



DAILY NEWS PAPER ANALYSIS

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**CIVILS WITH AKASH
SECTOR 25 CHANDIGARH**

Petrol and diesel prices hiked by ₹3 per litre

The move aims at helping oil marketing firms stem losses caused by the surge in global prices

The Opposition slams the timing of the hike, days after results of Assembly elections were declared

The Centre imposes a windfall tax of ₹3 a litre on petrol exports; levy on diesel is reduced to ₹16.5

Saptarshni Ghosh
NEW DELHI

Petrol and diesel prices were hiked by ₹3 a litre across all variants on Friday, in the first major increase in more than four years.

The move will help state-run oil marketing companies (OMCs) stem some of their losses caused by global price and supply pressures due to the war in West Asia.

The price of the regular variant of petrol is now ₹97.77 a litre in Delhi, while that of diesel is ₹90.67 a litre. Premium and high-octane variants have also seen a similar increase. Compressed natural gas (CNG) prices were also hiked by ₹2 a kg.

This is the first major hike – defined as more than ₹1 a litre – on regular retail fuel since the approximately ₹9 hike executed in

a staggered manner over the course of a week in March 2022, soon after Russia invaded Ukraine.

Since then, OMCs have periodically announced minimal increases of a few paise per litre, but no major hikes. The Centre also imposed a windfall gains tax of ₹3 a litre on petrol exports, while reducing the levy on diesel to ₹16.5 a litre and aviation turbine fuel to ₹16 a litre, effective Saturday.

The Opposition parties, however, slammed the Centre for the timing of the price hike, just days after results were declared in four State elections.

The Union government has been highlighting the losses being borne by OMCs, of approximately ₹1,000 crore a day from petrol, diesel, and LPG combined, due to high global oil prices. Experts say the current hike will have a



Fuelling fury: A protest against the hike in petrol and diesel prices in Vijayawada on Friday. C.N. Rao

limited impact, with an estimated ₹10 per litre hike

needed to cover even half of the under-recoveries faced by the OMCs. Last Sunday, Prime Minister Narendra Modi asked citizens to curb their consumption of petrol and diesel to reduce India's oil imports.

Sukhmal Jain, former

Director for Marketing at the state-owned OMC Bharat Petroleum, told The Hindu that the hike was necessary, given the recent disruption to global energy markets. "The recent fuel price adjustment is a calibrated and necessary step

to partially offset the sharp

rise in crude oil prices, freight and operational costs being faced by India's OMCs," Mr. Jain said.

Hike across the board
The price hikes were marginally lower in Chennai and steeper in Kolkata and

Mumbai. Petrol prices in Chennai rose ₹2.83 per litre to ₹95.25. The price of the premium variant, XGT, is now ₹95.99 per litre in Delhi as compared to ₹92.99 earlier. The high-octane XPS is now ₹104.88 per litre, up from ₹101.89.

However, according to Sourav Mitra, Partner for Oil & Gas at Grant Thornton Bharat, OMCs may continue to face under-recoveries despite the hike. "Prior to the price hike, under-recoveries were at around ₹13-15 per litre of petrol and ₹17-18 per litre for diesel. Hence, it had been projected that an almost ₹10 per litre retail

hike would be needed to cover 50% of under-recoveries," he said. "In this context, the current hike remains below estimates."

In 2022, the price of petrol was increased by about

₹9 per litre to ₹105.41, in a staggered manner between March 28 and April 6. India's crude oil basket averaged \$122.87 per barrel and \$102.97 per barrel in March and April of 2022. Currently, the price of oil stands at \$106.18 per barrel.

In May 2022, the Centre cut excise duty on petrol and diesel by 8 and 16 per cent, respectively. This cut was passed on to customers in the form of lower prices of the two fuels.

During the latest crisis, due to disruptions in energy traffic through the Strait of Hormuz, the government in March reduced the excise duty on both petrol and diesel by ₹10 per litre. This time, however, the cut was not passed on to customers and was instead aimed at providing a cushion to OMCs absorbing under-recoveries.

(With inputs from PTI)

- Losses suffered by OMCs when retail fuel prices are lower than actual import-linked costs.

Windfall Tax

- Tax imposed on abnormal profits earned due to external events such as war or supply disruptions.

Oil Marketing Companies (OMCs)

Examples:

- Indian Oil Corporation (IOC)
- Bharat Petroleum
- Hindustan Petroleum (HPCL)
- Strategic Petroleum Reserves (SPR)

- Emergency crude oil storage maintained for energy security.

KEY HIGHLIGHTS:

Context

- Petrol and diesel prices were increased by ₹3/litre across India – the first major hike in more than four years.
- The hike comes amid:
 - Rising global crude oil prices
 - West Asia conflict
 - Disruptions in the Strait of Hormuz energy route
- State-run Oil Marketing Companies (OMCs) are facing heavy under-recoveries due to higher import costs.
- CNG prices were also increased by ₹2/kg.
- The Centre revised windfall taxes on petroleum exports and aviation turbine fuel (ATF).

Key Points

- India imports nearly 85% of its crude oil requirement.
- Petrol prices were deregulated in 2010; diesel in 2014.
- OMC under-recoveries estimated at:
 - ₹13–15/litre on petrol
 - ₹17–18/litre on diesel
- Crude oil prices currently around \$106/barrel.
- Strategic chokepoint:
 - Strait of Hormuz handles a major share of global oil trade.
- Windfall tax:
 - Levied on extraordinary profits arising from global disruptions.
- Fuel prices directly affect:
 - CPI inflation
 - WPI inflation
 - Fiscal deficit
 - Current Account Deficit (CAD)
 - Rupee exchange rate

- India's SPR locations include:

- Visakhapatnam
- Mangaluru
- Padur

Static Linkages

- Petroleum products are outside the GST regime.
- Centre levies:
 - Excise duty
- States levy:
 - VAT/Sales Tax
- Higher fuel prices lead to:
 - Cost-push inflation
 - Higher transportation costs
 - Increase in agricultural input costs
- India's energy mix still heavily dependent on fossil fuels.

