

DAILY NEWSP APER ANALYSIS

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**CHANAKYA IAS ACADEMY
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Iran bombs U.S. allies across West Asia

Iran vows revenge for the killing of Supreme Leader Khamenei; trades strikes with Israel

Trump warns against retaliation; Israel pledges 'non-stop' strikes against Iran's leaders, military

New leadership council begins work, says Iran; next Supreme Leader to be chosen in a few days

Associated Press
Agence France-Presse
TEHRAN/DUBAI

Iran vowed revenge on Sunday after the killing of its Supreme Leader, and traded strikes with Israel as part of a widening war prompted by a U.S. and Israeli bombardment a day earlier.

U.S. President Donald Trump warned that any retaliation would only lead to further escalation. He said he would "be talking" to Iranian leaders but was vague on the timing and the country's leadership was dead.

"They want to talk, and I have agreed to talk, so I will be talking to them. They should have done it sooner," he was quoted as saying by The Atlantic.

Blasts in Tehran sent a huge plume of smoke into

the sky in an area where there are government buildings. Iranian state television said that it had been targeted by strikes.

"The technical team is assessing the damage," said the broadcaster.

Iranian authorities say more than 200 people have been killed since the start of the U.S. and Israeli strikes that killed Ayatollah Ali Khamenei and other senior leaders.

Earlier, Iran fired missiles at an ever-widening list of targets in Israel and Gulf Arab states in retaliation while Israel pledged "non-stop" strikes against Iran's leaders and military.

In Israel, loud explosions caused by missile impacts or interceptions could be heard in Tel Aviv.

Israel's rescue services said nine people were killed and 28 wounded in a strike that hit a synagogue



A video grab from Israeli military footage shows strikes on what it calls "headquarters of the Iranian terror regime" in Tehran. AP

in the central town of Beit Shmesh, bringing the overall death toll in the country to 11. The U.S. military said three service members have been killed and five seriously wounded in the Iran operation.

Iran's President Masoud

Pezeshkian said in a pre-recorded message aired on state television that a new leadership council had begun its work.

Iran's Foreign Minister Abbas Araghchi said a new Supreme Leader would be chosen in "one or two

days". Iran has named Ayatollah Alireza Araf, a senior cleric, to its interim leadership council.

The interim council, which will also include the President and the head of the judiciary, will lead the country until the Assembly

of Experts "elects a permanent leader as soon as possible".

Escalating tensions
"You have crossed our red line and must pay the price," Iran's parliamentary Speaker, Mohammad Bagher Qalibaf, said in a televised address on Sunday.

"We will deliver such devastating blows that you yourselves will be driven to beg."

Mr. Trump warning against any retaliation said on a social media post.

"They better not do that. If they do, we will hit them with a force that has never been seen before."

He also said that the strikes had sunk nine Iranian naval vessels and partially destroyed Iran's navy headquarters.

As U.S. and Israeli strikes have pounded Iran, the Islamic Republic has

retaliated with missiles and drone attacks on Israel and nearby Arab Gulf countries hosting U.S. forces.

Israel's Defence Minister Israel Katz said on Sunday that Israel will have "a non-stop air train" of strikes against military and leadership targets in Iran.

Shrapnel from Iranian attacks on Abu Dhabi killed two people, state media said, and debris from aerial interceptions caused fires at the city's main port and on the facade of the Burj Al Arab hotel.

Attacks also extended into Oman - Iran's longtime interlocutor with the West that hadn't been drawn into the fray previously.

EDITORIAL
» PAGE 8
RELATED REPORTS ON
» PAGES 9 AND 14

- High dependence on Gulf region for crude oil.
- Precedents of evacuation operations such as Operation Rahat (Yemen).

Static Linkages

- Strategic chokepoints in global trade: Strait of Hormuz, Bab-el-Mandeb.
- Theocratic constitutional framework and fusion of religion with state authority.

KEY HIGHLIGHTS

Context of the News

- The killing of Ali Khamenei in coordinated U.S.-Israeli strikes has led to a major escalation in West Asia.
- Iran retaliated with missile and drone attacks on Israel and Gulf states hosting U.S. forces.
- Explosions were reported in Tel Aviv; casualties occurred in Israel and Gulf regions.
- Iran initiated constitutional procedures to appoint a new Supreme Leader through the Assembly of Experts.
- The conflict threatens regional stability, energy security, and global maritime trade routes, especially the Strait of Hormuz.

Key Points

- Iran's Political Structure
 - Supreme Leader is the highest political and religious authority.
 - The Assembly of Experts elects and can remove the Supreme Leader.
 - The President functions under the authority of the Supreme Leader.
- Strategic Importance of Strait of Hormuz
 - Connects the Persian Gulf to the Gulf of Oman.
 - Handles nearly 20% of global petroleum trade (as per global energy assessments).
 - Critical for India's crude oil imports.
- Gulf Cooperation Council (GCC)
 - Members: Saudi Arabia, UAE, Qatar, Kuwait, Oman, Bahrain.
 - Region hosts major U.S. military bases.
- International Law
 - Article 2(4), UN Charter - Prohibition of use of force.
 - Article 51 - Right to self-defense.
 - Applicability of Geneva Conventions in armed conflicts.
- India's Stakes
 - Large Indian diaspora in West Asia.

- India's energy import dependence and Current Account Deficit implications.
- Non-Alignment and Strategic Autonomy in India's foreign policy.
- Role and limitations of the UN Security Council in conflict resolution.

Critical Analysis

Strategic Concerns

- Risk of full-scale regional war.
- Disruption of oil supply chains leading to inflationary pressures.
- Possibility of involvement of major powers.

Legal and Ethical Dimensions

- Debate over legality of pre-emptive strikes under international law.
- Civilian casualties and humanitarian concerns.

Impact on India

- Potential rise in crude oil prices affecting fiscal stability.
- Safety concerns for Indian diaspora.
- Diplomatic balancing between Israel, Iran, and Gulf countries.

Regional Stability

- Leadership vacuum may create internal instability in Iran.
- Increased role of proxy warfare and non-state actors.

Way Forward

- Promote diplomatic de-escalation through multilateral forums.
- Strengthen India's Strategic Petroleum Reserves.
- Diversify crude oil import sources.
- Enhance maritime security cooperation.
- Maintain strategic autonomy in foreign policy.

Will leverage tech to crack down on market manipulators, says SEBI chief

SEBI Chairman Tuhin Kanta Pandey says market regulator is using AI to educate investors; he urges people to use tools such as SEBI Check to deter fraudsters, and warns against financial influencers promising astronomical returns; he says SEBI will make sure there is no instability in the markets

Lalendu Mishra
Ashokamithran T.
srinivas

The Securities and Exchange Board of India (SEBI) will enhance surveillance and enforcement on market manipulators and cyberfraudsters through technology and use artificial intelligence (AI) to widen the reach of its investor awareness programmes, its Chairman Tuhin Kanta Pandey told *The Hindu* in an interview. He said the SEBI aims to have "optimum" regulation in the capital market without "irritating" the stakeholders – exchanges, investors, brokers – such that "the market functions with integrity".

The SEBI chief said that ever since he assumed charge last year, the regulator has rolled out 58 initiatives in the capital market, nine broad initiatives to make the market investor-centric and educate investors to make better choices. The SEBI has made four changes to strengthen the framework regulating market intermediaries such as exchanges.

It has introduced 13 measures to develop the capital market and its regulations to cool down speculation and stabilise the equity derivatives segment, he said.

Tech-driven initiatives

A lot of the SEBI's initiatives were technology-driven, said Mr. Pandey, highlighting the development of SEBI Check, a tool within the UPI interface that identifies registered intermediaries for investors before they make a payment. The tool is expected to rein in fraudulent brokers on traders who promise unreal gains and dupe investors.

He urged investors to be safe and be proactive while using these tools to identify cyberfrauds. "If someone is approaching, people should say 'you are a fraud as your account does not show SEBI Check. I will lodge an FIR against you,'" he said, adding that people need to visit their broker's office or bank branches at least once before making an investment.

He said the SEBI was planning to run campaigns to popularise these tools as part of investor education

Market stability is inherent. Now, we don't see any sign of market instability. So, there cannot be a scaremonger. There is no need of panic.

TUHIN KANTA PANDEY
SEBI Chairman



initiatives. The market regulator has collaborated with Bengaluru-based AI company SARVAM to widen the reach of such efforts. "We have also done a pilot AI campaign with SARVAM where they have reached out to about 3.85,000 people through calls, and these calls were made through an AI process in multiple languages to explain about the SEBI Check tool," he said.

'Disciplined investing'

Mr. Pandey inherited a correcting stock market in which retail investors may not be able to make returns they saw during the post-COVID rally. With the markets falling amid sustained selling by foreign investors and geopolitical uncertainty, he said the SEBI's role was to make sure

that there were no major instabilities and some market participants "do not act too smart".

