



# CURRENT AFFAIRS



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## BRICS : OPPORTUNITIES AND CHALLENGES FOR INDIA

*This article covers "Daily Current Affairs" and the topic details "BRICS". The topic "BRICS" has relevance in the International Relations section of the UPSC CSE exam.*

### **For Prelims:**

*About BRICS?*

### **For Mains:**

*GS 2: International Relations*

*Assessing BRICS as a Bloc?*

*Complexities for India?*

*India's Strategic Way Forward?*

### **Why in the news:**

The 15th BRICS summit is being held from 22 to 24 August in Johannesburg

### **About BRICS:**

- **Emergence of BRICS:**

BRICS came into existence in 2006 when Brazil, Russia, India, and China recognized their shared interests and growing influence on the global stage. South Africa joined the coalition in 2010, resulting in the acronym BRICS. BRICS has established the "New Development Bank", with its headquarters at Shanghai to provide funding for various development projects in emerging economies and developing countries.

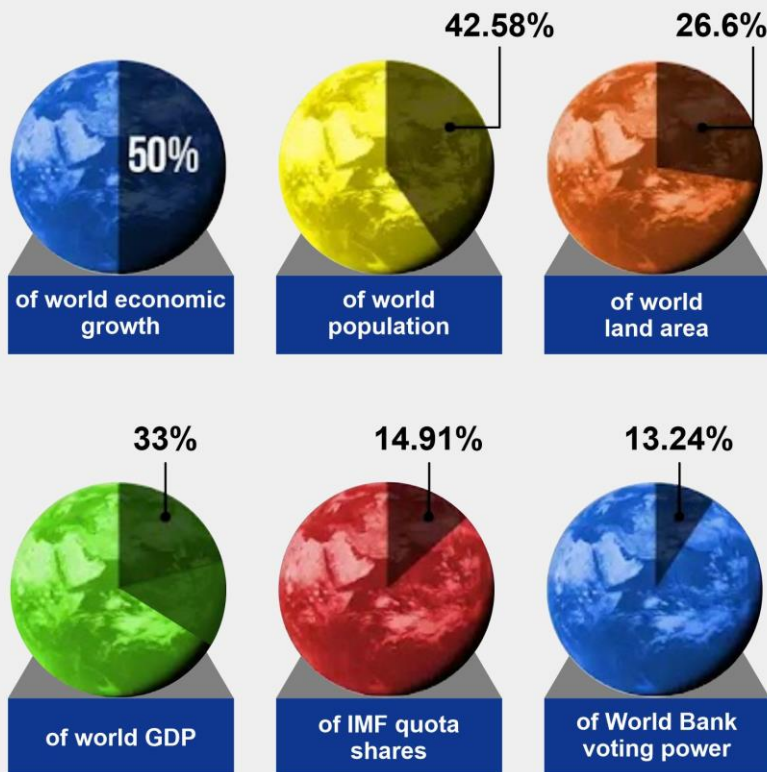
- **Core Objectives:**

The coalition's central objectives include fostering cooperation among member countries on economic and political issues of mutual interest, enhancing global multipolarity, and advocating for a more just and equitable international order.

# IMPORTANCE OF BRICS

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## Assessing BRICS as a Bloc:

- **Reactive Stance Rather Than Proactive Action:**

Despite its collective strength, the ability of BRICS to reshape the global economic landscape remains in doubt. The bloc's limited appetite for forging economic pacts within its own members and its somewhat overestimated influence on global geopolitics underscore a revisionist and reactive stance.

- **Potential for Future Global Impact:**

BRICS holds potential as a force in world politics. Recent geopolitical shifts and challenges within the UN system rejuvenate its role. It boasts broader global representation than the UNSC and G-7, though less than the G-20.

- **BRICS as a Non-Western Global Governance Model:**

Amid growing disillusionment with Western-led global governance, BRICS could provide an alternative platform. Evidently, around 40 nations, both formally and informally, express interest in joining the bloc, reflecting a wider sentiment of dissatisfaction among nations from the global South.

- **Addressing the Voice of Underrepresented:**

In a world marked by heightened geopolitical uncertainties, middle powers and regional heavyweights seek channels like BRICS to comprehend and influence shifting global dynamics. Instances like the

ongoing Ukraine conflict and China's ascendancy have revitalized BRICS's relevance as a platform for these nations.

