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In Brazil, COP30 and the moment of truth

Today, in the Brazilian Amazon, the Belém Summit opens ahead of the 30th United Nations Climate Change Conference (COP30). World leaders convened here in the days leading up to the COP so that we can all commit to acting with the urgency that the climate crisis demands.

If we fail to move beyond speeches into real action, our societies will lose faith not only in the COPs but also in multilateralism and international politics more broadly. That is why I have summoned leaders to the Amazon: to make this the COP of Truth; the moment we demonstrate the seriousness of our shared commitment to the planet.

Humanity has shown its ability to overcome great challenges when it acts together and guided by science. We protected the ozone layer. The global response to the COVID-19 pandemic proved that the world can act decisively when there is courage and political will.

Back to Brazil

Brazil hosted the Earth Summit in 1992. We approved the Conventions on Climate Change, Biological Diversity and Combating Desertification, and adopted principles that defined a new paradigm for preserving our planet and our humanity. Over the past 33 years, these gatherings have produced important agreements and targets for reducing greenhouse gas emissions – from ending deforestation by 2030 to tripling renewable energy use.

More than three decades later, the world has returned to Brazil to confront climate change. It is no coincidence that COP30 takes place in the heart of the Amazon rainforest. This is an opportunity for politicians, diplomats, scientists, activists and journalists to witness the reality of the Amazon.

We want the world to see the true state of the forests, the planet's largest river basin, and the millions of people who live in the region. COPs cannot be mere showcases of good ideas or



Luiz Inácio Lula da Silva

is the President of Brazil

The setting of the Belém Summit – in the Amazon – will help lead the way in effective action to tackle climate change

annual gatherings for negotiators. They must be moments of contact with reality and of effective action to tackle climate change.

To confront this crisis together, we need resources. And we must recognise that the principle of common but differentiated responsibilities remains the non-negotiable foundation of any climate pact.

That is why the Global South demands greater access to resources – not out of charity, but justice. Rich countries have benefited the most from the carbon-based economy. They must now rise to their responsibilities, not only by making commitments but also by honouring their debts.

Brazil is doing its part. In just two years, we have already halved deforestation in the Amazon, showing that concrete climate action is possible.

A move to preserve forests, other measures

In Belém, we will launch an innovative initiative to preserve forests: the Tropical Forests Forever Facility (TFFF). It is innovative because it operates as an investment fund, not a donation mechanism.

The TFFF will reward those who keep their forests standing and those who invest in the fund; a genuine win-win approach to tackling climate change. Leading by example, Brazil has announced a \$1 billion investment in the TFFF, and we expect equally ambitious announcements from other countries.

We also set an example by becoming the second country to present a new Nationally Determined Contribution (NDC). Brazil has committed to reducing its emissions by 59% to 67%, covering all greenhouse gases and all sectors of the economy.

In this spirit, we call on all countries to present equally ambitious NDCs and to implement them effectively.

The energy transition is fundamental to meeting Brazil's NDC. Our energy matrix is among the cleanest in the world, with 88% of our electricity coming from renewable sources. We

lead in biofuels and are advancing in wind, solar and green hydrogen energy.

Redirecting revenues from oil production to finance a just, orderly and equitable energy transition will be essential. Over time, oil companies worldwide, including Brazil's Petrobras, will transform into energy companies, because a growth model based on fossil fuels cannot last.

People must be at the centre of political decisions about climate and the energy transition. We must recognise that the most vulnerable sectors of our society are the most affected by the impacts of climate change, which is why just transition and adaptation plans must aim to combat inequality.

We cannot forget that two billion people lack access to clean technologies and fuels for cooking, and 673 million still live with hunger. In response, we will launch in Belém, a 'Declaration on Hunger, Poverty and Climate'. Our commitment to fight global warming must be directly linked to the fight against hunger.

The need for a climate change council

It is also fundamental that we advance the reform of global governance. Today, multilateralism suffers from the paralysis of the United Nations Security Council. Created to preserve peace, it has failed to prevent wars. It is our duty, therefore, to fight for the reform of this institution.

At COP30, we will advocate the creation of a UN Climate Change Council linked to the General Assembly. It would be a new governance structure with the force and the legitimacy to ensure that countries deliver on their promises, and an effective step toward reversing the current paralysis of the multilateral system.

At every Climate Conference, we hear many promises but see too few real commitments. The era of declarations of good intentions has ended: the time for action plans has arrived. That is why, today, we begin the COP of Truth.

English Summary:

The **Belém Summit (COP30)** has opened in the **Brazilian Amazon**, with global leaders gathered to reaffirm commitments toward climate action under the **UNFCCC framework**.

Brazilian President **Luiz Inácio Lula da Silva** calls this the “**COP of Truth**”, stressing that it must move beyond speeches to **decisive, equitable, and science-driven climate action**.

COP30 aims to restore global trust in **multilateral environmental agreements**, especially after years of slow progress on emission reduction and adaptation funding.

Background: Brazil and Global Climate Diplomacy

- **Brazil** hosted the **1992 Earth Summit (Rio Summit)** — where key conventions on:
 - **Climate Change (UNFCCC)**,
 - **Biodiversity (CBD)**, and
 - **Combating Desertification (UNCCD)** were established.
- Since then, the world has held multiple COPs but has **struggled to meet its own targets**.
- Hosting **COP30 (2025)** in **Belém**, located in the **Amazon rainforest**, holds symbolic and strategic importance:
 - It showcases the Amazon's global ecological significance.
 - It brings global attention to the **climate-biodiversity-justice nexus**.

Lula: “This must be the COP of Truth — to demonstrate the seriousness of our shared commitment to the planet.”

