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IMPORTANT

# EDITORIAL HIGHLIGHTS


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# GS2: INTERNATIONAL RELATIONS

# THE INDIAN EXPRESS PAGE : 1

EU CENTRESTAGE ON 77TH REPUBLIC DAY CELEBRATIONS

# Europe & India to work together to shape a new global order: EU chief

## Key outcomes include 5-year comprehensive strategic agenda, mobility pact

Shubhajit Roy
*New Delhi, January 26*

AS NEW Delhi hosted leaders from the European Union on the occasion of India's 77th Republic Day celebrations, European Commission President Ursula von der Leyen said a "successful India makes the world more stable, prosperous and secure".

European Council President Antonio Luis Santos da Costa and von der Leyen were the chief guests at the Republic Day function on Monday. Thanking President Droupadi Murmu for hosting them, von der Leyen said, "Europe and India are the world's largest democracies, committed to working together to shape a new global order. This is why we are here to take our partnership to new heights."

As the two European leaders co-chair the EU-India Summit along with Prime Minister Narendra Modi on Tuesday, the key outcomes include announcements about a 'comprehensive strategic agenda for 2026-2030', conclusion of a Free Trade

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President Droupadi Murmu and Prime Minister Narendra Modi with European Council President Antonio Costa and European Commission President Ursula von der Leyen at the Republic Day parade on Monday. TASHI TOBGYAL FULL COVERAGE, PAGES 4, 5

"The US and India share a historic bond as the world's oldest and largest democracies."

U.S. PRESIDENT DONALD TRUMP, IN HIS R-DAY GREETINGS TO INDIA

CRUZ SAYS NAVARRO, VANCE AND TRUMP RESISTING INDIA DEAL, P6

## Conclusion of talks on FTA set to be announced today; pact later this year

Ravi Dutta Mishra
*New Delhi, January 26*

COMMERCE SECRETARY Rajesh Agarwal said on Monday that official-level negotiations are being wrapped up and both sides are set to announce the successful conclusion of talks on a Free Trade Agreement (FTA) on Tuesday.

This assumes significance as the trade deal has been decades in the making — the talks first started in 2007 but were abandoned in 2013 due to differences in market access for automobiles.

While the two sides are expected to announce the conclusion of negotiations at the India-EU Summit here on Tuesday, the formal signing would take place later this year after legal scrubbing of the agreement is completed.

"After subsuming a few chapters, India and the EU have completed talks on 21 chapters. While the legal scrubbing of the deal would take four to five months, the trade deal will come into effect by early next year after being ratified by the European Parliament," an official said.

The trade agreement is expected to be among the most comprehensive deals that India

»CONTINUED ON PAGE 2

# Conclusion of FTA talks set to be announced today; pact to be signed later this year

would sign, which could benefit India's labour intensive sectors, ranging from marine products, textiles, footwear and sports goods. India is also likely to open its automobile and alcoholic beverage sectors, given the EU's strong interest in the areas.

As the India-EU FTA is expected to come into force by next year, US tariffs could continue to hurt Indian exporters. Seeking immediate support from the government, the apparel exporters wrote to Vice President C P Radhakrishnan last week, citing worries of job losses on account of US tariffs.

The exporters said that market diversification is not a short-term option as textile sourcing is embedded in long-term buyer supply chains, and developing alternate markets requires "two-three years for buyer onboarding, compliance audits, and volume scaling".

"Abrupt loss of the US market will lead to permanent customer displacement and allow competitor nations with preferential access to replace India," Apparel Export Promotion Council (AEPC) said, while seeking interim protective measures for textile exports.

The India-EU talks had gathered urgency amid dramatic shifts in American trade policies that have forced trade partners globally to scout for newer markets. While India is facing steep 50 per cent tariffs, the EU continues to face the risk of higher US tariffs despite a trade deal with Washington due to its tech regulations and differences over Greenland.

A key driver of the trade deal has also been the shared challenge of China. Indian industry has been encountering pricing challenges, especially while trying to scale up the solar energy sector. The EU is concerned about China's dominance in critical technologies, as China holds a leading global manufacturing position in several areas, exposing the EU to potential risks.

# GS 2: GOVERNANCE

# THE INDIAN EXPRESS PAGE : 1

## Age rating to list of don'ts: Draft rules on obscenity online

**Amrita Nayak Dutta**
*New Delhi, January 26*

THE CENTRE is looking at introducing draft rules to address obscenity in online content, *The Indian Express* has learnt. Besides drawing some red lines — attacks on religions or communities, inciting people, false and suggestive innuendos, among others — the draft IT (Digital Code) Rules, 2026, proposes the classification of all digital content by age suitability.

Last March, the Supreme Court had asked the Solicitor General to draft proposals safeguarding free speech under Article 19(1)(a) of the Constitution while ensuring the constitutionally permissible "reasonable restrictions" under Article 19(2). This came in the backdrop of public backlash against social media influencers Ranveer Allahbadia and Samay Raina over their comments. The case is scheduled to be heard on January 29.

