

DAILY NEWSP APER ANALYSIS

DATE - 27/01/2026

**SOURCE
THE HINDU & INDIAN EXPRESS**

**CHANAKYA IAS ACADEMY
SECTOR 25 CHANDIGARH**

India, EU close in on FTA as negotiations conclude

Both sides set to announce conclusion of talks as PM Modi and EU leaders, including chief von der Leyen, hold summit today; deal approved by both sides, final text to be ready after 'legal scrubbing'

Suhasini Haidar
T.C.A. Sharad Raghavan
NEW DELHI

A "successful India" is in the world's interest, said visiting European Union (EU) leaders who attended the Republic Day parade on Monday, as officials here confirmed that negotiations for the EU-India Free Trade Agreement (FTA) have been concluded.

Official level negotiations are being concluded and both sides are all set to announce the successful conclusion of FTA talks on Tuesday, Commerce Secretary Rajesh Agrawal told presspersons on Monday.

Separately, sources in the Commerce Ministry said that negotiations were concluded on Friday and the deal was approved by both sides on Saturday. They added that the final text would be readied once it was "scrubbed" by the legal teams of both sides.

The announcement is part of a number of other agreements, including a security and defence partnership, energy cooperation and a mobility agreement, expected to be signed during the EU-India summit on Tuesday to be



Prime Minister Narendra Modi receives EU chief Ursula von der Leyen at the Republic Day celebrations in New Delhi on Monday. ANI

attended by Prime Minister Narendra Modi, EU Commission President Ursula von der Leyen, and European Council President Antonio Costa.

The EU leaders on Monday witnessed the 77th Republic Day parade where India's military hardware and marching contingents, particularly those involved in Operation Sindoor in May 2025 against Pakistan, were showcased.

'A new global order'

The presence of the EU's top leadership "underscores the growing strength of the India-European Union partnership and our commitment to shared values", Mr. Modi said in a social media post. "A successful India

makes the world more stable, prosperous and secure," Ms. von der Leyen said in a post, adding that the world's largest democracies Europe and India are committed to shaping "a new global order".

"An opportunity to recall the importance of the action of the EU Naval Forces to enhance maritime security and protect the freedom of navigation, in particular in the Indo Pacific," Mr. Costa said on social media, steering clear of any contentious references to the war in Europe.

Monday's parade also saw EU defence commanders taking part in the event for the first time, while the EU Presidents were later hosted at Rash-

trapati Bhawan by President Droupadi Murmu.

Significantly, much of the hardware that Ms. von der Leyen and Mr. Costa witnessed in Monday's parade was Russian-made or designed and has been sanctioned under various EU sanction packages since Russia's invasion of Ukraine in February 2022.

The EU-India FTA conclusion marks the end of a two-decades-old process, after talks were first launched in 2007. The talks have faltered on a number of occasions, particularly over seemingly irreconcilable issues like market access for "sensitive" European agricultural and dairy items, environmental regulations, investment and immigration.

After a freeze on talks between 2014 and 2022, the talks were relaunched with more pragmatic goals, and both sides have reportedly agreed to set aside sectors where they failed to find common ground.

Once the FTA is announced on Tuesday, officials will complete the legal scrubbing, and it will be sent to all 27 EU states after being translated, before it is ratified by the European Parliament.

- Trade creation vs trade diversion effects relevant for assessing FTA outcomes.
- Strategic autonomy: India's multi-alignment and EU's "open strategic autonomy".
- Indo-Pacific framework: maritime security, freedom of navigation, UNCLOS principles.
- Sanctions regimes: EU sanctions on Russia affecting defence cooperation dynamics.

Significance

- Enhances market access for Indian goods and services, especially in manufacturing and services.
- Supports supply-chain diversification (China+1) for EU economies.
- Strengthens India's role in global value chains.
- Anchors economic engagement to a broader strategic and security partnership.

Challenges / Concerns

- Sensitive sectors such as agriculture and dairy largely excluded.
- Stringent EU norms on environment, labour, carbon standards may increase compliance costs.
- Investment protection and regulatory sovereignty remain contentious.
- Ratification risks due to EU domestic political processes.

Way Forward

- Gradual expansion of FTA scope through review and upgrade clauses.
- Capacity building for Indian exporters to meet EU regulatory standards.
- Align trade cooperation with energy transition and digital trade frameworks.
- Use FTA as a base for deeper technology, defence, and maritime collaboration.

KEY HIGHLIGHTS

Context

- India and the European Union concluded official-level negotiations on the India-EU Free Trade Agreement (FTA).
- Negotiations were originally launched in 2007, stalled multiple times, frozen during 2014-2022, and relaunched with a pragmatic approach.
- FTA announcement coincided with the India-EU Summit and EU leadership's participation in India's 77th Republic Day celebrations.

Key Facts

- Final steps include legal scrubbing, translation into EU languages, and ratification by the European Parliament and all 27 EU member states.
- The FTA is among the largest bilateral trade agreements globally by economic size.
- Parallel agreements expected in defence & security, maritime cooperation, energy transition, and mobility.
- EU leaders publicly stated that a "successful India" contributes to global stability and security.
- India-EU partnership framed as part of shaping a new global order.

Static Linkages

- FTAs aim at trade liberalisation through tariff reduction and regulatory cooperation (WTO-compatible).

Canadian PM denies FTA plans with China, after Trump's tariff warning

Associated Press
TORONTO

Canadian Prime Minister Mark Carney said on Sunday that his country had no intention of pursuing a free trade deal with China. He was responding to U.S. President Donald Trump's threat to impose a 100% tariff on goods imported from Canada if it went ahead with a trade deal with Beijing.

Mr. Carney said his recent agreement with China merely cut duties on a few sectors that were recently hit with tariffs.

The Prime Minister said there were commitments not to pursue free trade agreements with non-market economies without prior notification under the free trade agreement it had with the U.S. and Mexico.

"We have no intention of doing that with China or any other non-market economy," Mr. Carney said. "What we have done with China is to rectify some issues that developed in the last couple of years."

The U.S. President had claimed otherwise, posting that "China is successfully and completely taking over the once Great Country of Canada. So sad to see it happen."

In 2024, Canada mir-



Carney may visit Delhi in March: Indian envoy

OTTAWA
Amid an increase in efforts to diversify Canada's alliances beyond the U.S., Mark Carney, Prime Minister of the North American country, may visit India in March and sign various deals including on energy, minerals, and artificial intelligence, Dinesh Patnaik, India's High Commissioner to Canada, has said. **» PAGE 4**

rored the U.S. by putting a 100% tariff on electric vehicles from Beijing and a 25% tariff on steel and aluminium.

China had responded by imposing 100% import taxes on Canadian canola oil and meal and 25% on pork and seafood.

Breaking with the U.S. this month during a visit to China, Mr. Carney cut its 100% tariff on Chinese electric cars in return for lower tariffs on those Canadian products.

Industry warning

The U.S. President posted a video on Sunday in which the chief executive of the Canadian Vehicle Manufacturers' Association warns there will be no Canadian auto industry without U.S.

access, while noting the Canadian market alone is too small to justify large scale manufacturing from China.

'A disaster'

"A MUST WATCH. Canada is systematically destroying itself. The China deal is a disaster for them. Will go down as one of the worst deals, of any kind, in history. All their businesses are moving to the USA. I want to see Canada SURVIVE AND THRIVE! President DJT," Mr. Trump posted on social media.

Mr. Trump's post on Saturday said that if Mr. Carney "thinks he is going to make Canada a 'Drop Off Port' for China to send goods and products into the United States, he is

sorely mistaken."

