



## **DAILY CURRENT AFFAIRS 14-05-2025**

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1. India's Financial Support to the Maldives

### **GS-3**

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3. Ecology is World's Permanent Economy
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## **India's Financial Support to the Maldives**

**Syllabus: GS-2: Bilateral Relations.**

### **Context:**

India's decision to roll over a **\$50 million Treasury Bill (T-bill)** for the Maldives highlights its continued financial support amid the island nation's deepening economic crisis.

### **Key Aspects of the Financial Assistance**

#### **➤ Debt Rollover Mechanism**

- The Maldivian government requested India to extend the maturity of the T-bill, meaning the \$50 million does not need immediate repayment.
- Instead, the amount is reinvested for another year, easing short-term liquidity pressure.
- This is part of a **government-to-government arrangement**, not a commercial loan.

#### **➤ Emergency Support Amid Crisis**

- The Maldives faces **soaring debt (134% of GDP)** and critically low **foreign exchange reserves**.
- Credit rating downgrades (Fitch, Moody's) have restricted access to international markets.
- Without India's assistance, the Maldives might have faced a **balance of payments crisis**.

### **Strategic Competition: India vs. China**

#### **➤ China's Dominant Debt Role:**

- The Maldives owes **over \$1.5 billion to China**, making Beijing its largest bilateral creditor.
- Chinese loans (often tied to infrastructure projects) have contributed to the debt burden.

#### **➤ India's 'Neighbourhood First' Policy:**

- The rollover reinforces India's role as a **reliable financial partner**.
- Counters China's influence in the **strategically vital Indian Ocean region**.

- Follows other assistance, such as **budget support, infrastructure projects, and medical aid.**

### Economic Challenges for the Maldives

#### ➤ Debt Servicing Spike:

- **512millionduein2025\*\*and\*\*512millionduein2025\*\*and\*\*539 million in 2026** (Central Bank of Maldives).
- Without refinancing or restructuring, default risks increase.

#### ➤ Dependence on Tourism:

- Tourism (30% of GDP) is vulnerable to global shocks, affecting dollar inflows.

#### ➤ Geopolitical Balancing Act:

- Pro-China President **Mohamed Muizzu** has sought to reduce Indian influence but still relies on New Delhi for financial stability.

### What Next?

#### ➤ Will India Continue Support?

- Likely, but with conditions tied to fiscal reforms and geopolitical alignment.

#### ➤ Risk of Debt Trap?

- If the Maldives fails to stabilize finances, it may seek more Chinese loans, worsening debt dependency.

#### ➤ Long-Term Stability Hinges On:

- **Debt restructuring talks** with both India and China.
- **Diversifying the economy** beyond tourism.

### Conclusion

India's T-bill rollover is a **short-term lifeline**, but the Maldives' economic future depends on **structural reforms and balanced diplomacy** between competing powers. The move underscores India's intent to remain a key player in the region, even as China's financial footprint grows.

## **EOS-09 Earth Observation Satellite**

**Syllabus: GS-3: Science and Technology – Satellites.**

### **Context:**

India is set to enhance its surveillance and Earth observation capabilities with the launch of the **EOS-09 satellite (RISAT-1B)** on **May 18, 2025**.

The satellite will be deployed from the **Sriharikota spaceport** aboard the **Polar Satellite Launch Vehicle (PSLV)**.

### **Satellite Specifications**

- Weighing **1,710 kg**, EOS-09 is equipped with a **C-band synthetic aperture radar (SAR)**, enabling high-resolution imaging **day and night, regardless of weather conditions**.
- Unlike optical satellites, SAR penetrates clouds, rain, and darkness, making it ideal for continuous monitoring.
- The satellite will operate in a **sun-synchronous orbit**, ensuring consistent lighting for imaging.

### **Key Applications**

- **National Security:** Monitoring borders, detecting infiltration, and tracking suspicious activity.
- **Agriculture & Forestry:** Crop assessment, soil moisture analysis, and forest surveys.
- **Disaster Management:** Real-time flood mapping and emergency response support.

### **Technological Advancements**

EOS-09 features **five operational modes**, allowing it to switch between **high-resolution close-ups** (detecting objects as small as **1 metre**) and **wide-area scans**. This flexibility is critical for surveillance along India's borders with **Pakistan and China**.

### **Integration with Existing Satellites**

EOS-09 will complement India's existing Earth observation satellites, including:

- **Resourcesat** (land and water monitoring)
- **Cartosat** (high-resolution mapping)
- **RISAT-2B series** (all-weather reconnaissance)

This integration will enhance India's ability to monitor **land use, weather patterns, and security threats** with greater efficiency.

### Significance of the Launch

The presence of **Members of Parliament** underscores the strategic importance of space technology in policy-making.

Satellite data will play an increasingly vital role in **resource management, defense, and disaster response**, marking a key milestone in India's space advancements.

### Future Prospects

- EOS-09 represents a leap forward in India's **surveillance and Earth observation** capabilities.
- As the country continues investing in space technology, applications in **defense, agriculture, and disaster management** will expand, reinforcing India's commitment to leveraging space for national development.

