

The Hindu Important News Articles & Editorial For UPSC CSE

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Climate finance has emerged as one of the most contentious and crucial issues in global climate negotiations. A recent United Nations report titled "Running on Empty" (2025) highlights the alarming gap between the climate adaptation needs of developing nations and the actual financial assistance they receive. As per the report, developing countries will need \$310–365 billion annually by 2035, which is nearly 12 times higher than the current flow of funds from the developed world.

Developing nations need 12 times more funds to fight climate crisis

Jacob Koshy
NEW DELHI

To adapt to climate change, developing countries will require anywhere from \$310-365 billion (at least ₹27 lakh crore) annually by 2035, according to a United Nations analysis. This is nearly 12 times more than the money that currently flows from the developed to the developing world for this purpose.

The analysis, underlining the huge gap between the demand and supply of funds needed to protect developing nations from climate change impacts, appears in *Running on Empty*, an annual report on the shortfall released on Wednesday, ahead of the 30th edition of the UN Framework Convention on Climate Change Conference of Parties (COP-30) to be held in Belem, Brazil next month.

International public adaptation finance flows to developing countries stood



Developing countries need more climate finance to move away from power plants dependent on fossil fuels. FILE PHOTO

at \$26 billion (about ₹2.2 lakh crore) in 2023, down from \$28 billion the previous year. If these trends continue, a target agreed upon by countries at the COP-26 in Glasgow, to double adaptation finance to \$40 billion by 2025 will be "missed", the report added.

Disappointing target

Finance is a significant issue in climate negotiations, as developing countries insist that developed countries pay the costs of adap-

tation (to deal with climate change impacts) and mitigation (to move away from fossil fuels), as well as compensation for losses and damages already occurring. This total bill is collectively called "climate finance".

At COP-29 in Baku, Azerbaijan last year, developing countries, which were demanding nearly \$1.3 trillion annually by 2035, were disappointed when the developed world agreed to only \$300 billion, called the New Collec-

tive Quantified Goal (NCQG) on climate finance.

Tuesday's UN report underlines this criticism. "...it is far too evident that the financial resources needed to enable adaptation action in developing countries at the scale necessary to meet the growing challenges of current and future climate risks is woefully inadequate. It will take nothing less than a global collective effort to increase climate finance to the levels articulated in the Baku to Belém Roadmap to 1.3 trillion," it notes.

The report also raises concerns that whatever money has been made available at present is primarily classified as 'debt.' Although 70% of international public adaptation finance was concessional in 2022-23, it is "worrisome" that debt instruments continue to dominate these overall flows, comprising 58% on average in that financial year, the report said.

What is Climate Finance?

- It refers to local, national, or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change.
- The UNFCCC, Kyoto Protocol, and the Paris Agreement call for financial assistance from Parties with more financial resources (Developed Countries) to those that are less endowed and more vulnerable (Developing Countries).

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- This is in accordance with the principle of "Common but Differentiated Responsibility and Respective Capabilities" (CBDR).

Key Analysis

1. Magnitude of the Climate Finance Gap

- In 2023, the total international public adaptation finance to developing countries stood at \$26 billion, down from \$28 billion in 2022.
- This falls drastically short of the COP-26 (Glasgow) target to double adaptation finance to \$40 billion by 2025.
- If current trends continue, the target will be missed, further deepening the vulnerability of developing economies to climate shocks.

2. Demand vs. Supply Disparity

- At COP-29 (Baku, Azerbaijan), developing nations demanded \$1.3 trillion annually by 2035 under the New Collective Quantified Goal (NCQG) on climate finance.
- However, developed nations committed to only \$300 billion, exposing the massive North-South divide in climate responsibility and financial support.

3. Nature of Current Climate Finance

- The report notes that a significant portion (around 58%) of current adaptation finance comes as debt instruments, even though 70% is concessional.
- This increases the debt burden on developing countries, many of which are already struggling with fiscal constraints and post-pandemic recovery challenges.
- Hence, rather than offering relief, climate finance often adds to economic vulnerability.

4. Equity and Responsibility in Climate Action

- Developing nations argue that since developed countries are historically responsible for most greenhouse gas emissions, they should finance the transition to green energy and resilience in the Global South.
- However, despite repeated commitments under the UNFCCC, Kyoto Protocol, and Paris Agreement, the actual financial flows remain insufficient, fragmented, and often delayed.

5. Need for a Global Collective Effort

- The report calls for a "global collective effort" to mobilize funds aligned with the Baku to Belém Roadmap, ensuring that developing nations can both adapt to climate impacts and pursue low-carbon development pathways.
- Greater focus on grants, technology transfer, and capacity-building is essential to make climate finance equitable and sustainable.

What is Green Financing?

- To assist the provision of climate financing, UNFCCC established a financial framework to give financial resources to developing nation Parties.
- The finance structure also supports the Kyoto Protocol and the Paris Agreement.
- It specifies that the financial mechanism's operation can be entrusted to one or more existing international entities, since the Convention's entrance into force in 1994, the Global Environment Facility (GEF) has acted as the financial mechanism's operating institution.

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Daily News Analysis

- Parties established the Green Climate Fund (GCF) at COP 16 in 2010 and designated it as an operating entity of the financial mechanism in 2011.
- The financial mechanism reports to the COP, which determines its policies, programme priorities, and financing eligibility criteria.
- Other Funds:
 - In addition to providing guidance to the GEF and the GCF, Parties have established two special funds—
 - Special Climate Change Fund (SCCF)
 - Least Developed Countries Fund (LDCF),
 - Both are managed by the GEF—and the Adaptation Fund (AF) established under the Kyoto Protocol in 2001.
 - At the Paris Climate Change Conference in 2015, the Parties agreed that the operating entities of the financial mechanisms – GCD, GEF, SCCF and the LDCF, shall serve the Paris Agreement.

