DAILY NEWS PAPER ANALYSIS

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CIVILS WITH AKASH
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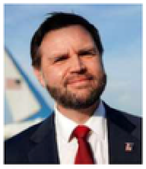
Direct talks with Iran laid a 'good foundation' for final deal: Vance

Agence France-Presse
BURGENSTOCK


J.D. Vance

U.S. Vice-President J.D. Vance declared on Monday that a "very good foundation" had been laid for negotiations towards a final deal with Iran, after a marathon session of direct talks in Switzerland. Tehran has agreed for inspectors from the UN's nuclear watchdog to return to the country, Mr. Vance said, a year after Iran suspended some cooperation and blocked inspectors from key nuclear sites bombed by the U.S. and Israel in the 12-day war of 2025.

Iranian Foreign Ministry spokesperson Esmaeil Baqaei said on Monday "a very brief discussion took place regarding the nuclear issue, but there was no discussion of details" and that nuclear talks had not begun.

Mr. Vance, meanwhile, said Tehran had agreed to invite International Atomic Energy Agency (IAEA) inspectors "back to their country", calling it "a major milestone... and the first step in permanently denuclearising" Iran.

The U.S. Treasury Department later on Monday issued a general licence for Iran that authorised the production, delivery, and sale of crude oil and petrochemical and petroleum products of Iranian-origin through August 21. The transactions authorised include imports into the U.S.

Mediators Pakistan and Qatar said the negotiators in Switzerland have reached agreement on a "roadmap towards reaching a final deal within 60 days", with technical talks to continue for the rest of the week. "We laid a very good foundation for a successful final deal," Mr. Vance told presspersons at Switzerland's luxury Burgenstock resort, adding that "the final deal is the house... We have not built the house, but we have laid a successful foundation to get to a good place for the American people".

"Encouraging progress has been made including the creation of a mechanism for further technical talks," the mediators said, detailing a contact channel set up to "avoid incidents and miscommunication" in the Strait of Hormuz.

'Constructive progress'

Switzerland said conditions had been set for technical talks to immediately follow, with the two sides at the beginning of a 60-day period to secure a long-term settlement.

"The Swiss facilitator welcomes the constructive progress made during the intensive diplomatic talks," the Swiss Foreign Ministry said, adding that the road map agreed during the first round of talks "creates the conditions for the immediate resumption of new technical discussions".

Last week, Tehran and Washington signed a memorandum of understanding laying the groundwork for the negotiations. The negotiators aim at tackling some of the most intractable issues that have dogged U.S.-Iranian ties for decades, including Tehran's nuclear programme.

Tehran and Washington have set up communication lines to end the fighting in Lebanon and to keep the vital Strait of Hormuz open, mediators said. Iran is also set to get some form of sanctions relief from Washington, with some assets unfrozen.

A "de-confliction cell", between the parties and the Lebanese authorities has also been agreed to prevent fighting from erupting again, they said.

(With Reuters inputs)

SANCTION WAIVER
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KEY HIGHLIGHTS:

Context of the News

- The U.S. and Iran held direct talks in Switzerland to revive engagement on Iran's nuclear programme.
- A 60-day roadmap has reportedly been agreed for negotiations toward a comprehensive settlement.
- Iran is expected to allow inspectors of the International Atomic Energy Agency (IAEA) to resume monitoring activities.
- The U.S. has provided limited sanctions relief through a temporary licence for certain Iranian oil and petrochemical transactions.
- Mechanisms have been established to prevent tensions in the Strait of Hormuz, a critical global energy chokepoint.

Key Points

- IAEA is the UN's nuclear watchdog responsible for nuclear safeguards and verification.
- Iran is a signatory to the Nuclear Non-Proliferation Treaty (NPT).
- The talks focus on:
  - Uranium enrichment levels.
  - Nuclear inspections and verification.
  - Sanctions relief.
  - Regional security issues.
- The Strait of Hormuz connects:
  - Persian Gulf with
  - Gulf of Oman and Arabian Sea.
- Around one-fifth of global petroleum trade passes through the Strait of Hormuz, making it strategically significant for India's energy security.

Static Linkages

- NPT entered into force in 1970.
- NPT recognizes five Nuclear Weapon States:
  - United States
  - Russia
  - United Kingdom
  - France
  - China
- India is not a signatory to the NPT.
- IAEA was established in 1957 and is headquartered in Vienna, Austria.
- IAEA reports cases of non-compliance to the UN Security Council.
- Strategic chokepoints in global trade:
  - Strait of Hormuz
  - Bab-el-Mandeb
  - Strait of Malacca
  - Suez Canal

Critical Analysis

Opportunities

- Reduces risk of nuclear proliferation in West Asia.
- Enhances transparency through IAEA inspections.
- Stabilizes global crude oil markets.
- Ensures smoother maritime trade through the Strait of Hormuz.
- Supports diplomatic resolution of conflicts.

Challenges

- Trust deficit between Iran and the U.S.
- Verification of nuclear commitments remains difficult.
- Regional geopolitical rivalries may hinder implementation.
- Any disruption in the Strait of Hormuz can impact India's energy imports.
- Sanctions relief may become a contentious issue during negotiations.

Way Forward

- Strengthen IAEA-led verification mechanisms.
- Adopt phased sanctions relief linked to compliance.
- Ensure uninterrupted freedom of navigation in strategic waterways.
- Promote multilateral diplomacy involving regional stakeholders.
- Enhance global non-proliferation efforts through institutional cooperation.

Core sector growth slows to 0.5%; crude, coal contract

T.C.A. Sharad Raghavan
NEW DELHI

The growth in India's eight core industrial sectors slowed to 0.5% in May 2026, the second lowest in 21 months, official data showed.

The data on the Index of Eight Core Industries released by the Ministry of Commerce and Industry on Monday showed that five out of eight sectors contracted in May 2026.

The only month in the past 21 months that saw a slower core sector growth was October 2025, when the index contracted 0.1%.

"Core sector growth in May was disappointing at 0.5% compared with 1.2% last year," Madan Sabnavis, chief economist at the Bank of Baroda, said. "The lower growth number on a low base can be attributed more to the decline in production from the petroleum-based sector."

The crude oil sector contracted 4.6% in May, a worse performance than the contraction of 3.9% in April and of 1.8% in May last year. Similarly, the natural gas sector contracted 4.9% in May, its worst performance in three months.

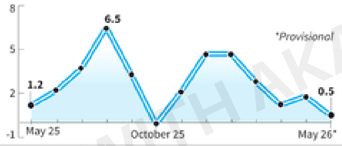
The refinery products sector contracted by 8.7% in May, its worst performance in three-and-half years. According to Rahul Agrawal, principal economist at ICRA, this "partly reflects the fallout of the West Asia crisis". The coal sector, too, contracted by 9.3% – the worst in 10 months. "Crude oil, natural gas, and refinery products – all registered a decline in production," Mr. Sabnavis said. "This can be attributed more to the higher import of crude and softening of prices in the international market."

The fertilizer sector contracted for the third consecutive month in May, by 0.9%. This was, however, a stronger performance than the contraction of 8.6% in April and of 24.6% in March. The steel, cement, and electricity sectors were the only ones that registered growth in May. Of these, the electricity sector saw growth accelerate to 8.7%, albeit on a low base since the sector contracted by 4.7% in May last year.

