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Oil imports from Russia hit 38-month low

Russia's share in India's crude imports fell to 25% in December 2025 from 34% a month ago

Trump has repeatedly claimed India will stop Russian imports in exchange for lower tariffs

India imported 1.1 million tonnes from the U.S. in Dec. 2025, 58% higher than in Dec. 2024

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NEW DELHI

The value of India's crude oil imports from Russia fell to a 38-month low of $2.7 billion in December 2025, with Russian oil making up less than a quarter of India's imports, down from 34% just a month before, an analysis of the latest official data shows. Oil imports from the U.S., on the other hand, grew nearly 31% over December 2024.

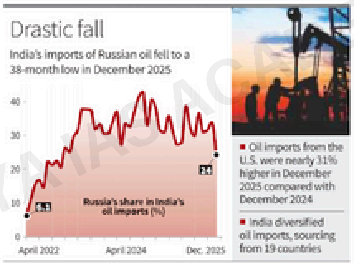
Over the last week, U.S. President Donald Trump and his team have repeatedly claimed that India will stop its purchases of Russian oil in exchange for the U.S. cutting tariffs on Indian imports from 50% to 18%.

India, however, has neither confirmed nor denied this specific assertion. Instead, it has maintained that it is diversifying its energy sources "in keeping with objective market conditions and evolving international dynamics".

According to data from the Ministry of Commerce and Industry, India's Russian oil imports, at $2.7 billion in December 2025, were 15% lower than the amount imported in December 2024 and 27.1% lower than the $3.7 billion worth of imports in November 2025.

As a result, Russia's share in India's overall oil imports fell to 24.9% in December 2025, the lowest in three years. In terms of volume, too, India imported only 5.8 million tonnes of oil from Russia, the lowest since February 2025.

India imported $569.3 million worth of oil from the U.S. in December 2025. While this was 60.5% lower than the amount imported in November 2025, that was because November saw oil imports from the U.S. surging to a seven-month high. Oil imports from the U.S. were nearly 31% higher than in December 2024.



SOURCE: MINISTRY OF COMMERCE AND INDUSTRY

In volume terms, India imported 1.1 million tonnes from the U.S. in December 2025, 58% higher than in December 2024.

Overall, December 2025 saw India diversifying its oil imports in a dynamic manner, sourcing crude oil from 19 countries, up from 16 countries in December 2024. Among these 19 countries, 10 saw their shares in India's crude oil basket increasing, while nine saw their shares falling.

Pricing matters

While Mr. Trump has claimed that India has agreed to stop buying Russian oil and will instead buy more American and Venezuelan oil, officials in the Indian government say that the economics of this decision does not yet make sense.

"The U.S. will export oil from the Gulf Coast, which is about 4.5 to five times farther via ship than Russia is from India," a senior government official told *The Hindu*.

"The distance from Venezuela is the same. At the moment, India is getting a discount from Russia on the oil it sells. This, plus the lower shipping distance, means it is much cheaper to import from Russia than from the U.S. or Venezuela."

According to some industry estimates, the cost of shipping oil from Venezuela or the U.S. Gulf Coast could be as high as $4.5 a barrel, compared to a maximum of $1 a barrel from West Asia. Estimating the cost of transporting oil from Russia is difficult as different companies work out separate deals with non-sanctioned entities in Russia.

The data shows that Indian companies paid an average of $506.7 per tonne for oil from the U.S., while they paid $469.4 per tonne for oil from Russia in December 2025.

According to a rough analysis by the State Bank of India, if India were to entirely switch away from Russian oil and replace it with oil from Venezuela, this choice would be commercially viable if the Venezuelan crude is bought at a discount of $10 to $12 a barrel due to its sourness.

KEY HIGHLIGHTS

Context of the News

- India's crude oil imports from Russia declined to $2.7 billion in December 2025, the lowest in 38 months, as per Ministry of Commerce and Industry data.
- Russia's share in India's crude oil imports fell to 24.9%, from 34% in November 2025.
- Imports from the United States increased nearly 31% year-on-year in December 2025.
- India reiterated that its energy sourcing decisions are guided by objective market conditions and evolving international dynamics, without confirming any trade-off related to tariffs.

Key Points

- Import Trends
  - Russian oil imports: $2.7 billion (↓ 15% YoY, ↓ 27.1% MoM).
  - Volume from Russia: 5.8 million tonnes (lowest since Feb 2025).
  - U.S. oil imports: $569.3 million in value; 1.1 million tonnes in volume (↑ 58% YoY).
- Diversification
  - India sourced crude from 19 countries in December 2025, up from 16 countries in December 2024.
  - Share increased for 10 countries; declined for 9 countries.
- Cost Considerations
  - Average import price (Dec 2025):
    - U.S.: $506.7 per tonne
    - Russia: $469.4 per tonne
  - Estimated shipping costs:
    - U.S./Venezuela: up to $4.5 per barrel
    - West Asia: up to $1 per barrel
- Viability Assessment
  - As per State Bank of India (SBI) analysis, replacing Russian oil with Venezuelan crude is commercially viable only if discounted by $10–12 per barrel due to sour crude characteristics.

Static Linkages

- Energy security and import dependence
- Price elasticity of demand for crude oil
- Landed cost (FOB price + freight + insurance)
- Strategic autonomy in economic decision-making
- Refinery configuration and crude quality (sweet vs sour crude)

Critical Analysis

Positives

- Reduces over-dependence on a single supplier.
- Enhances bargaining power in global oil markets.
- Aligns with India's long-term strategy of energy diversification.

Concerns

- Russian crude remains economically attractive due to discounts and proximity.
- Higher freight and refining costs for U.S. and Venezuelan crude.
- External geopolitical pressures may constrain purely market-based decisions.

Way Forward

- Continue diversified sourcing without fixed geopolitical alignments.
- Expand Strategic Petroleum Reserves (SPR) to manage supply disruptions.
- Upgrade refinery infrastructure for processing diverse crude grades.
- Accelerate transition towards renewable energy and alternative fuels.
- Maintain transparency to safeguard India's strategic and economic autonomy.

$120 million pledged to Chabahar port fully paid: govt.

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The government on Friday told Parliament that it has completely paid up its commitment of $120 million for Chabahar port, well before the U.S. sanctions waiver runs out in April 2026.

Iran's Ambassador to India, however, said that the government has not so far conveyed its plans for the future of the port, even as Opposition MP Manish Tewari accused the government of acting prematurely to "opt out" of the port deal.

The government's statement, that comes days after it ended its annual Budget allocation for Chabahar port, in the annual Budget for 2026-27, indicates it will be unable to manage the port unless the U.S. withdraws sanctions.

Rather than risk a drawn-out process later, the government appears to have disbursed its total standing commitment, made in a 10-year MoU with Iran, signed in May 2024.

'Commitment fulfilled'

"India has fulfilled its commitment of contributing $120 million for the procurement of port equipment," the Ministry of External Affairs said in its response to a query in the Lok Sabha.

"Pursuant to discussions with the U.S. side, the [U.S.] issued guidance extending the conditional sanctions waiver until 26 April 2026. The Government of India remains engaged with all concerned in order to address the implications of these developments," the MEA said.

The Ministry was replying to specific questions from Congress MP Manish Tewari on whether it had decided to reduce its engagement with the Chabahar project and withdrawn personnel from the port.

In limbo: Centre indicates it will be unable to manage the port unless the U.S. withdraws sanctions. GETTY IMAGES

Mr. Tewari accused the government of "officially giving up" on plans for the warm-water port on Iran's south-eastern coast, which India began to develop in 2003.

"India may have acted prematurely by opting out of the Chabahar Port project that would have been an important catalyst even in the re-engagement with the Taliban regime in Afghanistan, in addition to keeping the doors to Central Asia open," Mr. Tewari told *The Hindu*, pointing to U.S.-Iran talks that began in Oman on Friday.

U.S. President Donald Trump has threatened major strikes on Iran in response to its crackdown on protesters, but United States and Iranian officials met in Oman to try and avoid an escalation in tensions.

