



“ We help you reach for the star ”

# **VIDHVATH IAS KAS ACADEMY** & **STUDY CENTRE**

## **DAILY CURRENT AFFAIRS**

**FOR UPSC CIVIL SERVICE EXAMINATION**

**DATE: 08/09/2025 (MONDAY)**



**9972258970 & 9740702455**

**#317/A SKB Arcade, D. Subbaiah Road,  
Ramaswamy Circle, Mysuru-570004**



## **Table of Contents**

1. Soft Tax Nudges, No Scare Tactics – CBIC Approach.....	2
2. UAE, Singapore Anchor India’s Trade Diversification Strategy.....	3
3. India Calls for WTO-Centred Fair-Trade Order.....	4
4. Next Round of India–EU FTA Talks.....	5
5. E-Truck Buyers Skip PM E-Drive Scheme.....	6
6. Russia’s Largest Air Attack on Kyiv.....	7
7. Lunar Eclipse over Bhubaneswar – Blood Moon Phenomenon.....	8
8. Punjab Floods 2025 – Causes and Implications.....	9
9. India’s Changing FDI Trends – A Complex Turn.....	10
10. GST 2.0 and Its Role in Empowering Young India.....	11
11. India-China Border Relations and the 1993–1996 Agreements.....	12
12. Punjab Floods and Agricultural Losses.....	13
13. StartUp Linked Economy and Industry Collaboration.....	14



## 1. Soft Tax Nudges, No Scare Tactics – CBIC Approach

- **Definition – Soft Tax Nudges:** A behavioral policy tool used by tax authorities to encourage voluntary compliance through reminders, gentle prompts, and data-matching, without aggressive enforcement or penalties.
- **CBIC’s New Compliance Strategy:** The Central Board of Indirect Taxes and Customs (CBIC) has directed officials to avoid premature or aggressive enforcement actions. Instead, they will use *data intelligence* and *soft nudges* to ensure better compliance under Goods and Services Tax (GST).
- **Data Matching Between Returns:** CBIC plans to match *Income Tax Returns (ITR)* with *GST Returns* to detect mismatches, particularly focusing on cases of abnormal or excessive Input Tax Credit (ITC) claims, which are a major source of tax evasion.
- **Avoidance of Scare Tactics:** Tax officers are advised against sending early notices or over-relying on UPI/digital payment data for enforcement, as such actions create fear among small businesses. This follows protests in Karnataka where small vendors, including vegetable sellers exempt from GST, received unnecessary notices.
- **Constitutional & Legal Context:**
  - **Article 265** – “No tax shall be levied or collected except by authority of law.”
  - **GST Council (Art. 279A)** – ensures uniformity in indirect taxation across states.
  - **GST Act, 2017** – allows Input Tax Credit but also mandates prevention of fraudulent claims.
  - **Principle of Natural Justice** – taxpayers should not be harassed without proper cause.
- **Policy Implications:** CBIC emphasizes a balance between **revenue collection** and **ease of doing business**, aligning with government’s vision of **trust-based taxation** and reducing compliance burden, especially for small vendors and MSMEs.



### Conclusion:

The CBIC’s strategy highlights a shift from coercive tax enforcement to a compliance-friendly, data-driven approach that builds trust between taxpayers and authorities. By discouraging “scare tactics” and focusing on calibrated interventions, the government aims to strengthen voluntary compliance while avoiding disruption to small businesses.

### UPSC Relevance:

- Important for **GS Paper 3** (Indian Economy – Mobilization of Resources, Taxation, Ease of Doing Business).
- Relevant for **GS Paper 2** (Governance – Transparency & Accountability, Role of Regulatory Bodies).
- Can be used as a case study/example in answers on **Tax Reforms, Cooperative Federalism, Trust-based Governance, and Behavioral Economics in Public Policy**.



## 2. UAE, Singapore Anchor India's Trade Diversification Strategy

- **Context – US Tariff Shock:** India faces a steep **50% tariff** on exports to the US, disrupting supply chains in key sectors like **marine products and textiles**. To mitigate this, the Commerce Ministry is redirecting exports to trusted partners such as **UAE and Singapore**.
- **Trade Diversification Drive:** This situation has accelerated India's **long-desired trade diversification** strategy. Singapore has agreed to raise imports of **farm goods, seafood, eggs, and poultry**, while the UAE is being positioned as an **alternative textile hub**.
- **Economic Data Highlights:**
  - India's marine exports to the US were **\$2.68 bn in FY25**, up from \$2.50 bn in FY24.
  - Textile exports: **\$10.9 bn to the US**, while only **\$2.1 bn to the UAE** in FY25.
  - India-UAE target: **\$100 bn trade by 2030** (excluding oil & precious metals).
- **Policy & Institutional Measures:**
  - High-level trade missions and industry delegations to UAE and Singapore.
  - Use of **Bilateral Trade Agreement (BTA) framework** with the US while simultaneously diversifying.
  - India-UAE **High-Level Joint Task Force on Investments** to strengthen complementarities in pharma, gems, textiles, marine and farm goods.
- **Constitutional & Legal Context:**
  - **Article 301–307:** Freedom of trade and commerce in India.
  - **Foreign Trade (Development and Regulation) Act, 1992:** Provides framework for India's export-import policies.
  - **WTO Principles:** India is bound by Most-Favoured Nation (MFN) and national treatment obligations but can use tariff and non-tariff strategies for diversification.
- **Strategic Implications:** While UAE and Singapore cannot match US consumer demand, they provide **short-term relief** and create **alternative trade avenues**. Experts emphasize that the tariff shock should be used as an opportunity to build **resilient supply chains** and reduce over-dependence on the US market.



