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PM Modi makes strong pitch for self-reliance

The Hindu | Page 1 | Subject: GS3 (Economy & Internal Security)

Context

PM Modi's Independence Day speech focused on India's push for self-reliance, announcing major economic and security reforms, and addressed concerns over border demographics.

Economic Reforms

- **Self-Reliance in Economy:** India's self-reliance is not about foreign reserves but the nation's own capacity, emphasizing atma samman (self-respect) and Atmanirbharta (self-reliance).
- **MSME Reforms:** Reduction in compliance costs for medium, small, and micro enterprises (MSMEs), aiming to ease legal burdens and boost job creation.

PM Modi makes strong pitch for self-reliance

PM's Independence Day address peppered with announcements of economic and other reforms

PM highlights the successful use of Indian arms and weapon systems during Operation Sindoor

Announces mission to check the 'conspiracy to change the demography' of border regions

Nistula Hebbar
NEW DELHI

Prime Minister Narendra Modi made a strong pitch for self-reliance in his Independence Day address, with policy prescriptions for economic- and security-related reforms. For any nation, even today, the yardstick of *aatma samman* (self-respect) remains *aatmanirbharta* (self-reliance), he said, also using the speech to warn of a conspiracy to change the country's demographic make-up.

The speech was peppered with substantive announcements on reforms, which Mr. Modi presaged by stating that "self-reliance is not limited to import-export, rupees, pounds or dollars, but [is] linked to our own strengths and capabilities". The speech gains significance in the context of the 50% tariff on Indian goods announced by U.S. President Donald Trump, and included an oblique reference to the consequent challenges faced by India. Mr. Modi said that

Key announcements

Prime Minister Narendra Modi, in his Independence Day address, announced economic- and security-related reforms, and emphasised self-reliance. Highlights from the speech:



Mission Sudarshan Chakra
India will be building an air defence system by 2035 to not only shield military and civilian areas but also to strike back in a precise, targeted manner

Pradhan Mantri Viksit Bharat Rozgar Yojana
The scheme would give a one-time grant of ₹15,000 to first-time employees in the private sector and incentives to the private sector to create employment

Nuclear energy capacity
India will aim at increasing its nuclear energy capacity 10-fold via its 10 nuclear energy plants by 2047

Made-in-India semiconductors
India will launch 'Made-in-India' semiconductor chips by the end of 2025

PHOTO: SUSHIL KUMAR VERMA

India needed to be bigger by its own strength, not by trying to reduce the footprint of another country, adding that the "economic greed of some countries is evident", without naming names.

Pillar of development
Starting with the deployment of Indian arms and weapons systems during Operation Sindoor, which he said had perplexed the enemy, Mr. Modi emphasised that self-reliance in the defence and economic spheres is the cornerstone of a developed India.

The Prime Minister announced two major task forces, one to initiate second generation reforms of the Goods and Services Tax (GST) regime, eight years after its introduction, and a high powered task force for next generation economic reforms.

"You [Indians] will get a Diwali gift, the task force

on second generation GST reforms will result in major relief in prices of essential goods," he said. In a bid to boost employment generation, he said the government would create a new corpus of ₹1 lakh crore, the Pradhan Mantri Viksit Bharat Rozgar Yojana, which would give a ₹15,000 one-time grant to first-time employees in the private sector, and incentives to the private sector to create employment.

The government also aims to reduce the compliance cost for medium, small, and micro enterprises (MSMEs), hoping the relief from fear of arbitrary legal actions will give a fillip to a sector that creates jobs.

"India will launch 'Made-in-India' semiconductor chips by the end of 2025," Mr. Modi said. He emphasised the need for innovation in AI, cyber security, deep-tech, and operating systems for global competitiveness. Six semiconductor units are already on the ground, and four new units have been given the green signal, he said.

The Prime Minister declared that India would build a "Sudarshan Chakra" shield weapon system by 2035. This will not just protect military and civilian areas but will allow India to strike back in a precise, targeted manner, underscoring the country's commitment to strategic autonomy.