Conclusion

The UN report underscores a critical truth: without adequate finance, climate goals will remain aspirational. Developing nations face the dual challenge of adapting to intensifying climate impacts while striving for economic growth and poverty eradication. Unless the developed world bridges the yawning financial gap with timely, predictable, and grant-based support, the global effort to limit climate change will falter. As COP-30 approaches in Belém, Brazil, the demand for climate justice and equitable finance must take center stage in the global climate agenda.

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UPSC Prelims Practice Question

Ques: With reference to the Agreement at the UNFCCC Meeting in Paris in 2015, which of the following statements is/are correct? (PYQ - 2016)

1. The Agreement was signed by all the member countries of the UN, and it will go into effect in 2017.
2. The Agreement aims to limit the greenhouse gas emissions so that the rise in average global temperature by the end of this century does not exceed 2°C or even 1.5°C above pre-industrial levels.
3. Developed countries acknowledged their historical responsibility in global warming and committed to donate \$ 1000 billion a year from 2020 to help developing countries to cope with climate change.

Select the correct answer using the code given below:

- (a) 1 and 3 only
- (b) 2 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

Ans : b)

UPSC Mains Practice Question

Ques: Describe the major outcomes of the 26th session of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). What are the commitments made by India in this conference? **(150 Words) (PYQ - 2021)**

Scientific Significance

1. Mathematical Equivalence to Macroscopic Waves

- Despite being microscopic, the system obeys the Korteweg–De Vries (KdV) equation, the same that governs shallow-water waves like tsunamis.
- The Ursell number, which indicates wave nonlinearity, reached values similar to or greater than large-scale oceanic flumes — proving dynamic similarity.

2. Quantum Hydrodynamics Platform

- The experiment marks the first real-world visualization of quantum-scale nonlinear hydrodynamics, bridging the gap between classical fluid mechanics and quantum mechanics.
- It allows precise control and rapid experimentation, as wave events that take hours in a large tank occur in milliseconds at the nanoscale.

3. Technological Implications

- Opens new avenues in optomechanics, nanofluidics, and quantum materials research.
- The chip-based “wave lab” provides a toolkit for studying complex fluidic and wave phenomena, which could advance designs in communication systems, quantum computing, and microfluidic sensors.

Challenges and Limitations

- The microscopic system does not perfectly replicate real oceanic forces — gravity is negligible; instead, van der Waals forces and surface tension dominate.
- The study models mathematical equivalence, not exact physical similarity, between nanoscale and large-scale waves.
- Further research is needed to connect findings to macroscopic fluid dynamics and real-world ocean modelling.

Conclusion

The discovery of nonlinear waves and solitons in a nanometre-scale superfluid helium film marks a major leap in understanding fluid motion across scales. By effectively shrinking the mathematics of the ocean onto a chip, this research bridges classical hydrodynamics and quantum physics, opening a frontier for exploring extreme, nonlinear, and frictionless fluid behaviours. For science and technology, it represents a step toward mastering wave manipulation at quantum scales, potentially transforming future innovations in energy, computation, and sensing technologies.

UPSC Prelims Practice Question

Ques: Consider the following statements regarding Superfluid Helium and the recent University of Queensland experiment:

1. Superfluid helium can flow without any friction or viscosity even at room temperature.
2. The experiment demonstrated nonlinear wave behaviour, including backward steepening and soliton formation, in a nanometre-thick film of superfluid helium.
3. The waves observed in the experiment were governed by the Korteweg–De Vries (KdV) equation, which also describes shallow-water waves like tsunamis.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: b)

UPSC Mains Practice Question

Ques: Recent experiments using nanometre-thick films of superfluid helium have revealed novel nonlinear wave phenomena never observed before. Discuss the significance of these findings in advancing our understanding of hydrodynamics and their potential implications for future technology. **(150 Words)**

In October 2025, Hurricane Melissa struck Jamaica with record-tying 296 kmph winds, ranking among the strongest Atlantic hurricanes in history. Scientists describe it as a "beast" storm — not only for its intensity but also for its extraordinary rapid intensification and unusual resilience against factors that typically weaken tropical cyclones. The phenomenon underscores growing concerns about the impact of ocean warming on the frequency and intensity of hurricanes.

Key Points / Analysis

1. Extreme Rapid Intensification (ERI):

- Melissa's winds increased by 112 kmph in just 24 hours, qualifying as *extreme rapid intensification*.
- Such intensification is becoming more common due to warmer sea surface temperatures providing higher latent heat energy.

2. Record-Breaking Strength:

- Wind speed of 296 kmph tied records with the 1935 Florida Labour Day hurricane and Hurricane Dorian (2019).
- Barometric pressure also matched historical lows, indicating exceptional storm power at landfall.

3. Unusual Physical Behaviour:

- Despite proximity to mountainous Jamaica, the storm's strength remained intact—mountains normally disrupt cyclone structure.
- Melissa showed no eyewall replacement cycle, a process that often temporarily weakens hurricanes.

