EDITORIALS HIGHLIGHTS
(AUGUST 19)

1. CENTRE TO PROCURE 405 KEY DEFENCE COMPONENTS LOCALLY
(THE HINDU PAGE NO 4)

1. **GS III** (Security / Economy)
2. **Topics:** Security challenges and their management; Indigenization of technology and developing new technology.
3. **Concepts:** Positive Indigenisation List, Defence Public Sector Undertakings (DPSUs), domestic defence manufacturing, import substitution in defence.

Centre to procure 405 key defence components locally

Saurabh Trivedi
NEW DELHI

Su-30MKI is among the systems and platforms listed in the domestic defence manufacturing list. PTI

The Department of Defence Production (DDP) has notified the sixth Positive Indigenisation List, comprising 405 strategically important defence items with an estimated business potential of ₹3,070 crore, in another push to reduce dependence on imports and promote domestic defence manufacturing.

After their successful indigenous development, these items will be procured from Indian industry, the Ministry of Defence said.

According to the Ministry, the list includes line replaceable units, sub-systems, sub-assemblies, spares, components and raw materials.

Under the 405 items, 16 pertain to the Indian Coast Guard, while 389 are associated with defence public sector undertakings (DPSUs).

The items span a wide range of platforms and systems, including the advanced light helicopter, light utility helicopter, Su-30MKI, light combat aircraft and AL-31FP engine. The list also covers components for armoured platforms such as the T-72, T-90 and BMP-II, warships, missile systems, including Konkurs-M, Invar and MRSAM, and defence electronics such as radars, sonars, fire-control systems and satellite communication systems. High explosive anti-tank ammunition and other critical defence equipment have also been included in the list.

The detailed list has been uploaded on the SRIJAN Defence Portal.

2. EMPLOYMENT GUARANTEE HAS SLIPPED INTO LIMBO

(THE HINDU PAGE NO 8)

1. **GS II** (Social Justice) & **GS III** (Economy)
2. **Topics:** Welfare schemes for vulnerable sections; Employment.
3. **Concepts:** MGNREGA, VB-G RAM G Act, rural employment guarantee, wage security, National Mobile Monitoring Software (NMMS), E-KYC exclusions.

Employment guarantee has slipped into limbo

Jean Drèze

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VB-G RAM G has driven employment guarantee into the ditch

Rural workers are paying a heavy price for the Union Government's ill-conceived tinkering with India's employment guarantee law. Indeed, evidence is mounting of an unprecedented crash in employment generation under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and its successor, the Viksit Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin) alias VB-G RAM G Act.

One aspect of this crash has been widely noted: the 50% decline in employment generation under VB-G RAM G in July 2026, *vis-à-vis* MGNREGA in the same month last year. The 50% estimate is actually based on a premature figure of 7.7 crore person-days for July 2026. The latest figure is 8.3 crore, and the final figure is likely to be around 9 crore according to the Ministry of Rural Development. But even if we accept this anticipated total for July, the decline *vis-à-vis* July 2025 would be above 40%, which is a massive setback.

Misleading excuse

The Ministry of Rural Development made a lame attempt to attribute this setback to the fact that a few States explicitly suspended VB-G RAM G in parts of July 2026 under Section 6 of the Act, but this is the mother of all red herrings. For one thing, these States account for a small share of total MGNREGA employment, and the July 2026 decline looks much the same in proportionate terms when these States are left out. For another, the July decline is just the continuation of a crisis that began earlier.

Some background may help. A Bill paving the way for the replacement of MGNREGA with VB-G RAM G was rushed through Parliament in December 2025. The Rural Development Minister announced, at that time, that the replacement would take place on April 1, 2026. However, nothing of the sort happened on April 1. Evidently, the Ministry was not ready for the transition. The Rules, in particular, had not been framed. MGNREGA continued, by default.

On May 22, 2026, the Ministry released draft VB-G RAM G Rules for public consultation. These Rules are mainly a rehash of MGNREGA rules and orders. Release of the final Rules began at the end of June, just on time for the official replacement of MGNREGA with VB-G RAM G on July 1. VB-G RAM G wage rates were also notified on June 30, with a minimum norm of ₹300 per day – much the same as the earlier MGNREGA norm of ₹100 per day at 2009-10 prices.

The transition, the ground reality

During the first three months of this financial year (April to June), confusion prevailed. To paraphrase Gramsci, the old world of MGNREGA was dying, and the new world of VB-G RAM G was struggling to be born. In some districts, MGNREGA functionaries refused to open new works. In many areas, there was no MGNREGA work at all. This was a serious lapse, as MGNREGA is normally at a peak during these summer months (a slack agricultural season in large parts of India). The limbo continued in July 2026, when VB-G RAM G made a faltering start.

In 2024-25 and 2025-26, the first four months of the financial year (April to July) accounted for nearly 50% of annual employment generation – 128 crore and 119 crore person-days, respectively. In 2026-27, however, MGNREGA and VB-G RAM G generated only 70 crore person-days of employment in the same months – a decline of 43% from the average of the preceding two years.