The steel sector saw growth slowing to a 16-month low of 5% while cement sector grew at 8.4%.

Growth slump

After touching 6.5% in August 2025, core sector growth has slowed to 0.5% in May 2026, the second slowest in 21 months



SOURCE: MINISTRY OF COMMERCE & INDUSTRY

KEY HIGHLIGHTS:

Context

- Growth of the Index of Eight Core Industries (ICI) slowed to 0.5% in May 2026, the second-lowest growth rate in the last 21 months.
- Five of the eight core sectors recorded negative growth.
- Major decline was observed in crude oil, natural gas, refinery products, coal, and fertilizers.
- The slowdown is partly attributed to global energy market developments and geopolitical tensions in West Asia.

Key Points

Index of Eight Core Industries (ICI)

- Released by: Office of Economic Adviser (OEA), Ministry of Commerce & Industry
- Base Year: 2011-12
- Weight in IIP: 40.27%
- Serves as a leading indicator of industrial performance.

Eight Core Industries

1. Coal
2. Crude Oil
3. Natural Gas
4. Refinery Products
5. Fertilizers
6. Steel
7. Cement
8. Electricity

Major Trends (May 2026)

- Crude Oil: -4.6%
- Natural Gas: -4.9%
- Refinery Products: -8.7%
- Coal: -9.3%
- Fertilizers: -0.9%
- Steel: +5.0%
- Cement: +8.4%
- Electricity: +8.7%

Exam-Relevant Significance

- Refinery Products carry the highest weight (28.04%) among core industries.
- Core industries account for over 40% of IIP, making them crucial indicators of economic activity.
- Persistent decline in energy-related sectors can affect:
  - Industrial production
  - Manufacturing growth
  - Energy security
  - GDP growth

Static Linkages

- Industrial growth is measured through the Index of Industrial Production (IIP).
- IIP is released by the National Statistical Office (NSO).
- Infrastructure sectors have strong forward and backward linkages in the economy.
- India imports about 85% of its crude oil requirement, making it vulnerable to external shocks.
- Energy security is a key component of economic security.
- Supply-side shocks in energy markets can lead to cost-push inflation.

Critical Analysis

Concerns

- Broad-based contraction in five core sectors indicates weakening industrial momentum.
- Decline in crude oil and natural gas output reflects structural challenges in domestic energy production.
- Higher dependence on imports increases vulnerability to geopolitical disruptions.
- Weak core sector growth may adversely affect future IIP and GDP growth.

Positives

- Strong growth in steel and cement indicates continued infrastructure activity.
- Rising electricity generation reflects sustained economic demand.
- Public capital expenditure continues to support infrastructure sectors.

Way Forward

- Enhance domestic exploration of oil and gas reserves.
- Diversify energy import sources.
- Expand renewable energy capacity.
- Strengthen strategic petroleum reserves.
- Sustain infrastructure-led capital expenditure.
- Improve efficiency in mining and energy sectors.
- Accelerate implementation of PM Gati Shakti and logistics reforms.

The challenge of India's digital sovereignty

In the modern world, digital infrastructure is the track on which commerce, government, and national security run. Seen in this context, recent reports of Indian closed-circuit television (CCTV) networks being compromised by hostile entities to gain access to information on India's strategic defence assets (April 2026), along with an incident in July 2025, in which Nayara Energy was abruptly denied access to its corporate email, collaboration tools, and cloud-stored data, raise serious concerns about the future of India's digital and technological sovereignty. While the CCTV security breach was attributed to the use of the Chinese software platform EseeCloud in the CCTV equipment, the Nayara episode was a result of Microsoft Corporation's unilateral enforcement of European Union (EU) sanctions against Nayara Energy due to the stake held in it by the Russian energy giant Rosneft.

These incidents have exposed an uncomfortable reality: critical Indian digital infrastructures such as authentication systems, productivity suites, and cloud platforms operate on technology platforms owned and operated by foreign technology giants. Even when data is physically stored in India, under certain existing global data governance regimes, foreign cloud technology companies can be compelled to provide data within their possession to their home governments. As a result, effective control over digital infrastructure shifts away from Indian entities to overseas corporations and foreign governments.

Foreign control, national risk

The major implication is that the functioning of Indian businesses and critical government services built on foreign technology platforms becomes vulnerable to decisions made by external sovereigns. Directives issued by external sovereigns to deny access to critical digital technology to Indian entities could suspend government operations, collapse trade and commerce, halt manufacturing, and weaken defence capabilities.

For instance, since contemporary warfare is software-defined, the intelligence embedded in fighter aircraft, missile systems, and advanced radar installations resides not in hardware but in code that remains under the control of manufacturers answerable to foreign governments. In conflict scenarios, these manufacturers could possibly degrade targeting accuracy, reduce operational range, or worse, redirect battlefield intelligence to adversaries due to instructions from external sovereigns, all through software configuration changes. A case in point is the 1999 Kargil conflict, during which India faced limitations on access to precise GPS support at a moment when navigation and targeting in mountainous terrain were operationally decisive.

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Digital sovereignty is essential for India's technological security and strategic autonomy

India's unique situation

The vulnerability and the risks of dependence on foreign digital infrastructure are being recognised globally. France plans to shift government departments from Microsoft Teams and Zoom to a sovereign video-conferencing platform by 2027. The Netherlands, Denmark, and several German states are exploring domestic alternatives to critical United States software and cloud services such as Microsoft Word, Excel, Outlook, and Teams. The EU is seeking to reduce its dependence on American technology through independent European cloud and IT infrastructure, while Türkiye is lessening its reliance on foreign technologies.

However, unlike other nations, India's situation is uniquely precarious when contextualised within the framework of Power Transition Theory, which posits that when a rising power, desirous of maintaining strategic autonomy, approaches parity with an established hegemon, the latter invariably acts to constrain the former. History demonstrates that rising competitors are contained or co-opted. We already see it being played out on a much larger scale between the U.S. and China. With an accelerating growth trajectory, India has been inching towards this critical zone while facing a daunting task: building its economic fortune on a technology infrastructure independent of foreign influence.

The strategy to address this challenge must be multipronged. The denial of GPS access during the Kargil conflict spurred India to develop its own satellite navigation system. More recently, efforts to strengthen the domestic semiconductor ecosystem and migrate the email systems of some central government ministries to the homegrown Zoho platform reflect a growing commitment to digital and technological sovereignty. India's success in building indigenous payments infrastructure through UPI and RuPay has shown that vulnerabilities arising from foreign-controlled systems can be overcome. This model can be extended to cloud infrastructure, e-commerce platforms, authentication systems, and defence technologies.

To de-risk dependence on foreign defence technologies, India could emulate aspects of the U.S.'s defence production and procurement model. While India has long recognised the importance of self-reliance in defence manufacturing, its heavy reliance on the public sector has not delivered the desired results. The absence of an indigenous modern fighter aircraft despite the programme having begun in the 1980s is a stark reminder of this shortcoming. In contrast, American defence platforms are largely developed by private corporations, with the government providing research funding and assured procurement. This creates a virtuous cycle in which companies develop cutting-edge capabilities while remaining aligned with national strategic interests. India has recently begun moving in this direction by inviting private-sector participation in the development of the Advanced Medium Combat Aircraft under a competitive framework.

