# CURRENTLY — 12th September 2026

**1. BRICS Delhi Declaration: From Terrorism to Global Governance** — *The Indian Express* | **GS-2: International Relations**

**2. Thirukkural: India's Cultural Bridge with Russia** — *The Hindu* | **GS-1: Art & Culture**

**3. BRICS Bank: An Alternative That Wasn't** — *The Hindu* | **GS-2: International Relations**

**4. India–Iran: A Push to Revive Strategic Ties** — *The Hindu* | **GS-2: International Relations**

**5. India's Forex Reserves Hit a Record High** — *The Hindu* | **GS-3: Indian Economy**

**6. Trump vs Federal Reserve: Why It Matters to India** — *The Indian Express* | **GS-3: Indian Economy**

## Terror to institutional reforms: BRICS to spell out common ground in declaration

**Shubhajit Roy**
*New Delhi, September 11*

BRICS' DELHI declaration is all set to spell out a common stand against terrorism, consensus for reform of institutions of global governance and strengthened multilateralism and support for India's UN Security Council bid, The Indian Express has learnt.

According to sources, these are among the 10 broad takeaways likely to be part of the BRICS leaders' declaration to be adopted on September 12-13.

The BRICS Sherpas, sources said, have been trying to hammer out a consensus on the war in West Asia, where Iran and the UAE are divided on the framing of the language. One of the formulations being explored is there can be a "universal condemnation" of violation of territorial integrity and sovereignty — without naming any country.

While that is still being discussed, the BRICS Sherpas from the 11 member countries have agreed on a common language and takeaways.

First, a common stand against terrorism has been arrived at, with BRICS countries agreeing to unequivocal condemnation of terrorism and a commitment to combat it in all its forms , said sources.

Second, a people-centric approach to India's BRICS chairship, guided by the spirit of "humanity first", with outcomes helping people of BRICS nations, including women, farmers and entrepreneurs.

Third, the BRICS countries have come to a consensus on reform of institutions of global governance and strengthened multilateralism and support for India's UNSC bid.

Fourth, BRICS has committed to be a "stronger voice for the Global South", and India's role in ensuring that the priorities, perspectives and aspirations of the Global South are adequately reflected in the emerging world order.

Fifth, BRICS will also commit to be "ready to share development experience with the Global South". The summit is showcasing India's strengths and development experience, and highlighting India's rich heritage and culture, people-centric innovations, and home-grown solutions as contributions to shared progress, officials said.

Six, BRICS is going to be a "bridge builder", and position BRICS as a platform for dialogue, understanding and constructive cooperation. This has been a theme in the ministerial and agency-level meetings.

Seventh, Indian officials are getting members to "reposition BRICS as a complementary, development-oriented grouping". This is an important signal at a time when China and Russia have sought to give a harder security and military edge to the grouping.

Eighth, officials said the BRICS declaration is going to have "practical, development-oriented outcomes", which have been achieved over 50 tangible outcomes, including agreed frameworks, action plans, guidelines, principles, forums and networks, for collaboration across the four priority pillars — resilience, innovation, cooperation and sustainability.

Ninth, like the G20 summit in 2023, officials said the BRICS Summit too has been a "whole-of-nation effort", which has brought together Central government, states, institutions, industry, academia, youth, civil society and communities in a shared effort, with events being held in more than 30 cities.

And tenth, just like in 2023 for the G20 grouping, there has been robust participation from BRICS nations throughout the year, and it has ensured substantive participation from BRICS countries, officials said.

# 1. BRICS Delhi Declaration: Emerging Consensus on Terrorism & Global Governance

**Source:** The Indian Express
**GS Subject:** GS-2 — International Relations, Global Governance & Multilateralism

## 1. Context

- The **11-member BRICS** is set to adopt the **Delhi Declaration (September 12–13)** under India's chairship.
- The declaration seeks common ground on **terrorism, global-governance reform, multilateralism and Global South priorities**, despite differences among members over West Asia.

## 2. Key Provisions of the Delhi Declaration

- **Terrorism:** Common and unequivocal condemnation of terrorism **in all its forms and manifestations** and commitment to combating it.
- **Global-governance reform:** Consensus on reforming international institutions to make them **more representative and reflective of the emerging world order**.
- **India's UNSC bid:** Support for India's aspiration for a greater role, including its **permanent membership of the UN Security Council**.
- **Global South:** Commitment to make BRICS a **stronger voice for the priorities, perspectives and aspirations of the Global South**.
- **Multilateralism:** Strengthening **multilateral cooperation** rather than bloc-based confrontation.
- **Bridge-builder:** BRICS to serve as a platform for **dialogue, mutual understanding and constructive cooperation**.

