

ECONOMICS

Reasons for rise in global debt

In Context: According to the Institute of International Finance (IIF), global debt rose to an all-time high of \$307 trillion in the 2nd quarter (April-June 2023), rising by about \$100 trillion over the last decade.

What is Global Debt?

- ✓ Global debt refers to the borrowings of governments as well as private businesses and individuals.
- ✓ Governments borrow to meet various expenditures that they are unable to meet through tax and other revenues.
- ✓ Governments may also borrow to pay interest on the money that they have already borrowed to fund past expenditures. The private sector borrows predominantly to make investments.
- ✓ Both global debt in nominal terms and global debt as a share of GDP have been rising steadily over the decades.
- ✓ The rise came to a halt during the pandemic as economic activity turned sluggish and lending slowed down.
- ✓ But global debt levels have started to rise again in the last few quarters. During the first half of 2023, total global debt rose by \$10 trillion.
- ✓ Most (over 80%) of the rise in global debt in the first half of the year has come from advanced economies such as the US, UK, Japan, and France.
- ✓ Among emerging market economies, China, India and Brazil have seen the most growth in debt.

Why is Global Debt Rising?

- ✓ This has happened amid rising interest rates, which was expected to adversely affect demand for loans.
- ✓ What is more interesting than rising debt levels is the drop in global debt as a share of GDP over seven consecutive quarters prior to 2023.
- ✓ The IIF attributes this to the rise in price inflation, which it claims has helped governments to inflate away the debts denominated in their local currencies.
- ✓ Inflating away of debt refers to the phenomenon wherein the central bank of a country either directly or indirectly uses freshly created currency to effectively pay off outstanding government debt.
- ✓ But the creation of fresh money causes prices to rise, thus imposing an indirect tax on the wider economy to pay the government's debt.
- ✓ A further rise in debt levels over time is to be expected since the total money supply usually steadily rises each year in countries across the globe.

Is the Rising Global Debt a Cause for Worry?

- ✓ Rising global debt levels usually leads to concerns about the sustainability of such debt.
- ✓ The IIF has warned that the international financial infrastructure is not equipped to handle unsustainable domestic debt levels.
- ✓ This is particularly so in the case of government debt which is prone to rise rapidly due to reckless borrowing by politicians to fund populist programmes.
- ✓ When central banks raise interest rates, servicing outstanding debt becomes a challenge for governments with a heavy debt burden.
- ✓ Rising interest rates can increase pressure on governments and force them to either default outright or inflate away their debt.
- ✓ Rapidly rising private debt levels also lead to worries among analysts about their sustainability.
- ✓ This is because such a rise is linked to unsustainable booms that end in economic crises when such lending is not backed by genuine savings.
- ✓ The most recent example of the same was the 2008 global financial crisis, which was immediately preceded by an economic boom fueled by the US Federal Reserve's easy credit policy.

POLITY AND GOVERNANCE

The Parliamentary Standing Committee on Transport, Tourism, and Culture: To reduce the number of monuments on the list and make ASI more functional.

In Context: The Parliamentary Standing Committee (PSC) on Transport, Tourism, and Culture recommends categorizing centrally protected monuments based on their national significance. The panel's opinions are consistent with those of the government, which intends to resubmit the Ancient Monuments and Archaeological Sites and Remains (AMASR) (Amendment) Bill.

About AMASR Act of 1958

- ✓ It includes the -Preservation (of over 100-year-old antique and historical monuments, archaeological sites, and remains of national significance)

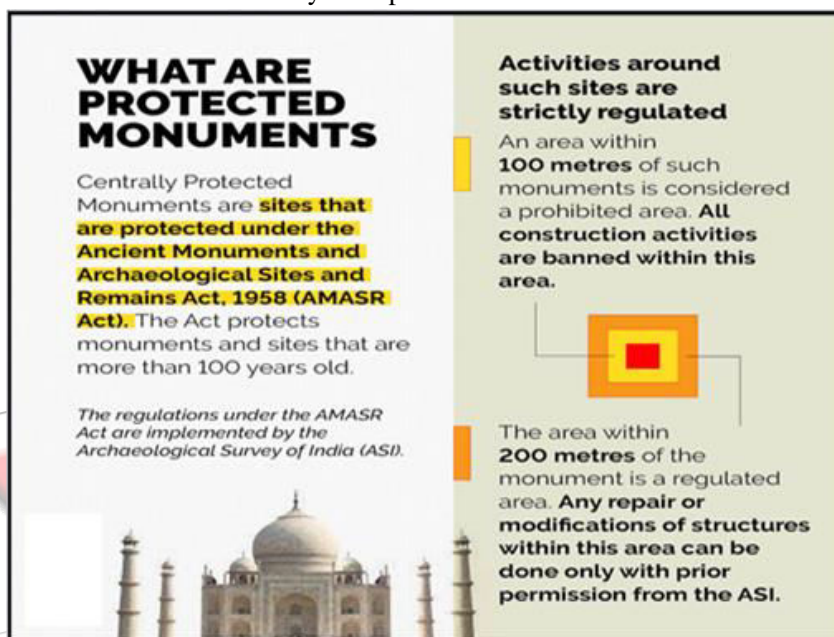
- ✓ Archaeological excavations must be regulated.
- ✓ Protection (for sculptures, carvings, and similar things).
- ✓ In India, there are 3,691 Centrally Protected Monuments or Sites that are guarded by the Archaeological Survey of India (ASI), a Ministry of Culture department that operates under the rules of this act.

