DAILY CURRENT AFFAIRS 09-08-2024

GS-2

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GS-3

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Bangladesh Crisis

Syllabus: GS-2: Bilateral Relations – India and Bangladesh.

Context:

- *As Bangladesh faces regime change, an expert warned that one of the tasks before the new government will be "to stop the free fall of the economy."*

Sheikh Hasina Resigns and Flees to India

- **Resignation***: Sheikh Hasina resigned as Bangladesh's Prime Minister following intense protests.*
- **Departure***: Hasina, aged 76, left Dhaka on a military aircraft, landing at Hindon near Delhi.*
- **India's Role***: India's foreign ministry stated Hasina decided to resign after meeting security leaders and requested clearance to fly to India.*

Immediate Political Developments

- **Dissolution of Parliament***: President Mohammed Shahabuddin dissolved parliament, setting the stage for an interim government.*
- **Release of Begum Khaleda Zia***: The president freed Begum Khaleda Zia, a former Prime Minister and Hasina's rival, from house arrest.*

Background of the Protests

- **Origins***: Protests began over job quota reforms, initially targeting the quota system for government jobs favoring veterans' relatives.*
- **Escalation***: Demonstrations expanded to demand Hasina's resignation, justice for protester deaths, and other reforms.*
- **Key Group***: The Students Against Discrimination group led the movement, calling for Hasina's resignation as part of a nationwide non-cooperation campaign.*

Reasons for the Protests

- **Violence Accusations***: Protesters blamed Hasina's government for violent suppression during protests in July.*
- **Government's Stance***: Hasina initially denied student involvement, attributing violence to Islamist party Jamaat-e-Islami and opposition BNP.*

Hasina's Response

- **Government Claims**: *Hasina labeled the violent individuals as terrorists rather than students and declined the students' offers for talks.*

Trigger for the Job-Quota Protests

- **Court Decisions**: *Protests erupted after the High Court reinstated a quota system for government jobs, reversing a previous decision by Hasina's government.*
- **Supreme Court Ruling**: *The Supreme Court suspended the High Court order, mandating that 93% of jobs be merit-based.*

Contributing Factors to Unrest

- **Economic Issues**: *Stagnant job growth, high youth unemployment (32 million out of work or education), and a struggling economy with high inflation and shrinking dollar reserves.*
- **Private vs. Public Sector Jobs**: *The attractiveness of public sector jobs due to regular wage hikes and privileges.*

Election Context

- **January Election**: *Hasina won a fourth term in an election boycotted by BNP, which accused her party of manipulating the election.*
- **Pre-Election Violence**: *BNP reported party workers fleeing and mass arrests ahead of the election, with anti-government protests resulting in deaths.*

Security Challenges Before New Delhi

Concerns for India

- **Regional Instability**: *The fall of Sheikh Hasina's government in Bangladesh raises concerns for India, reminiscent of the Taliban's return to power in Afghanistan.*
- **Potential Rise in Extremism**: *There are fears of increased extremism in Bangladesh with Hasina and her Awami League party out of power.*
- **Links to Terrorist Groups**: *Some radical organizations in Bangladesh are reportedly linked to:*
    - *Lashkar-e-Taiba (LeT)*
    - *Pakistani terrorist outfits*
    - *Inter-Services Intelligence (ISI)*

Monitoring by India

- **Interim Government**: *India is closely monitoring the efforts of Bangladesh Army Chief Waker-uz-Zaman to set up an interim government.*
- **Past Violence**: *The interim government in Bangladesh has previously faced challenges, including a surge in violence related to quota protests and police crackdowns.*

Trade Between India and Bangladesh

Bilateral Trade Overview

- **Trade Volume**: *Total bilateral trade was $13 billion for FY 2023-24.*
- **Major Exports from India**:
  - *Cotton (34.9% of India's total cotton exports, ~$2.4 billion in FY24)*
  - *Petroleum products*
  - *Cereals*
- **Major Imports by India**:
  - *Readymade garments ($391 million in FY24)*

Free Trade Agreement (FTA)

