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1. Cybercrimes: 4.5 lakh 'mule' accounts frozen, many in public sector banks

Context: The Centre has frozen around 4.5 lakh "mule" bank accounts, typically used for laundering proceeds of cybercrimes, in the past year, The Indian Express has learnt. While such accounts operate across the banking system, the most were found with the State Bank of India, Punjab National Bank, Canara Bank, Kotak Mahindra Bank and Airtel Payments Bank. Fraudsters are nowadays withdrawing payments from such "mule accounts" — which are usually created using KYC documents of another person — through cheques, ATMs, and digitally. The I4C cited records from the Citizen Financial Cyber Frauds Reporting and Management System, where such complaints are logged.

Key points

- **Overview:** As per the data, around 40,000 mule bank accounts were detected in branches of SBI; 10,000 in Punjab National Bank (including Oriental Bank of Commerce and United Bank of India); 7,000 in Canara Bank (including Syndicate Bank); 6,000 in Kotak Mahindra Bank; and 5,000 in Airtel Payments Bank.
- **Money mule:** A money mule is someone who transfers or moves illegally acquired money on behalf of someone else. Criminals recruit money mules to help launder proceeds derived from online scams and frauds or crimes like human trafficking and drug trafficking.
- **Mule accounts:** A mule account is a bank account used by cybercriminals to launder money. The Indian Cyber Crime Coordination Centre (I4C) has issued alerts against illegal payment gateways created using mule accounts. The Ministry of Home Affairs (MHA) has also warned about the use of mule accounts for money laundering.
Use – Cybercriminals use mule accounts to launder the proceeds of cybercrimes. The money is immediately transferred to another account after the crime.
Opening procedure – The person who opens the account is called the “Deceiver” and has the highest level of criminal intent. They may use false paperwork or a stolen or synthetic identity to open the account.
- **RBI’s actions to combat mule accounts:** The RBI has tightened Customer Due Diligence (CDD) norms, requiring banks to adopt a risk-based approach for periodic account updates. Banks must closely monitor transactions, report suspicious activities, and ensure strict adherence to KYC norms to curb the misuse of accounts.
- **Way forward:** Be sceptical of unexpected job offers, especially those promising high earnings. Be cautious of unusual payment methods. Carefully assess any requests for personal information. Avoid quick decisions when asked to confirm identity.

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2. The LAC agreement, the détentes and the questions

Context: Two weeks after the surprise announcement of an India-China détente, and a summit on the sidelines of the 16th BRICS Summit at Kazan on October 23, 2024 between Prime Minister Narendra Modi and Chinese President Xi Jinping sealed the deal, the exchange of sweets between soldiers of the Indian Army and the People’s Liberation Army (PLA) at the Line of Actual Control (LAC) indicated that the two sides are willing to put the bitterness of the past four years behind them. If indeed that is possible, then the two have much to discuss in terms of restoring peace at the border, reversing economic restrictions on each other, allowing investment, visas and direct flights, and boosting trade and other interactions between each other.

Key points

- **Overview:** The agreement was followed by a bilateral meeting between Indian Prime Minister Narendra Modi and Chinese President Xi Jinping during the BRICS leaders' summit in Kazan, Russia.
- **Patrolling Pact:** *Significance-* The patrolling agreement is a crucial aspect of the border management deal between India and China. It is central to maintaining stability and order along the disputed areas of the Line of Actual Control (LAC).
Patrolling Dynamics on the India-China Border- Patrolling is vital in the India-China border management system due to the absence of a clear physical demarcation on the ground. Indian troops regularly patrol up to the Indian-perceived border and then return to their base. During

these patrols, soldiers leave behind indicators of their presence, such as Indian-made items like cigarette packets or matchboxes.

Article 4 of the 2005 Border Pact - The 2005 border agreement, particularly Article 4, provides guidelines for handling face-offs between Indian and Chinese troops.

