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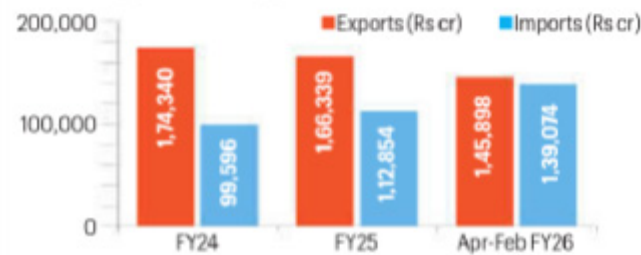
GS 3: INDIAN ECONOMY

INDIAN EXPRESS PAGE : 1

How long-term bet on rupee saved Rs 14,000 crore of forex in February

New data shows import amount settled by Indian traders in rupees in Feb is Rs 3,000 cr more than in Jan

• How rupee is being used to settle Indian trade



SOURCE: RBI

Siddharth Upasani
New Delhi, April 29

THE WAR in West Asia has exacerbated a key pain point for the country's economy: the rupee's value.

After closing around 91-per-dollar on February 27, the rupee fell by as much as 4.5% to 95.24 in March before action by the RBI to curb speculative bets helped it gain some ground. But new RBI data shows that the situation could have been worse if not for a long-term bet placed in mid-2022 by authorities that has begun paying some dividends.

The data shows that Indian traders settled more than Rs 14,000 crore of imports in rupees in February this year — up from around Rs 11,000 crore in January. This amounts to

E. EXPLAINED

More leeway

Paying for imports in rupees, and increasing global acceptance and demand for it, can help stabilise the exchange rate and reduce India's dependence on freely convertible currencies such as the US dollar.

roughly \$1.5 billion (Rs 14,057 crore) of foreign exchange being saved by India in February alone. This is not an insignificant sum at a time when the rupee has been under extreme pressure due to foreign investors dumping billions of dollars

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Forex

of Indian stocks and debt, forcing the RBI to defend the currency through a variety of instruments.

In the first 11 months of 2025-26, Rs 1.39 lakh crore worth of imports — around \$15 billion at the current exchange rate — have been settled in rupees, up 45% from Rs 96,154 crore in April 2024-February 2025. In 2024-25 as a whole, imports worth Rs 1.13 lakh crore were settled in rupees, up 13% from Rs 99,596 crore in 2023-24. As a percentage of total imports, while there has been progress, the numbers remain small: in April 2025-February 2026, only 2.35% of India's imports were paid in rupees, up from 1.85% in 2023-24 and 1.94% in 2024-25.

To be sure, exports are also being paid for in rupees. In fact, these payments exceed those for imports, although the gap has narrowed sharply. From 57% in 2023-24, imports settled in rupees have risen to 95% of exports settled in the domestic currency in the first 11 months of 2025-26.

In October 2022, months after RBI announced a framework for the settlement of international trade in rupees, a report by a committee of the central bank said it made strategic sense

to settle bilateral trade in rupees, initially with regional partners.

“Further, invoicing and settling of international trade transactions in INR with trade partners with whom we have a trade deficit (say, the oil exporting countries) will in general lead to a reduction in the current account deficit denominated in convertible currencies,” it said.

“Commensurately, there will be a reduced need to maintain large foreign exchange reserves in convertible currencies,” it said. Since then, according to the latest available data, banks from 30 countries have been permitted to open accounts with Indian banks — although opening these accounts does not necessarily mean trade has been settled in rupees. As a net buyer of goods and services from abroad, India's import bill is often at the mercy of rupee's performance.

The RBI, though, has maintained that “long-term commitment” to internationalisation of the rupee “still remains”, Deputy Governor T Rabi Sankar had told reporters on April 8. The unwinding of these positions also caused banks some financial pain, with an official from a state-owned lender saying ahead of April 10 deadline to lower net open rupee positions that “banks are bleeding”. RBI did not respond to a request for comment from *The Indian Express*.