## 3. India's Priorities Reflected in the Declaration

- **"Humanity First"** approach — focus on tangible benefits for **women, farmers and entrepreneurs**.
- **Development cooperation:** Sharing BRICS members' development experiences, particularly India's **people-centric innovations and home-grown solutions**, with the Global South.
- **Development-oriented BRICS:** Repositioning BRICS as a **complementary, development-focused grouping**, rather than a security/military bloc.
- **Four pillars: Resilience, Innovation, Cooperation and Sustainability**.
- India's year-long chairship has produced **50+ tangible outcomes** through frameworks, action plans, guidelines, forums and networks.

## 4. Significance

- Provides a common platform for **Global South interests** amid an evolving international order.
- Strengthens India's diplomatic push for **UNSC reform and greater representation of developing countries**.
- Establishes **counter-terrorism and multilateralism** as areas of common ground despite geopolitical differences among BRICS members.
- Demonstrates India's attempt to make BRICS **practical, inclusive and development-oriented**.

Prime Minister Narendra Modi presents a copy of the translated version of *Thirukkural to* Russian President Vladimir Putin, Friday. PTI

# Modi presents Putin with Russian translation of *Thirukkural*

When Prime Minister Narendra Modi met Russian President Vladimir Putin, on the sidelines of the 18th BRICS Summit in New Delhi on Friday, he gifted the visiting leader a copy of *Thirukkural*, a classic Tamil text. Modi presented the Russian translation of *Thirukkural*, which is published by the Central Institute of Classical Tamil (CICT), an autonomous Institution under the Union Ministry of Education. It is learnt that the official arranged the book from the CICT, which has published the book in 22 Indian languages and over half a dozen foreign languages. ENS

# 2. Thirukkural: Classical Tamil Text Presented to Putin

**Source:** The Hindu
**GS Subject:** GS-1 — Indian Culture, Literature & Classical Languages; GS-2 — Cultural Diplomacy

## 1. Context

- PM **Narendra Modi presented Russian President Vladimir Putin a Russian translation of *Thirukkural*** during their meeting on the sidelines of the **18th BRICS Summit in New Delhi**.
- The translation was published by the **Central Institute of Classical Tamil (CICT)** under the Ministry of Education.

## 2. Thirukkural — The Book

- **Author: Thiruvalluvar**, celebrated Tamil poet-philosopher.
- **Language:** Classical Tamil; regarded as one of the most important works of Tamil literature.
- **Structure: 1,330 couplets (Kurals)** divided into **133 chapters**, with 10 couplets in each chapter.
- **Three major divisions:**
    - **Aram (Virtue):** ethics, morality and righteous conduct.
    - **Porul (Wealth):** governance, administration, justice, statecraft and social life.
    - **Inbam (Love):** love and human relationships.
- **Nature:** It is a work of **ethical and practical philosophy**, addressing individual conduct as well as society, governance and public life.
- **Universal character:** Its teachings on **virtue, justice, good governance, compassion and responsible conduct** are not confined to a particular religion or community, giving it a broad universal appeal.
- **Translation:** CICT has published *Thirukkural* in **22 Indian languages and more than half a dozen foreign languages**.

## 3. Cultural & Diplomatic Significance

- **Civilisational diplomacy:** The presentation showcases India’s ancient intellectual and literary traditions in contemporary international relations.
- **Tamil cultural heritage:** Promotes the global reach of **Tamil classical literature**.
- **Soft power:** Literature becomes a means of creating cultural understanding and goodwill beyond conventional diplomacy.
- **India–Russia ties:** Adds a **cultural and people-to-people dimension** to the strategic partnership.

# The BRICS bank — an alternative that wasn't

When India hosts the 18th BRICS summit in New Delhi on September 12-13, 2026, under the banner of "Humanity First", the occasion will be draped in a familiar promise: that the bloc is building an alternative to the western-dominated global financial order. A new bank to rival the World Bank. A reserve fund to free countries from the International Monetary Fund. A path away from the dominance of the U.S. dollar. Seventeen years into the BRICS project, it is worth asking a blunt question: has any of this actually materialised?

The short answer is no; the reasons have less to do with intention than with structure. The BRICS countries, for all their rhetoric about reshaping the world, are deeply enmeshed in the very system that they claim to challenge. The institutions they built reflect that reality.


