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6. India–Belgium Relations: From Defence to Fintech
Source Newspaper: The Indian Express
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Do not let India's forex-reserve diversification slacken

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Is there a twist in India's foreign exchange diversification tale? An International Monetary Fund (IMF) paper in 2022 identified India as among the major countries diversifying its forex reserves to non-traditional currencies. At 10% of its reserves, India's share of non-traditional currencies was at the same level as those of Germany and Switzerland, but below those of Indonesia, South Africa and France. By the latest count, India's forex reserves stood at $729 billion. Foreign currency assets (FCA) made up 81.1% of these and gold 16.7%. Note that FCA includes foreign currency investments in Treasury bonds and the like, as well as deposits denominated in mainstream currencies such as the dollar, euro, pound and yen, plus others such as those of Australia, Canada and Sweden. Between March and August, India's forex reserves increased by 5.5% and its FCA by 7%. The Reserve Bank of India (RBI), like many Asian central banks, does not publish currency-wise forex positions. However, it may be assumed that the FCA increase was driven by dollar-denominated deposits by overseas Indians made with banks in the country to benefit from the special incentives on offer.

India's FCA fell from 94% of reserves in 2017 to 80% in March 2026, the lowest in 30 years, before rising to just over 81%. The concentration of dollars in India's reserves may have increased. The numbers suggest a detour from diversification.One hopes that RBI does not move away from its diversification agenda in the hope of supporting the rupee. Globally, most central banks, including of America's closest allies, are diversifying away from the dollar. While the greenback will remain dominant, US debt is no longer risk free; major global rating agencies do not consider it AAA level. Arguably, in an extreme global crisis, a diversified reserve base may be more beneficial than over-dependence on any single currency.

Who is eating into the dollar's share of reserves? In 2001, the dollar constituted 71.5% of the global reserves of central banks . This share fell to 57.1% by the first quarter of 2026 (*IMF: Currency Composition of Official Foreign Exchange Reserves*). Mainstream currencies, however, have not taken the dollar's share. The euro falters to deceive. In 2001, it formed 18% of global reserves and surged to 27.7% by 2009 before retreating to 20% currently. Likewise, the yen's share has fluctuated between 4% and 6% since 2000. The pound has done surprisingly well with a slice of about 4%. It is the non-mainstream currencies that have gained prominence in global reserves. They have grown from 2% in 2000 to 13% currently.

Drivers of forex reserve composition: The ratio of FCA *vis-à-vis* gold and share of dollar holdings within FCA are mainly driven by two factors. *One*, the need for dollar liquidity; and *two*, a country's integration with the US, financially and geopolitically. High integration with the US financial system explains the high dollar holdings of the UAE and South Korea, for example. Meanwhile, Türkiye, despite being a net importer with a structural need for dollar liquidity, keeps over half of its reserves in gold for geopolitical considerations. Germany, France and Italy, all net exporters and thus with limited dollar needs, have traditionally held large gold reserves. Gold's share of their reserves have climbed from 60% to 80% over the last decade.

Reducing our currency concentration risk would not be seen as an attempt at de-dollarization

India, being a net importer, needs ample dollars for imports. Its integration with the US financial system is at best moderate and it is geopolitically positive to neutral in this context. So, while it needs dollar liquidity, it must diversify too. This is not a de-dollarization drive but aimed at managing global financial market risks. Some of the US's closest allies have among the highest gold holdings or lowest dollar holdings.

Although RBI has successfully guided India through forex turmoil, some further considerations may be noteworthy.

Coverage re-map: India has moved way ahead of its 1991 balance-of-payments crisis days. Thus, high forex reserves need not make for a victory parade. They come with a cost and have diminishing marginal utility. We should stop looking at reserves as a cover for a varying number of months of imports. Let's look at them as a buffer for net imports, should India suffer the stress of, say, imports staying unchanged as exports fall. Of course, a scenario of zero exports is very unlikely. Calculations indicate that while India's forex reserves currently cover about 11-12 months of imports, an examination of net imports would stretch that to 15-18 months. Also, we should highlight the level of forex diversification. Over-dependence on a single currency in this era of uncertainty is a risk bigger than an export slowdown.

Calibrated strategic execution: Maybe India should aim to reduce its concentration risk of major currencies by 0.5 to 1 percentage point under normal circumstances, and increase its share of currencies of countries with AAA and AA+ ratings, and step up gold-buying in a calibrated manner. In the last 10 years, China, Russia and Türkiye may have been lucky to buy more than 60% of their purchases before 2018, when India began to buy gold. These countries may therefore have benefitted much more from the recent gold-price rally. While shock-driven reactive measures such as raising foreign currency deposits are understandable, we must not distort the country's underlying reserve diversification effort. A break in the momentum of that exercise on account of short-term pressures only reduces India's resilience against an extreme global crisis.

Which one of the following groups of items is included in India's foreign-exchange reserves?

(a) Foreign-currency assets, Special Drawing Rights (SDRs) and loans from foreign countries

(b) Foreign-currency assets, gold holdings of the RBI and SDRs

(c) Foreign-currency assets, loans from the World Bank and SDRs

(d) Foreign-currency assets, gold holdings of the RBI and loans from the World Bank

1. India's Foreign-Exchange Reserves: The Case for Diversification

Source: *The Hindu*
Subject: GS-3 — Economy | External Sector | Foreign Exchange Reserves

Context: India's foreign-exchange reserves have reached a **record $729.33 billion**, but the predominance of foreign-currency assets, particularly dollar-denominated assets, makes **diversification important for reducing concentration and geopolitical risks**.

1. India's Forex Reserves — Composition

● **Foreign Currency Assets (FCA):** The largest component, comprising securities, deposits and other assets denominated in major foreign currencies.