Key Themes of COP30

Theme	Objective
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Theme	Objective
Action over Rhetoric	Move beyond declarations to concrete commitments and measurable action.
Equity & Justice	Rich countries must honour climate finance pledges and historical responsibilities.
Forest Preservation	Focus on halting deforestation in the Amazon and supporting tropical forest conservation globally.
Reforming Global Governance	Push for restructuring the UN Security Council and multilateral climate institutions.
Just Energy Transition	Shift from fossil fuels to renewable energy while protecting workers and vulnerable communities.

Brazil's New Climate Initiatives

Tropical Forests Forever Facility (TFFF)

- A new **forest preservation fund** to be launched at Belém.
- Unlike traditional climate finance, it will function as an **investment mechanism**, not a donation platform.
- Aims to **reward countries and communities that keep their forests intact**, creating a **win-win model** for conservation and growth.
- Brazil has pledged **\$1 billion** and invited other nations to contribute.

Nationally Determined Contributions (NDCs)

- Brazil is the **second country** to submit a **new NDC** post-Paris Agreement.
 - Commitment: **Reduce emissions by 59–67%** by 2030.
 - Brazil has already **halved deforestation in two years**, showing measurable progress.
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Broader Goals of COP30

1. Reinforce Climate Finance Mechanisms:

- Global South nations demand **greater access to funds** for mitigation and adaptation.
- Climate action should be **based on justice, not charity**.
- Developed nations must honour the principle of **Common but Differentiated Responsibilities (CBDR)**.

2. Energy Transition:

- Brazil to **diversify beyond oil** through investments in **biofuels, solar, wind, and hydrogen**.
- Petrobras (state oil company) will transform into a **green energy leader**.
- COP30 to emphasize **redirecting fossil fuel revenues** toward renewable development.

3. Food Security & Social Justice:

- A **"Declaration on Hunger, Poverty, and Climate"** will be launched.
- Recognises that **climate and poverty crises are interconnected** — climate justice must include social justice.

4. Institutional Reform:

- Lula called for **reforming the UN Security Council**, arguing it has **failed to prevent climate and security crises**.
 - Advocates for a new **Global Climate Council** linked to the **UN General Assembly**, to ensure accountability and progress.
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Key Quotes

"This must be the COP of Truth — the moment we show our seriousness."

"Climate summits must not be mere annual rituals; they must produce effective action."

"The Global South needs access to resources — not as charity, but as justice."

— *Luiz Inácio Lula da Silva, President of Brazil*

Significance of COP30 for the Global South

- Reinforces **South-South solidarity** in global climate governance.
- Shifts focus to **adaptation, loss and damage**, and **climate-resilient development**.
- Highlights **Amazon conservation** as a global climate priority.
- Marks a **leadership resurgence of Brazil** in global environmental diplomacy.

The GIST (Exam-Ready Points)

- **Event:** COP30 (2025) – Belem, Amazon, Brazil.
- **Host:** Brazil under President **Luiz Inácio Lula da Silva**.
- **Key Initiative:** Tropical Forests Forever Facility (TFFF).
- **Brazil's Target:** Cut emissions 59–67% by 2030; halve deforestation.
- **Themes:** Climate Justice, Equity, Forest Conservation, Multilateral Reform.
- **Global South Agenda:** Reform finance systems, ensure fair energy transition, and strengthen governance.

Hindi Summary (हिंदी सारांश):

ब्राज़ील के बेलें शहर (अमेज़न क्षेत्र) में आयोजित **COP30 (Conference of Parties)** को राष्ट्रपति **लुईज़ इनासियो लूला दा सिल्वा** ने “सत्य का COP” बताया है — एक ऐसा सम्मेलन जहाँ केवल वादे नहीं, बल्कि **वास्तविक जलवायु कार्रवाई** होनी चाहिए।

मुख्य बिंदु:

- अमीर देशों को “साझा लेकिन विभेदित जिम्मेदारी” (CBDR) निभानी चाहिए।
- ब्राज़ील ने **Tropical Forests Forever Facility (TFFF)** नामक नया निवेश कोष घोषित किया है जो वनों को संरक्षित रखने वाले देशों को पुरस्कृत करेगा।
- ब्राज़ील ने अपनी **NDC** के तहत 2030 तक उत्सर्जन में **59–67% कटौती** का संकल्प लिया है।
- COP30 का लक्ष्य है — **न्यायसंगत ऊर्जा परिवर्तन, वन संरक्षण, और वैश्विक शासन सुधार**।
- यह सम्मेलन वैश्विक दक्षिण (Global South) की आवाज़ को मज़बूती से प्रस्तुत करता है।

UPSC Mains Practice Question:

“The COP30 in Belém represents a decisive moment for global climate justice and multilateral reform. Critically evaluate the role of Brazil in shaping the Global South’s climate agenda.”
(250 words – GS Paper 3: Environment & International Relations)

Challenges facing the upcoming income survey

The upcoming Household Income Survey promises to provide a detailed snapshot of India's households — their incomes, expenses, and changing dynamics. Yet, collecting accurate income data remains a challenge due to the sensitive nature of the questions, which many respondents may find intrusive or difficult to answer

ECONOMIC NOTES

Vignesh Radhakrishnan

The upcoming Household Income Survey, 2026, which is going to be the first of its kind, could offer the clearest picture yet of India's households, revealing how they are coping, changing, and moving towards the future. However, the challenge with such an exercise lies in the sensitive nature of questions about individual income, which many respondents may be reluctant to answer. While the survey design is valuable from a policymaker's perspective, for respondents, such questions can feel intrusive and, in many cases, difficult to answer accurately from memory.

