

# DAILY NEWSP APER ANALYSIS

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# 'Mother of all deals': India and the EU finalise FTA

European wines, luxury cars to become cheaper as two sides conclude trade negotiations that began in 2007

Modi calls it historic pact, while EU chief says the deal will reduce strategic dependency at a time of global upheaval

Officials say document will undergo a legal scrubbing, translation before ratification by European Parliament

T.G.A. Sharad Raghavan  
NEW DELHI

After almost two decades of negotiation, India and the European Union (EU) finalised a free trade agreement (FTA) on Tuesday, billed as the "mother of all deals", that will see the EU drop tariffs on 99.5% of Indian exports to the 27 nation bloc.

India has given tariff concessions on 97.5% of imports from the EU, with European wines and luxury cars set to become less expensive here as a result. Beyond the economics, both sides stressed the geopolitical significance of a deal between two economies that together account for a third of global trade in the shadow of uncertainty sparked by the U.S. tariff regime.

Prime Minister Narendra Modi declared that the partnership would "strengthen stability" at a time of global turmoil, while European Commission President Ursula von der Leyen said it would reduce strategic dependency at a time when global trade is increasingly fractious.

"We have delivered the mother of all deals," she said. "Two giants who choose partnership, in a

## Landmark agreement

After almost two decades of talks, the European Union and India sealed a landmark trade pact, driven by U.S. tariff pressures. The deal aims at doubling exports to India



**HOW DOES IT BENEFIT INDIA?**

- Tariffs removed or cut on 99.5% of EU goods
- Wine duties cut from 120% to 20-30%; Spirits cut to 40%
- Car tariffs drop from 110% to 10% (200,000 vehicles/year)
- Tariffs eliminated on Airbus aircraft and processed food and pharmaceutical products

**HOW DOES IT BENEFIT THE EU?**

- Duty-free exports for items such as textiles, leather, gems, and steel
- A duty-free quota of 1.6 million tonnes for steel
- Easier for skilled Indian workers to work in the 27-country bloc
- Dialogue on carbon border tax; India set to be treated like other EU partners
- Phased out tariffs on arms and ammunition, among other goods

**WHAT THE DEAL DOESN'T INCLUDE?**

- No concessions on items such as chicken and rice
- No agreement on government procurement on energy and raw materials
- "Sustainable development" chapter rejected by India
- Agreement on Geographical Indications

**Diplomatic outreach:** Prime Minister Narendra Modi with European Commission President Ursula von der Leyen and Council President Antonio Costa, on Tuesday in New Delhi. (AP)

then have to be translated and sent to all 27 EU member states, before it can be ratified by the European Parliament. "We do hope that we should be able to celebrate the entry into force of this agreement within calendar 2026 at the earliest," said Union Minister Piyush Goyal.

According to the Commerce Ministry, India has gained tariff reductions across 97% of tariff lines, covering 99.5% of trade value. Of this, 90.7% of India's exports will see duties eliminated entirely on the first day of the deal's implementation, including labour-intensive sectors such as textiles, apparel, leather, footwear, tea, cof-

fee, spices, sports goods, toys, gems and jewellery, and certain marine products, among others. Another 2.9% of India's exports will see duty elimination over three to five years.

This would include certain marine products, processed food items, and arms and ammunition. Overall, and above this, 6% of India's exports will see tariff reductions including certain poultry products, preserved vegetables, bakery products, among others.

"Key labour-intensive sectors comprising more than 12.87 lakh crore (\$33 billion) of exports that are currently subjected to import duty between 4% to

26% in the EU and are crucial for employment generation, will enter zero duty from entry into force of the FTA and thus gain enhanced competitiveness in the EU market," the Ministry said in a release.

**Duty elimination** In particular, of the sectors that India primarily exports to the EU, the following 97.5% of the EU exports will see duties eliminated entirely: marine products (current duties of up to 26%), chemicals (2.8% currently), plastic and rubber items (6.5%), leather footwear (7%), textiles and apparel (12% each), base metals (0%), gems and jewellery (4%), furniture and allied com-

sumer goods (0.5%), and toys and sports goods (4.7%). On services, the EU has agreed to commitments across 144 services sub-sectors, including IT/ITES, professional services, education, and other business services.

Overall, India is offering duty elimination and reductions on 92.6% of the tariff lines, which comprises 97.5% of the EU exports to India. Within this, 49.6% of the tariff lines will see an immediate duty elimination once the agreement comes into effect.

Another 39.5% of the tariff lines will be subject to a phased elimination of tariffs over five, seven, and 10 years. An additional 3%

of products will see phased tariff reductions. "Imports of EU's high technology goods are expected to diversify India's import sources, thereby reducing input costs for businesses, benefit consumers and will create opportunities for Indian businesses to integrate into global supply chains," the statement added.

Notably for the EU, the following European sectors will see duty-free access to the Indian markets: machinery and electrical equipment, aircraft and spacecraft, optical, medical and surgical equipment, plastics, precision stores and metals, chemicals, motor vehicles, iron

and steel, pharmaceuticals, and various agricultural products. On services, India has agreed to open up 102 sub-sectors covering EU priorities such as professional, business, telecommunications, maritime, financial, and environmental services.

It has been learnt that negotiations over a few sectors such as automobiles and wine had caused some problems, but that the two sides finally agreed to quota-based systems that were satisfactory to both sides. India agreed to allow European cars with a price tag above \$25 lakh to be imported at lower duties of as low as 10%, but subject to a quota.

India and the EU also reached a limited agreement on the contentious Carbon Border Adjustment Mechanism (CBAM), Mr. Goyal said. The agreement creates a way for carbon footprint verifiers in India to gain accreditation. It also specifies that, should the EU give concessions under CBAM to a third country, those concessions would automatically apply to India too.

**MORE REPORTS ON**  
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## Automobiles & Wine

- EU luxury cars (> ₹25 lakh) allowed at ~10% duty (earlier ~110%).
- Concessions under quota-based system.

## CBAM (Carbon Border Adjustment Mechanism)

- Accreditation mechanism for Indian carbon verifiers.
- Automatic extension of CBAM concessions granted by EU to any third country.

## KEY HIGHLIGHTS

### Context

- India and the European Union concluded their FTA after negotiations initiated in 2007.
- It is India's largest-ever FTA, covering goods, services, and trade-related rules.
- Signed amid global trade uncertainty, protectionism, and supply chain realignments.

### Key Features

- EU to eliminate tariffs on 99.5% of India's exports (97% tariff lines).
- 90.7% of Indian exports to EU get zero duty from day one.
- India to liberalise 97.5% of EU imports (92.1% tariff lines).
- Tariff elimination by India:
  - 49.6% lines – immediate
  - 39.5% lines – phased (5/7/10 years)
- Labour-intensive sectors benefitted:
  - Textiles, apparel, leather, footwear, gems & jewellery, toys, sports goods.
- Major duty elimination (India exports):
  - Marine products (up to 26%), chemicals (12.8%), textiles (12%), leather footwear (17%).
- Services:
  - EU commitments in 144 sub-sectors (IT/ITES, professional, education).
  - India opens 102 sub-sectors (telecom, financial, maritime, environmental services).

### Sensitive Sector Protection

- India excludes dairy and strategic agriculture.
- EU excludes beef, sugar, rice, poultry, milk powder, honey, ethanol, etc.

### Static Linkages

- FTAs under GATT Article XXIV (WTO).
- Export-led growth & trade liberalisation (NCERT Macro).
- Global Value Chains and trade diversification (Economic Survey).
- Climate-trade linkage and carbon pricing instruments.

### Strategic Significance

- India-EU together account for ~1/3rd of global trade.
- Reduces strategic dependency and supports supply chain resilience.
- Strengthens India's positioning in a multipolar global trade order.

### Challenges / Concerns

- Competitive pressure on Indian MSMEs from EU imports.
- Short-term tariff revenue loss.
- Compliance costs related to standards and carbon norms.
- Non-tariff barriers may persist despite tariff cuts.

