

CURRENT AFFAIRS



MCQ PRACTICE



ECONOMICS

# Week 99

## QUESTION 1

Consider the following statements:

1. Statement 1: India called the Carbon Border Adjustment Mechanism (CBAM) or carbon tax an “unfair” measure and a violation of the “common but differentiated responsibilities” (CBDR) provision of multilateral climate negotiations.
2. Statement 2: All countries share responsibility for mitigating climate change but “not equally,” as economic development levels differ across countries.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement 1 and Statement 2 are correct and Statement 2 is the correct explanation for Statement 1.
- (b) Both Statement 1 and Statement 2 are correct and Statement 2 is not the correct explanation for Statement 1.
- (c) Statement 1 is correct but Statement 2 is incorrect.
- (d) Statement 1 is incorrect but Statement 2 is correct.

## QUESTION 2

Consider the following statements:

1. India is the largest producer of cotton, accounting for 24% of global production.
2. Cotton cultivation engages farmers mostly across Punjab, Haryana and Rajasthan.
3. India lags behind only China in textile exports.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) None

### QUESTION 3

With reference to the Purchasing Managers' Index (PMI), consider the following statements:

1. It is a measure of the prevailing direction of economic trends in manufacturing.
2. It is based on a yearly survey of supply chain managers across industries.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

## QUESTION 4

With reference to the National Agricultural Cooperative Marketing Federation (NAFED), consider the following statements:

1. It was established on October 2, 1958.
2. The members of the NAFED do not include the agricultural farmers.
3. It is registered under the Multi State Co-operative Societies Act.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

## QUESTION 5

With reference to the dollar-rupee buy-sell swap arrangement, consider the following statements:

1. This initiative is designed to provide a durable solution to the system's liquidity requirements while stabilising the rupee's value.
2. It can bolster market confidence and prevent excessive volatility in the exchange rate.
3. It will strengthen the RBI's dollar reserves at a time when it's intervening in the forex market to prevent a slide in the rupee.

How many of the statements given above are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

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## Answers and Explanations

## QUESTION 1

Consider the following statements:

1. Statement 1: India called the Carbon Border Adjustment Mechanism (CBAM) or carbon tax an “unfair” measure and a violation of the “common but differentiated responsibilities” (CBDR) provision of multilateral climate negotiations.
2. Statement 2: All countries share responsibility for mitigating climate change but “not equally,” as economic development levels differ across countries.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement 1 and Statement 2 are correct and Statement 2 is the correct explanation for Statement 1.
- (b) Both Statement 1 and Statement 2 are correct and Statement 2 is not the correct explanation for Statement 1.
- (c) Statement 1 is correct but Statement 2 is incorrect.
- (d) Statement 1 is incorrect but Statement 2 is correct.

## 1.Explanation

- ✓ During the two-day visit of the President of the European Commission, Ursula von der Leyen, and 21 EU Commissioners, India is expected to express concerns about the European Union's contentious carbon tax, which seeks to impose tariffs of up to 30% on imports of carbon-intensive products such as steel and aluminium beginning next year.
- ✓ Finance Minister Nirmala Sitharaman and Commerce and Industry Minister Piyush Goyal have repeatedly described the Carbon Border Adjustment Mechanism (CBAM), also known as the carbon tax, as a "unfair" measure that violates the "common but differentiated responsibilities" (CBDR) provision of multilateral climate negotiations. Hence, statement 1 is correct.
- ✓ This states that all countries bear responsibilities for addressing climate change, but "not equally," because economic development levels fluctuate between countries. Hence, statement 2 is correct.
- ✓ Negotiations with the EU are generally conducted through the Trade and Technology Council (TTC). There is a second track where we have agreed to explore the problems presented by

- ✓ CBAM. One of India's primary concerns is that CBAM breaches the CBDR concept, as we believe that environmental issues should not be tied to trade. Second, Indian exporters have expressed privacy concerns, as the EU requires more than 1,000 data points as part of CBAM compliance.
- ✓ While numerous nations, including China, Russia, Brazil, and South Africa, have brought the EU to the WTO, India has yet to submit a formal complaint because both sides are currently negotiating a free trade agreement (FTA), investment pact, and geographical indication (GI) accord.
- ✓ Both Statement 1 and Statement 2 are correct and Statement 2 is the correct explanation for Statement 1.
- ✓ Therefore, option (a) is the correct answer.

