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Editorial Discussion & Analysis (EDA)

2nd & 3rd August 2021

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Note -

- The Newspaper clippings pasted in PDF are important from Mains point of view as it contains the fodder material for Mains Answer Writing.
- Also watch DND video lectures everyday @ 4 PM on Sleepy's YouTube channel in order to understand how to get the most out of everyday's Newspaper .

Click [here](#) to watch the following topics on YouTube

1. Governance

1.1. Renewing the Tryst With Destiny

Context- What India needs as it Grows 75

Education

- India is proud of its IITs, IIMs and AIIMS, and its overall literacy rates going up from 12% in 1947 to about 77% now.
- Quality of education for large sections of the poor remains poor & Uneven Kerela to Bihar.
- Pratham's ASER reports indicate that a large number of children in the eighth grade do not fulfil the learning requirements of the 5th or 6th grades.
- Exacerbated the digital divide between rural and urban schoolchildren.

Food Security

- Since the mid-1960s to become the largest exporter of rice (17.7 MMT) in 2020-21, amounting to 38.5% of the global rice trade.
- All this was possible because of modern technology, improved seeds, irrigation, fertilisers, and the right incentives for farmers.
- Despite all this and NFSA in place child malnutrition takes place.
- India's public grain management system of procurement, stocking and distributing is, perhaps, the biggest food programme in the world.
- Being Highly expensive, inefficient and corrupt system, it is crying for reforms.
- **Observation-** Giving Free rice and wheat, instead of improving the quality of education and enhancing skills, is definitely not the right way to go forward.

Conclusion

- Rational policy of gradually moving towards cash transfers to targeted beneficiaries, limiting grain stocks.
- This can easily save Rs 50,000 crore every year from the food subsidy bill.
- The interests of vulnerable populations and the farmers both have to be kept in interest.

1.2. Setting New House Rules

Context- Disruption in Parliament

Concern

- Disruption is replacing discussion as the foundation of our legislative functioning.
- Already Giving the reason of COVID, the Monsoon session is also being cut short



- When a contentious issue crops up, the government dithers on debating it, leading to Opposition MPs violating the conduct rules.
- Threat from suspension does not impacts the opposition MPs because of support from their Party.
- Successive governments have shied away from increasing the working days of Parliament.

References from a 2001 Conference in Parliament

- It was observed that there is Dissatisfaction in MPs because of inadequate time for airing their grievances.
- Unresponsive attitude of the government and the retaliatory posture of the treasury benches.
- Political parties not adhering to parliamentary norms and disciplining their members.
- Absence of prompt action against disrupting MPs under the legislature's rules.
- Parliament should meet for 110 days every year and larger state legislative assemblies for 90 days.

Way Forward

- More strengthening of our Parliament is the solution to prevent disruption of its proceedings.
- Deepening of its role as the forum for deliberation on critical national issues.
- Our legislature should meet throughout the year, like parliaments of most developed democracies.
(UK, Canada)

2. Environment

2.1. No Fossil Fuels as Usual

Context- Shift From Fossil Fuels

Why to scale back Domestic Exploration?

- While India may well be sitting on substantial hydrocarbon reserves, these reserves are not easy to locate and, even when located, difficult to develop and produce on a commercial basis
- Exploration & Production is a high risk Activity.
- ONGC should allocate increasing resources to improving the productivity of its producing fields.
- At present, the average oil recovery rate was 28% in India. For 100 molecules discovered, only 28 were Monetised. (Global Average is 45%)
- Application of enhanced oil recovery (EOR) technology offers a relatively low avenue for increasing domestic production.

Restructure & Reorganize Public Sector Petroleum Companies

- Upstream assets should be consolidated under ONGC (the upstream assets of BPCL, IOC, HPCL, and GAIL should pass onto ONGC).
- Companies should be encouraged to look beyond hydrocarbons to build an energy enterprise.
- Restructuring will help cut back the avoidable costs of intra public sector competition

Conclusion

- E&P in India is a high-risk activity, and this risk is even greater today because of the longer-term structural softness of the petroleum market.
- There is good reason to question the spending of public resources on exhaustive exploration.