"We can't let Canada become an opening that the Chinese pour their cheap goods into the U.S.," U.S. Treasury Secretary Scott Bessent said on ABC's This Week.

"We have a (United States-Mexico-Canada Agreement), but based off - based on that, which is going to be renegotiated this summer, and I'm not sure what Prime Minister Carney is doing here, other than trying to virtue-signal to his globalist friends at Davos."

The Mr. Trump's threat came amid an escalating war of words with Mr. Carney as the Republican President's push for U.S. to acquire Greenland strained the NATO alliance.

- Strategic Protectionism: Tariffs used as geopolitical tools.
- Primary Sector Vulnerability: Agriculture most exposed to retaliatory tariffs.

Critical Analysis

Advantages

- Safeguards US market access for Canada.
- Limits tariff circumvention risks.
- Protects domestic manufacturing.

Disadvantages

- Constrains trade policy autonomy.
- Agriculture exposed to retaliation.
- Weakens multilateral trade norms.

Challenges

- Asymmetric dependence in FTAs.
- Managing geopolitics-economics trade-off.

Way Forward

- Tighten rules of origin enforcement.
- Diversify export destinations.
- Strengthen domestic manufacturing capacity.
- Use sectoral engagement instead of comprehensive FTAs.
- Provide export risk mitigation for farmers.

KEY HIGHLIGHTS

Context of the News

- Mark Carney ruled out any FTA with China.
- Statement followed Donald Trump's threat of 100% tariff on Canadian imports.
- Clarification that Canada's China engagement was sector-specific tariff correction, not an FTA.
- Obligations cited under United States-Mexico-Canada Agreement regarding non-market economies.

Key Points

- Canada had imposed 100% tariff on Chinese EVs; 25% on steel & aluminium.
- China retaliated with 100% tariffs on canola oil & meal; 25% on pork & seafood.
- Canada partially reduced EV tariffs after talks to secure agricultural tariff relief.
- US warned against Canada becoming a trans-shipment route for Chinese goods.
- Canadian auto sector heavily dependent on US market access.

Static Linkages

- Non-Market Economy: State control over prices/production; special trade remedies allowed.
- Trade Diversion: Preferential trade can shift imports from efficient to inefficient sources.
- Rules of Origin: Prevent tariff circumvention in FTAs.

Method to count caste during Census not yet decided, clarity likely by July: officials

Opposition parties such as the Congress and Samajwadi Party had questioned BJP-led Union government over absence of expanded caste column in the questionnaire of the first phase of Census published last week; however, officials say caste will be enumerated only in the second and final phase

Vijata Singh
NEW DELHI

The methodology to be followed for caste enumeration in the forthcoming Census is yet to be finalised and the preparatory exercise for it will likely be done by July, government sources said.

Opposition parties such as the Congress and the Samajwadi Party have questioned the Bharatiya Janata Party-led Union government for the absence of an expanded caste column in the questionnaire of the first phase of the Census which was published last week. The parties asked whether the Centre really intended to hold a caste count along with the Population Census, 2027.

However, the final questionnaire for caste enumeration is likely to be known only in September, when Population Enumeration (PE), the second phase of Census 2027, kicks off in Ladakh and snow-bound

areas of Jammu and Kashmir, Himachal Pradesh and Uttarakhand, ahead of the rest of the country. Caste count in all other States will be held during the PE phase in February 2027.

This will be the 16th Census and the first in independent India to count castes other than the Scheduled Castes (SC) and Scheduled Tribes (ST), the government has said.

Unlike the 2011 Socio-Economic Caste Census (SECC), which was done outside the purview of the Census, caste will be enumerated this time in the second and final phase, giving it statutory backing. The SECC enumerated more than 46 lakh castes while the total number of castes during the pre-independence 1931 Census was 4,147.

Digital collection

This will also be the first time that Census data is captured digitally, on smartphones and mobile apps and the mobile



Congress demands the Modi government initiate consultations with parties, States, and civil society organisations before finalising details of the caste census process. The way Question 12 has been framed raises serious questions about the government's true intentions.

JAIRAM RAMESH
Congress leader

when citizens will be able to self-enumerate through a yet-to-be announced portal.

The Census will be done in two phases, with the Houselisting and Housing Census (HLO) to be held from April-September 2026 and the PE phase in February 2027. The Registrar General and Census Commissioner of India (RG&CC) notified 33 questions for the HLO phase on January 22. Question number 12 in the questionnaire was "Whether the head of the household is Scheduled Caste/Scheduled

Tribe/Other."

Congress leader Jairam Ramesh said that Question 12 did not explicitly seek information on Other Backward Classes (OBC) and General categories.

"Since caste enumeration is to be part of Census 2027, Question 12 as formulated does raise serious questions on the Modi Government's true intentions and on its commitment to a comprehensive, fair, nationwide caste census," Mr. Ramesh posted on X.

He said the Congress wanted the government to immediately initiate a dia-

logue with political parties, State governments, and civil society organisations before finalising the details of the caste enumeration exercise.

"Such consultations were an integral part of the SECC (Socio-Economic, Educational, Employment, Political, and Caste) Survey that was carried out by the Telangana Government in 2025 and which remains the most comprehensive and meaningful way to gather vital caste-wise information on education, employment, income, and political engagement – which are so very essential for ensuring greater economic and social justice," he said.

On Saturday, Samajwadi Party president Akhilesh Yadav had also accused the government of dithering on caste census.

The 2011 schedule or the questionnaire for the HLO phase also had the same question at serial number 15. The details of SC/ST column were filled in the se-

cond phase through the Centrally approved list. While the OBC list can be maintained both by the State and Centre, SC/ST names are maintained only by Centre. According to the latest government data, there are about 2,650 OBC castes on the Central list, 1,170 in the SC category and 890 on the ST list.

Whether the "Other" column will have a merged Central and State OBC list or a list of unreserved categories of caste is yet to be decided. In fact, the pre-test or the preparatory exercise of the Census, which was done from November 10-30, 2025 for the first time covered only the HLO phase as the caste methodology is yet to be decided.

In the past, the preparatory exercise covered both the phases simultaneously. A State government official said the pre-test for the PE phase will have to be completed by July as the snow-bound States would complete both the phases in September.

KEY HIGHLIGHTS

Context

- Methodology for caste enumeration in Census 2027 not finalised yet; preparatory exercise for PE phase likely by July.
- Debate over absence of explicit OBC/general caste column in HLO questionnaire (Phase-1).
- Government clarified caste enumeration will be part of Phase-2 (Population Enumeration).
- First Census after Independence to enumerate castes beyond SC/ST.
- Caste count to be conducted within Census framework, unlike Socio-Economic Caste Census 2011.

Key Points

- Census conducted in two phases:
 - Houselisting & Housing Census (HLO): April–September 2026
 - Population Enumeration (PE): February 2027 (earlier in snow-bound states)
- Caste details collected only in PE phase, not HLO.
- Digital Census: data collection via smartphones, mobile apps; self-enumeration portal proposed.
- Question 12 of HLO asks only SC/ST/Others (same as 2011 HLO format).
- Final caste questionnaire expected in September 2026.
- SC/ST lists centrally notified; OBC lists maintained by Centre and States.
- Central lists: ~2,650 OBCs, ~1,170 SCs, ~890 STs.
- Decision pending on whether "Other" category will merge Central & State OBC lists.

Static Linkages

- Census conducted under Census Act, 1948.
- Article 15(4), 15(5), 16(4): constitutional basis for affirmative action.
- Article 340: provision for identifying backward classes.
- Delimitation, reservation, and welfare policy rely on Census data.
- 1931 Census: last full caste enumeration (4,147 castes recorded).

