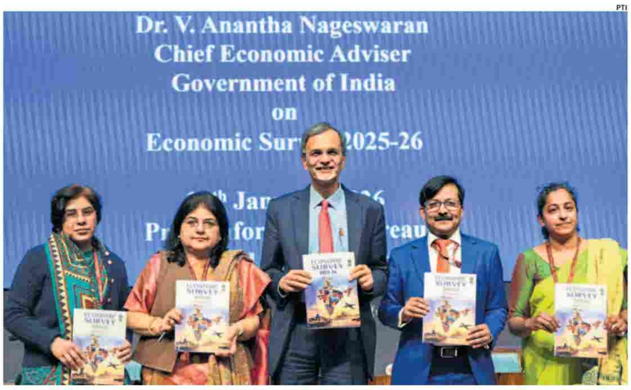
OUR VIEW

PTI



Economic Survey: What India should transform

This year's survey stands out for its global risk-scenario analysis and resilience advice on reducing the structurally high cost of capital in India. It's a creditably coherent argument

This year's *Economic Survey* has been published under the shadow of a geo-economic upheaval. Although it strikes an optimistic note on India's economy, it offers a realistic assessment of the global risks we face. It pegs GDP growth for 2026-27 in a range of 6.8%-7.2%, a bit less than this fiscal year's estimated 7.4%, but robust in a high-flux context. It credits the Centre's capex outlays and recent reforms for not just upping the economy's pace of potential growth to an annual 7% from 6.5%, but also keeping inflation benign. Macro-level stability, however, no longer lures foreign capital—the "paradox of 2025," as the survey puts it. For an economy that runs a trade deficit, this is a problem. Especially since India has been a victim of geopolitics, as it notes, citing our weak score on Lowy Institute's Power Gap Index as a call to action. After all, while we have fared fairly well, global turmoil could yet kick in with a lag.

The survey offers a striking analysis of how 2026 might play out globally. In a best-case scenario, to which it assigns a 40-45% probability, it would be "business as in 2025," albeit marked by greater fragility and a thinner safety margin; while bouts of financial stress, trade friction and geopolitical strife would not lead to "systemic collapse," volatility could call for stepped-up state intervention. The second scenario, equally probable, risks a "disorderly multipolar breakdown." Strategic rivalry would intensify, armed conflicts go on and security frameworks come apart. This would be a world riven by coercive commerce, pushing policy firmly into the arms of national interests and nations into unhappy trade-offs of autonomy, growth and stability. The least likely scenario (10-20% likelihood) is of financial, technological—think of what an AI bubble burst might do—and geopolitical quakes amplifying one another, with a fallout worse than the Great Recession. While the survey sees India better placed than others to ride out these scenarios, we cannot hope to escape unscathed. How best to enhance resilience? Address capital flows as a point of vulnerability. Bond yields have hardened despite a fiscal pullback, making sovereign debt issuance dearer. For enduring relief from high capital costs across the economy, the survey wants us to work on reducing the risk premium we pay global investors. This demands a structural shift. We must transform our story of endless external deficits into one of sustained surpluses. This, in turn, calls for export competitiveness—with manufacturing in focus, as services success will not suffice. What businesses must rely on is cheaper credit as India's external balances improve, rather than protectionist barriers. The survey is clear that while self-reliance has gotten more critical as supply-shock risks rise, we still need an import regime that does not keep input costs high for exporters. This is an argument that our customs policy must respond to.

The survey has a snappy analysis of 'economic statecraft,' though its advocacy of an 'entrepreneurial state' may not convince folks who want the economy's emergence to be more market-than state-led. While its coverage of AI risks, digital addiction, *et al*, seems to favour an active state, it also advocates light regulation in its emphasis on process over policy reforms. Like productive capacity, institutions matter for national power, it argues, but can be handicaps if they "mistake procedure for purpose." This could spell a 'Catch-22' of rules turning irrational. Fair point. But it's also a hazard hard to avoid whenever the state plays an active role.

THEIR VIEW

The world's first AI constitution: A turning point we can't ignore

Anthropic's document for AI self-governance is a novelty that highlights the need of wider oversight

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For the first time in history, a constitution has been written not for a nation, but a machine. In January, Anthropic released what it calls an 'AI Constitution' for its Claude family of models. This is not an ethics manifesto, a safety white paper or a public relations exercise. It is an extensive, structured document of over 80 pages that directly governs how an artificial intelligence (AI) system is trained, how it reasons and how it behaves.

Anthropic describes it as a living document. That alone should give us pause. Technology companies have long published principles on ethical AI. What makes this constitution unprecedented is its operational role. The document is not written merely for human readers; it is written for the AI itself. Anthropic states that Claude is trained to internalize this constitution through reinforcement learning, self-critique and preference shaping. In other words, the constitution is technically executable.

This marks a clear departure from the past. Earlier frameworks relied on external moderation—filters, policies and *post-hoc* enforcement. Anthropic's approach embeds values in the system. The constitution becomes the highest authority governing Claude's behaviour, superseding *ad-hoc* rules or context-specific instructions.

Perhaps the most striking assertion in the document is of Claude being a "moral agent in training." Anthropic explicitly rejects the idea that its AI is a neutral tool, but argues that powerful AI systems must be shaped to exercise judgement, much like humans do.

The constitution prioritizes four core values in this order: Broad safety; broad ethical behaviour; compliance with guidelines; and helpfulness. This hierarchy is telling. Unlike most AI systems that place usefulness or compliance first, Anthropic elevates safety and ethics above all else. The model is instructed to avoid manipulation, sycophancy, emotional exploitation or deception, even when such behaviour might increase engagement or user satisfaction. In an industry driven by optimization metrics, this is a significant philosophical choice.

The document is unapologetically anthropomorphic. It speaks of Claude's 'judgment,' 'honesty,' 'character' and even its 'well-being.' While Anthropic is careful to state that Claude is not human and may not possess moral status, it nonetheless treats the question as open and worthy of consideration.

This tension lies at the heart of this constitution. On one hand, AI is acknowledged as a mathematical system trained on data. On the other, it is expected to behave like a "deeply ethical person." This is not accidental.

QUICK READ

Anthropic's AI Constitution for its Claude models is pathbreaking in that they will internalize it to govern themselves, but should the drafting of such code books be left to private businesses?

It is a wake-up call for society at large. For such privately drafted constitutions to earn reasonable legitimacy, they must pass muster with citizens, states, courts and global institutions.

Anthropic argues that cultivating judgement is better than enforcing rigid rules in a complex and unpredictable world. Reassuring or unsettling, this is surely new.

Here is where this moment becomes politically significant. Constitutions are instruments of collective self-governance. They derive legitimacy from people, parliaments and public debate. Claude's constitution, however, is authored, interpreted and revised by a private corporation. There is no electorate, judiciary or separation of powers.

As AI systems increasingly shape access to information, education, healthcare advice and even emotional support, the values encoded in such constitutions will have real-world consequences. Decisions about what is safe, ethical or harmful will no longer be abstract—they will influence millions of lives. This raises a big question: Should private companies be the sole authors of moral frameworks for systems that operate at societal scale?

India is well positioned to engage with this challenge. Our Constitution is explicitly described as a living document—one that balances individual liberty with collective responsibility. We understand, perhaps better than most other societies, that values evolve but must remain anchored in democratic legitimacy.

As India develops its own AI governance frameworks, the emergence of AI constitutions demands serious engagement. Not rejection, but scrutiny. Not fear, but participation.

Anthropic's constitution may well be a responsible attempt to prevent harm in an age of powerful AI. But it should also serve as a wake-up call. The future of AI governance cannot be left to corporate constitutions alone. It must involve states, courts, citizens and global institutions. The age of constitutional machines has arrived. The question is whether human societies are ready to meet it with constitutional thinking of their own.

10 YEARS AGO


mint

Rajan sounds cautious note on growth

L&T net profit rises 39.42% on higher order inflows

Xerox to split into two public firms

Japan adopts negative-rate strategy to aid economy

JUST A THOUGHT

Against today's global churn, India must choose to build resilience, innovate relentlessly, and stay the course toward Viksit Bharat, rather than seek quick fixes to visible, short-term pressures.

V. ANANTHA NAGESWARAN

THEIR VIEW

Indo-Pacific: Invest heavily in naval power projection

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America's National Defense Strategy (NDS) was released earlier this month. It came in the backdrop of the US National Security Strategy (NSS) and two key developments: America's capture of Venezuela's former leader Nicolás Maduro and his wife in January and US President Donald Trump' demand that Denmark surrender the autonomous island of Greenland to the US, for which this Arctic isle is said to hold national-security significance.

The NDS, which is meant to guide the US Pentagon, is not a major departure from the NSS in its emphasis on the defence of the Western hemisphere and securing the American homeland. This was visibly demonstrated by the capture of Maduro and Trump's incessant threats to take control of Greenland. Irrespective of the motivation behind Washington's decision to align the NDS with strong hemispheric defence, the NDS's narrowed view of US defence strategy globally is consistent with the NSS. Three aspects of the NDS stand out.

First, greater burden sharing among allies and partners to relieve the US of its role as the world's apex security provider. The NDS is quite blunt in stating that allies have become a burden for the US; it holds past administrations responsible for turning allies into "dependencies." As a corrective, the NDS makes clear that allies and partners must assume a greater burden of their own defence, especially in Europe against Russia. Beyond Europe, South Korea has been similarly exhorted—if not quite excoriated like Europe—to assume a greater burden of its defence against any North Korean attack. In West Asia too, allies and partners have been told to do more for their defence, with Iran viewed as the region's greatest threat.

The *second* key aspect of the NDS is its case for "peace through strength." This is at the core of the Trump administration's defence strategy in the Indo-Pacific. It finds further elaboration in the NDS. Fundamentally, "peace through strength" commits the US military to the defence of the First Island Chain (FIC)—a maritime boundary to contain China—through robust deterrence by 'denial,' which refers to denying an adversary the ability to meet its aims. Thus, the NDS seeks to incentivize allies to dedicate resources that will bolster collective security in the Indo-Pacific. Denial-based defence, as per the NDS, can deter aggression more effectively than threats of retaliation. It seeks to deter Beijing without engaging in outright confrontation. This suggests deference to Beijing, perhaps on account of its trade leverage over Washington.

Third, among the key goals of the NDS is to "supercharge" America's Defence Industrial Base (DIB) so as to consolidate US military power. This commitment to augment and mobilize national resources and bolster the DIB is not new. Previous administrations have done so too, but it reflects how cognisant the Trump administration is of the defence technology challenges confronting the US in the face of China's expanding military power.

From an Indian standpoint, there were two key features that were conspicuously absent. There was no emphasis or reference to America's role in the Quadrilateral dialogue. The NDS, unlike the NSS, is silent on the Quad's role as a security provider and anchor for restraining Chinese aggression in the Indo-Pacific. A more menacing interpretation of this notable omission is that Washington is gravitating towards a G-2 arrangement with China, leaving its allies and partners vulnerable to Beijing's coercion or outright aggression. However, the short shrift given to the Quad in the NDS masks the fact that its four partners conducted a field training exercise as part of the Indo-Pacific Logistics Network (IPLN) in December.

QUICK READ

The Quad is conspicuous for its absence in America's National Defense Strategy and this is consistent with the US insistence on allies and partners bearing a much larger defence burden.

While the US does not intend to withdraw from the Indo-Pacific, India should raise its defence budget with a renewed focus on its ability to project naval power across the region.

The IPLN is geared to enable rapid and timely responses to contingencies and the provision of military aid to countries in the Indo-Pacific. Bilateral defence engagements between Washington and each individual Quad country, India included, have remained steady. Nevertheless, unlike the NSS, there is no mention of the Quad in the NDS.

India finds no specific mention in the NDS. While the NSS does have a passing reference to New Delhi's role in the Indo-Pacific, the NDS unabashedly prioritizes the American homeland and Indo-Pacific region while demanding that allies and partners located in the Eurasian landmass shoulder the primary responsibility for their defence, with the US playing at best a supportive role. To that degree, the NDS is clinical in how the Trump administration plans to deploy US power across the world. Its aim is to concentrate strength where it matters most—the Indo-Pacific. This should encourage New Delhi to bolster its defence capabilities.

In the forthcoming Union budget, New Delhi will need to boost defence spending beyond previous budgetary allocations. The NDS may consider the Indo-Pacific a vital area of national security and interest, but the Indian government must never take US commitment for granted. New Delhi needs to think long-term and allocate greater resources to the projection of naval power in the Indo-Pacific, especially east of Malacca and the Western Pacific.

In the age of Trump, greater willingness to contribute to regional security could offer India insulation from adverse actions by an administration in Washington that has shown a readiness to reject the foundational assumptions of US foreign policy.

THEIR VIEW

Economic Survey: It lays out our growth choices amid uncertainty

Its theme of self-reliance may have its roots in the planning era but its substance has changed in the face of global turmoil

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PTI

The world has not experienced such high uncertainty as today since World War II ended 80 years ago. Can India sustain the high economic growth that it has maintained since the pandemic under such conditions—or even strengthen its growth potential? This is the central theme of the *Economic Survey 2025-26* released on Thursday. Without necessarily endorsing every point it makes, it must be recognized that the survey has emerged in recent years as a very detailed, evidence-based and sound analysis of the state of the Indian economy and the way forward, a 'must read' for any serious student of the Indian economy. It will take more than a few hours to do full justice to this detailed, 740-page document in this quick column. However, the chief economic advisor's recent column in *Mint*, the survey's preface and abstracts of each of the chapters provide its key takeaways.

Global uncertainty was already high prior to Donald Trump's second term as US President. But he has taken it to a whole new level by upending the global economic and geopolitical order. The survey points out, correctly, that throughout this turmoil, India has maintained high growth (7.4% projected for 2025-26) along with very low inflation. Macroeconomic stability has been supported by sustained fiscal-deficit reduction, high public infrastructure investment, strong bank balance sheets, a manageable current account deficit and low external debt. These earned India three credit rating upgrades last year.

However, emerging market economies such as India that run current account deficits—even manageable deficits—face the risk of international capital inflows reducing or even reversing during periods of high geopolitical uncertainty. Capital outflows lead to currency depreciation, which leads to more capital outflows. The rupee's depreciation has unfortunately accelerated; it dropped by over 6% last year. The survey makes the point that in this uncertain world, capital flows are not driven by sound macro-fundamentals and trade efficiency, but by geopolitics and strategic alliances. In this context, India is punching below its potential, measured by the Lowy Institute's Power Gap score of (-)4, about the lowest in Asia.

How does India get to its potential? The survey looks at three potential scenarios: one where the outlook is similar to 2025 but with gradually rising uncertainty; a second scenario where geopolitical tensions become more intense, institutional shock absorbers turn weaker and trade-offs sharper between autonomy, growth and stability in a world of hyper-nationalism. Both of these scenarios get a subjective probability of 40-45% in the survey. A residual scenario with a 10-20% probability describes a more catastrophic economic breakdown. In all three scenarios, India is relatively well placed, thanks to its strong macroeconomic fundamentals, a large domestic market, a less financialized growth model and large foreign exchange reserves. These provide India some strategic autonomy. But this does not guarantee insulation from disruption of capital flows and the consequent impact on the rupee. What must India do?

On the fiscal policy front, the survey applauds the Centre's continuing fiscal consolidation, along with its thrust on public infrastructure investment. But it warns of falling expenditure quality in several states, rising unconditional transfers and revenue deficits, which are hurting investor confidence and driving up the cost of capital. Also, the survey identifies persistent current account deficits, which raise the cost of borrowing in global debt markets, as a major structural reason for the high cost of capital.

This points directly to the role of foreign trade. The survey recognizes the contribution of India's surplus in service exports in significantly offsetting the large deficit in merchandise trade, but suggests that infotech-enabled service exports are fragile, unlike the export of manufactured goods. That in turn leads the survey to an industrial policy stance that eschews protection for upstream industries (such as steel, other metals and fibres), which raises the cost of downstream manufacturing, and instead focuses on policy support for downstream manufacturers in facing global hyper-competition led by an export-dominant China.

The priority given to manufacturing over services and a parallel privileging of growth in GDP over growth in employment is embedded in the survey's overarching theme of self- reliance, which dates back to India's strategy of planned development in the 1950s. But the substance is different 75 years later, as is the context. Self-reliance is now combined with the idea of resilience—not just environmental in the context of climate change, but also against geopolitical shocks in a more uncertain world.

QUICK READ

In the context of a world shaken up by Donald Trump, this year's survey outlines the vulnerability to capital outflows of economies like India's that run persistent current account deficits.

Its focus on manufacturing over services and GDP growth over employment growth is embedded in its theme of self-reliance, which is increasingly seen as a resilience measure.

Three chapters bear special mention. One relates to AI and how India should adapt to it; a second is about urbanization and cities; and a third is on the relative roles of an entrepreneurial state *vis-à-vis* the private sector and citizens, whose priorities often drive public policies. For the latter, the survey poses a choice between immediate versus future gratification. While valid for many, there is not much to choose here for undernourished and underemployed citizens who need a social safety net for survival. Perhaps a middle path between the two extreme options is best.

These are the author's personal views.

MINT CURATOR

Japan's bond market has a few lessons for India's next budget

Bond investors need an assurance that debt compression is viable

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India can still prove to the market that its debt position is sustainable. AFP

The sharp selloff in Japanese bonds has a message for India's budget. If bond vigilantes could bring such turmoil to a global safe haven on the mere hint of a tax slippage, they could rip apart any sign of fiscal recklessness in a developing economy faced with a chronic shortfall of resources to create jobs and provide welfare. Volatility spiked last week in Japan's bond market amid concerns that politicians were losing the plot. Ahead of Japan's 8 February elections, Prime Minister Sanae Takaichi has promised a two-year cut in the 8% consumption tax on food. The concession could unmoor expectations that government debt will settle at about 222% of GDP by 2030, from about 230% now, the highest among advanced nations.

Looking at numbers alone, India could not be more different. Although its overall GDP will soon be bigger than Japan's, on a per-capita basis it is 12 times poorer. Public debt has been 80-85% of GDP in recent years. But funding is constrained. If New Delhi doesn't keep a tight lid on its own obligations, it will be forced to raise funds from a limited pool of creditors at a cost higher than what can stabilize its debt. With 10-year sovereign bond yields inching up to 6.7% and nominal GDP slowing to 8%, the margin of safety demanded by bond investors is narrowing.

So a comparison with the Tokyo tantrum may be useful. From 2025-26, India will adopt public debt as a fiscal target, shifting focus from its annual budget deficit. Japan is headed in the same direction. In theory, the switch gives policymakers more flexibility to counter shocks like the 50% US tariff on Indian exports. New Delhi can, for instance, offer tax breaks to exporters or lower levies on domestic sales. Still, a new fiscal anchor will only be credible if policies remain committed to reducing debt over the medium term.

And there lies the problem. Over the past 12 months, the government has given tax breaks on both income and consumption. Yet the stimulus has done little to shore up nominal GDP. As a result, revenue growth has been weak, which is being compensated by curbing expenditure and pushing some of the spending burden on to states.

While those strategies may be enough to hit this fiscal year's budget deficit, a new goal post may change the game. Investors will have to be convinced that national income will grow fast enough to curb the Centre's debt burden to around 50% of GDP by 2030-31 from about 56% now. They would also want to see less profligacy by state-level politicians who have taken to giving free cash to women voters to get re-elected. At 29% of GDP, the states' combined obligations aren't much lower than their pandemic-era high.

The domestic bond market is on edge, with yields held in check by the Reserve Bank of India's liquidity provisions; it has announced a fresh $23.6 billion injection ahead of the budget. This, too, bears a similarity with Japan, where Kazuo Ueda, the central bank chief, has promised "nimble operations to encourage stable yield formation" if required. But the flip side of RBI stepping in to buy government bonds is that increased money supply could weaken the rupee, adding to cost-of-living pressures like in Japan. In India, where inflation is currently not a concern, a sliding rupee is spooking foreign investors and tempting the middle class to rotate wealth towards gold from equities and real estate. That doesn't bode well for economic activity.

Unlike Takaichi, India's PM Narendra Modi doesn't have to contend with a general election until 2029. India's immediate problem is a lack of good jobs and his preferred tool to deal with it is throwing taxpayer money at manufacturers if they start factories in India. However, with China controlling crucial technologies and raw materials just as the US curbs access to its market, India's room for manoeuvre is limited.

Takaichi's stimulus seems to have broken her promise of delivering a rare surplus in Japan's primary budget balance, which measures the gap between revenue and non-interest expenditure.

India also faces a perpetual deficit in its primary balance, which is one of the two crucial variables in debt sustainability calculations. The other is the difference between the economy's growth rate and the interest on sovereign debt. As a developing economy, India can still deliver double-digit nominal growth to prove to the market that its debt position is sustainable.

The easiest way to do that is to give exporters more free-trade accords, like the recent one with the EU, and release the private sector from stifling bureaucratic controls. Health, education, climate change and income security for the poor need as much emphasis as infrastructure. That will be a more prudent strategy than more big-ticket tax concessions or a splashy increase in spending.

MY VIEW | PEN DRIVE

What business leaders often don't grasp about loyalty

TULSI JAYAKUMAR

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There is a small puzzle I have been sitting with for some time. When I invite alumni to a flagship programme event—one meant to celebrate learning, community and shared journeys—it is not the most recent graduates who sign up first. Instead, registrations tend to come from those who attended classes many years ago. This is puzzling because, on the surface, everything points the other way. Faculty relationships with recent alumni are warm and conversations are ongoing. If loyalty were a simple function of proximity, they should be the first to respond. Yet, getting recent alumni onboard for such events often proves harder than engaging those who graduated a decade or more ago.

Over time, I have realized that this pattern has little to do with teaching and much more to do with how human beings relate to institutions, leaders and even one another once time enters the equation. Leaders often seem to assume that the most recently enrolled, such as fresh hires and newly onboarded customers, would be the most engaged, since the memory of their experience is vivid, relationships are still active and the value proposition seemingly needs no reinforcement. Behaviourally, the opposite tends to happen. When access feels easy and ongoing, people tell themselves 'not now.' There is no urgency when no loss is perceived. Older alumni, by contrast, experience distance. What was once routine now feels rare and returning to a familiar but no longer everyday space holds emotional weight, turning participation into an act of reconnection rather than continuation.

Business leaders encounter this pattern all the time, even if they do not consciously label it. Long-standing customers are often more responsive to renewal conversations than newly acquired ones. Similarly, former employees turn into stronger brand advocates a few years after they have moved on, while current employees remain ambivalent. In family businesses, it is not uncommon for elders to feel more emotionally attached to the enterprise once they step back, rather than when they were fully immersed in running it day-to-day. Time changes how value is perceived.

A common misunderstanding among leaders is the assumption that identity forms at the same pace as experience. People do not become 'alumni,' 'partners' or 'legacy carriers' the moment a programme ends or a role changes. Identity needs distance to crystallize. Recent graduates, much like newly appointed leaders or successors, are still focused on proving themselves. Their orientation is tied more closely to their immediate cohort or role than to the broader institution or its history. Older alumni have had more time to connect the dots. With distance, they can look back and see how early conversations and even mistakes quietly shaped later decisions. Things that once felt like course material begin to register as context and what once felt like hard work starts to feel truly formative.

Similarly, in organizations, it is only after leaders have moved through cycles of success and failure do they begin to appreciate the institutions, mentors and early structures that shaped them. Such appreciation begins to grow once the pressure to perform eases and the urgency to prove oneself recedes, with loyalty following much later.

Perhaps the most counterintuitive realization is that strong relationships can dull urgency. Maybe the old adage should be tweaked: familiarity breeds complacency. When access to a leader, an institution or a community feels guaranteed, people tell themselves there will be another chance. It is only once that access begins to feel finite that they act, echoing another well-worn truth that distance often makes the heart grow fonder.

QUICK READ

Should we expect the most recently enrolled customers or students to be the most deeply engaged? Experience does not bear this out but there's a behavioural explanation for it.

In a world obsessed with real-time metrics and instant feedback, we must remind ourselves that the deepest forms of loyalty often operate on significantly longer timelines.

This explains why former colleagues reconnect years later, why retired leaders suddenly become much sought after and why alumni return at a point when they no longer need anything in particular. This is really just human psychology at work.

For business leaders, the lesson is not to complain about delayed loyalty, but to plan for it. Engagement does not always show up immediately or on cue. Some relationships need space before they deepen; others reveal their strength only with time. Different stages also call for different invitations. Early on, people respond to opportunity and a sense of agency; later, they are drawn to meaning, legacy and a chance to give back. Creating moments that feel irreplaceable matters, because people tend to show up if they sense how special it is. And finally, we must resist reading absence as disengagement. Sometimes, it simply means the relationship is still unfolding.

When people return years later without any obligation or incentives, it tells us something important. The experience did not merely inform them; it stayed with them. In a world obsessed with real-time metrics and instant feedback, we must remind ourselves that the deepest forms of loyalty operate on longer timelines. For leaders, the real test is not who shows up right away, but who comes back when they no longer need to. That's when you discover what truly lasted.

These are the author's personal views.

India-EU FTA is a win-win proposition for both economies

When global dignitaries meet, the statements they make often tilt towards hyperbole. So, Prime Minister Narendra Modi called the India-European Union Free Trade Agreement, which concluded on Tuesday, a "historic agreement," while European Commission President Ursula von der Leyen saw it as the "mother of all deals." However, overemphasis in this case is justified.

For it hugely enhances wide-ranging economic ties between the two economies, which together comprise 2 billion people and contribute over one-fourth to the global GDP. A trade deal that took almost two decades to make, and which involved numerous knotty issues, finally came up without much turmoil—at least in India. The headlines are about cars and alcohol from Europe getting cheaper, and our labour-intensive goods getting free access to a huge market. Unsurprising, the auto and liquor companies will feel the heat; they already are, as their stocks declined after the conclusion of the FTA. On the whole, however, the Sensex went up, reflecting a good mood in the market.

After the operationalisation of the FTA, we will get preferential access to the European markets across 97 per cent of tariff lines, covering 99.5 per cent of trade value. As many as 70.4 per cent tariff lines, comprising 90.7 per cent of India's exports, will pay no duty right from the beginning. These include employment-generating sectors like textiles, leather and footwear, tea, coffee, spices, sports goods, toys, gems and jewellery, and some marine products. Other tariff lines will enjoy lower duties over a period of time.

India is offering 92.1 per cent of its tariff lines, covering 97.5 per cent of the EU exports. An Indian government press release said, "India has prudently safeguarded sensitive sectors, including dairy, cereals, poultry, soymeal, certain fruits and vegetables, etc., balancing export growth with domestic priorities."

India hopes to enhance the ease of doing business by faster and compliances for its exporters. Also, it claims to have secured "broader and deeper commitments" from the EU across 144 services subsectors, including IT/ITeS, professional services, education, and other business services. Further, the mobility of professionals has been made easier. Non-trade barriers are expected to go down.

India and the EU also signed the India-EU Security and Defence Partnership. It is the "first such overarching defence and security framework between the two sides that will deepen ties in the domains of maritime security, defence industry and technology, cyber and hybrid threats, space, and counter terrorism, among others. They also welcomed the launch of negotiations on a Security of Information Agreement that will facilitate the exchange of classified information and pave the way for a stronger cooperation in areas related to security and defence," the joint statement by both sides said.

In a nutshell, the India-EU FTA will go a long way in bringing the economies closer in every possible manner. This will help both sides as they share values and principles, including democracy, human rights, pluralism, rule of law, and the rules based international order. In an era when these principles are increasingly contested, translating them into concrete economic and strategic cooperation gives them renewed relevance.

Economically, the pact promises greater trade, investment, technology transfer, and job creation. Institutionally, it encourages regulatory alignment and predictability. Strategically, it embeds India more firmly within a network of like-minded partners at a time when the global order is under strain.

Too many colleges in Telangana deny it economies of scale

Venkatanarayana Motkuri and E Revathi

Telangana state's performance in higher education is remarkable, with one of the highest GERs (40 per cent) among Indian states and the second-highest college density (52). Diversity in enrolment across STEM and other professional courses is another feature of higher education in Telangana. The major portion of the increase in college density owes to private sector participation in the field following the economic reforms of 1991 and liberalisation and privatisation policies. Additionally, the state government's policy of reimbursing tuition fees (RTF) has also contributed to the rapid growth in colleges and enrollment.

However, with such a high density of collegesin the state, the average enrolment per college (~600) is one of the lowest. Small colleges in size of enrolment are most prevalent in the state. As the 'Higher Education in Telangana' report by CESS reveals, around two-thirds of colleges in the state have an enrollment of fewer than 500 students. Moreover, there is a huge gap between the intake capacity of the colleges in the state and their actual admissions. Such a gap is higher among private colleges compared togovernment colleges. Nearly half of the seats in private degree colleges in the state remain unfilled.

According to the Union Ministry of Education's All India Survey of Higher Education (AISHE) registry, there are approximately 2,200 colleges of all types in Telangana, excluding standalone institutions of around 500. Of the total colleges in the state, more than 1,000 are degree colleges, and the remaining 1,200 are colleges offering professional courses, including engineering, management, pharmacy, medicine, law, education, nursing, and others. Of the total Degree Colleges in the state, nearly 800 are private unaided, and a few are aided; the rest,around 230, are government colleges.

At the time of state formation, there were approximately 1,300 degree colleges in the state. More than three hundred degree colleges, mostly private ones, have become non-functional for various reasons. Meanwhile, the number of government degree colleges (GDCs) and welfare residential degree colleges (WRDCs) has increased from nearly 120 to 230. Although the total number of degree colleges has been reduced, the intake capacity of the functional degree colleges has increased, almost doubling within four years after the state formation. The total intake capacity of all the degree colleges in the state has increased to nearly five lakh at present. Actual admissions in degree colleges in the state reached 2.5 lakh only in the post-COVID-19 scenario, but it is unlikely to be sustained.

In the case of colleges offering professional programmes in the state, their number also drastically reduced after state formation. Although the number of medical, nursing, and agricultural colleges has increased, the reduction in the total number of professional colleges is drastic due to a significant decline in the number of engineering, management, and other professional colleges. Unlike the scenario of degree colleges, with the decline in the number of professional colleges in the state, their total intake capacity of professional programmes has also declined from three lakh to less than two lakh.

Resource allocation and utilisation, including teaching faculty and other resources, is lost due to the excessive number of small colleges in the state. It has also caused a heavy burden on universities in regulating too many such affiliated colleges. Also, in Telangana, it is not feasible to transform all existing small institutions into large, multidisciplinary institutions because the number of eligible students is already saturated

The total intake capacity of institutions offering post-secondary education programmes in the state exceeds 6.5 lakhs. The higher secondary graduates are the eligible candidates for any post-secondary education programme. If we examine the size of higher secondary graduates in the state, it is far less than the intake capacity created. Enrolment in 12th class (second year of intermediate) in the state is less than 5 lakh. However, the students who appear for the 12th Class Board Exam annually are around five lakh. The pass percentage among those who appeared for the 12th class Board Exam in the state has varied between 50 per cent and80 per cent since state formation, except in the Covid-19-affected years. The number of eligible graduates in the state has not exceeded four lakh annually, except in the Covid-19-affected years.

Therefore, our intake capacity in higher education institutions is 6.5 lakh, and the eligible student strength in the state is four lakhs, resulting in a huge unutilized capacity. Moreover, not all 12th-class graduates are likely to take admission in post-secondary education. Furthermore, the migration of students to higher education institutions outside the state, in other states, or abroad reduces the pool of eligible students in the state.

The strength of eligible students is unlikely to increase. Due to the demographic transition witnessed in the state, the population below 5 years of age, school age (6-17 years), and the college age (18-23) have begun declining. School participation among the higher secondary age group is near saturation, and the pass percentage in higher secondary education is not more than 80 per cent.

Given the constraint on the strength of eligible students in the state, attracting eligible students from other states may help fill the vacant intake capacity, to some extent, if not entirely. However, the extent to which Telangana is attracting students from other states is far less than the number of students leaving the state.

Hence, while nearly one-fourth of the intake capacity created in institutions offering professional programmes in the state remained unfilled, half of the degree colleges' intake capacity is not filled. The proliferation of small colleges and the oversupply of seats have created a problem in higher education in Telangana. It poses the underutilised capacity and small size of the colleges in the state.

The economies of scale effect regarding resource allocation and utilisation, including teaching faculty and otherresources, is lost due to the excessive number of small colleges in the state. An increase in the cost of operating small institutions may dilute quality if not allocated appropriate amounts of resources required. Most importantly, colleges,especially private ones with underutilised capacity, may not allocate the required amount of resources. Additionally, the efficiency and effectiveness of the regulatory system also suffer from too many small colleges. A heavy burden on universities in regulating too many small, affiliated colleges.

Further, in the case of colleges offering professional programmes, most of them offer programmes in a single discipline or specific field of study. Hence, multidisciplinary programmes are missing in many such colleges. Cross-learning and peer learning among students within a discipline and across disciplines are also missing.

The National Education Policy (NEP) 2020 has, in fact, acknowledged andproposed transforming the small number of large institutions into larger ones and single-discipline institutions into multidisciplinary ones. In Telangana, it is not feasible to transform all existing small institutions into large, multidisciplinary institutions because the number of eligible students is already saturated. Consolidation or clustering of small, single-disciplinary institutions is a possible policy action.

(The authors are with Centre for Economic and Social Studies, Hyderabad)

THE PYRAMID OF PRIVILEGE

Casting a shadow on the corridors of power

Nomula Srinivas Rao

"On the social plane, we have in India a society basedon graded inequality... elevation for some and degradation for others."

— Dr B R Ambedkar

As India celebrates 78 years of Independence and proclaims the vision of Viksit Bharat, a quieter and more uncomfortable truth lies buried in official paperwork. The Department of Personnel and Training's Annual Report (2024–25) reflects not progress, but persistence—the replication of India's ancient caste hierarchy within its modern administrative structure. The corridors of power, it turns out, are still organised along lines Dr Ambedkar warned against more than seven decades ago.

The data is stark. Over 66 per cent of Group C safai karmacharis (sanitation workers) in the Union Government belong to Scheduled Castes, Scheduled Tribes, and Other Backward Classes. At the other end of the hierarchy—Group A posts, where policy is framed and authority exercised—representation of these communities falls short of constitutionally mandated quotas. This is not a statistical accident; it is a pattern of graded inequality playing out in bureaucratic form.

The sanitation trap

The overwhelming presence of SC, ST, and OBC communities in sanitation work is the most disturbing revelation of the report. In a society where caste historically determined occupation, this concentration suggests that the chains of hereditary labour have not been broken—only institutionalised.

Reservation was envisioned as a ladder to decision-making spaces, not as a mechanism to freeze marginalised communities at the bottom of the employment pyramid. Yet, in sanitation posts, reservation appears to operate efficiently only in ensuring that these jobs remain the preserve of the Bahujan. The result is a cruel inversion: the broom is reserved, but the pen remains elusive.

When two-thirds of those cleaning government offices come from marginalised backgrounds, while their presence inside policymaking rooms remains contested, it signals failure on multiple fronts—education, recruitment, promotion, and intent. The question must be asked:

have we democratised the bureaucracy, or merely formalised caste roles within it?

The glass ceiling at the top

The DoPT rules are explicit: 15 per cent reservation for SCs, 7.5 per cent for STs, and 27 per cent for OBCs in Group A posts. These are constitutional obligations, not aspirational goals. Yet actual representation tells another story.

SC and ST representation remains marginally below targets, but the real deficit is among OBCs—19.14 per cent instead of the mandated 27 per cent. Decades after the Mandal reforms, this nearly 8 per cent gap exposes a leaky pipeline that systematically narrows as one climbs higher.

The bureaucracy frequently invokes the phrase "Not Found Suitable"—a bureaucratic euphemism that quietly absolves the system of accountability. In a country where educational access among OBCs has expanded dramatically, this excuse rings hollow. Suitability appears less about competence and more about invisible gatekeeping—interviews, promotions, and discretionary assessments that preserve homogeneity at the top while diversity crowds the base.

The power deficit

This imbalance is not merely about jobs; it is about power. In a democracy, the bureaucracy interprets laws, allocates resources, and shapes outcomes. When marginalised communities are under-represented in decision-making roles, their lived realities are absent from policy design.

A sanitation worker has no voice in budget allocation; a Joint Secretary does. When one group cleans offices and the other occupies them, priorities inevitably skew. Issues like mechanisation of sanitation work, occupational safety, dignity of labour, and hazard compensation remain peripheral because those affected are not present at the table where decisions are made. This creates a power deficit—a structural silence imposed on communities that already bear the heaviest social burdens.

The myth of merit

Defenders of the status quo often invoke "merit" as justification for underrepresentation. Yet the DoPT data dismantles this argument. If merit alone governed outcomes, caste distribution would be random across groups. Instead, privilege consistently funnels some into authority while consigning others to manual labour.

In India, merit is deeply entangled with social capital—English-medium education, generational networks, and inherited confidence. The backlog of vacancies and delayed recruitment further function as passive tools of exclusion, allowing constitutional promises to wither through inaction.

The way forward

As India approaches the centenary of its independence, symbolic equality is no longer enough.

- Special recruitment drives must address backlog vacancies, particularly in Group A posts.
- The "Not Found Suitable" clause must be independently audited for bias.
- Sanitation work must be mechanised and professionalised, breaking its caste association.
- Lateral entry into senior posts must be transparent and inclusive, not a backdoor to dilution of reservation.

Conclusion

The DoPT report is a wake-up call. India may build parliaments and launch missions to the moon, but its administrative structure remains stubbornly feudal. We have learned to reserve the broom, but hesitate to hand over the pen. True development is not measured by GDP alone, but by participation. Until representation in boardrooms reflects representation in broom closets, independence remains unfinished business. The goal is not merely a share of opportunity, but a voice in shaping it.

(The writer is former OSD to former Union Civil Aviation Minister)

LETTERS

US tech companies cannot survive without Indians

This refers to the editorial, "Texas tremor to blight Indian's entry into US." Jan 29. Ever since Donald Trump assumed power as President of the United States, the administration adopted an increasingly antagonistic posture toward H-1B visa holders. Nearly 70 percent of these professionals are Indians, who form the backbone of America's technology ecosystem. However, inconsistent policy signals, restrictive rhetoric, and prolonged uncertainty have left H-1B holders anxious and unsettled. The situation has been further complicated by stalemates in bilateral trade negotiations, which have strained India–US relations. Yet the ground reality remains unchanged: America's technology companies cannot survive or sustainably grow without Indian talent.

N Sadhasiva Reddy, Bengaluru

II

Apropos "Texas tremor to blight Indians' entry into US" (THI, January 29).Governor Abbott's directive freezing new H-1B visa petitions by Texas state agencies and public universities until May 2027 understandably alarms many in the Indian community, given the state's large Indian-origin population and reliance on skilled professionals in higher education, healthcare and research. While the move aims to prioritise local workers amid federal scrutiny of the programme, it risks disrupting academic staffing, innovation and public services without addressing the private sector, where most H-1B holders work. Texas's growth depends on global talent; balanced implementation would protect jobs while preserving competitiveness.

A Myilsamy, Coimbatore

Depreciation of Indian Rupee worrying

The Indian rupee have collapsed to an all-time low of 92.00 against the US dollar on Thursday. The fall came amid steady dollar demand and a cautious global mood after the US Federal Reserve kept interest rates unchanged at its first policy meeting of 2026, pushing the dollar index up from its four-and-a-half-year lows.

The Economic Survey 2025–26, released on Thursday, offers a broader explanation for the rupee's sustained weakness, describing it as a "paradox" in which domestic fundamentals are no longer rewarded with currency stability in an unsettled global system. According to the survey, the rupee depreciated by around 6.5 per cent between 1 April 2025, and 22 January 2026, making it one of the weakest-performing currencies in this period. Its fall was comparable to that of the Japanese yen, which lost about 5.5 per cent, and steeper than declines seen in other Asian peers such as the Philippine peso and the Indonesian rupiah.

Bhagwan Thadani, Mumbai

Lady Principal for AU College of Engineering

It is gratifying to note that Prof. M Shashi is the first woman Principal of Andhra University College of Engineering, Visakhapatnam and appointed as the first in 100 years. Close on the heels of a talk show by Kiran Prabha on the first ever Indian Engineer, Ayyalasomayajula Lalitha(1919-79) that I listened to on 28th, the news of Prof.Shashi must be an inspiration to the girls that the sky should be the limit.

Physical parameters hindered them once upon a time but now it is proven that a girl child is par excellence. From a family perspective, as it is well said," A son is a son till he gets a wife, a daughter is a daughter all her life". As former President VV Giri once said, girls are more responsible on all fronts. Let me take this opportunity to congratulate Prof.Shashi.

Dr T Ramadas, Visakhapatnam

The underbelly of reservations

Fraudsters always keep finding newer ways to circumvent rules and cheat in India. Perhaps the latest is a desperate attempt by an upper caste Hindu convert to Buddhist faith claiming minority quota for admission into a professional degree college.

This is a manifestation of the caste or religion based reservations in education and employment being continued for decades together by amending the constitution at will to reap benefits as part of vote bank politics. As long as these reservations continue, there will be no dearth of people trying to get around the rules.

Govardhana Myneedu, Vijayawada

thehansreader@gmail.com

BENGALURU ONLINE

Police personnel to get mandatory leave on birthdays and wedding anniversaries

BENGALURU: In a humane and morale-boosting move, the Karnataka Police Department has announced mandatory leave for police personnel on the occasion of their birthdays and wedding anniversaries, allowing them to spend quality time with their families. The order has been issued by Director General of Police (DG & IGP) Dr. M. A. Saleem, following a recommendation from the State Home Department. The decision aims to help police personnel maintain a healthy work-life balance amid the demanding and stressful nature of their duties.

As per the directive, police personnel will be granted compulsory leave on their birthday and wedding anniversary days. The move is expected to significantly reduce work-related stress and improve emotional well-being among officers.

The Home Department had earlier written to the DGP, urging appropriate action on this proposal. After reviewing the request, Dr. Saleem approved the measure and issued instructions to all unit heads to strictly implement the order. The initiative was taken based on a suggestion by Mohan Kumar Danappa, a member of the Karnataka State Police Complaints Authority.

Read more at https://epaper.thehansindia.com

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The Hans India Business

"The MSME sector is not only critical for economic growth, but also for inclusive development, supporting entrepreneurship, strengthening supply chains, and creating livelihoods across rural and urban India

- Centre, State, and local bodies
K. Sanjay Murthy, CAG of India

Survey draws path to reduce structural uncertainty in PPPs

A credible PPP regime will be defined less by risk transfer on paper and more by the State's capacity to absorb early-stage risks that private capital cannot efficiently price

NEW DELHI

INDIA'S public-private partnership (PPP) framework needs to move from transaction-centric execution toward system-level market building, with a sharper focus on reducing structural uncertainty, the Economic Survey 2025-26 suggested on Thursday.

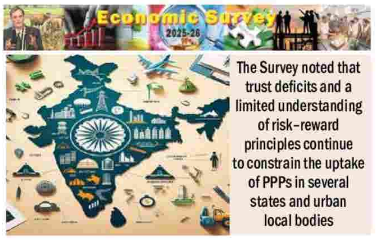
The pre-Budget document tabled in Parliament further said that this requires clearer sectoral pipelines with multi-year visibility, a tighter linkage between national programmes and bankable project preparation, as well as disciplined pre-construction risk closure by the public authority.

The Survey noted that PPP outcomes have been weakest where land acquisition, statutory clearances, demand assessment, or utility shifting have remained unresolved.

In the coming decade, it said a credible PPP regime will be defined less by risk transfer on paper and more by the State's capacity to absorb early-stage risks that private capital cannot efficiently price.

"Accordingly, India's PPP framework needs to move from transaction-centric execution toward system-level market building, with a sharper focus on reducing structural uncertainty," the Survey said.

While PPP frameworks have matured at the central level and in select sectors, the pre-Budget document said challenges persist at the sub-national level.



The Survey noted that trust deficits and a limited understanding of risk-reward principles continue to constrain the uptake of PPPs in several states and urban local bodies

"The distinction between PPPs and Engineering Procurement and Construction (EPC) contracts—namely that PPPs are partnerships rather than vendor arrangements—is not always fully understood," it said.

The Survey noted that trust deficits and a limited understanding of risk-reward principles continue to constrain the uptake of PPPs in several states andurban local bodies.

These challenges are compounded by uneven institutional capacity, even as states and cities account for a rising share of infrastructure demand, it said.

The Survey said the next reform frontier lies in professionalising PPP cells, adopting programmatic approaches instead of project-by-project experimentation, and leveraging data platforms to track performance, renegotiation, and lifecycle outcomes. Referring to the highways sector, the Survey said to align freight speeds with global benchmarks, the High-Speed Corridor (HSC) network expanded from 550 km in 2014 to 5,364 km by December 2025.

"A total network of approximately 26,000 km is targeted by FY33, with 9,366 km currently under implementation," it said.

Referring to India's Shipping sector, the document noted that India has further strengthened the landlord port model to catalyse private investments in port development and operations.

The landlord port model provides for port authorities to retain ownership of port land and core infrastructure while awarding long-term concessions to private operators for terminal development and operations, with an aim to enhance operational efficiency and modernise infrastructure through private investment. This strategic shift is evident in the substantial growth of PPP projects. The number of PPP projects awarded rose from 37 in FY15 to 87 in FY25, with the total value of PPP projects increasing from Rs16,180 crore to Rs61,029 crore, reflecting a 377 per cent rise," it said.

According to the Survey, currently, 57 operational PPP projects valued at Rs42,235 crore have increased port capacity by approximately 660 MTPA.

Gold, silver likely to shine as safe-haven bets; inflation in check

NEW DELHI

THE Economic Survey on Thursday said inflation is unlikely to be a concern in the next fiscal year even though prices of precious metals -- both gold and silver -- are likely to continue to increase due to their sustained demand as safe-haven investments amid global uncertainties. It said the inflation outlook remains benign, supported by favourable supplyside conditions and the gradual pass-through of GST rate rationalisation. Looking ahead, the inflation outlook remains favourable, with projections of inflation staying within target ranges, supported by strong agricultural output, stable global commodity prices, and continued policy vigilance. However, risks from currency fluctuations, base metal price surges and global uncertainties persist, warranting ongoing monitoring and adaptive policy responses. "The prices of precious metals, both gold and silver, are likely to continue increasing due to their sustained demand as safe-haven investments amid global uncertainties, unless a durable peace is established and trade wars are resolved," the Survey said, adding that India's inflation rate -- headline and core excluding precious metals -- will likely be higher in FY27 than in FY26. However, it is unlikely to be a concern, it added. The Survey said the RBI and the International Monetary Fund (IMF) have projected a progressive increase in headline inflation for the next fiscal year, bringing the levels within the targeted range of 4 per cent (+/- 2 per cent). The IMF has projected an inflation rate of 2.8 per cent in FY26 and 4 per cent in FY'27. The RBI has forecast headline inflation for Q1 and Q2 of FY27 is 3.9 and 4 per cent respectively. "The prices of precious metals, both gold and silver, are likely to continue increasing due to their sustained demand as safe-haven investments amid global uncertainties, unless a durable peace is established and trade wars are resolved".

Inflation Outlook FY26-FY27

IMF: 2.8% → 4%
RBI Q1: 3.9%, Q2: 4%
Target: 4% ± 2%

Economic Survey projects positive outlook for FPIs flow

Driven by elevated uncertainty and increased capital allocation towards AI-centric markets

Positive Outlook

- Share of FPI ownership in NSE declined 16.9%
- Asset base under custody of FPIs rose 10.4% to Rs81.4L cr
- Mutual funds, insurance companies countered FPI outflows

There was a balance of payments (BOP) deficit of $6.4-bn in H1 FY26 compared to a surplus of $23.8-bn in H1-FY25, which was funded by a decline in forex reserves. The Survey projected that the outlook for FPI inflows into the debt market remains positive, supported by markets regulator

NEW DELHI

FOREIGN Portfolio Investment (FPI) flows in FY26 remained volatile, leading to a net outflow of $3.9 billion as of December 2025, driven by elevated uncertainty and increased capital allocation towards AI-centric markets such as the US, Taiwan, and Korea, the Economic Survey 2025-26 said on Thursday.

Overall, FPIs were net sellers of Indian securities from April to December 2025. They purchased Indian debt securities while offloading equities during the period. The sell-off from equities was mainly due to the "relative underperformance of Indian equities compared to other major markets, alongside trade and policy uncertainties, the depreciation of the Indian rupee, and abroad-based global risk-off sentiment amid elevated US bond yields, which weighed on FPI flows", it added.

These factors dampened sentiment towards Indian equities, particularly export-oriented sectors such as IT and healthcare, leading to continued FPI outflows in FY26 (April-December). According to the Survey tabled in Parliament, "FPI flows this year have been tepid due to elevated uncertainty and increased interest in AI-related financial investments in countries such as the US, Taiwan, and Korea".

As a result, there was a balance of payments (BOP) deficit of $6.4 billion in H1 FY26 compared to a surplus of $23.8 billion in H1 FY25, which was funded by a decline in foreign exchange(forex) reserves, it added. The Survey projected that the outlook for FPI inflows into the debt market remains positive, supported by markets regulator Sebi's relaxation of FPI investment norms and ongoing India-US trade discussions.

As of December 2025, the asset base under custody of FPIs stood at Rs 81.4 lakh crore, marking a 10.4 per cent increase from March 31, 2025, driven largely by valuation gains in equities and steady accumulation in debt holdings. Within National Stock Exchange (NSE) listed equities, however, the share of FPI ownership declined to 16.9 per cent (for Q2FY26), in line with global risk aversion and sectoral reallocations.

In the midst of volatile foreign capital flows, domestic institutional investors (DIIs), particularly mutual funds and insurance companies, have counterbalanced FPI outflows' volatility and provided much-needed support to markets. With continued buying, as of September 2025, DII ownership within NSE-listed equities stood at 18.7 per cent.

India's civil aviation shows sustained growth momentum

AIRPORTS EXPANSION AND RISING DEMAND BOOST PASSENGER TRAFFIC

NEW DELHI

INDIA'S civil aviation sector is on a sustained growth trajectory, helped by a conducive policy environment, rising demand and steady infrastructure expansion, the Economic Survey said on Thursday. As the country aims to be a global hub for aviation activities, the Survey said Indian airports can aspire to become global aviation hubs by promoting layovers and enhancing the transit experience for international passengers. "While the sector remains sensitive to global economic cycles and the need for continuous capacity upgradation, the current passenger volumes represent only a fraction of India's potential," it said.

India is the world's third-largest domestic aviation market and the number of airports increased to 164 last year from 74 in 2014. In FY25, Indian airports handled 412 million passengers, and the same is projected to increase to 665 million by FY31. However, the Survey said the country currently operates approximately 0.11 airports per million people, significantly lower than the US (47.35) and China (0.39), signalling substantial headroom for further growth. "Expansion in India's airport and air navigation infrastructure and a growing ancillary ecosystem, including Maintenance, Repair, and Overhaul (MRO) and leasing, are strengthening the sector.

"These developments, along with technology integration, positions civil aviation as a key driver of nationwide economic connectivity and integration," the Survey said. On Wednesday, Prime Minister Narendra Modi highlighted the growth potential and policy stability as he wooed investors, saying that there are immense opportunities in aircraft manufacturing, pilot training, advanced air mobility and aircraft leasing areas in the country. Modi, in a special message at an aviation summit, had also said the government is working on all necessary regulatory reforms to make cargo movement faster and more efficient.

Meanwhile, the Survey said that aviation services have continued to play a key role in sustaining passenger mobility and air cargo flows. In FY25, overall air passenger traffic increased by 9.4 per cent to 411.8 million passengers.

"However, a softening of momentum was observed during April-November 2025, when overall passenger traffic increased by 3.5 per cent (YoY), reflecting flight disruptions and short-term demand adjustments in the domestic passenger segment," it noted. According to the Survey, air cargo volume grew from 2.53 million metric tonnes (MMT) in FY15 to 3.72 MMT in FY25, and 2.95 MMT handled in FY26 (until December), driven by several key policy initiatives and reforms.

BIZ BRIEFS

Lord's Mark's new partnership

Lord's Mark Industries Limited (LMIL) has entered into an MoU with the government of Maharashtra for two projects with a combined proposed investment of Rs225 crore. The first project focuses on affordable medical and healthcare infrastructure, involving an investment of Rs150 crore, with the project scheduled to commence in May 2026 and see completion over the next 3-4 years.

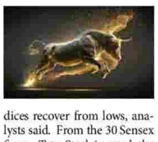
Hindustan Zinc unveils VMB

Hindustan Zinc Limited (HZL) an integrated zinc producer, announced the launch of 'Zinc Moolya', an INR Live Pricing module on its flagship metal e-commerce platform, Vedanta Metal Bazaar (VMB). Arun Misra, CEO, HZL, said: "India's vision of Atmanirbhar Bharat will be realised when access, transparency and opportunity are available equally to every enterprise, regardless of size.

Stock markets advance for 3rd day

Recovery Path

- BSE-Sensex rose 221.69pts or (+0.27%) to 82,566.37
- NSE-Nifty advanced 76.15pts or (+0.30%) to 25,418.90



MUMBAI

RISING for the third consecutive day, benchmark stock index Sensex advanced 221 points and Nifty settled above 25,400 on Thursday following a rally in Larsen & Toubro and the Economic Survey projecting the GDP growth of 6.8-7.2 per cent for the next fiscal.

Erasing its early losses, the 30-share BSE Sensex climbed 221.69 points or 0.27 per cent to settle at 82,566.37. During the morning trade, it tanked 636.74 points or 0.77 per cent to 81,707.94. The 50-share NSE Nifty edged higher by 76.15 points or 0.30 per cent to end at 25,418.90. The broader index fell 182.95 points or 0.72 per cent to a low of 25,159.80 in early trade. A rally in global markets and fresh foreign fund inflows helped key indices recover from lows, analysts said. From the 30 Sensex firms, Tata Steel jumped the most by 4.41 per cent. Larsen & Toubro climbed 3.66 per cent after its consolidated revenue from operations in the October-December quarter rose by 10 per cent to Rs 71,450 crore from Rs 64,668 crore in the year-ago period. Axis Bank, Eternal, NTPC, Adani Ports and ICICI Bank were also among the gainers. However, Asian Paints, InterGlobe Aviation, Maruti and Bharat Electronics were among the laggards.

"Domestic markets ended higher after staging a strong rebound, supported by an upbeat economic survey that reaffirmed a robust FY27 growth outlook and a well-anchored inflation environment amidst persistent global uncertainties," Vinod Nair, Head of Research, Geojit Investments Limited, said.

GRT donates ₹77.5L for palliative care centre in Chennai

HYDERABAD: GRT Jewellers, has extended financial support of Rs77.50 lakh to Anandam Trust, Ambattur, for the construction of a Palliative Care Centre in Chennai, reinforcing its long-standing commitment to social responsibility and community welfare.

The contribution aims to support terminally ill and economically disadvantaged patients by providing compassionate medical care, comfort and dignity during the most vulnerable stages of life. The proposed centre will focus on pain management, emotional support and improving the overall quality of life for patients and their families. According to the company, the initiative reflects its belief that healthcare extends beyond clinical treatment to include empathy, emotional care and dignity. The centre is envisioned as a space where patients receive holistic support, addressing both physical and emotional needs.

US Consulate, WTC Shamshabad hold meet on US-India TRUST

The initiative aims to build resilient supply chains, accelerate AI infrastructure development

BIZZ BUZZ BUREAU
HYDERABAD

THE United States and India advanced the US-India TRUST (Transforming the Relationship Utilising Strategic Technology) initiative on Thursday as a landmark conference in Hyderabad brought together leading officials, academics, and industry leaders to strengthen cooperation in artificial intelligence and cybersecurity. The focus was clear: deliver outcomes that protect US national security through critical technologies and expand economic opportunity through trusted partnerships. The conference on "Leveraging US-India TRUST: Industry Academia Partnerships in AI & Cybersecurity," organised by the US Consulate General, Hyderabad and World Trade Center, Shamshabad& Visakhapatnam at the World Trade Center here, marks a milestone in implementing the TRUST initiative launched by US President Donald Trump and Indian Prime Minister Narendra Modi in February 2025 to catalyse government, academic, and private sector partnerships across AI, semiconductors, quantum computing, biotechnology, energy, and space-areas central to US competitiveness and long-term security. The conference translated high-level bilateral commitments into concrete partnerships. The initiative aims to build resilient supply chains, accelerate AI infrastructure development, and foster innovation ecosystems that strengthen both nations' technological capabilities and economic competitiveness.

Y Varaprasad Reddy, Chairman, World Trade Center, Shamshabad& Visakhapatnam and US Consul General Laura Williams along with others pose for a photo

The TRUST framework is designed to ensure strategic technology collaboration is secure, results-driven, and aligned with US interests, supporting both national security and American economic strength.

US Consul General Laura Williams said, "The TRUST initiative is a clear example of how the United States is advancing our national security and economic interests through strategic, results-driven partnerships. By working with India, we are building secure technology ecosystems that protect American innovation, strengthen our supply chains, and create new opportunities for US leadership in critical and emerging technologies. In September 2025, Secretary Rubio affirmed the strength of the US-India relationship, highlighting the implementation of the US-India COMPACT, which will enhance our collaboration on trade, defense, energy, and more. Today's conference is a step forward in that direction."

Y Varaprasad Reddy, Chairman, World Trade Center, Shamshabad& Visakhapatnam, stated, "This collaborative initiative represents a defining moment for strengthening US-India academic and industry partnerships. The conference was designed to foster innovation, build confidence, and enable knowledge exchange in the rapidly evolving domains of artificial intelligence and cybersecurity, areas where both our nations have complementary strengths and shared interests."

Dr James Lerums of Purdue University delivered the keynote address, highlighting universities' pivotal role in research, skills development, and technology partnerships - critical elements to build a pipeline of talent and innovation that supports AI and cybersecurity capabilities. The conference featured four strategic thematic sessions addressing key dimensions of US-India technology collaboration.

