Mains Topics

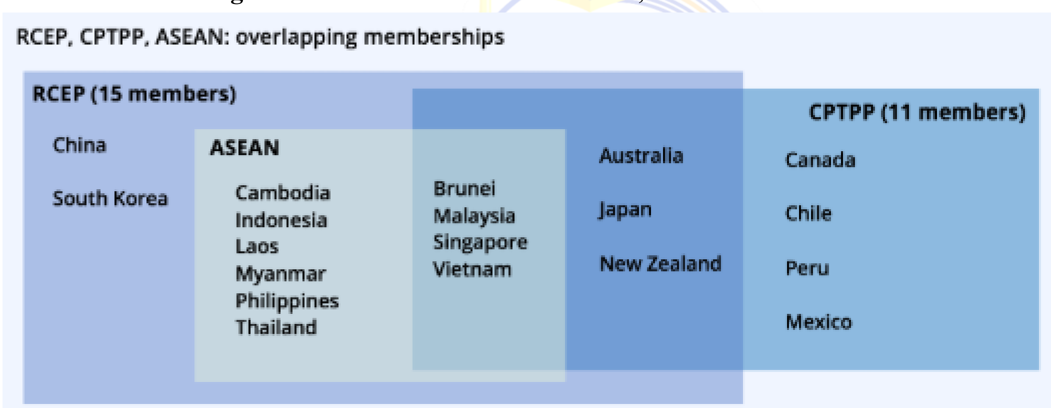
India's 'RCEP Minus China' Strategy

Context

India has effectively secured the market-access benefits of the Regional Comprehensive Economic Partnership (RCEP) by concluding bilateral FTAs with almost all its members, without formally joining the bloc.

About RCEP

- It is a free trade agreement between **15 Asia-Pacific countries** that aims to create a modern, mutually beneficial economic partnership
- **Members:** 10 ASEAN group members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and **6 FTA partners** — China, Japan, South Korea, Australia and New Zealand.
- It is the **world's largest free trade agreement by members' GDP.**
- The idea of RCEP was conceived at the **2011 ASEAN Summit in Bali, Indonesia.** But it came into force in **2022.**
- **India was a founding member of the RCEP. but in 2019, India decided to withdraw**.



Why did India opt out of RCEP?

- India feared **duty-free or low-tariff entry of Chinese goods**, which could hurt domestic manufacturing.
- Large **trade deficits**, especially with China, raised concerns about import surges.
- Indian sectors such as **dairy, MSMEs, steel, and textiles** were considered vulnerable.
- Safeguards against sudden import increases were seen as **inadequate**.
- India argued that RCEP did not reflect its **core concerns on market access, rules of origin, and non-tariff barriers**.

Risks within RCEP Framework

- **Labour standards dilution:** RCEP may incentivise firms to shift production from high-wage economies to low-cost members with weaker labour protections.

  - **E.g.,** Manufacturing moving from Australia or Japan to parts of Southeast Asia.
- **Ethical wage and working-condition concerns:** Cost-driven relocation risks normalising low wages, long hours, and weak social security.
  - **E.g.,** Apparel and electronics supply chains operating in countries with minimal labour enforcement.
- **China-centric supply chain dominance:** RCEP could further entrench China's central role in regional value chains.
  - **E.g.,** Chinese intermediate goods routed through ASEAN countries for preferential access.
- **Unequal distribution of gains:** Strong manufacturing economies gain more, while poorer members remain stuck in low-value segments.
  - **E.g.,** Cambodia and Laos confined to assembly-based, low-wage production.
- **Weak transparency and accountability:** Limited public scrutiny and absence of independent impact assessments raise governance concerns.
  - **E.g.,** Australia's refusal to commission an independent study on RCEP's economic and social impacts.

How did India achieve a better trade outcome?