Critical Analysis

- Pros:
 - Statutory backing improves credibility and usability of data.
 - Enables evidence-based policy for reservations and welfare schemes.
 - Corrects outdated caste population estimates.
- Cons/Challenges:
 - Risk of data inflation due to self-identification.
 - Administrative complexity due to multiplicity of caste names.
 - Potential politicisation of caste data.
 - Harmonisation of Central and State OBC lists unresolved.

Way Forward

- Finalise uniform, transparent caste classification methodology.
- Extensive pre-testing and standardisation of caste nomenclature.
- Consultation with States, political parties, and experts.
- Robust data anonymisation and privacy safeguards.
- Clear policy roadmap on use of caste data post-enumeration.

Playing hide and seek on employment guarantee

The oddly named Viksit Bharat - Guarantee for **Jobs and Aiswika** Mission (Gramin) Act (VB - G RAM G Act) has attracted a torrent of criticisms in recent weeks. A few commentators have defended it. Most of them are associated with the Central government. Still, their arguments are worth considering.

Union Minister for Rural Development Shivraj Singh Chouhan took the lead with two articles in national dailies. He did a great service to the public by presenting the case for the VB - G RAM G Act on behalf of the Central government. Alas, the case is not impressive. Mr. Chouhan claimed that the VB - G RAM G Act provides the same work guarantee as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005, with an enhanced entitlement of 125 days per household per year instead of 100 days. However, as others have already pointed out, this claim overlooks the "switch-off" provision embedded in Section 5D of the Act, which states that the employment guarantee applies "in such rural area in the State as may be notified by the Central government". This discretion defeats the purpose of an employment guarantee. It is like providing a work guarantee without a guarantee that the guarantee applies.

Conditional on the guarantee being in place, the VB-G RAM G Act does extend it for 125 days. But this could have been done under MGNREGA, without even requiring an amendment of the Act. It is no justification whatsoever for the VB-G RAM G Act. Indeed, a few States are already guaranteeing 125 days under MGNREGA.

The disentanglement saga
Amplifying the claim that the VB-G RAM G Act is an expansion rather than a restriction of MGNREGA, Mr. Chouhan played up the removal, in the VB-G RAM G Act, of earlier "disentanglement provisions". In the absence of any explanation, most readers must have wondered what this is about. Since the same point was made by other champions of VB-G RAM G, it is worth clarifying.

When MGNREGA was drafted, a mild concern arose about the possibility of frivolous work applications - that is, applications from people who have no intention to work. Some of them, for instance, might do this in the hope of getting the unemployment allowance instead of a work offer. By way of protection against frivolous applications, a provision was inserted to the effect that if someone turns down a work offer after applying, then they will lose eligibility to the unemployment allowance for a period of three months. This is a weak protection against frivolous work applications, but it does not do any harm. For some reason, this clause was called "Disentanglement to receive unemployment allowance in certain circumstances".



Jean Drèze
Visiting Professor at the Department of Economics, Ranchi University

As it turns out, frivolous work applications are an imaginary problem. This problem has never arisen in a serious way in the last 20 years. The disentanglement clause has never been used, and indeed it is quite useless (unlike the separate provision stating that no unemployment allowance is due to someone who turns down a work offer after applying). The fact that the VB-G RAM G Act omits this provision is neither here nor there. Mr. Chouhan's claim that the VB-G RAM G Act removes "disentanglement provisions that had the effect of denying workers their due" is little more than hot air.

Normative funding

Turning to better arguments, one of VB-G RAM G's main selling points is the "shift to normative funding as opposed to an archaic demand-driven approach", as Dr. Soumya Kanti Ghosh, Group Chief Economic Advisor at State Bank of India, puts it. Here, the pretence that VB-G RAM G preserves the principle of employment guarantee is quietly abandoned. Indeed, if there is an employment guarantee, then funding must be "demand-driven". Instead, the assumption here is that most States will not spend beyond the "normative allocations" determined by the Centre. That, indeed, is a sensible assumption. The normative allocations are likely to become de facto budget caps, as the critics of VB-G RAM G have argued from the word go.

The advocates of "normative funding" make a virtue of these budget caps. They claim, in particular, that normative funding will help to ensure a more equitable distribution of expenditure across States. This concern arises from an alleged imbalance of MGNREGA expenditure in favour of better-off States. As a matter of fact, there is no statistical correlation, across States, between MGNREGA employment per rural household and baseline poverty rates or per capita expenditure. High levels of per household MGNREGA employment can be found in poor States (for example, Chhattisgarh) as well as in relatively well-off States (for example, Tamil Nadu), just as low levels of employment can be found in poor as well as better-off States (for example, Bihar and Gujarat, respectively). Of course, one might still wish for a strong positive correlation across States between baseline poverty and MGNREGA employment. It would certainly be useful if poor States such as Bihar and Jharkhand accounted for a larger share of MGNREGA employment and expenditure. But the imposition of budget caps and cost-sharing is hardly going to help them. A much better approach would be to raise MGNREGA wage rates in the poorer States. That is long overdue.

Employment guarantee is a bold idea that holds much promise not only for India but for the world. There is nothing surprising in the fact that

some of India's better governed States are making more effective use of it than the rest. Many social programmes in India, from school meals to maternity benefits, began in south India and were extended to the whole country in due course. If MGNREGA is also doing better in south India for the time being, there is no reason to press the panic button and slap budget caps. After all, the MGNREGA budget is not very large - barely 0.25% of India's GDP as things stand.

Stray arguments

Another common pitch for VB-G RAM G is that this new Act will eliminate corruption. How so? The provisions for transparency, social audits and so on are much the same as in MGNREGA. The main innovation is relentless insistence, within the Act, on the use of advanced digital technology. But digital technologies are already being used with abandon in MGNREGA. Further, these technologies have a mixed record, to put it mildly. Some have undermined workers' rights and sapped their interest in MGNREGA, often fuelling corruption in the process. When workers are fed up with technical glitches (like their wages being diverted to Airtel wallets, as happened in 2017), it is tempting for them to stop working by the rules and to cooperate instead with a corrupt middleman who uses their job cards and bank accounts to siphon off MGNREGA funds in exchange for a share of the loot. Instead of learning from these failures, the VB-G RAM G Act perpetuates blind faith in digital technology.

I have tried to be generous to the advocates of the VB-G RAM G Act by focusing on their serious arguments. Some of them, however, also indulge in platitudes and fallacies. For instance, they try to credit the VB-G RAM G Act for provisions that are actually copy-pasted or paraphrased from MGNREGA. To illustrate, consider this statement of Tuhin Sinha, national spokesperson for the Bharatiya Janata Party: "Delayed wages were among the most corrosive failures of MGNREGA, undermining trust in the system. VB-G RAM G addresses this head-on by mandating weekly wage payments, with an outer limit of a fortnight." Surely, he knows that this "head-on" provision is copied from MGNREGA? Similarly, when Mr. Chouhan claims that Section 20 of the VB-G RAM G Act "strengthens social audits", he must know that it is more or less identical to Section 17 of MGNREGA.

In short, there is little substance in recent arguments for the replacement of MGNREGA with the VB-G RAM G Act. The main purpose of the new Act seems to be to enable the Modi government to run the show and steal the credit, as happened when the National Food Security Act was repackaged as a bunch of Prime Minister's schemes. Employment guarantee and workers' rights are on the back seat.

- Poor States constrained by lower administrative and fiscal capacity.
- Excessive digital reliance risks exclusion errors and informal corruption.

Static Linkages

- Rights-based welfare vs scheme-based welfare approach.
- Fiscal federalism and Centre-State relations.
- Employment generation as a counter-cyclical social protection tool.
- Governance capacity as determinant of welfare outcomes.