**Sushovan Dhar**

Member of the Committee for the Abolition of Illegitimate Debt (CADTM)


**The same bank, different nameplate**

The New Development Bank (NDB), launched in 2015, was BRICS's flagship creation. It was supposed to offer developing countries an alternative to the World Bank: loans without the political strings, governance without western dominance, financing in local currencies rather than dollars.

A decade later, half of the NDB's outstanding bonds are denominated in U.S. dollars, with the Chinese yuan making up most of the rest. The South African rand accounts for just one per cent. Local currency lending, which the bank's own leadership set as a target of 30% of its portfolio by the end of this year, sat at roughly 22% as of mid-2025. The NDB's first rupee-denominated bond was still in planning stages as late as September 2025, a full decade after the bank opened for business.

The NDB courts the same western credit-rating agencies (S&P, Fitch, Moody's) that the BRICS governments publicly criticise as biased against developing countries. And when those agencies' rules collided with bloc solidarity, the ratings won. In March 2022, days after Russia invaded Ukraine, the NDB froze all operations related to Russia, a founding member and 20% shareholder, to protect its own credit standing in New York. Russia has since relinquished its turn at the NDB's rotating presidency, extending the Brazilian incumbent's term to 2030. Whatever else this is, it is not an institution that operates outside western financial discipline.

The bank's total project approvals reached $39 billion by the end of 2024. To put that in perspective: the World Bank Group commits roughly $100 billion every year. In a full decade of operation, the NDB has approved less than what its supposed rival disburses in six months. More importantly, the NDB co-finances projects with the World Bank and International Monetary Fund (IMF) rather than offering a genuine alternative to them. The relationship is complementary, not competitive. That may be smart banking, but it is a far cry from the institution's founding rhetoric.

BRICS promised a new financial order through the New Development Bank, but the truth is that it remains deeply tied to the old one

**The safety net nobody uses**

Alongside the NDB, the BRICS countries established the Contingent Reserve Arrangement in 2015: a $100 billion pool of foreign exchange reserves meant to help member-countries weather financial crises without turning to the IMF. In principle, this was the most radical idea in the BRICS repertoire: a mechanism that could, over time, break the IMF's monopoly on emergency lending to the Global South.

In practice, the CRA has never been activated. Not once in a decade. And a closer look at the fine print reveals why. Any member-country that wants to draw more than 30% of its allotted share must first enter into a programme with the IMF. The escape hatch, in other words, leads right back to the institution that it was supposed to escape. The CRA has no permanent staff, no independent surveillance capacity, no research wing. It is, in effect, a promissory note dressed up as an institution; one that, by its own rules, cannot function independently of the very body it was created to rival.

If there is one idea that captures the public imagination about BRICS, it is de-dollarisation: the notion that the bloc will reduce the world's dependence on the U.S. dollar and shift global trade toward local currencies. Media coverage of every BRICS summit amplifies this promise. The reality is more modest than the headlines suggest.

The 126-point declaration issued at the Rio summit in July 2025 – the bloc's most comprehensive statement to date – does not contain the word "de-dollarisation" even once. Russian President Vladimir Putin himself stated in November 2024 that the bloc has "not sought to abandon the dollar". India opposes any move toward a common BRICS currency, fearing trade reprisals from Washington. South Africa considers the idea too risky. China prefers the gradual internationalisation of the yuan on its own terms. When U.S. President Donald Trump threatened a 10% tariff surcharge on countries aligning with "anti-American" BRICS policies, the bloc offered no collective response. The episode was revealing: it showed how little it takes to deter the BRICS from even the appearance of challenging the dollar system.

Perhaps the most telling detail is what the BRICS actually ask for when they talk about reforming global finance. The declarations issued at both the Kazan summit in 2024 and the Rio summit in 2025 call for a "quota-based and adequately resourced" IMF. Read that carefully. The BRICS are not calling for the IMF to be replaced, restructured, or even fundamentally reformed. They are asking for a bigger say within it.

The problem is structural. The U.S. holds 16.49% of IMF voting rights, and all major decisions require an 85% supermajority. This gives Washington, and Washington alone, an effective veto over every significant decision that the fund makes. The BRICS countries know this. They have known it for decades. And yet their official position is to ask for more chairs at a table whose rules guarantee that the outcome will always be decided by someone else.

**What this tells us about BRICS**

The bloc's defenders will point out that the NDB has financed real infrastructure, that its expansion to include Egypt, Ethiopia, Iran, and the United Arab Emirates reflects a genuine desire among Global South countries for alternatives to western-led institutions, and that the frustration driving the BRICS agenda: with IMF conditionality, with dollar hegemony, with a financial system designed in 1944 by and for the industrialised West.