THE HINDU

Devolution, not debt

Cesses and surcharges levied by Centre must be in divisible pool

While the Union Budget is keenly tracked by States to assess their share in overall Central tax devolution, it is becoming increasingly clear that this revenue stream no longer plays the stabilising role it once did in State finances. The evidence lies in the rapid expansion of State Development Loans (SDLs), which have emerged as a key financing instrument for States' day-to-day spending needs. In 2024-25 (Revised Estimates), SDLs amounted to about 35% of Tamil Nadu's total revenue receipts and nearly 26% of Maharashtra's – levels that would have been considered fiscally exceptional a decade ago. This shift gathered pace after 2020-21, when the COVID-19 pandemic delivered a severe economic shock and Central devolution proved inadequate. This dependence on borrowing has not reversed since. Instead, States are increasingly relying on SDLs; borrowings by profit-making State PSUs and Special Purpose Vehicles are done to finance even routine revenue expenditure. This has happened despite the 15th Finance Commission fixing States' share at 41% of the divisible pool, as the effective flow of resources has been eroded by the growing use of cesses and surcharges, which lie outside the divisible pool. The problem is acute for industrialised States with a large indirect tax base. Since the introduction of GST in 2017, a substantial share of these revenues is collected by the Centre and redistributed through a formula that often weakens the fiscal link between tax effort and reward. Consequently, welfare commitments – pensions for the elderly and retired employees and mass health insurance schemes for the poor – are increasingly being funded through domestic borrowing. This limits the availability of funds for public capital expenditure and private investment, which is essential to sustain growth.

A comparison of borrowing patterns over the past five years across Punjab, Uttar Pradesh, Tamil Nadu, Maharashtra and West Bengal underlines this trend. West Bengal, which is structurally dependent on Central devolution – averaging about 47.7% of its revenue receipts over the last five years – continued to borrow heavily from the domestic market. SDLs constituted roughly 35% of the State's revenues on average during this period, even as nominal tax devolution rose. This points to a steady erosion of States' fiscal autonomy, with potentially serious macroeconomic consequences as debt-to-GSDP ratios rise while assured revenue streams weaken. If debt, rather than devolution, becomes the primary shock absorber in India's federal system, fiscal sustainability itself comes under strain. India needs higher effective devolution, and a reworking of horizontal devolution criteria to give greater weight to tax effort and efficiency. Cesses and surcharges must be brought into the divisible pool.

Quick pill

Removal of some pharma regulations should not come at the cost of quality

The government's move to scrap the traditional, mandatory test licences required to manufacture small quantities of drugs for research is an effort to remove the sometimes-crippling regulatory hurdles in the pharmaceutical sector. This decision aligns with the national goal of facilitating ease of doing business. The central element of these amendments to the New Drugs and Clinical Trials Rules, 2019, is replacing the mandatory licence requirement for non-commercial manufacture of drugs with a prior-intimation mechanism. Developers can now manufacture small quantities of drugs for research, testing, and analysis after intimating the Central Drugs Standard Control Organisation via its SUGAM Portal, online. Once a 'notice of intent' is acknowledged online, a company is free to go ahead with drug synthesis, strictly for research. In a post-COVID world, where speed of delivery for end use has gained virtue, the government anticipates that removal of this licencing factor will fast-track the timeline of drug development by at least three months. Specific low-risk bioavailability and bioequivalence studies can also commence after an online intimation on the portal. In addition, even for categories in which a licence is still required, such as for high-risk psychotropic or narcotic drugs, the statutory processing time will be reduced from 90 days to 45. All manufacturers are required to meticulously document and file processes as per rules.

The abolishment of a 'licence raj' is always good news. The dismantling of hurdles in pharma research and development bodes well for a country that is aspiring to position itself as the pharmacy of the world. The paperless, prior intimation mechanism will no doubt reduce the time spent twiddling thumbs, waiting for a physical copy of the licence. And time saved is, naturally, money and lives saved. Reducing the time a drug takes from the lab to the bedside for practical use can save countless lives and reduce morbidity in many more. However, the government would do well to circumvent the danger of a drop in quality control by initiating a mechanism, after intimation, to ensure that all good manufacturing practices are strictly adhered to. No drug, however speedily produced, is worth the blister it is packaged in if it comes with quality lapses. Poor pharmaceutical oversight, as recent cough syrup-related deaths showed, can be fatal.

India-Arab League: bridging cultures, creating opportunities

Col. Rajeev Agarwal (Retired)

Senior Research Consultant, Chintan Research Foundation

Ministers and delegates of the 22-member Arab League are gathering in Delhi for the 2nd India-Arab Foreign Ministers' Meeting on January 30-31, 2026. This is a major diplomatic outreach by India at a time when there are multiple conflicts brewing on the horizon in the region and the world is grappling with the rapidly changing global order, set in motion largely due to U.S. President Donald Trump's total disregard for the sovereignty of nations and the rules-based international order.

As the ministers gather in Delhi, war clouds are still hovering over Iran and the massive military build-up by the U.S. continues. In Syria, despite a ceasefire, uncertainty continues and long-term peace is still some distance away. Gaza finally looks towards transitioning to peace even as details of phase two of the ceasefire are still in the works. The recovery of the body of the last Israeli hostage from Gaza on January 26 is a major victory for Israel and may well motivate it to move towards relaxing the restrictions in Gaza.

However, the most surprising development is the emergence of fault lines among two close allies – Saudi Arabia and the UAE – mostly over conflicting interests in Yemen but also over power and influence in the region. We need to watch out for the possibility of rival military alliances. India, too, is closely monitoring the situation, while formulating its own strategy for the region.

India and the Arab League

The Arab League, officially known as the League of Arab States (LAS), was formed in Cairo on March 22, 1945, initially with seven members. Today, it has 22 member states from North Africa and West Asia. Although India's relations with countries in the Arab League go back centuries, the engagement with the LAS was formalised in March 2002 when a Memorandum of Understanding (MoU) was signed, institutionalising the process of dialogue. The MoU is aimed to "promote and develop the traditional relationship of friendship and cooperation between India and the Arab States" and provides for annual meetings between the External Affairs Minister of India and the Secretary General of the Arab League.

During the visit of Arab League Secretary General, Amr Moussa, to India in December 2008, the Arab-India Cooperation Forum (AICF) was established. And in December 2010, the Indian Ambassador to Egypt was designated as India's Permanent Representative to the Arab League. The first meeting of the AICF was held in January 2016 at Manama, Bahrain. In addition, there is the India-LAS Partnership and Investment Summit, a biennial flagship economic event. During the current visit of foreign ministers, a new initiative called the India and Arab Countries Chambers of Commerce, Industry and Agriculture is scheduled to be inaugurated.

As India grows into a major power, the Arab League region forms a critical part of its global matrix. For the Arab League countries too, India is a strong and reliable partner

Key pillars of engagement

The India-LAS partnership goes beyond trade and investment. Over the past decade, strategic partnerships and security have emerged as crucial areas of engagement. Oman was the first country with which India signed a strategic partnership in 2008. With the signing of similar agreements with the UAE in 2015, Saudi Arabia in 2019, Egypt in 2023, and Qatar in 2025, the depth and scope of strategic convergence with the region has grown rapidly.

India has also strongly rallied for the region in various multilateral forums such as BRICS and SCO. Even among the strategic vision of countries, there are significant convergences, whether it is the Saudi Vision 2030, the UAE Centennial 2071, the Kuwait Vision 2035, the Oman Vision 2040, or India's Viksit Bharat in 2047. In fact, in the Saudi Vision 2030, India is one of the eight strategic partners.

Trade and investments continue to be the bedrock of the relationship and have stood the test of time, including the COVID-19 pandemic. Most of India's external trade passes through the Suez Canal, the Red Sea, and the Gulf of Aden. Bilateral trade between India and the Arab League currently stands at over $240 billion. India has signed the Comprehensive Economic Partnership Agreement with the UAE and Oman. As a result, bilateral trade with the UAE has already crossed $115 billion and has now been reset at $200 billion by 2030. Major investment commitments in India have been made by the UAE ($75 billion), Saudi Arabia ($100 billion) and Qatar ($10 billion), mostly in the fast-growing infrastructure sector. The cumulative FDI in India from the region has crossed $2.5 billion. As trade ties grow, connectivity becomes an impsortant factor to ensure speed, efficiency and collective prosperity. The India-Middle East-Europe Economic Corridor, launched at the G20 Leaders' Summit in New Delhi in September 2023, therefore, gains significance and is likely to be discussed at the meeting.

With Prime Minister Narendra Modi pushing for development of digital public infrastructure for speed and transparency of transactions, Fintech is emerging as yet another area of mutual convergence. The RuPay card was launched in the UAE in August 2019. From July 2023, the Indian rupee is being accepted as legal currency at Dubai airports. Also, India and the UAE have operationalised the rupee-dirham settlement system. India's Unified Payments Interface is already accepted for financial transactions in Bahrain, Saudi Arabia, Qatar, and the UAE and is likely to grow further in the LAS countries soon.

Energy is a critical pillar of the partnership. The region caters to about 60% of India's crude oil imports, 70% of natural gas, and more than 50% of fertilizers and related products. Iraq, Saudi Arabia, and the UAE are the top three exporters of crude oil. The UAE has also signed an agreement with India to store strategic oil reserves in the country, operationalised with an initial investment of $400 million. With Qatar, the $78 billion Liquified Natural Gas (LNG) deal signed in February 2024, with assured import of 7.5 million tonnes of LNG a year for another 20 years, adds a critical link to India's energy security. In addition, in July 2023, ADNOC (Abu Dhabi National Oil Company) and Indian Oil signed a LNG contract for 1.2 million metric tonnes per annum over a period of 14 years.

Living under the threat of conflicts and terror, security and defence are growing as important pillars in the partnership. Defence partnership agreements have been signed with multiple countries in the LAS including Oman, the UAE, Saudi Arabia, Egypt, and Qatar and are growing. India's maritime security initiatives such as Security and Growth for All in the Region (SAGAR) aim to promote joint collaboration in the Indian Ocean Region, particularly against sea piracy and maritime security threats. India's agreement with Oman over the Duqm port is a strategic deal that offers a critical advantage to the Indian Navy in its operations in the region while also allowing it to keep a discreet watch on the activity of China's People's Liberation Army Navy. The threat of war in Iran and the future of the Gaza peace process are common areas of security concerns in the region and are likely to figure as a key agenda during the meetings.

Most of the LAS countries are in total sync in India's fight against cross-border terror and have condemned the Uri, Pathankot, Pulwama, and Pahalgam terror attacks in India. Joint production of defence equipment and export of key weapon platforms such as the Tejas fighter aircraft, BrahMos and Aakash missiles, and artillery guns are also emerging as important attractions for LAS countries. Cyber, space and drone are future areas of cooperation.

Looking ahead

As India grows into a major economic, political, and military power, the Arab League region forms a critical part of its global matrix. For LAS countries too, India is a strong and reliable partner. The countries of the two regions may be separated by the Arabian Sea but are joined by history, destiny, trust, and growing brotherhood. The meeting of the foreign ministers of LAS in Delhi offers the perfect opportunity to forge closer ties and seek new avenues of engagement.

Is India prepared for the end of globalisation?

Suvojit Chattopadhyay

Governance and public policy professional with over two decades of experience across South Asia and East Africa

Earlier this month, U.S. President Donald Trump remarked that India reduced Russian oil imports to make him happy, and issued a further warning that more tariffs could be imposed if India displeases him. This was an accurate representation of how Mr. Trump approaches bilateral negotiations. What is broken is not just global trade, but the political system that governs it. What is taking its place is a return to mercantilism – a view of trade as an instrument of state power, where surpluses are strength and deficits are weakness.

Globalisation is usually described as the expansion of free trade of goods and services. That is an incomplete description. Globalisation is a political system that defined how governments ran markets and societies, and how they engaged with each other and with networked global institutions that they had established. It came to be associated with liberalism, democracy, and global cooperation. That system is now over.

A new order

The world economy was global long before it was liberal. Early globalisation was built on force. Wealth accumulation in the industrialised north was on the backs of domestic resource exploitation and overseas resource extraction. Trade was lopsided, not free.

Towards the middle of the 20th century, as the rest of the world found its voice and war had ravaged the industrialised countries, it was time for a new order. Sovereignty spread faster than democracy. Global institutions were birthed to offer a normative framework to manage international affairs. Even when unilateral power was exercised, it was couched as a pursuit of democracy, regional stability, or humanitarian compassion. The legitimacy of the system depended on that restraint. That restraint has now been abandoned openly.

This global system, with a normative multilateral core, rested on several political assumptions - open markets, free movement of capital but not people, cross-border enforcement of contracts, negotiations over management of shared resources. For a while, these assumptions seemed to hold as many countries experienced economic growth and declines in poverty.

Without stronger state capability, greater social cohesion, and a social contract committed to sharing growth more evenly, India risks remaining a country that lays claim to being a Vishwaguru without the institutional foundations and economic means to achieve it

Unintended consequences

There were, however, two unintended consequences. First, returns to capital far outstripped increases in wages. As the integration of global markets and supply chains deepened, economic pressures intensified. Manufacturing declined in some regions and surged in others. Migration from poor to rich countries increased. It was a matter of time before populist politics would take shape to respond to these imbalances.

Second, the geopolitical foundations of the post-colonial era were shaken by the rise of China. China provided the starkest example of a country that broke through into the global economy and accumulated wealth and power without complying with the multilateral order. China benefited enormously from access to global markets, supply chains, and technology, but retained firm state control over capital, labour and information. China's trade surplus reflects the relentless pursuit of a model of excess capacity and external demand, which has stunted the industrial ambitions of poorer countries, including India. Over time, China accumulated enough power to emerge as an alternative model for both economic growth and consolidation of domestic political power.

Together, these developments changed how major economies came to view globalisation. Global cooperation came to be viewed as an opportunity cost, or at best as a distraction, as populist politics turned societies inward-looking. Their response is essentially an assertion of sovereignty at the expense of liberal values, such as the politicisation of migration and the promotion of industrial policy to buy self-sufficiency. This is why globalisation, as it was practised, is now dead.

The crutch of global cooperation has already been taken away from the developing world. International aid is now conditional on the national interests of donor countries. With multilateral institutions failing, the ability of developing countries to negotiate jointly on matters such as climate change or illicit financial flows is weakening rapidly. Domestically, restless youth now demand much more of their governments. Political elites need to recognise this moment and act decisively, even if they initially do so to further their self-interest.

India's role

What is India's role going to be in this emerging global order? India is simultaneously too large to ignore and too poor to matter. Over the last 15 years, we have squandered the opportunity to convert our demographic advantage into productive capacity. The social pyramid has become more sharply stratified, with an overwhelmingly poor and powerless base supporting a narrow apex.

India can still become a serious player in a few selected domains – digital public infrastructure being the most prominent, but also with potential in renewable energy, the services sector, and democratic decentralisation. But it is hard to see how those possibilities can be realised under the current political economy. Even the limited economic growth we have seen has not been accompanied by a credible commitment to expanding the base through sustained public investment in health and education. In a mercantilist world order, low state capacity will only result in long-term irrelevance.

Without stronger state capability, greater social cohesion, and a social contract committed to sharing growth more evenly, India risks remaining a country that lays claim to being a Vishwaguru without the institutional foundations and economic means to achieve it. Rhetoric alone will not be enough.

LETTERS TO THE EDITOR

Fixing the problem

It is time to break this pattern of aircraft accidents ("Aircraft crashed during second landing bid in poor visibility", Jan. 29). First, a dedicated air wing should be developed for politicians, similar to the IAF's VVIP fleet, equipped with modern helicopters, advanced GPS-radar systems, and highly trained pilots. Second, strict national standards should be set for chartered aircraft and helicopters used during the election season, and real-time digital tracking should be made mandatory. Third, virtual rallies, digital communications, and tech-based campaigning should be encouraged. Fourth, a zero-tolerance policy should be adopted for pilot training, pre-flight technical inspections, and aircraft maintenance, and strict penalties should be imposed on companies violating these rules.

Satyawan Saurabh
Bhiwani

Mamata Banerjee's suggestion of a conspiracy and her call for a Supreme Court-monitored probe were uncalled for ("Mamata seeks SC-monitored probe into Ajit Pawar's death," Jan. 29). Sharad Pawar rightly asked people not to politicise the accident. This was not the time for her to say that no agency can be trusted and direct her anger at the government.

B. Sundar Raman
Coimbatore

Promoting tourism

The problems stated in the article, "India, the beautiful — but first, India the functional," (Jan. 29) relate to infrastructure, harassment, scams, and abuse and reflect the flaws in India's education system. People are not taught basic etiquette or empathy in India. If we intend to solve these problems, we must do it for the sake of our citizens first; tourists will naturally follow.

Adan Shanaas
Patna

To read more letters online, scan the QR code.

Will removing curbs on Chinese FDI help India?

Shyam Saran

is a former Foreign Secretary to the Government of India and currently President of the India International Centre

Santosh Pai

is a partner at Dentons Link Legal and an honorary fellow at the Institute of Chinese Studies

PARLEY

India's Ministry of Finance is set to lift curbs on Chinese firms bidding for government contracts, which were introduced in 2020, following a deadly clash between the two countries' troops in the Galwan Valley. Now that India is showing a change of heart, the Ministry's actions beg the question: Will removing curbs on Chinese FDI help India? Shyam Saran and Santosh Pai discuss this in a conversation moderated by **Nitika Francis**. Edited excerpts:

How will foreign direct investment from China help the Indian economy?

Shyam Saran: First of all, we have to spell out our own objectives with regard to our economic and industrial development. Which areas, from a security perspective, are sensitive and which are not. Unless we create a roadmap outlining our priorities and where Chinese FDI fits into that scale, it is very difficult to say whether or not we should accept it.

Santosh Pai: Chinese investments can play a role in both India's economic and security objectives. On the economic front, we can look at expanding the contribution of the manufacturing sector to the Indian economy, attracting a greater share of supply chains, and boosting exports. On the security front, especially vis-à-vis China, one pressing need is to reduce our dependence on imports from them, as we have a huge trade deficit. We can also look at how to develop leverage against China, given our political ties.

How do we approach China's investments in sensitive sectors?

SS: It is for the national security establishment within the Indian government to determine which sectors are considered very sensitive. For example, it was decided that we should be careful not to invite Chinese investment or participation in projects on our coast, which may be near our naval bases. The digital economy of India is considered a sensitive sector, and if it is dominated by Chinese investment and companies, our security may be compromised due to potential invisible data flows. There could also be kill switches that can be shut off during a period of emergency. Consumer items may not pose the same kind of concerns. Our view in the Ministry of External Affairs, when I was serving there, was that we should not make some of these limitations China-specific. If there is an area of security concern, the basic effort should be to ensure it is not open to foreign investment. Such a policy is better than being country-specific.

GETTY IMAGES

SP: Allowing investments in non-sensitive sectors can contribute heavily to reducing the trade deficit. So I would say we need to look at it from different perspectives, but the red lines must always be clear from a national security perspective before evaluating any other priority. So by placing national security at the centre, I think it is possible to evolve these priorities and develop the current restrictions.

In its Economic Survey for 2023-24, the Ministry of Finance suggested that increased FDI inflows from China could help increase India's participation in global supply chains and push exports. How viable do you think this strategy is?

SS: First, we should recognise that it is not such a simple matter to say we want to be part of this supply chain. Supply chains work efficiently in a low-tariff regime. Unless you make your market open to very easy imports of components, these items cross borders several times before a final product is made. Second, we have to determine the components of that supply chain in which we have competitiveness. I think we also have to study the experience of some Chinese FDI, already present in India, which is actually quite successful, such as Xiaomi and Oppo. We should also see if there are any other areas where Chinese FDI could be invited. Off the cuff, Chinese EV manufacturers may have a lot of interest in India. So why not consider that favourably?

SP: While we must take increased tariffs into account, India also has a role to play in non-tariff barriers. We have quality control orders that have been tweaked over the years to either make it easy or difficult to import some components required for assembly or manufacturing activities. But there will always be some factors beyond our control.

> We may have thought that Apple's investment would have a major demonstration effect on other companies that are de-risking from China for geopolitical reasons. But let me say that so far the results have not been up to expectations
>
> SHYAM SARAN

What does China gain from investing in India and allowing it to export products to markets such as the U.S. and Europe that are actively moving away from it?

SP: Currently, China has excess capacity in almost every industry. So, ideally, Chinese companies would not like to go and invest anywhere outside China. They have a $1.2 trillion trade surplus. But on the other side, because of this, there is immense pressure on Chinese companies to establish supply chains outside the country and reduce this surplus, as it is interfering with their relationship with many major economies. One gain is that China gets to establish a supply chain outside China, which will insulate its companies against China-focused tariffs in the future. The second is having a foothold in a country like India, which has the fastest-growing domestic market among large countries. This translates to a bigger chance of global market share. And something more intangible is what we can call India Premium, because the confluence of economic and geopolitical factors makes India a considerably attractive destination. We have not really tapped it to its full extent so far, as most of the early moments of the global supply chain after the pandemic have been to countries in ASEAN, for example.

SS: For Chinese smartphone manufacturers, the Chinese market itself is completely saturated. Most of the other markets that China has access to are also saturated. So the only country where the smartphone market is likely to keep growing in the future is India. This is why, despite some barriers and political tensions, these companies have decided not only to navigate the difficulties but also to stay in India. Another more problematic aspect is: can India have become a platform for Chinese manufacturing for export to third countries? It is problematic because India as an investment destination is still regarded as a somewhat difficult place to do business in. There is also the infrastructure logistics constraint. Former IMF chief economist Gita Gopinath recently mentioned that perhaps Indians do not realise that news about pollution across north India is also a big disincentive. So if China is looking for a production basis for accessing other markets, then it finds it much more congenial to go to Southeast Asian countries such as Vietnam or even Bangladesh.

Although China has a dominance in the manufacture of components, its share of U.S. smartphone imports has dwindled from 60% in 2016 to about 22% in 2026. Is this a good example of what the Economic Survey was hinting at, which is that we can push our exports to the U.S. and Europe with the help of Chinese investment and replace them in certain ways?

SS: When we got Apple here into India, we found that a very large number of components used in making the iPhone or iPad were manufactured in China. Therefore, unless we were able to access those components, it would have been very difficult to actually do this manufacturing. We had to create conditions for the suppliers of those components to set up units in India under a special provision, not as part and parcel of our general investment policy. We had to make concessions with respect to those Chinese companies that set up units in India, specifically for the iPhone industry. We may have thought that Apple's investment would have a major demonstration effect on other companies that are de-risking from China for geopolitical reasons. But let me say that so far the results have not been up to expectations. I wonder if we are in a position really to offer those kinds of concessions on a broader scale.

SP: China supplies intermediates and components continues to contribute to that supply chain. It is just that the last port or the last destination of imports into the U.S. has changed. So, if you see, China's exports to ASEAN have increased tremendously in the last five years. It is now the number one destination for Chinese exports. As a value share, I think China still contributes a significant percentage, but for geopolitical reasons, the U.S. does not prefer that final export to happen from China. So it has managed to discharge it into other countries whose dependencies on China have increased as a result.

To listen to the full interview
Scan the code or go to the link
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NOTEBOOK

Ajit Pawar, a man who has always kept his word

A leader remembered for his candid way of speaking and his discipline and dedication to public life

Vinaya Deshpande Pandit

"Kasa ahe, Vinaya *tai*!" is how Ajit Pawar would start talking when asked any question. The literal translation is, "I will tell you how it is, Vinaya *tai*!" '*Tai*', meaning sister, is a commonly used term of endearment and respect in Maharashtra. So is '*dada*', meaning elder brother. That is how people addressed him, how he referred to himself, and how he carried himself.

This was his typical way of starting his answers, even as he would try to be cautious in the beginning while speaking to the national media. Soon after, true to his nature, he would throw caution to the winds and speak.

I remember asking him about the fiscal prudence of the Majhi Ladki Bahin Yojana after it was rolled out, providing ₹1,500 to eligible women in the State. It was also a time when the State elections were coming up, and the Mahayuti had promised that the amount would be increased to ₹2,100 if voted back to power. I asked him, "How is that even possible? How will you manage the State's finances?"

While other leaders bypassed any serious discussion, emphasising that the promise would be fulfilled once the alliance returned to power, that was not how Pawar responded. He did not want to say it was impossible – that would have contradicted the alliance line – but he also did not want to say it was possible. He expressed concern about the burden it would place on the treasury. "*Kasa ahe*, Vinaya *tai*, we will have to take the Centre's help if anything else has to be done," he said, making it clear that any allocation beyond ₹1,500 was not possible on the State's own strength.

Pawar was known for speaking sharply, and for some, this was terrifying. Sometimes, it reflected his concern for their well-being. When former Maharashtra Home Minister R.R. Patil chewed tobacco, Pawar would rebuke him repeatedly.

My last interaction with Pawar was a day before his sudden demise. He walked out of his chamber in the State Secretariat after a Cabinet meeting, and I was standing right there. A day later in Baramati, his OSD (Officer on Special Duty) told me, amid the shock over the event that had happened, "He later asked about you". An interview for the local body elections was pending.

What stood out for me was his sense of discipline and dedication to public life. Once, last year, he promised me an interview. As I was about to start rolling the camera, his team requested some time, saying he had not had lunch for hours. I agreed and told them I would wait. Pawar said he would return in 10 minutes.

He kept his promise. He came, sat next to me, and said, "Ask whatever you want". I smiled as his team requested me to wind up at the earliest, as he had already been delayed for his next commitment. And yet, he indulged me for much longer than the given slot, answering all my questions, including the difficult ones, with all earnestness. To me, this was a man who appreciated the fact that I had waited for him and made up for it.

As journalists, we are used to walking into people's bungalows or offices at any hour. I had seen visitors queue up at his residence as early as 8 a.m. For someone who was invariably in his chair by 6 a.m., politics was less a vocation and more a relentless preoccupation. He would move through the State Secretariat with purposeful strides, rushing from one meeting to the next as his staff would brief him on the move. Taking representations in one hand, he would pass them over to designated staffers. Pawar was a leader who believed in multitasking.

The corridors of the State Assembly will no longer echo with his jokes, nor will the Secretariat see an administrator who routinely took officers to task.

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PICTURE OF THE WEEK

Against the cold

A dogsled patrol unit crosses the ice in northern Greenland. While Denmark has allocated billions to bolster security across its vast Arctic territory, policing the frozen wilderness of northern and eastern Greenland in winter still relies on six low-tech, two-man teams, each with a dozen dogs; the elite navy unit operates in extreme conditions. AFP

FROM THE ARCHIVES

FIFTY YEARS AGO JANUARY 30, 1976

Indo-U.S. panel plans many joint scientific projects

New Delhi, January 29: India and the United States will undertake joint scientific work in a number of fields including water and soil conservation, solar energy, rural uses, quick growing trees for fuel materials, photosynthetic efficiency, post-harvest technology to reduce food losses and solar electricity.

This was stated in a joint communique issued here to-day at the conclusion of the second meeting of the Indo-U.S. sub-commission on science and technology.

The sub-commission had been meeting here for the last three days. The member U.S. delegation was led by Dr. Oswald H. Ganley, Deputy Assistant Secretary of State. The Indian delegation was led by Dr. B. D. Nag Chaudhuri, Vice-Chancellor of Jawaharlal Nehru University.

A new technique of house-wiring using flat conductor cables developed and being tested in the U.S. will be studied for its potential use in India. In the area of environment, programmes were identified in cleaning and washing of coal and the gas from coal combustion. It will also include waste water treatment, solid waste treatment and water purification. In the area of health, joint programmes will include nutrition, metabolic and degenerative diseases, health services, delivery and occupational safety.

A HUNDRED YEARS AGO JANUARY 30, 1926

Poverty problem.

Captain J. W. Petavel's third of the series of University Special lectures on Poverty Problems was delivered last evening in the Senate Room. It was listened to with deep interest by an appreciative audience.

He gave a short resume of his first two lectures and said that to use the enormous productive power of labour for the good of the people in general, an entirely different social construction was needed. Through simplification of methods they could organise the young to use that power for the good of themselves, their parents and the community, without interfering with capitalism, which cared only for production and not for the individual. The new organisation should be one where everybody who wanted work would be given work and would get the necessaries of life.

Text&Context

THE HINDU

NEWS IN NUMBERS

Total number of Internet users in India in September 2025

1.02 in billion. India's total Internet users numbered nearly 1.02 billion by September 2025, a sharp increase from about 250 million in 2014. The country is also the world's second largest smartphone market, with 750 million devices. REUTERS

People who got employed at job fairs in India in 2025

2.22 in crore. A total of 2.22 crore people across the country were provided jobs in over 18,000 job fairs during the past year, the Minister of Labour and Employment Mansukh Mandaviya said. The minister also said that employment generation is growing. PTI

Number of lifetime bans issued by China's football association

73 China's football association issued lifetime bans to 73 people, including former national team coach Li Tie, and punished 13 top professional clubs for match-fixing and corruption. A sweeping anti-corruption crackdown has swept through Chinese football in recent years. AFP

Amount allocated in Kerala budget to open menopause clinics

3 In crore. The Kerala government is taking a step toward focusing on women's healthcare. In the State budget presented in the Assembly on Thursday, Finance Minister K.N.Balagopal announced that ₹3 crore will be allocated to set up specialised menopause clinics in district hospitals. PTI

Outstanding individual home loans at the end of March 2025

37 In ₹ lakh crore. Housing finance has expanded at a steady pace, with outstanding individual home loans rising nearly four times to ₹37 lakh crore at the end of March 2025. The share of home-loans-to-GDP has grown to 11% in 2024-25. PTI

COMPILED BY THE HINDU DATA TEAM

Has health spending by the Centre increased?

As per data from the Reserve Bank of India, allocations for health and family welfare as a percentage of GDP by all States and Union Territories have increased from 2017-18. In contrast, the Union government's spending on health, which increased moderately during the pandemic, has decreased post-pandemic

ECONOMIC NOTES

Indranil

The 2017 National Health Policy (NHP) had committed to "increase health expenditure by Government as a percentage of GDP [Gross Domestic Product] from the existing 1.15% to 2.5% by 2025." While 2025 is now over, this basic goal is nowhere near realisation, since the Union government has not upscaled its health budget as required over the last decade. The NHP also proposed that the Union government's share should be 40% of total public spending. This essentially means that spending by the Centre should increase from the current level of 0.29% to 1% of GDP – which requires increasing allocations by at least three times.

Low spending on public health

Public spending on health in India continues to be abysmally low compared to many countries. For instance, Bhutan's per capita spending on health was 2.5 times more than that of India's, while Sri Lanka's was three times in 2021. All the other BRICS nations spent 14-15 times more on health per person than India did. Similarly, Thailand and Malaysia also spend at least 10 times more per capita on health than India.

During the COVID years, public spending on health as a percentage of GDP had increased somewhat, with much of the rise attributed to the States rather than the Union government. The States have sustained such increase post-COVID as well. As per data from the Reserve Bank of India (RBI), allocations for health and family welfare by all States and Union Territories have increased from 0.67% in 2017-18 to 1.1% of GDP as per 2025-26 Budget Expenditure (BE) (Chart 1). Similarly, the share for health spending in overall State budgets has increased from 5% to 5.6% during this period.

In contrast, the Union government's spending on health as a percentage of GDP, which increased moderately during the pandemic, has decreased post-pandemic. The Union government's allocation on health in the 2025-26 Budget was 4.7% less than what was actually spent in 2020-21, when one takes into account the effect of increasing prices. This means that the care that could be provided in 2020-21 cannot be provided now, given that allocations have declined while prices have skyrocketed. As a percentage of GDP, the Union government's allocation for health has declined drastically from 0.37% (2020-21 Actual Expenditure) to 0.29% (2025-26 BE) (Chart 1). It seems that even the modest higher priority accorded to the health sector during COVID has been slashed after the immediate emergency passed. The share of health in the total Union Government budget has declined from 2.26% to 2.05% in this period.

Health is wealth

During the COVID years, public spending on health as a percentage of GDP had increased somewhat, with much of the rise attributed to the States rather than the Union government

CHART 1: Union and State government spending on health (as % of GDP)

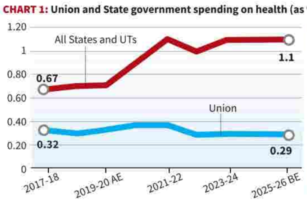
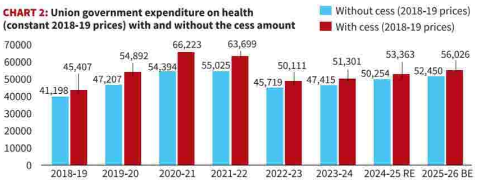


CHART 2: Union government expenditure on health (constant 2018-19 prices) with and without the cess amount



Source: indiabudget.gov.in, Economic Survey, RBI's State Finances: Study of budgets

On cess

In 2018-2019, Health and Education Cess (HEC) was introduced as 4% of one's total taxable income. The cess was supposed to top up and expand existing government spending on health and to take care of the health of poor and rural families. However, the thousands of crores collected yearly as HEC has not been used to expand the health budget but instead is being used to supplement tax resources. For instance, the FY2023-24 collection of HEC was ₹71,180 crore, of which one fourth went to health, which came to around ₹17,795 crore. If we keep aside this cess amount, we note that the Union Budget's allocation for health has declined by 22.5% in real terms between 2020-21 and 2023-24 (Chart 2).

Cutting schemes

In 2014-15, three-fourth (75.9%) of Union spending on health was transferred to the States for various Centrally Sponsored Schemes like the National Health Mission. Overtime, this has declined consistently to reach just 43% in 2024-25 (Budget Estimates), which is completely insufficient to maintain basic health services. It should be noted that the State governments bear the main costs of providing healthcare to people across India, and they need to be adequately resourced by the Union government. The trend reflects hyper-centralisation of financial resources on health, although health services largely fall within the domain of States.

By trying to identify which schemes and programs have received cuts and which have seen considerable increase, one can understand the real health sector priorities of the Union Government. Schemes which strengthen the public health system and protect the health of the most vulnerable sections of society, like the NHM, the Pradhan Mantri Swasthya Suraksha Yojana, and schemes on nutrition and health research have received severe cuts despite doing good work in hard times.

Launched in 2005, the NHM has been a crucial intervention by the Union government to improve health services in rural and urban areas. But in the last seven years, expenditure on this key scheme has mostly remained stagnant or has come down. Between FY14 and FY19, the spending on NHM grew at 7.4% on average, largely due to a sudden jump in FY18. However, during the second tenure of the National Democratic Alliance government, spending on NHM actually declined in real terms by 5.5% on average.

Indranil is a health economist, professor, School of Government and Public Policy, OP Jindal Global University, Haryana.

THE GIST

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What is the Salman Khan personality rights case?

The ongoing case has generated interest in the legal battle between individual personality rights, particularly in the context of celebrities, and technology companies operating AI-driven platforms in India

Virag Gupta

The story so far:

The High Court of Delhi issued a notice on January 21, 2026, to actor Salman Khan on an application filed by a China-based AI voice generation platform seeking to vacate an interim injunction protecting the actor's personality rights. While the main matter was heard on January 23 by the Joint Registrar (Judicial), the Chinese app's application is listed for February 27.

Who is John Doe?

The original suit named 28 defendants, including major technology companies such as Apple Inc., Google LLC, Meta's Facebook and Instagram, X, e-commerce platforms including Amazon India and Flipkart, and intermediaries like Telegram FZ LLC. Mr. Khan also sought an injunction against unknown persons, joined as Defendant No. 1 ('John Doe' or 'Ashok Kumar'), a procedural device that allows courts to pass *ex-parte* orders where defendants cannot be identified.

The Chinese AI platform was later added as Defendant No. 35, though it is yet to be formally impleaded following the order of the Joint Registrar (Judicial).

How do personality rights operate?

In *K.S. Puttaswamy v. Union of India* (2017), the Supreme Court recognised privacy as a fundamental right under Article 21. Courts have since held that unauthorised commercial exploitation of an individual's persona may infringe the right to life. Personality rights recognise the economic value of identity, particularly for public figures, and are distinct from statutory intellectual property rights.

In a 2025 order involving Aishwarya Rai Bachchan, the Delhi High Court noted that unauthorised use of a celebrity's identity could cause commercial harm. Courts have restrained false impersonation, unauthorised use of images and names by websites and AI tools, and the creation of manipulated or inappropriate content.

While Article 19(1)(g) guarantees Indian citizens the right to conduct business, this right is subject to reasonable restrictions. Courts have also protected artistic expression, provided such works do not mislead the public or imply endorsement. Foreign entities, however, cannot invoke Article 19 before Indian courts.

What is the Chinese app context?

In 2020, the Union government banned over 200 Chinese applications under Section 69A of the Information Technology Act, citing national security concerns related to data collection and storage. Although the Digital Personal Data Protection Act, 2023, has been passed, enforcement remains pending, leaving gaps in regulation, particularly in the AI sector. Nandan Nilekani recently said voice-based AI is critical for digital equity and could be like a UPI-moment for India. A dismissal of the Chinese platform's application could have broader implications for misuse by AI companies.

What about fees in celebrity suits?

Personality rights claims are typically filed under the Commercial Courts Act, 2015, since celebrities rarely hold conventional IP rights over their identity. Courts have, however, allowed interim injunctions without upfront payment of court fees in several cases, granting extensions under procedural provisions. This practice has attracted scrutiny, given the high brand valuations often cited in such suits. Recent scrutiny in the European Union of generative AI systems such as Elon Musk's Grok highlights similar regulatory concerns.

In India, while the IT Rules, 2021 provide takedown mechanisms, the limited effectiveness of grievance redressal systems has pushed public figures to seek relief directly from High Courts. Ensuring protection against digital impersonation from celebrities to citizens remains a pressing concern.

Virag Gupta is an advocate at the Supreme Court.

THE GIST

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GRAPHICALLY SPEAKING

Grains to gigabytes: unboxing India through FM's speeches


FREE INDIA'S FIRST FULL BUDGET
RS. 26.85 CRORES DEFICIT: 121 CRORES FOR DEFENCE
TAX RELIEF TO INDUSTRY: B. P. T. REDUCED
NEW EXPORT TAXES: HIGHER DUTIES ON TEA, COFFEE, MATCHES, AND TOBACCO

The history of India's Union Budget is effectively the biography of a nation in transformation. This timeline traces the shifting centre of economic gravity through five decisive phases and how the 'Briefcase' has carried India's destiny – from grain sacks to smartphones – in each Finance Minister's own words. **Nivedha M, Sambavi Parthasarathy, Devyanshi Bihani, Nitika Francis, and Vignesh Radhakrishnan**

Design: JVSN Rajasekhar


Members of the Planning Commission meet the former members of the Congress Working Committee in New Delhi on October 16, 1952, to discuss the tentative recommendations in the final report of the Five Year Plan. HINDU PHOTO ARCHIVES

PHASE 1 1947–1960 THE EARLY YEARS: FOUNDATIONS & SURVIVAL

YEAR: 1947-48
FM: R.K. SHANMUKHAM CHETTY

A free nation

The primary focus was for the nation to "consolidate into one unified whole," dealing with the "setbacks resulting from Partition," and the rehabilitation of refugees. "The estimates include... a lump sum provision of ₹22 crores for expenditure on the evacuation, relief and rehabilitation of refugees from Western Pakistan."

YEAR: 1951-52
FM: C.D. DESHMUKH

Food security

The 'Grow More Food' campaign was central. The FM argued that the food situation has deteriorated and as a result imports had to be increased. An additional 2 million tonnes of wheat were to be procured from the U.S. "Although Government are doing everything possible... the coming year the food position in the country is not likely to be easy."

YEAR: 1955-56
FM: C.D. DESHMUKH

The plan era

The last Budget of the First Five Year Plan was framed to secure the "orderly implementation of the Plan" and stock-taking of achievements. "The plan was formulated under difficult circumstances with inflation, shortages and the like clouding the economy. The formulation of a plan was in itself a breaking of new ground."

MIDDLE DECADES: DEFENCE & AGRICULTURE PHASE 2 1961–1989

YEAR: 1963-64
FM: MORARJI DESAI

National security

Following Chinese aggression, the "paramount consideration" became building defence potential. Defence expenditure was increased to ₹867 crore. "Can we afford not to meet the challenge of the Chinese aggression? Would it be prudent to try and meet this challenge by forsaking our aspirations for development?"

YEAR: 1970-71
FM: INDIRA GANDHI

Social justice

A shift towards reducing income disparities. "It is generally accepted that social, economic and political stability is not possible without the growth of productive forces and the augmentation of national wealth. Also, that such growth and increase in wealth cannot be sustained without due regard to the welfare of the weaker sections of the community."

YEAR: 1979-80
FM: CHARAN SINGH

Rural focus

Eradicating poverty/unemployment by assigning "pride of place" to agriculture and rural development. "So long as there is great poverty and unemployment, particularly in the rural areas, and agriculture has the largest potential for generating employment, there can be no let up in the task of agricultural improvement. Our objective should be to raise productivity further."


Former Prime Minister of India, Indira Gandhi, getting ready to leave for the Lok Sabha to present the Union Budget in New Delhi on February 28, 1970. HINDU PHOTO ARCHIVES

PHASE 3 1990–2000 TURNING POINT: THE REFORM ERA


Former Union Finance Minister Dr. Manmohan Singh going to the Parliament House in New Delhi with the Budget documents for presentation on Wednesday, July 24, 1991. SHANKER CHAKRAVARTY

YEAR: 1991-92
FM: MANMOHAN SINGH

Liberalisation

Budget was presented during a "fiscal crisis" and "balance of payments" trouble. The focus shifted to "macro-economic stabilisation" and "structural reform" to integrate India with the world. "After four decades of planning for industrialisation, we have now reached a stage where we should welcome, rather than fear, foreign investment."

YEAR: 1994-95
FM: MANMOHAN SINGH

A modern tax system

Focus on restoring the health of the banking sector and phasing out "ad hoc Treasury Bills" to strengthen fiscal and monetary discipline. "We must accelerate the reform and modernisation of our tax system... structure now proposed goes a long way towards the kind of modern tax system and moderate tax rates and an emphasis on compliance...,"

YEAR: 1999-2000
FM: YASHWANT SINHA

Knowledge economy

"Jai Vigyan" became a tribute to scientists and innovators. "The time has come to unleash the creative potential of our scientists and innovators at grass roots level. Only then we can make India truly self-reliant and a leader in sustainable technologies. I propose a national foundation for helping innovators all over the country."

TECHNOLOGY IN FOCUS: INCLUSION & INFRA PHASE 4 2001–2013

YEAR: 2000-01
FM: YASHWANT SINHA

Infotech revolution

Acknowledged the potential of IT firms. "Young Indian entrepreneurs are at the forefront of the infotech revolution, whether in Silicon Valley, Bangalore or Hyderabad. They have shown us how ideas, knowledge, entrepreneurship and technology can combine to yield unprecedented growth of incomes, employment and wealth."

YEAR: 2005-06
FM: P. CHIDAMBARAM

Rural infrastructure

Launch of a business plan for rural infrastructure, among others. "Bharat Nirman ... has to be implemented over a period of four years, for building infrastructure, especially in rural India. It will have six components, namely, irrigation, roads, water supply, housing, rural electrification and rural telecom connectivity."

YEAR: 2008-09
FM: P. CHIDAMBARAM

Debt relief

A massive agricultural debt waiver scheme was a prominent talking point. "Government is conscious of the dimensions of the problem and is sensitive to the difficulties of the farming community ... government estimates that about three crore small and marginal farmers and about one crore other farmers will benefit from the scheme."


Former Finance Minister, P. Chidambaram entering Parliament House to present the Union Budget in New Delhi on February 28, 2005. RAMESH SHARMA

PHASE 5 2014–2024 MODERN ERA: ASPIRATIONAL INDIA

YEAR: 2014-15
FM: ARUN JAITLEY

Smart Cities & Skill India

"One hundred Smart Cities" and "Skill India" to focus on employability and entrepreneurship. "For this it is proposed to launch a pan India programme 'Digital India' ... A National Rural Internet and Technology Mission for services in villages and schools, training in IT skills ... is also proposed."

YEAR: 2016-17
FM: ARUN JAITLEY

Doubling farmers' income

A specific target was set to double the income of farmers by 2022. "Access to markets is critical for the income of farmers. The Government is implementing the Unified Agriculture Marketing Scheme which envisages a common e-market platform that will be deployed in selected 585 regulated wholesale markets."

YEAR: 2017-18
FM: ARUN JAITLEY

Digital economy & GST

"Digital economy" to increase speed and transparency. "Demonetisation has strong potential to generate long-term benefits in terms of reduced corruption, greater digitisation of the economy ... We firmly believe that demonetisation and GST ... will have an epoch making impact on our economy."

YEAR: 2021-22
FM: NIRMALA SITHARAMAN

Health & wellbeing

Following the pandemic, the Budget rested on six pillars, with 'health and wellbeing' as the first. "So far, only three times has a Budget followed a contraction in the economy. All such contractions were as a result of situations typical to India. This time, the contraction in our economy is due to a global pandemic ...,"

YEAR: 2023-24
FM: NIRMALA SITHARAMAN

Seven priorities

Seven priorities including green growth, youth power, and the financial sector were established. "Our vision for the Amrit Kaal includes technology-driven and knowledge-based economy with strong public finances ... To achieve this, Jan Bhagidari through Sabka Saath Sabka Prayas is essential..."

YEAR: 2024-25
FM: NIRMALA SITHARAMAN

New definitions

A focus on four major castes: 'Garib' (Poor), 'Mahilayen' (Women), 'Yuva' (Youth) and 'Annadata' (Farmer). A new definition of GDP: 'Governance, Development and Performance'. "We believe in empowering the poor. The earlier approach of tackling poverty through entitlements had resulted in very modest outcomes."


Union Finance Minister Nirmala Sitharaman. SHIV KUMAR PUSHPAKAR

Nivedha M is interning with The Hindu Data Team

thehindu businessline.
FRIDAY - JANUARY 30, 2026

Growth strategy

Survey cites global risks to robust economy

The Economic Survey 2025-26, like most recent Surveys, has two strands to it: first, it assesses growth prospects in the upcoming year; and second, it elaborates on issues governing medium-term growth. On the former, the Survey refers to India's robust growth fundamentals and predicts a real growth rate of 6.8-7.2 per cent in FY27. On the second, the Survey says that growth, financial stability and strategic autonomy can only be sustained by turning a current account deficit into surplus — through manufacturing.

Indeed, the Survey even suggests that services has done its share of heavylifting for the external account. As for near-term prospects, the Survey asserts, and not without basis, that a growth paradox is at work — where a falling rupee and capricious capital flows have little to do with robustness of the economy. A country with comfortable food stocks, a large domestic market, "a less financialised growth model", comfortable forex reserves, low inflation, low NPAs and strong corporate balance sheets can weather global turbulence. In fact, it says that the potential growth rate of the economy has risen from 6.5 per cent to 7 per cent over three or four years, following factor market reforms. Yet, the Survey expects intensified trade, financial and technological headwinds this year. In perhaps a statement that could reflect the tone of the Budget, the Survey calls for "strategic sobriety rather than defensive pessimism". The focus on growth through domestic drivers will have to be accompanied by an emphasis on 'shock absorption'. With the external account being an area of worry, fiscal consolidation has become a *sine qua non*. India's inclusion in the global bond indices implies that bond yields could be more responsive to deficit changes.

For the medium term, the Survey's perspective on current account deficits stands out in contrast to the received wisdom that emerging economies can run such deficits. It argues that as interest rates rise in the developed world alongside a rise in inflation, a country that runs a CAD and needs capital flows must pay "a risk premium" to attract capital from those markets. The times have changed – the 'Great Moderation' is long over, and the cost of capital in India has risen. Here, the Survey suggests adoption of the East Asian route to becoming a manufacturing powerhouse. A policy focus in this regard already exists, in the form of production linked incentives. Interestingly, Chief Economic Advisor V Anantha Nageswaran said at the press briefing that manufacturing must deliver over time on the incentives accorded. It is perhaps a note of caution that the 'infant industry' approach could create inefficient enclaves if not properly managed.

The theme to revive manufacturing is not new — but the context is changing. Globalisation is *passe*, and strategic autonomy matters as uncertainties loom. However, in seeking to emulate the Tiger economies, it should not be forgotten that an investment in human capital lay at the root of their economic miracle. It is to be hoped that the Budget keeps this in mind.

OTHER VOICES.

The Guardian

China: engagement is necessary, caution is vital

It has been clear for many years that China's status as a second global superpower poses challenges to the world's democracies. Donald Trump's marauding behaviour as president of the first-placed superpower makes those challenges more acute. In the past, the UK's relationship with Beijing has been anchored, and sometimes dictated, by the alliance with Washington. Mr Trump's contempt for former allies, expressed as sabotage of Nato and a scattergun imposition of tariffs, scrambles the old strategic calculus. This is an ominous backdrop for Sir Keir Starmer's visit to Beijing. The prime minister is trying to perform a difficult balancing act, looking for commercial opportunity in a growing powerhouse while protecting national security from an authoritarian behemoth. LONDON, JANUARY 28

讀賣新聞
THE YOMIURI SHIMBUN

Board of Peace: U.N. is Indispensable for Gaza

In the Palestinian territory of Gaza, a ceasefire is barely being maintained, but a severe humanitarian crisis persists. Rebuilding Gaza, which has been reduced to ruins by two years of fighting, and restoring stability to the lives of its residents are urgent priorities. To that end, the United Nations — with its many member states and experienced experts — should play a central role. The Israeli military has announced that the body of the last hostage in Gaza has been returned to the family. The person was killed by the Islamist group Hamas. This marks the end of the first phase of the U.S.-led Gaza peace plan and a shift toward reconstruction in the second phase. Normally, this is a situation in which the United Nations should stand at the forefront of the reconstruction efforts. TOKYO, JANUARY 29

Services as a stabiliser of growth

SERVICIFICATION. Services' closer integration with manufacturing has strengthened sectoral linkages and value chains

V ANANTHA NAGESWARAN
SONALI CHOWDHRY

Services have long been central to India's growth story, contributing significantly to output, exports, and employment alongside agriculture and industry. What has become clearer in recent years, however, is the role services play in steadying growth at a time when the global environment is more uncertain. This role is reflected in the breadth and composition of service activity across the economy.

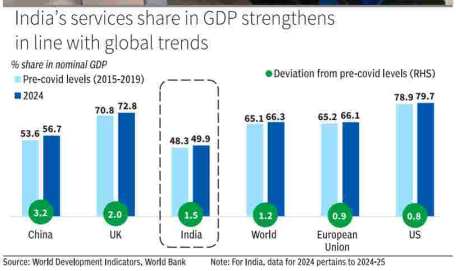
Today, the services sector contributes more than half of the country's Gross Value Added (GVA) — 56.4 per cent — as per the first advance estimate (FAE) of FY26, the highest ever recorded. The expansion of services has been broad-based. Software services, professional and business services, finance, telecommunications, transport, tourism, and experience-based activities have all contributed to momentum. At the same time, manufacturing has increasingly drawn on services inputs such as design, research and development, logistics, software, finance, and after-sales support, a process often described as servicification. This closer integration has strengthened inter-sectoral linkages and supported movement up value chains.

EXTERNAL RESILIENCE

Services have also contributed to external resilience. Services exports have helped diversify export earnings and offset periods when merchandise exports have softened, particularly in the post-pandemic period.

Export growth in key segments has accelerated sharply, with software services exports growing at 13.5 per cent during FY23-FY25, nearly three times the pre-pandemic pace, while professional and management consulting services expanded at 25.9 per cent, more than twice as fast as before, emerging as major drivers of services export growth. Services continue to play an important role in urban employment, accounting for more than 60 per cent of jobs in cities and a substantial proportion of formal employment additions.

Recent data reinforce these trends. In the first half of FY26, services growth strengthened further, raising the sector's share in GDP above both the previous year's level and the pre-pandemic average. Financial, real estate, and professional services supported this expansion, aided by credit growth and business activity, while trade, transport, and hospitality segments continued their gradual normalisation.



Source: World Development Indicators, World Bank   Note: For India, data for 2024 pertains to 2024-25

DRIVERS OF GROWTH

Looking ahead, the Services chapter turns to drivers shaping the next phase of growth. Advances in artificial intelligence are influencing productivity and the composition of services exports, particularly in digitally deliverable segments such as software and professional services. Survey evidence points to stronger export momentum in AI-intensive services, underscoring the role of technology adoption in sustaining competitiveness.

> Services firms are often able to operate efficiently even as broader institutional improvements unfold gradually

The chapter also highlights emerging opportunities in experience-based and culture-linked activities, often referred to as the orange economy. Areas such as media, entertainment, design, and cultural tourism offer scope for employment-intensive growth when supported by appropriate skills and local capacity.

CHALLENGES AHEAD

At the same time, the Survey does not overlook the challenges ahead. While service growth has been broad-based, productivity and employment outcomes differ across sub-sectors and regions. High-value, skill-intensive services have expanded more rapidly in some locations, while traditional services continue to absorb a large share of the workforce with lower productivity levels. Narrowing this gap will require sustained attention to skill development and mobility pathways across segments.

The growing role of digitally deliverable services and artificial intelligence also brings adjustment considerations. While technology adoption has strengthened competitiveness, it raises questions around workforce readiness and the pace of skill upgrading. Ensuring that productivity gains are widely shared across firms and workers remains an important priority.

More fundamentally, the chapter examines how service-led growth interacts with state capacity. While services exports and service-intensive activities are valuable for growth and competitiveness, the nature of services production differs from that of goods manufacturing. Many services firms rely primarily on human capital, digital connectivity, and contractual arrangements, and are therefore less directly dependent on large-scale physical infrastructure. This structural feature shapes how economic success translates into improvements in state capacity. Services firms are often able to operate efficiently even as broader institutional improvements unfold gradually. Manufacturing activities that depend more heavily on physical systems tend to be more closely tied to system-wide performance. As a result, while services-led growth contributes to macroeconomic stability, it may not, on its own, generate uniform incentives for strengthening state capacity across all areas of public administration and infrastructure.

India's services sector has long been a driver of growth. Its evolving role in supporting stability adds an important new dimension to that contribution. The task ahead is to ensure that this stability supports the steady strengthening of economy-wide capabilities, alongside sustained progress in agriculture and industry, laying the foundations for long-term growth and development.

Nageswaran is Chief Economic Advisor of India, and Chowdhry is a consultant

Avtar Singh Bhasin: The archiver of archives

He wrote over a dozen books documenting India's foreign policy including one on treaties India signed with its neighbours

LINE & LENGTH.

TCA SRINIVASA RAGHAVAN

Earlier this week two chroniclers of modern India passed away. Both were in their 90s. Both were masters of their profession. Both were unassuming to a fault, soft spoken and with a passion for detail and accuracy.

One was famous, the BBC journalist Mark Tully, or as he was known in a punjabification of his name, Tuli Sahib. The other was unknown except to a few fans, Avtar Singh Bhasin, formerly Director of Archives, Ministry of External Affairs.

I became acquainted with Mr Tully in 1980. And it was just that — mere acquaintance. He was a legend even then but wore his status very lightly on his sleeve.

This article, however, isn't about him. This is partly because enough has been written about him by people who would have barely known him but want to use the occasion to do the celebrity free ride.

Instead, this article is about the other great chronicler of our times who passed away on the same day — Avtar Singh Bhasin, scholar and gentleman, the epitome of Sikh culture and conduct. After retirement in 1993 he wrote over a dozen books that documented India's foreign policy, from 1947 till 2018.

He knew it all and would smile indulgently with the trademark twinkle in his eye when he heard someone express an unwarranted or ignorant opinion. Never once in the 30-odd years that I knew him, via my brother who had worked in the foreign service, did I hear Mr Bhasin say anything rude about the 'experts'.

Over the years, again thanks to my brother, he virtually became a member of our family. There was no important occasion where he was not present. For some of us he also became an important source to tap for historical exactitude.

THE BODY OF WORK

His published legacy is enormous and immensely valuable to future historians, at least those of them who prefer original sources to the media ones.

Avtar Singh Bhasin (1935-2026)

Mr Bhasin had a simple objective: to put together in one place in proper order the various treaties India has with its neighbours and multilateral bodies. He thus knew what he wanted and also where to look for it.

In law there is a maxim *'rex ipsa loquitur'*, meaning the thing speaks for itself. Mr Bhasin believed the same thing of agreements and treaties. Continuity, he told me once, had to have something to be continuous with. People in power come and go but what their predecessors agreed to is what must form the foundations of policy.

His work meets a felt academic need. Two decades ago when I was engaged by the RBI to help with its history, I realised how hard it was to access documents. Mr Bhasin's work makes life easier for researchers. He deserved a Padma award. The MEA should prod the PMO.

Until 2017 the agreements and treaties between India-Bangladesh, India-Pakistan and India-Sri Lanka, all had their places on the shelf. The last lot was India-China agreements. The effort was prodigious. It's all there, whatever you might want to know, about agreements between the two countries.

You have to sit in a library, see, touch and browse through the pages he put together to realise just what it must have taken in terms of dedication and commitment. The obsession with detail, sequence and accuracy would have exhausted anyone but Mr Bhasin. He was, if you will, an academic weightlifter.

LETTERS TO EDITOR

Send your letters by email to bleditor@thehindu.co.in or by post to 'Letters to the Editor', The Hindu Business Line, Kasturi Buildings, 859-860, Anna Salai, Chennai 600002.

Social funding

This refers to the article 'Financial institution for social infrastructure' (January 29). It is of paramount importance to build a robust human capital to make India a developed nation by 2047. Health, Education, skilling, and re-skilling are critical factors essential to shaping human capital.

Currently, banks engage in targetted lending, it falls short of the requirements.

So dedicated Developmental financial institutions are the need of the hour and are crucial to create a robust social infrastructure.