● **Gold:** The second-largest component and an increasingly important diversification asset.

● **Special Drawing Rights (SDRs):** International reserve assets created by the **International Monetary Fund (IMF)**.

● **Reserve Tranche Position (RTP):** India's readily available claim on the IMF.

● As of **21 August 2026**, India held **$591.33 billion in FCA, $114.22 billion in gold, $18.85 billion in SDRs and $4.93 billion as RTP**, taking total reserves to $729.33 billion.

2. Why Are Forex Reserves Important?

● **Import financing:** Provide foreign-currency liquidity for essential imports, particularly crude oil and other commodities.

● **External payment security:** Help meet foreign-currency obligations and provide confidence in India's external solvency.

● **Exchange-rate management:** Enable the **Reserve Bank of India (RBI)** to intervene against excessive volatility in the rupee.

● **Crisis buffer:** Protect the economy against sudden capital outflows, external shocks and balance-of-payments pressures.

● India's reserves provide **over 11 months of import cover**, giving the economy a substantial external liquidity cushion.

3. Why Does Reserve Diversification Matter?

● **Concentration risk:** A high share of foreign-currency assets exposes reserves to movements in the value and financial conditions of dominant currencies.

● **Geopolitical risk:** Growing financial fragmentation and the possibility of sanctions make excessive dependence on any single country's financial system a potential vulnerability.

● **Changing global environment:** Central banks globally have been increasing their holdings of **gold and alternative reserve assets**, reflecting the search for greater portfolio resilience.

● **Gold as a hedge:** Unlike sovereign foreign-currency assets, gold does not represent a liability of another country and can therefore provide diversification during periods of geopolitical or financial stress.

4. India's Diversification Is Already Underway

● India's **gold share increased from 13.92% of total reserves in September 2025 to 16.70% by March 2026**, indicating a growing role for gold in reserve management.

● India's gold holdings reached **880.52 tonnes by March 2026**, of which **680.05 tonnes were held domestically**.

● India's holdings of **U.S. Treasury securities fell from $232 billion in April 2025 to $181 billion in April 2026**, while gold holdings increased, reflecting greater diversification of reserve assets.

● The International Monetary Fund has also identified India among major economies increasing exposure to **non-traditional reserve currencies**.

5. Why India Cannot Abandon the Dollar

● The **U.S. dollar remains central to international trade, commodity pricing and global financial markets**.

● India's large import requirements, especially energy imports, require substantial dollar liquidity.

● Dollar-denominated securities also offer **deep, liquid and relatively safe markets**.

● Therefore, diversification should **not be equated with de-dollarisation**; the objective is to reduce excessive concentration while retaining adequate dollar assets.

6. Way Forward

● **Calibrated diversification:** Gradually increase exposure to gold and credible alternative currencies.

● **Maintain liquidity:** Preserve adequate dollar assets to meet trade and external-payment requirements.

● **Risk-based allocation:** Diversify while balancing **currency, interest-rate, credit and liquidity risks**.

● **Follow the safety–liquidity–return principle:** Reserve management should prioritise **safety and liquidity**, with returns as a secondary consideration.

River-linking is not the solution

T. Ramakrishnan

The Union Minister for Home Affairs Amit Shah's speech at the Southern Zonal Council's meeting last month in Mamallapuram has provided a few takeaways on the contentious issue of water sharing. His emphasis on the need for an early resolution of water-related issues in the southern region appears well meaning but it is easier said than done. He had also talked about linking major rivers from the Brahmaputra to the Godavari and the Cauvery, an option that, according to Mr. Shah, can ensure that India faces no water shortage for 100 years.

However, water issues are not that easy to solve. This is evident from the Centre's response to Tamil Nadu's demand for the constitution of a tribunal to adjudicate the Pennaiyar river water dispute. Aggrieved over the "violation" of the 1892 inter-State agreement by Karnataka, Tamil Nadu, in November 2019, requested the Centre to establish a tribunal. It had also moved the Supreme Court with the same demand. Since then, two negotiation committees have been formed and 11 meetings held. Eventually, the top court, this February, directed the Centre to form the tribunal within a month and, later, extended the deadline by six months.

Still, the adjudicatory body is yet to be put in place. Meanwhile, the Centre asked the court whether the Pennaiyar dispute could be referred to the Mahadayi Water Dispute Tribunal instead of constituting a new tribunal. This suggestion defies logic as there is nothing in common between the two disputes. Moreover, the Interstate River Water Disputes Act, 1956 does not permit it. This suggestion in the Pennaiyar case gives the impression that the Centre is not keen on expeditiously implementing a judicial verdict in an inter-State river dispute. To cite one more example, the Central government has not yet replied to Tamil Nadu's demand, in March this year, to constitute a tribunal on the Mekedatu dam project proposed by Karnataka.

In the last 130-odd years, the country has seen only a handful of inter-basin transfer projects, most of which are in south India

A complex problem

Given this background, one need not delve much into the complications that would entail by the inter-linking of rivers. Proponents of river linking, including Tamil Nadu, have been saying that the idea is not to disturb the natural flow of any river but to divert a portion of the surplus water. Many experts are not convinced about this argument as they are worried that once the linking is allowed, regions that benefit may become vociferous in demanding water even in times of distress, eventually depriving original beneficiaries of their quota. This is apart from the concerns over the possible adverse consequences on ecology. In fact, Keralam has been stoutly opposing the Pamba-Achankovil-Vaippar link proposal, which, if implemented, the State says, will affect the Vembanad wetland system, where the Pamba and Achankovil rivers drain. However, the National Water Development Agency says that it has accounted for improving the flow of rivers in lean periods.