On past surveys

Indian policymakers lack actionable information about household income. While surveys like the Periodic Labour Force Survey attempts to capture earnings, it views wages and salaries through the lens of labour market dynamics, and falls short of offering detailed insights into household characteristics. The Household Consumption Expenditure Survey (HCES) relies on spending patterns to infer household income. While this survey is considered more reliable, using consumption data as a proxy for income involves a leap that may not always hold up in practice. Then there is the RBI's Consumer Confidence Survey which tracks how income levels rise or fall over time among urban and rural consumers. Put together, these survey tools have either captured broad trends in income changes, relied on proxies to gauge them, or examined income through specific analytical lenses.

The upcoming Household Income Survey, however, aims to collect income data to understand income itself and its interplay with other household characteristics. The new survey gathers



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detailed information on social group, religion, and occupation — covering whether households are engaged in agriculture or other economic activities. It also records land ownership and use, property details such as the size and type of dwelling, and loans taken.

This survey, for the very first time, collects detailed information on regular salaries, including allowances such as overtime pay, performance-based bonuses, stock options, leave encashments, and severance payments. For casual workers, the survey will record the number of days worked, average daily wages earned, and even tips received. In the case of self-employed respondents, it will gather details on the type of crops sold, the quantity, and the value of those sales. For those engaged in non-agricultural work, the survey will note down the sector of business and the gross value of receipts earned.

By combining such information, the survey will make it easier to understand

class dynamics across different types of employment and whether certain jobs are concentrated within specific social groups. It may also shed light on what share of a household's total income goes toward loan repayments — an important metric in an economy driven by EMV-based spending, particularly among urban households. When it comes to agriculture, the detailed questions make this survey an excellent direct tool to test claims like 'doubling farmers' income', and assess related government schemes.

Expenses recorded

While measuring income is important, considering spending patterns is equally essential. Therefore, this survey repeats some questions from the HCES. For instance, the survey asks farmers to report input costs for each item, including seeds, labour, and transport. For those engaged in self-employment in other sectors, it seeks details on raw material costs, rental payments, and repair and

maintenance expenses. By gathering both cost and income data from the same households, the survey enables accurate measurement of profit margins.

Additionally, it measures pension payments, family support transfers such as alimony or child support, and remittances. More importantly, for the first time, the survey collects data on funds received through State-specific schemes such as the Kalyanpur Magadhi Urmlal Thilman in Tamil Nadu, along with several Union government schemes.

Testing troubles

In August this year, the proposed survey was pilot tested by randomly selecting households across India to answer its questions. This exercise generated some concerning feedback. Close to 95% of the respondents considered the information to be sensitive and felt uncomfortable disclosing income from different sources.

A majority of them refused to answer questions about income taxes paid. Most respondents thus are likely to feel cautious when answering these questions.

The survey team is aware of this challenge and is addressing it by increasing public awareness, dispelling misconceptions, and planning outreach across various media. They also aim to deploy field staff familiar with local languages to build trust. The testing team observed that respondents in rural areas sought lower clarifications, whereas those in affluent households asked for more. Due to this hesitation, unusually, the government is considering introducing a self-compilation system exclusively for affluent and gated communities. Under this system, respondents would receive a written request explaining the survey's objectives and the importance of providing accurate income data.

Moreover, during field visits, many households overstated their expenses or misunderstood their income levels. Respondents also found it difficult to recall details about their financial assets and were often unaware of the interest earned from savings or fixed deposits.

THE GIST

▼ This survey, for the very first time, collects detailed information on regular salaries, including allowances such as overtime pay, performance-based bonuses, stock options, leave encashments, and severance payments.

▼ In August this year, the proposed survey was pilot tested by randomly selecting households across India to answer its questions. This exercise generated some concerning feedback.

▼ A majority of them refused to answer questions about income taxes paid.

English Summary:

The **Household Income Survey (HIS), 2026**, will be India's first comprehensive effort to collect nationwide income data directly from households — detailing **earnings, expenses, savings, and social dynamics**.

It promises to give policymakers a clearer picture of how Indian families earn, spend, and adapt to changing economic realities.

However, this major data exercise faces a **critical challenge** — the **sensitive and intrusive nature of income questions**, which may make respondents hesitant or inaccurate in their answers.

Purpose of the Household Income Survey (HIS-2026)

- Designed to capture **how Indian households earn, spend, and save**.
- Provides data for **poverty estimation, inequality analysis, and policy design** in welfare, taxation, and employment.
- For the first time, HIS will collect **detailed data on income, expenditure, and social categories** under one survey — offering a holistic picture of household well-being.

“This could be the most detailed economic snapshot of Indian households yet.” — *The Hindu Economic Notes*

Previous Data Sources and Their Gaps

Survey Type	Conducted By	Focus Area	Limitations
Periodic Labour Force Survey (PLFS)	NSO	Employment & wages	Captures earnings but not full household income.

Survey Type	Conducted By	Focus Area	Limitations
Household Consumption Expenditure Survey (HCES)	NSO	Consumption patterns	Uses expenditure as a proxy for income — less direct and sometimes misleading.
RBI Consumer Confidence Survey	RBI	Urban consumer sentiment	Limited to perceptions, not actual data.

Thus, HIS-2026 seeks to **fill the gap** by **directly measuring income** and its distribution across **urban, rural, agricultural, and non-agricultural sectors**.

Key Features of the 2026 Survey

- **Comprehensive Income Details:**
 - Captures salaries, overtime pay, performance-based bonuses, stock options, pensions, and remittances.
 - Includes **income from farming, property ownership, small businesses, and government transfers** (e.g. PM-KISAN, MGNREGA).
- **Expense Measurement:**
 - Cost and income data from the same household will allow accurate estimates of **profit margins**.
- **Assets and Liabilities:**
 - Data on savings, loans, EMI burdens, and household wealth.
- **Social & Demographic Data:**
 - Religion, caste, occupation type, and gender participation in workforce.