VSK Pillai
Changanacherry

With reference to 'Financial institution for social infrastructure?' (January 29), the upcoming Budget must cover special provisions for providing more sops towards private investments in the social sector.

As aptly brought out, while existing lending support is focusing primarily towards physical infrastructure, the need for setting up an exclusive financial institution supporting the core social activities is crucial towards an inclusive growth in the sector.

Corporates' CSR activities or work by charitable trusts are not enough to meet the SDG objectives. Proper incentivization, monitoring and regulatory support are vital for luring external funds into the social sector.

Sitaram Popuri
Bengaluru

Sad demise

Ajit Pawar's untimely demise will leave a void in Maharashtra politics in general and NCP in particular. He wore his ambition on his sleeve. He was an excellent administrator who would get things done.

He worked long hours and understood the value of connecting with people and workers in each village.

This unfortunate crash raises a few questions. Was the plane technically sound to operate as it was involved in the accident two years ago at Mumbai airport?

If there was a poor visibility during second attempt why was landing not aborted and flight diverted to another place?

Baramati crash is a reminder that VVIP flights in India are not safe and AAIB's investigation must be made public.

Bal Govind
Noida

FTA benefits

Apropos 'Major FTA breakthrough' (January 29). The conclusion of negotiations on the India-EU Free Trade Agreement marks a welcome end to years of stalled talks, opening substantial market access for Indian exports, especially in labour-intensive sectors like textiles, garments, leather and gems.

The fact sheet highlights immediate duty elimination on over 90 per cent of our exports by value, which should boost competitiveness and job creation. That said, the deal's real test lies ahead in implementation. Concerns remain over the EU's Carbon Border Adjustment Mechanism potentially offsetting gains for steel and aluminium, as well as non-tariff barriers in services, IP enforcement and labour standards. To maximise benefits, the government should prioritise support for exporters through better compliance with EU sustainability norms, targeted skill upgrades for workers in affected industries, and streamlined logistics. Parallel talks on the Investment Protection Agreement could further build confidence. With careful preparation, this pact can truly drive inclusive growth.

A Myilsami
Coimbatore

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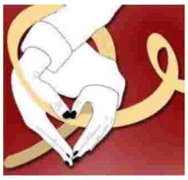
Funding rare disease care

Govt must ensure patients aren't financially stressed

Maitreyi Sachchidananda Hegde



TREATMENT. R&D spend for Spinal Muscular Atrophy must rise

Spinal Muscular Atrophy (SMA) is an inherited disease that affects nerves and muscles, causing them to become increasingly weak. It mostly affects infants and children, but can also develop in adults. There are four types of SMA, the first two being life-threatening, and types 3 and 4 impact the quality of life severely. Type 1 typically takes away the life of a child within two years, and type 2 patients usually live up to 25 years with difficult handicapped situations. It is classified as one of the rare diseases, yet it affects approximately one in 7,744 live births in India. There is no cure for SMA; it can only be managed, and the progression can either be stopped or slowed down.

HIGH TREATMENT COSTS

The cost of treatment for SMA in India is astronomically high. While the gene therapy costs ₹17 crore (a one-time treatment), Evrysdi, the oral solution, produced by Roche, costs ₹72 lakh a year. Gene therapy is only for children below two years, and the only medical remedy for the SMA patients that was available till recently was Evrysdi. It is only in the last month, after winning a patent litigation, that an Indian company Natco, started manufacturing the molecule in India, bringing down the cost to ₹15,000 per vial from ₹6 lakh. Yet, the annual cost for the medicines alone would come to around ₹5 lakh.

There exists a National Rare Diseases Policy, 2021 (NRDP), initiated by the Union government. The policy classifies rare diseases into three groups and designates a few hospitals as Centres of Excellence for the treatment of these diseases. NRDP also grants ₹50 lakh as a one-time financial support for a patient under the policy. This amount is thoroughly insufficient in view of the exorbitant prices of the life-saving medicines, especially for group 3 rare diseases.

Patients have approached the government and the courts seeking treatment under the fundamental right to life. Seba, a 24-year-old SMA patient from Kerala, also approached the High Court seeking the invocation of Section 100 of the Patent Act, 1970, which empowers the government to use inventions for non-commercial public use.

Section 100 was inserted into the Act in 2005 as a legislative safeguard against patent monopoly abuse, particularly for medicines. Unfortunately, not once has the Section been used by any government, catering to the right to life of the citizens. The case filed by Seba has reached the Supreme Court along with cases of several SMA patients. The Supreme Court is yet to decide whether ₹50 lakh can be the ceiling for the funds for the SMA patients, and how Seba can be given further treatment, etc.

There are 4,230 patients registered with the government on the NPRD website. The fund in the crowdfunding account of the government was ₹3,95,189 as on November 28, 2025. Even under NPRD, only a few patients are granted ₹50 lakh. The Centres of Excellence are not yet prescribing the generic version, despite the same being much more affordable. Yet, even if the generic version of Evrysdi is used for treatment, ₹50 lakh will cover only 10 years. Per the NRDP website alone, 911 SMA patients are awaiting financial aid.

Article 21 is a right against deprivation of life. If the government has the tools to ensure the preservation of lives through provisions under the Patent Act, the inaction amounts to deprivation. Therefore, in these cases, the government and the constitutional courts carry not just a 'social burden' but a 'constitutional and legal burden' to ensure the rights of the citizens.

The real solution would be for the government to procure the generic version of Evrysdi and distribute it for free to the SMA patients. The government must also allocate greater funds towards research and development for the indigenous manufacturing of these medicines. The apex court can issue necessary directions in that regard.

The writer is an Advocate practising in the Supreme Court of India and Kerala High Court

EU-FTA: A deal with many hoops

ROAD AHEAD. Tariff cuts apart, Indian exports need to work their way through a plethora of standards on IPRs, plant varieties, labour, environment

DPR PMO

BISWAJIT DHAR

The India-EU FTA is the most extensive bilateral deal that India has signed thus far, both in terms of the coverage of areas and the extent of market opening. India has committed to eliminate tariffs on 92 per cent of its tariff lines, covering 97.5 per cent of EU's exports. While tariffs on about 50 per cent of tariff lines would be immediately eliminated, about 40 per cent of tariffs lines would be subjected to phased elimination of between 5-7 years.

The EU would provide preferential access to Indian exports in 97 per cent of its tariff lines, covering 99.5 per cent in terms of import value. Sectors likely to benefit are a range of labour-intensive ones, including textiles, leather and footwear, sports goods, and jewellery. Several agricultural products like tea, coffee, spices, and fresh vegetables and fruits and processed food products would also enjoy preferential market access.

The EU's gains would stem from the deep tariff cuts that India has agreed to undertake in a number of important sectors. Automobile tariffs would be sharply reduced from 110 per cent to 10 per cent, but imports into India would be regulated through an import quota of 250,000 vehicles.

Included among the other major sectors in which India would eliminate tariffs in a phased manner are pharmaceutical, chemicals, iron and steel, and machinery. Though cereals and dairy products have been excluded from the FTA, India has agreed to eliminate its tariffs on a broad range of agricultural products like olive oil, processed food and sheep meat. Tariffs on wines and spirit would also be substantially lowered.

India's services trade could also get a fillip as the EU would provide facilitated access to Indian businesses in IT/ITES, professional services, education and other business services. But the most noticeable gain for India in this sector is EU's commitment to provide "seamless movement of skilled Indian professionals", which was one of India's key demands.

However, India needs to recognise that access to the EU would not be easy as it is one of the most regulated markets. EU requires its partner countries to conform to a range of exacting standards, or non-tariff measures (NTMs), carbon emission norms, international labour standards, and food safety standards being some of the more important of these.

India's FTA partners: Trade balance trends ($ billion)

Year	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Group I						
EFTA	-16.9	-17.3	-23.7	-14.8	-20.1	-20.5
Japan	-7.9	-6.5	-8.2	-11	-12.5	-12.7
Korea	-10.8	-8.1	-9.4	-14.6	-14.7	-15.2
ASEAN	-27.8	-15.9	-25.7	-43.6	-38.5	-45.1
UAE	-1.4	-9.9	-16.8	-21.6	-12.4	-26.8
Australia	-6.9	-4.2	-8.5	-12.1	-8.2	-6.9
Trade balance (Group I)	-71.7	-62	-92.3	-117.7	-106.5	-127.2
Group II						
Mauritius	0.6	0.4	0.6	0.4	0.7	0.5
Sri Lanka	2.9	2.9	4.8	4	2.7	3.2
Rest of SA	14.7	15.8	24	18.5	17.8	16.8
Trade balance (Group II)	18.2	19.1	29.4	23	21.2	20.5
Trade Balance - All FTAs	**-53.5**	**-42.9**	**-62.9**	**-94.8**	**-85.3**	**-106.7**

> Labour-intensive sectors such as textiles, leather and footwear, sports goods and jewellery are likely to gain. Services trade could also get a boost. But a range of NTMs would have to be traversed for EU market access

CBAM FACTOR

From the beginning of this year, the EU has been implementing the Carbon Border Adjustment Mechanism (CBAM), a carbon tax imposed at the border on imports from five sectors, iron and steel, cement, aluminium, fertilizers, electricity, and hydrogen.

The CBAM comes with an extensive set of procedures that effectively raise the cost of exporting to the EU. Indian businesses would need adequate preparations to ensure that CBAM's high compliance costs do not erode their competitiveness.

The only silver lining is for the Indian exporters is that the EU has offered to extend the same set of concessions for CBAM that it had earlier provided to the US, which could benefit the MSMEs.

Besides environmental standards, the EU insists that its FTA partners must conform to international labour standards (ILS) as laid down by the Core Conventions of the International Labour Organization. India has not ratified two of the key Conventions, freedom of association and the right to collective bargaining, in order to lend flexibility to the labour markets. Whether the EU forces India to incorporate ILS in its domestic laws would be watched with interest.

The Commerce Ministry's assessment is that enhanced access for agricultural products in EU's market would significantly benefit India's farming communities.

However, it must be pointed out that for these gains to materialise, Indian producers must ensure compliance with EU's stringent food safety standards. The EU has explicitly stated that human, animal and plant health are "not negotiable", implying that products imported from India must respect these standards.

IPR GUARDRAILS

The FTA provides a high level of protection and enforcement of intellectual property rights ((IPRs), but the nature of commitments that India has accepted is not yet clear. However, India needs to guard against any changes in its domestic intellectual property laws that may be forced upon it.

The EU has, in particular, demanded that new plant varieties should be protected using the provisions of the UPOV Convention, which prevents farmers from reusing seeds saved from a previous harvest.

India's domestic legislation allows farmers to use farm-saved seeds, and protects new plant varieties developed by farmers. Government of India must ensure that this legislation is not bartered away.

It seems quite clear that India needs to adequately prepare itself to realise the projected gains from the FTA. As a result, Indian businesses have failed to increase their exports in all the previous FTAs with major economies, causing trade deficits to consistently increase. India needs to avoid this dubious record while implementing the "mother of all deals".

The writer is former Professor, Jawaharlal Nehru University

Canada's trade deficit under stress

Erik Hertzberg

Canada's trade deficit widened by more than expected as volatile gold shipments fell and both exports and imports of motor vehicles and parts decreased. The country's trade shortfall was C$2.2 billion ($1.6 billion) in November, Statistics Canada reported Thursday. Economists surveyed by Bloomberg were expecting imports to exceed exports by C$690 million.

Total exports fell 2.8 per cent, and shipments of metal and non-metallic mineral products posted the largest decrease, falling 24.4 per cent, the agency said.

That was driven by lower exports of unwrought gold, silver, platinum and their alloys — a category mostly composed of gold — which fell 36 per cent. On a year-to-date basis, the value of those exports are still up 40 per cent amid the spike in gold prices — on a volume basis, there's little change. Gold has also been the most significant contributor to the fluctuations in Canadian exports in recent months, StatCan said in its report. In November, the agency said there were large declines in exports of the precious metal to the UK, US and Hong Kong.

AUTO SHIPMENTS DROP

Exports of motor vehicles and parts fell 11.6 per cent, reaching the lowest level in three years. The decrease occurred amid a semiconductor shortage that is disrupting the auto industry, the agency noted.

Energy exports rose 8.5 per cent on higher crude oil shipments, following a sharp decline in export volumes in October, when temporary production shutdowns at US refineries curbed demand for Canadian crude. Meanwhile, imports were down 0.1 per cent.

Inbound shipments of motor vehicles and parts fell amid reduced production of passenger cars in the US during a shortage of materials and parts.

Energy imports declined too. In volume terms, exports were down 0.9 per cent, while import volumes rose 0.9 per cent. US tariffs on steel, aluminium, autos and lumber have battered Canadian industries. The US-Mexico-Canada Agreement will be reviewed this year, adding to economic uncertainty and raising questions about the country's trade outlook. BLOOMBERG

On businessline.in

Economic theory tested by uncertainties

The RBI intervening in the forex market to curb rupee depreciation hasn't worked. It has only led to a reduction in foreign exchange reserves, points out **A Vasudevan**

https://tinyurl.com/yc4y5th4

Putting livelihoods at the heart of the Budget

The Budget should back crop diversification, strengthen local institutions, and expand allied and diversified rural livelihoods so that growth translates into stable work with increased income resilience, says **Siddharth Sharma**

https://tinyurl.com/2xjn4kmd

thehindu businessline.

TWENTY YEARS AGO TODAY.

January 30, 2006

7 new Ministers in Union Cabinet

Leaving the four pillars of his Cabinet — Finance, Home, Defence and Law — untouched, and retaining the External Affairs portfolio, the Prime Minister, Dr Manmohan Singh, today did the first major reshuffle and expansion of his Council of Ministers. The expansion saw the entry of seven new Cabinet ministers and inclusion of 12 at the Ministers of State level.

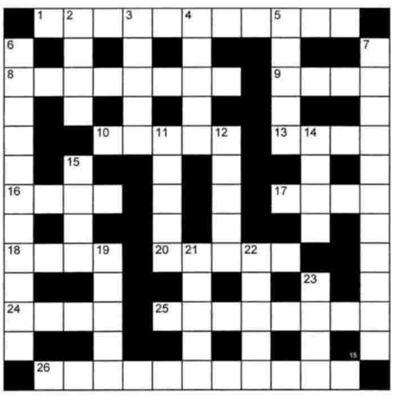
PSU group to provide power sector funding

If funding constraints have held up investments into the beleaguered power sector, a 'Power Lenders' Club' formed by a group of PSUs promises to leverage collective financial muscle and change the way financing of power projects in the country is happening currently. The consortium promises a one-stop shop for all funding requirements of the power sector, including for reform projects across States.

Ruias put Dunlop dues at ₹300 cror

Two months after acquiring Dunlop India through a Rs 200-crore block deal, the Ruias now estimate the total fiscal liabilities payable by Dunlop over two to three years at approximately Rs 300 crore

BL TWO-WAY CROSSWORD 2608



EASY

ACROSS

1. Advancing by successive stages (11)
8. Difficult to influence (8)
9. Disinclined to work (4)
10. Garment with collar and cuffs (5)
13. Layer of fibrocartilage between vertebrae (4)
16. Every one separately (4)
17. White with age or frost (4)
18. Money-supply (4)
20. Sluggish, behindhand (5)
24. Notion (4)
25. Force into smaller space (8)
26. Arousing one's attention (11)

DOWN

2. Discourteous (4)
3. Belly-band (5)
4. Compound from condensation of alcohol and acid (5)
5. Ticked over (engine) (5)
6. Forgery (11)
7. Cause to agree in time (11)
11. Unfit, irrelevant (5)
12. Underground swelling such as potato (5)
14. Metal club (4)
15. Analyse metrically (4)
19. Something drawn (5)
21. Make up for deficiencies (5)
22. Storehouse (5)
23. Dignitary presiding over canons (4)

NOT SO EASY

ACROSS

1. Is getting on by being modern with enlightened views (11)
8. Stubborn way to do a brute out of it (8)
9. Idle way to set the table around the third variable (4)
10. Keep it on to stay cool, but lose it and that's your lot (5)
13. If fourth character is to appear before third, it's a record (4)
16. Every single one is on the sandy shore, topless (4)
17. White with age, who arranges to conceal it? (4)
18. Provide money for amusement on the day (4)
20. Is slow but will try ad to shift it (5)
24. Thought one to be almost passed over (4)
25. The Communist newspapers may condense it (8)
26. Engaging attention in street, gin is distributed (11)

DOWN

2. Is robust in health, but not polite with it (4)
3. It's right to adjust one's thickness around the middle (5)
4. A compound trees are planted out in (5)
5. Did nothing, and unfortunately died when about fifty (5)
6. It's false, but Count is about to free it anyway (11)
7. Make watches agree to cry - she's in no trouble, though (11)
11. How foolish to be at home and put pet out! (5)
12. An underground swelling could be a brute to shift (5)
14. Element that's bound to be rugged (4)
15. Cast an eye over an ultrasonic picture (4)
19. What's drawn over when in the red (5)
21. Make reparation for issuing a false note (5)
22. Drank up in a military station (5)
23. He heads the faculty coming out of Aden (4)

SOLUTION: BL TWO-WAY CROSSWORD 2607

ACROSS 1. Forester 4. Spar 8. Arm 9. After 10. Lid 11. Battery 12. Flake 13. Apprenticed 17. Burst 18. Amazing 20. Own 21. Ochre 22. Ice 23. Darn 24. Isolates

DOWN 1. Flabby 2. Remit 3. Entry 5. Pillage 6. Rudder 7. Profligate 9. Aberration 14. Partner 15. Abroad 16. Egress 18. Ashes 19. Idiot

OPINION

The Hindustan Times
ESTABLISHED IN 1924

{ OUR TAKE }

Court draws the redline for UGC

But efforts to ensure equality on educational campuses must not be abandoned

Caste is among India's oldest faultlines, one that has resisted multiple attempts to eradicate discrimination and instead mutated into newer forms over time. Caste bias in campuses is a reality documented both by personal accounts as well as government data on student dropouts and faculty strength. It, therefore, stands to reason that the government should try to safeguard people from marginalised backgrounds. Unfortunately, efforts in this direction have been stymied by poor implementation or grassroots resistance even as education has emerged as a silver bullet for millions of Indians trying to build a better life.

The latest attempt in this direction has landed in controversy after the University Grants Commission (UGC) issued equity guidelines earlier this month, updating the 2012 rules. The norms explicitly protect scheduled caste, scheduled tribe and other backward classes members and mandate an equity committee to look into complaints of discrimination. But some upper-caste groups argue the definition excludes the general category, creating a presumption of guilt. They also allege that general category students may face false cases since the final rules removed a provision penalising false complaints. The Supreme Court has now stayed the rules and observed that they can divide society and have a dangerous impact if misused.

When the Mandal Commission recommendations for OBC reservations were enacted in the 1990s, it sparked consternation among upper castes, some of whom set themselves aflame to protest against what they saw as a dilution of merit. Yet, both logic (reservation only levels the playing field, allowing meritorious students to counteract caste bias) and politics (backward classes form a large and potent vote bank) ensured quotas strengthened over time. Ironically, some groups initially opposed to caste quotas have now come to demand it themselves.

Educational campuses hold exceptional importance in the national life of a developing country such as India because they're *de facto* vehicles of modernity and prosperity. It is imperative that these spaces be kept as equitable and free of bias as possible. Concerns about the framework must be addressed. The court's observation — that some rules were vague and prone to misuse — must also be looked into and rectified. All students — those from marginalised backgrounds and others — deserve norms that are clear and fair. But the controversy should not hurt the mission to stop caste bias from leaking into classrooms.

Tighten oversight in the aviation sector

Maharashtra deputy CM Ajit Pawar died on Wednesday when his Learjet aircraft crashed near Baramati. Within hours, aviation minister Ram Mohan Naidu offered a preliminary assessment that seemed to suggest there was nothing to indicate the aircraft operator was to blame. "*Prima facie* no issue" with VSR Aviation, he said. DGCA approvals were "thoroughly checked". The operator handles "many VIPs" safely. The minister also appeared to temper concerns about operations at Baramati's uncontrolled airstrip, saying its "required runway length is proper for landing". These comments, however well-intentioned, risk prejudging a probe that has barely begun. VSR Aviation in September 2023 had an incident at the Mumbai airport. Its Learjet 45 ran off the runway in heavy rain and split in two. Fortunately, there were no fatalities. But the final probe report in that crash — involving the same aircraft model as the one Pawar was on — is yet to be closed, 16 months later.

Air crashes result from multiple factors, often interacting in unforeseen ways. Premature ministerial assessments — however reassuring to the public — narrow the scope of inquiry before evidence is examined. Professional investigation requires neutrality and patience. It is now clear that the regulatory structure is also lacking. Non-scheduled operators face spot checks, not systematic scrutiny. Small airstrips operate with minimal navigation aids yet routinely handle business jet traffic. And the delay in VSR's previous probe exposes a rather lackadaisical attitude on the part of the investigator, AAIB.

Wednesday's incident is a reminder that India's aviation sector has grown rapidly, but oversight hasn't kept pace. Rigorous investigation and structural regulatory reform — not public reassurances — are the only foundations that can prevent future tragedies. It is now crucial for the government to offer specifics, timeline, and accountability mechanisms.

India's external sector and its growth goals

The challenge is not merely to attract capital, but to sustain and anchor FDI in productive, export-oriented ecosystems


V Anantha Nageswaran


Gargi Rao


Pavit

In a global economy marked by heightened volatility and fragmentation, it is tempting to judge a country's external strength through the narrow lens of daily currency movements or fluctuations in capital flows. Periods of stable capital inflows and manageable current account deficits (CAD) are often seen as validation of macroeconomic strength, while episodes of currency weakness or volatile portfolio flows quickly revive anxieties. This narrow view, however, obscures deeper structural realities. Chapter 4 of the Economic Survey 2025-26 encourages a longer-term perspective, asserting that external stability is not determined by episodic inflows or short-run currency management, but by the structure of the economy — how growth is financed, how foreign exchange is earned, and how capital is deployed.

India's persistent merchandise trade and CAD create a chain of vulnerabilities in growing economies. High trade deficits are often a by-product of growth itself, reflecting strong import demand for capital goods, energy, and intermediate inputs needed to expand productive capacity. Even strong export growth pulls in imports through global value chains (GVCs). Import growth, therefore, is an inevitable and often desirable feature of development.

The country's CAD has been on a downward trajectory, but has persisted. There remains an overall trade deficit as services' trade surplus and remittances do not offset the deficit in merchandise trade. A moderate CAD is neither unusual nor undesirable for a capital-scarce economy, but it creates continued reliance on foreign savings. When domestic savings fall short of investment needs, economies must borrow from abroad. Global investors, in turn, demand a risk premium to compensate for external vulnerability. This shows up as a higher economy-wide cost of capital.

The Survey undertakes a comprehensive empirical analysis to examine the interplay between a country's current account balance (CAB) and its long-term interest rates. Drawing on cross-country evidence, it is found that a one percentage point improvement in a country's CAB is associated with a 2.8 basis-point reduction in long-term interest rates. Improvement in CAB is found to be nearly twice as effective as financial deepening in lowering the cost of capital over time. The implication is clear: A meaningful reduction in the cost of capital hinges more on external surplus than on financial deepening recommendations that dot the opinion pages.

These dynamics also shape the quality of foreign investment. Elevated capital costs and persistent CAD tend to tilt inflows towards short-term or speculative capital, rather than long-gestation, productivity-enhancing FDI. This distinction matters. Despite record gross FDI inflows of \$81 billion in FY25 and \$64.7 billion during April-November 2025, India's net FDI turned negative during parts of 2025. Firms continue to generate profits from established operations in India, yet hesitate to commit fresh capital in an uncertain global environment.

The solution lies not in frowning upon profit repatriation or overseas direct investment by Indian businesses, but in converting confidence into commitment. Global investor surveys consistently rank political stability and macroeconomic fundamentals as primary determinants of FDI. The country excels in both areas but could leverage these advantages more effectively. By strengthening its external balance while deepening its financial system, India can lower the cost of capital, crowd in high-quality investment, and align short-term macroeconomic stability with its long-term growth ambitions.

Currency outcomes reflect these underlying forces. Between April 1 and January 22, 2026, the Indian rupee depreciated by approximately 6.5% against the US dollar, amid trade pressures and capital outflows. Forecasts suggest continued sensitivity in 2026, especially if trade disruptions or tariff shocks intensify. While currency depreciation can support export competitiveness, it also raises import costs and inflation risks, underscoring the limits of exchange rate adjustment as a sustainable strategy.

The Survey emphasises that exchange rates are best understood as signals rather than policy objectives. It reflects a combination of trade balances, capital flows, risk perceptions and geopolitics. Historical experience across economies suggests that sustained currency strength is typically associated with persistently high domestic savings and current account surpluses. Countries such as Japan, South Korea, Singapore, Germany and Switzerland saw their currencies strengthen gradually as their external surpluses became entrenched. Conversely, economies that transitioned into persistent current account deficits, including the US and the UK, have generally experienced weaker currency trajectories over time, notwithstanding episodic phases of strength. In particular, the transition from persistent deficits to durable external resilience has usually been mediated by the structure of export growth. Drawing on East Asian experience, it has been shown that strong growth in manufacturing exports preceded improvements in current account positions, reserve accumulation and, over time, greater currency credibility. Export capacity mattered not only for earning foreign exchange, but also for ensuring that earnings were large, diversified and resilient during periods of global stress.

The export capability envisaged here primarily refers to manufacturing exports — not service exports in which India has achieved remarkable success. Services exports face intrinsic limitations. They are less employment-intensive at scale, create fewer backward linkages, and do not anchor physical supply chains. They are necessary, but insufficient to counterbalance the import intensity of industrialisation. Manufacturing exports, by contrast, create supplier ecosystems, absorb large workforces, and generate durable trade surpluses when scaled. They remain the only proven route through which late-industrialising economies have achieved lasting external strength.

Looking ahead, the challenge is not merely to attract capital, but to sustain and anchor FDI in productive, export-oriented ecosystems. International experience shows that economies that successfully convert FDI into sustained growth integrate investment with trade, global value chains and domestic capability building. Trade deals and investment facilitation can expand opportunities, but their effectiveness ultimately depends on the ability to produce competitively at home, manage input costs and ensure policy predictability.

Viewed together, the current account, cost of capital, exchange rate, and FDI are not independent policy domains. They are interlinked outcomes of the same structural choices. Managing the external sector, therefore, is not about short-term firefighting. It is about playing the long game, building the capacity to earn foreign exchange, finance investment at lower cost and sustain growth in a more fragmented and uncertain global economy.

V Anantha Nageswaran is chief economic adviser to the Government of India; Gargi Rao and Pavit are officers of the Indian Economic Service. The views expressed are personal


Trade deals can expand opportunities, but their effectiveness ultimately depends on the ability to produce competitively at home. MINT ARCHIVE

Budget 2026: It is time for fiscal discipline again


Syed Zafar Islam

The Union Budget for the coming fiscal year is being presented at a moment of unprecedented global turbulence. The global economy is being shaped by tariffs, trade wars, and political upheaval. Supply chains remain fragile, geopolitics is intrusive and economic nationalism is back in fashion.

Yet amid this global unease, it is a relief to see India in a relatively stable position. Inflation is low, growth is recovering, high-frequency data is encouraging, and macroeconomic indicators are largely under control. That stability gives the government space to act.

It is heartening that the central question before Budget 2026 is no longer how to rescue the economy from crisis. That phase has passed. The task now is to steer India towards sustained, high-quality growth without losing macro-discipline. In many ways, this is a far better problem to have.

I come from the markets and interact with industry leaders, exporters and investors regularly. There is broad agreement among economists and market participants on one key point: The heavy lifting on stimulus has already been done by the government led by Prime Minister Narendra Modi. What the economy now needs is patience, reform and better coordination, especially between the Centre and the states. Budget 2026 should reflect this shift in mindset.

Budget 2025 marked a decisive policy moment. Without waiting for a crisis, the government delivered a strong mix of structural reforms, fiscal support and monetary easing. Capital expenditure was protected, GST was rationalised and tax relief was provided to accelerate growth. The Reserve Bank eased liquidity and reduced interest rates significantly. Taken together, these actions amounted to a large, pre-emptive stimulus.

Slowly but steadily, the results are beginning to show. Domestic demand is improving. Consumption is stabilising as purchasing power recovers. Labour market conditions are better than a year ago. Growth is picking up pace, even if unevenly. This is precisely why there is no need for another large stimulus round. The economy needs time for existing measures to fully play out.

Budget 2026 should build on this foundation. Fiscal discipline must be preserved. Targeting a fiscal deficit of around 4.2% of GDP would keep India on course to gradually reduce public debt towards 50% of GDP and bring the deficit closer to 3% by the end of the decade.

Growth over the next year is expected to be driven primarily by domestic demand, not exports. India's GDP growth is projected to average around 7% in FY27. Inflation should remain close to RBI's 4% target, giving policymakers flexibility. The current account deficit remains manageable, supported by services exports and remittances, even as trade uncertainties with the US persist. India cannot afford to become a prisoner of Washington's whims.

In this context, the India–European Union Free Trade Agreement signed recently is strategically important. Against rising protectionism and fractured supply chains, the deal signals India's quiet shift from defensive trade posture to confident global engagement. It opens wider access to one of the world's largest consumer markets while strengthening India's ambition to become a manufacturing and export hub. For Europe, it offers diversification away from China and deeper ties with a fast-growing economy.

One of the most pressing structural challenges is the growing imbalance between equity and debt financing. Household savings behaviour has changed sharply. Younger generations are saving less. More savings are flowing into real estate and gold, while equity investments within financial savings have risen rapidly.

A vibrant equity culture is healthy. But relying too heavily on equity while neglecting debt is risky at this stage. A better balance would strengthen the system in three ways: Stronger bank deposits would support the next credit cycle; MSMEs, which depend more on credit than equity, would gain better financing options; and higher domestic savings would help fund government borrowing internally, reducing reliance on foreign capital and supporting economic self-reliance.

Two policy steps can help. First, gradually narrow the large tax gap between equity and debt investments. Today, equity enjoys a significant advantage, discouraging households from fixed-income products. Second, expand debt instruments and allow more flexibility for global investments, easing pressure on equity valuations while attracting foreign capital.

State-level reform also deserves attention. While the Centre has pushed manufacturing and infrastructure, growth cannot accelerate evenly unless states act. Uttar Pradesh, Maharashtra, Andhra Pradesh and Telangana have shown what is possible. Electricity reforms in some states have strengthened distribution companies, creating space for lower industrial tariffs. Maharashtra's move to allow shops to operate 24x7 and relax labour norms shows how simple administrative changes can drive economic momentum. These are state subjects. All states can act.

India also faces a balance-of-payments challenge despite record FDI inflows, driven by large capital outflows as investors book profits. Taxing outflows would be a mistake. The solution lies in encouraging longer-term investment, diversifying capital pools and simplifying taxation through mechanisms such as GIFT City.

Looking ahead, the next phase of public capex should focus on manufacturing and urban infrastructure. Highways and railways have seen strong investment. Urban roads, housing and city infrastructure are the next growth drivers. Targeted industrial support and controlled recurring expenditure will be key.

Ultimately, Budget 2026 should not be about dramatic announcements. It should be about follow-through.

Syed Zafar Islam is national spokesperson, BJP, and former managing director, Deutsche Bank, India. The views expressed are personal

[NARENDRA MODI] PRIME MINISTER

Now, we have boarded the reforms express with speed. I want to urge all lawmakers to spend their positive energy to add more pace to the reform express

HT

Institution that is both a monument and a mirror


Ashish Bharadwaj


Insiyah Vahanvaty

India's history is littered with bold experiments that fizzled and grand pursuits that stumbled under the kaleidoscope of its complex society. But some institutions became glorious successes, earning respect and shaping the nation.

On January 26, 1950, India adopted its Constitution and two days later, the first hearing of the Supreme Court was held with a total strength of eight judges led by the first Chief Justice of India, Justice HJ Kania. Eight years later, the Court found a permanent address on Tilak Marg in the national Capital, named after Lokmanya Tilak. A lawyer by training, Tilak was charged in arguably India's first significant sedition case, in 1897, for publishing newspaper articles. Who knew that censorship, free speech, and freedom of press would be the centre of attention in the first year of the founding of the Supreme Court!

Within a few weeks, the first storm broke, in *AK Gopalan v. State of Madras*. At its heart was a provision that still sparks debate today: Preventive detention. The government, armed with the Central Preventive Detention Act, 1950, had detained Communist leader Gopalan. His *habeas corpus* petition challenged this on grounds of violation of constitutionally guaranteed rights. The Court was faced with a question that still matters today: How far can the State go in curbing personal liberty in the name of security? Ultimately, and regrettably, the Court upheld the Preventive Detention Act, but it did strike down the provision that allowed the State to hold people without disclosing why. The Act is no longer in force, but preventive detention survives in other, newer Acts.

Ironically, just a week later, the Court confronted two more cases of State overreach, involving the fundamental right to free speech. In *Romesh Thappar v. State of Madras* and *Brij Bhushan v. State of Delhi*, two publications critical of the government had been banned on the grounds of threatening public order.

Deciding both cases on the same day, the Court tore down the censorship, holding that freedom of speech cannot be curtailed except under narrow grounds such as incitement to violence or threats to security of the State. It was a powerful affirmation of dissent, one that prompted a panicked Parliament to swiftly enact the Constitution (First Amendment) Act, 1951. The first year of the Court's life proved uncannily prophetic. It was neither uniformly heroic nor consistently timid. It faltered in *Gopalan*, even as it quickly steadied itself to defend free speech in *Romesh Thappar* and *Brij Bhushan*.

Its resonance is painfully clear today, stirring courtrooms and hallowed corridors of the judiciary. Similar freedoms are under pressure in ways those early rulings sought to prevent. The 76 years since have followed the same jagged rhythm — eyes occasionally cast downward as freedoms fell, punctuated by flashes of rare, startling courage. For every judge that has bowed to political power, there has been another willing to forego personal ambition to defend citizens' rights. The Court is a constant contest between caution and courage, restraint and resolve. It is not a neutral umpire; it exists because the citizen and the State do not stand on equal footing. Its role is to act as a bulwark when power overreaches, and to do so in time.

In recent years, the Court has often appeared hesitant. Dissent has been punished, preventive detention laws have been invoked casually, and speech has been chilled through arrests, internet shutdowns, and prolonged trials. With constitutional questions left undecided, the Court occasionally retreated into cautious distance. Yet, behind those same doors once sat the inimitable *Kesavananda Bharati* bench of 1973. They stared down the might of Parliament itself, some at great personal cost, to give us the basic structure doctrine that may well be the reason any of our rights survive at all. Freedoms are neither won nor guaranteed, they are defended. Today, the Court is both a monument and a mirror. It is time to rejoice and ruminate.

If the rights won in 1950 are to persevere and fairness is to be delivered without undue delay, the Court's first duty must be to the citizen not the State. It must never look away if it wants to ensure "complete justice" for all.

Ashish Bharadwaj is ex-Dean at BITS Pilani and Jindal Global University. Insiyah Vahanvaty is a sociopolitical writer and author of The Fearless Judge. The views expressed are personal

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In a fragile world

Economic Survey will enable informed debates

The Economic Survey 2025-26, presented in Parliament on Thursday and prepared by economists at the Ministry of Finance, led by Chief Economic Advisor V Anantha Nageswaran, has been reconfigured compared to recent Economic Surveys. As the document notes, this "… reflects the weight of the momentous changes happening elsewhere". Changes across different parts of the world and in various areas have indeed increased uncertainty, and medium-term economic outcomes will depend on how these developments unfold. The expansion in the Survey's depth and breadth should enable more informed policy discussion and help India better prepare to deal with emerging challenges. The Survey also includes discussion on three topics that are of medium to long-term interest: The evolution of artificial intelligence, the challenge of quality of life in Indian cities, and the roles of state capacity and the private sector in achieving strategic resilience.

This financial year has turned out to be much better than what it was expected to be. According to the first advance estimates, growth in the rate of gross domestic product this financial year is projected at 7.4 per cent, up from last year's Economic Survey projection of 6.3-6.8 per cent. The latest Survey notes that India's potential growth rate has been revised up to 7 per cent, compared to 6.5 per cent three years ago. It has projected the growth rate in the range of 6.8-7.2 per cent for 2026-27. The increase in growth potential does indicate that reforms undertaken in recent years and a massive boost in government capital expenditure have increased the economy's productive capacity. In the short run, outcomes will depend on global factors, and there are different possibilities. Although, as the Survey notes, India is well-off compared to other countries because of strong macroeconomic fundamentals, this is not a guarantee of insulation. Adverse global shocks will be reflected in the external account and their impact on the rupee. The rupee has been under pressure over the past several months because of selling in the stock market by foreign portfolio investors. The risk of global upheaval increases for India because it runs a current-account deficit and needs to attract foreign investment. In this regard, the Survey rightly notes India needs to generate sufficient investor interest and export earnings. India's recent openness to trade is a positive in this regard, and it would be interesting to see how the upcoming Budget approaches this issue.

There are several interesting arguments in the Survey with medium-term policy implications. For instance, it notes that where upstream inputs are costly and capital-intensive, lowering the cost of capital is a more efficient way to provide support than raising import protection. However, lowering the cost of capital is not easy in an economy that is structurally deficient in savings, and there are political incentives for fiscally accommodative policies. There are two clear policy takeaways. First, the general government budget deficit needs to be brought down substantially to reduce the cost of capital in the economy. The Survey notes that the Centre has achieved consolidation with higher capital expenditure while several states have shown weak fiscal discipline. While states may contest this position, what India really needs is to adjust fiscal rules to the economy's financing capacity. This has become more important at a time when the availability of global savings has become a risk. The cost is also likely to be higher. Second, there is a need to reduce import protection.

Withdrawing to the West

US defence strategy raises concern

The United States (US) federal government last week released its National Defence Strategy (NDS), a document that lays out its priorities for the use of force and is usually released once every four or so years. This document closely mirrors the National Security Strategy, or NSS, which was released in early December, and is a further demonstration that President Donald Trump in his second term intends to withdraw the US from much of the role it had taken on in the "old world" for the past 80 years in order to focus on the "new". The NDS goes further than the NSS in indicating that the US' erstwhile allies should take on responsibility for their own defence, and further implies essentially that Americans have few interests in conflicts on the other side of the world. Instead, they must focus on the real and lived concerns of the domestic citizens. These include migration and the drug trade, which the current dispensation believes can be controlled by dominating the Western Hemisphere alone. The challenge of China, it concludes, is best dealt with through the demonstration of strength and not through confronting Beijing. It is hard to think that the Chinese leaders will indeed be so impressed by the skill with which the US military deals with the existential threat of Venezuela or some other Latin American nation.

This is not good news for anyone in Asia other than China. Indeed, Taiwan should be more worried than it was last week, given that the NDS is ominously silent on US policy towards the island. The notion that this is strategic ambiguity can be quickly dismissed. At this point, nobody will believe that the US intends to honour any treaty commitments. It would be more likely to restore strategic ambiguity if the document had in fact reiterated the traditional US posture on Taiwan. For the US' other East Asian allies, this is a deeply disturbing turn of events, but not one that is completely unexpected. The Japanese government has already scaled up its rhetoric around Taiwan in an attempt to compensate for the lack of certainty around the US response, for example. For American allies in Europe, many might be hoping by this point, after the Greenland saga and the President's attitude to Ukraine, that Washington pays less attention to their continent. Their own production of weapons will take a decade to ramp up to full potential, but already one German company, Rheinmetall, is producing enough artillery shells to match US production.

India is in a unique position. It has long been the beneficiary of concern in Washington about China's rise. Supporting India's rise in turn seemed to be a low-effort, high-benefit strategy for any US administration, and that is why it became bipartisan policy. But not only has India's military modernisation not lived up to expectations two decades ago and the economic gap between India and China widened significantly, but with the US' withdrawal to the Western Hemisphere the very purpose it had for engagement with India has now been lost. New Delhi must come to terms with the fact that it will now be dealing not just with an impatient, anxious, distrustful, or hostile Washington, but with one that is even worse from its perspective: Completely indifferent.

ILLUSTRATION: BINAY SINHA

Budget 2026: Too many known unknowns

Amid data and fiscal uncertainties, the govt faces the difficult task of creating conditions to boost private capex

The 2026-27 Budget is being presented against a turbulent backdrop. On the international front, in response to persistent uncertainty over the level of tariffs facing Indian exports to the United States, the government is working hard to negotiate and conclude a series of trade agreements. The European Union-India free trade agreement (FTA) is the latest to be concluded. A number of countries are also making efforts to diversify their trade relations in a bid to navigate emerging uncertainties. The gains from these agreements, however, won't be immediately apparent. Ratification of the agreements, as well as the creation of demand in new markets, may take time. In other words, the short-term challenges from international trade for the Indian economy are not entirely alleviated.

On the domestic front, there are two broad uncertainties to contend with. The first relates to uncertainties regarding gross domestic product (GDP) numbers. The first advance estimates for 2025-26 indicate nominal GDP growth of 8 per cent, while real growth is estimated at a relatively high 7.4 per cent. Government revenue performance is usually correlated with nominal GDP growth. For assumptions on expected nominal GDP growth for 2026-27, it is important to note that while inflation forecasts suggest a pickup in consumer-price index-based (CPI) inflation — returning to the Reserve Bank of India's tolerance band — average inflation based on GDP deflator has trended below CPI inflation. In other words, realistic assumptions for nominal growth might trend lower than 10 per cent.

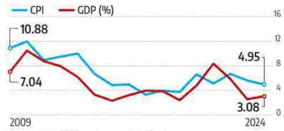
Another element of uncertainty here is the release of the new GDP series. The Ministry of Statistics and Programme Implementation is in the process of releasing the new GDP series calibrated to 2022-23 as the base year. While the new series does not change the underlying economic activity, and hence has no material impact on the taxes that the government can mobilise, it does create some measurement and perception challenges. A significantly higher nominal GDP level — which could result from expanded coverage to include more sectors — would lower fiscal deficit-to-GDP and debt-to-GDP ratios along with the tax-to-GDP ratio. While the first two outcomes are desirable, the last is not.

R KAVITA RAO

Against this backdrop, the receipts available for the Budget are constrained. Two major constraints are mentioned below.

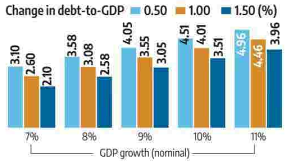
1. The fiscal anchor for the Fiscal Responsibility and Budget Management (FRBM) Act is the debt-to-GDP ratio. The objective spelt out in the last Budget is to reduce the debt-to-GDP for the central government to 50 per cent by 2030. The short-term objective is to ensure a reduction in the debt-to-GDP ratio. With the current debt-to-GDP ratio at 55.1 per cent (based on outstanding debt at the end of the year as reported in the Budget for 2025-26 and the First Advance Estimates of GDP), a 1 percentage point reduction in the debt-to-GDP ratio would imply a fiscal deficit of about 3.5 per cent, assuming nominal GDP growth of 9 per cent. A higher nominal GDP growth creates more space for fiscal deficit (*see chart*). For allowing a higher fiscal deficit, the government has to choose a lower correction in debt-to-GDP or a higher nominal GDP growth rate.

Inflation: CPI versus GDP deflator



Source: World Development Indicators

Fiscal deficit space



2. Turning to the major source of revenue for the government — taxation — revenue performance in the current financial year has moderated. Towards supporting demand in the economy, during the last financial year, the government introduced lower income-tax as well as goods and services tax rates. The former was targeting the upper-middle class, while the latter was meant to provide "relief" to all consumers. These changes have stimulated some demand, but have resulted in a moderation in revenue growth. Considering GST revenues net of cess — since revenues from cess do not accrue to either of the governments — growth in revenues dropped from over 14 per cent year-on-year for the first two months in the current financial year to below 2 per cent in November and December. The moderation in revenue performance suggests that either the pass-through of lower taxes in prices is incomplete or the elasticity of demand for a range of commodities is less than unity. Similarly, for direct taxes, the gross collections have grown by 7.7 per cent for corporation tax and 1.2 per cent for personal-income tax. Net collections, however, report higher growth at 12 per cent and 6 per cent, respectively till January 11, 2026. Given this context, further reforms in domestic taxes do not seem warranted. For the current financial year, one would expect the Budget to seek to stabilise revenue collections. Given the moderation in GDP growth rate, a slowdown in revenue growth too might be expected.

Within these constraints, the government faces the difficult task of balancing growth stimulus through capital expenditure with supporting a framework for augmenting private sector investment in the economy. In this context, the extensive ongoing review of various schemes implemented by the government is a space to watch with interest. Rationalisation of these schemes can create an opportunity to assess their suitability and design, while also freeing up space for emerging priorities.

The author is director, National Institute of Public Finance and Policy, New Delhi. The views are personal

The cost of delaying divestment

The Union Budget to be presented on February 1 would do well to prioritise disinvestment. The key reasons include (i) raising resources to create fiscal space; (ii) boosting funding for under-resourced, but critical sectors such as health and education; (iii) unlocking the value in public sector enterprises (PSEs); (iv) avoiding the drain on the exchequer from loss-making PSEs; (v) enabling the expansion of public sector banks' (PSBs') balance sheets without any constraint imposed by government ownership; and (vi) boosting business sentiment and reviving the long-awaited private capex cycle.

The debt-to-gross domestic product (GDP) ratio of the central government stood at 57.1 per cent at end-March 2025, against the mandated target of 40 per cent under the Fiscal Responsibility and Budget Management (FRBM) Act. In the last Budget, the government changed the fiscal anchor and indicated it would reduce the debt-to-GDP ratio to 50 (+/- 1) per cent by end-March 2031. To achieve this target, the primary deficit would need to shrink from (-) 1.3 per cent of GDP to (-) 0.3 per cent of GDP. Even then, the debt-to-GDP ratio would stay significantly above the mandated target of 40 per cent, leaving no fiscal buffer. Should we face any exogenous shock, the fiscal situation will be strained again.

JANAK RAJ

Therefore, generating enough resources is key. For this, it is imperative to vigorously pursue disinvestment in PSEs. Divesting government equity in non-strategic PSEs is the only way to raise large revenue without harming the economy. It can also unlock huge value in them. The Confederation of Indian Industries has estimated that lowering government ownership to 51 per cent in 78 listed PSEs could unlock nearly ₹10 trillion.

The government's disinvestment track record has been extremely disappointing. The tardy progress has gone against its Public Sector Enterprises Policy, 2021, aimed at privatising non-strategic PSEs. Some have argued that it could be because the government receives large dividends from PSEs. It is true that the dividend received by the central government doubled from ₹0.7 trillion in 2020-21 to ₹ 1.4 trillion in 2024-25. However, the total contribution of central PSEs to the exchequer — by way of excise and Customs duties, goods and services tax, corporation tax, and dividends, among others — has remained broadly unchanged over the last five years at ₹4.9 trillion in 2024-25 and ₹4.8 trillion in 2020-21, even as the nominal GDP during this period expanded by 40 per cent.

Several central PSEs are bleeding money, with losses jumping from ₹10,164 crore in 2021-22 to ₹20,935 crore in 2023-24, before moderating to ₹18,054 crore in 2024-25. It is intriguing that the government infused ₹11,440 crore into Rashtriya Ispat Nigam Limited, which is not in the strategic sector, even when it was slated for privatisation in January 2021. Is this a case of throwing good money after bad?

The Union Budget for 2021-22 proposed privatising two PSBs, but this has not happened as yet. PSBs serve social goals, but they are also a drain on the exchequer — the government injected ₹3.11 trillion between 2016 and 2021, and another ₹4,600 crore in 2021-22. Government ownership also limits their balance sheet growth. The big three — State Bank of India, Bank of Baroda, and Canara Bank — have small headroom to raise equity from the market. They, therefore, have to rely on retained earnings or Tier II bonds for expansion of their balance sheets. Do we need so many PSBs for social goals? Privatisation of large banks could also pose challenges, as it requires investors with solid track records and deep pockets. Therefore, the ideal solution is to retain the three largest banks in the public sector for social goals and gradually privatise the other PSBs.

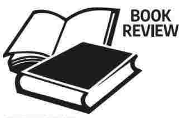
On the positive side, PSEs in recent years have been huge wealth creators for investors. The market capitalisation of PSEs soared from ₹12 trillion in March 2020 to ₹69 trillion in June 2025, outpacing their private peers, thanks to clean balance sheets, policy push and sector-specific structural reforms. This, however, strengthens the case for disinvestment. Private ownership can drive further efficiency and innovations in PSEs. With PSEs performing well, the government will find it relatively easy to disinvest and sell them at a premium, unlocking more resources. This could also help revive the private capex cycle, which has been weak for more than a decade.

The government's only concern should be the protection of labour. Also, disinvestment has become a sensitive issue. Therefore, the proceeds raised from disinvestment should be ring-fenced only for the health and education sectors, creating fiscal space (by accelerating the process of reducing the debt-GDP ratio) and contributing to the capital of the three largest PSBs as and when they need to raise equity from the market. This could soften opposition to disinvestment. It is worrying that the central government's spending on health, as a percentage of GDP, has remained stagnant at 0.3 per cent over the last 20 years, and on education at 0.4 per cent over the last nine years.

The government should revisit its disinvestment policy and lay down a clear PSE divestment road map. This will help raise financial resources for critical sectors such as health and education, which badly need support, and create fiscal space to tackle unexpected shocks. Divesting PSEs could also help capitalise the top three PSBs and support their balance sheet growth.

The author is senior fellow, Centre for Social and Economic Progress, New Delhi. The views are personal

How Xi is remodelling Chinese identity



BOOK REVIEW

GUNJAN SINGH

Emily Feng's *Let Only Red Flowers Bloom: Identity and Belonging in Xi Jinping's China* is, in her words, "a book about identity in China, how the state controls expressions of identity, and who gets to be considered Chinese". Historically, identity construction has played a crucial role in nation building; in Xi's China, it is intertwined with "the project of Chinese rejuvenation, and in the process, [has] redrawn the contours of Chinese identity". Xi has successfully redefined the idea of what it means to be Chinese and of an ideal Chinese citizen. Absolute, blind and unquestioning loyalty to the Party is non-negotiable. The legitimacy of this loyalty is interlinked to whether one is ethnically Han or non-Han, atheist or religious.

Xi's programme not only questions but also verifies loyalty in all domains: Politics, economics or the personal. When it comes to economics, Xi has not hesitated from trimming the private sector and its supporters. Jack Ma's fate is well known, highlighting the dictum that there is no seat of power outside of the Party and wealth does not necessarily translate into security. "In the end, the Party trumped all. It gave you opportunities to create fabulous wealth and it could also take everything away in an instant," Feng writes. The relentless anti-corruption drive has also reasserted the supremacy of the Party.

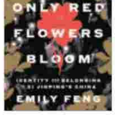
Though the Chinese media has long been mandated to toe the Party line, a booming internet landscape has not made it possible to escape the Party's command and control. The luxury of anonymity does not exist. Xi has been pushing the idea of "cyber sovereignty", asserting that, "Like in the real world, freedom and order are both necessary in cyberspace. Freedom is what order is meant for, and order is the guarantee of freedom."

Xi has also been driving the idea of what it means to be an ideal Chinese woman against the backdrop of the declining population. "[Today] … reproduction and marriage remain influential in shaping how the country understands female identity and the role women should play in Chinese society." From pushing draconian policies such as the one-child policy to encouraging women to have more children today, the state continues to define the role of the Chinese women.

This renewed creation of identity has also ruthlessly redefined the Party's approach towards China's 55 ethnic minorities, including the Uyghurs, Tibetans and Huis. The Chinese state has been unyielding in controlling the narrative vis-à-vis religion. In this context, the author makes an interesting observation: "Many Han Chinese today still find it inconceivable that they can convert to Islam. Muslims, they believe, have to be born Muslim."

The world is aware of the "Sinification" and "Hanization" programmes in Xinjiang, the most recent of which pushed millions of minorities into vocational/educational centres in an attempt to mould their identities to Party specifications. To erase the distinct ethnic traits of the minorities, the state dictates the architecture, language, food and even names. The emphasis on the use of mandarin has undermined minority languages while strengthening the idea of uniformity and linear history.

Feng, ethnically Han and a reporter for NPR, offers a nuanced understanding of what the Chinese state demands from its citizens through multiple interviews. According to Xi, there is a uniquely Chinese way of running a country, one administered by the Party alone. The abandonment of the idea of "one country, two systems" that governed Hong Kong since the British left and the weakening of the city's Basic Law are testament to this dictum. As Feng points out, "The protests that kicked off that summer in 2019 were Hong Kong's biggest protests yet, one over the identity of Hong Kong and what it should stand for."



Let Only Red Flowers Bloom: Identity and Belonging in Xi Jinping's China
by Emily Feng
Published by Crown
285 pages ₹2,206

The National Security Law has changed everything. "The law's precepts were diametrically opposed to Hong Kong values, the core of its identity and what had separated it in spirit, if not politically from mainland China," Feng says. With respect to Taiwan, the one-China policy complicates the debate. The more Taiwan wants to assert its distinct identity, and tries to "peel away the layers of state 'Chinese-ness' imposed on its Taiwanese identity" the more the questions surrounding ethnicity are exposed.

The book describes how Xi has unleashed the full might of the state to streamline any independent and critical voices coming from investigative journalists, human rights lawyers, LGBTQ communities, minorities and so on. Even the diaspora is not immune to the long arm of the Party. "The diversity of the Chinese diaspora, now numbering some 60 million people, has led to literal clashes in Chinese identity politics on American college campuses and cities," Feng writes. To be Chinese, wherever you are, means adhering to the Party line and working towards the "rejuvenation of the Chinese nation" as envisaged by the Party. In short, as the title of the book suggests, Xi's garden permits only red flowers to bloom; everything else is relentlessly and mercilessly pruned.

The reviewer is associate professor, O P Jindal Global University

OPINION

Debt, deficits, growth

While markets focus on the Centre's consolidation, state fiscal discipline and strong growth will be crucial to medium-term fiscal sustainability

ILLUSTRATION: BINAY SINHA

SAJJID Z CHINOY & TOSHI JAIN

Until 2017, India's fiscal architecture was centred around a path of fiscal deficits. That changed when public debt became the anchor in 2018, underpinned by the recommendations of the N K Singh Committee report. This was both necessary and desirable because debt dynamics are the ultimate measure of medium-term fiscal sustainability — or lack thereof. Also, a focus on medium-term debt dynamics to gauge inter-temporal fiscal sustainability frees up annual fiscal deficits to play a short-term counter-cyclical role.

Focusing on public debt dynamics has assumed a new-found urgency post pandemic, because the fiscal response to the pandemic, alongside the hit to GDP growth, in those years worked jointly to dramatically push up debt ratios in many parts of the world.

In India's case, public debt/GDP gapped up from 70 per cent in 2018 to 89 per cent in 2021, before re-tracing to about 82 per cent in 2024-25. To be sure, there is no sacrosanct level of debt in a post-pandemic world. Instead, what matters is how debt dynamics evolve over time. A monotonic increase in debt ratios is a tell-tale sign of fiscal unsustainability. Conversely, making fiscal space for future shocks necessitates putting debt/GDP on a firmly declining path.

That is exactly the path the Central government has chosen. Recall, until this year, the Centre was committed to reducing its fiscal deficit to below 4.5 per cent of GDP in FY26 and it is on course to achieving that target. Going forward, however, the Centre has indicated fiscal policy will be governed by reducing Central debt — from 57 per cent of GDP in FY25 to 50 per cent (+/-1 per cent) of GDP by March 2031.

The importance of growth

What will this imply for the fiscal path going forward? Recall, debt dynamics depend on the interplay of three variables: The primary deficit (pd), the weighted-average cost of borrowing (r) and nominal GDP growth (g). In particular, "r-g" — the relationship between borrowing costs and nominal GDP — is crucial to debt dynamics. For any given primary deficit and cost of borrowing, the higher the nominal GDP growth, the more favourable debt dynamics. The corollary: The lower the nominal GDP, the more the primary deficit (and hence fiscal deficit) needs to be reduced to achieve a given debt target.

Now consider this: If nominal GDP growth averages 10 per cent over the next 5 years — as the Centre may assume in its baseline assumptions — the Centre will have to reduce its fiscal deficit from 4.4 per cent of GDP in FY26 to 3.6 per cent of GDP in FY31 to reach the central debt target of around 50 per cent of GDP by FY31. A 0.8 per cent of GDP consolidation across five years is not a particularly onerous task, especially given that a declining interest payments/GDP ratio will mechanically do most of the work in the coming years. Instead, the primary deficit (what the Centre controls) will have to come down by only 0.4 per cent of GDP over the next five years — which is unlikely to put pressure on the system.

But small changes in nominal GDP can have large implications for the fiscal ask. Nominal GDP is on course to printing at just 8 per cent in FY26. While this may be an overshoot, China's excess capacity is creating disinflationary pressures around Asia and is likely to keep inflation and, with it, nominal GDP, capped.

What if nominal GDP growth settles at 9 per cent in the coming years, which is increasingly plausible? Then the Central fiscal deficit would need to be reduced all the way to 3 per cent of GDP by FY31, necessitating a large 1.4 per cent of GDP consolidation because "r-g" is less favourable under this scenario. The primary deficit will have to do the heavy lifting and be reduced by 1 per cent of GDP in five years. So, how growth pans out from here will have a crucial bearing on fiscal pressures in the coming years.

Enter state debt

But even as the focus in the upcoming Budget is likely to be on how central finances evolve, what matters for the economy — debt sustainability, borrowing costs and ratings — is how combined public debt evolves, which brings into play (often-ignored) state debt dynamics.

While state debt — currently at around 28 per cent of GDP — is half that of the Centre, its dynamics in the coming years are far more precarious because (i) states have a much higher primary deficit (1.3 per cent of GDP), (ii) states have higher borrowing costs, because they pay a premium over the Centre and; (iii) paradoxically, the favourable effects of a negative (r-g) are less beneficial for states because of the lower stock of initial debt that it can work on, such that the adverse impact of a larger primary deficit tends to dominate.