The SEBI chief said returns were contingent on multiple factors, and gains should not be lodged based on one period alone. "People have always compounded their wealth over a period of time (through) disciplined and long investing," he said, adding that the Indian markets were stable and the economy was growing.

Speaking on the widespread speculation in options trading (a derivatives instrument which is used to protect investors from crashing stocks leading to losses), he said that this was limited to short duration options. With some stakeholders proposing many ideas, including res-

tricting "unsuitable" players from the market to ensure stability, Mr. Pandey said there were no signs of instability in the markets. "Market stability is inherent. Now we don't see any sign of market instability. So, there cannot be scaremongering. There is no need of panic," he said.

Mr. Pandey warned investors against financial influencers who were "conning" investors by promising returns on options. He said people must be careful of such "swindlers" who operate through WhatsApp groups, adding that the SEBI was monitoring such activities.

Action is accurate

Last year, the SEBI took action against many market manipulators and mis-sellers. Avadhut Sathe, for example, who ran an "unregistered investment advisory" in the name of an academy, and Jane Street, an American hedge fund which allegedly manipulated a significant portion of the options market, were the prominent ones. They were served interim orders and investigations

on both the cases are under way. Both have approached the Securities Appellate Tribunal.

While Mr. Pandey refused to comment on individual cases that were under adjudication, he expressed confidence that in recent days, the SEBI had 80% to 90% success rate in the tribunal cases and much higher rate in the Supreme Court, and that principles of natural justice should apply.

Mr. Pandey said the SEBI was studying the possibilities of rejuvenating the agri-commodities market. "Two working groups were created in agriculture to look at all kinds of problems, which were faced by the commodity side of agriculture. And they have given reports to me (last week), and it will go to committee process," he said. The SEBI is also set to focus on deepening the corporate bonds market, he said.

Mr. Pandey said the SEBI would study the impact of regulations and make policy-writing more scientific. A committee under Chief Economic Adviser V. Anantha Nageswaran would discuss this, he said.

- Portfolio managers.
- Investment advisers.
- Commodity derivatives (since FMC merger in 2015).
- Measures introduced to:
 - Reduce speculative activity in derivatives.
 - Improve investor awareness.
 - Enhance regulatory impact assessment.

Static Linkages

- Capital Market Structure:
 - Primary market – IPO, FPO.
 - Secondary market – Stock exchanges.
 - Derivatives market – Futures and Options.
- Role of derivatives:
 - Hedging instrument.
 - Risk management tool.
 - Can lead to excessive speculation if misused.
- Corporate bond market:
 - Reduces dependence on bank credit.
 - Important for infrastructure financing (Economic Survey).
- Financial literacy:
 - Essential for inclusive growth.
 - Promoted through RBI and SEBI initiatives.
- Regulatory architecture:
 - RBI – Banking & monetary regulation.
 - SEBI – Securities market.
 - IRDAI – Insurance.
 - PFRDA – Pension.

Critical Analysis

Positives

- AI improves real-time detection of manipulation.
- Strengthens investor confidence.
- Reduces cyber fraud and unregistered advisory scams.
- Encourages disciplined long-term investing.
- Moves towards evidence-based policymaking.

Concerns

- Over-regulation may affect market efficiency.
- Retail participation in derivatives remains risky.
- Enforcement challenges in digital fraud.
- Need for coordination with RBI and law enforcement agencies.

Way Forward

- Strengthen financial literacy at school and college levels.
- Enhance coordination between SEBI, RBI and cybercrime units.
- Develop corporate bond market for long-term capital formation.
- Continuous regulatory impact assessment.
- Promote technology-driven grievance redressal systems.

KEY HIGHLIGHTS

Context of the News

- The Chairman of the Securities and Exchange Board of India (SEBI) announced enhanced technology-driven surveillance to curb market manipulation and cyber fraud.
- Introduction of "SEBI Check" within the UPI ecosystem to verify registered intermediaries before investors make payments.
- AI-based multilingual investor awareness campaigns in collaboration with private technology firms.
- Regulatory steps taken to cool excessive speculation in equity derivatives, particularly short-duration options.
- Focus on strengthening corporate bond markets and reviving agri-commodity derivatives.

Key Points

- SEBI is a statutory body established under the SEBI Act, 1992.
- Mandate:
 - Protect investors.
 - Regulate securities market.
 - Promote development of capital markets.
- SEBI has:
 - Civil court powers.
 - Authority to impose monetary penalties.
 - Search and seizure powers (post-2014 amendment).
- "SEBI Check" aims to:
 - Prevent payments to unregistered brokers.
 - Reduce cyber fraud and fake advisory services.
- SEBI regulates:
 - Stock exchanges.
 - Mutual funds.

Institutions, including the courts, must acknowledge error: Singhvi

Use AI like a co-pilot, not as autopilot: VIT vice-president

The measure of a legal system is not how it treats the powerful when they are secure, but how it treats the vulnerable when they are exposed, says senior advocate Abhishek Manu Singhvi as he says

The Hindu Bureau
New Delhi

Institutions, including the courts, have erred, they must have the courage to acknowledge the mistake, senior advocate Abhishek Manu Singhvi said at the "Justice Unplugged: Shaping the Future of Law" conclave on Saturday.

"The Constitution does not defend itself. It relies on disciplined minds and courageous voices... Institutions, including courts, can falter but courage must outlive error. The eventual judicial acknowledgement of that error demonstrates something equally powerful; that constitutional systems possess the capacity for self-correction... The lesson is not to romanticise fallibility, but to recognise that vigilance is generational," Mr. Singhvi said.

His observations were part of his address as chief guest of the conclave organised by the Vellore Institute of Technology School of Law in association with The Hindu, to an



Senior advocate Abhishek Manu Singhvi at the Justice Unplugged 2026 conclave in New Delhi on Saturday. (A. Srinivas)

audience of mostly young law students and lawyers. Powerful interests may have the capacity to dent ambitions but they cannot take away the soul or conscience of constitutionally protected judges and independent lawyers who stand firmly by the truth, Mr. Singhvi said.

"Ultimately, when history judges such lawyers and judges, it normally gets its verdict right. The lanes and fides of high office and of high posts are discredited by history. It elevates only those to a pedestal who have followed the call of their soul and the voice of their conscience," Mr. Singhvi said.

The courts should apply constitutional jurisprudence to protect the cherished rights of the common man from arbitrary excesses of the state, including preventive detention, he said. The judiciary's role as protector of the Constitution is critical, especially when the government tries to expand its Executive authority at moments of national trauma, he added.

"The law is ultimately made for people. Behind every Constitutional principle stands a human story - a prisoner seeking bail, a worker seeking wages, a woman seeking equality, a citizen seeking justice," he said.

The character and strength of a legal system has to be measured by the protection it affords the little person in dire need of access to justice, Mr. Singhvi said. "The measure of a legal system is not how it treats the powerful when they are secure, but how it treats the vulnerable when they are exposed. Law at its robust is a shield for those without a voice," he added.

As long as AI is the slave and we are the master, AI is of great use," he said. Legal practitioners form the protective wall against invasive technology, the senior advocate added.

A discussion on national building is not complete without economic natural building, the senior advocate said, in the same way that politics is the "visible architecture of a nation, law is its invisible foundation".

Economic justice and economic growth are both mediated through law, he said.

The Hindu Bureau
New Delhi

Artificial intelligence must be used like a co-pilot and not as an autopilot, G.V. Subram, vice-president of the Vellore Institute of Technology (VIT), said during a conversation with IAS Academy, CEO, The Hindu Group, at "Justice Unplugged: Shaping the Future of Law", a conclave organised by the VIT School of Law in association with The Hindu in Delhi on Saturday.



G.V. Subram says social media aids in developing contacts, which can be converted into clients for lawyers, as a co-pilot.

and the role of AI, saw the participation of legal experts and was attended by students from the VIT School of Law.

Mr. Subram said the VIT had an added advantage in legal education because of its deep-rooted academic experience and learning in the fields of engineering and technology.

"We are not teaching only the rules and regulations. We connect with cybersecurity, AI, and biotechnology. We ask students to focus on conferences and paper presentations. We have strong global connections useful for students. We project them (students) not only as lawyers. We give them technology as an added advantage. For both law and engineering, we have a

flexible system allowing students to pursue study and interact with other technologies," he said.

Observing that the younger generation was fast, adaptive, and eager to "learn more in a short time", he said that the VIT tempered the expectation for quick success and made students ready for the "hard walk to success" through practical workshops, dialogues with senior lawyers and sitting judges, and visits to High Courts and trial courts as part of their curriculum.

Mr. Subram described social media as a "double-edged sword".

"In connect with the world with you, it develops contacts. These contacts can be converted into clients for a lawyer," he said.

KEY HIGHLIGHTS

Context of the News

- Senior Advocate Abhishek Manu Singhvi addressed the "Justice Unplugged: Shaping the Future of Law" conclave.
- Event organised by Vellore Institute of Technology School of Law in association with The Hindu.
- Key themes:
 - Institutional fallibility and judicial self-correction.
 - Protection of constitutional rights against executive excess.
 - Responsible use of Artificial Intelligence (AI) in the legal profession.
 - Law as foundation of economic and democratic nation-building.

