



# PIB, THE HINDU Newspaper and Editorial Current Affairs

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## Sri Lanka links blasts to Christchurch attacks

### Why in news?

The serial bomb attacks on Easter Sunday, which claimed over 320 lives in Sri Lanka, were meant as retaliation for the **Christchurch mosque shootings in New Zealand** on March 15, State Minister of Defence Ruwan Wijewardene told Parliament on Tuesday, based on initial evidence.

### Various Claims:

- Also, over 48 hours after the coordinated blasts, the **Islamic State (IS)** **claimed** responsibility for the attacks, media reports said, citing the group's AMAQ news agency.
- Sri Lanka had said a local Islamist radical organisation, the **National Thowheed Jamath (NTJ)**, was responsible for the attacks but suspected it had links with international groups.
- Even as the country tried to come to terms with the brutal killings, with mass funerals and special prayers, Prime Minister Ranil Wickremesinghe indicated that the threat of further attacks remained.

### Still on High Alert:

- The police and military remained on high alert after reports of an unidentified container truck and a van in Colombo, believed to be carrying explosives.
- A few more suspects linked to the attacks, some of whom are believed to possess explosives, were still on the run, Mr. Wickremesinghe told.

- Further, an India-based hotel had also been a target on Sunday. But the suspected bomber who, according to sources familiar with the investigations, was spotted in the vicinity, reportedly left the area, where security had been tightened.
- Later, investigators established that the same person had blown himself up at a small hotel in a Colombo suburb. The explosion was identified as the seventh that day, where two persons were reported dead.

### **Indian Assistance:**

- Mr. Wickremesinghe confirmed that **India had offered “specific intelligence”** on the imminent threat and said many countries including the United States and United Kingdom have offered to assist Sri Lanka in the investigations. “Some of their teams are coming in,” he added.
  - Asked if investigators had traced “**Mohammed Zaharan**”, reportedly the leader of the NTJ and said to be absconding, Mr. Wickremesinghe said investigators suspected he was among those killed in the blasts, executed by a team of suicide bombers, but his death was yet to be verified.
  - At least 45 children were killed in the blasts, UNICEF said. Among those killed were 34 foreign nationals.
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### **India may send NIA team to assist in probe**

#### **Why in news?**

The government may send a team of the National Investigation Agency to Sri Lanka in the aftermath of bomb blasts that claimed more than 300 lives.

#### **All possible cooperation:**

- An NIA official said a decision on the issue was yet to be taken. Some government officials are also likely to visit Sri Lanka to meet their

counterparts.

- Given that earlier this month India had shared intelligence inputs on possible terror strikes at different locations, including the Indian High Commission building there, a government source said the agencies would be extending all possible cooperation to the Sri Lankan authorities on unearthing the conspiracy. Security arrangements at the High Commission are also being reviewed.
  - We keep working in close coordination with the investigating agencies in other countries on various issues, particularly terror-related cases.
  - In November 2014, after the Burdwan blast, a four-member team of the NIA had visited Bangladesh to share information on the suspects.
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## **Judges' panel to hear charges against CJI**

### **Why in news?**

A three-member committee of Supreme Court judges led by Justice S.A. Bobde, the number two judge in the apex court, was formed to look into allegations of sexual harassment raised by a former employee against Chief Justice of India Ranjan Gogoi.

### **Judicial Enquiry:**

- The other two members of the committee are Justice N.V. Ramana and Justice Indira Banerjee. Justice Ramana is the number three judge in the apex court.
- Justice Bobde has taken a central role in dealing with the crisis, which erupted on April 20 when some websites published the woman's allegations against the CJI.
- Earlier in the day, he constituted a Special Bench of Justices Arun Mishra, Rohinton Nariman and Deepak Gupta to deal with, on the judicial side, the suo motu petition titled 'In a matter of great public importance touching upon the independence of the judiciary.'
- The morning saw senior judges hold an intense closed-door discussion till noon before beginning their usual court work. The discussion was

centred on how to tackle the "wildfire" of accusations directed at the court, a highly placed source in the Supreme Court said.

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## **India may stop oil imports from Iran**

### **Why in news?**

India has said the country is "sufficiently prepared" to deal with the impact of the US decision to curtail the temporary exemption from sanctions on the purchase of Iranian oil, and that "a robust plan" has been put in place for adequate supply of crude to refineries. This came a day after Indian benchmark indices slid by around 1.3%, as investors rushed to sell shares on concerns that rising oil prices could stoke inflation and dent the already weak consumption story.