Another way to safeguard digital sovereignty is to develop critical technologies and digital infrastructure in partnership with other countries. This ensures mutual dependence, reducing the risk of unilateral actions that could undermine India's strategic interests. The BrahMos missile programme, jointly developed by India and Russia, is a notable example. A key advantage of this approach is that it enables India to build technological capabilities without risking international isolation, unlike China which allowed only indigenous companies to develop critical technologies. Seen in this context, two recent developments are encouraging. The first is the commencement of commercial production at Micron Technology's semiconductor Assembly, Test, Marking and Packaging (ATMP) facility in Sanand, Gujarat, established through India-U.S. technology cooperation. The second is India's decision to join Pax Silica, the U.S.-led initiative on AI and supply-chain security aimed at reducing dependence on Chinese technology and strengthening trusted technology partnerships.

Close the R&D gap

Above all, India must urgently raise its research and development (R&D) spending to levels comparable with global leaders. India's gross expenditure on R&D averaged just 0.74% of GDP between 2000 and 2020 against a global average of 2.07%. This persistent R&D spending deficit raises serious concerns about India's future technological and digital sovereignty. For a country of India's demographic scale and economic ambitions, seeking to approach parity with established powers, the question is not whether it can afford comprehensive technological sovereignty, but whether it can afford to forgo it. The extent to which India succeeds in mitigating the risks to its technological sovereignty will determine its economic competitiveness and strategic autonomy in an increasingly fragmented international order.

The views expressed are personal

KEY HIGHLIGHTS:

Context

- April 2026: Indian CCTV networks were reportedly compromised through Chinese software platform EseeCloud, raising concerns over defence and surveillance security.
- July 2025: Nayara Energy reportedly lost access to email, cloud storage and collaboration tools due to sanctions-related actions by a foreign technology provider.
- These incidents exposed India's dependence on foreign-controlled:
  - Cloud infrastructure
  - Software ecosystems
  - Digital communication platforms
  - Semiconductors
  - Defence technologies

Key Concepts

Digital Sovereignty
- National control over:
  - Data
  - Digital infrastructure
  - Critical software and platforms

Technological Sovereignty
- Ability to develop, deploy and control critical technologies without excessive foreign dependence.

Data Sovereignty
- Data remains under the legal and regulatory control of the nation.

Major Concerns

National Security
- Cyber espionage risks.
- Exposure of strategic assets.
- Dependence on foreign software and hardware.

Economic Security
- Vulnerability of businesses to external sanctions and service disruptions.
- Dependence on foreign cloud providers.

Defence Security
- Modern warfare is increasingly software-driven.
- Foreign-controlled systems may affect:
  - Navigation
  - Communication
  - Targeting capabilities

Important Examples

Kargil War (1999)
- India faced limitations in access to precise GPS services.

Outcome
- Development of NavIC (Navigation with Indian Constellation).

Indigenous Digital Successes
- UPI – Domestic digital payment infrastructure.
- RuPay – Indigenous card payment network.
- Aadhaar – Digital identity infrastructure.

Government Initiatives

India Semiconductor Mission (2021)
- Develop semiconductor manufacturing ecosystem.
- Reduce import dependence.

Digital India Programme
- Digital infrastructure.
- E-governance.
- Digital empowerment.

IndiaAI Mission
- Indigenous AI ecosystem.

National Quantum Mission (2023)
- Quantum computing.
- Quantum communication.

Digital Personal Data Protection Act, 2023
- Framework for protection and processing of personal data.

Important Institutions

- CERT-In :- Cyber incident response
- NCIIPC :- Protection of Critical Information Infrastructure
- NTRO :- Technical intelligence and cyber security
- MeitY :- Digital governance and IT policy
- NPCI :- Digital payment infrastructure
- ISRO :- NavIC and space-based capabilities

International Trends
- EU: Promoting digital strategic autonomy and sovereign cloud infrastructure.
- France: Moving towards sovereign digital platforms.
- Germany, Netherlands, Denmark: Exploring alternatives to foreign software ecosystems.

- China: Indigenous technology development and self-reliance.

Static Linkages

- Strategic autonomy is a key pillar of India's foreign policy.
- Cyber security is part of national security.
- Critical infrastructure protection is vital for internal security.
- R&D and innovation determine long-term technological competitiveness.
- Public-private partnerships accelerate technological development.

Challenges

- Low R&D expenditure:
  - India: ~0.74% of GDP (2000–2020 average)
  - Global Average: ~2.07% of GDP
- Semiconductor import dependence.
- Limited deep-tech ecosystem.
- Supply-chain vulnerabilities.
- High cost of indigenous technology development.

Opportunities

- Semiconductor manufacturing.
- AI ecosystem.
- Cybersecurity industry.
- Defence indigenisation.
- Quantum technologies.
- Digital Public Infrastructure exports.

Critical Analysis

Advantages

- Enhances national security.
- Strengthens strategic autonomy.
- Protects critical infrastructure.
- Promotes innovation and employment.
- Reduces geopolitical vulnerabilities.

Concerns

- High capital requirements.
- Long gestation periods.
- Risk of protectionism.
- Complete technological self-sufficiency is difficult due to global supply chains.

Way Forward

- Increase R&D spending towards global standards.
- Strengthen India Semiconductor Mission.
- Develop sovereign cloud infrastructure.
- Promote indigenous software ecosystems.
- Expand private-sector participation in defence technology.
- Strengthen cyber security standards.
- Deepen trusted technology partnerships.
- Accelerate adoption of NavIC and indigenous digital platforms.

The world that China desires and is shaping

The sheer destructiveness of American foreign policy under United States President Donald Trump is obscuring a quiet but consequential shift in global politics. Mr. Trump's Liberation Day tariffs, the disastrous war against Iran, and systematic alienation of allies and partners have dominated headlines and consumed diplomatic bandwidth. And rightly so. The U.S., architect of the post-war international order, is now taking a machete to the very frameworks it built. But the chaos emanating from Washington is drawing attention away from what China is doing with the space this creates.

Manoj Kewalramani

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The Chinese alternative

Last week, Beijing released a white paper on global governance, which offers a systematic articulation of how it is reshaping the world order. As expected, the paper presents China as a defender of the international system, warning that humanity must not be allowed to return to "the law of the jungle". Beijing argues that it has paid its United Nations dues ahead of schedule in 2025; it has backed the restoration of the WTO's Appellate Body; and its four global initiatives are a demonstration of its responsibility as a great power. This is not, however, the full picture. A close reading of China's diplomacy shows that it is not simply defending the post-war order. Rather, it is selectively revising it, largely preserving the institutional scaffolding while quietly rewriting the normative substance that gives it meaning.

Understanding this requires disaggregating the international order into two dimensions: the institutional and the normative. The institutional order comprises the UN system, the Bretton Woods institutions, and the multilateral architecture built in the years following the Second World War. The normative order encompasses the principles that animate these institutions, from Westphalian norms of sovereignty and non-interference to liberal norms of human rights, democratic governance, free markets, and the rule of law. On the institutional front, Beijing is deeply invested. It is the second-largest contributor to the UN budget, having raised its share of the UN regular budget from under 1% in 2000 to over 20% in 2025, a proactive participant in WTO reform, and a builder of complementary institutions such as the Asian Infrastructure Investment Bank, the New Development Bank, and the Shanghai Cooperation Organisation. These are not designed to replace the existing system but to expand China's authority within it while creating parallel platforms that advance its agenda. This is institutional revisionism, not revolution.

