DAILY NEWS PAPER ANALYSIS

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CIVILS WITH AKASH
SECTOR 25 CHANDIGARH

Industrial output slows in new data series

Base year revised from 2011-12 to 2022-23; growth in April was slower than 5.8% recorded last year

New series incorporates water supply, sewerage, and waste management activities, and gas supply

Of four indices, three grew at a slower pace and one shrank; mining and quarrying fell over 5%

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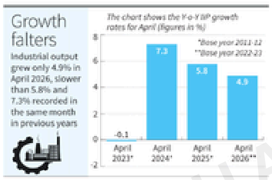
India's industrial output, as measured by the Index of Industrial Production, grew 4.9% in April 2026 under the revised series with 2022-23 as base year released on Monday. The growth rate was slower than 5.8% recorded in the same period last year with 2011-12 as base year.

The new series has broadened the coverage of the index by incorporating water supply, sewerage and waste management activities and gas supply, while retaining the existing three core sectors – mining, manufacturing, and electricity. Of the four sectoral indices, three grew at a slower pace and one shrunk in the reporting month on a year-on-year basis. While mining and quarrying output declined by over 5.1%, manufacturing sector output grew at 6.2% in the reporting month, slightly slower than the 6.3% in 2025. The electricity and gas supply sector grew at 4.9% while water supply, sewerage and waste management grew at 6.6%.



The base year to assess major macroeconomic indicators, which was earlier 2011-12, was revised as 2022-23 in 2026 beginning with the GDP estimates. The IIP is the latest estimate to adopt 2022-23 as the base year. The dataset will assume the index to be 100 as of 2022-23 and then calculate the growth rate of the index in subsequent years.

Besides adding new sectoral divisions, the new series also entails "improved granularity". For instance, mining sector index will now include data classification for fuel minerals, metallic minerals, and non-metallic minerals. Similarly, the electricity index has been classified into renewable and non-renewable sources.

The new basket of goods to calculate IIP consists of 1,042 products mapped to 463 item groups. The older series had just 839 items mapped to 407 item groups. Further, the weights provided to each sector and each industry within the manufacturing sector has been revised in line with the updated Gross Value Added (GVA) 2022-23 series.

Manufacturing sector

The new series has also enabled users with a formula to link the older and new series of data to ensure comparability.

Within the manufacturing sector, which constitutes about 75% of the IIP basket of goods, six industries contracted, including major ones like manufacture of "coke and refined petroleum products", which shrank 0.4%, and "wearing apparel" industry in which the output declined 7%. Manufacturing of wood products other than furniture shrank the most, with output dipping 12.5%.

The rest of the industry categories within the manufacturing sector grew, with electrical equipment industry output increasing 19.2% in April 2026.

Under use-based classification, the series classifies the industries into primary, capital goods, intermediate goods, infrastructure/construction goods, consumer durables and consumer non-durables.

Growth in three of the six categories slowed in April 2026 on a year-on-year basis. Primary goods, consumer durables, and consumer non-durables grew 0.8%, 4.3% and 2.8% respectively in April 2026, slower than the same month in 2025. Intermediate goods output grew faster by 0.19% clocking a growth rate of 7.7% in April 2026, as against the same month in the previous fiscal.

Capital goods and infrastructure goods output growth quickened to 16% and 7.1% respectively in the reporting month as against the same month in the previous fiscal.

KEY HIGHLIGHTS:

Context of the News

- India's Index of Industrial Production (IIP) grew by 4.9% in April 2026 under the revised series with 2022-23 as the base year.
- The growth rate was lower than the 5.8% recorded in April 2025 under the previous 2011-12 series.
- The revised IIP series is part of the broader revision of macroeconomic indicators, including GDP and GVA estimates, to better capture the present structure of the Indian economy.
- The new series expands sectoral coverage and updates weights based on the latest economic data.

Key Points

- IIP is a monthly indicator that measures changes in industrial production.
- It is released by the National Statistics Office (NSO) under the Ministry of Statistics and Programme Implementation (MoSPI).
- Base year revised from 2011-12 to 2022-23.
- New sectors included:
  - Gas Supply
  - Water Supply
  - Sewerage Activities
  - Waste Management Activities
- Product basket expanded from 839 items to 1,042 items.
- Manufacturing remained the main contributor to industrial growth, registering 6.2% growth.
- Mining and quarrying output contracted by 5.1%.
- The revised series provides greater granularity by separately classifying:
  - Fuel, metallic and non-metallic minerals in mining.
  - Renewable and non-renewable sources in electricity generation.
- Capital Goods and Infrastructure Goods recorded strong growth, indicating improvement in investment activity.

Static Linkages

- IIP is one of the most important high-frequency indicators used to assess economic performance.
- Base year revision is undertaken periodically to reflect:
  - Structural transformation of the economy.
  - Changes in production patterns.
  - Emergence of new industries and technologies.
- Industrial growth contributes to:
  - Employment generation.
  - Capital formation.
  - Export competitiveness.
  - Economic development.
- Capital goods production is generally considered a leading indicator of future investment demand.
- Manufacturing remains a key pillar of initiatives such as:
  - Make in India
  - Atmanirbhar Bharat
  - Production Linked Incentive (PLI) Scheme

Critical Analysis

Positives

- Updated base year improves the accuracy and relevance of industrial statistics.
- Expanded coverage captures a larger portion of economic activity.
- Strong growth in capital goods indicates rising investment sentiment.
- Better classification improves policy formulation and sector-specific interventions.
- Inclusion of utility-related sectors reflects changing developmental priorities.

Concerns

- Overall industrial growth remains moderate despite policy support.
- Mining sector contraction may impact manufacturing supply chains.
- Slower growth in consumer goods suggests uneven demand recovery.
- Labour-intensive sectors such as apparel continue to face challenges.
- Global economic uncertainties may affect industrial expansion and exports.

Way Forward

- Strengthen manufacturing competitiveness through technology adoption.
- Promote labour-intensive industries to boost employment.
- Improve logistics and infrastructure under PM Gati Shakti.
- Encourage private investment through policy stability and ease of doing business.
- Enhance mineral exploration and resource security.
- Focus on domestic demand revival alongside export-led growth.
- Continue modernization of statistical systems for better policymaking.

No room for anti-India elements in Myanmar, says visiting President

Kallol Bhattacherjee
NEW DELHI

Promising talks: PM Narendra Modi with Myanmar President Min Aung Hlaing in New Delhi on Monday. SHIV KUMAR PUSHPAKAR

Visiting Myanmar President Min Aung Hlaing has assured India that he will not allow use of his country's territory by groups that pose a security threat to Indian interests. The concern was raised by Prime Minister Narendra Modi, who held broad-spectrum conversations with Mr. Hlaing on Monday, including calls for dialogue between the junta-backed government and the pro-democracy Opposition in Myanmar. Foreign Secretary Vikram Misri said the discussion included the issue of detention of former leader and Nobel laureate Aung San Suu Kyi.

"The President reiterated Myanmar's assurance that its territory would not be permitted to be used against India's security interests. The Prime Minister affirmed that India... remained committed to deepening security cooperation between the two countries," a joint statement issued at the end of the discussion mentioned.

Mr. Misri later said that the issue of presence of insurgents from India's Northeast in Myanmar territory was raised by Mr. Modi during the talks.

'Pragmatic step'

The visit of Mr. Hlaing is being viewed as a pragmatic engagement of Myanmar by India despite the conflict situation that prevails in that country since the February 2021 coup that deposed the National League for Democracy (NLD) government of Ms. Suu Kyi. Speaking to the media after the discussion, Mr. Misri mentioned that a detailed discussion was held during the talks to "find a way" out of the civil conflict, saying that India believes in "sustained dialogue" among all the stakeholders to deal with the conflict in Myanmar. He added that India does not believe in "disengagement" when it comes to Myanmar.

"I should underline that our engagement with Myanmar is not intended to be a commentary on the internal political arrangement in that country. The Prime Minister raised the issue that there is a need for an enduring peace as Myanmar finds its way back to democracy," said Mr. Misri, explaining that the Indian concerns on continued detention of Ms. Suu Kyi was raised during a "free-wheeling" talk.