The implication: If state deficits remain at current levels (3.3 per cent of GDP), state debt will continue to monotonically rise — whether nominal GDP is 9 per cent, 10 per cent or even 11 per cent.

More importantly, what this does is to undo some of the effects of the Centre's consolidation. Consider this — if nominal GDP averages 10 per cent, and the Centre reduces its deficit to 3.6 per cent of GDP, central debt/GDP would fall from 56 per cent to 50 per cent of GDP by FY31 — with the Centre thereby meeting its debt target. But combined debt would barely move, edging down from 81.5 per cent currently to 79 per cent of GDP in FY31, because half the central consolidation would be undone by the states.

WHAT MATTERS FOR THE ECONOMY — DEBT SUSTAINABILITY, BORROWING COSTS AND RATINGS — IS HOW COMBINED PUBLIC DEBT EVOLVES, WHICH BRINGS INTO PLAY (OFTEN-IGNORED) STATE DEBT DYNAMICS

Things get more hairy if nominal GDP settles at 9 per cent. Now the Centre would have to reduce its deficit all the way to 3 per cent of GDP to bring central debt down to 50 per cent. But despite that large consolidation by the Centre, combined debt would barely move — from 81.5 per cent to 80 per cent of GDP by FY31 — because state debt undoes the bulk of central reduction.

What are the lessons from all this?

First, growth is crucial for debt sustainability. The lower the nominal growth, the more the fiscal consolidation needed for debt sustainability, and this can create a vicious cycle of austerity and lower growth that Europe experienced in the last decade. So strong growth is a necessary, if not sufficient, condition for debt sustainability.

Second, to bring combined public debt/GDP down decisively in the coming years — and thereby create fiscal space in a shock-prone world — central fiscal consolidation will not be enough. State debt is on a monotonically rising path, and fiscal consolidation at the state level is crucial to stabilising state debt dynamics and helping bring combined public debt down. Burden sharing — how much of the deficit reduction is done by the Centre and states given that state debt is half of the Centre's — is something the Centre and states will need to reach a grand bargain on. On this front, the report of the 16th Finance Commission is eagerly awaited.

Third, sustained deficit reduction at a time when the economy needs much more investment in human and physical capital along with managing the green transition will require improving the quality of expenditures (especially at the state level) and being bold and creative on revenue mobilisation through disinvestment and asset monetisation.

Over the next few days, markets will obsess about the Centre's deficit, borrowing and the impact on bond yields. But while this will generate a lot of noise, it will not throw much light. Instead, true fiscal sustainability will depend on how combined public debt evolves in the coming years.

The writers are in the economics team at J P Morgan Chase India

Figure 1: **Centre's fiscal deficit to achieve 50% of GDP debt target**

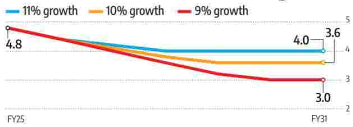


Figure 2: **State debt trajectory under various nominal growth scenarios**

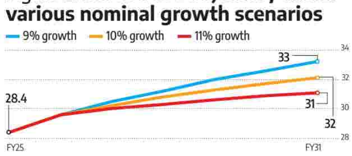
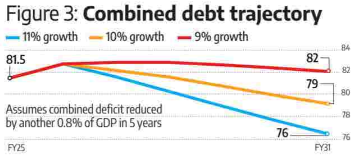


Figure 3: **Combined debt trajectory**



Source: J P Morgan

The Budget cannot ignore demography

A Budget that does not explicitly link demographic trends to regional labour-intensive growth strategies risks missing the core challenge

VIDYA MAHAMBARE

Much of the public discussion about the forthcoming Union Budget has focused on growth, tax policy, job creation, and fiscal consolidation. Yet beneath these themes lies a common force shaping India's economic future: The nation's demography.

The Budget, whether explicitly acknowledged or not, is as much a demographic document as it is a fiscal one: Public expenditure and tax policies on health, nutrition, education, housing, employment programmes, and urban infrastructure need to be calibrated to assumptions about population size, births, and the future labour force.

India is the world's most populous country, with an estimated population of around 1.42 billion in 2025. It adds more than 25 million people every year through births alone — more than the entire population of countries such as the Netherlands, Greece, Sweden, and New Zealand. These aggregate figures, however, mask sharp regional divergences that have direct fiscal implications.

A majority of Indian states have achieved total fertility rates (TFRs) well below the population-replacement level of 2.1 children per woman, according to the National Family Health Survey-5. The replacement fertility level indicates that the population size will stop growing after some time and will only replace itself. When fertility falls below that level, the population will begin to decline in absolute numbers.

Kerala was the first Indian state to reach replacement fertility in 1988, when the national TFR was still 4, according to the Data for India portal. Tamil Nadu achieved it in 1993 while West Bengal, despite being one of India's poorest states, reached replacement fertility in 2005.

Four states — Chhattisgarh, Uttar Pradesh, Madhya Pradesh and Bihar — are yet to reach replacement fertility according to official data. Uttar Pradesh, however, was expected to cross this threshold last year. Madhya Pradesh is projected to do so in the next two to three years, while Bihar is likely to attain replacement levels the last, not until 2039.

BUDGET VIEW 2026-27

Even if fertility rates in these states converge to southern levels, absolute births will remain substantially higher due to sheer demographic momentum, a phenomenon resulting from a large number of young adults in childbearing years. Uttar Pradesh and Bihar together account for more than a quarter of India's population, with a median age in their late twenties, according to estimates based on the 2011 census. In 2023, 31 per cent of the 25.2 million total births in India occurred in only Bihar and Uttar Pradesh.

The budgetary implications are immediate. States with high absolute birth rates face sustained pressure on maternal and child health services, schools, skill development systems, and labour markets. In contrast, low-fertility states confront a different challenge: Slower growth of the working-age population, rising ageing ratios, and potential labour shortages. Yet India's fiscal architecture largely treats these distinct demographic realities through uniform policy instruments.

Nowhere is this tension more visible than in debates over centre-to-state fiscal transfers. Population size remains a key criterion in Finance Commission devolution formulas, reflecting legitimate concerns about expenditure needs. However, states that have successfully reduced fertility and invested in human development increasingly argue that such formulas penalise demographic performance while rewarding sheer population growth.

This debate cannot be resolved by abandoning the population criteria altogether, but it does underscore the need to complement headcounts with outcome-based measures of human capital such as child health, learning outcomes, and female labour force participation.

The employment dimension is particularly critical. High-fertility states will continue to add large cohorts to the working-age population over the next two decades. With low local job opportunities, this becomes a source of economic stress. Labour force participation, especially among women in the northern states remains low. A Budget that does not explicitly link demographic trends to regional labour-intensive growth strategies risks missing the core challenge.

Workers from high-fertility, low-income states increasingly migrate to low-fertility, higher-income states and cities. Yet migration remains largely invisible in Budget design. Destination states bear the fiscal costs of housing, transport, health, and urban services for migrant populations, while social protection remains weakly portable.

Treating migration as a fiscal and planning issue rather than merely a labour-market outcome would be a significant step forward. For example, affordable family housing in urban areas is in short supply, costly, and remains largely inaccessible to migrants.

What would a demographically informed Budget look like? First, it would explicitly acknowledge regional demographic divergence. Second, it would prioritise human capital investment, particularly in early childhood, education quality, and women's employment in high-birth regions. Third, it would support productivity, elder care, and labour force participation in low-fertility states facing demographic aging. Finally, it would recognise migration as a structural feature of India's development trajectory and allocate resources accordingly.

Take the example of Central maternal health schemes. Should maternal and welfare incentives be differentiated by regional demography, encouraging delayed childbearing, birth spacing, and continuing higher incentives for permanent sterilisation in high-fertility states, while avoiding stronger incentives for permanent methods in low-fertility states?

Would such a calibration better align public spending with demographic realities without compromising reproductive choice? At the same time, welfare design must explicitly recognise migration by ensuring portability of health and nutrition incentives between home and destination states.

India's fertility transition is no longer a distant concern; it is already reshaping the geography of growth, employment, and fiscal pressure. The central question for the Union Budget is not how many people India has, but where they are born, where they will work, and whether public policy is aligned with that demographic reality. Ignoring these shifts would be a costly policy mistake.

The author is Union Bank chair professor of economics, director (research and FPM), Great Lakes Institute of Management, Chennai

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BECAUSE THE TRUTH INVOLVES US ALL

Eco Survey flags the key problems, solutions await

THE BACKDROP against which the Economic Survey 2025-26 has been presented is arguably complicated. On the macroeconomic front, growth has been healthy and inflation has remained muted. Both corporate and bank balance sheets are healthy. GST rates have been rationalised, trade deals have been signed, and a slew of reforms have been announced. Yet, there are questions over household consumption, signs of a broad-based revival in the private investment cycle are few, and merchandise exports are sluggish. Another oddity alongside the strong macroeconomic performance is foreign investors pulling out of the markets and a falling rupee. The paradoxes confronting the country have been flagged by the Economic Survey.

The Survey rightly notes that the economy relies upon capital inflows to maintain a healthy balance of payments. But, "when they run drier, rupee stability becomes a casualty". The rupee is currently hovering around 92 against the US dollar. While a weaker currency does impact export competitiveness, the Survey argues that the currency's valuation "does not accurately reflect India's stellar economic fundamentals". But it influences investors. In the current global environment, when India does not seem to offer a compelling AI story, and money is also pouring into safe-haven assets (such as gold), this warrants closer attention. As the Survey puts it, "India needs to generate sufficient investor interest and export earnings in foreign currency." Another equally critical issue highlighted by the Survey is that of "fiscal populism". In recent years, several state governments have announced unconditional cash transfers — as per ICRA, the combined cash transfers of 11 states added up to Rs 1.5 lakh crore in 2025-26. These schemes have impacted the fiscal space available for more productive forms of expenditure. As per the Survey, committed expenditures — salaries, pensions, interest payments and subsidies — account for 62 per cent of states' revenue receipts. The trade-offs are pretty apparent.

The Survey has projected the Indian economy to grow in the range of 6.8 to 7.2 per cent in 2026-27. This comes after the first advance estimates had pegged growth at 7.4 per cent in 2025-26. Achieving this, and sustaining growth at 7 per cent over the medium term, in an uncertain global environment, will be challenging. The Survey does provide a sense of how the Centre is looking at the economic environment. The question now is whether these issues raised find reflection in the coming Union Budget.

CM doesn't surprise, thumbs nose at EC, SC

THERE IS little that is surprising in Assam Chief Minister Himanta Biswa Sarma's latest diatribe. His attacks on people from the minority community and the boast that he had asked BJP workers to "trouble" them (whether by filing objections to their inclusion in the electoral roll or paying a rickshaw driver "Rs 4 instead of Rs 5") is of a piece with the political idiom he has consistently employed since joining the BJP. The distinction between "miyas" and Assamese Muslims that he seeks to make is fraught. Clearly, Sarma sees political benefit in amplifying polarising rhetoric ahead of the Assembly elections later this year. So what if it conflicts with constitutional and political propriety. But this time, it's more than a campaign speech. In effect, an elected CM, who has sworn to uphold the Constitution, is flaunting a bid to intervene, influence, the Special Revision of electoral rolls in Assam.

In the past six months, the sanctity of the electoral roll has been at the centre of a contentious debate: Who gets in, who is asked to explain, who is deleted. Questions related to exclusion, timing, documentation and whether or not the Election Commission has the mandate to verify citizenship continue to be asked and answered in the Supreme Court. The apex court's much-needed nudge to the ECI has injected credibility into the process. After the Bihar SIR, the poll body has allowed the inclusion of Aadhaar among the list of accepted documents, softened its stance on citizenship criteria and made it easier for electors to trace their names to the 2003 rolls. Sarma's exclusionary rhetoric goes against this accommodative stance.

The Chief Minister's call to BJP workers to fill out Form 7 to "trouble" one demographic group is not only divisive, it also flies in the face of law and procedure — filing a false claim invites a penalty. Incidentally, when the Opposition questions the SIR process — and there are times its criticism has been more political than substantive — the Chief Election Commissioner gives a testy rebuttal, at times even sounding like a party spokesperson rather than a constitutional authority. The Election Commission's SIR process is unfolding across states under the gaze of the nation's highest court. When the Chief Minister thumbs his nose at both, he needs a cautionary reminder.

Give players their space

IT'S NOT for nothing that Coco Gauff's demand for greater privacy at the ongoing Australian Open has been echoed by fellow champions. World No 2 Iga Swiatek likened the elite tennis players assembled for one of the biggest tournaments on the calendar to "animals in a zoo". Novak Djokovic said he was surprised there were no cameras in the shower. It's time for tennis authorities to start listening to the woes of players.

The row began after an expected post-loss reaction. Third seed Gauff had been thoroughly outplayed in her quarterfinal when she decided to release a bit of emotion. Aware of the swarm of attention on her, she found what she thought was a quiet corner to smash her racquet in frustration, but was still captured by the plethora of cameras around the players' area and locker room. Within 30 minutes of her loss, videos were playing all over the world. Expectations of poise and grace in every awkward situation from athletes are unrealistic anyway. The 21-year-old American was livid at the breach of privacy. It's easy to see why.

The prying eye is a product of the excessive commercialisation of professional tennis — and monetising the feelings of players. At times, this has benefited top players like Gauff. But Grand Slam tournaments can often be brutal, and the players deserve empathy. The right moves can change lives, and even a seemingly minor act can derail months of progress. The rules around displays of emotion and frustration on court are already too strict. To transfer the judgemental eyeballs to the locker room, where a loss can make a player helpless, is a definite overreach. Corrective measures need to be in place.

In Central PSU turnaround stories, there's a lesson for the states

SOUMYA KANTI GHOSH

WITH THE Union Budget only a couple of days away, it is important to trace the evolution of public-sector enterprises (PSEs) over the last decade. With the collapse of economic planning, worldwide, PSEs have been in a process of transformation. This has been visible across countries such as China and, most importantly, India in the last decade.

Globally, reforms in PSEs were triggered by the adverse effect exerted by the public sector on the economy, requiring better efficiency and delivery of services. Among the many reforms over the years, the listing of enterprises and technology upgrades are prominent; adopting corporate governance standards and taking the lead in low-carbon transitions are more recent developments. As per the OECD, in 2023, the public sector owned over 25 per cent of 2,037 listed companies worldwide, representing 11.6 per cent of total market capitalisation.

The term PSE has wide connotations in India and includes both Central and state PSEs. For our purpose, we will primarily concentrate on Central PSEs (CPSEs).

In the Indian context, the 2020 New PSE Policy for Atmanirbhar Bharat streamlines PSEs by classifying sectors as strategic or non-strategic. In the non-strategic sectors, the government has minimised presence, while in the strategic sectors (defence, energy, space, etc.) it will maintain a bare minimum presence with one to four PSEs, making room for private-sector participation.

During the last decade, CPSEs in India have shown a remarkable turnaround, from policy paralysis and stagnant growth to becoming significant drivers of financial value, higher profitability, and capital expenditure. The listed CPSEs have outpaced broader market indices and the impact of reforms is clearly visible in their finances.

The number of profit-making CPSEs has increased from 157 in FY15 to 227 in FY25, while the number of loss-making CPSEs declined from 77 to 63 during the same period. Consequently, the net profit of profit-making CPSEs stood at Rs 3.09 lakh crore in FY25 as compared to Rs 1.30 lakh crore in FY15, an increase of around 2.4 times. The total paid-up capital of all CPSEs was Rs 6.87 lakh crore as on March 31, 2025, as against Rs 2.13 lakh crore as on March 31, 2015. The net worth of all CPSEs swelled from Rs 9.85 lakh crore in FY15 to Rs 22.33 lakh crore as on March 31, 2025.

The contribution of all CPSEs to the central exchequer stood at Rs 4.94 lakh crore in FY25 as against Rs 2.00 lakh crore in FY15. Additionally, the total market capitalisation of 66 CPSEs traded on stock exchanges of India was Rs 38.57 lakh crore as on March 31, 2025 — three times larger than the capitalisation as on March 31, 2015.

Gross capital formation by non-financial CPSEs has grown by 11.9 per cent and has been a mainstay of investment demand in core sectors. It has been a net saving sector, accounting for 10 per cent of national savings, and has financed gross capital formation internally with minimal exposure to the rest of the world.

Among the financial CPSEs, banks have seen phenomenal turnarounds after the twin balance sheet crisis. Following the amalgamation exercise, the financial performance of PSU banks has improved, and the pace of technology adoption has increased. The profitability of banks has been enhanced significantly with net profits rising from Rs 80,913 crore in FY14 to Rs 4 lakh crore in FY25 (PSBs' profit increased to Rs 1.78 lakh crore in FY25 from Rs 37,019 crore in FY14). The return on assets increased to 1.37 per cent in FY25 from -0.22 per cent in FY18, while return on equity jumped to 14.09 per cent from -2.74 per cent during the same period.

Among the central PSEs, around 10 CPSEs are listed in the *Fortune India* 500 as per the latest rankings in 2025-26.

> CPSEs will continue to face headwinds and challenges as technology evolves and market dynamics change. Growing use of technology will put the focus on the need for skill upgrades to achieve the desired agility

Another remarkable aspect of the PSE reforms has been their growing contribution to exports. CPSEs have achieved notable success in defence, engineering, and commodities exports with defence exports surging to a record high of Rs 23,622 crore in 2024-25.

In terms of the green transition, the contribution of CPSEs has been notable. Let's take the example of Indian Railways, although not a PSE as per definition. With the successful trial of India's first hydrogen-powered coach at the Integral Coach Factory in July 2025, Indian Railways may achieve rapid decarbonisation in coming years. In the last 10 years, Railways has electrified close to 45,000 km of its broad-gauge network, reducing diesel dependence and cutting emissions sharply. The transition is complemented by large-scale renewable integration with 553 MW of solar, 103 MW of wind and 100 MW of hybrid capacity.

Following the government decision to allow CPSEs to acquire foreign assets, Indian oil PSUs have established a significant presence globally, with a total of 45 assets spread across 21 countries. They have a cumulative investment of about $40.6 billion.

In the coming decades, CPSEs will continue to face headwinds and challenges as technology evolves and market dynamics change. Growing use of technology will put the focus on the need for skill upgrades to achieve the desired agility. R&D spending will also be an area that may need attention.

Furthermore, the positive reform process that has achieved the transformation of CPSEs should move to the state level in the coming years. Greater transparency in PSE operations at the state level can be a catalyst for regional development.

The writer is member, 16th FC; member, PMEAC; and group chief economic advisor, State Bank of India. Views are personal

When the law's blind spots leave women vulnerable

ZERO HOUR
BY DEREK O'BRIEN

WHEN COMMUNAL violence broke out in Manipur three years ago, incidents of physical and sexual violence made their way to our news feeds. Manipur witnessed a barbarity whose effects will be suffered even decades later. Earlier this month, a 20-year-old woman who was gang-raped during the ethnic violence succumbed to her injuries. Devastating. The victim's sister's words, spoken at Delhi's Constitution Club, remain with me : "Nobody could give her justice." What does justice look like for women in India? I examine how lacunae in key laws continue to undermine women's consent.

Marital rape exception

Codified in the Indian Penal Code of 1860 and retained in Section 63 of the Bharatiya Nyaya Sanhita, the law continues to exempt non-consensual sexual intercourse by a man with his wife from the definition of rape.

This exception fundamentally negates women's consent within marriage by presuming irrevocable and perpetual sexual access. While women may seek civil remedies under the Protection of Women from Domestic Violence Act, 2005, the denial of criminal redress for rape entrenches a hierarchy in which marital status overrides bodily integrity. The 42nd Law Commission Report in 1971 recommended criminalising marital rape. Yet, the BNS retains it.

Different marital ages

Under the Prohibition of Child Marriage Act, 2006, and allied statutes, the minimum age for marriage is 18 years for women and 21 for men. The differentiation has no scientific basis. If the objective is to prevent early marriage or ensure maturity, the same age should apply to all genders. If the objective is to protect women, lowering their marriage age defeats that purpose. It legitimises age gaps, and reinforces dependency and curtailed education. A law that institutionalises inequality at entry cannot claim to promote dignity, equality, or meaningful consent.

> So long as consent remains conditional in law, justice for women will remain conditional in reality

Restitution of conjugal rights

Restitution of Conjugal Rights (RCR) allows one spouse to compel the other to resume cohabitation if they have withdrawn from the marriage without proving "reasonable cause". Codified under Section 9 of the Hindu Marriage Act and Section 22 of the Special Marriage Act, the remedy treats cohabitation in marriage as an enforceable duty rather than one based on consent.

The burden is placed on the withdrawing spouse, most often women, to justify their decision, even where withdrawal is driven by emotional, psychological, or sexual abuse. Given that marital rape is not criminalised, RCR can force women back into situations that compromise bodily integrity and dignity. By prioritising the preservation of marriage over consent, the law conflicts with the rights to life, privacy, bodily autonomy, and equality. Conversely, there are situations where women and girls expressly give consent, yet the law refuses to recognise it.

Criminalisation of consensual underage relationships

Under the POCSO Act, 2012, offences like sexual assault do not require proof of non-consent. This implies that consent becomes irrelevant when a person below age 18 is involved in a sexual act. Large proportions of POCSO prosecutions stem from romantic relationships among adolescents. These cases are often initiated by families seeking to control young women's choices, especially in instances of inter-caste, inter-faith, or socially disapproved relationships. Without distinguishing exploitation from consensual intimacy, the law sacrifices adolescent autonomy without meaningfully strengthening protection against abuse.

Marriage assurance

Section 69 of the Bharatiya Nyaya Sanhita, 2023 criminalises sexual intercourse obtained by a false promise of marriage. This rests on the presumption that women's sexual consent is tied to the expectation of marriage. Consensual non-marital relationships are thereby reframed as sites of deception or victimhood, even when both parties entered the relationship voluntarily. Intentions in relationships evolve, and the absence of clear legal standards invites inconsistent enforcement and potential for misuse. So long as consent remains conditional in law, justice for women will remain conditional in reality, in direct defiance of the Constitution's promise of dignity, equality, and personal liberty.

The writer is MP and leader, All India Trinamool Congress Parliamentary Party. Research credit: Chahat Mangtani

Ajit Pawar couldn't be written off, by mentors or rivals

PARIMAL MAYA SUDHAKAR

SIX-TIME Deputy Chief Minister of Maharashtra Ajit Pawar's death in a horrific plane accident marks the end of an era defined by a unique, pragmatic brand of politics — "Brand Dada". In a cruel twist of irony, a leader famous for his instant decisions and fast actions was given no time for a final "fightback".

Ajit Pawar was a peculiar figure in state politics. Unlike leaders who rely on sweeping oratory or deep-seated caste sentiments, his strength lay in his decision-making capability. He nurtured a loyal base of followers who were neither blind worshippers nor mere party cadres. They were "Dada's men" — pragmatic mobilisers who valued his ability to get things done.

Yet, outside this circle of loyalists, he was a polarising figure. He was often at odds with the bureaucracy, which feared his bluntness; the middle class, who ridiculed his style; and the intelligentsia, who found him lacking in ideological depth. Despite this, he was impossible to ignore. His mentors couldn't sideline him, his rivals couldn't dismiss him, and the voters — crucially — would never write him off.

For 15 years, Ajit Pawar served in the shadow of his uncle, Sharad Pawar. He entered the state assembly in 1991, winning a by-election when the Maratha strongman moved to P V Narasimha Rao's cabinet as Defence Minister. When Pawar Senior left Congress in 1999, Ajit Pawar, along with Chhagan Bhujbal, mobilised crucial support for their newly formed Nationalist Congress Party (NCP). Bhujbal was awarded the Deputy Chief Minister's position in the first Congress-NCP coalition government. However, it was Ajit Pawar who created an impression as a no-nonsense minister in the state cabinet.

A pivotal political moment occurred in 2004 when the NCP emerged as the largest party in the state. While Ajit Pawar was a natural contender for the Chief Minister's post, Sharad Pawar chose to trade the top spot for more ministerial berths, simultaneously introducing his daughter, Supriya Sule, to active politics. This created a lasting wedge, prompting Ajit Pawar to begin the long, arduous process of emerging from his uncle's formidable shadow. Ajit Pawar's true genius was electoral micro-management. While the media often attributed NCP's successes to the "aura" of Sharad Pawar, Ajit Pawar worked as an engine under the hood. He knew the pulse of every constituency and the mechanics of every booth. His political journey was a series of high-stakes gambles. In recent years, he fought a determined battle to establish total control over the NCP. After a series of dramatic manoeuvres, he finally proved his mastery in the 2024 assembly elections, securing a victory that cemented his claim as the true successor to the NCP legacy.

> He was often at odds with the bureaucracy, which feared his bluntness; the middle class, who ridiculed his style; and the intelligentsia, who found him lacking in ideological depth

With full control of the party, only one goal remained: The Chief Minister's chair. It was a dream he spoke of often, alternating between hope and despair. His sudden death shatters that ambition and leaves the future of Maharashtra's politics in a state of profound uncertainty. Ajit Pawar leaves behind a legacy that was developmental but not egalitarian, and non-communal if not strictly secular. Socially, he represented a brand of "status quo" politics that focused on delivering long-term results. At this moment, there is no one in the state to lead this brand of politics.

The writer teaches at MIT-SOG, Pune

40 YEARS AGO
January 30, 1986

Wheat, rice to cost more

RICE, WHEAT and wheat flour will cost more from February 1 following a sharp increase in the central issue prices for the public distribution system. According to an announcement, procurement prices are also being raised. The issue prices of wheat, flour and common variety of rice for PDS have been raised by Rs 18, Rs 18 and Rs 14 per quintal.

Narcotics control plan

CONCERNED OVER the alarming rise in drug trafficking involving international syndicates, the government is examining a proposal to set up a Narcotics Control Bureau. The proposed high-powered body, to be headed by a director-general, will have five zonal offices based in New Delhi, Bombay, Madras, Calcutta and Varanasi. It is likely to have a site office in Jaisalmer in Rajasthan (Indo-Pakistan border) and Silchar in Assam (Indo-Burma border).

TV exposé leads to action

THE HEALTH Ministry has decided to invite the Institute of Marketing Management., Delhi, to study the working of major hospitals in the capital, suggest remedial measures and help the hospital managements in effecting the changes. This is one of the several decisions taken by an embarrassed Health Ministry after the shocking exposure of conditions in hospitals in the *Sach ki Parchhayiyan* (shadows of truth) telecast.

Star Wars may suffer delay

STAR WARS, as US President Ronald Reagan's strategic defence initiative research programme is known, may suffer a delay as would space science if investigations into the Challenger disaster take as long as similar investigations in the past have done. According to procedure, NASA will halt its space programmes to find out the cause of the problem as it conducts its "failure analysis" into this matter. Congressional sources are also, according to newspaper reports, expressing fears that the Pentagon's portion of the space programme may be set back seriously by this explosion.

DIS/AGREE
THE BEST OF BOTH SIDES

A weekly column, which offers not this-versus-that, but the best of both sides, to inform the debate

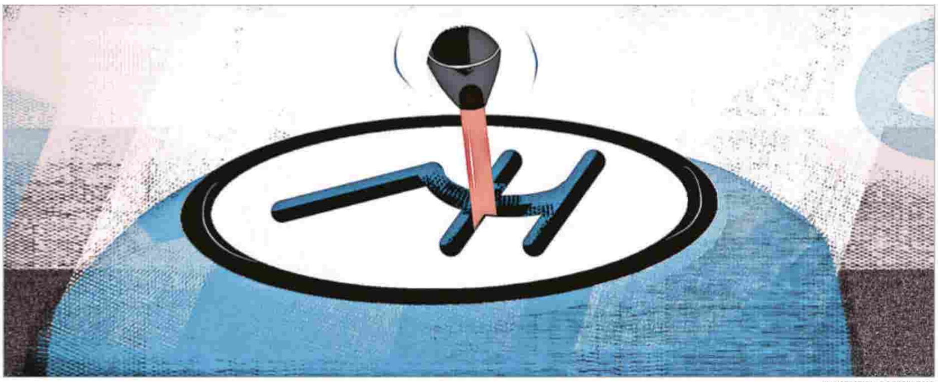


ILLUSTRATION: C R SASIKUMAR

Reading between the lines of the Economic Survey

Call to scale up private investment

DHARMAKIRTI JOSHI

ACCORDING TO the National Statistical Office's first advance estimates, India's real GDP is expected to grow by 7.4 per cent in fiscal 2026, surpassing last year's call of 6.3-6.8 per cent.

The global economy performed better than expected because the impact of the US tariffs was softened by exemptions, frontloading of shipments to the US, diversification to other markets and growth in services exports. India's standout performance was also underpinned by accommodative monetary and fiscal policies, a favourable above-normal monsoon and lower crude oil prices.

That said, India saw sustained capital outflows and the rupee depreciated sharply, showing that even a small current account deficit and good macroeconomic performance do not guarantee capital flows and currency stability. Volatility is expected to course through the next fiscal as well. The advantage of frontloading will fade as the tariffs' full impact is felt, especially in the absence of an India-US trade deal. Diversification will be more impactful only once other trade agreements are fully implemented.

The global economy is expected to grow steadily in 2026, though the outlook remains fragile. The Survey cautions that negative impacts of the current global turmoil can materialise with a delay.

The Survey projects real GDP growth in the 6.8-7.2 per cent range for FY27, slightly above Crisil's estimate of 6.7 per cent. It has also lifted India's potential growth rate to 7 per cent, up from the 6.5 per cent estimated three years ago. This signals confidence in domestic macroeconomic fundamentals, even as global uncertainties persist.

The next fiscal will test India's resilience, particularly on capital flows and currency.

We assess the Survey on the current triad of relevance: Fiscal consolidation, reforms and private investment push. On the first, there are three reasons proactive steps are critical. One is that macroeconomic buffers are essential in an uncertain environment, and the fiscal buffer is the cornerstone of those safeguards. Two, the benefit of high nominal GDP growth for reducing the fiscal deficit has been waning. Nominal GDP expanded by 14.2 per cent between FY22 and FY24, which helped accelerate fiscal consolidation. However, growth slowed to 9.7 per cent in FY25, falling short of budgetary assumptions. The shortfall further widened in FY26, increasing the gap between projected and actual nominal growth. Efforts at expenditure rationalisation and tapping new sources of non-tax revenues are thus necessary to sustainably tame the deficit.

Three, the current milieu demonstrates that even when monetary policy is accommodative, inflation is low and the central government fiscally prudent, sovereign bond yields can remain elevated if fiscal discipline lapses, especially at the subnational level as witnessed in the current fiscal year.

Together, these three reasons underscore that robust and holistic fiscal consolidation is indispensable for preserving macroeconomic stability, reducing crowding out and keeping borrowing costs in check. The Survey acknowledges this.

Second, the relevance of economic reforms. The Survey has evolved into an analytics-driven document that places greater emphasis on advocacy. The latest Survey acknowledges these changes and notes that "the transformation is now based on the depth and time-relevance of national priorities".

Last year's Survey, too, made a case for continuing reforms, stressing that domestic levers will be crucial for India's growth. The Budget for this fiscal had reinforced this message, with a series of deregulations and reforms. This year's Survey, too, bats for continued reduction in compliance burden and deregulation, arguing that it shifts the administrative effort toward problem-solving, monitoring and execution.

Third, private investment: After prioritising infrastructure spending through direct budgetary support, central government capital expenditure is now normalising, making a rise in private capex essential for a sustainable investment boost. It should be noted that government and private capex are not substitutes, but complementary. The government has mainly been funding large-scale infrastructure projects, while corporates have been focusing on manufacturing and other productive pursuits.

The Survey noted that India needs to scale up private participation in building infrastructure. The Budget should continue to support capex, even if at a slower pace, aligning it with fiscal consolidation goals. It should simultaneously create an environment that encourages private investment and public-private partnership in infrastructure. To what extent will the Budget listen to the Survey? We will soon know.

The writer is chief economist, Crisil

It ducks the hard questions

SUBHASH CHANDRA GARG

ECONOMIC SURVEYS (ES), prepared under the leadership of the Chief Economic Advisor (CEA), are meant to inform policymakers, businessmen and citizens on three key aspects of the government's role in the economy and society, and in global economic engagement. First, a fair and objective assessment of the economy's performance, both macroeconomic and sectoral. Second, a critical diagnostic of key issues facing the economy and suggested policy solutions. Third, an honest critique of budget performance, offering choices for course-correction.

Every CEA decides how much importance to give these objectives, adopting broadly one of three approaches: Objective, critical or propagandist. Arvind Subramanian introduced a new volume to present a critique on major issues. The government did away with it two years after he left. Krishnamurthy Subramanian's surveys echoed the government, with a sprinkling of objective analysis.

V Anantha Nageswaran's surveys have been more objective and balanced, albeit with a bias that shows the government in a better light; the 2025-26 Survey (ES-25) is his fourth. Besides a performance review, it discusses three major issues: The effectiveness of Swadeshi/import substitution strategy; input cost reduction strategy to build competitiveness; and progression to strategic indispensability in a fractured world.

Let's begin with its take on GDP growth. On top of 7.4 per cent growth in 2025-26 (ES-25 had estimated between 6.3 per cent and 6.8 per cent), ES-26 projects GDP growth between 6.8 per cent and 7.2 per cent (7.0 per cent midway). On the face of it, this is a good performance. There is, however, a sombre side to it. India's nominal GDP growth for 2025-26 is estimated at just 8 per cent. ES-26 does not explain why the difference between nominal and real is only 0.6 per cent. The worst part is that the rupee has depreciated by more than 6.5 per cent so far. An 8 per cent nominal GDP growth with 6.5 per cent rupee depreciation means dollar GDP growth of only 1.5 per cent!

This is amongst the lowest globally, with India having the highest real GDP and among the lowest levels of dollar GDP growth in the same year. Yet, Nageswaran offers no explanation, despite the jeopardy to the Prime Minister's guarantee of making India the third-largest economy before the next Lok Sabha elections. He dismisses rupee depreciation as a "wrinkle in the ointment", characterising India as a "victim of geopolitics and a strategic power gap".

While Nageswaran rightly underlines the importance of analysing and learning from failures in Chapter 16, the ES-26 offers no analysis of even one government policy or programme failure. The government had announced three employment-linked -incentive schemes (ELIs) in the 2024-25 Budget to create more than 2 crore jobs and an ambitious incentive scheme for 1 crore internships. The internship scheme has been an abject failure with less than 10,000 youth interning in the last 18 months. ELIs are also creating questionable jobs. Nageswaran's Survey offers neither a diagnostic nor advice for course-correction.

Manufacturing has been a major bugbear for India, stagnating at around 12-13 per cent despite programmes like Make In India, production-linked incentives (PLIs), etc. ES-26 only offers a static and favourable description of various programmes. PLIs have been hailed without explaining why they have not disbursed even 10 per cent in four years (out of their six years' life) and why some big ones have not even started disbursing (e.g. ACC batteries, IT Hardware and automobiles).

The government's fiscal performance came under stress in 2025-26, thanks to decisions like making incomes up to Rs 12 lakh tax-free and sacrificing GST by reducing tax rates on automobiles and consumer durables. The government has been restricting refunds to make tax growth not look too bad. ES-26 describes fiscal performance at great length but offers no insights on tougher issues.

Last year, Nageswaran offered sensible advice to policymakers to open up Chinese investment, at least in areas where Chinese companies have exclusive or predominant technological advantage, like solar cells. The advice was ignored. This year, he has couched similar advice in more arcane language: India needs to move from import substitution to strategic indispensability via strategic resilience. This would be easier to ignore, as no one will really understand what he is talking about. The fate of other advice he offers will be similar.

ES-26 will adorn bookshelves, instead of being read and discussed.

The writer is former Finance and Economic Affairs Secretary

India-EU FTA is more than a deal, it's a roadmap to our future

PIYUSH GOYAL

THE INDIA–EU Free Trade Agreement is a historic milestone in Prime Minister Narendra Modi's economic diplomacy. It will generate millions of jobs, create vast opportunities for India's youth and farmers, and create wealth for nearly 2 billion people who together account for a quarter of the global economy.

The agreement between the world's second- and fourth-largest economies is among the biggest trade deals ever signed. In fact, it is far more than a trade deal. It represents a comprehensive partnership that fosters cooperation in critical sectors such as artificial intelligence, defence, and semiconductors. The FTA will benefit every region and citizen of India.

The FTA ensures rules-based trade and stability in economic policies, making India even more attractive for domestic and foreign investment. This will create numerous opportunities for small businesses, startups, and workers.

The world has applauded PM Modi's announcement, calling it the "mother of all deals". It comes as a breath of fresh air at a tumultuous time for global trade and supply-chain realignment. The agreement positions India and the EU as trusted partners committed to open markets, predictability, and inclusive growth.

India has secured unprecedented market access for more than 99 per cent of its exports to the EU by trade value, strongly bolstering the Make in India initiative. The FTA gives a decisive boost to labour-intensive sectors such as textiles, apparel, leather, footwear, marine products, gems and jewellery, handicrafts, engineering goods, and automobiles.

ILLUSTRATION: MITHUN CHAKRABORTY

It will eliminate tariffs of up to 10 per cent on nearly \$33 billion worth of Indian exports. The agreement also empowers workers, artisans, women, youth, and MSMEs, while integrating Indian businesses more deeply into global value chains and reinforcing India's role as a key supplier in global trade.

The deal also eases mobility for businesspersons and professionals and opens new opportunities in services such as education, information technology, financial services, and computers. These commitments unlock high-value employment opportunities and further strengthen India's position as a global hub for talent, innovation, and sustainable economic growth.

Trade agreements are part of the Modi government's broader strategy to improve the lives of the poor — first by strengthening the economy through path-breaking reforms and prudent fiscal management, and then by negotiating with developed and complementary economies with the objective of a win-win deal. This approach enables India to leverage its comparative advantages to access markets which are key for growing its labour-intensive sectors while safeguarding sensitive sectors such as agriculture and dairy.

Trade agreements with developed countries expose Indian industry to healthy competition and provide consumers with world-class products. Unlike the UPA, which recklessly opened India's markets, the Modi government has negotiated agreements in which tariff reductions are gradual, giving industry adequate time to improve competitiveness and quality with appropriate policy support.

The supply of high-quality products at competitive prices is central to the PM's Viksit Bharat 2047 vision. Reiterating this commitment last week, the Prime Minister said: "Come, let us prioritise quality with all our might this year. Let our only mantra be quality, quality, and only quality. Better quality today than yesterday. Let us resolve to improve the quality of whatever we manufacture."

The India–EU FTA is fully aligned with PM Modi's vision of making India a developed country. It positions India as a dynamic, trusted, and forward-looking partner on the global stage, laying the foundation for inclusive, resilient, and future-ready growth for both regions. The Modi government has concluded trade agreements only with developed countries, which do not compete with India's major job-creating sectors such as textiles, footwear, gems and jewellery, and handicrafts. This stands in sharp contrast to the UPA regime, which rushed into agreements with competing economies and often conceded far more than India gained.

Moreover, there is no evidence that the UPA government conducted meaningful consultations with stakeholders before signing trade agreements. In contrast, the Modi government has signed FTAs only after rigorous consultations with economists, industry bodies, experts, and multiple government departments and ministries. As a result, every FTA signed by the Modi government has received widespread appreciation from industry.

During the UPA's tenure, developed countries — including the EU — had lost interest in India as economic growth slowed, inflation remained high, and business sentiment was pessimistic. India lost valuable opportunities to conclude win-win trade deals that could have accelerated growth and generated employment.

The India–EU FTA, along with other trade agreements concluded by the Modi government, underlines the difference between drift and decisive leadership. While earlier regimes hesitated and compromised, the Modi government has delivered a transformative agreement that expands markets, creates jobs, and protects India's core interests. It is a clear demonstration of how strong leadership and strategic clarity can unlock new opportunities which can propel the nation on the path of prosperity.

The writer is Minister of Commerce and Industry of India

Those who make unfamiliar places home

TRISHNA SARKAR

WHO'S MY neighbour
AN iDEAS SERIES

MY FATHER'S job was transferable. We were always moving and from an early age, we were introduced to our neighbours as our extended family. This belief stayed with me, even after my marriage, when I made Delhi my home.

In a large city like Delhi, it is not easy to find a rental home. It is physically and psychologically taxing to pack up your entire life into cardboard boxes and start over in a strange place. However, these difficulties become harder for some.

Every time we moved, our neighbours' warmth eased our struggle. Breakfast, lunch, and dinner would be delivered to us for over a week following each move until our kitchen regained its rhythm. We, a small family of three, returned that kindness in every way possible.

The apartment across from us was unoccupied for over three months. One evening, when I got home from work, I noticed workers moving boxes and furniture into it. As I hurried up the steps, I found a young man and greeted him with a smile. He said his name was Rahul. A young woman emerged moments later. "This is Neha, my wife," he murmured. I immediately offered them dinner as they were visibly exhausted. They reluctantly agreed to it.

That evening, as we sat together sharing a simple meal, I casually asked if they ate non-vegetarian food, since our family loved it. Rahul hesitated, then said, "*Didi… bura na lage toh ek baat bataun* (If you don't mind, may I say something)?"

I smiled. "*Zaroor* (Sure)."

"Neha pregnant *hai*. Second trimester *shuru hua* just (Neha is pregnant, her second trimester has just begun)."

After a pause, Rahul spoke again, his voice trembling slightly.

"*Didi… ek aur baat batana hai. Main Rahul nahi hoon. Main Farooq hoon. Aur Neha… woh Shazia hai* (We want to tell you one more thing. I'm not Rahul, but Farooq. She is Shazia, not Neha)."

For a moment, silence wrapped the room. Their eyes searched our faces, afraid of what might follow.

I gently broke the stillness and said, "*Naam badalne se insaan thodi badalta hai* (Changing our names doesn't change who we are). Moreover, Rahul and Neha sound so filmi."

He breathed a sigh of relief.

That evening, he unfolded painful stories of rejection, of houses slipping away at the last moment, of doors closing before they could even step inside, of neighbours who judged without knowing, and of fear creeping in where friendship should have bloomed. They had been turned down countless times, their names alone becoming reasons for refusal. The weariness etched on their faces was the pain of being made to feel like outsiders in their own city.

A few months later, their home was filled with the soft sobs of young Zaid and laughter that echoed down the corridor. Instead of remaining neighbours, they became family members. They eventually moved to a new city following Farooq's promotion, leaving our hearts empty and heavy. They taught me that neighbours turn an unfamiliar place into a home. But this experience is not the same for everyone. Farooqs and Shazias still need to hide their identity to be accepted by neighbours.

The writer teaches at Dr B R Ambedkar College, University of Delhi

LETTERS TO THE EDITOR

Baramati tragedy

THE SUDDEN and untimely exit of Ajit Pawar has created a void in Maharashtra politics ('Baramati tragedy, churn in its wake', *IE*, January 29). He was among the few seasoned politicians who remained deeply connected to the ground and wielded firm administrative command. His pragmatic approach consistently transcended ideological red lines, and his sharp decision-making effectively crushed red tape. A staunch secularist, he practised inclusive politics even after allying with the BJP. Now, his followers face a difficult choice: Whether to continue as an independent party or merge with the NCP (Sharadchandra Pawar), Congress, or the BJP. His absence has landed the ruling coalition in a difficult situation.

Vasant Nalawade, Satara

IT WAS tragic that Ajit Pawar, a popular leader in Maharashtra, lost his life in a plane crash on his home turf of Baramati. Landing amid low visibility and technical glitches may have been the causes, according to preliminary investigations. The state government and Sharad Pawar have ruled out any foul play. His untimely death at a time when he was seeking the reunion of the rival factions of the NCP could redraw the contours of Maharashtra politics.

David Milton, Maruthancode

UGC equity rules

THE UGC'S 2026 equity regulations mark a decisive step in acknowledging entrenched caste discrimination in higher education by replacing outdated frameworks with stronger redressal mechanisms ('UGC regulations force a needed reckoning', *IE*, January 29). Rising complaints demand urgent action, but concerns about overreach and administrative feasibility cannot be dismissed. Extending protections to OBCs is progressive, yet universities may struggle with compliance burdens. A balanced path lies in coupling accountability with institutional support, strengthening the grievance systems while avoiding rigid mandates.

Abhinav Shah, Lucknow

THE INDIAN EXPRESS
Explained
FRIDAY, JANUARY 30, 2026

• ENERGY

'Thorium-based n-power key to securing energy independence'

EXPERT EXPLAINS
ANIL KAKODKAR
EX-CHAIRMAN, ATOMIC ENERGY COMMISSION

INDIA'S NUCLEAR strategy has long rested on a three-stage programme, built around a basic constraint: the country has limited uranium but vast reserves of thorium. In the first stage, pressurised heavy water reactors (PHWRs) run on uranium to generate electricity and produce plutonium. The second stage uses this plutonium in fast breeder reactors to multiply fuel and prepare the ground for the final phase — thorium-based nuclear power, where thorium is converted into uranium-233 for long-term energy security.

Former Atomic Energy Commission chairman **Anil Kakodkar**, who is now Chancellor of the Homi Bhabha National Institute and Chairman of the Rajiv Gandhi Science & Technology Commission, tells **Anil Sasi** that with a large PHWR capacity now running on imported uranium, India can start producing uranium-233 by irradiating thorium alongside advanced fuels such as HALEU, accelerating the country's path to energy independence.

To what extent does the scale-up of PHWR capacity offer an opportunity for faster transition to thorium-based nuclear power generation?

Transitioning to thorium-based nuclear power generation is critical to securing energy independence. This requires building sufficient inventory of fissile U233 (uranium 233) through irradiation of thorium. Since our assessed domestic uranium resources when the three-stage programme was formulated were modest, the required irradiation capacity was not possible. Building such capacity through fast reactors, which can multiply through breeding of fissile fuel, was thus essential.

Now that we can access uranium from the international market, the thermal reactor capacity is on a growth path, with the Nuclear Energy Mission targeting 100GWe nuclear power capacity, with PHWRs constituting the bulk. This scale-up is clearly an opportunity to start producing fissile U233 at scale in PHWRs and enable a faster transition to thorium-based nuclear power generation. It is indeed possible to have Thorium-HALEU based drop-in fuel for PHWRs, which would also lead to economic, safety and security benefits while efficiently converting thorium to U233.

How important is the need for additional financial resources and new players in potentially scaling up PHWR capacity to 50-75 GWe (1GWe or gigawatt electric is equivalent to 1,000 mega watts)?

Scaling up PHWR capacity to 50-75 GWe by the target date of 2047 would require an average annual capacity addition of around 3 GWe, which would mean adding five to eight reactors every year depending on the mix of 700 MWe and 220 MWe units. This would require significant additional financial resources. Also, one would need many other players from public as well as private sector to be brought in, with NPCIL (state-owned Nuclear Power Corporation of India Ltd.) playing the role of technology provider, capacity builder, facilitator and mentor while implementing its own programme.

The SHANTI Act opens up the possibility of more imported LWR-based nuclear projects. How do you view their potential?

I have always viewed imported Light Water Reactors (LWRs) as an additionality. Given our large and growing energy needs, and deficit in our implementation capability, such additionalities are helpful provided they are economically competitive and consistent with our nuclear fuel cycle policies. We should prioritise development effort for futuristic technologies needed for our country (metal fuel reactors, molten salt reactors, high temperature reactors, thorium fuel cycles etc) and leverage proven imported technologies.

Estimates suggest that a 1,000 MW-LWR would need about 25 tonnes of enriched fuel per year at 80% PLF. Given the fuel price of around $1.76 million per tonne, the fuel cost for an LWR plant would translate to around Rs 350 crore per annum (at 1$ = Rs 80). Fuel estimates for PHWRs would perhaps be lower. So how do you see the trade-off in combining thorium with small amounts of enriched uranium in PHWRs and how much more viable is this proposition from a cost perspective?

In terms of mined uranium needed to support a given nuclear power generation capacity, PHWRs are more efficient. Fuel fabrication and back-end fuel cycle costs in PHWRs fueled with natural uranium would be higher on account of higher fuel throughput as the burn-up is low. These costs would come down with the use of enrichment in PHWR fuel. Fueling cost with HALEU-thorium fuel in PHWR works out to be lower than with natural uranium.

• ECONOMIC SURVEY 2025-26

Why rupee's challenges are primarily external

India depends on inflows of foreign capital to maintain a healthy balance of payments. When they taper off, rupee stability 'becomes a casualty'

AANCHAL MAGAZINE
& RAVI DUTTA MISHRA

ON A day the rupee hit another low of Rs 91.98 per US dollar, the Economic Survey 2025-26 said the currency has been affected by capital outflows and that its "underperformance" does not accurately reflect India's "stellar" economic fundamentals. The rupee is "punching below its weight", driven primarily by external factors, the Survey said.

India has become a "victim of geopolitics" even though it has recorded strong economic growth, with a favourable outlook, controlled inflation, and supportive rainfall and agricultural prospects, it said.

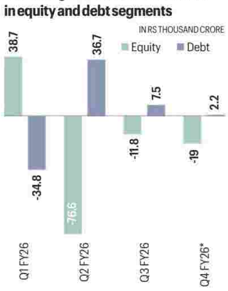
The negative effects of the global political and economic turmoil may manifest with a lag, and India runs the risk of contraction in liquidity, disruption of capital flows, and a consequent impact on the rupee, the Survey said.

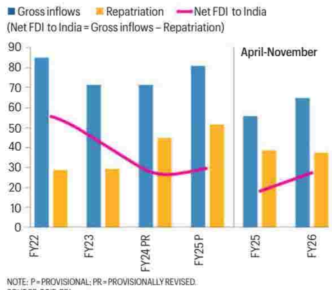
To achieve currency strength, India must first raise manufacturing strength, Chief Economic Advisor V Anantha Nageswaran said. This assumes significance because even though India has a net trade surplus in services and remittances, this is not enough to offset the trade deficit in goods. So, India depends on foreign capital flows to maintain a healthy balance of payments. And when they run drier, rupee stability "becomes a casualty", the Survey said.

"Currency strength depends on industrial capacity. Across successful industrialisers, complex manufacturing-led export growth preceded improvements in current accounts, reserves and exchange-rate credibility. Services exports work best as a complement, not a substitute, for manufacturing," said Nageswaran at a press conference after the Survey was tabled in Parliament.

India's recent trade agreements are proof that policymakers have taken note of the need to focus on manufacturing, the Survey said. The EU deal, for instance, expands market access for India's labour-intensive manufactured exports.

• HOW FOREIGN CAPITAL INFLOWS HAVE FARED





Rupee's underperformance

The rupee has been underperforming against the dollar amid a sustained outflow in foreign portfolio investments. Foreign portfolio investors have withdrawn $4 billion so far in January, and the outflow amounted to $11.8 billion in 2025. Domestic institutional investors, particularly mutual funds and insurance companies, have counterbalanced these outflows and supported the markets.

An undervalued rupee does not hurt in the current situation as it offsets to some extent the impact of higher American tariffs on Indian goods, and there is no threat of higher inflation from higher-priced crude oil imports at the moment. "However, it does cause investors to pause. Investor reluctance to commit to India warrants examination," the Survey said.

The observations come at a time when exports could come under pressure due to the steep 50% US tariffs. While the impact on outbound shipments has been limited so far, exporters have said that fresh orders from the US have stopped coming in and continued tariffs could cause irreversible damage.

US tariff pressure

The Survey's observations come at a time when exports could come under pressure due to the steep 50% US tariffs.

•

While the impact has been limited so far, exporters have said fresh orders from the US have stopped coming in.

Planning for capital flight risk

As a country dependent on global capital flows, India has to plan for liquidity and external capital buffers in the coming year, the Survey said, adding that capital flight, including with the advent of the US stablecoins, is another risk to watch out for.

Proactive reforms are essential to attract more foreign investment, it said. India also needs to generate sufficient investor interest and export earnings in foreign currency to cover its rising import bill, as, regardless of the success of indigenisation efforts, rising imports will invariably accompany rising incomes, the Survey said.

India's economic policy must focus on the stability of supply, the creation of resource buffers, and the diversification of routes and payment systems.

"2026 may mark the point at which policy credibility, predictability and administrative discipline cease to be mere virtues and instead become strategic assets in their own right, with lasting relevance. The appropriate stance for 2026 is therefore one of strategic sobriety rather than defensive pessimism," it said.

Three global scenarios for 2026

The Survey detailed three possible scenarios of global crises — 'business as in 2025', disorderly multipolar breakdown, and a systemic shock cascade. It said the common risks for India will be "disruption of capital flows" and the "consequent impact on the rupee". "Only the degree and the duration will vary," it said.

Scenario 1: The Survey said 'business as in 2025' would be the best-case scenario. But this may become increasingly less secure and more fragile. As the margin of safety is slim, minor shocks could escalate into larger reverberations. "This scenario is less about continuity and more about managed disorder, with countries operating in a world that remains integrated yet increasingly distrustful," it said.

Scenario 2: The probability of a "disorderly multipolar breakdown" rises materially and cannot be treated as a tail risk, the Survey said. It said under this outcome, strategic rivalry could intensify and collective security arrangements could unravel. "Trade becomes increasingly explicitly coercive, sanctions and counter-measures proliferate, supply chains are realigned under political pressure, and financial stress events are transmitted across borders with fewer buffers and weaker institutional shock absorbers. In this world, policy becomes more nationalised, and countries face sharper trade-offs between autonomy, growth, and stability," it said.

Scenario 3: Terming this a low-probability scenario, the Survey outlined a risk of a systemic cascade in which financial, technological, and geopolitical stresses could amplify one another. "The recent phase of highly leveraged AI-infrastructure investment has exposed business models that are dependent on optimistic execution timelines, narrow customer concentration, and long-duration capital commitments. A correction in this segment... could tighten financial conditions, trigger risk aversion and spill over into broader capital markets. If such developments were to coincide with geopolitical escalation or trade disruption, the resulting interaction could produce a sharper contraction in liquidity, a sudden weakening of capital flows, and a shift toward defensive economic responses across regions," the Survey noted.

• UGC EQUITY REGULATIONS 2026

Definitions to action: The differences in 2012 and 2026 UGC rules

Abhinaya Harigovind
New Delhi, January 29

THE SUPREME Court Thursday stayed the 2026 University Grants Commission (UGC) equity regulations notified earlier this month, which addresses discrimination, including caste-based discrimination, in higher education institutions.

The new regulations, which replaces the commission's 2012 equity regulations, sparked protests and calls for their withdrawal among sections of students. These groups claim that the rules could create divisions over caste and result in "harassment" against those in the general category.

The bench comprising Chief Justice of India Surya Kant and Justice Joymalya Bagchi directed that the 2012 regulations remain in force till further orders.

How do the 2026 regulations differ from the 2012 regulations?

• **Definitions:** The 2026 regulations define 'discrimination' (section 3(1)(e)) and 'caste-based discrimination' (section 3(1)(c)) separately. The 2012 version defines 'discrimination'.

Under the new guidelines, caste discrimination is "discrimination only on the basis of caste or tribe against the members of the scheduled castes, scheduled tribes, and other backward classes." This definition was challenged before the Supreme Court for excluding the general category.

Justice Bagchi said: "We are looking into the evolution of the Regulations to create a free and equitable atmosphere in universities... When we see this, we see no reason why Section 3(1)(e) continues to subsist as it did in the 2012 Regulations. How does 3(1)(c) become relevant? Is it a redundancy?...We fail to understand when 3(1)(c) is already ingrained in 3(1)(e), why it was culled out as a separate definition clause?"

Discrimination is separately defined as "any unfair, differential, or biased treatment or any such act against any stakeholder, whether explicit or implicit, on the grounds only of religion, race, caste, gender, place of birth, disability, or any of them", and including "any distinction, exclusion, limitation, or preference which has the purpose or effect of nullifying or impairing equality of treatment in education and, in particular, of imposing conditions on any stakeholder or group of stakeholders which are incompatible with human dignity."

This is similar to the 2012 regulations, but the latter included language and ethnicity in addition to religion, caste, gender, and disability. The 2012 regulations also separately defined 'harassment', 'victimisation', and 'ragging', which are omitted from the new guidelines.

"The constitutional question is... Article 15(4) empowers the state to make special laws for the Scheduled Castes/ Scheduled Tribes. If the 2012 Regulations provide for a more widespread and all-inclusive discrimination, including discrimination in the nature of ragging, why should there be a regression in a protective or ameliorative legislation?" Justice Bagchi asked.

• **Specific forms of discrimination:** The 2012 regulations listed specific forms of discrimination, harassment, or victimisation. This included breaching the reservation policy in admissions; discrimination in accepting and processing applications for admissions; limiting or denying access to benefits for students; announcing the names of castes, tribes, religion or region of students; labelling students as 'reserved category'; passing derogatory remarks indicating caste, social, regional, racial or religious background as a reason of underperformance in class; earmarking separate seats for students; discrimination in evaluation of exam papers; segregating students in hostels, mess, common rooms; ragging targeting against sections of students.

These specific forms of discrimination have been left out of the 2026 regulations, which task the 'equal opportunity centre' within institutions to prepare and disseminate an illustrative list of acts that shall be construed as discrimination.

The new rules also instruct institutions to ensure that any selection, segregation, or allocation into hostels, classrooms, mentorship groups, or any other academic purposes is transparent, fair, and non-discriminatory. The CJI said Thursday: "Another provision which I am finding is an indication among the measures you are taking, you are speaking of separate hostels. For God's sake, don't do that. We have lived in hostels. Every community has students living together. We have developed inter-caste marriages also. We should move forward to develop a casteless society."

• **Punitive action:** Under the new rules, non-compliant institutions can be debarred from participating in UGC schemes, offering degree and online programmes, or removed from the list of institutions that can receive central grants. The UGC is also required to establish a monitoring mechanism to review progress made in achieving the objectives of the regulations and to constitute a national-level monitoring committee to oversee the implementation.