4. Role of Ocean Warming:

- Hurricanes draw energy from warm ocean waters; Melissa fed on unusually deep, hot layers of water.
- Even prolonged stalling (which usually brings cooler water to the surface) didn't weaken it, suggesting record heat content in the Atlantic Ocean.
- Climate scientists link this trend to anthropogenic global warming, which increases sea surface temperatures (SSTs) and oceanic heat storage.

5. Scientific Concern:

- Researchers noted five separate six-hour phases of rapid intensification—a rare and alarming pattern.
- Such behaviour makes forecasting and disaster preparedness extremely difficult for coastal nations.

Conclusion

Hurricane Melissa represents a new class of climate-fueled superstorms, intensified by record ocean heat and exhibiting unprecedented resilience. The storm's behaviour reaffirms the urgent

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A street in Santiago de Cuba before Hurricane Melissa made landfall on October 28, 2025. AFP

Hurricane Melissa a 'beast' among a string of monster Atlantic storms

Agence France Presse

Hurricane Melissa, which struck Jamaica with record-tying 296 kmph winds on October 28, was a beast that stood out as extreme even in a record number of monster storms spawned over the last decade in a superheated Atlantic Ocean.

While more storms these days are undergoing rapid intensification — gaining 356 kmph in wind speed over 24 hours — Melissa did a lot more than that. It achieved what's called extreme rapid intensification — gaining at least 92 kmph over 24 hours. In fact, Melissa turbocharged by about 112 kmph during a 24-hour period last week and had an unusual second round of rapid intensification that spun it up to 280 kmph, scientists said.

"It's been ... just a beast of a storm," Colorado State University hurricane researcher Phil Klotzbach said.

When Melissa came ashore it tied strength records for Atlantic hurricanes making landfall, both in wind speed and barometric pressure, which is a key measurement that meteorologists use, said Mr. Klotzbach and University of Miami hurricane researcher Brian McNoldy. The pressure measurement tied the deadly 1935 Labour Day storm in Florida, while the 296 kmph wind speed equalled marks set that year and during 2019's Hurricane Dorian. Hurricane Allen reached 304 kmph winds in 1980, but not at landfall.

Melissa turbocharged by 112 kmph in 24 hours last week and had an unusual second round of rapid intensification that spun it up to 280 kmph

Usually when major hurricanes brew, they get so strong that the wind twirling in the centre of the storm gets so intense and warm in places that the eyewall needs to grow, so a small one collapses and a bigger one forms. That's called an eyewall replacement cycle, Mr. McNoldy said, and it usually weakens the storm at least temporarily.

Melissa showed some signs of being ready to do this, but it never did, Mr. McNoldy and Klotzbach said.

Another weird thing is that Melissa sat offshore of mountainous Jamaica for a while before coming inland. Usually mountains, even on islands, tear up storms, but not Melissa.

"It was next to a big mountainous island, and it doesn't even notice it's there," Mr. McNoldy said in amazement.

Warm water is the fuel for hurricanes. The hotter and deeper the water, the more a storm can power up. But when storms sit over one area for a while — which Melissa did for days on end — it usually brings cold water up from the depths, choking off the fuel a bit. But that didn't happen to Melissa, said Bernadette Woods Placky, chief meteorologist for Climate Central, a combination of scientists and journalists who study climate change.

"It's wild how almost easily this was allowed to just keep venting," Ms. Placky said. "This had enough warm water at such high levels and it just kept going."

Melissa rapidly intensified during five six-hour periods as it hit the extreme rapid intensification level, Mr. McNoldy said. And then it jumped another 56 kmph, and "that's extraordinary," he said.

For meteorologists following it, "just your stomach would sink as you'd see these updates coming in," Ms. Placky said.

"We were sitting at work on Monday morning with our team, and you just saw the numbers just start jumping again, 175. And then again this morning (Tuesday), 185," Ms. Placky said.

mitigation strategies under global frameworks like the Paris Agreement. need for enhanced early-warning systems, climate adaptation, and For policymakers, it serves as a stark reminder that climate change is amplifying extreme weather events, posing mounting risks to human life, infrastructure, and coastal ecosystems in the 21st century.

UPSC Prelims Practice Question

Ques. The term "Extreme Rapid Intensification (ERI)" in the context of hurricanes refers to—

- (a) A hurricane that crosses multiple countries within 24 hours.
- (b) A cyclone that doubles its diameter in less than a day.
- (c) A storm that increases its wind speed by at least 90 kmph within 24 hours.
- (d) A hurricane that loses its eyewall and reforms it within 12 hours.

Ans : c)

The recent controversy between the Kerala government and the Centre over the PM SHRI scheme, linked to the National Education Policy (NEP) 2020, highlights growing tension in India's fiscal federalism. Kerala, traditionally a high performer in school education, initially signed the MoU to access withheld Samagra Shiksha (SS) funds but later froze implementation amid coalition dissent.

The issue reflects a deeper question: *Can central funding be used as leverage to make States comply with national policies in subjects that constitutionally fall within shared or State jurisdiction?*

About NEP 2020

- It is the country's third education policy post-independence (first 2 policies in 1968 and 1986 modified in 1992).
- It was drafted on the recommendations of Kasturirangan Committee.
- **Fundamental Principles of NEP**
 - Emphasis on Conceptual Understanding: Rather than rote learning.
 - Use of Technology: In teaching and learning, removing language barriers, access for Divyang students.
 - 'Light but tight' Regulatory Framework: Ensure integrity, transparency, and resource efficiency.
 - Respect for diversity: Inclusion of local context in all curriculum, pedagogy, and policy.
 - Equity and Inclusion: For unprivileged sections.
 - Research: Corequisite for outstanding education and development.
 - Continuous Review of Progress: Based on sustained research and regular assessment

Key Issues and Analysis

1. Constitutional Context of Federalism

- India's Constitution follows a quasi-federal structure with a strong Centre, yet it guarantees autonomy to States in certain policy areas.
- Education is placed in the Concurrent List (Entry 25), giving both the Centre and States power to legislate, but coordination should be guided by the spirit of cooperative federalism.

