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Current Affairs - 08 September 2025

INTERNATIONAL EARTH SCIENCES OLYMPIAD



Recently, the Union Minister of State (Independent Charge) for Science & Technology felicitated the student winners comprising the Indian team at the 18th "International Earth Science Olympiad" (IESO-2025) held at Jining, China.

- The International Earth Science Olympiad (IESO), established in 2003 by the International Geoscience Education Organization (IGEO).
- It aims to generate awareness of earth sciences through teamwork, collaboration, exchanging ideas, and competition.
- It is an annual competition for secondary school students (Class IX–XII) worldwide.
- India has been participating since 2007 and hosted the 10th edition at Mysore in 2013.

Government of India's Initiatives

- To encourage the participation of Indian students (of grades 9 to 12) the Ministry of Earth Sciences (MoES) supports the Indian National Earth Science Olympiad (INESO) held in various schools across India.
 - The INESO is a national-level prelude to the IESO, Facilitated annually by the Geological Society of India in collaboration with MoES and select educational bodies in the country.
 - **Topics for assessment:** Geology, Meteorology, Oceanography, and Environmental sciences.
 - Top-performing participants from INESO get to represent India at the IESO, which also receives support from the MoES.
 - The MoES supports the INESO and IESO as part of the REACHOUT scheme under the PRITHVI (PRITHvi Vigyan) scheme.
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THE DECLINING INVESTOR SENTIMENT TOWARDS INDIA

- Foreign capital, which includes Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI), has played a significant role in India's economic growth, especially since the economic liberalization of 1991.
- It provides financial resources that the domestic economy may lack, acting as a crucial driver of development.
- Foreign capital supplements domestic savings, finances investment needs, and bridges the gap in capital-scarce sectors.
- FDI has modernised industries, brought in advanced technologies, boosted infrastructure, and created employment opportunities. It has also integrated India into global supply chains and enhanced competitiveness.
- FPI has deepened capital markets and provided liquidity, though with volatility risks.
- Beyond finance, foreign capital strengthens innovation, supports services like IT and e-commerce, and improves balance of payments by financing current account deficits.

Why Capital Flows to India Have Declined?

- **Impact of Past Investments**
 - Much of the FDI that entered India during the last decade, peaking in 2020-21, came from private equity (PE) and venture capital (VC) in sectors like retail, e-commerce, financial services, green energy, healthcare, and real estate.
 - These investors are now exiting to monetise mature positions, leading to reduced net inflows.
- **Investor Exits and Monetisation**
 - According to industry experts, PE/VC exits were valued at \$24 billion in 2022, \$29 billion in 2023, and \$33 billion in 2024.
 - Nearly 59% of exits in 2024 were through public markets, supported by India's strong stock valuations.
- **Foreign Portfolio Investor (FPI) Behaviour**



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- FPIs too have been selling off, but their exits have been offset by bullish domestic investors who sustain attractive market valuations, enabling profitable exits for both FPIs and PE/VC firms.

Balance of Payments Challenges for India

- **India's merchandise trade deficit** surged to \$287.2 billion in 2024-25, more than triple the 2007-08 level.
 - These deficits have so far been offset by strong surpluses in services exports and remittances, keeping current account deficits under \$50 billion in most years and financed through steady capital inflows that boosted forex reserves.
 - Recent capital outflows and tariff concerns pushed the rupee to a record low of 88.37 per dollar.
 - In response, the current government has cut GST rates to stimulate consumption and earnings and announced a task force for next-generation reforms to improve ease of doing business.
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INDIA'S GENERIC MEDICINES: A PILLAR OF GLOBAL HEALTHCARE

- India supplies about 20% of all generic drugs and is known as the “pharmacy of the world.”
- It produces affordable versions of brand name medicines, which are widely prescribed around the world.
- Indian generics already dominate U.S. prescriptions, accounting for over 90% in areas like diabetes, anxiety, depression, and cancer.

U.S. Tariff Threats and Indian Pharma's Stakes

- The U.S., India's largest pharmaceutical export market, sources nearly half of its generics from India, making tariff threats a major concern for policymakers.
- Commentators suggest **India should use its pharmaceutical strength in bilateral trade negotiations, positioning Indian generics as a global public good.**



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- To do so, India must recalibrate its trade and investment strategy while mobilising public opinion in the U.S. and beyond.