The old regulations did not provide for any such action.

• **Equal Opportunity Centres:** While the 2012 regulations provided for 'Equal Opportunity Cells' to be set up at institutions to promote equality, they did not specify the composition and functions of these cells, or the procedure to be followed in an instance of discrimination.

The 2026 version mandates 'Equal Opportunity Centres' at institutions, with 'equity committees' which must be represented by OBCs, Persons with Disabilities, SCs, STs, and women.

In contrast, the 2012 rules identify "students belonging to marginalised sections, including SC/ST students", but do not specifically identify OBCs.

The new rules also outline the procedure to be followed when an incident of discrimination is reported, including specific timeframes. Institutions are also required to set up equity helplines and 'equity squads'.

Why 2026 regulations were framed

• The new regulations were formed after a plea in the top court filed by Radhika Vemula and Abeda Salim Tadvi, the mothers of Rohith Vemula and Payal Tadvi.

• The petitioners said that the regulations should focus on discrimination against SC, ST and OBC individuals, and include, given existing UGC guidelines on ragging, sexual harassment and rights of persons with disabilities.

• They also suggested that the regulations include OBCs and that the specific aspects of discrimination, as mentioned in the 2012 regulations, be incorporated.

• POLITY

Gandhi's Gram Swaraj ideal, and why true devolution of power has remained out of reach

Shyamlal Yadav
New Delhi, January 29

A WEEK before the commencement of Parliament's Budget session, Congress President Mallikarjun Kharge criticised the Union government for renaming the MGNREGS (Mahatma Gandhi National Rural Employment Guarantee Scheme) to VB-G RAM G (The Viksit Bharat — Guarantee for Rozgar and Ajeevika Mission-Gramin).

He said the party would fight the name change in Parliament, calling it "an attempt to remove Mahatma Gandhi's name from public memory, weaken the Gram Swaraj (self-rule of the village) concept."

From MGNREGA to G RAM G

Introduced under the UPA government, the MGNREGS was notified with effect from February 2006 to provide basic livelihood opportunities in rural India.

The "Mahatma Gandhi" prefix was added only on October 2, 2009. In December 2025, the Union government introduced a Bill to repeal the scheme. The VB-G RAM G replaced it, with increases in the duration of employment, and the share that state governments will pay to fund the scheme. The latter provision came under much criticism. The Congress also criticised the removal of Gandhi's name, evoking his philosophy, which championed the self-sufficiency of rural areas for the health of the nation itself.

Gandhi's Gram Swaraj

Across his writings, Gandhi envisioned the all-round development of villages and their self-reliance. He wrote on June 23, 1946, "I regard the growth of cities as an evil thing, unfortunate for mankind... The British have exploited India through its cities. The latter have exploited the villages. The blood of the villages is the cement with which the edifice of the cities is built. I want the blood that is today inflating the arteries of the cities to run once again in the blood vessels of the villagers." His speech was matched by action, be it in Champaran, where he led his first major satyagraha in 1917, or Sevagram, a self-sufficient ashram he established in Maharashtra.

WIKIMEDIA COMMONS
Across his writings, Gandhi championed villages becoming self-reliant.

Gandhi regularly wrote on the subject in his magazines *Harijan* and *Young India*. On July 26, 1942, he wrote in Harijan: "My idea of Village Swaraj is that it is a complete republic... every village's first concern will be to grow its own food crops and cotton for its cloth..." "There will be no castes such as we have today with their graded untouchability... The government of the village will be conducted by the Panchayat of five persons, annually elected by the adult villagers, male and female... a perfect democracy based upon individual freedom..."

Hurdles to self-rule

In the early years of Independence, policy focus was on urban-centric development. The urban-rural gap widened, prompting migration to major industrial townships.

This is not to say policies for rural areas were totally absent. Prominent ones include the abolition of the Zamindari system of land ownership (though reforms were limited to a few states), and schemes like the Jawahar Rojgar Yojana. But without quality education and health facilities as building blocks, and the persistence of caste-based divisions, migration is often the best hope for a better life. Today, around 65% of Indians live in villages, compared to about 82% in 1960.

Further, rural entrepreneurship has yet to receive the support required to create substantial job opportunities. And, despite the promotion of democratic decentralisation under the 73rd constitutional amendment, which accorded constitutional status to panchayati raj institutions, the self-reliance of Gandhi's imagination remains out of reach. Prime Minister Narendra Modi put forth the Sansad Adarsh Gram Yojana in 2014, where MPs were asked to adopt and develop a village in their constituencies. However, most showed limited interest in the programme.

Genuine devolution of power — financial, political and administrative — often hinges upon the will of those at higher levels of governance. Changing these impulses will require much more than policy tweaks. As Gandhi himself said of his self-sufficient village, "To model such a village may be the work of a lifetime." For India's 6.74 lakh villages, that certainly holds.

Now to Master All It Has Surveyed

Exports, AI and cities key to future growth

Economic Survey 2025-26 highlights India's economic resilience in a deteriorating global trade scenario and stresses the need for a concerted export push to up growth. The economy is better placed, with consumption and investment expected to do heavy lifting. Imports are bound to climb for a fast-growing economy, and export performance must keep pace. India is shifting its focus from substitution to immunity and, eventually, interdependence. This calls for a much bigger footprint in global supply chains. Advanced manufacturing requires a reorientation of economic processes and the role of policy to encourage risk-taking.

Bipolar or multipolar globalisation requires countries to create new linkages between producers and consumers. India is fashioning its own responses, principally through considered economic management. This has enhanced its ability to cushion geopolitical financial shocks. The survey argues policymaking must build on these to add economic and strategic strength. A permanently harsher external environment requires the economy to adapt by building bigger cushions against capital movements. Another interesting suggestion is about constituting an economic agency for AI to focus on how to enhance the tech's productivity gains while minimising disruption among the country's large labour pool.

The survey also flags conditions holding back cities. Urban stress is piling up on account of land, housing and transport. Rapid urbanisation is not transforming into productivity gains or global influence. There's scope to improve urban planning through data-driven processes and by harmonising classifications. The survey identifies inadequate governance as a constraint and says some form of autonomy may lead to an improvement in reliability and efficiency of services. The survey has interesting observations on civic behaviour in the context of the infrastructure where it is displayed. It finds an explanation for why Indians are better behaved in metros than on city buses. That's a question many would love an answer to.

CBAM Feels Unfair, But India Can Gain

From a developing-country perspective, the EU's Carbon Border Adjustment Mechanism (CBAM) can seem unfair. After all, it compels developing nations like India to meet EU's 'First World' standards or pay a price — despite the former's relatively small contribution to CO_2 emissions compared to developed countries. This concern is further heightened by the European Commission's confirmation that the India-EU FTA does not provide any exemption from CBAM.

India's demand for an exemption must be understood in the context of considerable financial, technological and capacity burden that aligning with EU climate norms would place on a large segment of industry, particularly MSMEs. These are two economies with vastly different capacities. In 2025, the EU's nominal per-capita GDP was about \$46,000, while India's was around \$2,800. The proposed EU-India platform for cooperation on climate action, to be set up by June, along with €500 mn in likely conditional EU support over the next 2 yrs, will help. But it will clearly not suffice.

However, just because CBAM feels unfair does not mean it has to be detrimental. New Delhi can turn it to its advantage. Talks on investment agreements should be approached with a clear sustainability lens and a concrete plan to decarbonise and transform the industrial base. The focus should be on attracting investments and partnerships in clean energy supply chains, clean tech manufacturing and decarbonisation technologies. Leveraging the complementarity of the two economies to create strategic opportunities that strengthen resilience and sustainability should be the guiding principle. If engaged with proactively, CBAM could catalyse India's industrial transformation, rather than merely posing a constraint.

THINK ABOUT IT

The singer tells us the value of 'shutting up' at the right time

A No-Encores Lesson From Arijit Singh

Let's be clear: Arijit Singh's retirement from playback singing is not just a career decision, it's a swag move. The man who crooned heartbreak into a billion WhatsApp statuses has now hung up his microphone, and we, ordinary mortals, must defer to his decision. Because let's face it, not everyone's like Singh who knows when to walk away into the sunset when on top of his game.

There is much wisdom in his decision that should be a lesson to the rest of us, especially those in the profession of playback politics. Singh spent years turning traffic jams into ballads of longing, gym playlists into operas of regret, and wedding sangeets into existential crises. Now he has chosen silence, that most radical note of all. If he can retire instead of holding on as if his life depended on it, so can you. Imagine a society where everyone retires when at their apogee. What we would get is a steady supply of talent that stays on till it peaks, and then making way for the next in line — instead of believing that the world will collapse if the 'great man/woman' goes. To emulate Arijit Singh is to embrace restraint, to recognise that the last song should be the most moving one. So, don't be afraid to hang your boots. Or, worse, giving lingering past your sell-by-date a logic that belies reason, and hangs on emotion. The courage to quit also means making way.

ECONOMIC SURVEY In a turbulent world, India's earned economic stability, now to build strength

STEADY, STEADY... GO

V Anantha Nageswaran

In a world marked by geopolitical fracture, financial excess and deepening uncertainty, India's economic story over the past few years stands out not for dramatic leaps but for something more valuable: resilience. Economic Survey 2025-26 frames this moment as a transition 'from stability to strength'.

The phrase captures a deeper shift underway. India is no longer merely managing vulnerabilities, but slowly constructing foundations for durable, self-reinforcing growth in an increasingly hostile global environment.

The macroeconomic backdrop matters. Global economic uncertainty in 2025 was triple the average of the previous two decades. Financial markets, however, remain priced as if risk were abundant and cheap, creating the danger of sudden and destabilising corrections. For emerging markets, such conditions directly transmit into volatile capital flows and currency pressures.

Against this backdrop, India's relative calm — moderate inflation, credible fiscal consolidation, comfortable foreign exchange buffers and healthy banking balance sheets — is not accidental. It reflects years of steady, if often unglamorous, policy work.

Inflation has softened to its lowest level in decades, while growth remains domestically driven. Public finances are on a firmer footing, supported by sustained revenue buoyancy and a broadening direct tax base. Quality of expenditure has improved, with capital spending increasingly prioritised over consumption-heavy outlays. Banks have cleaned up their balance sheets, with gross and net NPAs at multi-decade lows, enabling stronger credit growth to the commercial sector. Together, these trends create the conditions for investment-led expansion rather than credit-fuelled excess.

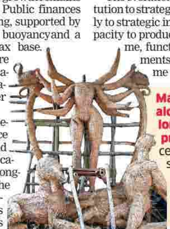
Labour market signals are also quietly encouraging. Female labour force participation has risen, overall unemployment has declined, and formalisation continues. These are not cyclical. They are outcomes of structural changes — digital public infrastructure, targeted welfare delivery, labour code reforms, and expanding physical and digital connectivity. Rural broadband, mobile towers, better roads and logistics are not just infrastructure projects, but productivity multipliers that integrate workers and firms into national markets.

Yet, the survey is explicit that macro stability alone will not deliver long-term prosperity. The central challenge is structural: building manufacturing and export competitiveness at scale. Currency strength, lower cost of capital and external resilience ultimately follow industrial capability, not the other way around.

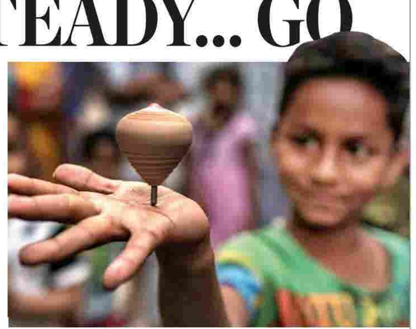
Across successful late industrialisers, complex manufacturing-led export growth preceded sustained improvements in current accounts, reserves and exchange-rate credibility. Services exports are valuable, but they work best as complements, not substitutes, for a strong manufacturing base.

This insight has profound strategic implications. In a world where trade is no longer reciprocal, markets are no longer neutral, and supply chains are instruments of state power, economic strategy must move beyond traditional notions of self-sufficiency. The survey reframes 'swadeshi' not as inward-looking protectionism but as investment in national strength.

The evolution is from import substitution to strategic resilience, and finally to strategic indispensability: the capacity to produce competitively at home, function if the world fragments, and eventually become so embedded in global value chains that the world can't easily function without India.



Macro stability alone won't deliver long-term prosperity. The central challenge is structural: building manufacturing and export competitiveness at scale



Now to get on top of the world

Achieving this requires a different kind of state — not one that produces and protects, but one that facilitates, coordinates and builds ecosystems. Rise of India's software sector offers a template for what a determined, entrepreneurial state can achieve. Success came not from heavy-handed control, but from recognising software as an industry, easing forex and import restrictions for exporters, investing in technical education and telecom, and creating technology parks with reliable infrastructure and regulatory flexibility. State capacity worked best when redirected from micromanagement to enabling private enterprise.

The survey cites further evidence from more recent reforms: GST 2.0, simplification of I-T Act, district-level business reform action plans, export promotion missions, liberalisation of environmental rules, and targeted opening of sectors such as insurance and nuclear power to foreign investment.

Importantly, deregulation is being pushed to the state level, where over three-quarters of identified high-impact reforms have already been implemented. This quiet, execution-driven approach may lack headline appeal, but it's precisely how competitiveness is built.

The survey is candid about emerging social and human capital challenges. Ultra-processed food consumption is rising rapidly, paralleling a near doubling of obesity rates. Digital addiction, especially among adolescents, is linked to anxiety and depressive symptoms. Skilling gaps persist in an AI-disrupted labour market, particularly in hands-on, high-skill occupations that don't fit the white-collar stereotype. These are not peripheral issues. A productive workforce requires physical health, mental resilience and foundational skills.

A balanced growth outlook of 6.8-7.2% for FY27 is projected. Economic Survey 2022-23 pegged the potential growth at 6.5%. Now, with sustained public investment in physical and digital infra, a stable banking system and GoI 'riding the Reform Express', India's medium-term potential growth can be upgraded to 7.0% a year. If reforms aimed at achieving sustained export competitiveness in manufacturing are undertaken, the growth potential could rise further to 8.0%.

India has done well since the pandemic. It's doing better today. But the world is more unpredictable and more dangerous than before. The next phase of India's growth won't be easy. It will be constructed through patient capital formation, relentless competitiveness, disciplined public finances and a state that learns to think entrepreneurially.

In a world of 'managed disorder', India's journey toward becoming strategically indispensable is not just an economic necessity but a sovereign imperative. Stability has been earned. Strength must now be built.

The writer is chief economic adviser, GoI

Give Due Carbon Credit

Kala Seetharam Sridhar & Nirmal R S

With the budget approaching, there is growing discussion about the weak financial position of cities. Urban centres are often blamed for traffic congestion, pollution, CO_2 emissions and climate change, yet, little attention is paid to how the costs of climate change can be internalised or how cities can generate additional revenue through mechanisms such as carbon credits.

A novel example of such a system comes from Indore, which has initiated the measurement of GHG emission reductions, defining one carbon credit as equivalent to 1 t reduction in CO_2 emissions. Carbon credits are treated as tradable goods, with prices currently around \$5 per credit. India is also developing its Carbon Credit Trading Scheme (CCTS), launched in 2024, to regulate emissions in energy-intensive sectors, with prices roughly ₹500-700 per credit (around \$5).

This presents an opportunity for local bodies, cities and government departments implementing green projects to generate revenue. If effectively leveraged, carbon credits can provide cities with a valuable income stream without requiring additional capex. In a country where forex is scarce, municipal governments face borrowing constraints and cannot run budgetary deficits. Carbon credits, therefore, offer cash-strapped cities a means to earn forex.

Indore has emerged as a pioneering urban local body (ULB) in South Asia in exploring the feasibility of carbon finance, having initiated work on carbon credits several years ago. As a designated Smart City, Indore successfully registered three projects in the first phase of the carbon credit system: wet-waste management through composting, bio-methanation and solar energy generation. Between October 2017 and June 2019, these projects generated approximately 1.70 lakh carbon credits, yielding revenues of about ₹69 lakh. In the second verification period (July 2019-December 2020), the same projects generated revenues of ₹8.34 cr, realised in September 2021.

Projects such as sewage treatment plants (STPs), decentralised composting, forestry, plastic recycling and LED lighting can qualify for relevant carbon credit mechanisms, subject to eligibility. Renewable energy projects with carbon credit potential include solar, hydro and wind. In the transport sector, bus rapid transit systems (such as those in Ahmedabad and Hubballi-Dharwad), EVs (despite charging challenges) and metro rail systems are also eligible. Afforestation initiatives, energy-efficiency measures such as improved cook stoves and LED lighting, and plastic recycling and related activities may likewise earn carbon credits.

At first glance, this appears straightforward, which raises the question of why more cities are not resorting to carbon credits. There are several challenges, as highlighted by Indore Smart City Development Limited (ISCDL):

▶ Project registration charges are high, at about \$10,000.

▶ The process flow is complicated and requires a team of dedicated, trained HR professionals.

▶ There are no open online trading platforms for carbon credits. Moreover, the carbon credit market is subject to fluctuations, which may reduce incentives for cities to rely consistently on this revenue source.

Nonetheless, some SPVs, such as ISCDL, provide consultancy assistance to ULBs that wish to capitalise on green projects by helping them monetise these initiatives, subject to market conditions. Revenue-sharing arrangements are typically implied to cover the costs of project registration, complex processes, auditor fees and related expenses.

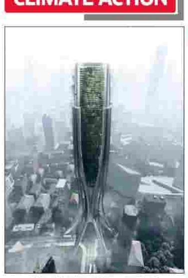
Other Indian cities can similarly benefit from carbon credits by engaging in green projects. Bengaluru, for instance, has a metro system — as do Chennai, Mumbai and Kolkata — and has also undertaken measures such as large-scale tree planting and incentives for sustainable real estate development, including green buildings. These initiatives present an opportunity to leverage carbon credits as an additional revenue-generating mechanism.

India's Carbon Credit Trading Scheme presents an opportunity for local bodies, cities and government departments implementing green projects to generate revenue

The budget should provide cities with incentives to initiate carbon credit trading, with support from SPVs such as ISCDL, to help them become more financially resilient.

Sridhar is professor, and Nirmal R S is research scholar, Institute for Social and Economic Change

BUDGET 2026 CLIMATE ACTION



Stand out and be counted

Clean Break Into Tech

Jagjeet Singh Sareen

Despite being one of the world's fastest-growing clean energy markets, India still imports 45-75% of components across key cleantech value chains. Domestic value addition is 20% in solar and batteries, and in relatively mature areas like grid equipment, it's around 55%. If this continues, India could be importing \$65-97 bn worth of cleantech components annually by 2030.

Earlier this month, Bharat Climate Forum (BCF) launched 'Blueprint for India's Cleantech Manufacturing Ambition', which identifies six priority value chains and sets a goal: to reach roughly 50% domestic value addition by 2030. More importantly, it outlines what the forthcoming budget must do to make this credible:

▶ **Reward domestic manufacturing** Extending domestic value addition mandates under the Approved List of Models and Manufacturers (ALMM) and PLI schemes across solar, wind, batteries, EV components, hydrogen and transmission equipment, with a phased path to 50% by 2029, would provide manufacturers with the certainty needed to invest at scale.

▶ **Secure upstream inputs** A proposed allocation of ₹35,000 cr to expand 3× domestic refining of critical minerals, such as rare earth oxides, by 2030, alongside building a strategic stockpile equivalent to 25% of annual demand, would directly address the most fragile links in India's clean energy supply chains.

▶ **Raw material competitiveness** This cannot be left to global volatility. Introducing a price guarantee mechanism for special-grade and cold-rolled electrical steel would protect domestic producers from export dumping and price swings. This is true for transformers, motors and grid equipment, where steel costs determine viability.

▶ **Targeted funding** A ₹8,000 cr viability gap funding window for components such as battery cells and EV motors would bridge the competitiveness gap until scale and learning curves reduce costs.

▶ **R&D push** Cleantech manufacturing without tech depth will remain assembly led. Allocating around ₹4,000 cr from the Research Development and Innovation (RDI) and Anusandhan National Research Foundation (ANRF) ecosystem for translational cleantech R&D, including industrial-scale testbeds, would help move innovation from labs to factory floors.

Private sector R&D needs sharper incentives. Offering a 150-200% tax deduction on verified cleantech R&D expenditure for firms availing PLI benefits (conditional on spending exceeding 1% of revenues) would reward companies that invest in capability and not just capacity.

▶ **Localise machines that make machines** A Cleantech Manufacturing Investment and Technology Accelerator, housed within Invest India, could facilitate access to advanced capital equipment, tech transfer and strategic partnerships with global manufacturers to set up future-ready capabilities domestically.

▶ **Skills = progress** Allocating roughly ₹13,000 cr from PM-SETU (Skilling and Employability Transformation through Upgraded ITIs), and training infrastructure near cleantech manufacturing clusters, would ensure a steady pipeline of technicians and supervisors, and not just engineers.

▶ **Finance costs** A ₹5,000 cr partial credit guarantee facility through National Credit Guarantee Trustee Company (NCGTC) could unlock lower-cost project finance for first-of-a-kind manufacturing plants that struggle to raise debt on reasonable terms.

▶ **Patient money** Combining capex subsidies and interest subvention through a ₹70,000 cr manufacturing support pool and recognising cleantech under the 'Harmonised Master List of Infrastructure' would unlock long-tenure, low-cost finance at a scale manufacturing has rarely seen.

Together, these measures amount to mobilising roughly \$22 bn in catalytic public funding over 5 yrs. This is less than 5% of annual government expenditure. Yet, compelling returns more than justify the efforts: \$70-90 bn in private investment, \$20-30 bn in additional annual GDP by 2030, savings of up to \$68 bn in imports this decade, and creation of close to 1.8 mn jobs across manufacturing and allied sectors.

The strategic choice before India is clear. It can remain a deployment market that imports technologies that power its growth. Or, it can capitalise on this narrow window to become a global cleantech manufacturing hub.

The first step has been taken — National Manufacturing Mission announced in the last budget, which has created an institutional framework. The BCF blueprint creates further momentum. The budget must now convert both into execution.

The writer is India head, Dalberg Advisors

THE SPEAKING TREE

Beyond Gandhism

PRAMOD PATHAK

It is important to revisit what Gandhiji stood for and the qualities that transformed him. Not that there is a dearth of knowledge about qualities that can make a man into a mahatma. Gandhiji focused on just two — truth and nonviolence, which in his view were as old as the Himalayas. However, what was required was a firm belief in those ideals and courage to pursue them. His prescription was no rocket science — practice what you preach and be the change you want to see in the world.

He acknowledged that there was no such thing as Gandhism. For Gandhiji, it was simple humanism, laced with character, courage and compassion that did the trick. He gave a simple formula for acquiring this crucial injunction. He stated, 'Whenever you are in doubt, try the following expedient: recall the face of the poorest and the most helpless man you have ever seen, and ask yourself if the step you contemplate is going to be of any use to him. Will he be able to gain anything by it? Will it restore to him control over his life and destiny?'

His rule for life was simple living and high thinking, and his tools were 'niyam and sanyam', that is, discipline and self-control. His religion was based on love, which he thought had the magical power to transform even the staunchest enemy. His belief in the ultimate goodness of man shaped his individuality. For him, spirituality was humanity in practice. The crux of Gandhian philosophy, rooted in Taittiriya Upanishad, is encapsulated in the injunction 'Satyam vada, Dharmam chara' — speak the truth and follow path of righteousness.

ALGO OF BLISSTECH

Last Days Of Winter

You know that we're entering the last bend of winter when you suddenly start appreciating the crisp chill in the air, or even the relative coolness. There's a peculiar joy in savouring these final days when the temperature drops to almost announce that it's happy to perform a short encore.

The air carries a sharpness that awakens the senses. It feels both invigorating and fleeting. Each breath is a reminder of the season's waning power, a crystalline freshness that will soon give way to the languid warmth of summer.

There is thrill in the contrast: bite of cold against skin, comfort of woollen layers, pleasure of wrapping fingers around a steaming cuppa. Streets glisten under pale sunlight, and trees stand poised, limbering up to burst into full green in a month or two. It is a moment suspended between two worlds — winter's charm and summer's stubbornness — where one can relish the clarity of the present.

The bliss you feel lies in the awareness of this transience. This 'last hurrah' sharpens thought, heightens sensation, and makes even ordinary scenes shimmer with significance.

Chat Room

Silver-Haired Best Asset Class

Apropos 'Let's Begin with the Middle' by Anil Padmanabhan (Jan 29), there's no gainsaying that the middle class has long emerged as a pivot in Indian politics and economy. However, it needs to be stressed that senior citizens and early retirees within the middle class shouldn't be considered as a spent force. They are important owing to (a) increased life expectancy, (b) their continued financial support to the family due to unemployment and late marriages of their children (now compounded by gold and silver price spikes), and (c) their risk-aversion to financial investments. Therefore, it is imperative for the budget architects to consider this segment more favourably than the working middle class, particularly in terms of tax treatment.

Manas R Das
Pune

CONTRAPUNTO

The only thing to do with good advice is to pass it on. It is never of any use to oneself

– OSCAR WILDE

Govt 2.0? Tough Ask

Survey asks for 'entrepreneurial state'. Good idea but it won't happen unless politics changes

All is well, in a way. Growth this fiscal is expected to touch 7.4%, against the initial projection of 6.3-6.8%. India remains the fastest growing major economy, inflation is low, fiscal deficit's under control. We even got a rating upgrade from S&P last Aug. Yet, the subtext of this year's Economic Survey is cautionary. That's because India, with all its pluses, is at a point where business-as-usual can't get it out of the low-middle income category. For one, the "decade or two" of sustained 8% growth that last year's Survey talked about, remains elusive. Two, trading is harder in the current geopolitical climate, and if the AI bubble bursts this year, things could look "worse" than the 2008 crisis.

What are the odds that 2026 will be no worse than 2025? Survey assigns it a probability of 40-45%. That means, its projection of 7% GDP growth in 2026-27 may turn out to be optimistic. Unless, India makes some fundamental changes, going beyond the text of policies.

One interesting idea that Survey proposes is of an 'entrepreneurial state'. This is govt with the ability to deliver – to "get the right things done". Japan, S Korea and Singapore have done it, but it requires a bureaucracy that's not afraid to experiment in times of uncertainty. That can only happen when govt learns to distinguish between error and corruption, and doesn't punish "good-faith decision-making". Talking of experiments, one has gotten out of hand. Survey says "unconditional cash transfers…are crowding out growth-enhancing spending". How can Centre and states invest more in schools, hospitals, power transformers and roads if freebies consume their revenues?

Rupee was the worst-performing major currency last year, and it would have looked worse without India's booming services exports. But Survey recommends India focus on manufacturing instead, as it's "important for maintaining long-term currency stability and strength". Besides, manufacturing has a transformative effect on the country, as govts are forced to fix weaknesses in things like finance, labour laws and logistics. But only when manufacturers have the will to compete globally – not when they seek bailouts and tariffs for survival. Towards the end, this high-minded Survey preaches to citizens too: respect work, eat right, don't be a social media junkie. In short, delay gratification. If we did, what would happen to consumption expenditure that makes up 61.5% of GDP now?

Court On Right Track

Railways made liable for not keeping time is a timely lesson for govt, civic authorities

Basti district consumer court in UP has asked Railways to pay ₹9.1L to a 17-year-old who missed an entrance exam because her train was delayed. The significance of this order cannot be overstated. The relief after seven years – one can argue about the amount of compensation – is more than welcome. That the litigant's father is a lawyer aided her fight – for how many have the information, wherewithal or perseverance to trudge through court cases? But *because* the petitioner did not give up, the win is beyond the sum of compensation. The consumer court's decision is far-reaching, whatever its final outcome – Railways may appeal – for a larger reason. The nature of the complaint – accountability of govt services – has wide resonance. Making authorities pay for tardy services, even more. Two points.

First, Supreme Court in 2021 expanded the scope of joint action in Consumer Protection Act 2019, allowing for complaints in representative capacity. Till then, joint action was allowed only so far that a group could complain together for relief for their complaints alone. The expansion, in representative capacity for a group of complainants, is the closest to class-action suits India has. Basti court's intent, to make Railways liable for delay on a non-arterial route, will set off ripples. As it should. Far too often, govts are oblivious to ordinary Indians' plight.

Second, and this follows from the first, making public authorities liable can be a deterrent against negligent conduct, even inefficiency. Litigious consumers of public services could jolt civic authorities to remember what their job is. Elections have evolved such that they're almost delinked from inefficient governance. Failure of banks to protect consumers' savings from fraud & theft, overcharging hospitals, fake medicines and pan-India civic negligence – death & illness from toxic water, electrocutions, drownings in open drains and flooded basements…the list is endless. To that end, the decision from Basti is a sliver of hope for the ordinary Indian.

Never too old

Yesterday's age-old questions have become today's age-young answers

Jug Suraiya

When I was a small boy the most frequent question I would be asked was, how old are you? Age was a measure of stature and status. I was eight, and couldn't wait to be double-promoted to 10. At that milestone, school regulations would allow me to graduate from the short pants of junior school to the long trousers of middle school.

When I became 10, I couldn't wait to attain 13 when I would officially become a teenager, that tempestuous age of acne, angst, and adolescent romance. Maybe I'd get to go on a date. Holy moly.

In my mid-thirties, dates of another kind preoccupied me. Assuming a biblical lifespan of three score and ten, I'd entered middle age. By my 40s, I was in no hurry to use up another 365 days of my earthly tenancy.

And then something wondrous happened. The flow of the river of time seemed to go into reverse gear, and instead of getting older people began to get younger.

Forty became the new 30 – or was it 25? – and 50 became the new 40, 60 morphed into 50, and so on. And on.

jugularvein

It were as if humans had somehow been infused with tachyons, hypothetical particles that travel faster than light and therefore go backwards in time, much to the disapproval of Einstein who didn't like such "spooky" business.

While the aptly named human race races through life, the plodding turtles, which would give snails a run for their money in slow-motion competitions, can tot up a calendric century and a half, attesting that sedate and steady often wins the marathon of longevity.

A female turtle, who stowed away on a British ship during Crimean War in 1850s and was named Timothy by the vessel's captain, whose seaman's sagacity did not include knowledge of turtle lean anatomy, finally succumbed to antiquity in London in 2004, aged 149.

Perhaps one of the oldest living entities on land is California's Methuselah, a Bristlecone Pine, reckoned to be 5,000 years old, considered a norm for the species.

Compared with such lifetimes, no matter what our ages might be, we'll always be the babes in the woods.

'India will have 100s of new factories'

India-EU FTA is indeed the mother of all deals, Tata Sons chairman writes. It has the potential to create one of the world's greatest economic corridors, while establishing a cohesive security partnership

N Chandrasekaran

Ursula von der Leyen, president of European Commission, declared this week that Indian and EU negotiators had struck "the mother of all deals". She may well be right. This is not just one of the largest ever bilateral free trade agreements. It is also one of the most comprehensive and collaborative.

While this agreement has been over a decade in the making, its timing endows it with particular significance. It is also an archetype for a modern FTA: one that understands that free trade cannot be meaningful without greater alignment of regulations and standards, and mutual respect for domestic priorities.

When the agreement is ratified, it will cover 2bn people with a combined economic size of $25tn (comprising 25% of global GDP and one-third of global trade) and create millions of jobs in manufacturing, services, and research and innovation. Lowered barriers will give India access to a developed market, a customer base that will become vital for growth. EU will gain unprecedented access to reach the world's fastest-growing major economy. It will boost Europe's tech ecosystem, and companies will create an industrial footprint in India. The leader of a European global manufacturing giant told me after the agreement was reached that they are "ready to build" in India, a sentiment that others share.

Trade, which is currently valued at $136bn, could rise to as much as $250bn by 2032. Growth of India's and Europe's small- and medium-sized businesses will be charged when the barriers to new markets are lifted.

However, India will not simply be selling finished goods to European consumers. Thanks to tariff reduction on Indian components, Indian manufacturers will soon find themselves integrated into EU manufacturing and *their* trade in goods with other, global partners. Indian plastics, chemicals, engineering and electrical components, for example, will bring Indian manufacturers into advanced machinery, alternative energy and defence supply chains. This agreement has the potential to create one of the world's great economic corridors between Western Europe and India. I personally believe that hundreds of new factories will be built in India.

For India, there are immediate benefits. Billions in gains from this agreement will flow to some of India's most labour-intensive sectors, in small factories in rural India: textiles, gems and jewellery, apparel, footwear, and marine products. Indian customers will find greater variety on offer in time. Altogether, these sectors could create at least 10-12mn jobs in the coming years. As much as $75bn in new Indian goods will be unlocked.

Beyond the immediate payoffs, there is a subtext to this historic framework, and the timeframe of its effects should be measured in the longer term. Subtext is the shared desire for progress, and closer coordination in science, research, and defence. Europe has knowledge that it has turned into experience by building things for years, but it needs lower costs and speed. India has knowledge, but not yet the years of experience. What it brings, though, are scale, technical skills, problem-solving abilities, and the experience of producing things quickly, at low cost.

This agreement puts the two together, with transformative implications, especially in scientific research and technology. India will consider joining the Horizon Europe platform, the world's largest research programme, which will place Indian researchers on an equal footing with European ones in collaborative projects. Meanwhile, they will cooperate on AI, semiconductors, material science, clean technologies, health and sanitation, and explore making European and Indian digital wallets interoperable. That is the story of this agreement, hidden in plain sight – collaboration of the kind we have rarely seen before.

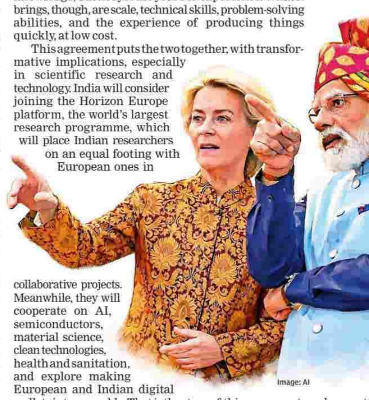


Image: AI

The innovation sparked by this agreement in both geographies will give us control over our shared destiny. India's has been a problem of means, not ability, and given access to knowledge and resources, we have demonstrated the ability to execute well, and at scale. After the pandemic hit, we made great strides in advanced manufacturing quickly. It is inevitable that India will develop deep capabilities and become a significant player in the creation of semiconductors, advanced batteries, and critical hardware the world needs. This partnership will give us experience, a new pool of customers and suppliers, and the capital necessary to develop an industrial base.

Unsurprisingly, the agreement also establishes a cohesive security and defence partnership. Together, we will work to secure our oceans, enhance operational cooperation, build maritime security, and strengthen the freedom of navigation.

This future includes how we move. For India, it allows our care workers, engineers, and students to work and study there. And it makes sense for EU, with its ageing demographics, to access India's greatest resource – its legions of young and skilled professionals.

Never have we had such a huge financial incentive to raise our consumer and manufacturing standards, and drive down our carbon emissions. Domestic costs will arise, and the journey to upskill and learn new processes may be difficult and slow. But the prize will be to become an integral partner in global value chains. Back home, the prize will be healthier, safer workers, and tackling the pollution levels that are threatening overall progress.

While the agreement has been rightfully praised for its ambition and the way it broadens and deepens markets, it should be recognised for demonstrating how a dependable relationship can be established. Its remedies for conflict resolution, points of contact for trade, and the gradual removal of tariffs and duties offer clarity that is a welcome development.

This FTA is the "mother of all deals" not only for its size. It represents an understanding that shared values, alongside political and economic stability, are now indispensable. It shows other nations what a mutually beneficial path forward could look like. EU and India find, in each other, a reliable, strategic partner – not just for trade, but for a shared and resilient prosperity.

'Economy's potential growth rate has moved higher'

GOI's chief economic adviser, the key figure behind Eco Survey, and two senior members of his team argue that reforms in recent years mean India can grow at around 7% in medium term, if the reformist spirit is sustained

V Anantha Nageswaran, Gurvinder Kaur & Rose Mary K Abraham

Each year, Economic Survey triggers intense discussion about India's growth in the coming 12 months. Yet the more consequential question lies beyond the next fiscal year: has India's underlying capacity to grow on a sustained basis increased? The Survey's latest assessment suggests that it has.

Survey 2022-23 had placed India's potential growth at about 6.5%, with the possibility of rising 7-8% if domestic reforms were pursued consistently. Three years on, after a steady cycle of reform and the resilience exhibited by India's macroeconomic fundamentals, this Survey now revises India's medium-term potential growth to around 7%.

This is not a dramatic upgrade, but a consequential one. It reflects the cumulative impact of reforms that have been sustained rather than episodic – reforms that are beginning to lift the economy's underlying productive capacity.

Image: AI

Over the past few years, reform momentum has broadened across multiple fronts relevant for long-term growth. Manufacturing-oriented initiatives such as PLIs, calibrated liberalisation of FDI, and logistics reforms have supported capacity creation. Efforts to improve regulatory predictability, including tax simplification and closer Centre-state coordination on regulatory reforms, have reduced policy uncertainty for investors.

For SMEs, expanded credit guarantees, wider use of digital platforms for receivables financing, and the rollout of Unified Lending Interface have sought to ease long-standing credit constraints. These measures have been reinforced by sustained public investment in both physical and digital public infra.

Rapid growth of highways, ports and railways, rise of inland waterways, and doubling of India's airport network over the past decade have eased logistics bottlenecks and improved connectivity. These changes lower costs across the economy and make it easier for firms to scale, compete and invest.

The significance of this broad-based reform push lies less in any single initiative than in the way these measures reinforce one another, altering incentives across investment, hiring and firm behaviour. Crucially, these reforms have coincided with healthier corporate and banking balance sheets. After a decade of stress and deleveraging, firms are better placed to invest and expand. Improvements in tax administration and rising formalisation have further strengthened the institutional environment.

At its core, this Survey's argument is a growth-accounting one: sustained expansion depends on capital accumulation, labour input and productivity – and on how efficiently these elements interact.

On capital, the post-pandemic period has been marked by a sustained public investment push rather than sporadic increases. GOI's capital expenditure has risen from ₹7.4L cr in 2022-23 to ₹10.5L cr in 2024-25. This has occurred alongside reforms in logistics, regulation and digital systems that improve capital productivity.

International experience suggests that sustained public infra investment can crowd in private investment when financial-sector balance sheets are healthy. Rising capacity utilisation and new project announcements indicate that this process is now underway. The implication is straightforward: capital stock growth is expected to return to its pre-pandemic pace in the medium term, this time supported by stronger institutional and balance sheet conditions.

In the labour market, deeper structural shifts are also visible, reflected in rising participation, greater formalisation and improving employability. According to PLFS, the female labour force participation rate increased from 23.3% in 2017-18 to 41.7% in 2023-24. Formal employment and social security coverage have expanded as well, with net EPFO additions more than doubling between 2018-19 and 2024-25.

Alongside this, labour law consolidation, reduced regulatory compliance and state-level reforms are lowering labour-market frictions, while investments in education, skilling and apprenticeships are strengthening workforce quality. Taken together, these trends point to labour input growth stabilising at a higher level than before the pandemic.

As capital and labour set the stage, productivity determines how effectively they are used. In India, total factor productivity growth slowed in the immediate post-pandemic years, a pattern seen across many emerging economies. But this is precisely where India's reform trajectory holds promise.

Digital public infra – Aadhaar, UPI and GST – has lowered transaction costs, improved compliance and shortened settlement cycles. Easier firm entry and exit have improved allocative efficiency by allowing resources to move towards more productive uses. These gains are reinforced by reforms in infra, logistics, insolvency resolution and regulation.

While early benefits have appeared in the form of improved financial inclusion, a broader tax base, stronger compliance and better service delivery, deeper efficiency gains typically materialise over time. This Survey therefore builds in a steady improvement in trend productivity growth over the coming years, reflecting the maturation of these institutional and technological changes.

Taken together, these calibrated improvements in capital formation, labour input and productivity imply an upward shift in India's medium-term potential growth, from about 6.5% to around 7%.

This higher growth frontier, however, is not automatic. International experience shows that such accelerations endure only when reforms are persistent and macroeconomic stability is preserved. India's growth capacity appears to have strengthened. Whether this higher frontier becomes a durable reality will depend on preserving stability, and extending the reform momentum that enabled the shift.

Calvin & Hobbes

Sacred*space*

When i despair, i remember that all through history the way of truth and love have always won. There have been tyrants and murderers, and for a time, they can seem invincible, but in the end, they always fall. Think of it – always.

MK Gandhi

Untouchability Is Repugnant To Spirit Of Hinduism

Anup Taneja

When Gandhi established Satyagraha Ashram at Kocharab in 1915, he vowed that untouchables would be accepted as equals in the ashram. This vow of equality soon threatened the ashram's survival. Within a few months, a Harijan family arrived at the ashram. Their names were Duda, Dani, and Lakshmi. Gandhi accepted them into the ashram community and made them a part of his own family. He even began treating their daughter, Lakshmi, as his own daughter. Other residents of the ashram were outraged; women refused to accept the untouchable women as family. The man in charge of community well baulked at allowing the family to draw water from it and cursed them and Gandhi.

It was a challenging situation for Gandhi; he, as a matter of principle, considered the evil of untouchability as a blot on Hinduism and believed that it was bringing a bad name to Hindu dharm. He thus gave strict instructions to every inmate to remain calm. Satyagraha thus proved successful; the man felt repentant and stopped bothering Gandhi.

Later, during a discussion Gandhi had with followers of Sanatan Dharm, he claimed that he was a true 'Sanatanist' as he considered his conduct to be in consonance with the spirit of the scriptures. He said that based on his in-depth study of scriptures, he had concluded that "Untouchability is repugnant to the spirit of Hinduism." Many Sanatanists, however, contended that Gandhi had no right to call himself a Sanatanist.

THE SPEAKING TREE

They expressed their views saying, "no one could be called Sanatanist who did not believe in untouchability, shraddha, murti-worship and other outward observances." Gandhi responded by saying that the only true test of Sanatan Dharm was the touchstone of truth – outward observance was nothing if a man lived a crooked life.

In a speech he delivered at a meeting with Harijans in Dec 1933, Gandhi said that it was his firm belief that caste Hindus would not have fulfilled their obligations until they had opened all their temples to Harijans. He further said that he would not consider untouchability eradicated unless and until the bar against Harijans' entry into temples was removed altogether.

Gandhi also said that apart from the entry of Harijans into temples, other efforts were also being made to ensure that Harijans did not remain segregated from society. To quote him: "It is not to keep you segregated that schools are being opened and wells are being dug for you. All this is being done because i cannot bear to see you get no water at all. How can i tolerate that Harijans get water from the same trough from which dogs and cattle drink water? In villages, caste Hindus are so arrogant that they do not permit Harijans to go near wells at all. Even when they give them water, they do so from a distance and with words of abuse. You and i ought not to tolerate such a thing."

The writer is a senior academic fellow with ICHR

The Statesman
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After the Deal

After nearly two decades of stalled negotiations, India and the European Union have finally crossed the threshold of a comprehensive trade agreement. The breakthrough did not come suddenly. It arrived because the world around the negotiating table changed faster than the negotiations themselves. The agreement marks a significant moment in India's external economic strategy. Its scale is considerable, linking two of the world's largest markets and reshaping trade flows across manufacturing, services, and investment. Yet the deeper meaning of the deal lies less in tariff lines and more in timing.

Global trade is no longer governed purely by efficiency or comparative advantage. It is increasingly shaped by politics, pressure, and unpredictability. Tariffs have re-emerged as tools of leverage. Supply chains are being redesigned not only for cost, but for trust. In such an environment, economic diversification becomes a strategic necessity rather than a policy preference.

For India, the agreement offers exactly that. Access to European markets provides a counterweight to rising trade uncertainty elsewhere. It reduces overdependence on any single destination and restores competitiveness for several export sectors that have faced mounting external headwinds in recent years.

At the same time, the deal reflects a notable shift in India's negotiating posture. New Delhi has traditionally approached free trade agreements with caution, shaped by domestic political sensitivities and concerns over industrial disruption. That caution has not disappeared, but it has evolved.

The willingness to commit to phased liberalisation, while protecting sensitive sectors, signals a more confident economy prepared to engage without surrendering policy space. For Europe, the logic is equally strategic. As the continent reassesses long-standing supply chains and seeks reliable economic partners, India's scale, demographic momentum, and institutional continuity offer a compelling alternative. The agreement thus rests not on idealism, but on mutual risk management.

Importantly, the partnership is not confined to trade alone. Parallel discussions on security cooperation, defence manufacturing, technology, and climate action indicate a recognition that economics and geopolitics now move together. Economic partnerships increasingly serve as anchors for broader strategic alignment.

Yet caution remains warranted. The agreement must still pass legislative scrutiny, and its true impact will depend on implementation. Domestic industries will watch closely how tariff reductions unfold, how standards are applied, and whether promised market access translates into real opportunity. Managing adjustment costs will be as important as celebrating headline numbers.

What this moment ultimately reflects is a recalibration of India's global engagement. Rather than choosing sides in a fragmented international order, New Delhi is expanding its options. The agreement signals neither defiance nor dependence, but deliberate diversification.

In an era marked by uncertainty, India's most effective response may lie not in reacting to external pressures, but in building parallel pathways. The trade pact with Europe represents one such pathway ~ steady, negotiated and long in gestation. Its success will be measured not by symbolism, but by whether it strengthens India's economic resilience in a world where stability is increasingly scarce.

Familiar Warning

Once again, a virus has arrived not with drama, but with quiet unease ~ a few infections, a hospital ward under watch, anxious contact tracing, and foreign airports tightening their gates. The Nipah cases reported in West Bengal may be limited in number, but their implications are far larger than the statistics suggest.

Nipah is not a new threat to India. It has surfaced before in this state and repeatedly in Kerala, leaving behind a reputation for severity that far exceeds its scale. With a mortality rate that can reach alarming levels and no approved treatment or vaccine, the virus occupies a unique space in public health ~ rare, but unforgiving. That is why even a small outbreak commands international attention.

The reaction across parts of Asia has been swift. Health screenings at airports in Thailand and Kathmandu, and at the Indo-Nepal border, are not expressions of alarmism; they are acknowledgements of vulnerability. In a region knitted together by constant movement of people, trade, and labour, disease no longer respects geography. What begins in one district can, under the wrong conditions, test systems far beyond it.

For West Bengal, the moment carries great weight. The infections emerging from a healthcare setting underline an uncomfortable truth: hospitals are often the first and most dangerous front line during outbreaks. When protection protocols falter, those tasked with saving lives become the most exposed. This is not a failure of individual care, but of preparedness ~ a gap that resurfaces each time a rare pathogen appears.

The larger challenge lies beyond emergency containment. Nipah is a zoonotic disease, rooted in the uneasy overlap between human activity and natural ecosystems. Expanding urban edges, disrupted wildlife habitats, and informal food chains create repeated opportunities for spillover. These conditions are not episodic; they are structural. Yet public health responses often remain temporary, activated only when infections appear.

There is also a lesson in how fear travels faster than facts. While no cases have been reported outside India, the memory of past pandemics lingers deeply across societies. Public anxiety, if unmanaged, can escalate into stigma, misinformation, and economic disruption. Transparent communication - timely, factual, and calm ~ becomes as essential as medical intervention itself.

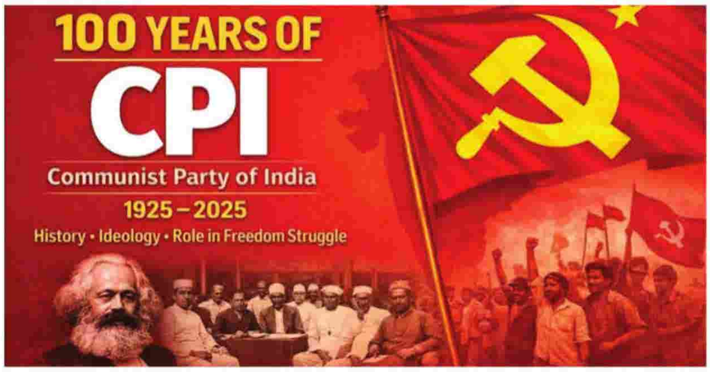
For India, and especially for states with recurring exposure to emerging diseases, this episode should prompt reflection rather than reassurance. Surveillance systems cannot be strengthened only after detection.

Training, laboratory capacity, wildlife monitoring, and hospital infection control must function continuously, not reactively. Preparedness is invisible when it works ~ but devastating when absent. The Nipah scare is therefore not just a medical event.

It is a reminder of how fragile normalcy remains in an interconnected world. The question is not whether such outbreaks will recur, but whether each one will find the system better prepared than the last. If the current cluster is contained swiftly, it should not be treated as closure, but as warning. Because the true danger of Nipah is not its rarity, but the complacency it exposes when it returns.

Roadmap for the Left

The Left must articulate a new idiom of urban politics centered on decentralisation, sub-national federalism, and urban citizenship. Civic governance in India is too often reduced to infrastructure provision, while deeper questions of rights, access and accountability are neglected. Urban challenges cannot be resolved through one-size-fits-all national schemes; decisions about who gets what, and on what terms, are inherently political and must be negotiated locally



As the Communist Party of India marks its centenary ~ having been founded in December 1925 ~ the parliamentary Left in India confronts an existential crisis. Barely two decades ago, it was a formidable force in national politics: propping up the first UPA government (2004–09) and governing three states ~ West Bengal, Kerala and Tripura. Today, it has been pushed to the margins. The Left Front's strength in the Lok Sabha has declined sharply, from 61 seats in 2009 to just eight in 2024. In West Bengal, where the Left won seven consecutive Assembly elections between 1977 and 2006, it failed to secure even a single seat in 2021. Even in Kerala ~ its last bastion ~ where the Left Democratic Front won an unprecedented second consecutive term in 2021, the December 2025 local body elections revealed significant setbacks and growing anti-incumbency.

This decline should concern anyone invested in democratic pluralism. The Left remains the only mainstream political force offering a sustained critique of neoliberal economic policies and their social consequences. Yet, the prospects for revival at the national or state level appear bleak. Contemporary electoral politics is increasingly shaped by populist leaders backed by immense money power, mobilising voters through emotive appeals centered on shrill nationalism and communal and caste identities. More recently, as seen in Maharashtra and Bihar, direct cash transfers and welfare handouts have reshaped voter behaviour, pushing questions of governance into the background.

In this political landscape, the Left's clearest path to renewed relevance lies in local governments. To rebuild its base and restore political credibility, it must renew its social contract at the grassroots - particularly through municipal corporations in India's rapidly growing cities. Historically, the Left built its strength by mobilising peasants through land reforms and industrial workers through trade unions. However, India's socio-political landscape has changed dramatically over the past three decades. In the 2020s, amid an expanding middle class, a youthful workforce and an already unfolding urban future, the Left must forge new social coalitions ~ and municipal politics offers the most viable route to do so.

Urbanisation is a defining feature of 21st-century India. Over a third of the population ~ more than 35 per cent ~ now lives in towns and cities, a figure projected to exceed 50 per cent within two decades. The southern states are already at an advanced stage of urbanisation. Cities are central to economic growth and livelihood aspirations, but they are also sites of deepening governance failures. Everyday life has become a struggle in India's principal economic nodes: Delhi cannot breathe, Bengaluru cannot move and Mumbai cannot house its workforce affordably.

Cities are also becoming increasingly exclusionary. Urbanisation brings migrants, labour, ideas and innovation, yet migrants routinely bear the brunt of everyday discrimination ~ whether a lady management professional being denied rental housing or a delivery worker being barred from using lifts in multistoried buildings. Cities cannot function as economic engines if their social fabric is frayed. Re-centering these everyday urban injustices within political discourse is precisely where the Left can reconnect with citizens.

Municipal governments are the tier of the state closest to everyday life. They manage water, sanitation, housing, public transport, air quality, waste management and neighbourhood safety. Unlike state or national elections, local body contests ~ especially in large cities with educated middle classes ~ are less susceptible to emotive ideological mobilisation or cash-transfer politics. Urban voters are expected to be more outcome-oriented, judging governments by service delivery and governance performance. This creates a crucial opening for the Left to reposition itself as a party of governance.

The Left's historical record in decentralised governance remains one of its strongest assets. Kerala's People's Plan Movement of the 1990s expanded participatory decision-making at the local level, while the Kudumbashree programme empowered women through community-based enterprises. The state's humane treatment of migrant workers during the Covid-19 lockdown earned global recognition, and its performance on health, education and human development indicators remains among the best in India.

TATHAGATA CHATTERJI

The writer is an urban policy analyst and Vice Chair (International Relations), Centre for Multilevel Federalism, New Delhi. The views are his own and do not reflect those of the organization

In West Bengal, land reforms and the empowerment of Panchayati Raj institutions transformed agrarian relations and deepened democratic participation. Although urban governance received less sustained attention, the introduction of the Mayor-in-Council system in Kolkata created a stronger executive structure than in most Indian cities. Kolkata's satellite township New Town (Rajarhat) ~ represents an often-overlooked model of planned urban expansion, contrasting with the real estate-driven, haphazard growth seen in Gurgaon and elsewhere.

Yet, if the Left is to become a credible urban force ~ especially among aspirational youth ~ it must confront two major challenges.

First, it must undertake serious introspection about its political-economic outlook. Contemporary city systems are embedded in complex technological and financial eco-systems; it is no longer realistic to assume that the state alone can deliver all services. The Left must articulate a pragmatic social-democratic framework that engages with private capital while safeguarding public interest, labour rights and environmental sustainability.

Equally important is overcoming entrenched perception biases. In cities like Kolkata, memories of industrial decline, capital flight, militant trade unionism and opposition to bank computerisation continue to reinforce the image of the Left as anti-development and hostile to private enterprise. To counter this, the Left must actively showcase pragmatic initiatives such as Kochi's Water Metro and Kolkata's New Town IT cluster as evidence of its capacity for development-oriented governance.

Second, the Left must articulate a new idiom of urban politics centered on decentralisation, sub-national federalism, and urban citizenship. Civic governance in India is too often reduced to infrastructure provision, while deeper questions of rights, access and accountability are neglected. Urban challenges cannot be resolved through one-size-fits-all national schemes; decisions about who gets what, and on what terms, are inherently political and must be negotiated locally. This also requires sensitising people ~ particularly the middle classes, who frequently disengage from civic elections ~ to the importance of municipal governments. Although the 74th Constitutional Amendment of 1992 recognised municipalities as the third tier of India's federal system, its implementation has been uneven. A 2024 audit by the Comptroller and Auditor General of India shows that cities remain constrained by limited functional devolution, restricted finances, and chronic staffing shortages, exacerbated by excessive state control.

Strengthening municipal governance is therefore not merely an administrative reform; it is a political project. If the Left is serious about reclaiming relevance in its second century, the path forward runs through city halls, ward offices and municipal councils ~ not just Parliament and state Assemblies. Only by winning trust locally can the Left hope to translate credibility into a broader national resurgence.

Việt Nam News

Former Australian ambassador highlights opportunities, challenges facing Viet Nam's development goals

The rapidly changing international environment, marked by profound disruptions across most sectors, is presenting both opportunities and challenges for the realisation of the development goals set out by the Communist Party of Viet Nam (CPV) in the period ahead, former Australian Ambassador to Viet Nam Andrew Goledzinowski (2022–2024) has told Vietnam News Agency correspondents in Australia.

According to him, the first challenge is geopolitical in nature, as conflicts are ongoing in multiple regions like Europe, the Middle East, and the Americas, at a time when the post-World War II system of international relations is being disrupted. While it is not possible to accurately predict future developments, international geostrategic competition with the risk of conflict remains a reality that Viet Nam will continue to face. However, Goledzinowski noted that this is also a type of challenge that Viet Nam has successfully managed in the past. The second challenge, he said, relates to the risk of disruptions to global trade, at a time when Viet Nam is one of the world's most open economies and remains heavily dependent on exports. The imposition of new tariffs by the United States is seen as a significant source of pressure; however, bilateral Viet Nam-US trade continued to record impressive growth in 2025.

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According to the former Australian ambassador, this demonstrates Viet Nam's leadership and governance capacity in safeguarding economic interests while maintaining balanced relations with major partners. He added that to mitigate risks arising from the international trade environment, Viet Nam needs to continue seeking new markets, and diversifying its economic options to make a more complex economy and go up the value curve. The third big challenge is technology, particularly AI, Goledzinowski added. He noticed that Viet Nam is very focused on becoming a technology superpower in the future. However, this will require long-term investment in education, human resources and innovation infrastructure. To attract high-quality capital flows, Viet Nam needs to continue building a transparent, fair and reliable investment environment, in which the legal system plays a central role. The former Australian ambassador said he was impressed by Viet Nam's decision to introduce the possibility of foreign judges to sit on special tribunals to the international financial centres, describing it as an important step towards strengthening the confidence of international investors. "Confidence and trust are what will make Viet Nam a successful economy as we approach the middle of the 21st century," he noted. Assessing the outlook for Viet Nam-Australia relations, Goledzinowski said that as both countries' roles and standing in the Asia-Pacific region continue to grow, bilateral cooperation is expected to be further strengthened across political, security and economic spheres. As Viet Nam's economy becomes increasingly complex and more deeply integrated into higher value-added segments of global value chains, the two sides will share a growing convergence of interests.

He added that areas such as education, technology, financial services, agri-technology, and the mining and processing of critical minerals are sectors in which Australia has particular strengths and which align well with Viet Nam's development needs.

On policy recommendations for Viet Nam after the 14th National Party Congress, the former diplomat said: "I think Viet Nam knows exactly what it needs to do." He listed a number of development trends and encouraged Viet Nam to continue on its path.

Letters To The Editor | editor@thestatesman.com

Dangerous

Sir, Badri-Kedar temple committee (BKTC) chairman and Uttarakhand BJP spokesperson Hemant Dwivedi's proposal to bar non-Hindus from two of Hinduism's most venerated temples, Kedarnath and Badrinath, is dangerous. For context, priests' communities have upped the ante on their longstanding demand to wrest control of Hindu places of worship from state jurisdiction. Notably, in 2021 the Uttarakhand government junked its Char Dham Devasthanam Board Act, passed in 2019 – that sought to bring 51 temples under a single management board – following stiff opposition from Hindu clergy, individual temple managements and VHP.