Employment declined in all major States, but the decline was far from uniform across States (see *chart*). It was relatively small in a few States (example, Andhra Pradesh, Assam and Telangana), but larger than 40% in most States. In 10 out of 19 major States, the decline ranged between 60% and 85%. States where employment generation came to a virtual standstill in April-July 2026 include Madhya Pradesh, Uttar Pradesh and Jharkhand, some of India's largest and poorest States.

This crash in employment is all the more startling as the transition to VB-G RAM G was supposed to lead to a huge increase in employment generation. The VB-G RAM G allocation in the 2026-27 Union Budget is ₹95,692 crore – a little more than the actual MGNREGA expenditure in 2025-26. The total VB-G RAM G budget, inclusive of State contributions (40% of the total for most States), was due to shoot up to ₹1.5 lakh crore or so – an increase of about 70% *vis-à-vis* MGNREGA expenditure in 2025-26. With wages more or less unchanged in real terms, one would expect this enhanced budget to trigger a big increase in employment generation. Instead, the first four months of 2026-27 witnessed an unprecedented crash.

An uncertain road ahead

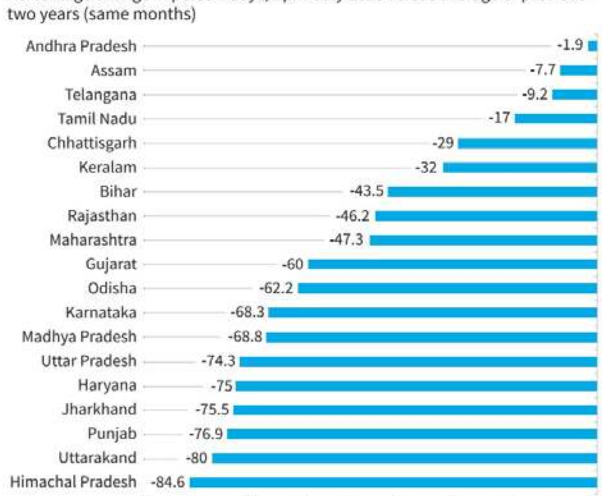
It is, of course, too early to pass judgement on VB-G RAM G. But the launch is certainly a damp squib as things stand. The fact that employment generation has been virtually nil for months in some of India's largest and poorest States is particularly alarming.

The situation may improve in the next few months, but it is hard to see how the projected VB-G RAM G expenditure of ₹1.5 lakh crore in 2026-27 is going to materialise. Wage payments may face serious problems too, with the imposition of facial recognition at the worksite and Centre-State cost-sharing. The outlook is bleak.

At Honnakiranagi village in Kalaburagi district, Karnataka. ARUN KULKARNI

Employment decline in April-July 2026

Percentage change in person-days, April-July 2026 versus average of previous two years (same months)



Source: Calculated from Report 5.1.4, MGNREGA and VB-G RAM G portals

3.A VISION FOR AN INCLUSIVE BANGLADESH

(THE HINDU PAGE NO 8)

1. **GS II** (International Relations)
2. **Topics:** India and its neighborhood-relations.
3. **Concepts:** Bangladesh July Uprising 2024, minority rights in Bangladesh, SAARC, economic diplomacy, democratic transition.

A vision for an inclusive Bangladesh

Shahadat Shadhin

Deputy Press Secretary to the Prime Minister, Government of the People's Republic of Bangladesh

Under Prime Minister Tarique Rahman, Bangladesh's democratic journey seeks inclusion, equality, dignity, and accountable governance

The July Uprising of 2024 was not an isolated event in Bangladesh. Rather, it was the culmination of nearly two decades of democratic struggle.

Bangladesh has a long and strong history of striving for democracy. The Bangladesh Nationalist Party (BNP), which is currently in government, has consistently advocated democracy and contributed to efforts to build an inclusive society in which freedom of speech, social harmony, the rule of law, and human rights are upheld.

Since the July Uprising, the BNP, as the country's largest political party, has repeatedly emphasised the importance of keeping society united and building a better Bangladesh for all.

In the aftermath of the uprising, the then BNP Chairperson and former Prime Minister Begum Khaleda Zia, in a video message, called for "no destruction, no revenge, no vengeance", and urged the people to build a society based on knowledge, peace, and justice.

Towards an inclusive and equal Bangladesh

Following the July Uprising and the fall of the previous regime, Bangladesh Prime Minister Tarique Rahman strongly condemned mob violence and repeatedly emphasised the importance of protecting the rights and dignity of every citizen, including religious and ethnic minorities.

The BNP's traditional position on minority rights is rooted in the principle that Bangladesh should not be defined through a majority-minority framework. Regardless of religion, race, geographical location, or ideological position, every citizen in the country should be able to enjoy their religious, political, cultural, and social rights without hindrance. The government's position is that religion is an individual matter, but the state is for all.

This principle is also reflected in the government's public programmes. At the beginning of major state functions, verses and teachings from the Koran, the Gita, the Tripitaka, and the Bible are presented, reflecting the government's stated commitment to respecting citizens of all faiths equally. For the first time in Bangladesh's history, the Tarique Rahman government has appointed Bijon Kanti Sarkar as Special Assistant to the Prime Minister, with the status of a state Minister and responsibility for minority rights. The appointment is intended to strengthen institutional attention to minority concerns and provide a channel through which their issues can be brought directly to the Prime Minister's attention.