Key Issues Highlighted

- Courts must acknowledge errors to preserve constitutional credibility.
- Judiciary's role as guardian of Fundamental Rights.
- Concerns over expansion of Executive authority during national crises.
- Preventive detention and arbitrary state action.
- Legal system judged by its protection of vulnerable citizens.
- AI should assist legal reasoning, not replace judicial discretion.
- Law mediates economic justice and growth.

Static Linkages

- Article 13 – Judicial review of unconstitutional laws.
- Article 32 & 226 – Right to Constitutional Remedies.
- Article 21 – Protection of life and personal liberty.

- Article 22 – Safeguards against preventive detention.
- Doctrine of Basic Structure – Kesavananda Bharati (1973).
- ADM Jabalpur (1976) – Judicial failure during Emergency (later corrected in Puttaswamy, 2017).
- Justice K.S. Puttaswamy (2017) – Right to Privacy; recognition of past judicial error.
- Separation of Powers – Checks and balances model.
- Rule of Law – A.V. Dicey.
- NITI Aayog – Responsible AI for All (2021).

Critical Analysis

Institutional Fallibility

Significance

- Strengthens democratic resilience through self-correction.
- Upholds constitutional morality over institutional ego.
- Reinforces judicial legitimacy.

Concerns

- Delay in correcting errors may harm civil liberties.
- Overreach or judicial activism vs restraint debate.
- Executive-judiciary tensions during national emergencies.

Judiciary & Protection of Vulnerable

Positive Role

- Expands rights jurisprudence (Article 21 expansion).
- PIL mechanism enhances access to justice.

Challenges

- Pendency of cases.
- Preventive detention laws often misused.
- Unequal access to legal representation.

AI in Legal System

Opportunities

- Faster case summarisation and research.
- Reduces workload in overburdened courts.
- Supports data-driven judicial administration.

Risks

- Algorithmic bias.
- Privacy concerns.
- Over-reliance affecting judicial reasoning.

Way Forward

- Strengthen judicial accountability with transparency mechanisms.
- Strict scrutiny of preventive detention laws.
- Institutionalise constitutional morality in legal education.
- Develop AI regulatory framework aligned with fundamental rights.
- Improve access to justice via technology-enabled courts (e-Courts Mission Mode Project).
- Encourage continuous democratic dialogue among institutions.

Sixteenth Finance Commission — misses and concerns

Trend in Effective Transfers

The Sixteenth Finance Commission had significant flexibility in determining its approach and methodology, as its terms of reference followed directly from constitutional provisions, unlike earlier commissions that operated under detailed central directives. This Commission, as before, addressed the two key dimensions of fiscal transfers — namely the vertical and the horizontal.

The vertical dimension

The Commission took note of the increase in the share of States in the divisible pool of central taxes from 32% to 42% by the Fourteenth Finance Commission. The Fourteenth Finance Commission had justified it on account of a discontinuation of State plan grants, amounting to only 3% of the divisible pool of central taxes at the time of transition. The subsequent reduction to 41% was due to the change in the status of Jammu and Kashmir. The Sixteenth Finance Commission noted the Centre's concern about the reduction in its fiscal space. The Centre had responded to this substantial increase in the share of states by the Fourteenth Finance Commission by first, increasing the non-shareable cesses and surcharges, second, reducing its share in the financing of centrally sponsored schemes and third, not accepting sector-specific/State-specific grants recommended by the Fifteenth Finance Commission. In the end, however, the Sixteenth Finance Commission retained the States' share at 41%, imparting to it a kind of semi-permanence.

The Sixteenth Finance Commission makes no recommendations regarding the non-shareable cesses and surcharges which, by their very nature, should be limited and levied for finite periods. These should be earmarked for specific purposes and not merged with the Centre's general funds. Instead, Sixteenth Finance Commission recommended a 'grand bargain' (paragraph 7.67) between the Centre and States saying that 'States would agree to a smaller share in the resulting larger divisible pool, with no loss of revenues to either side' provided the Centre agreed to merge a large part of the cesses and surcharges in the regular taxes.

The Commission did not take into account its constitutional duty as enumerated in Articles 270 and 280 for objectively determining the share of States in the shareable pool of central taxes while making its observations on the cesses and surcharges. It would have been better had the



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Commission at least pointed out to the Centre that the steep increase in cesses and surcharges was not warranted and not in the spirit of the Constitution. Further, the Commission chose to discontinue the revenue deficit grants and did not recommend any State and sector specific grants. This became a route to lower the share of States in the Centre's revenue receipts as compared to the Fifteenth Finance Commission.

The average effective transfers covering tax devolution and Finance Commission grants to the States as a percentage of the Centre's pre-transfer gross revenue receipts were 27.0%, 27.2% and 28.3%, respectively during the Finance Commission periods (I, II, III). This share increased sharply to 35.6% during the Fourteenth Finance Commission period. In the Fifteenth Finance Commission period, covering the years 2020-21 to 2024-25, this share came down marginally to 34.4%, still considerably higher than those of the Eleventh and Thirteenth Finance Commission periods. This steep increase in resources transferred as a proportion of gross revenue receipts of the Centre should not be overlooked.

Looking at the first year of the Sixteenth Finance Commission's award period, 2026-27, this ratio is 32.7% as per the Centre's budget estimates. The Sixteenth Finance Commission's projections for later years may prove to be overestimates since the 2026-27 nominal GDP growth, assumed at 10%, is higher than the Budget estimate of 10%. The Commission also did not factor in the revenue reducing effect of the major Goods and Services Tax (GST) reforms undertaken in September 2025, while the Commission was still in session.

Horizontal dimension
The Sixteenth Finance Commission introduced a new criterion of contribution to reflect an efficiency consideration. But it measured it through the share of a State's Gross State Domestic Product (GSDP) in an all State GSDP.

There is a need, however, to differentiate the efficiency of the production system from that of the fiscal system. In the production system, the inter-State distribution of GSDP depends on many factors which includes the inter-State movement of financial and human resources. It largely depends on market forces which tend to lead to a concentration of productive capital stock in a limited number of States. Human resources also move from less developed to the more developed States.

This change involved using GSDP in two opposite ways. In the income distance formula, the lower the per-capita GSDP of a State, the higher the per-capita share of that State. In the contribution criterion, the higher the per-capita GSDP of a State, the higher is its share. However, the Commission did not finally use the GSDP. Instead, it used its square root. This was meant to reduce the excessive effects of using GSDP to reflect contribution on some States.

In the devolution formula, the weights of some of the other criteria have also been changed. These are purely judgemental. Dropping the tax effort/fiscal discipline criterion, which was a fiscal efficiency criterion is not consistent with the Commission's own narrative.

Losses and gains
Consequently, the main States that have lost out on account of the Sixteenth Finance Commission devolution scheme as compared to the Fifteenth Finance Commission are Madhya Pradesh, Uttar Pradesh, West Bengal, Bihar, Odisha, Chhattisgarh and Rajasthan. The other group of losing States are Arunachal Pradesh, Meghalaya, Manipur, Nagaland, Tripura, Sikkim, and Goa (the north-east or extremely small States). The gain by other richer States has not been uniform.

Ideally, the losses of some States could have been mitigated through normatively determined revenue gap grants. Devolution is not enough to capture the finer details of cost and need differentials of India's highly differentiated States. Further, if a Finance Commission changes the tax devolution formulae, then the consequential loss of some of the States could be neutralised by the revenue gap grants.

In fact, Article 275 provides an important mode of fiscal transfers for the consideration of State-specific 'needs'. It should not be confused with revenue deficits. Needs can be estimated in order to equalise standards of critical services such as health and education.

This would have facilitated accommodating the performance argument of the richer States while still promoting the equalisation objective. Even if there are difficulties in estimating revenue gap grants since it involves normative assessment of States' needs and resources, the Sixteenth Finance Commission need not have taken the shortcut of dropping these altogether. While ad hoc State-specific grants are not appropriate, equalisation grants still have a place.

The views expressed are personal

| Period | Transfers (%) |
|--------------|---------------|
| 11th–13th FC | ~27–28% |
| 14th FC | 35.60% |
| 15th FC | 34.40% |
| 2026-27 (BE) | 32.70% |

Criteria Changes

- Retained Income Distance (equity principle).
 - Introduced Contribution Criterion:
 - Based on share in all-State GSDP.
 - Used square root of GSDP to reduce skew.
 - Dropped Tax Effort/Fiscal Discipline criterion.
- Implication**
- Some poorer States (UP, Bihar, MP, Odisha, etc.) see relative decline.
 - Several North-Eastern States also lose share.
 - Richer States benefit unevenly.

KEY HIGHLIGHTS

Context

- The Sixteenth Finance Commission (FC-XVI) submitted recommendations on tax devolution and fiscal transfers between Union and States under Article 280.
- It retained the 41% share of States in the divisible pool of central taxes.
- Introduced a new "contribution" criterion in horizontal devolution.
- Discontinued revenue deficit grants and did not recommend State/sector-specific grants.
- Raised concerns over rising cesses and surcharges (non-shareable).

