



NAMAN SHARMA
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1. Zero-tariff textiles exports to the U.S. possible for India: Goyal

Why in the News?

India and the United States are finalising an interim trade agreement that could allow zero-tariff textile exports to the U.S. if Indian manufacturers use American raw cotton — a provision similar to what Bangladesh secured in its recent deal with Washington. Commerce Minister Piyush Goyal stated that India will receive comparable concessions, countering opposition claims that Bangladesh has gained a competitive edge.

This development is significant because textiles are one of India's largest export sectors and a major employment generator, especially for MSMEs and women workers.



Background

India–U.S. trade context

- The U.S. is one of India's largest export destinations for textiles and apparel.
- India currently faces higher tariff barriers compared to countries with preferential arrangements.
- Bangladesh secured a clause allowing zero tariffs on textile exports if it imports U.S. cotton.
- India's interim trade arrangement is expected to replicate this model.

Importance of textiles to India

- Contributes ~2% to GDP and ~11–12% to exports (approximate share).
- Employs over 45 million people directly.
- Key driver of the rural cotton economy and MSME clusters.
- Central to schemes like PLI for textiles and PM MITRA parks.

Global supply chain dynamics

- The U.S. wants to boost exports of its cotton and raw materials.
- India wants preferential access to the U.S. apparel market.
- The deal represents a supply-chain-linked trade concession, not a blanket tariff waiver.

Features

- Conditional zero tariff: Zero tariffs apply only when raw cotton is sourced from the U.S.
- Reciprocal framework: Encourages bilateral value-chain integration.
- Interim agreement model: A stepping stone toward a broader India–U.S. trade deal.
- Export competitiveness boost: Reduces cost disadvantage vis-à-vis Bangladesh and Vietnam.
- Farmer linkage: Could affect domestic cotton demand patterns and prices.
- Fine print pending: Exact tariff rates, rules of origin, and safeguards are yet to be finalised.

Challenges

Impact on Indian cotton farmers

- Preference for U.S. cotton may distort domestic procurement.
- Price volatility risks for Indian growers.

Dependence on imported raw material

- Reduces strategic autonomy in textile inputs.
- Increases exposure to global supply disruptions.

WTO and trade sensitivities

- Conditional tariff structures may invite scrutiny.
- Competing exporters could challenge arrangements.

Domestic industry adjustment

- MSMEs may struggle with compliance requirements.
- Logistics and certification burdens may rise.

Political economy concerns

- Opposition criticism over competitiveness.
- Farmer organisations wary of import-linked concessions.

Way Forward

Balanced sourcing model: Allow blended procurement - protect domestic cotton while leveraging U.S. inputs.

Farmer safeguards

- Minimum support and procurement guarantees.
- Cotton productivity enhancement programs.

Value addition focus

- Move up the textile value chain.

- Invest in technical textiles and branded exports.

Clear rules of origin

- Simplify compliance for MSMEs.
- Avoid bureaucratic trade friction.

Strategic trade diversification

- Strengthen FTAs with the EU, UK, and Indo-Pacific partners.
- Reduce overdependence on any single market.

Sustainability transition

- Promote organic and sustainable cotton.
- Align with ESG-driven global demand.

Conclusion

The proposed zero-tariff textile access to the U.S. market represents a strategic opportunity for India to enhance export competitiveness and integrate into high-value supply chains. However, conditional concessions tied to imported raw material must be carefully calibrated to avoid undermining domestic cotton farmers and industrial resilience. A well-designed framework that balances trade gains with agricultural protection, MSME support, and long-term industrial strategy can transform this interim deal into a stepping stone toward a robust India–U.S. economic partnership.

2. Retail inflation at 2.75% in new Consumer Price Index with 2024 as the base year

Why in the News?

India has released a new Consumer Price Index (CPI) series with 2024 as the base year, and under this updated methodology, retail inflation for January 2026 stands at 2.75%. The new CPI has been introduced by Ministry of Statistics and Programme Implementation (MoSPI) to better reflect current consumption patterns revealed in the latest Household Consumption Expenditure Survey (HCES) 2023–24.

This is the first inflation print under the revised base year, making it a landmark statistical transition for India's macroeconomic measurement.

Background

What is CPI?

The Consumer Price Index measures the average change in prices of goods and services consumed by households and is the primary gauge of retail inflation in India.

Why is a base year revision needed

- Consumption behaviour evolves.
- New goods/services emerge (digital services, online commerce).
- Old consumption weights become outdated.
- Structural economic transformation requires statistical updating.

India previously used 2012 as the base year, and after more than a decade of economic change, a revision became essential.