Pilot Survey Feedback (August 2025)

The HIS model was **pilot-tested** by randomly selecting households across India. Results revealed **serious concerns**:

- **95% respondents** found income-related questions **too sensitive or intrusive**.
- Many **refused to answer** questions on:
 - Income from multiple sources,
 - Taxes paid,
 - Unreported or informal earnings.
- Some **rural households** required **extra clarification**, while **urban respondents** hesitated to disclose income due to privacy.
- The survey team concluded that **public trust and data privacy awareness** must be strengthened.

Challenges in Implementation

Challenge	Impact
Sensitive nature of income questions	Respondents may underreport or conceal data.
Informal economy	Large cash-based earnings hard to trace or recall accurately.
Memory recall bias	People forget small or irregular earnings.
Cultural hesitation	Discussing money or income seen as taboo in many regions.
Survey fatigue	Respondents unwilling to answer lengthy, repetitive questions.

Additionally, **social desirability bias** — people overstating income to appear prosperous or understating it to qualify for welfare — could distort findings.

Government's Response to the Challenges

- **Public Awareness Drives:** To improve cooperation by explaining survey purpose and confidentiality safeguards.
- **Training Enumerators:** Local-language field staff to build trust.

- **Use of Technology:** Tablets and secure digital entry to reduce manual errors.
- **Cross-verification:** Income data to be cross-checked with HCES expenditure data.
- **Repetition of Core Questions:** Some key income questions to be revisited later in the survey to ensure accuracy.

Innovative suggestion: introducing “**self-completion sections**” where respondents confidentially enter their income — similar to OECD practices — especially for **urban middle-class and high-income groups**.

Significance for Policymakers

- Enables **accurate inequality measurement** beyond consumption data.
- Helps **calibrate welfare schemes** like PM-KISAN, PMAY, and social pensions.
- Provides **regional and class-specific insights** into India’s evolving economy.
- Can inform **taxation reforms, urban-rural income gap analysis, and labour productivity studies**.

Reliable income data = Evidence-based policymaking.

The GIST (Exam-Ready Points)

- **Survey Name:** Household Income Survey (HIS-2026).
- **Conducted By:** National Statistical Office (NSO).
- **Purpose:** Collect direct income data (first of its kind in India).
- **Covers:** Salaries, self-employment, pensions, remittances, farm & non-farm income.
- **Pilot Findings:** 95% respondents felt uncomfortable; many refused tax-related questions.
- **Challenge:** Sensitive nature of questions; underreporting risk.
- **Importance:** Key to designing welfare schemes, tracking inequality, and improving data accuracy.

Hindi Summary (हिंदी सारांश):

भारत में 2026 का हाउसहोल्ड इनकम सर्वे (HIS) पहली बार सीधे परिवारों की आय, खर्च और बचत का राष्ट्रीय स्तर पर सर्वे करेगा।

- यह सर्वे गरीबी, असमानता और सामाजिक-आर्थिक बदलावों का स्पष्ट चित्र देगा।
- पहले PLFS और HCES जैसे सर्वे उपभोग या रोजगार पर केंद्रित थे, प्रत्यक्ष आय पर नहीं।
- **चुनौतियाँ:**
 - अधिकांश उत्तरदाता आय से जुड़े प्रश्नों को **संवेदनशील और निजी** मानते हैं।
 - 95% लोगों ने कहा कि वे ऐसे प्रश्नों का उत्तर देने में असहज महसूस करते हैं।
 - कई लोग **अनौपचारिक आय** या **कर विवरण** साझा करने से झिझकते हैं।
- **सरकार की रणनीति:**
 - जागरूकता अभियान, स्थानीय भाषा में सर्वे टीम, डिजिटल फॉर्म, और गोपनीयता की गारंटी।
- यह सर्वे भारत की **डेटा-आधारित नीति निर्माण प्रणाली** के लिए ऐतिहासिक कदम है।

UPSC Mains Practice Question:

“The upcoming Household Income Survey, 2026 can redefine India’s approach to measuring inequality and designing welfare. Discuss the challenges in collecting accurate income data and suggest institutional solutions.”

(250 words – GS Paper 3: Economy, Data Governance)

'Highest' FPI sell-off signals waning confidence in India

Unless corporate performance improves significantly, foreign investors won't find India attractive for investments, say experts; tepid corporate profitability has more to do than just stock returns

Ashokamithran T.

Foreign investors have sold ₹1.5 lakh crore worth of Indian stocks as of November 4, 2025, according to NSDL data. Continued selling will make this the largest sell-off in about 20 years.

"India benefitted from investors leaving China, but this benefit has run out," said Mike Coop, Chief Investment Officer, EMEA at Morningstar Investment Management.

"I think India was like the mirror image of China when the latter collapsed, and people thought it was uninvestable. India boomed and benefited from the reshoring from China to India. We have reached the end of that and probably, that's not a great starting point for Indian equities. The valuation level has not been positive as it was," he said.

"On a PE basis, Indian markets have remained expensive relatively to peers in most years [in the past nine years]," said Dhananjay Sinha, CEO and co-head of Institutional Research at Systematix, an Indian financial services firm. Price to earnings (PE) ratio is a measure used to determine if the price of a stock justifies its earnings to the shareholder. "Currently, Indian stocks are trading 22 times their earnings," Mr. Sinha said.

A section of experts



Brief win: India benefitted from investors leaving China, but this benefit has 'run out', says Morningstar Investment's Coop. REUTERS

though believes that the market is past the stage of expensive valuations and may now be ready for better returns. "Over the last year, returns have been weak in India, whereas returns in many other parts of the world have been much stronger," Pranjul Bhandari, Chief Economist ASEAN, HSBC, said.

"Today, we are seeing our relative valuation actually going back to long term average. It's not looking too rich," she added.