He further informed that the two sides discussed infrastructure projects like the Kaladan Multimodal Transit Transport Project and the trilateral Moreh-Mae Tsot highway that was to connect India's northeast with Myanmar via Thailand - both of which have been "delayed" by the conflict in Myanmar. "Right now, the obstacle that faces both of these projects is the security situation in Myanmar," said Mr. Misri, adding that there are "active hostilities" currently under way in the Kaladan highway between the Myanmar Army and the ethnic armed organisations in the Rakhine State.

Defence cooperation

Mr. Misri further said that the two sides discussed defence cooperation that will cover training of Myanmar troops for United Nations peacekeeping. "This is something that has been in focus for several years now. Defence cooperation with Myanmar focuses on training, capacity building, institution building and a very important part of the training is also UN peace keeping," Mr. Misri also said that the defence cooperation also included concerns related to security and safety of the India-Myanmar border spanning 1,643 km.

He also informed that the discussion covered critical minerals as Myanmar has major deposits in the Kachin State that borders both India and China. The discussion also included the issue of existence of cyber scam centres in southeast Myanmar bordering Thailand. Mr. Misri recollected that India has airlifted at least 2,411 workers from cyber scam compounds in Myanmar so far.

Mr. Hlaing's visit has also drawn criticism from Myanmar's exiled Opposition and especially the exiled National Unity Government (NUG), which has urged India not to grant legitimacy to his junta-backed government.

KEY HIGHLIGHTS:

Context

- Myanmar President Min Aung Hlaing visited India and held discussions with Prime Minister Narendra Modi.
- Myanmar assured India that its territory would not be allowed to be used by insurgent groups threatening India's security interests.
- India reiterated its commitment to strengthening security cooperation and emphasized the need for peace, stability, and democratic transition in Myanmar.
- The talks took place against the backdrop of Myanmar's ongoing political crisis following the military coup of February 2021.

Key Points

- India raised concerns regarding the presence of Northeast insurgent groups operating from Myanmar territory.
- Myanmar reaffirmed cooperation in addressing security threats along the shared border.
- The issue of detention of former Myanmar leader Aung San Suu Kyi was also discussed.
- India highlighted the importance of dialogue among all stakeholders for achieving lasting peace in Myanmar.
- Both sides reviewed progress on the Kaladan Multimodal Transit Transport Project and the India–Myanmar–Thailand Trilateral Highway, which have been delayed due to the security situation in Myanmar.
- Defence cooperation includes military training, capacity building, institutional cooperation, and support for UN Peacekeeping training.
- Discussions also covered cooperation in critical minerals, cybercrime, and border management.
- Myanmar's strategic location makes it crucial for India's connectivity and security interests in the Indo-Pacific region.

Static Linkages

- India and Myanmar share a 1,643 km-long international border across Arunachal Pradesh, Nagaland, Manipur, and Mizoram.
- Myanmar is the only ASEAN country that shares both land and maritime boundaries with India.
- Myanmar is a member of ASEAN, BIMSTEC, and Mekong-Ganga Cooperation.
- The Act East Policy seeks to strengthen India's economic and strategic engagement with Southeast Asia through Myanmar.
- The Kaladan Multimodal Transit Transport Project aims to connect Kolkata Port with Mizoram through Myanmar.
- The India–Myanmar–Thailand Trilateral Highway is intended to enhance regional connectivity and trade.
- Northeast India is considered the gateway to Southeast Asia.

Critical Analysis

Significance

- Strengthens cooperation against cross-border insurgency and illegal activities.
- Enhances stability and security in India's Northeast region.
- Supports implementation of the Act East Policy.
- Improves prospects for regional trade and connectivity.
- Provides opportunities for cooperation in critical minerals and strategic resources.

Challenges

- Ongoing civil conflict in Myanmar continues to affect infrastructure projects.
- Presence of ethnic armed groups creates security concerns near project sites.
- Political instability limits the pace of economic cooperation.
- India faces the challenge of balancing strategic interests with support for democratic values and human rights.
- Growing geopolitical competition in Myanmar adds complexity to India's engagement.

Way Forward

- Maintain sustained engagement with all relevant stakeholders in Myanmar.
- Accelerate completion of Kaladan and Trilateral Highway projects.
- Strengthen intelligence-sharing and coordinated border management.
- Enhance cooperation against cybercrime, trafficking, and transnational criminal networks.
- Support peaceful political dialogue and national reconciliation efforts.
- Expand developmental and economic cooperation in border regions.
- Secure long-term partnerships in critical minerals and strategic resources.

Iran suspends U.S. talks as Israel bombs Lebanon

Stanly Johny

Iran has suspended exchanges with the U.S. over a preliminary agreement aimed at ending the war, citing Israel's escalating military strikes in Lebanon, the Tasnim news agency reported on Monday.

Hours after Iran's move, U.S. President Donald Trump said he had spoken with Israeli Prime Minister Benjamin Netanyahu and Hezbollah, and that both sides agreed to stop attacking each other. He also said "talks are continuing with Tehran".

Onslaught continues: Smoke rises following an Israeli airstrike on the outskirts of Tyre in southern Lebanon on Monday. AFP

'Violation of ceasefire'

"Due to the continuation of the Zionist regime's [Israel] crimes in Lebanon and considering that Lebanon was one of the preconditions for the ceasefire and now this ceasefire has been violated on all fronts including Lebanon, the Iranian negotiating team will stop "talks and exchange of texts through mediation", the report stated.

Earlier in the day, Iran's Foreign Minister Abbas Araghchi and Parliament Speaker Mohammad Bagher Ghalibaf had warned of consequences for Israel's strikes on Lebanon.

"The ceasefire between Iran and the U.S. is unequivocally a ceasefire on all fronts, including in Lebanon. Its violation on one front is a violation of the ceasefire on all fronts. The U.S. and Israel are responsible for the consequences of any violation," Mr. Araghchi wrote in a social media post.

Mr. Ghalibaf, who is also the country's negotiator with the U.S., said the American blockade of Iran's ports and the Lebanon strikes were ceasefire violations. "The naval blockade and escalation of war crimes in Lebanon by the genocidal Zionist regime are clear evidence of U.S. non-compliance with the ceasefire," he wrote in a post.

'Productive call'

As the peace process seemed on the verge of collapse, Mr. Trump appeared to step in to salvage the ceasefire. "I had a very productive call with Prime Minister Bibi Netanyahu, of Israel, and there will be no Troops going to Beirut, and any Troops that are on their way, have already been turned back," he wrote in a social media post. "Likewise, through highly placed Representatives, I had a very good call with Hezbollah, and they agreed that all shooting will stop – That Israel will not attack them, and they will not attack Israel."

In another post, Mr. Trump said talks with Iran are "continuing, at a rapid pace", without offering further details.

Earlier on Monday, Mr. Netanyahu said he has ordered the Israel Defence Forces (IDF) to strike Beirut's Dahiyeh neighbourhood, a Hezbollah stronghold, "in response to the repeated and ongoing violations of the ceasefire in Lebanon".

Mr. Trump, who announced a ceasefire on April 17, had said then that Israel was "prevented" from striking Lebanon. But the IDF continued its military operations and captured more territory in southern Lebanon.

On Sunday, U.S. Central Command said it struck military targets in southern Iran over the weekend after Iran shot down an American drone. Hours later, Iran's Islamic Revolutionary Guard Corps said they attacked a U.S. military base in the region.

CENTCOM later claimed it intercepted "two Iranian ballistic missiles targeting American forces based in Kuwait.

KEY HIGHLIGHTS:

Context of the News

- Iran suspended indirect talks with the U.S. regarding a preliminary ceasefire arrangement after Israel intensified military strikes in Lebanon.
- Iran stated that the ceasefire understanding covered all fronts, including Lebanon, and any attack there constitutes a violation of the agreement.
- The development has raised concerns about a broader regional conflict involving Iran, Israel, Hezbollah, Lebanon, and the United States.
- The crisis comes amid ongoing military exchanges between Iran and U.S. forces and continuing tensions in West Asia.

Key Points

- Iran halted diplomatic exchanges conducted through mediators.
- Israel justified strikes on Beirut's Dahiyeh area, a Hezbollah stronghold, citing security concerns.
- Iran accused both Israel and the U.S. of violating ceasefire commitments.
- The U.S. has continued efforts to prevent further escalation through diplomatic engagement.
- The conflict highlights the growing role of proxy groups such as Hezbollah in regional geopolitics.
- Escalation in West Asia could impact global energy security and maritime trade routes.

