DAILY CURRENT AFFAIRS

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Topics Covered

- What is China's complaint against India at WTO?
- How do cyclones form and how are they measured?
- Paris accord
- Sugar sector concerned over reduction in ethanol sourcing

What is China's complaint against India at WTO?

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What is the Production-Linked Incentive (PLI) scheme in India? Which three specific PLIs does China oppose? What are the World Trade Organization's rules when it comes to subsidies? What does the Subsidies and Countervailing Measures agreement state?

EXPLAINER

Prabhash Ranjan

The story so far:

China has filed a complaint with the World Trade Organization (WTO) against India. It alleges that India is providing subsidies, as part of the Production-Linked Incentive (PLI) scheme, for the development of advanced chemistry cell (ACC) batteries; for boosting the auto sector; and for facilitating the production of Electric Vehicles, in contravention of WTO law.

What is the PLI scheme?

India launched the PLI scheme in 2020 to give a fillip to Indian manufacturing. This scheme provides financial incentives based on incremental sales to strategic industries; aims to bolster India's position in global value chains; and integrates medium and small-scale industries into the industrial production process through backward linkages. The three specific PLI schemes that China has challenged are — the PLI scheme which aims to incentivise the establishment of giga-scale manufacturing capabilities of ACC batteries in India; the scheme for the auto industry, which seeks to buttress the manufacturing of Advanced Automotive Technology (AAT) products in India, encompassing both vehicles and their components; and third, a scheme to promote EV manufacturing by attracting global EV manufacturers to the country.

What is China's complaint?

China alleges that the three PLI schemes provide financial benefits or subsidies to companies operating in India contingent on Domestic Value Addition (DVA). For instance, under the PLI scheme for the auto sector, one of the conditions for eligibility to get financial benefits is that there must be a 50% DVA. Likewise, one of the salient features of the PLI scheme for ACC batteries is that the beneficiary must ensure a DVA of 25%. The Chinese argue that the DVA requirements under these PLI schemes incentivise companies to use domestic goods rather than imported goods, discriminating against Chinese goods in the Indian market.

What is the law on subsidies in WTO?

While providing industrial subsidies to boost domestic industry is a sovereign right of states, WTO law ensures that these subsidies are not provided in a manner that jeopardises the international trade of other countries by ushering in unfair competition. Unfair competition may arise from subsidies that confer an artificial advantage on industries for exporting or competing with imported products. Consequently, the grant of industrial subsidies is regulated by the Subsidies and Countervailing Measures (SCM) agreement of the WTO. Article I of the SCM agreement defines a subsidy as a financial contribution by a government or a public body that confers a benefit. The subsidy should also be specific.

The SCM agreement divides subsidies into three categories — prohibited subsidies, actionable subsidies, and non-actionable subsidies. Prohibited subsidies are forbidden by definition and are generally of two types: export subsidies and Import Substitution (IS) subsidies. Export subsidies are contingent on export performance, and IS subsidies, as defined in Article 3.1(b) of the SCM agreement, refer to subsidies contingent upon the use of domestic goods over imported goods. Thus, if a country promises a financial contribution to a specific industry on the condition that it use domestic goods or goods produced locally, rather than imported goods, it would constitute a prohibited subsidy.

Do IS subsidies violate other laws?

An IS subsidy will also breach two other WTO legal provisions. First is the national treatment obligation, codified in Article III.4 of the General Agreement on Tariffs and Trade (GATT), which obligates countries to ensure that their domestic laws do not treat imported products less favourably than their domestic products; and second, is Article 2.1 of the Trade Related Investment Measures (TRIMs) Agreement which states that no country shall impose any TRIM that is inconsistent with its national treatment obligations enshrined in GATT's Article III. The TRIMs agreement contains a specific illustration of a prohibited trade-related investment measure. This illustration pertains to local content requirements which incentivise the use of domestically produced goods. Since an IS subsidy gives preference to domestic over foreign goods, it constitutes as a proscribed TRIM under the WTO law.

China alleges that India's three PLI schemes are IS subsidies. However, it is critical to note that the DVA milestones in India's PLI scheme do not automatically translate to local content requirements. Value addition at the domestic level can occur in multiple ways, and not just through the use of domestic goods. The analysis of the DVA component in these three PLI schemes must thus consider a complex set of facts.

What happens next?

The first step in resolving a dispute at the WTO is through consultations. Thus, India and China will try to resolve this matter amicably. If this does not occur, the dispute will proceed to adjudication by a three-member ad hoc WTO panel. The WTO's appellate mechanism, the Appellate Body, has remained incapacitated since December 2019. Thus, if the WTO panel's decision is appealed, it would mean postponing the adjudication of the dispute till the time the Appellate Body is resurrected. The practical implication is that the status quo remains, and a country can continue with its impugned measures.