### Way Forward

- MSME capacity building for EU standards and regulations.
- Align PLI schemes with EU market demand.
- Invest in green manufacturing and carbon accounting.
- Periodic review of sensitive sectors.
- Leverage FTA for deeper integration into GVCs.

# Place in the electoral rolls is a 'qualified right', with essential conditions, poll body tells SC

Krishnadas Rajagopal  
NEW DELHI

Even registered voters are required to "continuously fulfill" the essential condition of Indian citizenship, as laid out in Article 326 of the Constitution, to retain their place in the electoral roll, the Election Commission (EC) of India told the Supreme Court on Tuesday, during a hearing on the ongoing special intensive revision (SIR) exercise.

Article 326 provides for adult suffrage, and requires that a person should be 18 years old, an Indian citizen, and not disqualified by law to be entitled to register as a voter.

"These are essential conditions. The fulfilment of these conditions is a continuous requirement. You cannot say once my name is entered, whether I lose eligibility or not, I am entitled to stay on in the electoral roll," senior advocate Maninder Singh, for the EC, submitted before a Bench headed by Chief Justice of India Surya Kant.

The Bench was hearing a batch of petitions challenging the constitutionality of the SIR exercise conducted in Bihar. "The SIR is a verification exercise," Mr. Singh argued.

Senior advocate Dama Seshadri Naidu, also appearing for the EC, said the



SIR was not a determination of citizenship. "An exercise to verify citizenship is different from a process determining citizenship," he said.

He illustrated how young lawyers have their qualifications verified before becoming a member of the Bar bodies.

**'No complaint of lapse'**  
Mr. Naidu argued there was "not even one complaint of lapse in Bihar". He sought to focus on the "collateral advantage" of the SIR, explaining how voter turnouts rose in 2025 after the door-to-door survey conducted for the exercise.

"It had aroused the interest of the common man. It drafted enthusiastic voters and weeded out the

dead, duplicates in the electoral roll," he submitted.

Advocate Eklavya Dwivedi, for the EC, wrapped up the EC's response to the petitions challenging the SIR, arguing that a place in the electoral roll was a "qualified right".

"Without proof of qualification, no person can enter the electoral roll," he submitted.

**'No further limitations'**  
Mr. Dwivedi said the EC had not added any further limitations to the conditions prescribed in the Constitution under Article 326, and in Sections 16 (disqualifications for registration in an electoral roll) and 19 (conditions of registration) of the Representation of the People Act, 1950.

"The limitations flow from Article 326 read with Section 16 and 19. It is not the case that we have come up with a policy and increased the threshold of eligibility. We are verifying the eligibility parameters. It is not that we have asked you to prove the parameters in Article 326 along with additional parameters 'X' and 'Y'. In the absence of additional limitations, there is no question of proportionality," Mr. Dwivedi completed the counter-arguments for the EC.

## KEY HIGHLIGHTS

### Context of the News

- Election Commission of India defended Special Intensive Revision (SIR) of electoral rolls in Bihar before the Supreme Court of India
- EC stated that conditions under Article 326 are continuous, not one-time
- Petitions challenged SIR as unconstitutional and disproportionate
- EC clarified SIR is verification of eligibility, not determination of citizenship

### Key Points

- Article 326 → Adult suffrage subject to:
  - Age ≥ 18 years
  - Indian citizenship
  - No legal disqualification
- EC argument:
  - Electoral roll inclusion is a qualified statutory right
  - Eligibility must be continuously fulfilled
- SIR objectives:
  - Removal of dead voters
  - Elimination of duplicate entries
  - Verification of existing eligibility parameters
- Legal basis cited:
  - Article 326 (Constitution)
  - Sections 16 & 19, Representation of the People Act, 1950

### EC claim:

- No additional eligibility conditions imposed
- No procedural lapse reported in Bihar
- Voter turnout improved post door-to-door verification

### Static Linkages

- Universal Adult Franchise
- Electoral roll as statutory mechanism
- Difference between:
  - Eligibility verification vs citizenship adjudication
- Independence of constitutional bodies
- Reasonable administrative scrutiny under law

### Critical Analysis

#### Pros

- Improves accuracy and integrity of electoral rolls
- Prevents electoral fraud and impersonation
- Enhances public participation in elections

#### Concerns

- Risk of exclusion errors, especially for migrants and poor
- Administrative discretion may affect uniformity
- Allegations of indirect citizenship scrutiny

### Way Forward

- Uniform national guidelines for roll revisions
- Strong grievance redressal and appeal mechanism
- Voter facilitation for documentation gaps
- Periodic judicial oversight

# Acquire, auction assets of acid attackers to pay victims, says SC

The CJ says that acid attacks should result in extraordinary punitive measures beyond the letters of the law; the court assures the petitioner best legal representation for her case; it asks the Centre to consider 'legislative interventions'

Krishnadas Rajagopal  
NEW DELHI

The Supreme Court on Tuesday recommended that the assets of people found guilty of carrying out acid attacks should be seized and auctioned to compensate their victims, both as a punishment and a measure of deterrence.

Chief Justice of India Surya Kant, heading a Bench, said the crime of acid attacks should result in "extraordinary punitive measures which are beyond the letters of the law".

The top court said adopting a "reformative approach has no place for acid attackers". Counsel submitted that the attackers too may be hailing from the "lowest" strata of society with hardly any assets in their name.

## Deterrent needed

"If a person is found guilty of acid attack, why should all his assets not be acquired and auctioned in a transparent manner to compensate the victim.

The police should probe his assets, to whom they belong, etc, and submit the details along with the chargesheet in court, which should order an embargo on creating third party rights on these assets," Chief Justice Kant observed.

Chief Justice Kant said the state action should be extremely painful for the those convicted of the crime. Otherwise, punishment would not act as a deterrent against future attacks, especially on young women and children, he said.

The court was hearing a petition filed by acid attack survivor and activist Shaheen Malik, who said the pain caused when acid consumed one's life and identity was "unbelievably traumatic".

"The pain is so bad, so bad, that even I cannot express it. I had 25 surgeries. The mental and physical pain is extreme. One loses a sense of identity. I have sight in at least one eye. There are many women out there who are com-



The state action should be extremely painful for the accused; otherwise, punishment would not act as a deterrent against future attacks, especially on young women and children  
SURYA KANT  
Chief Justice of India

pletely blind and who have not got any help from the State," Ms. Malik said.

She informed the court that her alleged attackers had recently been acquitted by the trial court.

## 16 years of ordeal

"I fought the case for 16 years. I lost. I am filing an appeal against the verdict in the High Court. Can you please tell the High Court to expedite the hearing, so that I don't have to wait another 16 years. They attacked me when I was in my 20s, now I am 42. I lost the best years of my life fighting the case," Ms. Malik addressed the Bench of Chief Justice Surya Kant and Justice Joymalya Bagchi.

Chief Justice Kant asked her to give a list of four or five lawyers she considered good, so that the top court could appoint them as her legal aid counsel in the High Court.

"We will see that you get the best legal representation," Chief Justice Kant assured Ms. Malik.

The court asked the Centre, represented by Additional Solicitor-General Archana Pathak Dave, to consider "legislative interventions" on behalf of acid attack survivors.

"This crime should not be seen as any less than dowry death. There should be a shifting of onus onto the accused. Again, why should this crime be part of the general sentencing

policy? Why don't you consider carving out an exception?" Chief Justice Kant asked the Centre's law officer. The Bench directed States to furnish a list of the incidents of acid attacks reported yearly, the number of chargesheets filed, cases decided, pending appeals, brief particulars of each victim, their academic qualifications, current employment and marital status, medical treatment, and details of expenses incurred or committed by the State rehabilitation scheme for victims of acid attack, if any. It also sought details separately of victims who were forcibly made to ingest acid.

The court asked the States to provide details of any special scheme run by them for survivors.

Reports from 15 High Courts submitted in the top court showed that the highest number of pending cases of acid attacks were in Uttar Pradesh at 198, followed by 160 in West Bengal, 114 in Gujarat, 68 in Bihar, and 58 in Maharashtra.