Mains Enrichment Points

Why Fuel Prices Matter?

Economic Impact

- Increases inflationary pressures.
- Raises logistics and transportation costs.
- Worsens household expenditure burden.

Fiscal Impact

- Fuel taxes are major revenue sources for Centre and States.
- Subsidy burden increases if prices are artificially suppressed.

External Sector Impact

- Higher oil imports widen Current Account Deficit.
- Increases pressure on rupee depreciation.

Strategic Impact

- India vulnerable to geopolitical instability in West Asia.

Challenges

- High dependence on imported crude oil.
- Limited pass-through of global price fluctuations.
- Political sensitivity of fuel pricing.
- Balancing:
 - Inflation control
 - Fiscal stability
 - OMC profitability

Important Concepts for Prelims

Under-Recoveries

India's goods exports surge 14% in April to \$43.6 billion: Centre



T.C.A. Sharad Raghavan
NEW DELHI

Despite significant headwinds to trade due to the West Asia crisis, the value of India's merchandise exports grew nearly 14% in April 2026 to \$43.6 billion, official data released on Friday showed.

This performance was due in part to the overall rise in prices as well as to the efforts by Indian exporters to diversify their markets, Commerce Secretary Rajesh Agrawal said on Friday. The overall trade deficit, counting merchandise and services, fell 30% in April 2026 to \$7.8 billion.

"The positive growth in value can have some contribution from prices because prices of many things are going up," Mr. Agrawal said at a press briefing. "It is also to the credit of our industry, which has been able to maintain the supply chains and look at new markets and diversify their exports."

Diversified markets

He added that growth in exports in April has come from multiple countries where such high growth rates have not been seen in the past, such as Tanzania. Merchandise exports to Tanzania grew 158% in

April 2026 to \$1.2 billion, while exports to several other historically smaller export destination countries such as Sri Lanka (215%), Singapore (179%), Bangladesh (64%), and Vietnam (53%), also saw relatively strong growth.

The West Asia crisis did have an impact on India's exports to the region, however. "Exports to West Asia dived in March and declined in April as well, but now the decline is only 28%," Mr. Agrawal noted. "Our export to West Asia has been \$4.16 billion as compared to \$5.78 billion in April 2025." "On imports from West Asia, we see there has been a significant fall in merchandise imports, which has reduced from \$15.3 billion in April last year to \$10.5 billion, down 31.6%, for reasons that are well known," he added.

The data shows that exports to the UAE, one of India's biggest export destinations, fell 36.4% in April 2026 to about \$2.2 billion. Notably, India's exports to the U.S. also grew during this period, albeit by a relatively smaller 1.1% to about \$8.5 billion in April 2026.

On the services front, India's exports in April 2026 grew 13.4% to \$37.2 billion while imports fell 1.5% to \$16.7 billion.

India-US Trade

- Exports to US grew marginally by 1.1% to \$8.5 billion.

Static Points

- Trade Deficit = Imports - Exports.
- Current Account Deficit (CAD) includes:
 - Trade deficit,
 - Services,
 - Remittances.
- India imports nearly 85% of its crude oil requirement.
- Services sector is a major contributor to India's foreign exchange earnings.
- Diversification of export markets reduces external vulnerability.
- Strategic maritime chokepoints:
 - Strait of Hormuz,
 - Red Sea,
 - Suez Canal.

Critical Analysis

Positives

- Export resilience despite geopolitical instability.
- Reduced trade deficit may support rupee stability.
- Expansion into non-traditional markets strengthens export security.
- Growth in services exports improves foreign exchange reserves.

Challenges

- High dependence on crude oil imports.
- Vulnerability to geopolitical conflicts in West Asia.
- Export growth partly driven by inflationary prices.
- Global slowdown can affect external demand.

Way Forward

- Diversify export destinations further.
- Reduce oil import dependence through renewable energy.
- Strengthen manufacturing competitiveness through PLI schemes.
- Improve logistics and port infrastructure.
- Expand FTAs with emerging markets.
- Promote value-added exports.

KEY HIGHLIGHTS:

Context

- India's merchandise exports grew by nearly 14% in April 2026 to \$43.6 billion despite disruptions caused by the West Asia crisis.
- Overall trade deficit (goods + services) declined by 30% to \$7.8 billion.
- Growth was supported by:
 - Diversification of export markets,
 - Resilient supply chains,
 - Increase in global commodity prices.

Key Points

- Merchandise exports:
 - \$43.6 billion in April 2026.
- Services exports:
 - Increased by 13.4% to \$37.2 billion.
- Services imports:
 - Declined by 1.5%.

Major Export Destinations Showing High Growth

- Tanzania - 158%
- Sri Lanka - 215%
- Singapore - 179%
- Bangladesh - 64%
- Vietnam - 53%

Impact of West Asia Crisis

- Exports to West Asia declined:
 - From \$5.78 billion to \$4.16 billion.
- Imports from West Asia fell by 31.6%.
- Exports to UAE declined by 36.4%.

India's first satellite-tagged Ganges soft-shell turtle released in Kaziranga National Park

The Hindu Bureau
GUWAHATI

India's first satellite-tagged Ganges soft-shell turtle, an endangered species, was released in the 1,302 sq. km Kaziranga National Park and Tiger Reserve in Assam on Friday.

The release of the freshwater reptile coincided with the observation of Endangered Species Day.



The release of the freshwater reptile coincided with the observation of Endangered Species Day. SPECIAL ARRANGEMENT

Himanta hails event

Assam Chief Minister Himanta Biswa Sarma termed the event a major step for wildlife conservation and a proud moment for the State, "as we continue to protect every species that calls our forests home".

Assam is one of the world's top priority areas in freshwater turtle conservation. Of the eight soft-

shell turtles reported from India, five are known from the Kaziranga landscape.

The Ganges soft-shell turtle (*Nilssonina gangetica*), a Schedule I animal under the Wildlife Protection Act of 1972, can be differentiated from other riverine turtles by its distinct arrowhead-shaped markings on the top of the head. In

India, the species inhabits large rivers, lakes, and reservoirs.

