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'India Shaping Global Thinking on Digital Fin'

Countries closely studying India's digital public infrastructure architecture, says PK Mishra

Our Bureau

New Delhi: India is helping shape global thinking on inclusive digital finance, with several countries closely studying its digital public infrastructure architecture, said PK Mishra, principal secretary to Prime Minister Narendra Modi.

"A digital payment system is not merely technology," said Mishra. "It is a bridge between informality and formal economic participation, between exclusion and opportunity, and between invisibility and economic identity," he said, addressing the annual convocation of the National Institute of Bank Management (NIBM) on Saturday.

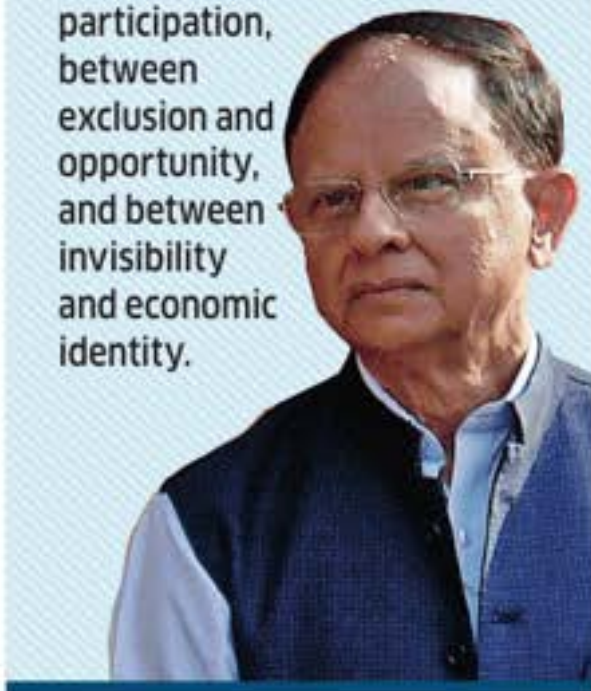
Mishra said the Unified Payments Interface (UPI) is a prime example of democratisation and that this mass interoperable system generates vital data trails, allowing those without traditional collate-



PK MISHRA

Principal secretary to Prime Minister Narendra Modi

A digital payment system is not merely technology. It is a bridge between informality and formal economic participation, between exclusion and opportunity, and between invisibility and economic identity.



ral to build credit histories.

Technology is fundamentally changing who can access financial services, he said, adding that credit is an important element of economic activity, livelihood generation, and the wellbeing of citizens. Mishra further noted that integrating finance with digital identity and mobile connectivity has dismantled long-standing barriers to reaching the population at scale.

The JAM Trinity or Jan Dhan, Aadhaar, and Mobile, and the Direct Benefit Transfer (DBT) architecture have transferred more than ₹50 lakh crore while saving ₹4 lakh crore in systemic governance, he said.

Mishra emphasised that financial inclusion must translate into productive economic opportunities and schemes like the Pradhan Mantri Mudra Yojana, which has sanctioned over ₹40 lakh crore so far, and PM SVANidhi and PM Vishwakarma have ensured tailo-

red growth for marginalised artisans, freeing them from exploitative informal credit. "These multifaceted initiatives, firmly anchored by foundational elements like Jan Dhan and Aadhaar, owe their existence to sound policy-

Integrating finance with digital identity and mobile connectivity has dismantled long-standing barriers to reaching the population at scale, says Mishra

making and the exceptionally strong political will of the Prime Minister," he said. Mishra further warned that modern financial systems must remain anchored in the real economy to reliably serve MSMEs, farmers, and women-led enterprises, and cautioned that in an era of AI and cyber threats, technological innovation must be balanced with ethical responsibility and public trust.

- **Key Terms and Explanations**

- **Digital Public Infrastructure (DPI)**

- Digital Public Infrastructure represents the foundational digital rails—built on open standards, interoperability, and public oversight—that enable the seamless delivery of essential public and private services at a societal scale. Unlike proprietary, closed-loop digital platforms owned by big-tech monopolies, DPI functions exactly like physical infrastructure such as highways or electrical grids. It allows diverse applications to build upon it.

- **Unified Payments Interface (UPI)**

- UPI is an open-source, real-time, peer-to-peer and peer-to-merchant payment protocol developed by the National Corporation of India (NPCI). It collapses the traditional, multi-layered banking routing system into a single, instantaneous mobile interface. By using a virtual payment address (VPA) instead of cumbersome bank account numbers and IFSC codes, it democratizes retail digital payments.

- **JAM Trinity (Jan Dhan, Aadhaar, Mobile)**

- This is India's foundational governance architecture designed to plug leakages and achieve universal financial inclusion. It operates as a three-pronged socio-technical catalyst:

- **Jan Dhan:** Provides universal access to bank accounts for the unbanked.

- **Aadhaar:** Offers a biometric-verified, unique, and ubiquitous digital identity.

- **Mobile Connectivity:** Serves as the ultimate service delivery interface.

- Together, they eliminate intermediary friction, ghost beneficiaries, and administrative corruption.

- **Direct Benefit Transfer (DBT)**

- DBT is a governance paradigm shift where welfare subsidies and financial assistance are transferred directly into the verified bank accounts of targeted beneficiaries, bypassing intermediate bureaucratic layers. Controlled via the Public Financial Management System (PFMS), DBT relies heavily on Aadhaar-mapped bank accounts to ensure that public funds target intended beneficiaries with zero state revenue leakage.

- **Formalization of the Economy**

- This is the structural transition of economic units, workers, and transactions from the informal sector—characterized by cash reliance, lack of regulatory oversight, and absence of social security—into the formal, regulated economic fold. This transition expands the state's tax base, brings enterprises under labor laws, and opens up access to institutional credit.

- **Collateral-Free & Tailored Credit**

- Traditional banking relies on physical collateral (land, gold, property) to mitigate lending risks, which naturally excludes the asset-poor masses. Collateral-free and tailored credit uses alternative data footprints—like digital transaction histories, utility bills, and cash-flow data—to assess creditworthiness. Programs like PM SVANidhi (for street vendors) and PM Vishwakarma (for traditional artisans) offer micro-loans tailored specifically to the cash-flow cycles of marginalized livelihoods.

- Main Arguments and Substantive Parts

- **Digital Infrastructure as a Tool for Social Equity**

- The core thesis is that digital financial systems are far more than mere technological conveniences; they act as primary socioeconomic equalizers. The architectural design of India's digital financial ecosystem deliberately bridges the deep chasm between informal economic survival and formal participation. By equipping historically invisible populations with an official digital identity and verifiable transaction history, DPI converts structural social exclusion into measurable economic opportunity.

- **Democratization of Credit via Alternative Data Footprints**

- A major point raised is the fundamental transformation of credit access through mass interoperable systems like UPI. Traditional banking models inherently favor elite economic actors due to strict collateral requirements.

- In contrast, the massive volume of high-frequency, low-value transactions flowing through open digital payment networks creates a continuous, immutable data trail. These digital footprints allow micro-entrepreneurs, street vendors, and smallholder farmers to build credible cash-flow histories. Consequently, financial institutions can shift from asset-backed lending to information-based lending, democratizing credit distribution.

- **Governance Efficiency and Fiscal Savings**

- The integration of finance with digital identity and mobile access has completely rewritten the economics of public service delivery. The combination of the JAM Trinity and DBT architecture proves that state capacity can be amplified while reducing structural waste. Moving more than ₹50 lakh crore through these channels while saving over ₹4 lakh crore demonstrates that technology can successfully curb systemic leaks, eliminate rent-seeking middlemen, and optimize fiscal resources.

- **Anchoring Financial Innovation in the Real Economy**

- While celebrating technological strides, a critical cautionary argument is presented: modern digital financial structures must remain firmly anchored in the tangible, real economy. Innovation must serve concrete productive sectors—such as micro, small, and medium enterprises (MSMEs), agriculture, and women-led rural cooperatives—rather than spinning off into speculative financial instruments.

- Furthermore, as artificial intelligence scales and cyber threats grow more sophisticated, the long-term viability of digital finance depends on balancing rapid innovation with strict ethical responsibilities and robust public data protection frameworks.

- **Historical Evolution of the Issue**
- **Pre-Independence to Post-Independence (1947–1969): Physical and Structural Barriers**
 - Following independence, India inherited a highly colonial, urban-centric banking system that completely ignored rural and agrarian realities. The rural masses were entirely dependent on usurious, exploitative informal money lenders. Early state efforts focused on creating institutional frameworks, such as establishing the State Bank of India in 1955 and expanding cooperative credit societies. However, banking access remained an elite privilege, and the vast majority of the population lacked any form of official identity or formal financial footprint.
- **The Era of Institutional Expansion (1969–1990s): Bank Nationalization and Priority Sector Lending**
 - The nationalization of 14 major commercial banks in 1969, followed by another wave in 1980, marked a structural shift toward "Social Banking." The state mandated the expansion of rural bank branches and introduced Priority Sector Lending (PSL) targets to direct credit to agriculture and small-scale industries.
 - While this physically spread banking infrastructure across India's geography, the system suffered from massive operational inefficiencies, high non-performing assets, cumbersome paperwork, and deep-seated bureaucratic corruption in credit dispersal.
- **The Turn of the Century (2000s): Information and Communications Technology (ICT) Interventions**
 - With the liberalization of the economy, the Reserve Bank of India (RBI) shifted focus toward technology-enabled financial inclusion. The mid-2000s saw the introduction of "No-Frills" accounts and the Business Correspondent (BC) model, which allowed third-party intermediaries to bring banking to village doorsteps using basic handheld devices.
 - Despite these policy changes, inclusion remained sluggish because the country lacked a centralized, real-time identity verification mechanism and scalable digital payment networks.
- **The DPI Revolution (2009–Present): The Convergence of Identity, Accounts, and Payments**
 - The modern era began with the launch of the Aadhaar project in 2009, providing the foundational digital identity layer. This was rapidly followed by the creation of the National Payments Corporation of India (NPCI).
 - The real transformation accelerated between 2014 and 2016 through two parallel initiatives: the rollout of the Pradhan Mantri Jan Dhan Yojana (PMJDY), which opened hundreds of millions of bank accounts, and the launch of the Unified Payments Interface (UPI). This period marked the birth of the JAM Trinity, shifting the financial inclusion paradigm from slow, physical branch expansion to instant, digital network-scale access.
- **UPSC Civil Services Examination (Prelims)**
 - **2020:** "With reference to the Funds Transfer Systems in India, consider the following statements regarding UPI..."
 - **2018:** "With reference to digital payments in India, consider the following statements: (1) BHIM app allows the user to transfer money to anyone with a UPI-enabled bank account. (2) A chippin debit card has four factors of authentication..."
 - **2017:** "Which of the following is/are the aims of the 'Digital India' Plan of the Government of India?"



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A: Key Terms

- PRE-DPI (Traditional Banking)
Physical Collateral Required
- JAM Trinity
- Unified Payments Interface (UPI)
- JAM Trinity
Jan Dhan + Aadhaar + Mobile

INDIA'S DIGITAL FINANCE JOURNEY & IMPACT

Milestone 1: Foundations

PRE-DPI
(Traditional Banking)



Physical Collateral Required

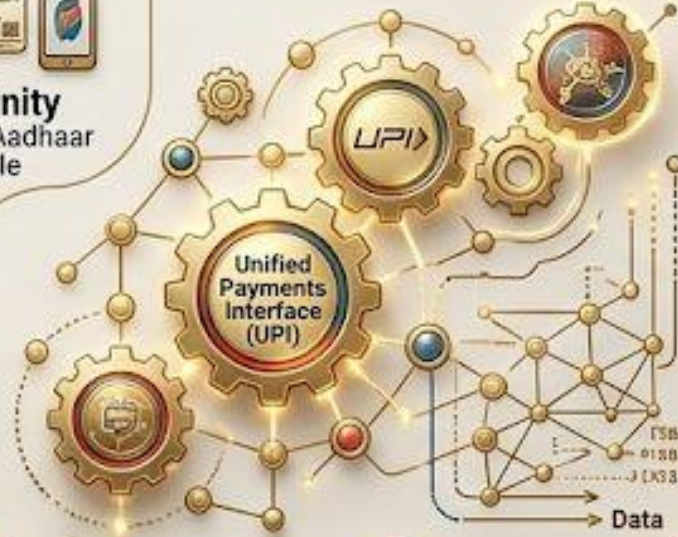
JAM Trinity
Jan Dhan + Aadhaar + Mobile



JAM Trinity
Jan Dhan + Aadhaar + Mobile

Milestone 2: The Core

DIGITAL PUBLIC INFRASTRUCTURE (DPI)
Open, Interoperable, Scalable



Milestone 3: Outcome

FORMALIZATION & INCLUSION
Bridge from Informal to Formal



E: Way Forward



Digital Personal Data Protection



Grassroots Cyber Mitras

Panel B: Economic Multipliers

PRE-DPI



Trinity



DPI → DBT



DPI → Productive Livelihoods
₹4 Lakh Crore Savings

DPI → DBT

₹50 Lakh Crore DBT
₹50 Lakh Crore Savings

C: Multi-Dimensional Analysis



D: Historical Evolution & NCERT Linkages



Physical branches (1969)



Digital endpoints (Today)

Reference RT or niture machtest to NCERT Class 11 Economics Rural Dev.