In the last 130-odd years, the country has seen only a handful of inter-basin transfer projects, most of which are in south India. The Mullaperiyar dam, the Parambikulam-Aliyar project, the Krishna Water Supply Project, and the Indira Gandhi Canal Project are regarded as successful examples of inter-basin transfer of river waters.

After the Bharatiya Janata Party's return to power in 2014, the Union government formed a Special Committee for Interlinking of Rivers, which has held over two dozen meetings since then. Needless to say, there has not been much headway.

However, in 2024, Prime Minister Narendra Modi laid the foundation stone for the ₹44,000 crore Ken-Betwa Link Project. This has now led to agitations by the tribal populations in Chhatarpur.

What the governments, both at the Centre and in States, and civil society should focus on is demand side management, instead of perpetually looking for supply side interventions. With land becoming scarcely available and resistance growing among people when it comes to land acquisition, the days of implementing mega irrigation projects are almost over. The priority has to be towards conserving what is available and using it judiciously. A massive programme of sensitising and incentivising farmers on the optimal use of water has to be launched. Indiscriminate extraction of groundwater, facilitated by schemes of free electricity for agriculture in many States, is paving the way for ecological disaster and has to be curbed immediately. Unless water conservation becomes the mantra of all the stakeholders and is practised genuinely, disputes will be the norm.

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Q14. नदियों को आपस में जोड़ना सूखा, बाढ़ और बाधित जल-परिवहन जैसी बहु-आयामी अन्तर्सम्बन्धित समस्याओं का व्यवहार्य समाधान दे सकता है । आलोचनात्मक परीक्षण कीजिए ।

(250 शब्दों में उत्तर दीजिए)

The interlinking of rivers can provide viable solutions to the multi-dimensional inter-related problems of droughts, floods and interrupted navigation. Critically examine. (Answer in 250 words) *15*

2. River-Linking Is Not the Solution

Source: *The Hindu*
Subject: GS-2 — Inter-State Relations | Water Governance
GS-3 — Environment | Water Resources

Context: The proposal to link major rivers from the **Brahmaputra to the Godavari and Cauvery** has renewed debate on whether large-scale inter-basin water transfers can provide long-term water security amid growing water stress and competing claims over river resources.

1. River Interlinking: Concept and Examples

● **Interlinking of Rivers (ILR)** involves transferring water from one river basin to another through **dams, reservoirs and canals** to address regional and seasonal differences in water availability.

● Under the **National Perspective Plan (NPP)**, **30 river links** have been identified — 16 under the Peninsular Component and 14 under the Himalayan Component.

● Major examples include the **Ken–Betwa Link**, currently under implementation; **Parbati–Kalisindh–Chambal**, a priority project involving Madhya Pradesh and Rajasthan; and the proposed **Godavari–Cauvery** linkage.

2. Why Is River-Linking Considered?

● **Regional water imbalance:** Transfer water from relatively water-abundant basins to water-deficient regions.

● **Irrigation security:** Provide assured water for agriculture and reduce dependence on rainfall.

● **Drinking-water security:** Augment supplies in water-stressed regions.

● **Flood–drought management:** Store and transfer water to address seasonal variations in availability.

3. Major Concerns with River-Linking

● **Uncertain water surplus:** A basin considered "surplus" may itself require the water during drought or lean periods.

● **Ecological disruption:** Altering natural river flows can affect **wetlands, fisheries, sediment movement and downstream ecosystems**.

● **Inter-State disputes:** Water transfers can intensify conflicts among States. The **Pennaiyar dispute, Mekedatu issue and Kerala's opposition to the Pamba–Achankovil–Vaippar link** illustrate the difficulty of securing consensus.

● **Displacement and land acquisition:** Large dams and canals can affect forests, agricultural land and local communities.

● **High costs and climate uncertainty:** Mega-projects require substantial investment, while changing rainfall patterns make long-term water-availability projections less certain.

4. Why Supply-Side Expansion Alone Is Insufficient

● **Water scarcity is also a demand problem:** Increasing supply through dams and canals does not address inefficient water use and wastage.

● **Groundwater depletion:** Indiscriminate extraction, partly encouraged by free or heavily subsidised agricultural electricity, is creating serious ecological stress.

● **Rising implementation constraints:** Land scarcity, resistance to acquisition, displacement and environmental concerns increasingly limit mega irrigation projects.

● **Climate variability:** Changing rainfall patterns make dependence on projections of "surplus" water increasingly uncertain.

5. Demand-Side Management: Conserve and Use Water Efficiently

● **Water-use efficiency:** Promote micro-irrigation, efficient irrigation practices and suitable cropping patterns to produce more with less water.

● **Groundwater conservation:** Regulate excessive extraction and strengthen recharge and aquifer management.

● **Local water conservation:** Restore tanks, ponds, wetlands and watershed systems to retain and utilise local water resources.

● **Reuse and recycling:** Expand treatment and reuse of wastewater, particularly for agriculture and industry.

● **Behavioural change:** Sensitise and incentivise farmers and communities to **conserve water and use it judiciously**.

Way Forward

● River linking should be undertaken **selectively**, only where hydrological, ecological, social and economic viability is established.

● Strengthen **river-basin planning, inter-State cooperation and dispute-resolution mechanisms**.

● Shift the broader water policy from **continuous supply augmentation towards conservation, efficiency and demand management**.