Demographic mission
Mr. Modi made a mention of the anti-Naxal operations especially in Chhattis-

garh where he said terror corridors had now become green corridors. He did, however, warn of a "conspiracy to change the demographic character" of the country, especially in border areas.

He announced the establishment of a High Powered Demographic Mission to deal with the challenges posed by this issue. "Infiltrators are snatching away the livelihood of the youth and are targeting the sisters and daughters of my country. They mislead innocent tribals and capture their land. The country will not tolerate this. When demographic change takes place in border areas, it causes a threat to national security," he said.

Repeating that he would stand like a wall between the world and the interests of Indian farmers, a reflection on U.S. demands in its tariff negotiations with India, the Prime Minister said the need of the hour was to reduce fertilizer dependency on other countries.

Noting that a major part of India's Budget was con-

cerned with procuring fuel and energy from other countries, he said that India would aim, by 2047, to increase its capacity of nuclear energy 10-fold via its 10 nuclear energy plants.

Self-reliance in critical minerals was also flagged by Mr. Modi, with the launch of the National Critical Minerals Mission, to explore 1,200 sites where such minerals are to be found.

Praise for RSS

The Prime Minister singled out the Rashtriya Swayam-sewak Sangh, the ideological mothership of the BJP and the Sangh Parivar, for praise.

As the organisation nears its century mark, he called it a golden page of Indian history devoted to service, "probably the largest NGO in the world."

The address also made history for its 103-minute duration, being the longest August 15 speech by any Prime Minister of independent India, and also breaking Mr. Modi's own 98-minute record during the 78th Independence Day last year.

- **GST Reform:** Announcement of second-generation GST reforms, which are expected to provide major price relief for goods.
- **Employment Scheme:** Pradhan Mantri Viksit Bharat Rozgar Yojana, offering a one-time grant of ₹15,000 for new first-time employees in the private sector to facilitate employment generation.
- **Semiconductor Mission:** Launch of “Made-in-India” semiconductor chips by the end of 2025 to boost indigenous technological capacity.
- **Nuclear Energy Capacity:** Target to increase nuclear energy capacity tenfold by 2047, aiming to have 10 nuclear plants running 24/7.
- **Critical Minerals Mission:** National Critical Minerals Mission announced to explore 1,200 important sites for strategic minerals needed for industry and technology.

Defence-Related (Internal Security) Reforms

- **Indigenous Arms and Mission Sudarshan Chakra (Air Defence Shield weapon system by 2035):** Success of Operation Sindoor highlighted through use of Indian-made arms and weapon systems, especially the Sudarshan Chakra, representing advancement in air defence capabilities.

- **High Powered Demographic Mission:** Establishment of a mission to address the “conspiracy” to change border region demographics.

Major GST shake-up: 12% and 28% slabs to be axed

T.C.A. Sharad Raghavan
NEW DELHI

The Centre has proposed to reduce the number of slabs under the Goods and Services Tax (GST) system, retaining the 5% and 18% slabs, while introducing a lower concessional rate below 1% and a high "sin rate" of 40% on just five to seven items each, according to official sources.

This would mean eliminating the 12% and 28% tax brackets entirely. Of these, 99% of items currently in the 12% slab will be moved to the 5% rate, and 90% of goods and services in the 28% bracket will be moved to 18%. There will be no additional cess levied over and above the GST rates.

These reforms would be part of a "Deepavali gift" from the Centre in the form of the "next-generation GST reforms", Prime Minister Narendra Modi announced during his Independence Day speech at Delhi's Red Fort on Friday.

"There will, of course, be a hit to revenue, but it will not be so huge as to materially affect the fiscal deficit," an official source said. "The thinking is that the lower rates will increase consumption, reduce evasion, and widen the tax net, leading to higher revenues by the end of the financial year."