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Subsidy wars: The World Trade Organization (WTO) in Geneva. AFP

THE GIST

- India's PLI scheme provides financial incentives based on incremental sales to strategic industries; aims to bolster India's position in global value chains; and integrates medium and small-scale industries into the industrial production process through backward linkages.
- While providing industrial subsidies to boost domestic industry is a sovereign right of states, WTO law ensures that these subsidies are not provided in a manner that jeopardises the international trade of other countries by ushering in unfair competition.
- The SCM agreement divides subsidies into three categories — prohibited subsidies, actionable subsidies, and non-actionable subsidies.

China has complained to the World Trade Organization (WTO) that India's Production-Linked Incentive (PLI) schemes give unfair subsidies to companies making batteries, auto parts, and electric vehicles.

What is the PLI scheme?

Started in 2020, the PLI scheme gives money to companies based on how much extra they produce and sell. It aims to boost Indian manufacturing and attract global companies.

China's Complaint:

China says these PLI schemes force companies to use more Indian-made parts (called Domestic Value Addition or DVA), like 50% in autos and 25% in batteries. This, they argue, makes imported (especially Chinese) goods less preferred — which breaks WTO rules.

WTO Rules:

IS (Import Substitution) subsidies are not only banned under WTO subsidy rules — they also break two other WTO principles:

1. National Treatment Rule (Article III.4 of GATT):

- Every country must treat imported goods and local goods equally. You can't make laws that give local products an advantage over imported ones.

2. TRIMs Agreement (Trade-Related Investment Measures):

- This rule says countries cannot force or encourage companies to use more local (domestic) goods instead of imported ones. For example, a rule saying "you must use 50% Indian parts" would violate this.

Because IS subsidies push companies to prefer domestic goods, they are seen as breaking both these rules.

India's View:

However, China's claim about India's PLI schemes is not so straightforward. India's PLI rules talk about **Domestic Value Addition (DVA)** — meaning value created within India — but this can come from many things like design, labor, or assembly, not just using local parts. So India argues that its PLI scheme isn't directly forcing companies to use Indian goods, and the issue needs detailed examination.

What Happens Now:

India and China will first hold talks at the WTO. If they can't agree, a WTO panel will decide. But since WTO's appeal system is not working right now, any final decision may take a long time.

How do cyclones form and how are they measured?

How can high wind shear disrupt the formation of a cyclone? What is an eyewall?

Vasudevan Mukunth

The story so far:

If you think of a cyclone as a machine, it would be an incredibly powerful entity – an engine that draws heat from the earth's tropical waters to drive destructive winds, heavy rainfall, and storm surges. Similar storms are known variously as hurricanes in the Atlantic and eastern Pacific Oceans, and typhoons in the western Pacific Ocean.

How do cyclones form?

A tropical cyclone begins as an area of low pressure, often associated with clusters of thunderstorms. For such a disturbance to develop into a cyclone, several atmospheric and oceanic conditions must come together. The most important is warm sea surface temperature, generally above 26.5°C and up to a depth of at least 50 m. When moist air near such a water surface rises, it releases its latent heat, cools, and condenses to form clouds. The released heat warms the surrounding air, causing it to rise even further and drawing in more moist air from below, setting up a self-reinforcing cycle of convection.

A second important condition is that the atmosphere must be unstable, that is, rising air must continue to rise rather than being forced back down, and there must be a sufficient Coriolis force (a deflection of circulating air due to the earth's rotation, causing it to curve right in the Northern Hemisphere and left in the Southern Hemisphere) to induce rotation. As the Coriolis effect is weakest at the equator, cyclones rarely form within about five degrees of latitude from it. At the same time, the vertical wind shear, which is the difference in wind speed and direction between the lower and the upper levels of the atmosphere, must be low. High wind shear can disrupt a cyclone's organised circulation and keep it from building in strength.

As the cyclone develops, a well-defined centre called the 'eye' may form. This is a calm, clear region surrounded by a ring of towering thunderstorms that produce the most intense winds and heaviest rainfall, called the eyewall.

Air spirals in towards the low-pressure centre at the surface and rises rapidly near the eyewall, while at higher altitudes it flows outwards, completing the circulation.

How are cyclones classified?

Since the storm draws energy from the ocean through evaporation, it can intensify as long as it remains over warm water. Cyclones are primarily classified by their maximum sustained wind speed and central pressure. Different ocean basins use slightly different classification schemes but the principle is the same. In the North Indian Ocean, the India Meteorological Department classification ranges from a 'depression' (31-49 km/hr) to 'super cyclonic storm' (>222 km/hr).