According to sources, the

»CONTINUED ON PAGE 2

## Draft rules on obscenity in online content

Information and Broadcasting Ministry has proposed the draft IT (Digital Code) Rules, 2026, under Section 87 (1) of the IT Act, 2000, — to be read with Sections 67, 67A, 67B and 66B of the Act. Section 67 of the IT Act provides for imprisonment and fine for publishing or transmitting obscene material in electronic form.

The draft IT (Digital Code) Rules, 2026, which seems to have been significantly borrowed from the Programme Code under the Cable TV Network Rules,1994, says any digital content shall be deemed to be obscene if it is "lascivious, or appeals to the prurient interest, or if its effect... tends to deprave and corrupt persons..."

According to the draft rules, digital content shall not:

- Offend against good taste or decency;
- Deride any race, caste, colour, creed and nationality;
- Contain attack on religions or communities, or visuals or words contemptuous of religious groups, or which promote communal attitudes;
- Contain anything obscene, defamatory, deliberate, false and suggestive innuendos and half-truths;
- Tend to incite people to crime, cause disorder or violence or breach of law or glorifies violence or obscenity in any way;
- Present violence, obscenity or criminality as desirable;
- Represent indecent, vulgar, suggestive, repulsive or offensive themes;
- Criticise, malign or slander any individual in person or certain groups, segments of social, public and moral life of the country;
- Contain visuals or words which reflect a slandering, ironical and snobbish attitude in the portrayal of certain ethnic, linguistic and regional groups;
- Denigrate women through the creation or possession or sharing/ accessing/ uploading or depiction in any manner of the figure of a women, her form or body or any part thereof in such a way as to have the effect of being indecent, or derogatory to women (including objectification of women or perpetuation of harmful stereotypes), or is likely to deprave, corrupt or injure the public morality or morals;
- Denigrate children;
- Contain any bad language or explicit scenes of violence, if meant for children;
- Denigrate persons with disabilities;

The draft code mandates the classification of all digital content with labels based on themes and messages, including violence, obscenity, nudity, sex, language, drugs and horror. It also proposes classification of all digital content by age suitability: 'U' for all ages, 7+, 13+, 16+, adult-only, and specific categories for professionals like doctors or scientists.

It suggests that all digital content should display a prominent content descriptor and age rating at the beginning to inform users and enable informed viewing decisions. Content rated U/A 13+ or higher must have parental control mechanisms, while adult-only content should implement a reliable age verification system.

All the provisions of the IT (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021, would also apply to these rules.

When contacted, an I&B Ministry spokesperson said, "We are preparing a draft code as per the court's directions, which will be shared for public consultation once it is finalised."

Meanwhile, the decision has raised concern among content curators about potential arbitrary and widespread complaints.

Industry sources said the proposed strategy of amending the IT Rules to introduce "civil consequences" for obscenity on Online Curated Content Providers (OCCPs) threatens to undo years of "nuanced legal distinction" between linear broadcast and on-demand digital streaming.

Sources said when the Intermediary Guidelines and Digital Media Ethics Code were issued, the ministry rejected the option to adopt the Programme Code for OCCP platforms, acknowledging the fundamental technological differences.

"This inexplicable U-turn contradicts the government's broader mandate of ensuring certainty, predictability and continuity in policy-making. By reversing its own understanding without cause, the ministry is injecting unnecessary regulatory uncertainty into a thriving sector," said a source.

Sources said that OCCPs have a "pull" nature, where content is accessed by choice. The digital ecosystem is already equipped with age-gating, content descriptors, parental locks, and curation tools that allow adults to make informed choices as opposed to the push nature of Linear TV, which is beamed into homes uninvited, necessitating a programme code to protect inadvertent viewers.

"Applying the analogue broadcast-era 'obscenity' standard, originally designed for family living rooms of the 1990s, to a password-protected, age-gated, on-demand environment is a regression. It ignores the agency of the viewer and the technological safeguards inherent to OTT platforms," the source said.

Sources further said the upcoming Supreme Court hearing was largely precipitated by concerns over insensitive and unregulated content on User Generated Content (UGC) platforms, like YouTube, and it would have been more appropriate to clarify to the Court that the core issue relates to such content, not curated content. "It was pertinent for the ministry to explain the distinct frameworks required for different stakeholders — OCCPs, news publishers, and UGC platforms," the source said.

# GS 2: INTERNATIONAL RELATIONS
## THE INDIAN EXPRESS PAGE: 8

# As rules-based order crumbles, only reforms can shield the economy

SAJJID Z CHINOY

2026 HAS BEGUN with a sense of cautious optimism that the economy is experiencing a cyclical upswing. Recent GDP prints have surprised to the upside, credit growth is accelerating and some surveys reveal business sentiment may be firming. Near-term buoyancy should not be surprising. The economy has benefitted from a raft of supports in 2025: GST and income tax cuts, monetary and regulatory easing, positive terms-of-trade impulses from lower crude prices, and a second successive strong monsoon. Together, these tailwinds are driving a cyclical lift. The real question is: What will it take for growth to remain strong once the cyclical impulses fade? To do so, the economy must successfully navigate two rotations.