Recorded as endangered on the International Union for Conservation of Nature (IUCN) Red List, this large turtle is a major river predator and helps clean up the system by feeding on dead and decaying animal matter.

"Understanding seasonal movement patterns, home range, and identifying critical habits like nesting and breeding will help in active management of soft-shell in the Brahmaputra river basin," Abhijit Das, a senior scientist at the Wildlife Institute of India, said.

He led a team under the Ministry of Environment, Forest and Climate Change in the satellite-tagging exercise in collaboration with the Kaziranga National Park authorities and the Assam Forest Department. The National Geographic Society funded the project.

Forest officials said a healthy adult turtle was captured, fitted with the transmitter under veterinary supervision, and released back into its natural habitat along the northern bank of the Brahmaputra.

KEY HIGHLIGHTS:

Context

- India's first satellite-tagged Ganges soft-shell turtle was released in Kaziranga National Park and Tiger Reserve.
- Conducted by the Wildlife Institute of India with Assam Forest Department.
- Species: *Nilssonina gangetica*
- Occasion: Endangered Species Day.

Key Facts for Prelims

Ganges Soft-shell Turtle

- Scientific Name: *Nilssonina gangetica*
- Habitat:
 - Ganga-Brahmaputra river systems
 - Large rivers, lakes, reservoirs
- Identification:
 - Arrowhead-shaped marking on head
- Ecological Role:
 - Scavenger; cleans river ecosystem by feeding on dead organic matter.

Conservation Status

- IUCN Red List: Endangered
- Wildlife (Protection) Act, 1972: Schedule I
- CITES: Appendix I/II not commonly asked; focus mainly on WPA + IUCN.

Importance of Satellite Tagging

- Tracks:
 - Seasonal movement
 - Migration routes
 - Nesting sites
 - Breeding habitats
- Helps in:
 - Species recovery programmes
 - River basin conservation planning
 - Scientific wildlife management

Kaziranga National Park – Important Facts

- Location: Assam
- River: Brahmaputra
- UNESCO World Heritage Site (1985)

- Tiger Reserve
- Famous for:
 - One-horned rhinoceros
 - Floodplain ecosystem
 - High turtle diversity

Important Point

- Out of India's 8 soft-shell turtle species, 5 occur in Kaziranga landscape.

Static Linkages

- Freshwater ecosystems are among the most threatened ecosystems globally.
- Wetlands and river ecosystems support:
 - Nutrient cycling
 - Biodiversity conservation
 - Flood regulation
- Schedule I species receive highest legal protection under WPA, 1972.
- National Wildlife Action Plan (2017–2031):
 - Focus on technology-based wildlife monitoring.
- Biodiversity conservation is linked with:
 - SDG 14 (Life Below Water)
 - SDG 15 (Life on Land)

Mains Value Addition

Significance

- Promotes scientific conservation of lesser-known species.
- Strengthens freshwater biodiversity conservation.
- Demonstrates use of technology in wildlife management.

Challenges

- River pollution
- Sand mining
- Habitat fragmentation
- Illegal wildlife trade
- Climate change impacts on river ecosystems

Way Forward

- Integrate turtle conservation with river rejuvenation programmes.
- Strengthen wetland protection.
- Expand telemetry-based wildlife monitoring.
- Improve community participation in river conservation.

Trade, supply chains and economic statecraft

The past decade has collapsed the old boundary between economics and geopolitics, creating a world in which supply chains, trade routes, energy corridors and technology ecosystems have become the real battlegrounds of power. What once belonged to corporate strategy decks is now the daily fare of national security briefings. Tariffs behave like sanctions, semiconductor alliances resemble defence pacts, and the threat of critical minerals can tilt influence as decisively as troop deployments once did. In this new order, states compete not only with armies or ideologies but with regulatory regimes, infrastructure networks and the capacity to anchor global production. The fusion of markets and statecraft is no longer a trend; it is the organising principle of 21st century geopolitics.



Shashi Tharoor
Fourth-term Member of Parliament (Congress party, Lok Sabha) for Thiruvananthapuram, the Chairman of the Parliamentary Standing Committee on External Affairs and the Sahitya Akademi Award-winning author of 29 books, including 'Pax Indica' (2012) and 'The New World Disorder' (2022)

Second, the geopolitical recalibration around China has created a structural demand for alternative production ecosystems, and India is one of the few economies with the labour force, political stability and market depth to meet that demand.

Third, India's own strategic imagination has expanded: it now sees trade agreements, technology partnerships and supply-chain diplomacy not as peripheral instruments but as central instruments of statecraft.

The new order and India

In this era, India's relationships with major powers are increasingly shaped by economic security rather than traditional geopolitics alone. Semiconductor collaborations, critical mineral partnerships, defence-industrial co-production and digital-public-infrastructure exports are all examples of how India is weaving diplomacy into its foreign policy. These are not merely commercial arrangements; they are strategic bets on a world where influence flows through production networks as much as through military alliances. It is a world where Pax Silica complements Pax Americana, but unlike the latter, does not require a military partnership.

At the same time, India must navigate the risks of this new order. Interdependence can empower, but it can also expose. Over-reliance on any single partner – whether for technology, minerals, or markets – creates vulnerabilities that can be exploited. The challenge is to build a diversified portfolio of economic relationships that enhances India's autonomy rather than constraining it. From statecraft, it is not a virtue in inter-personal relationships, but in the trade world of the third decade of the 21st century, it may be the only viable "default mode" for India's conduct. Of course, like the other kind, trade promiscuity also requires precautions. Even as it pursues multiple partners, India must strike a careful balance: deepening integration without surrendering strategic space, attracting investment without becoming dependent on it, and embracing globalisation without repeating the mistakes of earlier eras. This global shift also places new demands on India's internal economic strategy. To anchor global supply chains, India must continue improving logistics, regulatory clarity and workforce skills. To lead in emerging technologies, it must invest in research, intellectual property and trusted digital infrastructure. To secure critical minerals, it must build resilient partnerships abroad and sustainable extraction policies at home. And to maintain credibility as a democratic alternative in a world of authoritarian efficiency, it must ensure that economic growth is matched by institutional strength and social cohesion.