The Ministry of Finance, in a press release issued soon after the speech, said that the Centre has sent its proposal on GST rate rationalisation and reforms to the Group of Ministers,

Rate revisions

The 12% and 28% GST slabs will be done away with soon. Of these, 99% of items currently in the 12% slab will be moved to the 5% rate and 90% of goods and services in the 28% bracket will move to 18% slab

CURRENT SLABS

- 0.25% (diamonds & semi-precious stones)
- 3% (jewellery & precious metals)
- Apart from these, the slabs were 5%, 12%, 18%, 28% and compensation cess

PROPOSED SLABS

- Less than 1% (only items earlier in 0.25% and 3% slabs)
- Apart from this, the main slabs will be 5%, 18%, with a 40% rate applicable on only five to seven "sin" goods

which has been constituted by the GST Council to examine the issue.

It added that the GST Council would deliberate in its next meeting – likely be held in September or October, according to sources – on the recommendations of the GoM and would strive to implement the bulk of the reforms within this financial year. The Centre would be engaging with the States over the next few weeks to achieve a consensus on these reforms.

Revenue impact

According to sources, the 28% tax slab currently accounts for 11% of the revenue from the GST, the 12% slab accounts for 5%, and the 5% slab accounts for 7% of the revenue. The bulk of the revenue – around 67% – comes from the 18% slab.

The Centre has also proposed that the rates on aspirational items, such as white goods, would be reduced. Air conditioners are currently taxed at 28%,

which will see a reduction, while other white goods currently taxed at 18% could potentially see their rates reduced as well.

"A few years ago, the Reserve Bank of India calculated that the average GST rate in India had settled at 11.6%, which will now substantially come down," the sources explained.

They added that there would be only five to seven "sin goods", such as tobacco and gutka, in the 40% category, while the concessional rate of less than 1% would apply to the few items that are taxed below 5% and above 0%.

Other reforms

To promote "ease of living", the Centre has proposed using technology to speed up and ease the GST registration process and implement pre-filled returns, thus reducing manual intervention and eliminating mismatches, while refunds could be processed in a faster and more automated manner.

Major GST shake-up: 12% and 28% slabs to be axed

Source: The Hindu | Page 1 | GS3 (Economics)

Context

The Central government has announced a major reform to simplify India's Goods and Services Tax (GST) system. This aims to rationalise tax rates, reduce complexity, and benefit consumers and industries by lowering the number of GST tax brackets.

Three Keywords

GST Council

- A constitutional body under Article 279A that decides GST structure and rates across India.
- Chaired by the Union Finance Minister, with state finance ministers as members.
- Holds periodic meetings to review and amend GST provisions.

Sin Rate

- A highest GST rate (proposed 40%) levied on select "sin goods" that cause negative externalities for society, such as tobacco and gutka.
- Designed to discourage consumption due to health and social costs.



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White Goods

- Large household appliances like air conditioners, refrigerators, washing machines, and dishwashers.
- Classified as aspirational items; currently in the 28% GST slab, set to move to 18% under the propos

Article Summary

- The Centre's new proposal under the GST system recommends retaining only the 5% and 18% tax slabs, while scrapping the 12% and 28% slabs entirely.
- Most items (99%) currently in the 12% slab would move to 5%, and 90% of goods now taxed at 28% would move to 18%. No extra levies will be imposed.
- A very low GST rate (<1%) will apply only to select items (diamonds, semi-precious stones), while a high "sin rate" of 40% will apply to only five to seven goods considered harmful (like tobacco and gutka).
- Rates on aspirational items, mainly white goods such as air conditioners, would be reduced from the current 28%.

- The expected outcome is lower consumer prices, reduced tax evasion, an increased tax base, and only a moderate hit to fiscal revenue.
- The GST Council will discuss and likely deliberate on these reforms in September or October. States will be engaged for consensus.
- The Centre also intends to use technology for easier GST registration, quicker refunds, and reduced manual intervention, promoting greater ease of living.

This GST reform aims to make taxation simpler, fairer, and more growth-oriented, with special attention to both consumer welfare and fiscal efficiency.

Discussion the rationale for introducing Good and services tax in India. Bring out critically the reasons for delay in roll out for its regime.

(PYQ 2013)

Enumerate the indirect taxes which have been subsumed in the Goods and Services Tax (GST) in India. Also, comment on the revenue implications of the GST introduced in India since July 2017.

