



# TODAY'S ANALYSIS

## (24 February 2025)

### TOPICS TO BE COVERED

- BRAZIL JOINS OPEC+
- MULLAPERIYAR DAM
- ECONOMIC SURVEY: CHAPTER 3
  - GLOBAL ECONOMIC UNCERTAINTY & INDIA'S EXTERNAL SECTOR

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## BRAZIL JOINS OPEC +



- On February 18, 2025, Brazil's government approved its membership in OPEC+.
- It's a sign of the country's increasing importance as a global oil producer.
- OPEC+ serves as a platform for **cooperation & strategy discussions** among oil producing nations.

### ABOUT OPEC+

- It is a group of **23 oil-exporting countries** which meets regularly to decide how much crude oil to sell on the world market.

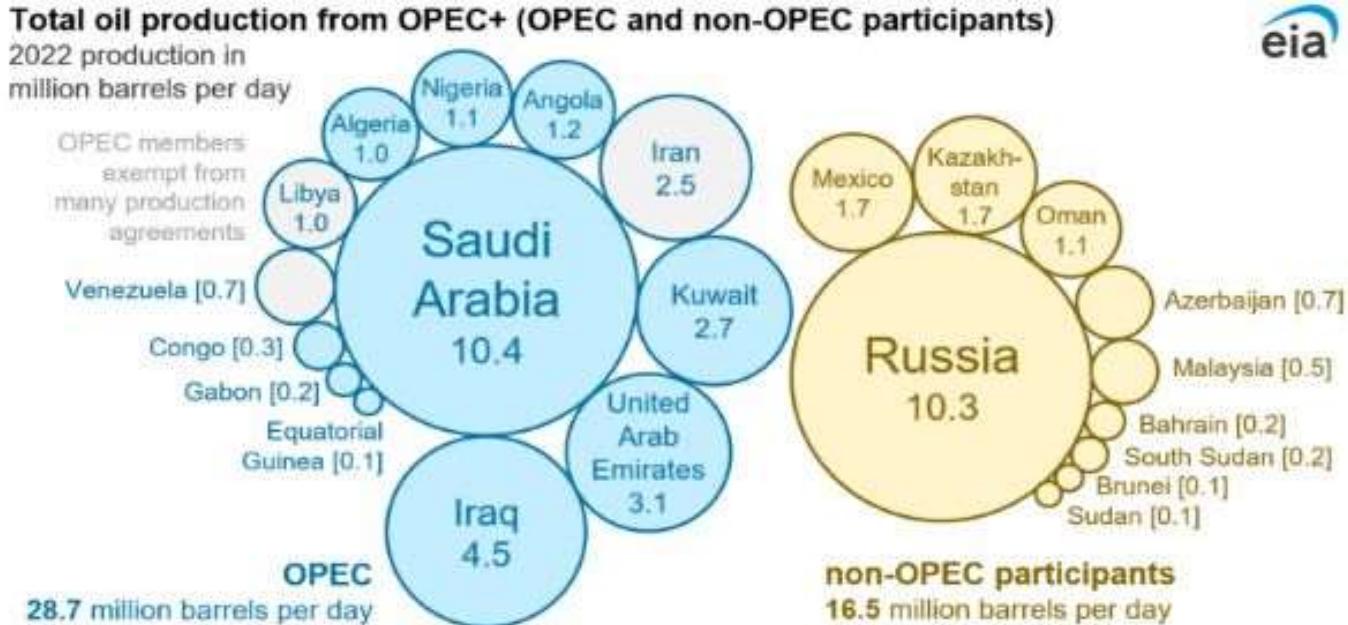
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- These nations aim to **work together on adjusting crude oil production to bring stability** to the oil market.
- **Production Share:** OPEC+ nations account for **approximately 40% of global crude oil production.**
- **At the core of this group are the 13 members of OPEC (the Organization of the Oil Exporting Countries),** which are mainly Middle Eastern and African countries.
- **Members:** It comprises 13 OPEC countries plus Azerbaijan, Bahrain, Brunei, Kazakhstan, Russia, Mexico, Malaysia, South Sudan, Sudan, Oman & Brazil.