The stakes are high because the opportunity is historic. For the first time since liberalisation, the global economy is not merely inviting India to

participate – it is actively seeking India's presence. The question is whether India can convert this moment of geopolitical demand into long-term economic capability.

As the global trading system fragments into overlapping coalitions and custom-tailored economic arrangements, India's task is not to retreat behind new walls but to remain confidently open on its own terms. The goal is neither complete isolationism nor naive globalism, but a calibrated integration that avoids excessive dependence on any single partner. Serial dating works best when each partner is aware of your other relationships, knows multiple options exist but is not threatened by any of them. This is why energy security, technology partnerships and resilient supply chains have become central to India's external engagement: they are the arenas in which the next phase of global competition will be decided.

Economic diplomacy is no longer an adjunct to foreign policy; it is one of its organising principles. Countries that can align their economic strategy with their diplomatic posture will shape the emerging order rather than be shaped by it.

This moment also coincides with a profound transition in the architecture of global trade. The multilateralism that defined the late 20th century – rooted in universal rules and broad consensus – has lost momentum under the weight of geopolitical rivalry and domestic political pressures. In its place, nations are turning to flexible bilateral and regional arrangements that allow them to tailor partnerships to strategic priorities. For India, this shift is not a setback but an opening. It creates space for a more agile, interest-driven diplomacy that can leverage India's scale, stability, and reform trajectory to build coalitions across geographies and sectors.

India at global crossroads

The convergence of these trends places India at a pivotal juncture. The world is searching for diversified production bases, trusted digital ecosystems and stable democratic partners. India can meet that demand – but only if it continues to invest in competitiveness at home and credibility abroad. The choices made now will determine whether India becomes a central anchor of the new global economy or remains merely one of its many participants. The opportunity is historic, but it is not automatic: it requires clarity of purpose, institutional steadiness and the confidence to engage the world without fear or favour. In a world where prosperity and power now move through supply chains rather than shipping lanes, India's future will be shaped not by choosing between globalisation and self-reliance, but by mastering the art of engaging the world on terms that protect its autonomy while amplifying its ambition.

- Production Linked Incentive (PLI) Scheme
- PM Gati Shakti
- National Logistics Policy
- Semiconductor Mission
- “China+1 Strategy” benefits India.
- India aims for diversified economic partnerships to maintain strategic autonomy.

Important Static Points

- Strategic autonomy remains the core principle of India's foreign policy.
- Supply-chain resilience became important after COVID-19 disruptions.
- Rare Earth supply Elements are essential for:
 - Electronics
 - EV batteries
 - Defence equipment
 - Renewable energy
- Logistics cost in India is around 13–14% of GDP (Economic Survey estimates), higher than developed economies.
- India is part of:
 - Quad
 - IPEF (Indo-Pacific Economic Framework)
 - Supply Chain Resilience Initiative (SCRI)

Critical Analysis

Opportunities

- India can become a global manufacturing hub.
- Increased FDI inflows and employment generation.
- Greater role in global supply chains.
- Strengthening strategic partnerships with major powers.

Challenges

- High logistics and production costs.
- Dependence on imported critical minerals.
- Skill gaps in advanced manufacturing.
- Competition from Vietnam, Mexico, and ASEAN economies.
- Risk of overdependence on foreign technology.

Way Forward

- Strengthen domestic manufacturing ecosystem.
- Invest in R&D and semiconductor technology.
- Diversify critical mineral imports.
- Improve ease of doing business.
- Expand FTAs with balanced safeguards.
- Enhance skilling and workforce productivity.
- Build resilient and sustainable supply chains.

KEY HIGHLIGHTS:

Context

- The global order is increasingly shaped by geo-economics, where trade, supply chains, semiconductors, critical minerals, and technology partnerships are becoming instruments of strategic power.
- Due to U.S.-China rivalry and supply-chain diversification, India is emerging as a major alternative manufacturing and investment destination.
- India is focusing on:
 - Supply-chain resilience
 - Semiconductor ecosystem
 - Critical mineral security
 - Economic diplomacy through FTAs and strategic partnerships

Key Points

- Geo-economics = use of economic tools for strategic and geopolitical objectives.
- Trade agreements and supply chains are now linked with national security.
- Critical minerals:
 - Lithium
 - Cobalt
 - Nickel
 - Rare Earth Elements (REEs)
- India's advantages:
 - Large market
 - Demographic dividend
 - Political stability
 - Digital infrastructure
- Major initiatives:

The new global order offers India unprecedented strategic and economic opportunities, making a case for balanced policy promiscuity

Productivity, not just growth, for Viksit Bharat, for Viksit Bharat

India's recent economic performance has been strong enough to inspire confidence. Over the past decade, and particularly in the post-COVID-19 pandemic period, India has combined relatively high growth with macroeconomic stability in a way that few large economies have managed. Real GDP growth has remained robust, reaching 6.5% in FY2024-25, making India one of the fastest-growing major economies globally. This performance has been underpinned by strong domestic demand, subdued inflation, gradual fiscal consolidation, and a broadly stable financial sector. While India's productivity growth has been meaningful over recent decades, sustaining high growth will require acceleration, particularly as India aspires to become Viksit Bharat by 2047. That transition will require not just maintaining macroeconomic stability but also activating all engines of growth, labour, capital, and improved productivity, through deeper structural reforms.



Saumitra Ibaduri
Professor at the
Madras School
of Economics

international peers. A key issue is firm structure. India's manufacturing sector is characterised by a large number of small, low-productivity firms and relatively few mid-sized firms capable of scaling up. This is in stark contrast to economies that successfully industrialised, particularly in East Asia, which saw the emergence of a strong cohort of medium and large firms that drove exports and productivity growth. Therefore, the current structure creates a challenge for efficient factor allocation, leading to a significant share of labour remaining in agriculture, where productivity is far lower than in manufacturing and services. Most importantly, despite significant investment – particularly in infrastructure – efficiency gaps remain.