Critical Analysis

Arguments in Favour

- Predictable fiscal outlay through normative funding.
- Higher nominal employment entitlement.
- Administrative uniformity and central monitoring.

Arguments Against

- Employment guarantee incompatible with capped funding.
- Centralised notification weakens State autonomy.
- No evidence that budget caps improve inter-State equity.
- Digital rigidity may worsen worker participation and trust.
- Rebranding risks prioritising political credit over workers' rights.

Way Forward

- Retain demand-driven funding as non-negotiable principle.
- Remove discretionary notification clauses.
- Raise wage rates in poorer States to improve uptake.
- Strengthen implementation capacity rather than impose caps.
- Use technology as facilitative, with robust grievance redressal.
- Preserve rights-based legal architecture of employment guarantee.

KEY HIGHLIGHTS

Context

- VB-G RAM G Act proposed as a replacement for MGNREGA, 2005.
- Government claims expansion of employment guarantee and improved fiscal discipline.
- Critics argue dilution of rights-based employment guarantee and centralisation of control.

Key Provisions / Changes

- Increases maximum entitlement to 125 days per household per year.
- Employment guarantee applicable only in rural areas notified by Central government.
- Replaces demand-driven funding with normative (pre-determined) allocations.
- Strong statutory push for digital technology-based implementation.
- Wage payment timelines and social audit provisions largely borrowed from MGNREGA.

Core Issues Identified

- Conditional notification undermines the legal guarantee of employment.
- Enhanced entitlement could have been achieved under existing MGNREGA framework.
- Normative funding likely to operate as de facto expenditure ceiling.
- Weak empirical basis for claim that MGNREGA disproportionately benefits richer States.

There is little substance in recent arguments for the replacement of MGNREGA with the VB-G RAM G Act.

India's biggest climate gap could be language

If there is one serious gap in science communication, it is the language and jargon. In the absence of effective communication based on clearly understandable language that people can relate to and contextualise, science will always be either poorly understood or misunderstood.

The meaning of loss and damage
At recent United Nations climate conferences, few phrases have been repeated as often as 'Loss and Damage'. It has been invoked at negotiations, stitched into drafts, and debated in press briefings as if its meaning were universally understood. But Loss and Damage is not simply a diplomatic vocabulary; it refers to climate impacts that communities cannot adapt to: the destruction of crops and homes, but also the loss of identity, land, traditions, ecosystems, and the quiet erosion of cultural memory. It is meant to capture not just what is broken, but what can never be restored. And yet, somewhere between the global negotiation table and the governance realities on the ground, the meaning collapses.

In India, the language shifts sharply as it moves downstream. Loss becomes *nuksaan aaklan* – an assessment to be filled after a disaster. Damage becomes *haani purti* – compensation calculated through established norms. The broader crisis becomes *sapda, sapda rahat*, or *apada prabandhan* – administrative categories shaped by decades of disaster response, not by the complex realities of climate change.

So, when global actors speak of 'Loss and Damage finance', it is often understood locally as a little more than post-disaster relief – a far narrower understanding than the international framing, which also encompasses slow-onset impacts, biodiversity loss, the disappearance of ancestral lands, and the erosion of social fabric.

The fuller spectrum of irreversible climate loss collapses into what can be counted,



Flavia Lopes
Programme Officer,
UNEP India. Views are personal



Balakrishna Pispupati
Head, UNEP India. Views are personal

compensated, and closed. This is not a minor semantic problem; it is a governance gap. When climate language narrows, so do the policy responses it enables – even the most ambitious global commitments risk becoming abstractions.

Over the past decade, India's climate science has advanced rapidly. We now have district-level heat projections, urban flood models, crop yield simulations, and attribution studies capable of tracing the fingerprints of climate change on specific extreme events. Yet, this capacity has not been matched by investment to make the science usable for decision-makers and communities. The result is a paradox: we have more data than ever, but less clarity on where it matters most.

A district magistrate may receive a vulnerability assessment packed with indices and statistical language, but struggle to translate it into tomorrow's decisions. Communities, meanwhile, also encounter climate messaging through fragmented channels, each using different vocabulary and urgency. Too often, climate communication assumes that more information leads to better decisions. But this approach rarely holds. People don't act simply because they know more; they act when information feels relevant, doable, and aligned with their lived reality.

This is why communication is not a "soft" add-on to climate policy but a core enabler of delivery. Heat advisories that tell people to "stay indoors between 12 and 3 p.m." assume the privilege of being able to stop work. Flood warnings delivered by SMS assume literacy and smartphone access. Meanwhile, risk dashboards proliferate across States and cities, often technically impressive yet underused because they are too complex and not designed around how real decisions are made under pressure.

When climate information is clear, trusted, and grounded in everyday realities, the entire climate ecosystem shifts: policy becomes sharper,

communities respond faster, and investments flow towards solutions that work. For instance, Odisha's cyclone preparedness model shows that evacuation success does not come from technology alone. It comes from years of building public confidence in the credibility of alerts issued by the state. Trust becomes a form of infrastructure as critical as shelters or sensors.

Clear communication can similarly strengthen heat preparedness, guide flood response, and help governments justify climate investments by translating risk into everyday consequences: school closures, water shortages, hospital admissions, labour productivity, and crop loss.

What climate communication must deliver
Effective communication begins with use. It turns projections into decisions: not just 'heat index rise', but what it means for school timings, outdoor work, and public health preparedness; not just 'flood return intervals', but how flooding will affect commute routes, household safety, and service delivery in specific neighbourhoods. And it works best when co-created with frontline workers, panchayat leaders, farmers, fisherfolk, teachers, and local journalists.

If we are serious about turning climate science into climate action, it needs a communication framework as intentional as its forecasting systems and policy mechanisms. That means simplifying climate information, localising it for real contexts and languages, humanising science through lived realities, institutionalising communication capacity within government systems, and strengthening media partnerships so risk narratives are understood, trusted, and acted upon.

When communication fails, science stays locked in reports, policies don't translate into practice, and preparedness remains uneven; and when it succeeds, resilience becomes a shared social and political possibility.

We have more data than ever, but less clarity on where it matters most

KEY HIGHLIGHTS

Context

- 'Loss and Damage' has gained prominence in global climate negotiations post COP27–COP28.
- It addresses climate impacts beyond adaptation capacity, especially for developing countries.
- In India, the concept is largely interpreted through the lens of disaster relief and compensation, creating a governance gap.

Key Points

- Loss and Damage includes:
 - Economic losses: crops, housing, infrastructure, livelihoods.
 - Non-economic losses: biodiversity, culture, identity, traditional knowledge.
- International framing covers:
 - Sudden-onset events (cyclones, floods).
 - Slow-onset processes (sea-level rise, desertification, glacial retreat).
- Indian administrative understanding:
 - Loss = damage assessment (*nuksaan aaklan*).
 - Damage = compensation (*haani purti*).
 - Crisis handled under disaster management norms.
- Result:
 - Climate loss reduced to post-event relief.
 - Irreversible and non-quantifiable losses ignored.

Static Linkages

- Disaster Management Act, 2005 focuses on response, relief, and rehabilitation, not irreversible loss.

- IPCC recognises limits to adaptation and residual climate risk.
- Sendai Framework emphasises risk communication and preparedness.
- Economic Survey highlights climate impacts on health, labour productivity, and agriculture.
- Second ARC stresses citizen-centric communication in governance.

Critical Analysis

Issues

- Conceptual dilution of Loss and Damage at implementation level.
- Over-reliance on technical jargon and indices.
- Weak translation of climate science into administrative decisions.
- Exclusion of livelihood realities and social vulnerabilities.
- Limited institutional capacity for climate risk communication.