AMASR (Amendment) Act of 2010:

- ✓ The 1958 Act was revised in 2010 to tighten the punitive penalties to prevent encroachment and unauthorized construction around monuments.

Modifications:

- ✓ Prohibited area of 100 meters around each national monument where no public or private construction is permitted.
- ✓ A 200-metre-outside-the-prohibited-zone region where any construction requires the consent of a newly formed National Monuments Authority (NMA).
- ✓ Given the uniqueness of each monument, the amendment further urged that heritage by-laws for each monument be written by an expert committee.



Concerning the AMASR (Amendment) Bill:

- ✓ The Bill aims to redefine monuments and rationalize the use of the territories surrounding protected sites.
- ✓ There is a widespread belief that the Act, in its current form, inhibits many areas that could be put to good use, particularly in the case of development and infrastructure construction.
- ✓ For example, restricting homeowners from building their homes within 100 meters of minor and inconsequential structures costs them great hardship and financial loss.
- ✓ By introducing the Bill, the government also hopes to amend the current standard that a structure must be at least 100 years old to be recognized as a monument.
- ✓ The rethinking of the monuments is also consistent with the government's goal.
- ✓ Despite the fact that India has a tremendous richness of more ancient constructions, the government considers that the majority of the extant monuments date from the British era.

Highlights from the 359th Report of the PSC on Transport, Tourism, and Culture:

- ✓ The research raised concerns about the list of centrally protected sites, pointing out that it contains a considerable number of "minor monuments."
- ✓ For example, the list includes 75 graves of unimportant colonial-era troops or administrators.
- ✓ The panel suggested "rationalizing and categorizing" this list based on national significance, distinctive architectural and heritage value.
- ✓ 531 monuments [14.4% of the Archaeological Survey of India's (ASI) total 3,691 centrally protected monuments] have been encroached upon to date, with only 9 of these monuments freed of encroachment.

- ✓ The committee suggests that ASI conduct a thorough examination of encroachments around all monuments under its jurisdiction.
- ✓ This will assist ASI in documenting the nature, amount, and impact of encroachments on each site in order to establish a database for informed decision-making.
- ✓ Concerning the operation of ASI, the panel recommended that the organization be divided into two wings:
- ✓ The Archaeological Survey of India (ASI) can handle the primary mandate, which includes exploration, excavation, and restoration, and The India Heritage Development Corporation (IHDC) can handle the total earnings of the ASI.

PRELIM FACTS

1. India-Indonesia-Australia debut Exercise on Trilateral Maritime Cooperation

IN CONTEXT: The Indian Naval Ship Sahyadri Takes Part in the First India-Indonesia-Australia Trilateral Maritime Exercise

Important information

- ✓ The indigenously built warship INS Sahyadri of the Indian Navy took part in the first trilateral Maritime Partnership Exercise alongside ships and aircraft from the Royal Australian Navy (RAN) and the Indonesian Navy.
- ✓ The trilateral exercise gave the three maritime states an opportunity to expand their collaboration and combined capability to promote a stable, peaceful, and secure Indo-Pacific region.



INS Sahyadri Facts:

- ✓ The third ship of the indigenously designed and manufactured Project-17 class multirole stealth frigates, INS Sahyadri, was built at Mazagon Dock Ltd.

2. Mt. Semeru volcano:

IN CONTEXT: Recently, Mt. Semeru volcano in Indonesia's East Java province erupted.

Mt. Semeru volcano information:

- ✓ It is an active volcano on the Indonesian island of East Java.
- ✓ It's in a subduction zone, where the Indo-Australia plate subducts beneath the Eurasia plate.
- ✓ It is the highest point on the Indonesian island of Java.
- ✓ The name "Semeru" is derived from Meru, Hinduism's primary world mountain, or Sumeru, the abode of gods.
- ✓ Indonesia is located on the Pacific Ring of Fire, where tectonic plates collide, resulting in intense volcanic and seismic activity.