Zombie firms, stalled reallocation
These structural constraints converge into a deeper problem, reflected in a weak business dynamism. In economic theory, productivity growth is often driven by creative destruction, in which new, more efficient firms replace older, less productive ones. In practice, this process remains slow in India. As a result, the persistence of small, low-productivity "zombie" firms impedes the efficient reallocation of resources. Zombie firms that are no longer economically viable but continue to operate nonetheless tie up capital and labour that could otherwise be deployed in more productive uses.

Evidence from recent studies further reinforces this concern. A paper, "Zombie Firms in Emerging Markets: Survival and Funding Mechanisms" (2025), shows that while zombie firms constitute a relatively small share of firms, they account for a disproportionately large share of total debt and assets. This implies that a significant volume of capital is locked into low-productivity uses, creating systemic inefficiencies. The research also shows that zombification is a gradual process. Financial deterioration begins well before firms are classified as zombies, and once they enter this

state, they become increasingly dependent on debt while showing little recovery in core performance indicators. The problem is persistent, not cyclical. Crucially, the nature of financing matters. Bank-financed firms are more likely to become zombies, remain in distress for longer periods, and relapse even after partial recovery. In contrast, equity-financed firms are less prone to zombification and more likely to recover sustainably.

These findings point to a deeper institutional issue. Financial and regulatory structures often sustain inefficient firms rather than facilitating exit. This weakens reallocation by crowding out credit from more productive firms, thereby undermining overall productivity growth.

Two-pronged strategy
India's path to Viksit Bharat requires a manufacturing-led strategy that addresses both scale and efficiency. India has demonstrated that it can grow rapidly. The next phase is about ensuring that this growth translates into sustained increases in productivity and income. There is growing recognition that manufacturing is the weak link in India's development story and that expanding manufacturing will require deeper integration into global value chains, managing trade barriers, and continued infrastructure investment. Equally important is improving productivity through stronger business dynamism and productive research and development. This means enabling firms to grow, but also allowing inefficient firms to exit. Reforms must therefore focus on simplifying regulations, easing labour constraints, strengthening insolvency processes, improving credit allocation, and expanding access to financing. The vision of Viksit Bharat ultimately depends on whether India can complete this transition. Growth has laid the foundation, but enhanced productivity and the exit of inefficient firms will determine whether it can sustain the leap to Viksit Bharat.

Manufacturing without depth

There is now growing recognition, reflected in the Economic Survey 2025-26, that manufacturing must anchor this next phase. The challenge, however, is not just expanding manufacturing, but also making it more productive. India's structural transformation has been skewed. While services have driven growth, manufacturing has not expanded sufficiently to absorb labour or generate broad-based productivity gains. In most successful development experiences, manufacturing acts as the bridge between low-productivity agriculture and high-productivity modern sectors.

The Economic Survey reinforces this point, emphasising that manufacturing is central to sustaining growth and generating employment at scale. Without it, India risks a growth pattern that is neither sufficiently robust nor structurally stable. While productivity growth in services has been strong, manufacturing productivity has lagged behind both its potential and that of its

India must
unlock
productivity to
sustain
long-term
economic
growth

KEY HIGHLIGHTS:

Context

- Economic Survey 2025-26 highlighted that manufacturing must become the key driver of India's next phase of economic growth.
- India's GDP growth remained around 6.5% in FY 2024-25, among the highest globally.
- Concerns raised over:
 - Weak manufacturing productivity
 - Persistence of low-productivity "zombie firms"
 - Slow structural transformation
- The issue is important for achieving the goal of "Viksit Bharat 2047".

Key Points

Manufacturing in India

- Manufacturing has not expanded sufficiently to:
 - Absorb surplus labour
 - Increase exports
 - Generate large-scale employment
- India's growth has been largely service-sector driven.
- Manufacturing sector characterised by:
 - Large number of small firms
 - Weak medium-sized enterprises
 - Low productivity levels

Zombie Firms

- Zombie firms:
 - Financially distressed firms surviving through continuous credit support
 - Low productivity and weak profitability
- Problems created:
 - Capital locked in inefficient sectors
 - Crowding out productive firms
 - Weak resource allocation
 - Lower overall productivity growth

Findings from Studies

- Bank-financed firms more likely to become zombie firms.

- Equity-financed firms show relatively better recovery.
- Weak business dynamism reduces "creative destruction" in the economy.

Static Linkages

- Structural Transformation Theory
- Lewis Dual Sector Model
- Schumpeter's Creative Destruction Theory
- Production Linked Incentive (PLI) Scheme
- Insolvency and Bankruptcy Code (IBC), 2016
- Make in India Initiative
- National Manufacturing Policy, 2011
- Global Value Chains (GVCs)
- MSME sector and employment generation

Critical Analysis

Importance of Manufacturing

- Generates mass employment
- Enhances exports
- Increases productivity
- Reduces dependence on agriculture
- Strengthens economic resilience

Challenges

- Low manufacturing share in GDP
- Weak MSME competitiveness
- Slow insolvency resolution
- Credit misallocation
- Skill gaps
- Global trade uncertainties

Concerns with Zombie Firms

- Reduce efficiency of financial system
- Increase bad loans
- Distort market competition
- Prevent growth of productive firms

Way Forward

- Strengthen labour-intensive manufacturing
- Improve ease of doing business
- Speed up IBC resolution process
- Encourage equity financing
- Improve MSME access to technology and credit
- Promote export-oriented industrialisation
- Increase R&D and innovation
- Deepen integration with GVCs
- Improve skilling and logistics infrastructure

