EMPLOYMENT POLICY (NEP)

- NEP aims at **formalisation of the country's 500 million workforce** including migrants to ensure job and social security.
  - > NEP was **first proposed in 2008** and idea re-emerged during BRICS employment working group meet in 2016.
  - > **NITI Aayog's Three-Year Action Agenda** also favored such policy.
  - > **ILO also promotes employment policy (NEP)** which is needed to achieve SDG 8: inclusive growth, full and productive employment and decent work for all.
- NEP will also take **into account a whole range of social and economic issues** and will have **twin objectives of:**
  - > Creating an enabling environment for **attracting new enterprises and industries** to generate employment opportunities.
  - > **Improving the skill sets of the existing workforce** to make it employable as India gears up to attract companies seeking to shift manufacturing bases from China.
- **Need for a NEP**
  - > Nearly **90% of the country's workforce is in the informal sector** with no minimum wages or any kind of social security.
  - > **Employment related initiatives are scattered** across different ministries.
  - > **Target of \$5 trillion economy by 2024**, require skilled workforce.
  - > Every year over **10 million youth are added to country's workforce.**

## CHINA'S GROWING THREAT VIA DEBT TRAP DIPLOMACY

- **Debt-trap diplomacy** is defined where a creditor country intentionally lends excessive credit to a smaller debtor country, with the intention of extracting economic or political concessions when smaller country cannot service loan.
- The same is being done by China where it is **dispensing money in the form of concessional loans rather than through grants** to developing countries, mostly for their large-scale infrastructure projects to gain influence across the world.
- These **developing nations are unable to keep up with the repayments**, and China then gets a chance to demand concessions or advantages in exchange for debt relief.
  - > **Sri Lanka was forced to hand over control of the Hambantota port** project to China for 99 years.
- Though **India has not entered into any loan agreement** directly with China but this can also potentially impact India:
  - > Most of India's neighbours have ceded to China's OBOR and hence **increase India's political cost of dealing with its neighbours.**
  - > **India is top borrower of AIIB** wherein China is largest shareholder.
  - > **Security threat because of projects like CPEC** and Chinese presence at strategic locations in neighborhood.

## PACIFIC SLIPPING INTO LA NINA PHASE

• US National Oceanic and Atmospheric Administration (NOAA) said **sea-surface temperatures (SST) over East-Central Pacific may have cooled** to the lowest level since 2017-18. This will lead to **La Niña phase.**

### About La Nina

- La Niña episodes represent periods of **below-average SST across the east-central Pacific Ocean leading to lower-than-normal air pressure over the western Pacific.**
  - > These low-pressure zones contribute to **increased Monsoon rain fall in India.**
  - > La Niña events are also **associated with catastrophic floods in northern Australia.**
- La Niña is caused by a **build-up of cooler-than-normal waters in the Eastern Pacific** due to upwelling.
  - > Upwelling is the process in which **cold, nutrient-rich water from the bottom of an ocean basin or lake is brought to the surface** due to atmospheric effects such as the Coriolis force or wind.
- La Nina is considered to be the **counterpart to El Nino.**
  - > **El Nino** is characterized by unusually warm ocean temperatures in the equatorial region of the Pacific Ocean, causing suppressed Monsoon.
  - > La Niña and El Niño two phases of **El Nino-Southern Oscillation (ENSO).** ENSO is a series of **linked weather- and ocean-related phenomena.**



# RBI PROPOSES NEW RULES FOR HOUSING FINANCE COMPANIES (HFCs)

- This is the first set of guidelines issued by **RBI since it took over the regulations of HFCs from National Housing Bank** in August 2019.
  - Proposed changes come in the backdrop of troubles faced by HFCs like **liquidity crunch and stressed asset qualities** due to delayed under-construction projects.

## Key highlights of draft rules

### • New Definitions:

- **HFCs** are those entities with an exposure of at least 50% of net assets in housing-related activities, of which at least 75% should be towards individual housing loans.
  - ➔ Presently, HFC is considered NBFC as defined by under the RBI's regulations.
- Defining **principal business, qualifying assets for HFCs, terms like housing finance.**
- Those HFCs that do not fulfil the qualification will be treated as **NBFC–investment and credit companies (NBFC-ICCs)**.
- Classifying HFCs as **systemically important** and **non-systemically important based on asset size.**
- RBI directions on Liquidity Risk framework, securitisation, etc., for NBFCs, to be made **applicable to HFCs.**
- **Double the minimum net owned funds for HFCs** to ₹20 crore.
- HFCs should not be simultaneously allowed to lend to a real estate developer as well as homebuyers in the developer's project