Key Constitutional Provisions

- Article 280 – Constitution of Finance Commission.
- Article 270 – Distribution of taxes between Union and States.
- Article 275 – Grants-in-aid to States.
- Cesses & Surcharges – Not part of divisible pool.
- GST – Articles 246A & 279A (GST Council).

Vertical Devolution (Centre vs States)

- 14th FC: Increased States' share from 32% to 42%.
- Later reduced to 41% (post J&K reorganisation).
- 16th FC retained 41% → quasi-permanent structure.
- Recommended a "grand bargain":
 - Centre merges cesses into shareable taxes.
 - States accept slightly lower share in a larger pool.
- No explicit restriction on cesses & surcharges.
- Discontinued revenue deficit grants.

Core Concepts

- Vertical Fiscal Imbalance – Mismatch between revenue powers and expenditure responsibilities.
- Horizontal Fiscal Imbalance – Inter-State disparity in fiscal capacity.
- Equalisation Principle – Ensuring comparable levels of public services across States.
- Cooperative vs Competitive Federalism.
- Normative assessment of revenue gap (used in earlier FCs).

Issues for Mains

- Cesses and Surcharges
 - Increasing share in Union revenue.
 - Not shareable → reduces effective devolution.
 - Raises concerns of spirit of fiscal federalism.
- Equity vs Efficiency Debate
 - Income distance → promotes equalisation.
 - Contribution criterion → rewards economic performance.
 - Tension between redistribution and incentive.
- Discontinuation of Revenue Deficit Grants
 - May hurt fiscally weaker States.
 - Article 275 allows grants for State-specific needs.
- GST Uncertainty
 - Revenue volatility post reforms.
 - Limited fiscal autonomy of States.

Critical Evaluation

- Positives**
- Stability by retaining 41%.
 - Acknowledges Centre's fiscal stress.
 - Attempts balance between equity and efficiency.
- Concerns**
- Weak stance on cesses and surcharges.
 - Dropping fiscal discipline reduces reform incentives.
 - Reduced equalisation orientation.
 - Potential overestimation of GDP growth in projections.

Skill India as herculean challenges, Galgotian blunders

Once-in-a-lifetime opportunity requires a herculean effort. India's demographic dividend, that ends by 2040, is one such opportunity. Several European Union countries and China have successfully financed skill systems. In these countries, approximately 50% of secondary-level students are enrolled in vocational education streams. In India that share is 1.3%, reflective of an educational system that neglected school education till 1990, and vocational education till 2006.

However, in 2020, India's National Education Policy (NEP) said: "By 2025, 50% learners will be exposed to vocational education." "Exposed" still reveals an attitudinal problem among policy designers. Vocational education in most countries is around 2% of the education budget. For China and Germany it is 11%. India has no data that is publicly available due to fragmented training schemes in Ministries. India's strategy rests on Budget announcements which falter year-on-year. A scheme that was celebrated last year is forgotten the next year. Consider the internship scheme announced in Budget FY 2026: only 5% of the allocated funds were spent and its design proved ineffective.

CAG reports, issues raised
The herculean task of making India "the skill capital of the world" is inconsistent with "Galgotian" blunders. Issues of financing skills are crucial. The Comptroller and Auditor General of India (CAG) in 2025 audited the flagship Skill India scheme, Pradhan Mantri Kaushal Vikas Yojana (PMKVY)-2015-22. Ten years ago, it had similarly looked at compliance and oversight issues of skill institutions.

Both reports raise issues of financial impropriety. In 2015, the CAG dealt with financial reporting delays and unclear accountability of disbursed funds. In 2025, the report mentions that 94.5% of bank accounts were invalid and approximately 41% of trainees in short-term training achieved placement.

How have we evolved from 2015 through 2025? When the short-term skill ecosystem was started, the vision was to create a vibrant public-private market for skills. Over the past decade, however, the focus on quantity through short-term training

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Reforming skill financing is crucial to harness India's demographic dividend

has yielded limited results. Since the CAG's direct concern is fund use, we list three ideas for it. Imagine a scenario where no operational funding was provided by the PMKVY. What if the amount upward of ₹10,000 crore spent annually was extended as skill loans to students? This would have led to more choices for students, improved the quality of institutions as they competed for enrolment, and promoted demand-driven skill development, benefiting students as they are from economically weaker backgrounds. A model similar to that for educational loans could have been followed. The worst case would be non-performing assets, which we have ways to handle. It is not too late. We can do so now and use skill loans better.

There is already a policy framework in place. Priority needs to shift: part of PMKVY funding could be through skill loans. Of course, design work is needed to roll this out, but it is doable. It needs a product-market that has banks and non-banking financial companies on board. It is worth questioning why the National Skill Development Corporation began as a non-banking finance company, later became a funder for training partners, and now primarily implements government schemes.

Using skill vouchers

Use of skill vouchers is another trainee-based skills financing idea, more so for distribution of public funds. It allows flexibility for policymakers and a choice for students. There is no better way to implement the NEP priority of lifelong learning.

Since vouchers follow the trainee rather than the institution, it incentivises delivery and outcomes. It creates a competitive market. Vouchers can also be good tools to provide upskilling for Artificial Intelligence (AI) led transition, providing targeted skills in AI, digital and green skills. They can be used for needed segments such as enhancing women workforce participation or provide foreign language learning for global labour markets.

Purchasing power in the hands of learners will drive quality and accountability and be a driver of a demand-based skills market. Singapore and Croatia have implemented them well. It will also

encourage school leavers to pursue vocational courses instead of defaulting to degrees, which often inflate tertiary enrolment.

The idea of skill levies

Skill levies on organised industries, used in more than 90-plus countries, is another fundamental idea. A well-designed skills levy can sustainably finance skills. In 2017, we had designed and recommended a Reimbursable Industry Contribution (RIC) to the Government of India for the Twelfth Five Year plan. At that time there were 62-plus countries doing it; now, 90-plus have adopted it, for good reasons.

Across Latin America, in Germany, Singapore, South Africa and South Korea, such models have been used to ensure industry ownership of skills and to create stable funding insulated from political and budgetary cycles. Linking contributions to firm size and payroll and then returning them to the industry when training has happened makes employers in-charge of skill development.

Today, skills programmes are supply-driven and government-financed.

Employer engagement in today's system is inadequate. We can move from an employer-engaged to an employer-owned system through the RIC reform. It is tested world-wide and there is a small demographic window for this policy choice.

Finally, real time skills demand must feed into policy. Understanding this trajectory needs transparent rules. A mandate for online job boards to share data in a form that safeguards their business interest but also provides aggregate understanding to the government is needed. Data mining and AI modelling can help. Periodic/one-off skill gap studies (as has been the norm) cannot achieve this goal. The data shared can be made public in the National Career Service (NCS) portal. India's goal to construct a labour market information system has not materialised. This may be the only workable way for skills planning.

Enough strategic errors have been made. By 2040, the demographic dividend will end. It is time for a course correction – we know we can. We hope, we will.

Static Linkages

- Article 41 (DPSP): Right to work and public assistance.
- Human Capital Formation (NCERT Class 12 – Indian Economic Development).
- Structural transformation: Movement from agriculture to manufacturing/services.
- Labour Market Information Systems (LMIS).
- Fiscal accountability and public expenditure management.
- PPP model (National Skill Development Corporation).

Mains Analysis

Issues in India's Skill Ecosystem

- Low vocational participation at secondary level.
- Supply-driven model dominated by short-term courses.
- Fragmented governance across ministries.
- Weak monitoring and outcome tracking.
- Limited employer ownership.
- Budget-dependent and politically cyclical funding.

Reform Proposals Discussed

1. Skill Loans

- Shift from grant-based to demand-driven financing.
- Similar to education loan model.
- Encourages competition among institutions.
- Risk: NPAs and exclusion of vulnerable groups if poorly designed.

2. Skill Vouchers

- Public funds follow the trainee, not institution.
- Enhances accountability and choice.
- Useful for AI, digital, green skills and women's workforce participation.
- Requires strong accreditation and regulatory oversight.

3. Skill Levy (Reimbursable Industry Contribution)

- Payroll-linked contribution from organised sector.
- Reimbursed when firms invest in employee training.
- Ensures employer ownership.
- Insulates funding from annual budget fluctuations.

KEY HIGHLIGHTS

Context of the News

- India's demographic dividend is expected to last till 2040 (Economic Survey; UN Population Prospects).
- Only 1.3% of secondary students are enrolled in vocational streams (UNESCO), compared to ~40–60% in many EU countries and China.
- The National Education Policy 2020 aims for 50% exposure to vocational education by 2025.
- The Comptroller and Auditor General of India (CAG) in 2025 flagged financial and performance issues in Pradhan Mantri Kaushal Vikas Yojana (PMKVY).
- Concerns raised about underutilisation of funds, weak placement outcomes (~41%), and governance gaps.
- Debate on reforming skill financing through skill loans, vouchers, and industry skill levies.

