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# **CURRENT AFFAIRS**

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# 1. Include proposal to link digital currencies on the BRICS agenda, says RBI

## Why in the News?

The Reserve Bank of India (RBI) has proposed that a plan to link the Central Bank Digital Currencies (CBDCs) of BRICS countries be placed on the agenda of the 2026 BRICS Summit. The proposal aims to ease cross-border payments and enhance payment-system interoperability among member nations, building on commitments made at the 2025 BRICS summit in Brazil.

## Ease of payment

If the proposal is accepted, a plan to link digital currencies will be put forward at the 2026 BRICS summit in India

■ The move could reduce reliance on the U.S. dollar as geopolitical tensions rise

■ While none of the BRICS members have fully launched their digital currencies, all five main members have been running pilot projects

■ India's digital currency - e-rupee - has attracted a total of 7 million retail users since its launch in December 2022

## Background

- CBDCs are sovereign digital currencies issued by central banks, intended to complement or substitute cash.
- All five core BRICS members-Brazil, Russia, India, China, and South Africa-are running CBDC pilot projects, though none have fully launched at scale.
- India introduced the digital rupee (e-rupee) in December 2022 and has since expanded its use cases, including offline payments and programmable transfers for subsidies.
- The 2025 BRICS declaration emphasised interoperability of national payment systems to reduce transaction costs and settlement delays in cross-border trade.

## Features

### CBDC Interoperability

- Linking national CBDC platforms to enable seamless cross-border payments among BRICS members.

## Reduced Dependence on Intermediaries

- Faster settlement without routing transactions through correspondent banks dominated by the U.S. dollar.

## Bilateral FX Swap Mechanisms

- Exploring foreign exchange swap arrangements between central banks to manage trade imbalances.

## Phased & Consensus-based Approach

- Initial pilots, followed by gradual scaling, subject to regulatory and technological alignment.

## Strategic Significance

- **Payments Efficiency:** Near-instant settlement, lower costs, and improved transparency for intra-BRICS trade.
- **Rupee Internationalisation:** RBI maintains that promoting the e-rupee is not aimed at de-dollarisation, but at facilitating trade and financial inclusion.
- **Geopolitical Undercurrents:** The initiative could attract scrutiny from the U.S.; President Donald Trump has previously warned against moves that bypass the dollar.
- **Global Precedent:** A successful BRICS CBDC linkage could influence other regional blocs to pursue similar models.

## Challenges

### Technological Interoperability

- Divergent CBDC architectures, cybersecurity standards, and data governance norms.

### Regulatory & Governance Gaps

- Absence of common rules on settlement finality, dispute resolution, and oversight.

### Trade Imbalances

- Past attempts at local-currency trade (e.g., India–Russia) led to the accumulation of unusable balances, highlighting settlement risks.

### Trust Deficit

- Hesitation to adopt or rely on another country's technology platform.

### External Pressures

- Potential geopolitical pushback and sanctions-related concerns.

## Way Forward

- **Common Technical Standards:** Develop open, neutral protocols for CBDC interoperability under a BRICS framework.
- **Governance Architecture:** Establish a multilateral settlement body with clear rules for risk-sharing and compliance.
- **FX Swap Backstops:** Institutionalise bilateral or multilateral swap lines to manage imbalances and liquidity stress.
- **Pilot Corridors:** Start with limited trade corridors (e.g., India–Brazil, India–UAE via BRICS partners) before scaling.

## Conclusion

The RBI's proposal to place BRICS CBDC linkages on the 2026 summit agenda marks a significant step in reimagining cross-border payments for emerging economies. While the initiative promises efficiency gains and strategic autonomy, its success hinges on technological consensus, robust governance, and prudent management of trade imbalances.

## 2. IMF Upgrades India's Growth Projection to 7.3%

### Why in the News?

The International Monetary Fund (IMF) has upgraded India's GDP growth projection for FY 2025–26 to 7.3%, from its earlier estimate of 6.6%, as per its January 2026 update of the World Economic Outlook (WEO). The revision places India among the fastest-growing major economies globally.