Need for a Strategic Shift in Trade Negotiations

- India must move beyond a transactional approach in its Bilateral Trade Agreement (BTA) talks with the U.S.
 - The Indian Pharmaceutical Alliance (IPA) had proposed reducing import tariffs on U.S. pharma products to zero, but this fell flat as U.S. concerns lie elsewhere.
 - Despite earlier exemptions, President Trump imposed levies of 26% plus penalties of 25% on Indian pharma imports, signalling that financial incentives alone cannot resolve issues.
 - **India's Negotiating Capital**
 - India has long upheld its patent laws against foreign pressure and now holds negotiating capital to make a strategic move.
 - By highlighting the **global public good created by Indian generics**, India can strengthen its bargaining power.
 - **Diversification of Markets**
 - India must diversify pharma trade and investment beyond the U.S., tapping into growing markets in West Asia, Central Asia, Africa, South America, China, Russia, and ASEAN.
 - Overseas investments with social impact can build stronger global alliances and reduce dependence on U.S. markets.
 - **Focus on Technology Transfer and R&D**
 - India should link price reductions on generics supplied to the U.S. with demands for technology transfer, voluntary licensing, and collaborative R&D.
 - The **India–U.S. TRUST** (Transforming the Relationship Utilizing Strategic Technology) initiative should be directed toward biotechnology, pharma manufacturing, and innovation partnerships.
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A COMPLEX TURN IN INDIA'S FDI STORY

- Foreign direct investment (FDI) has been a key driver of India's growth since the 1991 reforms, modernising industries, fostering innovation, and integrating India with global markets. Sectors like e-commerce and IT saw transformative FDI inflows.
- However, recent trends show a decline, with much of the capital now geared toward short-term profit rather than long-term industrial development.
- Meanwhile, rising overseas investments by Indian firms raise concerns about the strength of the domestic investment climate.

Rising FDI Inflows but Sharper Outflows

- India's gross FDI inflows rose to \$81 billion in FY 2024-25, up 13.7% from the previous year, reflecting continued investor interest.
- However, alongside inflows, foreign investors are increasingly withdrawing capital.
- Between 2021-25, India received \$308.5 billion in FDI, but \$153.9 billion was repatriated or disinvested, reducing the net inflow sharply.
- **FDI net inflows** — gross inflows minus repatriations and repayments — have fallen drastically since FY 2021-22.
- After adjusting for outward FDI by Indian firms, **India retained only \$0.4 billion in FY 2024-25**. This limited retention undermines FDI's developmental impact.

Shift to Short-Term Investments

- Investor behaviour shows a **move from long-term industrial commitments to short-term profit-driven flows**.
- Disinvestments rose by 51% to \$44.4 billion in FY 2023-24 and further to \$51.4 billion in FY 2024-25, accounting for over 63% of inflows.
- Manufacturing, once a major FDI sector, now makes up just 12% of inflows, reflecting declining long-term commitments.



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FDI and India's Long-Term Growth Challenges

- While gross FDI inflows appear strong, underlying trends reveal weakening confidence in India's economy.
- Rising disinvestments, capital outflows, and reliance on tax-haven hubs like Singapore and Mauritius suggest **much of the inflow is short-term and profit-driven** rather than developmental.
- Traditional industrial investors from the U.S., Germany, and the U.K. have reduced their role, while funds now flow into services and rent-seeking sectors with **limited multiplier effects compared to manufacturing or technology**.
- This shift erodes long-term growth potential and economic resilience.
- Declining FDI net inflows also threaten India's macroeconomic stability, affecting balance of payments and monetary flexibility.
- The RBI has warned that while outward flows mirror trends in other emerging economies, they carry risks, **as nearly half of Indian FDI outflows head to developed nations offering better tax regimes, stability, and resources**.
- To reverse this, India must simplify regulations, ensure policy consistency, and focus on infrastructure, skills, and technology to attract and retain long-term, productive investments.

Building a Stronger FDI Framework for India

- For India to emerge as a global investment hub, it must prioritise the **quality and sustainability** of FDI over headline figures.
 - Mere inflows without alignment to national priorities risk masking economic weaknesses.
 - What India needs is long-term, committed capital that strengthens domestic capabilities.
 - Achieving this requires **streamlined regulations, reliable policies, upgraded infrastructure, and institutional trust**.
 - India now faces a decisive moment in shaping its FDI ecosystem for durable growth.
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INDO-CHINA BORDER DISPUTE: CHALLENGES IN DEFINING THE LINE OF ACTUAL CONTROL

- The India-China border dispute remains one of the most complex territorial issues in Asia, shaped by history, geopolitics, and national security concerns.
- Despite decades of dialogue, agreements, and attempts at confidence-building, the Line of Actual Control (LAC) remains undefined, leading to recurring face-offs and clashes.
- This article traces the evolution of negotiations since the late 1980s and highlights why the inability to formalise the LAC has kept the dispute alive.