But the gap between the rhetoric and the record matters. The BRICS countries have not built an alternative financial architecture. They have built a set of institutions that operate within the existing one: lending in dollars, deferring to western rating agencies, designing safety nets that require IMF approval, and pledging loyalty to the very governance structures they publicly denounce. As India prepares to chair the bloc, the honest question is not whether BRICS can reform the global financial order. It is whether the governments that make up the bloc have any material interest in doing so, or whether, for their ruling establishments, a better seat at the existing table has always been the real objective.

Q.19. भारत ने हाल ही में "नव विकास बैंक" (NDB) और साथ ही "एशियाई आधारिक संरचना निवेश बैंक" (AIIB) के संस्थापक सदस्य बनने के लिये हस्ताक्षर किये हैं। इन दो बैंकों की भूमिकाएं एक दूसरे से किस प्रकार भिन्न होंगी ? भारत के लिये इन दो बैंकों के रणनीतिक महत्व पर चर्चा कीजिये।

India has recently signed to become founding member of New Development Bank (NDB) and also the Asian Infrastructure Investment Bank (AIIB). How will the role of the two Banks be different ? Discuss the strategic significance of these two Banks for India. 12½

## 3. The BRICS Bank — An Alternative That Wasn't

**Source:** The Hindu
**GS Subject:** GS-2 — International Relations, BRICS & Global Financial Governance | GS-3 — Development Finance

## 1. Context

- The **New Development Bank (NDB)** was established by BRICS in **2015** to provide developing countries an alternative source of development finance and reduce dependence on the **World Bank–IMF system**.
- After a decade, the NDB has expanded its lending but has **not become a genuine alternative to the existing global financial order**.

## 2. NDB — Basics

- **Established:** 2015, Fortaleza, Brazil.
- **Founding members:** Brazil, Russia, India, China and South Africa.
- **Headquarters:** Shanghai, China.
- **Purpose:** Finance infrastructure and sustainable-development projects in emerging and developing countries.
- **Initial authorised capital: $100 billion**.
- **Broad objective:** Strengthen **South-South cooperation** and give developing economies greater influence over global development finance.

## 3. What Was NDB Expected to Do?

NDB was intended to challenge some of the weaknesses of the traditional financial system by:

- Providing **alternative development finance** to the World Bank and other MDBs.
- Reducing dependence on **Western-dominated financial institutions**.
- Increasing **local-currency lending**.
- Reducing excessive dependence on the **U.S. dollar**.
- Strengthening the financial voice of the **Global South**.

## 4. Why Has NDB Not Become a True Alternative?

### 1. Continued Dollar Dependence

- A substantial share of NDB's bonds remains **dollar-denominated**.
- Hence, the bank itself continues to depend on the currency it sought to reduce dependence on.

### 2. Dependence on Western Financial Infrastructure

- NDB relies on global credit-rating agencies such as **S&P, Fitch and Moody's**.

- Its access to international capital markets therefore remains connected to the established Western-dominated financial system.

**3. Complementary, Not Competitive**

- NDB has increasingly worked **alongside existing multilateral development banks**, including through co-financing.
- It therefore adds to existing development finance rather than creating a completely separate system.

**4. Geopolitical Constraints**

- Following Russia's invasion of Ukraine, NDB stopped new transactions involving Russia.
- This demonstrated that even a BRICS institution remains subject to the **broader geopolitical and financial environment**.

**5. Weak Alternative Safety Net**

- BRICS also created the **$100-billion Contingent Reserve Arrangement (CRA)** in 2015 to provide emergency liquidity.
- But the CRA has **never been activated**.
- Access to a substantial portion of its support is linked to an **IMF programme**, limiting its independence from the existing system.

## 5. De-dollarisation — Ambition vs Reality

- BRICS has promoted:
    - greater use of national currencies;
    - local-currency financing;
    - alternative payment mechanisms;
    - reduced dependence on the dollar.
- However, there is **no common BRICS currency** and no integrated financial system capable of replacing the dollar.
- Differences among BRICS economies also make rapid de-dollarisation difficult.
- Therefore, the realistic process is **gradual diversification**, not immediate replacement of the dollar.

## 6. The Fundamental Problem

- **Creating an alternative institution is easier than creating an alternative financial ecosystem.**
- A truly independent BRICS financial system would require:
    - deep local-currency capital markets;
    - independent sources of capital;
    - alternative payment and settlement mechanisms;

    - independent financial-rating capacity;
    - greater economic and policy coordination among BRICS members.
- BRICS has not yet achieved this level of integration.
- Consequently, **NDB operates within the existing global financial architecture rather than outside it**.