"This is because investors have understood that earnings growth can't be in teens when the nominal gross domestic product (GDP) growth is in single digits. A more realistic expectation may trigger foreign investors to return and an improvement in market returns might be around the corner," Ms. Bhandari said.

Despite divergent views, there is consensus among experts that corporate In-

dia's profits must grow at a faster pace. For FPI participation to revive, either corporate earnings growth must quicken to 15-20% or valuations must compress significantly, Mr. Sinha said. "Currently, trailing earnings over the past 4-6 quarters are flattish, while forward expectations for the next two years are only approximately 10-11%; hardly enticing, especially amid visible downside risks," he added.

FDIs trend lower

While FPIs are selling, net foreign direct investments (FDI) also trend lower. Total foreign investment, which includes portfolio and direct investment as a share of gross domestic product (GDP), hit a 25-year low in 2024-25, he said. What makes this more concerning is that, FPIs who invest in India based on their conviction in the economy's long-term growth redeemed for

the eighth consecutive week as of October 31, 2025, according to Sunil Jain, V-P of Elara Capital.

A low-performing corporate sector has consequences beyond just the stock market. "Elusive private capital expenditure and slowing household incomes are inter-linked trends that have curtailed private demand and lending growth. These issues, persisting for years and recently intensifying, have been partly offset by government spending on infrastructure and household transfers. Amid intensifying de-globalisation, India's structural growth outlook faces considerable risks," Mr. Sinha reiterated.

Adding credence to his views, the World Bank, in its World Development Report 2024, highlighted the need for sweeping institutional reforms in the absence of which developing economies like India can run the risk of slowing down before it becomes a high income economy, a phenomenon that economists call "The Middle Income Trap."

That being said, conversations about middle income trap happen all over emerging economies in Southeast Asian economies and is not exclusive to India. With policy reforms, India can reduce the risk of structural economic slowdown, Ms. Bhandari asserted.

English Summary:

Foreign investors have pulled out **₹1.5 lakh crore** from Indian equities as of **November 2025**, marking the **largest FPI (Foreign Portfolio Investment) sell-off in 20 years**, according to **NSDL data**. Analysts interpret this as a sign of **waning investor confidence** in India, driven by **tepid corporate profitability, weak private investment, and global economic uncertainty**.

Background

- FPIs represent **short-term capital** invested by foreign institutional investors (FIIs) in stocks, bonds, and other securities.
- India benefited from “**China Plus One**” strategy — where global investors diversified away from China post-pandemic — but that **capital inflow has now reversed**.
- The 2025 sell-off indicates that **foreign funds are rebalancing portfolios** toward markets with **better corporate returns and lower valuations**.

“India benefitted from investors leaving China, but this benefit has run out.” — *Mike Coop, Morningstar Investment Management*

Reasons for the FPI Sell-off

Factor	Explanation
1. Weak Corporate Earnings	Over the past 4–6 quarters, India’s corporate profit growth has stagnated at ~10–11%, insufficient to justify high stock valuations.
2. Overvaluation of Indian Stocks	India’s P/E ratio is 22x , compared to 12–15x in other emerging markets — making it relatively expensive.
3. Global Rebalancing	As the US and European markets stabilize, funds are shifting back to developed economies for better returns.
4. Sluggish Domestic Demand	Falling household income and slowing consumption have hurt private sector profitability.
5. Weak Capital Expenditure (CapEx)	Limited private investment and cautious lending by banks have restrained corporate expansion.
6. Policy & Structural Rigidities	High compliance burden, policy delays, and uneven reforms are eroding India’s investment appeal.

Expert Views

Mike Coop, Morningstar Investments:

- India’s advantage from China’s slowdown is fading.
- Investors are now seeking markets with **stronger earnings momentum**.

Pranjul Bhandari, Chief Economist, HSBC:

- “Returns have been weak in India, whereas returns in other major markets have been much stronger.”
- India’s **valuation correction is overdue**; the market is no longer “too rich,” but not yet “cheap enough” to attract investors back.

Sandeep Jain, Systematix Institutional Research:

- On a **Price-to-Earnings (P/E) basis**, Indian stocks are still **costly compared to other EMs**.
- Corporate earnings must **grow at least 15–20% annually** for FPIs to regain confidence.

Sunil Jain, VP, Elara Capital:

- The sell-off has continued for **eight consecutive weeks** till October 2025.
 - Weak CapEx and low consumption are reinforcing the slowdown trend.
-

Broader Economic Context

- India’s economy faces **structural growth bottlenecks**:
 - Declining household savings.
 - Limited job creation in manufacturing.
 - Sluggish exports due to global slowdown.
- While the **government’s infrastructure push** and **transfer schemes** (DBTs, PLI, etc.) offer support, private sector participation remains weak.

“India’s structural growth outlook faces considerable risks amid intensifying de-globalisation.” — Mr. Sinha, Analyst.

FDIs Also Trending Lower

- Not only FPIs, but **Foreign Direct Investment (FDI)** inflows — which represent **long-term confidence** — have also fallen to a **25-year low** (as a % of GDP).
 - The **World Bank’s 2024 Report** warned that unless **institutional reforms** accelerate, India risks entering the “**Middle-Income Trap**” — a phase of prolonged stagnation after early growth success.
-

Implications

Domain	Impact
Capital Markets	Continued outflow weakens rupee and increases market volatility.
Corporate Sector	Reduced liquidity pressures balance sheets and raises cost of borrowing.
Economy	Slower investment inflows affect employment and GDP growth.
Policy Outlook	Urgent need for tax, labour, and ease-of-doing-business reforms to restore confidence.