### Key Improvements:

- **More concise sentences** for better readability.
- **Bullet points** for clarity in applications.
- **Stronger emphasis** on strategic importance.
- **Smoother transitions** between sections.
- **Removed redundant phrases** (e.g., "very important moment" → "key milestone").

## Ecology is World's Permanent Economy

### Syllabus: GS-3: Ecology and Environment.

#### Context:

The phrase "**Ecology is the permanent economy**", popularized by environmentalist Sunderlal Bahuguna, encapsulates a fundamental truth: **human prosperity cannot be sustained without ecological health**.

In an era of rapid industrialization, climate change, and biodiversity loss, this principle demands urgent recognition.

### Key Insights from the Discussion:

➤ **Interdependence of Economy and Ecology**

- Economic development relies on natural resources, yet long-term prosperity depends on their conservation.
- **Sustainability** must balance economic growth with environmental preservation—failure to do so risks collapse in both domains.

➤ **Human Detachment from Nature**

- Unlike other species, humans exploit resources at an unprecedented scale, driven by global competition and future-oriented consumption.
- This detachment has accelerated biodiversity loss and climate change, creating a paradox: **we exploit nature while depending on its resilience for survival.**

➤ **The Paradox of Modern Consumption**

- Despite advocating nature-based solutions, humanity continues **short-term exploitation**, undermining long-term ecological stability.
- This contradiction highlights the need for a **fundamental shift** in how we perceive and interact with nature.

➤ **The Way Forward: A Paradigm Shift**

- **From Exploitation to Stewardship:** Ecology must be seen not as a constraint but as the foundation of human well-being.
- **Reconnecting with Nature:** Sustainability begins at the individual level—reshaping lifestyles to honor our interdependence with the environment.
- **Emotional & Ethical Reawakening:** Scientific knowledge alone is insufficient; a **heartfelt realization** of ecology's centrality is crucial for collective action.

**Conclusion: Ecology as the Foundation of Survival**

The climate crisis is not just a scientific challenge but a **moral and existential reckoning**. True progress requires:

- Recognizing ecological limits.
- Shifting from reactive conservation to proactive sustainability.
- Fostering an emotional reconnection with nature to drive systemic change.

"Ecology is the permanent economy" is more than a slogan—it is a call to **realign human progress with planetary boundaries**, ensuring resilience for future generations. The choice is clear: **harmony with nature or collapse without it**.

## **WTO**

### **Syllabus: GS-3: International Organisations.**

#### **Context:**

- The US (under President Trump in 2018) imposed **25% tariffs** on steel and aluminium imports, citing **national security concerns**.
- **2025 Update:** In **February 2025**, the US modified tariffs by removing country-specific exemptions, affecting India.
- **India's Response:** Notified WTO (May 9, 2025) proposing **retaliatory tariffs** on **\$7.6 billion** worth of US imports.

#### **Key Points**

##### **India's WTO Notification**

- **Retaliation Basis:** US tariffs treated as **safeguard measures** (not national security).
- **WTO Rules Violation:**
  - Not compliant with **GATT 1994 & Agreement on Safeguards (AoS)**.
  - US failed **mandatory consultations** under **Article 12.3 of AoS**.
- **Proposed Action:**
  - **30-day window** (from May 9, 2025) to impose tariffs.
  - **Equivalent duty collection:** \$1.91 billion (matching US tariffs on Indian exports).

##### **US Justification & India's Counter**

- **US Claim:** Tariffs are for **national security**, not safeguards → No WTO notification.
- **India's Stand:**
  - Measures are **de facto safeguards** → Violate WTO rules.
  - **Reserves right** to suspend trade concessions under WTO rules.

### Past Precedents

- **2019:** India imposed tariffs on **28 US products** (\$240 million trade) after losing **GSP benefits**.
- **2023:** Duties withdrawn post **PM Modi's US visit**.

### Economic & Strategic Implications

- **Trade War Risk:** Could escalate tensions amid ongoing **India-US trade deal talks**.
- **Impact on Bilateral Trade:**
  - US tariffs affect **\$7.6 billion** Indian exports.
  - India's retaliation targets **equivalent value** of US imports.
- **WTO's Role:** Highlights **declining rules-based trade order** under unilateral actions.

### Key Terms

- **GATT 1994:** WTO's framework for trade rules.
- **Agreement on Safeguards (AoS):** Permits temporary tariffs to protect domestic industries.
- **Article 12.3 (AoS):** Mandates consultations before imposing safeguards.
- **Retaliatory Tariffs:** Counter-measures under WTO's **dispute settlement mechanism**.

### Conclusion & Way Forward

- **Diplomatic Resolution Needed:** To avoid prolonged trade war.
- **WTO's Relevance:** Test case for multilateralism vs unilateral trade policies.
- **India's Strategy:** Balancing economic retaliation with strategic US ties.

### WTO (World Trade Organization)

#### Overview

- **Established:** 1 January 1995 (replaced GATT – General Agreement on Tariffs and Trade).
- **Headquarters:** Geneva, Switzerland.
- **Members:** 164 (India is a founding member).