- **Bilateral FTAs instead of a mega-bloc:** India chose **one-to-one Free Trade Agreements** with RCEP members, giving it negotiating flexibility.
  - **E.g.,** FTAs with **Japan**, **South Korea**, **Australia**, and the recently concluded **New Zealand** deal provided market access without binding India to uniform RCEP rules.
- **Complete tariff autonomy vis-à-vis China:** By staying out of **Regional Comprehensive Economic Partnership (RCEP)**, India avoided zero-duty access for Chinese goods, protecting domestic manufacturing from import surges.
  - **E.g.,** Unlike Vietnam or Indonesia, India did not have to open sectors like steel, electronics, or chemicals to Chinese competition.
- **Protection of sensitive domestic sectors:** Bilateral FTAs allowed India to **exclude or delay liberalisation** in vulnerable sectors.
  - **E.g.,** In the India–Australia Economic Cooperation and Trade Agreement (ECTA), India shielded dairy and agriculture while gaining export access for pharmaceuticals and textiles.
- **Reduced risk of indirect Chinese dumping:** RCEP's common rules of origin could have enabled Chinese goods to enter India via ASEAN countries. Bilateral FTAs allowed **stricter origin norms**.
  - **E.g.,** India's FTAs impose value-addition requirements, limiting re-routing of Chinese products through countries like Vietnam or Malaysia.
- **Limited and controlled China engagement:** India retained trade relations with China only under the **Asia Pacific Trade Agreement (APTA)**, which covers a narrow list of goods with modest tariff cuts.
  - **E.g.,** Unlike an FTA, APTA does not mandate across-the-board tariff elimination, keeping exposure manageable.

- **Market access without strategic vulnerability:** India now enjoys access to almost the entire RCEP market **except China**, achieving economic gains while preserving policy space.
  - **E.g.,** Indian exporters benefit from preferential access to Japan, ASEAN, Australia, and New Zealand, without risking domestic industry disruption from Chinese imports.

Source: [The Hindu]

Signals from the Indian Economy

Context

India's economy in 2025 has faced a turbulent year, with several growth-supporting policy reforms offset by persistent domestic and global headwinds.

What are the positives in the Indian economy?

- **Pro-growth fiscal reforms:** Budget 2025 reduced income tax burden, boosting disposable incomes and consumption.
- **GST rationalisation:** Removal of 12% and 28% GST slabs lowered prices of several goods, aiding demand revival and compliance.
- **Labour market reforms:** Implementation of the four Labour Codes expanded social security coverage and improved labour flexibility.
- **Trade diplomacy gains:** India–UK Comprehensive Economic and Trade Agreement (July 2025).
    - EFTA Trade and Economic Partnership Agreement operationalised with $100 billion investment commitment.
    - CEPA with Oman and FTA conclusion with New Zealand.
- **Strategic engagement with the U.S.:** Early 2025 announcement by Indian government and US on a possible Bilateral Trade Agreement signalled strong intent.

What were the negatives in 2025?

- **U.S. tariff shock:** Imposition of up to **50% tariffs** on Indian exports due to failed trade talks and India's Russian oil imports hurt exports.
- **Stress on labour-intensive sectors:** Textiles, leather, and engineering goods faced declining orders from the U.S. market.
- **Trade uncertainty:** Prolonged negotiations with the U.S. created policy unpredictability for exporters.
- **Export support lag:** Export Promotion Mission announced, but lack of operational clarity limited immediate relief.
- **Growth moderation risks:** Slower growth expected in the second half of 2025–26.

What are the implications?

- **Short-term export stress:** U.S. tariffs could dampen manufacturing output and employment in export-oriented sectors.
- **Growth slowdown risk:** As per **Reserve Bank of India**, GDP growth is projected at 7.3% for 2025–26, implying deceleration ahead.
- **Trade diversification urgency:** Overdependence on a few markets like the U.S. is exposed.
- **Policy credibility boost domestically:** Tax, GST, and labour reforms strengthen India's long-term economic fundamentals.
- **Improved data credibility:** Updating base years for GDP, IIP, and CPI will enhance macroeconomic accuracy and investor confidence.

What is the way forward?