### Background

- The IMF periodically revises growth projections through its World Economic Outlook, reflecting evolving domestic and global economic conditions.
- India has consistently remained the fastest-growing large economy, driven by domestic demand, public investment, and structural reforms.
- The Union Government had projected a growth rate of 7.4% for FY 2025–26, making the IMF's estimate broadly aligned with official expectations.
- Inflation management remains anchored around the 4% target set by the Reserve Bank of India (RBI).

### Features

#### Upward Revision Drivers

- Stronger-than-expected growth in Q3 of FY 2025–26.
- Robust momentum in Q4, indicating sustained domestic demand.

#### Medium-Term Moderation

- Growth is expected to moderate to 6.4% in 2026 and 2027 as cyclical and temporary factors fade.

## Inflation Outlook

- Inflation in India is projected to return close to the RBI's 4% target, aided by subdued food prices after 2025.

## Global Context

- Global growth is projected at 3.3% in 2026 and 3.2% in 2027, indicating resilience despite uncertainties.

## Global Economic Backdrop

### Headwinds:

- Shifting and protectionist trade policies.

### Tailwinds:

- Rising investments in technology and Artificial Intelligence (AI), especially in North America and Asia.
- Supportive fiscal and monetary policies.
- Resilient private sector adaptation and accommodative financial conditions.

# Growth forecast

IMF says the revision reflected stronger-than-expected growth in the third quarter and strong momentum in the fourth quarter

■ The Centre has predicted **7.4%** GDP growth for 2025-26

■ IMF projects growth to moderate to **6.4%** in 2026 and 2027 as cyclical and temporary factors wane

■ Inflation expected to go back to near-target levels of **4%** set by RBI, says IMF

■ Global economic growth projected to remain 'resilient' at **3.3%** in calendar year 2026 and at **3.2%** in 2027



## Challenges

### Cyclical Slowdown Risks

- As temporary growth drivers wane, sustaining high growth may become challenging.

### External Vulnerabilities

- Trade policy uncertainty, geopolitical tensions, and global financial volatility.

### Inflation Sensitivity

- Dependence on food price moderation; climate shocks could reverse gains.

### Investment Quality

- Need to ensure private investment keeps pace with public capital expenditure.

### Way Forward

- **Sustain Capital Expenditure:** Continue public investment to crowd in private sector participation.
- **Boost Productivity:** Leverage AI, digital public infrastructure, and manufacturing reforms.
- **Inflation Vigilance:** Maintain calibrated monetary policy to anchor expectations.
- **External Sector Resilience:** Diversify exports and reduce exposure to trade disruptions.
- **Inclusive Growth:** Focus on employment-intensive sectors to convert growth into broad-based welfare.

## Conclusion

The IMF's upward revision of India's growth forecast to 7.3% underscores the economy's strong fundamentals, resilient domestic demand, and policy stability. While a moderation is expected in the medium term, India remains well-positioned to outperform global peers. Sustaining this momentum will depend on managing inflation, navigating global uncertainties, and deepening structural reforms to translate growth into long-term, inclusive development.

## 3. India Signs Letter of Intent to Elevate Defence Ties with UAE

### Why in the News?

India and the United Arab Emirates (UAE) have signed a Letter of Intent (LoI) for a Bilateral Strategic Defence Partnership during the visit of UAE President Sheikh Mohamed bin Zayed Al Nahyan to New Delhi. The agreement comes amid rising geopolitical and military tensions in the Gulf region, particularly due to intensifying Saudi–Pakistan defence cooperation, especially in Yemen.

### Background

- India and the UAE elevated their relationship to a Comprehensive Strategic Partnership in 2017.
- Defence cooperation has steadily expanded through joint military exercises, training exchanges, naval visits, and defence industrial collaboration.
- The Gulf region has witnessed heightened instability due to conflicts in Yemen, Gaza, and Iran, along with shifting regional alliances.
- Saudi Arabia and Pakistan signed a mutual defence agreement in September 2025, leading to deeper Pakistani military involvement in Gulf security, particularly in Yemen, raising strategic concerns for the UAE.