Along with sanctions that could be implemented over the Chabahar project, the U.S. has also threatened India with 25% tariffs if it continues to trade with Iran. Since 2019-2020, when Mr. Trump had threatened sanctions, India has also "zeroed out" all oil imports from Iran, and has not restarted them.

Iran awaits move

Iranian Ambassador to India Mohammad Fathali told journalists on Friday that he believes Delhi would like to try and resolve the issue without giving up its interest in Chabahar. India has been using the port for access to Afghanistan, to transport humanitarian aid and food supplies.

"We have a good relation with India in this issue, and we believe that the Indian government wants to manage this [port]," Mr. Fathali said at a press conference.

"It is up to any country that wants to use it, particularly India, to decide [its plans]. So this question should be asked to [the Indian government]. Until now, we have no comments from the Indian side [on this issue]," Mr. Fathali said, in response to questions about the government's moves on Chabahar.

He also said that a possible visit by Iranian President Masoud Pezeshkian, for the BRICS summit in India later this year, would be a "good opportunity for boosting [Iran's] relations with India".

KEY HIGHLIGHTS

Context of the News

- India informed Parliament that it has fully disbursed USD 120 million committed for Chabahar Port.
- The funding obligation arose from a 10-year MoU signed in May 2024 between India and Iran.
- The U.S. sanctions waiver for Chabahar is valid till 26 April 2026.
- Allocation for Chabahar was removed from Union Budget 2026–27, raising questions on future engagement.
- Iran has indicated that India has not communicated its post-waiver operational plan.

Key Points

- Chabahar is located on Iran's south-eastern coast (Makran coast).
- India's involvement includes:
  - Procurement of port equipment
  - Operation of Shahid Beheshti terminal
- The port is critical for:
  - Access to Afghanistan
  - Connectivity with Central Asia
- India has stopped crude oil imports from Iran since 2019–20 due to U.S. sanctions.
- The U.S. has warned of:
  - Sanctions related to Iran projects
  - Potential trade tariffs on India for continued Iran engagement

Static Linkages

- Chabahar provides India strategic access bypassing Pakistan.
- It acts as a counterweight to Gwadar Port developed under China–Pakistan Economic Corridor (CPEC).
- Linked with the International North–South Transport Corridor (INSTC).
- Reflects India's foreign policy principle of Strategic Autonomy.
- Supports India's Connect Central Asia Policy.

Critical Analysis

Opportunities

- Enhances India's geopolitical presence in West Asia.
- Ensures humanitarian and logistical access to Afghanistan.
- Diversifies India's trade and transit routes.
- Reduces China's strategic dominance in the region.

Challenges

- Dependence on temporary U.S. sanctions waivers.
- Policy uncertainty due to absence of long-term operational clarity.
- Risk of secondary sanctions impacting Indian companies.
- Balancing India–U.S. strategic partnership with Iran engagement.

Way Forward

- Seek long-term or permanent sanctions exemption through diplomacy.
- Integrate Chabahar with INSTC and regional supply chains.
- Maintain engagement through humanitarian and development activities.
- Use multilateral platforms to reduce unilateral sanctions risk.
- Clearly define post-2026 operational strategy.

'Hop-on, hop-off' — the state of climate governance

The current architecture of global climate governance increasingly resembles a pair of 'hop-on, hop-off' buses. One has the CMP (the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol), and the other, the CMA (the Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement), circling endlessly without real direction. There is no obligation to reach the stated destination.

In this vacuum, the politics of climate change has emerged as the undisputed winner. National interest overrides global urgency with predictable regularity. Consensus, once celebrated as a virtue, reflects the inability of the parties to agree on the rules of voting, thus ensuring a veto for each party, diplomatically disguised as cooperation. Ambition appears in preambles; hesitation dominates operative paragraphs. Alongside politics stands the economics of climate change, shaping its contours with even greater force.

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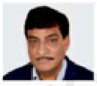

A.K. Mehta

is former Chief Secretary, Jammu and Kashmir and Additional Secretary, Ministry of Environment, Forest and Climate Change, Government of India

The common man is last

When governments hesitate, markets step in. Corporates, financiers and technology leaders thrive in the uncertainty that slows political action; short-term profits rarely, if ever, wait for long-term planetary consequences. The climate economy is driven not by precaution but by opportunism, because incentives reward the present. The future, after all, is not at the negotiating table.

Meanwhile, ordinary people lose, as they usually do. Their attention remains anchored to immediate needs: food, housing, health, employment. Climate change is a distant abstraction until it arrives as disaster, by which time they are victims, not stakeholders. And if citizens are not demanding climate action, politics need not respond, since risks outweigh benefits. For most people, climate change is neither daily nor urgent.

Scientists have long completed their part. The physics is established, the risks quantified, the future scenarios depicted, and uncertainties explained. What follows is not scientific uncertainty but the politics of science – uncertainty repurposed to justify delay, to diffuse responsibility, and to argue that the moment for decisive action is perpetually "not yet".

Politicians have also played their predictable role. The politics of climate change consists largely of managing expectations, avoiding costs, and postponing decisions. Governing the climate within political timeframes is an impossible equation.

Economics reinforces this short-termism. Profits on the near horizon overwhelm moral arguments; growth imperatives overwhelm ecological restraint. Future generations are not market participants. Therefore, markets do not account for them.

The result is a system in which each sector moves according to its own logic: science pursues truth through evidence, politics pursues power, economics pursues profit, individuals pursue livelihood, and climate pursues aspiration. The system behaves exactly as designed – and, therefore, achieves exactly as predicted. Not surprisingly, every Conference of the Parties is described as a success, with virtually no climate action to follow, except those that assist in the concomitant pursuit of power and profit. We know the destination. But the path remains obscured by competing priorities and an unwillingness to bear cost. Thus Kyoto failed. Paris is failing. The desire for climate stability remains widespread, but the willingness to act remains selective.

Drift, inadequacy, no driver

This is the structural condition of global climate governance today – not collapse, but drift; not absence, but inadequacy; not denial of the destination, but absence of a driver. COP30 only confirmed this. It delivered the "global mutirão" package, emphasising cooperation and togetherness to address climate change, but its measures remain largely voluntary, burying the basic spirit of common but differentiated responsibilities between developed and developing nations enshrined in the Convention. It failed to change much because it was never designed to. The promises were new; the politics remained the same.

It was advertised as the COP that would "keep 1.5°C alive", even though the world had already drifted far beyond its reach. No negotiator realistically expected a 1.5°C outcome; the political space for such ambition does not exist. According to the UNEP Emissions Gap Report 2024, global greenhouse gas emissions reached around 57.4 $GtCO_2e$ in 2024, the highest in human history. At the current rate, the world is projected to cross 1.5°C in the early 2030s.

Countries were politely urged to be more ambitious, but no new obligations were created. Even the attempt to include clear fossil-fuel language failed. Finance followed the same rhythm. Parties expressed ambition to scale up climate finance, but the final text relied on voluntary measures and offered no binding timetable. Actual needs for mitigation and adaptation in developing countries exceed $2.4 trillion-$3 trillion per year, while current flows are under $400 billion. What emerged instead was a document full of encouragement and intentions but empty of commitments. No country agreed who would pay, how much, or by when – much as it has always been.

Adaptation, the work of preparing societies for rising heat, floods, droughts, and storms, also stalled. Although leaders pledged to "triple" adaptation finance at COP30, the decision did not specify a baseline year or binding sources of funds, leaving the pledge effectively aspirational. Countries adopted a long list of indicators to measure progress, but the list was put together hastily, criticised for lack of clarity, and disconnected from any plan to provide the large sums adaptation requires.

If anything is clear after more than three decades of climate negotiations, it is that all countries need to prepare to adapt, since adaptation will have to be undertaken with or without a global agreement.

Loss and damage, the issue of helping countries hit hardest by climate disasters, made small steps. COP30 formally opened the new loss and damage fund to applications, yet the fund's capitalisation and initial disbursements remain small relative to projected needs, underscoring the gap between institutional creation and operational capacity.