The first rotation is of demand drivers. Post-pandemic growth was driven by a surge in public investment, a revival of the real estate sector, and strong service exports. But several of these impulses are fading. Central capex grew 30 per cent annually for four years post-pandemic but this pace was always going to strain the economy's absorptive capacity. So, central capex has downshifted to around a 10 per cent annual pace even as state capex risks being cannibalised by competitive populism. Meanwhile, residential real estate has slowed sharply over the last year, unsurprising because it was being driven narrowly by the upper echelon, who have likely reached some saturation point. For the recovery to sustain, demand needs to rotate towards the post-pandemic laggards of private consumption and private investment. What will this entail?

Urban and rural consumption have been in a game of whack-a-mole since the pandemic. Can they finally grow in unison? Rural consumption has lifted smartly in recent quarters. Can urban consumption complement it? Autos have picked up nicely post the GST cuts, but the rest of urban consumption looks more tentative. Consumer durables production has lifted only modestly in recent months and much of the pick-up in personal credit growth is gold loans — underpinned by rising collateral from surging gold prices — suggesting it is more supply-driven than strong demand. Meanwhile, growth of the wage bill of listed companies has slowed from 15 per cent in 2022 and 2023 to mid single digits in 2025. The breadth and durability of the consumption recovery will, therefore, come down to whether household balance sheets and employment can strengthen enough in 2026.

Goods exports have been resilient in the face of punitive US tariffs, with exporters finding alternative markets. That said, non-oil export growth rates slowed to 3 per cent (in nominal dollars) by the end of last year. Exports therefore have their work cut out in 2026.

What does all this imply for private capex? In a world floating with Chinese excess capacity and riddled with US policy capriciousness, a broad-based private investment recovery will require both strong domestic demand visibility and animal spirits. It is unsurprising, therefore, that cash flow statements of listed companies reveal capex slowed in the first half of this fiscal year compared to last year, in contrast to market expectations. Instead, the fate of private capex hinges on the strength of the consumption and exports recovery. Can a durable recovery of the latter finally crowd in the former? That remains the $4-trillion question for 2026.

> In a world floating with Chinese excess capacity and riddled with US policy capriciousness, a broad-based private investment recovery will require both strong domestic demand visibility and animal spirits

The second rotation is the cyclical making way for the structural. The space for more cyclical support is exhausted. Rampant Chinese excess capacity is likely to keep inflation contained but also pull nominal GDP growth into single digits. Assuming 9 per cent nominal growth for the foreseeable future, the combined (central and state) fiscal deficit will need to be reduced by another percentage point of GDP just to keep public debt/GDP at 80 per cent. There is no further space for fiscal support. Parenthetically, lower nominal GDP prospects also accentuate perceptions that India's equity market is expensive and explains why foreign portfolio flows have been reluctant. Meanwhile, low inflation can keep monetary policy in play but with real rates already down to 1.25 per cent, the space for more support, if any, is very modest.

The implication: Cyclical supports must make way for structural underpinnings. Policymakers must be commended for jumpstarting this process both by bringing reforms back on the table (GST rationalisation, new labour codes, 100 per cent FDI in insurance) and not succumbing to export pessimism (by signing a slew of free trade agreements). But the structural ask is long. Over the last two decades, growth has become prematurely capital-intensive and there is an urgent need to reverse this drift. Only labour-intensive growth will generate the household incomes to drive sustained consumption growth. But this will require the labour force to become more employable — as it competes with capital — through a mission-like focus on education, skilling and health. Human capital augmentation is India's biggest imperative over the next decade. If industrial policy is to be exercised, it must be in labour-intensive sectors and formalisation must not push up the marginal cost of labour to the point that businesses, paradoxically, turn more capital-intensive.

Meanwhile, the export push must be taken to its logical conclusion by joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a large free trading block that accounts for 15 per cent of global trade. The upcoming budget is the perfect opportunity to simplify, rationalise and liberalise customs duties, imports tariffs and non-tariff barriers such as QCOs. The old adage — an import tariff is an export tax — has never been truer in a world of global supply chains.

There is no time to waste. Over the last 10 years, per capita GDP growth in US dollars has clocked 5.9 per cent. To reach $15,000 per capita by 2047, the asking rate of per capita growth in dollars is 8 per cent for the next 22 years, at a time when India's working age population growth — which averaged 1.5 per cent over the last decade — will progressively go to zero. The quantum of labour productivity growth needed in these circumstances, will require a relentless pace of reform.

The task before us is clear and daunting but not impossible. At a time when the rules-based global order is falling apart and being replaced by the law of the jungle, only sustained economic reforms will induce investment, attract capital flows, create jobs, and thereby create a protective sheath around the economy against a hostile and precarious global backdrop.

*The writer is head of Asia Economics at JP Morgan Chase Bank*

# GS 2: INTERNATIONAL RELATIONS
## THE INDIAN EXPRESS PAGE : 8

# Dial down, Bangladesh should play in India

AN UNSPORTING spectacle is playing in the cricket arena, involving bans and ultimatums and brinkmanship. That this is unfolding between two nations and two neighbours with overlapping histories and cultural intimacies that have contributed to regional stability makes it even more of a self-goal for India and Bangladesh. Sports is not always insulated from politics, and it is true that India-Bangladesh ties are currently in a fragile moment. Even so, the ICC diktat that has forced Bangladesh out of the upcoming T20 World Cup, and the events that led up to it, showcase the takeover of an escalatory reactiveness and a paralysis of long-termist diplomacy. This is more so in India, the much larger player, on and off the field.