## Features

### Strategic Defence Letter of Intent

- Aims to work towards a formal framework agreement on the Strategic Defence Partnership.
- Focus on institutionalising existing defence cooperation rather than responding to any single crisis.

### Trade & Economic Dimension

- Both sides set a target to double bilateral trade to \$200 billion by 2032.



### Energy Cooperation

- An energy agreement between Hindustan Petroleum Corporation Limited (HPCL) and Abu Dhabi National Oil Company (ADNOC) Gas:
- Supply of 0.5 MMPTA LNG for 10 years starting 2028.

## Space Cooperation

- LoI between IN-SPACE and the UAE Space Agency for development of the space industry in the UAE.

## High-Level Strategic Dialogue

- Prime Minister Narendra Modi and the UAE President discussed the situation in Gaza, the protests in Iran, and the situation in Yemen.

## Strategic Significance

- **Balancing Gulf Geopolitics:** Enhances India's strategic footprint in West Asia amid shifting power equations.
- **Defence Diplomacy:** Positions India as a reliable security partner without entering military alliances.
- **Energy Security:** Long-term LNG supplies strengthen India's energy diversification strategy.
- **Space & Technology:** Expands India's role as a technology and capability partner in emerging sectors.
- **Diaspora & Trade Interests:** Stability in the Gulf is vital for India's diaspora and remittance flows.

## Challenges

### Regional Instability

- Ongoing conflicts in Yemen and Gaza risk spillover effects.

### Alliance Sensitivities

- Balancing relations with Saudi Arabia, Iran, Israel, and the UAE simultaneously.

### Risk of Strategic Overstretch

- Perception that deeper defence ties could draw India into Gulf conflicts.

### Great Power Pressures

- U.S. and Chinese interests in the Gulf complicate regional security dynamics.

## Way Forward

- **Strategic Autonomy:** Maintain India's principle of non-alliance while deepening defence cooperation.
- **Institutional Framework:** Finalise a clear, transparent defence cooperation agreement outlining scope and limits.
- **Maritime Security Focus:** Prioritise cooperation in anti-piracy, HADR, and maritime domain awareness.
- **Energy & Defence Synergy:** Integrate defence ties with energy security and trade objectives.
- **Regional Dialogue:** Use diplomatic channels to support de-escalation and stability in West Asia.

## Conclusion

The India–UAE Strategic Defence Letter of Intent marks a natural evolution of an already robust partnership, reflecting shared interests in regional stability, energy security, and strategic diversification. While unfolding Gulf geopolitics adds complexity, India’s calibrated approach, anchored in strategic autonomy and multi-alignment ensures that enhanced defence ties strengthen national interests without entanglement in regional conflicts.

## 4. Foreign Ministers of India, Poland Spar Over Neighbours

### Why in the News?

India and Poland publicly aired diplomatic differences during talks in New Delhi as S. Jaishankar and Polish Foreign Minister and Deputy Prime Minister Radoslaw Sikorski exchanged sharp remarks over Pakistan, Russia, terrorism, and sanctions. The exchange stood out for its unusually candid tone amid otherwise improving India–EU relation.

### Background

- India and Poland have steadily expanded cooperation in trade, defence, education, and people-to-people ties in recent years.
- Poland is a key member of the European Union, with strong views on Russia following the Ukraine conflict.
- India maintains a policy of strategic autonomy, including continued energy imports from Russia and participation in multilateral military exercises.
- Tensions resurfaced after Mr Sikorski’s October 2025 visit to Pakistan, soon after the India–Pakistan conflict of May 2025, which New Delhi views as diplomatically sensitive.

### Issues Raised

#### Pakistan & Terrorism

- India cautioned Poland against engaging with Pakistan in ways that could “fuel terrorism” in the region.
- New Delhi stressed a policy of zero tolerance towards terrorism, especially cross-border terrorism.