- **Discussion**: *An FTA was discussed in 2013 to reduce or eliminate customs duties on goods traded between the two countries.*

Infrastructure and Connectivity

Development Projects

- **Lines of Credit**: *India extended $8 billion in lines of credit to Bangladesh since 2016 for infrastructure development.*
- **Recent Projects**:
  - *Akhaura-Agartala cross-border rail link*
  - *Khulna-Mongla Port rail line*
- **Impact**: *The Akhaura-Agartala link reduced travel time between Agartala and Kolkata from 31 hours to 10 hours, boosting tourism and trade.*

Strategic Importance

- **Access to Northeast India**: *Disruption in Indo-Bangladesh ties could affect India's access to its northeastern states through the 'Chicken's Neck' corridor.*

Impact on FMCG Companies

Marico's Presence

- **Bangladeshi Operations**: *Marico's Bangladeshi subsidiary contributed 44% to its overseas revenue, with two factories in Dhaka.*

Potential Challenges

- **Production Flow**: *Indian companies with manufacturing operations in Bangladesh may face disruptions, affecting production flow and market availability.*
- **Shift to Alternative Hubs**: *There is a noticeable shift towards alternative manufacturing hubs to reduce dependency on Bangladesh.*
- **Beneficiary of Shift**: *Indian textile hub Tirupur may benefit as companies seek to diversify production bases.*

What is Yen carry trade and why did it help trigger a global stock market fall?

Syllabus: GS-3; Economy

Context

- *Recently On August 5 2024, major stock markets across the world experienced their sharpest decline in decades.*

What is carry trade?

- *Global investors are always looking for opportunities to make money.*
- *One way to do this is to* **borrow money in a country where the interest rates are low and invest that money (after converting the currency) in a country where the interest rates are much higher**, *this is called a carry trade.*
- *Such opportunities can exist because central banks of different countries try to keep interest rates at a level that suits their specific economic conditions.*

What is Yen carry trade?

- *A case in point is that of Japan where the central bank (the Bank of Japan) had kept interest rates at zero percent between 2011 and 2016 and, in fact, pushed them even below zero (-0.10%) since 2016.*
- *The idea behind low interest rates is to stimulate economic activity.*
- *But such a "***cheap money" monetary policy** *has global ramifications, especially since Japan is the third-largest economy and its currency, the yen, is trusted.*
- *For instance, such low interest rates incentivise investors to borrow cheaply in yen and invest in other countries (such as Brazil, Mexico, India and even the US) in a bid to earn better returns. Such carry trades are called yen carry trades.*
- *Since the BoJ continued to keep interest rates so low for as long as it did — it did not budge even when central banks across the world rapidly raised interest rates in the wake of the* **Russia-Ukraine war** *— it incentivised billions of dollars of "yen" carry trades, and these borrowings fuelled investments in several countries across the world.*

So what changed?

- *Between mid-March and July-end this year, the BoJ raised interest rates by 35 basis points — that is, the interest rate now is 0.25% instead of -0.1% earlier.*
- *On the face of it, and especially from an Indian perspective where lending rates are upwards of 6.5%, this may not look like a massive increase but in Japan's context it was nothing short of a monetary earthquake. What's worse, it is expected that the BoJ may raise interest rates further.*
- *This sharp reversal — a 25 basis point increase announced on July 31st 2024 — led to what is termed as the "unwinding" of the yen carry trade.*
- *In other words, it led to investors who had borrowed in yen and invested in Brazilian real or Mexican peso or Indian rupee, selling their assets in international markets.*

Why is Yen trade unwinding?