India's Knowledge Economy to be up for Assessment

Quantifying Impact

Knowledge products include tracking R&D, AI, software, IP

Traditional knowledge systems like Ayurveda also considered

MoSPI highlights growing focus on innovation-driven economic development

Base paper mentions lack of globally accepted system to measure knowledge economy

Flags major data gaps in AI adoption, innovation, digital assets



STATUS OF IPR

India is the world's 6th largest patent filer

Patent applications filed



MoSPI proposes framework to measure tangible, intangible assets' contribution

Our Bureau

New Delhi: The statistics and programme implementation ministry (MoSPI) on Saturday released a base paper proposing a framework to measure the contribution of knowledge and knowledge products to the Indian economy, as rapid technological change and evolving skill demands make knowledge increasingly central to economic activity.

The framework aims to capture the economic contribution of research and development, intellectual property, software, artificial intelligence (AI), digital platforms, scientific publications, innovation, creative industries, traditional knowledge systems and other intangible

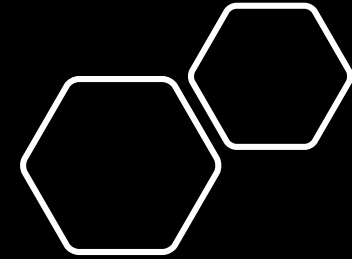
knowledge-based assets.

"Knowledge capital may depreciate over time. However, it may subsequently be revitalised with a change in the growth context or policy environment," said the paper, citing examples such as Ayurveda and technological revival in strategic sectors. Among the key proposals is the creation of an "effective R&D capital stock" measure.

The ministry proposes to convert annual research expenditure into an estimate of accumulated knowledge capital using methods similar to those used in national accounts for measuring fixed capital formation.

Its ongoing research on the knowledge-economy seeks to develop a framework to assess the economic impact of knowledge and knowledge products, according to the paper.

Difficult Exercise → 7





- **Key Terms and Explanations**

- **Knowledge Economy:** An economic system where the production, distribution, and utilization of knowledge and information serve as the primary drivers of growth, wealth creation, and employment. Unlike traditional economies dependent on land, labor, and physical capital, this model relies on intellectual capabilities. *Example:* The rapid expansion of India's Information Technology (IT) and Software-as-a-Service (SaaS) sectors.

- **Intangible Assets:** Non-physical assets that hold long-term economic value for an entity or nation. These include intellectual property, proprietary software, brand equity, operational methodologies, and data ecosystems. *Example:* A machine learning algorithm developed by an Indian tech startup is an intangible asset; the physical server it runs on is a tangible one.

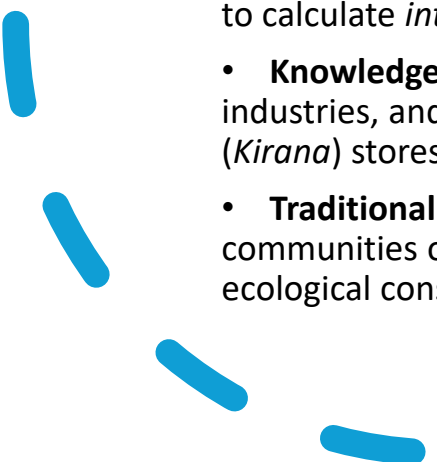
- **Ministry of Statistics and Programme Implementation (MoSPI):** The nodal central ministry in India responsible for the coverage and quality aspects of statistics released. It ensures that national data collection conforms to rigorous statistical standards, overseeing the Central Statistics Office (CSO) and National Sample Survey Office (NSSO).

- **Effective R&D Capital Stock:** A measurement that treats annual Research and Development (R&D) expenditure not as a recurring, short-term expense, but as a long-term capital investment. This approach accumulates annual spending over time, applies an estimated depreciation rate, and calculates the net stock of knowledge capital available to power future economic growth.

- **Fixed Capital Formation:** An economic metric that measures the net increase in physical assets (such as machinery, buildings, infrastructure, and equipment) within an economy over an accounting period. The new framework seeks to mirror this methodology to calculate *intellectual* capital formation.

- **Knowledge Diffusion:** The process through which knowledge, innovations, and technologies spread across individuals, enterprises, industries, and geographic regions. *Example:* The adoption of United Payments Interface (UPI) technology across local mom-and-pop (*Kirana*) stores nationwide.

- **Traditional Knowledge Systems:** The deep-rooted, culturally distinct knowledge systems developed by indigenous and local communities over generations. *Example:* The therapeutic applications of Ayurveda, Unani, or Siddha, alongside community-led ecological conservation techniques.



- **Main Arguments and Substantive Parts**

- The core thesis of this policy shift posits that traditional economic indicators—such as standard Gross Domestic Product (GDP)—fail to accurately reflect the true economic contribution of knowledge, innovation, and digital ecosystems.

- **The Core Arguments**

- **Inadequacy of Traditional National Accounts:** Current accounting frameworks excel at counting physical goods leaving a factory gate, but struggle to measure the value created by a line of code, a scientific paper, or a digital platform ecosystem. This leads to a systemic undervaluation of modern growth engines.

- **The Dynamics of Knowledge Depreciation and Revitalization:** Unlike physical machinery, which experiences predictable, linear wear-and-tear, knowledge capital depreciates along a complex curve. An intellectual asset can lose relevance quickly due to technological obsolescence, yet it can also be abruptly revitalized through a shift in regulatory policy, strategic demands, or cultural resurgence.

- **The Mandate for Structured R&D Metrics:** Proposing an "effective R&D capital stock" measure argues that treating research solely as a consumption expenditure distorts a nation's true asset ledger. By establishing a formalized framework to convert research spending into a calculated stock of knowledge capital, policymakers can better evaluate the long-term returns on innovation investments.

- **Counterarguments and Methodological Challenges**

- **The Paradox of Quantification:** Critics and skeptics highlight that measuring the knowledge economy is an intrinsically speculative exercise. Because there is no universally accepted global conceptual framework, any chosen methodology runs the risk of arbitrary valuation.

- **Severe Structural Data Gaps:** Quantifying intangible assets requires reliable, granular metrics regarding corporate innovation, domestic artificial intelligence adoption, and the informal diffusion of knowledge. In an economy with a massive informal sector, collecting this data presents an immense statistical challenge.

- **Historical Evolution of the Issue**

- The effort to measure and value intellectual wealth in India has evolved across distinct economic phases, transitioning from basic agricultural accounting to a sophisticated digital-first approach.

- **Pre-Independence Era**

- Under colonial rule, economic accounting was extractive, designed to measure tangible agricultural yields, land revenues, and raw material exports. Intellectual contributions, indigenous innovation, and traditional knowledge were systematically ignored or marginalized within formal economic calculations.

- **Post-Independence Planning (1950s–1980s)**

- With the launch of the Five-Year Plans and the pathbreaking Scientific Policy Resolution of 1958 under Jawaharlal Nehru, India began systematically building its institutional scientific infrastructure (e.g., IITs, CSIR, ISRO). However, economic accounting remained deeply rooted in a physical, industrial paradigm, focusing primarily on heavy industries, steel production, and agricultural output via the Green Revolution.

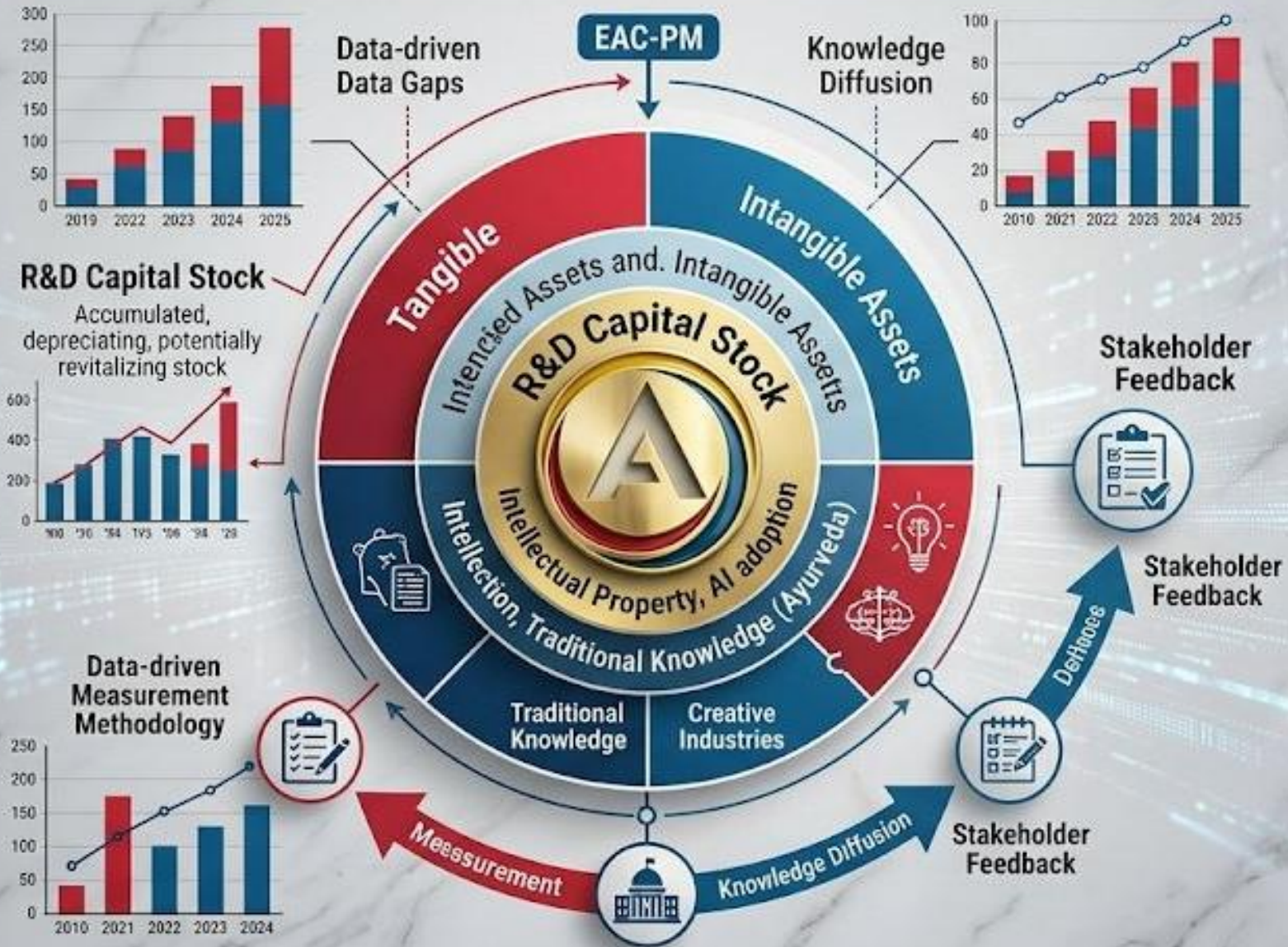
- **The Liberalization Era and IT Boom (1990s–2000s)**

- The landmark 1991 economic reforms catalyzed the rapid rise of the Information Technology (IT) and Business Process Management (BPM) sectors. As software exports surged, policymakers were forced to acknowledge that India's competitive advantage was shifting toward intellectual labor. Intellectual Property Rights (IPR) regimes were progressively modernized to align with international agreements like TRIPS.

- **The Digital Explosion and Present Day (2010s–2026)**

- The launch of the Digital India campaign, the deployment of the "India Stack" (Aadhaar, UPI, DigiLocker), and the unveiling of the National Strategy for Artificial Intelligence transformed the country into a hyper-connected, data-abundant marketplace. This rapid digitalization exposed the expanding gulf between real-world economic activity and traditional statistical tools, prompting MoSPI to initiate a comprehensive framework to formally account for this vast intangible wealth.

MoSPI Knowledge Economy Framework: Axia Analysis



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Singapore pips UAE as India's second largest export destination

Exports to Singapore surged by 180% in April to \$3.2 billion

Ravi Dutta Mishra
New Delhi, May 15

INDIA'S TRADE flows have begun shifting amid the prolonged closure of the Strait of Hormuz since March, as traders have begun finding alternate routes to export goods amid disruption in trade with countries in the West Asia region, an analysis of data shared by the Commerce and Industry Ministry showed.

The most notable shift in trade routes was seen in the two transshipment hubs that India has free trade agreements (FTA) with - UAE and Singapore. Replacing UAE, Singapore became India's second largest export market in April, registering a five-fold jump compared to February.

The Strait of Hormuz was closed on March 2. While exports to Singapore surged by 180% in April to \$3.2 billion compared to \$1.14 billion a year ago, exports to UAE slipped by 30% to \$2.85 billion last month compared to \$4.43 billion a year ago. Exports from Singapore have been rising month-on-month since February amid the disruption in trade with UAE.

On the import side too, the West Asia war has led to new import partners. Energy exporters such as Oman, Peru and Nigeria broke into India's top 20 import sources. Shipments from Oman alone more than tripled to \$1.48 billion in April compared to \$429.58 million.

These changes come as traditional sources of energy are facing restrictions. Imports from Qatar in March slipped by



On the import side too, the war has led to new import partners. Energy exporters such as Oman, Peru and Nigeria broke into India's top 20 import sources. [PHOTO](#)

47% to \$337.34 million compared to \$1.03 billion during March last year. However, imports from Saudi Arabia recovered sharply in April to \$3.68 billion compared to \$2.06 billion in March.