Implications

- Narrow policy responses.
- Underestimation of long-term climate risks.
- Ineffective utilisation of climate finance.
- Low community trust in advisories and warnings.

Way Forward

- Create a distinct national framework for Loss and Damage.
- Integrate non-economic losses into climate assessments.
- Institutionalise climate communication within district administration.
- Localise climate information by language, occupation, and region.
- Co-produce advisories with frontline workers and local institutions.
- Strengthen media partnerships for trusted risk messaging.

March of the Republic

While celebrating achievements, the government must not ignore challenges

President Droupadi Murmu reflected on India's democratic and development journey on the eve of India's 77th Republic Day. Her emphasis was rightly on the self-reliance of the country in all fields and India's role as a messenger of peace and stability in a world that is increasingly fractious. Ms. Murmu highlighted recent national achievements and touched upon political and cultural themes that are currently the priorities of the Centre. She noted that the national song, Vande Mataram, was a "lyrical national prayer" even as the country celebrates the 150th anniversary of its composition, and also paid tribute to Sardar Vallabhbhai Patel, whose 150th birth anniversary was celebrated recently, for his role in unifying the nation. The commander-in-chief also hailed the success of Operation Sindoor, which involved precision strikes against terror infrastructure, and credited it to India's growing self-reliance in defence. The President said India's progress towards becoming the third largest global economy was well on track, and commended economic reforms such as the GST and the new Labour Codes. She noted the great strides achieved by the country's women in fields ranging from agriculture to space, and their critical role as voters. Farmers, sanitation workers, teachers, scientists, and healthcare professionals also found special mention in the President's speech.

The President invoked the idea of constitutional nationalism. Republic Day celebrations are an annual occasion to revisit the ideals of the Constitution and to review its progress in principle and practice. Cataloguing the achievements of the country is motivating, but also essential on such occasions is self-reflection. Economic growth or military prowess are not the sole markers of progress for any nation. Singing paeans to the Constitution is one thing, but delivering on its principles by protecting the rights of citizens and discharging the duties of the state is quite another. The state in its self-congratulatory posture, as reflected in the President's speech, must not ignore the many struggles of the citizenry that persist even in the eighth decade of the Republic. Civilisational pride cannot be a ruse to overshadow the material questions of the present. Republic Day celebrates the ideals of the Constitution. Sectarian politics, the weakening of the federal character of the Republic, and corruption should not be allowed to undermine those ideals.

KEY HIGHLIGHTS

Context

- Address to the nation on the eve of 77th Republic Day by Droupadi Murmu.
- Focus on India's democratic journey, self-reliance, and constitutional values.
- Reference to major national milestones and reforms.

Key Highlights

- Emphasis on Atmanirbharta across defence, economy, and technology.
- Praise for Operation Sindoor as an example of indigenous defence capability.
- Assertion of India's trajectory towards becoming the third-largest global economy.
- Commendation of reforms:
 - Goods and Services Tax
 - New Labour Codes.
- Recognition of women's participation in:
 - Agriculture, science, space, and electoral democracy.

- Tribute to:
 - Sardar Vallabhbhai Patel for national integration.
 - Vande Mataram on 150th anniversary.
- Appreciation of contributions by farmers, sanitation workers, teachers, scientists, and healthcare professionals.

Static Linkages

- President as:
 - Head of State and symbol of unity (Articles 52–62).
 - Supreme Commander of Armed Forces (Article 53).
- Republic Day:
 - Adoption of the Constitution on 26 January 1950.
- Core constitutional ideals:
 - Sovereignty, democracy, secularism, fraternity.
- National integration:
 - Role of Patel in accession of princely states.
- Economic reforms:
 - GST as a measure for cooperative federalism.

Critical Analysis

- Positive:
 - Reinforces constitutional symbolism and national confidence.
 - Highlights inclusive role of women and grassroots workers.
- Concerns:
 - Overemphasis on achievements may dilute focus on:
 - Civil liberties.
 - Federal balance.
 - Persistent socio-economic inequalities.
- Constitutional nationalism requires:
 - Protection of rights along with national pride.

Way Forward

- Align developmental narrative with rights-based constitutional governance.
- Strengthen cooperative federalism.
- Ensure inclusive and employment-generating growth.
- Uphold constitutional morality in policy and politics.
- Balance national pride with democratic accountability.

Mind the time

India needs public-funded geriatric care to take care of its elderly

While India is often celebrated for its demographic dividend, its States are undergoing a significant but uneven demographic transition. According to a new RBI report, Kerala and Tamil Nadu will be “ageing States” by 2036 because their elderly populations will exceed 22% and 20%, respectively. On the other hand, the working age populations of Bihar, Uttar Pradesh, and Jharkhand will continue to rise beyond 2031. Karnataka and Maharashtra occupy the middle ground, balancing growth with the onset of ageing pressure. In response, the RBI has advised ageing States to “rationalise” their subsidies to afford rising pension costs and youthful States to “invest heavily in human capital”. But how mindful is the RBI’s fiscal advice of the political undertones? Southern States, having successfully tamed population growth, face a double whammy: lower Central tax devolution because population weightage in Finance Commission formulae favours the populous northern States plus lower parliamentary representation due to the upcoming delimitation exercise. On the other hand, while the youthful States have a “window of opportunity” to boost growth using a larger workforce, the share of their spending on education has stagnated or declined, and the question of employability persists. These people will also enter the workforce at a time of manufacturing automation and AI in industry, so the RBI’s suggestion to “boost labour-intensive sectors” may leave these States vulnerable to the possibility of ageing before they get rich.

Research has shown that ageing in India disproportionately affects women, who often live longer but with fewer financial assets. The RBI’s focus on “workforce policy” overlooks the majority of elderly women who were never in the formal workforce and thus have no pension. The RBI model also assumes some level of family support, but with migration and nuclear families becoming the norm, the informal safety net is collapsing. Ultimately, the demographic transition cannot be managed by fiscal changes alone. First, a new industrial policy is needed to create jobs en masse in new sectors such as green energy and the care economy. Second, the youthful States must build healthcare and pension services now to avoid fiscal shocks if and when the replacement fertility rate drops. Third, for most of India’s elderly, the future looks less like “graceful ageing” and more like financial dependency, unless the state drastically expands social pensions; but this directly contradicts the RBI’s call for fiscal consolidation. Finally, without a massive expansion of public geriatric care, the “graceful ageing” that the report envisions will be available only to the wealthy.