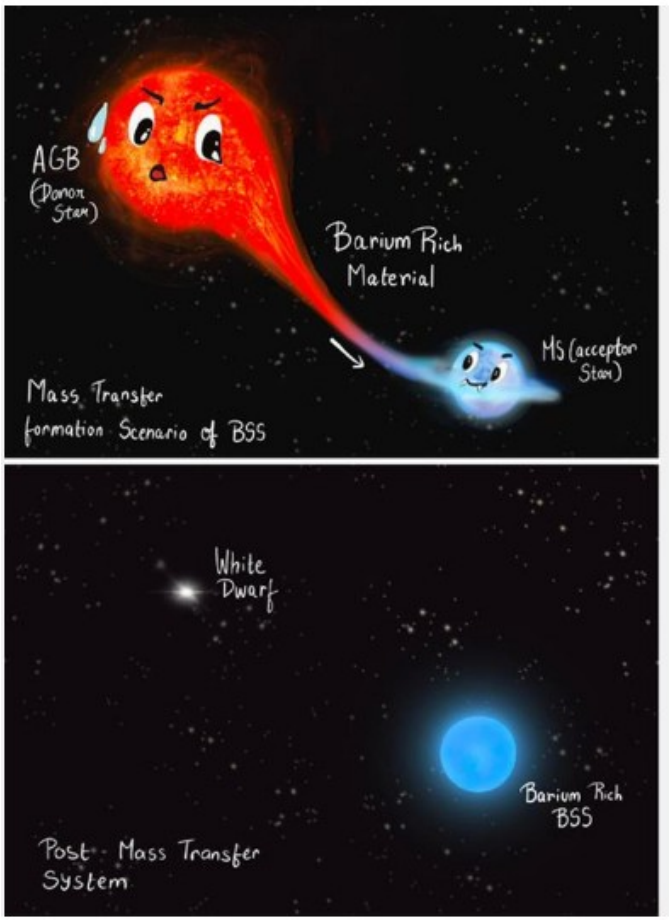
- *Higher interest rates in Japan led to the yen gaining strength against the dollar and most other emerging economy currencies.*
- *Over the past week, yen's exchange rate that is, how many dollars or rupees does one get for one yen strengthened against currencies like dollar, real, rupee, peso etc.*
- *In other words, assets held in these currencies were worth relatively less if converted back in yen.*
- *Not to mention the higher opportunity cost of yen carry trade because investing in yen now pays higher returns.*
- *This narrowing of returns (or yields) differential and the possible likelihood of further move in this direction triggered the slide and led to investors selling off those assets which were bought using cheap yen.*

Vampire star

Syllabus: GS-3; Science and Tech

Context

- *A team of astronomers from the* **Indian Institute of Astrophysics (IIA)** *have made the discovery that a vampire star has been rejuvenating its youth by sucking up material from a companion in the star cluster M67 located in the constellation Cancer.*
- *Vampire stars, known as* **blue straggler stars (BSS),** *defy simple models of stellar evolution and show many characteristics of younger stars.*



About

- *A "Vampire Star" refers to a binary star system where one star is significantly smaller and weaker compared to its companion star.*

- *The larger, more massive star, called the* **"donor star,"** *loses material to the smaller "***vampire" star***.*
- *This process causes the vampire star to grow in size and brightness while the donor star gradually diminishes.*

Characteristics

- **Binary System:** *Vampire stars exist in binary star systems where two stars orbit a common center of mass.*
- **Mass Transfer:** *The key feature of a vampire star system is the transfer of mass from the donor star to the vampire star.*
  This mass transfer occurs because the gravitational pull of the vampire star attracts material from the outer layers of the donor star.
- **Accretion Disk:** *The material transferred from the donor star often forms an accretion disk around the vampire star.*
  This disk is heated due to friction, emitting significant radiation and causing the vampire star to shine brightly.
- **White Dwarfs***: In many cases, the vampire star is a white dwarf—a small, dense star that has exhausted its nuclear fuel.*
  As it accretes material, its mass increases, which can lead to various astrophysical phenomena, such as a nova or even a type Ia supernova if the mass exceeds the Chandrasekhar limit.

Astrophysical Significance

- **Stellar Evolution:** *Vampire stars provide insight into the late stages of stellar evolution, particularly in binary systems.*
- **Type Ia Supernova:** *A vampire star system, where the accreting star is a white dwarf, can result in a Type Ia supernova—a critical standard candle used to measure cosmic distances and study the expansion of the universe.*
- **X-ray Sources:** *Some vampire star systems emit X-rays, making them significant for high-energy astrophysics research.*

Examples

- **Algol (Beta Persei):** *One of the most famous examples of a vampire star system is Algol, also known as the Demon Star.*
- *It consists of a main-sequence star and a less massive subgiant, where the former is accreting material from the latter.*

Axiom-4 missions

Syllabus: GS-3: Science and Technology – Space Missions.