(PYQ 2019)

Explain the rationale behind the Goods and Services Tax (Compensation to States) Act of 2017. How has COVID-19 impacted the GST compensation fund and created new federal tensions?

(PYQ 2020)



The politics of insurgency, the decline of Naxalism

Across history, making predictions has been a hazardous task. Nevertheless, leaders of all types continue to make predictions, only a few of which turn out to be true. In today's world, where Artificial Intelligence (AI) is leading to more uncertainty, making predictions has become still more hazardous. For most of history, the safest prediction has been that things will continue to be much as they are. Political leaders should heed this.

A case of contrasts

A concern across the world is that a quarter of century after the September 11, 2001 attack on the Twin Towers in New York, the threat of terrorism, far from receding or abating, still remains alive. Many instances of 'copycat killings' continue to take place. There has also been a spurt in Islamic State (IS)-inspired vehicle ramming of late, the most publicised case being the one which took place in New Orleans, U.S. on January 1 this year. Well before the New Orleans attack, the IS had orchestrated and inspired several other attacks of a similar nature across Europe. Counter-terrorism experts believe that Jihadist groups were only beginning to intensify their terror attacks in several countries. Online campaigns were, meanwhile, inciting more 'lone wolf' attacks. Alongside this, anti-Israel protests in many parts of the world, seemed to provide more grist to IS and al-Qaeda-sponsored terror campaigns.

Doomsday predictions that tomorrow's terrorists will be even involved in more sanguinary campaigns than earlier ones are emerging. This is thanks to the advent of AI. The warnings are that AI-enabled terrorists, together with terrorists, are gaining access to 'bio weapons', which could lead to the killing of thousands. Another given prediction is that misaligned AI could break free of all human control to unleash unthinkable harm on society and the world at large.

The scenario above is, however, very different from what is being seen in India of late, which features a declining curve in militancy, at least of ideologically-oriented terrorism. The accepted wisdom is that the current declining curve of Naxalite or Maoist violence heralds an end to ideological terrorism in the country. A normally taciturn Union Home Minister himself indicated that the end of Naxalism is near, and that mid-2026 would mark the final demise of Naxalite violence. If so, it would spell the end of what was once perceived to be a vibrant, ideologically-driven, militant movement which, in its heyday, had captured the imagination of youth and intellectuals, and also energised what philosopher Frantz Fanon had referred to as the 'wretched of the earth', viz., tribals in the deepest forests and the 'urban poor' in the cities. Till now, however, what had been witnessed were several 'false dawns' (as for instance towards the end of 1970s and at least twice thereafter prior to the



M.K. Narayanan

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Doomsday predictions about tomorrow's global terrorists are very different from what is being seen in India of late – a declining curve in militancy, or ideologically-oriented terrorism

end of 20th century). The elimination of Naxalite violence had, however, never been officially pronounced till date.

The revolutionary fervour seemed to evaporate all too soon. Even while revolutionary leaders such as Charu Mazumdar, Kanu Sanyal, Satyanarayan Singh, and Kondapalli Seetharamaiah were being extolled, the movement had slowly started losing much of its sheen, degenerating into mindless violence – initially in the urban areas, but soon thereafter even in the interior jungles of the country. A once integrated revolutionary movement soon split into separate regional entities, though the Communist Party of India (Marxist-Leninist) remained for quite some time, the leading light of the movement. An all-India fervour was markedly absent, and the movement became centered around the hilly and forested regions of central India, especially in States such as Andhra Pradesh, Maharashtra and Chhattisgarh.

The promise of a 'Spring Thunder Over India' in the early 1960s, had, no doubt, attracted some of the best and the brightest of the generation at the time, who were fired by a revolutionary zeal (following the successful revolutions in China and other parts of the world, including South America). The heroes of the time were revolutionaries such as China's Chairman Mao, Vietnam's Ho Chi Minh, and South America's Che Guevara and the like. Even as Charu Mazumdar of Bengal was being hailed as 'the new Messiah', the resounding slogan was 'China's Chairman is our Chairman'. Yet, the early promise has begun to be dispelled.