China's recent white paper outlines a transformation of the norms beneath the international order

Normative ambitions

The real action, however, is in the normative domain, where China's ambitions are far more transformative. Beijing's four global initiatives –on development, security, civilisation, and governance – collectively represent a sustained campaign of norm entrepreneurship. Individually, each sounds benign. The Global Development Initiative links itself to the UN Sustainable Development Goals. The Global Civilization Initiative (GCI) calls for respecting civilisational diversity. The Global Security Initiative (GSI) emphasises sovereignty and non-interference. And the Global Governance Initiative explicitly says that reform "does not mean to overturn the existing international order".

But look closer. The GSI's emphasis on taking "legitimate security concerns of all countries seriously" has been operationalised to dilute Ukraine's sovereign right to choose its own alliances, a position that conveniently serves Beijing's broader interest in weakening the North Atlantic Treaty Organization. The GCI's call for diverse interpretations of universal values is, in practice, an effort to recast human rights as culturally contingent rather than universal, shielding authoritarian governance from scrutiny. And China's redefinition of democracy in explicitly outcome-based terms, where legitimacy derives from material delivery rather than political participation, institutional independence, or accountability, represents a fundamental departure from liberal norms.

Meanwhile, China's own behaviour reveals the limits of its professed commitment even to the Westphalian norms it champions. In the South China Sea, it rejected the 2016 Permanent Court of Arbitration ruling as "null and void". Along its borders with India and Bhutan, periodic standoffs persist. The Belt and Road Initiative, while framed as development cooperation, has often blurred the line between external partnership and internal influence in recipient states.

A different world

Seen in this light, what emerges is a picture not of a revolutionary power seeking to torch the existing system, but of a sophisticated selective revisionist – one that preserves the institutional architecture it finds useful while systematically hollowing out the normative foundations to align with its objectives. Beijing supports sovereignty when it suits its interests and dilutes it when it does not. It endorses multilateralism in trade while practising selective openness and securitisation at home.

This matters enormously at a moment when reckless American policies appear to be making Beijing's revisionism seem palatable to many. The risk is not that the institutional order collapses. Both Washington and Beijing, for different reasons, remain invested in its survival. The risk is that the principles animating that order are gradually redefined in a way that undermines the sovereign equality of states, weakens civil society and individual rights, and erodes the rule of law. This is a future that does not align with India's strategic interests.

KEY HIGHLIGHTS:

Context

- China released a White Paper on Global Governance outlining its vision for reforming the international order.
- It projects itself as a supporter of multilateralism, UN-centred governance, and WTO reforms.
- The development comes amid increasing uncertainty in the global order due to geopolitical conflicts, protectionism, and great-power rivalry.
- China seeks to retain existing international institutions while promoting alternative norms and governance models.

Key Points

China's Institutional Approach

- Supports existing institutions:
  - United Nations (UN)
  - World Trade Organization (WTO)
  - International Monetary Fund (IMF)
  - World Bank
- China's share in UN regular budget:
  - Less than 1% (2000)
  - More than 20% (2025)
- China is:
  - Permanent member of UNSC.
  - Second-largest contributor to the UN budget.

Major Chinese Initiatives

Global Development Initiative (GDI) – 2021

- Focus: Poverty reduction, food security, digital economy, green development.
- Linked with Sustainable Development Goals (SDGs).

Global Security Initiative (GSI) – 2022

- Emphasizes:
  - Sovereignty
  - Territorial integrity
  - Non-interference
  - Common security

Global Civilization Initiative (GCI) – 2023

- Promotes:
  - Civilizational diversity
  - Multiple development paths
  - Cultural pluralism

Global Governance Initiative

- Calls for reforms in global institutions.
- Greater voice for developing countries.

China-led/Supported Institutions

- Asian Infrastructure Investment Bank (AIIB)
- New Development Bank (NDB)
- Shanghai Cooperation Organisation (SCO)
- Belt and Road Initiative (BRI)

Static Linkages

- UN Charter:
  - Sovereign equality of states (Article 2).
  - Peaceful settlement of disputes.
  - Non-use of force.
- Westphalian Sovereignty:
  - Territorial integrity.
  - Non-interference in domestic affairs.
- Liberal International Order:
  - Democracy
  - Human rights
  - Rule of law
  - Free trade
- Bretton Woods Institutions:
  - IMF
  - World Bank
- International dispute settlement mechanisms:
  - International Court of Justice (ICJ)
  - Permanent Court of Arbitration (PCA)

Critical Analysis

Opportunities

- Greater representation of Global South countries.
- Reform of existing international institutions.
- Alternative sources of development finance.
- Promotion of multipolarity.

Concerns

- Selective interpretation of sovereignty.
- Challenge to universal human rights norms.
- Limited transparency in overseas projects.
- Increasing strategic influence through economic tools.
- Rejection of adverse international rulings (e.g., South China Sea Arbitration Award, 2016).

India's Perspective

- Supports a multipolar world order.
- Seeks reform, not replacement, of global institutions.
- Upholds rule-based international order.
- Balances engagement with strategic competition vis-à-vis China.

Way Forward

- Accelerate UNSC reforms.
- Strengthen rules-based international order.
- Enhance Global South representation.
- Promote adherence to international law.
- Strengthen multilateral institutions.

Deadly fumes

Strict enforcement of safety norms is absent in many industrial units

Tamil Nadu has witnessed its deadliest industrial ammonia gas leak tragedy, which has so far claimed the lives of eight migrant women workers at a private seafood processing unit in Tiruvallur district. Some of the 68 hospitalised workers are in intensive care on oxygen support. Since the 1980s, the State has battled ammonia leaks in factories every few years, mostly in and around Chennai. Other than in Thoothukudi in 2024, where one worker died, such accidents have at worst led to the hospitalisation of large numbers of people with eye irritation and breathing difficulties. There were no casualties even when an estimated 67.638 tonnes of ammonia leaked from the undersea pipeline of a private company in Ennore during Cyclone Michaung in 2023. The scale of the tragedy at St. Peter & Paul Seafood Exports Pvt. Ltd., Tiruvallur, indicates that the colourless pungent gas may have accumulated in the atmosphere at fatal concentrations. The leak occurred when workers were resting in factory accommodation, on Sunday. Had the incident occurred on a working day, the number of people exposed to the leak from the ammonia pipeline to the ice-flake machinery could have been significantly higher.

While a committee comprising the Director of Industrial Safety and Health (DISH), the Member Secretary of the TN Pollution Control Board, and the Additional Director of Public Health is conducting an inquiry, disturbing facts have emerged. The factory reportedly failed to rectify serious deficiencies, pointed out during an earlier DISH inspection, including the absence of a suitable alarm system and fire hydrant. It had also not obtained a revised plan approval for installing an ice-flaking machine. That matter is sub judice. Investigations will reveal whether these shortcomings had any bearing in this tragedy. What is clear, however, is that had the recommendations made by DISH in the Ennore case been universally enforced in factories using ammonia, the scale of the current tragedy could have been contained. DISH had recommended the provision of adequate ammonia sensors in the plant and surrounding areas for early warning, along with water-curtain systems linked to ammonia alarms and fire-water nozzles for ammonia feed pumps to reduce the impact of leaks. The government has now decided to form a committee to inspect all 6,669 hazardous industries. However, numerous checks and balances exist under the Tamil Nadu Control of Industrial Major Accident Hazards Rules, 1994. What is required is strict enforcement through a coordinated approach, stronger penalties for violators, and the political will to act decisively against them.