## KEY HIGHLIGHTS

### Context / Development

- The Supreme Court of India recommended seizure and auction of assets of convicted acid attackers to compensate victims.
- Observation made by a Bench headed by Justice Surya Kant.
- Court held that reformative justice is inappropriate for acid attack crimes; deterrence is paramount.
- Centre asked to consider legislative intervention, including shifting burden of proof.
- States directed to submit comprehensive data on acid attack cases and rehabilitation.
- Highest pending cases reported in Uttar Pradesh, West Bengal, Gujarat.

### Key Legal / Constitutional Points

- Acid attacks punishable under IPC Sections 326A (grievous hurt) and 326B (attempt).
- Victim compensation linked to Article 21 – Right to life and dignity.
- Compensation mechanism under CrPC Section 357A (Victim Compensation Scheme).
- Court compared acid attacks with dowry death in terms of gravity.
- Suggestion to keep acid attacks outside general sentencing policy.

### Governance & Justice Dimensions

- Shift from offender-centric to victim-centric justice.

- Use of asset forfeiture as punitive and compensatory mechanism.
- Emphasis on speedy justice and effective legal aid (Article 39A).
- Reinforces State's obligation in rehabilitation of crime victims.

### Data / Reporting Directions

- Annual number of acid attacks reported.
- Chargesheets filed, cases disposed, pending appeals.
- Victim profile: education, employment, marital status.
- Medical treatment details and rehabilitation expenditure.
- Separate data for victims forcibly made to ingest acid.
- Details of State-specific rehabilitation schemes.

### Issues / Challenges

- Many offenders may have no attachable assets.
- Possible conflict with presumption of innocence.
- Need for strong investigation to prevent benami transfers.
- Uneven implementation of victim rehabilitation schemes across States.

### Way Forward

- Enact special sentencing framework for acid attack crimes.
- Establish national minimum compensation standards.
- Strengthen acid sale regulation and tracking.
- Fast-track courts for acid attack cases.
- Integrated rehabilitation: medical, psychological, skill-based support.
- Periodic judicial monitoring of State compliance.

# The solution to the falling rupee lies in diplomacy

The sudden decline in the value of the rupee has somewhat shaken the people and the markets. They wonder why this is happening when the economy is doing well, characterised by a good growth rate, low inflation, and a modest current account deficit.

India's growth rate in the current year is estimated at 7.4%. Inflation has been subdued with CPI inflation ending the year 2025 at 1.33%, below the Reserve Bank of India (RBI)'s lower target band for the fourth consecutive month. The current account deficit as a percentage of GDP in the first half of 2025-26 is only 0.76 compared to 1.35 in the previous year. The fall in the value of rupee since April 2025 is about 6%.

**The villain of the piece**  
Since the trade deficit (merchandise and services), which was \$96.58 billion in April-December 2025 compared to \$88.43 billion in the same period last year, is not that large, the main villain in the piece is capital outflows. There has been a steady outflow of capital since U.S. President Donald Trump took an adverse view on India and imposed 50% import duty on Indian exports. Initially, the U.S. imposed a 25% tariff on 'reciprocal' basis and then another 25% because India was importing crude oil from Russia. Now, it is threatening to impose an additional 25% tariff on countries that are doing business with Iran. This includes India, although trade with Iran is only 0.15% of the country's total trade.

Net capital inflows in April-December 2024 were \$10.65 billion. In the same period in 2025, they turned negative, with a net outflow of \$3,900 million. Despite months of negotiations with the U.S., no agreement has been reached yet. There seem to have been issues that could not be resolved easily. If this stalemate continues, the rupee will continue to fall.

We have to note that in the changed context, capital outflows are caused not by strict



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Capital outflows are hitting the rupee. These outflows will continue to take place until India and the U.S. come to an understanding

economic factors but by fears generated by the 'hostile' attitude of the U.S. In 2022, the rupee depreciated by almost 10%. That had some economic explanation, such as the Federal Reserve's sharp hikes in interest rates. But this time, there is no clear economic explanation. Thus, the situation has shifted from the economic arena to the diplomatic platform. When tariffs are getting weaponised for geopolitical reasons, diplomacy is the major route for a solution.

**RBI intervention**  
India's exchange rate regime underwent a change in 1993 when it moved to a market-determined exchange rate regime. But the new system did not rule out the RBI's intervention in the foreign exchange market. Since 1993, all RBI Governors have made it clear that the intention is not to use intervention to peg the value of the rupee, but to reduce its volatility.

However, the word 'volatility' was never defined. We can deduce from the actions of the RBI that reducing volatility means not only reducing fluctuations around a prevailing level, but also 'moderating' the fall in the value of the rupee when it happens. Shocks from rupee fluctuations have a cost. It is only to minimise the impact of such sudden shocks that there is intervention. Even then, it is not the intention of the RBI to prevent the fall, but to let it slide smoothly to whatever level it has to fall. It may be best for the RBI to clarify that reducing volatility also includes moderating the fall in the value of the rupee. After all, intervention, especially if it is asymmetric, does affect the level of exchange rate while minimising its volatility. The present situation adds another element – non-economic pressures acting on the value of the rupee. In fact, if India and the U.S. come to an understanding, the rupee will appreciate.

**Why devaluation is not the remedy**  
Will a fall in the value of the rupee have any

beneficial effects? The import content of India's exports is rising. As a result, the stimulus to exports provided by devaluation will be moderated in the changed context. Further, given the high tariffs in the U.S. market, India's exporters are unlikely to gain significant access there. On the import side, most of India's imports are essential goods, with crude oil alone accounting for about 25% of total merchandise imports. A fall in the rupee would raise their prices, fuelling inflation.

India's inflation is not higher than the inflation in developed countries in the West. Devaluation is called for when there is wide disparity in inflation. That is when we need to focus on Real Effective Exchange Rate (weighted average of a country's currency relative to a basket of major trading partners, adjusted for inflation). It is true that some countries such as China have tried to keep the value of the currency undervalued. But this is currency manipulation, which is controversial.

The fall in the value of the rupee in the last one month has been caused by the fears engendered by the imposition of 50% tariff on Indian exports by the U.S. There is a possibility that the tariffs may even go up because of new legislation in the U.S. The full impact of the tariffs will be felt only in 2026-27.

What is hitting the rupee as of now are capital outflows. These outflows will continue to take place until India and the U.S. come to an understanding. We cannot ignore the fall in the value of the rupee. Capital outflows will get accelerated with every fall in the value of the rupee. The required earning in rupee terms will rise to attract investors in such a situation. When capital outflows happen because of the sale of stocks, they have a direct impact on the stock market. Our trade negotiators must reach an early understanding with the U.S. Meanwhile, the RBI can only smoothen the fall in the value of the rupee.

- Interest rate differentials
- Risk perception
- Real Effective Exchange Rate (REER):
  - Adjusts nominal exchange rate for inflation differentials.
  - Devaluation justified only if domestic inflation >> global inflation.
- Marshall-Lerner condition often weak in India due to high import content of exports.

## Why Rupee Depreciation is NOT Beneficial

- Import intensity of exports is rising → weak export stimulus.
- High U.S. tariffs negate competitiveness gains.

## KEY HIGHLIGHTS

### Context of the News (Background)

- Indian rupee depreciated by ~6% since April 2025.
- Occurred despite:
  - GDP growth: ~7.4%
  - CPI inflation: 1.33% (end-2025), below RBI lower tolerance band
  - Current Account Deficit (H1 FY26): 0.76% of GDP (improved from 1.35%)
- Indicates non-economic factors influencing exchange rate.

### Key Points

- Trade deficit (Apr-Dec 2025): \$96.58 bn, only marginally higher YoY.
- Net capital flows:
  - Apr-Dec 2024: + \$10.6 bn
  - Apr-Dec 2025: – \$3.9 bn
- Major trigger: capital outflows, not current account stress.
- U.S. imposed 50% tariffs on Indian exports:
  - 25% reciprocal tariff
  - 25% penalty for importing Russian crude
- Additional threat of tariffs linked to trade with Iran.
- Investor sentiment weakened due to policy uncertainty and geopolitical risk.