GS 2: INDIAN POLITY

INDIAN EXPRESS PAGE : 8

Why new Ladakh districts have sparked backlash

Deeptiman Tiwary
New Delhi, April 29

THE CENTRE'S decision to carve out five new districts in the Union Territory of Ladakh — taking its total number of districts from two to seven — has triggered new political faultlines, with leaders from Kargil alleging that the move is aimed at weakening the unity forged between Kargil and Leh on the demands for statehood and constitutional safeguards for Ladakh.

Even as the administration pitched the move as a long-pending reform to improve governance in a geographically vast and sparsely populated region, the Kargil Democratic Alliance (KDA) termed it a “calculated attempt” to fragment Ladakh along communal and regional lines.

Announcing the decision on Monday, Ladakh Lieutenant Governor Vinai Kumar Saxena

described it as a “historic milestone”, saying the creation of Sham, Nubra and Changthang districts out of Leh, and Zaskar and Drass out of Kargil, would “usher in a new era of inclusive development”. The L-G's office said the move — approved by the Ministry of Home Affairs (MHA) in August 2024 — would decentralise governance, reduce travel distances that often exceed 300 km,

and improve service delivery in remote habitations. It also flagged employment generation through new administrative infrastructure as a key benefit.

Framing it within a larger political vision, Saxena said the decision aligned with Prime Minister Narendra Modi's goal of a “developed and prosperous Ladakh”.

According to the notification, the reorganisation also redraws administrative boundaries: Leh district will now have



Ladakh L-G Vinai Kumar Saxena in Leh on Wednesday. ANI

44 revenue villages, Nubra 30, Changthang 24, Kargil 80, Sham 27, Zaskar 26, and Drass 19.

However, KDA leader Sajjad Kargili sharply contested the government's rationale, arguing that the reorganisation disregards demographic balance and regional sensitivities. Citing the 2011 Census, he said that while Muslims constitute roughly 46.4% of Ladakh's population and Buddhists around 39.65%,

the new structure results in five Buddhist-majority districts and only two Muslim-majority districts. “This disproportionate distribution reflects a deeply skewed and discriminatory approach,” Kargili said, adding that the “process has clearly ignored regional sensitivities, demographic realities, and principles of equitable representation.”

Kargili warned that it risks “deepening divisions” on “communal lines” in a region that had, in recent years, witnessed coordinated political mobilisation across religions.

While welcoming district status for areas like Drass and Zaskar — long-standing demands from Kargil — he flagged the exclusion of Sankoo-Suru and Shakar Chiktan, calling their omission “arbitrary.”

The government's move has come weeks before Union Home Minister Amit Shah's scheduled visit to Leh on May 30 — which would be his first since

violent protests erupted last year in Ladakh over demands for statehood and Sixth Schedule protections.

The leaders of the Apex Body, Leh (ABL) and the KDA on Tuesday sought a meeting with Shah, saying direct engagement would help rebuild trust between Ladakh's political leadership and the Centre.

The Centre has already scheduled a meeting with Ladakh representatives on May 22, but ABL co-chairman Chhering Dorje Lakruk downplayed its significance, calling it a sub-committee interaction of “little consequence” and pressing for talks with the minister himself.

The High Powered Committee examining Ladakh's demands has so far been holding its meetings under Union Minister of State for Home Nityanand Rai.

The latest accusations echo a pattern of distrust that has marked Centre-Ladakh engagement over the past year.

GS 2: INDIAN POLITY

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Et tu, Kerala? Rise of identity politics threatens social cohesion, governance



THAROORTHINK
BY SHASHI THAROOR

I HAVE long been an advocate of what I thought in the 1990s was an emerging shift in India from the politics of identity to the politics of performance. I took this as the hallmark of a maturing electorate, one that stopped voting based on “who we are” and chose instead to vote after assessing “what they do”. However, recent years have seen the resurgence of identity politics nationwide — and surprisingly, as I realised during the recent election campaign in Kerala, even in the country’s most progressive state.