Federalism and funds

State autonomy cannot be bargaining point for availing central financing

Kerala sprang a surprise last week by signing up for the scheme, Prime Minister Schools for Rising India (PM SHRI), that dovetails the National Education Policy (NEP)-2020, to upgrade and brand 14,500 schools nationwide as model institutions. Kerala, one of the three States to oppose the NEP-2020 (the others being Tamil Nadu and West Bengal), on the contention that it sought to encroach on the subject of school education, which is in the Concurrent List, and infuse it with communal bias and anti-scientific content, was evidently looking to gain central funds. Earlier this year, Tamil Nadu had approached the Supreme Court of India after the Centre withheld funds under the Samagra Shiksha (SS) scheme over the State's refusal to adopt the NEP-PM SHRI framework. Kerala's agreement on adopting the scheme is now in freeze after strife within the ruling Left Democratic Front (LDF) soon after the government signed the PM SHRI Memorandum of Understanding (MoU) with the Centre, without Cabinet approval – an issue deferred twice in Cabinet meetings. The CPI, a key LDF partner, demanded an immediate withdrawal. The CPI(M), which holds the general education portfolio, initially defended the decision, arguing that enrolment in PM SHRI was necessary to avail of federal funds withheld under the SS, which had led to salary arrears for teachers and non-teaching staff. The CPI(M) clarified that Kerala remained opposed to the NEP-2020 and would retain control over its school curriculum. The allies reached a détente on Wednesday – a cabinet sub-committee will scrutinise the MoU. Implementation of PM SHRI will remain suspended until the subcommittee's recommendation. The Centre will be formally informed of this decision.

Kerala has long excelled in school education, achieving near-universal gross enrolment ratio, high retention rates, superior learning outcomes, and modern infrastructure – milestones that render many NEP-2020 targets redundant in the State. For Kerala, PM SHRI amounts to little more than cosmetic rebranding of already high-performing institutions, but the State would be forced to comply with provisions of the NEP-2020 for integration of 'Indian Knowledge Systems', which many reckon is a euphemism for pseudoscience. It is regrettable that the Centre withholds federal funds under the SS to arm-twist States into accepting NEP-2020 or PM SHRI. While Tamil Nadu has pursued legal redress, its case has not received the judicial urgency it warrants. In India's federal polity, the judiciary must robustly defend cooperative federalism whenever it is undermined. As Kerala pauses PM SHRI, it must consider litigation to secure its rightful share of central funds. Federalism and State autonomy cannot be bargaining points in the quest for funds.

Daily News Analysis

- Withholding funds under centrally sponsored schemes to enforce compliance with national policies undermines Article 282 (discretionary grants) and Article 275 (grants-in-aid), which are meant to promote balanced development, not political conformity.

2. The Kerala and Tamil Nadu Example

- Kerala, Tamil Nadu, and West Bengal had opposed NEP 2020, citing:
 - Central intrusion into State powers over curriculum design.
 - Concerns about the promotion of 'Indian Knowledge Systems' as potentially unscientific or ideological.
- The Centre, however, linked disbursement of Samagra Shiksha funds to adoption of the PM SHRI framework, effectively making policy compliance a prerequisite for financing.
- Tamil Nadu approached the Supreme Court, alleging violation of federal principles, but the case remains pending.
- Kerala's current freeze and review of the MoU underline the conflict between policy autonomy and financial dependence.

3. Fiscal Federalism and Policy Coercion

- Central schemes like PM SHRI, PM Poshan, and Samagra Shiksha are often centrally designed but State-implemented, creating asymmetry in power and responsibility.
- Withholding funds constrains States' ability to pay teachers or sustain existing educational outcomes, effectively coercing them into compliance.
- Such fiscal centralisation erodes cooperative federalism and turns it into coercive federalism, where States must trade autonomy for resources.
- Experts note that Kerala's education indicators — near-universal enrolment, high literacy, and robust infrastructure — make the PM SHRI framework largely redundant, exposing the scheme as symbolic rather than substantive for advanced States.

4. Judicial and Institutional Safeguards

- The Supreme Court has in past judgments (e.g., *S.R. Bommai v. Union of India*, 1994) underscored that federalism is part of the basic structure of the Constitution.
- The judiciary, therefore, must act as a guardian of cooperative federalism when fiscal or policy mechanisms threaten it.
- Similarly, Finance Commissions and Inter-State Councils should act as platforms to mediate such disputes, ensuring fiscal equity and policy flexibility for States.

Conclusion

The Kerala episode underscores a critical fault line in India's governance: the growing imbalance between Centre-led policymaking and State-level implementation. While national educational goals are essential, financial coercion to secure compliance undermines the federal spirit of the Constitution. In a truly cooperative federal framework, State autonomy should not be the price for accessing central funds. The path forward lies in negotiated coordination, respect for local priorities, and judicial reinforcement of federal principles, ensuring that development remains a shared national endeavour — not a centrally dictated one.