Important information regarding the Pacific Ring of Fire:

- ✓ It is a route that runs along the Pacific Ocean that is characterized by active volcanoes and frequent earthquakes.
- ✓ It is approximately 40,000 kilometers long.
- ✓ It follows the boundary of multiple tectonic plates, including the Pacific, Juan de Fuca, and Cocos plates.

3. Artificial Reef (AR)

IN CONTEXT: To promote sustainable practices, the Department of Fisheries has sanctioned 732 artificial reef units for ten coastal states as a sub-activity under the Pradhan Mantri Matsya Sampada Yojana (PMMSY)'s "Integrated Modern Coastal Fishing Villages" program.

**Concerning Artificial Reefs (AR):**

- ✓ A man-made reef is a structure that mimics some of the characteristics of a natural reef.
- ✓ These are engineering technology treatments that include habitat enhancement to rehabilitate and/or improve natural habitats, increase productivity, and manage aquatic resources (FAO, 2015).
- ✓ Rocks, cinder blocks, and even wood and old tyres have been used to build artificial reefs, which come in an unlimited number of shapes and patterns.
- ✓ The Fisheries Survey of India (FSI) and the ICAR-Central Marine Fisheries Research Institute (CMFRI) are providing technical assistance to the initiatives.

AR's Benefits

- ✓ It increases marine biodiversity.
- ✓ It promotes the growth of fish populations.
- ✓ It relieves stress on natural reefs.

4. Regime of Free Movement

In context: Manipur's Chief Minister has stated that his government has urged the Union Home Ministry to end the free movement policy along the India-Myanmar border and finish fence.

Concerning the Regime of Free Movement:

- ✓ Under the FMR, all hill tribes, whether Indian or Myanmar citizens, are allowed to travel within 16 kilometers of the Indo-Myanmar Border (IMB).
- ✓ They can cross the border with a one-year border pass issued by the appropriate government and stay for up to two weeks per visit.
- ✓ The FMR was implemented in 2018 as part of the Act East initiative of the Central Government.
- ✓ Both administrations have implemented FMR for the people who live along the IMB. This allows residents to become more culturally integrated with trans-border villages through weddings, common holidays, and trans-border trade.
- ✓ It reflects the trans-border peasants' physical, ethnic, linguistic, cultural, and fraternal ties.

Border between India and Myanmar (IMB):

- ✓ It stretches across 1,643 kilometers through Mizoram, Manipur, Nagaland, and Arunachal Pradesh.

- ✓ It stretches from the northern tripoint with China to the southern tripoint with Bangladesh.
- ✓ The Assam Rifles are in charge of protecting the IMB.

5. The Climate Ambition Summit (CAS)

IN CONTEXT: The Climate Ambition Summit (CAS) has been conducted at the United Nations General Assembly which China, United States and India failed to participate.

ABOUT:

- ✓ China, the U.S., and India are among the top three emitters of greenhouse gases globally, collectively responsible for approximately 42% of global emissions.
- ✓ Their actions and commitments are crucial in the efforts to combat climate change.
- ✓ Purpose of the Summit: The CAS was organized by the United Nations to showcase leaders who have credible actions, policies, and plans to address climate change and to uphold the goal of limiting global warming to 1.5 degrees Celsius as outlined in the Paris Agreement.
- ✓ India's Climate Pledges: India updated its climate pledges in 2022, aiming to reduce emissions intensity by 45% from 2005 levels by 2030.
- ✓ The government also committed to sourcing 50% of its electric power from renewable, non-fossil fuel sources and increasing carbon sinks through afforestation.
- ✓ Prime Minister Narendra Modi's commitment to achieving net-zero emissions by 2070.

ANSWER WRITING

Q. With growing energy needs should India keep on expanding its nuclear energy programme? Discuss the facts and fears associated with nuclear energy. (250 words) 15

INTRODUCTION: As India makes rapid strides in the field of economic development and with an ever-growing population, the demand for energy is only going to rise further. As of now, fossil fuels contribute about 75% of our energy needs. They not only add to pollution woes but also force India to rely heavily on imports. India has pledged to strike a balance between the growing demand and its commitment made for clean energy in Intended Nationally Determined Contributions (INDCs) with 2030 as deadline. Consequently, the energy policy of India envisages developing alternative sources of energy, particularly solar, wind and nuclear.

With 6700 MW capacity under installation, nuclear energy currently makes up for 3% of India's energy needs. It is projected by the Department of Atomic Energy that by 2050, 20-30 percent of Indian energy needs will be met by using nuclear energy.