Bangladesh's exclusion from the tournament comes after its government reiterated that its players would find it difficult to play in India because of "security concerns" after the BCCI asked the Kolkata Knight Riders to — unreasonably — remove Bangladesh seamer Mustafizur Rahman from its squad. The BCCI decision pointed to "recent developments", that is, the attacks in Bangladesh on religious minorities. The targeting of minority Hindus amid a weakening state authority on the watch of the Mohammad Yunus-led interim government is a serious concern. New Delhi has done well to flag this — loudly and clearly. But this categorical message is undermined when the BCCI, the behemoth, targets an individual player who has nothing to do with law enforcement or state policy, and when it is seen to be pandering to online troll brigades. In effect, this has only narrowed one of the few remaining spaces for people-to-people engagement, while reinforcing perceptions in Bangladesh of a heavy-handed Delhi.

Ever since the events of August 2024, when a students' uprising toppled the Sheikh Hasina government, India-Bangladesh ties have yet to recover their footing. Now, the February elections in Bangladesh offer a chance for both Delhi and Dhaka to turn the page. Even as Sheikh Hasina continues to find refuge in India — and she should — External Affairs Minister S Jaishankar's visit to Dhaka to attend Khaleda Zia's funeral, and his meeting with Tarique Rahman, her son and BNP chief, acknowledged that imperative. A Delhi-Dhaka reset will depend on both sides moving carefully — the "*ghuspaithiya*" rhetoric ahead of elections in Assam and West Bengal, and anti-India posturing by parties ahead of polls in Bangladesh, will be watched closely. In this precarious time, both countries must let cricket be. The Delhi-Dhaka relationship is too valuable to be hijacked by grandstanding or by letting hardliners run away with the ball. If both sides dial down and a Bangladesh XI plays in India, it will be a win-win.

# GS 3: SCIENCE AND TECHNOLOGY

# THE INDIAN EXPRESS PAGE : 10

● THE BELLWETHER TRIAL IN CALIFORNIA SUPERIOR COURT INVOLVES A 19-YEAR-OLD WOMAN IDENTIFIED AS K.G.M. WHO SAYS SHE BECAME ADDICTED TO THE PLATFORMS BECAUSE OF THEIR ATTENTION-GRABBING DESIGN

## Meta, TikTok, YouTube to stand trial on youth's screen addiction claims

Courtney Rozen
*Washington, January 26*

META PLATFORMS, TikTok and YouTube will face courtroom scrutiny this week over allegations that their platforms are fuelling a youth mental health crisis, as the national debate about kids' screen time enters a new phase.

The bellwether trial in California Superior Court, Los Angeles County involves a 19-year-old woman from California, identified as K.G.M., who says she became addicted to the companies' platforms at a young age because of their attention-grabbing design, according to court filings. She alleges the apps fueled her depression and suicidal thoughts and is seeking to hold the companies liable.

Her lawsuit is the first of several cases expected to go to trial this year that center on what the plaintiffs call "social media addiction" among children. It will be the first time the tech giants must defend themselves at trial over alleged harm caused by their products, the plaintiff's attorney Matthew Bergman said. "They will be under a level of scrutiny that does not exist when you testify in front of Congress," he told Reuters.

The jury will decide whether the companies were negligent in providing products that harmed K.G.M.'s mental health, and if her use of the apps was a substantial factor in her depression, compared with other causes such as the third-party content she viewed on the apps or aspects of her life offline.

"This is really a test case," said Clay Calvert, a media lawyer at the American Enterprise Institute, a pro-business think tank. "We're going to see what happens with these theories" that the social media platforms caused the plaintiff harm.

Mark Zuckerberg, CEO of Meta is expected to take the witness stand. The company will argue in court that its products did not lead to K.G.M.'s mental health challenges, Meta's lawyers told Reuters ahead of the trial. Snap CEO Evan Spiegel was also expected to testify, as his company was named a defendant in the lawsuit. Snap (SNAP.N), opens new tab agreed on January 20 to settle K.G.M.'s lawsuit. A company spokesperson declined to comment on the specifics of the deal.

Mark Zuckerberg, Meta CEO, is expected to take the witness stand. FILE

YouTube will argue that the company's platforms are fundamentally different from social media platforms such as Instagram and TikTok, and should not be lumped together in court, a YouTube executive said ahead of the trial.

TikTok declined to comment about the company's planned arguments in court.

As the trial begins, the same tech companies are mounting a nationwide effort to convince critics that their products are safe for teens. They've launched tools they say give parents more control over how their kids use the platforms and have spent millions of dollars promoting those features.

Since at least 2018, Meta has sponsored parent workshops about teen online safety at dozens of high schools across the US The company hosted one of those workshops, dubbed Screen Smart, in 2024 in Los Angeles, opens new tab, alongside National PTA President Yvonne Johnson and Meta safety chief Antigone Davis. National PTA is a nonprofit that advocates for child welfare.