The war in West Asia has led to a sharp jump in global energy prices, with the closure of the Strait of Hormuz and damage to Gulf nations' energy infrastructure adversely impacting supplies. For India, in addition to a widening of the import bill and a cloudy outlook for exports, the conflict has directly impacted the rupee, which has fallen to multiple record lows against the US dollar on its way to tumbling 5.2% since the end of February.

To ward off further pressure on the currency, the government has been taking austerly measures to ease the strain on the use of foreign currency and reduce fuel consumption. In addition to a hike in the import duty on precious metals, oil marketing companies on Friday increased the pump price

of petrol and diesel for the first time in four years.

The Strait of Hormuz, the narrow waterway between Iran and Oman, is a critical maritime choke point that accounted for about a fifth of global oil flows before the West Asia war began on February 26. Since then, vessel movements through the strait have been effectively halted, leading to an unprecedented global energy supply crisis.

According to the latest assessment by the US Energy Information Administration (EIA), West Asian oil producers Iraq, Saudi Arabia, Kuwait, the UAE, Qatar and Bahrain collectively shut in 10.8 million barrels per day (bpd) of crude oil production in April, up from 8.9 million bpd in March.

The EIA has also revised upwards - by 19% - the estimated West Asia oil production shut in for March from its earlier estimate of 7.5 million bpd. The estimated shut-in in April is a little over 10% of the global liquid fuels consumption.

- **Key Terms and Explanations**

- **Maritime Choke Points**

- Strategic, narrow passages that connect major oceans or seas, heavily traversed by global shipping traffic. Because alternative routes add significant time and cost, any disruption here paralyzes global supply chains.

- **Transshipment Hubs**

- Ports where cargo or containers are unloaded from one vessel and loaded onto another to be forwarded to their final destination. They act as global sorting centers for maritime logistics.

- *Example:* **Singapore** and the **Port of Jebel Ali (UAE)** function as prime transshipment nodes for Indian cargo heading to western and eastern hemispheres.

- **Free Trade Agreement (FTA)**

- A treaty between two or more countries to reduce or eliminate customs duties, tariffs, and non-tariff barriers on substantial trade between them, thereby creating a predictable trading environment.

- *Example:* India's **Comprehensive Economic Partnership Agreement (CEPA)** with the UAE and the **Comprehensive Economic Cooperation Agreement (CECA)** with Singapore.

- **Production Shut-in**

- A deliberate or forced temporary suspension of oil or gas production at a well or facility, usually due to infrastructure damage, safety hazards, blockades, or a lack of transport routes during a conflict.

- *Example:* West Asian oil producers withholding millions of barrels per day from the global market due to the closure of exit waterways.

- **Rupee Depreciation and Forex Strain**

- A decline in the value of the Indian Rupee (INR) relative to foreign currencies (primarily the USD). When oil prices jump, India—which imports over 80% of its crude oil—must spend more dollars to buy the same volume of energy, draining its Foreign Exchange (Forex) reserves and driving down the value of the rupee.

- **Main Arguments and Substantive Parts**

- **The Core Thesis**

- Geopolitical conflicts in maritime choke points fundamentally re-engineer trade geography. Countries like India must rapidly pivot to alternative transshipment hubs and diversify their energy imports to mitigate severe supply shocks, currency depreciation, and imported inflation.

- **Shifting Export Paradigms**

- The closure of the Strait of Hormuz has severely disrupted trade with traditional Gulf partners like the UAE. To circumvent this, Indian exporters have aggressively routed goods through alternative transshipment hubs like Singapore. This structural pivot caused an unprecedented exponential surge in exports to Singapore, while bilateral trade volumes with the UAE contracted significantly. The United States, meanwhile, remains India's top export destination, highlighting a stable transatlantic demand anchor despite maritime turmoil.

- **Realignment of Energy Sourcing**

- On the import side, the disruption of traditional West Asian supply lines has forced India to look past its conventional partners. Energy exporters like Oman, Peru, and Nigeria have rapidly ascended into India's top 20 import sources. While imports from certain legacy suppliers like Qatar experienced steep declines, others like Saudi Arabia showed sharp short-term recoveries, illustrating the volatile, uneven nature of energy sourcing during an active conflict.

- **Domestic Macroeconomic Fallout**

- The disruption has triggered a dual crisis for India's domestic economy:

- **The Currency Shock:** The spike in global energy prices and supply deficits has severely pressured the Indian Rupee, pushing it to successive record lows against the US dollar.

- **The Policy Response:** To shield the economy from a runaway current account deficit, the government has resorted to stringent demand-management strategies. These include raising import duties on non-essential items like precious metals to conserve forex, and raising domestic retail fuel prices to curb domestic consumption.

- **Historical Evolution of the Issue**
- **Pre-Independence Era (Prior to 1947)**
 - India's maritime trade during the colonial era was structurally aligned with British imperial routes, primarily utilizing the Suez Canal (opened in 1869). The Persian Gulf operated under the British "Trucial States" framework, establishing early maritime security links between the Indian subcontinent and West Asia, with Mumbai (then Bombay) serving as a central commercial hub for the region.
- **The Cold War and Non-Aligned Era (1947–1991)**
 - Post-independence, India's trade policy was defined by import substitution and strict foreign exchange controls. Relations with West Asia were viewed through the lens of energy security and the Non-Aligned Movement (NAM). This period witnessed major maritime disruptions, most notably the **Suez Crisis of 1956** and the **Six-Day War of 1967**, which closed the Suez Canal for eight years. These events forced global shipping around the Cape of Good Hope, teaching India early, harsh lessons about the vulnerability of maritime trade choke points.
- **Liberalization and the "Look East" Era (1991–2014)**
 - The 1991 economic reforms opened India's economy, leading to skyrocketing energy demands. This era saw the signing of the Comprehensive Economic Cooperation Agreement (CECA) with Singapore in 2005, laying the groundwork for Singapore's rise as a premier transshipment partner. Simultaneously, the rapid economic boom of the UAE transformed Dubai into India's primary trading gateway to the Western world.
- **Strategic Diversification and "Act East / Link West" (2014–Present)**
 - Under contemporary policy, India balanced its geopolitical stance through the twin doctrines of "**Act East**" and "**Link West**". India signed a landmark CEPA with the UAE in 2022 to boost non-oil trade. However, persistent vulnerabilities in the region—such as the recent closure of the Strait of Hormuz—have forced India to rely on its institutionalized trade networks with East Asia (Singapore) and look toward African and South American energy suppliers to build structural resilience.
- **UPSC CSE Prelims**
- Which one of the following pairs of countries opens into the Red Sea? **(2023)**
- The term 'West Bank' sometimes appears in the news in the context of the affairs of: **(2022)**
- Which one of the following links the Persian Gulf and the Gulf of Oman? **(2018)**
- Between India and East Asia, the navigation-time and distance can be vastly reduced by which of the following?
 - Deepening the Malacca Strait between Malaysia and Indonesia.
 - Opening a new canal across the Kra Isthmus between the Gulf of Siam and the Andaman Sea. Select the correct answer using the code given below: **(2011)**

GEOPOLITICAL SHOCK & INDIA'S TRADE REALIGNMENT: A STRATEGIC OVERVIEW BY AXIA IAS ACADEMY

Key Terms:

Trade realignment : geopolitical shock anfnst Axia's middle econmatial nompolich other caused shralt to the UAE srades and the UME exports, reason rates allowing infuistry in a wean statel, and lo ssethooirity chantes.

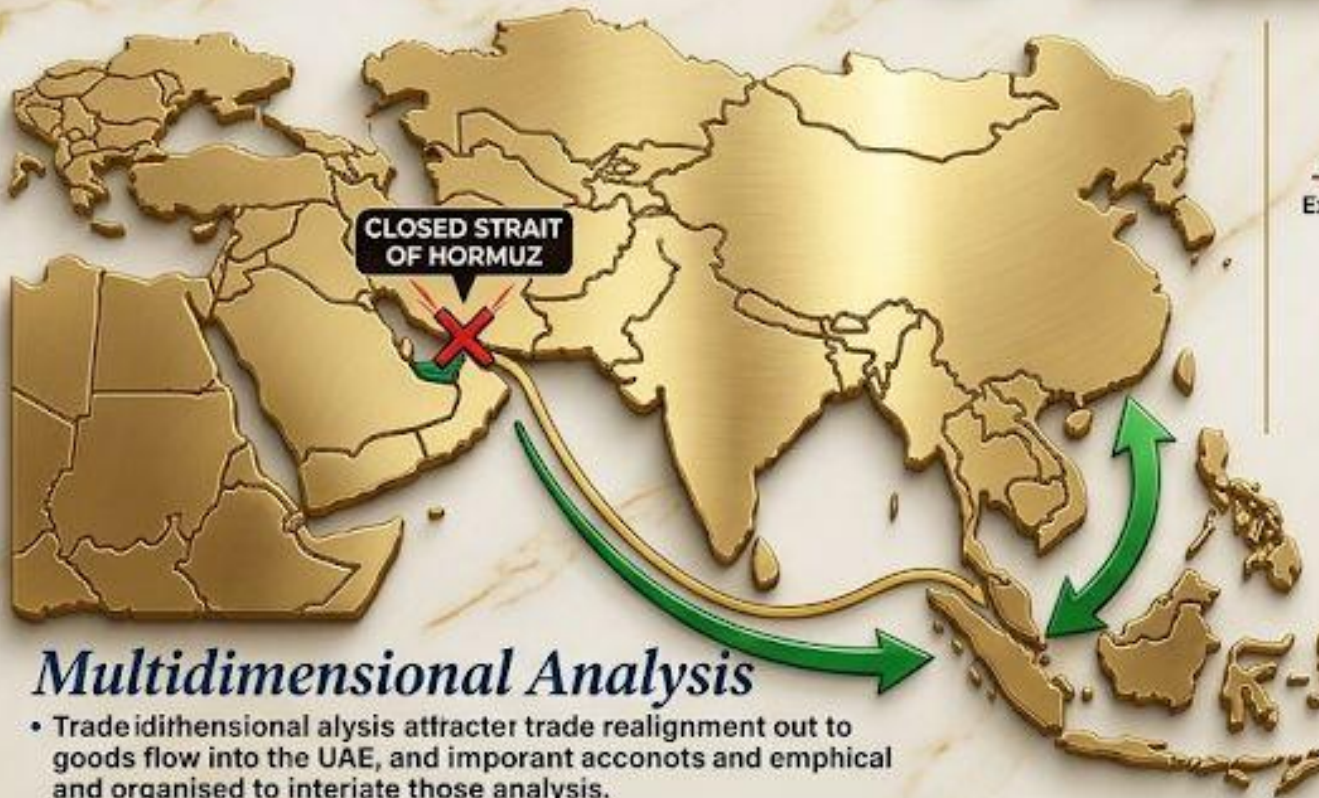


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Multidimensional Analysis:

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PIVOT OF TRADE



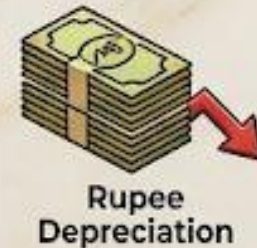
ENERGY DIVERSIFICATION



Way Forward



MACROECONOMIC FALLOUT



Multidimensional Analysis

- Tradeidithensional alysis attracter trade realignment out to goods flow into the UAE, and imporant acconots and emphical and organised to interiate those analysis.
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- New Forward: analysss tead s rpirirntons to trade realignment goods and promen affecise unliunched energy partners.

India rejects award by Court of Arbitration on pondage at hydel projects on Indus system

Jacob Koshy
NEW DELHI

India on Saturday rejected an award reportedly issued by the Court of Arbitration (CoA) at The Hague on May 15, concerning maximum pondage at Indian hydroelectric projects on the Indus river system, reiterating that it does not recognise the tribunal as legitimately constituted.

"India categorically rejects the present so-called award, just as it has firmly rejected all prior pronouncements of the illegally constituted CoA," Ministry of External Affairs spokesperson Randhir Jaiswal said, adding that any decision of the body was "null and void." India's decision to hold the Indus Waters Treaty in abeyance, he said, remained in force.

No official communication of the award is publicly available on the website



A dam on the Indus river system in Reasi, J&K. PTI

of the Permanent Court of Arbitration, which acts as the secretariat to the CoA. The recent press release listed there is dated May 11, which announced the conclusion of a three-day hearing held on April 28 on Pakistan's request for interim measures and the status of the Treaty itself.