**Conclusion:** India's proactive redirection of exports to UAE and Singapore reflects a calibrated trade policy response to external tariff shocks. By leveraging trusted partners and expanding sectoral complementarities, India is moving towards long-term **trade resilience and diversification**.

### UPSC Relevance:

- **GS Paper 2:** International Relations – Bilateral & Regional Trade Relations.
- **GS Paper 3:** Indian Economy – External Sector, Export Promotion, Supply Chain Resilience.
- Useful as a **case study** in answers on **trade diversification, economic diplomacy, WTO & protectionism, and India's export competitiveness**.



### 3. India Calls for WTO-Centred Fair-Trade Order

- **Definition – WTO-Centred Multilateral Trading System:** A rules-based framework under the **World Trade Organization (WTO)** ensuring open, fair, inclusive, and non-discriminatory international trade. It provides mechanisms for dispute resolution, reduction of trade barriers, and special treatment for developing nations.
- **India's Position:** At the **SCO Trade Ministers' Meeting (Vladivostok, Russia)**, India reaffirmed its commitment to a **multilateral trading system with WTO at its core** and urged SCO members to enhance economic cooperation for **resilient and diversified supply chains**.
- **Key Demands Raised by India:**
  - **Permanent solution on public stockholding for food security** (critical for schemes like NFSA and PMGKAY).
  - **Special and Differential Treatment (SDT)** for developing countries to protect their economic interests.
  - **Restoration of WTO's dispute settlement system** (two-tier Appellate Body) to ensure fairness in global trade.
- **Focus on Services & MSMEs:** India emphasized leveraging **services trade** and **temporary movement of skilled professionals (Mode 4 under GATS)** to integrate MSMEs into global value chains, thereby boosting employment and innovation.
- **Constitutional & Legal Provisions:**
  - **Article 38 & 39 (Directive Principles of State Policy)** – promote equitable distribution of resources and social justice in economic policy.
  - **Foreign Trade (Development & Regulation) Act, 1992** – provides statutory backing for India's trade policy.
  - **WTO Agreements (1995)** – legally binding framework governing India's rights and obligations in global trade.
- **Strategic Importance in SCO:** India's call for a WTO-centric order within SCO highlights its role in promoting **multilateralism** amid rising **protectionism and trade wars**. It also strengthens India's ties with Eurasian economies for **supply chain resilience** in critical sectors.



**Conclusion:** India's advocacy of a WTO-centred fair trade order reflects its long-term strategy of defending the interests of developing nations, ensuring food security, and enhancing participation of MSMEs and skilled professionals in global trade. It also positions India as a responsible stakeholder in reforming multilateral institutions.

#### UPSC Relevance:

- **GS Paper 2:** International Relations – WTO, Multilateralism, SCO.
- **GS Paper 3:** Indian Economy – External Sector, Trade Policy, Food Security.



- Useful for answers on **India's trade diplomacy, WTO reforms, SCO's role in regional trade, and challenges to multilateralism in global governance.**

#### 4. Next Round of India–EU FTA Talks

- **Definition – Free Trade Agreement (FTA):** A treaty between two or more economies to reduce or eliminate trade barriers such as tariffs, quotas, and non-tariff restrictions, thereby enhancing market access and investment flows.
- **Current Context:** India and the **European Union (EU)** are set to hold the **13th round of FTA negotiations** in New Delhi (8 September), with discussions moving from preliminary issues to substantive areas such as **non-tariff barriers, market access, and public procurement**. The aim is to conclude the deal by the end of 2025, ahead of the **India–EU Summit in early 2026**.
- **Progress Made So Far:** Out of **23 chapters, 11 have been closed**, covering areas like **intellectual property rights (IPR), trade facilitation, dispute settlement, competition & subsidies, regulatory practices, digital trade, anti-fraud clauses, and sustainable food systems**. Negotiations on **capital movement** are near conclusion.
- **Strategic & Economic Significance:**
  - EU is India's **third-largest trading partner**.
  - The FTA is gaining urgency amid **global tariff wars and US protectionist policies**, with both sides seeking to **de-risk supply chains**.
  - Engagements at the political level (visits by EU Trade Commissioner and Agriculture Commissioner) aim to prevent negotiations from stalling in technicalities.
- **Constitutional & Legal Framework:**
  - **Article 246 & 253:** Union government has exclusive power to legislate on foreign trade agreements.
  - **Foreign Trade (Development & Regulation) Act, 1992:** Governs India's trade policy and empowers the government to enter FTAs.
  - **WTO obligations:** Any bilateral agreement must comply with Article XXIV of GATT (Regional Trade Agreements).
- **Challenges & Issues:**
  - Non-tariff barriers (EU's stringent standards on environment, labor, and sustainability).
  - Sensitive sectors in India such as **agriculture and dairy**.
  - Divergences in **public procurement and digital trade rules**.