- **Contrasting Views on the Impact of the Border Dispute:** India has reiterated that the border standoff must be resolved before normalizing bilateral ties, indicating no "business as usual" until then. In contrast, China maintains that the border issue should not affect broader relations, suggesting it prefers a compartmentalized approach.
- **Planned Steps for Resolving the Border Dispute:** Indian side mentioned that Special Representatives would soon meet to seek a fair, reasonable, and mutually acceptable solution to the boundary question. Meanwhile, China's statement suggested future talks at multiple diplomatic levels to restore relations to sound and steady development.
- **Conclusion:** There is cautious optimism in India about the path forward, acknowledging that the border agreement has initiated a trust-building process. The three-step process—disengagement, de-escalation, and de-induction—is expected to take at least a couple of years to complete if both sides adhere to the agreement. It remains unclear whether these steps will occur in parallel or sequentially.

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3. Rupee may depreciate 8-10 pc during Trump 2.0, says SBI report

Context: The rupee may depreciate 8-10 per cent against the US dollar during the Trump 2.0 regime, said a SBI research report, even as the local currency hit its all-time low on Monday. Declining for the fourth straight session, the rupee dropped 2 paise to hit a new lifetime low of 84.39 (provisional) against the US dollar on Monday, weighed down by persistent foreign fund out-flows and a muted trend in domestic equities. The report emphasised that "the fear" that the rupee will depreciate sharply is unfounded. During the Trump 1.0, it said, the rupee depreciated by 11 per cent, less than it depreciated during the Joe Biden term.

Key points

- **Overview:** According to the report, India may see shifts in foreign direct investments (FDIs) during Trump 2.0. The Trump 1.0 administration saw significant regulatory changes aimed at attracting investments back to the US, and this was reflected in data also.
- **Impact of Depreciation on the Indian Economy:** *Positive-* Weaker rupee should theoretically give a boost to India's exports, but in an environment of uncertainty and weak global demand, a fall in the external value of rupee may not translate into higher exports.
Negative- It poses risk of imported inflation and may make it difficult for the central bank to maintain interest rates at a record low for longer. India meets more than two-thirds of its domestic oil requirements through imports. India is also one of the top importers of edible oils. A weaker currency will further escalate imported edible oil prices and lead to a higher food inflation.
- **Strength or Weakness of the Rupee:** India trades not only with the US. It exports goods and services to other countries as well, while also importing from them. Hence, the strength or weakness of the rupee is a function of its exchange rate with not just the US dollar, but also with other global currencies. It is calculated by what is called the rupee's effective exchange rate (EER).

- **Effective exchange rate (EER):** The EER is measured by an index like the consumer price index (CPI). The EER is an index of the weighted average of the rupee's exchange rates vis-à-vis the currencies of India's major trading partners. The currency weights are derived from the share of the individual countries to India's total foreign trade, just as the weights for each commodity in the CPI are based on their relative importance in the overall consumption basket.
Nominal EER (NEER) - The Reserve Bank of India (RBI) has constructed NEER indices of the rupee against a basket of six and of 40 currencies. The rupee's 40-currency basket NEER has fallen by around 32.2% (from 133.8 to 90.8) between 2004-05 and 2023-24.
Real EER (REER) - The REER is basically the NEER that is adjusted for the inflation differentials between the home country and its trading partners. The rupee has strengthened in real terms over time, while ruling at 100 or above in 9 out of the last 10 years.
- **Conclusion:** FDI is now coming in many new sectors like non-conventional energy, sea transport, medical and surgical appliances, etc. This trend could continue, thus offsetting the possibility of a decline in FDI flows in traditional sectors in Trump 2.0. If the Trump administration opts to limit work visas, particularly the H-1B visa programme, Indian IT and ITeS sectors may see increased costs. H-1B visa restrictions can lead to decreased labour mobility, affecting the hiring capabilities of Indian IT companies operating in the US.

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4. Giving shape to India's carbon credit mechanism

Context: The Conference of Parties-29, from November 11 to 22, 2024, in Baku, Azerbaijan, is about to shift focus to the heated discussion on the aspect of climate finance again. An essential component of this discussion will be the carbon credits framework and disagreements over it between developed and developing countries. India updated its Nationally Determined Contributions (NDCs) in 2023 to underline, among other things, the establishment of a domestic carbon market as a part of its climate strategy. The Energy Conservation (Amendment) Act of 2022 provided a statutory mandate for such a Carbon Credit Trading Scheme (CCTS).