The Bangladesh government has also sought to ensure broader representation in public institutions, the Cabinet, and Parliament. Alongside Hindu representatives and an indigenous representative from the Chittagong Hill Tracts, the party nominated Anna Minj to a reserved parliamentary seat. She belongs to the Oraon indigenous community and also represents the Christian community. These appointments reflect the objective of building a more inclusive political system.

Another significant social-welfare initiative is the provision of allowances to religious representatives serving in mosques, temples, Buddhist monasteries, and churches. The policy is intended to recognise religious institutions across communities on an equal basis and demonstrate the government's commitment to treating citizens from all faiths with equal dignity.

Honouring 1971, embracing 2024

The BNP's commitment to Bangladesh's founding history is also deeply rooted in its institutional heritage. The party's founder, Shaheed President Ziaur Rahman, was the proclaimer of independence in 1971 and a valiant freedom fighter of the nation. The spirit and legacy of the Liberation War therefore remain central to the party's political identity.

For the BNP, upholding the aspirations of 1971 means ensuring democracy, development, human rights, and national dignity. The party has also strongly rejected attempts, particularly in the period following August 5, to create a false conflict between the legacy of 1971 and the aspirations associated with the events of 2024.

The two moments should not be viewed as competing narratives. The year 1971 is the root of Bangladesh's national identity, while 2024 represents a renewed inspiration for democratic aspirations and political transformation.

This understanding has also been reflected in the government's symbolic initiatives. After assuming office, Prime Minister Tarique Rahman named galleries in Parliament in honour of the heroes of 1971 and 2024. He also named the main entrance of Parliament after General M.A.G. Osmani, the commander-in-chief of Bangladesh's Liberation War.

Domestic and foreign policy

The government's domestic policy priority is to ensure quality education and proper health care for every citizen. As a delta nation, it also prioritises sustainable development and environmental conservation. It focuses on job creation, social welfare, human development, economic diplomacy, global trade, and strategic partnerships around the world.

Regarding foreign policy, the government believes in putting Bangladesh first and adopting a self-respecting, active, and responsible global position based on equality, fairness, and mutual respect.

The founder of the BNP, Shaheed President Ziaur Rahman, was a proponent of the South Asian Association for Regional Cooperation (SAARC), and the party continues to prioritise making SAARC more effective. Bangladesh's current government promotes friendly bilateral relations with other countries, including its neighbours, on the basis of sovereign equality, national dignity, non-interference in each other's internal affairs, and mutual benefit.

Under Tarique Rahman's leadership, Bangladesh seeks to build a people-centred welfare system and a society based on peace, justice, and equality for people of all religions and beliefs. Overall, these initiatives demonstrate an attempt to connect Bangladesh's historic struggle for democracy, human rights, inclusion, and accountable governance.

The views expressed are personal

EDUCATION MUST CHANGE TO ACCOUNT FOR AI

(THE HINDU PAGE NO 9)

1. **GS III** (Science & Tech / Economy) & **GS II** (Education)
2. **Topics:** Awareness in the fields of IT, Computers; Issues relating to development and management of Social Sector/Services relating to Education, Human Resources.
3. **Concepts:** AI-driven job displacement, educational reform, National Education Policy (NEP), experiential learning, human-AI collaboration.

Education must change to account for AI

The spectre of a world orchestrated by Artificial Intelligence (AI) looms over discussions at coffee tables, in industry, and in the corridors of power. Opinions about what the near future portends range widely. While some suggest that superintelligence is only a few years away, others say it is many years away. Questions about education too are frequent, but mostly with respect to teaching and examinations. Only a few bring up preparedness for the jobs of the near future.

The nature of work at every level is changing rapidly and unpredictably. It is not just that 'vibe coding' threatens to render much routine coding obsolete. With wisely configured agents and other tools, even important work can be made routine, leaving fewer employees to provide careful oversight.

An overhaul of work

The same acceleration is coming to manufacturing, and will affect every sector in which India has strengths. In generic drugs and biosimilars, AI is reshaping molecule screening and formulation, while robotics and machine vision will increasingly handle synthesis and quality control. Vaccine development and manufacture will also change visibly: AI can help design antigens and predict immune responses, while robotic bioreactors, automated fill-finish lines, and AI-managed logistics will make production faster, cleaner, and more precise.

Indian industry will no doubt pivot to meet these challenges. Companies may survive and prosper, but their employee profiles will change dramatically. Many entry-level positions will disappear, but people with deep domain expertise will still be needed, and such expertise cannot magically be acquired at the point of entry.

The earlier technological revolutions were met by extending education: from basic literacy to primary school, then high school, college and, increasingly, professional master's degrees. Each transition asked people to acquire and retain more knowledge before entering the workforce. That strategy is now running out of road. As AI systems advance, the comparative need is no longer for humans to simply store ever more information in their heads. It is to know what must be understood deeply, what can be retrieved when needed, and how to learn quickly in unfamiliar situations.