KEY HIGHLIGHTS:

Context

- An ammonia gas leak at a seafood processing unit in Tiruvallur, Tamil Nadu, caused the death of 8 workers and hospitalization of several others.
- The leak reportedly originated from an ammonia pipeline connected to an ice-flake refrigeration system.
- Previous inspections had flagged deficiencies such as the absence of alarm systems and inadequate safety infrastructure.
- The Tamil Nadu Government has ordered inspections of 6,669 hazardous industries across the State.

Key Points

Ammonia (NH_3)

- Colourless gas with pungent odour.
- Highly soluble in water.
- Widely used in:
  - Refrigeration and cold-storage units
  - Fertilizer industry
  - Chemical manufacturing
- Exposure can cause:
  - Eye irritation
  - Respiratory distress
  - Lung damage
  - Death at high concentrations

Relevant Regulations

- Environment (Protection) Act, 1986
- Manufacture, Storage and Import of Hazardous Chemicals (MSIHC) Rules, 1989
- Chemical Accidents (Emergency Planning, Preparedness and Response) Rules, 1996
- Occupational Safety, Health and Working Conditions Code, 2020
- Tamil Nadu Control of Industrial Major Accident Hazards Rules, 1994

Institutional Framework

- National Disaster Management Authority (NDMA)
- State Disaster Management Authorities (SDMAs)
- Directorate of Industrial Safety and Health (DISH)
- Central Pollution Control Board (CPCB)
- State Pollution Control Boards (SPCBs)

Static Linkages

- Article 21: Right to Life includes the right to a healthy and safe environment.
- Precautionary Principle and Polluter Pays Principle are part of Indian environmental jurisprudence.
- Chemical disasters are classified as man-made disasters under disaster management.
- Hazardous industries must prepare On-site and Off-site Emergency Plans.
- Safety audits and risk assessments are mandatory for hazardous chemical industries.

Critical Analysis

Issues

- Weak enforcement despite existing regulations.
- Inadequate safety monitoring and compliance.
- Lack of early-warning systems and emergency preparedness.
- High vulnerability of migrant workers.
- Recurrent industrial accidents indicate systemic regulatory gaps.

Significance

- Highlights the importance of industrial safety in India's manufacturing growth.
- Demonstrates the need for stronger disaster-risk governance.
- Raises concerns regarding occupational health and worker protection.

Way Forward

- Mandatory real-time gas detection and alarm systems.
- Periodic third-party safety audits.
- Strict enforcement of hazardous chemical regulations.
- Regular mock drills and emergency preparedness exercises.
- Stronger penalties for safety violations.
- Improved worker training and safety awareness.
- Adoption of Process Safety Management (PSM) standards.

Stay with the evidence

Better monitoring of sale of banned drugs is essential

The character of science leans to openness: to new evidence and emerging facts. Its ability to be agile to pivot and shift to newer guidelines is therefore absolutely crucial. The Health Ministry's recent ban on 16 Fixed Dose Combination (FDC) drugs comes on the evidence that these drug combinations lack therapeutic justification, are 'deemed irrational or unsafe' and might pose risks to patients. The drugs include dermatological drugs, analgesics and antispasmodics, and antibiotic-based formulations. An FDC is a drug containing two or more active pharmacological ingredients, combined in a fixed ratio in a single dosage. These were meant to improve treatment compliance in chronic conditions (such as Tuberculosis) by reducing the pill burden and, sometimes, by improved therapeutic effectiveness. However, irrational combinations, besides being ineffective, can also be counter-productive and harmful. As per the latest order, all State Drug Controllers, regulatory authorities, and enforcement agencies are to ensure strict implementation and compliance with the recent notification. Instructions must also be sent to manufacturers, importers, distributors, and even individual pharmacies, to stop stocking and selling the banned FDCs.

This is not the first time that the Health Ministry is cracking down on FDCs. A detailed scientific review is undertaken before these decisions to ban FDCs are taken. In March 2016, the government banned a whopping number of over 330 FDC drugs, on the ground that they were irrational, with immediate effect. While FDCs offer the advantage of a reduction in the number of pills, of certain benefit to certain categories of patients, there are some innate issues as well: patients might need different titrations of doses, impossible with FDCs; patients might develop allergies, but it will not be clear what particular pharmaceutical ingredient they are reacting to. It is also clear that all patients may not actually need all the drugs in the combination, exposing them to unnecessary side effects. A further potential harm exists with FDCs of antibiotics: In 2016, 19% of the 330 FDCs banned were antibiotics; There is enough evidence to show that irrational antibiotic FDC drug usage leads to or exacerbates the growing antimicrobial resistance problem in the country. While the government has taken a positive step with banning these FDCs, its work has just begun. In many instances in the past, stocks of banned drugs were still being sold in pharmacies, because the message had not percolated down. While staying solidly on the side of evidence-based medicine, the government must also activate its monitoring and supervision arm in order to ensure that the benefits from the ban reach the last mile.

KEY HIGHLIGHTS:

Context

- Ministry of Health & Family Welfare banned 16 Fixed Dose Combination (FDC) drugs after expert review.
- These drugs were found to be irrational, unsafe, or lacking therapeutic justification.
- Includes certain antibiotic combinations, analgesics, dermatological drugs, and antispasmodics.
- Follows the 2016 ban on over 330 irrational FDCs.

Key Points

Fixed Dose Combination (FDC)

- A medicine containing two or more active pharmaceutical ingredients (APIs) in a fixed ratio.
- Intended to:
  - Improve patient compliance.
  - Reduce pill burden.
  - Enhance therapeutic outcomes in specific diseases.

Advantages

- Useful in:
  - Tuberculosis (TB)
  - HIV/AIDS
  - Hypertension
  - Diabetes
- Simplifies treatment regimen.

Concerns

- Difficult dose adjustment for individual patients.
- Increased risk of adverse drug reactions.
- Difficult to identify the causative drug in allergies.
- Unnecessary exposure to medicines not required by all patients.
- Irrational antibiotic FDCs contribute to Antimicrobial Resistance (AMR).

Regulatory Aspect

- Bans issued under provisions of the Drugs and Cosmetics Act, 1940.
- Implemented through Central Drugs Standard Control Organisation (CDSCO) and State Drug Controllers.

Static Linkages

- Drugs and Cosmetics Act, 1940
- Central Drugs Standard Control Organisation (CDSCO)
- Drug Controller General of India (DCGI)
- National Health Policy, 2017 – Rational use of medicines.
- National Action Plan on Antimicrobial Resistance (NAP-AMR)
- WHO's One Health Approach and AWaRe Framework for antibiotic stewardship.

Critical Analysis

Significance

- Promotes evidence-based medicine.
- Improves patient safety.
- Reduces irrational drug usage.
- Supports AMR containment efforts.

Challenges

- Weak enforcement at pharmacy level.
- Continued sale of existing stocks.
- Lack of awareness among prescribers.
- Monitoring online drug sales.

Way Forward

- Strengthen post-market surveillance.
- Expand Pharmacovigilance Programme of India (PvPI).
- Strict enforcement by State Drug Controllers.
- Promote rational prescription practices.
- Strengthen AMR surveillance and antibiotic stewardship.