Technology transfer – getting climate-friendly technologies to developing countries – again stayed more in concept than in action. New programmes were announced. New themes were added. But the financial support required to operationalise them did not follow.

Capacity building, especially the support poorer countries need to monitor and report their climate progress, also moved in circles. The just transition agenda, ensuring that climate action does not leave workers and vulnerable communities behind, produced strong statements. Rights were acknowledged, principles affirmed, and processes created. But none of it is binding, and none of it comes with resources. It recognises justice; it does not deliver it.

A widening gap

Across all seven pillars, the pattern is unmistakable. COP30 produced more language, more platforms, more frameworks, more processes – but not more action. The gap between what the climate needs and what politics delivers remains as wide as ever.

Yet, for all its structural flaws, chronic inertia, and theatrical ambition, the UNFCCC and its COP process remain the only universally legitimate, near-universal-membership forum humanity possesses for coordinated climate action. Neither the G-7, the G-20, BRICS, nor any coalition of the willing has the mandate, inclusivity, or legal architecture to substitute for it. Abandoning it would leave even less hope than persisting with it. The problem is that while one can hop on and hop off the CMP and the CMA, one cannot hop off the planet.

There is an illusion of progress in climate negotiations, with more process and less action

KEY HIGHLIGHTS

Context of the News

- Recent climate negotiations under the UNFCCC highlighted persistent weaknesses in global climate governance.
- Parallel functioning of:
  - CMP – Conference of Parties to the Kyoto Protocol
  - CMA – Conference of Parties to the Paris Agreement
- COP30 failed to introduce binding commitments on mitigation, finance, or fossil fuel phase-out.
- According to UNEP Emissions Gap Report 2024, global GHG emissions reached ~57.4 $GtCO_2e$ in 2024.
- World projected to breach 1.5°C warming in early 2030s, despite Paris targets.

Key Points

- Climate governance marked by:
  - Voluntary commitments
  - Consensus-based decision-making
  - Absence of enforcement mechanisms
- Consensus model effectively provides veto power to each Party.
- Climate finance gap:
  - Required (developing countries): $2.4–3 trillion per year
  - Current flows: < $400 billion
- COP30 outcomes:
  - No binding fossil-fuel language
  - Adaptation finance pledge to "triple" lacked baseline and timelines
  - Loss and Damage Fund operational but undercapitalised
  - Technology transfer and capacity building remained declaratory
- CBDR principle acknowledged but diluted in operational decisions.

Static Linkages

- Common but Differentiated Responsibilities (CBDR) – UNFCCC principle
- Climate change as a global commons problem
- Market failure & intergenerational equity (welfare economics)
- Tragedy of the commons and collective action problem
- Role of international institutions in global governance

Critical Analysis

Structural Issues

- No legal obligation to meet temperature or finance targets
- Politics overrides scientific urgency
- Markets prioritise short-term profits over long-term climate risks

Developed vs Developing Divide

- Developed countries resist binding finance commitments
- Developing countries face adaptation burden despite low historical emissions

Institutional Limitation

- COPs generate frameworks and declarations, not enforceable outcomes
- Implementation deficit persists across mitigation, adaptation, and finance

Way Forward

- Reform consensus rule for procedural decisions
- Time-bound and legally binding climate finance targets
- Clear operationalisation of CBDR
- Strengthen domestic climate laws and carbon pricing
- Mainstream adaptation into national development planning
- Enhance South–South cooperation on technology transfer

The India-EU trade deal is also a strategic turning point

Last week, India and the European Union (EU) achieved what, until just a year or two ago, many observers considered impossible: meeting halfway to conclude a long-elusive trade agreement. Negotiated, stalled, revived and reimagined over a quarter of a century, the deal represents far more than a technical breakthrough on tariffs. It marks a strategic inflexion point in what could become one of the most consequential partnerships to stabilise an international order that is marked by rapid, uncertain and conflictual transition.

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A meeting point with a risk-averse Brussels

The commercial breakthrough did not emerge from a vacuum. It is the result of two drivers – one political and the other geopolitical. First, in an example of how summit diplomacy does pay off, both sides have been engaging at the highest level for the last 10 years, beginning with Prime Minister Narendra Modi's visit to Brussels in 2016.

The unprecedented frequency of meetings, which included the India-EU leaders' summit in 2021, allowed for a frank exchange of perspectives that built trust and enabled the pursuit of the highest-hanging fruit despite repeated failures since 2007. This mutual political trust mattered at home because it empowered the Indian and European leadership to invest significant personal and political capital to overcome a variety of internal obstacles and risks.

The Modi government worked with, rather than against or around, various domestic stakeholders and their protectionist impulses to explain why the EU offers a qualitatively different economic partner than next-door China. Previous trade deals with the United Kingdom or Australia helped create momentum, assess roadblocks and build industry support. And on the EU side, the tandem between the Commission and the Council laid clear political guidelines that pushed the otherwise risk-averse Brussels bureaucracy to move beyond rigid free trade agreement templates. With this political direction, negotiators finally found common ground.

The economic deal opens up avenues for India and the European Union (EU) to stabilise the international order

Second, and more importantly, this deal is driven by the urgency of responding to an international system that is shaking, if not collapsing. The agreement is the most tangible product of the extraordinary geopolitical churn unleashed by U.S. President Donald Trump's commercial offensives, but also the continued coercion and economic security threats posed by China and Russia.

The larger picture

Driven by political and geopolitical factors, the resulting economic agreement is best understood not as the culmination of a mere trade negotiation but also as the foundation of a broader EU-India strategic realignment. But trade alone will not sustain this convergence. If the India-EU partnership remains confined to tariffs and market access, it risks becoming a tactical adjustment rather than a durable strategic shift.

To avoid this fate, New Delhi and Brussels must now move quickly to flesh out the other dimensions of their strategic partnership enunciated during last week's summit, most notably in defence and security, energy, technology and mobility.

In defence and security, the logic for deeper cooperation is increasingly compelling. India and the EU have a stake in ensuring maritime stability and freedom of navigation. There are growing opportunities for joint military exercises, information sharing, and the development of security capacity among Indo-Pacific states. The agreement reflects an interest in moving beyond ad hoc engagement toward institutionalised cooperation, coupling defence industrial interests with financing, trade and technology priorities.

Energy cooperation is equally critical. Europe's push for energy diversification and decarbonisation intersects with India's need for affordable, scalable, and sustainable energy solutions. Joint investment in green hydrogen, renewable technologies, and resilient energy infrastructure could anchor long-term interdependence while advancing shared climate goals.

Technology represents perhaps the most consequential frontier as global technology governance fragments along geopolitical lines. India and the EU have an opportunity to shape standards and norms that reflect values without stifling innovation. Cooperation on semiconductors, digital public infrastructure, artificial intelligence and data governance could reduce mutual vulnerabilities and enhance strategic autonomy on both sides.

Finally, the mobility of students, researchers and skilled workers will be essential to translating political alignment into societal and economic depth.

Addressing long-standing frictions over visas and professional recognition would not only strengthen people-to-people ties but also support innovation ecosystems across both partners.

Taken together, these sectors offer a path toward genuine India-European interdependence. Without such multi-sectoral investment, the current alignment risks remaining contingent on external pressures rather than internalised interests.

Foundation to build on

India and the EU now have a rare opportunity to give practical meaning to their old mantra of multipolarity that dates back to the 2000s. In coordination with other middle powers, New Delhi and Brussels can help deliver growth and security that is rooted in openness, resilience and shared democratic values. This will have to be a partnership that delivers tangible public goods across the Indo-Pacific – to keep China in check – and across the Global South, which seeks reliable development partners.

In an era defined less by alliance blocs than by issue-based coalitions, the India-EU convergence – if sustained and deepened – may finally emerge as one of the pillars of a more stable international system.

The economic deal is a start. The strategic test now lies in what follows.

The views expressed are personal

KEY HIGHLIGHTS

Context of the News

- India and the European Union concluded a long-pending trade agreement after nearly 25 years of negotiations.
- Negotiations were revived after sustained high-level political engagement since 2016.
- Agreement concluded amid:
  - Global trade fragmentation
  - Supply chain disruptions
  - Geopolitical tensions involving the US, China, and Russia
- The deal is positioned as a strategic partnership, not merely a trade arrangement.