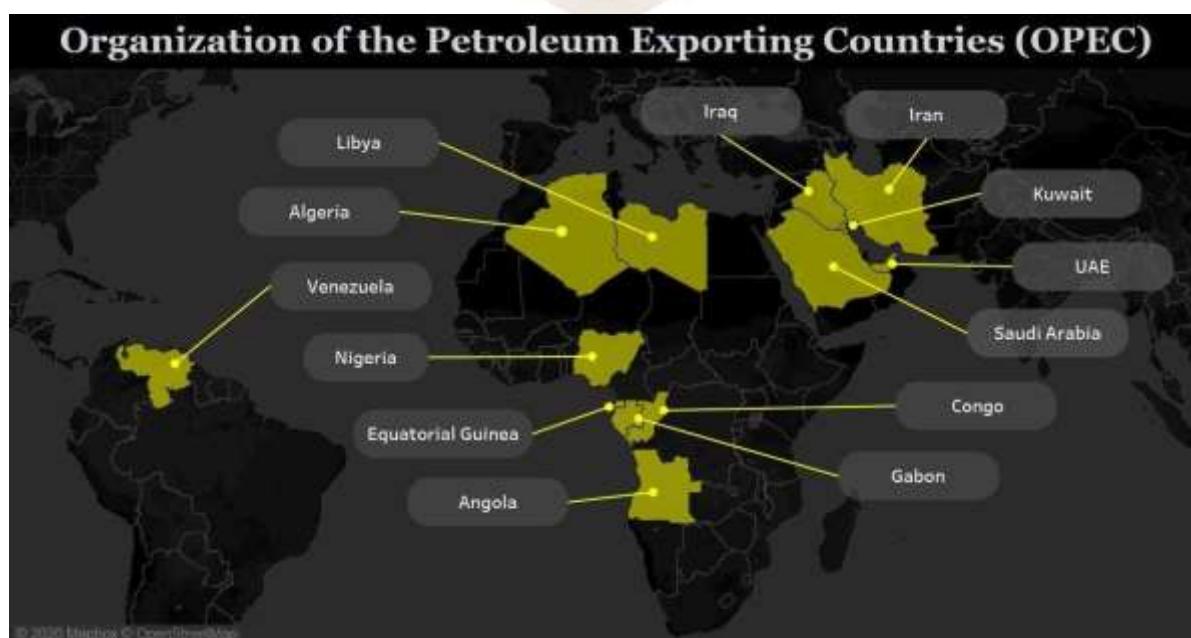
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## ABOUT OPEC

- It is a permanent **intergovernmental organization of oil-exporting countries**.
- **Mission:**
  - To **coordinate and unify the petroleum policies** of its Member Countries.
  - Ensure the **stabilization of oil prices in the international oil markets**, with a view to eliminating harmful and unnecessary fluctuations.
- **Formation:** It was **established in 1960** by the five founding members **Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela**.
- **Currently, it has 13 members**, including **Algeria, Angola, Congo, Equatorial Guinea, Gabon, Libya, Nigeria, and the United Arab Emirates**
- **Headquarters:** Vienna, Austria.



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## ABOUT BRAZIL'S OIL SECTOR

- **Oil Production:** Brazil is the **7th-largest** global oil producer, **producing 4.3 million barrels per day** (roughly 4% of global output).
- **Oil Exports:** In 2024, **crude oil became Brazil's top export**, surpassing **soybeans** and accounting for 13.3% of the country's total exports.

## LULA'S ENERGY STRATEGY



- **President Lula's Position:** President Luiz Inácio Lula da Silva envisions **using oil revenues to fund a shift toward renewable energy** while continuing efforts to reduce Amazon deforestation and safeguard Indigenous rights.
- **Exploratory Drilling:** Lula has advocated for **drilling in the Amazon River region**, a highly biodiverse area, to access untapped oil reserves.

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## CRITICISM BEFORE CoP 30 OF UNFCCC

- **Climate Debate:** Brazil's growing oil production has drawn criticism, especially as the country prepares to host COP 30 in November 2025.
- Climate advocates warn that expanding fossil fuel exploration undermines efforts to combat climate change and reduce global carbon emissions.
- **Opposition to OPEC+ Membership:** Suely Araújo from the Climate Observatory argued that joining OPEC+ and opening new fossil fuel exploration areas is a step backward in addressing climate change. This is especially concerning ahead of COP30, where reducing fossil fuel reliance is a key focus.