From farms to factories, trade pact with UK opens new opportunities in India

Piyush Goyal

THE LANDMARK India-UK Comprehensive Economic and Trade Agreement (CETA) will help Indian farmers, fishermen, artisans and small businesses prosper globally and accelerate job creation. It will enable the common man to access high-quality goods at competitive prices, contributing significantly to Prime Minister Narendra Modi's Viksit Bharat 2047 mission. The transformational win-win agreement, which comes into force on July 15, will ensure comprehensive market access for Indian goods in the UK across sectors, particularly labour-intensive ones. It will immediately eliminate tariffs on about 99 per cent of tariff lines, covering almost 100 per cent of trade value, creating enormous opportunities for Indian exports.

A people-centric agreement, CETA was signed last year in the presence of PM Modi and British Prime Minister Keir Starmer. It delivers benefits across society. Farmers gain access to premium export markets without compromising their domestic interests. Fisherfolk benefit from enhanced seafood exports to the vast UK market. Workers gain new employment opportunities in labour-intensive sectors. Women entrepreneurs, youth, start-ups and MSMEs receive improved access to global value chains. Professionals benefit from enhanced mobility and recognition opportunities.

CETA unlocks the premium UK market for Indian farmers, matching or exceeding the benefits enjoyed by other European nations. Turmeric, pepper, cardamom and processed goods such as mango pulp, pickles and pulses will receive duty-free access. Higher agricultural exports will boost farm incomes and create greater incentives for quality, packaging and certification. It will also generate numerous jobs across the agricultural value chain. At the same time, CETA excludes India's most sensitive agricultural sectors to protect domestic farmers, particularly those involved in dairy products, cereals, millets, apples, oats and cooking oils. These exclusions reflect the government's strategy of prioritising food security, domestic price stability and vulnerable farming communities.

Immediate duty-free access to the vast UK market will rev up Indian manufacturing, allowing traditional artisans, large-scale factories, and regional industrial hubs to compete effectively. Small businesses will prosper as Indian products gain a clear competitive edge over rivals. Companies manufacturing soccer balls, cricket gear, rugby balls and toys, among other products, are poised to significantly expand their business in the UK. The removal of duties addresses longstanding tariff barriers, particularly in labour-intensive sectors, and is expected to generate immediate gains in export competitiveness and scale. From the looms of Tiruppur to the labs of Bengaluru, from diamond artisans in Surat to coders in Hyderabad, this agreement touches the real economy.

The UK has provided one of its most comprehensive service commitments ever, covering all major service sectors and 137 sub-sectors of export interest to India. Enhanced market access and regulatory certainty will support Indian service providers in IT and IT-enabled services, financial services, professional services, healthcare, education, engineering, telecommunications and consultancy services. India has secured favourable mobility provisions for skilled professionals, including contractual service providers, business travellers, investors, yoga instructors, musicians and chefs. The agreement also provides predictable mobility pathways for business visitors, intra-corporate transferees, contractual service suppliers, independent professionals and investors. Further, 1,800 Indian chefs, yoga instructors and classical musicians will be able to access dedicated mobility opportunities annually under the agreement.

Under PM Modi's leadership, FTAs go far beyond goods and services and set new benchmarks. With the EFTA countries — Switzerland, Norway, Iceland and Liechtenstein — India secured a commitment of $100 billion in investment, expected to create 1 million direct jobs. In the FTA with New Zealand, the country secured an investment commitment of $20 billion over 15 years, while the Australian FTA resolved the double-taxation issue that had troubled Indian IT companies.

A significant aspect of the agreement with the UK is the Double Contribution Convention. This landmark arrangement, entering into force alongside CETA, exempts Indian workers and employers from making dual social-security contributions in the UK during temporary assignments. More than 75,000 Indian professionals and over 900 companies are expected to benefit from continued social-security coverage for employees on temporary overseas assignments.

> Trade agreements have also ensured the gradual opening up of the domestic market. This makes the Indian market more competitive and encourages local manufacturers to produce high-quality goods at competitive prices

In 2014, the economy was struggling, with potential investors losing confidence. India was regarded as one of the "Fragile Five" economies after a decade marked by policy drift and corruption scandals involving astronomical sums. The Modi government adopted a determined approach to rebuild global confidence in the Indian economy and make it attractive for investors. Signing FTAs with developed countries was the next step. FTAs also enhance investor confidence by reducing uncertainty around trade policies. The government pursued FTAs with developed economies that offer large markets while not directly competing with India's core trade interests. This creates a win-win situation, unlike the previous government's approach of endangering Indian businesses by recklessly opening India's doors to competitors.

Under PM Modi's leadership, India is now widely respected as a resilient economy and a trusted partner in a volatile world. It has established itself as a reliable partner with an attractive market and remains the world's fastest-growing major economy. Game-changing reforms, improvements in ease of doing business, the decriminalisation of minor offences, and the PM's global stature have helped position India as a compelling investment destination. Today, the world wants to participate in India's growth story — and sign FTAs.

These trade agreements have also ensured the gradual opening up of the domestic market. This makes the Indian market more competitive and encourages local manufacturers to produce high-quality goods at competitive prices, which is a key element of the PM's Viksit Bharat mission. CETA is a benchmark for equitable and ambitious trade agreements between major economies. It opens attractive global opportunities for the underprivileged without compromising India's core interests. It is a shining example of how New India does business.

The writer is Union Minister of Commerce and Industry, Government of India

KEY HIGHLIGHTS:

Context

- India–UK Comprehensive Economic and Trade Agreement (CETA) to come into force on 15 July 2026.
- One of India's most significant FTAs with a major developed economy.
- Aims to enhance trade, investment, services, professional mobility and employment generation.

Key Points

Trade Provisions

- UK to eliminate tariffs on about 99% tariff lines, covering nearly 100% of India's trade value.
- Major beneficiaries:- Textiles & Apparel, Leather, Gems & Jewellery, Marine Products, Sports Goods, Toys, Processed Food Products

Agriculture

- Duty-free access for:- Turmeric, Pepper, Cardamom, Mango Pulp, Pickles, Pulses
- Sensitive sectors excluded:- Dairy, Cereals, Millets, Apples, Oat, Edible Oils

Services & Mobility

- UK provides commitments in 137 service sub-sectors.
- Benefits for:- IT & ITES, Financial Services, Healthcare, Education, Engineering, Consultancy
- Enhanced mobility for:- Business visitors, Investors, Professionals, Chefs ,Yoga instructors, Classical musicians

Double Contribution Convention (DCC)

- Prevents dual social-security contributions in the UK during temporary assignments.
- Benefits:
  - 75,000+ Indian professionals
  - 900+ Indian companies

MSMEs & Employment

- Better integration into Global Value Chains (GVCs).
- Increased export opportunities for MSMEs, artisans, women entrepreneurs and start-ups.
- Boost to labour-intensive sectors and job creation.

Static Linkages

- Article XXIV of GATT permits FTAs and Customs Unions as exceptions to MFN principle.
- India follows a strategy of trade liberalisation with sensitive sector protection.
- FTAs improve:
  - Market Access
  - Export Competitiveness
  - Investment Flows
  - Technology Transfer
- Services trade is governed under GATS (General Agreement on Trade in Services).
- Social Security Agreements prevent double contribution by migrant workers.