STAKEHOLDER CONSULTATION BY NITI AAYOG

Private players seek 'green energy' status for N-power to raise funds

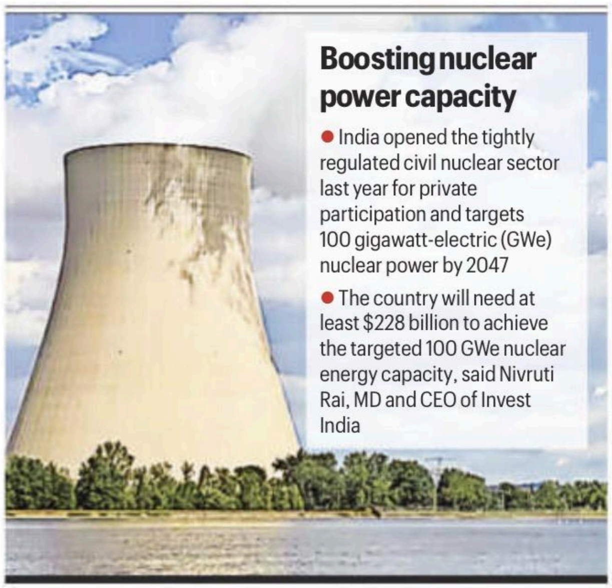
Pratyush Deep
New Delhi, September 2

PRIVATE PLAYERS are seeking green energy status for nuclear power to enable access to green bonds, green loans and blended financing for nuclear projects.

During a recent stakeholder consultation by NITI Aayog, they sought review of existing green finance frameworks, including the Ministry of Finance's Sovereign Green Bond Framework, the RBI's framework for acceptance of green deposits and SEBI's framework for green debt securities.

"Currently for example Ministry of Finance sovereign green bond framework does not include the nuclear energy and there was a suggestion from many of the industry participants to review these frameworks.....whether it is the Ministry of Finance sovereign green energy bond framework or RBI's framework for acceptance of green deposits or even SEBI's green debt securities framework.

"So I think there is a need for review of these frameworks to allow access to green bonds and green loans and blended financing schemes," Abhay Karandikar, member NITI Aayog said during the inaugural session of POWERGEN India's Nuclear X event.



"The world over ... I think even including the World Bank and the Asian Development Bank are reviewing these restrictions on the nuclear investments and similar things perhaps I think may be needed," he added.

During the consultation, the private players also suggested that nuclear power projects be accorded infrastructure status, he said, while adding that in NITI Aayog's view nuclear power is already covered under the infrastructure framework, as the Harmonised Master List of Infrastructure Sub-sectors maintained by the Department of Economic Affairs includes electricity generation. "Perhaps a clarification in this regard may be needed," he added.

Around 150 participants from 60 organisations took part in the NITI Aayog's consultation. India opened the tightly regulated civil nuclear sector last year for private participation and targets 100 gigawatt-electric (GWe) nuclear power by 2047. Nivruti Rai, MD and CEO of Invest India, said India will require at least $228 billion in investment to achieve the target 100 GWe nuclear energy capacity.

Final SHANTI rules to be ready in 2-3 months

Speaking at the event, Ghanshyam Prasad, Chairperson of the Central Electricity Authority (CEA), said the final rules under the SHANTI Act are likely to be ready in the next two to three months, with stakeholder consultations on the draft rules currently underway.

He also stressed the need to reduce the gestation period of nuclear power projects in India. Prasad said site selection would be another major challenge as India scales up its nuclear capacity. "A lot of efforts are supposed to be made in identification of sites. We are all working with the states. Teams are there, site selection committees are there," he said. On nuclear fuel, Prasad stressed the need to develop thorium-based technologies to strengthen India's long-term energy security.

FULL REPORT ON
WWW.INDIANEXPRESS.COM

3. Nuclear Power: Financing India's 100 GWe Ambition

Source: *The Indian Express*
Subject: GS-3 — Science & Technology | Energy

Context: India aims to expand nuclear power capacity to **100 gigawatt-electric (GWe) by 2047**. With an estimated investment requirement of at least **$228 billion**, mobilising private capital and affordable long-term finance is critical.

1. Nuclear Power — Strategic Importance for India

● **Low-carbon electricity:** Nuclear power provides large-scale electricity with low operational greenhouse-gas emissions.

● **Firm generation:** Unlike variable renewable sources, nuclear power provides **continuous and predictable electricity**, supporting grid stability.

● **Energy security:** Expansion can reduce dependence on fossil fuels while meeting India's growing electricity demand.

2. Financing Challenge — Why "Green" Status Matters

● **High upfront investment:** Nuclear projects require substantial capital and have long construction and gestation periods.

● **Financing burden:** Long project cycles increase the cost and risk of capital, making conventional financing less attractive.

● **Investment requirement:** The **100 GWe target requires at least $228 billion**, necessitating significant private and institutional investment.

● **Green status — meaning:** Recognising nuclear power as **green energy** would make eligible nuclear projects accessible to recognised **green-finance mechanisms**.

● **Green bonds and loans:** Such recognition could enable nuclear projects to raise capital from investors and financial institutions specifically targeting green projects.

● **Blended finance:** Public and private capital can be combined to share risks and improve the financial viability of capital-intensive projects.

● **Current gap:** Nuclear power is presently excluded from India's **Sovereign Green Bond Framework**, Reserve Bank of India green-deposit framework and Securities and Exchange Board of India green-debt framework.

3. Private Participation — Expanding the Investment Base

● **Sectoral opening:** Greater private participation can bring **capital, technology and industrial capacity** into nuclear power.

● **Industry interest:** Around **150 participants from 60 organisations** participated in the NITI Aayog consultation.

● **Regulatory certainty:** The **SHANTI framework** is intended to provide greater clarity for private investment while retaining nuclear-safety requirements.

4. Constraints to Converting Investment into Capacity

● **Long project timelines:** Faster construction and commissioning are necessary to meet the 2047 target.

● **Site availability:** Identification of suitable sites and coordination with States will become increasingly important.

● **Standardisation:** Standard reactor designs and fleet-mode deployment can reduce construction time and costs.

● **Skilled manpower:** Rapid expansion requires specialised nuclear scientists, engineers and technicians.