TikTok also sponsored similar gatherings, opens new tab led by 100 local and regional PTAs, calling it Create with Kindness, according to the company's website. The program included tutorials on TikTok's features for parents, including the option to limit screen time at night, according to the curriculum, opens new tab.

YouTube's parent company Google in recent years has turned to Girl Scouts to convince the public it is invested in kids' online safety. Girls can earn a patch, which features Google's logo, opens new tab, to affix to their uniform after completing lessons about strong passwords, being kind online and digital privacy, according to the Girl Scouts website. The companies have also hired lawyers that have represented corporations in high-profile litigation involving addiction. REUTERS

# GS 3: INDIAN ECONOMY
## THE INDIAN EXPRESS PAGE : 11

DIFFERENT FROM EXISTING PLI SCHEME FOR HIGH-EFFICIENCY SOLAR PV MODULES

# MNRE, FinMin discuss capex relief for wafer, polysilicon units

### Progress under the PLI scheme has been slower in upstream segments of solar PV module manufacturing

Pratyush Deep & Ravi Dutt Mishra
*New Delhi, January 26*

THE MINISTRY of Finance and Ministry of New and Renewable Energy (MNRE) are in discussions to bring out a new capital subsidy scheme for the upstream segment of solar photovoltaic (PV) manufacturing, MNRE Secretary Santosh Kumar Sarangi told *The Indian Express*. The proposed scheme would be separate from the existing Production Linked Incentive (PLI) scheme for high-efficiency solar PV modules.

Sarangi said while solar module and solar cell manufacturing have grown in a desirable manner, upstream segments such as polysilicon refining as well as ingot and wafer manufacturing continue to face challenges. These, he said, stem from factors including high capital intensity and price pressures caused by aggressive pricing from China.

"We are now trying to advocate a slight tweak in the way in which support could be provided to these kinds of industries," Sarangi said, adding that discussions on the proposal are currently underway with the Ministry of Finance.

The existing PLI scheme for solar PV modules covers both upstream — ingot, wafer and polysilicon — and downstream — solar cell and module manufacturing — segments. However, progress under the PLI scheme has been slower in upstream segments such as polysilicon refining and ingot and wafer production.

"Polysilicon is a highly electricity-intensive industry. The refining from silica to polysilicon is extremely electricity intensive. So, efforts will have to focus on sourcing low-cost electricity," Sarangi said.

"Since it involves a huge capital expenditure to set up this kind of industry, a capex subsidy would be desirable. In that context, MNRE is now discussing with Ministry of Finance whether it is possible to have a different kind of scheme where capex is given for polysilicon and ingot-wafer projects that were sanctioned under the PLI but could not take off for a variety of reasons," he added.

The solar PV cell manufacturing capacity in the country is around 27 GW, according to the information provided by Solar PV Manufacturing Associations. The installed ingot and wafer manufacturing capacity in the country is around 2 GW.

India's installed solar PV module manufacturing capacity is 121.7 GW, including 26.6 GW capacity under the PLI Scheme, according to the Ministry of New and Renewable Energy. REUTERS

At present there is no commercial production of Polysilicon in the country, the Ministry had informed the Parliament.

"The country's solar PV module manufacturing capacity is sufficient to cater to domestic demand. However, for upstream stages like solar cells, wafers and polysilicon, domestic manufacturing capacity is not sufficient to meet domestic demand which necessitates imports," the Ministry told the Parliament in December.

The MNRE further informed that the data from the Department of Commerce's Export-Import Data Bank shows that imports of solar PV cells, wafers and polysilicon during FY25 were valued at around \$1,641 million, \$156 million, and \$0.03 million, respectively.

Launched in March 2021, the PLI scheme for solar PV modules aimed to install 65 gigawatts (GW) per annum of fully and partially integrated solar PV module manufacturing capacity.

The scheme was initially backed by an outlay of Rs 4,500 crore. In 2022, an additional budget allocation of Rs 19,500 crore was approved, bringing the total sanctioned outlay to Rs 24,000 crore across two tranches.

According to MNRE, the installed solar PV module manufacturing capacity in the country, as per the Approved List of Models and Manufacturers (ALMM), is 121.7 GW, which includes 26.6 GW capacity under the PLI Scheme for high efficiency Solar PV Modules.

A joint report by Institute for Energy Economics and Financial Analysis (IEEFA) and JMK Research shows that operationalisation of PLI-awarded facilities has revealed significant implementation and execution gaps. While downstream segments such as module assembly have seen progress, upstream segments like wafer and polysilicon manufacturing have lagged behind.

The report, which was released in December 2025, also says that about 36% of India's total cell capacity and 24% of module capacity originate from PLI allocations.

According to the report, as of June 2025 the overall operational capacity achieved under the solar PLI scheme was approximately 29% of the total awarded capacity.

Module assembly exhibited the highest capacity-achievement rate at 59%, reflecting stronger progress in downstream manufacturing.

In contrast, the achievement rates for cell manufacturing (22%), wafer-ingot manufacturing (10%) and polysilicon manufacturing (14%) were significantly lower, indicating persistent barriers to upstream capacity realisation.