Kerala has long been celebrated as a state where politics was defined less by identity and more by performance. Its high literacy rates, robust welfare systems, and history of alternating governments between the Left Democratic Front (LDF) and the United Democratic Front (UDF) have given the impression of a polity where governance, social development, and public accountability mattered more than communal or caste affiliations. For decades, Kerala stood apart from the national trend, resisting the pull of identity politics that swept across much of India. Yet recent years, and especially the most recent election campaign, suggest that this exceptionalism is eroding. Kerala, too, appears to be succumbing to the politics of social engineering, where community identity, bloc voting, and religiously defined interests are gaining prominence.

The shift is subtle but unmistakable. Campaign rhetoric, especially at the informal level, has increasingly been targeting specific communities, with parties seeking to consolidate support among religious and caste groups while pretending to appeal to the electorate as a whole. In constituencies across northern Kerala, contests have been framed in terms of Hindu–Muslim polarisation and “cultural nationalism”, and in central Kerala, fears are being stoked among Christians that a Congress-led United Democratic Front government will surrender to Muslim domination. Across the state, can-



ILLUSTRATION: CR SASKUNAR

didates have been chosen not merely for their competence or vision but for their ability to represent and mobilise particular blocs. This marks a departure from the earlier emphasis on welfare policies, education, health-care, and poverty alleviation, which once dominated the political discourse.

The mechanisms of this social engineering are familiar from other parts of India, but their growing presence in Kerala is striking. Community identity mobilisation has become more visible, with religious organisations and caste associations like the NSS and the SNDP Yogam playing an increasingly active role in shaping electoral outcomes. Bloc voting, once considered alien to Kerala’s political culture, is now assumed by parties as a given, with strategies built around securing the loyalty of specific groups defined by religion or caste. Phrases like “Muslim consolidation” and “Ezhava voting intentions” are uttered by contenders in informal conversation. The curious term “ChriSanghis” has emerged, Christians sharing the Sangh’s suspicions of Muslims. The Congress-led UDF is characterised as a “party of minorities” even by the supposedly godless Communists — whose LDF government organised an Ayyappa Sangamam six months before the elections! Interests that were once articulated in universal terms — such as access

The growing strength of the BJP and its allies in Kerala’s political arena has forced both the LDF and UDF to recalibrate their strategies, often by shoring up their own communal bases

to education or land rights — are now framed through the lens of religious identity, with parties promising benefits or protections tailored to particular communities.

Several factors explain this shift. The national rise of identity politics has inevitably seeped into Kerala, despite its progressive reputation. The growing strength of the Bharatiya Janata Party (BJP) and its allies in Kerala’s political arena has forced both the LDF and UDF to recalibrate their strategies, often by shoring up their own communal bases to counter the BJP’s appeal. Economic anxieties, including unemployment and inflation, have created fertile ground for identity-based appeals, as parties seek shortcuts to consolidate votes in a competitive environment. Identity politics offers a more predictable calculus than performance politics, which depends on the debatable evaluation of governance outcomes.

The implications of this transformation are profound. Kerala risks losing its distinctiveness as a state where progressive politics and welfare-oriented governance defined the political landscape. The rise of identity politics threatens to fragment society along communal lines, undermining the social cohesion that has historically been one of Kerala’s strengths. It also risks producing policy paralysis, as parties prioritise symbolic representation

and communal appeasement over broader developmental agendas. When interests are defined in communal terms, the universality of politics is compromised, and the inclusiveness of democracy is weakened.

This is not to suggest that performance politics has disappeared altogether. Welfare schemes, healthcare initiatives, and education reforms continue to matter, and voters remain attentive to governance failures. Yet the growing prominence of identity politics means that these issues are increasingly filtered through communal lenses. An educational policy, for instance, may be judged not only on its effectiveness but also on whether it is perceived to favour or disadvantage a particular community. In this way, identity politics reshapes the very terms of political debate, subordinating performance to communal considerations.

Kerala’s trajectory thus mirrors a broader national trend. The politics of identity, once thought to be waning in the face of modernisation and development, has resurged with renewed vigour. Even in this bastion of progressive politics, community identity and bloc voting are becoming central features of electoral strategy, relying more on stoking communal anxiety than ever before, and raising questions about the future of Kerala’s social democracy. Will the state continue to be a beacon of welfare-oriented governance, or will it be engulfed by the same identity-driven currents that dominate much of India? The answer will depend on whether political actors and civil society can reclaim the space for judging performance, eschewing dark threats of “Jamaat influence” or “Christian persecution” and reaffirming the universal values that once defined Kerala’s political culture.