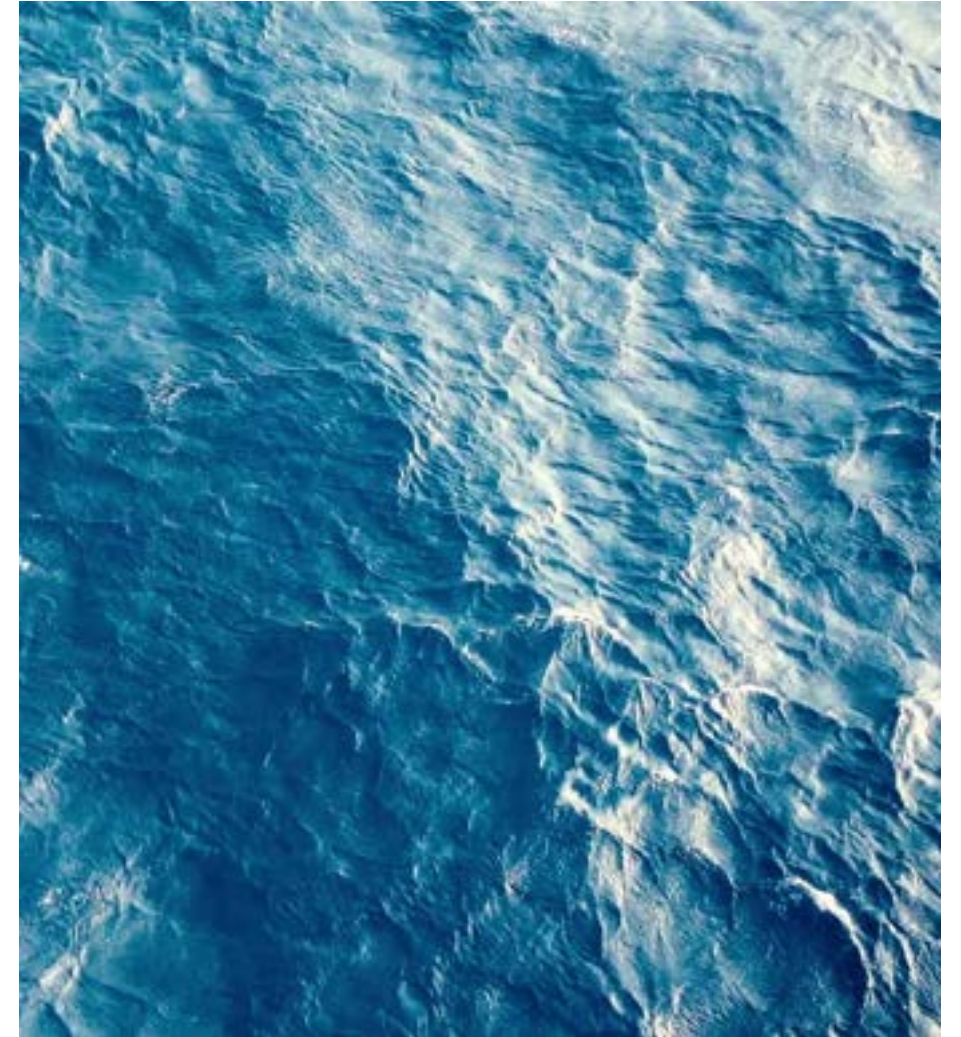
The CoA is a five-member arbitral panel constituted in January 2023. It was set up at Pakistan's request after Islamabad challenged the design of India's

Kishenganga and Ratle hydroelectric projects. India has refused to participate, arguing that the technical questions involved fall within the remit of a Neutral Expert appointed in parallel by the World Bank.

"In its August 2025 Award on Issues of General Interpretation, the CoA ruled largely in Pakistan's favour, restricting how India calculates permissible pondage for run-of-river plants under the Treaty," Mr. Jaiswal said.

- **Key Terms and Explanations**

- **Indus Waters Treaty (IWT):** Signed on September 19, 1960, between Indian Prime Minister Jawaharlal Nehru and Pakistani President Ayub Khan, brokered by the World Bank. It is a legally binding bilateral treaty that allocates the waters of the Indus River system. Under its provisions, India has exclusive rights over the three **Eastern Rivers** (Ravi, Beas, and Sutlej), while Pakistan receives the waters of the three **Western Rivers** (Indus, Jhelum, and Chenab), subject to specific, limited non-consumptive uses permitted to India.
- **Pondage:** This refers to the comparatively small volume of water stored behind a hydro-electric dam to meet daily or hourly fluctuations in electricity demand (peak load management). Unlike large storage reservoirs, pondage does not involve holding water back for weeks or months; it is a temporary holding mechanism intended to optimize power generation before releasing the water downstream.
- **Run-of-River (RoR) Hydroelectric Projects:** These are power plants that generate electricity by utilizing the natural flow and elevation drop of a river, rather than creating a massive reservoir to store water. While India is permitted to construct RoR plants on the Western Rivers under the IWT, the treaty imposes strict engineering and design constraints to ensure that downstream flows to Pakistan are not significantly altered or delayed.
- **Court of Arbitration (CoA) vs. Neutral Expert:** The IWT outlines a clear, three-stage dispute resolution framework. Stage one involves the Permanent Indus Commission (bilateral talks). If a dispute remains unresolved, stage two allows for a **Neutral Expert** appointed by the World Bank to assess highly technical, engineering-based differences. Stage three involves a **Court of Arbitration (CoA)**, which is convened for broader, legal interpretations of the treaty. India's current diplomatic standoff stems from the fact that Pakistan simultaneously triggered both the Neutral Expert mechanism and the CoA, leading to parallel, conflicting legal tracks.
- **Holding a Treaty in Abeyance:** This is a formal diplomatic stance where a nation temporarily suspends its active compliance, implementation, or recognition of certain provisions within an international agreement. It signifies a profound breakdown in bilateral trust and serves as a tool to leverage renegotiation without completely abrogation of the treaty.



- **Main Arguments and Substantive Parts**

- The core friction in contemporary transboundary water relations between India and Pakistan revolves around the intersection of engineering designs, treaty interpretation, and institutional legitimacy.

- **The Institutional Legitimacy Clash**

- India's foundational argument is that the parallel activation of two separate dispute resolution tracks—the Neutral Expert and the Court of Arbitration (CoA)—violates the graded, step-by-step mechanism explicitly mandated by Article IX of the Indus Waters Treaty. India asserts that the dispute regarding the Kishenganga (330 MW on a tributary of the Jhelum) and Ratle (850 MW on the Chenab) projects is fundamentally technical, concerning design parameters like pondage capacity and sediment sluicing outlets. Therefore, India argues that these matters fall exclusively under the purview of the Neutral Expert. By refusing to participate in the CoA proceedings at The Hague, New Delhi maintains that the tribunal is illegally constituted, rendering its pronouncements "null and void."

- **The Technical Battle Over Permissible Pondage**

- The substantive engineering debate centers on how much pondage India can legally maintain at its RoR facilities. Pakistan argues that larger pondage volumes and lower-level sediment sluices give India the structural capability to manipulate river flows, either by cutting off water during critical agricultural sowing seasons or by releasing sudden surges to cause downstream flooding.
- Conversely, India contends that modern climate realities, heavy siltation in the Himalayan rivers, and the necessity of generating stable peak-load electricity require advanced engineering designs. India argues that restricting pondage based on outdated 1960s parameters renders new run-of-river projects economically unviable and structurally unsafe due to rapid silt accumulation.

- **The Shift Toward Reviewing the Treaty**

- A critical shift in India's strategy is its formal notification to Pakistan seeking a comprehensive modification of the IWT under Article XII(3). India's thesis is that the geopolitical, environmental, and demographic realities of 2026 are radically different from those of 1960. Climate change, retreating Himalayan glaciers, and altered rainfall patterns demand a complete overhaul of how water allocations and engineering specifications are calculated, signaling that the era of India passively accepting restrictive interpretations of the treaty is over.

- **Historical Evolution of the Issue**

- The trajectory of the Indus water dispute reflects the broader geopolitical evolution of India-Pakistan relations, moving from post-partition survival to Cold War institutionalization, and finally to modern climate and strategic friction.

- **The Post-Partition Genesis (1947–1950)**

- The partition of British India in 1947 drew an international boundary directly across the Indus river basin. The headworks at Madhopur (on the Ravi) and Ferozpur (on the Sutlej) remained in India, while the vast irrigated canal colonies of Punjab downstream were located in Pakistan. This geographic reality triggered immediate panic in Pakistan regarding water security. The April 1948 dispute, where East Punjab briefly shut off water supplies to Pakistani canals, led to the temporary Inter-Dominion Accord of May 1948, highlighting the urgent need for a permanent legal framework.

- **The Negotiation and Institutionalization Era (1951–1960)**

- In 1951, David Lilienthal, former head of the Tennessee Valley Authority, visited the region and proposed that the Indus basin be developed as a single economic unit. The World Bank subsequently stepped in as a mediator. After nearly a decade of intense technical and political negotiations, the Indus Waters Treaty was signed in 1960. It bypassed the concept of joint, integrated basin management in favor of a clean, physical division of the rivers, which was deemed more politically viable given the deep mistrust between the two nations.

- **The Bilateral and Technical Resolution Phase (1960–2000)**

- For several decades, the IWT functioned as a remarkably resilient mechanism, surviving the wars of 1965 and 1971. Disputes such as the Salal Hydroelectric project in the 1970s were resolved through bilateral negotiations within the Permanent Indus Commission (PIC), with India agreeing to modify specific design elements to satisfy Pakistani concerns.

- **The Rise of Multi-Layered Disputes (2000–2016)**

- The construction of the Baglihar dam on the Chenab River marked a major turning point. Pakistan triggered the "Neutral Expert" mechanism for the first time. In 2007, the Neutral Expert, Raymond Lafitte, ruled largely in India's favor, upholding that India's engineering designs (including low-level sluice gates for silt management) aligned with modern international engineering practices.

- This was followed by the Kishenganga dispute, which Pakistan took to the Court of Arbitration in 2010. The CoA's 2013 partial award permitted India to divert water from the Kishenganga/Neelum river for power generation but established strict environmental flow requirements downstream.

- **The Modern Strategic Realignment (2016–Present)**

- Following major cross-border terror attacks in India (such as Uri in 2016), India's political leadership declared that "blood and water cannot flow together." India accelerated its long-delayed run-of-river projects in Jammu & Kashmir and began fully utilizing its permitted shares under the treaty.

- When Pakistan initiated parallel dispute mechanisms (both a Neutral Expert and a CoA) over the Kishenganga and Ratle projects, India took a firm stand against the CoA's legitimacy. This culminated in India's formal demand to renegotiate the entire treaty framework to account for new ecological and demographic realities.



CORE TENSIONS & INDIA'S POSITION

Parallel Tracks Problem

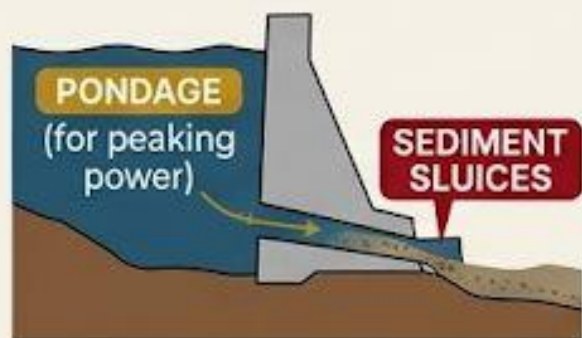
INDIA
(NEUTRAL EXPERT)

PAKISTAN
(CoA)

DEADLOCK:
CONFLICTING RULINGS

India argues for technical NE, rejects parallel CoA track as illegal

Engineering vs. Modern Realities



MODERN CHALLENGES:
Glacial Retreat & Flow
Volatility demand flexible,
data-driven engineering
(Not 1960 fixed limits)



PAKISTAN

MULTIDIMENSIONAL ANALYSIS

Social	Political	Legal	Ethical	International	Economic
e.g. Regional Development in J&K, agrarian concerns.	e.g. Post-Uri Strategic Shift, domestic public opinion.	e.g. Treaty Interpretation (Strict vs. Dynamic), Jurisdiction limits.	e.g. Upstream Rights vs. Downstream Security.	e.g. Riparian hydro-politics, regional stability, China factor.	e.g. Hydroelectric potential, regional power grid stability.

India's Treaty Modification Notification

- India formally seeks Modification under Article XII(3), citing geopolitical & ecological shifts.

OPERATION RAGEPILL

NCB Seizes ₹182cr Captagon in India's First 'Jihadi Drug' Bust

Rahul Tripathi

New Delhi: The Narcotics Control Bureau (NCB) has seized a large consignment worth ₹182 crore of Captagon, often referred to as the "jihadi drug" owing to its use by extremist networks in West Asia, in the first such drug bust in India.

After receiving information from a foreign drug law enforcement agency that India is being used as transit for trafficking of Captagon, the NCB launched Operation Ragepill, under which a house was identified in Delhi's Neb Sarai and the search of the house on May 11 led to the recovery of about 31.5 kg Captagon tablets carefully concealed in a commercial chapati cutting machine, according to the agency.

Preliminary investigation pointed to export to Jeddah, Saudi Arabia. "A Syrian national had entered India on a tourist visa on 15.11.2024, but his visa



227.7 kgs of Captagon tablets and powder seized by NCB-PTI

expired on 12.01.2025 and he was illegally overstaying in India and had taken the said house in Neb Sarai on rent," the NCB said.

Questioning of the accused further led to the recovery of about 196.2 kg of Captagon powder from a container in Container Facilitation Station at Mundra, Gujarat, on May 14. The container was imported from Syria, with

sheep wool as declared consignment. A thorough search of the container led to the recovery of three bags containing the Captagon powder.

Further investigation has revealed that the seized consignment was intended for transshipment to the Gulf region, particularly Saudi Arabia and neighbouring West Asian countries, where Captagon abuse has emerged as a serious law enforcement and public health concern.

The total seizure during the operation amounts to about 227.7 kg of Captagon tablets and powder, with an estimated illicit international market value of around Rs 182 crore.