# GS 2: INTERNATIONAL RELATIONS
# GS 3: WORLD ECONOMY
# THE INDIAN EXPRESS PAGE: 11

## Trump's policies, sanctions turn central banks to gold, drive de-dollarisation

Siddharth Upasani
New Delhi, January 26

ON MONDAY, even as the US dollar fell to a four-month low, the price of gold crossed the $5,000-per-ounce mark for the first time. The yellow metal's historic rally is showing no signs of slowing down and even the smartest and biggest institutions in the world — and not just small-time investors like households — continue to pile in on gold. One category of these smart and big investors are central banks.

Take the Reserve Bank of India (RBI), for instance. Last week, data from the Indian central bank showed that its foreign exchange reserves were up more than $14 billion as on January 16 – the biggest weekly increase in 10 months. However, nearly a third of this rise was due to the RBI's gold kitty of 880 tonnes appreciating in value. Over the last one year, the value of RBI's foreign currency assets – which predominantly make up the forex reserves – have increased by just 5% even as total reserves rose 12%. What has been the primary driver? Gold, with the value of the RBI's holdings up 70%.

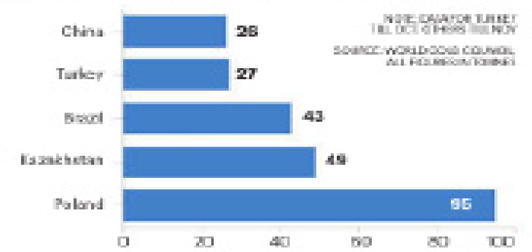
The RBI, though, hasn't even been the biggest buyer of gold over the last year. In fact, the RBI's gold holdings only increased by 4 tonnes or so in 2025. Leading the charge were central banks of Poland (95 tonnes), Kazakhstan (49 tonnes), and Brazil (43 tonnes), as per World Gold Council data until November 2025. But central banks buying gold is not news. What matters is gold's relative position in what these banks hold as reserves; the RBI, for example, now holds 17% of its forex reserves as gold, up from 12% a year ago. The reason, directly and indirectly, is US President Donald Trump.

### Debasement of US dollar

In a note last week, economists from Morgan Stanley said that Trump's policies on trade and sanctions, among other factors, and the shift to a multipolar world are key to pushing people away from the US dollar. "On net, we think these factors are neutral to slightly accelerating this transition away from the dollar, but their evolution over the near term will likely be critical in determining the extent of this shift," Morgan Stanley said.

Trump has made no secret about maintaining the US dollar's global supremacy, even threatening the BRICS nations with 100% additional tariff should they move forward with a common currency to "degenerate" and "destroy" the dollar.

**Central banks that bought most gold in 2025**




**Global central banks holding fewer US dollars**

| YEAR | USD SHARE IN GLOBAL FOREX RESERVES (%) |
|---|---|
| 1999 | 71.0 |
| 2024 | 58.5 |

SOURCE: IMF

De-dollarisation, after all, can shift the balance of power away from the US and weaken its ability to shape the world economy and global financial markets in its image. At the same time, everything Trump has done has weakened the greenback's status in the eyes of foreign beholders, with the result being that the US dollar weakened by 9% in 2025 — the most in almost a decade. This has helped drive the rise in gold prices, with the demand for safe-haven assets on the up amid Trump's sabre-rattling and policy uncertainty.

### Weaponising flows

According to JP Morgan analysts, de-dollarisation has been most visible in commodity markets. In a note last year, the investment bank said that "a large and growing proportion of energy is being priced in non-dollar-denominated contracts". However, this is also showing up in sovereign debt. The RBI, for instance, has sharply lowered its holdings of US government bonds: in November 2025, holdings by India stood at $186.5 billion, down for the sixth month in a row. In November 2024, the figure was $234 billion. Meanwhile, China's holdings of US government debt are at a 16-year low.

Others are threatening more vocally. Last week, Danish pension fund AkademikerPension said it plans to get rid of its holdings of US Treasuries by the end of January, with Trump's talk of taking over Greenland being one of the several reasons for the move, including the unsustainable finances of the US government. This followed three other pension funds from Denmark who have taken a dim view of US government bonds. The weaponisation of capital flows was warned by Deutsche Bank earlier this month, when it said in a note that Trump's threats against Europe could lead to the continent cutting its holdings of US debt. "Markets are increasingly discussing the de-dollarisation theme," Nomura analysts said in a note on January 21.

Trump has already promised "big retaliation" in response to European countries dumping US government bonds. The European Union held around $10.4 trillion of US portfolio assets — accounting for 39% of foreign ownership of these assets — as of November 2025.

### The past and future

The diversification of forex reserves away from the dollar and assets denominated in it received a big push after the US froze Russia's reserves following its invasion of Ukraine in February 2022. But signs of de-dollarisation, or at least a gradual shift away from the greenback, have been visible for some time. According to data from the International Monetary Fund (IMF), 2024 saw the share of the US dollar in global forex reserves fall to an over 30-year low of 58.5%. In 1999, this number stood at 71%.