Key Points

- India–EU trade talks were stalled earlier due to differences over:
  - Market access
  - Tariff liberalisation
  - IPR standards
  - Data protection and labour norms
- Factors enabling agreement:
  - Political leadership backing on both sides
  - India's experience from FTAs with Australia and the UK
  - EU flexibility beyond rigid FTA templates
- Strategic intent of the agreement:
  - Economic security
  - Supply chain diversification
  - Reduction of over-dependence on China
- Agreement expected to expand cooperation beyond trade into:
  - Defence and security
  - Energy transition
  - Digital and critical technologies
  - Skilled labour mobility

Static Linkages

- Free Trade Agreements under GATT Article XXIV (WTO framework)
- Strategic Autonomy as a principle of India's foreign policy
- Concept of Multipolar World Order
- Maritime security and freedom of navigation under UNCLOS
- Global Value Chains and supply-chain resilience (Economic Survey)
- India's shift from protectionism to calibrated trade liberalisation

Critical Analysis

Advantages

- Enhances India's access to a high-income market
- Strengthens supply chain resilience
- Supports India's goal of becoming a trusted manufacturing hub
- Aligns with India's Indo-Pacific and strategic autonomy objectives
- Enables norm-shaping in global trade and technology governance

Challenges

- High compliance costs due to EU regulatory standards
- Domestic industry concerns (MSMEs, agriculture)
- Risk of trade imbalance due to industrial asymmetry
- Implementation challenges in defence, energy, and tech cooperation

Way Forward

- Phase-wise implementation to protect vulnerable domestic sectors
- Institutionalise defence and maritime cooperation mechanisms
- Joint investment in green hydrogen and renewable energy
- Cooperation on semiconductors, AI, and digital public infrastructure
- Address mobility, visa, and professional recognition issues
- Align trade commitments with Atmanirbhar Bharat objectives

Distressing regularity

Illegal mining should become socially expensive and operationally prohibitive

The explosion in an illegal rat-hole mine in Meghalaya on February 5, killing at least 18 workers, is a grim reminder that court supervision cannot substitute governance. Illegal coal mining in India is a long-running problem, but the northeast, especially Meghalaya's coal belt, has a distinct ecosystem – of small privately or community-owned landholdings, thin coal seams, weak local enforcement, and supply chains – that can launder illegal coal into legitimate markets through intermediaries. Rat-hole mining is the norm (for illegal setups), and they are prone to collapsing because they lack engineered roofs and side-wall protections. The National Green Tribunal ordered its cessation in 2014, but illegal mines have continued due to a high local dependence on income from coal, fragmented ownership and contractorships that spread accountability and patronage. Operators of illegal mines also underreport accidents and keep workers off formal records; and while workers' deaths hit the headlines, injuries – due to polluted water, acid drains, unstable landscapes, and degraded roads – and child labour use do not.

Illegal coal is currently not easy to separate from legacy or auctioned coal once it has entered the supply chain. But the expected cost of illegal extraction and transport needs to go up. Meghalaya already has a framework to prevent illegal mining, transport, and storage under the MMDR Act. Using technology to reduce the cost of detection, it should add mandatory GPS tracking for all coal carriers, invalidate consignments that deviate from a specific route, and integrate satellite and drone patrol data with control rooms. Illegal mining should also become socially expensive, perhaps through community monitoring, incentivised by sharing penalties with local bodies. Conversely, the State should pressure intermediaries with seizure, cancelled licences, prosecution, and blacklisting from auctions. Next, bans fail sans alternatives, so the State should displace illegal mining as an income source by setting up credit and market linkages for horticulture, construction, small manufacturing and tourism, and refitting public works to absorb mining labour. Finally, the State must dismantle incentives on the supply side; the February 5 blast shows that illegal mines continue to access an informal labour market. To this end, the State may allow workers to testify in exchange for amnesty, and aggressively pursue errant contractors. It should also subvert the administrative tolerance for such contractors by rotating postings in hotspot districts and independently auditing permits, among others. Treating rat-hole mining as an enforcement issue alone risks pushing the practice further underground.

KEY HIGHLIGHTS

Context of the News

- February 5, 2026: Explosion in an illegal rat-hole coal mine in Meghalaya caused death of 18 workers.
- Rat-hole mining was banned in 2014 by the National Green Tribunal (NGT), yet continues.
- Highlights failure of state governance and enforcement, despite judicial intervention.
- Meghalaya's coal belt has private/community land ownership, complicating regulation.

Key Points

- Rat-hole mining: Narrow vertical shafts and horizontal tunnels without scientific safety.
- Common in Meghalaya due to:
  - Thin coal seams
  - Fragmented land ownership
  - Informal labour markets
- Illegal coal enters formal supply chains, making detection difficult.
- Accidents are underreported; workers are off formal records.
- Environmental impacts:
  - Acid mine drainage
  - Water pollution
  - Land degradation
- Legal framework exists under:
  - MMDR Act, 1957
  - State mining, transport and storage rules

Static Linkages

- Minerals are under Union control, with shared regulatory powers with States.
- Sixth Schedule areas allow customary land ownership and autonomous governance.
- Polluter Pays Principle and Precautionary Principle guide environmental jurisprudence.
- Informal sector labour lacks coverage under social security frameworks.
- Technology-based governance aligns with minimum government, maximum governance.

Critical Analysis

Issues

- Judicial bans without livelihood alternatives push activity underground.
- Fragmented ownership diffuses accountability.
- Administrative tolerance and political patronage weaken enforcement.
- Informal labour enables exploitation and safety violations.
- Environmental costs are long-term and irreversible.

Stakeholder Concerns

- Local communities: livelihood dependence
- Workers: safety and social security
- State: enforcement capacity
- Environment: ecological degradation

Way Forward

- Increase cost of illegality
  - GPS tracking of coal transport
  - Route-based consignment validation
  - Satellite and drone surveillance
- Target intermediaries
  - Licence cancellation, blacklisting, seizure, prosecution
- Community monitoring
  - Share penalties with local bodies
- Alternative livelihoods
  - Credit and market access for horticulture, MSMEs, tourism
  - Absorption through public works
- Labour reforms
  - Amnesty for worker testimony
  - Registration and social security coverage
- Administrative reforms
  - Rotation of officials in mining hotspots
  - Independent audits of permits
- Shift from enforcement-only to governance + development approach

Cycles of revolt

Pakistan risks being in eternal conflict with the Baloch rebels

The coordinated attacks by the Balochistan Liberation Army (BLA) across multiple districts underline a grim truth: Pakistan's largest province remains trapped in a deepening cycle of violence. According to Pakistani authorities, at least 30 civilians and 18 security personnel were killed in the January 31 attacks. In response, the Pakistani military reportedly killed at least 150 Baloch fighters. But such reprisals are unlikely to produce any lasting improvement in Balochistan's security situation. In March 2025, after Baloch militants hijacked the Jaffar Express, Pakistan's largely reactive, and often disproportionate military responses, have done little to break the cycle. On the other side, Baloch rebel groups, including the BLA, the Balochistan Liberation Front, and several smaller outfits, have established the Baloch Raaji Aajoi Sangar, a united front, for improved coordination. While militant violence against civilians is indefensible, the Pakistani state's long reliance on coercion has fuelled the very insurgency it seeks to crush. As security conditions along the country's tribal borderlands deteriorated in recent years, particularly after the Taliban captured power in Kabul, Baloch rebels and Tehreek-e-Taliban Pakistan Islamists used the chaos to regroup themselves and intensify hit-and-retreat operations, leading to a rapid decline in internal security across provinces bordering Afghanistan.