## 7. What Does This Tell Us About BRICS?

- The NDB experience shows that BRICS is currently pursuing **reform and diversification rather than complete replacement** of the existing system.
- Its strategy is essentially:
    - **build new institutions** such as NDB and CRA;
    - **increase the use of national currencies**;
    - **demand greater representation** in IMF and World Bank;
    - strengthen the **Global South's bargaining power**.
- Thus, BRICS is trying to **change the balance of power in global finance**, rather than immediately dismantle the existing system.

## 8. Significance for India

- **Development finance:** NDB provides an additional source of infrastructure and sustainable-development financing.
- **Strategic autonomy:** Diversification reduces excessive dependence on any single financial power or institution.
- **Global South leadership:** Strengthens India's role in advancing developing-country interests.
- **Financial resilience:** Greater local-currency financing can reduce exposure to dollar fluctuations and external financial shocks.
- **Global governance reform:** BRICS provides India a platform to demand greater representation in the IMF and World Bank.
- **Multiple options:** India can use **NDB, AIIB, World Bank and other MDBs simultaneously**, rather than relying on one institution.
- **Pragmatic approach:** India should support **gradual diversification and institutional reform**, rather than pursuing abrupt de-dollarisation or attempting to replace the existing system.

AMID WEST ASIA WAR, IRAN PRESIDENT IN DELHI FOR BRICS

# Pezeshkian meets Modi: 'We can revive relations'

## Targets US, says Tehran, Delhi can boost ties, from trade to tech

**Shubhajit Roy**
*New Delhi, September 11*

IN A signal to the world, Iran's President Masoud Pezeshkian, after meeting Prime Minister Narendra Modi on Friday evening, said India and Iran can "revive the relations together", and the talks will pave the way for further cooperation in trade, economy, technology, among other areas.

This is Pezeshkian's first visit to India as Iran's President. The last Iranian President to visit India was Hassan Rouhani in February 2018. Pezeshkian, who is visiting India for the BRICS Leaders' Summit on September 12 and 13, used the opportunity to signal that Iran was not isolated.

After the bilateral talks, he spoke at an event organised to meet religious leaders and businesses. "I have to appreciate the government of India and the Prime Minister for his very nice hospitality. We have had very nice talks with each other. And I hope that these talks and relations will pave the way for further cooperation and sympathy in developing culture, technology, trade, science, economy, and other areas. Actually, we can revive them together."


Prime Minister Narendra Modi with Iranian President Masoud Pezeshkian in New Delhi, Friday. ANI

Giving a hard-hitting message to the US, he said, "Today, Iran has been able to successfully stand against Israel and the United States at the same time; they want to bully us, and we do not want to be bullied. We never kneel down before them. If they push us, we push back. They claim that they are advocates of human rights. In truth, they are the devils who are the true terrorists, because they killed 168 schoolchildren in one instant, thanks to their modern technologies."

"You (the US) call us terrorists? What about you, who kill human beings, bomb scientists, and attack schools and hospitals? If you are man enough, just fight the soldiers, the military people. Why do you target infrastructure and people's livelihoods?... The people of Iran will not surrender. We believe in human values, and we believe that all who live — all humanity — enjoy equal rights," he said.

Pezeshkian's visit is significant as Iran has been fighting a war with the US and Israel since February 28 this year. In the last six months, Iran has survived the war, but has suffered damage in the process.

According to the Ministry of External Affairs, "The two leaders exchanged views on recent developments in West Asia. Prime Minister Modi reiterated India's consistent position that all issues must be resolved through dialogue and diplomacy. He also underscored the need for continued efforts to ensure lasting peace and stability in the region, safeguarding freedom of navigation and commerce, and the safety and well-being of seafarers."

Modi and Pezeshkian had met 10 days ago, on August 31, for the first time since the war in West Asia began, in Bishkek, Kyrgyzstan, on the sidelines of the Shanghai Cooperation Organisation (SCO) leaders' summit. The two leaders have had at least two telephone conversations in the last six months.

At that SCO meet, Modi had expressed "concern at the escalation of tensions" in the region and reiterated that all issues must be resolved through "dialogue and diplomacy".

Pezeshkian had, in turn, asked Modi to "use India's extensive contacts with various parties to help them move away from the path of war and bloodshed and return to the path of dialogue and agreement".