● **Fuel security:** Development of **thorium-based technologies** can strengthen India's long-term nuclear-fuel security.

Way Forward

● Establish **clear green-finance criteria** for nuclear power based on environmental and safety standards.

● Provide a **predictable regulatory environment** to attract private and institutional capital while maintaining stringent safety oversight.

● Accelerate **site selection, standardisation and fleet-mode construction** to reduce project gestation.

● Strengthen **domestic manufacturing, skilled manpower and indigenous fuel-cycle technologies**.

Digital ambitions in a fractured BRICS

SUSHMA RAMACHANDRAN
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INDIA faces the uphill task of making a success of the forthcoming BRICS summit in New Delhi. Being held in the midst of geopolitical tensions in which member countries are enmeshed, it would be a diplomatic achievement of a high order to achieve a consensus outcome.

No wonder New Delhi is keeping the focus on economic development and cooperation in areas like digital currencies and speeding up cross-border payments. Even these are set to spark controversies as the US continues to view any perception of de-dollarisation with resentment and suspicion. This was evident from the fact that US President Donald Trump threatened to raise tariffs and complained of anti-Americanism after the previous summits held in Russia and Brazil.

A bigger challenge will be to reconcile the views of all 11 members. The original bloc comprised Brazil, Russia, India and China with South Africa joining subsequently to create the acronym BRICS. As it sought to become the voice of the Global South, others joined the group which now includes Egypt, Ethiopia, Indonesia, Iran, Saudi Arabia and the United Arab Emirates (UAE).

While there is a wide disparity in economic terms as well as geography between the members, the biggest divide now is the West Asian war. With Iran on one side and the UAE on another, the prospect of a unified declaration looks bleak. The BRICS foreign ministers' meeting in May ended with the Chair's statement rather than a joint declaration.

New Delhi seems set to highlight economic issues. The summit's broad theme of building for resilience, innovation, cooperation and sustainability is likely to form the basis for discussions that could provide areas of commonality for all emerging economies. A highlight will be the prospect of seamless cross-border payments and adoption of central bank digital currencies (CBDCs). This is aimed at making trade among BRICS members cheaper, faster, and more transparent. Though the group commands as much as 35% of the global GDP, trade within the bloc has not reached significant levels. Improving the speed of digital payments could accelerate this process.

DIGITAL CURRENCY : New Delhi is keeping the focus on economic development . AI GENERATED IMAGE

A key issue in this regard is interoperability of digital payment systems, like India's home-grown UPI, along with systems functioning in other countries. Brazil has its own instant payments system known as Pix. The Rio declaration had highlighted the need for interoperability of payment systems to ease the process of cross-border transactions.

However, CBDCs or digital currency schemes are at a pilot stage in most countries. Despite this reality, India's central bank has been pushing for BRICS to include linking of the digital rupee to similar currencies of other member countries. The aim is to link these systems even as these are developing beyond the nascent stage. It will make cross-border transactions more efficient while promoting the use of the digital rupee. Given that the bloc is diverse in terms of systems of governance, tremendous effort will be needed to bring about such linkages. The agenda for the upcoming meeting will have to include issues like interoperable technology and rules of governance to make this initiative a reality.

BRICS is trying to map out a new financial architecture for the Global South.

While digital payment systems and CBDCs are far removed from the concept of a BRICS currency, the entire issue is being treated with kid gloves to prevent any adverse reaction from Washington. Any briefings about the need to promote more efficient cross-borders transactions include an official caveat that proposals are not directed at any country. Even the RBI, in earlier comments, sought to clarify that promotion of the digital rupee is not a move towards de-dollarisation. The caution stems from Trump's outburst during previous summits.

The measured approach cannot disguise the fact that BRICS is trying to map out a new financial architecture for the Global South. The efforts to reform the Bretton Woods institutions to give a greater role to emerging economies have moved slowly. The result has been the creation of the bloc's New Development Bank, which is so far playing a low-key role. But it does provide loans in national currencies, thus reducing the exchange rate risk. So, the deliberations on these issues may not be de-dollarisation in the real sense but there is a growing shift to trade in national currencies. China and Russia are already carrying out most of their trade in yuan and ruble. India, on the other hand, is slowly expanding trade in national currencies with countries like the UAE while the longstanding rupee trade arrangement with Russia has been expanding to deal with crude oil imports.

The BRICS summit will thus continue a dialogue that voices the aspirations of the Global South. The problem is, the group is now engulfed by geopolitical tensions that are likely to impede the aim of bringing about faster growth through economic cooperation.

The New Delhi summit will have some advantages over last year's meeting in Rio de Janeiro. And that is star power in the form of the bloc's leading lights. Both Russian President Vladimir Putin and Chinese President Xi Jinping will be attending the summit, as will Iranian President Masoud Pezeshkian. They will be arriving fresh from the Shanghai Cooperation Organisation meeting in Bishkek. Another luminary is the UAE's Crown Prince Sheikh Khaled bin Mohamed Al Nahyan.

It will take some deft diplomacy to ensure that the BRICS summit ends without much friction. The presence of both UAE and Iran leaders at a time when the West Asian conflict has been aggravated can create a tricky situation for the host country. Equally, the presence of both Putin and Jinping indicate their support to a bloc that can emerge as a potential counterweight to the North. This could help India keep the focus on economic cooperation, promotion of digital payments and easing cross-border transactions. It may thus end up as a low-key event, but that would probably be the best outcome in such fractured times.

4. Digital Ambitions in a Fractured BRICS

Source: *The Tribune*
Subject: GS-2 — International Relations | BRICS | Global South | Digital Economy

Context: India will host the **BRICS Summit in New Delhi** amid growing geopolitical differences within the expanded grouping. New Delhi is seeking greater convergence through **economic cooperation, digital payments and cross-border financial integration**.