### **Complexities for India:**

The latest BRICS (Brazil, Russia, India, China, and South Africa) summit in Johannesburg, South Africa, carries immense significance for Indian diplomacy as it navigates the intricate web of global geopolitics. Central to this challenge is India's complex choice between embracing a China-centric world order, aligning with the West-centric paradigm, or deftly balancing between these two forces.

- **Unclear Geopolitical Position:**

India's role in the global geopolitical order is uncertain. Western perspectives tie India's BRICS and SCO membership to conflicts like Ukraine and US-Russia tensions, raising questions about its multilateral commitments.

- **Balancing Competing Interests:**

India stands at the intersection of multiple global forums, reflecting its historical, geographical, and aspirational alignment. Straddling these divergent interests poses challenges in maintaining balance.

- **Multipolarity vs. Bloc Dynamics:**

While India upholds the ideals of multipolarity, it is drawn into the dynamics of competing blocs emerging from alliances like China and Russia. Balancing these ideals with geopolitical realities is intricate.

### **India's Strategic Way Forward**

- **Promoting Equitable Global Governance:**

India's core objective remains promoting fair and representative global governance. It must mitigate China's influence in non-Western forums while engaging constructively with countries supportive of China's initiatives.

- **Balancing Presence in Multiple Arenas:**

India's nuanced diplomacy calls for simultaneous engagement in non-Western platforms (BRICS, SCO) and Eurocentric forums (UNSC, G-7). This multi-faceted approach aligns with India's pursuit of maintaining a balanced and influential global position.

### **Conclusion**

In a world characterized by evolving power dynamics, India's diplomatic compass must be guided by a judicious blend of realism and principled idealism. Striving for responsive and representative international frameworks, even if imperfect, is preferable to rigid hegemony. India's challenge lies in adroitly leveraging its position across diverse global platforms, thereby endorsing democratic imperfections over the hegemonic ideal. As the BRICS summit approaches, India's strategic stance will illuminate its path forward in the ever-shifting geopolitical landscape.

**SOURCE:**

<https://indianexpress.com/article/india/pm-modi-south-africa-brics-summit-live-updates-8903194/>

### **Q.1 In relation to BRICS, evaluate the accuracy of the following statements:**

1. The inaugural BRICS Summit was convened in Rio de Janeiro in 2009.
2. South Africa became the most recent addition to the BRICS coalition.

**Which of the statements given above is/are correct?**

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2

(d) Neither 1 nor 2

**ANSWER: B**

**Q.2 Consider the following statements regarding BRICS?**

1. BRICS established the “New Development Bank”, with its headquarters at Shanghai
2. BRICS countries account for one third of the GDP of the world.

**Which of the statements given above is/are correct?**

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**ANSWER: C**

**Q.3”To what extent has the BRICS grouping achieved its objectives, and what are the key challenges it currently faces in light of evolving geopolitical dynamics and shifts in the global order?”**

**Rishabh**

## **PRODUCTION LINKED INCENTIVE SCHEME**

*This article covers “Daily Current Affairs” and the topic details “Production Linked Incentive Scheme”. The topic “Production Linked Incentive Scheme” has relevance in the “Indian Economy” section of the UPSC CSE exam.*