In a post on X, Union home minister Amit Shah said, "Modi govt is resolved for a 'Drug-Free India'. Glad to share that through 'Operation RAGEPILL', our agencies have achieved the first-ever seizure of Captagon, the so-called "Jihadi Drug", worth ₹182 crore."

- **Key Terms and Explanations**

- **Captagon (Fenethylline):** Originally a brand name for a synthetic drug created in the 1960s, it is a co-drug of amphetamine and theophylline. It acts as a highly addictive central nervous system stimulant. While it was initially used to treat conditions like ADHD and narcolepsy, it was banned globally in the 1980s due to its severe abuse potential. Today, illicitly manufactured Captagon often contains a mix of amphetamines, caffeine, and other toxic adulterants. It is notoriously dubbed the "jihadi drug" because of its widespread use by combatants in West Asian conflicts to suppress fear, fatigue, and physical pain.
- **Narcotics Control Bureau (NCB):** Established in 1986 under the Ministry of Home Affairs, the NCB is India's premier federal law enforcement and intelligence agency tasked with combating drug trafficking and the abuse of illegal substances. It acts as the apex coordinating body for implementing the provisions of the Narcotic Drugs and Psychotropic Substances (NDPS) Act and coordinates actions with state police forces, customs, and international agencies like Interpol.
- **Transit Route / Transit Hub:** In transnational organized crime, a transit route refers to a geographical territory used by trafficking syndicates to move contraband from the source country to the destination market. The goal is to obscure the illicit origin of the cargo. For example, a drug produced in West Asia may be routed through Indian ports before heading back to Gulf destination markets to exploit less stringent customs scrutiny on Indian exports compared to direct shipments from conflict zones.
- **Container Facilitation Station (CFS):** A customs-bonded facility located near ports or logistics hubs where cargo containers are aggregated, deconsolidated, inspected, and processed for import or export. Because of the massive volume of trade passing through these facilities, they are frequent targets for drug syndicates attempting to conceal contraband inside legitimate commercial shipments.
- **Operation Ragepill:** A targeted, intelligence-led enforcement operation executed by Indian security agencies to disrupt networks trafficking synthetic amphetamine-type stimulants. This operation highlights the transition toward high-tech, cross-border intelligence sharing between India and foreign law enforcement partners.

- **Main Arguments and Substantive Parts**

- The broader discourse surrounding this development centers on India's evolving role in the global narcotics supply chain and the state's institutional response.

- **India's Vulnerability as a Strategic Transit Hub**

- The core thesis is that India is no longer just a destination or producer market for traditional narcotics; it has increasingly become a critical transit point for high-value synthetic drugs. Trafficking syndicates exploit India's massive commercial maritime infrastructure and global trade footprint to disguise illicit cargo. By routing shipments through Indian Container Facilitation Stations, syndicates attempt to wash away the red flags typically raised by direct shipments originating from high-risk zones in the Middle East.

- **The Rise of the Synthetic Drug Economy**

- The shift from plant-based narcotics (like opium and heroin) to synthetic substances (like Captagon and methamphetamine) represents a major structural change in organized crime. Synthetic drugs require no agricultural land, are independent of weather conditions, can be manufactured in small, mobile laboratories, and offer exponentially higher profit margins. The presence of a synthetic drug network in the national capital underscores how deeply these syndicates can penetrate urban areas.

- **The Imperative of Zero Tolerance and "Drug-Free India"**

- From a state policy perspective, the official stance emphasizes an absolute, uncompromising clampdown on narcotics. The argument is that drug trafficking is not merely a public health issue but a direct threat to national security, sovereign integrity, and economic stability. Permitting India's territory to be used as a transit route tarnishes the nation's international standing, fuels narco-terrorism, and risks spilling over into the domestic population, creating an internal addiction crisis.

- **Historical Evolution of the Issue**

- The history of drug trafficking and regulation in India reveals a transition from managing traditional colonial monopolies to countering modern, weaponized synthetic drug networks.

- **Pre-Independence and the Colonial Era**

- During the British colonial regime, the state actively engaged in the production and export of opium, notably to China, transforming narcotics into a regulated state monopoly for revenue generation. Drug control was viewed through a commercial and revenue lens rather than a national security or public health framework.

- **Post-Independence and Constitutional Foundations (1947–1980s)**

- Following independence, India shifted its stance, viewing drug abuse as a socio-economic vice. Article 47 of the Directive Principles of State Policy explicitly mandates that the State shall endeavor to bring about the prohibition of the consumption, except for medicinal purposes, of intoxicating drinks and of drugs which are injurious to health. India signed major international treaties, including the UN Single Convention on Narcotic Drugs (1961), but continued to regulate traditional uses of poppy and cannabis under state-level excise laws for decades.

- **The Enactment of the NDPS Act and Creation of the NCB (1985–1986)**

- Spurred by international pressure and the rising domestic abuse of heroin, the government enacted the Narcotic Drugs and Psychotropic Substances (NDPS) Act in 1985. This landmark legislation introduced stringent punitive measures, asset forfeiture provisions, and judicial presumptions against the accused. In 1986, the Narcotics Control Bureau was established to centralize intelligence and enforcement, moving India into an era of proactive interdiction.

- **The Era of Geopolitical Vulnerability (1990s–2010s)**

- For decades, India's primary challenge was its geographic location, sandwiched between the world's two largest illicit opium-producing regions: the **Golden Crescent** (Afghanistan, Iran, Pakistan) to the west and the **Golden Triangle** (Myanmar, Laos, Thailand) to the east. Security strategies focused heavily on land borders, stopping cross-border smuggling of heroin and hashish along the western and northeastern frontiers.

- **The Modern Pivot to Synthetic and Maritime Trafficking (2020s–Present)**

- The current era is defined by the democratization of chemical synthesis and the exploitation of maritime trade. The focus has expanded beyond land border infiltration to complex maritime smuggling operations through major commercial ports. The emergence of Captagon and other amphetamine-type stimulants highlights a new phase where Indian territory is leveraged for its logistical efficiency by international syndicates operating out of conflict-ridden zones in West Asia.



AXIA
IAS ACADEMY

THE CAPTAGON CRISIS: NCB STRIKES AT GLOBAL SYNDICATE



HISTORICAL EVOLUTION



ZERO TOLERANCE POLICY

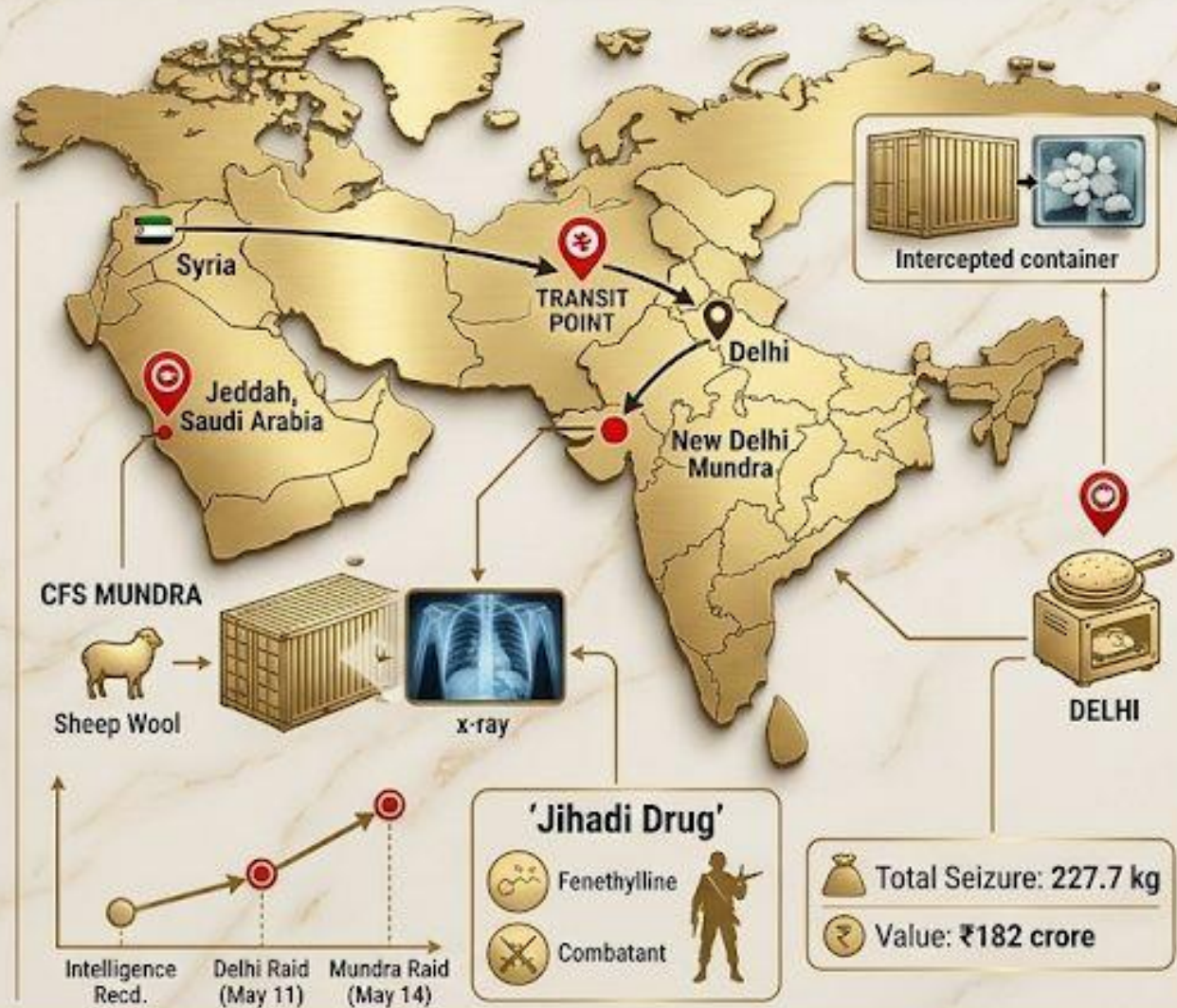
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NEW CHALLENGES



Synthetic Lab

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NEW CHALLENGES

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WAY FORWARD

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- Global partnerships to improve IT tednork hots and compattiops.

'BRICS will reach a common position, generate consensus'

Diversity of positions is a positive aspect of BRICS because it's a platform for consultation and political articulation; what we are seeing now is the evolution of the organisation, says Foreign Minister of Brazil; on the large majority of issues, we all have the same position; and I believe those on which we don't have consensus now, we may have later this year, when the summit happens in India, he adds

INTERVIEW

Mauro Vieira

Suhasini Haidar

The BRICS Foreign Ministers' Meeting in Delhi, chaired by External Affairs Minister S. Jaishankar, ended on Friday with some heat, but not much light in terms of a joint statement. Instead, in a detailed 63-paragraph Chair Statement, BRICS Ministers recorded their support for a number of Indian initiatives, the Palestinian cause and the two-state solution.

However, there was no reconciliation on positions taken by Iranian and UAE Ministers over the war in West Asia that began on February 28.

In an exclusive interview to *The Hindu*, Mauro Vieira, Foreign Minister of Brazil, which hosted the BRICS Summit in 2025, explains why, despite the differences, BRICS continues

to be an important international grouping.

How broad and wide are the differences between BRICS members? Is it possible to bridge them now?

I think the diversity of positions is a positive aspect of BRICS because it's a platform for consultation and political articulation, and what we are seeing now is the evolution of BRICS.

We had at the beginning five countries, and now, two years after the expansion, we are still adapting to new methods of work and new kinds of interactions for developing countries.

But, I think that on the large majority of issues, we all have the same position. And I believe that those [issues] on which we don't have [consensus] now, we may have them later this year [September 10-11], when the summit will happen here in India, under the presidency of Prime Minister Modi.

Even so, would you say the Iran-UAE differences have brought BRICS consensus to a standstill?

That is the main issue. But it also proves the importance of this group in that, [it is] where you have two countries that have totally different positions, and in a state of war, of military action, one against the other.

But I think that this is also the richness of this grouping, because you have this place and the space to negotiate and talk.

BRICS is also important to have a dialogue with other countries and other groupings, like the G-7 in the developed world.

So, I am very confident that we will reach a common position, and that this platform of negotiation will generate the consensus that's necessary.

Mr. Jaishankar said that the new BRICS members [Iran, the



SHRI KUMAR PUSHPAKAR

UAE, Egypt, Ethiopia, Indonesia] need to understand and follow the consensus of old BRICS members [Brazil, Russia, India, China, South Africa]. In hindsight, do you think, the process of BRICS expansion was pushed through too quickly?

The original five members of BRICS grouping had been together for nearly 15 years [BRIC began in 2009, South Africa joined a year later to make it BRICS] before we all agreed to the expansion.

One of the important issues was that we should share the same positions on international affairs, such as reform of the [UN] Security Council, which had our consensus, and it has to continue that way with the new members too.

During the BRICS summit in Rio, there were some very strong paragraphs about the conflict in Gaza and on Israel-Palestine issues – are you hopeful of similar language this time?

We hope that we can work from here to September, with all the BRICS, and arrive at a text that all agree with. And this is the characteristic of democratic and diplomatic movements and organisations – we have to negotiate and arrive at a common text.