## QUESTION 2

Consider the following statements:

1. India is the largest producer of cotton, accounting for 24% of global production.
2. Cotton cultivation engages farmers mostly across Punjab, Haryana and Rajasthan.
3. India lags behind only China in textile exports.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) None

## 2.Explanation

- ✓ India's textile industry is one of the world's largest, with a diverse value chain ranging from cotton agriculture to high-end garment production. Despite its size, India trails countries such as China, Vietnam, and Bangladesh in textile exports, which benefit from vertically integrated supply chains, lower production costs, and less regulations. Hence, statement 3 is not correct.
- ✓ Despite being the world leader in cotton and synthetic fibre manufacturing, India's textile and garment industry has experienced slow growth in recent years. Costs are anticipated to climb even further, particularly for smaller enterprises, as sustainability and compliance requirements increase.
- ✓ After China, India is the world's second largest cotton producer, accounting for 24% of worldwide production. Cotton cultivation employs over 60 lakh farmers, predominantly in Gujarat, Maharashtra, and Telangana. Hence, statements 1 and 2 are not correct.
- ✓ While cotton is the most often consumed fibre in India, the textile sector also uses wool and jute. India is also the world's second largest manufacturer of man-made fibres (MMF).
- ✓ Therefore, option (d) is the correct answer.

### QUESTION 3

With reference to the Purchasing Managers' Index (PMI), consider the following statements:

1. It is a measure of the prevailing direction of economic trends in manufacturing.
2. It is based on a yearly survey of supply chain managers across industries.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

### 3.Explanation

- ✓ According to an HSBC research, after declining for three quarters in a row, the Composite flash Purchasing Managers' Index (PMI) climbed quicker in February, indicating an increase in private sector growth in the current quarter.
- ✓ The composite flash PMI rose to a healthy 60.6, up from 57.7 last month, driven by a substantial acceleration in services sector activity.
- ✓ The February flash India PMIs give an early indicator of the final manufacturing, services, and composite PMI statistics for the current month and are released around a week before the final PMI indices, according to HSBC. The flash PMI is typically based on 80-90% of total PMI survey responses received each month, with all of them being considered in the final publication, according to the report.
- ✓ The Purchasing Managers' Index (PMI) measures the current direction of economic trends in manufacturing. Hence, statement 1 is correct.
- ✓ The PMI is based on a monthly survey of supply chain managers from various industries, including both upstream and downstream activities. Hence, statement 2 is not correct.

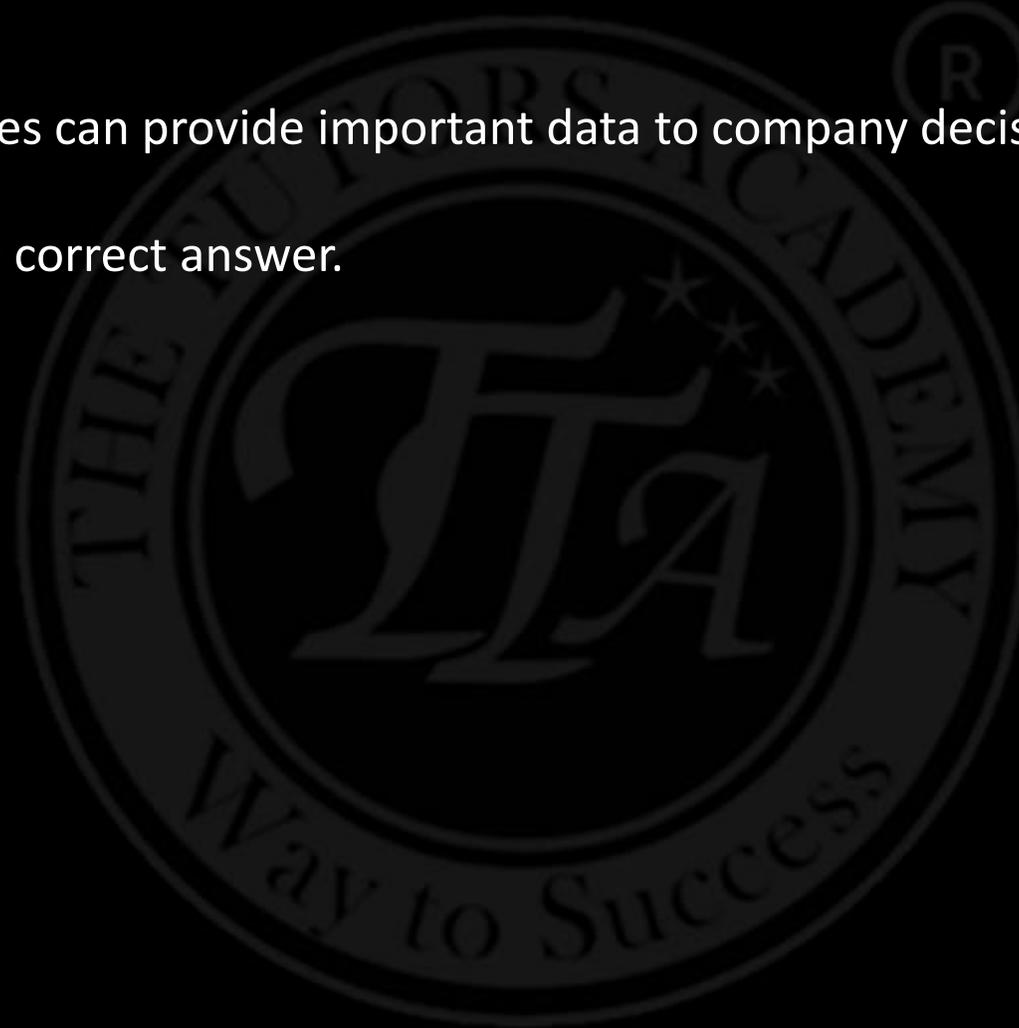
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- ✓ The PMI's value and changes can provide important data to company decision makers, market analysts, and investors.
- ✓ Therefore, option (a) is the correct answer.



