



C.A Dated On 10-04-2019

GS-2

Belt and Road Initiative:

The story so far:

Six years ago, Chinese President Xi Jinping launched a mammoth infrastructure project straddling many countries and continents. Of the projects, the most ambitious is the \$60+ billion China-Pakistan Economic Corridor, aimed at linking China's Xinjiang province with the Arabian Sea.

What is it?

- The Belt and Road Initiative (BRI), also known as the One Belt One Road Initiative, is the most emblematic of China's economic and industrial might, as of its ambitions for global, political and strategic influence.
- BRI partnerships encompass infrastructure investments in the construction, transport, aviation, telecommunications and energy sectors stretching across many countries in Asia and Africa.
- With the rise of populist forces in many countries in recent years, the world's open trading system has come under a protectionist strain.
- Perhaps, there are signs in the BRI of the beginnings of a different kind of globalisation.

Why did China push for it?

- The BRI is, above all, a response to slowing domestic economic growth earlier this decade, accentuated by a slump in Chinese exports to developed countries following the 2007-08 economic meltdown.
- As infrastructure spending at home became less sustainable, Beijing shifted the emphasis in a big way to boosting the global competitiveness of domestic businesses.
- But the more common narrative is that the large infrastructure investments in the least developed and developing countries have enabled Beijing to leverage its influence around the world, potentially altering the established rules of the global order.

How many major BRI projects are in the works?



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- It is hard to put a precise number on them because projects are negotiated informally between investor and recipient countries.
- But they are clearly in the thousands, unprecedented in the history of development cooperation, in terms of the volume of investment and potential benefits. Let us begin with the Greek harbour of Piraeus.
- Backed by Chinese investment, the port has climbed from the world's 93rd container port in 2010 to 38th in 2017.
- By far the most ambitious BRI project is the \$60+ billion China-Pakistan Economic Corridor.

CPEC:

- Once the Gwadar city port in coastal Balochistan is built, its strategic location, near the Strait of Hormuz, will connect the Arabian Sea and the Gulf of Oman, the arterial route to world oil transport.
- The force of Balochi opposition to the China-Pakistan Economic Corridor, as to most other projects, essentially comes down to a demand to reallocate its promised benefits rather than an outright roll-back.
- India has opted to stay out of the BRI owing to concerns of national sovereignty and integrity, choosing instead to stick with the Shanghai Cooperation Organisation.
- New Delhi's reservations are entirely understandable, given that the China-Pakistan Economic Corridor, a core BRI endeavour, passes through the Pakistan-occupied Kashmir.

Where does the BRI go from here?

- Many BRI projects are said to have overshot their original estimated cost. The burgeoning debt burden recipient countries have thus accumulated has led to questions over the long-term viability and benefits of such ventures.
- While these may be legitimate concerns, it is equally true that it is still early days in the evolution of the BRI.
- Another concern for the BRI is its current dependence on the U.S. dollar to fund the bulk of its projects.
- That may leave China with the option of adopting a co-financing strategy. Such cooperation with multilateral banking institutions would be a welcome balancing act. Western critics have attacked the initiative as new colonialism, or Marshal Plan for the 21st century.



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- One day, the BRI might remain Chinese in all but name. That may be the next phase of globalisation in the making.

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IMF Forecast:

The International Monetary Fund (IMF) has projected that global growth will be 3.3% in 2019, down from 3.6% in 2018 and 4% in 2017, IMF Chief Economist Gita Gopinath told the press at the release of the **World Economic Outlook 2019** April report, at the start of the World Bank IMF Spring Meetings.

Causes:

- This lower projection is due to lower global expansion in the second half of 2018 caused by U.S.-China trade tensions, macroeconomic stress in Turkey and Argentina, tighter credit policies in China and financial tightening plus a normalisation of monetary policy in advanced economies.

India's Growth:

- India's growth is projected to pick up (from 7.1% in 2018) to 7.3% in 2019 and 7.5% in 2020, "supported by the continued recovery of investment and robust consumption amid a more expansionary stance of monetary policy and some expected impetus from fiscal policy," the report said.
- These forecasts are nevertheless less by 10 and 20 basis points from the January and October forecasts.

Future Prospects:

- The IMF expects growth to pick up in the second half of the year driven by an accommodative policy stance in advanced economies, the prospects of easing of trade tensions between the U.S. and China and ramped up fiscal and monetary stimulus by China to counter the trade war's effects.
- Global growth is therefore expected to return to 3.6%, but this is subject to a rebound in Argentina and Turkey and certain emerging market risks not manifesting.



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- Brexit uncertainties and China's growth not being as high as expected (down from 6.6% in 2018 to 6.3% and 6.1% in 2019 and 2020 respectively) are risks that will impact these projections.

Moderation in expansion

- Beyond 2020, *global growth* is expected to level out at *3.6% over the medium term*, driven by a moderation in expansion in advanced countries (caused by weak productivity growth and slow labour force growth) and the stabilisation of emerging market expansion at 2020 levels.
- *Advanced economies* are expected to slow down to 1.6% growth by 2022 and remain at that rate thereafter.
- For *emerging markets and developing countries*, growth is expected to steady at 4.8% over the medium term and given that these groups are growing faster than advanced economies, their contribution to global growth is expected to increase from 76% to 85% over the next five years.
- However, there are "important differences" within emerging markets and developing economies.
- For instance, *China is expected to slow down* to 5.5% by 2024 as it moves towards increasing private consumption and services and regulatory tightening.
- India's growth is expected to stabilise at 7.75% over the medium term, driven by structural reforms and the easing of infrastructure bottlenecks.