Static Linkages

- Hezbollah is a Shia political and militant organization based in Lebanon, backed by Iran.
- Lebanon shares borders with Israel and Syria and has long been a theatre of regional conflicts.
- The Strait of Hormuz is a critical global oil transit chokepoint.
- West Asia accounts for a significant share of global crude oil exports.
- Proxy warfare involves states supporting non-state actors to advance strategic interests.
- The UN Charter emphasizes peaceful settlement of international disputes.

Critical Analysis

Significance

- Demonstrates the fragility of ceasefire agreements in conflict zones.
- Highlights the growing regional dimension of the Iran–Israel rivalry.
- Reflects the influence of non-state actors in shaping regional security.

Challenges

- Risk of escalation into a wider West Asian conflict.
- Threat to global energy supplies and shipping routes.
- Reduced trust among negotiating parties may hinder peace efforts.
- Humanitarian concerns due to prolonged instability in Lebanon.

Implications for India

- Possible increase in crude oil prices affecting India's import bill.
- Risks to Indian diaspora and economic interests in West Asia.
- Potential disruption of maritime trade routes.
- Importance of maintaining balanced relations with all regional stakeholders.

Way Forward

- Strengthen diplomatic engagement through multilateral platforms.
- Ensure strict monitoring of ceasefire agreements.
- Promote dialogue between regional stakeholders.
- Prevent targeting of civilian populations and infrastructure.
- Enhance international efforts for long-term regional stability.

IMEC is caught between commerce and geopolitics

The ongoing war in Iran has shattered many myths and brought to light realities that expose the structural vulnerabilities of the existing world order. Iran, which was no match for the combined military might and technological superiority of Israel and the United States, has not only withstood the military onslaught but has also retaliated in ways that were neither expected nor planned for. Nearly three months into the conflict, although a fragile ceasefire is holding, there appears to be no immediate solution to end the war or achieve the politico-military objectives that Israel and the U.S. set at its outset. While Iran has suffered major losses to its leadership, infrastructure and military assets, the American military has also incurred unprecedented losses.

Lessons from the Iran conflict

A recent U.S. Congressional Research Service report has noted that 42 U.S. aircraft have been lost or damaged so far during "Operation Epic Fury" – the war with Iran – which includes fifth generation stealth fighters such as the F-35. Plus, the ability to intercept Iranian missiles and drones has been severely degraded as more than half the total inventory of Patriot, Tomahawk and Terminal High Altitude Area Defense (THAAD) missiles have been expended. With more than 240 American targets reportedly hit by Iran, the conflict has shattered the myth that military superiority alone will guarantee an outright victory. Several of the asymmetric tactics employed by Iran have caught the U.S. and Israel on the back foot.

Another reality check underscored by this war is the critical importance of global choke points and how their blockade can severely disrupt the global economy. Iran, by imposing a blockade on the Strait of Hormuz early in the conflict, has virtually brought the global economy to its knees. Nearly 20 million barrels of crude oil, accounting for about a third of global oil supplies, pass through this narrow sea passage every day. India is among the countries most affected, as it imports nearly 88% of its crude oil requirements, amounting to about 1.8 billion barrels annually. While the world grapples with the blockade and works to diversify its energy sources, one thing is clear: there is an urgent need to explore and develop alternative connectivity options beyond existing trade routes, particularly maritime routes. New routes and corridors must be developed that avoid the two 'C's – conflict zones and choke points.

However, this realisation is neither new nor have countries been idle in pursuing solutions. Transnational connectivity projects such as the International North-South Transport Corridor (INSTC) and the Belt and Road Initiative (BRI) were conceived precisely for this purpose. The INSTC was designed to bypass the Suez Canal choke point, while the overland component of the BRI across Asia and Europe seeks to reduce dependence on both the Malacca Strait and the Suez Canal. Another major connectivity project is the India Middle East Europe Economic Corridor (IMEC). Unlike the other initiatives, IMEC traverses parts of West Asia, a region that has been significantly affected by the current conflict.

Rajeev Agarwal

Retired colonel, a Senior Research Consultant at CRF, Delhi, and the author of 'Between Tehran and Tel Aviv – Gaza's Story of Unending War'

The Iran conflict strengthens the case for the India-Middle East-Europe Economic Corridor (IMEC) while simultaneously complicating its execution

The IMEC framework

What is IMEC? The IMEC is a transformative and ambitious connectivity initiative that was officially announced at the G-20 Summit in New Delhi in September 2023. It seeks to connect India with Europe across the Arabian Peninsula, bypassing the traditional choke point of the Suez Canal. The project envisions a multimodal economic corridor integrating railways, ports, highways, energy networks and digital infrastructure to enhance trade, investment and connectivity. Unlike conventional transport corridors, IMEC is conceived as a holistic and multidimensional infrastructure project encompassing sea routes, rail networks, pipelines, undersea high-speed data links, green hydrogen corridors and transnational energy transmission grids.

The proposed structure has three distinct sections. The eastern section links India with West Asia through sealinks to the United Arab Emirates (UAE). The central section consists of an overland route across West Asia, traversing the UAE, Saudi Arabia, Jordan and Israel, and culminating at the port of Haifa on Israel's Mediterranean coast. The western leg of the corridor is sea-based, connecting Haifa to various European ports, beyond which the continent's extensive transportation network takes over.

What has happened due to the war? Soon after IMEC was announced, the war in Gaza broke out on October 7, 2023, placing the project on the back burner. Major areas of the originally envisioned corridor, particularly those involving Israel and the port of Haifa, were directly affected by the conflict.

Soon after the Iran-Israel '12-Day War' in June 2025, there was a concerted effort to move the project forward. However, the ongoing conflict involving Iran has once again thrown a spanner into its execution. Key ports in the UAE, particularly Jebel Ali and Fujairah, have been repeatedly targeted by Iran, while disruptions in the Strait of Hormuz have exposed the geographical vulnerabilities of these ports.

Another critical fault line exposed by the war is the deep faultlines and divergence in the positions adopted by Saudi Arabia and the UAE in the war. Both countries are key partners in IMEC, and any adversarial posture between them could prove to be a major setback for the corridor, whose success depends on smooth coordination and seamless connectivity across the region. The UAE's April 2026 announcement that it was opting out of the global oil grouping, the Organization of the Petroleum Exporting Countries (OPEC) and reports of its growing strategic coordination with Israel, including the deployment of Israeli defence systems such as the Iron Beam, risk widening differences between Riyadh and Abu Dhabi. Such developments are unlikely to augur well for either regional stability or the future of IMEC.

Navigating the challenges

The war in Iran has highlighted two important issues for both West Asia and IMEC. First, there is an urgent need for projects such as IMEC that can bypass conflict zones and choke points. However, for such initiatives to succeed, they must also navigate the region's geopolitical complexities, including the rapidly evolving dynamics among key partners such as Saudi Arabia and the UAE.

To address the first challenge, IMEC must evolve into a broader and more flexible framework while keeping open the possibility of reverting to the originally envisioned alignment once the conflict subsides. To this end, the option of developing key ports in Oman – such as Salalah, Duqm and Muscat – as eastern entry points could be explored, as they are located well away from the conflict-prone Strait of Hormuz. Similarly, on the western end, until the port of Haifa becomes a secure transit hub, a western spur passing through Egypt and terminating at one of its major Mediterranean ports could offer a viable alternative. Egypt already possesses the logistics ecosystem required to support IMEC, including the Suez Canal Economic Zone, six operational ports and four industrial zones specialising in green hydrogen, liquefied natural gas, shipbuilding and other future-oriented sectors.

To address the second challenge, countries such as India, which enjoy close relations and the trust of both Saudi Arabia and the UAE, will have to navigate a delicate but critical diplomatic terrain. European countries such as Italy and France, which are positioning themselves as key champions of IMEC in Europe, will also need to play an active role. The growing recognition of IMEC's strategic importance was evident during Prime Minister Narendra Modi's visit to Europe in May 2026. While elevating their bilateral ties to a Special Strategic Partnership, India and Italy reaffirmed their commitment to cooperate on IMEC, recognising its transformative potential to reshape and promote global trade, connectivity and prosperity.

The bottom line is clear. The war in Iran has underscored the need for transnational connectivity projects such as IMEC that can bypass conflict zones and strategic choke points. However, for such initiatives to succeed, they must overcome the geopolitical complexities in West Asia.