# 4. Pezeshkian Meets Modi: 'We Can Revive Relations'

**Source:** The Hindu
**GS Subject:** GS-2 — International Relations | India–Iran Relations | West Asia

## 1. Context

- **Iranian President Masoud Pezeshkian** visited New Delhi for the **BRICS Leaders' Summit (September 12–13)** and met PM Narendra Modi on September 11.
- The visit is significant as **Iran is facing an ongoing war with the U.S. and Israel**, making India's continued engagement with Tehran diplomatically important.

## 2. India–Iran Relations — Key Areas

- **Historical & civilisational ties:** Long-standing cultural, linguistic, people-to-people and civilisational linkages.
- **Trade & economy:** Both sides seek to revive bilateral trade and expand cooperation in **technology, science, economy and commerce**.
- **Connectivity:**
    - **Chabahar Port** is central to India's connectivity strategy.
    - Provides India access to **Afghanistan and Central Asia while bypassing Pakistan**.
    - Complements India's broader **International North–South Transport Corridor (INSTC)** ambitions.
- **Energy security:** Iran has major oil and gas reserves and can potentially contribute to India's energy diversification, although **U.S. sanctions and geopolitical instability constrain this potential**.
- **Regional security:** Iran's influence in the Gulf, Afghanistan and wider West Asia makes stable India–Iran relations important for India's regional interests.

## 3. Why the Relationship Matters Now

- **Strategic autonomy:** India maintains engagement with Iran while simultaneously developing strong relations with the **U.S., Israel and Gulf countries**.
- **Chabahar & Central Asia:** Continued relations with Iran are essential for India's westward connectivity to **Afghanistan and Central Asia**.
- **Energy & trade routes:** Conflict in West Asia can disrupt energy supplies and maritime trade, affecting India's economy.
- **Maritime security:** India emphasised **freedom of navigation, commercial movement and safety of seafarers** amid regional conflict.
- **Diplomatic space:** Iran's request for India to use its international contacts highlights India's potential role as a **bridge-builder and facilitator of dialogue**.

## 4. India's Position on the West Asia Conflict

- India reiterated that disputes must be resolved through **dialogue and diplomacy**.
- PM Modi stressed the need for:
    - **De-escalation and lasting peace**;
    - protection of **freedom of navigation**;

    - safety and well-being of **seafarers**;
    - continued diplomatic efforts.
- This reflects India’s broader policy of **strategic autonomy rather than bloc alignment**.

## 5. Challenges in India–Iran Relations

- **U.S. sanctions:** Restrict banking, investment, energy trade and connectivity cooperation.
- **Regional instability:** Conflict can threaten Indian investments and transport routes.
- **Energy constraints:** Sanctions make large-scale Iranian energy imports difficult.
- **Competing partnerships:** India’s growing strategic relationship with the U.S. and Israel requires careful balancing with Iran.
- **Connectivity risks:** Security problems in Iran, Afghanistan and surrounding regions can affect India’s connectivity ambitions.

# India’s forex reserves jump by a record $44.903 billion

India's forex reserves jumped by a record $44.903 billion to a new lifetime high of $785.706 billion during the week ended September 4, the RBI said on Friday. In the previous reporting week, the overall reserves increased $11.475 billion to a new all-time high of $740.803 billion. The kitty had been declining since the start of the conflict in West Asia earlier this year, as the rupee came under pressure and the RBI had to intervene in the forex market through dollar sales. However, the reserves started increasing since the RBI announced concessional forex swap initiatives in June this year amid a sharp depreciation in the local currency. The move has yielded over $136 billion in new flows. PTI

## 5. India’s Forex Reserves Jump by a Record $44.903 Billion

**Source:** The Hindu
**GS Subject:** GS-3 — Indian Economy | External Sector | Balance of Payments

### 1. Context

- India’s **foreign exchange (forex) reserves** rose by a record **$44.903 billion** in the week ended September 4, 2026, reaching a **lifetime high of $785.706 billion**.

- India has now become the **4th-largest holder of forex reserves globally**, after **China, Japan and Switzerland**.