The campaign against Naxalism

Beginning in 2024, and under directions from the Union Home Minister, a sustained offensive was launched against militant Naxalite groups in different States. The data on Naxalites killed in encounters vary, but it is generally accepted that a few thousands were eliminated. Police chiefs in the worst Naxalite-affected areas have provided their own counts of the numbers of Naxalites eliminated or killed. But perhaps, the most authentic figure on the numbers could be found in a booklet released by the once banned CPI (Maoist), which admitted that during the past year alone, 357 Naxalites had been killed in encounters with security forces across the country. Among the killed, according to this report, more than a third belonged to the women's cadre.

The epicentre of violence was the Dandakaranya region which spans parts of Bastar district in Chhattisgarh, Gadchiroli in Maharashtra and several areas of Odisha and Andhra Pradesh. The shrinkage of territory was compounded by internal bickerings and a series of leadership crises since the removal of M. Lakshman Rao alias Ganapathi in 2018.

On the surface, the war on Naxalism might seem to parallel United States President Donald Trump's 'war on terror', launched soon after he

took over as President for a second term. Yet, there are marked differences. The U.S. President's offensive was launched not so much against ideologically inspired militants or terrorists, but against those elements who did not believe in any ideology other than that of attacking the 'great Satan'. The offensive launched by the U.S. was, hence, markedly different from that employed in India, where Naxalites lived and identified closely with villagers and their ilk. The use of brute force was not seen till recently as the answer, except in exceptional circumstances. To compare the U.S. President's attacks against Jihadists in Somalia and Yemen – based on the logic that Jihadist groups were plotting against the U.S. – with the tactics employed by the Indian security forces against Naxalites would, hence, be an error. There were, and still exist, many checks and balances in the Indian context on the use of deadly force, even against adversaries who believe in overthrowing the established order through violence.

The campaign against Naxalites and Naxalite violence, has, by and large, been conducted along certain well-defined lines. Preventing revolutionary groups, however high-minded they may proclaim to be, and irrespective of the grievances they have, from disturbing the established order has, however, been the set objective of whichever government has/governments have been in power in Delhi or in the States. Admittedly, the original Naxalites were filled with revolutionary fervour and were intent on putting in place a more democratic order. However, having failed to achieve their objective, they soon began to resort to indiscriminate violence. Having said this, it is also true that even while they resorted to indiscriminate violence, most groups retained a veneer of ideology.

A new term

The distinction is important and vital. Currently, the misuse of the term 'urban naxals' has given a distorted view of the original Naxalite movement. The origin of the 'Spring Thunder Over India' initiated in the late 1960s, was based on certain principles, however misdirected these might have been. The Marxist-Leninist Movement also had a well-defined structure and a robust philosophy. While not denigrating today's 'urban naxals', the latter seem, at least for the present, to be a loose-knit group of intellectuals who are opposed to the actions of the administration and the government on several policy aspects. Today's 'urban naxals' have little in common with the original Naxalites.

Wrong classification could and would have unintended consequences. Inability to identify, comprehend and implement policies to address such matters can again magnify the risk they pose. Better understanding of the factors involved is needed to avoid incurring high latent costs. It is vital to avoid blind spots that arise due to cognitive bias or short-sightedness.

The Politics of Insurgency & Decline of Naxalism

Editorial – The Hindu, Page 6, GS3 (Internal Security)

Context

- Explores modern terrorism and insurgency, including AI's role.
- Highlights historical rise, fragmentation, and recent decline of Naxalism in India.
- Reviews government strategies and global terrorism trends.

Three Keywords:

- **Naxalism:** Maoist rebellion, once united, now fragmented and weakened.
- **Insurgency:** Armed revolt against the state, often ideological, using guerrilla tactics.
- **Terrorism:** Violence or threats to instill fear for political/religious aims; increasingly tech-enabled.