1. BRICS Expansion — Wider Global South, Greater Divergence

● **Expanded membership:** BRICS has expanded beyond its original five members, bringing together economies from **Asia, Africa, Latin America and West Asia**.

● **Economic weight:** The grouping accounts for around **35% of global GDP**, giving it significant potential to represent Global South interests.

● **Political divergence:** Differences in **geopolitical interests, economic systems and regional priorities** make a unified political position difficult.

● **India's challenge:** With consensus becoming harder, India can prioritise **practical economic cooperation** over contentious geopolitical issues.

2. Digital Payments — Building Practical Economic Convergence

● **Cross-border payments:** Interoperable payment systems can make transactions **faster, cheaper and more transparent**, facilitating intra-BRICS trade.

● **UPI and Pix:** India's **Unified Payments Interface (UPI)** and Brazil's **Pix** demonstrate the possibility of connecting national instant-payment systems.

● **Central Bank Digital Currencies (CBDCs):** India is pushing for interoperability between the **digital rupee** and digital currencies being developed by other members.

● **Implementation challenge:** Differences in **technology, regulation and governance** mean that such interoperability remains at an early stage.

3. Digital Payments and the De-Dollarisation Question

● **National currencies:** Greater use of domestic currencies can reduce dependence on the dollar for bilateral trade and lower exchange-rate risks.

● **Emerging practice: China–Russia** trade increasingly uses the yuan and ruble, while India is expanding national-currency transactions with countries such as **Russia and the UAE**.

● **India's calibrated approach:** The digital rupee and local-currency settlements should primarily improve **payment efficiency and trade facilitation**, rather than become an overt campaign against the dollar.

● **Strategic caution:** Excessive emphasis on de-dollarisation could provoke geopolitical resistance and weaken the broader economic agenda of BRICS.

4. Towards a More Diversified Global South Financial Architecture

● **New Development Bank (NDB):** Provides development finance in national currencies, helping reduce **foreign-exchange and exchange-rate risks**.

● **Alternative payment channels:** Interoperable digital systems and local-currency settlements can create additional mechanisms for **trade and financial transactions**.

● **Institutional reform:** BRICS seeks a greater voice for developing economies in the existing **global financial architecture**.

● **Gradual approach:** The emerging framework is better understood as **diversification of financial channels**, rather than an immediate replacement of the dollar-based system.

5. India’s Opportunity at the New Delhi Summit

● **Digital leadership:** India can use its experience with **UPI and digital public infrastructure** to promote practical cross-border payment solutions.

● **Economic cooperation:** Focusing on digital payments, trade and financial cooperation offers areas where diverse BRICS members can find common ground.

● **Global South leadership:** India can strengthen its role as a **bridge-builder and advocate of developing-country interests**.

● **Strategic autonomy:** India can deepen BRICS cooperation while maintaining its wider economic and strategic partnerships, including with the **United States and other Western economies**.

WMO warns of 'very' strong El Nino, to last until February 2027

Express News Service
Bengaluru, September 3

THE WORLD Meteorological Organization (WMO) on Thursday warned of an impending "very strong" El Nino that could last till February of next year and could alter temperature and rainfall patterns globally.

"El Nino is firmly established and is expected to strengthen. It has the potential to deliver a massive blow to communities and economies across the world. We are already seeing disruption and devastation from droughts and floods and we expect these impacts to increase as El Nino intensifies," said WMO Secretary-General Celeste Saulo at a press briefing on Thursday.

El Nino is a natural ocean-atmosphere phenomenon that is caused when the equatorial Pacific Ocean warms significantly and interferes with weather patterns globally. It is known to trigger extreme weather — heatwaves, wet spells and extreme temperatures. The intensity of El Nino is determined by the sea surface temperature average over three months in the Nino 3.4 region along the equatorial Pacific Ocean. In recent months, this temperature index value surpassed 1.5 degrees Celsius above normal during May-July and escalated 2 degrees Celsius mark above normal in July.

Europe, this year, witnessed one of the hottest summers in recent decades and August, according to many global weather agencies, reported record temperatures in many parts of the globe. The UN agency's chief said: "Never before in the 50-year history of the WMO have we launched such a major mobilisation with National Meteorological and Hydrological Services who are on the frontline of delivering forecasts and services to save lives and livelihoods."

The India Meteorological Department (IMD), earlier this month, confirmed that the monsoon rainfall in the later half of August came under the cloud of El Nino. But, with three-fourths of the season over, the monsoon has largely escaped the developing El Nino.

WMO further said the Indian Ocean Dipole (IOD) — the Indian Ocean counterpart of El Nino Southern Oscillation (ENSO) — was likely to develop during September-November.

"A positive phase of the IOD is also expected to develop with a seasonal mean value of 0.9 degrees Celsius," WMO said.

This could counter El Nino and in late August, the IOD had, briefly, swung towards the positive phase but returned to neutral, the IMD said.

5. WMO Warns of a Very Strong El Niño

Source: *The Indian Express*
Subject: GS-1 — Geography | Climatology

Context: The **World Meteorological Organization (WMO)** has warned of a potentially **very strong El Niño lasting until February 2027**, with the potential to alter global temperature and rainfall patterns.

1. El Niño — Meaning and Mechanism

● **Definition:** El Niño is the warm phase of the **El Niño–Southern Oscillation (ENSO)**, marked by abnormal warming of sea-surface temperatures in the **central and eastern equatorial Pacific Ocean**.

● **Normal condition:** Strong **trade winds** generally push warm surface water towards the western Pacific, allowing relatively cooler water to upwell near the eastern Pacific.

● **During El Niño:** Trade winds weaken → warm water shifts eastward → **upwelling decreases** → warmer eastern/central Pacific waters alter atmospheric circulation.

