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1. Manufacturing Woes- on Non-Fossil Fuel Capacity and PLI Schemes (TH)**General Studies 3- Economy**

Topic- Indian Economy and issues relating to planning, mobilization of resources, growth, development, and employment.

Sub Topic- Changes in industrial policy and their effects on industrial growth; Infrastructure (Energy).

The Crisis in India's Clean Tech Manufacturing (PLI Schemes)**Introduction**

India's Production Linked Incentive (PLI) scheme was designed to transform the nation into a global manufacturing hub. However, as of early 2026, the push for solar and battery manufacturing is facing a "structural mismatch." While simple assembly is growing, the high-tech "brains" of these industries remain stagnant, threatening India's 500 GW renewable energy target.

1. The PLI Framework- Intent vs. Reality

The Model- Incentives are paid based on actual sales, not upfront costs. No targets met = no payment.

Goal- To slash import dependence and build global competitiveness.

The Gap- While the intent is solid, the execution is stumbling in high-tech segments.

2. Performance Disparity (Solar & Batteries)

Segment	Status (Mid-2025/Late-2025)	Why?
Solar Modules (Downstream)	56% of target achieved	Low tech-intensity; simple assembly.
Polysilicon/Wafers (Upstream)	10-14% of target achieved	High capital and extreme tech complexity.
Advanced Battery Cells	2.8% of target achieved	Only 1.4 GWh of 50 GWh commissioned.

3. Core Challenges & Bottlenecks

Structural Imbalance- It is much easier to assemble parts (downstream) than to create the raw materials (upstream).

The Knowledge Gap- Polysilicon and battery cells require decades of R&D and a specialized workforce that India currently lacks.

Strict Local Content Rules- "Domestic Value Addition" (DVA) norms (25% to 60%) are raising costs and causing delays for firms that aren't ready.

Geopolitical Friction- Visa restrictions on Chinese technicians (who lead the world in this tech) have slowed down the setup of Indian factories.

Gigafactory Hurdles- These massive plants require stable mineral supply chains and precision environments that take years—not months—to build.

4. Policy Design Flaws

Money over Merit- The government prioritized companies with strong balance sheets (large conglomerates) rather than firms with proven technical expertise.

Capital vs. Capability- The policy assumed capital subsidies alone would trigger growth, underestimating the time needed to learn complex chemical and physical processes.

Fiscal Stress- Many firms are now facing heavy financial penalties for missing PLI deadlines.

5. The Way Forward (Course Correction)

To avoid becoming a mere "assembler" of foreign parts, India must-

1. Prioritize Tech Know-how- Give more weight to R&D and technical experience in selection.
2. Flexible Norms- Relax local-content rules temporarily during the early learning phase.
3. Invest in People- Focus on long-term skill development and industrial ecosystems rather than just financial incentives.
4. Strategic Collaboration- Facilitate smoother technology transfer, even if it requires navigating sensitive geopolitical ties.

Conclusion

The PLI scheme has provided the initial spark, but "manufacturing capability cannot be bought overnight." Without addressing the upstream bottlenecks, India's green energy dreams remain vulnerable to global supply shocks.

Source- <https://www.thehindu.com/opinion/editorial/manufacturing-woes-on-non-fossil-fuel-capacity-and-pli-schemes/article70557957.ece>

2. India-EU FTA- After Two Decades of Negotiations, How India and EU Finally Clinched a Trade Deal This Time (IE)

General Studies 2- International Relation

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

The EU's Regulatory Regime- A New Trade Frontier

Introduction

Following the conclusion of the India-EU FTA in January 2026, the focus has shifted from "tariffs" to "regulations." While the agreement removes 99% of duties, the EU is increasingly using its regulatory power (The Brussels Effect) to shape global trade through environmental and social standards, creating a "non-tariff wall" for Indian exporters.

1. The "Brussels Effect" & Regulatory Strategy

Standard over Tariff- Unlike the US (which uses direct tariffs), the EU uses high standards in environment, labor, and safety to control market access.

Global Influence- Because the EU is a massive consumer market, Indian firms often must adopt these standards for *all* their production to maintain efficiency, effectively "outsourcing" India's regulation to Brussels.

Trade Deterrence- Complex documentation and traceability requirements act as a barrier, particularly for Indian MSMEs who lack the capital to comply.

2. Key Regulatory Pillars & Impact on India

Regulation	Objective	Specific Impact on India
CBAM (Carbon Border Tax)	Taxing carbon-intensive imports (Steel, Al, Cement).	Steel/Al exports likely to drop; price cuts of 15-22% needed to stay competitive.
EUDR (Deforestation)	Ban on products linked to forest loss (Coffee, Rubber).	Hits \$1.3 billion in exports; difficult for small farmers to provide GPS-traceability.
CSDD (Due Diligence)	Monitoring human rights/environment in value chains.	Indian firms must share sensitive supplier data, raising privacy and cost concerns.

3. The Asymmetry Challenge

Marginal Gains- 80% of India's exports already faced <1% duty; thus, the FTA's tariff cuts offer limited "new" benefits compared to the high cost of new regulations.

Unbalanced Concessions- India is opening its market to high-value EU cars and machinery, while Indian goods face increasingly strict "process-based" scrutiny rather than just "quality-based" checks.

Building Bureaucrats Since 2006

Input Costs- The EU's restrictions on steel scrap exports (recycling policy) make it harder for Indian mills to produce the "Green Steel" the EU demands.

4. Strategic & Geoeconomic Context

China De-risking- Both India and the EU seek to reduce reliance on Chinese supply chains, making the FTA a strategic necessity despite regulatory friction.

Labor-Intensive Boost- Immediate zero-duty access for Textiles, Footwear, and Marine products remains a major win for Indian employment.

Services Integration- The deal opens 144 EU service sub-sectors, aiding India's IT and professional services.

5. Way Forward- Toward Inclusive Cooperation

To ensure the FTA doesn't become "disguised protectionism," the following are essential-

1. Mutual Recognition- India must negotiate for the EU to recognize Indian domestic standards and certifications.
2. Standard Convergence- Developing "EU-ready" domestic reporting frameworks to reduce the burden on SMEs.
3. Technical Assistance- Securing EU funding (like the proposed €500mn mitigation fund) to help Indian industries decarbonize.
4. Data Security- Establishing clear protocols for data sharing under CSDD to protect commercial confidentiality.

Conclusion

The India-EU partnership can only thrive if trade liberalization is matched by regulatory fairness. Without addressing these "green barriers," the FTA risks becoming a lopsided agreement where tariffs go down, but the cost of entry goes up.

Source- <https://indianexpress.com/article/explained/explained-economics/how-india-eu-clinched-trade-deal-10496781/lite/>