#### Russia, Sanctions & Oil Imports

- Mr Jaishankar criticised EU sanctions on Indian trade and oil imports from Russia, calling them “selective targeting”.
- India rejected external pressure on its energy security decisions.

#### Military Exercises (Zapad-2025)

- Poland expressed concern over India's participation in Zapad-2025 military exercises held in Russia and Belarus, describing them as "threatening".

### **Convergence on Terrorism**

- Despite differences, both sides acknowledged being "of one mind" on the global threat posed by terrorism.

### **Strategic Significance**

- India–EU Relations: The spat comes just ahead of a major India–EU trade agreement, highlighting underlying geopolitical divergences.

### **Normative vs Strategic Approaches:**

- Poland reflects the EU's normative, sanctions-based foreign policy.
- India emphasises pragmatism, sovereignty, and strategic autonomy.
- Signal Diplomacy: India's public messaging signals limits to tolerance on Pakistan-related engagement and energy coercion.



## **Challenges**

### **Managing EU Expectations**

- Differing perceptions on Russia and sanctions complicate India–EU strategic convergence.

### **Pakistan Factor**

- Engagements of EU members with Pakistan risk friction with India's core security concerns.

### **Public Diplomacy Risks**

- Open disagreements may overshadow broader cooperation.

## Geopolitical Polarisation

- Increasing pressure on middle powers to align with rival blocs.

## Way Forward

- **Structured Strategic Dialogue:** Institutionalise candid conversations to manage differences privately rather than publicly.
- **Counter-Terrorism Cooperation:** Deepen intelligence-sharing and joint capacity-building to translate consensus into action.
- **Respect for Strategic Autonomy:** Mutual acknowledgement of each other's regional compulsions.
- **Decouple Trade from Geopolitics:** Ensure economic engagement is insulated from political disagreements.
- **EU-Level Engagement:** Address sanctions and energy issues through collective India–EU mechanisms.

## Conclusion

The India–Poland exchange reflects the growing assertiveness of Indian diplomacy in defending core interests related to terrorism, energy security, and strategic autonomy. While the frankness was unusual, it underscores the maturity of the relationship and the need for nuanced engagement as India and Europe seek closer ties amid a fragmented global order.

## 5. Infighting Kills Third Kaziranga Tiger Within a Fortnight

### Why in the News?

A third tiger was found dead within a fortnight in Kaziranga National Park, Assam. Preliminary post-mortem findings indicate that the female tiger died due to infighting, highlighting concerns about territorial stress and population saturation in one of India's most successful tiger reserves.

### Background

- According to the 2024 All India Tiger Estimation, Kaziranga's tiger population rose sharply from 104 to 148, marking one of the highest densities of tigers in the country.
- Kaziranga has a core area of about 430 sq. km, surrounded by fragmented landscapes and human-dominated zones.
- Tigers are territorial animals, and conflicts are common when dispersal corridors are weak or unavailable.
- The carcass disposal followed the Standard Operating Procedures of the National Tiger Conservation Authority (NTCA).

### Features

#### Nature of Deaths

- All three recent tiger deaths are suspected to be natural or due to infighting, not poaching.

### **Affected Areas**

- Incidents reported from the Bagori Range and the Biswanath Wildlife Division.

### **Prey Availability**

- Experts confirm no shortage of prey in Kaziranga; the park has abundant herbivore populations.

### **Expert Assessment**

- Conservationists link the deaths to high tiger density and limited dispersal space rather than management failure.

### **Challenges**

#### **Population Saturation**

- Kaziranga may have reached its ecological carrying capacity for tigers.



#### **Restricted Dispersal**

- Tigers find it difficult to move beyond the core area due to highways, settlements, and farmland.

### **Habitat Fragmentation**

- Linear infrastructure and encroachment reduce functional wildlife corridors.

### **Human–Wildlife Interface Risks**

- Dispersing tigers face higher risks of conflict, roadkills, or retaliation outside the park.