Balochistan is Pakistan's most resource-rich province, with vast mineral reserves and a strategic Arabian Sea coastline. It has drawn growing international attention, especially as the $60-billion China-Pakistan Economic Corridor passes through it. More recently, Pakistan has pitched mineral extraction deals to American companies. Baloch nationalists and militants argue that extraction and infrastructure projects proceed with little transparency, minimal local participation and limited economic benefit for local communities. Security crackdowns and counterinsurgency campaigns have worsened alienation. Human rights groups have repeatedly documented enforced disappearances, extrajudicial killings and arbitrary detentions. Equally troubling is Islamabad's reflexive tendency to blame India for unrest in Balochistan, without presenting verifiable evidence. This narrative may serve short-term political ends, but avoids the introspection required. Since its annexation in 1948, Balochistan has witnessed five major waves of rebellions. Each time, the Pakistani state relied on brute force to restore order, only for violence to return after only a fragile lull. If Pakistan is serious about peace and stability in the region, opting for political reconciliation, rather than confrontation, addressing long-standing Baloch grievances, including economic and political exclusion, and opening channels for dialogue, even with rebel groups, are essential steps. Otherwise, the country risks remaining locked in a perpetual conflict with its own people.

KEY HIGHLIGHTS

Context of the News

- On 31 January 2026, coordinated militant attacks were carried out across multiple districts of Pakistan's Balochistan province by the Balochistan Liberation Army.
- Casualties reported:
  - ~30 civilians and 18 Pakistani security personnel killed.
  - Pakistani military claimed killing ~150 Baloch militants in retaliation.
- Attacks follow earlier incidents such as the March 2025 Jaffar Express hijacking, indicating escalation.
- Multiple Baloch insurgent groups have formed a joint coordination platform — Baloch Raaji Aajoi Sangar.
- Violence coincides with instability along Pakistan–Afghanistan border after Taliban takeover.

Key Points

- Balochistan is Pakistan's largest province by area and richest in natural resources (gas, copper, gold).
- Strategic significance due to:
  - Arabian Sea coastline.
  - Gwadar Port.
  - Passage of the China-Pakistan Economic Corridor (CPEC).
- Insurgency drivers:
  - Political marginalisation.
  - Unequal resource sharing.
  - Limited local participation in development projects.
- Pakistan's response pattern:
  - Heavy reliance on military force.
  - Limited political dialogue.
- Human rights concerns reported by international organisations:
  - Enforced disappearances.
  - Extrajudicial killings.
- Pakistan often alleges external involvement (notably India) without publicly verifiable evidence.

Static Linkages

- Ethno-nationalism and identity politics.
- Centre–province relations in federal systems.
- Resource federalism and distributive justice.
- Counter-insurgency doctrine.
- Security–development relationship.
- International human rights obligations.
- Strategic geography of borderlands.

Critical Analysis

Challenges

- Militarised response has not produced durable stability.
- Persistent alienation of local population.
- Human rights violations weaken state legitimacy.
- Economic projects perceived as extractive rather than inclusive.
- Spillover instability from Afghanistan worsens security.

Implications

- Prolonged internal conflict strains Pakistan's governance capacity.
- Security risks to regional connectivity projects.
- Increased volatility in India's western neighbourhood.

Way Forward

- Political reconciliation alongside security measures.
- Dialogue with Baloch political stakeholders.
- Transparent resource-sharing mechanisms.
- Greater provincial autonomy and civilian governance.
- Independent accountability for human rights violations.
- Integrating development with local consent.

Lower tariff is good news, but with the US, beware of backsliding

THE UNMATCHED cricket umpire Harold "Dickie" Bird once said of Bomber Wells, a spin bowler who batted at No. 11 because it was not possible to bat any lower, that he was so poor at running between the wickets that, "when he shouts 'YES' for a run, it is merely the basis for further negotiations". (*The Pavilion End*). The line is funny, but it captures the essence of what I am about to say.

Quickly, and somewhat curiously, on the heels of India and the European Union (EU) signing what has been described as "the mother of all trade deals", US President Donald Trump took to social media to announce a trade "deal" with India. Details, as is the norm, will follow. For the moment, here is what is publicly known.

The United States has reduced its total tariff on Indian goods from 50 per cent to 18 per cent. This includes removing the punitive 25 per cent tariff imposed in August 2025 in response to India's purchases of Russian oil, and lowering the baseline reciprocal tariff from 25 per cent to 18 per cent. In return, India has reportedly committed to stop purchasing Russian oil, and instead source oil from the United States and potentially Venezuela. India has also pledged to reduce tariffs and non-tariff barriers on American goods "to zero", and committed to purchasing over $500 billion worth of US energy, technology, agricultural products and coal, although no timeline has been specified.

The headline question is simple: How seriously should we take this announcement? Especially when it comes from a President who has been single-handedly responsible for inflicting irreparable damage on the rules-based trading system, painstakingly constructed after World War II. This is not to dismiss the deal outright. Any easing of tariffs and restoration of predictability is good news. Thousands of hours of negotiations and patient diplomacy have clearly taken place, and these efforts will bear fruit as goods and services continue to flow. As long as commerce proceeds on the new agreed terms, exporters will rejoice. The US remains India's most important single-country trading partner, particularly once services are included.

Engagement with the US today, however, comes with a statutory warning. Backsliding is a strong possibility. Several countries and individuals have discovered this the hard way. The EU has oscillated between being a strategic partner and being a target. Elon Musk learnt that proximity offers no immunity. No deal, however grandly announced, is safe from the impulses of a President with a demonstrated disdain for rules-based trade.

RAJAT KATHURIA

This is not how institutions are meant to function. And that points to a deeper contemporary problem. Much of what is taught in Economics, and much of what underpins modern growth theory, rests on a simple proposition that institutions matter. Stable rules, credible commitments and constraints on executive discretion reduce uncertainty and encourage investment. The Anglo-Saxon economic model has long been held up as the exemplar of this logic. Its antithesis is now on display. Trade policy can be rewritten by executive fiat, deals announced on social media and market access made conditional on geopolitical alignment. In such a world, hedging and diversification are prudent choices.

In an earlier piece on the India–EU trade agreement ('FTA not an endpoint, marks reform push for next strategic move', *IE*, 28 January), I had invoked the Mundell–Fleming framework to describe India's emerging trilemma. India cannot simultaneously maintain unshackled access to Russian oil, preserve complete strategic autonomy, and deepen trade integration with the United States. Something had to give. The EU deal appears to have eased one constraint by opening European markets more substantially, thereby reducing overdependence on the high-income American consumer. Europe is admittedly fractious and often frustrating, as exporters readily testify. But it also respects institutions, remains far more rule-based, and is significantly less prone to unilateral economic measures. For India, the deal represents a conscious trade-off: Accepting regulatory friction and long negotiations in return for predictability. In trilemma terms, India voted in favour of institutional reliability.

As long as commerce proceeds on the new agreed terms, exporters will rejoice. The US remains India's most important single-country trading partner, particularly once services are included

This is precisely the logic that Daron Acemoglu, who received the Nobel Prize in Economics in 2024, has long advanced. His work emphasises that good institutions are fundamental to long-term economic development. The resultant policy prescription is clear: Build robust institutions and prosperity will follow. More than three decades ago, in 1992, Jagdish Bhagwati warned the US against aggressive unilateralism and the damage it could inflict on the global trading system. That warning now appears strikingly prophetic.

India's course is therefore clear. Engage with the US, accept respite when it is offered. But maintain and deepen relationships with other major economies. As the Union Budget presented last Sunday underscored, India must promote and expand labour-intensive manufacturing, especially after the damage inflicted by the 50 per cent US tariff. Textiles and apparel, gems and jewellery face intense competition from Bangladesh and Vietnam, whose lower-duty access to American markets has placed Indian exporters at a disadvantage. The recently announced removal of punitive tariffs and reduction of reciprocal tariffs will help level the playing field somewhat.

At the same time, continued investment in the EU relationship is essential because it provides critical diversification. In the words of P G Wodehouse, relationships need "tending, nurturing, and assiduous fostering." For India and the EU alike, that is sound advice.