Open Acreage Licensing Policy (OALP)

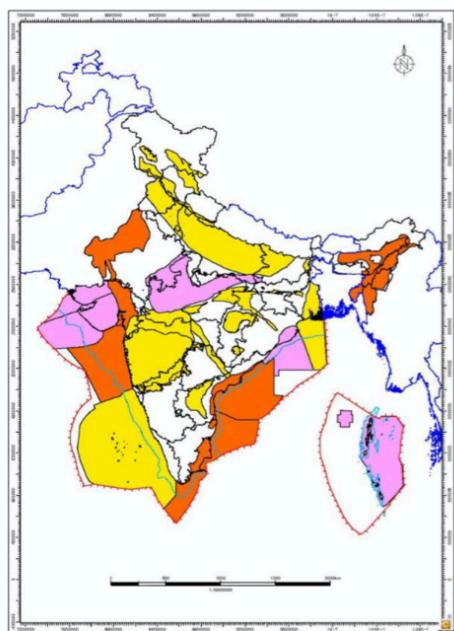
- In November 2020, contracts for 11 oil and gas blocks offered under the Open Acreage Licensing Policy (OALP) Bid Round-5 were signed.
- Introduced in 2017
- Companies are allowed to carve out areas in which they want to explore oil and gas

Exploration Acreage 2,37,000 sq. km

- Hydrocarbon Exploration and Licensing Policy
- This Policy Replaced the New Exploration Licensing Policy (NELP) was approved in March 2016
- Exploration blocks shall be awarded on a continuous basis through e-bidding in a transparent manner.



India has 26 sedimentary basins covering an area of 3.36* million square kilometres



Category

Number of Basins

I

Basins where hydrocarbon presence is established and commercially producing

7**II**

Basins where hydrocarbon is established but yet to produce commercially

5**III**

Basins where hydrocarbon presence is yet to be established

14

Assam Shelf, Assam-Arakan Fold Belt, Cambay , Cauvery, Krishna-Godavari, Mumbai Offshore and Rajasthan Basin

Andaman, Kutch, Mahanadi, Saurashtra and Vindhyan

Himalyan Foreland, Ganga-Punjab, Kerala-Konkan, Bengal-Purnea, Karewa, Spiti-Zanskar, Satpura-South Rewa-Damodar, Narmada, Deccan Syneclyse, Bhima-Kaladgi, Cuddapah, Pranhita-Godavari, Bastar, Chhattisgarh

3. Indian Economy

3.1.A Cycle Of Growth, Higher Inflation

Context- RBI needs to focus on Growth & Demand

How will be The revival of Economy be Different as compared to Revival Post The Great Depression?

- Demand. In the case of the Great Depression, demand was created by the Second World War effort.
- United States, was largely spared of the destruction, and its industrial Capacities was used to Support the allied effort.
- Current scenario, there is no war to create demand.
- Western world has spent a lot of money stimulating the economy.

Why is Inflation a concern for India?

- Stagnant growth to low growth in the last two quarters.
- Inflation in India is being imported through a combination of high commodity price.
- Loose monetary Policy worldwide.
- India has a relatively low market capitalisation.
- Difficult to absorb the enormous capital inflow without asset prices inflating.
- Regressive Indirect taxes along with Inflation eroding people's real income.

RBI's Views on the situation

- Claims that this inflation is transitory in nature while inflationary expenses are entrenched.

What should RBI do?

- Tightening the money supply is a painful act that will threaten to crowd out Private Investment.
- Rising interest rates lead to a decrease in aggregate demand in a country, which affects the GDP. There is less spending by consumers.