## 2. Forex Reserves — Basics

- Forex reserves are **external assets held by the RBI** that can be used to meet India's international payment obligations and manage external-sector pressures.
- They provide India with **liquidity, confidence and a buffer against external shocks**.
- India's reserves have four components:
    - **Foreign Currency Assets (FCA): $648.168 billion — ~82.5%**
    - **Gold: $113.816 billion — ~14.5%**
    - **Special Drawing Rights (SDRs): $18.806 billion — ~2.4%**
    - **Reserve Tranche Position (RTP) with IMF: $4.916 billion — ~0.6%**

## 3. Composition of Forex Reserves & Recent Change

- **Foreign Currency Assets (FCA) — largest component**
    - Account for about **82.5%** of total reserves.
    - Include foreign government securities, bonds, treasury bills, deposits with foreign central/commercial banks and other liquid foreign-currency assets.
    - FCA are **not merely U.S. dollars**; they include assets denominated in major currencies such as the **dollar, euro, pound and yen**.
    - In the latest week, FCA increased by **$47.498 billion**, making it the principal driver of the record rise in total reserves.
- **Gold — ~14.5%**
    - Provides diversification from foreign-currency assets.
    - Acts as a store of value and a reserve asset during financial uncertainty.
- **SDRs — ~2.4%**
    - International reserve assets created by the **IMF**.
    - Not a currency; they can be exchanged for usable currencies among IMF members.
- **Reserve Tranche Position — ~0.6%**
    - India's readily available claim on the **IMF**, which can be drawn when foreign exchange is required.

## 4. Why Did Reserves Rise Sharply?

- Earlier, reserves had come under pressure as the **West Asia conflict** increased uncertainty and put pressure on the rupee.
- RBI intervened by **selling foreign currency** to prevent excessive and disorderly rupee depreciation, which reduced its foreign-currency holdings.
- Subsequently, the RBI introduced **concessional forex-swap measures in June 2026** to encourage foreign-currency inflows.

- These measures generated more than **$136 billion in foreign-currency flows**, helping rebuild reserves.
- The latest weekly increase was therefore driven primarily by a sharp rise in **FCA**.

## 5. Uses & Significance of Forex Reserves

Forex reserves function as India's **external financial safety cushion**:

- **Import payments:** Finance essential imports, particularly crude oil, gas, machinery and critical commodities.
- **Rupee stability:** Enable RBI to intervene in the forex market during excessive currency volatility.
- **External debt payments:** Help meet foreign-currency debt-servicing and other international obligations.
- **Balance-of-payments support:** Provide liquidity when foreign-exchange inflows are temporarily inadequate.
- **Crisis protection:** Cushion the economy against sudden capital outflows, global financial crises, wars and geopolitical disruptions.
- **Investor confidence:** Demonstrate India's capacity to meet external obligations.
- **Energy security:** Particularly important for India because of its dependence on imported crude oil and other energy resources.
- **Policy flexibility:** Give the RBI greater room to respond to external-sector stress.

## 6. India's Global Position

- **1st — China**
- **2nd — Japan**
- **3rd — Switzerland**
- **4th — India — $785.706 billion**
- India's entry into the **top four** indicates a substantial strengthening of its external financial buffer.

• US DEBT HAS CROSSED $40 TRILLION AND ITS TRADE DEFICIT HAS ALSO WIDENED DESPITE A SLEW OF TARIFFS ON TRADE PARTNERS

**Trump's unusual threat to US Federal Reserve and why it matters to India**

**Ravi Dutta Mishra**
*New Delhi, September 11*

AFTER MONTHS of threatening allies and rivals alike with tariffs to coerce them into signing lopsided trade deals, US President Donald Trump seemingly has gone a step further and warned the Federal Reserve (Fed) to cut interest rates, or else the US would stop trading with countries with which it has a trade deficit.

Trump's warnings have become more and more aggressive amid growing worry over US debt and trade deficit. The latest data showed that US debt has crossed a record $40 trillion and the trade deficit also widened despite a slew of tariffs on trade partners. High debt numbers are increasingly making investors nervous amid rising oil prices due to the US-Iran war, and are pushing US 10-year bond yield (a benchmark for global borrowing costs) towards 5%.

International think tanks estimated that the US government will spend little over $1 trillion this fiscal year paying interest on the debt, which is equivalent to its national defence spending.

According to the Council on Foreign Relations, the US debt-to-GDP ratio has now reached 125%.

*India, other trade partners at crossroads*

Uncomfortable debt and deficit numbers explain why Trump is going after even the closest trade partners in a bid to bridge the trade gap and simultaneously pushing for lower interest rates.

As the US aggressively narrows its trade deficit with China to its lowest in two decades, Washington has begun pressuring trade partners like India to do the same.

For India, US pressures are playing on three fronts. One, steep market access demands under trade deals; two, outflow of investment from India to the US; and three, pressure to lower dependency on input items originating from China, which the US believes is operating a 'shadow transhipment network' which ultimately helps Beijing widen the effective trade deficit, displace domestic production, reduce GDP growth, and lower associated federal tax receipts in the US. India and the US have been negotiating a bilateral trade agreement since February 2025, and in February this year, the two countries announced a framework for an Interim Agreement. This framework agreement has already created considerable tensions, particularly among farmers.