● **Global influence:** These changes disturb normal weather patterns, increasing the possibility of **heatwaves, droughts, floods and extreme temperatures** in different regions.

● **Intensity:** El Niño strength is assessed using sea-surface temperature anomalies, particularly in the **Niño 3.4 region**. The current anomaly exceeded **1.5°C above normal during May–July** and reached around **2°C in July**.

2. Impact on India and the Current Outlook

● **Indian monsoon:** El Niño generally tends to weaken the Indian summer monsoon, but its influence is **not uniform in every year**.

● **Current monsoon:** Despite the developing strong El Niño, India's monsoon has so far **largely escaped its expected adverse influence**, with around three-fourths of the season already completed.

● **Extreme weather:** A strong El Niño can contribute to greater **temperature and rainfall variability**, increasing risks to agriculture, water resources and livelihoods.

● **Indian Ocean influence:** The impact on India cannot be assessed through El Niño alone because other ocean-atmosphere phenomena can modify its effects.

3. Indian Ocean Dipole — A Possible Counterbalance

● **Meaning:** The **Indian Ocean Dipole (IOD)** represents the difference in sea-surface temperatures between the **western and eastern tropical Indian Ocean**.

● **Positive IOD:** Warmer western Indian Ocean waters relative to the eastern Indian Ocean can favour **stronger monsoon conditions over India**.

● **Current expectation:** WMO expects a **positive IOD during September–November**, with a projected seasonal mean of around **+0.9°C**.

● **Interaction with El Niño:** A positive IOD can **partly offset El Niño's adverse influence on the Indian monsoon**, showing that India's rainfall depends on the interaction of multiple climate drivers.

4. World Meteorological Organization (WMO) — Basic Facts

● **Nature:** A **specialised agency of the United Nations** dealing with weather, climate, water and related Earth-system sciences.

● **Established: 1950**; became a UN specialised agency in **1951**.

● **Headquarters: Geneva, Switzerland**.

● **Core role:** Promotes international cooperation in **weather observation, meteorological data-sharing, forecasting, climate monitoring and early-warning systems**.

● **India:** The **India Meteorological Department (IMD)** is India's national meteorological service and works within the global meteorological cooperation system coordinated by WMO.

FIRST VISIT BY A BELGIAN PM IN TWO DECADES; MODI & DE WEVER DISCUSS UKRAINE, WEST ASIA

From defence to fintech, India & Belgium give ties a major boost

Shubhajit Roy
New Delhi, September 3

PM Narendra Modi during a meeting with his Belgian counterpart Bart De Wever in Delhi, Thursday. PTI

INDIA AND Belgium agreed to strengthen defence and Intelligence-sharing, establish an investment fast-track mechanism, double bilateral trade, boost partnership on semiconductors and enter a pact on renewable energy, as Prime Minister Narendra Modi met the visiting Prime Minister of Belgium, Bart De Wever, on Thursday.

After the bilateral meeting, PM Modi said, "I am confident that today's discussions mark the beginning of a new chapter in our bilateral relations."

"Defence and security cooperation is a key pillar of our relationship. Today, we agreed to enhance military exchanges and training cooperation between the two countries. The agreements between our governments and defence industries will open up new opportunities for defence co-development and co-production. We will also further strengthen Intelligence-sharing and cooperation between our agencies in combating crime," he said.

Belgian PM De Wever said, "The exchange of the letter of intent we have just witnessed gives that cooperation a new framework – from government to government contacts and military exchanges to research, innovation, co-development, and hopefully co-production. And alongside it, a series of additional defence-related MoUs are being concluded, bringing companies and institutions from both countries closer together. Security too is something we strengthen by working with partners we can trust."

Defence delegations from the two sides met and agreed to strengthen cooperation in defence industries, which includes drones, anti-mine systems, rockets, tanks, munitions. Representatives from about 15 Belgian defence companies accompanied the Belgian Prime Minister and interacted with the Indian defence industry players as well.

PM Modi said, "For Belgian companies, we have established an Investment Fast-Track Mechanism in India. We have decided to make the India-Belgium Business Forum a regular mechanism. We will strengthen coordination among the financial, fintech and regulatory institutions of both countries. Through all these initiatives, we will realise our goal of doubling bilateral trade over the next five years."

Belgium is an important economic partner for India in Europe. Bilateral trade reached $13.01 billion in 2025-26. Diamond trade, with Antwerp as a major global hub, remains a significant component of bilateral commerce. Belgium is also an important source of investment in India. FDI inflows from Belgium amounted to approximately $4.2 billion between April 2000 and December 2025.

This is PM De Wever's first visit to India since taking office in February 2025. This is also the first visit by a Belgian Prime Minister to India in two decades — marking a significant new phase in India-Belgium relations.

The Belgian PM said, "Prime Minister Modi and I had a very good discussion about trade and investment, and about broader changes taking place in the world of today and the economy of today. My country believes strongly in free and fair trade. For us, open markets are not just an abstract principle; they are part of our economical DNA and the basis of our prosperity. Trade within and between economies allows countries to specialize in what they do best. It spreads ideas and technology. It drives competition and innovation. And when it is free and fair, it creates values on both sides."

On the geoeconomic climate, he said, "The world around us is changing. Recent years have shown us how quickly supply chains can be disrupted and weaponised. How geopolitical instability can affect our energy and our economies, and how excessive dependencies can become vulnerabilities. Our course rejects two false choices. Firstly, we do not choose protectionism, but neither do we accept naive dependencies. We've done so for far too long. And secondly, we certainly do not believe that the answer is to retreat economically behind our own walls and our own borders. Our answer is strategic openness."