### **Iran and India's oil basket:**

- India, the **world's third-biggest oil consumer**, meets more than **80% of its crude oil** requirements and **around 40% of its natural gas** needs through imports.
- Domestic oil and natural gas production has been declining for the last few years, even as the energy needs of the economy have grown.
- India is Iran's top oil buyer after China. In 2018-19, it imported 23.5 million tonnes from Iran; in the previous year, almost 10% of its total 220.4 million tonnes of crude imports was from Iran.
- In 2018-19 (first 11 months), of India's total \$128.7 billion import of Petroleum, Oil & Lubricants (POL), Iran accounted for 9%, according to Centre for Monitoring Indian Economy (CMIE) data compiled by rating agency CARE.
- **Iran was the fourth largest supplier of oil to India in 2018-19**, and other suppliers may not provide the same benefits in the form of price and credit facilities.
- The US move comes at a time when the price of the Indian crude basket an average of the Dubai, Oman and Brent crude benchmarks has been rising, and the country is in the middle of Lok Sabha elections.

## **Degree of defiance:**

- Analysts expect that India and China could show a degree of defiance while cutting back on their exposure to Iranian crude.
- The Eurasia Group said in a research note that “New Delhi will cut imports substantially, but probably maintain approximately 100,000 bpd (barrels per day) of Iranian imports paid for using **a rupee payment system**.”
- This is less an energy security decision than a political one. In the past several months India has worked hard to significantly diversify its energy sources in preparation for this situation. But India’s ties with Iran are significant and historic, and New Delhi will work hard to maintain some links.

## **Diversification efforts:**

- Indian refiners have almost halved their Iranian oil purchases since November, when the sanctions came into effect.
- At the time, the **US had granted waivers, known as Significant Reduction Exceptions (SRE)**, for six months until May 2 to eight countries India, China, Japan, South Korea, Taiwan, Turkey, Italy and Greece.
- According to market players, Indian refiners are increasing their planned purchases from the Organisation of the Petroleum Exporting Countries (OPEC), Mexico, and even the US to make up for the loss of Iranian oil.
- As part of the diversification, India imported crude from the US for the first time two years ago.
- Since October 2017, four PSUs have placed orders for 11.85 million barrels, worth approximately \$730 million at current market prices. The first US crude consignment reached Paradip on October 2, 2017.
- Indian companies have also contracted 8 million metric tonnes per annum (MMTPA) of liquified natural gas (LNG) and ethane condensate from the US. The first long term LNG cargo from the US was received on March 30, 2018.
- Also, Indian oil companies had until February 2018 acquired stakes in 27 countries including Australia, Brazil, Canada, Colombia, Indonesia, Iraq, Kazakhstan, Libya, Mozambique, Nigeria, Russia, and the UAE.
- Recently, an Indian consortium comprising OVL, IOC and Bharat Petroresources Ltd (a BPCL company), picked up 10% in the Lower

**Zakhum offshore oil field in UAE, and IOCL acquired 17% in Oman's Makhaizna oilfield.**

### **Terms of supply:**

- The big concern is that the substitute crude suppliers Saudi Arabia, Kuwait, Iraq, Nigeria and the US do not offer the attractive options that Iran does, including 60-day credit, and free insurance and shipping.
- The challenge is to secure an alternative supplier at competitive terms in an already tightening global situation.
- The projected drop in Iranian exports could further squeeze supply in a tight market given the US has also sanctioned Venezuela, and the OPEC and allied producers including Russia have voluntarily cut output, which has pushed up oil prices more than 35% this year, according to Reuters data.
- The price of Brent crude, the global oil benchmark, rose as much as 3.3% to \$74.31 a barrel, the highest intraday level in almost six months, immediately after the US announced its decision to end the Iran oil waiver.
- When Trump first pulled out of the Iran nuclear deal, oil had shot up to over \$85 a barrel, and it fell to near \$50 after the US unexpectedly granted the waivers.