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UPSC Prelims Practice Question

Ques : With reference to cooperative federalism in India, consider the following statements:

1. The Constitution of India provides for concurrent responsibility in subjects like education and health.
2. The Union Government cannot impose conditions while releasing central grants to States under Centrally Sponsored Schemes.
3. The Finance Commission recommends the vertical and horizontal distribution of tax revenues between the Union and States.

Which of the statements given above is/are correct?

- (a) 1 and 3 only
- (b) 2 only
- (c) 1 and 2 only
- (d) 1, 2 and 3

Ans: a)

UPSC Mains Practice Question

Ques: The Centre's use of financial leverage to enforce policy conformity on States undermines the spirit of cooperative federalism. Critically analyze this statement in the context of the recent conflict over PM SHRI and the National Education Policy 2020. **(150 Words)**

Page 10 : GS 2 & 3 : International Relations & Indian Economy / Prelims

In October 2025, China filed a complaint at the World Trade Organization (WTO) against India, alleging that India's Production-Linked Incentive (PLI) schemes for the auto sector, Advanced Chemistry Cell (ACC) batteries, and electric vehicles (EVs) violate global trade rules. The dispute touches upon the fine balance between domestic industrial policy and international trade obligations under the WTO framework.

What is China's complaint against India at WTO?

What is the Production-Linked Incentive (PLI) scheme in India? Which three specific PLIs does China oppose? What are the World Trade Organization's rules when it comes to subsidies? What does the Subsidies and Countervailing Measures agreement state?

EXPLAINER

Prabhash Ranjan

The story so far:

China has filed a complaint with the World Trade Organization (WTO) against India. It alleges that India is providing subsidies, as part of the Production-Linked Incentive (PLI) scheme, for the development of advanced chemistry cell (ACC) batteries; for boosting the auto sector; and for facilitating the production of Electric Vehicles, in contravention of WTO law.

What is the PLI scheme?

India launched the PLI scheme in 2020 to give a fillip to Indian manufacturing. This scheme provides financial incentives based on incremental sales to strategic industries; aims to bolster India's position in global value chains; and integrates medium and small-scale industries into the industrial production process through backward linkages. The three specific PLI schemes that China has challenged are – the PLI scheme which aims to incentivise the establishment of mega-scale manufacturing capabilities of ACC batteries in India; the scheme for the auto industry, which seeks to buttress the manufacturing of Advanced Automotive Technology (AAT) products in India, encompassing both vehicles and their components; and third, a scheme to promote EV manufacturing by attracting global EV manufacturers to the country.

What is China's complaint?

China alleges that the three PLI schemes provide financial benefits or subsidies to companies operating in India contingent on Domestic Value Addition (DVA). For instance, under the PLI scheme for the auto sector, one of the conditions for eligibility to get financial benefits is that there must be a 50% DVA. Likewise, one of the salient features of the PLI scheme for ACC batteries is that the beneficiary must ensure a DVA of 25%. The Chinese



Subsidy wars: The World Trade Organization (WTO) in Geneva. AFP

argue that the DVA requirements under these PLI schemes incentivise companies to use domestic goods rather than imported goods, discriminating against Chinese goods in the Indian market.

What is the law on subsidies in WTO?

While providing industrial subsidies to boost domestic industry is a sovereign right of states, WTO law ensures that these subsidies are not provided in a manner that jeopardises the international trade of other countries by ushering in unfair competition. Unfair competition may arise from subsidies that confer an artificial advantage on industries for exporting or competing with imported products. Consequently, the grant of industrial subsidies is regulated by the Subsidies and Countervailing Measures (SCM) agreement of the WTO. Article 1 of the SCM agreement defines a subsidy as a financial contribution by a government or a public body that confers a benefit. The

subsidy should also be specific.

The SCM agreement divides subsidies into three categories – prohibited subsidies, actionable subsidies, and non-actionable subsidies. Prohibited subsidies are forbidden by definition and are generally of two types: export subsidies and Import Substitution (IS) subsidies. Export subsidies are contingent on export performance, and IS subsidies, as defined in Article 3.1(b) of the SCM agreement, refer to subsidies contingent upon the use of domestic goods over imported goods. Thus, if a country promises a financial contribution to a specific industry on the condition that it use domestic goods or goods produced locally, rather than imported goods, it would constitute a prohibited subsidy.

Do IS subsidies violate other laws?

An IS subsidy will also breach two other WTO legal provisions. First is the national treatment obligation, codified in Article

III.4 of the General Agreement on Tariffs and Trade (GATT), which obligates countries to ensure that their domestic laws do not treat imported products less favourably than their domestic products; and second, is Article 2.1 of the Trade-Related Investment Measures (TRIMs) Agreement which states that no country shall impose any TRIM that is inconsistent with its national treatment obligations enshrined in GATT's Article III. The TRIMs agreement contains a specific illustration of a prohibited trade-related investment measure. This illustration pertains to local content requirements which incentivise the use of domestically produced goods. Since an IS subsidy gives preference to domestic over foreign goods, it constitutes as a proscribed TRIM under the WTO law.

China alleges that India's three PLI schemes are IS subsidies. However, it is critical to note that the DVA milestones in India's PLI scheme do not automatically translate to local content requirements. Value addition at the domestic level can occur in multiple ways, and not just through the use of domestic goods. The analysis of the DVA component in these three PLI schemes must thus consider a complex set of facts.

What happens next?