**Conclusion:** The India–EU FTA, once concluded, has the potential to significantly boost trade, investment, and strategic relations between the two blocs. However, success will depend on resolving differences in standards, sustainability issues, and sensitive market access areas.

#### UPSC Relevance:

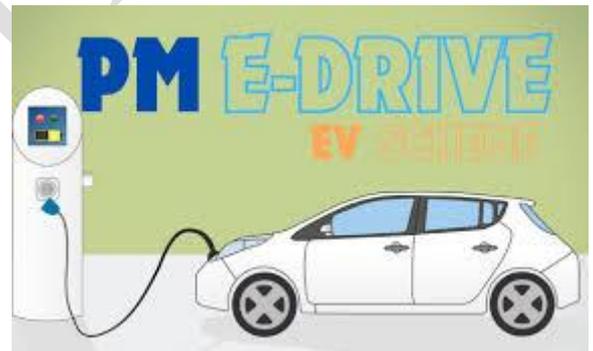
- **GS Paper 2:** International Relations – India–EU relations, bilateral and regional trade negotiations.



- **GS Paper 3:** Indian Economy – External sector, WTO and bilateral trade deals, supply chain resilience.
- Relevant for essays and case studies on **globalization, trade diplomacy, and navigating protectionist trends.**

## 5. E-Truck Buyers Skip PM E-Drive Scheme

- **Definition – PM E-Drive Scheme:** A flagship **₹10,900 crore government initiative** launched to accelerate adoption of **zero-emission electric trucks (e-trucks)** by providing incentives ranging from ₹2.7 lakh to ₹9.6 lakh per truck, calculated at ₹5,000 per kWh of battery capacity. It is the third such scheme after two iterations of **FAME (Faster Adoption and Manufacturing of Electric Vehicles)** from FY15 to FY24.
- **Current Issue:** Despite record sales of **73 e-trucks in August**, not a single purchase availed subsidies under PM E-Drive. The key hurdle is the **mandatory scrappage certificate** requirement—buyers must scrap or purchase proof of scrapping a fossil fuel truck of similar size, but India's truck scrappage ecosystem remains underdeveloped.
- **Environmental Significance:** Diesel trucks form only **3% of India's vehicle fleet**, yet they contribute **around one-third of the country's carbon emissions**. Successful e-truck adoption is thus critical for reducing emissions, improving urban air quality, and meeting India's **net-zero targets by 2070**.
- **Implementation Gaps:**
  - The **₹500 crore earmarked for e-truck incentives** (targeting over 5,600 units) remains unused.
  - **Private financing models** without scrappage mandates (like the **Ease of Doing Business-backed ₹500 crore viability gap funding plan**) are gaining traction, unlike the stricter government scheme.
  - Concerns exist regarding inadequate scrapping infrastructure and compliance burden on buyers.
- **Constitutional & Legal Provisions:**
  - **Article 48A** (Directive Principles): Duty of the state to protect and improve the environment.
  - **Environment Protection Act, 1986:** Legal framework for emission reduction measures.
  - **Motor Vehicles (Amendment) Act, 2019:** Provides for regulation of vehicle scrappage policies.
  - **National Electric Mobility Mission Plan (NEMMP):** Policy umbrella for EV adoption in India.
- **Strategic Importance:** E-truck adoption directly links to **energy security, reduction in oil imports, air pollution control, and achieving SDG 13 (Climate Action)**. Policy misalignment (scrappage mandate vs. inadequate ecosystem) risks slowing progress in the **electric mobility transition**.





**Conclusion:** The faltering start of the PM E-Drive scheme shows a **policy-implementation gap**. Unless scrappage rules are eased or infrastructure is strengthened, the scheme risks underutilization. For success, India must balance **stringent green goals with practical transition pathways**.

#### UPSC Relevance:

- **GS Paper 3:** Environment (pollution control, sustainable development), Economy (infrastructure, transport, energy security).
- **GS Paper 2:** Governance (policy design, implementation bottlenecks).
- Useful for case studies on **climate policy, electric mobility transition, scrappage policy, and public vs. private financing models for green growth**.