KEY HIGHLIGHTS

Context of the Issue

- RBI report highlights uneven demographic transition across Indian States
- Kerala & Tamil Nadu projected to become ageing States by 2036
- Bihar, Uttar Pradesh, Jharkhand to retain rising working-age population beyond 2031
- Karnataka & Maharashtra in intermediate demographic stage
- RBI suggests:
 - Subsidy rationalisation for ageing States
 - Human capital investment for youthful States

Key Facts & Data

- Elderly population threshold:
 - Ageing State: >20% population aged 60+
- India TFR:
 - 2.0 (NFHS-5) – below replacement level
- Elderly dependency ratio rising fastest in southern States

- Education expenditure as % of GSDP:
 - Stagnant/declining in major youthful States (Economic Survey)
- Majority workforce:
 - Informal sector → limited pension coverage
- Automation & AI reducing labour absorption capacity

Core Issues Identified

- Fiscal stress on ageing States due to pensions & healthcare
- Demographic dividend at risk in youthful States due to:
 - Low skill levels
 - Poor employability
- Fiscal federalism imbalance:
 - Population-based Finance Commission criteria
 - Proposed delimitation affecting political representation
- Gendered ageing:
 - Women live longer but lack assets and pensions
- Collapse of informal family support systems

Static Concept Linkages

- Demographic Transition Theory
- Dependency ratio (young vs old)
- Finance Commission – Article 280
- Informal sector dominance in India
- Social security: contributory vs non-contributory pensions
- Feminisation of ageing

Critical Concerns

- Penalisation of population-stabilising States
- Risk of “ageing before becoming rich”
- Over-reliance on labour-intensive growth in automation era
- Lack of universal old-age income security
- RBI fiscal advice ignores political economy constraints
- Geriatric care limited to affluent sections

Way Forward

- Universal, non-contributory old-age pension system
- Early healthcare & pension capacity building in youthful States
- Industrial policy focusing on:
 - Green energy
 - Care economy
- Skill development aligned with future technologies
- Reform Finance Commission criteria to reward population stabilisation
- Expand public geriatric healthcare infrastructure
- Gender-sensitive ageing policies

Cybercrime and a global governance crisis

Last year, the United Nations (UN) convened a signing ceremony for the seminal new 'Convention against Cybercrime', the only multilateral criminal justice instrument to be negotiated in over two decades. India was among the many large member states that didn't sign the convention, along with the United States, Japan and Canada, indicating fractures in the global governance of cyberspace. The text adopted by the General Assembly in December 2024 received support from 72 countries.

Conceived through a resolution proposed by Russia in 2017, the Convention represents the culmination of negotiations among the UN members, with inputs from civil society experts and private sector actors. It took eight formal sessions and five intersessional consultations for the UN to generate some consensus. This saga underlines challenges in global governance which implicate India. An uncertain global order, coupled with a widening gulf between international legal principles and their practice, may lead to a polycentricism that the country is not fully equipped to handle.

Uncertain allegiances
Russia and China collaborated to bring the UN Convention to fruition. There was a united front to reshape the status quo of global cyber governance frameworks, which so far hinged on the 2001 Budapest Convention on Cybercrime, a European effort with 76 parties, not involving either Russia or China. The Budapest Convention limits accession to only invited states and is therefore inherently non-inclusive, and India fittingly stayed out of it.

Conversely, the UN Convention is open to all, but still saw a lot of division. The Europeans signed it because it borrows definitions and even substantive procedure from their Budapest Convention. It



Yivvan Sharan
Public policy expert,
Khan Advisory Group,
New Delhi



Sukanya Thapliyal
Public policy expert,
Khan Advisory Group,
New Delhi

The emerging global order relegates multilateralism to high-level principles, and depends on smaller groups for consensus on operating clauses

would seem incongruent for them not to join. A July 2025 EU Council document justified this decision as a means to ensure that it has a "meaningful voice early in the implementation" of the new framework.

The Americans were sceptical of the Sino-Russian effort. Several of their civil society groups also warned that the Convention's broad definition of serious crimes, could enable prosecution of journalists, activists, or political opponents of authoritarian leaders.

India's reluctance to sign perhaps represents a different calculus. Unlike in the case of the Budapest Convention, New Delhi actively engaged in the negotiations of the UN Convention. But its proposals, such as those aimed at retaining greater institutional control over its citizens' data, were not retained. The country has not got its way in global rulemaking over the last two decades, eroding gains made in the early days of the climate change conventions where it united a group of 77 developing countries.

Russia and China perhaps see a weakened UN as worthy platform to legitimise an otherwise cynical worldview, the Europeans and other receding powers cling on to the high-table, a revivalist U.S. doesn't want to hand over the keys to the kingdom, and an ever-cautious India does not want to give up institutional control. The divisions seen in Hanoi even cut across plurilateral groups such as the Quad and the Five Eyes and underscores that the intricate geopolitics of today.

Principles-practice rift
The UN Convention also exposes a widening gap between international legal principles and on-ground realities. The definition of cybercrime in the Convention is not precise enough to limit it to areas of consensus. Instead, it allows signatories to stretch the scope of criminal offences, potentially to the detriment of

human rights. Standard procedural safeguards, such as the need for judicial review in criminal law, are tethered to the prevailing domestic frameworks of the signing parties.

Consensus on principles masks large divergences in practice. India's rulemaking efforts on watermarking of AI-generated content on social media is a recent example. It anchors on the universally accepted principle of user-safety. But the draft rules envision a potential mandate that social media companies carry labels that cover 10% of the body of any AI-generated content, an exceptionally prescriptive means of implementing an accepted principle.

Polycentricism
Global governance is facing a serious crisis that is no cause for celebration. The U.S. has significantly curtailed its financial contributions to the UN. The impotence of the Security Council is evident in modern conflicts from Ukraine to Gaza. The World Trade Organization's dispute-settlement system has been paralysed since 2019. The emerging global order relegates multilateralism to high-level principles, and depends on smaller, plurilateral or bilateral groups for consensus on operating clauses. But this leads to polycentricism, with institutional overlaps and interactions that continually test state-capacity. Attempts at international governance of cross-border data flows has seen this play out, and so now will cybercrime. The idea that data should flow between trusted partners is near universal, but mechanisms to realise this are not.

India will struggle to retain its much-cherished institutional autonomy in global governance unless it builds technical capacities to engage on several levels all at once. Domestically, the canvas for regulatory and administrative reforms is vast, and the hour of action is here.

- Principles of state sovereignty and non-intervention (UN Charter).
- India's cybercrime framework under IT Act, 2000.
- Role of UNODC in international criminal justice cooperation.
- Concept of strategic autonomy in India's foreign policy.

Critical Analysis

Pros

- Attempts to create a universal cybercrime framework.
- Facilitates international cooperation on cyber offences.
- Addresses fragmentation in cybercrime laws.

Cons

- Vague definitions may enable abuse of state power.
- Weak and uneven human rights protections.
- Lack of consensus among major cyber powers.
- Reinforces polycentric global governance with overlapping regimes.

India-specific Concerns

- Reduced control over citizens' data.
- Limited acceptance of India's negotiation proposals.
- Capacity constraints in managing multiple governance forums.

Way Forward

- Enhance technical and legal cyber diplomacy capacity.
- Strengthen domestic cyber laws with rights-based safeguards.
- Lead plurilateral initiatives on cyber norms.
- Advocate clearer definitions and stronger safeguards in future protocols.
- Align domestic digital regulations with principle-based governance.

KEY HIGHLIGHTS

Context of the News

- UN General Assembly adopted the United Nations Convention against Cybercrime (Dec 2024).
- First multilateral criminal justice treaty negotiated in over 20 years.
- Proposed initially by Russia (2017); supported by China.
- Supported by 72 countries; India, USA, Japan, Canada did not sign.
- Aims to create a global framework to combat cybercrime.

Key Points

- Convention is open to all UN member states.
- Intended as an alternative to the Budapest Convention on Cybercrime (2001).
- Defines "serious cybercrime" in broad terms.
- Procedural safeguards linked to domestic legal systems, not uniform global standards.
- Allows cross-border cooperation in cybercrime investigations.
- Concerns over misuse against journalists, activists, political dissenters.
- Reflects deep divisions in global cyber governance, even among allies.

Static Linkages

- Cyberspace as a borderless global commons (NCERT).

As rules-based order crumbles, only reforms can shield the economy

2026 HAS BEGUN with a sense of cautious optimism that the economy is experiencing a cyclical upswing. Recent GDP prints have surprised to the upside, credit growth is accelerating and some surveys reveal business sentiment may be firming. Near-term buoyancy should not be surprising. The economy has benefited from a raft of supports in 2025: GST and income tax cuts, monetary and regulatory easing, positive terms of trade impulses from lower crude prices and a second successive strong monsoon. Together, these tailwinds are driving a cyclical lift. The real question is: What will it take for growth to remain strong once the cyclical impulses fade? To do so, the economy must successfully navigate two rotations.