KEY HIGHLIGHTS:

Context of the News

- The ongoing Iran conflict and disruptions in the Strait of Hormuz have highlighted the vulnerability of global trade and energy supply chains.
- The conflict has renewed focus on alternative connectivity corridors that can reduce dependence on conflict-prone maritime chokepoints.
- The India-Middle East-Europe Economic Corridor (IMEC), announced during the G20 Summit (2023), is being viewed as a key strategic initiative for enhancing trade, connectivity, and supply-chain resilience.
- However, continuing instability in West Asia poses significant challenges to the implementation of IMEC.

Key Points

- IMEC aims to connect India, West Asia, and Europe through an integrated network of:
  - Ports
  - Railways
  - Shipping routes
  - Energy infrastructure
  - Digital connectivity
- Proposed Route:
  - India → UAE (Sea Link)
  - UAE → Saudi Arabia → Jordan → Israel (Rail/Road Network)
  - Israel's Haifa Port → Europe (Sea Route)
- Strategic Objectives:
  - Reduce dependence on the Suez Canal.
  - Strengthen supply-chain resilience.
  - Promote economic integration among participating countries.
  - Facilitate green hydrogen and energy connectivity.
- The Iran conflict has exposed:
  - Risks associated with maritime chokepoints.
  - Vulnerability of ports near the Strait of Hormuz.
  - Importance of diversified trade routes.

Static Linkages

- Strait of Hormuz connects the Persian Gulf with the Gulf of Oman and the Arabian Sea.
- Around one-third of global seaborne oil trade passes through the Strait of Hormuz.
- Connectivity corridors are instruments of economic diplomacy and strategic influence.
- Energy security is a critical component of national security.
- Multimodal transport networks reduce logistics costs and improve trade competitiveness.
- India supports connectivity initiatives based on sovereignty, territorial integrity, transparency, and sustainability.

Critical Analysis

Significance

- Enhances India's connectivity with Europe.
- Diversifies global trade routes.
- Reduces overdependence on traditional maritime chokepoints.
- Strengthens India's role in West Asia.
- Supports energy and digital connectivity.

Challenges

- Geopolitical instability in West Asia.
- Dependence on cooperation among multiple countries.
- Security concerns due to regional conflicts.
- High infrastructure and financing requirements.
- Diverging interests among regional partners.

For India

- Opportunity to emerge as a major connectivity hub.
- Can strengthen strategic partnerships with Europe and Gulf countries.
- Supports India's long-term energy and trade security objectives.

Way Forward

- Accelerate diplomatic engagement with IMEC partner countries.
- Develop alternative routes and contingency plans.
- Strengthen maritime security cooperation.
- Promote investment in logistics and port infrastructure.
- Ensure political and security stability through regional dialogue.
- Integrate green energy and digital infrastructure components effectively.

Orbital rivalry — the challenge of China's space power

Harinder Singh

Former corps commander

China's expanding counter-space capabilities are a cause for concern. While no conflict has ever been fought in space, the incentive to influence activities on earth by controlling outer space remains a potential trigger for future confrontation. Beijing's development of anti-satellite missiles and co-orbital systems blurs the line between routine space operations and counter-space activities.

The key question is how Beijing views its space ambitions and control of outer space, and what India can do to safeguard its vital interests in this domain.

Beijing's space ambitions

While the Chinese space programme emphasises the peaceful use of space, evidence suggests that China is preparing for an orbital war.

In January 2007, it targeted its own satellite from earth. In October 2015, China tested an exo-atmospheric vehicle designed to strike a hostile satellite. In 2022, China used a robotic spacecraft to push a defunct satellite into the graveyard orbit. In 2024, it demonstrated an orbital dog-fight. There is a clear research and developmental push for fielding offensive capabilities in space.

China's space ambitions operate at two levels. First, it seeks to remain competitive in the emerging space race, both technologically and numerically. China has around 1,900 satellites in orbit, compared to more than 8,000 American satellites, including the SpaceX satellites.

Second, it recognises the military and economic implications of the weaponisation of space. A single strike could disrupt communications, power grids, navigation systems, financial markets, and military command-and-control (C2) and intelligence, surveillance and reconnaissance (ISR) networks.

Accordingly, China aims to land on the moon by 2036, launch a nuclear-powered shuttle by 2040, and establish a solar power system by 2050. Chinese start-ups such as LandSpace, iSpace and OneSpace are challenging rivals such as SpaceX and Blue Origin. China is also exploring lunar and asteroid mining for energy and critical minerals. The growing demand for energy-efficient data centres is likely to further intensify the space race.

China is seeking to assert control over outer space in two distinct ways. First, by leveraging space-based assets to safeguard its military and economic systems. Second, by competing with its rivals – both numerically and technologically – to maintain space superiority. Its most immediate competition is with Starlink in low-earth orbit (LEO). China plans to deploy more than 36,000 LEO satellites by 2030. This rivalry could intensify if China were to become the first to establish a presence on the far side of the moon or demonstrate a particular interest in exploiting asteroid resources. Such developments could create an escalatory dynamic in an environment that lacks a comprehensive regulatory framework.

Consequently, China's capabilities are evolving in three key areas. First, kinetic attack systems such as the DN-3 and SC-19 missiles, which can physically destroy satellites. Second, laser-based systems that can dazzle or blind satellites, disrupting navigation and communications. Third, co-orbital satellites, such as the SJ and TJS series, designed to interfere with or dislodge other satellites from orbit. Together, these capabilities could enable the People's Liberation Army (PLA) to cripple Intelligence, Surveillance, and Reconnaissance (ISR), GPS and communication networks, shaping the battlespace during the first 24 to 48 hours of a conflict.

China's counter-space rise demands stronger resilience and deterrence from India

Implications for India

If a contingency arises in Taiwan, the PLA is likely to first blind ISR and communication networks before resorting to hard-kill attacks. This would give Beijing time to shape the narrative, whereas a hard kill could trigger immediate escalation.

The U.S. would then have to assess China's military objectives, and, if an invasion proceeds, neutralise its counter-space capabilities. While both sides may lose assets, the U.S. would likely retain an advantage due to its greater redundancy and resilience. The Taiwan scenario applies to India albeit on a lesser scale. India has around 60 operational satellites as against 400-plus Chinese military satellites alone, which implies lesser redundancy. Losing five to six satellites will hurt India more.

Hypothetically, China could strike at the CARTOSAT/RISAT series, which could lead to loss of tactical-level imagery for hours, if not days. Instead, if it only choose to lase as these satellites as they pass over the Line of Actual Control, it could lead to temporary blind spots. They could even deploy jammers to disable India's NavIC system.

The key strategic takeaway is that while China can conduct peacetime harassment using lasers and jammers, or temporarily blind a few satellites during a border crisis, it cannot inflict crippling damage without destroying a large number of Indian satellites and risking severe Kessler Syndrome consequences. While Mission Shakti has strengthened India's deterrence posture, its utility remains restricted. Moreover, a single successful test does not guarantee operational reliability, and India still lacks co-orbital capabilities to counter satellites such as the SJ and TJS series.

Safeguarding India's interests

A few measures are pertinent. First, India must expand its space industry beyond the Indian Space Research Organisation to increase satellite production and launch capacity. Greater capacity translates into greater redundancy. Second, it should disaggregate large satellite programmes, such as GSAT, into smaller constellations, which are more resilient and survivable. Third, India must strengthen the protection of its ground space assets to mitigate the impact of hard-kill attacks. Fourth, it should enhance data-sharing arrangements with strategic partners so that, in the event of satellite losses, critical services can be restored through commercial or partner networks within hours.

Besides, India should also clearly define its red lines and the scope of a proportionate response to ensure that China fully understands the potential escalation ladder.

KEY HIGHLIGHTS:

Context of the News

- China is rapidly expanding its counter-space capabilities, including anti-satellite (ASAT) weapons, co-orbital systems, and laser-based technologies.
- Recent demonstrations of satellite interception, orbital manoeuvring, and satellite-servicing technologies have raised concerns regarding the militarisation of outer space.
- Given India's increasing dependence on satellites for communication, navigation, surveillance, and defence, China's growing capabilities have significant strategic implications.