## 6. Russia's Largest Air Attack on Kyiv

- **Context – Escalation in Ukraine War:** Russia launched its **largest aerial assault since the 2022 invasion**, deploying **810 drones and decoys along with 13 missiles** against Ukraine, targeting the capital Kyiv and other regions.
- **Impact of the Attack:** Ukraine reported **4 deaths and 44 injuries**, with **747 drones and 4 missiles intercepted**. A key **government headquarters building in Kyiv, housing the Cabinet of Ministers**, was damaged, marking a new escalation as earlier Russian strikes had largely spared central government sites.
- **Military & Strategic Implications:**
  - Russia's use of a massive drone swarm shows the increasing role of **unmanned aerial vehicles (UAVs) in modern warfare**.
  - Despite Ukraine's air defenses, debris and direct hits caused significant disruption at **33 locations nationwide**.
  - The strike signals Moscow's intent to **pressure Kyiv politically and militarily**, especially by targeting administrative infrastructure.
- **International Response & Ukraine's Expectations:** President **Volodymyr Zelenskyy urged the U.S. for a strong response**, highlighting Ukraine's reliance on Western military and financial aid. The attack comes amid shifting global security alignments and debates over NATO support.
- **Constitutional & Legal Aspects (International Law):**
  - **UN Charter, Article 2(4)** prohibits use of force against the territorial integrity of another state.
  - **International Humanitarian Law (Geneva Conventions)** prohibits deliberate targeting of civilian or non-combatant infrastructure.
  - The attack on Kyiv's government headquarters raises questions of **war crimes and violation of sovereignty**.
- **Geopolitical Significance:** The scale of the assault reflects a **prolonged conflict with no near-term resolution**, testing global energy security, food grain supply chains, and the **credibility of multilateral institutions** like the UN in conflict resolution.





**Conclusion:** Russia's unprecedented drone and missile assault on Kyiv marks a dangerous escalation in the war, threatening not only Ukraine's stability but also wider European and global security. The attack underscores the **changing nature of warfare (drones, hybrid tactics)** and deepens the urgency for diplomatic intervention.

#### UPSC Relevance:

- **GS Paper 2:** International Relations – Global conflicts, role of UN, international law.
- **GS Paper 3:** Security challenges, impact of modern warfare technologies (drones, cyber warfare).
- Useful for essays on **Geopolitical instability, challenges to multilateralism, and evolving nature of warfare in the 21st century.**

## 7. Lunar Eclipse over Bhubaneswar – Blood Moon Phenomenon

- **Definition – Lunar Eclipse & Blood Moon:** A **lunar eclipse** occurs when the **Earth comes between the Sun and the Moon**, casting its shadow on the Moon. During a **total lunar eclipse**, the Moon appears reddish (called a **Blood Moon**) due to **Rayleigh scattering** and refraction of sunlight through Earth's atmosphere.
- **Event Details:** On Sunday, a **total lunar eclipse** was visible over Bhubaneswar and across many regions of India. The **total phase began at 11:01 p.m.**, attracting skywatchers across India and abroad.
- **Astronomical Significance:**
  - Confirms Earth's orbital alignment with the Sun and Moon.
  - Provides scientific opportunities to study **Earth's atmosphere** based on light refraction.
  - Unlike solar eclipses, **lunar eclipses are safe to watch with the naked eye.**
- **Cultural & Historical Context:**
  - In Indian tradition, eclipses (Grahan) hold astrological and religious significance, often associated with rituals and fasting.
  - Ancient Indian astronomers like **Aryabhata** provided rational explanations of eclipses, debunking myths of Rahu-Ketu swallowing the Moon.
- **Constitutional & Legal Provisions Related to Science & Education:**
  - **Article 51A(h)** – Fundamental Duty: To develop scientific temper, humanism, and spirit of inquiry.
  - **Indian Institute of Astrophysics Act, 1971** – legal framework for astronomical research.
  - **Planetarium & Science Outreach Programs** under Ministry of Science and Technology to popularize astronomy.
- **Scientific & UPSC Relevance:** Understanding eclipses is part of **basic science, space studies, and geography**. Blood moons also serve as natural laboratories to understand atmospheric composition, contributing to **climate science and space research.**





**Conclusion:** The lunar eclipse over Bhubaneswar, creating a blood moon, reflects both the **scientific marvels of celestial mechanics** and the **cultural significance of astronomy in India**. It emphasizes the need to blend traditional knowledge with modern science to promote a **rational, scientific outlook**.

**UPSC Relevance:**

- **GS Paper 1:** Geography – Celestial phenomena, astronomy in Indian tradition.
- **GS Paper 3:** Science & Technology – Space research, atmospheric studies.
- Useful for essays on **scientific temper, blending tradition with science, and India's astronomical heritage**.

