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Headlines:

- India's Merchandise Exports Surge and Trade Deficit Narrows
- BRICS and Global Cooperation on Artificial Intelligence
- Decoding India's GDP Base-Year Revision
- Lessons from India's Smallholder Farmers
- AI Risks Can Outpace Safeguards



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1. India's Merchandise Exports Surge and Trade Deficit Narrows

GS Paper III – Indian Economy

Why in News?

- India's overall exports rose 25.4% to \$82.7 billion in August 2026, while imports grew 18.7% to \$92.1 billion.
- The overall trade deficit narrowed to \$9.4 billion, compared with \$11.6 billion in August 2025.

Key Developments

- Merchandise exports grew by 26.1% to \$43.8 billion.
- Merchandise imports increased by 14% to \$70.7 billion.
- Export growth exceeded import growth both in percentage and absolute-value terms.
- Export growth reportedly reflected volume as well as value growth, rather than being driven solely by rupee depreciation.

Significance

- **External-sector resilience:** Stronger exports can help contain the trade deficit and strengthen the external account.
- **Foreign-exchange earnings:** Higher exports generate greater foreign-exchange inflows.
- **Export competitiveness:** Volume-led growth can indicate stronger international demand and competitiveness of Indian products.
- **Economic growth:** Sustained exports can support production, employment and integration with Global Value Chains (GVCs).
- **Rupee stability:** Higher export earnings can improve foreign-exchange availability and reduce pressure on the external account.

Key Concepts

- **Trade Balance:** Difference between a country's merchandise exports and merchandise imports.
- **Trade Deficit:** Occurs when merchandise imports exceed merchandise exports.
- **Merchandise Trade:** Trade in physical goods.
- **Services Trade:** Trade in intangible services such as IT, financial and business services.
- India's services trade surplus partly offsets its merchandise trade deficit.

Challenges

- **High merchandise trade deficit:** India continues to depend heavily on imports of crude oil, electronics, machinery and other critical inputs.

- **Low value addition:** Several export sectors remain concentrated in relatively low and medium-value products.
- **Global uncertainties:** Geopolitical tensions, protectionism and weak external demand can affect export markets.
- **Logistics costs:** Infrastructure and logistics bottlenecks can reduce the price competitiveness of Indian exports.
- **Exchange-rate volatility:** Rupee movements can affect exporters' costs, revenues and competitiveness.
- **Limited GVC integration:** India's participation in some high-value global production networks remains below its potential.

Way Forward

- **Diversify export basket:** Promote high-value sectors such as electronics, pharmaceuticals, semiconductors and advanced manufacturing.
- **Strengthen GVC integration:** Attract FDI and deepen domestic capabilities in global production networks.
- **Reduce logistics costs:** Improve ports, multimodal connectivity and trade infrastructure.
- **Enhance product competitiveness:** Invest in R&D, technology, skill development and quality standards.
- **Expand market access:** Pursue trade agreements and diversify export destinations to reduce dependence on a few markets.
- **Promote value addition:** Encourage domestic manufacturing of intermediate and capital goods to improve export competitiveness and reduce import dependence.

2. BRICS and Global Cooperation on Artificial Intelligence

GS Paper II – International Relations | GS Paper III – Science & Technology

Why in News?

- The BRICS Summit highlighted the need for greater international cooperation on Artificial Intelligence (AI) amid concerns over AI safety, cybersecurity and concentration of technological capabilities.
- India cautioned against the weaponisation of technology, while China proposed a BRICS AI open-source community.

Key Developments

- **AI geopolitics:** Frontier AI development is increasingly intertwined with strategic competition among major powers, particularly the US and China.

- **Open-source AI:** Collaborative models can broaden access to AI capabilities and reduce excessive dependence on a few proprietary technology providers.
- **AI governance:** Rapid AI advancement necessitates common principles on safety, accountability, transparency, security and equitable access.
- **AI safety:** Advanced AI systems raise concerns regarding misalignment, unpredictable behaviour and AI-enabled cyberattacks.
- **Global South:** Developing economies risk becoming primarily AI deployment markets rather than AI developers.
- **BRICS cooperation:** BRICS can facilitate cooperation in AI research, capacity building, safety and affordable access.

Key Terms

- **Frontier AI:** Highly capable AI systems at the leading edge of technological development.
- **Open-source AI:** AI systems whose model components are made available for wider use, modification or collaboration, subject to applicable licences.
- **AI Misalignment:** A situation where an AI system's behaviour does not reliably correspond with intended human objectives or constraints.

Significance for India

- **Strategic autonomy:** Diversified AI ecosystems can reduce dependence on a limited number of foreign technology providers.
- **Innovation ecosystem:** International cooperation can improve access to AI research, computing infrastructure and technical expertise.
- **Inclusive development:** Wider access to AI can support productivity, digital inclusion and development across emerging economies.
- **Cybersecurity:** Cooperation can strengthen India's defensive capabilities against AI-enabled cyber threats.
- **Economic competitiveness:** AI adoption can enhance productivity and innovation across manufacturing and services.