## QUESTION 4

With reference to the National Agricultural Cooperative Marketing Federation (NAFED), consider the following statements:

1. It was established on October 2, 1958.
2. The members of the NAFED do not include the agricultural farmers.
3. It is registered under the Multi State Co-operative Societies Act.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

## 4.Explanation

- ✓ The central government has so far purchased 20 lakh tonnes (lt) of soyabean, although this has had little impact on wholesale pricing across marketplaces. The majority of the crop, planted over 129.35 lakh hectares, is yet to be marketed.
- ✓ Soybeans are an important kharif crop harvested in September. The oilseed marketing year lasts from September to October.
- ✓ The National Cooperative Agricultural Marketing Federation (NAFED) and the National Cooperative Consumers Federation (NCCF) had set a goal of acquiring 30 litres across the country. However, NAFED has only bought 14.71 lt, and activities in six of the seven states (except Chhattisgarh) had terminated as of February 24.
- ✓ About NAFED
- ✓ The National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) was founded on the auspicious occasion of Gandhi Jayanti on October 2, 1958. Hence, statement 1 is correct.

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- ✓ Nafed is registered under the Multi-State Cooperative Societies Act. Hence, statement 3 is correct.
- ✓ Nafed was founded with the goal of promoting cooperative sale of agricultural commodities to benefit farmers.
- ✓ Agricultural farmers are the primary members of Nafed, and they have the capacity to influence Nafed's operations through members of the General Body. Hence, statement 2 is not correct.
- ✓ Therefore, option (b) is the correct answer.

## QUESTION 5

With reference to the dollar-rupee buy-sell swap arrangement, consider the following statements:

1. This initiative is designed to provide a durable solution to the system's liquidity requirements while stabilising the rupee's value.
2. It can bolster market confidence and prevent excessive volatility in the exchange rate.
3. It will strengthen the RBI's dollar reserves at a time when it's intervening in the forex market to prevent a slide in the rupee.

How many of the statements given above are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

## 5.Explanation

- ✓ Following a \$5 billion dollar-rupee swap less than a month ago, the Reserve Bank of India (RBI) chose to inject rupee liquidity for a longer period through another \$10 billion dollar-rupee buy-sell swap arrangement.
- ✓ The central bank's initiative aims to give a long-term answer to the system's liquidity needs while also stabilising the rupee's value and strengthening the country's foreign exchange reserves. Hence, statement 1 is correct.
- ✓ According to Dilip Parmar, Research Analyst at HDFC Securities, the swap mechanism can help stabilise the currency by providing quick liquidity support, reducing pressure on the rupee during periods of foreign money outflows.
- ✓ This momentary reprieve can boost market confidence and keep the currency rate from becoming too volatile. Hence, statement 2 is correct.
- ✓ It will also increase the RBI's dollar reserves at a time when it is intervening in the forex market to prevent the rupee from falling further. Hence, statement 3 is correct.
- ✓ Therefore, option (c) is the correct answer.