"Meaningful de-dollarisation would have profound implications for the global security architecture, reducing the United States' capacity to fund its military and impose coercive economic pressure," Ali Ahmadi, Director of Geoeconomics & Sanctions, ReshapeRisk and Executive-in-Residence Fellow at the Geneva Centre for Security Policy, said last year.

For the foreseeable future, though, the US dollar remains by far the most dominant currency, with 89% of total turnover of over-the-counter foreign exchange instruments denominated in US dollars. But if the Trump administration and the President himself continue in the same vein, more meaningful change could become evident.

## GS 3: INDIAN ECONOMY
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# SEBI survey: Why just 3.21 cr Indian households invest in securities markets

Hitesh Vyas
*Mumbai, January 26*

OUT OF India's 33.72 crore households, only 3.21 crore, or 9.5%, have investments in products like equities, mutual funds, and corporate bonds, according to an investor survey by the Securities and Exchange Board of India (SEBI). This leaves around 30.51 households still outside the securities market, signalling a significant under-penetration.

The low percentage of household participation in the securities market comes despite a multifold increase in market capitalisation and assets under management in the last 10 years, the survey highlighted. BSE equity market capitalisation has surged from around Rs 101 lakh crore in FY15 to nearly Rs 4,701 lakh crore by October 2025. During the same period, MF assets under management expanded from Rs 12 lakh crore in 2015 to Rs 79 lakh crore in September 2025.

Awareness of securities market products remains concentrated around established instruments, with MFs/exchange traded fund (ETF) (53%) and listed equities (49%) being the most widely recognised securities market products among households. "Currently, about 6.7% of Indian households report holding mutual funds or exchange-traded funds (ETFs), and approximately 5.3% hold direct equities, which clearly indicates that participation in market-linked instruments is limited," the survey showed.

The survey stated that household awareness of complex securities market products such as corporate bonds, futures and options, Real Estate Investment Trusts (REITs)/ Infrastructure Investment Trusts (InvITs) and Alternative Investment Funds (AIF) remains limited. While F&O are recognised by 13% of households, household penetration of this complex product is less than 1%.

Geography plays a substantial role in shaping awareness patterns. Urban households report 74% awareness of at least one securities product, compared with 56% in rural areas. The penetration is highest in the top nine metros at 23%, followed by 10-40 lakh towns (16%) and 5-10 lakh towns (14%).

Delhi leads with 21%, followed by Maharashtra at 17%, Goa at 16% and Gujarat at 15%. Nagaland (3%), Uttarakhand and Meghalaya (4.5%) recorded the lowest participation.

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# GS 3: SCIENCE AND TECHNOLOGY

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TRANSPORT

## India has most road accident deaths in the world. Can 'talking cars' curb these?

Dheeraj Mishra
*New Delhi, January 26*

THE UNION government is planning to launch a "vehicle-to-vehicle (V2V)" safety system to prevent road accident deaths and reduce traffic.

V2V communication is a wireless technology that enables vehicles to communicate, or "talk", with one another. This essentially means that vehicles can share real-time information such as speed, location, acceleration and braking with each other.

At a meeting of the Parliamentary consultative committee on January 22, Union Minister Nitin Gadkari said the Department of Telecommunications has allocated the 30 GHz radio frequency for the development of such communication systems.

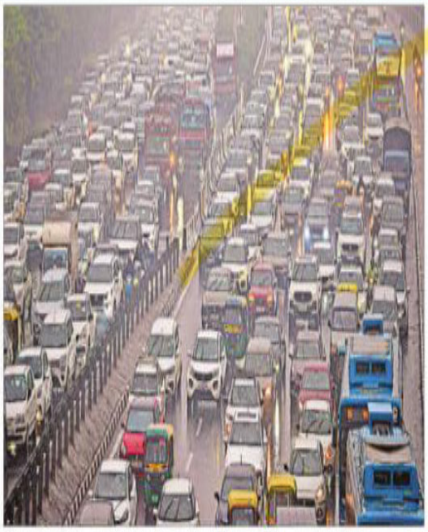
The V2V system is similar to the aviation sector technology where aircraft broadcast their position, speed, altitude, and the nearby aircraft and ground stations receive it. This system has been a crucial part of the aviation sector across the world. In the roads sector, however, it is still a work in progress. The V2V system is in place in only a few countries, mostly developed ones.

### How will the system work?

According to officials from the Ministry of Road Transport & Highways (MoRTH), an On-Board Unit (OBU) will be installed in cars so that they can exchange information with nearby vehicles wirelessly. This unit will alert the driver about black spots, obstacles, parked vehicles on roadsides, fog or any potential threats.

Usually, V2V systems can detect vehicles in a 300-metre range. For instance, if a car applies brakes suddenly, nearby vehicles will get an alert to slow down. This could help in reducing crashes.

India ranks first in the world in total road accident fatalities, far ahead of second- and third-ranked countries: China accounts for just 36%, and the US 25%, of India's road deaths. MoRTH Secretary V Umashankar said the OBUs will cost between Rs 5,000 and Rs 7,000. These will be first installed in new vehicles. "This will have a significant impact on road safety. Many times, trucks and cars are parked on the roadside, and the speeding vehicles collide with them, which leads to casualties. We will be able to reduce such accidents, since OBU will automatically issue the warning," said Umashankar at a press conference on January 8.



