



**TATHASTU**  
Institute of Civil Services

# DAILY CURRENT AFFAIRS



**14<sup>th</sup> MAY, 2024**

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## "INDIA'S TOP TRADE PARTNER: CHINA REGAINS SPOT ON HIGHER IMPORTS"

**SOURCE:** [THE INDIAN EXPRESS](#)

**TAG:** GS-II, GS-III – Government policies and interventions for development in various sectors and issues arising out of their design and implementation, Economic Development, Indian Economy and issues.

### Why in News:

- ❖ With imports from China crossing over \$100 billion in FY24, China has overtaken the US to become India's largest trading partner after a gap of two years, as per data released by the think tank Global Trade Research Initiative (GTRI).

### India's top Trade Partner is China, the reason behind this:

- ❖ In the fast emerging EV sector too, India's dependence on China is high as lithium-ion batteries for EVs, imported from China, were valued at \$2.2 billion, comprising 75 per cent of such imports, critical for India's electrification of transport.
- ❖ Bilateral efforts like the Regional Comprehensive Economic Partnership (RCEP) have aimed to boost trade ties.
- ❖ Low-cost Chinese products have found a large market in India, while India's services have been cost-effective for China.
- ❖ India's service-driven economy complements China's manufacturing prowess, facilitating trade in goods and services.
- ❖ China's geographical proximity to India and its massive domestic market make it an attractive trade partner.

### Steps India could take to reduce imports from China:

- ❖ Promote domestic manufacturing of goods currently imported from China through policies like Production Linked Incentive schemes.
- ❖ Actively pursue free trade agreements with other nations to access alternative supply chains and reduce dependence on China.
- ❖ Impose anti-dumping, countervailing duties on cheap Chinese imports to level the playing field for Indian industry.
- ❖ Provide better export incentives to Indian firms to boost outbound shipments and earn more forex to pay for imports.

### The things that India demands/imports the most from China:

- ❖ Electronics and electrical equipment like computers, phones, televisions etc. form the largest chunk of imports from China into India.
- ❖ This is followed by machinery and mechanical appliances/parts used for industrial purposes.
- ❖ Organic chemicals, which are feedstock for many industries, and iron/steel products are among the other top imported items from China.



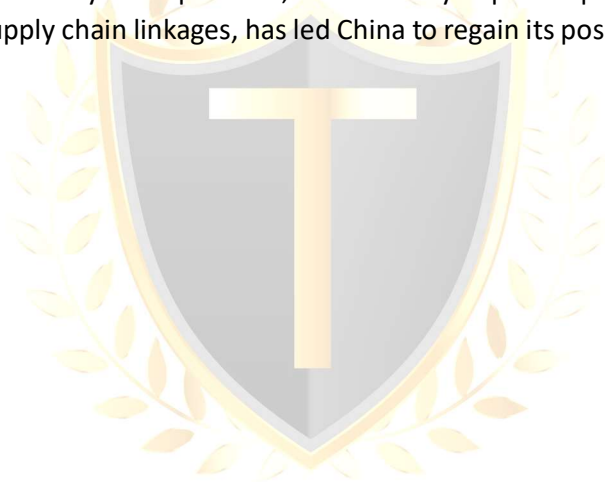
### The top 5 trading partners of India:

1. China
2. United States
3. United Arab Emirates
4. Saudi Arabia
5. Hong Kong

- ☛ China is India's largest trading partner, accounting for around 15% of India's total trade.
- ☛ The United States is the second largest, with bilateral trade dominated by Indian services exports.
- ☛ UAE and Saudi Arabia are major trade partners due to oil imports into India.
- ☛ Hong Kong remains an important entrepôt facilitating India's trade with mainland China.
- ☛ Other major trading partners for India include Singapore, Germany, South Korea, Indonesia, and Japan.
- ☛ India runs trade deficits with most of its top trading partners, except for services exporters like the US and UAE. Reducing these merchandise trade gaps remains a priority for India's trade policy.

### Conclusion:

- ❖ Despite efforts to diversify trade partners, India's heavy import dependence on China, driven by cost advantages and supply chain linkages, has led China to regain its position as India's top trade partner.





## GOLD ETFS SEE FIRST OUTFLOW AFTER MARCH 2023

**SOURCE:** [THE INDIAN EXPRESS](#)

**TAG:** GS-III – **Indian Economy, Effects of liberalisation on the Economy.**

### Why in News:

- ❖ Gold exchange traded fund (ETF) witnessed a net outflow of ₹396 crore last month, making it the first withdrawal after March 2023, owing to profit booking.