## GLOBAL CLIMATE CONTEXT

- **COP30 Role:** Brazil will host the 2025 CoP 30 climate summit, where global leaders will discuss climate change mitigation strategies.
- Brazil's dual role as both an oil producer and a climate summit host will be under close scrutiny.
- **The Challenge Ahead:** Brazil faces the challenge of reconciling its expanding oil production with global calls for more sustainable energy practices.
- Its oil policies will be a key point of discussion and critique during COP 30.

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## MULLAPERIYAR DAM

On **February 19, 2025**, the **Supreme Court** directed a **newly formed supervisory committee** to look into **Tamil Nadu's** concerns about **Kerala's** handling of the 125-year-old **Mullaperiyar dam**.

- **Tamil Nadu** has accused **Kerala** of delaying essential maintenance work on the dam, such as repairs and granting permits.
- **Kerala** has raised safety concerns about the dam but has obstructed necessary work to strengthen it.
- The committee, which is chaired by the head of the **National Dam Safety Authority**, has been given responsibility with finding a solution that is agreeable to both **Tamil Nadu** and **Kerala**.
- If the dispute continues, the committee is to report back to the court. The court also asked for all related petitions to be brought before one bench for efficient hearing.

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## HISTORY OF THE DAM



- **Location:** The dam is located in the **Cardamom Hills, Western Ghats**, in the **Idukki district of Kerala**, at an altitude of 881 meters (2,890 feet) above sea level.
- **Construction:** Built between **1887-1895** by British engineer **John Pennycuick** to divert water from the **Periyar River** to irrigate the arid regions of **Tamil Nadu**. The project aimed to convert barren lands into fertile agricultural areas.
- **Initial Agreement:** The agreement for water sharing was between the **Pandya Kings** and the **Travancore Kingdom**, later formalized into a 999-year lease in **1886** between the **Maharaja of Travancore** and the **British government**.

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- **Post-Independence:** Following India's independence and the formation of **Kerala** and **Tamil Nadu**, **Kerala** contested the validity of the **1886 agreement**, seeking a revised arrangement. However, negotiations failed until the **1970 renewal** of the agreement under **Kerala's Chief Minister C. Achutha Menon**.

## MULLAPERIYAR DAM DISPUTE

- **Kerala's Concerns:** **Kerala** raised concerns about the dam's safety, particularly its age (126 years), its structural integrity, and the threat posed by seismic activity in the region.
  - **Kerala** fears that any earthquake over a magnitude of 6 on the **Richter scale** could trigger a disaster, endangering millions of lives.
- **Tamil Nadu's Position:** **Tamil Nadu** contends that the dam is safe and operational, with strengthening measures implemented over the years.
  - It also argues that the current water level limit of **136 feet** should be raised to **142 feet** to meet the irrigation and water needs of several districts in **Tamil Nadu**.

## SC'S INVOLVEMENT

- **2006:** SC allowed raising the water level to **142 feet**, pending necessary repairs.

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- **2010:** SC formed a **five-member** empowered committee, which confirmed the dam's structural safety but recommended repairs.
- **2014:** The Supreme Court declared **Kerala's Irrigation Act of 2006** unconstitutional, allowing **Tamil Nadu** to raise the water level to **142 feet** and establishing a permanent **Supervisory Committee** to oversee safety concerns.

## CORE ISSUE:

- **Dam Safety & Monitoring:** Concerns regarding the instrumentation and safety monitoring of the dam.
- **Rule Curve Finalization:** The "rule curve" determines the fluctuating water levels in the reservoir, critical for dam safety. Delays in its finalization have been a major point of contention.
- **Gate Operation Schedule:** Disagreements over the outdated gate operation schedule **(since 1939)**, which is seen as a safety risk.

## KEY DEVELOPMENTS

- **Dam Safety Act 2021:** This Act mandates the creation of the **National Dam Safety Authority (NDSA)**, ensuring proper surveillance and maintenance of dams, including

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**Mullaperiyar.** It also introduces accountability measures for non-compliance, with penalties such as imprisonment or fines.