**For Prelims:**

*What is the Production Linked Incentive Scheme?*

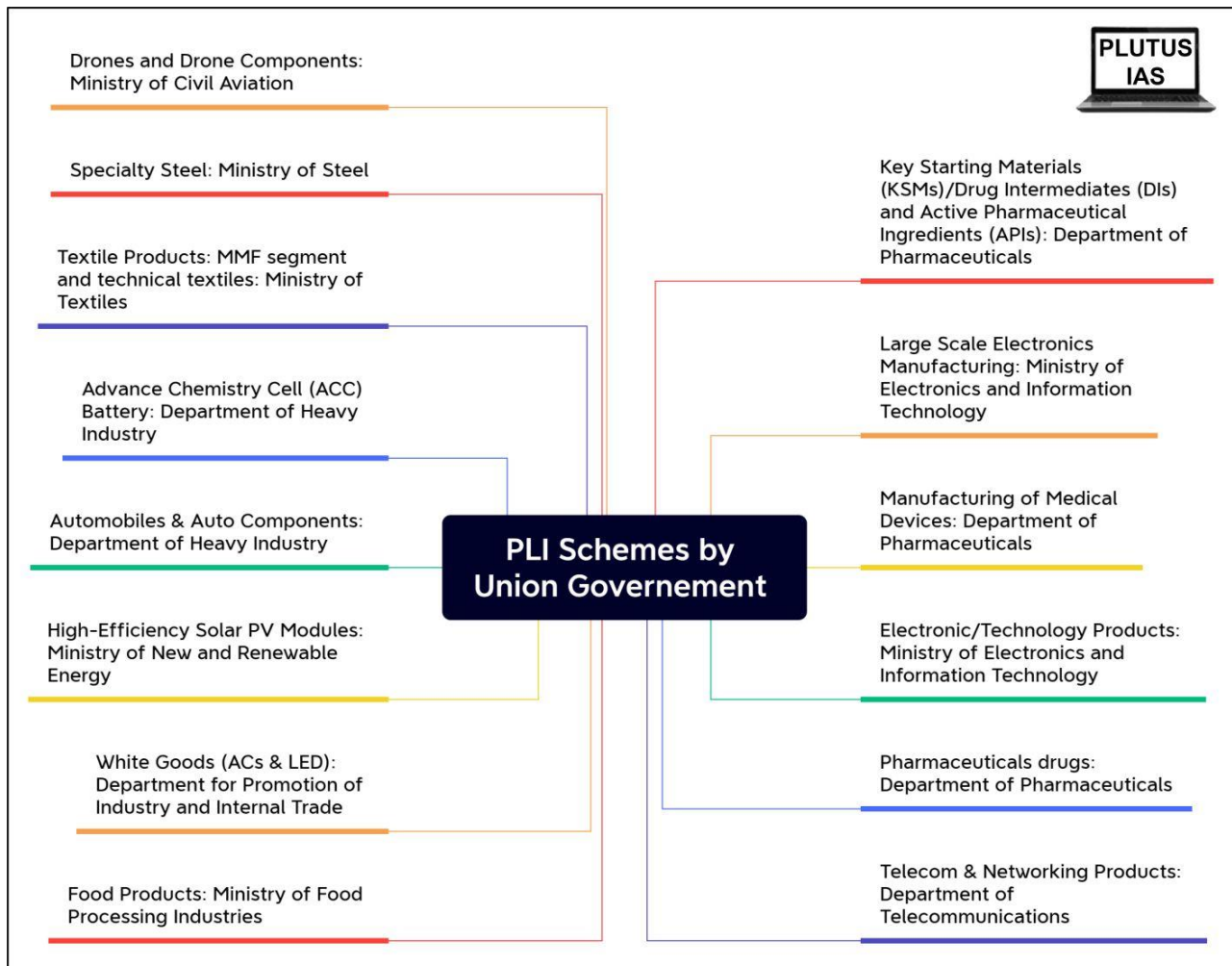
*What is different Production Linked Incentive Schemes in India?*