## **Way Forward**

### **Strengthen Wildlife Corridors:**

- Accelerate landscape-level connectivity projects, including the elevated wildlife corridor at Kaliabor, whose foundation stone was laid by Narendra Modi.

### **Landscape-Based Tiger Conservation:**

- Shift focus from isolated protected areas to tiger conservation landscapes.

### **Scientific Population Management:**

- Regularly assess carrying capacity and dispersal pressure using radio-collaring and AI-based monitoring.

### **Community Engagement:**

- Incentivise coexistence in fringe areas through compensation and livelihood support.

### **Regional Habitat Expansion:**

- Improve protection and prey base in neighbouring reserves to absorb dispersing tigers.

## **Conclusion**

The recent spate of tiger deaths in Kaziranga underscores a paradox of conservation success: rising populations without adequate space to disperse. Infighting, while natural, signals the urgent need to move beyond park-centric conservation towards connected landscapes and corridor-led planning. Ensuring safe movement beyond Kaziranga is essential to sustain both tiger populations and long-term ecological balance.

## **6. In a changing world, it is ‘small tables, big dividends’**

### **Why in the News?**

On January 26, 2026, India’s Republic Day parade at Kartavya Path will feature the institutional leadership of the European Union as chief guests, an unprecedented break from the tradition of inviting a single country’s head of state. This symbolic choice reflects a deeper shift in India’s

foreign policy approach: leveraging selective coalitions and issue-based groupings (“small tables”) to generate outsized strategic gains in an increasingly fragmented world order.

## Background

- The global system is marked by great power rivalry, trade frictions, and weakened multilateralism.
- Traditional bilateral diplomacy with neighbours, the U.S., and China remains essential but resource-intensive and friction-prone.
- Large multilateral forums such as the United Nations and G20 are struggling to deliver outcomes due to geopolitical polarisation.
- This has created “diplomatic white spaces”—areas where leadership is needed, problems require coordination, but no major power can credibly convene.

## Features

### Working with Europe: Standards over Symbolism

India’s engagement with the European Union is less about individual capitals and more about collective EU power over trade, competition, climate, and data standards.

- The presence of Ursula von der Leyen and António Luís Santos da Costa signals momentum on the long-pending India–EU Free Trade Agreement.
- If framed as a de-risking compact, the FTA can:
  - Secure market access to Europe
  - Embed India in reconfigured global value chains
  - Offer insurance against future U.S. trade pressures
- The trade-off: higher compliance and sustainability costs for Indian firms.

**Strategic logic:** The EU wants to hedge against China and U.S. unpredictability; India must move fast before the window closes.

### BRICS: From Rhetoric to Functionality

BRICS in 2026 is larger but less cohesive.

- Expansion has diluted focus; members want different outcomes at different speeds.
- As chair and host, India faces a defining question: What is BRICS for?
- The opportunity lies in:
  - Making better use of New Development Bank guarantees
  - Creating practical toolkits that translate declarations into delivery

### Red lines for India:

- Avoid anti-West rhetoric or overt de-dollarisation crusades, which risk U.S. retaliation and undermine India’s access to Western capital and technology.
- Reform global governance without rejecting the system itself.

### The Quad: Public Goods without Polarisation

The Quad represents a third diplomatic white space.

- If India hosts a Quad Leaders’ Summit, it may also host U.S. President Donald Trump, raising both visibility and expectations.
- The Quad’s strength lies in capabilities converted into services:
  - Maritime Domain Awareness
  - Resilient ports

- Disaster response

India's Operation Sagar Bandhu during Cyclone Ditwah in Sri Lanka showed how deployable assets, not ideology, build trust in the Indian Ocean region.

## Challenges

- **Overloaded Diplomacy:** Bilateral pressures with neighbours, Washington, and Beijing continue unabated.
- **Signal Management:** Careless messaging in BRICS or Quad forums could trigger economic or strategic blowback.
- **Forum Fatigue:** Proliferation of new groupings risks diffusion of focus and capacity.
- **U.S. Domestic Politics:** Trade disputes could spill over into strategic cooperation, especially in the Quad.