Problem of NPAs

- Would be wise to Provide Direct Subsidies to MSMEs instead of giving credit to leveraged companies - ELSE?
- Would result in build up of NPAs of Public Sector Banks climbing faster.
- MSME sector is facing the Minsky Moment

Minsky Moment- Economist Hyman Minsky

Credit Cycle has 3 stages

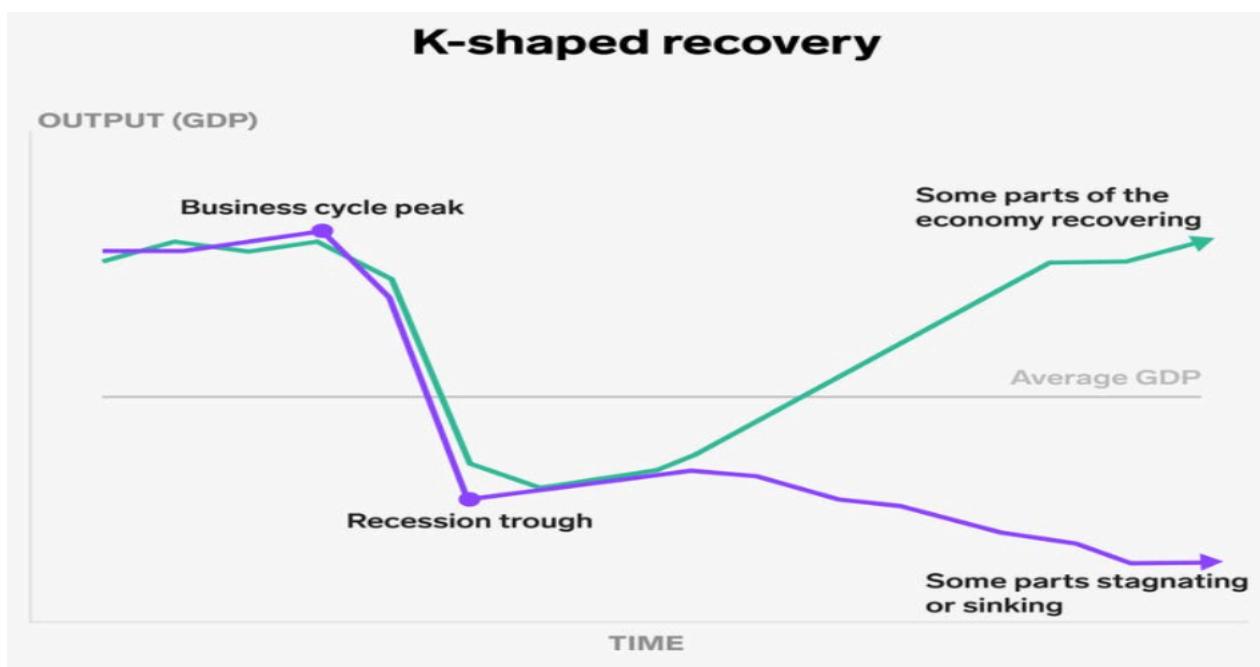
- Cautious lending and risk aversion by the banker
- Lending to trustworthy debtors who can pay the principal and its interest.



- Euphoria caused by rising asset prices where bankers lend to debtors regardless of their ability to pay back.

Conclusion

- Policy action by government and RBI must ensure higher demand and growth.
- **K-shaped recovery**- Large corporates with low debt will prosper at the cost of small and medium sectors.
- **K-shaped recovery** - Occurs when, following a recession, different parts of the economy recover at different rates, times, or magnitudes.
- This is in contrast to an even, uniform recovery across sectors, industries, or groups of people.