Challenges

- **Capability gap:** Open-source models may lag behind frontier proprietary systems in certain applications.
- **Governance fragmentation:** Divergent national AI regulations can hinder international cooperation.
- **Dual-use risks:** Wider AI access can also facilitate malicious applications.
- **Resource asymmetry:** Unequal access to computing power, data and skilled talent may deepen the global AI divide.

Way Forward

- **Multilateral AI governance:** Develop interoperable global principles for safe and responsible AI.
- **Open yet secure innovation:** Promote open-source AI alongside safeguards against misuse.
- **Global South capacity building:** Expand access to computing, skills, datasets and AI infrastructure.
- **AI safety cooperation:** Share safety research, threat intelligence and cybersecurity capabilities.
- **Strategic autonomy:** Combine international collaboration with development of indigenous AI capabilities.

3. Decoding India's GDP Base-Year Revision

GS Paper III – Indian Economy

Why in News?

- India introduced a new GDP series with 2022–23 as the base year, replacing the earlier 2011–12 base year.
- The revision has changed estimates of India's nominal GDP for overlapping years, highlighting the impact of improved data and methodology.

Why is GDP Rebasing Done?

- **Updated economic structure:** Captures changes in consumption, production and sectoral composition.
- **Better data sources:** Incorporates newer and more comprehensive datasets.
- **Improved methodology:** Enhances measurement of economic activities, particularly the informal sector.
- **Greater coverage:** Captures emerging economic activities more effectively.
- **Statistical revision ≠ economic contraction:** A downward revision in estimated GDP does not necessarily mean the economy became smaller; it can reflect better data, revised methodology and improved measurement.

Key Terms

- **GDP:** Market value of final goods and services produced within an economy during a specified period.
- **GVA:** Value added by producers across different sectors of the economy.
- **Real GDP:** GDP measured at constant prices, used to assess changes in actual output after removing price effects.

- **Nominal GDP:** GDP measured at current prices, reflecting changes in both output and prices.
- **Base Year:** Reference year whose prices are used to calculate constant-price/real GDP, enabling comparison of changes in output over time.
- **ASUSE:** Annual Survey of Unincorporated Sector Enterprises.
- **PLFS:** Periodic Labour Force Survey providing data on employment and labour-market conditions.

Key Changes

- **Informal-sector measurement:** Greater use of ASUSE and PLFS provides a more direct basis for estimating the unincorporated sector.
- **Improved data integration:** Greater use of administrative and survey-based datasets strengthens estimation of economic activity.
- **Sectoral revisions:** Revisions vary across sectors depending on new data availability and methodological changes.
- **Carry-forward effect:** Revision of the starting-year estimate can affect subsequent annual and quarterly GDP estimates.

Significance

- **Better economic measurement:** Provides a more contemporary picture of India's economic structure.
- **Evidence-based policymaking:** Reliable estimates improve fiscal, monetary and development planning.
- **Informal economy visibility:** Better measurement improves understanding of output, employment and productivity in the unincorporated sector.
- **Statistical credibility:** Periodic revisions help national accounts reflect evolving economic realities.

Challenges

- **Data limitations:** Measuring informal and rapidly changing economic activities remains difficult.
- **Methodological complexity:** Changes in methodology can complicate comparisons between old and new series.
- **Public interpretation:** Headline revisions may be wrongly interpreted as actual changes in economic performance.
- **Data gaps:** Timely, granular and high-quality information on smaller and informal enterprises remains a challenge.

Way Forward

- **Strengthen statistical capacity:** Expand high-quality economic surveys and administrative datasets.

- **Improve data integration:** Combine survey data with GST, digital and other administrative information.
- **Increase transparency:** Clearly communicate methodological changes and their implications.
- **Regular rebasing:** Periodically update the base year to keep national accounts representative of the evolving economy.
- **Improve informal-sector coverage:** Strengthen surveys and databases covering unincorporated enterprises.

4. Lessons from India's Smallholder Farmers

GS Paper II – Governance & Social Justice | GS Paper III – Agriculture & Economy

Why in News?

- India's experience with smallholder farmers highlights how rural transformation can be achieved through collectivisation, finance, technology, infrastructure and market access.
- The IFAD–India partnership has supported initiatives involving SHGs, FPOs, rural enterprises and climate-resilient agriculture.

Lessons from India's Experience

- **Farmer collectivisation:** FPOs, cooperatives and SHGs enhance bargaining power and access to inputs, credit, technology and markets.
- **Market integration:** Connecting smallholders with organised markets and value chains can shift agriculture from subsistence towards commercially viable enterprises.
- **Rural enterprise development:** Processing, value addition and local enterprises can diversify farm incomes and generate rural employment.
- **Digital agriculture:** Platforms such as Agri Stack can improve access to agricultural services, information and financial support.
- **Convergence approach:** Infrastructure, finance, technology and market access yield stronger outcomes when combined with farmer collectives and local institutions.
- **Institutional ecosystem:** Government agencies, NABARD, NGOs, FPOs, SHGs and MSMEs can collectively strengthen rural livelihoods.

Key Terms

- **Smallholder Farmers:** Farmers operating relatively small agricultural holdings.
- **FPO:** Farmer-owned collective formed to improve economies of scale, bargaining power and market access.

