

08th August, 2024

International Relation

The Yen Carry Trade and the Market Meltdown

Context: On August 05, 2024, global equity markets experienced a significant downturn. The Nikkei index in Japan suffered its largest single-day drop since 1987. European and Indian markets also declined sharply.



About the 'yen carry trade'

The yen carry trade is an investment strategy where investors borrow money in Japan at low interest rates and invest it in other countries with higher returns.

Why is the Yen Carry Trade Unraveling Now?

The Bank of Japan's decision to increase interest rates and reduce bond purchases strengthened the yen. This made the yen carry trade less profitable, leading investors to rapidly sell off their positions.

Bangladesh's Leadership Transition and Its Impact on India Relations

Context: Since Sheikh Hasina assumed office as Prime Minister of Bangladesh in 2009, the country has maintained a robust relationship with India. This partnership is built on mutual efforts to combat terrorism and shared economic and cultural interests. However, any changes in leadership may pose risks to this relationship, potentially affecting trade, travel, and the planned Free Trade Agreement (FTA).



Bi-lateral Trade

- ❖ India and Bangladesh are key economic partners, with Bangladesh being India's largest trade partner in the region.
- ❖ In the financial year 2023-24, their trade volume reached \$13 billion. India's main exports to Bangladesh include cotton (34.9% of total exports) and petroleum products, while Bangladesh primarily exports readymade garments to India.

The Potential of a Free Trade Agreement

- ❖ Negotiations for an FTA began in October 2023, aiming to reduce customs duties and enhance trade and investment between the two countries.
- ❖ Studies indicate that a comprehensive FTA could increase Bangladeshi exports to India by up to 182%, potentially rising to 297% with improved infrastructure. India's exports could see a 172% increase.

Infrastructure & Connectivity

- ❖ Infrastructure development plays a vital role in India-Bangladesh relations. Since 2016, India has extended \$8 billion in credit for various projects, including rail and port developments.
- ❖ Projects such as the Akhaura-Agartala rail link have significantly reduced travel times and boosted trade and tourism.
- ❖ However, strained relations could disrupt India's access to the Northeast, complicating logistics and connectivity between the two countries.

Environment

Government Declares New Peacock Sanctuaries

Context: The Union Minister for Environment, Forest, and Climate Change, Bhupender Yadav, has announced the establishment of two new Peacock Sanctuaries in India: Adichunchanagiri in Karnataka and Choolannuar in Kerala. This move underscores the government's commitment to wildlife conservation and protection of the national bird, the peacock.



Importance of Peacock Sanctuaries

- ❖ Designating Adichunchanagiri and Choolannuar as Peacock Sanctuaries provides crucial protection for peafowl and their natural habitats.
- ❖ These sanctuaries offer safe havens for these magnificent birds, ensuring their survival and well-being.

Addressing Peacock Deaths in Delhi

- ❖ In response to concerns about peacock deaths in Delhi, the Minister clarified that the cause was heatstroke, not bird flu. This clarification dispels public fears of a disease outbreak among wildlife.

Conservation Efforts for Peacocks

- ❖ The Ministry of Environment, Forest, and Climate Change is actively involved in peacock conservation.
- ❖ This includes establishing breeding and conservation centers to boost the peafowl population. As India's national bird, peacocks hold significant cultural and ecological value.
- ❖ Their conservation contributes to biodiversity preservation and maintaining India's natural heritage.

Peacock Conservation: A Broader Perspective

- ❖ Peacock conservation encompasses both the Indian blue peacock and the green peafowl. These species face threats such as habitat loss and hunting.

- ❖ Conservation efforts focus on habitat restoration and anti-poaching measures. Peafowl play a crucial role in ecosystems, including seed dispersal.
- ❖ The green peafowl is listed as Near Threatened by the International Union for Conservation of Nature (IUCN).
- ❖ Engaging local communities is essential for successful conservation, as it fosters cultural awareness and appreciation for these iconic birds.

Governance

Parliament Introduces Bill for Oil and Gas Policy Stability

Context: The Oilfields (Regulation and Development) Amendment Bill, 2024, has been introduced in the Rajya Sabha to enhance investment in the oil and gas sector. This Bill aims to stabilize policies, enable international arbitration, and extend lease durations, addressing the long-standing concerns of investors.



Policy Stability

- ❖ The Bill ensures that the terms of a petroleum lease remain consistent throughout the lease period, even if this results in disadvantages to the lessee.
- ❖ This provision aims to provide assurance to both Indian and foreign oil and gas producers regarding their financial returns.

Dispute Resolution Mechanism

- ❖ A significant change introduced by the Bill is the provision for resolving disputes through arbitration, either within India or internationally.
- ❖ This addresses the requests from foreign companies for mechanisms to handle disagreements outside of local courts.



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