Key points

- **Overview:** India's carbon credit mechanism needs to be aligned with international and domestic realities if it is to be effective. India aims to align its climate commitments under the Paris Agreement with broader economic goals.
- **Nationally Determined Contributions (NDCs):** Nationally Determined Contributions (NDCs) are countries' plans to reduce greenhouse gas emissions and limit global warming. India is a party to the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement and has submitted NDCs in the past.
- **Carbon Credit Trading Scheme, 2023:** The Carbon Credit Trading Scheme, 2023, is a new initiative by the Ministry of Power to regulate and incentivize the reduction of greenhouse gas emissions in India. It involves the issuance and trading of carbon credits to meet emission targets. The compliance segment of CCTS will commence in 2025-26, allowing non-obligated entities to participate and trade carbon credit certificates (CCCs).
- **Carbon Credits:** They represent a reduction in greenhouse gas emissions that can be traded. One carbon credit equates to one ton of carbon dioxide equivalent (tCO₂e) reduced or avoided. Carbon credits can be generated through various activities, such as:

- Implementing energy-efficient technologies, reducing waste, or transitioning to renewable energy sources.
- Preventing deforestation or promoting reforestation.

Carbon credit certificates - The carbon credit certificates will be issued by the Bureau of Energy Efficiency (BEE) to entities that surpass their assigned emission reduction targets.

Grid Controller of India Limited (GCIL) - GCIL acts as the registry for the scheme, undertaking the registration of entities and maintaining a record of transactions.

- **Voluntary Carbon Markets Integrity Initiative (VCMI)**: The VCM aims to mitigate climate change by creating space for private actors to finance activities that remove greenhouse gas (GHG) emissions from the atmosphere or reduce GHG emissions associated with industry, transportation, energy, buildings, agriculture, deforestation, or any other aspect of human life.
- **Way forward**: India is at a pivotal moment, where establishing a carbon market can effectively balance its climate goals with economic development. By strategically designing this market, integrating existing schemes, and encouraging innovation, India can position itself as a global leader in sustainable growth. As India moves towards a low-carbon future, now is the time to act decisively and lead the way in creating a resilient, climate-conscious economy.

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LIGNOSAT: THE WORLD'S FIRST SATELLITE MADE OF WOOD

Context: The world first satellite with wooden components was launched aboard a SpaceX rocket from the Kennedy Space Centre in Florida, United States, last week. The intention is to establish that wood is a space-grade material. Built by researchers at Japan's Kyoto University and the Tokyo-based logging company Sumitomo Forestry, LignoSat has been flown to the International Space Station (ISS). In December, it will be released in orbit around 400 km above the Earth. If successful, the wooden satellite can help make space activity more environment friendly. It could also lead to the use of timber as a renewable building material in future exploration of destinations such as the Moon and Mars.

Key points

- **Overview**: The world's first wooden satellite LignoSat built by Japanese researchers was launched into space in an early test of using timber in lunar and Mars exploration.
- **About**: It is developed through collaborative research and development by a team comprising members from Kyoto University and Sumitomo Forestry Co. Size: 4 inches (10 cm) on each side. Weight: 900 grams.
- **Objective**: Their objective is to leverage the eco-friendliness and cost-effectiveness of wood in space exploration. It is tasked to demonstrate the cosmic potential of the renewable material as humans explore living in space.
- **Significance**: Wooden satellites are viewed as more environmentally friendly upon re-entering the Earth's atmosphere at the conclusion of their mission. Unlike metal satellites, which pose air pollution risks due to the generation of metal particles during re-entry, wooden satellites mitigate these concerns.
- **Environmental Benefits**: *Reduced Pollution*- Conventional aluminium satellites can generate aluminium oxides when they burn up during re-entry, potentially harming the ozone layer.
Sustainability Advantage- By using magnolia wood instead of aluminium, LignoSat aims to be less polluting when it eventually re-enters Earth's atmosphere.