The writer is dean, School of Humanities and Social Sciences, Shiv Nadar University, and professor of Economics. Views are personal

KEY HIGHLIGHTS

Context of the News

- India recently concluded a Free Trade Agreement (FTA) with the European Union, aimed at deepening trade integration and market access.
- Shortly thereafter, the United States announced a trade understanding with India, involving tariff reductions and conditional commitments.
- The US announcement included rollback of punitive tariffs linked to India's purchase of Russian oil.
- These developments highlight India's evolving trade strategy amid geopolitical realignments and pressure on the multilateral trading system.

Key Points

- US reduced overall tariffs on Indian goods from 50% to 18%.
- Removal of:
  - 25% punitive tariff imposed in August 2025.
  - Reduction in reciprocal tariff from 25% to 18%.
- India reportedly committed to:
  - Reducing imports of Russian oil.
  - Increasing energy imports from the US.
  - Reducing tariffs and non-tariff barriers on US goods.
  - Long-term purchase commitments worth over USD 500 billion (no fixed timeline).
- The US is India's largest single-country trading partner when goods and services are combined.
- EU FTA provides India with institutionalised, rule-based market access.

Static Linkages

- Institutions matter for economic growth by ensuring:
  - Policy predictability
  - Credible commitments
  - Reduced transaction costs
- Trade diversification reduces exposure to external economic shocks.
- Labour-intensive manufacturing is critical for employment generation.
- Open economy macroeconomics highlights trade-offs between:
  - Strategic autonomy
  - Trade integration
  - External dependence
- Unilateral trade measures weaken multilateralism under WTO norms.

Critical Analysis

Advantages

- Tariff reduction improves competitiveness of Indian exports.
- Relief for sectors affected by high US tariffs (textiles, gems and jewellery).
- EU FTA enhances market diversification and reduces over-dependence on the US.
- Predictability under EU trade framework supports long-term investment.

Concerns

- US trade policy remains executive-driven and reversible.
- Conditionality on energy sourcing affects strategic autonomy.
- Lack of clarity on timelines and enforcement mechanisms.
- Weakening of multilateral, rules-based trading system.

Challenges

- Balancing geopolitical alignments with economic interests.
- Managing energy security alongside trade commitments.
- Competing with countries enjoying preferential access to US markets.

Way Forward

- Strengthen trade ties with rule-based and institution-driven partners.
- Promote export diversification across regions and sectors.
- Focus on labour-intensive manufacturing through policy support.
- Enhance domestic trade facilitation and standards compliance.
- Maintain strategic autonomy through calibrated economic diplomacy.

RBI maintains status quo, conserves policy ammunition

RAJANI SINHA

THE CENTRAL Bank chose to leave the policy interest rates unchanged in the February Monetary Policy Committee meeting, after having already cut the rates by a cumulative 125 bps in 2025. The Reserve Bank of India's decision is supported by India's improving growth outlook and continuation of benign inflation.

While there were no further liquidity supportive measures announced, the central bank is likely to continue intervening as required to ensure ample liquidity.

India's macroeconomic indicators are reflecting healthy growth momentum. As per the advance estimate, India is likely to have recorded GDP growth of 7.4 per cent in FY26. The growth outlook for the country has improved with the India-US trade deal.

In the last few months, Indian exporters felt the heat of US tariffs. India's non-petroleum goods export to the US contracted by 2.2 per cent during September-November 2025 (higher tariff was effective from September 2025), with items like gems and jewellery, readymade garments, textiles, and chemicals specifically impacted.

While there was some diversification, India's total non-petroleum goods export growth moderated to 3.5 per cent in September-November as against growth of 7.3 per cent during April to August 2025. Given that exports to the US account for around 20 per cent of India's exports, there will be a big reprieve to the exporters with the lowering of tariffs.

The details of the trade deal are still not out, but our first-cut analysis shows that the lower tariff would provide a growth boost of around 0.2 percentage point, taking our GDP growth projection to 7.2 per cent for FY27.

However, we will wait for the new GDP series to finalise our projection for the year. The RBI has also shown optimism, revising the first-half growth projection upwards by 20 bps from its earlier projection. It is important to note that India's recent bilateral trade deals with major economies like the US and the European Union are also likely to improve capital flows to the economy.

Inflation remains comfortable with an estimate of around 3.2 per cent for the fourth quarter of FY26. Core inflation is also low at around 2.6 per cent (December 2025), after excluding the impact of gold prices.

Assuming normal weather conditions, we expect inflation at a comfortable 4 per cent in FY27. However, we will have to assess the impact of the new CPI series in our inflation projection for FY27.

Despite the RBI's liquidity-supporting measures, average banking system liquidity in the last two months lowered to Rs 0.7 trillion as against average of Rs 2 trillion in April-November 2025. One of the reasons for tightness in liquidity was the RBI's forex interventions.

Going forward, we feel that the need for it to intervene in the forex market could reduce as we expect support for the Indian rupee with the signing of a trade deal with the US.

Despite the policy rate cuts, Gsec yields have risen by 45 bps in the last eight months. This has taken the spread between the 10-year bond yield and the repo rate to a high of 150 bps.

The Centre's large gross borrowing requirement for FY27 has been putting pressure on the gsec yields. High state-government borrowings are aggravating the situation.

The spread on 10-year state government bonds over gsec has risen to a high of 70 bps from 35 bps in the beginning of the fiscal year. The central bank could announce OMO purchases to take care of the demand-supply scenario in the government bond market.

Going forward, we expect the RBI to maintain the status quo on policy rates. The global environment, however, remains uncertain and volatile.

The RBI has preserved the policy ammunition that could be used later if required. With credit demand improving, the focus will be to maintain a comfortable liquidity situation and support the government bond yields.

The details of the trade deal are still not out, but our first-cut analysis shows that the lower tariff would provide a growth boost of around 0.2 percentage point, taking our GDP growth projection to 7.2 per cent for FY27

The writer is chief economist, CareEdge Ratings

KEY HIGHLIGHTS

Context of the News

- The Reserve Bank of India (RBI), in its February 2026 Monetary Policy Committee (MPC) meeting, kept the policy repo rate unchanged.
- This followed a cumulative repo rate cut of 125 basis points during 2025.
- Decision taken amid improving growth outlook, comfortable inflation, and evolving global trade conditions, particularly the India–US trade deal.

Key Points

- Growth Outlook
  - Advance estimates project GDP growth at 7.4% in FY26.
  - Lower US tariffs may add ~0.2 percentage point to GDP growth in FY27.
  - RBI revised H1 growth projection upward by 20 bps.
- External Sector
  - Non-petroleum exports to the US contracted 2.2% (Sep–Nov 2025) due to higher tariffs.
  - US accounts for ~20% of India's total exports.
  - Trade deal expected to support exports and capital inflows.
- Inflation
  - Q4 FY26 CPI inflation estimated at ~3.2%.
  - Core inflation at ~2.6% (Dec 2025).
  - FY27 inflation expected around 4%, assuming normal monsoon.
- Liquidity Conditions
  - Average system liquidity declined to ₹0.7 trillion, from ₹2 trillion earlier.
  - Tightness partly due to RBI's forex market interventions.
- Bond Market
  - 10-year G-sec yield increased by ~45 bps in 8 months.
  - Spread between repo rate and 10-year G-sec widened to ~150 bps.
  - SDL spread over G-sec widened to ~70 bps.
  - High Centre and State borrowings are key contributors.

Static Linkages

- Monetary policy objectives: growth vs price stability
- Repo rate, liquidity adjustment facility, OMOs
- Core vs headline inflation
- Government borrowing and crowding-out effect
- Yield curve and bond spreads
- Forex intervention and domestic liquidity

Critical Analysis

Positives

- Policy pause preserves policy space amid global volatility.
- Low inflation allows accommodative stance without risking stability.
- Trade deal supports export recovery and forex inflows.

Concerns

- Tight liquidity may weaken monetary transmission.
- Rising G-sec and SDL yields raise borrowing costs.
- Heavy public borrowing risks crowding out private investment.

Way Forward

- Calibrated Open Market Operations to stabilize bond yields.
- Better fiscal-monetary coordination to manage borrowing pressure.
- Gradual easing of forex intervention to improve liquidity.
- Structural export competitiveness beyond tariff relief.