### **Potential impact:**

Analysts point to key metrics that could be impacted by the current situation:

- **Current account deficit:** Higher crude oil prices will widen the trade deficit and current account deficit, given that the value of imports goes up with crude oil, and that the quantity imported tends to be sticky in general. According to CARE, a permanent **increase in crude oil prices by 10% under ceteris paribus conditions could translate into the current account deficit increasing by 0.4-0.5% of GDP**. Given that each dollar increase in the price of oil raises India's annual import bill by over Rs 10,500 crore, any spike in global crude prices could have a bigger impact on India's deficit numbers in the absence of the Iranian cushion.
- **Rupee:** The currency could be impacted if the trade and current



account deficits were to widen. An increase in the import bill will tend to put pressure on the rupee. The coefficient of correlation between the absolute value of exchange rate and Brent between April 1, 2019 and April 22, 2019 was high at 0.62, the data show.

- **Inflation:** There could be significant impact on inflation, given how crude oil prices move and the extent to which the government allows the pass-through to the consumer. Analysts do not expect a full pass-through until the elections are over. The crude oil price could be an important consideration when the Monetary Policy Committee meets for its bi-monthly meeting in June.
- **Fiscal impact:** There could be a two-pronged impact on government finances, both on the revenue side and on the expenditure side. On the revenue side, higher oil prices mean more revenue for the states as **tax is ad valorem**; for the Centre, though, it may not materially impact the fiscal math as the duty rates are fixed. In FY18, the government earned Rs 5.53 lakh crore, of which Rs 2.85 lakh crore was direct revenue as tax from oil products. In the case of states, it was Rs 2.08 lakh crore. Other incomes streams included tax payment by OMCs, dividend and profits.
- **The expenditure impact** would primarily be on account of fuel subsidy outlays. According to CARE data, subsidy provided on LPG was Rs 32,989 crore and kerosene was Rs 4,489 crore for FY20. Depending on how the prices move in the coming months, there could be pressure on those heads as well.

### **Strait of Hormuz: world's most critical oil choke point:**

- After the US said it would prevent five of Iran's biggest customers including India from buying its oil, Tehran threatened to close the Strait of Hormuz, a neck of water between its southern coast and the northern tip of the sultanate of Oman, and the lane through which a third of the world's seaborne oil passes every day.
- It is a threat that Iran has made earlier, too and this strategic area has seen several flashpoints erupt in Tehran's fraught relationship with the West over the years.

### **State of play:**

- Iran cannot legally close the waterway unilaterally because part of it is in Oman's territorial waters

- However, ships pass through Iranian waters, which Iran's Islamic Revolutionary Guards Navy controls
- Annual war games by Iran involve missile tests. The Guards have warned that the security of the US and US interests are in Iranian hands
- The US fifth fleet in Bahrain protects commercial shipping in the area. The US has said closing the Hormuz Strait would amount to crossing a "red line"
- Massive stakes give Iran leverage, but closing the Hormuz Strait will amount to an escalation with an unknown fallout this is one reason Iran has, in 40 years of hostility with the West, never yet acted on its threats to close the Strait.

### **Impact of crude oil price rise on the Indian rupee:**

- Brent crude rose to an intra-day high of \$74.31 per barrel on April 22, and was trading at \$73.7 per barrel, up \$1.7 or 2.4%, from its previous closing.
- The Indian rupee fell 31 paise against the dollar, and was trading at \$69.67.
- A rise in the price of crude oil hurts the economy because crude accounts for a significant portion of India's overall imports.
- If crude rises further, it will not only impact the stability of the rupee and the rise in stock markets, but may also produce an inflationary effect.

### **What is leading to the rise in the price of Brent crude?**

- The spike in prices on Monday followed reports that the United States will stop granting sanction waivers to any country importing Iranian crude or condensate beginning May 2, 2019.
- While the spike in prices was on account of this report, crude oil prices have been rising steadily since March on concerns over supply from OPEC, and the US sanctions on Venezuela.
- Over the last two months, Brent crude prices have risen 14.7% from a level of \$64.76 per barrel on February 25 to \$74.31 on Monday.
- Monday's prices were the highest in nearly six months. Brent crude closed at \$75.47 per barrel on October 31, 2018.

### **What is the impact on the rupee? Could it weaken further?**



- Inflow of funds from foreign portfolio investors led to a strong recovery in the rupee between January and March 2019.
- However, the rupee has been rising against the dollar since the reversal in the trend of crude prices.
- If Brent continues to rise, the rupee is likely to face additional pressure.
- While expectations of weakening global growth may temper its rise, the news of the end of waivers for the Iran sanctions has spooked the market.
- Crude has traditionally been a big determinant of the way the rupee moves.
- In **October 2018, the rupee fell to an all-time low of 74.34** against the dollar in line with rising oil prices.
- **Brent crude had hit a level of \$86 per barrel in October**, putting pressure on the rupee and on India's current account deficit.
- However, as crude prices declined over the following months to levels **of around \$52 per barrel by the end of December 2018**, it offered relief to both the rupee and the economy.
- A weak rupee hurts the country on account of the higher import bill and current account deficit, and also tends to be inflationary.
- The Reserve Bank of India will be watching the movement of crude and domestic inflation before going for another rate cut this year.