**For Mains:**

*GS3: Indian Economy*

**WHY IN THE NEWS?**

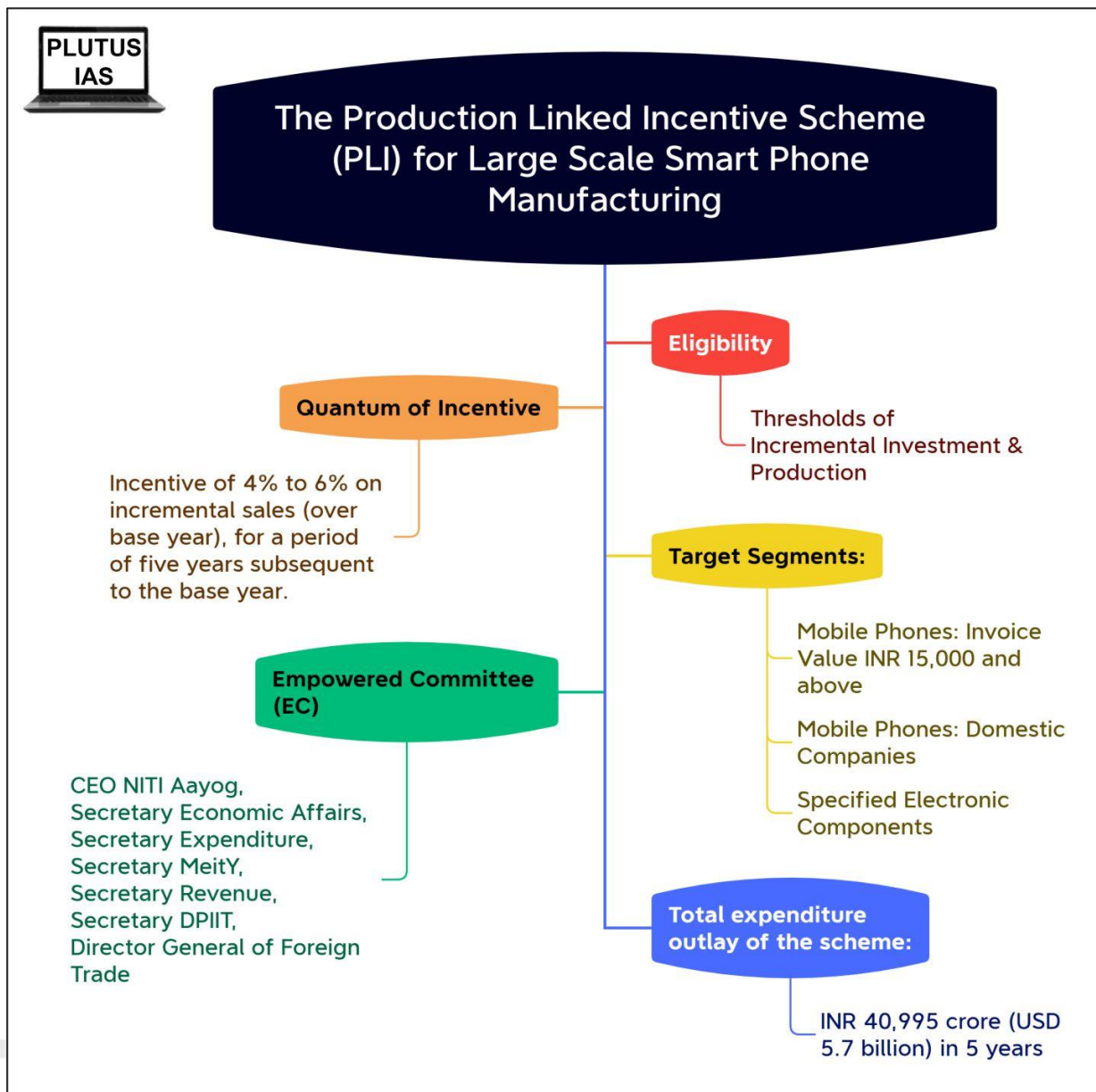
In recent months, a heated debate has emerged between former RBI governor Raghuram Rajan and the Minister of State for Electronics, Rajeev Chandrasekhar, regarding the effectiveness of the Central government’s Production-Linked Incentive (PLI) programme aimed at boosting electronics manufacturing in India.



### Production-Linked Incentive (PLI) Scheme

- The PLI Programme is a government incentive scheme that **aims to boost domestic manufacturing in key sectors**. The scheme offers financial incentives to companies that meet certain production targets. The PLI Programme was **launched in 2020 and currently covers 14 sectors**, including mobile phones, electronics, textiles, automobiles, and chemicals.
- This strategy stems from the recognition that manufacturing not only contributes directly to economic growth but also generates a multiplier effect that benefits other sectors in the economy.
- In this scheme, companies that engage in domestic manufacturing are offered incentives, including financial rewards, to bolster their operations.
- The **incentives are tied to the percentage of revenue generated and can extend over a span of up to five years**.
- The need for the PLI Programme arises from the fact that India's manufacturing sector is still relatively underdeveloped. **In 2020, the manufacturing sector's contribution to India's GDP was only 17.9%**, compared to 28.2% in China. The PLI Programme is designed to help India catch up with other countries in terms of manufacturing prowess.
- The PLI Programme has been successful in attracting investments from domestic and foreign companies. In the first round of the PLI Programme, the government received applications from over 1,000 companies. The government has also approved PLI schemes worth over ₹26,000 crore (US\$330 billion).