For measurements, meteorologists use ground-based observations, aircraft reconnaissance, satellite data, and ocean buoys. Satellites play a crucial role in monitoring cyclones over remote ocean areas: infrared images help estimate the temperature of cloud tops, indicating storm intensity, while visible and microwave sensors reveal structure, rainfall distribution, and eye formation.

In the North Atlantic, specialised aircraft called hurricane hunters fly directly into storms to measure wind speeds, pressure, humidity, and temperature. Instruments called dropsondes are released into the storm, transmitting data as they fall. In the Indian Ocean, satellites and automated buoys provide most of the data.

How well are cyclones forecast?

Forecasting the path and intensity of cyclones remains a complex challenge. Sophisticated numerical weather models simulate atmospheric and oceanic conditions, but even small errors in initial data can lead to large uncertainties. Advances in computing power, remote sensing, and data assimilation have improved forecasts significantly over the last few decades. Today, most meteorological agencies can predict a cyclone's track three to five days in advance with reasonable accuracy.

THE GIST

- A tropical cyclone begins as an area of low pressure, often associated with clusters of thunderstorms.
- Since the storm draws energy from the ocean through evaporation, it can intensify as long as it remains over warm water.
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How do cyclones form and how are they measured?

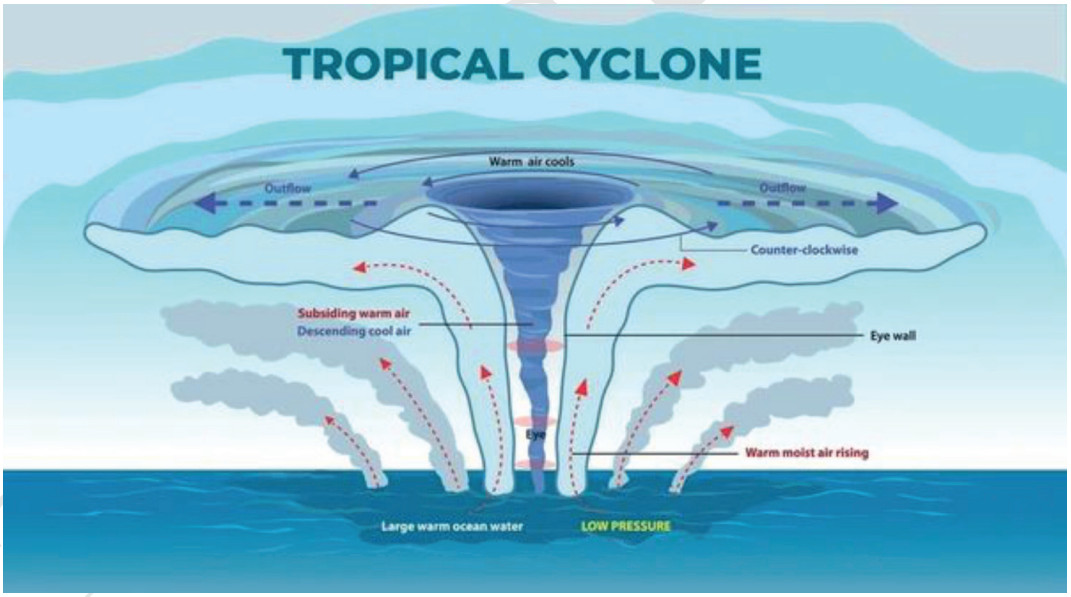
How do cyclones form?

Cyclones form over warm ocean waters. When the sea surface is very warm (above 26.5°C and deep up to about 50 meters), the air above it becomes hot and moist. This warm air rises and cools, forming clouds. As it rises, more moist air from around the area moves in to take its place — creating a continuous cycle of rising and cooling air.

For a cyclone to form, a few things are needed:

- Warm ocean water to give energy.
- Unstable air so that rising air keeps moving upward.
- Earth's rotation (Coriolis effect) to make the air spin — that's why cyclones don't form near the equator.
- Low wind difference (low wind shear) so that winds at different heights don't break the cyclone apart.

As the cyclone grows, it develops a centre called the eye, which is calm and clear. Around it is the eyewall, where the strongest winds and heaviest rains occur. Air moves in toward the centre, rises up near the eyewall, and spreads outward high in the sky — creating a full circular motion.



How are cyclones classified?

- Cyclones are classified mainly by their wind speed and pressure. In India, they range from a Depression (31–49 km/hr) to a Super Cyclonic Storm (over 222 km/hr).
- Scientists use satellites, ocean buoys, and weather stations to measure and track cyclones. In some regions, special planes even fly into storms to collect data.
- Forecasting has improved with better computers and satellites — now cyclones can usually be predicted 3–5 days in advance with good accuracy.