### Static Linkages (Conceptual Clarity)

- India follows market-determined exchange rate regime (since 1993).
- RBI intervention is for volatility management, not rate targeting.
- Exchange rate influenced by:
  - Capital flows

- Crude oil (~25% of imports) → depreciation fuels imported inflation.
- Inflation differential with developed economies is not large → no REER misalignment.
- Competitive devaluation risks being labelled currency manipulation.

### RBI's Role

- RBI does not defend a specific level of the rupee.
- Intervention aims to:
  - Smooth excessive volatility
  - Prevent disorderly market conditions
- Asymmetric intervention may influence levels indirectly.
- Current depreciation driven by non-economic, geopolitical pressures, limiting RBI's effectiveness.

### Critical Analysis

#### Positives

- Flexible exchange rate absorbs external shocks.
- Avoids reserve depletion from aggressive defence.
- Preserves monetary policy autonomy.

#### Concerns

- Persistent depreciation can:
  - Trigger further capital flight
  - Pressure equity markets
  - Raise inflation expectations
- Capital outflows linked to diplomatic uncertainty, not fundamentals.
- Monetary tools ineffective against tariff-based shocks.

### Way Forward

- Prioritise trade diplomacy with the U.S. to reduce uncertainty.
- Use RBI intervention only to smooth volatility, not resist trend.
- Diversify export markets to reduce tariff concentration risk.
- Strengthen domestic manufacturing to reduce import dependence.
- Maintain macroeconomic credibility to anchor investor confidence.

# A spark to drive India's e-LCV transition

Whenever your online orders are delivered, there is a good chance that they travelled in a light commercial vehicle (LCV) – those small (sub-3.5 tonne) trucks that are the backbone of India's booming e-commerce economy. Here is a fact: while India has spent years regulating passenger car energy consumption, LCVs have operated in a regulatory blind spot. India has made significant strides in regulating fuel efficiency for passenger cars through corporate average fuel efficiency (CAFE) norms for fleet-wide CO<sub>2</sub> emission targets. However, LCVs operate without such mandates, despite their high utilisation and substantial market presence.

Policymakers are finally addressing this regulatory gap: In late July, 2025, the Bureau of Energy Efficiency (BEE) unveiled a fuel consumption standard proposal for LCVs, which will run from 2027 through 2032.

Ahead of the release of the draft, automakers lobbied for full exemption of LCVs from CAFE regulations, citing the price sensitivity of the market and claiming that the standard would necessitate expensive technologies in internal combustion engines (ICE). Eventually, the request was set aside, signalling the government's commitment to decarbonisation.

LCVs in India accounted for 48% of commercial goods vehicles in 2024, yet electrification remained low at 2%. Bringing this sector under regulatory oversight is pivotal for India's clean transport agenda.

**Where things stand**  
India's LCV fleet averaged 147.5 g CO<sub>2</sub>/km in 2024. Without the minimal 2% share of battery electric LCVs (e-LCVs), this figure would be 150 g CO<sub>2</sub>/km, which shows how even marginal electrification impacts emissions.

Automakers have entered the Battery Electric Vehicle (BEV) market with few models, offering sub-35 kWh battery packs with maximum ranges of 150 km. Why so cautious? Market realities are



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tough: high upfront costs and limited model availability constrain demand. Although battery LCVs offer lower total ownership costs than conventional LCVs, inconsistent purchase incentive policies among jurisdictions are not helping.

For example, the PM E-DRIVE incentive scheme excludes LCVs, though some State policies, such as those in Maharashtra and Madhya Pradesh, provide support to overcome the initial acquisition barrier.

## Fuel efficiency standards

The potential of fuel efficiency standards to drive electrification is often misunderstood. While these regulations won't guarantee widespread electrification, stringency does. When standards are lax, manufacturers find it cheaper to optimise existing ICE vehicles through modest upgrades than invest in electric vehicles. Here is proof of what happens when standards are too relaxed: BEVs make up just 3% of the passenger car fleet even after 8 years of CAFE norms.

Here is where the math gets interesting. ICCT research shows 116.5 g CO<sub>2</sub>/km is the crucial threshold at which introducing e-LCVs becomes more cost-effective for compliance than ICE-only advancements. Put simply, beyond this point, CO<sub>2</sub> reductions cost manufacturers less if achieved through electrification than ICE upgrades. The Bureau of Energy Efficiency's proposed 115 g CO<sub>2</sub>/km standard just surpasses this benchmark, meaning entry of e-LCVs into the market is feasible but not strong enough to drive significant electrification.

There is a chicken-and-egg problem here: most conventional LCVs cost below ₹1 million, while BEV equivalents typically exceed this, making manufacturers reluctant to transition.

Electrification momentum spurs innovation, scales production, and, together with falling battery prices, reduces BEV upfront cost.

To catalyse BEV penetration, regions such as China, the European Union, and the United States

use a super credit multiplier, which counts each BEV multiple times when calculating compliance. Think of it as regulatory accounting that makes going electric look more attractive on paper: super credits make electrification a more cost-effective pathway to compliance.

The draft proposal introduces super credits for e-LCVs and assigns them a CO<sub>2</sub> value of zero for compliance, further reinforcing BEV support (unlike the passenger car standards, which include upstream emissions).

However, the proposal also extends these credits to intermediate technologies like hybrid BEVs and applies CO<sub>2</sub> offset factors to select ICE technologies. This approach risks fragmenting the market, essentially postponing BEV adoption. If manufacturers can comply by tweaking conventional vehicles or adding hybrids, why invest in electrification? Credits and offset factors – designed as an interim measure to be phased out as the market matures – can ease early compliance by artificially amplifying the emission reductions but dilute the regulation's effectiveness.

The Bureau of Energy Efficiency's proposal considers phasing out super credits for e-LCVs but continuing incentives for hybrids and select ICE technologies. This could prolong the dominance of ICEs.

## The way forward

So, what is the bottom line? India has got the pieces; now it needs to put them together. The key to electrification lies in smart policy design. A stringent standard that makes electrification economically compelling, and a strategic use of incentives, can drive genuine transformation. These elements, together with a timely rollout of regulations, will determine whether LCVs drive the transition to clean transport.

The alternative is to repeat the challenges seen in the passenger car segment, where relaxed standards and ongoing incentives have kept electrification at just 3%.

## Incentives Landscape

- Central scheme PM E-DRIVE Scheme excludes LCVs.
- Some States (e.g., Maharashtra, Madhya Pradesh) provide LCV EV incentives.
- Key constraint: high upfront BEV cost (most ICE LCVs < ₹10 lakh).

## Static Linkages

- Transport sector as a major source of energy-related CO<sub>2</sub> emissions.
- Use of market-based regulations (fleet averages, credits).
- Technology transition theory: stringency drives innovation.
- India's NDCs under Paris Agreement – emissions intensity reduction.
- Federalism issue: Centre–State divergence in EV support.

## Issues / Challenges

- Standard only marginally stricter than cost-parity level → weak electrification push.
- Credits for hybrids/ICE risk locking in fossil technologies.
- Absence of uniform national incentives for e-LCVs.
- Chicken-and-egg problem: low volumes → high costs → low adoption.

## Way Forward

- Increase stringency beyond 115 g CO<sub>2</sub>/km over time.
- Phase out credits for hybrids and ICE faster.
- Include LCVs under central EV incentive schemes.
- Align fuel efficiency norms with industrial and logistics policy.
- Ensure long-term regulatory certainty to scale e-LCV manufacturing.

## KEY HIGHLIGHTS

### Context

- Light Commercial Vehicles (LCVs, <3.5 tonnes) form the backbone of India's e-commerce and urban freight.
- Unlike passenger cars (covered under CAFE norms), LCVs operated without fuel efficiency/CO<sub>2</sub> standards.
- In July 2025, Bureau of Energy Efficiency proposed India's first fuel consumption/CO<sub>2</sub> norms for LCVs (2027–2032).