K. VijayRaghavan

Chairs the Science Advisory Council at Ashoka University and is DAE–Homi Bhabha Chair at the National Centre for Biological Sciences, TIFR

Shivaji Sondhi

Professor of Physics at the University of Oxford

How education must change

Education must therefore do two things that may appear contradictory: thin out what it teaches, while providing far more opportunities to learn on the fly. The objective is not less rigour but a different kind of rigour – selection, synthesis, judgement and adaptation. Students need repeated experience in confronting problems whose answers are not in the syllabus, finding the relevant knowledge, and using it with judgement.

The task before our education system is to prepare young people for an unpredictable future. There are no easy fixes. For reasons of accident and design, our higher-education system resembles a bowl of *seviyan payasam* (vermicelli pudding): there are gems of raisins and cashews, but much of it is slippery and impossible to untangle. Yet a few simple steps could have a disproportionate impact.

Learn via practice

The ideal way to train an expert is through apprenticeship: one student working closely with one teacher or practitioner. However, that model cannot be provided at scale at this time.

But the National Education Policy's four-year undergraduate structure already provides for a research pathway in the final year, which is the closest institutional equivalent available.

In practice, residual coursework often crowds out the immersion the policy intends. Universities should allow any remaining essential coursework to be completed online and free students to spend the year embedded in industry, working with university laboratories or national laboratories. There they could work alongside people solving real problems, encounter uncertainty, and learn how to acquire knowledge as it becomes necessary.

A future we cannot predict cannot be prepared for by adding ever more material to the curriculum. We should instead give undergraduates the time and freedom to practise entering the unknown.

GETTY IMAGES

PM CARES DONATIONS HAVE DROPPED, AND UTILISATION IS ABYSMAL

(THE HINDU PAGE NO 9)

1. **GS II** (Governance)
2. **Topics:** Important aspects of governance, transparency and accountability.
3. **Concepts:** PM-CARES Fund, public charitable trusts, financial transparency, fund utilization, auditing delays.

PM CARES donations have dropped, and utilisation is abysmal

The corpus of PM CARES grew by 26% in two years despite drop in donations due to accrual of interests. However, utilisation of the funds has reduced

DATA POINT

Pon Vasanth B.A.

The audited financial statements of the Prime Minister's Citizen Assistance and Relief in Emergency Situations (PM-CARES) Fund, released for the financial years of 2023-24 and 2024-25 after a delay of two years, showed that donations had dropped and the utilisation of available funds was abysmally low.

The corpus grew by 25.8% between 2022-23 and 2024-25 from ₹6,722 crore to ₹8,453 crore. However, in the same period, the utilisation dropped from ₹437.9 crore to just ₹87.5 lakh, which was 10,000 times smaller than the available corpus **(Chart 1)**. The money flowing into funds through donations and interests from corpus far exceeded the money disbursed since 2022-23 **(Chart 2)**.

Moreover, "refunds" from "implementing agencies" were far higher than the money utilised **(Chart 3)**. Neither the details of these implementing agencies nor the purpose for which the refunded money was originally allotted has been made available.

Additionally, donations have also dropped sharply. The growth in the corpus was mainly due to earnings through interests. In 2024-25, the income received through interest payments (₹475 crore) was almost the same as donations (₹480 crore) **(Chart 4)**. The sharp increase in interests' income could be attributed to the Union government moving the corpus from savings account to fixed deposits in 2023-24 **(Chart 5)**.

Ever since its creation as a public charitable trust in March 2020, PM-CARES has come under criticism for its lack of transparency, refusal to share information, and inordinate delays in releasing financial statements. The prolonged delay **(Chart 6)** in the release of statements coincided with the Centre changing the auditors.

Transparency deficit

The delays in the release of financial statements were calculated using Internet Archive and the metadata available in the official website of PM-CARES Fund

CHART 1: While the corpus of the PM-CARES Fund continued to grow, the utilisation has dropped sharply after COVID-19 pandemic (values in ₹ crore)

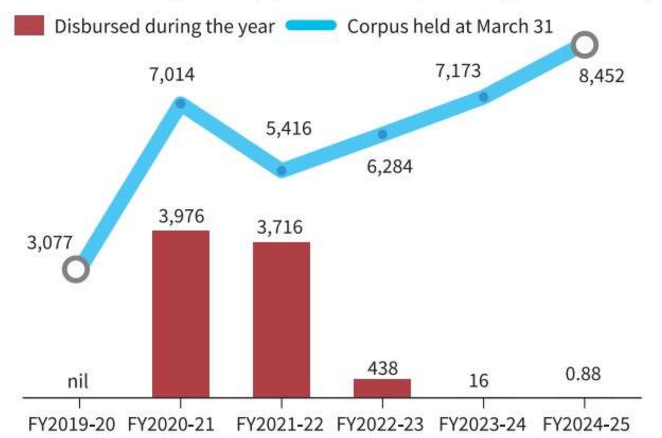


CHART 2: Since 2020-23, the money flowing into the fund has far exceeded the money disbursed (values in ₹ crore)