Critical Analysis

Benefits

- Expands access to a high-income market.
- Enhances export competitiveness.
- Supports labour-intensive manufacturing.
- Increases opportunities for professionals.
- Encourages investment and job creation.

Challenges

- Compliance with stringent UK standards.
- Limited awareness and utilisation of FTA benefits by MSMEs.
- Competition from imported goods.
- Need for better logistics and export infrastructure.

Way Forward

- Strengthen quality certification and testing infrastructure.
- Improve FTA utilisation by MSMEs.
- Promote GI-tagged and value-added exports.
- Enhance logistics efficiency through PM Gati Shakti.
- Diversify export basket and markets.
- Strengthen skill development for global services demand.

Economy is growing, but that isn't translating to well-being

PULAPRE BALAKRISHNAN

THE RIPPLE effect of the war in west Asia has led to a discussion on the state of the economy. The diagnosis, however, is mostly wrong. Observers have claimed that the growth model pursued by the government has run out of steam. According to reports, the deliberations at the most recent meeting of the Prime Minister's Economic Advisory Council revolved around how to ensure that growth does not falter and how reforms can advance "ease of living". What's missing in both cases is the realisation that while the economy is growing quite fast, it may not be delivering the outcomes we would like.

For well-being, we should be looking at consumption and the standard of living. Serial NSS household expenditure surveys point to slower growth of consumption after 2011-12. The Household Consumption Expenditure Survey 2023-24 also enables an assessment of the standard of living. From it, we find that the consumption expenditure on food does not translate to two thali meals at Rs 30 each per day for 50 per cent of the rural population and 20 per cent of the urban population. Food subsidy raises their consumption level, but the all-India figure for those who consume less than two thali meals a day is 30 per cent. This reflects high food deprivation. It may be read along with data from the UN's Food and Agricultural Organisation on the affordability of a healthy diet, which shows that 50 per cent of India cannot afford one.

The high unemployment rate and low food consumption level show that the relatively high growth of the past three years is not trickling down to a large section of the population

Let us turn to employment next. While the unemployment rate has declined over the past five years, in 2025 it was still higher than it was in 2011-12, when growth was actually lower. The same pattern holds for youth unemployment, except that in 2025 it was still close to 10 per cent, which is thrice the figure for the labour force as a whole.

The high unemployment rate and low food consumption level show that the relatively high growth of the past three years is not trickling down to a large section of the population. It has been claimed that inequality in India has been growing from what is already a high base. While precise numbers on the income distribution may not be available, we have data consistent with rising inequality. I refer to the decline in real wages over the past five years. Real wages decline when the cost of living rises, as it is now. We also know that the cost of living rises mainly due to rising food prices. With expenditure on food being a large part of household budgets, less will be available for other goods and services when food becomes costlier. As food prices rise, the consumption of other goods by workers slows. This gets reflected in employment. This is the chain that links the food price, real wages, consumption and employment. Rising profits, which may accompany declining real wages, would lead to higher demand for relatively capital-intensive goods, whose employment-generating impact is less.

The solution offered by some economists that India needs "more reforms" is off the mark. It has been suggested that reforms should be undertaken to attract foreign direct investment. While foreign investment is an important source of foreign exchange, given its form and size in relation to the economy, it is not the factor behind high unemployment or low standard of living. That factor is food price. The real price of food, which is its price relative to that of all other goods, has risen by over 30 per cent since 2011-12.

The PMEAC reportedly discussed ease of doing business in India, an important dimension pertaining to non-agricultural activity. But this segment is facing a demand shortage, while ease of doing business is concerned with the supply side. If the rising price of food is the problem, then its production is what we should be focussing on. Reforms would have a role if they can contribute to steadying, if not lowering, the real price of food. Yield is the critical factor in restraining that price. Interventions to raise it are what is most needed now.

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KEY HIGHLIGHTS:

Context

- Debate on India's growth model amid concerns that high GDP growth is not translating into improved living standards.
- Discussions in PMEAC focused on sustaining growth and improving "ease of living".
- Concerns raised regarding food inflation, unemployment, declining real wages and weak consumption demand.

Key Points

Consumption & Living Standards

- Household Consumption Expenditure Survey (HCES) 2023-24 indicates significant food deprivation among vulnerable sections.
- Around 50% of rural and 20% of urban population have food expenditure below the equivalent of two basic meals per day.
- FAO estimates nearly 50% of Indians cannot afford a healthy diet.

Employment

- Unemployment rate has declined in recent years but remains above 2011-12 levels.
- Youth unemployment remains significantly higher than overall unemployment.

Food Inflation & Real Wages

- Real food prices have increased by over 30% since 2011-12.
- Rising food inflation reduces real wages and purchasing power.
- Lower purchasing power depresses demand for non-food goods and services.

Growth-Inequality Link

- Benefits of growth are not evenly distributed.
- Rising profits alongside stagnant or falling real wages may increase inequality.
- Capital-intensive growth generates relatively fewer jobs.

Policy Concern

- Ease of Doing Business reforms mainly address supply-side issues.
- Current challenge is also demand-side, arising from weak consumption.
- Agricultural productivity and yield enhancement are critical for moderating food inflation.

Static Linkages

- GDP growth ≠ Economic development.
- Real Wage = Nominal Wage – Inflation impact.
- Engel's Law: Share of expenditure on food declines as income rises.
- Food inflation has a larger impact in developing economies due to higher food expenditure share.
- Agriculture remains crucial for:
  - Food security
  - Employment
  - Inflation management
  - Rural demand generation

Critical Analysis

Concerns

- High growth without adequate job creation.
- Persistent youth unemployment.
- Rising food inflation reducing real incomes.
- Weak consumption demand.
- Growing inequality.

Opportunities

- Strong GDP growth provides fiscal space.
- Agricultural reforms can simultaneously improve farmer incomes and consumer welfare.
- Productivity-led growth can reduce inflationary pressures.

Way Forward

- Increase agricultural productivity through technology and irrigation.
- Promote climate-resilient agriculture.
- Strengthen storage and supply chains.
- Focus on employment-intensive sectors.
- Improve real incomes through productivity gains.
- Ensure growth is inclusive and consumption-led.
- Strengthen nutrition and food security interventions.

As El Niño looms, guard against food inflation

THE SOUTHWEST monsoon is in serious deficit territory, with cumulative all-India rainfall this season (June-September) till June 22 being 42.8 per cent below the normal average for this period. Significantly, this is even before El Niño's impact is to really kick in. The deficit for now is being attributed mainly to weak monsoon winds in general. The monsoon arrived three days late over Kerala on June 4. After some initial progress, the onset pulse weakened, with stronger northwesterly dry winds suppressing the incoming monsoon currents and no active eastward-moving Madden-Julian Oscillation system carrying clouds and moisture. The monsoon, in fact, made no progress between June 15 and June 21, before showing signs of revival on Monday.