## Decoding PLI Scheme for Large Scale Electronics Manufacturing



- Among various industries, the smartphone manufacturing sector has exhibited notable enthusiasm for the PLI programme.
- Enterprises such as Micromax, Samsung, and Foxconn (recognized for producing Apple phones) are eligible to obtain incentives equivalent to up to 6% of their additional sales revenue under this program.
- The results have been noteworthy, with mobile phone exports soaring from \$300 million in FY2018 to a staggering \$11 billion in FY23.
- Simultaneously, imports of mobile phones decreased from \$3.6 billion in FY2018 to \$1.6 billion in FY23.

### Former RBI Governor Raghuram Rajan's Perspective:

- Raghuram Rajan, alongside two other economists, released a discussion paper asserting that the PLI programme isn't effectively steering India toward self-sufficiency in manufacturing.

- **Assembly-Focused Ecosystem:** Rajan contends that the current approach is fostering an ecosystem of low-value assembly jobs that are heavily reliant on imports. The paper highlights an **apparent rise in imports of mobile phone components** like screens, batteries, cameras, and printed circuit boards between FY21 and FY23, a period coinciding with the surge in mobile phone exports.
- **Component Imports vs. Domestic Production:** Rajan argues that this trend implies India is essentially conducting assembly work using imported components, rather than genuinely manufacturing products from domestic materials.

#### **The Government's Counterargument:**

- In response to Rajan's critique, Minister Rajeev Chandrasekhar presents a two-fold argument.
- **Imports Beyond Mobile Phones:** First, he disputes Rajan's assumption that all imports of components are solely for mobile phone production, suggesting that these items might be used for various other products.
- **Future Value-Addition Prospects:** Additionally, Chandrasekhar acknowledges that only about 22% of mobile phone production in India is currently supported by the PLI scheme. He acknowledges the possibility of a lower level of "value-addition" in the current production process but remains optimistic that as the supply and assembly chain further develops in India, the value-added aspects will improve.

#### **WAY FORWARD:**

The crux of the disagreement between Raghuram Rajan and Rajeev Chandrasekhar revolves around whether the PLI programme can successfully create enduring jobs and establish India as a manufacturing and supply hub that adds substantial value to the production process.

While the debate remains unresolved, it highlights the intricate nature of economic policies designed to stimulate domestic manufacturing and raise India's prominence in global supply chains. The ultimate outcome of the PLI programme and its impact on India's manufacturing ecosystem will shape the country's economic trajectory for years to come. In the interim, stakeholders shall continue to assess and scrutinize the programme's outcomes and implications.

**Sources:**

[Explained | The debate over India's smartphone manufacturing dreams – The Hindu](#)

**Q1. With reference to Production Linked Incentive (PLI) Scheme, consider the following statements:**

1. The Production Linked Incentive (PLI) Scheme is aimed at promoting large scale electronics manufacturing and attracting investments in mobile phones only.
2. The scheme provides a fixed incentive of 10% on increased sales and is applicable for two years after the base year.
3. The Empowered Committee (EC) overseeing the PLI scheme includes only the CEO of NITI Aayog and the Secretary of MeitY.

**Which of the statements given above is/are correct?**

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 3 only
- (d) None

**Answer: (d)**

**Q2. Consider the following pairs:**

| Ministry / Department                                      | PLI Scheme                           |
|--|--------------------------------------|
| 1. Ministry of Civil Aviation                              | Drones and Drone Components          |
| 2. Department of Science and Technology                    | Advance Chemistry Cell (ACC) Battery |
| 3. Department of Heavy Industry                            | White Goods (ACs & LED)              |
| 4. Department for Promotion of Industry and Internal Trade | High-Efficiency Solar PV Modules     |

**How many of the abovementioned pairs are correct?**

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All Four

**Answer: (a)**

**Q3. Critically evaluate the objectives and scope of the Production-Linked Incentive (PLI) Scheme. How does this scheme contribute to addressing the challenges faced by India's manufacturing sector? Discuss with relevant examples.**

**Gaurav Nikumbh**