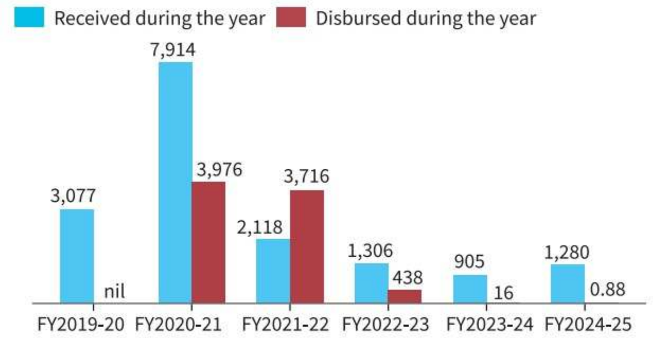


CHART 3: In 2023-24 and 2024-25, the money refunded by "implementing agencies" was much higher than the money utilised (values in ₹ crore)

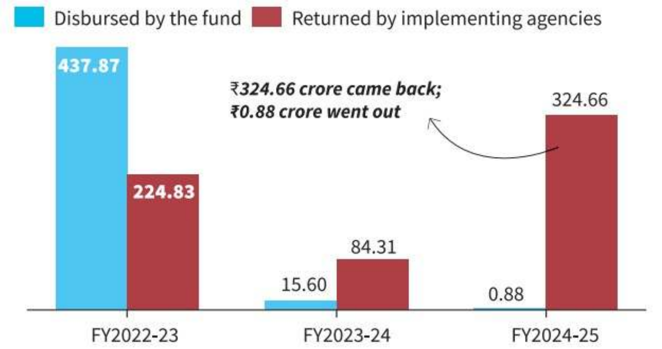


CHART 4: Donations to PM-CARES Fund has considerably reduced. In 2024-25, the income through interests' was almost the same as the donations received

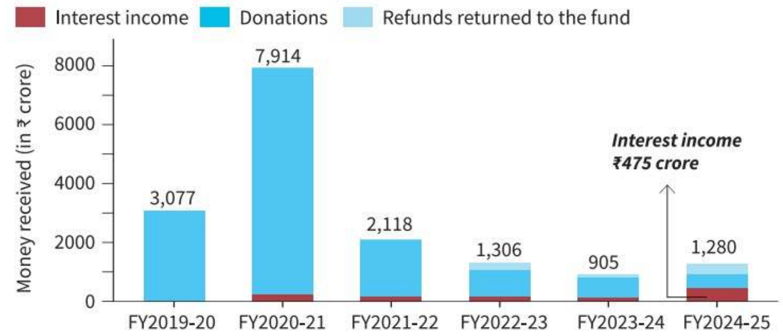


CHART 5: In 2023-24, the government moved the corpus from savings accounts to fixed deposits, which was the likely reason for increase in income through interests

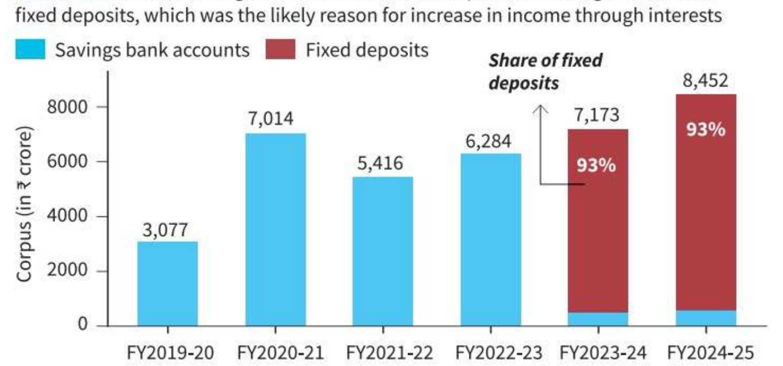


CHART 6: The table shows the delays in the release of audited statements. The last two were approved together by auditors

Financial year	Date published	Delay (days)
FY2019-20	Aug 19, 2020*	141
FY2020-21	Feb 8, 2022	314
FY2021-22	Nov 1, 2022*	215
FY2022-23	Dec 28, 2024	638
FY2023-24	Aug 17, 2026	869
FY2024-25	Aug 17, 2026	504

WHAT DRIVES CORPORATE INVESTMENT?

(THE HINDU PAGE NO 10)

1. **GS III** (Indian Economy)
2. **Topics:** Indian Economy and issues relating to planning, mobilization of resources, growth, development.
3. **Concepts:** Corporate investment slump, profitability curve, cost of credit, autonomous government stimulus, MSME credit constraints.

What drives corporate investment?

Corporate investment as a share of GDP in India has declined sharply since demonetisation, with the fall persisting despite tax cuts and a low-interest-rate regime; smaller firms face higher interest costs, while larger firms are constrained by demand; reviving investment requires govt. expenditure to push profitability up

ECONOMIC NOTES

Rohit Azad
Indranil Chowdhury

Corporate investment, as a share of GDP, has been declining in India for some time now (**Chart 1**). This trend raises an important question: what explains this prolonged decline?

A few things stand out in **Chart 1**. Corporate investment in India took off in 2004, when it jumped almost four percentage points, from 6.5% to 10.3%. After rising during the dream run of India's growth story, it fell during the Global Financial Crisis (GFC), but began a steady revival till demonetisation hit the economy in 2016 (marked by a vertical line in the chart). Since then, the decline has been singular. So much so that the share has not even returned to the low levels during the GFC (see the horizontal dashed line).