The GIST (Exam-Ready Points)

- **FPI Outflow (2025):** ₹1.5 lakh crore — highest in two decades.
 - **Reason:** Weak corporate earnings, high valuations, global rebalancing.
 - **Trend:** 8 consecutive weeks of FPI withdrawal (as of Oct 31, 2025).
 - **Consequence:** Slower capital inflow, rupee depreciation risk, weaker market sentiment.
 - **FDI:** Also declining — at 25-year low (as % of GDP).
 - **World Bank Warning:** India risks “Middle-Income Trap” without structural reforms.
-

Hindi Summary (हिंदी सारांश):

2025 में विदेशी निवेशकों (FPI) ने ₹1.5 लाख करोड़ मूल्य के भारतीय शेयर बेच डाले — यह 20 वर्षों में सबसे बड़ा सेल-ऑफ है।

मुख्य कारण:

- भारतीय कंपनियों का **कम मुनाफ़ा (Corporate Profitability)**,
 - शेयर बाज़ार का **अत्यधिक मूल्यांकन (Overvaluation)**,
 - **वैश्विक निवेश पुनर्संतुलन (Rebalancing)**।
भारत को पहले चीन से निकलने वाले निवेशों से फायदा हुआ था, पर अब यह लाभ समाप्त हो गया है।
 - **FDI निवेश भी घटकर 25 वर्ष के न्यूनतम स्तर पर है।**
 - विश्व बैंक ने चेताया कि यदि भारत ने जल्द संस्थागत सुधार नहीं किए, तो वह “**Middle Income Trap**” में फँस सकता है।
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UPSC Mains Practice Question:

“The recent wave of FPI outflows from India highlights deeper structural weaknesses in the economy. Discuss the causes and suggest policy reforms to restore investor confidence.”
(250 words – GS Paper 3: Economy)

Toyota, Honda make India a car hub in pivot away from China

NEWS ANALYSIS

Reuters
TOKYO

Toyota, Honda and Suzuki are spending billions of dollars to build new cars and factories in India, a sign of the country's growing importance as a manufacturing hub as Japanese automakers redraw global supply chains to reduce dependence on China.

Toyota, the world's largest carmaker, and Suzuki, the leader in the Indian market with almost a 40% share, have separately announced investments totalling \$11 billion to beef up manufacturing and export capabilities in the world's third largest auto market.

Honda said last week it

will make India a production and export base for one of its planned electric cars. India's low costs and vast labour pool have long been an attraction for manufacturers.

Stepping up

Now, Japanese automakers are stepping up operations as they pivot away from China, both as a market and a manufacturing base, multiple industry executives said. Another benefit: India remains all but closed to Chinese EVs, so Japan's carmakers — at least for now — won't face bruising competition from BYD and others there.

A brutal price war among Chinese EV makers has made it difficult to turn a profit in China. Adding to the pain, Chinese carmak-



India drive: Honda owns 100% of its business in India.

ers are now expanding overseas and snatching market share from Japanese rivals in Southeast Asia.

"India is a good choice

as a replacement market for China," said Julie Boote, auto analyst at Pelham Smithers Associates in London, citing low profit margins in China.

"For the time being, the Japanese think it's a much better market because they don't have to deal with the Chinese competitors," she said.

Other draws include the improved quality of India's manufactured goods, and incentives from Prime Minister Narendra Modi's government, executives say.

Toyota and Suzuki each have majority ownership of India units. Honda owns 100% of its business there.

Toyota goes local

Japan's annual direct investment in the Indian transport sector, which includes automakers, jumped more than sevenfold between 2021 and 2024, hitting \$284 billion (\$2 billion) last year.

As Japanese automakers revved up investment in India, they cooled on China: direct investment in China's transport sector saw an 83% decrease over the same period, to \$46

billion yen last year.

Toyota is working with Japanese and Indian vendors to lower costs and expand production of hybrid components. India is one market where it saw tight supply of hybrid parts amid a surge in demand this year. It has localised its offerings, said an executive at a major Toyota supplier. "It is no longer about global specifications but about local ones."

The Japanese automaker plans to launch 15 new and refreshed models in India by the end of the decade and deepen its rural network, Reuters reported last week. It aims to have 80% of the passenger car market before the end of the decade, from 8% now.

"The Indian market is extremely important and is

set to grow in the future," Toyota President Koji Sato told reporters at last week's Japan Mobility Show, noting many other automakers were also paying attention to the market.

Last year Toyota announced more than \$3 billion in investment to expand production at its existing factory in southern India by some 1,00,000 vehicles a year and build a new plant in western Maharashtra State that is expected to begin production before 2030.

That is expected to take Toyota's Indian production capacity to more than 1 million vehicles. The automaker cited the growing importance of India to profit, especially as the North American business has been impacted by tariffs.

English Summary:

Japanese auto giants — **Toyota, Honda, and Suzuki** — are investing **billions of dollars** to expand manufacturing and export bases in India, reflecting India's **rising global importance as an automobile hub**.

The move marks part of Japan's broader "**China Plus One**" strategy — diversifying supply chains to **reduce dependence on China** amid rising costs, regulatory challenges, and geopolitical tensions. India's low costs, vast skilled labour pool, and government incentives are making it a preferred alternative manufacturing base.

Key Developments

- **Toyota, Honda, and Suzuki** are collectively investing **over \$11 billion** in new facilities, model upgrades, and export-oriented production.
- **Toyota** alone announced **\$3 billion investment** to expand production in southern India and a new plant in **Maharashtra** expected to start operations by **2030**.
- **Honda** plans to make India a **production and export hub for electric vehicles (EVs)**.
- **Suzuki** continues to dominate the Indian market with **~40% market share** through Maruti Suzuki.

Strategic Context – Pivot Away from China

Factor

High production costs

Geopolitical risks

Fierce competition

Policy uncertainty

Why Automakers Are Leaving China

Rising wages and stricter regulations have eroded China's cost advantage.

U.S.–China tensions, tariffs, and supply chain vulnerabilities.