### Key Facts & Data

- LCVs = 48% of commercial goods vehicles (2024).
- Electrification of LCVs = ~2%.
- Average LCV emissions (2024): 147.5 g CO<sub>2</sub>/km.
- Without e-LCVs: ~150 g CO<sub>2</sub>/km.
- Proposed standard: ~115 g CO<sub>2</sub>/km.
- Cost-effectiveness threshold for electrification (ICCT): ~116.5 g CO<sub>2</sub>/km.
- Passenger car experience: BEVs only ~3% share even after 8 years of CAFE norms.

### Policy & Regulatory Design

- Draft introduces fleet-average CO<sub>2</sub> standards for LCV manufacturers.
- BEV LCVs assigned zero tailpipe CO<sub>2</sub> for compliance.
- Super credits proposed for e-LCVs.
- Credits also extended to hybrids and select ICE technologies.
- Proposal considers phasing out BEV super credits, while continuing support for hybrids/ICE.

The proposed fuel efficiency norms for light commercial vehicles could become a turning point – with smart policy design, stringent standards, and strategic use of incentives

# Manufacturing woes

## Capital support alone will not add to battery cell manufacturing capacity

India's quest to install 500 GW non-fossil fuel capacity by 2030 has found its primary industrial engine in the Production Linked Incentive (PLI) schemes. Buoyed by the momentum the scheme generated in telecom manufacturing, where the government pays out a predetermined sum only if companies achieve agreed sales targets annually, ministries expect the initiative to transform India from a net importer of green technology into a global manufacturing hub. Unlike telecom, however, the PLI for high-efficiency solar photovoltaics and advanced chemistry cell battery storage face daunting implementation challenges. While downstream module assembly is robust (achieving 56% of its specific target by mid-2025), the critical upstream segments remain a bottleneck. Polysilicon and wafer manufacturing, the most technology-intensive parts of the value chain, have only reached 14% and 10% of their respective targets. This disparity highlights a persistent reliance on imported raw materials and specialised technical expertise, prompting the government to consider additional capital subsidies to de-risk these high-capex upstream projects.

Similar woes stalk the scheme for battery manufacturing. The progress towards establishing 50 GWh of domestic battery cell production to fuel the electric vehicle revolution, with an outlay of ₹18,000 crore, has been sluggish. By late 2025, only about 2.8% (1.4 GWh) of the targeted capacity had been commissioned. The gap between policy ambition and ground reality in battery manufacturing stems from stringent domestic value addition requirements – mandating 25% within two years and 60% within five – and the immense technical barriers of “gigafactory” construction. To add to these are challenges such as not issuing visas to Chinese technical experts, who will be setting up several manufacturing facilities. The Indian government's expectation that mere capital support will substantially improve high-technology manufacturing is misplaced. The complex infrastructure required to make it at scale requires decades of research investment and workforce training. While mega corporates expect international technology transfers to accelerate the process, they are capital intensive and do not always translate to near-term gain. Several companies face steep fines for not delivering on their deadlines. A relook at provisions in the PLI scheme to prioritise expertise and technical know-how rather than the net worth of companies bidding for PLI contracts is necessary.

## KEY HIGHLIGHTS

### Context of the News

- India targets 500 GW non-fossil fuel power capacity by 2030 to meet climate and energy security goals.
- Production Linked Incentive (PLI) schemes are the primary industrial tool to localise renewable energy manufacturing.
- PLI success in telecom manufacturing encouraged extension to solar PV and battery storage sectors.
- Recent assessments show significant implementation gaps in green technology PLIs.

### Key Points

- PLI incentives are output/sales-linked, not upfront subsidies (PIB).
- Solar PLI performance:
  - Downstream module assembly: ~56% target achieved (mid-2025).
  - Upstream manufacturing:
    - Polysilicon: ~14%
    - Wafers: ~10%

- Upstream solar manufacturing is technology-intensive, capital-heavy, and energy-intensive.
- Persistent import dependence for raw materials and technical know-how (especially China).
- Government considering additional capital subsidies to de-risk upstream investments.
- ACC Battery PLI:
  - Target: 50 GWh domestic battery cell capacity.
  - Outlay: ₹18,100 crore.
  - Commissioned capacity by late 2025: ~1.4 GWh (~2.8%).
- Strict Domestic Value Addition (DVA) norms:
  - 25% in 2 years.
  - 60% in 5 years.
- Constraints:
  - Gigafactory construction challenges.
  - Limited skilled workforce.
  - Restrictions on visas for foreign technical experts.
- Several firms face penalties for missing timelines.

### Static Linkages

- Nationally Determined Contributions (UNFCCC).
- National Solar Mission.
- Industrial policy and import substitution strategy.
- Value chain concept (upstream–downstream).
- Technology transfer and learning curve theory.
- Role of R&D and human capital in manufacturing competitiveness.

### Critical Analysis

#### Positives

- Performance-linked incentives improve fiscal efficiency.
- Aligns manufacturing with climate goals.
- Encourages scale creation in strategic sectors.

#### Negatives

- Capital incentives insufficient for high-technology manufacturing.
- Overemphasis on financial strength over technical capability.
- Unrealistic DVA norms given current ecosystem.
- Limited R&D depth and skilled manpower.
- Technology transfer does not ensure short-term gains.

### Way Forward

- Reorient PLI criteria towards technical expertise and know-how.
- Relax DVA timelines based on sector maturity.
- Promote technology partnerships and joint ventures.
- Invest in long-term R&D and skill development ecosystems.
- Facilitate controlled entry of foreign technical experts.
- Complement PLI with stable trade and tariff policy.

# Pressure points

## Trump's strategy to keep pushing Caracas can only lead to a breaking point

What is unfolding in Venezuela is naked imperialism. Having ordered the abduction of a sitting head of state and imposed a naval blockade on a sovereign nation, U.S. President Donald Trump declared that Washington would now "run" Venezuela. That he endorsed Acting President Delcy Rodríguez rather than the opposition does not diminish the criminality of these actions; it merely reveals their purpose, which was not about democracy or narcotics but about control of Venezuela's oil. The Trump administration's approach might appear contradictory: help retain the Bolivarian regime while strangling its economic sovereignty. But the logic is coherent. Washington wants Venezuela's oil without the costs of occupation or the chaos of regime change. It learned from Iraq that dismantling state structures creates insurgencies. It believes that it is better to capture the existing apparatus and redirect its functions – a form of neocolonialism that maintains the forms of statehood while exercising actual control.

This arrangement places Ms. Rodríguez in a difficult position. The Bolivarian movement was built on resisting precisely this kind of American domination over Venezuela's resources. Yet her government, battered by a decade of sanctions, must now negotiate with the very power that kidnapped her predecessor. Her statement on Sunday, "Enough already of Washington's orders over politicians in Venezuela", reveals the strain that she is under. She has complied with American demands on oil trade and released political prisoners as a "peace gesture". But she cannot surrender Venezuelan sovereignty entirely without losing the Chavista base that sustains her government. The more pressure Washington applies on Caracas, the more it risks the very instability it claims to want to prevent. If the U.S. wanted a productive economic relationship with Venezuela, it should not have embarked on this marauding path. The sanctions that devastated Venezuela's economy were American policy. The migration crisis that Mr. Trump cited to justify intervention was a consequence of those sanctions. Now, Washington offers to ease the pressure it created, but only if Venezuela submits to exclusive American control over its resources. This is not diplomacy; it is extortion. The world cannot remain silent. When Russia violated Ukrainian sovereignty, the international community condemned it and imposed sanctions. Mr. Trump's 'Donroe Doctrine' threatens not just Venezuela, but the foundations of the international order. If it remains unchallenged internationally, no nation in the Global South can be safe.

## KEY HIGHLIGHTS

### Context

- U.S. actions against Venezuela include alleged abduction of head of state, naval blockade, and assertion of control.
- Engagement with incumbent regime rather than opposition indicates shift from regime change to controlled dominance.
- Core issue revolves around oil resources, sanctions, and sovereignty.
- Raises concerns of neo-imperialism and violation of international law.