Way Forward:

- Specifically, it says a continued *fiscal consolidation* is needed to bring down public debt, strengthening goods and services tax compliance and lowering subsidies.
- The report also notes "important steps" taken to speed up the resolution of *Non Performing Assets* (NPAs) and a simplified bankruptcy framework — measures that can be reinforced by stronger governance of public sector banks.
- The IMF also calls for laws around land reform to change, to expedite infrastructure development as well as changes to hiring and firing laws in order create jobs and "*absorb the country's large demographic dividend*".



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SC Ruling on Power Sector:

Why in News?

The Supreme Court's order on Tuesday quashing the February 12 circular of the RBI has come as a huge breather to the power sector which is staring at 66,000 mega watts (MW) of stressed power assets worth ₹1.8 lakh crore.

SC order has provided great relief to the power sector's stressed assets.

Impact:

- This would provide time for bankers to finalise the resolution plan for about 13 GW of projects which are presently in their final stages, and a high-level empowered committee under the Chairmanship of the Cabinet Secretary to submit its report on corrective actions that the government intends to initiate to mitigate stress factors.
- The Supreme Court's verdict will provide much needed respite and impetus to regulatory reform in the power sector,

Background:

- The RBI circular had mandated banks to either immediately resolve all bad loans above ₹2,000 crore or file for insolvency resolution under the IBC.
- Over ₹40,000 crore of payments is due from the government owned discoms.

Monetary Policy Committee:

Why in News?

The monetary policy committee of the Reserve Bank of India (RBI) for the second consecutive time cut the benchmark lending rate by 25 basis points to 6% on Thursday.

It cited concerns over growth as it lowered the GDP forecast to 7.2% for the current financial year from 7.4% projected in the February policy.



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Observations Made:

- The central bank said the output gap remained negative and the domestic economy was facing headwinds, especially on the global front. (Output gap refers to the difference between the actual output of the economy and its maximum potential.)
- The need is to strengthen domestic growth impulses by spurring private investment that has remained sluggish," it said.
- The committee maintained the neutral policy stance, which means interest rates can move in either direction.
- With the inflation outlook remaining benign, the RBI will address the challenges to sustained growth of the economy while ensuring price stability on an enduring basis," Governor Shaktikanta Das said.

Inflation Forecast:

- The RBI lowered its inflation forecast to 2.9%-3% from 3.2%-3.4% for the first half of the current financial year and 3.5-3.8% in the second half, assuming a normal monsoon.
- "Domestic GDP growth is also estimated to slow in 2018-19, with high frequency indicators suggesting slackening of urban and rural demand as well as investment activity.

About MPC:

- The **Monetary Policy Committee** of India is responsible for fixing the benchmark [interest rate](#) in [India](#).
- The meetings of the Monetary Policy Committee are held at least 4 times a year and it publishes its decisions after each such meeting.
- The committee comprises six members - three officials of the [Reserve Bank of India](#) and three external members nominated by the [Government of India](#).
- They need to observe a "silent period" seven days before and after the rate decision for "utmost confidentiality".
- The [Governor of Reserve Bank of India](#) is the chairperson [ex officio](#) of the committee. Decisions are taken by majority with the Governor having the casting vote in case of a tie.



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- The current mandate of the committee is to maintain 4% annual [inflation](#) until March 31, 2021 with an upper tolerance of 6% and a lower tolerance of 2%.

World Bank:

Why in News?

David Malpass, a top U.S. Treasury official in Trump administration, was on April 5 unanimously selected as the new President of the World Bank.

The World Bank's 25-member executive board unanimously approved 63-year-old Malpass, who is currently Under Secretary of Treasury for International Affairs, as the development lender's 13th President for a five-year term beginning April 9, according to a statement.

Since the bank's creation following World War II, all of its Presidents have been American men.

About the WB:

- The **World Bank** is an [international financial institution](#) that provides loans to [countries](#) of the world for capital projects. It comprises two institutions: the [International Bank for Reconstruction and Development](#) (IBRD), and the [International Development Association](#) (IDA).
- The World Bank is a component of the [World Bank Group](#).
- The World Bank's most recent stated goal is the [reduction of poverty](#).
- As of November 2018, the largest recipients of world bank loans were India (\$859 million in 2018) and China (\$370 million in 2018), through loans from IBRD.

About the Post:



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- The World Bank President is Chair of Boards of Directors of the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA).
- The President is also ex officio Chair of Boards of Directors of the International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), and the Administrative Council of the International Centre for Settlement of Investment Disputes (ICSID).

New Species Discovered:

A group of jumping spiders that mostly occur in Eurasia and Africa, has been spotted for the first time in Ernakulam's Illithodu forests by arachnologists from Kochi's Sacred Heart College, Thevara.

The team also found that the spider belonging to the genus (a taxonomic classification above species) *Habrocestum* is a species new to science.

Details:

- The team came across the different-looking spiders — six of them, predominantly brownish-black in colour with white and creamy-yellow patches.
- A detailed examination of the spiders' physical features revealed that they belong to the genus *Habrocestum* that has been recorded mostly in Eurasia and Africa and never in India, till now.
- Comparisons with studies of European *Habrocestum* spiders revealed that the spiders from Illithode are a new species altogether, for they had distinctly different reproductive organs.
- The spider also has a single long spine on the underside of both its first legs, and this gave it its scientific name *Habrocestum longispinum* (after Latin 'longe' meaning long and 'spinae' for spine). "
- It measures just around 2 mm and seems to prefer dry habitats, dwelling in forest litter.

Significance:

- The study extends the range of these spiders to India.



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- The discovery also lends support to the continental drift theory that suggests that the world's continents were one large, contiguous landmass where these creatures thrived many millions of years ago.