Key Points

- Demographic dividend: Higher working-age population share boosts economic growth if productively employed.
- PMKVY launched in 2015 under Skill India Mission.
- NEP 2020: Vocational exposure from Grade 6; integration with mainstream education.
- CAG is a Constitutional authority under Article 148.
- Apprentices Act, 1961 (amended 2014) aims to promote industry-linked training.
- Over 90 countries use skill levies (ILO data).

Critical Evaluation

Positives

- Creates sustainable financing.
- Aligns training with market demand.
- Improves accountability.
- Supports lifelong learning vision of NEP 2020.
- Reduces fiscal uncertainty.

Concerns

- Administrative complexity.
- Risk of elite capture by large firms.
- Inclusion challenges for informal sector.
- Need for strong Labour Market Information System (LMIS).

Way Forward

- Gradual transition from supply-driven to demand-driven model.
- Integrate skill loans within PMKVY.
- Pilot voucher systems in high-demand sectors (AI, green jobs).
- Introduce industry levy with safeguards for MSMEs.
- Mandate anonymised job market data sharing for real-time LMIS.
- Strengthen outcome-based monitoring.
- Increase vocational spending share in education budget.
- Align skilling with Industrial Policy and Make in India goals.

Imperial war

American and Israeli thuggery has no place in the international system

Donald Trump came to the White House promising to end America's endless wars. That promise now lies in ashes in West Asia. The far-right Republican, who, along with Israeli Prime Minister Benjamin Netanyahu, launched an all-out war against Iran on February 28 and killed its Supreme Leader, Ayatollah Ali Khamenei, has proved to be one of the most reckless warmongers ever to occupy the Oval Office. Blood is on the hands of these two men – one a mercurial hard nationalist who is turning America into a rogue superpower, and the other, an expansionist ethnonationalist wanted for war crimes by the International Criminal Court. Mr. Trump has bombed at least seven countries in the 13 months that he has been in office. Under Mr. Netanyahu, Israel has operated far outside the boundaries of international law. Iran has responded with missile and drone attacks, targeting Israeli and American bases in the Persian Gulf and Jordan, that risks widening the war. Tehran has also announced the closure of the critical Strait of Hormuz, a move that risks a global economic fallout, especially for major oil importers such as India.

To be clear, this is not a "pre-emptive" war, as Israel has claimed. There was no evidence that Iran was preparing to launch an attack. On the contrary, Tehran was involved in serious negotiations with Washington under Omani mediation. On February 27, Oman's Foreign Minister Badr al-Busaidi said that a deal was within reach, based on Iran's commitment not to build a bomb or stockpile nuclear material. Within hours, American and Israeli missiles struck Iran, killing its head of state and top leaders. This is not the first time that diplomacy has been overtaken by force. In 2018, Mr. Trump single-handedly sabotaged the 2015 nuclear agreement. In June 2025, while Iran was negotiating with the U.S., Israel launched a unilateral attack, triggering the 12-day war. This time, however, the attack is far more dangerous. This war is not about giving Iranians their "freedom" either, as Mr. Trump has claimed. The U.S. maintains close ties with several repressive monarchies and dictatorships, where freedom rarely enters the equation. Nor has Washington shown any qualms about Israel's crimes against the defenceless, stateless Palestinian people. This is a war of choice, launched to eliminate an adversary and reshape the region to suit American and Israeli interests. Such thuggery cannot be accepted in the international system. The war machines of the imperial duo have already wrecked the region. Before the fire spreads further, this war must end. America should step back and Israel must be reined in. Otherwise, even the last vestige of the rules-based order will be shredded entirely.

KEY HIGHLIGHTS

Context of the News

- On February 28, 2026, the United States under Donald Trump and Israel under Benjamin Netanyahu launched coordinated strikes on Iran.
- Iran's Supreme Leader Ayatollah Ali Khamenei was reportedly killed.
- Iran retaliated with missile and drone strikes targeting U.S. and Israeli assets in West Asia.
- Iran announced closure of the Strait of Hormuz, a major global oil transit route.
- Escalation occurred despite ongoing diplomatic negotiations under Omani mediation.

Key Points

- Strait of Hormuz
 - Connects Persian Gulf with Gulf of Oman.
 - Around 20% of global oil trade passes through it (EIA data).
 - Critical for India, which imports more than 80% of crude oil (Economic Survey).
- Iran Nuclear Issue
 - 2015 Joint Comprehensive Plan of Action (JCPOA).
 - U.S. withdrew in 2018.
 - IAEA monitors compliance under NPT.

- International Criminal Court (ICC)
 - Established under Rome Statute (1998).
 - Tries genocide, war crimes, crimes against humanity.
 - U.S. and Israel are not parties.
- Implications for India
 - Energy security concerns.
 - Indian diaspora in Gulf.
 - Shipping and remittance disruptions.
 - Impact on inflation and fiscal deficit.

Static Linkages

- Article 2(4) and Article 51 of UN Charter (Use of force and self-defence).
- Non-Alignment and Strategic Autonomy.
- Sea Lanes of Communication (SLOCs).
- Balance of Power theory.
- Energy security and economic stability.
- Just War doctrine.

Critical Analysis

Strategic Concerns

- Risk of regional war involving Gulf states.
- Disruption of global oil supply chain.
- Escalation beyond conventional conflict.

Legal Dimensions

- Questions on pre-emptive strike doctrine.
- Violation of sovereignty under UN Charter.
- Weakening of multilateral institutions.

Economic Impact

- Surge in crude prices.
- Impact on India's current account deficit.
- Inflationary pressures.

Geopolitical Implications

- Strengthening of Iran–Russia–China alignment.
- Polarization in West Asia.
- Erosion of rules-based global order.

Way Forward

- Immediate ceasefire through UN-led mediation.
- Revival of nuclear negotiations with multilateral guarantees.
- Ensuring freedom of navigation in Strait of Hormuz.
- India to:
 - Diversify energy imports.
 - Strengthen strategic petroleum reserves.
 - Maintain balanced diplomacy (multi-alignment).
 - Ensure evacuation preparedness for diaspora.

Selective outrage

Judiciary seems quick to take offence only when it sees itself under attack

The Supreme Court Bench that took up the NCERT Class 8 social science textbook case might have overreacted when it saw the critical references to the judiciary as a "deep-seated conspiracy" and declared that it will not allow "anyone on earth" to tarnish the judiciary's integrity. While the government has expressed remorse, Education Minister Dharmendra Pradhan's statement that action will be taken against officials responsible for inserting references to case pendency and "judicial corruption" is an exercise in executive arbitrariness prompted by judicial overreach. In fairness to the Court, it would likely not have taken offence to the passages had these had been in any other book. But textbooks are official, authoritative accounts and the judiciary found the passages ill-motivated. Instances of judicial corruption are real and censoring textbooks is not a corrective measure.

Since the BJP came to power, rewriting school and college textbooks has been a key part of its agenda. Right-wing commentators often find court judgments, such as those giving precedence to the environment as against development, or worse, as against religious practices of Hindus, and therefore not nationalistic or beneficial to the vast majority of the people of India. An adviser to the Prime Minister recently called the judiciary the single biggest obstacle to development. The Court, perhaps, saw the textbook as an attempt to intimidate the judiciary. Some of the sentences were indeed in the form of broad-brushing social media assertions not carefully constructed with rigour. The textbook, for instance, said, "People do experience corruption at various levels of the judiciary" and went on to describe complaints and redress mechanisms. But, such critical references had been used in chapters dealing with the government or the political executive as well. The chapter on elections had a picture of currency notes apparently found in the car of a candidate. The textbook writers probably aimed to spark critical awareness, not offer bland tutorials in civic studies. But as with other textbooks, there are problematic passages. The many history chapters uncritically valorise medieval Hindu kingdoms and portray their struggle to retain power as rightful resistances to Muslim rule. Wars for plunder and territorial expansion have always been part of history, and they did not begin with Muslim invaders. Chapters on Muslim kingdoms briefly refer to Akbar's tolerance and Babur's intellectual curiosity but remain largely negative. The chapter on penury under British rule and Mughal-era wealth is not balanced. The problem is not that the textbook selectively targets the judiciary; it is that the judiciary selectively targets certain portions.

KEY HIGHLIGHTS

Context of the News

- A Bench of the Supreme Court took objection to references in an NCERT Class 8 Social Science textbook mentioning:
 - Judicial pendency,
 - Allegations of corruption in the judiciary.
- The Court termed the content as potentially damaging to institutional integrity.
- The Union Government expressed regret; the Education Ministry indicated action against responsible officials.
- The issue has triggered debate on:
 - Judicial independence vs academic freedom,
 - Judicial overreach vs executive arbitrariness,
 - Scope of criticism in a constitutional democracy.