This last point is the most damning. The global economic crisis was an external shock beyond India's control, whereas demonetisation was a self-inflicted shock. To be sure, there was another external shock – Covid – in 2020-21. But the decline in investment had started a few years earlier.

What determines investment?

Think of building a factory. A factory has a long life, so you need to take many things into account over its lifetime before committing to building one. What are the factors that may influence this decision? The three most important factors are likely to be: the expected profitability from selling the goods the factory produces; the confidence with which you can predict those profit rates over the factory's lifetime; and the cost of credit, especially if the level of investment crosses your own available funds, needed to build the factory in the first place. The story becomes even more interesting when we bring in firms of different sizes because what constrains investment varies across firm size. Let us see how.

As for the first factor, most industries have economies of scale. Larger equipment, factories, and workspaces have higher profit rates compared to their smaller counterparts. Thus, expected profitability rises with the size of investment, as shown by the upward-sloping portion of the profitability curve in **Graph 1**. However, each firm has an upper limit to how much it can sell and, consequently, an upper limit to the size of the factory, represented by the vertical portion of the profitability curve in Graph 1. If it invests more than that, that part of the factory will go to waste given that the firm cannot cross the sales set by its share in the total market.

The second factor – the confidence with which a firm holds these expectations – determines the position of the profitability curve. A high level of confidence, what John Maynard Keynes called 'animal spirits', means the profitability curve would move outward and the reverse if the capitalists are pessimistic about the future. An economy-wide shock of demonetisation pushed the profitability curve inward across the board (dashed blue curve in panel (b) of Graph 1) both because immediate profitability declined and because the credibility of future policy steps became suspect. This fall may be so drastic that it pushes small firms below the cost of credit curve altogether, forcing them out of business – exactly what happened to many MSMEs during this period.

The third factor – interest rates – could matter for two different reasons. First, a firm that is not interested in building the factory has the option of parking its money in assets bearing this rate of interest. For there to be any investment, therefore, expected profitability needs to be higher than the market rate of interest. Second, if a firm has to borrow from the market to invest, the cost of credit will play a role. This cost is likely to rise as firms take on more loans in proportion to the funds they are committing to the project. So, up to a point given by firms' own capital, the cost curve may be flat, but it rises steadily after that. This 'principle of increasing risk' was proposed by Michal Kalecki, which meant the system is rigged against small capitalists, even when small and large capitalists have the same blueprint of a technology. Access to capital, a priori, begets more capital.

GETTY IMAGES

The investment slump

Corporate investment in India as a share of GDP has been declining since demonetisation. What explains the prolonged slowdown?

GRAPH 1: What determines investment

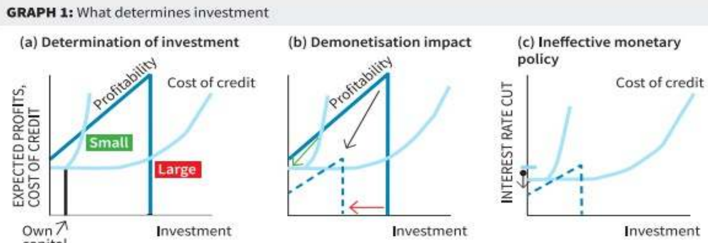
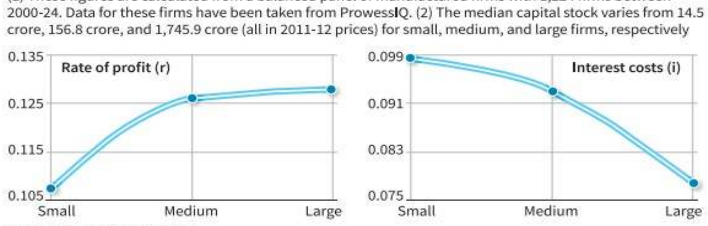


CHART 1: Corporate investment in India — *As a share of GDP (in %)*

Source: Authors' calculations, Database on Indian Economy, RBI

CHART 2: Characteristics of Indian manufacturing firms — *Median values across three sizes of firms*

(1) These figures are calculated from a balanced panel of manufactured firms with 1,224 firms between 2000-24. Data for these firms have been taken from ProwessIQ. (2) The median capital stock varies from 14.5 crore, 156.8 crore, and 1,745.9 crore (all in 2011-12 prices) for small, medium, and large firms, respectively



Source: Azad and Chowdhury

Does size matter?

What is interesting in this story is that for the smaller firms with very low levels of own capital, the cost curve starts rising way sooner than the larger firms and may cut the upper portion of the profitability curve (panel (a) of Graph 1). Investment for such firms, therefore, may be constrained by the availability of credit. Interest costs, therefore, would be quite high for such firms. For the larger firms, their own capital may be so high that the cost curve cuts the profitability curve on its vertical portion (panel (a) of Graph 1). Such firms are limited by the market instead of finance. Interest costs may not be consequential.