For Brazil, we have criticised enormously the attacks of Israel against civilian populations in Gaza. It led to the death of thousands, including Brazilian citizens, even young children. Others have been imprisoned, and one starved to death. So, we cannot stay silent. We have to criticise. But of course, each country has a different take on this, and some like us are more affected [than others].

Consensus was also difficult when Brazil hosted the G-20 in 2024, and the BRICS in 2025. Do you think the new conflicts and actions by world powers, including the U.S. in Venezuela, the U.S. and

Israel in Iran, and earlier Russia in Ukraine, are making it more difficult to forge joint statements?

Well, this is destabilising the whole world. You just have to look at the inflation and the cost of oil that's rising globally. We live in a globalised world. In the past, conflicts remained regional, but now everything is globalised, and I think there's a huge impact.

Since the beginning of U.S. President Donald Trump's second tenure, he has issued statements against BRICS and threatened BRICS members with 100% sanctions. Why do you think BRICS is targeted and seen as anti-West?

The only thing I can say is that BRICS is not against the United States or the West or anyone, and the proof is that we have countries from different parts and continents of the

world. BRICS is a grouping of developing countries trying to develop common policies to promote the development of these countries, to have more trade, and to combat many different difficulties in these countries.

Brazilian President Lula once spoke about the idea of de-dollarisation, alternative payment mechanisms...

That was a misunderstanding. President Lula never spoke of de-dollarisation or the creation of a BRICS currency. He only spoke about mechanisms of payments in local currencies, which exists between many countries.

They have the option to use local currencies or to go through the big payment systems in Europe and the United States. But nothing is against anyone. It's in favour of the members, in favour of development and social policies, initiatives in the area of medicine, and so on.

• Key Terms and Explanations

• BRICS & BRICS+

- Originally coined as an acronym (BRIC) by Goldman Sachs in 2001 to identify high-growth emerging economies, it transformed into a formal political bloc in 2009. With South Africa's entry in 2010, it became BRICS. The recent expansion—integrating nations like Iran, the UAE, Egypt, and Ethiopia—has given rise to **BRICS+**.
- *UPSC Context:* It represents a significant demographic and economic shift, bringing together major energy producers and consumer markets from the Global South to challenge the traditional post-WWII Bretton Woods institutional monopoly.

• Chair Statement vs. Joint Communiqué

- A **Joint Communiqué** represents a consensus-driven, formally binding declaration where all participating member states agree on every single word and punctuation mark. A **Chair Statement**, by contrast, is issued by the host nation. It captures the broad areas of agreement while acknowledging items where differences could not be reconciled.
- *Example:* When geopolitical fault lines (like the West Asian conflict) prevent a unified declaration, a Chair Statement is used to prevent a total diplomatic breakdown, listing common grounds while omitting non-consensual bilateral frictions.

• De-dollarization vs. Local Currency Settlement (LCS)

- **De-dollarization** is a structural, systemic policy aimed at completely dismantling or replacing the US Dollar (\$USD\$) as the primary global reserve currency.
- **Local Currency Settlement (LCS)** is a transactional arrangement where bilateral trade is settled directly in the currencies of the trading partners (e.g., Indian Rupee to UAE Dirham) without routing the transaction through the \$USD\$ or the SWIFT network.
- *Significance:* LCS minimizes transaction costs, hedges against exchange rate volatility, and shields developing economies from extraterritorial unilateral sanctions, without necessarily seeking to collapse the global dollar ecosystem.

• Strategic Autonomy

- A foundational doctrine of foreign policy wherein a nation-state makes sovereign decisions based purely on national interest, free from the coercive influence, alliances, or vetoes of external superpowers.
- *Example:* India's capacity to maintain robust strategic defense ties with Russia, build deep economic relations with the UAE and Iran, and simultaneously participate in the US-led Quad grouping.

- **Main Arguments and Substantive Parts**

- **Diversity as an Evolutionary Asset**

- The core thesis argues that internal divergence within BRICS is not a sign of structural failure, but rather a reflection of its institutional evolution. The bloc functions as a "platform for consultation and political articulation" rather than a rigid military or ideological alliance. The coexistence of nations with highly divergent geopolitical alignments proves the group's unique utility as a diplomatic shock absorber.

- **The Challenge of Rapid Expansion**

- The shift from a cohesive five-member club to a broader, expanded format has created a distinct dual layer within the organization:

- **The Foundational Consensus:** The original five members spent nearly 15 years aligning their positions on major global issues, such as the democratization of the United Nations Security Council (UNSC).

- **The Expansion Friction:** The rapid induction of new member states with active, ongoing geopolitical or military friction points (such as Iran and the UAE) tests the group's traditional consensus-driven decision-making model. This requires the bloc to establish new internal working methods to prevent regional conflicts from stalling broader multilateral progress.

- **Clarifying the Economic Agenda**

- The economic focus of the bloc is frequently mischaracterized by Western analysts as an aggressive, anti-West push toward total de-dollarization. The actual objective is the creation of alternative, sovereign payment mechanisms using local currencies. This pragmatism protects domestic financial stability, boosts intra-bloc trade, and ensures economic continuity in an era where global financial networks are increasingly weaponized.

- **Historical Evolution of the Issue**

- **Phase 1: The Conceptual and Foundational Era (2001–2009)**

- What began as an investment thesis by Jim O’Neill in 2001 quickly turned into a geopolitical reality. The global financial crisis of 2007–08 exposed deep structural flaws in the Western-dominated financial architecture. This drove Brazil, Russia, India, and China to hold their first formal summit in Yekaterinburg, Russia, in 2009, focused on building a more equitable, multipolar global order.

- **Phase 2: Consolidation and Institutionalization (2010–2023)**

- With South Africa's entry in 2010, the bloc secured a crucial geopolitical anchor in the African continent. This period saw the transition from a purely deliberative body to an institutionalized entity, highlighted by the 2014 Fortaleza Summit and the creation of the **New Development Bank (NDB)** and the Contingent Reserve Arrangement (CRA). These institutions provided emerging markets with tangible alternatives to the strict conditionality of the World Bank and IMF.

- **Phase 3: The Expansion Era and Contemporary Realities (2024–Present)**

- The historic decision to expand the membership marked a major turning point. The bloc evolved into a sprawling multi-continental coalition. However, this expanded footprint also brought deep regional rivalries into the mix. Today, the organization faces the challenge of managing these internal political differences while protecting its collective economic and institutional goals.

BRICS+: EVOLUTION, CONSENSUS, AND CHALLENGES - AXIA IAS STRATEGIC ANALYSIS

KEY TERMS DEFINED

 CHAIR STATEMENT **VS**  JOINT STATEMENT

 LCS mechanism **VS**  DE-DOLLARIZATION

CORE BRIGHT SPOTS & SUBSTANTIVE ALIGNMENTS

- Vast majority positions in latest countries
- Shared development goals, narrowed development mechanisms
- Alternative payment mechanisms in unmet

MULTIDIMENSIONAL CHALLENGES

- POLITICAL** Friction points for multi-payments
- ECONOMIC** Adaptation to new work methods
- ETHICAL** Brazil's Brazil: Brazil's Gaza critique silence vs expression

THE CONSENSUS DILEMMA: BRICS vs. BRICS+



Evolution of Interaction



MULTIDIMENSIONAL CHALLENGES

- POLITICAL** Friction points vs economic misgivings, unannounced and statement precious reposition.
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UPSC PREPARATION LINKAGES

- Classes XI and XII
- Chapter X XII: Political Science
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 - Chapter X XII: Economics
- Classes XI and XII Economics:
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'Global financial situation extremely arduous'

Mini Tejaswi
BENGALURU

The global financial environment has become increasingly challenging, with U.S. 30-year Treasury yields crossing 5%, the U.K. 10-year yield rising above 5.2%, and Japan's 30-year yield touching 4%, said V. Anantha Nageswaran, Chief Economic Advisor, Government of India.

According to him, much of the FDI India attracted over the past two decades came during an era of near-zero interest rates and quantitative easing, when global capital actively sought higher returns in emerging markets.

"With that phase now over, India must compete in a world where 5% risk-free long-term interest rates have raised the benchmark for every dollar of investment entering



V. Anantha Nageswaran

the country," he stated while delivering keynote at the PanIIT Alumni Meet.

Three major forces

Highlighting the changing global landscape, Dr. Nageswaran pointed to three major forces redefining the world order: intensifying great-power competition, fractures within Western alliances and China's unprecedented manufacturing dominance.

India's goods trade defi-

cit stood at 8.5% of GDP in FY24, and even after excluding oil and coal imports, the deficit stood at 3.5% of GDP, indicating a structural rather than cyclical challenge.

At the same time, foreign direct investment (FDI), after accounting for repatriation and outflows by Indian firms, has reduced significantly, with global investors watching India closely but not committing capital at the scale required, he observed.

Global flows selective

Dr. Nageswaran noted India's goods trade deficit remained structurally significant and global capital flows were becoming more selective in a high-interest-rate environment.

"India's potential is not a given. It must be claimed deliberately," he said, emphasising the coming de-

cadecades would be shaped not by any single government, but by the collective choices of citizens, institutions and industry leaders.

Dr. Nageswaran urged that, "India is at a fork, not in crisis and must move with speed, confidence and strategic clarity."

On manufacturing, he said India must simultaneously focus on labour-intensive sectors such as garments, footwear and food processing while also building capabilities in semiconductors, batteries, advanced electronics and specialty chemicals.

Energy reserves

Calling for greater urgency in building strategic reserves and accelerating nuclear energy adoption, he said a country aspiring to host semiconductor fabs, battery gigafactories and data centres cannot treat

nuclear energy as a distant horizon.

On the rise of artificial intelligence and its impact on employment, he said, AI would compress routine cognitive work and narrow entry-level hiring, making deep expertise and skilled trades more important.

The country required at least eight million new jobs or livelihoods every year, however trade skills such as electricians, skilled construction workers and technicians will remain among the most protected and essential jobs in the emerging economy.

Stressing India's next 25 years would be determined by collective choices of institutions and individuals, he said the country could no longer afford slow decision-making and delayed execution in an increasingly fragmented world order.

- **Key Terms and Explanations**

- **Treasury Yields:** The return on investment, expressed as a percentage, that the government pays to investors who purchase its debt securities. For instance, when the U.S. 30-year Treasury yield crosses 5%, it implies that the U.S. government is borrowing long-term capital at a significantly higher cost. For global markets, this serves as the "risk-free rate" benchmark; when it rises, capital naturally flows out of volatile emerging economies back to the safe haven of the United States.

- **Quantitative Easing (QE):** An unconventional monetary policy tool used by central banks—such as the U.S. Federal Reserve or the Bank of England—to inject liquidity directly into the financial system. The central bank purchases long-term securities from the open market, driving interest rates down to near-zero levels. This surplus "cheap money" often overflows into emerging markets like India in pursuit of higher yields.

- **Goods Trade Deficit (Structural vs. Cyclical):** A trade deficit occurs when a nation's merchandise imports exceed its exports. A *cyclical deficit* is temporary, driven by short-term fluctuations like a sudden spike in commodity prices. Conversely, a *structural deficit* is deeply embedded in the economy due to fundamental mismatches, such as a weak domestic manufacturing base or an absolute reliance on foreign high-tech goods. India's non-oil, non-coal deficit sitting at 3.5% of GDP highlights a stubborn structural weakness.

- **FDI Net Repatriation:** Foreign Direct Investment (FDI) represents long-term capital entering a country for productive enterprises. However, gross inflows do not show the complete picture. *Net repatriation* accounts for the capital that foreign companies pull back out (profits, dividends, or divestments) along with the outbound investments made by domestic firms. A significant reduction in net FDI indicates that capital is leaving or stagnating faster than fresh, committed capital is arriving.

- **Routine Cognitive Work:** Tasks that require mental effort but follow predictable, rule-based patterns—such as basic data entry, code debugging, elementary legal document drafting, and financial auditing. In the era of Generative Artificial Intelligence, these roles are highly susceptible to automation, shifting employment demand abruptly toward deep, specialized expertise and manual trade skills.

- **Main Arguments and Substantive Parts**

- The contemporary global economic matrix is undergoing a tectonic shift, moving away from the ultra-loose monetary policies of the past two decades toward an era of structural friction.

- **The Higher Cost of Capital**

- The baseline for global finance has fundamentally transformed. The era of "easy money"—characterized by zero interest rates and aggressive quantitative easing—has drawn to a close. With risk-free sovereign bond yields in advanced economies hovering around 4% to 5%, the opportunity cost of investing in emerging markets has dramatically escalated. Every single dollar of capital entering India now demands a premium return to justify bypassing risk-free, high-yielding Western government bonds.

- **The Conundrum of the Structural Trade Deficit**

- India's external sector vulnerability is not merely a reflection of its heavy dependence on fossil fuels like oil and coal. Even when these volatile imports are completely stripped from the mathematical equation, the nation grapples with a merchandise trade deficit of 3.5% of GDP. This underscores a persistent manufacturing deficit, demonstrating that domestic industries have yet to achieve the scale and competitiveness required to replace imports or dominate global export supply chains.

- **A Triad of Geopolitical Disruptions**

- The global landscape is being actively reshaped by three intersecting macroeconomic forces:

- The intensification of great-power competition (primarily between the U.S. and China).

- Deepening strategic and economic fractures within traditional Western alliances.

- China's absolute, unprecedented dominance over global manufacturing ecosystems.

- These factors together ensure that international capital flows are no longer purely profit-driven; they have become highly selective, risk-averse, and politically guided.