### **Does the US decision on Iran hurt India's imports?**

- In the 10-month period between April 2018 and January 2019, India imported \$97 billion worth of petroleum oil and oil obtained from bituminous minerals crude.
- Almost 11.2 per cent of petroleum oil, worth \$10.9 billion, were imported from Iran.
- The US decision to end waivers for countries importing crude from Iran beginning May 2 may hurt India's interests, as it will have to look for alternative sources of oil.
- The US sanctions on Venezuela are already restrictive for India. From April 2018 to January 2019, India imported almost 6.4% of its requirement from Venezuela.
- If both countries are now pushed out of India's equation, almost 17.6% of its total imports will be impacted.
- Also, if the total supplies from these two big oil exporters is kept out

of the market, it will lead to a supply crunch, and likely increase in overall crude oil prices.

### **What are the other sources of crude oil for India?**

- While Iraq is the biggest exporter, Saudi Arabia is a close second, and both of them account for 38% of India's total petroleum imports.
  - UAE and Nigeria together account for 16.7%. However, the biggest change has been the entry of the US as a major player.
  - While it did not figure in the list of top 10 petroleum exporters for India in 2017-18, in the 10 months of FY'19, the US stood at number 9 with an over 3% share of India's petroleum imports.
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### **U.S. firm with India on Iran oil import curbs**

#### **Why in news?**

Negotiations between Indian and U.S. negotiators continued until mid-April, but the Trump administration made it clear that it would make no concessions on its demand that **India "zero out" oil imports from Iran**, to which India acceded, sources privy to the talks confirmed.

#### **India's Concerns:**

- On Tuesday, U.S. Principal Deputy Assistant Secretary for South and Central Asia Alice Wells flew down to discuss regional issues with Indian officials, including the impact of the U.S. decision, as well as prepare for the visit by U.S. Special envoy on Afghanistan ZalmayKhalilzad.
- In addition, the U.S. has also stipulated that India's "**escrow account" used for Rupee-Rial trade** cannot be operated after its May 2 deadline.
- However, there is no change in the exemption given for India's investments in Chabahar port as a trade route to Afghanistan.
- The 'secondary sanctions' that will go into place next week will see the U.S. placing strict financial curbs on any entities or companies

violating the oil sanctions, including a ban on the use of the SWIFT banking international transaction system by the companies, seizure of any U.S. assets of those companies, and curtailing any other dollar transactions.

- Indian officials said that eventually, the cost of importing Iranian oil would be much higher than other sources of oil that it would be unviable.
  - The U.S. also drew a direct link between the **cooperation it is providing India in investigating the Pulwama terror attacks, shutting down terror havens in Pakistan, and designating Masood Azhar as a terrorist, and the cooperation it expects in dealing with Iran.**
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## **Price controls hurting FDI in medical devices**

### **Why in news?**

Blanket implementation of price controls has contributed to a drastic fall in Foreign Direct Investment (FDI) in the medical device sector, say industry insiders, pointing to a reduction from \$439 million in 2016 to \$66 million in 2018.

### **Decline in FDI:**

- Data released by the Government Department for Promotion of Industry and Internal Trade clearly show this decline which has happened even though FDI is allowed through automatic route.
- The Association represents leading global medical technology companies with a substantial footprint in India.

### **Not specific to industry:**

- Countering the argument, Pritam Datta, Fellow, National Institute of Public Finance and Policy (NIPFP), and author of “Medical Devices Manufacturing Industry-estimation of market size and import dependence in India”, said, “We are talking about a country which

imports 70 % of its medical devices and it is only now that we have started manufacturing high-end medical devices.