## INTENDED RESULTS

- ▶ New definitions will have **implications for existing HFCs that have large exposure to developer financing** and loan against property.
  - Under the NHB regulations, there was no formal definition of housing finance.
- ▶ Address **concerns on double financing** due to lending to construction companies in the group and to individuals purchasing flats from the latter

## ALSO IN NEWS

<p><b>AiIB approves \$750 million loan to India for COVID-19 response</b></p>	<ul style="list-style-type: none"> <li>• <b>Asian Infrastructure Investment Bank (AIIB)</b> has approved loan to India under <b>India COVID-19 Emergency Response and Health Systems Preparedness Project.</b></li> <li>• It is <b>co-financed with the Asian Development Bank</b> and the budgetary support will go toward bolstering economic aid for businesses, including for the informal sector.</li> <li>• AIIB's sovereign loans to India that have already <b>been approved amount to \$3.06 billion</b>, including a recent \$500-million COVID-19 emergency response.</li> <li>• India is a <b>founding member and second largest shareholder</b> (after China) in AIIB.</li> <li>• AIIB's Headquarters: <b>Beijing.</b></li> </ul>
<p><b>Qualified institutional placements (QIPs)</b></p>	<ul style="list-style-type: none"> <li>• Recently, SEBI has <b>allowed companies to raise funds at shorter intervals</b>, by changing qualified institutional placements (QIPs) rules.</li> <li>• QIP is a <b>capital raising tool wherein a listed company can issue equity shares</b>, fully and partly convertible debentures, or any security other than warrants that are convertible into equity shares.</li> <li>• Unlike in an Initial public offering (IPO) or an Follow on Public Offer (FPO), <b>only institutions or qualified institutional buyers (QIBs) can participate</b> in a QIP.</li> </ul>
<p><b>Vadavan port, Maharashtra</b></p>	<ul style="list-style-type: none"> <li>• Recently, Ministry of Environment, Forest and Climate Change has given green light to Vadhavan port.</li> <li>• Vadhavan will be set up as a <b>corporate port under the Companies Act.</b></li> <li>• It would be <b>developed as a landlord port</b>, with the port company building the basic port infrastructure, while berths, terminals and associated facilities will be constructed by private firms in the public-private-partnership (PPP) mode.</li> </ul>
<p><b>Bioremediation</b></p>	<ul style="list-style-type: none"> <li>• Bioremediation of sludge is being done in Baghjan natural gas well that recently caught fire in Assam.</li> <li>• Bioremediation is a process that <b>uses microorganisms or their enzymes to treat polluted sites</b> for regaining their original condition.</li> <li>• It uses naturally occurring <b>bacteria and fungi or plants</b> to degrade or detoxify substances hazardous to human health and/or the environment.</li> </ul>
<p><b>National Centre of Polar and Ocean Research (NCPOR)</b></p>	<ul style="list-style-type: none"> <li>• NCPOR study revealed that <b>Arctic Sea ice saw largest decline in 41 years in July 2019.</b> <ul style="list-style-type: none"> <li>➤ This study is important as <b>Arctic Sea ice is a sensitive indicator of climate change.</b></li> </ul> </li> <li>• NCPOR, <b>established as an autonomous R&amp;D Institution of Ministry of Earth Sciences</b>, is responsible for research activities in Polar and Southern Ocean realms.                     <ul style="list-style-type: none"> <li>➤ It is also mandated for Management and upkeep of Indian Antarctic Research Bases Maitri and Bharati, and Indian Arctic base Himadri.</li> </ul> </li> </ul>
<p><b>Khelo India State Centres of Excellence (KISCE)</b></p>	<ul style="list-style-type: none"> <li>• KISCE are being <b>established to strengthen India's pursuit for excellence in Olympics.</b></li> <li>• For this, <b>One KISCE will be identified in each state and union territory</b>, with an effort to create a robust sporting ecosystem in the entire country.</li> <li>• State and UT will be responsible for all aspects of management of the centre.</li> <li>• KISCE will be <b>established under Khelo India Scheme</b> (to revive the sports culture in India).</li> </ul>
<p><b>Demilitarised zone (DMZ)</b></p>	<ul style="list-style-type: none"> <li>• Recently, North Korea threatened to send troops to DMZ.</li> <li>• DMZ is a <b>region on the Korean peninsula that demarcates North Korea from South Korea.</b> <ul style="list-style-type: none"> <li>➤ DMZ is a <b>2 km-wide buffer</b>, stretching coast to coast across the peninsula.</li> </ul> </li> <li>• It <b>roughly follows latitude 38° N</b> (the 38th parallel), the original demarcation line between North Korea and South Korea at the end of World War II.</li> <li>• DMZ was established as part of ceasefire negotiated between UN and communist forces.</li> </ul>

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