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Comprehensive Points Raised by the Editorial

Global Context:

- Worldwide terrorism persists; predictions about its evolution are increasingly difficult and often inaccurate due to factors like AI and online radicalization.
- Lone-wolf, mindless violence is becoming more common; anti-Israel and jihadist campaigns growing.

India: Contrast and Change:

- While global terrorism endures, India's Naxalite movement has significantly weakened.
- Naxalism's revolutionary ideology faded, splitting into factions and devolving into violence for its own sake.

Campaign Against Naxalism (2024 Onward):

- Sustained, official operations under Union Home Ministry notably diminished Naxal violence and influence.
- Bastar and similar regions witnessed large numbers of Naxalites killed, arrested, or surrendered; several districts now deemed "Naxal-free."
- The movement no longer poses the unified or widespread threat seen decades ago.

Significance for Internal Security:

- Counter-Naxal strategy combined intelligence, force, and efforts to safeguard civilians.
- Some criticism over use of force, but government's focus remained on restoring peace and order.
- Despite achievements, the editorial underscores vigilance as remnants can persist and new forms of insurgency may emerge.

Comparative Outlook:

- Today's terrorism—unlike Naxalism—remains internationally networked, ideologically diverse, and technologically enabled, making predictions and countermeasures challenging.

The editorial highlights the unpredictable trajectory of violence, the decline and splintering of Naxalism through state-led efforts in recent years, and the evolving complexity of both global and domestic threats to India's security.

China says it opposes sanctions by E3 nations over Iran nuclear programme

Agence France-Presse
BEIJING

China said on Friday it opposed invoking sanctions on Iran over its nuclear programme after three Western nations told the UN they would reimpose them if no diplomatic solution was found by the end of August.

European sanctions on Iran were eased after a 2015 deal in return for curbs on Tehran's nuclear programme.

On Wednesday, Foreign Ministers from the E3 group – Britain, France and Germany – threatened



Centrifuge machines seen inside the Natanz uranium enrichment facility in central Iran. AP

to reimpose them in a joint letter to UN Secretary-General Antonio Guterres and the Security Council.

China said on Friday it “opposes invoking” sanc-

tions and “believes that it does not help parties build trust”. Reimposing sanctions was “not conducive to the diplomatic effort for resumption of talks”, Beij-

ing's Foreign Ministry spokesman Lin Jian said.

European countries stepped up warnings to Iran about its suspension of cooperation with the International Atomic Energy Agency.

That came after Israel waged a 12-day war with Iran in June, partly seeking to destroy its nuclear capability. The U.S. staged its own bombing raid in the war. The letter sets out engagements that the ministers say Iran has breached, including piling up uranium stock to more than 40 times the permitted level under the 2015 deal.

China says it opposes sanctions by E3 nations over Iran nuclear programme

The Hindu | Page 12 | GS2: International Relations

Context

- Three Western nations (E3: Britain, France, Germany) threaten to reimpose UN sanctions on Iran if no diplomatic solution on its nuclear programme emerges by end of August.
- China opposes these sanctions, stressing they harm trust and diplomatic efforts.
- European countries warn Iran over its suspension of cooperation with the IAEA.
- Military tensions have escalated due to recent conflict involving Israel and Iran, and a U.S. bombing raid.
- Iran is accused of piling up uranium well beyond limits set by the 2015 nuclear deal.



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Keywords and Explanation

E3: The group of three European countries—Britain, France, and Germany—acting in coordination on diplomatic and security issues related to Iran’s nuclear programme.

IAEA (International Atomic Energy Agency):

- A UN agency responsible for monitoring and verifying that nuclear technology and materials are used exclusively for peaceful, civil purposes.
- It conducts inspections of nuclear facilities worldwide to ensure compliance with non-proliferation treaties and agreements.

JCPOA (Joint Comprehensive Plan of Action):

- Commonly known as the 2015 Iran Nuclear Deal.
- An agreement between Iran and P5+1 countries (US, UK, France, China, Russia, Germany) to limit Iran’s nuclear programme in exchange for lifting economic sanctions.
- Includes strict limits on uranium enrichment and stockpile levels, with verification by the IAEA.