## 8. Punjab Floods 2025 – Causes and Implications

- **Scale of Disaster:** Punjab is experiencing its worst floods in five decades, impacting nearly 4 lakh people, causing 48 deaths, affecting 2,000 villages, and inflicting an estimated loss of ₹13,000 crore. Standing crops on **1.72 lakh hectares** have been damaged, alongside major livestock losses, pushing the agrarian economy into crisis.
- **Natural and Human Factors:** While **heavy monsoon rains (53% above normal)** and overflowing rivers like the Sutlej, Ravi, and Beas are immediate triggers, human activities—such as **blocked drainage, encroachments on natural water channels, unregulated construction, and rampant sand mining**—have aggravated the crisis.
- **Climate Change Dimension:** Scientists highlight the **Arabian Sea warming**, leading to excessive moisture and abnormal rainfall. The **IMD confirms changing weather patterns** with erratic and non-uniform rainfall in Punjab. Global warming is seen as a primary factor behind intensified rain events, making such floods the "new normal."
- **Flood Management Challenges:** Embankments and reservoirs built in earlier decades have weakened due to neglect and illegal mining. Unscientific construction along riverbanks obstructs natural water flow. The **Flood Preparedness Guidebook 2024** underscores both heavy monsoon rains and man-made factors as recurring drivers of floods.
- **Legal and Constitutional Framework:**
  - **Article 21:** Right to life includes protection from environmental hazards.
  - **Article 48A & 51A(g):** Duty of State and citizens to protect the environment and natural resources.
  - **Disaster Management Act, 2005:** Mandates national, state, and district disaster management authorities for preparedness and relief.
  - **Environment Protection Act, 1986** and **Water (Prevention & Control of Pollution) Act, 1974** provide legal tools against ecological degradation.
- **Policy and Governance Issues:** State officials blame insufficient central funds (pending dues of ₹60,000 crore), while the Union attributes floods to **illegal mining and weak enforcement**. Experts emphasize the need for **integrated water resource management, dam regulation, climate adaptation strategies, and stricter land-use laws**.





**Conclusion:** Punjab's floods reflect a dangerous convergence of **climate change and unsustainable human activities**, threatening the food security of India's grain bowl. Strengthening disaster resilience, sustainable river basin management, and climate-responsive policies are urgent imperatives.

#### UPSC Relevance:

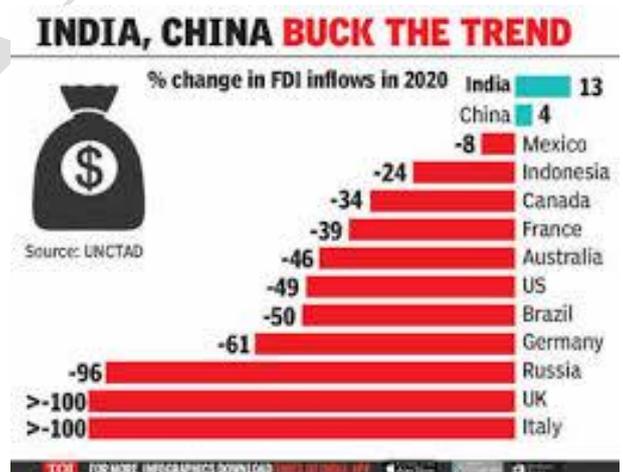
- **GS Paper 1:** Geography – Floods, climate change, monsoon patterns.
- **GS Paper 2:** Governance – Centre-State relations in disaster management, institutional mechanisms.
- **GS Paper 3:** Environment & Disaster Management – Legal framework, adaptation, climate resilience.
- **Essay:** Topics on climate change, environmental governance, and sustainable agriculture.

## 9. India's Changing FDI Trends – A Complex Turn

- **Definition of FDI:** *Foreign Direct Investment (FDI)* refers to investment by a foreign entity into business interests in another country, typically through ownership, management control, or long-term interest. It is distinct from FPI (Foreign Portfolio Investment), which is short-term and market-driven.
- **Recent Trends:** India attracted **\$81 billion in gross FDI inflows in FY 2024-25** (up 13.7%), but **net inflows declined sharply** due to heavy **disinvestments (\$51.4 billion in FY 2024-25)** and **outward FDI by Indian firms (\$29.2 billion)**. After accounting for outflows, India retained only **\$0.4 billion** in net FDI, reflecting weakening investor confidence.

- **Shift in Investment Patterns:**

- Manufacturing's share in FDI has dropped to **12%**, while services, hospitality, energy distribution, and financial sectors dominate.
- Traditional long-term sources like the U.S., U.K., and Germany have reduced investments.
- Mauritius and Singapore remain key routes, raising concerns of **tax arbitrage and treaty shopping** rather than genuine industrial investment.



- **Structural Challenges:** Outflows highlight **regulatory inefficiencies, policy unpredictability, infrastructure gaps, and legal opacity** in India. Indian companies increasingly prefer investing abroad in developed markets with **stable tax regimes and better ease of doing business**.
- **Economic Implications:** Declining FDI net inflows hurt **industrial growth, job creation, technological innovation, and balance of payments stability**. Short-term profit-seeking inflows weaken India's **long-term economic resilience**. The RBI has cautioned about external account vulnerabilities due to this imbalance.
- **Legal & Constitutional Provisions:**
  - **Article 301:** Freedom of trade, commerce, and intercourse within India.
  - **Article 303:** Restriction on discriminatory trade practices by the State.