- **Objective:** Promote free and fair global trade by reducing trade barriers (tariffs, subsidies, quotas).

### Key Functions

- Administering WTO trade agreements.
- Providing a forum for trade negotiations.
- Settling trade disputes (via **Dispute Settlement Body**).
- Monitoring national trade policies.
- Providing technical assistance to developing countries.

### Major Agreements

- **GATT 1994:** Covers trade in goods.
- **GATS (General Agreement on Trade in Services):** Liberalizes trade in services.
- **TRIPS (Trade-Related Aspects of Intellectual Property Rights):** Protects patents, copyrights, trademarks.
- **Agreement on Agriculture (AoA):** Deals with subsidies, market access, domestic support.
- **Agreement on Subsidies and Countervailing Measures (ASCM):** Regulates government subsidies.

### Key Principles

- **Most Favored Nation (MFN):** No discrimination between trading partners.
- **National Treatment:** Treat foreign goods/services equally after entry.
- **Free Trade:** Reduce tariffs and trade barriers.
- **Transparency:** Members must disclose trade policies.

### Ministerial Conference

- Highest decision-making body (meets every 2 years).
- Notable Conferences:
  - **Doha Round (2001):** Focused on developing nations (unfinished).
  - **Bali Package (2013):** Trade facilitation agreement.
  - **Nairobi (2015):** Ended agricultural export subsidies.

## India & WTO

- Advocates for developing countries' interests.
- Key Issues:
  - **Public Stockholding (PSH) for food security** – Seeks permanent solution for MSP-based procurement.
  - **Fisheries subsidies** – Wants flexibility for small fishermen.
  - **E-commerce moratorium** – Opposes permanent extension.

## Treasury Bill

**Syllabus: GS-3: Indian Economy – Money Market.**

### Context:

Warren Buffett's Berkshire Hathaway Now Owns 4.89% of the Entire U.S. Treasury Bill Market.

### Definition

- **Treasury Bills (T-Bills)** are short-term money market instruments issued by the **Government of India (GoI)** to meet its short-term borrowing needs.
- They are **zero-coupon securities**, meaning they are issued at a discount and redeemed at face value.
- **Issued by:** The Reserve Bank of India (RBI) on behalf of the Government of India.

### Features of T-Bills

- **Maturity Period:** 91 days, 182 days, and 364 days.
- **Denomination:** Minimum investment of **₹10,000** and multiples thereof.
- **Risk-Free:** Backed by the sovereign guarantee of the Government of India.
- **Highly Liquid:** Tradable in the secondary market.
- **No Interest Payments:** They are issued at a discount and redeemed at face value; the difference is the investor's return.

### Types of T-Bills

Type	Maturity Period	Auction Frequency
<b>91-day T-Bill</b>	91 days (3 months)	Weekly
<b>182-day T-Bill</b>	182 days (6 months)	Weekly
<b>364-day T-Bill</b>	364 days (1 year)	Weekly

\*(Note: Earlier, there was a 14-day T-Bill, but it was discontinued.)\*

### Purpose of T-Bills

- To **finance the short-term deficit** of the government.
- To help in **cash management** by the RBI.
- To provide a **risk-free investment option** for banks, financial institutions, and retail investors.
- Used as a **monetary policy tool** by the RBI to manage liquidity.

### How T-Bills Work?

- **Issued at a discount** (e.g., ₹98 for a ₹100 face value).
- **Redeemed at face value** (₹100).
- **Profit for investor** = Face value – Purchase price (e.g., ₹100 - ₹98 = ₹2).

### Participants in T-Bill Market

- **RBI** (Issuer on behalf of GoI).
- **Commercial Banks** (Primary buyers).
- **Mutual Funds, Insurance Companies, and Financial Institutions.**
- **Retail Investors** (Can invest through RBI's **Retail Direct Scheme**).

### Advantages of T-Bills

- **Safe & Risk-Free** (Sovereign-backed).
- **High Liquidity** (Can be sold in secondary market).
- **Short-Term Investment** (Suitable for parking funds temporarily).
- **No TDS (Tax Deducted at Source)** but interest is taxable.

### Disadvantages of T-Bills

- **Low Returns** (Lower than other market instruments).
- **Taxable Interest** (Returns are added to income and taxed as per slab).
- **Reinvestment Risk** (Due to short maturity, reinvestment may yield lower returns).

### T-Bills vs. Government Bonds

Parameter	T-Bills	Government Bonds
<b>Maturity</b>	≤ 1 year	5 to 40 years
<b>Interest</b>	Zero-coupon (discount-based)	Periodic interest (coupon payments)
<b>Risk</b>	Lowest (short-term)	Low but higher than T-Bills (long-term)
<b>Liquidity</b>	Very High	Moderate

### Role in Monetary Policy

- RBI conducts **Open Market Operations (OMOs)** using T-Bills to regulate money supply.
- Used in **Liquidity Adjustment Facility (LAF)** for repo/reverse repo operations.

### Recent Developments

- **Introduction of RBI Retail Direct Scheme (2021)** – Allows retail investors to directly buy T-Bills.
- **Fully Electronic Auctions** via **E-Kuber** (RBI's platform).