Key Points

- China possesses capabilities such as:
  - Kinetic ASAT weapons capable of physically destroying satellites.
  - Directed-energy systems that can temporarily blind or disrupt satellites.
  - Co-orbital satellites that can approach, inspect, or interfere with other satellites.
- China plans to deploy a massive Low Earth Orbit (LEO) satellite constellation in the coming decade.
- Space assets are increasingly critical for:
  - Intelligence, Surveillance and Reconnaissance (ISR)
  - Communication networks
  - Navigation systems
  - Military command and control
- India has a comparatively smaller satellite fleet, making satellite losses more impactful.
- India's Mission Shakti (2019) demonstrated indigenous anti-satellite capability.

Static Linkages

- Outer Space Treaty, 1967
- Global Commons concept
- Kessler Syndrome
- Low Earth Orbit (LEO), Medium Earth Orbit (MEO), Geostationary Orbit (GEO)
- Satellite Communication and Remote Sensing
- Intelligence, Surveillance and Reconnaissance (ISR)
- Mission Shakti (2019)
- Defence Space Agency (DSA)
- IN-SPACe and New Space Policy, 2023
- Space Situational Awareness (SSA)
- Dual-use nature of space technology

Critical Analysis

Significance

- Space superiority is becoming a critical component of modern warfare.
- Satellites are essential for military operations, disaster management, weather forecasting, and economic activities.
- Counter-space capabilities enhance strategic deterrence.

Concerns for India

- Limited satellite redundancy compared to China.
- Vulnerability of communication and surveillance networks during crises.
- Lack of advanced co-orbital counter-space capabilities.
- Growing risk of an arms race in outer space.
- Threat of space debris affecting global space infrastructure.

Strategic Challenges

- Absence of a comprehensive international legal framework governing counter-space weapons.
- High cost of maintaining resilient satellite constellations.
- Dependence on a limited number of critical satellites.

Way Forward

- Expand indigenous satellite manufacturing and launch capabilities.
- Promote private-sector participation under the New Space Policy.
- Develop distributed satellite constellations for greater resilience.
- Strengthen Space Situational Awareness capabilities.
- Enhance protection of ground-based space infrastructure.
- Increase cooperation with trusted partners for satellite data sharing.
- Invest in next-generation counter-space and electronic warfare capabilities.
- Support international norms for responsible behaviour in outer space.

Perfect storm

Weak enforcement and poor regulation sustain illicit liquor among the poor

India has suffered multiple mass deaths due to consuming illicit liquor, across Tamil Nadu, Gujarat, Punjab, Uttar Pradesh, Bihar, Assam, and Maharashtra. The Malwani incident in 2015, which left over 100 people dead, prompted official promises of systemic reform that never fully materialised – neither there nor elsewhere. The Pune-Pimpri-Chinchwad tragedy unfolded last week with more than a dozen victims of working-class backgrounds in poor neighbourhoods. Preliminary investigation has revealed a better than ad hoc supply chain with industry-grade methanol – the toxin behind most hooch tragedies– brought from outside the State and mixed with ethanol to produce a highly potent country liquor. The demand for licensed alcohol faces high State taxes, encouraging low-income individuals to turn to illicit liquor. On the other hand, adding industrial methanol increases the batch volume at negligible input cost, dramatically improving margins, although some people under investigation have also said during official questioning that it is not in the interest of 'regular' vendors to poison their 'customers'. Nonetheless, such operations are typically semi-visible local economies that get by on tolerance rather than secrecy, and so allegations of police and local authorities' complicity must be investigated. Early enforcement following most deadly incidents only arrests retail vendors; investigations into upstream suppliers and alleged kingpins have frequently proved uneven or inconclusive.

Indeed, these tragedies recur due to a perfect storm of factors that are able to repeatedly come together. One major regulatory gap in efforts to track methanol downstream is how easily it is pilfered and diverted for illicit liquor. Most victims are daily-wage labourers, and scholars have argued that the physical toll of manual labour creates a demand for cheap relief that, together with economic precarity and addiction, outweighs the wariness of poisonous substances. Since the victims are often from marginalised communities, the sustained political will needed to implement reforms – including better methanol accounting and affordable alcohol alternatives, required to break the cycle – is often lacking. In a 2024 analysis, public health experts found that higher prices for legal liquor push the poorest consumers toward the illicit market, which accounts for an estimated 40% of alcohol consumption in India. Likewise, total bans as in Bihar and Gujarat could deflect the market to criminal syndicates, where quality control is optional and oversight is poor. Finally, legal reviews have concluded that while the big fish are rarely caught, even those arrested are rarely convicted. Without these improvements, regulatory loopholes and weak enforcement will sustain illicit liquor as a public health crisis.

KEY HIGHLIGHTS:

Context of the News

- A recent hooch tragedy in Pune–Pimpri Chinchwad, Maharashtra, caused multiple deaths after consumption of illicit liquor adulterated with methanol.
- Investigations indicate diversion of industrial-grade methanol and its mixing with ethanol to increase profits.
- Similar incidents have occurred in recent years in Tamil Nadu, Gujarat, Bihar, Punjab, Uttar Pradesh, Assam, and Maharashtra.
- The recurring nature of such tragedies highlights gaps in public health governance, excise administration, law enforcement, and regulation of industrial alcohol.

Key Points

- Methanol (CH_3OH) is a toxic industrial alcohol used in chemicals, paints, solvents, and fuels.
- Even small quantities of methanol can cause:
  - Blindness
  - Organ failure
  - Death
- Ethanol (C_2H_5OH) is the alcohol used in alcoholic beverages.
- Diversion of industrial methanol for illicit liquor production remains a major regulatory challenge.
- Studies indicate that illicit alcohol constitutes a significant share of alcohol consumption in India.
- High taxation on legal alcohol and prohibition policies in some states can incentivize illegal alcohol markets.
- Victims are predominantly from economically weaker sections and daily-wage labour communities.
- Investigations often focus on retail sellers, while larger supply networks frequently escape accountability.

Static Linkages

- Article 21 – Right to Life includes protection of public health and human dignity.
- Article 47 (DPSP) – Duty of the State to improve public health and endeavour to prohibit intoxicating drinks and drugs injurious to health.
- State List (Seventh Schedule):
  - Public Health
  - Police
  - Public Order
  - Excise on alcoholic liquor for human consumption
- Recommendations of the 2nd Administrative Reforms Commission (ARC) emphasize accountability, transparency, and citizen-centric governance.
- Economic theory suggests that excessive restrictions can lead to black markets and illegal supply chains.
- Public health approaches increasingly focus on harm reduction, awareness, and rehabilitation.

Critical Analysis

Issues Involved

- Weak monitoring of industrial methanol production and distribution.
- Poor inter-state coordination in tracking illegal supply chains.
- Corruption and alleged collusion at local enforcement levels.
- Low conviction rates in hooch tragedy cases.
- Inadequate public awareness regarding methanol poisoning.
- Dependence on excise revenue may create policy contradictions.

Impact

- Loss of lives among vulnerable populations.
- Increased burden on public health systems.
- Expansion of organized criminal networks.
- Erosion of public trust in governance institutions.

Policy Debate

Arguments for Prohibition

- Reduces alcohol consumption.
- Supports public health objectives.
- Aligns with Article 47.

Arguments Against Prohibition

- Encourages illicit liquor markets.
- Increases criminal syndicate activity.
- Reduces regulatory oversight over alcohol quality.
- Causes loss of state revenue.

Way Forward

- Develop a nationwide digital tracking system for industrial methanol.
- Strengthen excise intelligence and inter-state coordination mechanisms.
- Improve forensic investigation capabilities.
- Ensure accountability of officials involved in regulatory failures.
- Fast-track prosecution of hooch tragedy cases.
- Expand de-addiction and rehabilitation services.
- Increase awareness regarding dangers of spurious liquor.
- Adopt evidence-based alcohol regulation balancing public health and enforcement.
- Strengthen community-level vigilance and reporting mechanisms.