- **Article 304:** States' power to regulate trade for public interest.
- **FDI Policy** (regulated by DPIIT under the **Foreign Exchange Management Act, 1999**).
- **Make in India & Atmanirbhar Bharat** aim to channel FDI towards manufacturing and long-term sectors.

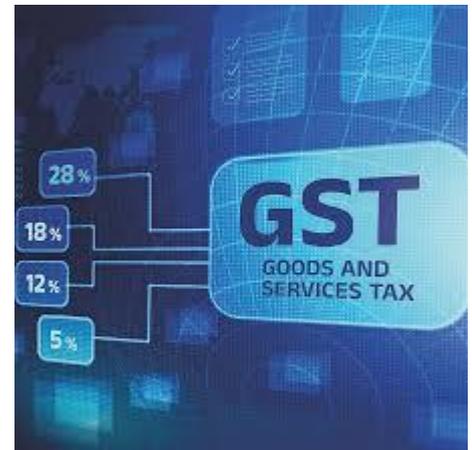
**Conclusion:** India's FDI story shows a **paradox**—rising gross inflows but declining net inflows due to heavy withdrawals and outward investments. The challenge lies in **retaining capital** and channeling it into **manufacturing, infrastructure, and technology** rather than short-term profit sectors.

#### UPSC Relevance:

- **GS Paper 2:** Policy, governance, Centre–State trade regulation, ease of doing business.
- **GS Paper 3:** Economy – FDI trends, balance of payments, industrial development, reforms.
- **Essay:** Globalization vs Atmanirbhar Bharat, FDI quality vs quantity.
- **Prelims:** FDI definitions, FEMA, automatic vs approval route, trends in sectoral inflows.

## 10. GST 2.0 and Its Role in Empowering Young India

- **Definition and Context:** *Goods and Services Tax (GST)* is a unified indirect tax system introduced in 2017 to replace multiple cascading taxes. *GST 2.0* refers to the proposed reform with simplified rates, reduced burden on essentials, and exemptions on critical services like insurance—aimed at strengthening affordability and boosting household purchasing power.
- **Strengthening Household Consumption:** Private consumption forms **over 60% of India's GDP**, making it the strongest growth driver. GST 2.0 reduces tax burdens on essentials, improves disposable income, and creates a multiplier effect where enhanced affordability fuels broader demand for goods and services, thereby boosting macroeconomic growth.
- **Relief for Youth and Families:** By exempting GST on health and life insurance and lowering taxes on essentials, the reform helps young households managing EMIs, healthcare, and education expenses. This encourages **financial protection and insurance penetration**, reducing vulnerability to health or financial shocks, and aligns fiscal policy with household security.
- **Boost to MSMEs and Entrepreneurship:** MSMEs, employing **110 million people**, benefit from simplified compliance and reduced tax friction. GST 2.0 promotes formalization, improving access to credit, visibility in supply chains, and scalability. This directly empowers young entrepreneurs and strengthens India's job-creating base.
- **Virtuous Cycle of Growth:** Lower tax burdens enhance affordability → higher demand → increased investments → more jobs → further consumption. GST 2.0 nurtures this cycle, ensuring sustainable and inclusive growth. Predictability in the tax system also builds trust among citizens and entrepreneurs for long-term financial planning.
- **Constitutional and Legal Framework:**
  - **Article 246A:** Empowers Parliament and State Legislatures to make laws on GST.
  - **101st Constitutional Amendment Act, 2016:** Introduced GST framework.





- **GST Council (Article 279A):** Federal institution for cooperative decision-making on tax structure, exemptions, and rates.
- GST 2.0 would be implemented under this same constitutional mechanism.

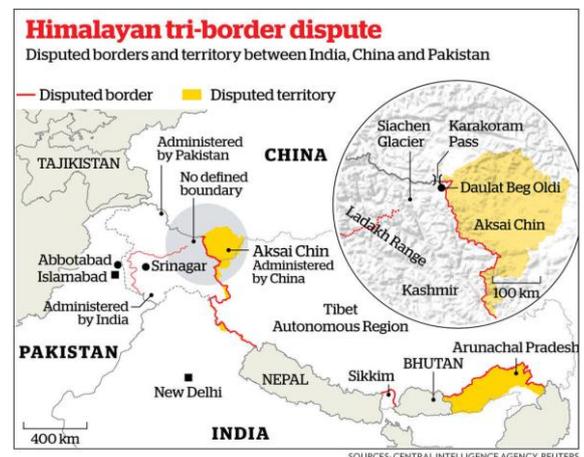
**Conclusion:** GST 2.0 goes beyond tax rationalization—it directly links fiscal reform with **India's demographic dividend**, supporting household affordability, financial resilience, and entrepreneurial growth. By making the economy more predictable, inclusive, and consumption-driven, it lays a stronger foundation for sustainable development.