Context:

- **Axiom-4 is the fourth private astronaut mission** *to the International Space Station (ISS).*

Indian Participation:

- *India has selected* **two Indian Air Force Group Captains** *for this mission.*
- *The selected crew members will* **begin their training in the U.S.** *from the first week of August 2024.*

Objectives:

- *The mission will* **involve scientific research, technology demonstrations**, *and space outreach activities.*

Strategic Significance:

- *Enhances India's human space program* - **Gaganyaan.**
- *Strengthens collaboration between* **ISRO and NASA.**

Background:

- *This mission is part of a joint effort envisioned during the Prime Minister's state visit to the U.S. in June 2023.*

South Africa's New Law on Climate Change

Syllabus: GS-3: Climate Change laws and policies.

Context:

- **South Africa's President, Cyril Ramaphosa,** *signed into law a piece of legislation that will impose mandatory curbs on the emissions from large, fossil-fuel heavy industries and, require climate-adaptation plans from towns and villages.*

Significance of the Law

- **Objective**: *Enforce mandatory curbs on emissions from major fossil-fuel industries and require climate-adaptation plans for towns and villages.*
- **Goal**: *Align South Africa with its emissions reduction commitments under the Paris Agreement.*

Current Emissions Profile

- **Status**: *South Africa is one of the top 15 greenhouse gas (GHG) emitters globally.*
- **Emissions Data**:
  - *2017: 512 million tonnes of CO2 equivalent (Mt CO2e), a 14% increase from 2000.*
  - *2022: 405 Mt CO2e, a 3% decrease from 2021 (Note: Comparison with pre-COVID figures may be affected by global emission trends).*
- **Sectoral Breakdown**:
  - *Energy sector: ~80% of gross emissions.*
    - *Energy industries: ~60%*
    - *Transport: ~12%*
- **Economic Context**: *High dependency on coal, agriculture, and tourism, facing pressure to transition away from fossil fuels.*

Steps Taken by South Africa

- **Nationally Determined Contributions (NDCs)**:
  - *2016: First NDC submission.*
  - *2021: Updated NDC commits to:*
    - *31% reduction in GHG emissions.*
    - *GHG emission targets: 398-510 MtCO2e by 2025; 350-420 MtCO2e by 2030.*

- **Just Transition Approach***:*
  - *Focus on sustainable movement of jobs from fossil-fuel dependent industries.*
  - *Key sectors: Agriculture, forestry, energy, industrial processes, waste.*
- **Funding Needs***:*
  - *Estimated $8 billion per year required by 2030.*
- **Net Zero Goal***:*
  - *Set for 2050 as per the Low-Emission Development Strategy (2020).*
- **Presidential Climate Commission***:*
  - *Just Transition Framework (2022) to guide climate and development policy.*

India's Climate Change Legislative Context

Aspect	**Details**
Comprehensive Legislation	*No omnibus climate change legislation.*
Existing Acts	*- Environmental Protection Act* *- Forest Conservation Act* *- Energy Conservation Act* *- Water (Prevention and Control of Pollution) Act*
Proposed Legislation	*- Council on Climate Change Bill (2022): Proposed by Priyanka Chaturvedi.* *- Aims to establish a Council chaired by the Prime Minister for climate change advisory.*
Recent Developments	*- Supreme Court Ruling (April 2024): Recognized citizens' "right against the adverse effects of climate change."* *- Emphasized linking climate change impacts to constitutional rights of life, liberty, and equality.*
International Commitments	*- Emission Intensity Reduction: Reduced by 33% from 2005-2019, 11 years ahead of target.* *- Updated NDC: Reduction in emission intensity to 45% by 2030.* *- Electricity from Non-Fossil Fuels: Commitment to 50% by 2030.*