Chinese EV makers (like BYD) dominate domestic markets.

Regulatory unpredictability and limited profit margins.

Japan's automakers see **India as a stable, growing, and politically aligned alternative**.

"For the time being, India is a much better market — no need to deal with Chinese competitors." — *Julie Boote, Pelham Smithers Associates, London.*

Why India?

Advantage

Low-cost manufacturing base

Skilled workforce

Strong domestic demand

Favorable government policies

Explanation

Labour costs are lower than in China; strong auto-component ecosystem.

Large pool of engineers and technicians.

India's car market is the **third-largest globally**, after China and the U.S.

Incentives under **PLI Scheme, Make in India**, and state-level subsidies.

Advantage	Explanation
Export hub potential	India can serve as a base to export vehicles to Southeast Asia, Middle East, and Africa.
EV growth ecosystem	Government push for EV charging networks and localized battery manufacturing.

Toyota's Expansion Plans

- **Localization focus:** Toyota is sourcing more hybrid and EV components from Indian vendors.
- **Local production strategy:** Emphasis on *"local specs, not global specs."*
- **Production target:** Over **1 million vehicles annually by 2030**.
- **Hybrid & EV focus:** Expanding hybrid production as demand surges globally.
- **Investment impact:** Expected to create **over 20,000 direct and indirect jobs**.

"India is not just about global standards anymore — it's about localizing technology for the market." — Toyota Supplier Executive.

Honda and Suzuki's India Strategy

- **Honda:**
 - Plans to **produce electric cars for export** from India.
 - Aims to capture 10% of India's passenger EV market by **2030**.
 - Benefiting from India's **ban on Chinese EVs**, reducing competition.
 - **Suzuki (Maruti):**
 - Holds the **largest market share (40%)** in Indian automobile sales.
 - Partnered with Toyota for hybrid and EV technology sharing.
 - Aims to lead India's **small EV car segment**.
-

Japanese FDI Surge in India

- Japan's **direct investment in Indian transport (auto + logistics)** grew **sevenfold (2021–2024)** to **¥294 billion (~\$2 billion)**.
 - In contrast, Japanese investment in China's transport sector **fell by 83%** in the same period.
 - India's improving **manufacturing quality** and **policy environment** (tax breaks, simplified approvals) are driving this surge.
-

Economic and Strategic Implications

Impact Area	Outcome
Manufacturing Growth	Boost to India's automobile exports and local supplier industries.
Employment	Thousands of skilled and semi-skilled jobs in Karnataka, Tamil Nadu, and Maharashtra.
Technology Transfer	Localization of hybrid & EV technology, enhancing India's R&D capacity.
Trade Balance	Increase in export of vehicles and components will reduce trade deficit.
Geopolitical Leverage	Strengthens India–Japan ties under Indo-Pacific economic cooperation.

Government Support

- Prime Minister **Narendra Modi's "Make in India"** and **Atmanirbhar Bharat** initiatives provide tax incentives for foreign manufacturers.
 - **PLI Scheme (Automobiles & EVs):** ₹25,938 crore outlay to encourage domestic manufacturing of EVs and advanced automotive technology.
 - State governments like **Maharashtra and Tamil Nadu** offer additional **land, electricity, and tax incentives**.
-

The GIST (Exam-Ready Points)

- **Japanese Automakers Investing:** Toyota, Honda, Suzuki.
 - **Reason:** Diversification from China → “China Plus One” strategy.
 - **Investment:** \$11 billion (Toyota \$3 billion alone).
 - **Sector:** Automobile manufacturing and EV exports.
 - **Japan's FDI in Indian Transport Sector:** +700% (2021–2024).
 - **Strategic Significance:** Boosts Make in India, strengthens India–Japan partnership, creates jobs, and reduces import dependency.
-

Hindi Summary (हिंदी सारांश):

टोयोटा, होंडा और सुजुकी ने भारत में नई कार फैक्ट्रियाँ और मॉडल बनाने के लिए **\$11 अरब (₹90,000 करोड़)** से अधिक निवेश की घोषणा की है।

- यह कदम **चीन पर निर्भरता घटाने** और **भारत को ऑटो हब** बनाने की दिशा में है।
 - **टोयोटा** ने अकेले **\$3 अरब** का निवेश दक्षिण भारत में मौजूदा प्लांट को बढ़ाने और महाराष्ट्र में नया प्लांट बनाने के लिए किया है।
 - **होंडा** भारत को **इलेक्ट्रिक वाहनों के निर्यात केंद्र** के रूप में विकसित करेगा।
 - जापान से भारत के परिवहन क्षेत्र में निवेश 2021–2024 के बीच **7 गुना** बढ़ा है, जबकि चीन में निवेश 83% घटा है।
 - इससे **रोज़गार, तकनीकी हस्तांतरण और निर्यात** में वृद्धि होगी और भारत की **वैश्विक ऑटो उद्योग में स्थिति मजबूत** होगी।
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UPSC Mains Practice Question:

“The shifting of Japanese automobile investments from China to India signifies India’s growing role in the global supply chain. Discuss the factors enabling this transition and its implications for India’s industrial growth.”

(250 words – GS Paper 3: Economy / Manufacturing / Make in India)

China extends suspension of extra tariffs on U.S. goods

Agence France-Presse

BEIJING

China said on Wednesday it would extend a suspension of additional tariffs on U.S. goods for one year, making official an agreement reached in talks between Presidents Xi Jinping and Donald Trump last week.

The two leaders held talks in South Korea at the end of October that effectively prolonged a delicate truce for a year, after several rounds of trade negotiations in recent months.

A statement published on Wednesday on the Ministry of Finance website, citing Beijing's State Council, said that "for one year the 24% tariff on U.S. goods will continue to be suspended, (and) a 10% tariff on U.S. goods will remain".