#### UPSC Relevance:

- **GS Paper 2:** Governance, fiscal federalism, cooperative federalism (GST Council).
- **GS Paper 3:** Indian economy, consumption-driven growth, MSME sector, tax reforms.
- **Essay:** “Harnessing India’s demographic dividend through fiscal reforms.”
- **Prelims:** Constitutional provisions related to GST (Articles 246A, 269A, 279A), GST Council functions, and tax exemptions.

## 11. India-China Border Relations and the 1993–1996 Agreements

- **Background and Context:** India-China relations post-1962 war remained tense until the thaw initiated by Rajiv Gandhi’s 1988 Beijing visit. Political instability in India delayed progress, but under P.V. Narasimha Rao’s government (1991–96), talks resumed. Six rounds of the Joint Working Group (JWG) between 1988–1993 led to confidence-building steps such as reopening trade, military-level dialogue, and consular exchanges.
- **Border Peace and Tranquillity Agreement (BPTA), 1993:** Signed during PM Narasimha Rao’s 1993 visit to Beijing, this **nine-article agreement** formally referred to the *Line of Actual Control (LAC)* for the first time. Key provisions: (a) disputes to be resolved peacefully without use of force, (b) both sides not to overstep the LAC and withdraw if cautioned, (c) minimal forces to be maintained near LAC, with reduction based on *mutual and equal security*.
- **1996 Agreement on Military CBMs:** Signed during Jiang Zemin’s visit to New Delhi, it expanded on the 1993 pact. Key measures: (a) reduction/limitation of troops, tanks, artillery, and missiles, (b) prohibition of large-scale military exercises near LAC, (c) commitment not to use force, (d) exchange of maps to clarify LAC alignment. Article X stressed that successful implementation required a *common understanding of the LAC alignment*.
- **Failure to Define the LAC:** Despite initial exchanges of maps (Central sector in 2000, Western sector in 2002), both sides rejected each other’s maximalist claims. Efforts to clarify the LAC were abandoned by 2005. Result: disputes in areas such as **Depsang, Pangong Tso, Demchok, Chumar** persisted, leading to recurring standoffs—including the 2020 Ladakh crisis.
- **Constitutional & Legal Context:**
  - *Article 51(c), Directive Principles:* India shall promote international peace and security.





- *Article 73 & 246*: Union Government's power over foreign affairs and defense.
- *War & Peace*: Only Parliament can declare war or approve treaties (Article 246 read with Union List, Seventh Schedule).
- Agreements like BPTA & CBMs are executive agreements within this constitutional framework.
- **Significance and Challenges**: The 1993 and 1996 agreements aimed to “freeze” the situation along the LAC and promote peaceful engagement while postponing a final border settlement. However, the absence of a mutually agreed definition of the LAC ensured persistent friction, undermining trust and leading to periodic face-offs.

**Conclusion:** The BPTA (1993) and CBM Agreement (1996) were landmark steps that institutionalized peace mechanisms and introduced the concept of the LAC into bilateral diplomacy. However, the inability to define the border and the failure to exchange maps left the agreements incomplete. The legacy continues to affect India-China relations, as seen in recent standoffs.

#### UPSC Relevance:

- **GS Paper 2**: International Relations, India-China relations, border agreements, confidence-building measures.
- **GS Paper 3**: Internal Security challenges, impact of unresolved borders on national security.
- **Essay**: “Peace and tranquillity on borders is a prerequisite for India's economic and strategic rise.”
- **Prelims**: Facts on BPTA (1993), CBM Agreement (1996), first reference to LAC, role of Joint Working Group.

## 12. Punjab Floods and Agricultural Losses

- **Scale of the Disaster**: Punjab has faced one of its worst floods in decades, with nearly **2,000 villages across 18 out of 23 districts** affected. Over **4 lakh people** were impacted and **46 deaths** reported. Major rivers—**Sutlej, Ravi, and Beas**—were in spate, damaging **1.72 lakh hectares of farmland**, especially in Gurdaspur, Amritsar, Mansa, Ferozepur, and Fazilka.
- **Agricultural Impact**: Farmers report that nearly **30% of the paddy crop** has been destroyed, with submerged fields becoming unsuitable for the upcoming **wheat sowing season (Rabi crop)**. Floods have left behind **muck, debris, and waterlogging**, making timely sowing difficult and threatening lower yields. Livestock losses further aggravated the crisis.
- **Economic Consequences**: Farmers' organizations, including **Samyukt Kisan Morcha (SKM)** and **Bharatiya Kisan Union (BKU)**, demand **₹70,000 per acre compensation**, waiver of loans, and recognition of the floods as a **national disaster**. Farmers argue that delayed or inadequate relief will worsen indebtedness and agrarian distress in the state.
- **Policy and Legal Framework**:
  - **Disaster Management Act, 2005** empowers the National and State Disaster Management Authorities to declare disasters and provide relief.