Chart 2 shows that such a broad categorisation across size, by and large, holds for the Indian manufacturing sector. We have compiled a balanced panel data set of listed firms in the manufacturing sector between 2000 and 2024 from the Prowess dataset and categorised them in three sizes – small, medium, and large. Smaller firms have lower profitability but higher interest costs, whereas the larger firms have higher profitability but lower interest costs, as expected in Graph 1.

What does this mean for investment?

This asymmetry across firms of different sizes has some interesting implications. Even a fall in the rate of interest may not revive investment among smaller firms (dashed yellow line in panel (c) of Graph 1). For a large firm, which is not constrained by credit in the first place, such a policy would have no impact. Cost-side policy interventions, including tax cuts, may not have much expansionary impact on investment. This may help explain why corporate investment has not responded despite the corporate tax cut from 30% to 22% in 2018, along with the low-interest-rate regime followed by the RBI.

What is needed instead is to push the profitability curve outward, which would increase investment by both small and large firms. This can be achieved only if government expenditure acts as an autonomous stimulus. That will create demand actively and push the profitability curves outward. But this would mean giving up on being a fiscal hawk and instead listening to the youth protesting on the streets asking for gainful employment.

(The authors are a part of the DevMac (Development Macroeconomics) network, which seeks pluralism in Economics)

What is needed is to push the profitability curve outward, which would increase investment by both small and large firms. This can be achieved only if government expenditure acts as an autonomous stimulus

THE GIST

- Corporate investment as a share of GDP has declined sharply since demonetisation, falling below even the levels seen during the Global Financial Crisis; the decline began before the Covid shock.
- Investment depends on expected profitability, confidence in future returns, and the cost and availability of credit, with smaller firms facing higher financing constraints than larger firms.
- Lower interest rates or tax cuts may not revive investment if firms lack demand; stronger government spending could instead boost demand, push profitability higher and encourage investment across firms.

A SECULAR REPUBLIC'S SACRILEGE PROBLEM: THE LEGAL PRICE OF CRITICISING HOLY WRIT IN INDIA

(THE HINDU PAGE NO 11)

1. **GS II** (Polity)
2. **Topics:** Indian Constitution—significant provisions; Fundamental Rights.
3. **Concepts:** Sacrilege vs. Blasphemy, Freedom of Speech (Article 19), Section 295A IPC / Section 299 BNS, secularism, reasonable restrictions.

KEYWORD

A secular republic's sacrilege problem: the legal price of criticising holy writ in India

Punjab's new sacrilege law has reignited debate over the criminalisation of religious offence in a secular state; its definition of sacrilege extends beyond physical desecration of the Guru Granth Sahib to words, signs and representations, bringing expressive conduct within the scope of the law

Prathmesh Kher

A rally seeking justice for the sacrilege incident of Guru Granth Sahib that took place in 2015, at Bargari village in Faridkot, on October 7, 2018. PTI

In April 2026, the Governor of Punjab gave his assent to the Jaagat Jot Sri Guru Granth Sahib Satkar (Amendment) Act, which criminalises sacrilege against the Guru Granth Sahib with sentences running as high as life imprisonment. The law arrived almost immediately after passage, closing out a decade of agitation that followed the desecration incidents at Bargari and Burj Jawahar Singh Wala in 2015, and the police firing at Behbal Kalan that killed two protesters. On paper, this looks like routine State legislation responding to genuine communal hurt. In substance, it is India's most severe working sacrilege law: a statute that punishes the physical desecration of a sacred text with sentences up to and including life.

The Constitution declares secularism part of its "basic structure," and a law of this kind sits awkwardly against that declaration. It permits, and in Punjab's case has now enacted, punishment for disrespect to religion in a nation-state that officially professes no religion of its own and guarantees every citizen the right to free speech. Punjab's law is only the most vivid recent example of a wider pattern: a body of provisions, some colonial in origin and some entirely contemporary, that treat criticism of religious belief and practice as a matter for the police rather than public debate.

Two wrongs, one writ

Blasphemy, in the sense English ecclesiastical law first gave the word, is an expressive wrong: contemptuous or irreverent speech, writing or imagery about a god, a prophet, a scripture or a set of beliefs. Sacrilege is a different kind of wrong, the violation or defilement of something set apart as sacred, whether a place of worship, a rite, or a physical object. It has historically been understood as a matter of conduct, akin to trespass or vandalism, rather than expression. The distinction sounds academic, but Indian law actually draws it on the statute book. Section 298 of the Bharatiya Nyaya Sanhita, carrying forward the old Section 295 of the Penal Code, punishes injuring or defiling a place of worship with intent to insult a religion, a sacrilege-type offence aimed at conduct. Section 299 of the BNS, carrying forward the old Section 295A, punishes deliberate and malicious insult to religious beliefs by words, signs or visible representation. Reference works on Indian law describe this expressive offence as the country's general prohibition on blasphemy.

Measured against that distinction, Punjab's new law does not sit cleanly on the sacrilege side of it. The Act's own definition of "sacrilege" is written in two parts: it covers any "wilful and deliberate" act of desecration through physical damage, defacement, burning, tearing or theft of the Saroop, the physical volume of the Guru Granth Sahib or part of it, but the same clause extends sacrilege equally to acts committed "by words, either spoken or written, or by signs or by visible representations or through electronic means," wherever this is of a nature to hurt the religious feelings of persons professing the Sikh faith. The first half criminalises what is done to the book itself. The second half criminalises expressing a disrespectful opinion about it, which is precisely the blasphemy-type wrong the distinction above is meant to set apart.