Reasons to expand the Nuclear energy program :

- ✓ Being low on CO₂ emissions, nuclear technology helps in checking climate change thereby helping India realise its Intended Nationally Determined Contributions to UNFCCC.
- ✓ With huge dependence on imported oil and associated foreign exchange payments, nuclear energy can reduce fossil fuel dependence and consequently shield us from future price shocks.
- ✓ Nuclear energy also enjoys significant advantages over other clean sources of energy like wind and solar. It does not require large areas for its installation and is not dependent on the vagaries of nature. It consequently can provide round the clock cheap energy supply.
- ✓ With improved technological development and acceptance as responsible nuclear state, India will become part of global nuclear trade regime and also rightfully gain position in Nuclear Suppliers Group (NSG).
- ✓ It can also be used to reduced per unit cost with technological development and realization of thorium enabled production cycle.

Concerns associated with nuclear energy:

- ✓ The primary concern stems from the possibility of nuclear accident which can have far reaching consequences. However, very few such accidents have been reported worldwide and none in India.
- ✓ The radioactive waste produced by nuclear plants can be a great threat to the environment as well as human health.
- ✓ Nuclear plants have a limited life. The investment for the construction of a nuclear plant is very high and must be recovered as soon as possible. It necessitates large initial capital investment.
- ✓ Nuclear power plants generate external dependence as uranium needs to be imported.
- ✓ Plethora of permissions required from international authorities to process the nuclear fuel and also to set up nuclear power plants is also an impediment in promotion of the nuclear energy.

Nuclear energy can act as a great catalyst for inclusive growth and development by providing much needed energy security. However, a proper consideration of all concerns be had and necessary protective measures be put in place in the process.

MCQs

1. Considered the following statement:
 1. Economic Freedom of the World Index, report published by the Canadian think tank Fraser Institute,
 2. Hong Kong ranked second for the first time in the Economic Freedom of the World Index.
 3. Singapore topped the Index and India ranked 87th.

Which of the above statement is/are incorrect?

a) 1 and 2 only b) Only 2
c) Only 3 d) None
2. Mt Semeru volcano, recently seen in the news, is located in:

a) **Indonesia** b) Australia
c) Russia d) Japan
3. A Consider the following statements regarding the Pink diamonds:
 1. They have a uniquely bent crystalline structure.
 2. They are found only in the African continent.

Which of the statements given above is/are correct?

a) **1 only** b) 2 only
c) Both 1 and 2 d) Neither 1 nor 2
4. Considered the following statement regarding Free Movement Regime:
 1. Under the FMR, all the hill tribes, whether they are citizens of India or Myanmar, can travel within 16 km on either side of the Indo-Myanmar Border (IMB).
 2. They can cross the border by producing a border pass with a one-year validity.
 3. The FMR was implemented in 2018 as part of the Central government's Act East policy.

How many of the above statement is/are correct?

a) Only 1 b) Only 2
c) **Only 3** d) None
5. Considered the following statement regarding artificial reef
 1. It comes under "Integrated Modern Coastal Fishing Villages" of Pradhan Mantri Matsya Sampada Yojana (PMMSY).
 2. An artificial reef is a natural structure that may mimic some of the characteristics of a natural reef.

Which of the above statement is/are correct?

- a) **Only 1**
b) Only 2
c) Both 1 and 2
d) Neither 1 nor 2
6. With reference to the World Federation of the Deaf (WFD), which of the following statements is/are correct?
 1. It is an international non-profit and non-governmental organization.
 2. The headquarters of WFD is located in Geneva, Switzerland.

Select the correct answer using the code given below:

a) **1 only** b) 2 only
c) Both 1 and 2 d) Neither 1 nor 2
7. Which of the following statements about World Sign Language Day is/are correct?
 1. It is observed on September 23rd every year.
 2. The day commemorates the founding of the World Federation of the Deaf.
 3. It is observed on the birthday of Louis Braille, the inventor of Braille.

Options:
a) **1 and 2** b) 2 and 3
c) 1 and 3 d) 1, 2 and 3
8. Which of the following architectural features are associated with the Shore Temple?
 1. It consists of two shrines, one facing east and the other facing west.
 2. The temple is primarily made of sandstone.
 3. The Shore Temple has intricate bas-reliefs depicting scenes from Hindu mythology.

Options:
a) 1 and 2 b) 2 and 3
c) **1 and 3** d) 1, 2, and 3
9. Tenerife National Park was in the news due to wildfires. The Park is located in?

a) Canada b) Sweden
c) **Spain** d) France
10. The eight countries that make up the Amazon Cooperation Treaty Organisation (ACTO) signed the Belem Declaration during the Amazon Summit. Which of the following countries is not a part of ACTO?

a) Brazil b) **Argentina**
c) Bolivia d) Colombia