Joy and pain

Health gains from NFHS-6 are significant, but unaddressed needs exist

When triumph and disaster arrive at the same time, it is important to celebrate, but also, to take stock, assess, and pivot to address the lacuna. The recently released National Family Health Survey (NFHS)-6 data offer such an opportunity. The data for 2023-24 revealed some remarkable gains for India, but also exposed some unguarded pathways that will become disastrous if not attended to. The greatest of the gains came in the sector of child health – stunting is down by 17%; severe wasting is down 32%; institutional deliveries are at over 90%; and full immunisation coverage for children aged 12-23 months rose to over 87%. Additionally, the figures show that India's Total Fertility Rate (TFR) had stabilised at 2.0, below the replacement level of 2.1 Unequivocally, these are gains; ones that India has been working on for decades. It is an encouraging sign that the needle has finally moved, in these crucial sectors. These gains will have to be built upon, without any drop in service delivery, while remaining uncompromising on access or quality of services in the public sector. However, health managers need to heed the other side of the paradigm as well. NFHS-6 indicates a 'dual public health burden' – obesity (in three years, it had grown from 22.9% to 27.3% among men, while among women, from 24% to 30.7%) remains problematic while some level of malnutrition continues, besides the onslaught of lifestyle diseases. The survey also showed a decline in exclusive breastfeeding among children under six months, from 63.7% in NFHS-5 to 55.8% in NFHS-6. Breast feeding is essential to prevent infant malnutrition.

The NFHS, one of the largest cross-sectional household surveys in the world, could easily be considered the primary tool to define public policy, and evidence-based governance, besides tracking development indicators. The data it generates are crucial. Other India-level data from similar periods indicate similar trends; the SRS and the National Health Accounts Survey reveal the lack of focus or funds for lifestyle diseases, and metabolic disorders. The danger of letting this continue will be known sooner rather than later, as India progresses through a demographic transition to a greyer nation. At this stage, transformations are still possible. Setting up comprehensive screening programmes for NCDs, stressing on nation-wide behaviour change communication on diet and exercise, and ensuring higher taxes on sugared beverages and packaged foods are all techniques that will help reduce, and limit the burden, of NCDs. Bolstering health systems to tackle these NCDs, once they set in, at every level – village, town and city – is also critical.

KEY HIGHLIGHTS:

Context of the News

- The National Family Health Survey (NFHS)-6 (2023-24) reported significant improvements in maternal and child health indicators across India.
- Child malnutrition indicators such as stunting and severe wasting have declined considerably.
- India's Total Fertility Rate (TFR) has stabilized below the replacement level.
- However, the survey also highlights rising obesity levels, increasing risk of Non-Communicable Diseases (NCDs), and declining exclusive breastfeeding rates.
- The findings indicate India's transition from traditional public health challenges towards a dual burden of undernutrition and lifestyle-related diseases.

Key Points

- Stunting reduced by around 17% compared to NFHS-5.
- Severe wasting declined by approximately 32%.
- Institutional deliveries crossed 90%.
- Full immunisation coverage among children (12–23 months) exceeded 87%.
- Total Fertility Rate (TFR) remained at 2.0, below the replacement level of 2.1.
    - Obesity prevalence increased:Men: 22.9% → 27.3%
    - Women: 24.0% → 30.7%
- Exclusive breastfeeding declined from 63.7% (NFHS-5) to 55.8% (NFHS-6).
- Growing prevalence of lifestyle-related disorders such as diabetes, hypertension and cardiovascular diseases.

Static Linkages

- Replacement Level Fertility = 2.1 children per woman.
- Demographic Transition Theory explains the shift from high fertility and mortality to low fertility and mortality.
- Stunting indicates chronic undernutrition (low height-for-age).
- Wasting indicates acute undernutrition (low weight-for-height).
- WHO recommends exclusive breastfeeding for the first six months.
- Population Momentum can sustain population growth even after fertility falls below replacement level.
- SDG 3 aims to ensure healthy lives and promote well-being for all.
- National Programme for Prevention and Control of Non-Communicable Diseases (NP-NCD) focuses on screening and management of NCDs.
- Ayushman Bharat–Health and Wellness Centres provide comprehensive primary healthcare including NCD screening.

Critical Analysis

Significance

- Reflects success of initiatives such as Poshan Abhiyaan, Mission Indradhanush and Janani Suraksha Yojana.
- Improvement in child nutrition and immunisation strengthens human capital formation.
- Stabilisation of fertility supports demographic transition and long-term economic planning.
- Better maternal healthcare contributes to lower maternal and infant mortality.

Concerns

- Rising obesity indicates a nutrition transition towards unhealthy dietary patterns.
- Increasing NCD burden may strain healthcare infrastructure and public finances.
- Declining breastfeeding can adversely affect child nutrition outcomes.
- Simultaneous presence of undernutrition and obesity creates a dual burden of disease.
- Ageing population due to lower fertility may increase healthcare dependency in the future.

Way Forward

- Strengthen universal NCD screening through Health and Wellness Centres.
- Promote healthy diets, physical activity and behavioural change campaigns.
- Intensify breastfeeding awareness and maternal support programmes.
- Strengthen implementation of Poshan Abhiyaan.
- Regulate consumption of ultra-processed foods and sugar-sweetened beverages.
- Increase public expenditure on preventive healthcare.
- Utilize NFHS data for evidence-based district-level planning.

'Cheap' global money flow into India drying up

India was a beneficiary of ultra-low interest rates and quantitative easing by major global central banks. That era is over now

HARISH DAMODARAN

THE RESERVE Bank of India's annual report for 2025-26 has expressed concern over "elevated" sovereign bond yields and possible "reversal" of monetary easing (read interest rate hikes) by global central banks, in response to the West Asia crisis-induced inflationary pressures.

That concern has also been articulated by the government's chief economic advisor V Anantha Nageswaran. In a recent opinion piece for *The Indian Express*, he has pointed to the "end of the era of quantitative easing and near-zero interest rates", while calling it "perhaps the single most consequential development in global capital markets" in recent times.

To understand what is being said, one must look at yields on 10-year government bonds. A government bond is basically a debt instrument issued by a sovereign authority to borrow money for a specific, predetermined period. In return, the issuer promises to pay a fixed annual interest over the life of the bond and also return the original borrowed amount on its maturity date.

Government bonds are considered to be the safest or close to "risk-free" assets, as their payments are backed by the sovereign's power to tax or even print money. Government bond yields, in turn, serve as a benchmark for setting interest rates across other fixed-income securities — by establishing the "minimum" return investors would expect for their money over a comparable period.

How yields have moved

Chart 1 shows the yields or effective annual interest on 10-year government bonds of three major economies — the United States, the United Kingdom, and Japan — since 1998-99.

In 1999-2000 (April-March fiscal year), these averaged over 6% for the US, 5.4% for the UK and 1.7% for Japan. The yields remained relatively high for Japan till 2006-07, averaging 1.75% and almost 2% in April 2006.

From those highs, bond yields steadily declined over the next decade and more, plunging to an average of 0.9% for the US, 0.4% for UK and practically zero for Japan in the COVID-19 pandemic year of 2020-21. Average yields were actually negative in 2016-17 and 2019-20 for Japan. In other words, investors were willing to pay the Japanese government for keeping their money, rather than expect any return from lending to it.

Negative yields are possible in scenarios of deflation (falling prices of goods and services) or the issuing country's currency appreciating (like the Japanese yen was prone to). The investor will make money if the inflation rate is even more negative or converts the same Japanese yen into more of his own currency (say, dollar). Negative yields are also common in times of extreme economic uncertainty, when investors choose safety over returns; a minus 1% bond yield would be less of a loss than a double-digit fall in stock market values.

But cut to the present, where 10-year bond yields averaged 1.8% for Japan, 4.2% for US and 4.6% for UK in 2025-26. They have gone up further in the current fiscal to 2.5%, 4.4% and 4.9%, with highs of 2.8%, 4.7% and 5.2% respectively scaled on May 18-20.

Why the situation changed

There are two broad explanations. The first has to do with the return of inflation, with supply chain disruptions from the pandemic (2020 and 2021), followed by Russia's invasion of Ukraine (2022), US President Donald Trump's unilateral tariff actions (2025) and, now, the unresolved US-Israel versus Iran conflict.

This is reflected in year-on-year consumer price inflation for Japan moving from negative territory to positive in September 2021, reaching 4.3% in January 2023 and hovering at 2-4% thereafter till December 2025. Even the latest 1.4% rate for April 2026 is high by its standards for most of the 1990s, 2000s, and 2010s.

It's worse for the UK, which registered 9-11% annual inflation from April 2022 to March 2023, and the April 2026 rate at 2.8%. The 3.8% inflation rate in April for the US was the highest since May 2023.

The current inflation levels — and the prospect of their rising further on the back of the higher fuel, fertiliser, and food prices from the West Asia supply shock — have made the ultra-low interest rates and bond yields prevailing till around 2020-21 unsustainable.