- While there has been a fall in this sector, it cannot be attributed only to the price control in India. We have always seen that around the election year there is a fall in FDI in all sectors. This is also a growing sector.
  - Meanwhile, in **2015 the Centre approved 100% FDI in the medical devices sector via automatic route.**
  - Previously medical devices, which came under the pharma sector, could take in 100% FDI through automatic route only in case of new ventures.
  - Further approval of Foreign Investment Promotion Board (FIPB) was needed in case of acquisition of existing companies.
  - The break-through came after the industry urged approval for FDI through automatic route, pointing out that there were no big firms for medical devices in India, and hence no threat of merger or acquisition.
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## **RBI swap auction gets bids more than thrice the notified amount**

### **Why in news?**

The second **dollar-rupee buy/sell auction** also saw healthy demand with the Reserve Bank of India getting 255 bids worth \$18.65 billion compared with the notified amount of \$5 billion.

### **Liquidity infusion:**

- Dealers said high cut-off premium indicated banks mostly stayed away but companies and NBFCs saw it as a good opportunity to lower hedging costs compared with the secondary market.
- The cut-off premium was 838 paisa compared with 776 paisa the last time.
- In a statement after the auction, RBI said liquidity injected in the first leg was Rs. 34,874 crores.

- The move would help shore up the country's foreign exchange reserves which are now close to \$415 billion.
- Companies that raise funds via the external commercial borrowing route find this route cost effective due to lower hedging cost as compared to the secondary market," said a dealer.

### **New toolkit:**

- RBI had added this new toolkit for **liquidity management to ease liquidity to reduce its dependence on open market operations**. On March 26, RBI had bought \$5 billion through a similar swap auction.
- Large tendering in today's auction also helped the rupee strengthen in the last trading hour of the day as it cut losses and ended the day at 69.62 a dollar, 5 paise higher than its previous close.
- After market hours, in a surprise move, the RBI announced bond purchases to ease liquidity further. It said it would buy Rs. 25,000 crore bonds in two rounds in May.
- Based on a review of evolving liquidity conditions and assessment of the durable liquidity needs going forward, RBI has decided to conduct purchase of Government securities under open market operations for an aggregate amount of Rs. 250 billion in May 2019 through two auctions of Rs. 125 billion each," the RBI said in a statement.
- The first auction of Rs. 12,500 crores would be conducted on May 2. According to dealers, liquidity deficit in the market is more than Rs. 1 lakh crore.
- While the market was not expecting an OMO announcement soon after the swap auction, the move is likely to lift spirits in the bond market.

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## **Olive Ridley hatchlings make their way into sea**

### **Why in news?**

Bringing down curtains to a sunny day, cool breezes hover over the pristine beach near Uppada Kothapalli from where Olive Ridley hatchlings began their new journey into the Bay of Bengal.



### **In situ conservation:**

- One of the six in situ conservation centres for the **endangered species** arranged by the district forest officials abutting the shore turned into a hub of activity with a battery of officials and nature lovers turning up for the evening.
- Black in colour and a few inches of size, the lightweight hatchlings made their way into the gushing waters from the very moment of their release into the beach.
- Personnel from the Forest Department brought hundreds of little ones in special treys and handed them over to the officials for the ceremonial release.
- Having **their origin at the Pacific and Indian oceans**, the **Olive Ridley turtles come to the shores of the Bay of Bengal only to lay their eggs between December and April every year.**
- Though **Gahirmatha in Odisha** is the preferred location for their nestling, many turtles stop by in the intermediate beaches, lay their eggs and return to their source location.
- Each female dug a sandpit, lays 90 to 120 eggs and promptly closes the pit before leaving the shore.
- They never bothered about protecting the eggs from the predators such as dogs and jackals.
- Here comes the role of the Forest Department, which has been taking care of the conservation part.

### **Conservation locations:**

- We have arranged six in situ conservation locations in the district, from where about 1.75 lakh hatchlings are expected to be released into the Bay of Bengal,” said Kartikeya Misra, District Collector.
- Along with DFO Anant Shankar and Commissioner of Rajamahendravaram Municipal Corporation Sumit Kumar Gandhi, he released the hatchlings into the sea.
- The Olive Ridley turtles come here by Christmas every year. Owing to the **cyclone Phethai**, there has been a three-week delay this year and the nestling began only after the Pongal,” said Mr. Anant Shankar, while observing that the releases would be continued in the month of May too.
- We have deployed well- trained personnel to all the six locations and

arranged **24X7 security, so as to protect the nestlings.**

- Last year we have released about 1.5 lakh hatchlings and there is a possible increase in the number this year,” he said.
  - Nature lovers joined hands with the forest personnel in releasing the hatchlings into the beach and captured images and videos of the tiny ones leaving for their oceans.
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