International trade experts have warned that if India lowers customs duties on US imports, the livelihoods of Indian farmers engaged in growing apples, cotton, grapes, oranges, soybeans, walnuts and some other agricultural products would face direct pressure.

The US-India trade framework has created considerable tensions, particularly among Indian farmers. REUTERS

*Impact on India*

India has already taken various steps to assuage the US by stepping up energy imports and lowering tariffs on broad swaths of products that are of US interest, from bikes to whiskey and tax holiday for data centres and items required to boost nuclear power production in India.

*The Indian Express* recently reported that the US' share in India's liquefied petroleum gas (LPG) imports has already surged to over 50% in the six months since the West Asia crisis started. Industry sources said that fear of US scrutiny is pushing cotton prices higher. Indian apparel exporters last month approached the Commerce and Industry Ministry and the Textile Ministry seeking regulation of cotton yarn exports to arrest a sharp surge in prices amid US restrictions on the use of cotton originating from China's Uyghur region.

The Apparel Export Promotion Council (AEPC) said cotton yarn prices have increased by around 60%, from approximately Rs 250 per kg in early 2026 to around Rs 400 per kg currently, putting increasing pressure on the apparel manufacturing value chain.

FULL REPORT ON WWW.INDIANEXPRESS.COM

# 6. Trump’s Unusual Threat to the U.S. Federal Reserve and Why It Matters to India

**Source:** The Indian Express
**GS Subject:** GS-2 — International Relations | GS-3 — Indian Economy, Monetary Policy & External Sector

## 1. Context

- U.S. President **Donald Trump is pressuring the Federal Reserve to cut interest rates**, amid rising U.S. debt and a widening trade deficit.
- **U.S. debt has crossed $40 trillion**, while its debt-to-GDP ratio is around **125%**.

## 2. Why Is Trump Pressuring the Fed?

- **Reduce debt-servicing burden:** Lower interest rates would reduce the government’s cost of servicing its massive debt.
- **Boost economic growth:** Cheaper credit can encourage consumption, investment and production.
- **Improve competitiveness:** Lower rates can weaken the dollar, potentially making U.S. exports more competitive.
- **Address fiscal pressure:** U.S. interest payments are estimated at **over $1 trillion annually**, making them a major burden on government finances.
- **Political concern:** Persistent pressure on the Fed raises concerns about **central-bank independence**, since monetary policy should be guided by economic conditions rather than political demands.

## 3. Why Is the U.S. Trade Deficit Important?

- Despite imposing tariffs on trading partners, the **U.S. trade deficit has widened**.
- Trump wants trading partners to:
    - reduce tariffs on U.S. goods;
    - increase imports from the U.S.;
    - provide greater market access to American companies.
- The broader objective is to **reduce imports, strengthen domestic production and narrow the trade deficit**.

## 4. Why Does It Matter to India?

### A. Interest Rates → Capital Flows → Rupee

- **U.S. rates fall:** U.S. assets may become less attractive → capital may flow towards India → support for the rupee and Indian markets.

- **U.S. rates remain high:** capital may move towards the U.S. → FPI outflows → pressure on the rupee.
- Therefore, Fed decisions directly influence **India's financial markets and exchange rate**.

**B. U.S. Tariffs → Indian Exports**

- Higher U.S. tariffs can reduce India's competitiveness in the American market.
- Sectors particularly exposed include **textiles, cotton and agricultural products** such as grapes, apples, oranges, soybeans and walnuts.
- Hence, U.S. trade policy can affect **Indian exporters, farmers and employment-intensive industries**.

**C. U.S. Energy Policy/Trade → India's Energy Costs**

- The U.S. has become an important supplier of **LPG to India**, with its share reportedly exceeding 50%.
- Greater dependence on U.S. energy supplies makes India more sensitive to changes in U.S. trade policy and global energy prices.

**D. U.S. Debt & Treasury Yields → India's Borrowing Costs**

- High U.S. borrowing can keep **Treasury yields elevated**.
- This can raise global financing costs and influence India's borrowing conditions and capital flows.

## 5. What Should India Do?

- **Diversify export markets** to reduce excessive dependence on the U.S.
- **Strengthen domestic demand and manufacturing** to absorb external trade shocks.
- Maintain **strong forex reserves** to manage capital outflows and rupee volatility.
- **Diversify energy suppliers** to reduce geopolitical and trade-policy risks.
- Pursue U.S. trade negotiations while protecting **Indian farmers, industry and policy space**.