START is over. Will a nuclear arms race restart?

SAPTARSHI BASAK

THE DOOMSDAY Clock has inched four seconds closer to midnight (from 89 to 85). The *Bulletin of the Atomic Scientists* warned that the world is now closer to catastrophe than at any other point in history. As if that were not troubling enough, the last remaining nuclear arms control treaty between the US and Russia expired on February 4. The New START frequently ran into difficulties, most recently in 2023, when Russia suspended participation amid its war in Ukraine. Vladimir Putin proposed a one-year extension, but negotiations appear to be far away. With other long-standing arms control treaties having already collapsed, there are now effectively no legally binding limits on the US and Russia expanding their nuclear arsenals. The consequences of such a hollowed-out arms control architecture are dangerous for three reasons.

First, in the absence of limits, both sides have incentives to expand their nuclear stockpiles. One country building more weapons is likely to provoke a similar response from its rival, which perceives it as an emerging offensive threat, and the situation becomes what scholars call a security dilemma. In October last year, Trump announced that he had directed the resumption of nuclear weapons testing in the US for the first time in over three decades. This could trigger an arms race that would only raise the probability of conflict, particularly between nuclear and non-nuclear powers. The dangers were most recently illustrated by the 12-day war between Israel and Iran last year. The second consequence is what Glenn Snyder termed the stability-instability paradox: While the risk of direct war between nuclear-armed states may be reduced due to fear of nuclear retaliation, the likelihood of low-intensity conflicts and proxy wars may increase. States assume that as long as they remain below the nuclear threshold, escalation to catastrophic levels can be avoided. Arms control agreements provide transparency; without them, the nuclear threshold becomes harder to read, intensifying the paradox.

With other long-standing arms control treaties having already collapsed, there are now effectively no legally binding limits on the US and Russia expanding their nuclear arsenals. The consequences of such a hollowed-out arms control architecture are dangerous for three reasons

Third, if the two countries that together account for most of the world's nuclear weapons abandon arms control, nuclear proliferation elsewhere is bound to thrive. Even while China undergoes its largest nuclear expansion, nowhere is this more immediately relevant than Iran, which is holding talks with the US over its nuclear programme this week. Should Iran acquire the bomb, Saudi Arabia, Turkey and Egypt will inevitably follow suit. An already dangerous West Asia would then find itself armed with nuclear swords pointed in multiple directions.

Ronald Reagan wrote in his memoirs that watching the film *The Day After*, which displayed the potential damage a nuclear exchange can cause, directly influenced his efforts at arms control and eventually, the signing of the Intermediate-Range Nuclear Forces Treaty with Mikhail Gorbachev. Perhaps Trump and Putin can do the same to be reminded of what is at stake. If nothing else, both states will be talking about nuclear weapons again, giving diplomacy more time. But should the arms race prevail, the Doomsday Clock will only move closer and closer to midnight.

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KEY HIGHLIGHTS

Meaning of the Doomsday Clock Movement

- The Doomsday Clock is a symbolic indicator of how close humanity is to global catastrophe, especially nuclear war.
- Moving the clock closer to midnight reflects:
  - Increased nuclear risks
  - Breakdown of arms control mechanisms
  - Heightened geopolitical conflicts
- The recent shift signals that current global conditions are worse than during the Cold War peaks.

Significance of the Expiry of the New START Treaty

- The New START Treaty was the last remaining legally binding nuclear arms control agreement between the US and Russia.
- Its expiry means:
  - No limits on the number of nuclear warheads or delivery systems.
  - No verification, inspections, or data sharing.
- This creates a situation of strategic opacity, increasing mistrust and miscalculation.

Security Dilemma Explained

- In international relations, a security dilemma occurs when:
  - One country increases weapons for its own security.
  - Rivals perceive this as a threat and respond similarly.
- Result:
  - An arms race, even if no side originally intended aggression.
- Without arms control treaties, this dynamic becomes unrestrained and destabilising.

Stability–Instability Paradox Explained

- Nuclear weapons create fear of mutually assured destruction, reducing chances of direct war.
- However, states assume:
  - Conflicts below the nuclear threshold are "safe".
- This encourages:
  - Proxy wars
  - Hybrid warfare
  - Regional conflicts
- Arms control treaties help define thresholds; without them, misjudgement becomes more likely.

Link with Nuclear Proliferation

- When major nuclear powers abandon arms control:
  - Global non-proliferation norms weaken.
  - Other states question why they should restrain themselves.
- In West Asia:
  - If Iran acquires nuclear weapons,
  - Regional rivals (Saudi Arabia, Turkey, Egypt) may follow.
- This multiplies:
  - Nuclear flashpoints
  - Risks of accidental or unauthorised use.

Implications for Global and Indian Security

- A multipolar nuclear world increases uncertainty.
- Weak arms control:
  - Undermines the NPT regime.
  - Complicates India's strategic environment.
- India supports:
  - Credible minimum deterrence
  - Universal and non-discriminatory nuclear disarmament.

On agriculture, look for low-hanging fruit

UNION AGRICULTURE Minister Shivraj Singh Chouhan has said that the India-US trade agreement will not force the country to open up its market to any "major crops", be it foodgrain, fruits or dairy products. This comes even as the US Agriculture Secretary, Brooke Rollins, has claimed that the deal announced by President Donald Trump on Monday would result in "export of [more] American farm products into India's massive market". The details of what has been agreed upon will be known only with its actual signing or issuance of a joint statement. Agriculture posed few problems when it came to finalising a free trade agreement with the European Union, which isn't very cost competitive in most commodities. Also, imports of premium Gouda cheese, wines and spirits or olive oil from the Netherlands, France, Germany, Spain and Italy might not really hurt Indian farmers.

This may not be so with the US, which is a huge producer of large-acreage crops such as soyabean, corn and cotton. India, too, grows all three — soyabean on 13 million hectares (mh), and corn and cotton on 12 mh each. With average American per-hectare corn and soyabean yields at over 11 tonnes and 3.4 tonnes, as against India's 3.5 tonnes and 1 tonne, the effects of large-scale imports of these two commodities would be no different from those of Indonesian and Malaysian palm oil. The US is, moreover, the world's biggest producer and exporter of ethanol derived from corn. If India were to accommodate its demand for allowing imports of ethanol for blending in petrol and diesel, it is bound to face opposition from domestic distilleries producing the same from homegrown sugarcane and cereal grains. It is not for nothing that agriculture has been a key stumbling block in the trade negotiations.

But difficulties in opening up bulk commodity imports shouldn't deter from identifying low-hanging fruit, where substantial scope for liberalisation exists. India is the US's largest market for tree nuts, with an estimated $1.5 billion worth of imports in 2025. Why should it impose an import duty of 100 per cent on walnuts and Rs 100/kg on shelled almonds when there is hardly any domestic cultivation of these dry fruits? The same goes for blueberries and cranberries. At the end of the day, India exports more agri produce to the US than it imports. Defending its export interests — be it in shrimps, spices or basmati rice — is as important as shielding domestic producers from imports. It calls for a flexible approach where maximalist and overly defensive positions should give way to more proactive give-and-take.

KEY HIGHLIGHTS

Context of the News

- Union Agriculture Minister stated that India will not open its market for major agricultural crops (foodgrains, fruits, dairy) in trade negotiations.
- Statement comes amid claims by the United States of America regarding increased agricultural exports to India under the proposed trade deal.
- Agriculture identified as a key stumbling block in India–US trade negotiations.
- India has completed its financial commitment related to strategic projects while trade terms remain under discussion.
- Contrast drawn with negotiations involving the European Union, where agricultural liberalisation posed fewer challenges.

Key Points

- US is a major producer of soyabean, corn, cotton with large acreage farming.
- India cultivates:
  - Soyabean: ~13 million hectares
  - Corn: ~12 million hectares
  - Cotton: ~12 million hectares
- Yield comparison:
  - Corn: US ~11 t/ha | India ~3.5 t/ha
  - Soyabean: US ~3.4 t/ha | India ~1 t/ha
- Large-scale imports may lead to price suppression, similar to the impact of palm oil imports.
- US is the largest global producer and exporter of corn-based ethanol.
- Ethanol imports could impact India's domestic distilleries using sugarcane and cereals.
- India is the largest US export market for tree nuts (~$1.5 billion imports in 2025).
- Import duties:
  - Walnuts: 100%
  - Shelled almonds: ₹100/kg
- India exports more agri-products to the US than it imports.