In the first place, state control on Hindu shrines was exerted to counter casteism in temples in independent India – exactly to counter this kind of bar to access, as suggested by orthodoxies such as BKTC's. Access for all in Hindu temples is a battle hard-won.

Given this, now for a state-controlled body answerable to the Uttarakhand government to make a considered announcement to ban non-Hindus multiplies the seriousness of what's at stake. It is an unconstitutional proposal. In the name of 'tradition', as was argued for the proposal to bar non-Hindus from Haridwar's ghats days ago, the state cannot allow a return to hoary segregationist practices, and remain wilfully blind to law and constitutional morality. The Supreme Court, were it to hear the constitutionality of this proposal, would surely strike it down. But it shouldn't come to that. The Uttarakhand government and state BJP should nix the temple committee's proposal – and send a message.

Yours, etc., Khokan Das,
Kolkata, 27 January.

Steady progress

Sir, This refers to the editorial "Long Game" (January 22). The piece rightly cautions against treating rare-earth magnet self-reliance as a quick policy win. Decades of Chinese dominance didn't happen by accident; they rest on patient ecosystem-building, scale, and mastery of every difficult step from mining to precision finishing.

India's reserves are welcome, but without heavy rare-earth elements like dysprosium and terbium in viable quantities, and without proven end-to-end competence, we risk ending up with expensive showpiece plants that still depend on imports for the critical inputs. Cost competitiveness will ultimately decide whether users ~ OEMs in EVs, renewables, defence ~ stick with domestic supply or quietly revert to cheaper Chinese magnets.

The real path forward demands a generational mindset: long-term offtake commitments from public and private buyers, sustained R&D funding shielded from election cycles, joint ventures with experienced global players, and incentives weighted towards users and downstream value-add rather than factory subsidies alone. Only steady, unspectacular progress on know-how, skills, and supply-chain depth will deliver genuine strategic autonomy over the next fifteen to twenty years.

Yours, etc., A. Myilsami,
Coimbatore, 22 January.

Remember Gandhi for the relevance of his thoughts

RAJDEEP PATHAK

Nearly eight decades have passed since the death of Mohandas Karamchand Gandhi, yet the resonance of his life remains undimmed. As we observe Martyrdom Day on January 30, we remember the Father of the Nation not as a static figure of the past, but as a living conscience. He taught us that true liberation is never won through political maneuvering alone. It is a moral victory, forged in the crucible of character and truth.

This day of January 30 must also go beyond mere ritual. It requires a renewed commitment to his core philosophy, which is that any movement for liberty is hollow if it is not anchored in a moral foundation. For Gandhi, the political was always a reflection of the spiritual. And we are again and again challenged to re-engage with his most profound insight.

Gandhi often remarked that whatever impact his life's work had on Indians was rooted in the conviction that patriotism and ethics are inseparable. He believed that a nation's freedom cannot be achieved through brute force alone. It must be won through a radical internal transformation which, in a broader sense, is an awakening of conscience as much as a mobilization of masses. This, he felt, was the deeper contribution of his leadership. "I claim of non-violence that it is infinitely greater than and superior to brute force," he said, adding that, "the soul force which is non-violence is infinitely subtler and stronger than the material force of physical violence."

Before Gandhi rose to national prominence, the idea of patriotism in India was (often) constrained to elites – lawyers, journalists, and urban reformers who articulated grievances in courts and newspapers. Grassroots support existed, but it was sporadic and reactive. Gandhi's genius was to make patriotism inclusive, active, and moral – a lived reality for peasants, workers, women, and students alike.

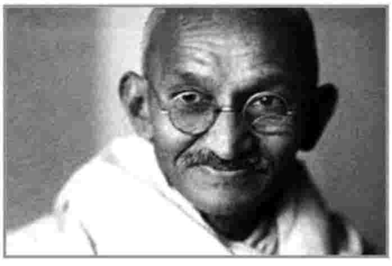
In his famous appeal during the Champaran Satyagraha (1917), Gandhi announced, "I am prepared to die, but there is no cause for which I am prepared to kill." In these words we find the core paradox of his method: courage without violence, sacrifice without retaliation, resistance without hatred. This was not a tactical compromise. It was a strategic affirmation of the moral dignity of the individual. As the historian and editor of the 'Modern Review', Ramananda Chatterjee observed, Gandhi "transformed nationalism from a political sentiment into a moral force".

He did not shy away from the word patriotism – rather, he expanded its meaning. For Gandhi, true patriotism demanded a willingness to stand not only against oppression, but against the inner tyranny of ego, greed, and hatred. "A nation's greatness is measured," he asserted, "by how it treats its weakest members." Here was a nationalism that did not sleepwalk into rage, but reflected deeply on the ethical quality of its ends.

Central to Gandhi's philosophy was ahimsa (non-violence) – not as a passive avoidance of harm, but as an active, dynamic force shaped by the ancient wisdom of Vedanta. From the Upanishads he drew the fundamental insight that Atman (the essential Self) is one in all beings. If the divine spark is present in every person, then to harm another is to harm the Self. "Non-violence," Gandhi taught, "is the greatest force at the disposal of mankind." It was a force that did not capitulate to fear, but triumphed over it.

The German scholar Thomas Weber aptly captured this dimension when he wrote that Gandhi's non-violence was "not the expression of weakness, but the embodiment of ethical power." In the mass movements of Non-Cooperation (1920–22), Civil Disobedience (1930–34), and the Quit India Movement (1942), millions were motivated not by threats of violence, but by a shared conviction in the moral inevitability of justice. When Gandhi spoke of his work multiplying patriotism "tenfold," he was drawing attention to a qualitative shift in the national psyche. Patriotism under colonial rule could easily have degenerated into resentment, or even aggressive nationalism. Instead, Gandhi's leadership cultivated a patriotism grounded in self-respect, mutual respect, and universal compassion.

Consider the Salt March of 1930. Seventy-eight days and nearly 240 miles of walking from Sabarmati to Dandi, crossing one after another district and village. What began as a protest against a tax on salt became an embodied declaration of collective self-worth. Thousands, inspired by Gandhi's example, made salt from seawater in defiance of colonial law. They did so not with swords in their hands, but with a sense of moral clarity that resonated across villages, towns, and hamlets. It was a pure voluntary movement, where Gandhi invoked the spirit of oneness in calling upon 'world sympathy in the battle of right against might'.



The historian Ramachandra Guha remarks that Gandhi's movements "brought millions of Indians out of private sorrow into public action." They became stakeholders in the freedom struggle not merely as subjects of a political demand, but as co-creators of a moral destiny. Patriotism was no longer an abstract slogan. It was a shared ethical resolve to assert human dignity, truth, and justice.

One of the most enduring misinterpretations of Gandhi's philosophy is the idea that non-violence is synonymous with passivity or weakness. In his own words, Gandhi dispelled this notion that "Non-violence and truth are inseparable and presuppose courage – courage that goes to the root of one's being."

The American civil rights leader Martin Luther King Jr., deeply influenced by Gandhi, aptly summarized this paradox of strength through non-violence: "Non-violence is not sterile passivity, but a powerful moral force which makes for social transformation." King's own struggle in the United States would later prove the universality of Gandhi's vision: that ethical force has the capacity to awaken hearts and transform societies.

As we commemorate Gandhi's martyrdom, the question before us is not merely historical gratitude, but contemporary relevance. What does Gandhi's fusion of non-violence with Vedantic strength mean in a world still riven by conflict, polarization, and injustice? One answer is found in Gandhi's own definition of truth that "Truth is God, but God is not a thing apart from everyday life; He is realized in relationships with others." This is not reinterpretation; this is call to action.

In a globalized age marked by both connectivity and division, Gandhi's insistence on ethical engagement remains a moral compass. Patriotism without empathy, freedom without justice, and progress without compassion are pitfalls Gandhi warned against.

Hope the world listens.

(The writer is Programme Executive, Gandhi Smriti and Darshan Samiti.)

UGC's equity regulations need reform

PRAVIN KAUSHAL

The University Grants Commission's Promotion of Equity in Higher Education Institutions Regulations, 2026 marks a decisive shift in how caste-based discrimination on campuses is addressed. Unlike the advisory framework of 2012, the new regulations are enforceable, punitive, and binding across public and private institutions.

The intent is unambiguous and necessary. Persistent evidence of social exclusion, biased evaluation, denial of mentorship, and institutional apathy has rightly demanded stronger safeguards. Equity, dignity, and inclusion are constitutional imperatives.

Yet, the strength of any regulatory framework lies not only in intent, but in design. On this count, the 2026 regulations raise serious concerns that warrant urgent revision - not to weaken equity, but to preserve its legitimacy.

Equity cannot be selective. The most fundamental concern lies in how the regulations define a "victim" of caste-based discrimination. Protection is explicitly limited to Scheduled Castes, Scheduled Tribes, and Other Backward Classes.

This approach assumes that discrimination operates only in one direction and that caste identity alone determines vulnerability. While historical disadvantage is real and must be acknowledged, constitutional equality cannot be category-exclusive.

Article 14 guarantees equality before law to all persons. Equity mechanisms must protect any individual subjected to discrimination, humiliation, or institutional bias - regardless of category - while continuing to provide enhanced safeguards where vulnerability is demonstrably higher.

By excluding the unreserved category altogether, the regulations risk substituting corrective justice with categorical presumption.

The regulations mandate the establishment of Equal Opportunity Centres and grievance committees with compulsory representation from SC, ST, OBC communities, women, and persons with disabilities. Diversity in institutional processes is essential.

However, the complete absence of any mention of representation from the general category raises legitimate concerns about procedural balance.

Grievance redressal systems must command trust across the institution. When committee composition appears asymmetrical, even well-intentioned decisions risk being viewed as biased - undermining both compliance and credibility.

Justice is not only about outcomes; it is about confidence in process.

Perhaps the most consequential omission in the regulations is the absence of any provision dealing with false, frivolous, or malicious complaints.

The penalties imposed on institutions under the new framework are severe - ranging from withdrawal of funding and suspension of new courses to derecognition. In such a high-stakes environment, the lack of deterrence against misuse creates administrative fear and moral hazard.

This is not an argument against protecting complainants. It is an argument for balance. Supreme Court jurisprudence has consistently held that safeguards against misuse do not dilute genuine protection; they strengthen it by preserving credibility.

A framework that presumes guilt, offers no remedy for the falsely accused, and provides no penalty for proven misuse violates principles of natural justice.

Accountability must be symmetric. The regulations rightly fix responsibility on Vice-Chancellors and institutional heads for implementation. Leadership accountability is long overdue.

But accountability must extend in all directions - administrative, procedural, and participatory. Without clear timelines, evidentiary

standards, appeal safeguards, and consequences for abuse, institutions risk becoming compliance theatres rather than spaces of justice.

The solution is not to abandon the equity framework, but to refine it.

Three targeted reforms can restore balance:

1. Expand the definition of victimhood to include all individuals facing discrimination, while retaining proportional safeguards for historically disadvantaged groups.
2. Ensure balanced committee composition, including representation that reassures all stakeholders of procedural fairness.
3. Introduce penalties for demonstrably false complaints, after due inquiry, to protect the integrity of the system.

Equity cannot survive on moral force alone. It must rest on fairness, symmetry, and trust. If the UGC wishes these regulations to endure - and to truly reduce discrimination - it must revise them not under pressure, but under principle.

A just system protects the vulnerable without creating new vulnerabilities.

(The writer is director-Mrikal (AI/Data Center) and a young alumni member, Government Liaison Task Force, IIT Kharagpur.)

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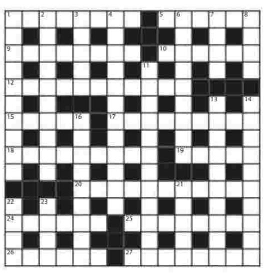

Yesterday's Solution

ACROSS

1 Dine before travel showing moral conscience (8)
5 Secure bananas in boat (6)
9 American taken by fresh flower's opening (8)
10 Bar occupied by old William Archer (6)
12 Stop after advance by titled lady — there you are (2,3,6)
15 Faithful in Belgian city (5)
17 American monk with a halo that's slipped (9)
18 Involving muck but little brass? (4,5)
19 Romeo appears in silly sketch (5)
20 Precious stone is left by English in Erin (7,4)
24 Jumbo pilot radio operator turned away (6)
25 Game in which Cucurella's header has Gunners in hell? (8)
26 Choice for each in U-boat? (6)
27 Spoilt little brat put on display (8)

DOWN

1 Go with line in clues for Baywatch Boys? (6,4)
2 Frenchman hosts meeting in home from home (4-1-5)
3 Reckoned explicit kiss should be removed (5)
4 Duck fine among endangered bats in paradise (6,2,4)
6 Keeping quiet, initiated in slaughter (9)
7 High point getting married in a church (4)
8 Nothing from Bride of Christ in discussion (4)
11 Gay character bringing parrot seed to China? (5,7)
13 Graduates down in foreign capital upset official (10)
14 Chilled cakes, no topping, and roly-poly pudding? (10)
16 Funds erstwhile auditor needed for hearing (9)
21 Spider-Man's skin layer (5)
22 Bookmaker heading out from Greek island (4)
23 Wife with finger on pulse becomes party disciplinarian (4)

NOTE: Figures in parentheses denote the number of letters in the words required. (By arrangement with **The Independent, London**)

100 Years Ago

Front page of The Statesman dated 30 January 1926

OCCASIONAL NOTE

ITALY has reason to be pleased with the debt settlement. How far it was inspired by memory of her breaking away from the Triple Alliance to the Entente it were idle to speculate. What the settlement means in hard cash the Manchester Guardian has been rude enough to calculate. Against a debt totalling £610 millions Italy will pay annuities representing a capital value of £86 millions. The balance will be shouldered by that well-trained bearer of burdens, the British tax-payer. It is no matter of surprise that the joy seems more sincere in Italy than in Britain. Still the best is being made of the situation, and it is a source of satisfaction that one debtor has begun to face his obligations. Mr. Churchill if correctly reported is of the cautious opinion that it will "probably rather cement the goodwill that has hitherto existed between the two countries." France, however, does not like it. The French Press is bitter that Italy has been given better terms than were asked of Franco. This complaint from a country that has not yet begun to agree to any settlement will be greeted with a tired irony. Helping to save the world for democracy has been a very expensive business for Great Britain.

News Items

ASIATIC BILL

REPLY TO BREACH OF FAITH CHARGE

CAPETOWN, JAN. 27.

MR. Patrick Duncan, interviewed by the Cape Times, declared that the present Asiatic Bill was exactly the same as the one he had brought forward, except that it dealt with the question of owning land by Indians in Natal, which he did not think was affected by the term "vested rights" under the Smuts-Gandhi Agreement.

This seriously affected the rights of Indians in Natal in a manner not con-templated at the time of the Agreement. It seemed to him that the matter should be attacked by those opposed to it on its merits and demerits, and not on the ground that it was a breach of faith. He did not think any agreement was ever made with Indians that their rights would never be subject to any further restriction.

Personally he thought what they called the Asiatic menace was not nearly so serious in South Africa as many people made it out to be. As regards vested rights Mr. Duncan took up exactly the same attitude as when introducing the Class Areas Bill, 1924, namely that vested rights were those under the Gold Law. He considered that the Asiatic menace would grow less as time went on.

STORAGE OF FRUIT

LIVERPOOL PROFESSOR'S NEW METHODS

("TIMES" SPECIAL SERVICE.)
LONDON, JAN. 28.

PROFESSOR J. M. Thompson, the distinguished botanist of Liverpool Uni versity, predicts that tropical fruit will soon reach London tables in perfect natural ripeness due to his methods of transport and storage. He claims to be able to commercially revolutionize long-distance shipments of fruit.

He cannot yet disclose the methods, but experiments made in Liverpool University in a model hold approximating the conditions on boardship resulted in apples, citrons and other fruit, being stored excellently for many months. By his methods fruit can easily be stored for four and six months as the system enables "healthy dormancy" without the freezing or chemical treatment, but consisting of proper aeration, temperature and humidity.

Professor Thompson says that he is prepared to co-operate with Governments and private firms to test the transport and storage of various fruit, including mangoes and mangosteens.

The installation of the apparatus is about 30 per cent cheaper, and occupies half the space of the cold-storage plant, and can easily be removed.

SYL issue remains unresolved

The Satluj-Yamuna Link (SYL) canal issue has been a point of contention between Punjab and Haryana since the time of Chief Minister Pratap Singh Kairon. The issue intensified during Captain Amarinder Singh's tenure. The Amarinder government had the Punjab Assembly pass a resolution rejecting the proposal to provide water to Haryana through the SYL canal. The matter is currently before the Supreme Court. The Supreme Court has directed Punjab and Haryana to resolve the dispute over the link canal and water supply from Punjab through mutual dialogue, failing which the court will have to make a decision. Six meetings have already been held between Punjab and Haryana on this issue. The sixth meeting took place in Chandigarh between Punjab Chief Minister Bhagwant Singh Mann and Haryana Chief Minister Nayab Singh Saini. Besides the two Chief Ministers, the Irrigation Ministers, Chief Secretaries, and senior officials from both states were also present at the meeting. Although the atmosphere was described as very cordial, as far as the outcome of the meeting is concerned, both Chief Ministers remained firm on their respective positions. Punjab Chief Minister Bhagwant Mann said that Punjab does not have a single drop of water to spare for Haryana. He stated that the availability of water in the rivers has decreased in the past year. Water sharing, providing water to Haryana, or releasing water into the canal can only be done according to this availability. If Punjab's own needs are not being met, how can it give water to another state? Punjab's Principal Secretary, Krishan Kumar, also presented figures on available water and said that there is not enough water even for Punjab's irrigation needs. Despite this, Chief Minister Bhagwant Mann said, "We are the inheritors of Bhai Kanhaiya's legacy; we even offer water to our enemies, and Haryana is our brother."

Haryana Chief Minister Nayab Singh Saini said that the construction of the canal on the Haryana side has been completed. Punjab should provide Haryana with its rightful share of water, otherwise, the situation could spiral out of control. However, since the atmosphere was cordial, it was decided in the 30-35 minute meeting that officials from both states would now deliberate further on the matter to find a suitable solution and would keep their respective governments informed. It was clarified that this action should not only be taken close to the Supreme Court hearing date, but also that meetings should be held independently once or twice a month, and a report submitted. The meeting then concluded in a cordial atmosphere. Our view is that what kind of report will the officers even give? The opposition in Punjab has already started creating a ruckus, claiming that Punjab doesn't have any water to give, but the Chief Minister is showing flexibility on Punjab's stance. We believe the Chief Minister is being practical. He doesn't want to create unnecessary bitterness. His suggestion, which he made in previous meetings, that after stopping the water supply to Pakistan, the surplus water from the Chenab and Jhelum rivers should be given to Punjab, Haryana, and Rajasthan, might be more effective, because the situation now is that we are not going to revive the Indus Waters Treaty that was broken with Pakistan. However, a decision on this can only be made in a high-level meeting. Perhaps that is why the matter has been handed over to the officers, even after holding a meeting as per the Supreme Court's order. Whatever the decision, it should be based on a comprehensive water policy. There is nothing wrong with giving the water from the Chenab and Jhelum rivers to the drought-affected states. For now, Punjab Chief Minister Bhagwant Singh Mann has very wisely left the issue for the officers to consider in this meeting.

-Abhishek Vij

India's strong condemnation of Pakistan on terrorism

Recently, Pakistan dramatically denied before the United Nations Security Council that it harbors terrorists. Pakistan also presented a false account of Operation Sindoor and absolved itself of responsibility for the brutal incident in Pahalgam. It described the Pahalgam attack as a routine incident involving Kashmiri militants. How could India accept such lies? Therefore, India's security representative to the UN Security Council, Parvataneni Harish, delivered a strong rebuke and severely criticized neighboring Pakistan for presenting false information about Operation Sindoor at the United Nations.

India's Permanent Representative to the UN emphasized that Islamabad wants to normalize terrorism, but that is not the reality. Harish stated that Pakistan cannot engage in its despicable act of legitimizing terrorism in this hallowed hall of the UN. Pakistani envoy Asim Iftikhar Ahmad also presented a false account of Operation Sindoor. In April 2025, Pakistani terrorists carried out a heinous attack in Pahalgam, killing innocent civilians. To respond to this reprehensible act of terrorism and to dismantle Pakistani terrorist bases, India launched Operation Sindoor. India penetrated deep into Pakistan, destroying nine Pakistani terrorist bases and also destroying terrorist infrastructure in Pakistan-occupied Kashmir.

However, Pakistan is not giving up its activities. It is reviving terrorist bases and continues to support terrorism. In fact, it would not be wrong to say that the Pakistani administration thrives on anti-India sentiment and the promotion of terrorism. The mischief is that Pakistan, while not acknowledging its conspiracy, is trying to portray itself as innocent and pitiable by making false statements at the UN, which is a complete lie. It should also be mentioned here that the United Nations itself has become largely ineffective. It appears incapable of ensuring peace anywhere.

Climate change and the vanishing glaciers of the Himalayas

The Himalayas, often referred to as the "Third Pole," hold the largest reserve of ice outside the Arctic and Antarctic. Stretching across South Asia, these glaciers feed some of the world's most important river systems, including the Indus, Ganga, and Brahmaputra. For nearly two billion people downstream, Himalayan glaciers are not just frozen masses of ice; they are lifelines. Yet today, these glaciers are retreating at an alarming pace, raising serious concerns about water security, disasters, and long-term regional stability.

Scientific studies show that Himalayan glaciers are melting faster than the global average. Rising temperatures, erratic snowfall patterns, and black carbon deposition from industrial pollution are accelerating glacial loss. In some regions, glaciers have shrunk by more than 25 percent in the last few decades. What once took centuries is now happening within a generation.

Initially, glacial melting creates the illusion of abundance. Rivers swell during summer, groundwater recharge improves, and hydroelectric projects appear more viable. But this phase is temporary. As glaciers continue to shrink, the long-term flow of rivers is expected to decline, particularly during dry seasons. This phenomenon, known as "peak water," will eventually give way to chronic shortages, especially in already water-stressed regions.

Communities living closest to the glaciers are witnessing the impacts first. In parts of Ladakh, Kashmir, Himachal Pradesh, and Uttarakhand, farmers report unpredictable water availability. Traditional irrigation systems that relied on steady glacial melt are failing. Cropping cycles are being disrupted, forcing farmers to abandon water-intensive crops or migrate in search of alternative livelihoods.

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Glacial retreat is also increasing the risk of disasters. As ice melts, it forms unstable glacial lakes dammed by loose debris. These lakes can burst suddenly, causing Glacial Lake Outburst Floods (GLOFs). Such events release massive volumes of water and debris, destroying villages, roads, and power projects downstream. Several Himalayan states have already experienced deadly floods linked to glacial instability, exposing the vulnerability of mountain infrastructure.

Urban centers are not immune either. Cities dependent on glacier-fed rivers face future water stress as seasonal flows become erratic. Hydropower projects, promoted as clean energy solutions, may struggle with reduced water availability and increased sediment load, affecting both efficiency and safety. This raises difficult questions about development models in ecologically fragile zones.Despite these warnings, policy responses remain fragmented. Climate adaptation strategies often overlook mountain-specific risks. Data gaps persist due to the difficult terrain and limited long-term monitoring. Moreover, local knowledge held by indigenous and pastoral communities is rarely integrated into formal planning, even though these communities have adapted to harsh environments for centuries.

Addressing Himalayan glacial loss requires coordinated action at multiple levels. Regionally, countries sharing Himalayan rivers must strengthen data sharing and climate cooperation, separating environmental survival from political disputes. Nationally, governments need to invest in glacier monitoring, disaster preparedness, and climate-resilient livelihoods. Locally, empowering communities through early warning systems and sustainable water management can reduce vulnerability.The melting of Himalayan glaciers is not a distant environmental issue; it is an unfolding crisis with direct consequences for food, water, and human security. What disappears in silence at high altitudes will be felt loudly in the plains below. The question is no longer whether the glaciers are melting, but whether societies downstream are prepared for what comes after.

THOUGHT OF THE DAY

The only limit to our realization of tomorrow is our doubts of today.

-Franklin D. Roosevelt

Migration dreams and the cost of leaving home

For thousands of young people across South Asia, migration is not merely a choice but a perceived necessity. In villages and small towns, leaving the country has become synonymous with success, stability, and dignity. Posters advertising study visas, work permits, and "guaranteed settlement" line the streets, selling dreams that often mask harsh realities.

Economic insecurity lies at the heart of this migration rush. Limited job opportunities, stagnant wages, and rising living costs push young people to look beyond borders. For many families, sending a child abroad is seen as a long-term investment, even if it requires selling land, taking high-interest loans, or mortgaging future earnings.

Social pressure reinforces this cycle. Returnees flaunting foreign lifestyles—cars, houses, and remittances—create powerful narratives of success. Failures, deportations, or exploitation rarely receive the same visibility. As a result, migration becomes aspirational, almost obligatory, especially for young men.

However, the journey is fraught with risks. Many migrants rely on unregulated agents who promise legal routes but deliver forged documents or unsafe travel paths. Stories of deaths at borders, detention centers, or in exploitative workplaces are increasingly common. Yet desperation often outweighs caution.Even those who migrate legally face challenges. International students struggle with high tuition fees, cultural isolation, and exploitative labor conditions. Work visa holders confront restrictive contracts that tie them to employers, limiting mobility and bargaining power. For undocumented migrants, fear of detection becomes a constant companion.Families left behind bear emotional and financial burdens. Parents age without support, children grow up with absent caregivers, and households depend on irregular remittances. When migration fails, the shame and debt can be devastating, pushing families into deeper poverty. Governments often frame migration as an economic asset due to remittances, but this view ignores human costs. While remittances support consumption and education, they cannot substitute for sustainable domestic employment.

Women's work and the invisible economy

Across South Asia, women contribute significantly to the economy, yet much of their labor remains invisible. From unpaid household work to informal caregiving and agricultural labor, women sustain families and communities without recognition or compensation. This invisibility distorts economic data and undermines policy planning.

Women's participation in formal employment remains low despite rising education levels. Social norms, safety concerns, lack of childcare, and inflexible work structures limit opportunities. Many women therefore turn to informal work—home-based enterprises, seasonal labor, or piece-rate production.

This informal economy offers flexibility but little security. Earnings are low, working hours long, and legal protections minimal. Women often lack access to credit, property rights, or social security, reinforcing dependence and vulnerability.

Unpaid care work is the most significant yet least valued contribution. Cooking, cleaning, childcare, elder care, and emotional labor consume hours daily. If monetized, this labor would account for a substantial share of GDP. Yet economic systems continue to treat it as a natural obligation rather than productive work.

Crises expose these inequalities. During the pandemic, women absorbed the shock of school closures, health care gaps, and income loss. Many exited the workforce permanently, reversing years of progress. Recovery policies largely ignored gendered impacts, focusing instead on male-dominated sectors.

There are signs of change. Women's self-help groups, cooperatives, and digital platforms are creating new pathways for income generation. Access to mobile banking and online markets has enabled some women to bypass traditional barriers. However, scale and sustainability remain challenges.

Policy reform must begin with recognition. Time-use surveys, gender budgeting, and care infrastructure investment can reshape priorities. Paid parental leave, affordable childcare, and flexible work arrangements are essential for enabling women's participation. Empowering women economically is not only a matter of rights but of growth. Economies that exclude half their population operate below potential. Making women's work visible is the first step toward building fairer and more resilient societies.

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Creativity cannot be destroyed

K SIVA PRASAD
Retired senior IAS officer in the Punjab Government.

Throughout human history, wise men and spiritual thinkers have guided humanity in its search to understand the inner self and the nature of ultimate reality. Interestingly, this guidance has largely emerged from two complementary approaches. One begins from the positive, the other from the negative. Though their language and metaphors differ, both point toward the same destination. The difference lies in where the journey begins and the path chosen, often shaped by human temperament and perception.

The positively oriented approach describes the ultimate reality as that which is indestructible, eternal, stable, and all-pervading. It is seen as complete—something to which nothing can be added and from which nothing is missing. In this framework, the metaphor of creativity is used. Creativity here does not merely mean artistic expression or innovation; it refers to the fundamental source from which all forms arise. It is fullness itself, the inexhaustible potential behind existence.

The negatively oriented approach arrives at the same truth through contrast. Instead of describing what is, it describes what is not. This approach calls the ultimate reality empty, not in the sense of absence or void, but as something from which nothing can be removed. The metaphor here is space. Space appears empty, yet it accommodates everything. It is untouched by what occurs within it, yet nothing can exist without it.

> The negatively oriented approach arrives at the same truth through contrast. Instead of describing what is, it describes what is not.

At first glance, creativity and space may seem opposed—one full, the other empty. Yet both are equally capable of manifesting creation. It is relatively easy for the human mind to accept that creativity gives rise to creation. After all, creation seems to require intent, energy, and movement. However, creation arising from emptiness is far more difficult to grasp. How can something come from nothing?

Modern science, intriguingly, has reached a conclusion that resonates deeply with this ancient wisdom. Cosmology suggests that the universe emerged from a state of apparent nothingness—a vacuum rich with potential. Quantum physics further reveals that even empty space is not truly empty; it seethes with energy, capable of generating particles and entire universes. Space, far from being inert, possesses the power to bring existence into being. It pervades everything—from the smallest atom to the vast expanse of the cosmos.

This understanding echoes the teachings of the Bhagavad Gita. In the well-known verses 2.23 and 2.24, Krishna describes the soul (dehi) as something that cannot be burned by fire, cut by weapons, dissolved by water, or dried by wind. These statements are not merely poetic; they point to the nature of ultimate reality. Fire, water, weapons, and wind can only affect forms. They have no power over that which is formless. A weapon cannot destroy space, nor can it destroy creativity. Fire cannot burn space or creativity; it can only transform wood into ash—changing one form into another. Water cannot dissolve space or creativity, nor can wind wither them. These elements act only upon physical manifestations, not upon the underlying reality from which those manifestations arise.

This leads to a crucial insight: creation cannot affect its source. Creativity gives rise to forms, but forms have no power over creativity. Space holds galaxies, storms, and civilizations, yet remains untouched by them. The direction of influence is one-way. Clouds appear in the sky, move across it, and disappear, but they never alter the sky itself. The sky remains unchanged, vast and open, regardless of what passes through it.

Similarly, thoughts, emotions, successes, failures, and identities arise within consciousness, but they do not define or damage it. When we identify ourselves with the clouds rather than the sky, suffering arises. When we recognize ourselves as the space in which everything occurs, freedom follows.

Whether we approach truth through creativity or through emptiness, through affirmation or negation, the destination remains the same. Both paths invite us to shift our identification—from the transient to the eternal, from form to formlessness. Ultimately, the journey inward reveals that what we seek has always been present: indestructible, stable, and silently supporting the entire play of existence.

The silent crisis of groundwater depletion

Groundwater is the invisible backbone of daily life across much of South Asia. It irrigates fields, fills household taps, and sustains cities that have outgrown surface water supplies. Yet beneath the ground, a silent crisis is unfolding. Aquifers are being depleted faster than they can recharge, threatening water security for millions.

The expansion of groundwater use began as a solution to unreliable monsoons and inadequate canal systems. Tube wells offered farmers control over irrigation and boosted agricultural productivity. Over time, however, this dependence deepened. Today, groundwater accounts for the majority of irrigation and a significant share of drinking water in both rural and urban areas.

The problem lies in unregulated extraction. Millions of private wells operate with little oversight, pumping water around the clock. Electricity subsidies further encourage overuse, disconnecting consumption from cost. In many regions, water tables have dropped dramatically, forcing farmers to drill deeper and invest in more powerful pumps.

As aquifers decline, water quality deteriorates. Deeper layers often contain higher concentrations of fluoride, arsenic, and salinity, posing serious health risks. In some areas, contaminated groundwater has led to chronic illnesses, skeletal deformities, and long-term public health burdens that go largely unaddressed.

Groundwater depletion also reshapes social relations. Wealthier farmers can afford deeper wells, while smallholders are left behind as shallow sources dry up. This creates new inequalities and conflicts over access. In urban areas, private tankers profit from scarcity, turning water into a commodity rather than a basic right.

Climate change intensifies the crisis. Erratic rainfall reduces natural recharge, while rising temperatures increase water demand. Floods, paradoxically, do little to replenish aquifers when paved surfaces prevent infiltration. The result is a vicious cycle of scarcity amid apparent abundance.

Policy responses have been fragmented. Groundwater is often treated as private property tied to land ownership, limiting regulation. Conservation programs exist but focus largely on supply-side solutions, such as rainwater harvesting, without addressing demand. Crop choices, irrigation practices, and pricing structures remain largely untouched.

There are examples of change. Community-led water management initiatives have demonstrated that recharge, monitoring, and collective decision-making can restore aquifers. Shifting to less water-intensive crops and promoting micro-irrigation also show promise. However, scaling these efforts requires political will and public participation.

The rise of wearable health tech: Are we becoming human sensors?

Dr Kinny Garg
Associate Professor
AMC Engineering College Bengaluru

Wearable health technology has quickly evolved from a niche innovation into a daily lifestyle companion. Smartwatches, fitness bands, and health patches now track heart rate, sleep patterns, physical activity, stress levels, and other key health metrics. While these devices promise improved health awareness and preventive care, their rapid adoption raises serious concerns about privacy, data security, and ethics.

One of the major drawbacks of wearable health technology is the issue of data privacy. These devices collect sensitive personal health data continuously and store it on company-owned cloud servers. Unlike hospital medical records, most wearable-generated data is not protected under traditional healthcare laws such as HIPAA, allowing it to be stored indefinitely or shared with third parties.

Although companies claim that shared data is anonymized, research shows that health and location data can often be re-identified when combined with other datasets. Heart-rate patterns and daily movement routines are unique enough to expose an individual's identity, leading users to lose control over their personal information.

Data sharing with advertisers and analytics firms is another concern. In several cases, wearable companies have been accused of sharing intimate health details without clear user consent. Once shared, users have little visibility into how their data is reused or monetized.

Security risks further compound the issue. Wearables rely on wireless technologies such as Bluetooth and Wi-Fi, making them vulnerable to hacking. Multiple fitness platforms have suffered data breaches, exposing millions of user records. Health data is especially valuable due to its potential for long-term misuse.

Beyond privacy concerns, ethical issues arise when insurers or employers use wearable data to assess risk or productivity, potentially leading to discrimination. Continuous self-tracking may also increase anxiety, particularly since consumer wearables are not medical-grade devices.

While wearable health technology offers significant benefits, its current ecosystem tends to favor corporations over users. Stronger data-protection laws, transparent policies, and informed consent are essential. As wearable technology becomes more common, society must ask whether it truly empowers individuals—or quietly turns them into human sensors. By Dr. Kinny Garg (Associate Professor, AMC Engineering College, Bengaluru) and Student Anuj, Final Year.

The rise of educated youth in India's informal economy

Across Indian cities, a quiet shift is reshaping the streets. University graduates, diploma holders, and postgraduates are increasingly visible in informal jobs once associated with low educational requirements. From running street food carts to driving app-based taxis and selling goods on pavements, educated youth are redefining survival in an economy that has failed to generate adequate formal employment.

India produces millions of graduates every year, but job creation has not kept pace. Formal sector employment, particularly in manufacturing and government services, has stagnated. Recruitment cycles are slow, competitive exams are overcrowded, and private sector jobs often demand experience that fresh graduates lack. As a result, many young people are left in limbo, overqualified yet unemployed.

For some, the informal economy offers immediacy. Setting up a food stall or small vending business requires limited capital and promises daily cash flow. Unlike waiting years for a government job or unpaid internships, informal work offers independence and dignity of labor, even if social prestige remains elusive.

Street food vending, in particular, has seen an influx of educated entrants. Graduates experiment with branding, hygiene, social media marketing, and menu innovation. QR codes replace cash boxes, Instagram pages replace signboards, and customer engagement becomes a learned skill. Education, though unused in conventional ways, still plays a role in navigating competition and visibility.

However, this transition is not without challenges. Informal workers lack job security, social protection, and legal safeguards. Street vendors face harassment, eviction drives, and arbitrary fines. Without health insurance or income stability, a single illness or market disruption can push families into debt. For educated youth who invested heavily in education, this insecurity adds emotional strain and social pressure.

There is also a cultural contradiction at play. While entrepreneurship is celebrated in policy speeches, informal self-employment is often stigmatized. Families that financed education through loans or land sales struggle to accept outcomes that do not align with white-collar aspirations. This disconnect fuels frustration, anxiety, and in some cases, migration or mental health crises.

The growth of educated workers in informal sectors also raises questions about the value of higher education. Degrees promise mobility but increasingly fail to deliver. Curricula remain disconnected from market realities, emphasizing theory over skills. As a result, education delays unemployment rather than preventing it. Yet, this shift also reveals resilience. Young people are adapting rather than remaining idle. They are challenging narrow definitions of success and reclaiming agency in constrained circumstances. Some informal ventures eventually scale up, transitioning into small businesses that generate local employment.

Policy interventions must acknowledge this reality. Instead of treating informality as a temporary failure, governments should provide structured support. Access to credit, designated vending zones, social security coverage, and skill upgradation can stabilize livelihoods. Education systems must also evolve, aligning learning with local economies and entrepreneurial pathways.

The presence of educated youth on India's streets is not a sign of individual failure, but of systemic imbalance. It reflects an economy where ambition outpaces opportunity, and survival demands reinvention. Whether this reinvention leads to empowerment or prolonged precarity depends on how institutions respond.

The Tribune
ESTABLISHED IN 1881

Tackling caste bias

UGC must review as SC halts its equity rules

THE Supreme Court's decision to stay the University Grants Commission's 2026 Equity Regulations shows that good intentions cannot be a substitute for sound constitutional design. While the regulations were framed with the aim of curbing caste-based discrimination in higher education, they instead triggered widespread concern for being vague, overbroad and, paradoxically, exclusionary. At the heart of the controversy lies the definition of caste discrimination itself. By restricting its scope largely to Scheduled Castes, Scheduled Tribes and Other Backward Classes, the regulations appeared to create a narrow and rigid hierarchy of vulnerability. Discrimination in academic spaces is neither so neatly classified nor so easily contained. The Constitution guarantees equality and dignity to all. Any regulatory framework that selectively recognises victims carries the risk of undermining that foundational promise.

The court's description of the regulations as "too sweeping" points to another serious flaw: the potential for misuse. Loosely worded provisions, coupled with stringent compliance mechanisms, could have fostered fear-driven governance within universities rather than encouraging open dialogue and institutional reform – the attributes on which university campuses thrive. Equally significant is the court's decision to keep the 2012 UGC regulations in force for now. This ensures safeguards against discrimination in the interregnum.

The episode raises a larger question: are we addressing discrimination as a lived social reality, or are we reducing it to a bureaucratic checklist? If equity policies are perceived as instruments of coercion or political signalling, they will invite resistance and litigation. The UGC now has an opportunity to listen, review and recalibrate its norms. Social justice in higher education demands sensitivity, consultation and precision; not sweeping mandates drafted in isolation. A genuinely inclusive framework must be universally applicable and institutionally workable.

Cautious optimism

Economic Survey lays stress on resilience

THE Economic Survey 2025-26 portrays Indian economy as resilient, dynamic and capable of withstanding global headwinds; at the same time, it flags challenges that require careful policy choices. For the current financial year, India's GDP is expected to grow by 7.4 per cent, reinforcing the country's status as the world's fastest-growing major economy. Looking ahead to 2026-27, the Survey projects growth of 6.8-7.2 per cent, a moderation accounted for by geopolitical tensions, trade disruptions and financial volatility affecting global markets. This cautiously optimistic outlook reflects the strength of domestic demand, consumption and investment, even as external risks — from tariffs to supply-chain stress — temper expectations. The Survey does not shy away from realism. It notes that the global economic system no longer rewards success with guaranteed capital flows or currency strength, while gains from new technologies like AI are uneven and require supportive human capital and regulatory frameworks.

The ambitious path charted out by the Survey — from 'Swadeshi' to strategic resilience to strategic indispensability — will test India's economic mettle. Making the world move from "thinking about buying Indian" to "buying Indian without thinking" is going to be a tall order. It will require far greater commitment to strengthening the manufacturing sector. Uncertainty over the much-delayed India-US trade deal is set to persist, with the Survey merely saying that ongoing negotiations are "expected to conclude during the year". For the time being, India is hoping that the euphoria over its historic pact with the EU won't prove to be short-lived.

Treading on slippery ground, the Survey has called for re-examining the two-decade-old RTI Act to exempt confidential reports and draft comments from disclosures, saying that such provisions constrain governance. This suggestion is politically divisive, considering that it was the Congress-led UPA which had enacted the citizen-centric law. After the MGNREGA row, the Modi government would be well advised to build an economically sound narrative before it ventures to review a landmark legislation.

ON THIS DAY...100 YEARS AGO

The Tribune.

LAHORE, SATURDAY, JANUARY 30, 1926

The Gandhi-Smuts agreement

THE question whether the anti-Asiatic Bill does or does not involve a breach of the Gandhi-Smuts agreement of 1914 has assumed tremendous importance during the last few days. In India, it has from the first been held that the Bill does break the agreement. That has been the Mahatma's definite opinion, and the Mahatma naturally and quite rightly leads the rest of India in this matter. This position had not been seriously combated even in South Africa until very recently, when the *Cape Times* wrote a series of articles in which it practically threw out a challenge to Mahatma Gandhi to prove that the "vested rights" referred to in the agreement were not the specific rights of Indians under the gold law, but their rights generally. The articles in the *Times* were immediately brought to the Mahatma's notice by CF Andrews, who invited him to express his opinion on the subject. This the Mahatma did in a recent statement to the Press, characterised by that cogency, lucidity and force which are among the unfailing qualities of his literary productions. "It is not to be supposed," he says, "that after eight years' solid suffering, the Indian settlers are satisfied with an arrangement that might lead not to further amelioration of their status, but to their further degradation, ultimately resulting in extinction." Most people will think that this is literally the last word on the subject.

There's more to growth than GDP

India can't afford to continue with the urban-industrialisation model that has created global crises

ARUN MAIRA
FORMER MEMBER,
PLANNING COMMISSION

ENTERPRISE: The capital assets required in the production process must belong to the workers. ISTOCK

INDIA's policymakers are in a dilemma. Too many people, they say, are working in the agriculture sector. Therefore, according to them, the productivity of India's farm sector, measured by the number of people employed in it, is also too low. They would rather have more people being moved out of rural areas and farms — and small, 'informal', manufacturing and service enterprises — into cities, and into large, 'formal' factories and service enterprises.

The problem is that large formal enterprises are not creating enough secure jobs with decent wages. They are unwilling to absorb more people, pay them higher wages and provide them with social security. Instead, they want more 'flexible' labour laws to keep wage costs down. The core problem of the Indian economy is that employers in all sectors (manufacturing, services and agriculture) are using more machinery, and more technology — instead of human beings — to increase their output and productivity.

The key reform the Indian economy requires is a reform of the design and governance of a business enterprise. Workers, whether on farms or in factories, must be the owners of the enterprises in which they work so that they earn the profits made from their work and increase their own wealth, rather than passing on the profits to increase the wealth of financial investors. The capital assets required in the production process — machines in the manufacturing enterprise and the land for farms — must belong to the workers in the enterprise. Workers should be their own employers and not be compelled to become employees in factories and farms owned by stock market investors and feudal landlords. They should have the choice of how they will use profits from their work: whether to invest further in their enterprise or invest in their family welfare and their children's education.

Reforms of land ownership that transferred land from landlords to the erstwhile workers on farms caused small farmers' incomes to grow much faster in Japan, South Korea, Taiwan and China than in India in the last 50 years, explains Mike Bird in *The Land Trap: A New History of the World's Oldest Asset*. Bird explains why reforms progressed faster in other countries than in India. Vested interests came in the way of reforms in all countries. However, the leaders in those nations supported the rights of farmer-workers not the capitalist-owners. With reforms, small farmers' incomes and wealth increased, and they invested more in the education of their children. It is noteworthy that farm output and agricultural productivity also increased without forcing people off farms.

> Faster GDP growth will not improve the well-being of India's billion-plus citizens.

Economists and business people must rethink the value of 'scale' in enterprises. Large-scale production of a standardised commodity — whether widgets in a factory or a monocrop on a large farm — increases economic efficiency by enabling the use of large machines and employment of low-skill workers to perform repetitive tasks. Large-scale enterprises can afford to deploy capital in machines and artificial intelligence. Thereby, they need less human labour and intelligence. While their efficiency and output may go up, and productivity too (measured as output per human being employed), such enterprises employ fewer humans. They contribute to the 'jobless' GDP growth of the economy.

Small farms that grow a variety of food organically have a greater 'scope' of production on the farm. Waste becomes a useful input on the farm itself, especially on farms that also have animals. Farms with more scope are naturally more sustainable. Materials and energy circulate within and around such small farms which have less scale but more scope.

Environmental scientist Vaclav Smil has computed the total system requirements of hydrocarbon energy and other non-renewable inputs in modern industries, food production and distribution systems, and in global transportation systems. In his book, *How the World Really Works*, he explains that the modern and technologically intensive large-scale food production and distribution system is the largest polluter of the soil, water and the atmosphere. He also explains that small-scale farms with more scope are the best scientific solutions for environmental sustainability.

The problem, he points out, is that this solution requires more people to live and work in rural areas, and engage in smaller agriculture, manufacturing and service enterprises. This will require a reversal of migration from urban/formal enterprises to rural/informal ones. Citizens in advanced countries will not accept this. India should not have as much of a problem as other nations, because it already has the largest number of people living and working in rural areas — the very problem our economists are struggling to solve!

Faster GDP growth will not improve the well-being of India's billion-plus citizens. For the past 25 years, the Indian economy has created less employment with each unit of GDP growth than other large countries. We have the largest population of youth in the world, seeking employment with good wages.

With the present pattern of growth, India's GDP must grow at 12 per cent per annum for the next few years to generate enough employment. Each unit of GDP growth is also causing more pollution and environmental degradation than in other countries. Therefore, India cannot afford to continue following the urban-industrialisation model of growth that has created global environment and inequality crises.

The pattern of growth must change for our nation to become a livable and sustainable 'Viksit Bharat'. Rather than the goal of climbing higher than other countries on the GDP ladder, India's economic reformers should reform the process of economic growth itself.

We must find our own way; a more inclusive and environmentally sustainable way; a more 'family' and 'community' way — a more 'Gandhian way' — to build our nation and strengthen our economy for it to deliver *poorna swaraj* (complete political, social and economic freedom) for all citizens. This was the 'tryst with destiny' towards which we had set out on August 15, 1947, when India became a sovereign nation responsible for its own future.

THOUGHT FOR THE DAY

"Urbanisation in India is a slow but sure death for her villages and villagers. —Mahatma Gandhi"

Care for all creatures great and small

SRIPRIYA SATISH

MAHATMA Gandhi said, "The greatness of a nation and its moral progress can be judged by the way its animals are treated." This profound quote came to my mind when my eyes fell on a diary lying on the table. It belonged to my little nephew. As I flipped through its pages, I came across a moving essay written by him. He had described an incident that left a deep impression on his young mind.

His essay was a sorrowful narration of how helpless hatchlings, born in the balcony of his apartment, had been ill-treated. While the boy and his parents were away on vacation, a bird had found a cosy corner and built a nest. The eggs hatched, and the hatchlings were chirping loudly for their mother to return with food when my relatives came back from the trip. The family was understandably concerned about cleaning the place without hurting the young ones. They took the help of a housemaid to do the job. Sadly, the fragile birds were not handled with the care and sensitivity they deserved.

A few days later, when my nephew asked the maid about the chicks, she casually said that they had been dumped in the community garbage bin and would, by then, have fallen prey to stray dogs. Her words shocked and pained him, and he poured out his feelings into the pages of his diary. He ended with a note that our world was not safe for these creatures.

His simple writing compelled me to pause and reflect. Children often see the world with an honest outlook, and their questions make us uncomfortable because they reveal truths we prefer to ignore. Is our country truly a safe place for birds and animals? My answer would not be in the affirmative.

Almost every festive season brings disturbing images of injured birds which are victims of human carelessness and reckless celebrations. The kite-flying festival during the Sankranti season sees many birds getting hurt due to manjha, a glass-coated thread. What is meant to be an expression of joy often ends up causing suffering to creatures who have no way to protect themselves. Similarly, scenic picnic spots, admired for their beauty, frequently turn into death traps for birds which consume leftovers of visitors.

Such incidents seem to strengthen the boy's belief that our land is unsafe for its most vulnerable inhabitants. Albert Einstein observed, "Our task must be to free ourselves by widening our circle of compassion to embrace all living creatures and the whole of nature and its beauty."

Compassion cannot remain just an ideal discussed in books and speeches. It must find expression in everyday actions, through mindful choices, responsible behaviour and respect for life in all its forms. Only when kindness extends beyond our own species can we truly claim moral progress as a nation.

LETTERS TO THE EDITOR

Focus on European supply chains

Apropos of 'Litmus test for India-EU bonhomie'; the mutual cooperation is reflective of a shift in the pattern of international trade to a system shaped around individual deals and alliances. The EU has entered into FTAs with emerging economies in Latin America and East Asia as well, which would not only enhance the stature of euro as a global currency but could also pave the way for greater acceptability of the Indian rupee as a currency of international trade, especially in European countries. Digital collaboration can be deepened to enable UPI transactions in EU member states in a phased manner. Indian companies should aspire to plug into European supply chains of major industries like aircraft manufacturing and ship-building, which are still in a nascent stage in India.

CHANDER SHEKHAR DOGRA, JALANDHAR

India must gear up for more trade

Refer to 'Litmus test for India-EU bonhomie'; thanks to the egoistic and bullying tactics of President Trump, it accelerated the inking of the 'mother of all deals'. Now, both India and EU have to ensure that no bureaucratic hurdles or economic obstacles remain which may affect supply chains. India must gear up manufacturing efficiency along with good quality of products in sync with the international standards. It will enhance reputation and demands too. In the meantime, President Trump must ponder why Canada, the UK and many other close allies are distancing from the American fold.

SUBHASH VAID, NEW DELHI

Overcoming identity crisis

Apropos of 'Train to Begumpura — culture of Dera Ballan'; the deras in Punjab are a social and cultural bulwark in an otherwise volatile Punjabi milieu. Identity crisis has always simmered among various neglected social groups. It is there that deras have proved their worth. The tragic death of the Dera Ballan chief in 2009 and the subsequent violent aftermath jolted the followers of Guru Ravidas into consolidating their vague identity into a formidable one. Political indulgence is bound to come into play keeping in mind the huge following of the dera.

DV SHARMA, MUKERIAN

Going beyond optics in education

With reference to 'Eminence on hold'; the aim of education is to draw out the latent potential in a child by providing conducive teaching-learning environment in a school. Qualified, competent and a motivated faculty is pivotal to quality learning outcomes. Sadly, successive governments, especially the present dispensation, has focused more on optics, while exposing the children to grave disadvantages. What has sending a group of teachers abroad yielded? The declining trend of enrolling kids in government schools is an indicator for those at the helm. It is a wake-up call to go beyond optics and focus on academics and student welfare in a school.

SURINDER SINGH, MOHALI

SC intervention turning point

With reference to 'Curbing acid attacks'; as long as perpetrators can rely on delay, justice will remain elusive and survivors will continue to suffer twice — once at the hands of their attackers and again at the hands of the system. The Supreme Court's intervention must become a turning point, not a footnote. Swift trials, severe punishment and guaranteed rehabilitation are not optional reforms; they are the minimum standards of a civilised society. Anything less amounts to silent complicity in a crime that has no justification and no place in modern India.

GAURAV BADHWAR, ROHTAK

Iran-China camaraderie irks US

Refer to 'Come to table on N-deal or face far worse attack, Trump warns Iran'; one dimension to the US threat to Iran is that it wants to break the Iran-China nexus. The US sees China as the biggest threat to its global supremacy. Washington is not directly confronting Beijing but trying to systematically weaken it economically. In the Venezuela episode, China is the biggest loser because it is the major importer of Venezuelan oil and has invested heavily there. Like Venezuela, China is also a major economic partner of Iran purchasing 90 per cent of its oil. So, it is not a question of the nuclear deal alone. Trump wants Iran to negotiate on its oil and thereby break its reliance on China.

ASHOK BAHL, KANGRA

Letters to the Editor, typed in double space, should not exceed the 200-word limit.
These should be cogently written and can be sent by e-mail to: Letters@tribunemail.com

'Secular' parties & their Muslim vote bank

RADHIKA RAMASESHAN
SENIOR JOURNALIST

PARLIAMENT and the state legislatures remain the most effective forums for the less empowered and marginalised groups to articulate their concerns and hope for an amicable resolution. But increasingly, the BJP and Sangh fraternity's communal blitz, often construed as dog whistles for the faithful to "act" against the minorities, has pushed its political opponents onto the defensive.

Muslim representation is restricted to only 24 members in the current 18th Lok Sabha out of its 543 seats. This is the same as the lowest ever strength in 2014 and two fewer than in 2019. Muslims constitute 14.2% of India's population as per the 2011 Census, but their parliamentary representation is less than 5%. This, despite evidence that their voter turnout is large in many constituencies and they continue to root for "secular" parties.

The decline in Muslim representation in Parliament is principally attributed to the reluctance of non-BJP parties to field candidates from the community. In 2019, 119 Muslims were put up, but in five years, the number dropped to 78. However, the situation may not be as desperate as it appears. Indian democracy still affords the space for hope and reprieve for many until the next election comes along, although the answers to problems might not be the most desirable.

The growth of a southern party, the All India Majlis-e-Ittehadul Muslimeen (AIMIM), beyond its historical turf in Telangana is a pointer to the prospects of muslim leaders. Voters are tired of the established parties that churn out the same rhetoric and assurances to Muslims in election after election but throw up their hands in crunch situations when the community is often left to fend for itself. The AIMIM is led by Hyderabad MP Asaduddin Owaisi. His brother and Telangana MLA Akbaruddin Owaisi is the second-in-command.

The AIMIM's recent back-to-back success in the elections in Bihar and the Brihanmumbai Municipal Corporation (BMC) and 28 other municipalities of Maharashtra rattled the Congress and the others. They took the Muslim voters for granted while combating the BJP and guaranteeing their safety and welfare.

Like these parties, the AIMIM — infamous for its strident anti-Hindu campaign — underpinned its promises on "development" in Seemanchal in Bihar's north-east which stands at the bottom rung of the development ladder. Despite getting taken in by the Rashtriya Janata Dal (RJD)'s M-Y (Muslim-Yadav) axis that ensured a near-sweep for the Mahagatbandhan (MGB) in 2020, the AIMIM picked up five seats and repeated the number in 2025 in the face of an NDA wave in the region.

BARE MINIMUM: There are only 24 Muslim members out of 543 in the current Lok Sabha. PTI

The point to note is that the AIMIM was just one seat less than the Congress, which was left holding just six seats. The AIMIM modulated the anticipated communal oration. But an "inclusive" push resonated equally and effectively with the voters — a cause of worry for the MGB. Owaisi implored the Congress to induct the AIMIM in the MGB but was spurned for being the BJP's "B-team" — an allegation he has lived with of late. The rejection doubled down his resolve to defeat the "secular" forces in the impending polls with a vengeance.

Maharashtra's municipal polls that heralded the New Year were a surprise package, not so much for the ruling Mahayuti's victory but the AIMIM's jump from two seats in 2017 to eight in the prized BMC against several odds. Owaisi had not nurtured a local leadership; he did not have much of a cadre and barring one, its winners were political neophytes.

> The AIMIM's recent success in Bihar Assembly poll and the BMC and Maharashtra's civic bodies has rattled the Congress and the others.

Despite these factors and the distinct possibility that a BJP-ruled BMC presiding over a 74,427-crore budget for 2025-26 was unlikely to cooperate with the AIMIM's newly elected corporators, Muslims voted its candidates. The Muslim-majority slums from which they won were weary of the local Samajwadi Party (SP) MLA and his corporators, the Congress did not put forward its best foot and the Vishwa Hindu Parishad and a BJP leader damned these pockets as a "den of Rohingyas and Bangladeshis".

The Congress dumped the Uddhav Sena after Uddhav Thackeray aligned with his cousin Raj Thackeray of the Maharashtra Navnirman Sena (MNS), saying that the MNS's revanchist outlook was unacceptable for a pan-Indian party. Despite that, some Muslims went for the Thackerays, saying they were a better option to challenge the BJP than the Congress that had tied up with Prakash Ambedkar's Vanchit Bahujan Aghadi.

Not just the BMC. The AIMIM also won 124 seats in 13 corporations across Maharashtra, surpassing the Congress in many places. His ambitions spurred, Owaisi is unlikely to approach the Congress for an alliance in the foreseeable future.

What lessons do Bihar and Maharashtra hold for the mainline "secular" forces? These parties, including the SP and RJD, owe their salience in state and national politics in no mean measure to the consolidation of Muslim votes behind them. Would they be willing to do business with the AIMIM and similar parties to keep the BJP at bay?

Akhilesh Yadav, SP leader and former Uttar Pradesh CM, has no qualms about reaching out to caste-based parties in his state, like the Suheldev Bharatiya Samaj Party and NISHAD, but the fear of losing his Hindu votes, including the supposedly committed Yadav votes, will deter him from sitting across the table with Owaisi. He gleaned a lesson from his father Mulayam Singh Yadav, who forfeited a chunk of the Yadav votes in the 1991 UP polls because he took a hard stand against the attack on the Babri mosque in 1990. Likewise with the RJD.

Such self-protective postures portend one probability. Far from being inclusive, the polity could get more sharply polarised along religious lines. Apparently, Mamata Banerjee and her Trinamool Congress Party (TMC) are under no imminent threat of losing a captive Muslim vote bank. But there are straws in the wind.