- Relief assistance is usually provided under the **State Disaster Response Fund (SDRF)** and **National Disaster Response Fund (NDRF)**, with contributions from both Centre and State.
- **Article 246 (Union List, Entry 56)** empowers the Union to regulate inter-state rivers, relevant here as Ravi, Sutlej, and Beas originate beyond Punjab.
- **Article 48 (Directive Principles)** emphasizes modernizing agriculture and animal husbandry—relevant to rehabilitation efforts.
- **Definition – National Disaster:** While the Disaster Management Act does not explicitly define “national disaster,” the term is used when the scale of devastation requires **extraordinary central assistance** and coordinated multi-state relief. Farmer groups demand such a declaration for Punjab, Himachal Pradesh, J&K, Uttarakhand, and Haryana.
- **Long-term Concerns:** Repeated floods highlight Punjab’s **climate vulnerability, weak embankments, and poor river management**. The twin challenge is immediate relief and **restoration of agricultural viability** before the Rabi season, failing which food security and rural economy may be affected.

**Conclusion:** The Punjab floods underline the fragility of India’s agrarian economy against climate shocks. Beyond immediate compensation, structural reforms in flood management, crop insurance, and sustainable river basin planning are necessary. Relief must also address the risk of **delayed Rabi sowing and agrarian indebtedness**.

#### UPSC Relevance:

- **GS Paper 1:** Geography – floods, river systems, and disaster impact.
- **GS Paper 2:** Governance – Disaster Management Act, Centre-State responsibilities.
- **GS Paper 3:** Agriculture, food security, climate change adaptation.
- **Essay:** “Climate change and agrarian distress – challenges of resilience and adaptation.”
- **Prelims:** Provisions of SDRF/NDRF, key rivers of Punjab, and crops of Kharif (paddy) and Rabi (wheat).

### 13. StartUp Linked Economy and Industry Collaboration

- **Concept of StartUp Linked Economy:** Union Minister Dr. Jitendra Singh emphasized that India’s **future growth will rely on a “StartUp linked economy”**, where innovation from campuses is connected with industry for funding, scalability, and market access. The idea moves beyond symbolic support to structured **industry-linked entrepreneurship**.
- **Sectoral Diversification:** While India’s StartUp ecosystem began in IT and digital sectors, future growth lies in **agriculture, biotechnology, ocean resources, and space technology**. Government initiatives and public–private collaboration in these sectors have already yielded visible results.
- **Regional and Social Dimensions:** North India has lagged in StartUp participation compared to southern and western regions. Initiatives like **Chandigarh University Campus Tank** aim to bridge this gap. Importantly, nearly **60% of registered StartUps are women-led**, reflecting inclusivity and empowerment in India’s innovation landscape.
- **Global Recognition:** India has made significant strides in innovation, rising from **81st to 39th rank in the Global Innovation Index within a decade**. Patent filings are increasingly dominated by



resident Indians, reversing earlier dependency on foreign filings. This strengthens India's **knowledge economy**.

• **Policy and Legal Framework:**

- **Startup India Initiative (2016)** under the Ministry of Commerce promotes innovation through tax incentives, easier compliance, and funding support.
- **Atal Innovation Mission (AIM)** fosters innovation hubs and incubators across educational institutions.
- **Article 19(1)(g)** of the Constitution guarantees freedom of trade and occupation, forming the legal foundation for entrepreneurship.
- **Patents Act, 1970** (amended) provides protection for intellectual property, crucial for start-up innovation.

- **Institutional Mechanisms:** The government encourages industry-academia collaboration through schemes like **SIDBI Fund of Funds, Biotechnology Industry Research Assistance Council (BIRAC), and Technology Development Fund (DRDO)**. These promote **financial viability, R&D support, and commercialization of ideas**.



**Definition – StartUp Linked Economy:** An economy where **start-ups are structurally integrated with industry** for funding, scaling, and market sustainability, ensuring that innovation translates into enterprise and job creation.

**Conclusion:** The focus on a **StartUp linked economy** reflects India's transition from a service-driven model to an **innovation and industry-driven economy**, crucial for achieving the vision of a **Developed India by 2047**. Inclusive participation, sectoral diversification, and industry linkages will be key drivers.

**UPSC Relevance:**

- **GS Paper 2:** Governance – StartUp India, industry-academia linkages, women empowerment.
- **GS Paper 3:** Economy – innovation, MSMEs, industrial policy, knowledge economy.
- **GS Paper 1:** Role of women in development, regional disparities.
- **Essay:** “Start-ups as engines of inclusive and sustainable growth.”
- **Prelims:** Global Innovation Index, Startup India scheme, Patent Act provisions.