The second is the end of the so-called quantitative easing policies of central banks such as the US Federal Reserve to boost economic activity. They resorted to this measure of creating new money for purchasing government bonds and other long-term assets (like mortgage-backed securities) from commercial banks, especially post the 2008 global financial crisis and the pandemic. The objective was to flood the financial system with liquidity, lower long-term rates, and encourage banks to lend more to businesses and consumers.

That regime was also difficult to sustain, given the potential inflationary consequences from the supply of the newly created money increasing faster than the physical production of goods and services. Also, by making government debt cheaper than the interest rates that the markets would otherwise have demanded, it encouraged more borrowing. In the process, governments tended to take on too much debt relative to their capacity to pay back.

The effects of both — high inflation and public debts — are being seen today in the form of elevated sovereign bond yields.

Why this matters for India

When global money was cheap, India was a beneficiary of capital flooding emerging markets in search of higher yields.

Net capital flows into India surged from $8.3 billion in 1998-99 to a record $107.9 billion in 2007-08. It collapsed to $7.8 billion in the 2008-09 financial crisis year, but averaged $67.3 billion annually between 2009-10 and 2023-24. The tide turned in 2024-25, with net inflows of just $18 billion. The first nine months of 2025-26 saw net capital outflows of $580 million.

The trend is even clearer for inflows from foreign portfolio investors (FPI) into Indian equity markets. From 1998-99 to 2020-21, there were only two years of net negative inflows: 2008-09 and 2015-16. Since 2020-21, five out of the six years have witnessed FPIs pulling out more than putting in money (*Chart 2*).

Currently, 10-year government bond yields in India are at about 7%. With US 10-year Treasury note yields at 4.5%, the differential of 2.5 percentage points has significantly narrowed from the historical decade average of 4-plus percentage points. The yield gap is even less if one factors in rupee depreciation and the greater "safe-haven" value from holding US Treasuries.

Foreign capital may still return to India. But it would probably require India offering a more compelling "pull" story (higher GDP and earnings growth prospects) than a "push" from cheap global money that is now history.

'Risk-free' assets

Government bonds are considered to be the safest or close to "risk-free" assets, as their payments are backed by the sovereign's power to tax or even print money.

Their yields, in turn, serve as a benchmark for setting interest rates across other fixed-income securities.

KEY HIGHLIGHTS:

Context

- RBI Annual Report 2025-26 has flagged concerns over rising global sovereign bond yields and the possibility of tighter monetary conditions worldwide.
- The era of ultra-low interest rates and Quantitative Easing (QE) adopted by major central banks after the 2008 Global Financial Crisis and COVID-19 pandemic is gradually ending.
- India, which benefited significantly from abundant global liquidity and foreign capital inflows, may face a more challenging external financing environment.

Key Points

What is Quantitative Easing (QE)?

- An unconventional monetary policy under which a central bank purchases government bonds and financial assets from the market.
- Objective:
  - Increase liquidity.
  - Reduce long-term interest rates.
  - Stimulate investment and economic growth.

Why is the QE Era Ending?

- Persistent inflation in advanced economies.
- High fiscal deficits and public debt.
- Geopolitical disruptions affecting energy and commodity prices.
- Central banks prioritizing inflation control over growth stimulation.

Implications for India

- Reduced foreign portfolio investment (FPI) inflows.
- Higher borrowing costs globally.
- Increased exchange-rate volatility.
- Pressure on capital account and balance of payments.
- Greater importance of domestic savings and investment.

Bond Yield and Capital Flows

- Government bond yield represents the return earned on government securities.
- Rising US bond yields attract global investors towards safer developed-market assets.
- This may lead to capital outflows from emerging economies such as India.

FDI vs FPI

- FDI: Long-term and stable investment.
- FPI: Short-term and highly sensitive to global interest-rate movements.

Static Linkages

Monetary Policy Tools of RBI

- Repo Rate
- Standing Deposit Facility (SDF)
- Cash Reserve Ratio (CRR)
- Statutory Liquidity Ratio (SLR)
- Open Market Operations (OMO)

External Sector

- Balance of Payments (BoP)
- Current Account Deficit (CAD)
- Capital Account
- Foreign Exchange Reserves

Financial Markets

- Government Securities (G-Secs)
- Bond Market
- Yield Curve
- Sovereign Debt

Inflation Framework

- Flexible Inflation Targeting
- Inflation Target: 4% ± 2%
- Monetary Policy Committee (MPC)

Why This Matters for India?

- India can no longer rely solely on abundant global liquidity for growth financing.
- Economic growth will increasingly depend on:
  - Domestic investment.
  - Manufacturing expansion.
  - Infrastructure development.
  - Stable FDI inflows.
  - Sound macroeconomic management.

Challenges

- Attracting capital amid higher global interest rates.
- Managing exchange-rate volatility.
- Financing large infrastructure requirements.
- Maintaining growth while controlling inflation.
- Ensuring external sector stability.

Way Forward

- Strengthen domestic bond markets.
- Improve ease of doing business to attract FDI.
- Maintain fiscal prudence.
- Enhance export competitiveness.
- Build resilient foreign exchange reserves.
- Continue inflation-targeting framework.
- Promote long-term institutional investment.

To list, or not to list Tata Sons, that is our question

Ishaat Hussain and R Gopalakrishnan

WITH APOLOGIES to the Bard, as retired directors, we "suffer the slings of outrageous fortune" and so, "take arms against a sea of confusions and misapprehensions." We emerge from our retirement shelter to participate in the debate on whether Tata Sons should or should not be listed. We are not concerned in this article with other Tata issues.

The case for listing Tata Sons is made around three issues. First, that an IPO will deliver more transparency; second, that it will provide an exit for certain shareholders; third, that Tata Sons is too important to remain private.

Tata Sons has behaved like a listed company even though it was not bound to do so. Its accounts are published on its website, it is regulated by MCA and RBI, and its board composition is in line with SEBI's listed company regulations. Its historical record demonstrates that it discharges obligations — moral and financial — in a manner that exceeds the behaviour of many listed companies. What further transparency is sought to be achieved?

Examples are given of investment companies like Berkshire Hathaway. Over a century and a half, Tata Sons has played a unique role in Indian industrialisation, somewhat like an early VC/PE firm. In recent decades, some global VC/PE firms have indeed listed, but nobody compelled them to do so. Sequoia and Sutter Hill promoted the now $5 trillion Nvidia, but neither is listed nor has been under pressure to list. Blackstone, Carlyle and TPG, on the other hand, are indeed listed, but not because the Fed compelled them! It is better to let the board of Tata Sons decide — after all, there is a holding company discount to be considered — rather than follow a journalistic or bureaucratic dream of an imagined transparency.

Transparency is a relative virtue, not an absolute one. It is sobering to reflect that many corporate scams globally and in India occur among "transparent" public companies.

An IPO has multiple dimensions. Equity buyers invest for a return that meets their expectations. Tata Sons shareholders have earned handsome returns over decades — the numbers are in the public domain. If the return from the Tata Sons investment exceeds other business interests of the shareholder, then it is even more impressive. Tata Sons and Shapoorji Pallonji both started business around the same time in the 1860s, but their growth and returns till now have been vastly different.

Compelling such an institution to do an IPO requires careful reconsideration. An IPO should be the decision of the company board

Exit may also be sought by a shareholder for its own liquidity. In the specific case of Shapoorji Pallonji (SP), a suitable exit modality surely merits a reasoned dialogue; after all, a few shareholders, albeit minuscule compared to SP, have, over the years, obtained reallocation or exit.

Precedents exist.

SP itself is an unlisted holding company with perhaps three listed subsidiaries. The votaries of Tata Sons doing an IPO should realise that the consequence of their proposed action will be that a successful private company (Tata Sons) does an IPO to provide an exit to another private company (SP). That seems bizarre. SP itself can do an IPO to raise funds if its board deems it necessary, leaving its investment in Tata Sons to continue to earn great returns.

Of course, a nation can determine which institutions are nationally important. For example, the media is crucial in a thriving democracy and carries great public interest. However, media-owning firms are not mandated to be public. Media owners may argue that editorial freedom is more important than corporate regulation. Are editors credibly free from owner influence?

Internationally, there are not many cases of companies being mandated to become public. Boards take such decisions. The exceptions are some banks that use a lot of public money. This criterion is not applicable to Tata Sons since it does not access public funds and can therefore remain an unlisted entity under the extant RBI regulations.