The first step in resolving a dispute at the WTO is through consultations. Thus, India and China will try to resolve this matter amicably. If this does not occur, the dispute will proceed to adjudication by a three-member ad hoc WTO panel. The WTO's appellate mechanism, the Appellate Body, has remained incapacitated since December 2019. Thus, if the WTO panel's decision is appealed, it would mean postponing the adjudication of the dispute till the time the Appellate Body is resurrected. The practical implication is that the status quo remains, and a country can continue with its impugned measures.

Prabhash Ranjan is Professor and Vice Dean (Research), Jindal Global Law School. Views are personal.

THE GIST

India's PLI scheme provides financial incentives based on incremental sales to strategic industries; aims to bolster India's position in global value chains; and integrates medium and small-scale industries into the industrial production process through backward linkages.

While providing industrial subsidies to boost domestic industry is a sovereign right of states, WTO law ensures that these subsidies are not provided in a manner that jeopardises the international trade of other countries by ushering in unfair competition.

The SCM agreement divides subsidies into three categories – prohibited subsidies, actionable subsidies, and non-actionable subsidies.

Background: The PLI Scheme

- Launched in 2020, the PLI scheme aims to boost Indian manufacturing by providing financial incentives based on incremental production and sales.
- It encourages global value chain integration and supports strategic industries such as electronics, batteries, pharmaceuticals, and automobiles.

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Daily News Analysis

- The three schemes under dispute:

1. PLI for ACC batteries – incentivises giga-scale battery manufacturing.
2. PLI for the auto sector – supports production of advanced automotive technology and components.
3. PLI for EVs – attracts global EV manufacturers to India.

China's Allegation

China argues that these PLIs:

- Provide financial benefits contingent upon Domestic Value Addition (DVA) — e.g., 50% DVA for auto sector and 25% for ACC batteries.
- Thus, they encourage use of domestic goods over imported ones, creating import substitution (IS) subsidies, which are prohibited under WTO rules.
- China claims this discriminates against Chinese exports, violating the principle of non-discrimination under WTO law.

WTO Rules on Subsidies

The Subsidies and Countervailing Measures (SCM) Agreement governs the legality of subsidies under WTO law.

- **Prohibited Subsidies:**
 - Export subsidies – contingent on export performance.
 - Import Substitution (IS) subsidies – contingent on use of domestic over imported goods (Article 3.1(b) of SCM).
- Actionable Subsidies: Allowed but challengeable if they cause trade injury.
- Non-actionable Subsidies: Those used for R&D, environmental protection, or disadvantaged regions (rarely used).

An IS subsidy also violates:

- Article III.4 of GATT — National Treatment obligation (no less favourable treatment to imports).
- Article 2.1 of TRIMs Agreement — prohibits local content requirements.

India's Likely Defence

- DVA ≠ Local Content Requirement: Domestic value addition may result from multiple processes, not merely through use of local goods.
- The PLI schemes do not mandate sourcing from Indian suppliers but reward innovation, scale, and integration within India.
- India can argue that the subsidies are performance-based, not trade-distorting, and are meant to build strategic capabilities in clean energy and mobility.

Wider Context

- Many countries, including the U.S. (Inflation Reduction Act) and the EU (Green Industrial Plan), provide domestic production subsidies to achieve strategic autonomy in clean technologies.

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- The dispute reflects a new era of “subsidy wars” where industrial policy and climate goals are reshaping trade norms.
- The WTO dispute settlement system remains weak, as the Appellate Body has been non-functional since 2019 — delaying final adjudication.

Conclusion

China’s complaint against India’s PLI scheme underscores the growing tension between national industrial strategies and global trade disciplines. While India must defend its schemes within WTO limits, the case highlights the urgent need to reform WTO subsidy rules to accommodate the developmental and climate imperatives of emerging economies. Balancing self-reliant industrial growth with multilateral trade commitments will be crucial for India’s global economic strategy.

UPSC Prelims Practice Question

Ques : Consider the following statements regarding the Production Linked Incentive (PLI) Scheme:

1. The PLI scheme provides financial incentives based on incremental sales and aims to boost manufacturing in strategic sectors.
2. The PLI scheme for Advanced Chemistry Cell (ACC) batteries requires at least 25% domestic value addition.
3. The scheme is implemented under the Ministry of External Affairs.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2, and 3

Ans: a)

UPSC Mains Practice Question

Ques: Critically analyse the role of the Production Linked Incentive (PLI) scheme in strengthening India’s manufacturing base. How can India reconcile its industrial policy objectives with its obligations under WTO law? **(150 Words)**

Page : 08 Editorial Analysis

An amended Constitution Bill, its contentious issues

The central government recently introduced the Constitution (One Hundred And Thirtieth Amendment) Bill in Parliament to amend Article 75, Article 164 and Article 239AA of the Constitution which pertain to the Union Council of Ministers, State Council of Ministers and the special administrative provisions for Delhi, respectively. The Bill has been referred to a Joint Parliamentary Committee.

The Bill provides that in case a Minister is arrested and detained in custody for 30 consecutive days, for an alleged offence punishable with imprisonment which may extend up to five years or more, he shall be removed from office by the President, on the advice of the Prime Minister, which is to be tendered by the 31st day of such custody. Or, he shall cease to be a Minister in case such advice is not tendered by then. A similar provision is provided for Ministers in State Assemblies, who shall be removed by the Governor on the advice of the Chief Minister. In the case of the Prime Minister and Chief Minister of a State, they are required either to tender their resignation by the 31st day or else shall (automatically) cease to be the Prime Minister or Chief Minister of a State.