- **Committee Reform:** In 2022, the **Supreme Court** reformed the supervisory committee to include technical experts from both **Kerala** and **Tamil Nadu**. The committee's role mirrors that of the **NDSA** and holds the power to make binding decisions regarding dam safety.

## ARGUMENTS FROM BOTH STATES

- **Kerala:** Argues that the dam is unsafe due to its age and the seismic risk in the region.
  - **Kerala** advocates for constructing a new dam or decommissioning the current one to ensure the safety of millions of lives.
- **Tamil Nadu:** Insists that the dam is well-maintained and that the rise in water level to **142 feet** is essential for meeting agricultural and domestic water needs in **Tamil Nadu**.
  - They have also criticized **Kerala** for obstructing the finalization of the rule curve.

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# ECONOMIC SURVEY: (CHAPTER 3)

## GLOBAL ECONOMIC UNCERTAINTY & INDIA'S EXTERNAL SECTOR (PART 2)

### Part 10: Services Trade Resilience Amidst Global Challenges

#### Growth of Services Exports:

- Resilience and Growth:** India's services exports have shown strong resilience, especially amid global uncertainties.
- Performance in FY 25:** Between April and December 2024, services exports grew by 11.6%, outperforming merchandise exports, which faced a slowdown.
- Net Services Receipts:** Increased from USD 120.1 billion in FY24 to USD 131.3 billion during the same period in FY25.

#### Global Positioning in Services Exports:

- Key Service Sectors:**
  - IT and Business Services:** India is the world's second-largest exporter, contributing over 10% to global exports in this sector.

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- **Telecommunications and Computer Services:** India holds 10.2% of the global market, reflecting its strong position in IT outsourcing and digital services.
- **Other Business Services:** India commands 7.2% of the global share, ranking as the third-largest exporter in this category.
- **Travel and Transport Services:** Account for a smaller share in global exports (2.1% and 2.2% respectively), but there is significant potential for growth.
- **Financial Services:** Underdeveloped, offering substantial potential for future expansion.

## Part 11: India's E-Commerce Exports

### E-Commerce Growth in India:

- **Rapid Expansion:** India's e-commerce sector has grown rapidly, driven by advancements in technology, online payments, and digital marketing.
- **Market Value:** In 2022, India's B2C e-commerce market was valued at USD 83 billion, expected to grow to USD 150 billion by 2026.
- **E-commerce Exports:** Valued at USD 4 to 5 billion in FY23 and are projected to reach USD 200 to 300 billion by 2030.

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## Factors Driving E-Commerce Exports:

- **Digital Infrastructure:** Increased internet connectivity and smartphone penetration have facilitated e-commerce transactions.
- **Government Support:** Initiatives like **Make in India** and **Atma Nirbhar Bharat** have supported MSMEs and e-commerce exporters, creating a favorable environment for cross-border digital trade.
- **GST and Other Policies:** The introduction of zero-rated supplies under the GST regime and other financial support measures, such as export credits and e-commerce export hubs, have further bolstered the sector.

## Challenges and Opportunities:

- **Regulatory Frameworks:** Challenges remain, particularly related to customs verification, which hinder operational efficiency.
- **Growth Potential:** Addressing these obstacles can unlock more growth potential, positioning India as a key player in global e-commerce.

## Part 12: Ease of Doing Business Initiatives for Exporters

### Enhancing Logistics Efficiency:

- **Focus:** Improving logistics to strengthen India's manufacturing and export capabilities.
- **Measures:**

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- Development of logistics hubs.
- Investment in infrastructure.
- Policy reforms aimed at improving supply chain efficiency.
- **Goal:** Lower costs for businesses, make exports more competitive, and enable quicker movement of goods.

### **Paperless e-Bank Realisation Certificate (eBRC) System:**

- **Impact:**
  - Reduced costs by ₹125 crore annually through handling over 2.5 million e-BRCs.
  - Streamlined processes for exporters, helping them benefit from schemes under the **Foreign Trade Policy (FTP)**.
  - Particularly beneficial for small exporters, including e-commerce, by enabling efficient handling of high-volume, low-cost transactions.