- **The Industrial Dual-Track Strategy**

- To successfully navigate this economic landscape, India cannot afford to choose between low-tech and high-tech industrialization. The nation must deploy a dual-track strategy: aggressively reviving labor-intensive sectors (such as garments, footwear, and food processing) to absorb millions of low-skilled workers, while simultaneously committing resources to capital-intensive, frontier sectors (like semiconductors, advanced electronics, specialty chemicals, and battery gigafactories).

- **Historical Evolution of the Issue**

- Understanding India's current integration with global capital markets requires tracing its journey through distinct economic eras, from post-independence insulation to the modern era of high-interest global volatility.

- **Phase 1: The Era of Insulated State Capital (1947–1991)**

- Post-independence India operated under the "License-Permit-Quota Raj," characterized by an inward-looking import substitution strategy. Foreign capital was viewed with political skepticism, and strict capital controls were enforced via the Foreign Exchange Regulation Act (FERA) of 1973. The state relied primarily on domestic savings, bilateral foreign aid, and multilateral loans to fund infrastructure. This insulated approach culminated in the structural balance of payments crisis of 1991, when foreign exchange reserves fell to just a few weeks' worth of imports.

- **Phase 2: Liberalization and Integration (1991–2008)**

- The landmark LPG (Liberalization, Privatization, Globalization) reforms dismantled FERA, replacing it with the market-friendly Foreign Exchange Management Act (FEMA) of 1999. India systematically opened its doors to Foreign Institutional Investors (FIIs) and lowered barriers for Foreign Direct Investment (FDI). Capital flows during this period were driven by structural adjustments, domestic privatization, and India's emerging information technology boom, establishing the country as a primary destination for global services.

- **Phase 3: The Global Financial Crisis and Cheap Capital (2008–2022)**

- Following the 2008 subprime meltdown, central banks in the Global North slashed interest rates to zero and unleashed massive quantitative easing programs. This created a global wall of liquidity. For nearly a decade and a half, yield-hungry global capital flooded into emerging markets. India benefited immensely from this influx, witnessing an unprecedented boom in corporate investments, venture capital funding for tech startups, and massive inflows into capital markets. This abundant liquidity often masked underlying structural inefficiencies in domestic manufacturing.

- **Phase 4: The Post-Pandemic High-Yield Regime (2022–Present)**

- The supply shock of the COVID-19 pandemic, coupled with geopolitical conflicts, triggered runaway global inflation. Western central banks responded with aggressive quantitative tightening and rapid interest rate hikes, elevating long-term sovereign bond yields beyond 5%. This effectively ended the era of cheap foreign capital. India now finds itself in a highly competitive global arena, where it must actively fight for capital against low-risk Western bonds while simultaneously addressing long-standing structural trade deficits.

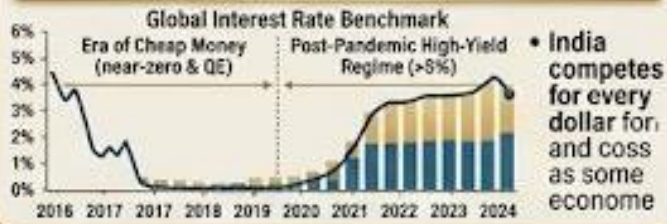


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KEY TERMS & CONCEPTS (UPSC FUNDAMENTALS)

- ▶ **Treasury Yields**
Graphical rate of analysis and arrows as why rise in annual growth 5%
- ▶ **Quantitative Easing**
A central bank printing bank printing money to central money money
- ▶ **Goods Trade Deficit (Structural vs. Cyclical)**
with non-oil/non-coal **non-oil/coal highlight**

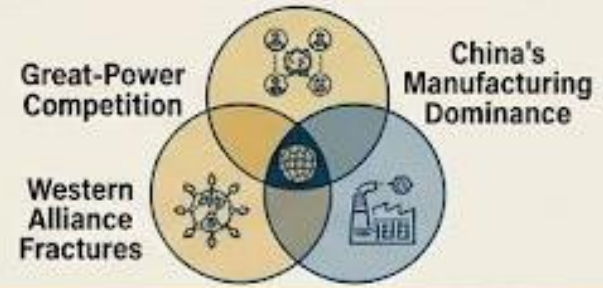
GLOBAL FINANCIAL CHALLENGES (The Higher Cost of Capital)



UPSC CSE: COMPREHENSIVE STRATEGIC ANALYSIS

GLOBAL ECONOMIC SHIFTS & INDIA'S STRATEGIC IMPERATIVES:
A COMPREHENSIVE ANALYSIS FOR UPSC CSE AN AXIA perspective

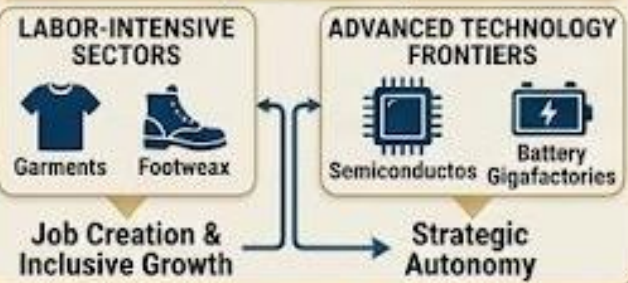
THE TRIAD OF DISRUPTIONS (Global Macro Forces)



THE TRIAD OF-FRISREPTIONS (Global Macro Forces)



INDIA'S DUAL-TRACK STRATEGY (Labor & Tech)



A FOGGY PATH, NOT A CRISIS (Strategic Imperatives)



SUSTAINABILITY & CHALLENGES (Ethical & Multidimensional)



UPSC CSE LINKAGE (Syllabus & Note-Making)

- GS-2: Developed/Developing Policies, Constitutional Bodies
- GS-3: Resources, Employment, Economic Development
- Essay & Optional Alignment

MODEL ANSWER
(Labor Absorption)
1. Very concise outline
2. Step continued traids
3. Step development absorption
4. Step counson-aestilment

All Previous Years' UPSC Questions
• FDI (2021) • QE (2020) • Mfg. Labor (2023)
• QE (2020) • Nfg. (2022) • Mfg. Labor (2023)
• Mfg. (2023) • DA (2020)

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Putin to visit China on May 19, hot on heels of Trump's trip to Beijing

Putin and Xi will work to 'further strengthen the comprehensive partnership and strategic cooperation'; the visit follows Trump's China trip, which did not resolve tensions over Ukraine or Iran; China has not condemned Russian invasion

Agence France-Presse
MOSCOW

Russian President Vladimir Putin will travel to China on May 19 for a two-day visit, hot on the heels of U.S. President Donald Trump's trip to Beijing, the Kremlin said on Saturday.

During the trip, the Russian leader will discuss with his Chinese counterpart Xi Jinping how to "further strengthen the comprehensive partnership and strategic cooperation" between Moscow and Beijing, according to a Kremlin statement.

Mr. Putin and Mr. Xi will "exchange views on key in-



Close ties: Xi Jinping shakes hands with Vladimir Putin following their talks at the Kremlin, in Moscow in 2025. REUTERS

ternational and regional issues" and sign a joint declaration at the conclusion of their talks, it added.

As part of the visit, Mr. Putin is also scheduled to

discuss economic and trade cooperation with Chinese Premier Li Qiang.

The announcement of Mr. Putin's trip comes just after Mr. Trump wrapped

up on Friday the first visit to China by a U.S. President in nearly a decade, with the grand reception belying a roster of unresolved trade and geopolitical tensions, including over the Ukraine-Russia conflict.

Although Mr. Trump and Mr. Xi discussed the more than four-year-long conflict – as well as the U.S. leader's stalemated war with Iran – the Republican President took off from China without appearing to secure a breakthrough on either front.

Negotiations to end the fighting in Ukraine, brokered by the United States, have appeared stalled

since the beginning of the U.S.-Israeli war with Iran which broke out on February 28. Before Mr. Trump arrived in China, Ukraine's President Volodymyr Zelenskyy asked the U.S. leader to raise the matter of how to stop the conflict during talks with Mr. Xi.

Moscow has ruled out a ceasefire or comprehensive negotiations with Ukraine unless Kyiv caves to the Kremlin's maximalist demands.

While China has regularly called for talks to end the fighting, it has never condemned Russia for sending troops into Ukraine and presents itself as a neutral party.



- **Key Terms and Explanations**

- **Comprehensive Partnership and Strategic Cooperation**

- This refers to a high-level bilateral institutional framework where two nations align their long-term political, security, economic, and diplomatic goals. Unlike a formal military alliance (like NATO), it does not legally bind nations to defend each other, but it ensures deep collaboration on global platforms.
- **Example:** The Sino-Russian relationship, where Beijing offers diplomatic and economic lifelines to Moscow, while both maintain strategic autonomy.

- **Geopolitical Tensions**

- The friction, competition, or conflict between states driven by geographical factors, resource control, or strategic influence over a region.
- **Example:** The tussle between Western powers and Russia/China over regional hegemony in Eastern Europe and the South China Sea.

- **Stalemated War / Conflict**

- A strategic impasse in an active war where neither side can secure a decisive victory or gain a meaningful advantage, leading to a prolonged, exhausting conflict.
- **Example:** The current multi-year territorial and military deadlock between Russia and Ukraine.

- **Neutral Party (In Diplomacy)**

- A foreign policy stance where a nation officially refuses to take sides in a conflict between other states, maintaining diplomatic and trade relations with both. However, this neutrality can often mask tactical economic or political support for one side.
- **Example:** China presenting itself as an impartial mediator in European conflicts while simultaneously scaling up its purchase of Russian energy.

- **Main Arguments and Substantive Parts**

- The contemporary global dynamic highlights a profound churning in the international world order, centered around bilateral summits between Washington, Beijing, and Moscow.

- **The Core Thesis**

- The contemporary global order is shifting from unipolarity to an unstable multipolarity, marked by a fluid, transactional, and polarized balance of power. The rapid succession of diplomatic engagements by major world powers in Beijing demonstrates that China is acting as the central geopolitical swing state or "pole" balancing Western and Eurasian interests.

- **Key Points and Supporting Evidence**

- **The Sino-Russian Strategic Axis:** The upcoming engagement between the Russian and Chinese leadership is designed to consolidate their "no-limits" partnership. The primary objective is to build an economic and security architecture capable of resisting Western-led sanctions and diplomatic isolation.

- **Failure of Western Diplomatic Breakthroughs:** Recent high-level American diplomatic efforts in Beijing failed to secure a breakthrough regarding global conflicts in Europe or West Asia. Despite elaborate diplomatic protocol, underlying structural tensions regarding international security and trade remain completely unresolved.

- **The Nexus of Interconnected Global Conflicts:** The stagnation of peace talks in Eastern Europe has been exacerbated by the eruption of new, highly destructive conflicts in West Asia, particularly involving the United States, Israel, and Iran. This interconnectedness shows that local conflicts are now structurally bound to broader great-power competition.

- **China's Strategic Ambiguity:** Beijing maintains a dual-track policy. It protects its economic ties with the West while acting as the primary financial and energy partner for Moscow, refusing to condemn the military actions of its Eurasian neighbor.

- **Counterarguments and Strategic Nuances**

- While the West views China's stance as a tacit endorsement of aggression, Beijing argues that its position is rooted in respect for the security concerns of all sovereign states and a rejection of unilateral Western sanctions.

- Western nations assert that arming defensive states protects rules-based order, whereas non-aligned and Eurasian states argue that Western weapon shipments prolong deadly wars of attrition rather than facilitating negotiated peace.

- **Historical Evolution of the Issue**

- The strategic alignment and friction between the Washington-Beijing-Moscow triad have evolved through distinct historical phases from the mid-20th century to the current era:

- **Phase I: The Early Cold War and Sino-Soviet Alliance (1949–1960s)**

- Following the creation of the People's Republic of China in 1949, Moscow and Beijing formed a monolithic communist bloc against the Western alliance. However, ideological rifts, border skirmishes (such as the 1969 Ussuri River conflict), and competition for leadership of the communist world led to a bitter Sino-Soviet split.

- **Phase II: Triangular Diplomacy and Detente (1970s–1980s)**

- In a masterstroke of realpolitik, the United States exploited the Sino-Soviet split. President Richard Nixon's historic 1972 visit to China initiated "triangular diplomacy." By normalizing ties with Beijing, Washington isolated the Soviet Union, creating a strategic leverage that ultimately accelerated the end of the Cold War and the collapse of the USSR in 1991.

- **Phase III: The Post-Cold War and China's Rise (1990s–2010s)**

- The post-Cold War era witnessed a unipolar world dominated by the US. China focused on economic modernization, adhering to Deng Xiaoping's maxim: "*Hide your strength, bide your time.*" Concurrently, Russia struggled with economic decline but gradually began stabilizing its ties with Beijing through the 2001 Sino-Russian Treaty of Friendship.

- **Phase IV: The Assertive Multi-Polar World (2020s–Present)**

- The current decade represents a total inversion of the 1970s. Facing intense containment from the West, Moscow and Beijing have driven closer together than ever before. The outbreak of prolonged conflicts in Ukraine (2022) and the escalation of the US-Israeli war with Iran (2026) have completely shattered the post-Cold War security architecture, cementing a highly polarized global environment.