What was contentious for the Opposition

The two contentious issues that forced the Opposition to come together against the Bill were 'arrest' by the police and authorising 'detention' by a court. Since, wide discretion lies with both, there needs to be scrutiny of the Bill to ensure that it is not misused.

The first parameter to remove a Minister is arrest, which is discretionary and in the hands of the enforcement agencies. While the Bharatiya Nagarik Suraksha Sanhita (BNSS) provides for the enforcement of some conditions before there is an arrest for offences that are punishable for up to seven years of imprisonment, it is not mandatory for a police officer to arrest any person accused of commission of a cognisable offence that is punishable with imprisonment even for more than seven years.

The Madras High Court, in *Deenan vs Jayalalitha* (1989), refused to interfere in the police investigation when the petitioner pleaded before the High Court to use its inherent powers to direct the Commissioner of Police to arrest the respondent, Jayalalitha.

The High Court said that the words 'may arrest' under Section 41 showed that the power of arrest is discretionary and that a police officer is not always bound to make an arrest for cognisable offences. Though he has the power to arrest, he can refrain from arresting persons, depending upon the nature of the offence and the circumstances unfurled not only in the complaint but also during the course of investigation. The authorised power of arrest of an offender by a private person is restricted to cases of commission of non-bailable and cognisable offences in his presence and to the case of the



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proclaimed offender, not otherwise.

In *Joginder Kumar vs State of U.P.* (1994), the Supreme Court of India observed that no arrest can be made only because a police officer is authorised to do so. The police officer must be able to justify the arrest. Arrest and detention in a police lock-up of a person can cause incalculable harm to the reputation and self-esteem of a person, the Court said.

In another case, *Amarawati And Anr. (Smt.) vs State Of U.P.* (2004), the Bench of the Allahabad High Court, after carefully examining the definition of 'cognisable offence', provisions of Section 41 and Section 157 of the Code of Criminal Procedure (CrPC), held that the Legislature has consciously used the words 'may arrest' and it was not mandatory for the police to make an arrest in a cognisable offence. Section 157 of the CrPC empowers the police to investigate a cognisable offence and arrest the accused, if required.

In 2009, in an amendment of Section 41 of the CrPC, some distinction was made for arrest in offences punishable with imprisonment extendable up to seven years and offences punishable with over seven years of imprisonment. However, Section 41A of the CrPC, which provides for issuing notice of appearance (when arrest of a person is not required), does not make a differentiation between offences based on their term of imprisonment. The Supreme Court, in *Satender Kumar Antil vs CBI and Anr.* (2022), held that the investigating agencies are bound to comply with the provisions of Section 41 and Section 41A CrPC. Section 35 of the BNSS is *pari materia* to Sections 41 and 41A of the CrPC, read together.

There could be misuse

While the continuation of Ministers in the cabinet with serious criminal charges does not augur well for constitutional morality, the misuse of this discretionary power of arrest by the police to target leaders of the Opposition parties cannot be ruled out. High Courts have repeatedly taken objection for not following the directions issued in *Armesh Kumar vs State of Bihar and Another* (2014) which mandated that the investigating officer record reasons and material which necessitated the arrest. The National Police Commission (1977) in its third report observed that nearly 60% of the arrests were unnecessary or unjustified. Given such a scenario, where the police are alleged to be amenable to political pressure, 'arrest' may be used as a political tool to initiate the unseating of Ministers in Opposition parties.

The second parameter is continuous detention in custody for "thirty consecutive days", which signifies the importance of bail. If a Minister is able to obtain bail within this period, disqualification under Article 75(5A) would not operate. Though the Supreme Court has repeatedly reaffirmed the principle that 'bail is the rule, jail is the exception', bail is often

rejected for factors other than the triple test – i.e., flight risk, possibility of tampering with evidence, and threatening of witnesses. For instance, the gravity or seriousness of an offence is considered to be an important fourth factor, despite its conflict with the presumption of innocence of the accused. So, while bail may be granted in early stages in economic offences, it is extremely difficult in heinous offences unless the accused has undergone considerable incarceration.

The main issues

The new Amendment does not account for default bail under Section 167(2) CrPC (*pari materia* Section 187, BNSS). Default bail is the right of an accused person when the investigation is not completed within 60 days to 90 days (depending on the gravity of the offence) of his custody. Since the cumulative period of police and judicial remand itself exceeds 30 days, the embargo under Article 75(5A) does not seem to be rational. It is true that remand is not mandatory jail time and needs to be extended by the court at intervals, but courts readily grant this extension within the outer limits of 60 days to 90 days.

Further, the phrase 'an offence under any law for the time being in force' includes complaints filed under special statutes such as PMLA (money laundering), NDPS (narcotics), and UAPA (unlawful activity). This is even more dangerous since all special statutes have the infamous twin conditions of bail that are not present in the CrPC/BNSS. First, the accused must prove that he is not guilty of the offence, and second, that he would not commit an offence while on bail. As opposed to trial, these conditions must be satisfied at the stage of bail itself. They are often termed onerous and reverse the burden of proof from the prosecution to the accused. The Manish Sisodia case, where he was accused in the liquor policy scam, is a case in point – bail was granted 17 months after his incarceration under the PMLA. This being the norm for special statutes, the threshold of "thirty consecutive days" under the new Amendment Bill would be an abysmally low benchmark to cross. Removal from office would be extremely damaging.