Paris Accord

A decade after Paris accord, an unstoppable transition

Ten years after the adoption of the Paris Agreement at COP21, the planet faces unprecedented challenges. Despite a shared global pledge to limit global warming well below 2°C and keep the 1.5°C target within reach, emissions and temperatures continue to rise at alarming rates. The devastating consequences of climate change are already visible across the globe, including in India, as seen this year in Uttarakhand, Punjab and Jammu and Kashmir.

Yet, the Paris Agreement is delivering. Ten years ago, before the adoption of the Paris Agreement, the world was heading towards global warming of around 4°C-5°C by the end of the century. Through sustained commitment and concrete and collective action, this curve was altered to approximately 2°C-3°C. This remains far above what science deems sustainable, as underscored by the Intergovernmental Panel on Climate Change (IPCC). But it demonstrates that collective action can have an impact on our collective trajectories and that multilateralism can work.

The Paris Agreement delivers because it is fair, just and promotes international solidarity with the countries most affected by the adverse impacts of climate change. It respects national circumstances and provides for differentiated levels of commitment.

A turning point

Throughout the decade, the Paris Agreement has been a powerful instrument that engaged the world's economy on the path to a low carbon transition. Ten years ago, the most competitive way to produce energy was fossil fuel use. It is no longer the case. Today, everywhere in the world, renewable energies such as wind, solar, hydroelectricity are driving growth and jobs. This marks tremendous progress for energy security and sovereignty.

Ten years ago, electric mobility seemed an elusive dream. Today, thanks to remarkable advances in battery technology and energy storage, electric vehicles represent nearly 20% of global new car sales, heralding the drastic reduction of fossil fuels in transport, bringing also multiple co-benefits such as clean air to our cities. The scale of this transformation is monumental.

Benoît Faraco

is France's Special Envoy for Climate Negotiations and a former Senior Energy and Environment Adviser to the French President

The Paris Agreement is an example of climate progress and how multilateralism can work

The impressive example of the solar alliance

The International Solar Alliance (ISA) is a striking example of the commitment by India and France to strong international multilateralism for climate progress.

Conceived at COP21 in Paris and jointly launched by Prime Minister Narendra Modi and then French President François Hollande, the ISA stands as a compelling embodiment of India and France's shared commitment to climate multilateralism. At the COP30 in Belém, France and India shared a joint vision: we needed this kind of alliance to transform the hope of the Paris Agreement into action.

Since its inception, the ISA has grown into a global coalition of more than 120 member and signatory countries, delivering concrete results through capacity building, training programmes and financial mechanisms supporting underfunded energy transitions. It was inspiring to witness first-hand the remarkable achievements of the ISA at its Eighth Assembly that this writer co-chaired on October 28, 2025, with India's Minister of New and Renewable Energy, Pralhad Joshi. The ISA's mission remains vital: to make solar energy accessible to all.

India has a strong commitment to renewable energies, more than half of which will come from solar. India aims to become the largest major economy to develop using a low-carbon pathway, fulfilling the vision of "Viksit Bharat" by 2047 and achieving net-zero carbon emission by 2070. This year, India has demonstrated leadership by achieving 50% of installed electricity capacity from non-fossil sources, five years ahead of the 2030 target.

These efforts must be sustained and expanded across all regions At COP30 in Belém, five priorities must guide the international community.

First, there must be agreement on a way to collectively raise global ambition to accelerate the reduction of carbon emissions. The world's collective efforts are still not sufficient and there is a need to accelerate efforts, for the world's people and its future.

Second, there must be a championing of a just and inclusive transition, placing vulnerable communities at its core. France devotes one-third of its climate finance to adaptation, contributing to the Green Climate Fund, the Loss and Damage Fund, and early warning systems such as CREWS. As co-chair of the Coalition for Disaster Resilient Infrastructure alongside India, France also advocates innovative, predictable climate finance such as global solidarity levies ahead of COP30.

Third, there must be a protection of natural carbon sinks – the world's forests, mangroves and oceans. From the Amazon to the Sundarbans, these ecosystems are the world's best allies in the fight against climate change.

Fourth, there must be an empowerment of non-state actors – local governments, businesses, scientists, philanthropies and citizens – to translate ambition into implementation. The broad engagement that defined COP21 must now deliver tangible results and have a real-world impact that benefits everyone.

Fifth, science must be defended by supporting the IPCC and fighting climate disinformation. Together with Brazil and other countries, France is working to ensure that facts and science, not fear, guide the global transition.