Juggernaut rolls on

Anomalies of Phase 2 of SIR demand a fresh approach from the ECI in Phase 3

The Election Commission of India (ECI) has announced a third phase of its controversial Special Intensive Revision (SIR) of electoral rolls, covering 16 States and three Union Territories with a combined electorate of 36.73 crore. Given what transpired in Phase 2 – a staggering net trim of 10.2% in the rolls – it would be prudent for the ECI to make structural changes in how it conducts this third phase, so that the disenfranchisement visible particularly in States such as West Bengal is not repeated. At least, the exercise will not be hurried through because of an impending election. The SIR has produced mass deletions of varying scale across States, with West Bengal's the most egregious. This was the cumulative result of the ECI's reliance on faulty software, arbitrary criteria, and methodological flaws, which together led to the removal of a disproportionately higher number of electors from marginalised and minority communities, most notably in West Bengal. Across States, the SIR was marked by the centralisation of data and decision-making in ECI authorities in New Delhi rather than with empowered Electoral Registration Officers in the States; by booth rationalisation conducted in parallel with enumeration rather than after it, which obscured the scale of deletions and made it harder for electors to verify their inclusion; and by software errors that deleted entire sets of duplicate names rather than only the excess entries. Most fundamental of all is the design of the enumeration process itself, which places the onus on electors rather than on ECI officials to establish eligibility on the rolls. The aggregate result of these flaws is visible in the data: gender-ratio drops in the electorate across nearly every State where the SIR was conducted – Tamil Nadu being the notable exception – and mismatches with officially estimated elector-population ratios.

Yet, none of this has moved the ECI to change course. That the lessons of Bihar were not absorbed in Phase 2 itself raises the suspicion that the insouciance is by design. Worryingly, the Supreme Court of India has chosen managerial supervision over adjudication, directing the acceptance of more identity documents, deploying judicial officers, even as the underlying questions on Section 21(3) of the Representation of the People Act and on the shifting of the burden of proof to electors remain unresolved. As Phase 3 commences, the burden now falls on political parties and civil society to sensitise electors to ensure that their enumeration forms are properly processed. The ECI should prioritise universal adult franchise over a method that places the onus of remaining on the rolls upon electors themselves.

KEY HIGHLIGHTS:

Context

- The Election Commission of India launched Phase 3 of the Special Intensive Revision (SIR) of electoral rolls.
- The exercise covers 16 States and 3 Union Territories involving nearly 36.73 crore electors.
- Concerns arose after Phase 2 reportedly saw around 10.2% net deletion in electoral rolls in some regions.
- Allegations include:
 - Wrongful deletion of genuine voters
 - Software-related errors
 - Disproportionate impact on women and vulnerable communities
- Debate emerged regarding:
 - Burden of proof on electors
 - Electoral inclusion
 - Transparency in voter roll revision

Key Points

- Article 324: Superintendence, direction and control of elections vested in ECI.
- Article 326: Elections based on Universal Adult Suffrage.

- Representation of the People Act, 1950:
 - Deals with electoral rolls.
 - Section 21 provides for revision of rolls.
- Electoral Registration Officer (ERO):
 - Responsible for preparation and revision of electoral rolls.
- Special Intensive Revision (SIR):
 - Comprehensive verification of voter lists.
 - Removal of duplicates, dead and shifted voters.
- Major concerns:
 - Centralisation of decision-making.
 - Faulty software causing deletions.
 - Reduced elector-population ratios.
 - Gender-ratio decline in electoral rolls.
- Supreme Court observations:
 - Acceptance of wider identity documents.
 - Administrative monitoring of the process.

Static Linkages

- Universal Adult Franchise is a core feature of Indian democracy.
- “Free and Fair Elections” form part of the Basic Structure doctrine.
- Electoral rolls are constituency-wise.
- No discrimination on grounds of religion, race, caste or sex in electoral inclusion.
- Delimitation and booth rationalisation affect voter accessibility.
- Digital governance requires safeguards against exclusion errors.

Critical Analysis

Significance

- Improves accuracy of electoral rolls.
- Removes duplicate and fake voters.
- Strengthens electoral integrity.

Concerns

- Risk of disenfranchisement of genuine voters.
- Burden shifted from ECI to citizens.
- Possible exclusion of migrants, women and poor sections.
- Weak grievance redressal.
- Lack of transparency in software-based deletions.

Constitutional Issues

- Spirit of Article 326 may be affected.
- Questions regarding procedural fairness and due process.
- Federal concerns due to centralisation.

Way Forward

- Ensure physical verification before deletion.
- Increase transparency in voter-list management.
- Strengthen local ERO accountability.
- Improve grievance redress mechanisms.
- Conduct public awareness campaigns.
- Use technology with human oversight.
- Periodic independent audit of electoral databases.

Superpower summit

As the U.S., China renegotiate ties, India must reinforce its strategic autonomy

As U.S. President Donald Trump left Beijing on Friday after two days of talks with Chinese President Xi Jinping, the world's two biggest powers appeared to have come to a temporary truce. How long it will last remains to be seen, given that the summit concluded without any apparent breakthroughs in the long list of differences, from trade to Taiwan, that have strained relations. Instead, both sides appear focused on injecting some stability into a relationship that has, of late, seen many ups-and-downs. Mr. Xi offered a new label for ties, calling for "a constructive relationship of strategic stability" for the remaining years of Mr. Trump's term and beyond. If both agree on the need for some stability, their priorities appear to differ. Mr. Xi told Mr. Trump that Taiwan was the most important issue in the relationship, which could descend into conflict if not properly managed. The U.S. stance on Taiwan remains unchanged, which includes substantial arms sales. How this détente will handle the Trump administration's next sale remains to be seen. For Mr. Trump, getting China to buy more American goods and relax controls on rare earths are key metrics of the health of ties. He said that Beijing had agreed to buy 200 Boeing aircraft, step up purchases of soyabean, and relax restrictions on U.S. beef exports - the "three Bs" he has emphasised. The U.S. has also allowed 10 Chinese firms to resume purchases of advanced Nvidia chips. Both sides have discussed setting up a Board of Trade to manage trade issues, including reducing tariffs on some Chinese goods, and a Board of Investment to green light Chinese investment in non-sensitive sectors.