The first rotation is of demand drivers. Post-pandemic growth was driven by a surge in public investment, a revival of the real estate sector, and strong service exports. But several of these impulses are fading. Central capex grew 30 per cent annually for four years post-pandemic but this pace was always going to strain the economy's absorptive capacity. So, central capex has downshifted to around a 10 per cent annual pace even as state capex risks being cannibalised by competitive populism. Meanwhile, residential real estate has slowed sharply over the last year, unsurprising because it was being driven narrowly by the upper echelon, who have likely reached some saturation point. For the recovery to sustain, demand needs to rotate towards the post-pandemic laggards of private consumption and private investment. What will this entail?

Urban and rural consumption have been in a game of whack-a-mole since the pandemic. Can they finally grow in unison? Rural consumption has lifted smartly in re-

cent quarters. Can urban consumption complement it? Autos have picked up nicely post the GST cuts, but the rest of urban consumption looks more tentative. Consumer durables production has lifted only modestly in recent months and much of the pick-up in personal credit growth is gold loans — underpinned by rising collateral from surging gold prices — suggesting it is more supply-driven than strong demand. Meanwhile, growth of the wage bill of listed companies has slowed from 15 per cent in 2022 and 2023 to mid single digits in 2025. The breadth and durability of the consumption recovery will, therefore, come down to whether household balance sheets and employment can strengthen enough in 2026.

Goods exports have been resilient in the face of punitive US tariffs, with exporters finding alternative markets. That said, non-oil export growth rates slowed to 3 per cent (in nominal dollars) by the end of last year. Exports therefore have their work cut out in 2026.

What does all this imply for private capex? In a world floating with Chinese excess capacity and riddled with US policy capriciousness, a broad-based private investment recovery will require both strong domestic demand visibility and animal spirits. It is unsurprising, therefore, that cash flow statements of listed companies reveal capex slowed in the first half of this fiscal year compared to last year. In contrast to market expectations. Instead, the fate of private capex hinges on the strength of the consumption and exports recovery. Can a durable recovery of the latter finally crown in the former? That remains the \$4-trillion question for 2026.



In a world floating with Chinese excess capacity and riddled with US policy capriciousness, a broad-based private investment recovery will require both strong domestic demand visibility and animal spirits

The second rotation is the cyclical making way for the structural. The space for more cyclical support is exhausted. Rampant Chinese excess capacity is likely to keep inflation contained but also pull nominal GDP growth into single digits. Assuming 9 per cent nominal growth for the foreseeable future, the combined (central and state) fiscal deficit will need to be reduced by another percentage point of GDP just to keep public debt/GDP at 80 per cent. There is no further space for fiscal support. Paradoxically, lower nominal GDP prospects also accentuate perceptions that India's equity market is expensive and explains why foreign portfolio flows have been reluctant. Meanwhile, low inflation can keep monetary policy in play but with real rates already down to 1.25 per cent, the space for more support, if any, is very modest.

The implication: Cyclical supports must make way for structural underpinnings. Policymakers must be commended for jumpstarting this process both by bringing reforms back on the table (GST rationalisation, new labour codes, 100 per cent FDI in insurance) and not succumbing to export pessimism (by signing a slew of free trade agreements). But the structural ask is long. Over the last two decades, growth has become prematurely capital-intensive and there is an urgent need to reverse this drift. Only labour-intensive growth will generate the household incomes to drive sustained consumption growth. But this will require the labour force to become more employable — as it competes with capital — through a mission-like focus on education, skilling and health. Human

capital augmentation is India's biggest imperative over the next decade. If industrial policy is to be exercised, it must be in labour-intensive sectors and formalisation must not push up the marginal cost of labour to the point that businesses, paradoxically, turn more capital-intensive.

Meanwhile, the export push must be taken to its logical conclusion by joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a large free trading block that accounts for 15 per cent of global trade. The upcoming budget is the perfect opportunity to simplify, rationalise and liberalise customs duties, imports tariffs and non-tariff barriers such as QCOs. The old adage — an import tariff is an export tax — has never been truer in a world of global supply chains.

There is no time to waste. Over the last 10 years, per capita GDP growth in US dollars has clocked 5.9 per cent. To reach \$15,000 per capita by 2047, the asking rate of per capita growth in dollars is 8 per cent for the next 22 years, at a time when India's working age population growth — which averaged 1.5 per cent over the last decade — will progressively go to zero. The quantum of labour productivity growth needed in those circumstances, will require a relentless pace of reform.

The task before us is clear and daunting but not impossible. At a time when the rules-based global order is falling apart and being replaced by the law of the jungle, only sustained economic reforms will induce investment, attract capital flows, create jobs, and thereby create a protective sheath around the economy against a hostile and precarious global backdrop.

The writer is head of Asia Economics at JP Morgan Chase Bank

- Wage growth of listed firms:
 - ~15% (2022–23) → mid-single digits (2025)
- Non-oil export growth slowed to ~3% (nominal terms)
- Private capex subdued due to:
 - Weak demand visibility
 - Global uncertainty
 - Excess global capacity (especially China)
- Fiscal policy space limited:
 - Nominal GDP growth likely ~9%
 - Additional fiscal consolidation required to stabilise debt (~80% of GDP)
- Monetary policy space limited:
 - Real interest rates already ~1.25%
- Structural reforms underway:
 - GST rationalisation
 - Labour codes
 - 100% FDI in insurance
 - Multiple FTAs signed

KEY HIGHLIGHTS

Context

- Indian economy entered 2026 with cyclical upswing after multiple policy supports in 2025.
- Growth sustainability questioned once temporary (cyclical) tailwinds fade.
- Focus on two key rotations:
 - a. Demand drivers
 - b. Cyclical to structural growth

Key Points

- 2025 growth drivers:
 - GST and income tax cuts
 - Monetary and regulatory easing
 - Lower crude oil prices (improved terms of trade)
 - Second consecutive normal monsoon
- Central government capital expenditure growth slowed:
 - ~30% annually post-pandemic → ~10% currently
- State capex constrained due to:
 - Fiscal stress
 - Competitive populism
- Real estate slowdown:
 - Earlier growth driven by upper-income groups
 - Demand saturation emerging
- Demand rotation needed towards:
 - Private consumption
 - Private investment
- Rural consumption showing recovery; urban consumption uneven
- Auto sector improved post-GST cuts; consumer durables recovery weak
- Personal credit growth driven largely by gold loans, indicating supply-side push

- Growth challenge:
 - Per capita GDP growth required ~8% (USD terms) till 2047
 - Working-age population growth declining towards zero

Static Linkages

- Fiscal deficit and debt sustainability (FRBM framework)
- Demographic dividend and dependency ratio
- Capital-intensive vs labour-intensive growth
- Human capital theory (education, skills, health)
- Trade theory: tariffs as implicit export tax

Critical Analysis

- Cyclical growth unsustainable without demand broadening
- Over-capitalisation limiting employment generation
- Weak wage growth constraining consumption recovery
- Fiscal and monetary limits increase reform urgency
- Global protectionism adds external vulnerability

Way Forward

- Transition from cyclical support to structural reforms
- Promote labour-intensive sectors explicitly
- Mission-mode investment in:
 - Education
 - Skilling
 - Health
- Ensure labour formalisation does not raise hiring costs excessively
- Rationalise import tariffs and non-tariff barriers
- Deepen export integration with global value chains
- Focus on productivity-led, employment-rich growth

Trump's policies, sanctions turn central banks to gold, drive de-dollarisation

Siddharth Upasani
New Delhi, January 26

ON MONDAY, even as the US dollar fell to a four-month low, the price of gold crossed the \$5,000-per-ounce mark for the first time. The yellow metal's historic rally is showing no signs of slowing down and even the smartest and biggest institutions in the world — and not just small-time investors like households — continue to pile in on gold. One category of these smart and big investors are central banks.