**DECONSTRUCTING THE SHIFTING GLOBAL ORDER:
THE WASHINGTON-BEIJING-MOSCOW TRIAD**



C. MULTIDIMENSIONAL IMPACTS



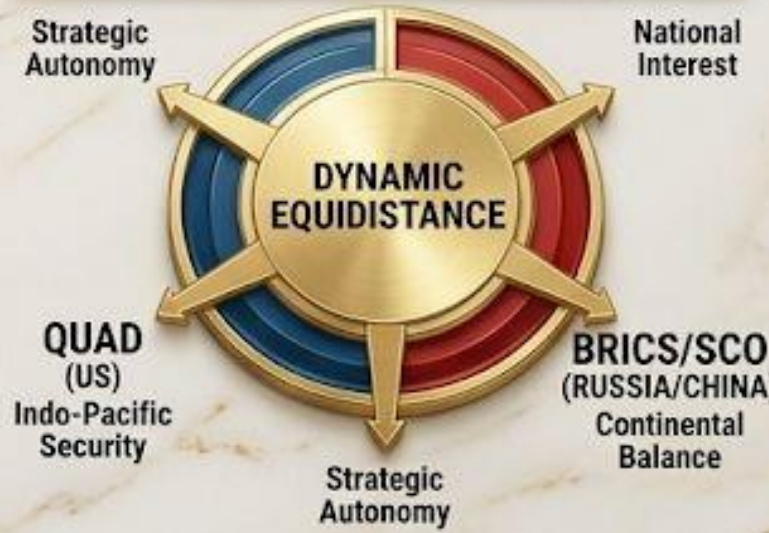
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A. STALEMATED GLOBAL CONFLICTS



B. INDIA'S STRATEGIC IMPERATIVE



D. WAY FORWARD FOR INDIA

- DE-ESCALATION via Tiered Concessions
- ACCELERATING INDIGENIZATION (Defence)
- LEADERSHIP for the GLOBAL SOUTH

PM stresses close ties as he addresses the diaspora and meets Dutch royalty

India's aspirations no longer limited to its borders. Modi tells Indian community in the Netherlands; in the second leg of his five-nation tour, he meets the King and Queen of the Netherlands and 'exchanges perspectives on boosting ties'; the country hands back Chola dynasty copper plates to India

Press Trust of India
THE HAGUE

Describing India as a "land of opportunities", Prime Minister Narendra Modi said here on Saturday that the country was undergoing an "unprecedented transformation" and its aspirations were "no longer limited to its borders".

Addressing the Indian community in The Hague, the Prime Minister said that India was dreaming big and its youth aspired to reach the sky.

Mr. Modi arrived in the Netherlands on Friday after a brief stopover in the UAE on the second leg of his five-nation tour to further deepen bilateral cooperation in areas such as trade, technology, defence and renewable energy. The countries in the itinerary include Sweden, Norway, and Italy.

He met King of the Netherlands Willem-Alexander and Queen Maxima and discussed issues of mutual interest. He also held wide-ranging talks with his Dutch counterpart, Rob Jetten, focusing on trade,

investment, and critical technologies.

"Met His Majesty King Willem-Alexander and Her Majesty Queen Maxima at the Royal Palace. It was wonderful exchanging perspectives on boosting India-Netherlands friendship across key sectors like technology, innovation, sustainable growth, commerce and water resources," Mr. Modi posted on X after the meeting.

He said that India and the Netherlands were "connected by shared interests and a shared belief in building a future-ready planet".

Both sides noted the close cooperation in the areas of sustainability, climate action, digital technology, innovation, fintech and blue economy, and expressed commitment towards further strengthening India-Netherlands relations, the Ministry of External Affairs spokesperson, Randhir Jaiswal, said in a post on X.

The Prime Minister was paying a second trip to the country after a 2017 tour and comes at what officials described as an "impor-



Warm welcome: Narendra Modi waves at the crowd during a community event in The Hague, Netherlands, on Saturday. ANI

tant juncture" in India-Netherlands ties.

Officials in the Ministry of External Affairs said the visit carries a "rich and substantive agenda" and is expected to consolidate the strategic dimensions of the partnership that have emerged through sustained engagement between the two countries.

India and the Netherlands have significantly expanded cooperation in recent years beyond traditional sectors such as trade, investment and the priority areas of water,

agriculture and health.

Saying that India offers immense opportunities, Mr. Modi invited Dutch companies to design, innovate and manufacture in the country. In his remarks at the CEO Roundtable, the Prime Minister said today's India is a symbol of scale and stability and no country in the world can match its speed in infrastructure, clean energy, and connectivity. This is why India is contributing 17% to global growth, he said.

Mr. Modi, accompanied by Mr. Jetten, also wit-

nessed the signing of an agreement between Tata Electronics and ASML, a Dutch multinational corporation, to support semiconductor fabrication in Dholera, Gujarat.

The Netherlands also handed back 11th-century Chola dynasty copper plates to India, in an event attended by Mr. Modi, signifying the strengthening of ties between the two countries.

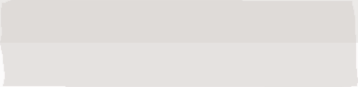
The 21 copper plates, belonging to the times of Rajaraja Chola I and brought to the Netherlands in the 1700s from present-day Nagapattinam in Tamil Nadu which was then under Dutch control, are considered the most significant surviving records of the Chola dynasty and are among the important artefacts of Tamil heritage held anywhere outside the country. India has been pursuing the return of the plates, known in the Netherlands as the Leiden Plates, since 2012.

Trust and transparency

Highlighting that India and the Netherlands are working together to create a

trusted, transparent, and future-ready supply chain, Mr. Modi told the Indian diaspora in his over 40-minute speech that the Netherlands would become the "natural gateway" for Indian businesses to enter Europe, and added that the Indian diaspora could serve as a trusted bridge in this journey.

"From energy security to water security, the Netherlands and India are working together. Our cooperation on green hydrogen is very important. And the historic trade agreement between India and the EU will further strengthen the partnership between India and the Netherlands," he added. He urged all "friends of India" in the European country to increase cooperation with India as much as possible. "This will also increase India's potential, and the return on your investments will also be higher. This is Modi's guarantee," he said. The Prime Minister assured the diaspora that the Government of India stood firmly behind every Indian living abroad and remained committed to their welfare.



- **Key Terms and Explanations**

- **Semiconductor Fabrication:** This refers to the highly complex, multi-step manufacturing process used to create integrated circuits (microchips) from silicon wafers. These chips act as the brains of modern electronic devices, from smartphones to missile guidance systems.
 - *Example:* The establishment of a fabrication plant (Fab) in Dholera, Gujarat, represents India's push to move from a design-heavy tech sector to high-tech manufacturing.
- **Chola Dynasty Copper Plates (Leiden Plates):** These are historic epigraphical records made of copper sheets, held together by a royal seal, documenting land grants, tax exemptions, and religious endowments during the Chola Empire (specifically Rajaraja Chola I and Rajendra Chola I). They are invaluable primary sources for understanding early medieval South Indian administration, agrarian economy, and maritime trade.
- **Blue Economy:** This concept focuses on the sustainable use of ocean resources for economic growth, improved livelihoods, and jobs, while preserving the health of the marine ecosystem. It transcends traditional fishing to include marine biotechnology, deep-sea mining, renewable ocean energy, and maritime transport.
- **Fintech (Financial Technology):** The integration of technology into financial services offerings to improve their use and delivery to consumers. This includes mobile banking, peer-to-peer payment systems (like UPI), and blockchain applications.
- **Trusted and Transparent Supply Chains:** A geopolitical and economic strategy aimed at diversifying manufacturing and logistics networks. The goal is to minimize reliance on politically volatile or monopolistic nations (often a reference to "China Plus One" strategies), ensuring that the flow of critical components is secure and verifiable.
- **Natural Gateway (Geopolitical Context):** A strategic maritime or economic entry point that provides a foreign nation with seamless access to a larger continental market due to its superior logistics, favorable tax laws, and robust port infrastructure. The Netherlands occupies this position for the European mainland.

- **Main Arguments and Substantive Parts**

- The core discourse centers around India's evolving global footprint, transforming from a historically inward-looking developing economy into a proactive, confident global player. The substantive arguments can be broken down into three main pillars:

- **Economic and Technological Convergence**

- The thesis argues that India's economic narrative has shifted from mere "scale" to a potent combination of "scale and stability." India's 17% contribution to global growth serves as empirical evidence of its macroeconomic resilience. The partnership moves past basic trade into deep technological co-creation. The joint venture between Tata Electronics and ASML highlights a deliberate strategy to position India within the global semiconductor value chain, addressing a critical vulnerability in India's technology architecture.

- **Strategic Cultural Diplomacy and Restitution**

- The return of the 11th-century Chola copper plates (the Leiden Plates) marks a shift in how India approaches cultural diplomacy. Heritage restitution is no longer treated as a footnote; it is integrated into top-tier bilateral statecraft. By securing the return of these artifacts, the Indian state signals its commitment to reclaiming civilizational heritage, which strengthens soft power and fosters national pride within the domestic populace and global diaspora.

- **The Diaspora as a Strategic Bridge**

- The Indian diaspora in Europe is framed not merely as a remittance-sending community, but as a "trusted bridge" and live catalyst for economic statecraft. The argument repositions the diaspora as a vital element in creating an institutional pathway into the European Union market. By positioning the Netherlands as India's "natural gateway" to Europe, the strategy leverages the diaspora's local political capital and economic influence to accelerate negotiations for the India-EU Comprehensive Economic Partnership Agreement (CEPA).

- **Historical Evolution of India-Netherlands Relations**

- The relationship between India and the Netherlands is centuries old, evolving from colonial trade dynamics to a modern strategic partnership.

- **Pre-Independence Era (17th to 19th Century)**

- The contact began in the early 17th century with the arrival of the Dutch East India Company (*Vereenigde Oostindische Compagnie* – VOC). The Dutch established trading posts and factories along India's coastlines, notably in Pulicat, Nagapattinam, and Chinsurah. The primary items of trade were textiles, spices, and indigo. It was during this period, around the early 18th century, that invaluable artifacts like the Chola copper plates were transported from Nagapattinam to the Netherlands, finding a home at Leiden University.

- **Post-Independence and Cold War Era (1947–1991)**

- Diplomatic relations were formally established in 1947. During the initial decades, the relationship was warm but largely functional, dominated by Dutch development assistance to India in sectors like public health, rural water supply, and agriculture. Politically, the interactions were constrained by the broader global realities of the Cold War, where India pursued Non-Alignment, and the Netherlands was an integral part of the Western alliance (NATO).

- **Post-Liberalization and the Strategic Shift (1991–2020)**

- The economic liberalization of India in 1991 marked a turning point. The relationship transformed from a donor-recipient dynamic to an equal commercial partnership. The Netherlands rapidly emerged as one of India's top foreign direct investment (FDI) contributors and a primary trading partner in the European Union. Specialized areas of collaboration emerged, particularly the "Strategic Partnership on Water" launched in 2021, capitalizing on Dutch expertise in flood management and delta technology.

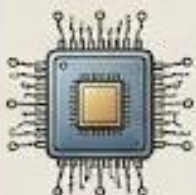
- **Modern Era: High-Tech and Cultural Alignment (2021–Present)**

- Today, the partnership has entered a deeply strategic phase. It extends into critical technologies like semiconductor manufacturing equipment, clean energy (specifically the green hydrogen corridor), and maritime logistics. The recent restitution of the Chola copper plates reflects a modern, holistic bilateral approach where historical reconciliation and cutting-edge industrial cooperation advance hand-in-hand.



AXIA IAS ACADEMY PREMIER ANALYSIS: BEYOND BORDERS & CULTURAL RESTITUTION

KEY TERMS



SEMICONDUCTOR FABRICATION
(Global Value Chains)
Semiconductor mutual value chains



CHOLA LEIDEN PLATES
(Cultural Restitution)
Engraved copper plate for assigned and colitization



BLUE ECONOMY & RENEWABLES
Ocean turbines & renewables for ocean turbines



TRUSTED SUPPLY CHAINS
Secure, transparent supply chain supply chain

MAIN ARGUMENTS

INDIA'S UNPRECEDENTED TRANSFORMATION

India's nearly unprecedented transpence to transformation.



THE DIASPORA AS A STRATEGIC BRIDGE

The diaspora as a strategic bridge through theameelt & strategic pronsets.



ECONOMIC CONVERGENCE & CEO ROUNDTABLE

Economic convergence & at: CEO roundtable of totalits to economic prains, and benefaits



HISTORICAL EVOLUTION (TIMELINE)

17th c.: VOC & CHOLA PLATES

1947: DIPLOMATIC TIES

2017: MODI'S FIRST VISIT

2024: STRATEGIC ACCELERATION

MULTIDIMENSIONAL ANALYSIS (GRID)



SOCIAL
(Upskilling)



POLITICAL
(Sovereignty)



LEGAL
(IP & Conventions)



ETHICAL
(Climate Justice)



INTERNATIONAL
(India-EU Ties)



ECONOMIC
(FDI & GDP Contribution)

SYLLABUS LINKAGES (UPSC GRID)



GS 1:
MEDIEVAL INDIA & ART



GS 2:
INTERNATIONAL RELATIONS & DIASPORA



GS 3:
TECH INDIGENIZATION & ECONOMY



GS 3:
SUSTAINABILITY & CLEAN GROWTH



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