These deals, if confirmed, may at most lead to a pause in a bruising trade war. However, the Beijing summit has also served as a reminder of the broader changing structural dynamics in relations between the world's two biggest powers. If the U.S. remains the pre-eminent military power today, it is the limits of its ability to command global influence that have come into question increasingly, all the more so after the Iran war. China, for its part, has made clear it is no longer interested in biding its time or hiding its global ambitions. As Mr. Xi put it to Mr. Trump, can China and the U.S. avoid the Thucydides Trap, of an inevitable conflict between the established power and the rising power, and create a new model of relations? This question holds significance for India and the rest of the world, which have to navigate this rivalry. Standing up to U.S. pressure, while managing difficult relations with an increasingly confident China, will be two key tests of India's diplomacy in the years to come. Reinforcing India's strategic autonomy and independence, rather than diluting it, will offer the best path forward.

KEY HIGHLIGHTS:

Context of the News

- Recent summit between the U.S. and China aimed at stabilising strained bilateral relations.
- Key issues discussed included:
 - Taiwan
 - Trade tensions
 - Technology restrictions
 - Rare earth supply chains
- China proposed a framework of "strategic stability" in relations with the U.S.
- Both countries discussed increasing trade cooperation and easing certain restrictions.
- The summit reflected a temporary easing of tensions rather than a permanent solution.

Key Points

- Taiwan remains the most sensitive issue in U.S.-China relations.
- The U.S. continues arms sales to Taiwan under its strategic ambiguity policy.
- China seeks greater influence in global politics and economy.
- Competition now extends to:
 - Semiconductors
 - Artificial Intelligence

- Indo-Pacific region
- Supply chains
- China dominates rare earth mineral processing globally.
- The rivalry indicates transition towards a multipolar world order.
- India must balance relations with both the U.S. and China.

Static Linkages

- Balance of Power theory in international relations.
- Strategic autonomy as a principle of India's foreign policy.
- Evolution from Non-Alignment to Multi-Alignment.
- Importance of Indo-Pacific in global geopolitics.
- Thucydides Trap:
 - Conflict between rising and established powers.
- Role of rare earth minerals in strategic industries.
- WTO principles regarding trade barriers and tariffs.

Critical Analysis

Positives

- Temporary stability may reduce global economic uncertainty.
- Improved trade relations can support global growth.
- Dialogue reduces chances of immediate military escalation.

Challenges

- Structural rivalry between the U.S. and China continues.
- Taiwan remains a major geopolitical flashpoint.
- Technology restrictions may divide global supply chains.
- Pressure on countries like India to align with one bloc may increase.

Implications for India

- Opportunity to emerge as an alternative manufacturing hub.
- Need to maintain strategic autonomy.
- Border tensions with China continue to remain a concern.

Way Forward

- Strengthen strategic autonomy in foreign policy.
- Diversify trade and technology partnerships.
- Boost domestic semiconductor and critical mineral sectors.
- Enhance Indo-Pacific cooperation through QUAD and other platforms.
- Continue diplomatic engagement with both powers.

UP crackdown on workers' protests sends chilling signal



D RAJA

THE UTTAR PRADESH Police have acted egregiously in invoking the NSA against student activist Aakriti Choudhary and journalist Satyam Verma in connection with the Noida workers' protest case, even while their bail pleas were being adjudicated in lower courts. The police have not provided Choudhary and Verma or their lawyer with documents stating the grounds on which the NSA has been invoked, a gross infringement of legal provisions.

The right to protest is being negated by the BJP regime in UP through retaliatory measures against dissenters. This directly attacks B R Ambedkar's worldview anchored in agitation. His emancipatory slogan, "Educate, Agitate and Organise", lies at the core of our constitutional scheme of governance and democratic participation. The BJP claims to uphold Ambedkar's vision while systematically hollowing out its democratic essence. Such back-breaking penal action against protesters, activists and journalists also violates Mahatma Gandhi's conception of Swaraj. In January 1925, Gandhi wrote in *Young India*: "Real Swaraj will come not by the acquisition of authority by a few but by the acquisition of the capacity by all to resist authority when it is abused. In other words, Swaraj is to be obtained by education of the masses to a sense of their capacity to regulate and control authority." The constitutionally valid protests of workers in Noida, and the actions of Choudhary and Verma in solidarity with them, reflect this idea.

Yet, 100 years after Gandhi's articulation, the authorities in UP are abusing state power, suppressing dissent and muzzling press freedom. These measures, especially the invocation of the NSA, chillingly evoke not merely the days of the Emergency but the British-era martial law imposed in Punjab in 1919, during which the Jallianwala Bagh massacre took place. Gandhi wrote that editors of several newspapers in Punjab and the trustee of *The Tribune* were arrested, while leading newspapers were shut down without any justification being offered by the colonial rulers. Gandhi described the repression of journalists and suppression of press freedom as a chilling manifestation of "Dyerism". He wrote that unbending bravery was demanded of every man, woman and child to defeat a regime sustained through what he called the "doctrine of frightfulness".

The people of India cannot remain silent spectators to the criminalisation of dissent and the weaponisation of draconian laws against workers, activists and journalists. The defence of constitutional rights, civil liberties, freedom of the press and democratic protest is today inseparable from the defence of India's democratic republic itself. We shall therefore display, in Gandhi's words, "unbending bravery" in resisting authoritarianism and defending the Constitution, democracy and the idea of India from the systematic assault unleashed by the BJP regime.