In closing, we make a brief case for Tata Sons to stay private and continue to voluntarily behave largely like a listed company. Enterprise and philanthropy are uniquely intertwined in the case of Tata. The 2 per cent CSR funds spent by operational Tata companies — 28 listed and several unlisted companies — match or exceed the expenditure by the Tata Trusts. This makes Tata distinctive among global corporations.

During 2001-2003, the authors participated in discussions with Ratan Tata, Noshir Soonawala and other company leaders about an IPO. Of what, Tata Sons, TCS, or both? After interminable debates, the collective wisdom was that only TCS should do an IPO, and that event occurred in 2004. The directors of Tata Sons, which then included Pallonji Mistry, were concerned that changing the status of Tata Sons could materially change its unique approach to enterprise and philanthropy, apart from suffering a holding company discount.

Tata is not just a company. It is a community. It has one million employees and a living employee alumni of four million. These five million people and their families are a community that is bigger than Belgium and Austria together.

Compelling such an institution to do an IPO requires careful reconsideration. An IPO should be the decision of the company board.

The writers are former directors of Tata Sons and, together, served Tata for 55 years

KEY HIGHLIGHTS:

Context of the News

- A debate has emerged on whether Tata Sons, the holding company of the Tata Group, should be listed on stock exchanges through an IPO.
- Some stakeholders argue that listing would improve transparency and provide liquidity to shareholders.
- Others contend that Tata Sons already follows high governance standards and should retain the flexibility of being an unlisted company.
- The issue highlights broader questions relating to corporate governance, capital markets, shareholder rights, and regulatory oversight in India.

Key Points

- Tata Sons is the principal holding company of the Tata Group.
- An IPO (Initial Public Offering) is the first sale of a company's shares to the public.
- Listing on stock exchanges brings:
    - Greater disclosure requirements.
    - Increased regulatory scrutiny.
    - Wider public ownership.
    - Improved liquidity for shareholders.
- Corporate governance refers to the system of rules and practices through which companies are directed and controlled.
- Transparency and accountability are key pillars of good corporate governance.
- The debate reflects the balance between:
    - Corporate autonomy, and
    - Public accountability.

Static Linkages

- Capital markets mobilize savings for investment and economic growth.
- Shareholders are owners, while management acts as fiduciaries.
- Transparency reduces information asymmetry in markets.
- Disclosure norms help protect investor interests.
- Corporate governance promotes accountability and ethical business conduct.
- Market efficiency depends upon adequate information availability.
- Philanthropic trusts can own and control business enterprises.
- CSR aims to integrate business objectives with social welfare.

Critical Analysis

Arguments Supporting Listing

- Enhances transparency through mandatory disclosures.
- Strengthens investor confidence.
- Provides liquidity and exit opportunities to shareholders.
- Improves market-based valuation of assets.
- Expands public participation in wealth creation.

Arguments Against Listing

- Listing does not automatically guarantee better governance.
- Can increase pressure for short-term profits.
- May dilute long-term strategic objectives.
- Higher compliance and regulatory costs.
- May affect the unique philanthropy-driven ownership structure.

Challenges

- Balancing transparency with operational autonomy.
- Protecting minority shareholder interests.
- Preserving long-term value creation.
- Ensuring accountability without excessive regulation.

Way Forward

- Strengthen governance standards for both listed and large unlisted companies.
- Improve minority shareholder protection mechanisms.
- Encourage voluntary disclosures beyond regulatory requirements.
- Promote board independence and accountability.
- Ensure a balanced regulatory framework that supports both transparency and business efficiency.

New algorithms, same old exploitation of gig workers

Avdhesh Kumar

FOOD AND grocery delivery platforms claim they are no longer pushing workers to complete deliveries within 10 minutes. Yet the larger question remains unresolved: Can delivery workers truly escape the pressure of time-bound labour in a fiercely competitive platform economy? Whether in product deliveries, ride-hailing services, or customer support systems, digital platforms continue to operate on the logic of speed and constant availability.

This logic is not entirely new. Karl Marx, in his theory of surplus value, and David Harvey in *The Limits to Capital* (1982) and *The Condition of Postmodernity* (1989), explained how capitalism seeks to reduce the time required for the circulation of commodities and capital. Technological advancements have intensified this tendency by enabling faster production, delivery, and labour extraction. The platform economy is an example of this. However, can workers' dignity, identity, social security, and welfare survive within these digitally controlled workplaces?

During my recent fieldwork in Delhi, I interacted extensively with delivery workers employed by food and grocery applications. One phrase repeatedly surfaced: "*Jitna zyada kaam karoge utna kamaoge*" — the more you work, the more you earn. This resembles the old capitalist promise that hard work guarantees better earning, a belief that continues to dominate India's labour market. However, the condition of gig workers reveals a different story. Many delivery agents reported working more than 84 hours a week simply to break what they colloquially call the "incentive *tala*" (lock) — a threshold that must be crossed before higher incentives become available. Even after such exhausting schedules, most workers in Delhi earn only between Rs 25,000 and Rs 30,000 a month. They must manage fuel expenses, vehicle EMI and maintenance, rent, and family responsibilities from this. Rising fuel prices have deepened their vulnerability, making workers increasingly dependent on uncertain state interventions and inconsistent platform policies.

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Equally troubling is the growing role of technology and artificial intelligence in regulating labour. Gig work is often presented as technologically neutral, but workers frequently suspect that human managers continue to intervene through algorithmic systems. They have little clarity regarding how incentives are altered, how performance metrics are determined, or why penalties suddenly appear. Dynamic targets and changing incentive structures continuously pressure workers to do more to earn more.

Although the government has recently proposed reforms through the four labour codes and introduced welfare-related recommendations for gig workers, awareness remains limited. One significant proposal was the introduction of formal job-offer letters to provide legitimacy to gig workers. Yet most delivery workers remain unaware of these developments.

Historically, systems such as Taylorism and Fordism justified labour exploitation in the name of efficiency and precision. Today, app-based algorithms appear to reproduce similar forms of control through digital surveillance and psychological manipulation. The challenge is clear: Can workers be protected from these new forms of exploitation within the expanding platform economy?

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KEY HIGHLIGHTS:

Why in News?

- Concerns have been raised over the exploitation of gig workers through algorithm-driven management in food delivery, ride-hailing, and other platform-based services.
- The issue is important in the context of the growing gig economy and implementation of labour welfare measures for platform workers.

Key Facts

- Gig Worker: Person engaged in temporary, flexible, or task-based work outside traditional employer-employee arrangements.
- Platform Worker: Person earning through online digital platforms.
- Code on Social Security, 2020 legally recognizes gig and platform workers.
  - NITI Aayog Report (2022):Gig workers: 77 lakh (2020-21).
  - Projected to reach 2.35 crore by 2029-30.
- Major sectors:
  - Food delivery
  - Ride-hailing
  - E-commerce logistics
  - Home-based services

Issues Associated with Gig Workers

- Lack of job security.
- No guaranteed minimum wages.
- Limited social security coverage.
- Income uncertainty due to incentive-based earnings.
- Long working hours.
- Algorithmic surveillance and monitoring.
- Lack of transparency in ratings and penalties.
- Weak collective bargaining power.

Constitutional & Legal Provisions

- Article 14 – Equality before law.
- Article 21 – Right to life with dignity.
- Article 39(a) – Adequate means of livelihood.
- Article 41 – Right to work.
- Article 42 – Just and humane conditions of work.
- Article 43 – Living wage for workers.

Government Initiatives

- Code on Social Security, 2020
- e-Shram Portal
- PM Jan Arogya Yojana (PM-JAY) coverage initiatives for gig workers
- State-level welfare measures for platform workers (e.g., Rajasthan Gig Workers Welfare Act, 2023)

Significance for India

- Supports digital economy growth.
- Generates employment opportunities.
- Increases labour force participation.
- Promotes service-sector expansion.
- Contributes to inclusive economic growth.

Challenges

- Informalization of workforce.
- Regulatory gaps in employer accountability.
- Absence of universal social security.
- Ethical concerns regarding AI-driven management.
- Rising precarity in urban employment.

Way Forward

- Universal social security coverage.
- Transparent algorithmic governance.
- Minimum earnings protection.
- Portable welfare benefits.
- Effective grievance redressal mechanism.
- Strengthening e-Shram integration.
- Clear regulatory framework for platform economy.