In perspective

The transformation initiated in Paris cannot be reversed. It may face obstacles, but it is unstoppable. Unstoppable because adaptation has become a necessity, not a choice. Unstoppable because industries are investing irreversibly. Unstoppable because local authorities are embedding sustainability into standards and investments. Unstoppable because multilateralism, despite challenges, will continue to deliver if the world continues to believe in it.

Ten years after the Paris Agreement (2015), the world is still struggling with rising greenhouse gas emissions and increasing temperatures. Disasters caused by climate change are becoming more frequent, including in India.

However, the Paris Agreement has made a difference. Before it, the world was heading toward a temperature rise of 4–5°C by 2100. Now, because of global cooperation, that number is expected to be around 2–3°C — still too high, but a clear improvement. This shows that joint global action works.

The Agreement is considered fair and just, as it supports poorer countries more and allows each nation to set goals based on its abilities.

Major changes in the last decade

- The world has started shifting to clean energy — solar, wind, and hydro — which are now cheaper than fossil fuels.
- Electric vehicles (EVs) have grown fast, making up nearly 20% of new car sales, thanks to better batteries and clean technology.

Role of the International Solar Alliance (ISA)

India and France launched the ISA during COP21 to promote solar energy worldwide. It now has over 120 member countries and helps poor nations through training, funding, and technology support. India plays a major role and has achieved 50% of its power capacity from non-fossil sources, five years ahead of its 2030 goal. It aims for net-zero carbon emissions by 2070.

Priorities for the future (COP30)

1. Cut carbon emissions faster.
2. Protect vulnerable communities and fund adaptation (like France's support to the Green Climate Fund).
3. Protect natural carbon sinks – Forests, oceans, and mangroves.
4. Empower Governments, businesses, scientists, and citizens must work together.
5. Trust science – Support IPCC and stop climate misinformation.

Sugar sector concerned over reduction in ethanol sourcing

M. Soundariya Preetha
COIMBATORE

The sugar sector is concerned over the cut in ethanol sourcing in the 2025-2026 ethanol supply year.

The Indian Sugar & Bio-Energy Manufacturers Association (ISMA) said only 289 crore litre ethanol had been allocated from sugar-based feedstock or 28% of the total need. The industry invested almost ₹40,000 crore with a capacity to supply 650 crore litre of ethanol a year. It supplied 330 crore litre last ethanol supply year.

The sector expects almost 345 lakh tonne sugar

Centre must raise ethanol procurement price.

output between October 1 and September 30, 2026. Of this, local consumption will be just 284 lakh tonne and sugar diversion for ethanol 34 lakh tonne leading to excess sugar stocks.

While the Fair and Remunerative Price of sugarcane rose 16.5% to ₹355 a quintal since 2022-23, ethanol procurement prices from sugarcane juice and B-heavy molasses was static at ₹60.73 and ₹65.61 a litre respectively. Ethanol's cost of production was ₹66.09 a litre from B-heavy molasses and ₹70.70 a litre from cane juice.

The minimum selling price (MSP) of sugar has been ₹31 a kg since February 2019 with output cost at ₹40.24/kg. The Centre must ensure 50% ethanol is sourced from sugar sector, raise MSP, announce sugar export policy and increase ethanol procurement prices, ISMA said.

Sugar sector concerned over reduction in ethanol sourcing

India makes ethanol from sugarcane through products like cane juice and molasses (a by-product of sugar making) The government buys this ethanol to blend with petrol, reducing oil imports and pollution.

What happened Now?

For 2025–26, the government cut down ethanol sourcing (buying less ethanol from sugar companies).

- Only 289 crore litres are approved (28% of total requirement).
- But the sugar industry had invested ₹40,000 crore to produce up to 650 crore litres a year.
- So, many factories will run below capacity, creating a surplus of sugar and financial stress.

How this decision affects farmers?

- If less ethanol is bought, sugar mills will crush less sugarcane for ethanol.
- This means farmers may face delayed payments or lower demand for their cane.
- Already, the government's Fair and Remunerative Price (FRP) for cane has increased by 16.5%, but mills aren't earning enough because sugar prices (MSP ₹31/kg) are low and ethanol prices are static.
- So, mills' costs go up, but income doesn't — hurting both mills and farmers.

What the industry wants

The sugar industry (ISMA) has asked the government to:

1. Buy at least 50% ethanol from sugar-based sources.
2. Raise sugar's MSP from ₹31/kg (since 2019) closer to its cost ₹40/kg.
3. Allow sugar exports to reduce excess stock.
4. Increase ethanol procurement price to cover production costs.