- **SHG:** Voluntary group, often comprising rural women, formed for savings, credit and collective livelihood activities.
- **IFAD:** UN specialised agency focused on rural transformation and smallholder development.
- **Agri Stack:** Digital ecosystem intended to integrate agricultural datasets and services to facilitate farmer-centric delivery of agricultural services.
- **Economies of Scale:** Reduction in average cost of production as the scale of operation increases.

Significance

- **Inclusive growth:** Integrates small and marginal farmers into formal economic opportunities.
- **Higher farm incomes:** Collective procurement, aggregation, value addition and direct market access can improve economies of scale and farmers' share in the value chain.
- **Women empowerment:** SHGs and women-led enterprises strengthen women's economic participation.
- **Youth employment:** Rural entrepreneurship can create livelihood opportunities and reduce distress-driven migration.
- **Climate resilience:** Climate-smart practices can address erratic rainfall, rising temperatures and soil degradation.
- **Food-system resilience:** Stronger smallholder institutions can improve the resilience of local and regional food systems.

Challenges

- **Resource constraints:** Unequal access to land, water, credit, technology and infrastructure.
- **Climate risks:** Weather variability and environmental degradation threaten farm productivity and incomes.
- **Fragmented holdings:** Small operational holdings can limit economies of scale.
- **Weak market linkages:** Inadequate storage, processing and bargaining power can reduce farmers' returns.
- **Institutional capacity:** Many farmer collectives require stronger governance, professional management and financial capabilities.

Way Forward

- **Strengthen FPOs:** Improve governance, professional management, credit access and market linkages.
- **Promote value addition:** Develop rural processing, storage and agri-logistics.
- **Expand institutional finance:** Improve affordable credit and agricultural risk-management mechanisms.

- **Scale climate-resilient agriculture:** Promote water efficiency, crop diversification and climate-smart technologies.
- **Build digital capacity:** Ensure accessible and inclusive use of agricultural digital infrastructure.
- **Strengthen convergence:** Integrate government programmes, private investment and community institutions for holistic rural development.

5. AI Risks Can Outpace Safeguards

GS Paper III – Science & Technology | GS Paper II – Governance

Why in News?

- Recent disclosures by AI developers have highlighted limitations of existing AI safety safeguards in preventing misuse of advanced AI systems.
- This has renewed debate over whether detecting harmful use after generation is sufficient to prevent AI-related harm.

AI Safety Concerns

- **Reactive safeguards:** Account termination or content blocking may occur only after potentially harmful information has already been generated and retained.
- **Detection-prevention gap:** Users may retain, replicate or transfer AI-generated information before harmful use is detected.
- **Classifier limitations:** Input and output classifiers may struggle to identify harmful intent from isolated interactions.
- **Dual-use nature:** The same AI capability can have legitimate and harmful applications, making blanket restrictions difficult.
- **Self-regulation:** Heavy reliance on voluntary safeguards by private developers raises concerns over accountability and independent oversight.

Significance

- **Public safety:** Advanced AI can amplify risks in cybersecurity, biotechnology and autonomous systems.
- **Cybersecurity:** AI can increase the scale and sophistication of cyberattacks.
- **Responsible innovation:** Safety mechanisms need to evolve alongside rapidly advancing AI capabilities.
- **AI governance:** Effective regulation requires coordination among governments, technology companies, researchers and international institutions while balancing innovation, safety and accountability.

Barriers to Effective AI Governance

- **Intent ambiguity:** Malicious intent may become apparent only after a pattern of interactions rather than from a single prompt.
- **Speed of innovation:** Safety frameworks and regulatory institutions may struggle to keep pace with rapidly evolving AI capabilities.
- **Access dilemma:** Restricting powerful models can reduce misuse but may also limit legitimate research and innovation.
- **Regulatory fragmentation:** Divergent national rules can create enforcement gaps and opportunities for regulatory arbitrage.
- **Global coordination:** Establishing common standards is difficult because countries have different technological capabilities, security priorities and regulatory approaches.

Key Terms

- **AI Safety:** Measures designed to prevent AI systems from causing unintended or harmful outcomes.
- **AI Alignment:** Ensuring AI systems reliably pursue intended human objectives and constraints.
- **AI Classifier:** A system that assesses inputs or outputs to identify potentially harmful content or behaviour.
- **Dual-Use Technology:** Technology with both civilian and potentially harmful applications.
- **Red-teaming:** Deliberately testing an AI system under adversarial or high-risk scenarios to identify vulnerabilities and potential misuse.

Way Forward

- **Risk-based regulation:** Apply stronger safeguards to higher-risk AI capabilities and applications.
- **Controlled access:** Use identity verification, trusted-access programmes and appropriate end-use monitoring.
- **Safety by design:** Integrate risk assessment, safeguards and monitoring throughout the AI lifecycle.
- **Continuous evaluation:** Conduct rigorous red-teaming, stress testing and safety assessments before and after deployment.
- **Independent oversight:** Establish transparent standards, audits and accountability mechanisms for frontier AI developers.
- **International cooperation:** Develop common norms for AI safety, cybersecurity and responsible AI deployment.