4. International Relations

4.1. India & Greater Middle East

- Context- India's reach to West of Subcontinent

Abraham Accords

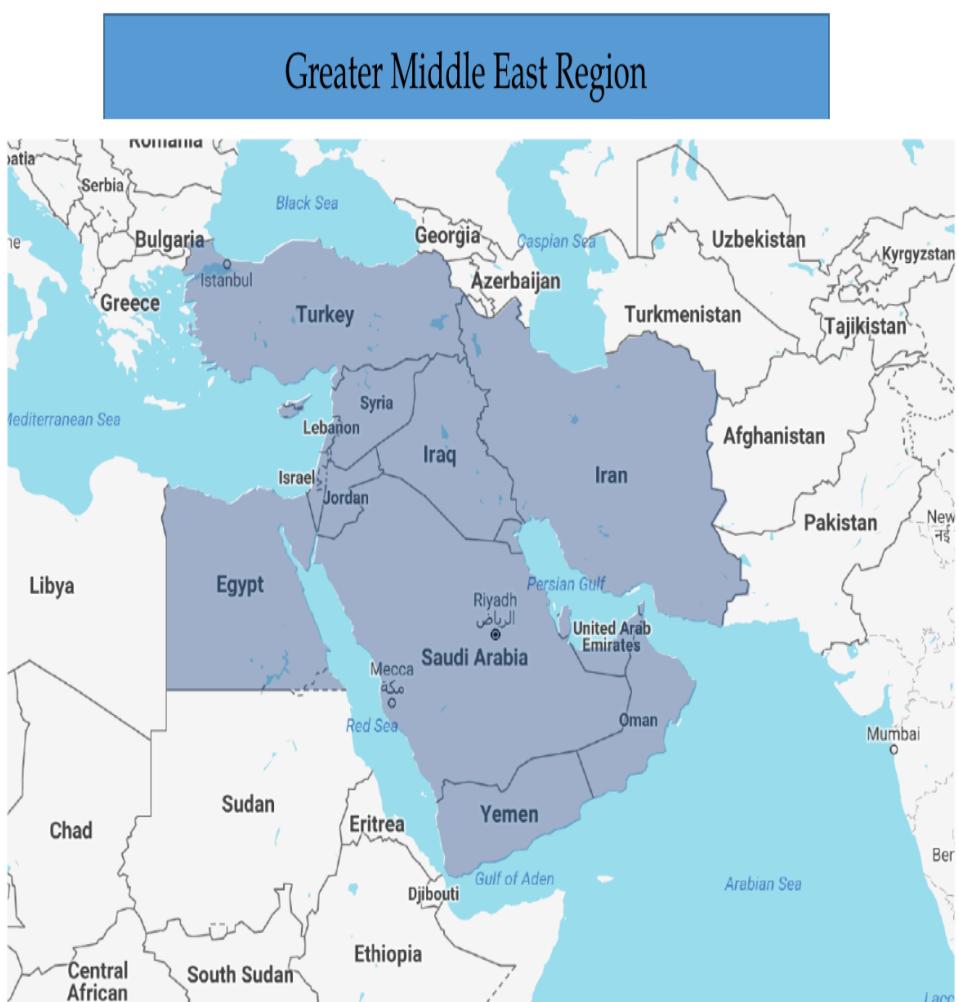
- Normalisation of Israel's relations with the UAE and Bahrain.
- Abraham Accords are widely seen as making a definitive breakthrough in the relations between Israel and the Arabs.
- Egypt (1979) and Jordan (1994) had established diplomatic relations with Israel earlier.
- **Geopolitics involved** - converging interests between India, the UAE, and Israel amidst Turkish president Recep Tayyip Erdogan's assertive claims for the leadership of the Islamic world

Relations between India & Turkey in recent times

- Erdogan has been championing Pakistan's case on Kashmir after India changed the territorial status quo of the state in August 2019.
- Erdogan is also blocking India's entry into the Nuclear Suppliers Group.

Turkey's Threat beyond Middle East

- The discovery of new hydrocarbon resources in the eastern Mediterranean, the renewed territorial disputes between Ankara and Athens.
- France, which have a big stake in the Mediterranean as well as the Arab Gulf, have taken an active interest in countering Turkey's regional ambitions.



What role can India Play in this region?

- Many areas like Defence, aerospace and digital innovation where India, Israel & UAE can pool their resources and coordinate development policies.



- Greece is very eager for greater cooperation with this coalition. (India, Israel & UAE)
- Independent India's engagement with the region in the 1950s was centred on a close partnership with Egypt.
- Jawaharlal Nehru and Gamal Abdel Nasser were instrumental in promoting Afro-Asian unity and founding the Non-Aligned Movement.
- India can rebuild the strategic partnership jointly with Abdel Fateh Al-Sisi who is calling for the construction of a "New Republic" in Egypt.

Conclusion

- Opportunities coming India's way to the west of the Subcontinent are as consequential as those that have recently emerged in the east.
- Like India's policy transformation towards Indo Pacific, deeper engagement with Greater Middle East could also give a fillip to India's West Asia Policy.



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