## Way Forward

- **Choose Tables Carefully:** Prioritise coalitions where India can sustain leadership and deliver outcomes.
- **Focus on Delivery:** Shift from declarations to guarantees, standards, and services.
- **Bridge Builder Role:** Position India as a connector between the Global South and advanced economies.

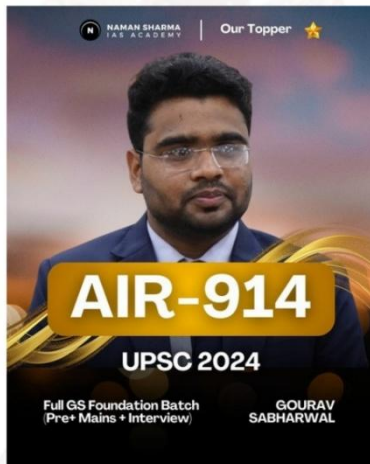
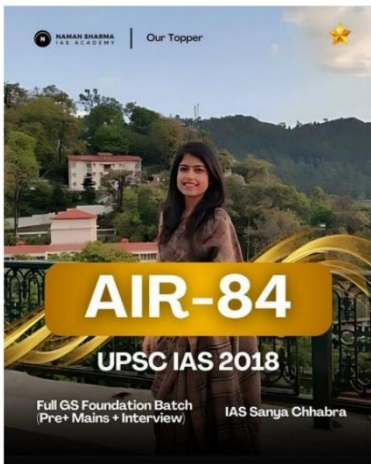
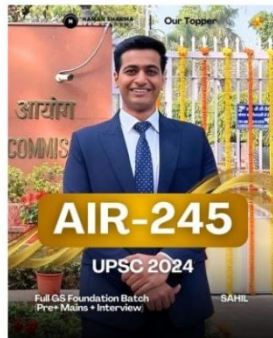
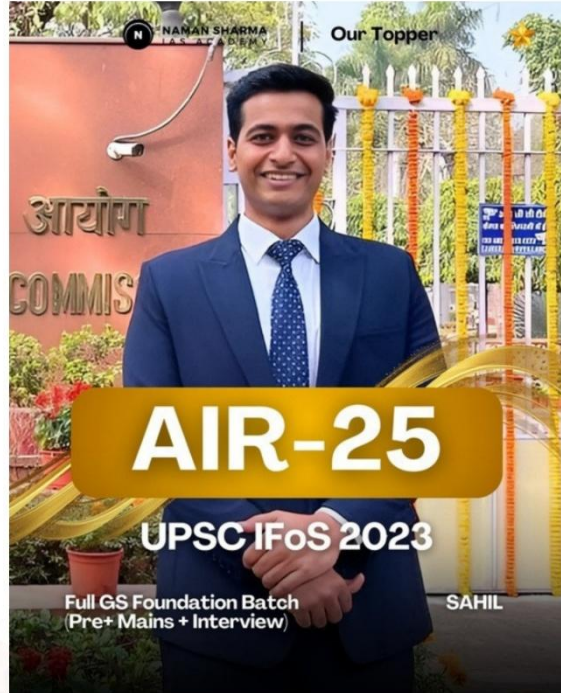
## Leverage New Platforms:

- The AI Impact Summit, Delhi (February 2026) can bridge governments, firms, and researchers.
- Engagements like the proposed U.S.-led Pax Silica club on AI and semiconductors should be assessed pragmatically, not ideologically.

## Conclusion

In a divided and volatile world, the biggest tables no longer shape outcomes. Real progress is happening in smaller, flexible coalitions that can act even when the centre cannot. For India in 2026, success will not come from trying to lead everywhere, but from making chosen tables work with Europe on standards, BRICS on functionality, and the Quad on public goods. In diplomatic white spaces, small tables can indeed deliver big dividends.

# Our Recent Toppers



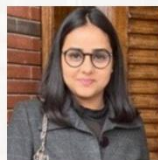
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