Editorial of the Day – 09.12.2025

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1. Prudent action- On RBI Interest rate cuts

General Studies 3- Economy

Topic- Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment. (Monetary Policy (RBI), Inflation vs. Growth, Banking Sector & Interest Rates.)

Introduction

The Reserve Bank of India (RBI) has executed a strategic rate cut, reflecting a nuanced approach to monetary policy. Despite strong headline GDP numbers, the Monetary Policy Committee (MPC) remains cautious about the underlying strength of the economy and external headwinds. This move is a "careful balancing act" aimed at sustaining investment and protecting exporters while maintaining a neutral stance to allow for swift policy reversals if inflation risks re-emerge.

The MPC's Decision- Key Statistics

Rate Reduction- The MPC reduced the policy rate by 25 basis points (bps), bringing it down to 5.25%.
Cumulative Action- This adds up to a total reduction of 125 bps in the year 2025.
Historical Context- Such aggressive cumulative cuts were last witnessed in 2019, a period marked by a sharp slowdown in growth.

The Growth Paradox

There is a divergence between the rising GDP figures and the central bank's dovish policy action.
GDP Momentum- Growth has accelerated from 5.6% in Q2 of the previous year to 8.2% in Q2 of the current year.
Skepticism on Durability- The rate cut suggests the RBI is not fully convinced that this growth momentum is secure or self-sustaining.
The Deflator Factor- The analysis notes that real growth figures might look inflated due to a low GDP deflator (implying nominal growth might not be as robust as real growth suggests).

Rationale Behind the Rate Cut

The MPC's decision is driven by both domestic capacity issues and external threats.
Idle Capacity- Indian firms still possess ample idle capacity. This implies that stimulating demand will not immediately lead to overheating or inflation, making a rate cut a "safe" bet to push growth.
Supporting Investment- Cheaper credit is intended to encourage corporate investment, which is currently present but often funded by debt.
External Shocks (US Tariffs)- The MPC is preemptively cushioning the economy against the unfolding impact of 50% tariffs imposed by the U.S. on global supply chains, which threatens Indian exports.

Sectoral Impact- Focus on MSMEs

Credit Lifeline- Lower interest rates are specifically targeted to benefit Micro, Small, and Medium Enterprises (MSMEs).
Competitiveness- Many MSMEs rely heavily on affordable credit for survival. Lower rates reduce their operational costs, enhancing their competitiveness in the export market amidst global trade volatility.

Inflation Dynamics and Future Risks

Current Forecast- The MPC has lowered its inflation forecast to a modest 2%.
Volatility Warning- Despite the low forecast, the committee remains alert to potential spikes in food or oil prices which could quickly reverse the low-inflation trend.

Lesson from History (2019)- The text cites a cautionary tale from 2019, where inflation surged from 2% to 7.6% within a year following rate cuts, highlighting how quickly the landscape can change.

Policy Stance- Flexibility Over Commitment

Neutral Stance- By maintaining a neutral stance, the RBI avoids committing to a long-term low-rate regime.

Preparedness- This signals readiness for a swift policy reversal (hiking rates) if global uncertainty alters the growth trajectory or if inflation suddenly spikes.

Conclusion

The RBI's latest policy action is a proactive measure to support an expansion that still feels fragile despite high headline growth. By prioritizing flexibility, the MPC has positioned itself to support the economy against external trade shocks and internal structural weaknesses while keeping its powder dry to fight inflation should it resurface.

Source- https-//www.thehindu.com/opinion/editorial/prudent-action-on-rbi-interest-rate-cuts/article70372583.ece

2. India and the UK- A Defence Partnership with Potential to Make a Better World

General Studies 2- International Relation

Topic- Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.

Introduction

The India-UK defence partnership has evolved into a modern, comprehensive strategic relationship that goes beyond traditional buyer-seller dynamics. Rooted in shared democratic values, respect for sovereignty, and freedom of navigation, this partnership aims to bolster security in the Indo-Pacific region while fostering mutual economic growth through industrial collaboration and high-level strategic alignment.

Joint Military Exercises & Interoperability

The partnership focuses heavily on enhancing combat readiness and tactical coordination through regular military engagements.

Key Exercises-

Ajeya Warrior (Army)- Has evolved to simulate complex battlefield scenarios, allowing Indian and British forces to operate under unified command structures.

KONKAN (Navy)- Focuses on advanced maritime manoeuvres and air defence drills. Recent iterations have seen high-level assets like India's INS Vikrant and the UK's HMS Prince of Wales operating together.

Significance- Enhances multi-domain operational readiness. Fosters professional bonding and mutual trust, which is crucial for coordinated responses to regional security threats.

Defence Industrial Cooperation & Technology Sharing

A shift towards co-development and co-production marks the current phase of relations, aligning with India's domestic goals.

10-Year Roadmap- Both nations are guided by a Defence Industrial Roadmap that promotes joint Research & Development (R&D) and technology transfer.

Key Initiatives

Missile Systems- A £350-million deal for the supply of Lightweight Multirole Missiles.

Naval Technology- Collaboration on maritime electric propulsion systems, vital for the modernization of future Indian naval platforms.

Strategic Alignment- These initiatives support India's Atmanirbhar Bharat (Self-Reliant India) vision by leveraging advanced UK expertise to modernize Indian defence capabilities.

Knowledge Sharing & Human Capital Development

The partnership places a strong emphasis on institutional exchanges and training to build long-term capacity**.** Institutional Training- Indian officers undergo training at prestigious UK institutions like the Royal Military Academy Sandhurst and Britannia Royal Naval College. Instructor Exchange- Future plans include integrating Indian Air Force Qualified Flying Instructors into UK training programs.

Impact- Standardizes training methodologies and enhances leadership skills. Promotes cross-cultural understanding and builds professional networks between the armed forces of both nations**.**

Strategic and Geopolitical Dimensions

The collaboration extends beyond bilateral ties to address broader geopolitical realities.

Indo-Pacific Focus- Both nations advocate for a free and open Indo-Pacific, emphasizing adherence to international law and respect for territorial sovereignty**.**

Global Security- The partnership acts as a counterbalance to emerging regional threats and reinforces multilateral security frameworks.

Proactive Stakeholders- By integrating defence with diplomacy, India and the UK position themselves as key contributors to global security governance.

Integration with Economic and Trade Cooperation

Security cooperation is designed to work in tandem with economic prosperity.

Synergy with CETA- The partnership is reinforced by ongoing negotiations for the India-UK Comprehensive Economic and Trade Agreement (CETA).

Virtuous Cycle

Defence-industrial collaboration benefits from improved investment flows and trade facilitation. Conversely, economic growth is supported by a secure, stable, and rules-based regional environment maintained through defence cooperation.

Conclusion

The India-UK defence partnership is a multidimensional effort that successfully merges military readiness with industrial innovation and strategic vision. By deepening ties across security, technology, and training, both nations are not only addressing contemporary global challenges but are also securing their mutual economic and geopolitical interests for the long term.

Source- https-//indianexpress.com/article/opinion/columns/india-and-the-uk-a-defence-partnership-with-potential-to-make-a-better-world-10409885/?ref=opinion_pg