Another factor which may hinder bail to a Minister is their ability to influence witnesses due to their position of power, which is considered significant to an investigation and trial. A Minister may be faced with a Hobson's choice – either continue or get bail. Staying on as a Minister would jeopardise bail and therefore mean removal under the amended provisions, while resigning would prevent him from carrying out ministerial duties even if bail was granted.

A last factor that makes bail uncertain and vulnerable is whether the judge concerned has a *pro or ante* liberty stance under Article 21. Leaving aside the objective facts of a case, this brings about enormous subjectivity and discretion in granting bail.

GS. Paper 2 – Indian Polity

UPSC Mains Practice Question: The withholding of central funds to states for non-adoption of national schemes like NEP-2020 raises questions on the nature of Indian federalism. Discuss the constitutional, political, and fiscal implications of such actions in the context of cooperative federalism. **(150 Words)**

Context :

The Constitution (One Hundred and Thirtieth Amendment) Bill, 2025, seeks to amend Articles 75, 164, and 239AA of the Constitution — relating to the Union, State, and Delhi Councils of Ministers — to mandate the removal of Ministers (including the Prime Minister and Chief Ministers) if they are under arrest and in custody for 30 consecutive days for offences punishable with five years or more of imprisonment.

While the Bill aims to uphold political integrity and prevent Ministers with serious criminal charges from continuing in office, it has triggered sharp opposition over concerns of misuse of police powers, arbitrary arrests, and erosion of federal-democratic principles.

Provisions of the Amendment Bill

1. Automatic cessation of office:

- A Minister (Union or State) under arrest and custody for 30 consecutive days shall cease to hold office.
- For the Prime Minister or Chief Minister, they must resign by the 31st day, or they shall automatically cease to hold office.

2. Authority of removal:

- At the Union level — removal by the President on the advice of the Prime Minister.
- At the State level — removal by the Governor on the advice of the Chief Minister.
- For Delhi — under Article 239AA, similar provisions apply to the Lieutenant Governor acting on advice.

3. Objective:

- To ensure ethical governance and prevent individuals facing serious criminal prosecution from continuing in executive office, thereby enhancing constitutional morality and public trust.

The Core Contention — Arrest and Detention

The Opposition's concern arises from two key aspects — "arrest" and "continuous detention for 30 days."

(a) Discretionary Nature of Arrest

- The power to arrest under Section 41 of CrPC (now Section 35 BNSS) is discretionary, not mandatory.
- The term "may arrest" gives wide latitude to police officers, often influenced by political or executive pressures.

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- The Supreme Court, in *Joginder Kumar vs State of U.P.* (1994) and *Armesh Kumar vs State of Bihar* (2014), emphasised that arrest must be justified, necessary, and not mechanical.
- However, in practice, arrest has often been misused, especially against Opposition leaders — leading to fears that this amendment could institutionalise political vendetta.

(b) Thirty-day Custody Clause

- The Bill prescribes automatic disqualification after 30 days of continuous custody.
- This overlooks procedural realities:
 - Police and judicial remand itself can legally extend beyond 30 days (60–90 days).
 - Default bail under Section 167(2) CrPC (Section 187 BNSS) allows release only after 60–90 days — making the 30-day threshold arbitrary.
 - Many offences under special laws (PMLA, UAPA, NDPS) involve stringent bail provisions and reverse burden of proof, prolonging detention even before trial.

Hence, a Minister may lose office before charges are even framed, violating the presumption of innocence, a cornerstone of criminal jurisprudence.

Judicial and Constitutional Concerns

1. **Presumption of Innocence (Article 21):** The right to liberty and fair trial demands that no person be penalised until proven guilty. Automatic removal after 30 days of custody equates detention with guilt — contrary to the constitutional ethos.
2. **Doctrine of Separation of Powers:** The provision may indirectly empower executive agencies (police, ED, CBI) to influence the composition of the legislature or cabinet, undermining democratic functioning.
3. **Possibility of Political Misuse:** Given the record of arbitrary arrests, the amendment may weaponise investigative agencies to unseat Opposition leaders, destabilising governments.
4. **Article 75 and 164 — Collective Responsibility:** The Constitution already ensures collective political accountability to Parliament and Assemblies. Introducing automatic disqualification shifts accountability from voters and legislature to law enforcement — a dangerous precedent.
5. **Special Statutes and Bail Barriers:**
 - Statutes like PMLA, UAPA, NDPS have “twin bail conditions” — the accused must prove innocence even at the bail stage.
 - Thus, detention can easily exceed 30 days despite weak evidence, resulting in automatic disqualification.

Moral and Ethical Dimensions

While the Bill's intention — ensuring that tainted Ministers don't remain in power — is laudable, it raises a dilemma between constitutional morality and rule of law:

- For the Bill: It promotes clean governance and reinforces citizens' faith in democratic institutions.
- Against the Bill: It risks criminalising political competition, empowers coercive state machinery, and weakens democratic dissent.

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A more balanced approach could involve:

- Mandating resignation post-charge sheet, not mere arrest.
- Allowing judicial review or ethics committee oversight before disqualification.
- Ensuring due process safeguards against arbitrary misuse.

Conclusion

The 130th Constitutional Amendment Bill embodies a paradox — it seeks to strengthen probity in public life but risks undermining the very principles of liberty, fairness, and democratic accountability that the Constitution upholds.

To preserve both integrity in governance and protection from political misuse, reforms must ensure objective judicial oversight, not blanket executive discretion. In India's evolving democracy, constitutional morality cannot thrive through coercion — it must be anchored in fairness, due process, and public trust.