Early Efforts and Diplomatic Engagements

- India-China border negotiations gained momentum after **Prime Minister Rajiv Gandhi's 1988 visit to Beijing**, which marked a turning point in bilateral relations.
- Subsequent political changes in India initially slowed progress, but by the early 1990s, both nations recognised the necessity of peaceful engagement.

The 1993 Border Peace and Tranquillity Agreement (BPTA)

- In September 1993, Prime Minister P.V. Narasimha Rao's visit to Beijing resulted in the signing of the Border Peace and Tranquillity Agreement (BPTA).
- **Key provisions included:**
 - Both sides are to refrain from crossing the LAC and withdraw if cautioned.
 - Minimal troop deployment along the border.
 - Reduction of forces on the principle of "mutual and equal security."
- The agreement aimed to freeze the status quo and promote cooperation in other areas of bilateral relations.

Expansion Through the 1996 Agreement

- The 1996 agreement, signed during **Chinese President Jiang Zemin's visit to India**, expanded on the BPTA by introducing detailed military confidence-building measures (CBMs).
- It emphasised:



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- Limits on the deployment of heavy weaponry, missiles, and large-scale exercises near the LAC.
- Restrictions on military exercises facing the other side.
- Mutual agreement on ceilings for forces in sensitive sectors.

Attempts at Clarification and Collapse of Map Exchange

- Disputes persisted over areas such as Depsang, Pangong Tso, Demchok, and Chumar. By 2005, the mapping exercise was abandoned altogether.
- This failure institutionalised ambiguity around the LAC. Many of the same disputed areas later witnessed face-offs, including the **2020 Galwan Valley clash**.

Structural Problem in Defining the LAC

- The central issue is that neither India nor China is willing to concede ground in strategically sensitive areas.
 - China's infrastructure advantage, roads and logistics in Tibet, contrasts with India's more difficult terrain in Ladakh and Arunachal Pradesh. This imbalance complicates negotiations.
 - Without a common definition of the LAC, both armies continue to patrol up to their perceived lines, increasing the likelihood of accidental confrontations turning into violent clashes.
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WHAT IS THE MISSILE TECHNOLOGY CONTROL REGIME (MTCR)?



- It is an **intergovernmental organization** whose members **implement voluntary export controls on missiles** capable of **delivering nuclear, chemical, or biological weapons**, as well as **related technology**.
- **Formation:**
 - It was founded in **1987** by **Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States** to **control the spread of nuclear-capable missiles** and the technology used in their production.



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- In **1993**, the group **broadened** its focus to include **chemical and biological weapons-capable missiles**.
- **Member States:**
 - There are currently **35 countries** that are members (Partners) of the MTCR.
 - **India** became the **35th member** of the MTCR on **27 June 2016**.
- **Member states** of the regime **agree to impose export controls on missiles**, defined as rocket systems and unmanned aerial vehicle systems (UAVs), **as well as** a wide variety of **technical components and software related to missile production**.
- **Consequences for Violating MTCR Guidelines:**
 - MTCR guidelines are an **informal standard** set by a selected group of countries rather than an international treaty adopted by its members.
 - The agreement has **no legally binding provisions or regime-wide compliance procedures**.
 - **If disagreements occur**, member states can **consult bilaterally** to clarify the issue, **or bring their concerns up at** the MTCR's **annual policy-level Plenary Meeting**.
 - While the agreement outlines **no legal repercussions** for breaking the adopted standards of the MTCR, the **United States government has passed legislation allowing for the introduction of sanctions** against any nations that export items restricted by the MTCR agreement.

Why Join the MTCR?

- Joining the MTCR provides member countries with **international legitimacy** and **signals support for the nonproliferation of missiles**.
 - Adoption of the treaty may also **assist in legitimizing existing long-range ballistic missile capabilities** in the eyes of other MTCR members by **showcasing responsible handling of existing missile technology**.
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