The writer is general secretary, Communist Party of India

In 1925, Gandhi wrote in "Young India": 'Real Swaraj will come not by the acquisition of authority by a few but by the acquisition of the capacity by all to resist authority when it is abused'

KEY HIGHLIGHTS:

Context of the News

- Uttar Pradesh Police invoked the National Security Act (NSA), 1980 against activist Himanshu Kumar Choudhary and journalist Satyam Verma in connection with the Noida workers' protest.
- Concerns were raised regarding:
 - Suppression of dissent
 - Press freedom
 - Right to protest
 - Misuse of preventive detention laws
- The issue revived debate over balancing:
 - Public order
 - National security
 - Fundamental Rights

Key Points

- NSA, 1980 allows preventive detention for:
 - National security
 - Public order
 - Maintenance of essential supplies/services
- Maximum detention period:
 - Up to 12 months
- Constitutional basis:
 - Article 22(3)–22(7)
- Rights involved:
 - Article 19(1)(a) – Freedom of speech
 - Article 19(1)(b) – Right to peaceful assembly
 - Article 21 – Personal liberty

- Preventive detention differs from punitive detention:
 - Preventive → before crime
 - Punitive → after conviction
- Criticism:
 - Chilling effect on media and protests
 - Executive overreach
 - Weak procedural safeguards

Static Linkages

- Fundamental Rights
- Preventive Detention
- Rule of Law
- Natural Justice
- Constitutional Morality
- Judicial Review
- Basic Structure Doctrine
- Emergency-era civil liberty debates
- Gandhian concept of Swaraj
- Ambedkar's idea of constitutional democracy

Critical Analysis

Concerns

- Misuse of preventive detention against:
 - Journalists
 - Activists
 - Protesters
- Weakens democratic dissent.
- Reduces press freedom.
- Broad interpretation of "public order".
- Bypasses regular criminal justice safeguards.

Government Perspective

- Necessary to maintain:
 - Public order
 - Internal security
- Preventive action may stop escalation of violence.
- Constitutional validity exists under Article 22.

Constitutional Dimension

- Democracy requires protection of dissent.
- Reasonable restrictions should remain proportionate.
- Balance needed between:
 - Liberty
 - Security

Way Forward

- Strict judicial scrutiny of NSA cases.
- Ensure procedural safeguards.
- Prevent arbitrary use of preventive detention laws.
- Strengthen protection for journalists and peaceful protesters.
- Promote police accountability.
- Use dialogue-based protest management.
- Uphold constitutional morality and civil liberties.

Fuel price hike points to tougher measures ahead

DAYS AFTER the Prime Minister's appeal to the people to lower the consumption of petroleum products and conserve foreign exchange, steps are being taken to bring the internal adjustments needed to deal with the global energy shock. On Friday, retail prices of petrol and diesel were raised by Rs 3 per litre. Earlier, the central government had increased the customs duty on gold and silver. Considering the strain on the country's balance of payments — both current and capital accounts are under pressure due to high oil prices and capital outflows — and the rupee's weakness, more measures may be in the offing. As Chief Economic Advisor V Anantha Nageswaran said recently, "managing the current account credibly, financing it, and preventing further currency depreciation are the central macroeconomic imperatives of FY27".

The fuel price hike will ease only part of the pressure. The price of India's crude oil basket surged to \$114.48 per barrel in April, and stands at \$106.18 in May. The combined under-recoveries of state-owned oil companies have been estimated at around Rs 30,000 crore a month on petrol, diesel and cooking gas. This suggests that larger retail price increases are needed. The strategy, though, seems to be to stagger the hikes, which will ease the price shock to the consumer. Inflation is already edging upwards — the wholesale price index surged to 8.3 per cent in April, driven by fuel prices. This will complicate matters for the monetary policy committee when it meets next. On the other hand, the decision to raise the duty on gold is driven by the government's belief that higher levies will help moderate avoidable import demand, easing the pressure on the external account and the currency. The numbers are staggering — India's gold imports exceeded \$70 billion during the last financial year. However, there are concerns that the higher levies could lead to distortions in the market, possibly leading to the diversion of physical supplies.

The current situation calls for tough measures. Raising the duty is, however, a band-aid solution. Reducing the investment demand for gold will need to be tackled at multiple levels. More fuel price hikes will also be needed to reflect global realities. Beyond these immediate measures, deeper, far-reaching reforms are called for to address the stress points in the economy.

KEY HIGHLIGHTS:

Context of the News

- Government increased petrol and diesel prices by ₹3 per litre amid rising global crude oil prices.
- Customs duty on gold and silver was raised to reduce non-essential imports and conserve foreign exchange.
- India is facing pressure on:
 - Current Account Deficit (CAD)
 - Rupee depreciation
 - Foreign exchange reserves
 - Inflation
- Rising crude oil prices and capital outflows are increasing macroeconomic instability.

Key Points

- India imports about 85% of its crude oil requirement.
- Crude oil prices crossed \$110 per barrel due to global geopolitical tensions.
- Oil Marketing Companies (OMCs) are facing heavy under-recoveries on fuel sales.
- Rising fuel prices contribute to:
 - Cost-push inflation
 - Higher transport costs
 - Increased fiscal pressure.
- Gold imports crossed \$70 billion in one financial year, increasing pressure on the trade deficit.

- Higher gold duty aims to:
 - Reduce import demand
 - Stabilise the rupee
 - Improve external balance.
- RBI faces challenges in balancing:
 - Inflation control
 - Economic growth
 - Currency stability.

Static Linkages

- Current Account Deficit = Excess of imports over exports in goods, services, and transfers.
- Depreciation of rupee makes imports expensive and may increase imported inflation.
- Cost-push inflation occurs due to rising input costs such as fuel.
- Twin Deficit Hypothesis links fiscal deficit with current account deficit.
- Forex reserves help stabilise currency and external payments.
- Strategic Petroleum Reserves improve energy security.
- Gold is considered a hedge against inflation and uncertainty.

Critical Analysis

Positives

- Fuel price hikes reduce burden on government and OMCs.
- Higher gold duty may reduce unnecessary imports.
- Helps conserve foreign exchange reserves.
- Supports macroeconomic stability.

Concerns

- Higher fuel prices increase inflation.
- Poor and middle-class households are most affected.
- Gold duty hike may encourage smuggling.
- Rupee depreciation raises import costs further.
- Tight monetary policy may slow economic growth.

Way Forward

- Promote renewable energy and ethanol blending.
- Reduce dependence on crude oil imports.
- Strengthen export competitiveness.
- Increase domestic energy production.
- Encourage investment in financial assets over gold.
- Maintain adequate forex reserves.
- Improve public transport and energy efficiency.