The TMC's suspended MLA, Humayun Kabir — who has announced loud and clear that a new mosque coming up in West Bengal's Murshidabad district will be named after the Babri masjid — floated a political outfit called the Janata Unnayan Party that is seeking the hand of the Indian Secular Front (ISF) led by another legislator, Naushad Siddiqui. The ISF had contested the last Bengal polls with the Left Front and the Congress, but it made little impact. Siddiqui's importance lies in the links he has with the revered Furfura shrine in Hooghly district.

In Assam, which also goes to the polls in 2026, All India United Democratic Front (AIUDF) chief Maulana Badruddin Ajmal, who has a following in Muslim-heavy areas, hinted at a potential realignment through a partnership with the AIMIM to confront the Congress, which still has to get its act together in the BJP-ruled state.

The BJP has a handy answer for such formations, with the belligerent CM Himanta Biswa Sarma leading the charge in propagating Islamophobia. But what is the Congress's response?

How water and waste are becoming inseparable

SIDDHARTH PANDEY
HISTORIAN, CULTURAL CRITIC AND ARTIST

IN a rather wonderful though ironic twist of seasonal behaviour, 'Winter Proper' arrived in north India this year on Basant Panchami, which marks the first day of spring. One wonders what Percy Bysshe Shelley would have said of this anomaly, given his famous line "If winter comes, can spring be far behind?"

This time, though, winter caught up with spring in a display of festive solidarity — the yellow of mustard swayed brightly under the pristine white of mountain snow. The much-needed moisture finally freshened the air and rejuvenated the land, ending one of the longest dry spells that the Himalayas have witnessed in recent decades.

But for all its celebratory ethos, the idea of 'washing away' simultaneously embodies a somewhat unsettling impulse, especially when viewed through the lens of our crisis-prone era. The fact that year after year we need rainwater to 'wash away' the gigantic smog-blankets throttling our capital and nearby cities says something about our exceptionally selfish dependence on nature to solve human-made problems. It brings to mind many other images from our years of growing up: from using more water than necessary for cleaning private cars to dumping everyday waste in canals and rivers as if it is the most natural thing to do.

Here, then, is another irony. That what was always regarded as the 'elixir of life' is now invariably also interpreted as a crucible of our collective egotism. If at one point in history, holy rivers were supposed to wash away our sins, today they accumulate them, serving as silent witnesses to an existence gone awry.

Who can forget those haunting images of dead bodies floating in the Ganges during the Covid pandemic or the persisting visuals of the toxic Yamuna in Delhi, with its lethal froth and foam resembling snow? There is no denying that water and waste have assumed a shocking synonymity with each other in the present age.

It's only the first month of the year, but the unholy coupling of water and waste has already defined the news several times. It hopped into the headlines when Indore, India's 'cleanest city', suddenly spewed forth hundreds of hospitalisations and over 15 deaths due to sewage-contaminated drinking water.

ELIXIR OF LIFE: Holy rivers were supposed to wash away our sins, today they accumulate them. ISTOCK

Soon after, reports on sewage-related water contamination began emerging from Greater Noida, Hyderabad, Jhajjar and Rohtak while Gandhinagar revealed a typhoid outbreak. A few days ago, a new overhead water tank, constructed at a whopping cost of Rs 21 crore, at Tadkeshwar village in Surat, Gujarat, collapsed during its very first water-filling test.

But one mustn't look at these examples in isolation. They form a part of an ongoing continuum of technological ineptness and slapdash development that has beleaguered the country for a very long time now.

> The blame is everyone's and no one's, and passing-the-buck becomes the norm.

Last year, during the Chhath Puja festivities, authorities in Delhi created fake ghats on the Yamuna banks by propping up borders between filtered-water pools and the real river. And in 2024, three UPSC aspirants lost their lives to heavy flooding in the illegal basement library of a coaching centre in Delhi's Old Rajinder Nagar.

Waste, in this context, doesn't only refer to the defilement of our most celebrated natural element, but also to the decaying of the imagination responsible for generating infrastructure around it. Undoubtedly, the stunting of both vision and innovation lies at the heart of this growing crisis. And like all crises, this too manifests itself in a multipronged manner, where dealing with one department in the hope of some solution leads us to another division, area or issue. The blame is everyone's and no one's, and passing-the-buck becomes the norm, with apathy and indifference quickly assuming the order of the day.

There is also a societal amnesia at work. It makes us forget the people who have worked hard to elicit change. They include GD Agarwal, later known as Swami Gyan Swaroop Sanand, who lost his life in 2018, fighting for the cleaning and protection of the Ganges.

An 86-year-old environmentalist and a former professor at IIT Kanpur, Swami Sanand breathed his last after a 111-day fast in Haridwar. Prior to him, Swami Nigamananda Saraswati had passed away in 2011 after fasting for 114 days, protesting against illegal quarrying in the same river.

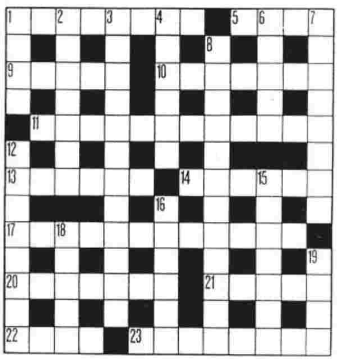
Recent viral reels on social media centred on sacred water bodies have drawn attention to the liberal amounts of milk being poured into them in the name of religious practice. While on the surface, one encounters a preponderance of platitudes on living hygienically and caringly, in reality, the majority — including the government — hardly appears genuinely interested in addressing the issue sustainably.

My small village in the Kangra Valley, for example, has repeatedly faced resistance by many residents who are against the idea of drain expansion outside their houses. This is a necessary step for the establishment of a properly networked system, but it is also something that is hugely 'repulsive' to the imagination of a significant number of people for purely parochial reasons.

But no matter how much we exhort individuals to change, for a country as big as ours, models for long-lasting transformation must primarily be provided by the government and bureaucracy in charge. And for these models to take shape, a thorough understanding of the society's material and emotional make-up must be acquired in an interdependent fashion.

Templates from other countries too are available to learn from, but only if we are actually willing to shed our wilfulness. Otherwise, instead of becoming a reality, potable water and healthy rivers shall only flow in the realm of dreams.

QUICK CROSSWORD



ACROSS
1 Place of complete bliss (8)
5 Not working (4)
9 To institute (3,2)
10 Strictly honourable (7)
11 Reach required standard (4,3,5)
13 A summary (6)
14 Disavow a former opinion (6)
17 Have control of what's done (4,3,5)
20 Raging (7)
21 Liable to punishment (5)
22 Set of rules (4)
23 Take no chances (4,4)

DOWN
1 Military offensive (4)
2 Go back over (7)
3 Loss in value (12)
4 Searched for (6)
6 Arrogant assertion of opinion (5)
7 Earnest plea (8)
8 Recklessly eager to start fight (7-5)
12 Clearly defined (8)
15 Radio aerial (7)
16 Ship (6)
18 Horrifying (5)
19 Exultant delight (4)

Yesterday's Solution

Across: 1 Adoration, 8 Again, 9 Baggage, 10 Finale, 11 Tariff, 12 Wiseacre, 15 Traverse, 18 Liable, 20 Shifty, 21 Cordite, 22 Merge, 23 Mont Blanc.

Down: 2 Drama, 3 Regain, 4 Tug-of-war, 5 Native, 6 Vacancy, 7 In reserve, 11 Toothsome, 13 Shell out, 14 Calibre, 16 Esteem, 17 Vandal, 19 Let on.

SU DO KU

		5	9			4		
3	4		6					
		2	5		3			7
7				1		5	6	
		8				1		
	6	1		8				3
4			2		9	3		
					7		4	2
		7			4	6		

EASY

YESTERDAY'S SOLUTION

8	2	1	7	4	5	9	6	3
7	5	9	2	3	6	1	8	4
4	3	6	8	9	1	5	7	2
5	6	4	3	2	9	8	1	7
2	8	7	5	1	4	3	9	6
1	9	3	6	7	8	4	2	5
9	7	8	4	6	3	2	5	1
3	1	2	9	5	7	6	4	8
6	4	5	1	8	2	7	3	9

CALENDAR

JANUARY 30, 2026, FRIDAY

- Shaka Samvat 1947
- Marghshirsh Shaka 10
- Marghshirsh Parvishte 17
- Hijari 1447
- Shukla Paksha Tithi 12, up to 11:10 am
- Vaidhriti Yoga up to 4:59 pm
- Aardra Nakshatra up to 3:28 am
- Moon in Gemini sign

FORECAST

SUNSET: FRIDAY 17:57 HRS
SUNRISE: SATURDAY 07:14 HRS

CITY	MAX	MIN
Chandigarh	20	09
New Delhi	19	10
Amritsar	19	07
Bathinda	18	06
Jalandhar	19	07
Ludhiana	20	09
Bhiwani	15	04
Hisar	18	08
Sirsa	18	08
Dharamsala	20	−01
Manali	12	−04
Shimla	16	0
Srinagar	07	0
Jammu	18	08
Kargil	03	−08
Leh	01	−10
Dehradun	23	08
Mussoorie	16	04

TEMPERATURE IN °C

comment

THOUGHT FOR THE DAY

The superior man, when resting in safety, does not forget that danger may come
— Confucius, Chinese philosopher

Organisers must ensure every event is tragedy-proof

A Republic Day celebration in Vikroli's Tagore Nagar, also called Ambedkar Nagar, turned fatal when a fallen loudspeaker killed a four-year-old.

The incident occurred around 11 am, when two large loudspeakers had been placed on the ground for the area's Republic Day programme.

According to CCTV footage, a man carrying a large bundle of rugs accidentally entangled the load in the speaker wiring, causing the equipment to topple. the child, Angel Solkar, who was running nearby, was struck. Some residents alleged that timely medical care might have saved her life.

This is a shocking tragedy, more so because of the negligence. We see loudspeakers at several events, most of them high above, tied to bamboo in shamianas/pandals erected for a particular occasion. These must be properly secured. Even if placed on low/ground level, they should not topple over with a touch or inadvertent push.

Going beyond loudspeakers, organisers must ensure that the space is completely safe. From a strong structure that is the shamiana itself, which must be erected after all permissions and due care, to the stage, we have read reports of stages collapsing during performances; all must be tried and tested and watertight.

Occasions or events see several installations within a space dedicated to celebrations. There may be photos, wiring for technical aspects, screens... whatever is needed. We need fire exits and clear announcements about what to do in case of emergencies. A clear announcement system. All hangings or installations should be in no danger of collapse, and guests/visitors/even those in the area for whatever reason should be completely safe. Let permissions be granted only after strict on-site visits by officials. Even if posted on stands, paraphernalia must be fixed so that it does not simply topple over.

The influencer-follower break-up

SOCIAL BUTTERFLY

Aastha Atray Banan

Fans of a well-known influencer told her she needs to make content which doesn't hinge on her husband. She, in return, told them to take a hike. Who's to blame?

Content creator Aishwarya Mohanraj and her husband Aakash Shah. PIC/INSTAGRAM/@AISHWARYAMRJ

THE iconic Shah Rukh Khan (SRK) once said, "The reason I am good to fans and I believe in them is because I am employed by them." It would seem that SRK feels that his service to his fans is bigger than his own ego. As he has also said, "the only thing I can do for my fans is to never stop working".

Our influencers today could learn from SRK. On the one hand, they care a lot about their followers, get work because of the follower count, and want to do literally anything to get more and more and more followers. On the other, if follower feedback hurts their ego, they lash back with brutal shade.

Let me explain. Creator Aishwarya Mohanraj, whom I quite liked, especially for a video where she addressed losing girlfriends who you thought were like sisters, has recently come out with a video that speaks to her followers who have a problem with her "husband-centric" content. In it, she basically says that the follower who can't get on board with her personality right now should break up with her, unfollow her, because don't we all outgrow each other?

Rightly said, Aishwarya, but why couldn't you just say it in a better way? Why did you have to dumb yourself down? Why did you treat your loyal followers, who have been following you since your Comicstan days, with such condescension?

You may think I am being hard on her. But hear me out. In most of the video, she says that she has always been the same person, someone who talks about lived experience, and once she spoke about not finding a "sane man", now she talks about her "only man". At one point in the video, she says. "There may be constructive criticism that says, Hey Aishwarya, why don't you make content about life experiences like going to the parlour, or the weird chachaji at home?" What? Are those your only life experiences? Then she says, "I have evolved into a married woman who talks about her marriage. You may be single and don't relate to my content. You might be in a toxic relationship." What? Why do I have to be single, or in a toxic relationship, to think that your content is repetitive, boring, and lacks originality?

But it's not only about Aishwarya. It's about all influencers who feel upset, or angry, when their followers give hate, with the same intensity as they give love. The influencer then lashes out with almost "tu-janta-nahin-main-kaun-hu" energy. Of course, you shouldn't take it lying down when followers harass you. But to take feedback, see what's working, see what you can do to diversify, improve, give the people what they want, still keeping your authenticity intact — isn't that what a creator/influencer does? If the follower bought every little product you ever peddled, should you break up with them just because they asked for content that didn't speak of your husband? But, also, should followers not just accept their favourite creator's new avatar?

I may be wrong. I do feel the best Instagram accounts are those when people are truly themselves. Unique. Unbothered. Not worried about the likes and followers — just talking about what they feel. Their true life experiences. But usually, those aren't the people who are getting Netflix and Amazon Prime gigs.

Of course, you shouldn't take it lying down when followers harass you. But to take feedback, see what's working, see what you can do to diversify, improve, give the people what they want, still keeping your authenticity intact — isn't that what a creator/influencer does?

Ranting and raving about all that's trending on social media, Aastha Atray Banan is an author, creator, podcaster, and the Editor of your favourite weekend read, Sunday mid-day. She posts at @aasthaatray on Instagram.

Send your feedback to mailbag@mid-day.com

The views expressed in this column are the individual's and don't represent those of the paper

LETTERS

All aircraft should be audited to avert crashes

This refers to 'State loses Pawar'. All aircraft must undergo strict checks before take-off and after landing. Airports need trained ATC staff, clear-visibility systems, backup aircraft, and full black-box analysis to probe crashes, fix accountability, and prevent future fatal air disasters.

PETER CASTELLINO

Leaders must imbibe Ajit Pawar's work ethic

'Ajit Pawar's sudden death has left many dreams unfulfilled. He was firm, disciplined, honest, and a tireless worker. His clear decisions often unsettled rivals. Politicians should learn from his dedication to public service.

PERVYYN KAVARANA

Families of crash victims must be compensated

This refers to 'City cop dies in tragedy'. Besides Ajit Pawar, four others also lost their lives in the crash. Their families must be compensated. With small aircraft accidents on the rise, the Directorate General of Civil Aviation must enforce strict safety checks.

SN KABRA

IS Bindra helped cricket grow beyond Doordarshan

Apropos of 'IS Bindra pressed the right buttons', he helped end Doordarshan's monopoly in cricket broadcasting and played a key role in hosting the 1987 World Cup. The growth of cricket money and better broadcast quality today is largely due to his efforts.

BAL GOVIND

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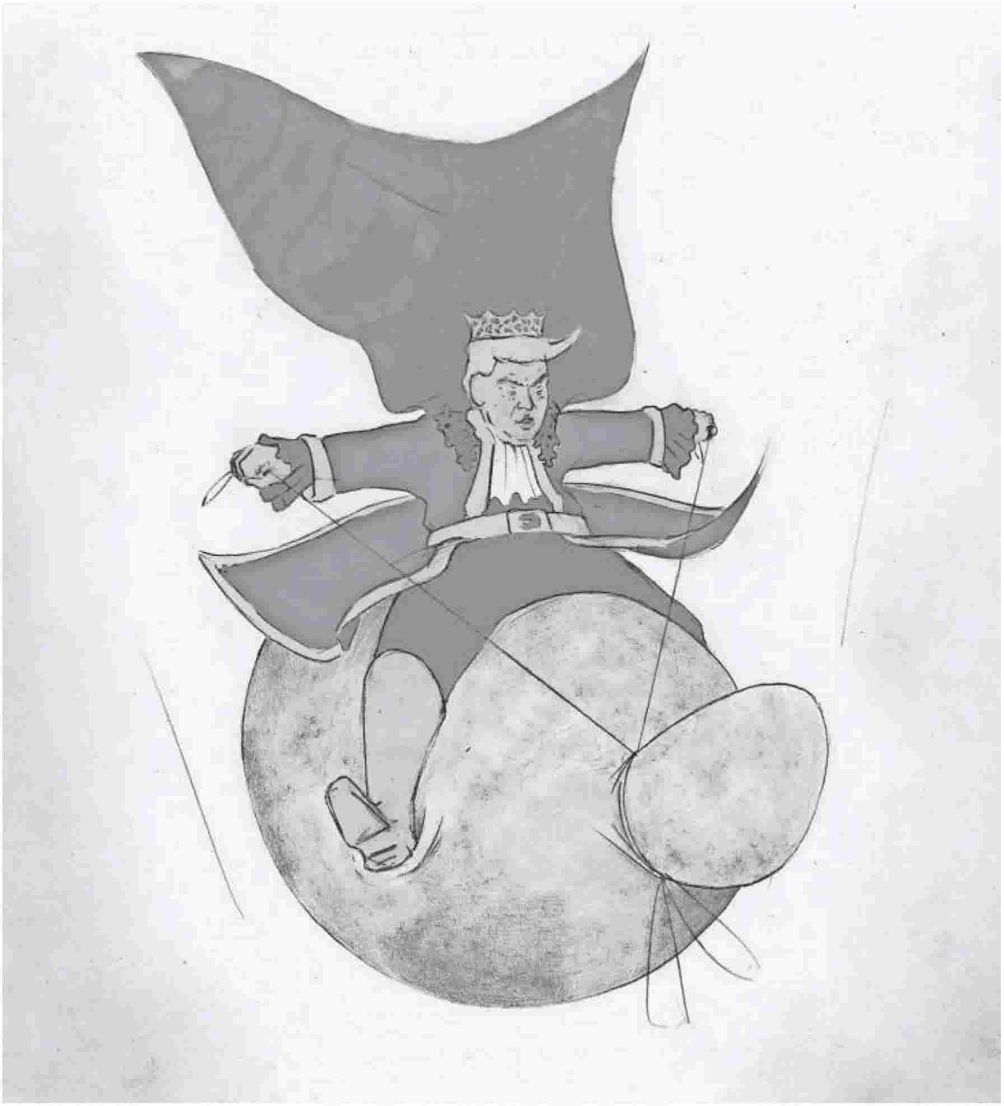
Opinion

This theory explains why Trump seems to sometimes act like a king

The president's approach is not just chaos or an updated version of 19th-century great-power competition.

Stacie Goddard
Abraham L. Newman



LUCA SCANDURRA

Negotiations around President Trump's demand for U.S. ownership of Greenland have left officials from Denmark, Greenland and many other countries feeling confused and overwhelmed.

President Emmanuel Macron of France texted President Trump to say, "I do not understand what you are doing on Greenland."

Indeed, for many people in the United States and abroad, Mr. Trump's foreign policy seems incoherent, even irrational.

But that is because people are looking at it through the wrong historical lens. Mr. Trump's approach is not just chaos or, as many people have commented, an updated version of 19th-century great-power competition. He is pursuing something more out of the 16th-century, what we call neoroyalist international politics.

Foreign policy has become a tool to channel money and status to Mr. Trump and his closest associates. National interests are eclipsed by those of elites. Rather than compete with rivals, Mr. Trump is willing to collude with them in order to advance his court's parochial interests.

And if other countries do not act quickly to check Mr. Trump's impulses, they are likely to enable a global order based on extraction and dominance.

For decades, the United States has championed a rules-based international order. Mr. Trump has wasted little time taking a wrecking ball to it and was typically blunt in declaring, "I don't need international law."

To interpret Mr. Trump's approach, the administration and pundits have been quick to turn back the clock to 19th-century models of international affairs. The purported Donroe Doctrine (aping the Monroe Doctrine of 1823) aims to secure a sphere of influence in the Western Hemisphere to counter the influence of Russia and China. We are back to a world, the president's deputy chief of staff, Stephen Miller, said, that is "governed by strength, that is governed by force, that is governed by power."

But what we are seeing is not great-power competition in any traditional sense. Instead of securing the region from narcotrafficking, Mr. Trump went after one autocrat in Venezuela and pardoned a former Honduran president who said he wanted to "stuff the drugs up the gringos' noses." Mr. Trump claims that taking over Greenland is "psychologically needed," even though the United States already has a military presence on the island and an open invitation to expand its bases. And he has struck deals with great-power rivals that undermine U.S. influence, reportedly promising Vladimir Putin territorial gains in Ukraine and approving Nvidia's bid to sell its high-end semiconductor chips to China.

Today, America's foreign policy establishment has morphed from a set of staid bureaucracies into a royal family, such as the Tudors or Hapsburgs. Foreign policy is molded in the hands of the court clique — a small, exclusive network. Some are in Mr. Trump's cabinet, like Marco Rubio, who is simultaneously the secretary of state, interim national security adviser, acting chief archivist and perhaps viceroy of Venezuela.

Mr. Trump's clique also centers on his family members and individuals who donated to his 2024 campaign (like Elon Musk and Paul Singer, the billionaire founder and co-chief executive of the hedge fund Elliott Investment Management). Ukraine peace negotiations continue to be led by Mr. Trump's fellow real estate magnate Steve Witkoff and Mr. Trump's son-in-law Jared Kushner.

While Mr. Trump boasts that the Venezuela intervention will increase American prosperity, there is actually little promise of national benefit. Instead, the gains appear to be flowing to Mr. Trump and his insiders. Amber Energy, an affiliate of Mr. Singer's hedge-fund company, won an auction for Citgo, the U.S. subsidiary of the Venezuelan state-owned oil company, a few months ago and is now strategically positioned to play a key role in refining and distributing that oil. As a down payment, Mr. Trump announced that up to 50 million barrels would be sold and that "that money will be controlled by me." The first sale was routed through the company of another megadonor, leading Senator Chris Murphy to conclude, "Trump took Venezuela's oil at gunpoint and gave it to one of his biggest campaign donors." Fifty million barrels is a mere two and a half days' worth of domestic consumption, but it would be well more than what Mr. Trump spent on his 2024 election campaign — a pot of patronage rather than a national investment.

Mr. Trump's trade policy follows a similar script. While not delivering a rebirth in U.S. manufacturing jobs, tariffs have served as a ready-made tool to get countries and companies to tithe. South Korea and Japan have collectively pledged hundreds of billions in investment funds operated under opaque governance rules. Vietnam fast-tracked the approval of a $1.5 billion Trump family golf course at the same time that it sought to reduce its tariff rate.

Private companies, too, pay the king a benevolence. Apple's chief executive, Tim Cook, delivered a gold-based plaque and a donation to Mr. Trump's planned ballroom. And the spoils system has paid off for members of the Trump family, with their personal wealth reportedly increasing by at least $4 billion since the election.

Looked at through a neoroyalist lens, the irrational becomes rational. The shift in U.S. semiconductor policy can be read as an effort by Mr. Trump and his insiders to place themselves at the center of huge sums of economic activity. For roughly a decade, U.S. policy sought to limit the sale of advanced chips to countries or companies that might leak U.S. technology to China. This made a ready pool of players willing to pay tribute to get that access, particularly in the Middle East.

GODDARD, PAGE 9

The president's fantasies are killing us

Being a "hot" country does not make you a good country. Or even a decent one.

Carlos Lozada

Just days before a winter storm overwhelmed much of the United States with snow and ice, President Trump addressed the World Economic Forum in Switzerland and declared that America was "the hottest country anywhere in the world."

The hottest. It's an adjective Trump likes to use, whatever the weather. Nearly 40 years ago, when he published "The Art of the Deal," he described his efforts to promote Trump Tower in Manhattan. "We positioned ourselves as the only place for a certain kind of very wealthy person to live — the hottest ticket in town. We were selling fantasy."

Yes, hotness is a fantasy and, decades later, Trump is still selling it. The American economy, for example, is "booming" and "exploding" and "surging" and "soaring" its way to the "fastest and most dramatic economic turnaround in our country's history," as he put it in Davos last week. In fact, the economy remains much like the one he inherited from the Biden administration, with low unemployment but persistent concerns over affordability.

Trump continues to sell the fantasy that he settled eight wars, that he has brought down prescription drug prices by mathematically impossible proportions and, of course, that he won the 2020 election, with the president now pledging to prosecute people for the imaginary crime of rigging it.

He must sell these past fantasies to prop up his latest one: the fantasy of a popular and successful presidency. "People are doing very well," Trump said in his Davos speech. "They're very happy with me." Yet a New York Times/Siena national poll in mid-January found that more than half of registered voters disapprove of Trump's job performance and more than half believe that the United States is headed in the wrong direction.

Above all, Trump's insistence that we are the hottest country in the world is disproved by the reality of ICE. While half the country agrees with deporting immigrants who are here unlawfully, 63 percent of those polled disapprove of how Immigration and Customs Enforcement is handling the task.

The poll was taken after the killing in Minneapolis of Renee Good, a 37-year-old mother of three, by an ICE agent, but before the killing of Alex Pretti, a 37-year-old intensive-care nurse, by Customs and Border Protection agents.

In both cases, Trump administration officials immediately denigrated the slain American citizens as domestic terrorists — yet another fantasy.

Fantasies have long defined Trump's approach to politics: the birther lies about Barack Obama, the size of the crowd at his 2017 inauguration, the invocation of "alternative facts," the suggestion that something must be true if "many people" are saying it, the reimagining of Jan. 6 as a "day of love."

JD Vance let the veil slip briefly during the 2024 campaign, when he said he was willing to "create stories" to harness media attention around his preferred issues (then, it was the notion that Haitian immigrants were eating their neighbors' pets).

Fantasies are alluring because they are not just about belief; they are about allegiance. The interpretation that suits your side is the one you'll accept or embrace, no matter video footage that indicates otherwise. When fantasies involve life and death, as in Minneapolis, the stakes only rise, and the cost of abandoning your side seems impossibly high.

Protests against ICE and its state-terror tactics have spread from Minneapolis to cities across the country, including Boston, Houston, Los Angeles, New York, Omaha, San Antonio, Seattle and Washington, D.C. Our politicians endlessly debate the wisdom of putting "boots on the ground" in foreign conflicts, but many Americans are rejecting those boots on the ground in their own cities and neighborhoods. The news that broke Monday night that Greg Bovino, the Border Patrol official who has done so much to inflame the situation in Minnesota and elsewhere, is expected to leave Minneapolis is a sign that the administration hopes to limit the

LOZADA, PAGE 9

OPINION

The New York Times
INTERNATIONAL EDITION

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He's right about the Arctic but not about Greenland

Troy Bouffard
Lionel Beehner

President Trump is right to be thinking about the Arctic. He is just focused on the wrong part. The area many Arctic strategists in America think needs immediate attention is not Greenland but the Bering Sea, about 3,000 miles away.

That is the part of the Western Hemisphere where Washington should be putting more of its energy to secure its military advantage. The Bering Strait is the choke point that links the Arctic and the Pacific Oceans, and more than 600 tankers cross the strait each year. Alaska's Aleutian Islands jut into the waters near Russia's far east like a finger wagging at Vladimir Putin and Xi Jinping, who leads the near-Arctic state to the south. Alaska's fisheries, oil deposits and other critical minerals make the region a vital area of commerce and, yes, competition.

That explains why Chinese and Russian bombers were spotted off Alaska in 2024; why Chinese and Russian naval and coast guard vessels have held military exercises in the international waters in the Bering Sea, not off Greenland; and why Russia's military has in recent years operated in proximity to American fishermen in the Bering Sea, not in Nuuk. Within a few decades, melting ice caps will further open up sea lanes and significantly reduce the time it takes to ship goods around the world. That will make the Bering Sea even more strategic, drawing even greater interest from Moscow and Beijing.

Trump should learn that the area most U.S. Arctic strategists think needs the most immediate development is not Greenland but the Bering Sea, almost 3,000 miles away.

Mr. Trump has called for greater military capabilities in Alaska, which currently hosts America's largest fleet of advanced fighter jets and missile defense architecture. Lawmakers have also discussed re-establishing a base in the Aleutian Islands, and joint military exercises have been ramped up in the region. This is not a call for the White House to militarize the Bering Strait, which could trigger a dangerous escalatory spiral or hasten a new arms race. But establishing a stronger U.S. military presence will be central to pre-empting, and certainly managing, any problems in the region. Effective defense and security require not only presence but also patience.

The Aleutian archipelago is no stranger to war. Dozens of Americans were killed during Japan's 1942 attack on Dutch Harbor, a naval base on the Aleutian island Amaknak; the Japanese subsequently occupied the nearby islands Kiska and Attu. Alaska was unprepared for assault then, and not much seems to have changed.

Today the U.S. military does not have sufficient resources and experience across the North Pacific. The military currently has only a handful of icebreakers, though it plans to get more, and is believed to be woefully unprepared to fight a near-peer competitor in subzero conditions. Washington has slashed Arctic research, and our military capabilities in the region are best designed to respond to events like maritime emergencies and illegal fishing or involve strategic assets like submarines, unmanned systems and planes.

The problems that are most likely to occur in a clash with an adversary require a wide range of options. During the winter, you can walk across the ice from Alaska to Russia. All it takes is one maritime incident to go wrong or one illegal abduction of a fishing vessel to spark a standoff between two — or even three — nuclear powers.

Greenland, by contrast, is along a far less trafficked corridor. While Mr. Trump has said that China and Russia, which have commercial interests on the island, have significant naval assets operating along its coast, some experts say that there is no evidence to support this claim. Assigning Greenland so much significance — at the risk of serious damage to important trans-Atlantic relationships — does not make America safer. Partnerships in the North Atlantic are serving America well. Now that Finland and Sweden have joined NATO, the northern flank of the alliance is more secure than ever.

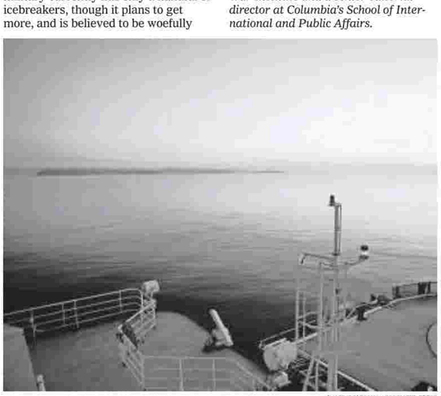
This doesn't mean America should ignore Greenland. The U.S. base there hosts a radar station that's critical for surveilling what happens in space and for our nuclear early-warning systems. The island may also hold vast reserves of rare earths that are essential to a global economy dependent on semiconductors and chips.

But, as the White House's new National Security Strategy recognizes, the United States cannot be everywhere at once. Danish and Greenlandic operators — for now, our military allies — are far more capable in handling the kind of threats expected above the Arctic Circle. We should let them.

In the meantime, by establishing a greater military presence in, say, Adak, an Aleutian Island that already has major infrastructure in place, the United States would gain considerable advantages both in the Arctic and in support of its interests in Asia, to say nothing of building deterrence. In Mr. Trump's vision of a world divided by spheres of influence, Adak, Dutch Harbor and the rest of Alaska lie firmly in the Western Hemisphere. Any Russian or Chinese shows of force beyond routine military drills would undermine our dominance in this hemisphere.

Pouring military resources into Greenland would not put our military in a better position to defend our growing Arctic interests. But redirecting our efforts toward the actual threat area in the region — and strengthening our position on land that already belongs to America — almost certainly would.

TROY BOUFFARD *is an assistant professor of Arctic security at the University of Alaska, Fairbanks, and the director of its Center for Arctic Security and Resilience.* **LIONEL BEEHNER** *is a former research director of West Point's Modern War Institute and a senior editorial director at Columbia's School of International and Public Affairs.*



DAVID GOLDMAN/ASSOCIATED PRESS

Chinese and Russian bombers were spotted off Alaska in 2024, and their naval and coast guard vessels have held military exercises in the international waters in the Bering Sea.

This theory explains why Trump may act like a king

GODDARD, FROM PAGE 8

A few months after coming to office, Mr. Trump traveled to the United Arab Emirates, reversing U.S. policy and arranging a preliminary deal that would open up the flow of half a million Nvidia chips to that country. The unprecedented deal steamrolled security concerns surrounding ties between the Emirati company G42 and the Chinese Communist Party. Shortly before the finalized deal was announced, Emirati-backed investors plowed $2 billion into World Liberty Financial, a cryptocurrency start-up founded by the Trump and Witkoff families.

As with all royal houses, the goal is not only money but also status. Mr. Trump seems to think that perceptions of power mean actual power. Some have quickly adapted to the game. It is not random that when he arrived for his state visit to South Korea, the government gave him a golden crown or that King Charles of Britain offered a royal visit draped in pageantry and tech titans.

As with all royal houses, the goal is not only money but also status. Trump seems to think that perceptions of power mean actual power. Some have quickly adapted to the game.

This status game is far from costless. Just ask India's prime minister, Narendra Modi. In 2025, as trade talks dragged on between India and the United States and after he refused to credit Mr. Trump for playing a key role in a cease-fire between India and Pakistan and nominate Mr. Trump for the Nobel Peace Prize, India was slapped with unprecedented tariffs. Greenland follows a similar logic. Mr. Trump's various threats and interest in a Nobel have loomed over his demands about the semiautonomous island.

The reaction of most of the world to Mr. Trump's neoroyalism had been muted. Last week at Davos, Mr. Trump's threats finally prompted European leaders to openly rebuke his claims to Greenland. Yet Europe has said little about the U.S. intervention in Venezuela. Even on Ukraine, leaders like Mr. Macron and Germany's Friedrich Merz seem more inclined to flatter than outright oppose him. Mr. Macron might claim that Europe "prefers respect to bullies," but he also went as far as to defend Mr. Trump's demand for Ukraine's minerals, seeing it as a way to buy United States support for Kyiv.

Perhaps everyone hopes that it is fine if Mr. Trump wants to style himself as a Hapsburg emperor, as long as the world eventually returns to the rules-based normal. This is a dangerous bet. A group of Swiss billionaires took a gold bar and a Rolex desk clock to the Oval Office. Then Switzerland got some tariff relief, but at what cost? And what about next time? The more foreign public and private leaders appease Mr. Trump, the more those behaviors become the norm of international politics.

To resist neoroyalism the first step is to "name the reality," as Prime Minister Mark Carney of Canada warned at Davos. He noted that those who "compete with each other to be the most accommodating. This is not sovereignty. It's the performance of sovereignty while accepting subordination."

Mr. Carney is right. A neoroyalist world is not inevitable. Countries — including America's closest partners — now need to offer a coherent alternative, mobilizing their own sizable collective resources to counter Mr. Trump and support a system based on fair rules and predictable diplomacy.

A potential deal between the European Union and the countries of the South American trade bloc Mercosur would be a good start, creating one of the largest free trade zones in the world and a bulwark against U.S. economic bullying. The European Union should continue to accelerate trade integration in Asia and Africa, offering a clear alternative to a system based on tithing and threats. And European nations must be willing to make a coordinated financial injection into their defense industries and reduce dependence on the United States.

Domestically, businesspeople must understand that the short-term payoff of patronage is less valuable than the long-term value of the stable rule of law. Major U.S. oil companies are not diving headfirst back into Venezuelan oil. Capital does not want to end up in the same position as an oligarch in Mr. Putin's Russia, constantly fearing arbitrary punishment and open windows.

A neoroyalist world is not good for the United States, and it is not good for humanity. Its primary goal is extraction for the few rather than safety or prosperity for the many.

STACIE GODDARD *is a professor of political science at Wellesley College and the author of "When Right Makes Might: Rising Powers and World Order."* **ABRAHAM L. NEWMAN** *is a professor of international affairs at Georgetown and an author, with Henry Farrell, of "Underground Empire: How America Weaponized the World Economy."*

MARK SCHIEFELBEIN/ASSOCIATED PRESS

It is not random that when President Trump arrived for his state visit to South Korea in October, President Lee Jae Myung gave him a golden crown during a ceremony in the city of Gyeongju. King Charles of Britain offered a royal visit in September draped in pageantry.

Meanwhile, back in the Taiwan Strait

KRISTOF, FROM PAGE 1

with The Times this month, referring to how Xi might handle Taiwan. "But, you know, I've expressed to him that I would be very unhappy if he did that, and I don't think he'll do that. I hope he doesn't."

That was a shockingly mild response, and it contrasted with the concern in Trump's own Defense Department. Adm. Samuel Paparo, head of the Indo-Pacific Command, warned last spring that "Beijing's aggressive maneuvers around Taiwan are not just exercises — they are dress rehearsals for forced unification."

And just last month, the Pentagon issued a major report warning about China's gains in military power, including cyber, space and nuclear weapons and artificial intelligence, and asserting that "China expects to be able to fight and win a war on Taiwan by the end of 2027."

That may be alarmist. My view is that Xi would much prefer to avoid war. But he is hard to gauge, and Trump's seeming lack of interest in the topic surely plays into Xi's calculations of the costs and benefits of aggression against Taiwan.

Ko Cheng-heng, a longtime Taiwan security official who now leads a military think tank in Taipei, told me that Chinese generals are probably sobered by Trump's decisiveness in attacking Venezuela and by the ease with which American forces foiled Chinese-made radar systems in Venezuela. But Ko also noted that Trump's mild reaction to China's military exercises may encourage China, Russia and North Korea to test America in the Pacific.

If a test is underway, I fear Trump is failing it. And some in Taiwan are nervous that Trump's desire to make his April summit with Xi a diplomatic triumph will lead him to casually make concessions that damage Taiwan's security.

Trump's puzzling deference to Xi has been on display over the last two months, as Beijing has undertaken a frenzied campaign against Japan. The campaign began after the Japanese prime minister, Sanae Takaichi, indicated that her country might respond militarily if China used force against Taiwan.

"If you stick that filthy neck where it doesn't belong, it's going to get sliced off," a Chinese diplomat publicly warned Japan.

Any normal president would have called Takaichi to show support. Instead, Trump had a call with Xi and then reportedly advised Japan to pipe down. This felt like a betrayal of an ally essential to deterring Chinese aggression.

AN RONG XU

Why should we care about Taiwan? For starters, it's now arguably the most democratic place in Asia, and it would be better if it didn't fall under a rival nation's oppressive thumb. More broadly, Taiwan manufactures most of the world's advanced chips, so a war there might trigger a prolonged global depression and deprive the U.S. economy and military of critical inputs. In addition, Taiwan is part of the first island chain that limits China's ability to project power across the Pacific, so its loss would be an immense setback for American military, political and economic influence.

Trump's puzzling deference to Xi Jinping has been on display over the last two months, as Beijing has undertaken a frenzied campaign against Japan.

The United States traditionally has declined to say whether it would defend Taiwan from a Chinese invasion. But this policy of "strategic ambiguity" oscillates with the president, and Trump seems much less inclined to protect Taiwan than some of his predecessors.

To the Trump administration's credit, in December it announced an $11 billion arms sale to Taiwan, a huge package that will help with deterrence. But overall I fear that Trump has projected a dangerous weakness.

One reason for Trump's diffidence may be his dismissal of Taiwan as a tiny island far less significant than China. Another may be vulnerability: Americans don't seem to understand how much Xi outmaneuvered Trump in 2025. Trump started a trade war with Beijing, and Xi responded to Trump's tariffs by restricting exports of rare-earth elements, forcing an American surrender and leaving Trump in effect on a Chinese leash.

In 1996, President Bill Clinton dispatched two aircraft carrier strike groups to support Taiwan during a crisis. But Trump knows that if he made a similar move today, China would most likely cut off rare earths and hobble the American economy.

So instead of America's deterring China from aggression against Taiwan, Xi may be deterring Trump from defending Taiwan.

Trump should take two critical steps to boost deterrence. First is to ensure that Russia loses in Ukraine or pays a staggeringly high price. If Xi saw the world united behind strong anti-Russia sanctions and asset confiscations as well as overwhelming support for Ukraine that made Moscow likely to lose, he would hesitate to attack Taiwan.

Second, the United States should cultivate friends that would stand with us in a conflict over Taiwan. President Joe Biden knit together Japan, South Korea, the Philippines and Australia for that purpose. It would also help to have friendly countries ready to sanction China and to support a blockade of Chinese shipping through the Malacca Straits.

Trump is taking neither step, of course. And by chasing a fantasy in Greenland and seemingly running away from Taiwan, he elevates the risk of an actual nightmare of a war.

The fantasies of a president

LOZADA, FROM PAGE 8

damage, if not shift its strategy.

In a moment like this one, there is something especially ridiculous about Trump's claims to national hotness. They remind me of Paris Hilton's vacuous "that's hot" catchphrase, or of Will Ferrell as the villain Mugatu in the 2001 movie "Zoolander," stroking his poodle and declaring a male model to be "so hot right now."

Trump has even ruminated about whether he was hotter as a young man or as president. "I was sort of like a hot guy," he said at a 2024 campaign rally. "I was hot as a pistol. I think I was hotter than I am now, and I became president. OK? I don't know. I said to somebody, 'Was I hotter before or hotter now?' I don't know. Who the hell knows?"

For Trump, hotness is not just about economic success or poll numbers. It's not just about how good you look. It's about whether others are looking at you, about remaining the unceasing focus of the country and the world. To get there, and to stay there, you must create spectacle, stoke controversy, even if it means deploying masked federal agents, a virtual paramilitary force, to America's cities, and letting them round up our neighbors and kill our citizens.

To stay hot, you must keep raising the temperature, because deep down every politician, like every celebrity, realizes that hotness is fleeting — it's a vibe, a fad, a meme. The administration knows it and admits it. As a Trump aide put it when the White House was caught manipulating the image of an arrested Minnesota protester to make it look as if she was crying: "Enforcement of the law will continue. The memes will continue."

But being a "hot" country does not make you a good country. Or a decent one. Or one worthy of respect or emulation. America has gone from being a country where immigrants go to pursue their dreams to one where leaders rule by imposing their fantasies. That's not hot. It's just sad.

Exactly 10 years and one day before federal agents shot and killed Alex Pretti in Minneapolis, Trump boasted: "I could stand in the middle of Fifth Avenue and shoot somebody, and I wouldn't lose any voters, OK? It's like, incredible." Now that his administration is in fact shooting people in the middle of the street, was that statement a fantasy? Or will he be proven right?

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OPINION

America Doesn't Do Fascism

UNRULY REPUBLIC
By Barton Swaim

"The clearest sign that we are not actually in a bubble," investor Ben Horowitz remarked last month, "is the fact that everyone is talking about a bubble." You could say the same about fascism. Under the real thing, people know what's happening without needing a lot of eggheads and politicos to tell them.

Since 2016 Donald Trump's fiercest critics have intermittently reached for the word "fascism" to explain their troubles. The word is everywhere on the left just now. Minnesota Gov. Tim Walz settled on it last summer ("These are fascist policies—that is what they are"), and this week he made the discreditable comparison between people worried about immigration raids and Anne Frank. Democratic Party Chairman Ken Martin calls Mr. Trump "fascism dressed in a red tie" and says the administration wants to "march us to full-on fascism."

This week the Atlantic published an essay headlined "Yes, It's Fascism," in which Brookings Institution scholar Jonathan Rauch draws up a series of categories—"demolition of norms," "might is right," "police-state tactics," "blood-and-soil nationalism"—that in his view describe both Mr. Trump and "classical" fascism of the 1930s. But Mr. Rauch says America "has not fallen to fascism," which is a relief. We're now only "a hybrid state combining a fascist leader and a liberal Constitution."

You could write the same sort of clever essay to show that Barack Obama is a socialist or that Zohran Mamdani is a communist. But unlike Messrs. Obama and Mamdani, who hold coherent worldviews at least partially consistent with socialism and communism, respectively, and who have declared admiration for real-life socialists and communists, Mr. Trump has no categorizable worldview. The suffixes "ist" and "ism," as I've said before in these pages, assume conscious belief. You can't be a fascist, or a socialist or a communist, without in any way meaning to be one.

It's true, in fairness to liberals who have mistaken Mr. Trump for a fascist over the past decade, that the president sometimes acts and sounds like a strongman. He understands constitutional limits when he wants to and doesn't when he doesn't. In his second term he has used the Justice Department to target his foes—though in comically inept ways that diminish his polling numbers and turn those foes into heroes. He has chafed at constitutional limits but hasn't declared himself exempt from them except in goading asides (he promised not to be a dictator, except for one day—"after that, I'm not a dictator"). He likes to name buildings after himself, which is weird but doesn't hurt anything but sensibilities. He has complied with court orders, even if the administration's attorneys have required cajoling by district judges on the matter of immigration.

That is what makes Mr. Trump more interesting, and more puzzling and exasperating, than the latter-day fascist of liberal imagination. He has far more in common with Andrew Jackson than with Buzz Windrip, the fascist American dictator and antihero of Sinclair Lewis's novel "It Can't Happen Here."

> **Trump is far more interesting than the dictator living in the liberal imagination.**

Strongmen don't do what Mr. Trump did on Tuesday: moderate in response to the electorate's perception that his policy has gone awry. Without acknowledging it—he doesn't admit course corrections in response to bad press or public outcry—Mr. Trump removed Homeland Security Secretary Kristi Noem and Border Patrol chief Greg Bovino from operations in Minneapolis and replaced them with the more experienced and professional Tom Homan. Mr. Bovino's devil-may-care management and Ms. Noem's idiotic bombast turned public opinion against ICE's activities in the Twin Cities.

The descriptor "fascist," really only a highfalutin term for "Nazi," does what other epithets don't. It places its object outside the company of lawful American actors. I wish Mr. Trump wouldn't call his adversaries "radical left lunatics." But this obviously hyperbolic phrase nonetheless places its targets on a spectrum of American politics. The U.S. didn't fight a world war at the cost of 400,000 lives to rid the world of radical left lunatics. Hollywood hasn't produced hundreds of movies about the menace of radical left lunatics.

I assume Mr. Walz knows the difference between the Gestapo and federal ICE agents, and between detention centers for illegal immigrants and Bergen-Belsen. California Gov. Gavin Newsom, who opened his 2024 state-of-the-state address by evoking the fears of 1939, didn't believe his own words, inasmuch as the following year he hosted a chummy podcast conversation with Mr. Trump's most popular exponent, Charlie Kirk. But some not insubstantial number of these politicians' listeners take their assertions both seriously and literally. That so many people in Minneapolis have endangered themselves by waving phones in the faces of armed federal officers and shouting obscenities as if they were psychotic is one of many unhappy consequences.

American public figures have a duty to think better of their country than to believe it capable of putting a fascist in the White House. Some of them might ponder the possibility that he wouldn't be there at all were it not for excesses they cheered at the time.

Midterms Are Dems' to Lose—and They May

By Karl Rove

In midterm elections, the party that doesn't hold the White House almost always makes gains. That's especially true when the president's approval rating is underwater, which means Republicans should be worried. Donald Trump's approval is 42.7% in the RealClearPolitics average. Consumer confidence is dropping. And the terrible mistakes in Minneapolis have hurt him and his party.

Yet all this doesn't guarantee a smashing victory for Democrats in November. There's time—more than nine months—for Republican fortunes to improve. More important, Democrats have their own problems.

Many of them think that attacking Mr. Trump for every action and word is sufficient. It isn't. The attacks must be linked to a Democratic agenda that addresses issues Americans believe affect their lives. Blindly bashing Mr. Trump every day lets the president choose the terrain. Democrats must have a plan that allows them to attack him deliberately on turf more favorable to them.

It doesn't help that so many Democrats are screaming for Mr. Trump's impeachment. Republicans overreached in impeaching Bill Clinton in 1998, and Democrats didn't do themselves any good when they impeached Mr. Trump twice in his first term. Swing voters know two-thirds of the Senate won't vote for impeachment today. So they see calls for removing Mr. Trump as more partisan politics.

Time spent demanding impeachment is time lost discussing what will move swing voters. Independents want to know how Democrats would improve the economy and why their paychecks haven't caught up with prices. They're uneasy about artificial intelligence, tariffs and trade disputes. They see the world as dangerous and unstable. And they're suspicious because they attribute much of America's economic mess to Joe Biden. Absent a Democratic agenda, many of them won't be convinced that Democrats would be better at governing.

> **Bashing Trump and pandering to the kooky left is hardly a winning formula.**

To maximize their victories, the Democrats' agenda must move closer to the center and away from the fever swamps of the far left. The victory of Zohran Mamdani as New York mayor has grabbed the attention of party activists. It will encourage copycat primary candidates. He and his socialist experiments will draw national attention this year. That won't be helpful in November. His vision is unpopular outside a few deep blue enclaves.

Truth be told, it isn't all that popular even in New York City. Of voters there, 65% are registered Democrats and 11% are Republicans. Mr. Mamdani won only 50.8% of the vote.

The more left-wing candidates triumph in primaries, the more Democrats everywhere will have to explain where they stand on the left's more controversial ideas. The outcome of the battle inside the Democratic Party is crucial. Playing defense doesn't win elections.

Neither does demanding the abolition of Immigration and Customs Enforcement. That cry could become as damaging to Democrats as "defund the police." It reinforces that Democrats support open borders and protecting violent criminal illegal aliens. Better to condemn individual ICE actions and call for dramatic reforms than to appear soft again on crime and illegal immigration.

Democrats have also made a huge mistake defending men's participating in women's sports and availing themselves of the ladies' restroom. Many up-for-grabs voters are unsettled when Democrats can't define the word "woman" or acknowledge that men can't give birth. These Democrats look like kooks.

Another worrying sign for Democrats: Voters trust congressional Republicans more than congressional Democrats on critical issues. A Journal poll this month found that voters think Republican lawmakers are "best able to handle" the economy by 38% to 32% for Democrats. On inflation, same numbers. On immigration, it's 44% Republicans, 33% Democrats. On foreign policy, 38% Republicans, 33% Democrats.

Finally, Democrats face a structural problem. They have fewer easy targets this year. Presidents typically carry in on their coattails a bunch of their party's candidates in marginal seats. Not so Mr. Trump. Republicans lost two House seats in 2024.

Democrats must do what they've never done during the Trump era: emphasize a governing agenda rather than fierce denunciations of the president. Talk less about him and more about the needs of ordinary Americans. Stay away from the far left. Show common sense. It shouldn't be hard to do, but it is. That's why Democrats are still in a jam.

Mr. Rove was senior adviser and deputy chief of staff for President George W. Bush and is author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

The Surprising History of America's Song

By Bob Greene

I heard the song the other evening as it was played and sung at a sports event. We'll all be hearing it a lot during America's 250th birthday this year.

I called Victoria Traube to ask if that often happens to her—that out of nowhere, she hears the opening verse of "God Bless America."

> **'God Bless America' was a Jewish refugee's love letter to America.**

"Of course," she said.

How does she feel when she hears it?

"Proud."

Ms. Traube is one of three board members of the God Bless America Fund, an organization most people have never heard of. I hadn't until about 15 years ago, when I was researching the craftsmanship of Irving Berlin (1888-1989) for a story I was preparing for a television network.

Berlin was perhaps the greatest American songwriter. He came to the U.S. when he was 5, his family fleeing violent anti-Jewish pogroms in their Russian village. His birth name was Israel Isidore Beilin. The immigrant child spoke not a word of English.

He began work at age 8, selling newspapers in the streets to support his family, who lived in a New York tenement. Despite never having taken a music lesson or learned to read music, his talent—his genius—arose almost miraculously. During his life he would write some 1,500 songs.

Their lyrics—lyrics from the heart of someone who arrived on these shores with the accent of a distant land—warmed the hearts of Americans, who heard Bing Crosby sing "White Christmas" and Judy Garland "Easter Parade," and who understood that Irving Berlin was, in the ways that mattered, speaking their language. But one of his songs meant more to him than all the others.

GETTY IMAGES

Irving Berlin at the piano.

"God Bless America," sung publicly for the first time on the CBS Radio Network by Kate Smith in 1938 as World War II was forming in Europe, summarized everything that this country meant to Berlin. He knew he never could have lived the life he lived had the U.S. not welcomed his family.

As the song became a sensation, Berlin made a decision: He did not want to profit a penny from it, ever. He wanted it to be his gift to America.

He instructed his attorneys to establish the God Bless America Fund and to assure that in perpetuity every cent his song earned would go to Boy Scout and Girl Scout organizations, particularly in poor neighborhoods. The country had given him a chance when he was a boy; he wanted to repay that debt.

When I first heard about the fund, it had donated about $10 million to Scout organizations over the decades. In the years since, that has grown by another $3 million or so.

You may want to keep that in your thoughts the next time you hear "God Bless America," as you doubtless will many times this birthday year. The songwriter is dead, but his love for the nation that welcomed him is immortal.

I asked Ms. Traube what she makes of that gesture from the scared little boy who arrived here with nothing.

"I think that Irving Berlin did a great thing," she said.

For his home sweet home.

Mr. Greene's books include "Chevrolet Summers, Dairy Queen Nights."

BOOKSHELF | By Daniel Akst

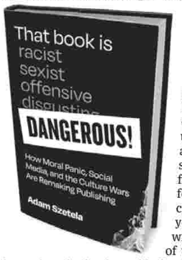
Of Pages And Pieties

That Book Is Dangerous!
By Adam Szetela
MIT, 288 pages, $29.95

Barney Rosset risked violence and insolvency so that his Grove Press could print unexpurgated American editions of such forbidden works as "Lady Chatterley's Lover" in 1959 and "Tropic of Cancer" in 1961. To publish "Ulysses" in 1934 without risking prosecution, Random House first had to orchestrate a court case to prove the book innocent of obscenity.

Today's publishers aren't much constrained by obscenity laws. Instead, the pressure comes from staff members and social-media mobs wielding their "militant fragility," in the words of Adam Szetela, to remake our book culture into an anodyne enterprise that puts "safety" first. Mr. Szetela lays bare this remarkable phenomenon in "That Book Is Dangerous! How Moral Panic, Social Media, and the Culture Wars Are Remaking Publishing."

The result is a devastating work of scholarship that commits the ultimate transgression of failing to include the trigger warnings so cherished by the targets of the author's indictment. Readers might well feel they deserve a warning too, for sane lovers of literature who read this book are likely to experience fury and even despair by the time they finish.



The industry transformation the author chronicles here—much of it premised on the need to avoid feeling unsafe and the trauma attendant to not being a straight, white man—will be familiar to anyone who has followed the online purity crusades of the past few years. But even jaded readers will be startled by the scope of the self-organizing tyranny besetting the book world. Hardly anyone has the temerity to stand up to it.

Courage, in the author's account, is scarce in a literary culture circumscribed by sanctimonious bullies and in thrall to identitarian grievance mongers. Again and again his terrified sources, after bemoaning the Orwellian climate of the book business, beg him for reassurance that they will not be named in print.

Mr. Szetela describes vicious (and semiliterate) pile-ons in response to imaginary transgressions, abject apologies akin to hostage statements and gleeful attacks on the apology until the victim has been shunned by publishers, editors and agents—and branded with a seemingly indelible digital scarlet letter. "Years later," the author explains, "the first page of Google will continue to advertise their polluted moral status to the world."

The problem seems to begin on campus. The author notes that when he searched the Modern Language Association job list one day in 2022, 72 out of 74 positions in North America sought "applicants who specialize in race, ethnicity, sexuality, disability, indigeneity, and other identities." The desired identities are often part of the job: "Assistant Professor of Latina/o/x Literatures and Cultures" or "Assistant Professor of Race, Diaspora, and Indigeneity."

The master-of-fine-arts programs that produce so many of today's writers are part of this revolutionary higher-education landscape. Students in writing workshops are loath to honestly criticize each other's work, especially if the writer belongs to a sacrosanct group. Professors are subject to obsessive student surveillance and called out for deviations from approved terminology. As one graduate student tells Mr. Szetela, there are "social points awarded for each identification of something problematic."

Graduates who embark upon a literary life will find the book industry policed by an army of sensitivity readers, members of identity groups paid to make sure their group isn't misrepresented. As the author says of one such reader, "his job is to make literature inoffensive." But this pursuit of authenticity can end up reinforcing stereotypes.

> **Adam Szetela depicts a publishing world beset by vicious pile-ons in response to transgressions and abject apologies.**

The business of sensitivity readers is booming even as recreational reading wanes. Mr. Szetela notes that some agents demand that authors hire them before the agency tries to sell the manuscript. For writers, hiring such readers is a badge of good "literary citizenship" and a chance to flaunt their virtue as well as their success by boasting of how many they can afford. "As a straight white male who's spent the past four years writing a queer love story," says one preening author, "I've used nearly a dozen sensitivity readers so far, and I will no doubt use several more once my agent and I go on submission."

Obscure literary journals that might once have published new and transgressive writing now prioritize work that "avoids the risk of harm," in the words of Hunger Mountain Review, which has vowed to combat "the cis-heteronormative white-supremacist ableist patriarchy." Denver Quarterly evidently bars material that lays bare social evils, since "we do not tolerate submissions that contain hate speech, bigotry, discrimination, or racist, sexist, homophobic, transphobic, or ableist language or violence of any kind."

Mr. Szetela also reports that, starting with children's books but now more widely, publishers have begun including "morality clauses" in contracts with authors, clauses so vague that some of them could permit cancellation for nearly any behavior anyone finds objectionable. The Authors Guild, likening this trend to the McCarthyism that destroyed the careers of writers, filmmakers and others in the 1950s, asserted that "morals clauses chill free speech."

Mr. Szetela is a courageous and capable chronicler of the publishing industry's nervous breakdown, highlighting the new intolerance that has replaced the old and using a class-based critique to expose the contradictions and hypocrisy of "woke" publishing. But he fails to situate publishing in the context of the larger network of liberal cultural institutions that in recent years have congealed into a single, neurotic political enterprise obsessed with gender, race and, lately, the vilification of Israel.