### Key Points

- Venezuela holds largest proven crude oil reserves globally (OPEC data).
- U.S. sanctions since 2015, intensified post-2017, targeted:
  - PDVSA (state oil company)
  - Banking, shipping, energy exports
- Sanctions led to:
  - Severe GDP contraction (over 70% decline since 2013 – UN/ECLAC)

- Hyperinflation and humanitarian stress
- Large-scale migration (over 7 million displaced – UNHCR)
- U.S. strategy aims to:
  - Access oil without military occupation
  - Retain existing state machinery while directing economic decisions
- Venezuelan leadership faces dilemma:
  - Compliance risks ideological legitimacy
  - Resistance risks further economic strangulation

### Static Linkages

- UN Charter Article 2(1), 2(4): Sovereign equality, non-use of force
- Principle of Non-Intervention in internal affairs (Customary International Law)
- Neo-colonialism: Indirect political/economic control over sovereign states
- Resource Nationalism: State control over strategic natural resources
- Economic sanctions as coercive foreign policy tools

### Critical Analysis

- Pros (from U.S. perspective):
  - Avoids instability of regime collapse
  - Ensures steady oil access
- Cons:
  - Erosion of international legal norms
  - Humanitarian impact on civilians
  - Precedent for coercive unilateralism
- Global South concerns:
  - Selective application of sovereignty norms
  - Double standards compared to Ukraine crisis
- Ethical dimension:
  - Sanctions-induced suffering raises moral responsibility

### Way Forward

- Strengthen multilateral mechanisms under UN framework
- De-politicise humanitarian assistance
- Sanctions review with humanitarian safeguards
- Promote energy cooperation through rules-based institutions
- Global South solidarity to resist coercive economic practices

# New UGC norms

Incidentally, a draft of the regulations shared for feedback in February last year had provided for penalties in the case of false complaints.

In another change, the notified regulations make a specific mention of OBCs while defining caste discrimination, and call for inclusion of OBC representatives in the 'equity committees' to be set up in higher education institutions. "Caste-based discrimination means discrimination only on the basis of caste or tribe against the members of scheduled castes, scheduled tribes, and other backward classes," say the regulations.

Education Ministry sources pointed out that the regulations stem from a Supreme Court petition filed by the mothers of Rohith Vemula and Payal Tadvi, who died by suicide over alleged caste-based discrimination, and that this matter remains pending before the Court. At the last hearing, on January 15, the SC had taken note of the UGC's notification of new regulations on January 13, and said: "Ms Indira Jaising, learned senior counsel for the petitioners, wants to give some more suggestions that may be relevant for the effectivity of the notified regulations." The next hearing is on March 19.

The SC also has another petition before it regarding the UGC regulations now, with advocate Vineet Jindal filing a plea, asking why the definition of caste-based discrimination excludes persons belonging to "general or upper castes from its protective ambit, regardless of the nature, gravity, or context of discrimination suffered by them".

Pradhan's statement, within a day of the protests gathering steam, shows that the Centre is cognizant of the backlash if it is

seen as bending to any group, with the ruling BJP courting OBCs and Dalits, even while counting on upper caste Hindus as its natural base.

However, there is some disquiet, both over the lack of penalty for false complaints, as well as the fact that OBCs as a blanket category would also include groups that are actually dominant in many parts of India and exercise considerable power.

In a calibrated statement, RSS student wing ABVP said Tuesday that since a plea had been filed against the UGC regulations in the SC "it (the commission) should clearly present its position and file an affidavit before the Court at the earliest".

Privately, ABVP functionaries admitted unease. An ABVP member cited three concerns: the ambiguity of "implicit discrimination", the removal of penalties for false complaints, and the composition of institutional committees.

In its release on the UGC regulations Tuesday, Congress student wing NSUI called these mere symbolism, and said the commission had become a "puppet". At the same time, it welcomed the regulations as "a necessary step towards addressing discrimination on campuses across the country".

Congress leader Rahul Gandhi has often raised the matter of Vemula's death to attack the Modi government.

The All India Students' Association (AISA) defended the regulations, while describing the backlash as expected. "The student movement has been demanding a Rohith Act for years. The UGC had to bring this," former AISA national president and ex-JNU president Balaji said.

## KEY HIGHLIGHTS

### Context

- University Grants Commission notified UGC (Promotion of Equity in Higher Education Institutions) Regulations, 2025 on 13 Jan 2025, replacing 2012 regulations.
- Protests over scope, misuse, and absence of penalties for false complaints.
- Union Education Minister assured constitutional validity and no misuse.
- Regulations linked to pending cases before Supreme Court of India.

### Key Provisions

- Defines caste-based discrimination covering SC, ST, and OBC students.
- Mandates Equity Committees in higher education institutions with OBC representation.
- Institutions liable for action on non-compliance.
- No penalty provision for false or malicious complaints (earlier draft had it).

### Static Linkages

- Articles 14–16: Equality before law; non-discrimination; equal opportunity.
- Article 15(4) & 15(5): Special provisions for socially and educationally backward classes.
- Article 21: Right to life with dignity (judicial interpretation).
- UGC Act, 1956: Statutory basis for UGC regulations.
- Justice Rohini Commission (2017): Highlights heterogeneity within OBCs.

### Critical Analysis

#### Pros

- Strengthens institutional accountability against caste discrimination.
- Expands protection to OBCs in line with constitutional mandate.
- Responds to judicial concerns and campus discrimination cases.

#### Concerns

- Absence of penalties for false complaints → due process concerns.
- Broad OBC inclusion may ignore intra-category dominance.
- Ambiguity in terms like "implicit discrimination".

### Way Forward

- Add procedural safeguards and graded penalties for false complaints.
- Issue clear guidelines/definitions to avoid misuse.
- Independent review of Equity Committees.
- Align final framework with Supreme Court directions.

# FTA not an endpoint, marks reform push for the next strategic move

ON A crisp January day in 2026, India and the European Union announced what has been described as "the mother of all trade deals": A Comprehensive Free Trade Agreement (FTA) that took 19 years to materialise. When negotiations first began in 2007, the world was a very different place. The iPhone had just been launched, India was adding 18 million subscribers a month to its telecom subscriber base, Lehman Brothers was still solvent, and the global order seemed settled. Few would have predicted that nearly two decades later, after a pandemic and amid an increasingly unpredictable global power acting as though the world owes it respect, recognition, and money, both sides would be compelled to conclude what had long seemed impossible.

The "mother of all deals" metaphor can be interpreted in several ways, but it is best read as a signal of something deeper. Two democratic partners, one that privileges standards as protection (the EU) and the other tariffs (India), have managed to set aside long-standing differences to forge an alliance. What has emerged is not merely a trade agreement, but a broader strategic partnership encompassing trade, investment, defence cooperation, and supply-chain resilience. This reflects not only how much India and the EU have changed, but more importantly, how profoundly the world itself has transformed. The relevant question, then, is simple: Would this deal have been signed had the world remained as it was in 2007? The answer, almost unambiguously, is no. The India-EU FTA is less a triumph of patient diplomacy than a rational response to a world that has become markedly more dangerous, unpredictable, and multipolar.

But it has happened — and that is what matters. Tariff reductions for India, whether achieved through international agreements

or by unilateral inspiration à la 1991, are good for the economy. They foster competition, improve efficiency, and expand markets. Thirty-five years after a round of inspired economic thinking by the then finance minister, Manmohan Singh, one might reasonably expect Indian industry to be ready to move beyond a protectionist mindset. Perhaps this agreement will provide precisely the push that was needed. India has, for instance, agreed to reduce tariffs on cars imported from the EU to 40 per cent from peaks as high as 110 per cent, with a path toward eventual reduction to 10 per cent. These changes are likely to generate significant pro-competitive spillovers. These same applies to wines and spirits, which have been granted treatment similar to that under the Australia and New Zealand FTAs. Crucially, Indian spirits will also gain access to the EU market, as will services. As with any bilateral trade agreement, gains accrue to both sides. European buyers benefit from reliable supplies from a cost-competitive source, while India gains an incentive to upgrade quality standards, not only for exports, but for domestic consumers as well.