While performance politics remains relevant, there is a sense in which politicians feel they will only get to “perform” if they can first mobilise votes through identity-based appeals. The task ahead is to ensure that Kerala does not lose sight of its tradition of inclusive, welfare-oriented governance, even as it navigates the pressures of communal polarisation. Only then can it preserve its distinctiveness and continue to serve as a model of democratic progress.

The author is a fourth-term MP for Thiruvananthapuram (Lok Sabha) and the award-winning author of 29 books, including *The Battle of Belonging: On Patriotism, Nationalism and What it Means to be Indian*

GS 3: SCIENCE AND TECHNOLOGY

INDIAN EXPRESS PAGE : 15

TECH

In Beijing's revocation of Meta's \$2-bn AI firm deal, signals for US-China tech race

Rishika Singh
New Delhi, April 29

CHINA ON Monday blocked US tech giant Meta's \$2-billion deal to acquire the Chinese-origin AI agent Manus.

When it launched in early 2025, Manus was hailed as a major technological accomplishment, especially in the context of the race between the US and China to develop artificial intelligence. Soon after, Manus shifted its base to Singapore, and by December, Meta — the parent company of Instagram, Facebook and WhatsApp — moved to acquire it.

What is unusual is that Beijing has cracked down on the deal despite the company's distance from China. It even summoned the two co-founders earlier this year and prevented them from leaving the country under the regulatory review, the *Financial Times* reported.

Meta is now preparing to unwind the acquisition following the order, *The Wall Street Journal* reported on Tuesday.

Deal under lens

In a one-paragraph statement, the Chinese government said the office of the foreign investment security review working mechanism has decided to prohibit foreign investment in Manus and ordered the parties to revoke the deal.

It did not provide any reason for the review, but Beijing had earlier asked the two companies "to unwind the deal and fully restore Manus's Chinese assets to their original state," *WSJ* reported, quoting sources.

China sees a national security imperative in Manus, which is a general AI agent — the world's first. These agents are built by training on vast amounts of data, but unlike chatbots such as ChatGPT or Google Gemini, they are equipped with "tool calling." This ability allows them to retrieve updated information in real-time from the web, equipping them to handle complex prompts, code, and interact with other apps, such as calendars and emails.

Despite the company shifting base from China and winding down its operations

there, *WSJ* reported: "Chinese authorities believe they have the authority to demand the deal be unwound because Beijing Butterfly Effect Technology (Manus's parent company) remains a Chinese company... Chinese law dictates that any foreign investments that may carry a national-security risk could be subject to review by authorities."

However, a *Reuters* report noted that in 2025, Butterfly Effect re-incorporated in Singapore, thus bypassing investment restrictions on Chinese AI firms, as well as Chinese rules limiting domestic AI firms' ability to transfer their intellectual property and capital overseas.

Global Times, the Chinese Communist Party's English mouthpiece, stated in an editorial: "The biggest concern was that Manus, a company built on Chinese engineers and infrastructure, appeared to be 'cutting ties' with its Chinese roots after securing US investment. At the time, many in the industry suggested that this could be a case of regulatory evasion through a 'Singapore washing' strategy," Chinese-origin com-

panies, such as TikTok and the online fashion retailer Shein, have shifted to Singapore in recent years.

It argued: "Manus's early R&D was conducted in China and... its core data originated there. These factors mean that the movement of its personnel, technology, and data is inevitably tied to China's interests."

Tech as geopolitical tool

Control of data and technology, especially the kind seen as novel or unique, is becoming crucial in the geopolitical calculations of major countries.

With China and the US the frontrunners in tech development, their geopolitical rivalry inevitably sets the tone for how they engage with each other. *FT* reported in January that the Chinese leadership was concerned about "selling young crops," or giving away emerging companies in these domains.