Rainfall being deficient in June isn't a good augury, as most global climate agencies are forecasting the current El Niño to intensify into a "strong" event towards August-September and "very strong" over October-January. In other words, one must expect no turnaround from a bad start and brace for the worst as El Niño gathers momentum. The last two strong-to-very strong El Niño events in 2023-24 and 2015-16 produced drought years. 2026-27 could turn out no different. The only consolation is that it comes after two consecutive good agriculture years: 2024-25 and 2025-26 saw farmers harvest bumper crops both in India and globally, with record outputs of wheat, rice, maize, sugar and even soyabean, rapeseed and palm oil. Not surprisingly, international food prices haven't followed the course of crude petroleum, natural gas, coal, fertilisers and metals. Their prices have all surged following the US-Israel war on Iran, whereas the abundant stocks from all-time-high production have prevented food inflation spikes — at least so far.

That might change. The worst of the West Asia conflict is over. But El Niño's effects will be felt not only during the ongoing kharif season, where sowing acreages are trailing for want of rain. El Niño is known to also raise temperatures. If this event peaks through October-January, it is the rabi (winter-spring) crops that will bear the brunt. That could, in turn, be a harbinger of future food inflation. The situation calls for deft planning and supply-side management. The government must keep the import window open, which is preferable to knee-jerk export bans/restrictions on farm produce as resorted to in the past. Simultaneously, there is a need to protect farmers against prevented/failed sowing or yield loss through expedited crop surveys and insurance payments. Last but not least, make VB-G RAM G a model rural employment programme in its launch year, from July 1.

KEY HIGHLIGHTS:

Context

- Southwest Monsoon rainfall (June–September) recorded a 42.8% deficit up to June 22.
- Monsoon reached Kerala on 4 June (3 days late).
- Monsoon progress remained stalled between 15–21 June due to weak monsoon currents, dry northwesterly winds, and inactive Madden-Julian Oscillation (MJO).
- Global agencies project the current El Niño to intensify into a strong event (Aug–Sep) and possibly very strong (Oct–Jan).
- Concerns over Kharif sowing, Rabi production, food inflation, and rural livelihoods.

Key Facts

- India receives nearly 75% of annual rainfall from the Southwest Monsoon.
- El Niño: Periodic warming of central and eastern equatorial Pacific Ocean.
- ENSO = El Niño + Southern Oscillation.
- MJO: Eastward-moving atmospheric disturbance influencing tropical rainfall.
- Strong El Niño years often lead to:
  - Below-normal monsoon rainfall.
  - Higher temperatures.
  - Reduced agricultural output.
  - Food inflation pressures.
- Previous strong El Niño episodes:
  - 2015–16
  - 2023–24
- Rainfall deficit in June affects:
  - Kharif sowing area.
  - Soil moisture.
  - Reservoir storage.

Static Linkages

- Monsoon mechanism depends on:
  - Differential heating of land and sea.
  - ITCZ shift.
  - Cross-equatorial winds.
  - Walker Circulation.
- IMD Rainfall Classification:
  - Normal: 96–104% of LPA
  - Below Normal: 90–96% of LPA
  - Deficient: <90% of LPA
- Agriculture remains vulnerable due to large rain-fed areas despite irrigation expansion.
- El Niño generally weakens Walker Circulation and Indian monsoon.

Critical Analysis

Concerns

- Lower Kharif acreage and productivity.
- Reduced reservoir recharge.
- Potential impact on Rabi crops due to higher winter temperatures.
- Risk of food inflation.
- Increased distress in rain-fed agricultural regions.

Opportunities

- Strong foodgrain buffer stocks from previous good harvests.
- Crop insurance and relief mechanisms.
- Scope for climate-resilient agriculture.

Way Forward

- Timely weather advisories and crop planning.
- Faster PMFBY claim settlement.
- Promote drought-resistant crop varieties.
- Expand micro-irrigation and watershed management.
- Maintain strategic foodgrain reserves.
- Use calibrated imports instead of abrupt export restrictions.
- Strengthen rural employment support during agricultural distress.

A tough inheritance awaits Britain's next PM

WITH KEIR Starmer announcing his intention to resign, Britain is set to get its seventh prime minister in a decade. Coming in the midst of a political realignment, as a two-party system fragments into a five-party one, this raises a question: Is Britain ungovernable? On the one hand, there is Starmer's record in office, which has included a slew of policy U-turns and a pivot to the right that alienated much of Labour's traditional base. On the other hand, there are structural factors, such as the impacts of the 2008 financial crisis and Brexit, and the erosion of state capacity, that any PM might have struggled with. But beyond these lies declining public trust in, and heightened scrutiny of, the political class — doubtless exacerbated by Starmer's own failures such as the Peter Mandelson scandal — which has forced a prime minister out of office just two years after he was elected with a historic majority.

That is the circle Starmer's successor will have to square: To regain the trust of a public deeply divided over issues ranging from immigration, where resentment has boiled over into race riots, to welfare. And to do what Starmer consistently failed to do: Communicate a positive narrative of genuine achievements in governance — neither a sharp fall in net migration nor hitting a key target for NHS waiting times saved the PM. If former Greater Manchester mayor Andy Burnham, whose byelection victory triggered Starmer's exit, becomes Labour leader and PM, he will be significantly more popular than Starmer, opinion polls show. He will need to harness that goodwill to restore some measure of political stability and stem the ethnonationalist tide.

On the world stage, Starmer had been agile in dealing with Donald Trump and negotiated a trade deal with the US, but relations soured amid the war on Iran. His successor will have to navigate that volatile relationship as well as ties with Europe, both of which will be expecting Britain to maintain its security commitments — Defence Secretary John Healey's resignation this month over insufficient funding will be a matter of concern for the next PM. Above all, Starmer's successor will need to articulate a larger national vision of a diverse 21st-century Britain and its place in the world.

KEY HIGHLIGHTS:

Context

- UK Prime Minister Keir Starmer announced his resignation amid declining public support and internal political challenges.
- The development reflects increasing political fragmentation in the UK, with the traditional two-party system facing challenges from multiple political parties.
- Key issues include immigration, welfare reforms, cost-of-living pressures, declining public trust, and defence spending concerns.
- The episode highlights governance challenges in advanced democracies after events such as the 2008 Global Financial Crisis and Brexit.

Key Points

- Growing fragmentation of the UK political landscape.
- Declining trust in political institutions and leadership.
- Immigration remains a major political issue.
- Welfare and healthcare reforms continue to dominate public debate.
- Concerns regarding UK's defence preparedness and NATO commitments.
- Challenges in balancing relations with:
  - United States
  - European Union
  - NATO allies
- Demonstrates the impact of economic shocks and political polarization on governance.

Static Linkages

- Parliamentary Executive: Executive remains accountable to the legislature.
- Political legitimacy and public trust are essential for democratic stability.
- Party systems influence governance effectiveness.
- Economic crises often lead to political realignments.
- Migration can impact social cohesion and electoral politics.
- Welfare state model developed extensively in post-war Europe.
- State capacity determines policy implementation and service delivery.

Critical Analysis

Significance

- Highlights challenges faced by mature democracies.
- Demonstrates the importance of political legitimacy beyond electoral victory.
- Shows how economic and social issues influence governance outcomes.

Challenges

- Political fragmentation leading to policy uncertainty.
- Rising polarization on immigration and welfare.
- Declining citizen trust in institutions.
- Defence funding constraints amid geopolitical tensions.
- Balancing domestic priorities with international commitments.

Way Forward

- Strengthen institutional accountability.
- Improve public communication of policy outcomes.
- Address socio-economic inequalities.
- Promote inclusive migration and welfare policies.
- Enhance state capacity and public service delivery.
- Maintain credible defence and security commitments.