Static Linkages

- Small and marginal farmers constitute ~86% of Indian farmers.
- Indian agriculture characterised by low productivity and fragmented landholdings.
- Price volatility directly affects MSP effectiveness.
- Biofuel policy linked to energy security and emission reduction.
- Tariff policy used as a trade defence instrument.
- Past experience of edible oil imports impacting domestic oilseed cultivation.

Critical Analysis

Opportunities

- Scope for selective liberalisation in non-competing products.
- Strengthening India's bargaining position using export strengths.
- Consumer welfare gains through rational tariff structure.

Challenges

- Yield differentials reduce competitiveness of Indian farmers.
- Risk of income instability for smallholders.
- Threat to domestic ethanol and agri-processing industries.
- Trade-off between farmer protection and market access.

Way Forward

- Adopt calibrated market access rather than blanket protection.
- Liberalise imports of non-sensitive and non-competing commodities.
- Enhance domestic productivity through technology and extension services.
- Use tariff-rate quotas instead of high uniform tariffs.
- Balance trade negotiations with food security and farmer income goals.

Repo rate steady at 5.25%; FY26 GDP, inflation projections raised

'Benign inflation provides the leeway to remain growth-supportive while preserving financial stability'

Hitesh Vyas
Mumbai, February 6

IN LINE with expectations, the Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) unanimously decided to hold the repo rate — the key policy rate — unchanged at 5.25%.

The RBI lifted its FY26 gross domestic product (GDP) forecast to 7.4% from an earlier estimate of 7.3%. It also revised upwards the projection for consumer price index (CPI) inflation to 2.1% from 2%.

"The Indian economy continues to register high growth despite a challenging external environment clouded by geopolitical uncertainties. Benign inflation provides the leeway to remain growth-supportive while preserving financial stability," RBI Governor Sanjay Malhotra said while announcing the monetary policy.

"After a detailed assessment of the evolving macroeconomic and financial developments and the outlook, the MPC voted unanimously to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 5.25%," he added. The LAF is a monetary policy tool used by the RBI to manage daily liquidity in the country's banking system.

A status quo on the policy rate would mean that their EMIs on home, vehicle, personal corporate and small business loans are unlikely to change.

The MPC decision on Friday to keep the repo rate unchanged comes on the heels of a rate cut in December, when the six-member committee lowered the repo rate by 25 basis points (bps) to 5.25%. This brought the cumulative reduction in policy rates in 2025 to 125 bps, marking a period of sustained monetary easing.

The six-member rate-setting panel, by a 5:1 majority, voted to keep the policy stance as 'neutral', with one of the external members favouring a shift to an accommodative stance.

When asked if 5.25% is the terminal repo rate, Malhotra said that given the state of the economy, he foresees the rate to remain at the current levels over the next 9-12 months, indicating a long pause.

"The MPC will be guided by the evolving macroeconomic conditions and the outlook based on data from the new series in charting the future course of monetary policy"
SANJAY MALHOTRA,
RBI GOVERNOR

He, however, stated that with inflation remaining benign, policy rates will continue to be at low levels for a long period of time. "Whether they will go down even further, I will leave it for the MPC to decide going forward," he noted.

"After a long season of rate cuts, we believe the RBI has pivoted to steady policy rates for the foreseeable future," HSBC economists Pranjul Bhandari and Aayushi Chaudhary said in a report.

Growth momentum

Malhotra noted high frequency indicators suggest continuation of the strong growth momentum in the third quarter of FY26 and beyond.

"With the signing of a landmark trade deal with the EU and the US trade agreement in sight, growth momentum is likely to be sustained for a longer period," he said.

While rural demand remains steady, recovery in urban consumption is likely to strengthen further, supported by GST rationalisation and monetary easing. Buoyed by positive growth prospects, the RBI upgraded its real GDP growth estimate for FY26 to 7.4%, and for Q1 and Q2 of FY27 to 6.9% (from 6.7%) and 7% (from 6.8%), respectively. The bank, however, deferred FY27 GDP projection to the April policy review as the new GDP series will be released later in the month.

"The MPC will be guided by the evolving macroeconomic conditions and the outlook based on data from the new series in charting the future course of monetary policy," Malhotra said.

He cautioned that spillovers emanating from geopolitical tensions, volatility in international financial markets and shifting trade patterns could threaten the growth outlook.

Uptick in inflation

Malhotra said that headline inflation during November-December remained below the tolerance band of the inflation target. In December, CPI rose to 1.33% from 0.71% in the previous month. Near-term outlook suggests that food supply prospects remain bright on the back of healthy kharif production, sufficient buffer stocks of foodgrains, favourable rabi sowing and adequate reservoir levels, he said. However, geopolitical uncertainty coupled with volatility in energy prices and adverse weather events pose upside risks to inflation.

"In terms of the headline inflation trajectory, despite the anticipated momentum being muted, unfavourable base effects stemming from large decline in prices observed during Q4 FY25 would lead to an uptick in y-o-y inflation in Q4 FY26," the governor said.

The central bank revised upward its FY26 CPI inflation estimate to 2.1%, with Q4 print now seen at 3.2% as against the earlier 2.9%. CPI inflation for Q1 and Q2 of FY27 are now projected at 4% and 4.2%, respectively, up from earlier estimates of 3.9% and 4%.

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KEY HIGHLIGHTS

Context of the News

- Union Agriculture Minister stated that India will not open its market for major agricultural crops (foodgrains, fruits, dairy) in trade negotiations.
- Statement comes amid claims by the United States of America regarding increased agricultural exports to India under the proposed trade deal.
- Agriculture identified as a key stumbling block in India–US trade negotiations.
- India has completed its financial commitment related to strategic projects while trade terms remain under discussion.
- Contrast drawn with negotiations involving the European Union, where agricultural liberalisation posed fewer challenges.

Key Points

- US is a major producer of soyabean, corn, cotton with large acreage farming.
- India cultivates:
  - Soyabean: ~13 million hectares
  - Corn: ~12 million hectares
  - Cotton: ~12 million hectares
- Yield comparison:
  - Corn: US ~11 t/ha | India ~3.5 t/ha
  - Soyabean: US ~3.4 t/ha | India ~1 t/ha
- Large-scale imports may lead to price suppression, similar to the impact of palm oil imports.
- US is the largest global producer and exporter of corn-based ethanol.
- Ethanol imports could impact India's domestic distilleries using sugarcane and cereals.
- India is the largest US export market for tree nuts (~$1.5 billion imports in 2025).
- Import duties:
  - Walnuts: 100%
  - Shelled almonds: ₹100/kg
- India exports more agri-products to the US than it imports.

Static Linkages

- Small and marginal farmers constitute ~86% of Indian farmers.
- Indian agriculture characterised by low productivity and fragmented landholdings.
- Price volatility directly affects MSP effectiveness.
- Biofuel policy linked to energy security and emission reduction.
- Tariff policy used as a trade defence instrument.
- Past experience of edible oil imports impacting domestic oilseed cultivation.

Critical Analysis

Opportunities

- Scope for selective liberalisation in non-competing products.
- Strengthening India's bargaining position using export strengths.
- Consumer welfare gains through rational tariff structure.

Challenges

- Yield differentials reduce competitiveness of Indian farmers.
- Risk of income instability for smallholders.
- Threat to domestic ethanol and agri-processing industries.
- Trade-off between farmer protection and market access.

Way Forward

- Adopt calibrated market access rather than blanket protection.
- Liberalise imports of non-sensitive and non-competing commodities.
- Enhance domestic productivity through technology and extension services.
- Use tariff-rate quotas instead of high uniform tariffs.
- Balance trade negotiations with food security and farmer income goals.