In India, why are some nuclear reactors kept under “IAEA Safeguards” while others are not?

- (a) Some use uranium and others use thorium
- (b) Some use imported uranium and others use domestic supplies
- (c) Foreign enterprises operate some and others are operated by domestic enterprises
- (d) Some are State-owned and others are privately-owned

PYQ 2020

USTR SAYS AMERICA ADOPTED CARROT AND STICK APPROACH WITH NON-COMPLIANCE BY TRADE PARTNERS TO RESULT IN HIGHER TARIFFS

Trump's 'Turnberry system': What US wants the new global economic order to look like

SIDDHARTH UPASANI
NEW DELHI, AUGUST 15

RESERVE BANK of India (RBI) Governor Sanjay Malhotra last week touted India's "bright prospects in the changing world order" in the medium term, adding that "opportunities are there for the taking". But will India be able to get its hands on any of these opportunities?

On August 7, the New York Times published a column by Jamieson Greer, the US Trade Representative, titled 'Why we're made the global order'. In a rather telling illustration of the second Trump presidency's handling of the power it wields over the rest of the world, Greer termed the "current, nameless global order" as the 'Turnberry system'.

Trump Turnberry, of course, is a golf resort on the western coast of Scotland owned by the US President, where in late July he and his European Commission counterpart, Ursula von der Leyen, announced their bilateral trade agreement. As part of the deal, goods from the EU will face a tariff of 15 per cent when entering the US. However, it did not end there: by 2028, the EU will buy \$750 billion of American energy products and invest \$600 billion in the US.

The deal has been called a 'capitulation' and humiliating for the EU. According to Julian Hinz, head of Research Center Trade Policy at Berlin-based Kiel Institute for the World Economy, it was an "appeasement" and abandoned the WTO's principles. "Under WTO rules, member countries must

apply the same tariffs to all other members. Deviations are only permitted under free trade agreements in which both sides reduce their tariffs to zero. The current deal clearly violates these principles and sets a dangerous precedent," Hinz warned on July 28, adding that Trump's strategy of "pitting other economies against each other" had only been strengthened. Greer's NYT column, however, made no bones about abandoning the WTO and its doctrines.

Replacing Bretton Woods

According to Greer, the legacy of the Bretton Woods system lived on in the form of an arrangement dominated by the WTO he said was "untenable and unsustainable"—while the US lost in-



US President Donald Trump with Social Security Commissioner Frank Bisignano at an event in the Oval Office to mark the 90th anniversary of the Social Security Act. AP File

dustrial jobs and economic security, others did not undertake key reforms. China, meanwhile, was

the winner. But now, "reform is at hand", with the US-EU deal "oriented toward serving concrete

national interests rather than vague aspirations of multilateral institutions".

Multilateral institutions such as the WTO, World Bank, and International Monetary Fund have been criticised for decades for their policy suggestions, especially those made to debt-laden developing nations during the Asian financial crisis of 1997. Even some developed economies during the European debt crisis did not escape this bitter non-medicine. But momentum to meaningfully reform these institutions has gathered pace in recent years. Greer, however, has a more US-centric world order in mind.

"It took over 50 years from that first meeting at Bretton Woods until the creation of the WTO. It has been 30 years since. Fewer than 130 days from the be-

ginning of the Trump Round, the Turnberry system is by no means complete, but its construction is well underway," Greer concluded, calling the current round of global trade negotiations as the 'Trump Round' of discussions—a reference to the several rounds of talks held between countries that led to the formation of the WTO at the Uruguay Round in 1994.

But what exactly is the Turnberry system?

The Turnberry system

Going by Greer's column, the Turnberry system involves nations aligning on economic and national security interests and rebalancing trade in a "more sustainable direction" such that the US' manufacturing sector is back on its feet. This, he said, warrants a "generational project to re-in-

dustrialise America". The era of the US getting other countries to lower their trade barriers by removing the tariffs that defended its own manufacturing sector is over; in its place, the removal of foreign trade barriers is being done "while ensuring sufficient tariff protection at home".