Role of CPI in policy

- Guides monetary policy decisions of the RBI
- Influences interest rate calibration
- Impacts wage indexation and DA revisions
- Shapes fiscal and welfare planning

Features

Expanded consumption basket

- Items increased from 299 → 358
- Goods: 259 → 308
- Services: 40 → 50

Wider data coverage

- Rural markets: 1,181 → 1,465
- Urban markets: 1,114 → 1,395
- Inclusion of 12 online marketplaces

Granular classification

- Groups expanded from 6 → 12
- Reflects modern household expenditure patterns

Revised weights

Based on HCES 2023–24:

- Food & beverages: 36.75% (down from 45.86%)
- Housing + utilities: 17.67% (expanded category)
- Health: 6.1%
- Transport: 8.8%
- Education: 3.33%
- Information & communication: 3.61%

Reduced food volatility impact

- Lower food weight may reduce headline inflation volatility.

Linking factor provided

- Allows backward comparison to earlier years, following international practice.

Challenges

Break in historical comparability

- Immediate long-term trend comparison becomes complex.

Perception gap

- Lower inflation may not match the lived household experience.

Policy interpretation risk

- Markets and analysts need time to recalibrate expectations.

Data integration issues

- Transitioning models and forecasting frameworks takes time.

Food sensitivity in India

- Even with lower weight, food inflation still drives public sentiment.

Way Forward

Transparent communication

- The government must clearly explain methodology changes.

Parallel data publication

- Release bridging series for analytical continuity.

Strengthen survey infrastructure

- Improve frequency and quality of consumption surveys.

Incorporate digital economy tracking.

- E-commerce and services need constant monitoring.

Policy sensitivity analysis

- RBI and fiscal authorities must test decisions under both old and new structures.

Conclusion

The new CPI series marks a critical modernisation of India's inflation measurement system, aligning statistics with contemporary consumption realities. While the shift may temporarily complicate historical comparisons, it strengthens the credibility of inflation data and improves the evidence base for monetary and fiscal policy.

A well-managed transition with transparency and analytical support will ensure that the revised CPI enhances policy precision without undermining public trust.

3. The hidden cost of insurance distribution

Why in the News?

A January 28, 2026, order by the Ministry of Home Affairs mandates that all six stanzas of Vande Mataram be played at official functions, with attendees required to stand at attention and schools encouraged to begin the day with community singing. The order has triggered a constitutional debate about secularism, freedom of conscience, and the limits of state authority in prescribing patriotic expression. Legal commentators argue that the directive conflicts with historical constitutional settlements and Supreme Court jurisprudence, especially the landmark ruling in *Bijoe Emmanuel v. State of Kerala* (1986).

Background

Origins of Vande Mataram

- Written by Bankim Chandra Chatterjee in the 19th century.

- Became a rallying cry during the freedom struggle.
- The poem contains six stanzas; the later verses explicitly invoke Hindu goddesses Durga, Lakshmi and Saraswati.

The 1937 compromise

In 1937, the Congress Working Committee - with leaders such as Rajendra Prasad, Vallabhbhai Patel and Mahatma Gandhi - resolved that:

Only the first two stanzas would be used at national gatherings.

This decision acknowledged religious objections to the later devotional verses and aimed to preserve national unity in a plural society.

Constituent Assembly settlement (1950)

- Jana Gana Mana was adopted as the National Anthem.
- Vande Mataram was accorded equal honour as a National Song, but only its first two stanzas were recognised for official use.
- The Assembly consciously avoided embedding religious symbolism in state symbols.

Constitutional position

- Article 51A(a) mentions respect for the National Flag and National Anthem, not the National Song.
- The Prevention of Insults to National Honour Act, 1971, protects the Anthem and Flag, but not Vande Mataram.
- There is no statutory obligation to sing or stand for the National Song.

Features of the Current Controversy

1. Executive mandate without legislation
The order arises from executive direction, not parliamentary law.
2. Inclusion of all six stanzas
Revives devotional portions previously excluded from official adoption.
3. Compulsory participation environment
Standing at attention during religious invocations raises conscience concerns.
4. School implementation
Children become the most vulnerable group in enforcement.
5. Symbolic redefinition
Expands the state's interpretation of patriotic duty.

Constitutional and Legal Dimensions

Supreme Court precedent

In *Bijoe Emmanuel v. State of Kerala* (1986), the Supreme Court held:

- Citizens cannot be forced to sing the National Anthem.
- Standing respectfully is sufficient.
- Freedom of conscience is protected under Articles 19 and 25.

Justice O. Chinnappa Reddy affirmed that silence is not disrespect.