Key Points

- Judicial Pendency
 - Over 5 crore cases pending across courts (National Judicial Data Grid).
- Constitutional Provisions
 - Article 32 – Right to Constitutional Remedies.
 - Article 226 – Writ jurisdiction of High Courts.

- Articles 129 & 215 – Power of Supreme Court and High Courts to punish for contempt.
- Article 19(1)(a) – Freedom of speech and expression.
- Article 19(2) – Reasonable restrictions (including contempt of court).
- Basic Structure Doctrine
 - Judicial independence is part of Basic Structure (Kesavananda Bharati case).
- Fundamental Duties
 - Article 51A(h) – Develop scientific temper, humanism, and spirit of inquiry.

Static Linkages

- Separation of Powers (not rigid but functional in India).
- Checks and balances among Legislature, Executive, and Judiciary.
- Judicial accountability mechanisms:
 - In-house procedure.
 - Impeachment under Articles 124(4) & 217.
- Contempt of Courts Act, 1971.
- Role of education in civic awareness (NCERT framework and constitutional values).

Critical Analysis

Arguments Supporting Judicial Concern

- Textbooks are state-authorised narratives influencing young minds.
- Broad, uncontextualised references may undermine public trust.
- Judiciary is constitutionally protected to preserve institutional integrity.

Arguments Supporting Academic Freedom

- Constructive criticism is part of democratic accountability.
- Judicial pendency and corruption allegations are documented public issues.
- Article 19(1)(a) protects informed public discourse.
- Article 51A(h) encourages critical thinking.

Larger Constitutional Questions

- Where is the line between judicial activism and overreach?
- Can executive action against textbook authors amount to arbitrariness?
- Balance between institutional dignity and transparency.

Way Forward

- Clear editorial standards for textbooks ensuring:
 - Evidence-based content,
 - Balanced presentation.
- Institutional dialogue between judiciary and academic bodies.
- Strengthening judicial reforms:
 - Filling vacancies,
 - Improving case management systems,
 - Enhancing transparency.
- Encourage critical civic education aligned with constitutional morality.
- Safeguard academic autonomy while ensuring responsible content.

Supreme Leader gone, Revolutionary Guards hold key to Iran's future

THE ATTACK on Iran by the US and Israel, killing the country's supreme leader, Ayatollah Ali Khamenei, begins a new chapter in the future of Iranian politics and the power dynamics of West Asia. Several leaders have also been killed. They include Saeid Abdolrahim Mousavi, the chief of staff of Iran's armed forces and the country's defence minister, Aziz Nasirzadeh. The strikes claimed the lives of high-level military officials, including Rear Admiral Ali Shamkhani, secretary of the Defence Council, and Mohammad Pakpour, commander of the Islamic Revolutionary Guard Corps.

The fact that multiple Arab states in the Persian Gulf, including Bahrain, Kuwait, Qatar and the United Arab Emirates, were targeted by the Iranian missiles shows that the Iranian regime views the situation as a fight for survival. However, it is practically impossible to determine the course events will take.

Israel has used the word "preemptive" to justify its attack, but US President Donald Trump has called on the Iranian people to rise and overthrow the country's Islamic regime. To many in Washington and in the European capitals, it seems that what the US President intends to achieve is something similar to what happened in Venezuela in January — get rid of the unpopular leadership and invite reformists in the country to cooperate with Washington. However, this will not

work the way it did in Venezuela for the simple reason that any regime change in Iran should necessarily include opposition figures in exile, and the most popular among them, Reza Pahlavi, the son of Iran's Shah who was deposed after the Islamic Revolution.

Analysts know well that Iran is a much more complicated country than Venezuela. Its leadership structure is not only theoretic but also military. Khamenei can easily be replaced by another ayatollah (as he himself succeeded his predecessor, Ruhollah Khomeini), but the US and Israel will have to deal with the Islamic Revolutionary Guard Corps (IRGC), the Praetorian Guard of the Islamic Republic of Iran, a military, political, and economic organisation established in 1979. The IRGC is considered to be one of the strongest standing political structures born out of the Islamic Revolution. It was initially charged with protecting the ideological achievements of the Iranian Revolution. However, the IRGC has used its constitutionally mandated role to legitimise its power and extend its political influence. When it comes to its roles and responsibilities, the lines have become blurred in recent times.

Former IRGC commanders have increasingly dominated top positions in Iran, including the presidency (Mahmoud Ahmadinejad) and the speakership of the parliament (Mohammad



RAMIN JAHANBEGLOO

The IRGC has used its constitutionally mandated role to legitimise its power and extend its political influence. When it comes to its roles and responsibilities, the lines have become blurred

Bagher Qalibaf), particularly in the past two decades. This has provided an avenue for the further accumulation of power and influence and the expansion of the IRGC's roles and responsibilities within and outside Iran. The Islamic Revolutionary Guards are the true decision-makers of the Islamic Republic — their activities appear to go unchallenged, free from any clerical oversight.

The Islamic Revolutionary Guards control the three major areas of the Iranian regime. First is the economic sector, as they have gained what appears to be absolute control over all state contracts and investments. Second, the Revolutionary Guards have entrenched themselves in the internal political affairs of the state. And lastly, the military capabilities of the Guards are so extensive that challenging them could be disastrous for the clerics. Their military capabilities also pose a serious threat to any future political leadership in Iran. There is not a shadow of a doubt that the massacre of numerous Iranian protesters during the January 8-9 crackdown was ordered by Khamenei and organised by the IRGC. Also, until now, members of the IRGC have pursued a foreign policy that was not designed primarily to benefit the Iranian people, but rather to intensify their domination of the country's economic and political spheres.

Trump has said that he will

offer immunity to members of the IRGC if they put down their guns and stop fighting. But the truth is that the forces of the IRGC have long supported terrorism across West Asia, undermined regional stability and continued to advance their ideology against any effort of democratisation. They have also brutally repressed their own citizens and embezzled billions of dollars in oil revenue that rightfully belonged to the Iranian people and was never fully recovered.

If by any chance there is a non-bloodily regime change in Iran, what the Iranian people will need is in the future a third way — one between the extremes of vengeance and national amnesia, which consists of judicial mechanisms that would allow the victims of state crimes and abuses to tell their stories in their own words. All things considered, victim involvement in the future process of transitional justice would be a positive action for national healing in Iran. National healing speaks to something larger than any particular political offence and works its magic by a kind of therapeutic power that cannot be understood merely in terms of transition to democracy.

After all, what is important for Iran is not only to attain victory for democracy, but also to be mindful of the terrible past from which this democracy will come one day.

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- Regional Groupings:
 - Gulf Cooperation Council (GCC) includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE.
 - Iran is not a GCC member.

Static Linkages

- Balance of Power and Proxy Warfare in international relations.
- Maritime chokepoints and freedom of navigation.
- Energy security and strategic petroleum reserves (India maintains SPRs).
- Transitional justice mechanisms (Truth Commissions model – South Africa).
- Sanctions regime under international law and UN Security Council role.

KEY HIGHLIGHTS

Context of the News

- Recent military escalation between Iran and Israel, with strategic involvement of the United States.
- Targeted killings of senior Iranian officials linked to the Islamic Revolutionary Guard Corps (IRGC).
- Missile retaliation affecting Persian Gulf states including Bahrain, Qatar, Kuwait, and United Arab Emirates.
- Statements by US leadership indicating support for internal political change in Iran.
- Heightened concerns regarding Strait of Hormuz security and global oil supply disruptions.

Key Points

- Islamic Revolutionary Guard Corps (IRGC):
 - Established in 1979 after the Islamic Revolution.
 - Separate from regular army (Artesh).
 - Controls strategic military, political and economic sectors.
 - Designated as a terrorist organisation by the US.
- Iran's Political Structure:
 - Supreme Leader holds ultimate authority (appointed by Assembly of Experts).
 - Guardian Council vets electoral candidates.
 - Hybrid theocratic-republican system.
- Strategic Geography:
 - Strait of Hormuz: Connects Persian Gulf to Gulf of Oman.
 - ~One-third of global seaborne crude oil passes through it.
 - Critical for India's energy security.

Critical Analysis

Strategic Concerns

- Escalation risks regional war in West Asia.
- Threat to global oil supply and price volatility.
- Increased proxy conflicts.

Political Complexity

- IRGC's deep entrenchment makes regime change difficult.
- Military-theocratic fusion limits democratic transition.
- External intervention may strengthen hardliners.

Humanitarian & Legal Dimensions

- Civilian impact of missile exchanges.
- Legality of "preemptive strikes" under UN Charter (Article 51 – self-defence debate).
- Human rights implications of internal crackdowns.

Implications for India

- 60%+ of India's crude imports come from West Asia.
- Large Indian diaspora in Gulf region.
- Need for strategic autonomy in foreign policy.

Way Forward

- Diplomatic de-escalation through multilateral platforms (UN, regional dialogue).
- Ensuring maritime security in Strait of Hormuz.
- Diversification of energy imports and strengthening Strategic Petroleum Reserves.
- Promoting inclusive political dialogue within Iran (long-term stability).
- India to maintain balanced diplomacy with all stakeholders.