This system also intends to enforce these new priorities in a far more telling manner than "drawn-out dispute settlement process".

Should the US detect non-compliance, there will be swift retribution in the form of higher tariffs—the "formidable stick" to the "mighty carrot" that is the opportunity to sell your goods in the "world's most lucrative consumer market", Greer said.

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Trump's 'Turnberry system': What US wants the new global economic order to look like

The Indian Express | Page 15 | GS2 & GS3: International Relations and Economy

Context

- The article discusses US President Donald Trump's proposal for a new global economic order, termed the "Turnberry system."
- This comes amid changing dynamics in international trade, the fading of Bretton Woods norms, and growing economic nationalism worldwide.

Summary

- Trump's Turnberry proposal, named after his resort in Scotland, promotes bilateral trade deals and the prioritization of national interests over traditional multilateral systems.
- The system advocates for a "carrot and stick" approach: nations that comply with US trade norms benefit, while non-compliant partners face tariffs and penalties.

- The idea challenges longstanding post-World War II arrangements (the Bretton Woods system) that emphasized multilateral agreements and coordinated economic policies via institutions like the WTO and IMF.
 - Multilateralism is waning, with an increasing focus on national advantage, sectoral deals, and protectionism.
- Europe, led by leaders such as the EU Commission president, is pushing back by proposing its own strict trade rules and green tariffs.
- The new US direction, highlighted in Trump's "Turnberry system," signals competitive bilateralism and targeted benefits rather than broad, rules-based cooperation.

Key Term

Turnberry Economics:

A proposed US model for global trade centered around bilateral agreements, "carrot and stick" incentives, targeted tariffs, and the prioritization of national economic interests over global multilateral frameworks. The system stresses rewards for compliance and higher tariffs or penalties for non-compliance, moving away from the legacy of Bretton Woods multilateralism.

DAILY MCQs FOR PRACTICE

Q1. Consider the following statements about India's recent semiconductor chip manufacturing initiative:

1. India aims to produce indigenous semiconductor chips by the end of 2027.
2. India has added four new semiconductor production units.

Which of the statements given above is/are correct?

- A) 1 only
- B) 2 only
- C) Both 1 and 2
- D) Neither 1 nor 2

Q2. With reference to the recent GST reforms proposed by the Indian government, consider the following:

1. The 12% and 28% GST slabs are proposed to be eliminated.
2. A new sin tax rate of 40% will apply to certain goods.
3. White goods' GST rates are proposed to be increased.

Which of the above statements is/are correct?

- A) 1 and 2 only
- B) 2 and 3 only
- C) 1 and 3 only
- D) All of the above

Q3. Which of the following best describe the International Atomic Energy Agency (IAEA)?

1. It ensures nuclear materials are used only for peaceful purposes.
2. It has the authority to impose sanctions on countries violating agreements.
3. It conducts inspections of civil nuclear installations worldwide.

Select the correct answer using the code given below:

- A) 1 and 2 only
- B) 1 and 3 only
- C) 2 and 3 only
- D) 1, 2 and 3

DAILY MCQs FOR PRACTICE

Q4. The “Turnberry system” proposed by the United States relates to:

- A) A multilateral global trade framework strengthening the WTO
- B) A bilateral trade strategy with incentives and tariffs, focusing on national interests
- C) An economic plan for deindustrializing the US by lowering trade barriers
- D) A global climate change agreement

Q5. Consider the following about Naxalism in India:

- 1. It is inspired by Maoist ideology and seeks radical social change.
- 2. Recent campaigns have led to several regions being cleared of Naxalite influence.
- 3. Naxalism remains the dominant internal security threat in urban areas.

Which of the statements given above is/are correct?

- A) 1 and 2 only
- B) 2 and 3 only
- C) 1 and 3 only
- D) All of the above

Answers

- 1. **B) 2 only**
- 2. **A) 1 and 2 only**
- 3. **B) 1 and 3 only**
- 4. **B) A bilateral trade strategy with incentives and tariffs, focusing on national interests**