On global issues, PM Modi said, "Today, we also had detailed discussions on regional and global developments. Both India and Belgium believe in the rule of law, dialogue and diplomacy. Whether it is Ukraine or West Asia, we support all efforts aimed at an early end to conflicts and the restoration of peace."

The joint statement elaborated: "Regarding the war in Ukraine, both sides reaffirmed their support for efforts towards the achievement of a comprehensive, just and lasting peace through dialogue and diplomacy, in accordance with the principles of the United Nations Charter and international law. On West Asia, they discussed recent developments of concern in the region and underscored the importance of dialogue and diplomatic engagement to address challenges in a peaceful manner. They also stressed the importance of ensuring the safety and security of maritime routes and of maintaining safe and unimpeded maritime shipping."

PM Modi also referenced the GDP numbers and India's economic strength. "Today, the world is going through a period of great upheaval. Conflicts continue to persist in many parts of the world. Whether it is food, fuel, or supply chains, every sector is being impacted by uncertainty. In this challenging environment, India's economy has maintained its momentum. We recorded 7.8% growth in the last quarter. Today, India's growth story is becoming a source of confidence and new opportunities for the world," he said.

PM De Wever hinted that PM Modi will be visiting Belgium in December: "It would be a happy ending of the year 2026 to see the signature (happening) in Belgium, and we have the honour of receiving Prime Minister Modi in my country… I look forward to welcoming you to Brussels in December, maybe Antwerp."

6. India–Belgium Relations: From Defence to Fintech

Source: *The Indian Express*
Subject: GS-2 — International Relations | India–Belgium Relations | Europe

Context: The visit of Belgian Prime Minister **Bart De Wever to India** marked the first visit by a Belgian Prime Minister in nearly two decades and provided a major push to bilateral relations, with cooperation expanding from traditional economic ties to **defence, intelligence, investment, semiconductors, fintech and renewable energy**.

1. Belgium — Basic Profile and Importance for India

● **Location:** Western Europe; borders **France, Germany, Netherlands and Luxembourg**, with access to the North Sea.

● **Capital: Brussels**, an important centre of European and international institutions.

● **Political system: Federal constitutional monarchy**, with a federal structure comprising regions and language communities.

● **European Union:** Belgium is a **founding member of the European Union** and has been part of the **euro area** and **Schengen Area**.

● **NATO:** Belgium is a **founding member of the North Atlantic Treaty Organization (NATO)**. **NATO headquarters** is located in Brussels.

● **Economic importance:** Belgium is an important European trade and investment partner for India, particularly in **diamonds, pharmaceuticals, chemicals, technology and advanced manufacturing**.

● **Antwerp:** A major global **diamond-trading and processing centre**, making Belgium particularly significant for India's diamond industry.

● **Gateway to Europe:** Belgium's strategic location and logistics infrastructure provide India with an important link to the wider **European market**.

2. India–Belgium Relations — Existing Foundation

● **Diplomatic relations:** India and Belgium established diplomatic relations in **1947**, soon after India's independence.

● **Historical connection:** Indian soldiers participated in the **First World War**, particularly in Flanders, creating an enduring historical link.

● **Economic relationship:** Bilateral trade reached around **$13.01 billion in 2025**, while Belgian investment in India has also grown significantly.

● **Investment:** Belgian Foreign Direct Investment inflows into India were approximately **$4.2 billion between April 2000 and December 2025**.

● **Recent momentum:** Economic missions, business engagement and the institutionalisation of a **Strategic Dialogue** have created a stronger framework for expanding bilateral relations.

3. Modi–De Wever Meeting: Broadening the Partnership

● **Defence and security:** India and Belgium agreed to strengthen **defence-industrial cooperation, military exchanges, training, intelligence-sharing and counter-terrorism cooperation**, including opportunities for co-development and co-production.

● **Trade and investment:** Both sides aim to **double bilateral trade over the next five years** and have agreed on an **Investment Fast-Track Mechanism** to facilitate investments and resolve bottlenecks.

● **Technology and semiconductors:** Cooperation is being expanded in **semiconductors, innovation and advanced technologies**, connecting Belgian technological capabilities with India's expanding technology ecosystem.

● **Fintech and financial cooperation:** The two countries will strengthen institutional links between **financial, fintech and regulatory bodies** through a regular India–Belgium Business Forum.

● **Renewable energy:** Both sides agreed to strengthen cooperation in **renewable energy and the clean-energy transition**.

● **Supply-chain resilience:** Cooperation in defence, technology, energy and critical sectors is aimed at creating **more resilient and diversified supply chains** amid geopolitical uncertainty.

4. Strategic and Global Convergence

● **Ukraine:** India and Belgium supported efforts towards a **comprehensive and lasting peace through dialogue and diplomacy**, in accordance with the **United Nations Charter and international law**.

● **West Asia:** Both sides emphasised **dialogue and diplomatic engagement** to address regional instability.

● **Maritime security:** They stressed the importance of **safe and secure maritime routes** and uninterrupted shipping for global trade.

● **Strategic openness:** India and Belgium recognise that growing geopolitical tensions can disrupt global supply chains; therefore, **economic resilience, diversification and strategic openness** are increasingly important.

5. Why Belgium Matters to India

● **European gateway:** Belgium provides access to European markets and is closely integrated with EU institutions.

● **Technology:** Belgian expertise can complement India's ambitions in **semiconductors, advanced technology and innovation**.

● **Defence diversification:** Cooperation strengthens India's network of **European defence partners**.

● **Investment and trade:** Belgium can contribute capital, technology and market access to India's growth.

● **Clean energy:** Partnership in renewable energy supports India's **energy-transition objectives**.

● **Strategic importance:** Engagement with Belgium simultaneously strengthens India's **bilateral relationship with a key European country and its broader India–EU partnership**.