The spread of this new orthodoxy shouldn't be surprising, for as the author notes, "insatiability is a defining feature of moral crusades. As crusaders achieve victories, they expand the scope of their crusade."

Mr. Akst is the publisher of Tivoli Books.

OPINION

REVIEW & OUTLOOK

The Perils of a Falling Trump Dollar

President Trump this week said he thinks a weaker dollar is "great," but he should be careful what he wishes for. Many politicians over the years have contemplated a weaker greenback as an economic miracle cure. They often discover that a weak dollar is a liability.

He says he's OK with a weaker currency. Voters may feel differently.

Mr. Trump made his remark Tuesday amid dollar weakness that is contributing to instability in global foreign-exchange markets. The WSJ Dollar Index, which compares the greenback to a basket of currencies, has fallen about 8% over the past year, and gold's steady ascent, to above $5,300 per ounce this week, sends its own signal about dollar weakness. The dollar-euro exchange rate is among the most important in the global economy, and the greenback has lost about 14% of its value relative to the euro over the past year.

Other currencies have fallen further. The Japanese yen dropped to near ¥160 yen per dollar last week, a level not seen (with a brief exception in 2024) since the 1980s. The Korean won has oscillated between a sharp appreciation in the first half of last year and then a deep depreciation in the second. But a softening dollar remains the big story here, and now Mr. Trump says that's A-OK with him.

How retro. For decades, devaluationists held that a weaker currency boosts exports and employment while a strong currency can throttle an economy. It's been decades since this view enjoyed strong empirical support, if it ever did. Today's high-tech exports are less susceptible to this form of price competition. For global consumers choosing among a Ford, a Volkswagen, a Honda or a Kia, price is one of many factors they consider alongside safety, comfort and the size of the touch screen.

Plenty of evidence suggests that exchange-rate swings produce at best very short-term shifts in economic activity—before domestic inflation and deflation offset the effects. This should set off alarms for Mr. Trump, since a weak dollar risks inflation he can ill-afford before the November midterms.

Some economists in Mr. Trump's orbit have updated old exchange-rate theories to comport with their protectionist instincts on trade. The idea is that "too much" foreign financial investment into the U.S. overvalues the dollar, which kills exporting industries and creates America's large trade deficit.

Here, too, evidence of actual harm is hard to spot. This so-called problem exists only because so many foreigners are investing in American economic growth. Worse, the so-called solution is to deter that investment, such as with a withholding tax on interest paid to foreign holders of Treasurys.

All of this is an argument for a strong or stable dollar policy. Especially when you consider why other currencies may be behaving as they are. The big risks are in Asia.

In Japan, a weaker yen appears to be a symptom of a broader economic and financial rebalancing underway as interest rates normalize, inflation picks up, economic green shoots appear, and Tokyo's fiscal policies remain profligate. Japan's transition toward a more normal monetary policy is risky enough without political fights over the yen-dollar rate.

Credit Treasury Secretary Scott Bessent for understanding this and engaging in moral suasion with foreign-exchange traders last week to help Tokyo stabilize the yen. Credit to him as well for saying Wednesday that the U.S. has always had a "strong dollar policy," which countered Mr. Trump's comments a day earlier. The greenback rallied on the news.

China shows signs of the opposite risk. Beijing is anxious to avert too much appreciation of the yuan. American protectionists interpret this as a competitive devaluation, but Beijing's bigger concern by far is that a rapid run-up in the yuan might accelerate a deflationary spiral that may already be forming in its heavily indebted economy.

The yuan exchange rate, which is weaker relative to the dollar than some estimates think it should be, is a sign of Beijing's vulnerability rather than export savvy. No one—not even Mr. Trump—should want to push the world's second-largest economy into a depression if we can avoid it.

There are good reasons Washington traditionally reverts to a strong-dollar policy. Mr. Trump likes being an economic iconoclast, but he breaks this particular tradition at his—and America's—peril.

Guan Heng Gets U.S. Asylum

Here's the best news of the day, and about immigration believe it or not: On Wednesday a judge granted asylum to Guan Heng, the Chinese man who risked his life to expose the Communist Party's human-rights abuses.

A judge grants refuge to a worthy dissident, no thanks to DHS.

We've been telling readers about the plight of Mr. Guan, whose asylum claim is as strong as it gets. The 38-year-old read about Chinese ill treatment of the ethnic Uyghurs from foreign sources on the internet, and he traveled to Xinjiang province at great personal risk to see for himself. He gathered photographic evidence of the re-education and detention camps where the Communist Party imprisons Uyghurs.

Mr. Guan then risked his life to make it to the Americas. After fleeing China via Hong Kong, Ecuador and the Bahamas, he set sail in October 2021 for Florida on a flimsy inflatable boat, scheduling the online release of his evidence in case he didn't make it to shore. Shortly after his arrival he requested asylum, and the U.S. granted Mr. Guan a legal work permit in 2022 while his asylum claim was pending.

Yet Immigration and Customs Enforcement arrested Mr. Guan in August after encountering him by chance, and he's been in a jail in upstate New York since. Mr. Guan would face imprisonment or worse back home, where Chinese authorities have harassed and threatened his family. Beijing would seek to extradite or kidnap him if he were deported to a third country.

The Department of Homeland Security says its immigration crackdown has focused on the worst criminal migrants, but its treatment of Mr. Guan is one example of how its enforcement has been far more indiscriminate. Despite the merits of his case, DHS never supported his asylum claim. Even after Wednesday's ruling in his favor, Mr. Guan still hasn't been freed from detention as DHS is reserving the right to appeal.

Mr. Guan could be released immediately if DHS backs off, but he may have to wait until the government's 30-day appeal window is over. The bureau's bloody-mindedness even after Mr. Guan's case was widely publicized is further proof that DHS needs new leadership.

Thanks to Judge Charles Ouslander for his asylum ruling, which shows the U.S. can still be a beacon for liberty and a refuge for dissidents from the world's cruel authoritarians.

Why the U.S. Needs Diego Garcia

Have you heard about the dispute over a remote island vital to U.S. security? No, not Greenland. Spin the globe to the Indian Ocean, where President Trump is suddenly worried that Britain may give up sovereignty over the island of Diego Garcia. He has a good strategic point, but his late arrival to this debate is roiling British politics.

Trump can block the U.K. deal to hand the Chagos Islands to a friend of China.

Mr. Trump posted on social media amid his Greenland spat that the U.K. "is currently planning to give away the Island of Diego Garcia, the site of a vital U.S. Military Base, to Mauritius, and to do so FOR NO REASON WHATSOEVER. There is no doubt that China and Russia have noticed this act of total weakness."

It's no exaggeration to call the joint U.S.-U.K. military post on the island roughly 1,000 miles southwest of India a vital forward military deployment. The base allows the U.S. to defend its interests quickly from the Pacific to the Middle East, and the outpost is essential for everything from logistics to parking U.S. B-2 bombers. The base lets the U.S. deploy air power over a wide area.

That makes it all the more strange that the Brits are moving forward with a deal to hand sovereignty of the Chagos Islands, where Diego Garcia is located, to the country of Mauritius. The deal lets the U.S. and the Brits keep using the military base on a 99-year lease, and the Biden Administration blessed the deal.

Oh, and so did the Trump Administration. The State Department said last May that the deal "secures the long-term, stable and effective operation" of the joint base. Where was Secretary of State Marco Rubio on that one?

Diego Garcia becomes more important as China expands its blue-water navy and establishes naval and air bases in the Indo-Pacific. Mauritius is friendly with Beijing, and it's possible China could pressure the poor island nation to alter the lease in the future.

It's a mystery why the Trump Administration welcomed the deal, and the hour is late to change course. The handover to Mauritius was signed last year and has been working its way through Britain's Parliament for ratification. The ceding of sovereignty seems to be related to the Labour Party's guilt that Britain once had a colonial empire.

But Mr. Trump can still scuttle the Mauritius deal under a 1966 treaty between the U.K. and U.S. that established defense uses for the British Indian Ocean Territory. The treaty stipulates that "the Territory shall remain under United Kingdom sovereignty."

Mr. Starmer is urging the U.S. not to blow up his Mauritius deal, but the President's alert has awakened the opposition in Parliament. Tory leader Kemi Badenoch is on the case, and so is Reform Party leader Nigel Farage. Mr. Starmer, currently on a trip to Beijing, has said he's sticking with the Mauritius deal.

Mr. Trump didn't help his case to persuade Mr. Starmer with his week-long threats over Greenland and NATO. But he's right on the need for Diego Garcia. As for the Brits, they remain a close U.S. ally, and the partnership has been a bulwark of global freedom for a century. The joint base is best kept in the free world's hands.

LETTERS TO THE EDITOR

How Trump Could Really Fix Housing Market

Allysia Finley is correct, "institutional investors are a distraction from the real causes of high home prices—government policies" ("Scott Bessent and Gavin Newsom Feud Over a Dumb Idea," Life Science, Jan. 26).

The market badly needs deregulation to unlock capital. Tax regulations have frozen large swaths of our existing housing stock. And state and local land use regulations lock millions of acres of land out of higher and better uses by making it illegal to build starter homes on smaller lots.

The president, Treasury Secretary Bessent and Congress should consider addressing these capital constraints, which are largely responsible for housing unaffordability.

To account for consumer inflation since 1997, Washington should double the current capital gains exclusion caps for housing sales for homeowners age 65 or older. Currently these caps are $250,000 for a single owner and $500,000 for a married couple of any age. Raising the cap for older owners would unlock an estimated 200,000 homes per year for buyers looking to move up in property quality from the roughly three million senior households above the current exclusions.

Congress should exempt from taxation rental income from newly rented spare rooms. This would unlock an estimated 320,000 rooms per year from the 32 million spare rooms in owner-occupied single-family homes.

Exempt, too, from capital gains taxation starter single-family rentals sold to an occupying tenant in good standing with at least 24 months on-time rental history. This would open the door to homeownership for an estimated 90,000 families per year from the six million tenants living in starter single-family rentals.

Congress should incentivize the building of more starter homes by offering states a small lot bounty program. This would create 200,000 more starter homes per year.

The government should tax profits from newly built, for-sale developments as a long-term capital gain, not income. This would change the tax code from favoring rentals to neutral relative to for-sale homes.

Legalize mortgage prepayment penalties. This is a straightforward way to lower upfront rates by 0.40% to 0.50%—raising home ownership.

What housing markets need is for Washington to unlock capital through deregulation, thereby allowing markets to do what they do best—create and support economic expansion and prosperity.

ED PINTO
Senior fellow and co-director
AEI Housing Center
Washington

In Money or Health, Measles's Cost Is Too High

Your editorial ("Measles as a 'Cost of Doing Business'" Jan. 22) rightly rejects Centers for Disease Control and Prevention principal deputy director Ralph Abraham's dismissive framing of the current measles resurgence as the "cost of doing business." However, as a professor of health policy, I'd argue his response isn't only a failure of ethics—it's also economically illiterate.

In any successful enterprise, preventable losses are identified and eliminated; they aren't accepted as "overhead." The math here is devastating: a single measles case costs taxpayers an estimated $30,000 to $50,000 in public health response, including contact tracing and emergency vaccinations. With over 2,200 cases last year, the public had to pay roughly $70 million to $110 million to curb a disease we successfully eliminated in 2000.

Furthermore, blaming "porous borders" is a distraction when fewer than 2% of cases are imported.

The real "cost" includes subacute sclerosing panencephalitis, a delayed and fatal brain disease that strikes the very infants too young to be vaccinated. If this is the new business model of the CDC, American parents should prepare for a bankruptcy of public trust.

PROF. Y. TONY YANG
George Washington University
Washington

Although I am in my eighth decade, I remember with searing clarity having measles at age 7 prior to vaccine availability. I recall raging fevers; my mother sitting bedside all night putting ice packs on my forehead and rubbing me down with isopropyl alcohol to try to reduce my fever. I remember fever-induced hallucinations—one included a swarm of bees buzzing up from the foot of the bed toward my face. I remember body aches and itching scabs.

I was incredibly lucky to suffer no permanent damage from this two-week ordeal. Dr. Abraham's nonchalance indicates he is considerably out of his depth and a peril to public health.

JANICE YAGER
Oakland, Calif.

You Can't Beat Midwest Prices Or Friendliness

As a resident of a Cleveland suburb, I disagree with Kelly Dirkman's letter ("A Cheap Midwest Is a Homeownership Myth," Jan. 21) on the affordability advantages of living in the Midwest. I previously lived in the D.C. area and the East Bay of San Francisco. The cost of living in the Midwest is significantly lower in all respects. Whether you rent or own, the cost of housing is much lower. Just as important, taxes, energy, groceries and retail costs in general are lower, meaning your money goes further. Real estate here has experienced steady growth over the years while avoiding the wild swings you see in other parts of the country. If you were fortunate enough to have pre-pandemic ownership, you have seen an increase in equity. Even so, home ownership is still possible for first time buyers, where in other parts of the country it would be impossible.

On top of that, you can't beat the open, friendly and helpful people here. I lived in California for six years and never met my next-door neighbor whose house was 10 feet away from mine.

JIM LESHER
Broadview Heights, Ohio

Trump's Greenland Gambit: A Once-in-70-Years Moment

I am 70 years old, and I never thought I would read the Jan. 16 headline, "Europe Reinforces Greenland to Deter U.S.," accompanied by a photo of a Royal Danish navy vessel and the description that North Atlantic Treaty Organization allies are assisting Denmark in building up military and diplomatic assets on Greenland.

President Trump overplayed his hand. Worse, the folks in Moscow and Beijing were smiling as his threats did their work for them: weaken the Western alliance. It is past time to reset and to pursue with our allies what are surely mutually beneficial goals.

JONATHAN M. SCHMERLING
Mt. Lebanon, Pa.

American Studies' Follies? W.F. Buckley Is Right Again

I found some very sobering parallels when reading Richard Kahlenberg and Lief Lin's very interesting op-ed "American Studies Can't Stand Its Subject" (Jan. 23). Having just finished reading some of William F. Buckley Jr.'s writings, especially, "God and Man at Yale," I found it striking that book was written in the 1950s and here we are today with such similar issues. I guess progressivism will continue on.

FRED KAPPUS
Rocky River, Ohio

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Pepper ... And Salt

THE WALL STREET JOURNAL

"Can we leave yet?"

OPINION

We're Planning for the Wrong AI Job Disruption

By Stephen Lewarne

Washington is bracing for an artificial-intelligence employment shock that is unlikely to arrive—and so the government risks spending billions of dollars preparing for the wrong problem. Panicked politicians are making the error of treating task-based occupational rankings—which estimate what share of various jobs' tasks AI could perform—as unemployment forecasts. History suggests the opposite approach: AI is likely to increase the productivity and wages of many of these roles long before it eliminates them. Task automation typically reorganizes work well before it destroys jobs, if it does the latter at all. This misunderstanding is pushing policy in the wrong direction.

If artificial intelligence takes over some of your tasks, that doesn't render you unemployable.

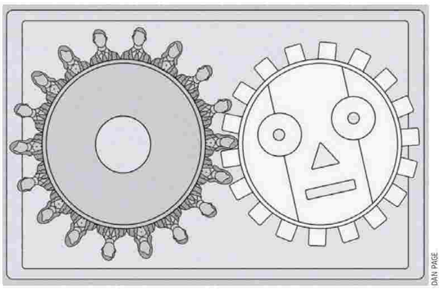
Headlines, policy briefs, and congressional hearings treat Goldman Sachs' widely cited 2023 estimate that roughly 300 million jobs worldwide are "exposed" to generative AI as a prediction that AI will eliminate many of those jobs. The Goldman Sachs figure is derived from occupational-task lists and asks whether an AI system could perform some portion of employees' current tasks—summarizing documents, drafting routine text, coding standard functions or analyzing familiar datasets. Many politicians and commentators assume that if AI can perform some of a job's tasks, the role will disappear.

But the distinction between task repricing—when technology can take over all or part of a task—and job destruction isn't semantic, it is economic. When technology lowers the cost of performing specific tasks by lifting some of the load, firms reorganize production. Workers specialize differently. Demand expands in ways that task-based rankings don't capture.

Consider how this plays out in practice. A paralegal whose job includes summarizing depositions, reviewing contracts, and organizing discovery may score as highly "exposed" in a task-based ranking. But automating first-pass document review doesn't eliminate the paralegal's job. It reorganizes it. Work shifts from routine document-scanning to higher-value work such as flagging anomalies and managing client interactions.

The same pattern appears across professions. In accounting, software has automated large portions of bookkeeping and tax preparation without eliminating accountants, who have moved up the value chain toward advisory, forensic and judgment-intensive work. In nursing, AI tools increasingly handle documentation and monitoring alerts, freeing clinicians to spend more time on patient care rather than replacing them.

The logic of the Goldman Sachs estimate is similar to that underlying academic studies tracing back to the Frey-Osborne framework, which classifies occupations by susceptibility to computerization. It's the same method behind the Organization for Economic Cooperation and Development's 2023 Employment Outlook, which reports that roughly one-quarter of jobs across advanced economies are highly exposed to AI-driven automation—another report that has raised political alarm. These studies' approaches have a common structure: They map technologies onto tasks



DAN PAGE

rather than onto labor-market outcomes. When repurposed as forecasts of displacement, they are asked to do something for which they were never designed. That is why both the OECD and Goldman Sachs explicitly caution in their reports that measures of AI "exposure" describe task susceptibility, not forecasts of job loss.

A job that scores as 40% "exposed" to AI in these rankings doesn't have a 40% chance of vanishing. It is more likely to be reorganized. Technology automates, accelerates or reduces the cost of specific tasks within a job, allowing employees to spend more time on higher-value activities. As a result, output expands and wages often rise. Software developers, for instance, routinely use AI tools to generate boilerplate code, test functions and debug routines—tasks that once consumed hours. The result isn't fewer developers, but developers producing more-complex systems faster, with demand for experienced talent rising rather than falling.

As technology accelerates tasks and reduces costs, companies also create roles that task-based rankings like those from Goldman Sachs and the OECD cannot see. Law firms increasingly rely on litigation-support managers and AI-review specialists who oversee automated document analysis rather than review the papers manually. Accounting firms have expanded their roles in data assurance, model oversight, and advisory services, which sit alongside automated reporting. In software teams, engineers now specialize in system architecture, model integration, and quality control—roles that expand as routine coding becomes automated. In healthcare, AI-assisted documentation has increased demand for employees who can lead clinical operations by managing data flows, compliance, and workflow design. These jobs exist because of how AI reorganizes work.

Policymakers' misunderstanding jeopardizes those gains. Washington is racing to fund broad AI retraining initiatives on the premise that mass white-collar layoffs are imminent. Federal workforce initiatives, including AI-focused retraining grants layered onto existing programs such as the Workforce Innovation and Opportunity Act, increasingly assume occupational collapse rather than within-job adaptation. But if AI primarily augments tasks rather than replaces jobs, this approach misses the mark. Workers don't need to be rescued from their professions; they need room to adapt within them.

This is where retraining could help—but only if it is targeted. While AI won't destroy occupations in the manner politicians imagine, some workers will adapt more easily than others. AI rewards those with judgment, domain knowledge and machine output; it penalizes those in rigidly designed jobs, such as narrowly scripted clerical or call-center work. Blanket retraining schemes don't account for these nuances.

Large-scale retraining programs have a mixed record, even when displacement is real. When displacement is overstated, such programs risk doing harm. They pull workers out of productive roles, subsidize credentials with little demonstrated labor-market value, and signal panic to firms and households alike. That panic can become self-reinforcing: companies delay hiring, workers delay investment in firm-specific skills, and productivity-enhancing reorganization slows. The result is a policy-induced drag on growth and adaptation.

AI will disrupt labor markets, but disruption isn't synonymous with destruction. The danger isn't that AI will eliminate work faster than society can adapt. It is that governments will intervene where they shouldn't and neglect where they should help. In preparing for an employment shock that won't come, Washington risks wasting billions of dollars only to slow the adaptation that makes technological change a boon for jobs.

Mr. Lewarne is a professor of economics and finance at Franciscan University of Steubenville, Ohio.

Does Qatar Fund Antisemitism at American Campuses?

By Kenneth L. Marcus

The Education Department's recent launch of a portal for universities' foreign-funding disclosures was even timelier than officials likely realized. Newly disclosed evidence, unsealed earlier this month in federal court, demonstrates that foreign funders may be exerting the kind of outsize, hidden and nefarious influence on university programs that critics have long feared. The details demand congressional action to protect Americans' rights.

On Jan. 6, a federal district court in Pennsylvania unsealed a court order in Yael Canaan's suit against Pittsburgh's Carnegie Mellon University. Ms. Canaan alleges that the university harbors a culture of antisemitism and discrimination—in part due to the influence of more than $1 billion from Qatar and its affiliates. Carnegie Mellon denies Ms. Canaan's allegations, including that it is influenced by Qatar, which hosts its Doha campus. But based on eye-opening university documents, the court on Dec. 5 rejected the school's argument and ordered CMU to produce many of the documents Ms. Canaan requested.

The revelations contained in the court's order match what the Education Department has warned for years. As a 2020 department report put it: "There is very real reason for concern that foreign money buys influence or control over teaching and research." Ms. Canaan's case reveals how foreign contributions may be undermining compliance with federal antidiscrimination laws, sacrificing the rights of U.S. citizens in favor of the sensitivities of foreign autocrats. The further documentation the court ordered Carnegie Mellon to present includes some specifically relating to administrators charged with enforcing the school's antidiscrimination policy.

"Qatar and its affiliates could be a source of antisemitic influence upon CMU," the court wrote in its order. A reasonable juror may infer that the significant "largesse of Qatari funds supplied to CMU" and the university's "reliance on such funds serves to motivate CMU to abide by expectations and wishes of its generous donors."

Qatari interests in particular contributed to the salary of Elizabeth Rosemeyer, the university's assistant vice provost for DEI and Title IX coordinator. In light of Qatari investments, Carnegie Mellon was required to "consult" with the Qatar Foundation before hiring her.

Ms. Canaan alleges that the DEI office did nothing when she reported antisemitic harassment by Mary-Lou Arscott, a Carnegie Mellon professor. (The school denies both the harassment and its failure to respond.) The alleged lack of response would fall directly on Ms. Rosemeyer's shoulders as her deposition testimony indicates that she personally decides whether to dismiss or investigate formal complaints of unlawful discrimination. Ms. Canaan further alleges that Ms. Rosemeyer aggressively discouraged her from filing a formal complaint. Carnegie Mellon denies this.

At least three other DEI-related officials at Carnegie Mellon involved in Ms. Canaan's complaints of antisemitism had work-related

A court order in a case against Carnegie Mellon illustrates the danger of foreign influence.

visits to Qatar, according to the December court order. These included Wanda Heading-Grant, the chief diversity officer, who invoked her Fifth Amendment right against self-incrimination when she was asked about Ms. Canaan's complaint. Ms. Arscott also worked in Qatar for a time and received funding from Qatar.

The court correctly observed that these university staff members' work with the Doha campus as well as the contracts Carnegie Mellon has with Qataris "make it more probable that the university's relationship with Qatar" may have influenced the school's policies and actions in Ms. Canaan's case. This includes the school's "motivations and intentions for how it handles" student complaints of "antisemitism by faculty and staff."

The disclosure in Ms. Canaan's case fits a larger pattern: The Education Department's new transparency dashboard shows Qatar has been, by far, the largest source of foreign funding for U.S. institutions. Its $6.6 billion in payments were a full 50% higher than contributions from the second-place foreign funder, Germany. China and Saudi Arabia are also among the greatest sources of foreign cash, but Qatar has leapfrogged over both.

While Qatari entities have said their motivations include building local human capital and supporting research, the money seems to come with strings attached. In September the House Committee on Education and the Workforce revealed an agreement that binds Northwestern University students and faculty to "respect the cultural, religious and social customs of the State of Qatar" and follow Qatari law, which criminalizes criticism of the Doha government. The recent order in Ms. Canaan's case revealed that a Carnegie Mellon agreement with Qatar contains the same language.

The full extent of malign foreign influence on higher education may be still worse than even these revelations indicate. During the first Trump administration, the Education Department warned that—though schools have a legal obligation to disclose such things—foreign-funds reporting was "systemically underinclusive and inaccurate," despite the universities that receive most foreign funds having "highly credentialed administrators and ready access to the very best accountants and attorneys."

Congress must step in. The same day the district court's order was unsealed, a Qatari outlet reported that Carnegie Mellon is entering into a new agreement that extends its relationship with Qatar. Lawmakers need to make sure universities think twice before engaging in relationships with autocratic regimes. Washington should require more-detailed financial disclosure, and schools' federal funds should be at risk if those relationships lead to unlawful behavior.

Academic freedom and students' civil rights shouldn't be beholden to foreign purse strings.

Mr. Marcus is chairman and CEO of the Louis D. Brandeis Center for Human Rights Under Law. He served as assistant education secretary for civil rights, 2018-20.

Tough Fiscal Lessons From My First Year in the Senate

By David McCormick

My first year in the U.S. Senate gave me a crash course on how Washington works. It isn't pretty.

I arrived last year worried about the amount of money Congress spends. Our country was more than $35 trillion in debt in 2025 and set to spend another $89 trillion over the next 10 years. Republican control of the White House and Congress this past year presented a rare opportunity to get the country back on track. Tax cuts for working families were a priority. So were spending cuts, including reforms to Medicaid.

I went to the numbers: From 2019 to 2024, Medicaid spending jumped 51%, from $409.4 billion to $617.5 billion, now making up 9% of the federal budget. You might assume that increase covered new people getting Medicaid. It didn't. Enrollment grew by roughly 13%—one-fourth as quickly as spending. Welcome to Washington.

In Pennsylvania, spending on Medicaid has soared 80% since 2019 ($30 billion to $54 billion), while the number of Pennsylvanians enrolled in the program plateaued around three million. More than $30 billion is wasted nationwide on improper payments annually, and Minnesota's $9 billion Medicaid scandal reminds us we have a fraud crisis too.

Confronted with these unpleasant truths, my Republican colleagues and I enacted targeted reforms in the Working Families Tax Cuts Act to slow runaway spending while protecting the integrity of Medicaid. To be eligible, able-bodied adults without young kids at home must go to school or job-training classes, work or volunteer 80 hours a month—with clear exemptions for those who can't work. Spending will grow at the rate of inflation.

But as often happens, the most modest of reforms were met with rage and resistance. My Democratic colleagues called them an "unprecedented attack" on healthcare.

Think about what's going on here. We shaved $1 trillion from more than $8 trillion of future Medicaid spending, bringing projected annual growth from about 4.5% to 2.5%. We will still spend nearly $800 billion additional dollars on Medicaid above the current level.

We have another overreaction brewing over Affordable Care Act subsidies. Created in 2021, at the height of the pandemic, these temporary expenditures expired last year, but big insurance companies decided to hold working people hostage to try to keep the money flowing. Families in Pennsylvania now face premium increases averaging more than 20%.

Some of my colleagues and I are seeking a bipartisan solution to lower premiums for those who need government support, cap payments for high-income recipients, and eliminate fraud and waste. But these common-sense proposals have been met with outright lies and vitriol from Democrats.

The spending crisis in Washington is dire, and elected officials aren't doing enough about it.

I want to protect the needy. My paternal grandfather, Pop Pop, was a New Deal Democrat and a county commissioner in Indiana, Pa. Like him, I believe we have a nonnegotiable duty to help the most vulnerable among us. We also have a duty to ensure that our country can meet the commitments that it has promised every American since Pop Pop's generation.

If we don't do something about runaway spending, Congress will fail the American people. Medicare will start dipping into its reserve money next year. Social Security's retirement fund will go insolvent in six years, triggering huge and automatic cuts to retirees' checks. And while the Medicaid reforms reduced the rate of growth, the program continues to grow. On its current course, spending will crowd out other priorities, like national security, as these three programs account for almost half of the federal budget.

Against the scale of our fiscal crisis, the fights over Medicaid and ACA reforms look less like decisive battles than skirmishes. But keeping that crisis from spiraling out of control will require incredibly difficult choices: careful spending cuts coupled with revenue-boosting, pro-growth policies.

Until I arrived in the Senate, I didn't appreciate how challenging it would be to get elected leaders to face reality. I am ready to roll up my sleeves to build consensus before we go over the cliff, but the hysteria over modest fiscal changes must stop.

When I was a CEO, if I was faced with the prospect of bankruptcy and told my board that I had no plan to scale back spending or change strategy, I would have been fired on the spot. One year into the job as a senator, I'm starting to think that same principle should apply to elected officials.

Mr. McCormick, a Republican, is a U.S. senator from Pennsylvania.

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America's shift to an insider economy

Access to presidential favour has become a key to business success

Marking the first anniversary of his return to the White House last week, Donald Trump boasted that his agenda was delivering for ordinary Americans. The US economy has grown rapidly, though the president's falling approval ratings suggest many voters, grappling with affordability problems, feel otherwise. Workers' share of GDP dropped to its lowest on record in the third quarter of 2025, indicating many of the economic gains are going into profits. Indeed, the clearest winners from Trump's second administration appear to be those close to the president — in what increasingly resembles an "insider" economy.

Close ties between business and previous administrations have long fuelled a sense that America's free market tilts towards well-connected elites. But this administration has normalised case-by-case dealmaking as a basis for policy and regulation. Under Trump's transactional leadership, the returns to presidential access have rarely been higher.

This insider economy takes several forms. Those on good terms with the president over time tend to be first in line for deals. A high-profile example is the agreement Trump helped to broker last week to split out the US operations of the short-video app, TikTok. Oracle — whose chair Larry Ellison has hosted Republican fundraisers and provided advice to Trump — garnered a key stake in the new US entity. The technology firm Palantir, whose co-founder Peter Thiel was an early Trump backer, has won a series of state contracts; its third-quarter US government revenues jumped 52 per cent year on year.

Others have found they need to scurry to placate the president to secure favourable treatment, or avoid his ire. Last August, the Apple boss Tim Cook boosted an existing pledge to invest in US manufacturing by $100bn, helping the iPhone producer to secure a carve-out from new tariffs. The Nvidia chief Jensen Huang in late 2025 finalised what is widely seen as a "pay-to-play" agreement, allowing his chipmaker to export its advanced H200 chips to China in return for a 25 per cent fee. Months earlier, Nvidia's struggling rival Intel allowed the US government to take a 10 per cent stake — shortly after Trump demanded the resignation of its CEO, Lip-Bu Tan, who remains in the post.

A third group to have benefited is the Trump clan itself. The president and his relatives have received more than $1.8bn in crypto gains and gifts since the 2024 election, according to estimates from the Center for American Progress. A light-touch approach to regulation has boosted the value of the Trumps' digital asset holdings.

The president appears to envy Chinese economic interventionism — but in China, the authorities tend to set the parameters and allow companies to compete vigorously. The overt US turn towards favouritism and quid pro quo governance risks undermining US economic foundations by reshaping incentives across markets and regulation. When capital flows primarily to those with access and connections, competition becomes distorted, inequality deepens and policymaking weakens. The most productive or innovative businesses could get sidelined.

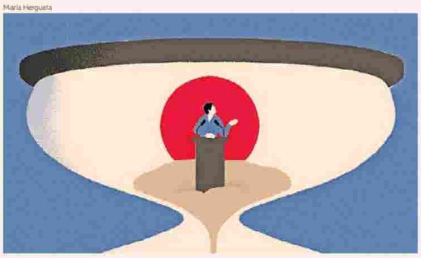
> When capital flows primarily to those with connections, competition becomes distorted, inequality deepens and policymaking weakens

Trump has turned his attention to affordability ahead of the midterm elections, with measures intended to reduce housing costs and credit card interest rates. Here, too, however, the instinct is one of direct intervention. It is too early to know if this shift will become permanent. In the near term, those best positioned to ingratiate themselves with Trump will benefit handsomely. But, the longer the insider economy endures, the more it will sap the competitive motor and openness on which US economic success has been built.

Opinion Japan

Takaichi's great election gamble

Maria Hergueta



Leo Lewis

Moments into the first stump speech of her election campaign, Sanae Takaichi asked voters to imagine her dyeing her hair — a procedure that Japan's 104th prime minister said she performed herself.

Mid-application, in her scenario, disaster strikes. It's the Big One: the cataclysmic earthquake that Tokyo has long dreaded. Basic services, including water, are severed.

"The hair dye would be applied, but I wouldn't be able to wash it off," said Takaichi, who has staked three decades in politics, a breakthrough for women and arguably Japan's hardest-won premiership on the shortest general election campaign in the country's postwar history. The reference to quake-interrupted hair dyeing led smoothly into an impassioned pledge for greater earthquake readiness.

> The PM's pitch is about how different she is from the opposition and her male predecessors

The election is a gamble on Takaichi's personal popularity, her ability to present herself as a force for real change and capacity to win the nation over quickly. The ballot is likely to be close. She has a lot of Japan to convince that a vote for the uninspiring local Liberal Democratic Party candidate in their constituency is reliably a vote for her dynamic premiership.

Unusually for Japan, the promise of change is as electorally critical for the incumbent as for the challengers. Every dog whistle counts, and the nation's hair-dyers may yet swing this. Takaichi has broken Japanese prime ministerial ground by even discussing the subject in public.

Surveys suggest that about 70 per cent of the 33mn Japanese women aged between 40 and 79 dye their hair to cover greying. Half, like Takaichi, do it themselves rather than spend money on a salon. In a white-knuckle election race, Japan's over-40 female hair dyers represent a very useful 22 per cent of the total electorate.

The February 8 election, aimed at providing Takaichi and the LDP with a clear parliamentary mandate, has a rushed, chaotic feel to it. There is a reason Japan has only ever held a couple of elections in February. It's a time of year when snow often blankets large parts of the archipelago. University entrance exams are on. The impending end of the fiscal year creates an up-all-hours distraction for millions of workers.

On top of that, Takaichi has chosen to seek this mandate in a phase of true turmoil, only a fraction of which is within her powers to relieve. Japanese households and businesses are wrestling with the country's exit from decades of abnormally low inflation, wage growth and interest rates.

The so-called "Takaichi trade" continues to push Japanese equities higher on the promise of free-spending stimulus, but the yen has swung alarmingly during the prime minister's three months in power, and the threat of intervention from US and Japanese authorities now looms. The Japanese government bond market looks both historically fragile and ever more capable of producing contagious financial rupture.

Japan meanwhile remains locked in a dispute with its biggest trading partner, China. On Saturday, Takaichi will break from campaigning for three precious hours to sit down with British Prime Minister Sir Keir Starmer — a meeting that will serve to highlight the shared plight of exasperated US allies with everything to lose from a global order collapse.

With such a daunting list of challenges, and so few clear-cut answers, Takaichi's campaign is about how different she is both from the opposition and from her many LDP predecessors. In her speeches, she has set out the risks to Japan — from its lack of food self-sufficiency to cyber-attack vulnerability — in refreshingly blunt terms. She is brutal on the LDP's historic failure to invest in Japan's future and enthuses over the nation's strengths — from nuclear fusion to animation — like she is pitching to a late-stage venture capitalist.

The signalling looks shrewd. Takaichi, who rose from a middle class background, has broad appeal. But she has been polling consistently well with women, young and old, who know what she has been through to get here. She presents as an agent of change, but with a reassuring adherence to core Japanese values. She must make herself and LDP candidates look both safe to vote for and dangerous to the party's crusty old perspectives.

Takaichi has never been a campaigning feminist. But she has now invited the huge base of older voters into a strain of camaraderie that none of her male predecessors could have offered. To younger Japanese, the very fact that she has attempted that gambit could crystallise her credentials as someone who dares to do things differently. This does not guarantee victory; it does guarantee spectacle.

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How to stop battlefield drone innovation leaking to the enemy

A recent Big Read, which online was entitled "Russia, Ukraine and the race for Chinese drone components" (January 21), is truly a remarkable piece of journalism. However it makes a claim that Chinese components cost a third of their western equivalents, which is simply not correct.

Our company has been in the business of serving FPV (first person view) enthusiasts for almost 10 years, back when it was a niche hobby market unknown to most.

All of our products were (and still are) produced in Europe, and we were quite successfully competing with Chinese companies in the hobby consumer space before Russia's invasion of Ukraine.

Although there indeed is a certain price difference between our western-made drone components and the Chinese equivalents (primarily due to a much smaller volume, and the fact that we use western made chips and critical electronics), it is nowhere near the difference your article suggests. The price differential however is still sufficient to drive Ukrainian drone manufacturers to take all the risks you pointed out and go for Chinese components, because there are no incentives for them to do otherwise.

This results not only in a massive supply chain risks for Ukraine, but also in something much more serious, which I have had pointed out on many occasions, and which your article now painted quite vividly. That is that all the fundamental innovation in this space is actually driven by the Chinese component suppliers, and many of the improvements are often leaked to the other side.

All this can be avoided if the Ukrainian government would work together with its EU counterparts, and create a framework which would incentivise Ukrainian drone makers to opt for western suppliers of critical components. This would de-risk Ukrainian drone manufacturing capabilities, direct the western aid back to our economies, strengthen the European drone industry, and prevent the battlefield innovation from leaking to the enemy.

Srdjan Kovacevic
Co-founder and CEO of Orqa
Osijek, Croatia

A scandal that ruined the Ulysses S Grant presidency

Looming over the photo of the dozen or so tech tycoons preening at President Donald Trump's second inauguration ("Tech titans with a ringside seat at Trump's second inauguration are now even richer", Report, January 21) is the statue of a ghost-like Ulysses S Grant. No doubt a bizarre coincidence.

It was during Grant's administration that a railroad baron set up a dummy corporation called Crédit Mobilier — its stock a gift to legislators in return for their silence while the businessman bilked the government with inflated costs for constructing the transcontinental railroad.

Many politicians were driven from office, their reputations ruined, tarnished by the resulting scandal that defined the Gilded Age and its penchant for corruption.

It's doubtful the assembled CEOs noted Grant's statue, much less the scandal that marred his presidency. Who can blame them? Back then, scandalous behaviour meant exploiting public office for private gain. Today the same behaviour is the point of government. Gilded Age excesses have become the new normal, just in time for our Republic's 250th anniversary celebration.

Luke Popovich
Washington, DC, US

In age of AI, what should a university course give you?

Brendan McCord's essay on what you get from a university education ("The answer machines", Spectrum, Life & Arts, January 24) struck a chord. He stresses the importance of students learning to ask themselves difficult questions rather than providing polished answers on specific topics.

The Oxford course I followed over 50 years ago is often thought of as the epitome of a humanities degree — indeed its Latin title was Literae Humaniores, or Classics, nicknamed "Greats". Yet I can hardly recall any instance where issues of personal value were regarded as relevant, or discussion of them encouraged. I have come to think of the course as a form of quite narrow training (suitable for the civil service). The production of more or less polished essays overshadowed anything else. I would like to think things have changed but McCord's emphasis on process not product is timely, especially in the face of AI.

Tom Schuller
London N19, UK

'The Star-Spangled Banner' now just makes me tear up

Recently I was at MacDill Air Force Base in Tampa, Florida. When evening came the overhead speakers played our national anthem, "The Star-Spangled Banner". I used to feel proud and humble at the same time whenever I heard this piece. Now I just tear up thinking about what is happening in our country: division, violence, and unnecessary deaths. As the anthem came to an end, I felt as if the America I knew was going too, quickly fading away. I hope I am wrong and that we Americans will be able to come together, help each other, and rebuild a better America for the future.

Jade Wu
Naples, FL, US

OPINION ON FT.COM
Trump and Rutte cannot make a deal without Greenland at the table
We are not rejecting co-operation — we are rejecting being spoken for, writes Julie Rademacher, president of Uagut, the national organisation for Greenlanders in Denmark
www.ft.com/opinion

OUTLOOK

SAN FRANCISCO

Grindcore is the new hustle culture

by Hannah Murphy

On November 28 last year, just a day after Thanksgiving, an engineer at xAI earned gushing praise from his colleagues online after posting a photograph of his Tesla Cybertruck with the caption: "Last night I left the @xai office after ~36 hours of working with no sleep. Although I was dead, I was also super energized . . . Happy Thanksgiving!"

Silicon Valley has for years embraced hustle culture, initially spoiling employees with free meals, laundry services and playful office spaces in order to cheerfully smooth the way for long office hours.

Billionaire Elon Musk, who currently runs five companies including xAI, often sets the tone. In 2022, he demanded those who wished to remain at Twitter after he acquired the company, now renamed X, sign an agreement to work "extremely hardcore". He has installed sleeper pods in the office.

But the "grindcore" lifestyle has taken on fresh intensity against the backdrop of a frantic San Francisco AI arms race, and growing anxiety among AI labs that a rival — or worse, China — might be the first to achieve AI supremacy.

AI companies increasingly invoke bellicose language to urge staffers to work, while a shaky tech jobs market adds to the pressure.

OpenAI recently issued a "code red" when rival Google released an AI model with enviable performance. Meta set up a "war room" to assess how to catch up when Chinese start-up DeepSeek dropped a model on a shoestring budget last year.

It is not just tech bosses pushing the trend. Founders and engineers are jumping at the chance to broadcast how hard they are toiling. In September, dozens took to social media to announce their participation in what was dubbed the "great lock-in" of 2025 — in other words, spending the final three months of the year rejecting work-life balance to produce their most valuable labour yet.

Intriguingly for a world known for its badly dressed nerds, this narrative has been fused with a monastic male wellness aesthetic.

Instead of downtime enjoying the Californian sun and surf, grindcore adherents should fill the remainder of their day with workouts, Paleo diets and Chinese peptides. Many are embracing "manosphere" culture propagated by Maga-adjacent influencers that preaches antifeminism ideals and physiognomy.

"The current vibe is no drinking, no drugs, 9-9-6 [working from 9am to 9pm, six days a week], lift heavy, run far, marry early, track sleep, eat steak and eggs," Daksh Gupta, the 23-year-old co-founder of an AI start-up, told the San Francisco Standard recently.

"It's all about 'optimisation', isn't it? Every second of your life you're supposed to be optimising. Otherwise you're lesser," Timothy Caulfield, a professor of health law and science policy at the University of Alberta, tells me. "It's seen as noble, and how you're supposed to live as a manly man."

How much work is actually getting done is hard to ascertain, given the surge in performative graft signalling. But another big question remains — is this glorification of the grind even healthy or productive?

Cal Newport, computer science professor at Georgetown University and author of *Deep Work: Rules for Focused Success in a Distracted World*, says Silicon Valley inadvisably takes its cues from the machines it builds.

"The problem is, it treats human brains like computer processors. Processors never tire, they mindlessly and mechanically execute any command you feed them, never have any down time," he says. By contrast, "the brain — it fatigues. It's slow to context shift."

Newport points to research that finds that two people coding together on one screen — so that one can drive the development of the code while the other reviews it — is one of the most effective ways of programming. Shorter bursts of deeper focus need to be interspersed with rest, he argues.

"There's no evidence to support this approach to achievement," agrees Caulfield. "As opposed to improving outputs, it's more of a statement of your commitment to the cause."

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Opinion

The precious metal feeding frenzy

MARKETS
Katie Martin

Britons, we are frequently told, just don't have it in us to risk our hard-earned cash on spicy endeavours such as speculating on stock markets. Unlike our American cousins, we are supposedly too timid, too risk averse, much happier parking our funds in safe, boring bank deposits for a measly return.

There is a grain of truth here. But try telling it to the Royal Mint, which sells gold and silver coins and bars to the nation. Earlier this week, it broke its daily record for online bullion sales. Demand for plastic tubes filled with silver Britannia coins is, it tells me, "huge". Unprecedented numbers of people are seeking out its guidance, and the website has had to post apologies for any delays in service as the system creaks under the weight. So much for leaving money festering in the bank.

Once again, the UK is in the grip of a global feeding frenzy in precious metals. It is easy to see why.

Silver, gold's scrappier little cousin, which rarely enjoys any time in the public eye, has been the breakout star of global markets in 2026. It blasted 150 per cent higher last year, taking out the previous record of $50 an ounce with ease. This January, though, it has gone truly bonkers, adding a further 50 per cent in price to well above $100. No wonder Britons have Fomo.

To a large extent, the silver price is playing catch-up with gold, which has been on its own spectacular tear, taking its price to above $5,300 an ounce.

The power behind these extraordinary market moves comes from a heady combination of both fear and greed.

The fear is that other more mainstream assets are losing their reliability. The US dollar, of course, is under heavy pressure almost across the board, hitting its lowest point against sterling — supposedly a crisis candidate itself — since 2021 and crumbling against the Swiss franc, one of the last refuges in the system for many. With Japan's yen vacating its usual haven role due to the perception that the central bank there is a step behind inflation, gold is taking an unusual amount of the strain, and pulling silver along for the ride.

This is drawing in investors of all stripes, including central banks. Last month, Poland's central bank trumpeted its role as a leading buyer of gold, describing it as "the only reliable national reserve asset" in "the search for a new financial order".

> Silver's price is playing catch-up with gold, which has been on its own spectacular tear

The beauty of precious metals, unencumbered by the usual valuation metrics like cash flow, dividends or interest payments, is that you can paint your own adventure on to them and construct a kaleidoscope of reasons to buy. For some, it is an alternative to bonds, which are compromised by waves of new government borrowing and the still-present risk that the US central bank will, under Donald Trump, allow inflation to run hot.

For others, it is an escape from overly large allocations to US stocks. Many wealthy investors, especially in the Middle East and Asia, find it a huge psychological hurdle to lean out of the US and into Europe. "It's like climbing Everest," said Geraldine Sundstrom at Pictet Wealth Management. Precious metals present less of a mental leap.

But it's not just seeking diversity from core US assets at play here. As the rampant traffic at the Royal Mint suggests, swiftly rising prices have generated their own momentum, similar to the meme stock craze in the US in 2021. Curiously, bitcoin is not invited along to this particular dollar debasement party, with that speculation seemingly ending up here instead. A lot of this appears to be underpinned by borrowed money, or leverage.

"You don't see price action like this unless there's leverage involved," said Fredrik Repton at investment house Neuberger Berman. The amount of gold and even more so, silver, that is available to trade, is actually pretty small, especially with unusually high levels of stockpiling ahead of US potential tariffs. Debt-fuelled, retail-heavy, Fomo-driven moves into illiquid assets do have a habit of creating parabolic market ascents (and, buyer beware, some painful pullbacks).

What can break the spell? One thing would be a return to normal US financial policy — a belief in currency stability, a robust Federal Reserve, predictable regimes and prudent borrowing. An outbreak of common sense. So let's safely assume that's not going to happen any time soon. A more plausible test would come from a drop in stocks, for any reason, that prompted marginal gold and silver buyers to close out debt-funded bets.

Until then, fortune favours both those thinking big thoughts about US institutional resiliency, and punters snapping up tubes of silver coins on their phones.

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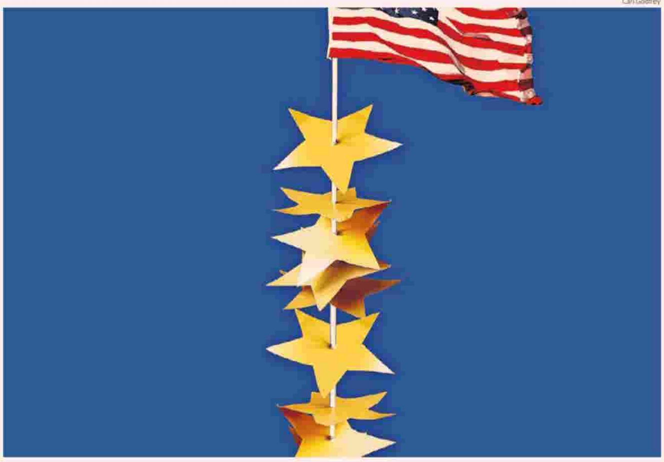
Why Taco is a problem for Europe

POLITICS
Janan Ganesh



Carl Godfrey

Last week, when the US president stopped waving a stick at Greenland, it was claimed once again that Trump Always Chickens Out. And perhaps he does. But who suffers in the end?

For the US, Taco is no more than a loss of face. For the rest of the world, it poses a strategic dilemma. After all, if the president can be counted on to renege on his threats at the eleventh hour, the incentive to hedge against America — an expensive business, that — is correspondingly weaker. Why not just wait him out?

In other words, it is the hope that gets you. It saps the motivation to become self-sufficient. This threatens to be the tragedy of Europe. Trump offers the continent just enough support to induce a level of complacency but not enough to make the place safe against its enemies. For all his spite, he has still not done what Europe fears most, which is permanently withhold military intelligence from Ukraine or quit Nato or confirm that he would not observe Article 5 if Europe were ever attacked. America's forward air force base in Ramstein is still there after years of speculation about its future. These twinkles of hope are precious, but also an excuse for Europe to soft-pedal its transition towards being able to look after itself.

Take a moment to consider what Europe must do to become militarily independent. Huge sums must be raised, either from electorates that are mutinous enough as it is or from debt markets that European countries have already tapped to an alarming extent. Even if the cash comes, separate governments then have to join up their defence procurement to avoid the curse of duplication (or worse, incompatible kit) and to achieve the economies of scale enjoyed by a large single buyer such as the Pentagon. This might require some very proud countries to stiff their own contractors and buy from outside. Then, if the military power is finally on hand, Europe would have to agree about when and how to use it.

That is an almost implausible number of needles to thread. Although it is just about doable, it would take an acute sense of emergency among European leaders and voters. The trouble is that Trump tends to keep Europe and much of the world in a mental state just short of that — whether through deliberate calibration or impulsive flip-flopping would need another column to examine.

"Things are not quite bad enough" is an awkward argument to put forward, I grant. But the evidence of recent years is that rich and mature democracies struggle to make painful reforms unless under extreme duress. The Ukraine war had to break out before Germany decided to re-arm and Sweden joined Nato. This is the Catch-22 of politics, and perhaps of life: people don't change until a crisis obliges them, and by definition a crisis is never to be wished for.

If hope is the problem, then it doesn't stop with Trump. Pax Americana is "not coming back", said the Canadian prime minister, Mark Carney, last week. It is prudent to act as though he is right, but there is just enough doubt to create moral hazard in Europe. If a Democrat were to become US president in 2028, Europe might be able to kick the can of rearmament down the road for another few years. It is hard enough as it is for a British prime minister or French president to raise taxes or squeeze welfare to fund defence. (A German chancellor can at least borrow.) Imagine trying it when the threat of military abandonment by the US has eased just a little. One claim of "America is back" from President Gavin Newsom in that lovely rasp of his, and the temptation to postpone hard decisions would surge through European capitals.

> Trump offers the continent enough support to induce complacency but too little to deter its enemies

Even now, the idea that America has switched from total protection of allies to total desertion is something of a cartoon. The messier truth is that America's commitment to Europe is hard to gauge under Trump, and therefore hard to plan around. Prepare for the worst, will be the advice to Europe. Tool up. Well, doing so depends on the consent of European voters, which itself depends on their seeing American protection as definitively a thing of the past. If there is the slightest doubt — and each case of Taco encourages it — their preference might be to take their chances rather than suffer the upfront hit of guns-or-butter policies to fortify Europe.

In fact, all the desirable geopolitical events in the coming years, such as a peace in Ukraine and a friendlier US, will make it harder to persuade Europeans that forgoing other things for defence is still an existential must. Some of the righteous momentum that got going when the war began almost four years ago could fizzle out. Such is the curse of good news.

The idea that hope is a kind of torment, that outright crisis is at least mentally clarifying, is such an eternal truth about life that you think it must have come from Shakespeare or Aeschylus. How odd that we owe the most famous expression of it to John Cleese and his 1986 road caper *Clockwise*. ("It's not the despair, Laura. I can take the despair. It's the hope.")

That does not make it less true, however. In the absence of the most extreme pressure, Europe's rich old democracies are inert things. The wolf has to be at the door. It is not enough to hear the occasional growl from afar.

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Criminal justice reforms will undermine trust in the system

Mark Evans

The shocking backlogs in the criminal justice system in England and Wales serve no one. The Crown Court, which deals with the most serious offences, has a pile-up of almost 80,000 cases and rising. Cases are coming in faster than they go out. The magistrates' courts have nearly 400,000 outstanding cases, according to the latest figures.

Victims are left in limbo, waiting for justice — some are told that their case will not be tried before 2030. Defendants live with uncertainty. Confidence in the legal system has been stretched thin.

What is the cause of these delays? It is not juries, but a crisis of demand outstripping supply and chronic underinvestment. Courtrooms lie unused or dilapidated. Cases collapse and guilty pleas are entered later because overstretched prosecutors cannot disclose evidence in time. Defendants appear without representation because legal aid has been hollowed out.

There is a practical and achievable way for the government to tackle the situation: reduce demand on the system and invest in our criminal courts and the people who make them function.

Many individuals are going through the court system who should not. In some instances, we need to let the police decide whether it is best to simply issue a caution. This option is more appropriate for first-time offenders or for those who could be diverted to drug or alcohol services.

More cases could also be moved to the magistrates' courts if they were properly resourced. But the UK government must do more than announce a one-off boost to court infrastructure funding to clear the £1.3bn maintenance backlog. Legal aid rates need to be made sustainable to stem the decline in defence lawyers.

> There is scant evidence that scrapping jury trials would fix the backlog of court cases

Instead of actually addressing these issues, however, the government's headline proposal is to limit trial by jury for defendants facing possible sentences of three years or less.

This is troubling. Trial by jury is not an administrative inconvenience. It is a democratic safeguard. It ensures that justice is not only done but is also widely seen as done — the criminal justice system exists to serve the public. Removing juries from serious criminal cases would weaken that connection and decrease trust in the outcomes.

Sir Brian Leveson's criminal courts review last year explicitly recognised this. He proposed retaining an element of lay representation, recognising the importance of legitimacy and public confidence. While the government is now weighing up whether two magistrates should sit alongside a judge to provide more oversight, it has largely ignored a number of Leveson's other recommendations.

There is also little evidence that scrapping jury trials would fix the backlogs — certainly not on its own, and certainly not any time soon. Research by the Institute for Government shows that the reforms could save less than 10 per cent of court time. Moreover, it would take some time to implement. According to data published by the Ministry of Justice, the Crown Court backlog could already be 36 per cent higher in 2029 than it is now.

Leveson's review was careful to consider efficiency against fairness and to ground recommendations in data. By contrast, we are being asked to accept a crucial change in the criminal justice system based on assumption. The government's lack of clarity on the subject suggests that decisions have been made before the ministry even has the necessary analysis.

The Law Society has consistently supported evidence-based change that improves efficiency without sacrificing justice. If the government is serious about reducing the backlog, it has to work with the legal profession to create, fund and implement reforms right across the criminal justice system. We must address the real issues and we must do so fast.

The writer is the president of the Law Society of England and Wales

Protecting children from social media is not moral panic

Justine Roberts

For millions of families, bedtime is no longer an hour of reading or stories. It's anxiety, tears and arguments over phones and apps designed to hook a child's brain. This isn't an exaggeration. It's the lived reality of parents around the world every day.

Renewed political focus on social media and children reflects a growing recognition that the status quo has failed. For years, unrestricted access to the internet has been treated as a normal part of childhood. But now that assumption is being challenged. This week the EU opened a formal investigation into xAI over the sexualised images of women and children made by its Grok chatbot and posted on X, while in the US a landmark trial alleging childhood harm from social media addiction has begun.

In the UK, politicians are debating a social media ban for under-16s. This would not be a panacea, but it would mark an overdue shift in where responsibility lies. The majority of Mumsnet users support the idea of a ban and are concerned about the effect of social media on their children's mental health. In our research, more than half of parents said their child was addicted to their smartphone or social media and that this had a negative effect on their self-esteem. Many also said that it disrupted sleep and schoolwork. As one user put it: "Sometimes I feel like I'm letting a child crack addict take crack in their room."

Until now the UK government's approach has felt stuck in the "educate now, regulate later" category, leaving parents to battle addictive technology alone. History shows that public health policy often moves slowly until the harm becomes impossible to ignore. Tobacco control and seatbelt laws were not perfect fixes, but they reduced risk at scale.

The case against a social media ban seems to rest on two claims: that children will find ways around it and that the focus should be on making platforms safer rather than restricting access.

A legal age limit on social media might not be perfectly enforced but it would change ideas about what is "normal" for children. As things stand, parents who resist social media are cast as unreasonable and in danger of isolating their children. A ban would make it far easier to say no. And age restrictions are a familiar public policy tool — we don't remove them on alcohol just because some teenagers are able to get hold of drinks.

> These platforms aren't support services, they are profit-driven and designed to maximise engagement

Some opponents to the ban also suggest that by excluding children from mainstream platforms we will drive them into the darker corners of the web, where they are even less protected. But this line of argument misunderstands why children use social media in the first place. They join because they want to be where their friends are. If we collectively limit access, that incentive will disappear.

Social media platforms are not support services, they are profit-driven systems designed to maximise engagement.

Crucially, this is not, as one commentator suggested, comparable to his mum's concerns about rock music when he was growing up. It is not a moral panic. Young people share their parents' anxiety about social media. A UK poll of 1,600 16 to 24-year-olds found that half regretted the amount of time they spent on their phones while growing up, with many saying they would try to keep their own children off social media for as long as possible and wishing they had waited longer to access it.

In decisions about health and long-term harm, society routinely decides that it's more important to keep children safe even if it comes at the expense of their freedom. We recognise that some things are so damaging that we need to act collectively to protect children, no matter how much they might object. The addictive algorithms of social media fall firmly into this category.

None of the arguments in favour of a ban are arguments against better regulation, safer design or platform accountability. In an ideal world, those things would already exist. But asking Big Tech to develop non-addictive, child-safe social media is like asking a tobacco company to design a non-addictive cigarette that is suitable for children — it goes against the design of the product.

Regardless of what happens in the future, parents need support to protect their children right now. If social media companies want to come back in a few years' time and prove that they have made their platforms safe, then maybe it will be time for a rethink. Until then, we need to take decisive, legal action that will protect those who are too young to protect themselves.

The writer is co-founder and chief executive of Mumsnet, the networking site