Sensitive areas in the farm sector have been excluded from the FTA. In 2024, India exported \$4.2 billion worth of food and beverages to the EU, ranking a distant 30th among EU suppliers, behind countries such as Vietnam and Thailand. The binding constraint here is not tariffs but standards. The EU market is governed by stringent sanitary and phytosanitary measures, traceability requirements, and sustainability norms that Indian exporters often struggle to meet consistently. Here, too, the agreement should be viewed less as a concession than as an opportunity to build capacity and upgrade compliance regimes.



RAJAT KATHURIA

By signing the EU deal, India signals the constraints it is willing to live with, and to what extent. US tariffs have forced a choice; the EU FTA, in turn, provides India with time to gradually wean itself away from Russian dependence

The FTA will also help restore competitiveness lost after the withdrawal of tariff concessions under the EU's Generalised System of Preferences (GSP), particularly in textiles, garments, gems and jewellery. These sectors have been hit hard by the penal 50 per cent US tariff imposed in response to India's purchase of Russian oil. Unsurprisingly, the US has criticised the FTA, arguing that it risks indirectly fuelling Russian aggression.

Students of international economics are well acquainted with the Mundell-Fleming trilemma: A country cannot simultaneously maintain free capital flows, a fixed exchange rate, and independent monetary policy. One of the three must give way. The elegance of this result lies not in its mathematics but in the recognition that constraints force choices, and that those choices reveal priorities. The India-EU trade deal can be understood through a similar lens. India today confronts what might be called a strategic trilemma. It cannot simultaneously pursue deep economic partnership with the United States, maintain vast defence and energy ties with Russia, and preserve strategic autonomy. By signing the EU deal, India signals the constraints it is willing to live with, and to what extent. US tariffs have forced a choice; the EU FTA, in turn, provides India with time to gradually wean itself away from dependence on Russia.

For the EU, facing economic stagnation, an ageing population, and excessive dependence on China, India, with 1.4 billion people, a young workforce, and status as the fastest-growing major economy, represents a credible hedge. The EU already ranks among India's top trading partners, alongside the US and China, with total bilateral goods and services trade exceeding \$190 billion in 2024-25.

India exported roughly \$76 billion in goods and \$30 billion in services, no small achievement. And in signing the EU deal, India has also made a strategic statement about its future. This is an opportune moment to signal to Indian industry that the walls of protectionism are coming down irreversibly.

What's more, since modern trade agreements are less about tariffs and more about regulatory frameworks, product and process standards, intellectual property, investment protection, and other non-tariff measures, the EU FTA offers India an opportunity to modernise its domestic regulatory architecture. Upgrading food safety systems, industrial standards, and environmental compliance to EU benchmarks will generate positive externalities. Domestic consumers will benefit from higher-quality products, while Indian exporters gain credibility in other premium markets.

More strategically, alignment with EU standards positions India favourably for potential accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a mega-regional bloc encompassing 11 Pacific Rim economies, including Japan, Australia, Canada, and several ASEAN members — conspicuously excluding both the United States and China. CPTPP membership would integrate India into supply chains accounting for 13.5 per cent of global GDP, while reducing overdependence on any single great power. Seen this way, the EU deal is not an endpoint but a form of institutional preparation; strengthening regulatory capacity, and maintaining the reform momentum for India's next strategic move within a plurilateral economic architecture.

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## KEY HIGHLIGHTS

### Context of the News

- In January 2026, India and the European Union concluded a Comprehensive Free Trade Agreement (FTA) after negotiations that began in 2007.
- The agreement reflects a shift driven by geopolitical uncertainty, protectionism, and multipolarity, rather than routine trade liberalisation.

### Key Points

- Covers trade in goods, services, investment, standards, supply chains, and strategic cooperation.
- Tariff rationalisation by India:
  - Cars: reduced from peaks of ~110% → 40%, with a glide path to 10%.
  - Wines & spirits: concessions similar to Australia–New Zealand FTAs.
- Indian exports gain:
  - Market access for services and spirits.
  - Partial recovery after loss of EU GSP benefits.
- Sensitive agriculture excluded from tariff commitments.
- India–EU total trade (goods + services): >\$190 billion (2024–25).
- EU is among India's top three trading partners (with US, China).

### Static Linkages

- Trade liberalisation → efficiency, competition, consumer welfare.
- Tariffs vs Non-Tariff Barriers (NTBs) as protection tools.

- Sanitary and Phytosanitary (SPS) & Technical Barriers to Trade (TBT).
- Strategic autonomy in foreign economic policy.
- Mundell–Fleming Trilemma: constraints force strategic choices.
- Rules-based multilateral trade order.

### Critical Analysis

#### Positives

- Enhances export competitiveness and scale for Indian industry.
- Pushes regulatory and quality upgradation to EU benchmarks.
- Reduces overdependence on limited trade partners.
- Strengthens India's position in global supply chains.

#### Concerns

- Domestic industry faces adjustment pressure due to tariff cuts.
- Compliance with EU standards raises costs for MSMEs.
- Agricultural exports still constrained by stringent EU SPS norms.
- Potential trade diversion risks.

### Way Forward

- Capacity building for standards compliance (SPS/TBT).
- Targeted support for MSMEs during adjustment phase.
- Align domestic regulations with global best practices.
- Use EU FTA as a stepping stone for CPTPP accession.
- Maintain balance between strategic autonomy and economic integration.

# Made in India & Made in Europe

**A**FTER SEVERAL rounds of talks, India and the EU have finally concluded negotiations on an enormously consequential free trade agreement — a deal that creates a trade zone of regions that are home to around 2 billion people and account for 25 per cent of global GDP. The “mother of all deals” underlines Delhi’s desire to seek deeper global integration within a predictable rules-based framework at a time when US President Donald Trump has taken a wrecking ball to the trading system. Though the formal signing will take place only after the legal scrubbing is finished, this pact will help facilitate the diversification of India’s export markets — critical when the country faces a 50 per cent tariff levy on exports to the US. The relationship with the EU is deepening beyond trade as well, with the signing of a Security and Defence Partnership that will facilitate greater collaboration in areas of maritime security, counter-terrorism and cybersecurity.

Under the agreement, India has received preferential access to the European markets across 97 per cent of tariff lines, while for the EU, India has offered tariff liberalisation on 92.1 per cent of tariff lines. Some tariff lines will see immediate reductions, while in certain cases the duty reductions will be implemented in a phased manner. Others are subject to tariff-rate quotas. For India, labour-intensive sectors are likely to get a boost. For instance, the FTA creates a more even playing field in accessing the EU’s ready-made garment market, which is pegged to reach \$105 billion as per CareEdge Ratings. This will create tremendous opportunities for exporters. And while India has stuck to its red lines — such as dairy — it has also secured commitments across 144 services subsectors, including IT/ITeS, education and professional services. At a time when there are issues regarding H-1B visas in the US, the EU FTA puts in place a mobility framework that “eases the movement of employees of Indian corporations”.

The political will in pushing through this long drawn out agreement — talks for the deal had begun in 2007 — along with the spate of recent trade agreements, signals a desire to embrace freer trade, and points to protectionist impulses in retreat. While the deal with the US hangs in limbo, the government should look to sustain the movement and push to join other larger trade groupings.

## KEY HIGHLIGHTS

### Context

- India and the European Union concluded negotiations on a Comprehensive Free Trade Agreement (FTA) (talks began in 2007).
- One of the largest FTAs globally: ~2 billion population, ~25% of global GDP.
- Agreement reached amid uncertainty in the global trading system and trade frictions with the US.
- Formal signing pending legal scrubbing.

### Key Facts

- India gets preferential market access on ~97% tariff lines in EU.
- India offers tariff liberalisation on ~92.1% tariff lines to EU.
- Tariff reduction methods:
  - Immediate tariff cuts
  - Phased reductions
  - Tariff-Rate Quotas (TRQs)
- Sensitive sectors like dairy excluded by India.
- 144 services sub-sectors covered (IT/ITeS, education, professional services).
- Mobility framework for movement of Indian professionals.
- Boost to labour-intensive exports (textiles, garments, footwear).