Give borderlands their rightful place in national story



VINAY SAHASRABUDHE

THIS IS the silver jubilee year of the creation of the Ministry of Development of North Eastern Region (DoNER). Then-PM Atal Bihari Vajpayee established it to deal with the apathy and ignorance towards Northeast India. Sadly, in the decade after that, this ministry became a victim of government apathy. Thankfully, under Prime Minister Narendra Modi, there has been a 52 per cent increase in the ministry's budget allocation, from Rs 2,332 crore in 2014-15 to Rs 5,892 crore in 2023-24.

However, the development of any region is also linked to aspects such as recognising the identity of the people. This is true not just for people from the Northeast but also for other border areas. Efforts are needed on the societal front because measures taken by governments will always have limitations. People from border areas, including the Northeast, continue to face much ignorance and insensitivity. To correct that, we need to transform the DoNER Ministry into the OWNER Ministry, "Our Wonderful North East Region". Recent incidents, such as racial abuse and threats being hurled at young women from Arunachal Pradesh in Delhi, are a stark reminder of the responsibility of all our compatriots in this respect.

Delhi Chief Minister Rekhya Gupta has done well in stating that "There is absolutely no place for hatred, discrimination, intimidation or racial abuse in Delhi," adding that "such behaviour will not be tolerated". The broader solution is beyond the domain of law and order. Mere legal measures cannot bring about true national integration. What is needed is the cultivation of a deeper understanding of the people of the Northeast. A well-thought-out policy backed by a plan of action can help fill the knowledge gap. The idea of "one people" demands shared identity and shared ethos.

For the Northeast as well as border areas like Jammu and Kashmir, Ladakh, Andaman-Nicobar and Lakshadweep, we need a comprehensive policy and plan to ensure the emotional integration of the

people. Such efforts need to be oriented towards the next generation. Here is an agenda for that:

Revise school textbooks to have lessons on border areas: Directives could be issued to all states to ensure that in classes V to X, students have at least one lesson pertaining to the Northeast — these should cover History, Geography, Social Studies, and English, as well as the regional language.

Establish university departments of border area studies, on the lines of Latin American Studies, African Studies, and Eurasian Studies departments. This will also boost knowledge creation in an academic sense. Border area studies could be a mandatory subject for students appearing for competitive examinations of the UPSC.

Mandatory service in border regions for IAS/IPS: Spending at least two years in any of the border areas should be made mandatory for all IAS/IPS officers from other states. This will provide them an opportunity for experiential learning about these regions.

Mandatory sister-school/college linkage: School-level learning leaves a deep impact on people's lives. Let one school from every district in non-border areas enter into a sister-institution relationship with a school from a border area. Let the two then collaborate on a variety of projects.

Celebrating freedom fighters and other heroes from border areas: Our border areas, especially from the Northeast, have produced many heroes who were freedom fighters, litterateurs, artists and thinkers. From Lachit Borphukan to Bhupen Hazarika, from freedom fighters like Moji Riba of Arunachal Pradesh and Lokpriya Gopinath Bordoloi of Assam to Rani Gaidinliu of Nagaland, there are many whose biographies could inspire people from all parts of the country. Celebrating anniversaries of such heroes nationally would help weave a common national ethos.

The writer is a national executive committee member of the BJP

The broader solution is beyond the domain of law and order. Mere legal measures cannot bring about true national integration

KEY HIGHLIGHTS

Context

- 2026 marks the 25 years (Silver Jubilee) of the Ministry of Development of North Eastern Region (DoNER).
- Established in 2001 under PM Atal Bihari Vajpayee to address developmental imbalance in Northeast India.
- Budget increased from ₹2,332 crore (2014–15) to ₹5,892 crore (2023–24) – ~152% rise.
- Renewed discussion on linking infrastructure development with emotional and social integration of border regions.

Key Facts for Prelims

- Ministry of Development of North Eastern Region (DoNER)
 - Nodal ministry for development of 8 Northeastern states.
 - Administers the North Eastern Council (NEC).
 - Focus: Infrastructure, connectivity, livelihood, capacity building.
- Major Schemes:
 - North East Special Infrastructure Development Scheme (NESIDS)
 - North East Road Sector Development Scheme (NERSDS)
- Strategic Importance of NE:
 - 98% international border (China, Myanmar, Bangladesh, Bhutan).

- Gateway to Act East Policy.
- Siliguri Corridor (Chicken's Neck) as strategic vulnerability.

Static Linkages

- Article 1 – India as Union of States.
- Articles 14, 15 – Equality & prohibition of discrimination.
- Article 29 – Protection of cultural rights.
- Sixth Schedule – Autonomous District Councils (Assam, Meghalaya, Tripura, Mizoram).
- Inner Line Permit (Bengal Eastern Frontier Regulation, 1873).
- North Eastern Council Act, 1971.
- National Integration Council.
- Act East Policy (2014 onwards).

Mains-Oriented Dimensions

1. Governance Dimension
 - Regional imbalance and cooperative federalism.
 - Role of special purpose ministries in targeted development.
 - Budget allocation vs. outcome delivery.
2. Social Integration Dimension
 - Issues of racial discrimination.
 - Identity recognition and cultural inclusion.
 - Need for curriculum reforms and awareness.
3. Security Dimension
 - Border management and insurgency history.
 - Strategic importance in India-China context.
 - Connectivity as security multiplier.
4. Administrative Reform Dimension
 - Mandatory border postings for All India Services.
 - Institutional mechanisms for knowledge creation (Border Area Studies).

Critical Analysis

Positives

- Increased budgetary allocation.
- Focus on connectivity (roads, bridges, airways).
- Integration with Act East and Indo-Pacific strategy.
- Greater political attention to Northeast.

Concerns

- Development still infrastructure-centric.
- Emotional integration deficit persists.
- Implementation bottlenecks and coordination issues.
- Limited mainstream awareness of Northeast history and heroes.

Way Forward

- Outcome-based monitoring of DoNER schemes.
- Integration of Northeast studies in national curriculum.
- Promote people-to-people contact through institutional partnerships.
- Strengthen NEC as regional planning body.
- Mainstream celebration of regional leaders in national discourse.
- Balance between development and cultural preservation.

Sharper data, clearer signals for the economy

LAST WEEK, the National Statistics Office released the new GDP series, taking another step towards plugging gaps in the country's data architecture. The series incorporates richer data sources spanning both the formal and informal sectors, revises estimation methodologies, and responds to criticisms of the earlier series. It is better equipped to reflect the evolving structure of the Indian economy and capture its many shifting facets. The new series follows several recent initiatives aimed at improving the accuracy and availability of economic data, including the new inflation series, surveys on household consumption and unincorporated enterprises, and more frequent labour market surveys. This is a welcome development.

Among the new sources incorporated are GST figures, which help in estimating the quarterly data. The informal sector is being captured more accurately through annual surveys of unincorporated enterprises. The contentious issue of double deflation has also been addressed in the agriculture and manufacturing sectors, while several key ratios have been updated using more recent studies. The underlying message is that momentum in the Indian economy remains healthy. As per the latest estimates, the economy is expected to grow at 7.6 per cent in 2025-26, marginally higher than the earlier estimate of 7.4 per cent. Growth in the third quarter is now pegged at a robust 7.8 per cent. Following the release of these estimates, the chief economic adviser has revised next year's growth projection to 7-7.4 per cent, higher than the Economic Survey's forecast of 6.8-7.2 per cent. However, in nominal terms, the size of the economy is now estimated to be 3.8 per cent lower in 2024-25. This could have some implications for meeting fiscal deficit and debt reduction targets.

For now, the data under the new series is available from 2022-23 onwards. The next step will involve the release of the back series — the data for the years prior to 2022-23. The government expects to release this information by the end of this year. This will be a challenging exercise given that many of the new data sources will not be available. A careful approach will, therefore, be essential.

KEY HIGHLIGHTS

Context of the News

- The National Statistics Office (NSO) under the Ministry of Statistics and Programme Implementation (MoSPI) has released a revised GDP series.
- The new series incorporates improved data sources such as GST returns and annual surveys of unincorporated enterprises.
- Real GDP growth for 2025–26 estimated at 7.6% (earlier 7.4%).
- Nominal GDP for 2024–25 estimated 3.8% lower than earlier projections.
- Back series (pre-2022–23) to be released later.

Key Features of the New Series

- Incorporation of GST data for improved quarterly estimates.
- Better capture of informal sector through annual surveys.
- Addressing the issue of double deflation in agriculture and manufacturing.
- Updating key input-output ratios using recent studies.
- Reflects structural transformation of the economy.

Why It Is Important for Exam

- GDP is the base for:
 - Fiscal deficit (% of GDP)
 - Debt-to-GDP ratio
 - Tax-to-GDP ratio
- Affects:
 - FRBM targets
 - Monetary policy decisions
 - State tax devolution

Static Concepts to Revise

- Methods of GDP estimation:
 - Production method
 - Income method
 - Expenditure method
- Difference between Real and Nominal GDP.
- Base year revision — purpose and importance.
- Double deflation concept.
- Role of informal sector in Indian economy.
- FRBM Act and fiscal consolidation path.