- **Accelerate trade diversification:** Finalise trade deals with the EU, deepen ties with West Asia, Africa, and Indo-Pacific markets.
- **Resolve U.S. trade tensions:** Pragmatic negotiation to reduce tariffs while protecting strategic interests.
- **Operationalise export support:** Quickly roll out Export Promotion Mission with credit support and NTB mitigation.
- **Boost domestic demand:** Continue tax rationalisation and targeted welfare spending to offset external shocks.
- **Strengthen data-driven policymaking:** Use improved macroeconomic indicators to design responsive fiscal and monetary policies.

Source: The Hindu

Prelims Topics

Shelf-M

Context

Rosatom State Corporation has offered India its Shelf-M as part of discussions on Small Modular Reactors (SMRs) cooperation.

What is Shelf-M?

- **Type:** Micro nuclear reactor (smaller than conventional SMRs).
- **Capacity:**
  - Electrical: **Up to 10 MWe**
  - Thermal: **35 MWth**
- **Cooling & moderation:** Water-cooled and water-moderated reactor.
- **Fuel:** Uranium dioxide fuel dispersed in a **silumin (aluminium–silicon alloy) matrix**.
- **Refuelling interval:** Once every **8 years**, reducing operational interruptions.
- First Shelf-M reactor is being built for Russia's Chukotka Autonomous Okrug to supply power to remote regions.

Source: Businessline

INS Vaghsheer

Context

Droupadi Murmu undertook a submarine sortie onboard INS Vagsheer on the Western Seaboard.

About INS Vaghseer

- It is the **sixth** and **final** submarine of the **Kalvari-class** (**Scorpène-design**) built under the Indian Navy's ambitious **Project-75.**
- **Commissioned on:** January 15, 2025
- The new Vaghsheer is the reincarnation of the first Vaghsheer (S43), a Soviet-origin Vela-class submarine that served the Indian Navy from 1974 to 1997.
- Built by **Mazagon Dock Shipbuilders Limited (MDL)** in Mumbai with technical assistance from **France's Naval Group.**

Other submarines of Project 75

- INS Kalvari (2017), INS Khanderi (2019), INS Karanj (2021), INS Vela (2021), INS Vagir (2023)

Source: Indian Express

Micro Robots

Context

Scientists have built a micro robot with onboard electronics.

About Micro Robots

- They are **extremely small autonomous or semi-autonomous machines**, often smaller than a grain of dust, designed to perform sensing, movement, or computation at microscopic scales.
- They are fabricated using **semiconductor chip-making (CMOS) techniques.**
- **Key Features:**
  - Instructions can be updated remotely (e.g., via light signals).
  - Powered without batteries, commonly through light.
  - Capable of measuring parameters such as temperature, chemicals, or pressure to guide movement and tasks.

Source: The Hindu

Chronic Obstructive Pulmonary Disease

Context

The public health disaster associated with Chronic Obstructive Pulmonary Disease (COPD) is escalating.

About Chronic Obstructive Pulmonary Disease

- It is a **chronic, progressive lung disease** characterised by persistent airflow limitation, commonly including **chronic bronchitis and emphysema**.
- **Irreversible nature:** Once lung function is lost, it is **largely irreversible**; treatment can relieve symptoms and slow decline but **cannot restore damaged lung tissue**.
- **Major causes in India:**
    - **Outdoor air pollution** (PM2.5 exposure)
    - **Indoor biomass fuel smoke** (especially among rural and peri-urban women)
    - **Smoking** (still relevant but not the dominant driver in India)
    - Recurrent respiratory infections and occupational dust

Source: Indian Express

Somaliland

Context

Israel has become the first country to formally recognise Somaliland as an independent and sovereign state.

About Somaliland

- It is a **self-declared independent state** in the Horn of Africa that **seceded from Somalia in 1991.**
- **Situated in**: Northwestern Somalia, bordered by Djibouti, Ethiopia, the Gulf of Aden, and Somalia.
- Despite functioning as a de facto state for over 30 years, it lacked formal recognition due to concerns over **African Union norms on territorial integrity.**
- **Strategic Importance:**
    - Located near vital Red Sea–Gulf of Aden maritime routes
    - Of interest to global powers due to proximity to Bab el-Mandeb Strait.
- **Governance:** Has its **own constitution, elected government, parliament, judiciary, currency, and security forces**

Source: Indian Express