- EU ready-made garment market ~\$105 billion.
- Parallel India–EU Security and Defence Partnership signed.

### Static Linkages

- FTAs permitted under GATT Article XXIV (substantially all trade).
- Services trade governed by GATS (Mode 4: movement of natural persons).
- TRQs combine quota + differential tariffs.
- Trade diversification aligns with export-led growth strategy.
- Part of India’s shift from protectionism to rules-based trade integration.

### Critical Analysis

#### Advantages

- Export market diversification.
- Employment generation in labour-intensive sectors.
- Boost to services exports and professional mobility.
- Enhances India’s credibility as a trade partner.
- Strategic convergence beyond trade.

#### Concerns

- Adjustment stress on MSMEs.
- Compliance costs due to EU’s strict standards (SPS/TBT).
- Risk of limited gains due to non-tariff barriers.
- Uneven capacity across Indian states and sectors.

### Way Forward

- Strengthen quality, testing and certification infrastructure.
- MSME support: credit, skilling, technology upgradation.
- Use WTO-consistent trade remedies.
- Align PLI and logistics reforms with FTA opportunities.
- Explore entry into other large trade groupings cautiously.

# EDUCATION

## New UGC regulations sharpen provisions against caste bias

Abhinaya Harigovind  
& Shyamal Yadav  
New Delhi, January 27

TWO WEEKS ago, the University Grants Commission (UGC), the regulatory body for higher education in the country, notified regulations to deal with discrimination, including on the basis of caste, in higher education institutions.

This was based on a Supreme Court intervention after a petition filed by the mothers of Rohith Vemula and Payal Tadi, who died by suicide over alleged caste-based discrimination in 2019 and 2016, respectively.

These regulations — a fresh version of the “equity” regulations the UGC first issued in 2012 — are now in the eye of a storm, with a section of people claiming that these can lead to “harassment” of general category students. BJP office bearers in Uttar Pradesh and the Bareilly City Magistrate have resigned in protest over them. Here’s what the regulations say, and what the controversy around them is.

### What are the new UGC regulations?

The UGC notified the University Grants Commission (Promotion of Equity in Higher Education Institutions) Regulations, 2026 on January 13. The stated purpose was to “eradicate discrimination only on the basis of religion, race, gender, place of birth, caste, or disability, particularly against the members of scheduled castes and scheduled tribes, socially and educa-

tionally backward classes, economically weaker sections, persons with disabilities, or any of them, and to promote full equity and inclusion amongst the stakeholders in higher education institutions”.

These regulations replace the similarly named UGC (Promotion of Equity in Higher Educational Institutions) Regulations from 2012. The new regulations, which will apply to all higher education institutions, lay down a structure and method for discrimination-related complaints to be made and addressed.

### How will these regulations be implemented?

To implement the objective of these regulations, every higher education institution is mandated to have an Equal Opportunity Centre, an Equity Committee and Equity Squads. Let’s look at these one by one:

**Equal Opportunity Centre:** The Equal Opportunity Centre (EOC) will oversee the implementation of policies related to disadvantaged groups, coordinate with the district administration and police, and help provide legal aid when necessary.

These EOCs will have five faculty members from the institution. There is no reservation for any category for these five members. The regulations state that if a college does not have at least five faculty members to establish an EOC, its functions shall be performed by the EOC of the university itself to which the college is affiliated.

**Equity Committee:** The EOC will have

### Draft vs final regulations

• The draft UGC regulations did not have OBCs in equity committees and in the definition of caste discrimination.

• The final regulations include them in both.

• The final regulations have also done away with a section on ‘false complaints’, which had been included in the draft.

• The draft had provided for a fine or disciplinary proceedings in case of ‘false complaints of discrimination’.

a ten-member Equity Committee chaired by the head of the institution. Five of its members must be from reserved categories — Other Backward Classes, Persons with Disabilities, Scheduled Castes, Scheduled Tribes and women. It is to meet within 24 hours to address complaints, and submit its report to the head of the institutions in 15 days. In turn, the head of the institution is to initiate action within seven days.

**Equity Squads:** These are to be constituted to “maintain vigil and prevent discrimination on campus”. They are to “remain mobile and visit vulnerable spots frequently.” Institutions will also have a 24-hour ‘Equity Helpline’ to report incidents of discrimination. They must appoint Equity Ambassadors who will work as “torch bearers” of equity.

### How are these regulations different from the 2012 regulations?

The 2012 regulations were mostly advisory in nature. They stated that “the punishment shall be commensurate with the nature of the discrimination or harassment”.

They did not provide for action to be taken against an institution that does not comply with the regulations. The new regulations, however, provide for a system for the UGC to monitor their implementation via a national-level monitoring committee. Institutions that don’t comply with the regulations can face action — the UGC can debar them from participating in the commission’s schemes, from offering degree programmes and online programmes, or

remove the institution from the list of those that are eligible to receive central grants.

The previous regulations did provide for the creation of Equal Opportunity Cells at institutions, but did not specify their composition and the procedure to be followed in case of an incident of discrimination.

The new regulations have more detailed provisions for making complaints and the procedures of their disposal, as detailed above. The 2012 version also did not specify OBCs anywhere in the regulations, and only stated that “no higher educational institution shall discriminate (against) a student belonging to the Scheduled Castes and the Scheduled Tribes categories”.

### What is the controversy over these regulations?

A section of students, and now BJP office-bearers in Lucknow, have been calling for the withdrawal of the regulations. They have alleged that the regulations can lead to the “harassment” of students in the general category, and can create divisions on the basis of caste. An aspect of the regulations that they are protesting is that there is no provision for penalties in the case of “false complaints of discrimination”, and that institutions can be subjected to action for not complying with the regulations.

Under the #UGCRollBack hashtag on X, accounts have been alleging that the regulations are “unfair” to students in the general category, and that it creates caste-based divisions for political gain among the OBC community.

## KEY HIGHLIGHTS

### Context of the News

- UGC notified Promotion of Equity in Higher Education Institutions Regulations, 2026 (Jan 2026).
- Issued following Supreme Court directions in cases linked to caste-based discrimination and student suicides.
- Replaces UGC Equity Regulations, 2012.
- Triggered protests alleging possible misuse and harassment of general category students.

### Key Provisions

- Objective: Eliminate discrimination based on caste, religion, gender, race, place of birth, disability.
- Coverage: All Higher Education Institutions (Central, State, Private, Deemed).
- Mandatory Structures:
  - Equal Opportunity Centre (EOC)
    - 5 faculty members
    - Coordinates with district administration, police, legal aid
  - Equity Committee
    - 10 members chaired by Head of Institution
    - 5 members from SC, ST, OBC, PwDs, Women
    - Meeting within 24 hours, report in 15 days
  - Equity Squads – mobile vigilance teams
  - 24x7 Equity Helpline
  - Equity Ambassadors
- Enforcement Powers of UGC:
  - Withholding grants
  - Debarring institutions from schemes

- Stopping degree / online programmes
- Removal from list of centrally funded institutions
- Key Change from Draft:
  - OBCs explicitly included
  - Provision on punishment for false complaints removed

### Static Linkages

- Article 14 – Equality before law
- Article 15(1), 15(4) – Non-discrimination; special provisions for backward classes
- Article 17 – Abolition of untouchability
- Article 21 – Right to dignity (Judicial interpretation)
- UGC Act, 1956 – Regulatory authority over higher education
- NEP 2020 – Equity, inclusion, access in education

### Critical Analysis

#### Positives

- Shifts from advisory to enforceable framework
- Time-bound grievance redressal
- Strengthens institutional accountability
- Aligns with constitutional morality and social justice

#### Concerns

- No explicit safeguard against malicious complaints
- Possible chilling effect on faculty autonomy
- Risk of over-surveillance through Equity Squads
- Political polarisation may undermine implementation

### Way Forward

- Introduce procedural safeguards without weakening victim protection
- Clear Standard Operating Procedures (SOPs) for inquiry
- Capacity building and sensitisation of faculty
- Independent review mechanism at UGC level
- Emphasis on preventive inclusion, not only punitive action