Usually, V2V systems can detect vehicles in a 300-metre range. PTI FILE

### When will it be rolled out?

The government has not yet announced a specific date for rolling out this system. However, it is the ministry's key initiative as part of its road safety programme for the year. The secretary said the ministry is setting standards for it in collaboration with original equipment manufacturers (OEMs). A joint task force has also been constituted with the telecom department.

"After the decision on the standards, we will issue a notification. Initially, the new vehicles will be required to install these on-board units. After that, the old vehicles will be fitted with this. Under the National Frequency Allocation Plan, the Department of Telecommunications will provide free spectrum. So the OEMs would be able to use this spectrum and get it installed in the vehicle. Our aim is to get it implemented this year," said the MoRTH secretary.

### What are the challenges?

The V2V system has some limitations and privacy concerns. The frequency band allocated for the system might not support all vehicles. This means that incorrect information can lead to accidents and deaths.

The other issue is that it will store a large amount of data — about the vehicles, their location, details about the driver, etc. This puts the whole intelligent transport infrastructure at potential risk of being misused. It would certainly require government regulations and rules to implement. Cyber attacks are another concern for this system.

### Which countries use V2V?

The US is the leader in V2V communication systems research and its implementation, with strong regulation. Models like the Volkswagen Golf 8 and the Cadillac models in the US come with this tech.

European countries such as Germany, France and the UK, too, are incorporating V2V into new vehicles and smart city projects. China is another major adopter of V2V. Countries such as the UAE, Saudi Arabia, Brazil and Mexico are in early pilot stages to roll out V2V systems.

# GS 3: SCIENCE AND TECHNOLOGY
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• DEFENCE

# India to expand its hypersonic arsenal with LR-AShM missile

TASHI TOBGYAL

DRDO's Long Range-Anti Ship Missile during the R-Day parade.

Sushant Kulkarni
*Pune, January 26*

ONE OF the many highlights of the 77th Republic Day Parade was the Defence Research and Development Organisation's (DRDO) Long Range Anti-Ship Hypersonic Missile (LR-AShM), showcased for the first time. We explain the features and capabilities of this hypersonic glide missile, and also what other hypersonic missiles India is developing.

### *LR-AShM: The hypersonic glide missile*

The missile system is designed to meet the coastal battery requirements of the Indian Navy. The LR-AShM is capable of engaging static and moving targets and is designed to carry various payloads to a range of around 1,500 km.

This missile follows a quasi-ballistic trajectory with hypersonic speeds starting at Mach 10 (multiples of speed of sound) and maintaining average Mach 5 with multiple skips. Ballistic missiles are boost-powered initially and then travel unpowered on a high, arched trajectory. Quasi-ballistic missiles begin ballistically but fly lower and manoeuvre in flight to change course and evade interception. As this missile flies at low altitudes with high speed and manoeuvrability, enemy ground and ship-based radars cannot detect it. The LR-AShM is configured with a two-stage solid propulsion rocket motor system. These propulsion systems boost the missile to the required hypersonic velocities. Stage-1 of the vehicle is separated after it is spent. After Stage-II burnout, the vehicle performs an unpowered glide with required manoeuvres in the atmosphere before engaging the target, the DRDO has said.

**DIFFICULT TO DETECT**

- The missile can't be detected by enemy radars, as it flies at low altitudes with high speed and manoeuvrability.
- The missile has a range of up to 1,500 km, which it can cover in 15 minutes.

### *Its significance*

The obvious advantages of the hypersonic speed is it makes it difficult for missiles to be detected. It can cover its range around 1,500 kilometers in 15 minutes. Versions with higher ranges upto 3,500 kilometers are currently at various stages of development. A senior DRDO scientist said, "All classes of warships can be neutralised with the missile. This variant and the upcoming ranges will be a key asset for seadenial operations, which prevent an adversary from using a maritime area for military or commercial purposes. This capability will be crucial for the strategically significant Indian Ocean region. Army and Air Force versions of these missile and ship-fired versions for the Navy are also said to be either under consideration or under development. With its versatility, it could well place India in the hypersonic arms domain."

One of the known successful tests of the missile was done by DRDO on November 16, 2024 off the coast of Odisha. As part of the further development cycle, the missile warhead and sensor mechanisms will be integrated soon, before its induction into the Navy in two to three years.

### *Other hypersonic cruise missiles*

Amidst cutthroat global competition in hypersonic weapons, DRDO is working on two key hypersonic technologies. One is hypersonic glide and another is hypersonic cruise. LR-AShM is a hypersonic glide vehicle and includes in itself major achievements in indigenous technologies like materials and control systems needed for sustained hypersonic flight. Hypersonic cruise missiles fly within the atmosphere at hypersonic speeds using scramjet engines for sustained powered flight and manoeuvrability.

Ramjets are air-breathing engines that compress incoming air using forward motion, with fuel igniting in a combustion chamber; they require an assisted take-off and work best around Mach 3, losing efficiency at hypersonic speeds. Scramjets improve on ramjets by keeping airflow supersonic in the combustion chamber, enabling efficient operation above Mach 5, but are far more complex to design and operate.