If citizens cannot be compelled to sing the constitutionally protected Anthem, compelling participation in a non-constitutional National Song raises stronger objections.

Secularism doctrine

- India's secularism is based on equal respect for all faiths.
- The state cannot impose religious expression in official ceremonies.
- Forced participation may violate Article 25 (freedom of religion).

Executive overreach concerns

The order arguably:

- Overrides Constituent Assembly intent
- Expands duties beyond Article 51A
- Creates obligations not backed by statute

Challenges

Freedom of conscience vs symbolic nationalism

- Balancing patriotism with individual liberty remains delicate.

Minority rights anxiety

- Compulsory devotional content risks alienation.

Legal uncertainty

- Potential constitutional litigation may arise.

Politicisation of national symbols

- National integration symbols become partisan tools.

Institutional precedent

- Executive expansion without legislation weakens constitutional boundaries.

Way Forward

Reaffirm constitutional settlement

- Return to the two-stanza official convention.

Legislative clarity

- Parliament should clarify the legal status of national symbols.

Voluntary patriotism model

- Encourage participation without compulsion.

Constitutional literacy

- Public education on rights and duties.

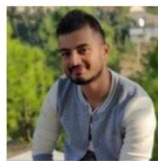
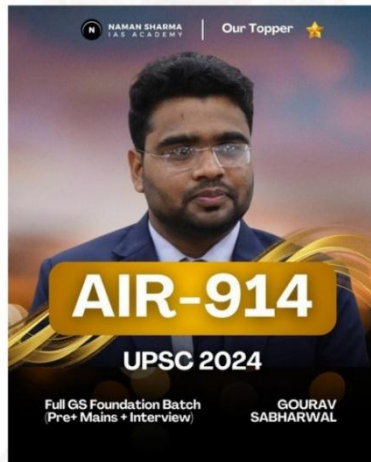
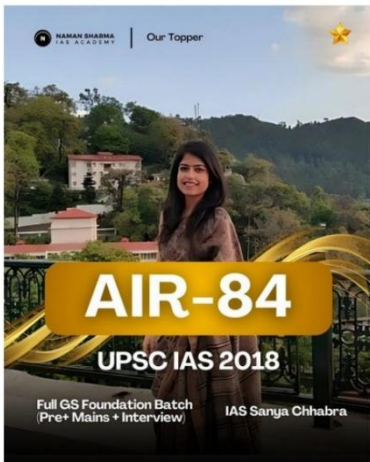
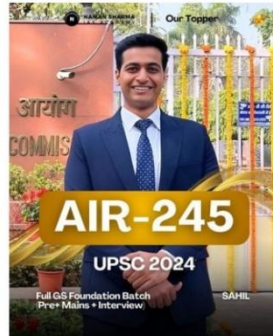
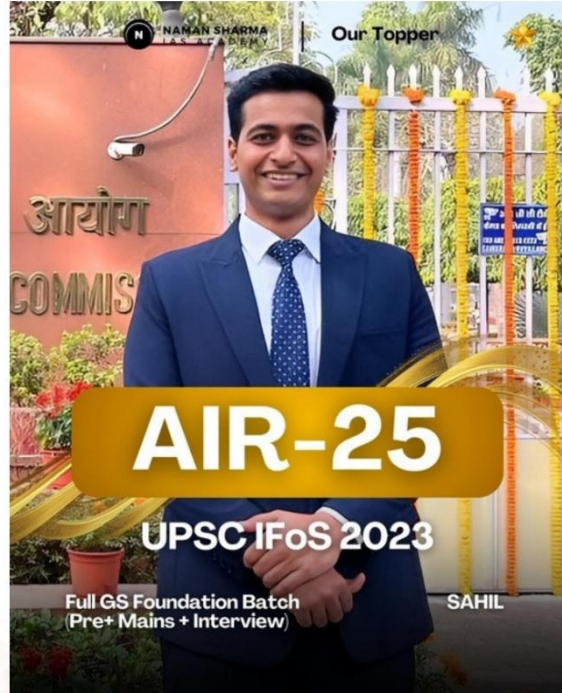
Judicial review

- Courts should examine executive limits if challenged.

Conclusion

The debate over Vande Mataram is not about disrespecting a national song; it is about defining the character of the Republic. India's founders deliberately crafted a secular framework that protects both patriotic expression and personal conscience. Compulsion risks weakening the moral legitimacy of national symbols. A confident democracy does not fear silence; it protects the right to it. Respect for the nation grows stronger when it is voluntary, inclusive, and rooted in constitutional values — not when enforced by executive order.

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