Take the Reserve Bank of India (RBI), for instance. Last week, data from the Indian central bank showed that its foreign exchange reserves were up more than \$4 billion as on January 16 — the biggest weekly increase in 10 months. However, nearly a third of this rise was due to the RBI's gold kitty of 880 tonnes appreciating in value. Over the last one year, the value of RBI's foreign currency assets — which predominantly make up the forex reserves — have risen by just 5% even as total reserves rose 12%. What has been the primary driver? Gold, with the value of the RBI's holdings up 70%.

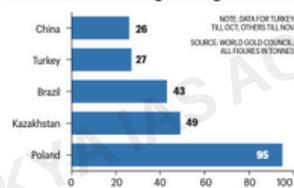
The RBI, though, hasn't even been the biggest buyer of gold over the last year. In fact, the RBI's gold holdings only increased by 4 tonnes in 2025. Leading the charge were central banks of Poland (95 tonnes), Kazakhstan (49 tonnes), and Brazil (43 tonnes), as per World Gold Council data until November 2025. But central banks buying gold is not news. What matters is gold's relative position in what these banks hold as reserves; the RBI, for example, now holds 17% of its forex reserves as gold, up from 12% a year ago. The reason, directly and indirectly, is US President Donald Trump.

Debasement of US dollar

In a note last week, economists from Morgan Stanley said that "Trump's policies on trade and sanctions, among other factors, and the shift to a multipolar world are key to pushing people away from the US dollar." "On net, we think these factors are neutral to slightly accelerating this transition away from the dollar, but their evolution over the near term will likely be critical in determining the extent of this shift," Morgan Stanley said.

Trump has made no secret about maintaining the US dollar's global supremacy, even threatening the BRICS nations with 100% additional tariff should they move forward with a common currency to "degenerate" and "destroy" the dollar.

Central banks that bought most gold in 2025



Global central banks holding fewer US dollars

YEAR	USD SHARE IN GLOBAL FOREX RESERVES (%)
1999	71.0
2024	58.5

De-dollarisation, after all, can shift the balance of power away from the US and weaken its ability to shape the world economy and global financial markets in its image. At the same time, everything Trump has done has weakened the greenback's status in the eyes of foreign holders, with the result being that the US dollar weakened by 9% in 2025 — the most in almost a decade. This has helped drive the rise in gold prices, with the demand for safe-haven assets on the up amid Trump's sabbatical and policy uncertainty.

Weaponising flows

According to JP Morgan analysts, de-dollarisation has been most visible in commodity markets. In a note last year, the investment bank said that "a large and growing proportion of energy is being priced in non-dollar-denominated contracts". However, this is also showing up in sovereign debt. The RBI, for instance, has sharply lowered its holdings of US government bonds: in November 2025, holdings by India stood at \$186.5 billion, down for the sixth month in a row. In November 2024, the figure was \$234 billion. Meanwhile, China's holdings of US government debt are at a 16-year low.

Others are threatening more vocally. Last week, Danish pension fund AkademikerPension said it plans to get rid of its holdings of US Treasuries by the end of January, with Trump's talk of taking over Greenland being one of the several reasons for the move, including the unsustainable finances of the US government. This followed three other pension funds from Denmark who have taken a dim view of US government bonds. The weaponisation of capital flows was warned by Deutsche Bank earlier this month, when it said in a note that Trump's threats against Europe could lead to the

continent cutting its holdings of US debt. "Markets are increasingly discussing the de-dollarisation theme," Nomura analysts said in a note on January 21.

Trump has already promised "big retaliation" in response to European countries dumping US government bonds. The European Union held around \$10.4 trillion of US portfolio assets — accounting for 29% of foreign ownership of these assets — as of November 2025.

The past and future

The diversification of forex reserves away from the dollar and assets denominated in it received a big push after the US froze Russia's reserves following its invasion of Ukraine in February 2022. But signs of de-dollarisation, or at least a gradual shift away from the greenback, have been visible for some time. According to data from the International Monetary Fund (IMF), 2024 saw the share of the US dollar in global forex reserves fall to an over-30-year low of 58.5%. In 1999, this number stood at 71%.

"Meaningful de-dollarisation would have profound implications for the global security architecture, reducing the United States' capacity to fund its military and impose coercive economic pressure," Ali Ahmadi, Director of Geoeconomics & Sanctions, ReshapeRisk and Executive-in-Residence Fellow at the Geneva Centre for Security Policy, said last year.

For the foreseeable future, though, the US dollar remains by far the most dominant currency, with 89% of total turnover of over-the-counter foreign exchange instruments denominated in US dollars. But if the Trump administration and the President himself continue in the same vein, more meaningful change could become evident.

- RBI added only ~4 tonnes of gold in 2025; rise mainly due to price appreciation.
- Major central bank gold buyers (2025):
 - Poland – 95 tonnes
 - Kazakhstan – 49 tonnes
 - Brazil – 43 tonnes
- India's US Treasury holdings declined from \$234 bn (Nov 2024) to \$186.5 bn (Nov 2025).
- China's US debt holdings at a 16-year low.
- Share of US dollar in global forex reserves fell to 58.5% (2024) — lowest in over 30 years.
- Energy and commodity contracts increasingly priced in non-dollar currencies.
- Freezing of Russia's reserves (2022) accelerated reserve diversification by many countries.

Static Linkages

- Components of forex reserves: Foreign Currency Assets, Gold, SDRs, Reserve Tranche Position.
- Gold functions as:
 - Store of value
 - Hedge against inflation
 - Insurance against currency and geopolitical risk
- Bretton Woods System and emergence of US dollar as global reserve currency.
- Triffin Dilemma in reserve currency systems.
- Reserve adequacy and external sector stability (Economic Survey, RBI).

Critical Analysis

Advantages

- Reduces over-dependence on US dollar assets.
- Enhances financial security against sanctions.
- Improves resilience of forex reserves during crises.
- Reflects prudent risk diversification by central banks.

Challenges

- Gold offers no interest income unlike sovereign bonds.
- Reduced dollar dominance may increase transaction costs.
- Fragmentation of reserve currencies may reduce global financial stability.
- Potential geopolitical retaliation via trade or financial measures.

Way Forward

- Maintain optimal balance between gold, dollar, and other reserve assets.
- Promote local currency trade settlement mechanisms.
- Strengthen multilateral financial safety nets.
- Enhance domestic financial market depth to absorb global shocks.
- Gradual and calibrated diversification to avoid reserve volatility.

KEY HIGHLIGHTS

Context of the News

- Gold prices crossed \$5,000 per ounce, coinciding with a four-month low in the US dollar.
- Central banks are increasingly accumulating gold as part of reserve diversification.
- India's forex reserves rose sharply, largely due to revaluation gains in gold holdings.
- Global discourse on de-dollarisation has intensified amid geopolitical tensions and sanctions.

Key Points

- US dollar declined by ~9% in 2025, sharpest fall in nearly a decade.
- RBI's forex reserves rose ~12% YoY, while foreign currency assets rose only ~5%.
- Value of RBI's gold holdings increased by ~70% in one year.
- Gold share in India's forex reserves rose from ~12% to ~17%.