Before Manus, China launched an anti-monopoly probe against US semiconductor giant Nvidia. The probe came after the Joe Biden government restricted Nvidia

from selling high-quality chips to the country. Nvidia eventually sold an inferior category of chips in China, which were also later banned under the Trump administration. In turn, China reportedly limited its companies from purchasing the chips.

Such linking of technology with national advancement and security predates the AI wave. The US restricted Huawei in 2019, when it designated the Chinese telecom company as posing a threat to national security. More recently, it mandated TikTok to divest from Chinese ownership to continue operating in the country.

On China's part, arguably, restrictions on US tech can be traced even further back when seen more broadly, preventing social media giants such as Facebook and Twitter from even operating in China.

US-China rivalry

The move will have a chilling effect on any potential founders who want to launch tech products and companies in China. As *Fortune* noted, "China's move puts the

country's AI founders in a bind. If they stay in China, they deny themselves access to US funding and computer chips. But if they relocate overseas, they invite scrutiny from Beijing if they tap public markets or seek an acquisition. Founders may end up setting up overseas from the get-go, whether somewhere like Singapore or in the US."

That was perhaps the intention, to warn emerging developers, but it will also hurt China's perception as a major tech player. Despite having the talent and infrastructure, ranging from smartphons to robots, the opacity of its systems and state control could deter foreign investments.

Chris McGuire, Senior Fellow for China and Emerging Technologies at the think tank Council on Foreign Relations, wrote on X: "Ultimately, this is a much larger defeat for the Chinese AI ecosystem than for the United States. Meta will be fine without Manus. But Chinese nationals looking to found AI companies will increasingly just start them overseas."

GS 2 : INTERNATIONAL RELATIONS

THE HINDU PAGE : 4

India and Sri Lanka reaffirm maritime ties through bilateral diving exercise in Colombo

Saurabh Trivedi
NEW DELHI

India and Sri Lanka reaffirmed their growing maritime partnership by conducting the fourth edition of the bilateral diving exercise, IN-SLN DIVEX 2026, in Colombo from April 21 to 28.

The Indian Navy said that it deployed its diving support and submarine rescue vessel *INS Nireekshak*, while the Sri Lankan Navy fielded its diving teams, jointly enhancing operational coordination and professional synergy.

Focused on complex underwater operations, the exercise was aimed at strengthening interoperability through advanced deep-sea diving evolutions, including mixed gas



Indian Navy personnel during the bilateral India-Sri Lanka diving exercise, with *INS Nireekshak* in the background, in Colombo. PTI

diving drills. Divers from both Navies carried out extensive harbour and open-sea dives, demonstrating high levels of operational expertise.

A key highlight of the exercise was the conduct of mixed gas dives off Colombo over the World War-era

wrecks *SS Worcester* and *SS Perseus*.

Marking a significant milestone, the divers successfully executed deep-sea dives beyond 55 metres, boosting joint capabilities in underwater search, rescue and salvage operations in the Indian

Ocean Region (IOR), it added.

During the exercise, Rear Admiral S.J. Kumara, Flag Officer Commanding, Western Naval Area of the Sri Lanka Navy, visited *INS Nireekshak* and commended the Indian Navy's continued support in enhancing the training of Sri Lankan divers. He emphasised the importance of sustained exchange of best practices and professional expertise.

In a solemn gesture, the Commanding Officer of *INS Nireekshak* paid homage at the Indian Peace Keeping Force Memorial in Colombo, laying a wreath in honour of Indian soldiers who made the supreme sacrifice during the IPKF operations in Sri Lanka.

Further, extending hu-

manitarian cooperation, two BHISM (Bharat Health Initiative for Sahyog, Hita and Maitri) cubes (portable hospital units) were handed over under India's Aarogya Maitri initiative, enhancing disaster response and medical preparedness.

The exercise concluded with a ceremonial send-off for *INS Nireekshak*, symbolising the strong camaraderie and enduring maritime partnership between the two Navies.

IN-SLN DIVEX 2026 stands as a testament to sustained bilateral collaboration, aligned with the MAHASAGAR vision (Mutual and Holistic Advancement for Security and Growth Across Regions), and a shared commitment to peace, stability and security in the IOR.