### **Trade Connect e-Platform:**

- **Overview:** A new single-window digital platform by the Directorate General of Foreign Trade (DGFT).
- **Target Audience:** Exporters, particularly MSMEs (Micro, Small, and Medium Enterprises).

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- **Features:**

- Connects exporters to key government entities, such as Indian Missions abroad, Export Promotion Councils, and trade experts.
- Provides near real-time trade-related information and support.
- Will serve over 6 lakh Importer Exporter Code (IEC) holders and thousands of government officials.

- **Purpose:** Help exporters access new markets and streamline their export journey.

### **DGFT Trade Facilitation Mobile App:**

- **Features:**

- Provides updates on FTP, export/import policies, and export/import statistics.
- Offers 24/7 virtual assistance.
- Allows auto-generation of IEC, cutting down on approval wait times.

## **Part 13: Balance of Payments: Resilience Amid Challenges**

### **Current Account Deficit (CAD):**

- **Moderation in CAD:** The CAD reduced slightly to 1.2% of GDP in Q2 FY 25 compared to 1.3% in Q2 FY 24.

- **Factors:**

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- The increase in the merchandise trade deficit (USD 75.3 billion in Q2 FY 25) was offset by rising net service receipts (USD 44.5 billion in Q2 FY 25, up from USD 39.9 billion in FY 24) and increased private transfer receipts (mainly remittances from Indians abroad).

### **India's Position in Global Comparison:**

- **Relative Stability:** India's CAD is manageable compared to other G20 economies, such as Brazil and Australia, which faced higher pressures.
- **Private Transfers:** Continued strong inflows, with remittances rising from USD 28.1 billion in Q2 FY24 to USD 31.9 billion in Q2 FY25.

### **Capital and Financial Account:**

- **Capital Inflows:**
  - **Significant Growth:** In Q2 FY25, net capital inflows stood at USD 30.5 billion, a rise from USD 12.8 billion in the same period of FY24.
  - **Sources of Inflows:**
    - Foreign Portfolio Investment (FPI)
    - External Commercial Borrowings (ECBs)
    - Non-Resident Indian (NRI) deposits.

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- **Foreign Direct Investment (FDI):**

- **Growth in FDI:** Gross FDI increased by 17.9% YoY, reaching USD 55.6 billion in the first 8 months of FY25.
- **Long-term Outlook:** FDI inflows into India have exceeded USD 1 trillion since April 2000, reflecting India's position as a key global investment destination.

### Challenges and Strategies for Sustaining FDI:

- **Decline in Net FDI:** Net FDI inflows dropped significantly in FY25 (USD 0.48 billion) compared to previous years (USD 8.5 billion in FY24). The decline is linked to higher repatriations, reflecting investor exits and profits.
- **Global FDI Trends:** FDI globally has been impacted by factors like inflation, rising interest rates, and geopolitical tensions.
- **India's Strategy:**
  - **Attracting More FDI:** India must continue to improve its investment environment, ensuring tax certainty and stability, particularly regarding Advance Pricing Agreements (APA).
  - **Improving Investment Efficiency:** If attracting more FDI is challenging, India should focus on investment efficiency, as deregulation and Ease of Doing Business reforms can help achieve this.

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## MCQs

1. Which of these countries is not part of OPEC+?

- (A) Guyana
- (B) Russia
- (C) South Sudan
- (D) Brunei

**Ans. (A)**

2. Consider the following statements wrt OPEC & mark the correct one:

- 1. OPEC is an intergovernmental organisation with 13 member countries from Asia & Africa only.
- 2. It is headquartered in Vienna, Austria.

- (A) Only 1
- (B) Only 2
- (C) Both 1 & 2
- (D) Neither 1 nor 2

**Ans. (B)**

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3. In which hills is the Mullaperiyar dam located?

- (A) Nilgiri Hills
- (B) Agasthyamalai Hills
- (C) Annamalai Hills
- (D) Cardamom Hills

**Ans. (D)**

4. Which factors have led to rise in exports from the e commerce sector?

- 1. Digitalisation
- 2. Make In India
- 3. GST

- (A) Only 1
- (B) Only 1 & 2
- (C) Only 1 & 3
- (D) All of the above

**Ans. (D)**

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