### About Gold exchange-traded funds (Gold ETFs):

- ❖ Gold ETFs are investment funds that track the price of gold. Each share of a Gold ETF represents a certain quantity of physical gold, which is stored in vaults by the fund's custodian.
- ❖ Gold ETFs provide investors with a convenient way to gain exposure to the gold price without having to physically own or store the precious metal.
- ❖ They can be traded on stock exchanges like regular shares, making them a liquid investment option.
- ❖ Gold ETFs aim to mirror the performance of gold prices, allowing investors to benefit from gold's potential as a hedge against inflation and economic uncertainty.

### Reasons for the outflow from gold ETFs :

- ❖ **Rising interest rates** -: As rates increase, the opportunity cost of holding non-yielding assets like gold goes up, making ETFs less attractive.
- ❖ **Stronger U.S. dollar** -: A stronger greenback makes dollar-denominated gold more expensive for holders of other currencies.
- ❖ **Easing inflation concerns** -: If investors believe inflation has peaked, gold's appeal as an inflation hedge diminishes.
- ❖ **Risk-on sentiment** -: Improved economic outlook and buoyant equity markets could be diverting funds away from safe-haven gold.
- ❖ **Profit-taking** -: After a prolonged rally, some investors may be locking in gains by selling their gold ETF holdings.
- ❖ **Shift to physical gold** -: Some investors could be preferring to take delivery of physical gold bars/coins over paper ETFs.
- ❖ **Higher costs** -: Rising ETF expenses and storage/custody fees may have prompted a switch to other investment avenues.

### Withdrawal of Gold ETF may affect Indian Economy:

- ❖ It could increase demand for physical gold, potentially driving up domestic gold prices.
- ❖ This may widen India's trade deficit as more gold imports become necessary to meet the increased demand.
- ❖ It could put pressure on the Indian rupee as higher gold imports require more US dollars.
- ❖ However, it could also boost the domestic gold recycling industry as investors opt to take physical delivery.
- ❖ If investor sentiment shifts towards holding more physical gold, it could divert funds away from other asset classes.



**Conclusion:**

- ❖ Despite their historical popularity, gold exchange-traded funds (ETFs) experienced their first significant outflow as investors reassessed gold's attractiveness amidst shifting economic conditions and evolving market dynamics.





## AN OVERVIEW OF THE SMART CITIES MISSION

**SOURCE:** [THE HINDU](#)

**TAG:** GS-II – **Governance, Transparency and Accountability, Citizens Charters.**

### Why in News:

- ❖ The Smart Cities Mission (SCM), a flagship programme of the NDA-1 government, has taken a back seat in this year's list of poll promises and achievements.

### The Government of India Defines Smart Cities:

- ❖ Launched in 2015 by the Government of India to drive economic growth through urbanization.
- ❖ Initially aimed to develop 100 smart cities across the country in a phased manner.
- ❖ As of 2023, 100 cities have been selected for smart city development across several rounds.
- ❖ Total proposed investment of Rs. 2,05,018 crores (around \$25 billion) for the 100 smart cities.
- ❖ Focuses on core infrastructure like adequate water supply, assured electricity, sanitation, solid waste management, mobility and public transport, affordable housing, IT connectivity, e-governance and citizen participation.
- ❖ Implementing special purpose vehicles (SPVs) at city level to execute and monitor smart city projects.
- ❖ Major funding sources include government grants, state/ULB funding, PPP models, convergence with other missions.
- ❖ Key technology solutions include integrated command and control centers, smart roads, smart meters, environmental sensors.
- ❖ As of 2022, over 8,030 projects worth Rs. 1.86 lakh crores have been tendered across these smart cities.
- ❖ The mission aims to make Indian cities more livable, sustainable and futuristic through comprehensive development utilizing smart solutions.

### Failures of India's Smart Cities Mission:

- ❖ **Slow progress** - Many smart city projects have faced delays in implementation due to issues like land acquisition, lack of funds, and bureaucratic hurdles.
- ❖ **Limited scale** - The mission initially aimed to develop 100 smart cities, which is a small fraction of India's total urban areas.
- ❖ **Funding constraints** - Lack of adequate financial resources from central/state governments and over-reliance on public-private partnerships.
- ❖ **Technology focus** - Criticism that the mission is overly focused on technology solutions rather than addressing core urban issues.
- ❖ **Exclusion concerns** - Allegations that smart city plans ignored the needs of the urban poor and caused displacement.

### Way forward:

- ❖ **Contextual Planning:** Develop flexible and adaptive plans that consider the unique and dynamic nature of Indian urbanization, rather than applying a one-size-fits-all model.
- ❖ **Community Involvement:** Engage local communities in the planning process to ensure that projects reflect the needs and realities of different urban areas.