The statement said the



Xi Jinping

pause follows "the consensus reached in the China-U.S. economic and trade consultations" and would be effective from November 10.

Mr. Trump on Tuesday formalised an agreement that Washington would cut its additional tariffs on Chinese imports from 20% to 10%, also effective from November 10.

Temperatures have spiked between the world's two biggest econo-

mies this year as Washington and Beijing imposed escalating tariffs on each other's products.

At one point, duties on both sides reached prohibitive triple-digit levels, hampering trade.

The two have been engaged in an uneasy truce since, as top economic leaders met several times for talks in recent months, with tensions surging over export controls and other issues.

Beyond the statement covering the blanket tariffs, China also published several statements on Wednesday suspending related measures hitting different sectors.

That move was a response to Mr. Trump doubling additional tariffs on Chinese goods over Beijing's handling of fentanyl – now back to 10%.

English Summary:

China announced that it will **extend the suspension of additional tariffs** on U.S. goods for **one more year**, marking a diplomatic truce between **Beijing and Washington** after months of escalating trade tensions.

The decision comes following talks between **Chinese President Xi Jinping** and **former U.S. President Donald Trump** in **South Korea**, where both sides agreed to resume cooperation and ease tariffs.

Background of the Trade Conflict

- The **U.S.-China trade war** began in **2018**, when the U.S. imposed tariffs on Chinese imports to counter alleged **unfair trade practices and intellectual property theft**.

- China retaliated with **reciprocal tariffs** on U.S. goods — from soybeans and cars to tech products — leading to one of the largest tariff escalations in modern trade history.
- By 2020, tariffs had reached **triple-digit levels**, severely impacting global supply chains and trade flows.

“At one point, duties on both sides reached prohibitive triple-digit levels, hampering trade.” — *Agence France-Presse*

Key Details of the New Agreement

Measure	Previous Rate	New Rate (Effective Nov 10, 2025)	Duration
Tariff on U.S. goods (China)	24%	Suspended	1 year
Tariff on U.S. goods (China – reduced category)	10%	Remains active	1 year
Tariff on Chinese imports (U.S.)	20%	Reduced to 10%	1 year

- The decision was announced by **China’s Ministry of Finance**, citing **Beijing’s State Council** directive.
- The move is part of a “**mutual tariff pause**” meant to stabilize trade and rebuild investor confidence.

“The pause follows the consensus reached in the China-U.S. economic and trade consultations.” — *Chinese Finance Ministry statement*

Context and Economic Implications

- The announcement comes amid a **fragile truce** following years of tariff escalations that hurt global markets.
- Both economies have suffered from:
 - **Reduced bilateral trade volumes**
 - **Supply chain disruptions**
 - **Inflationary pressures** on imports
- The **temporary tariff suspension** offers a **window for dialogue**, though experts caution that **deep-rooted tensions persist**.

“The two have been engaged in an uneasy truce since, with tensions surging over export controls and other issues.” — *Report excerpt*

Strategic Significance

For China

- Stabilizes exports amid economic slowdown.
- Helps rebuild investor confidence.
- Provides room to focus on **domestic economic recovery** and **tech self-reliance**.

For the U.S.

- Reduces import costs for U.S. businesses.
- Eases inflationary pressure on consumers.
- Strengthens trade diplomacy optics ahead of U.S. elections.

Broader Global Impact

- **Positive for global trade stability:** The truce between the world’s two largest economies lowers uncertainty in supply chains.
- **Boosts Asian markets:** Countries integrated in East Asian manufacturing hubs benefit from restored trade flows.
- **Encourages multilateralism:** Both nations may re-engage with WTO-based trade norms.
- **Oil and commodity markets:** Expected to stabilize as trade volumes recover.

Related Sectors Affected

China also announced **suspensions in related measures** impacting:

- **Technology components**

- **Automobile parts**
- **Agricultural imports**

These steps aim to signal Beijing's willingness to **de-escalate trade tensions** and **reopen negotiation channels**.

The GIST (Exam-Ready Points)

- **Event:** China extends suspension of tariffs on U.S. goods.
- **Duration:** 1 year (effective from November 10, 2025).
- **Tariff rate reduction:** U.S. – from 20% to 10%; China – maintains 10%, suspends 24%.
- **Context:** Trade war truce; Xi-Trump meeting in South Korea.
- **Significance:** Stabilizes bilateral trade and global economic environment.
- **Wider impact:** Improves supply chain flow, reduces inflationary risks, encourages global trade normalization.

Hindi Summary (हिंदी सारांश):

चीन ने घोषणा की है कि वह **अमेरिकी वस्तुओं पर अतिरिक्त शुल्क (टैरिफ)** को **एक वर्ष के लिए निलंबित** रखेगा।

- यह निर्णय **शी जिनपिंग और डोनाल्ड ट्रंप** के बीच हालिया वार्ता के बाद लिया गया।
- अब 24% टैरिफ निलंबित रहेगा, जबकि 10% टैरिफ जारी रहेगा।
- अमेरिका ने भी अपने चीनी आयात पर टैरिफ को **20% से घटाकर 10%** कर दिया है।
- यह कदम **चीन-अमेरिका व्यापार युद्ध में अस्थायी युद्धविराम (truce)** की दिशा में एक बड़ा संकेत है।
- इससे **वैश्विक आपूर्ति श्रृंखला स्थिरता, मुद्रास्फीति नियंत्रण, और अंतरराष्ट्रीय व्यापार सुधार** को बल मिलेगा।

UPSC Mains Practice Question:

*"Recent tariff negotiations between the U.S. and China indicate a cautious recalibration of global trade relations. Discuss how prolonged tariff wars affect global supply chains and India's trade strategy."
(250 words – GS Paper 2: IR / GS Paper 3: Economy)*