Issues and Challenges

- Back series reconstruction difficulties due to lack of comparable data.
- Informal sector estimation still subject to limitations.
- Lower nominal GDP may worsen fiscal ratios.
- Frequent revisions may affect credibility if not well communicated.

Way Forward

- Improve data transparency and metadata disclosure.
- Strengthen periodic surveys for informal economy.
- Integrate administrative databases (GST, MCA21, EPFO).
- Ensure alignment with international statistical standards (SNA framework).
- Build institutional independence of statistical agencies.

Disruption at Strait of Hormuz, India covered, for now



SUKALP SHARMA

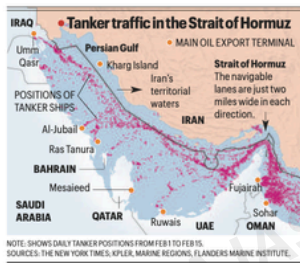
THE EVER-WIDENING conflict involving Iran, US and Israel has severely disrupted oil and gas flows through the Strait of Hormuz — a critical artery for global energy supply. After Israel and the US launched military strikes in Iran, Tehran retaliated by targeting other Gulf countries that house American military interests.

Late Saturday, Iran's Islamic Revolutionary Guards Corps (IRGC) transmitted messages to vessels saying that the strait had been closed. There was no official declaration to this effect from Tehran.

Whether or not Iran is blocking the Strait, a large number of trading houses, insurers and vessels have suspended shipments through the maritime passage. According to reports, hundreds of tankers have dropped anchor in open Gulf waters. Suspension or heavy curtailment of oil and gas flows through the Strait is bound to have implications for the global energy markets, including India, which depends on the waterway for receiving a bulk of its oil and gas imports.

The impact will worsen with the duration of the disruption, though experts believe it won't be protracted one.

According to industry insiders and experts, India is well positioned to stave off a major short-term supply shock when it comes to oil imports as it has alternative sources. It will, however, have to pay higher energy prices as a result of the conflict. In the case of liquefied petroleum gas (LPG) and liquefied natural gas (LNG) imports, where



India's dependence on the Strait of Hormuz is relatively higher than oil, the challenge could be greater — securing supplies while also paying a higher price for imports.

India's near-term options

The Strait of Hormuz, the world's most important oil transit chokepoint, is a narrow waterway between Iran and Oman that connects the Persian Gulf with the Gulf of Oman and the Arabian Sea.

It handles approximately one-fifth of global liquid petroleum consumption and global LNG trade.

Around 15 million barrels of crude pass through the strait every day. While some pipelines exist in the Gulf states to bypass the waterway, their capacity is limited. Even at full utilisation, nine million barrels per day (bpd) — or 9% of global demand — would remain structurally at risk if the strait is closed, according to industry experts. Around half of India's total oil imports

Disruption unlikely to last long

Analysts believe a full, prolonged blockade of the strait would carry severe geopolitical consequences and provoke a rapid international response. It could alienate Iran's key allies like China.

A blockade would also infringe upon Oman's territorial waters, souring ties with a neighbour that serves as a key back-channel for talks.

— roughly 2.5-2.7 million barrels per day (bpd) — pass through the strait from countries such as Iraq, Saudi Arabia, the UAE and Kuwait. India is the world's third largest consumer of crude oil with an import dependency level of over 88%. The majority of the country's gas consumption is also met through imports, and oil and gas supplies from West Asia are critical for India.

Indian refiners already have crude inventories of over 10 days, along with around a week's worth of fuel stocks. To cover any potential shortfall in import volumes, India could draw on its strategic petroleum reserves, accelerate spot procurement from non-Hormuz regions, and deepen supply contracts for alternative supplies.

Diversification options include increased sourcing from Russia, the US, West Africa, and Latin America. Moreover, there is continued availability of Russian cargoes in the Indian Ocean and Arabian Sea region, including volumes in floating storage. This volume build-up was a result of Indian refiners substantially reducing their intake of Russian crude.

In a scenario where Middle Eastern imports become constrained or show signs of disruption, Indian refiners — potentially with policy backing — could pivot back to Russian cargoes relatively quickly. From a national energy security standpoint, this flexibility provides India with an additional buffer against short-term geopolitical shocks. Overall, while a Strait of Hormuz disruption would create immediate volatility, India's diversified sourcing strategy and the presence of alternative barrels in nearby waters reduce the risk of a sustained supply crisis," said Sumit Ritola, Lead Research Analyst, Refining & Modeling at commodity market analytics firm Kpler.

According to him, LPG imports are the "bigger vulnerability" for India, as the country imports 80-85% of its LPG needs, with the majority sourced from Gulf suppliers and almost entirely transiting Hormuz. Unlike crude, India does not maintain strategic LPG reserves of comparable scale, making LPG flows more logistically sensitive in a disruption scenario as India has "thinner structural buffers" when it comes to LPG. Similarly, around 60% of India's LNG imports pass through the strait and, like LPG, there are no structural buffers in place. Unlike crude, where enough availability is there in the spot market, LPG and LNG spot cargo availability is thin. The supply situation for these two fuels might become challenging for India in the event of a protracted Hormuz closure.

Likely duration, price impact

As tensions refused to die down and the risk of possible US military strikes and regional conflict became increasingly credible, benchmark Brent crude prices ended the week well over \$72 per barrel, the highest since late July of last year. With the major escalation in the conflict, the war premium in oil prices could jump when markets open after the weekend break.

Every \$1 per barrel increase in oil price could raise India's oil import bill by \$1.8-2 billion on an annualised basis.

As in the case of physical oil supply, the oil price trajectory in the near future would largely depend on how the conflict shapes up, and for how long energy flows via Hormuz remain suspended or disrupted. In scenarios of a prolonged regional conflict and supply disruption from Hormuz, oil prices could top \$100 per barrel.

While Iran has frequently threatened to close the strait in the past, it has never actually done it. This is because Gulf oil and gas producers, including Iran, depend on the passageway for uninterrupted revenues from energy exports.

Static Concepts Linked

- Oil price shock → Cost-push inflation.
- Impact on:
 - Current Account Deficit (CAD).
 - Fiscal deficit (fuel subsidies, excise cuts).
 - Rupee depreciation pressure.
- Strategic Petroleum Reserves as energy security buffer.
- Chokepoints in global trade: Hormuz, Malacca, Suez Canal.
- UNCLOS: Freedom of navigation principles.

Critical Analysis

Strategic Risks

- Overdependence on West Asian hydrocarbons.
- LPG & LNG more vulnerable than crude (limited reserves).
- Higher global prices even without physical shortage.

Economic Risks

- Inflationary pressures.
- Worsening trade deficit.
- Strain on fiscal space.
- Impact on household fuel prices.

Geopolitical Dimension

- Hormuz closure unlikely long-term (affects Iran's own exports).
- Prolonged blockade may invite global military intervention.
- Could strain Iran's ties with China and Gulf neighbours.

India's Strengths

- Diversified crude sourcing (Russia, US, Africa).
- Availability of floating Russian cargo.
- Existing SPR buffer.
- Active energy diplomacy.

Way Forward

- Accelerate Phase-II Strategic Petroleum Reserve expansion.
- Build strategic LPG and LNG storage buffers.
- Increase long-term LNG contracts beyond Gulf.
- Strengthen renewable energy transition (Solar, Green Hydrogen).
- Deepen energy ties with Russia, US, Africa, Latin America.
- Promote energy efficiency & electric mobility.
- Strengthen maritime security cooperation in Indian Ocean.

KEY HIGHLIGHTS

Context of the News

- Escalation of tensions involving Iran, Israel, and the United States has disrupted energy flows through the Strait of Hormuz.
- Tanker movements were curtailed amid security concerns; insurers and traders paused shipments.
- The Strait is the world's most critical oil transit chokepoint, handling ~20% of global petroleum liquids trade.
- India, highly dependent on imported crude and gas, faces supply and price risks.

Key Facts

- Location: Between Iran and Oman; connects Persian Gulf to Gulf of Oman and Arabian Sea.
- Handles ~15–20 million barrels per day (mbpd) of crude.
- ~1/5th of global oil trade passes through it.
- Major exporters using route: Iraq, Saudi Arabia, UAE, Kuwait, Qatar.
- India:
 - 3rd largest oil consumer.
 - 88% crude import dependence.
 - ~50% crude imports pass via Hormuz.
 - LPG import dependence: 80–85%.
 - ~60% LNG imports transit via Hormuz.
- Strategic Petroleum Reserves (SPR):
 - Locations: Visakhapatnam, Mangaluru, Padur.
 - Phase-II expansion underway (Chandikhol, Padur expansion).
- \$1/barrel increase → ~\$1.8–2 billion annual increase in India's oil import bill.