The line is real, but it does not always survive contact with how these laws are enforced. In 2007, the Karnataka editor B.V. Seetaram, along with his wife and co-director Rohini, was arrested after the Kannada dailies they ran published articles questioning the right of Digambara Jain monks to appear naked in public. Nothing had been physically defiled. The entire complaint concerned words in print, precisely the terrain the blasphemy-type Section 295A exists to cover. That the case still produced an arrest and days in judicial custody shows how quickly an expressive complaint can escalate into criminal process once religious offence is invoked.

A colonial ancestry

India's principal blasphemy provision, Section 295A of the old Indian Penal Code (now Section 299 of the Bharatiya Nyaya Sanhita, in force since July 2024), was not an indigenous invention. Its origin lies in the story of *Rangila Rasul*, a pamphlet about the marriages of the Prophet Muhammad published in Lahore in May 1924 by Mahashe Rajpal, under the anonymous authorship of an Arya Samajist, Pandit Chamupati. The pamphlet did not appear out of nowhere: it was written, on the evidence of Dr. B.R. Ambedkar's own account of the affair, in direct retaliation for an earlier Muslim pamphlet, *Sitaka Chinala*, which had made insulting claims about Sita, the wife of Lord Rama, and it arrived in the middle of a decade in which Hindu and Muslim publicists in Punjab were trading such attacks with regularity. Rajpal was prosecuted under Section 153A, the general provision against promoting enmity between communities. A magistrate convicted him in 1926, the Lahore Sessions Court upheld the conviction in February 1927, and the Lahore High Court, in a judgment by Justice Dalip Singh on May 4, 1927, acquitted him, holding that however malicious and wounding the pamphlet was, Section 153A was meant to prevent attacks on a living community, not polemics against a deceased religious founder, however scurrilous.

The acquittal caused precisely the disorder the law had been trying to prevent, and Justice Dalip Singh himself had urged the legislature to close the gap he had just identified. It did so quickly: a bill was introduced within months, refined by a Select Committee that included Muhammad Ali Jinnah, and enacted as Section 295A, receiving the Governor-General's assent on September 22, 1927. The new section criminalised "deliberate and malicious" acts intended to outrage the religious feelings of any class of citizens, whether by words, signs, or visible representation, and now, under the BNS, explicitly by electronic means. The law arrived too late to touch the original pamphlet, and it did not, in the event, prevent what came next. On April 6, 1929, nineteen months after Section 295A had already entered the statute book, a young Lahore carpenter named Ilm-ud-din stabbed Rajpal to death, declaring that he had taken revenge for the Prophet. Jinnah himself argued Ilm-ud-din's unsuccessful appeal against the death sentence; he was executed that October. Whatever else it achieved, Section 295A cannot be credited with preventing the very killing its enactment is sometimes said to have followed. In 1957, the *Supreme Court in Ramji Lal Modi versus State of Uttar Pradesh* upheld the provision's constitutionality regardless, reasoning that it fell within the "public order" exception to free speech carved out by Article 19(2) of the Constitution.

The reasoning has held for nearly a century, but it rests on a fiction that has always troubled civil libertarians: that hurt feelings, however genuinely felt, are equivalent to a threat to public order. A law meant to prevent riots has, in practice, become a general licence to prosecute writers, film-makers, and cartoonists whenever a sufficiently organised group of the offended chooses to complain. The Select Committee that drafted Section 295A inserted the words "deliberate and malicious" specifically to protect social reformers who might need to attack superstition or ill practice to bring about change. Jinnah went further still: addressing the Central Legislative Assembly on 5 September 1927, he argued that the law had to protect "those who are engaged in bona fide and honest criticism of a religion," alongside historians and truth-seekers, from being caught by the same net meant for wanton vilification. The trouble is that "bona fide and honest" is not a rule so much as an invitation to a judgment call, and it is subject to the perspective from which it is judged.

The country that gave India this legal inheritance has since gone the other way entirely. In England and Wales, the common law offences of blasphemy and blasphemous libel, from which Section 295A's own drafting ultimately descends, were abolished by Section 79 of the Criminal Justice and Immigration Act 2008, which received Royal Assent on May 8, 2008, and took effect that July; Scotland repealed its own common law blasphemy offence in 2021, in force from 2024.

India inherited a colonial category of law that its former coloniser has since dismantled across almost all of its own territory, and then, in Punjab's case nearly a century later, made its own version of the underlying idea more severe rather than less.

(First in a three-part series)

INSIDE ONE-SHOT THERAPY TO LOWER BAD CHOLESTEROL

(INDIAN EXPRESS PAGE NO 4)

1. **GS III** (Science & Tech)
2. **Topics:** Science and Technology- developments and their applications in everyday life (Health); Awareness in the fields of Bio-technology.
3. **Concepts:** VERVE-102, *in vivo* gene editing, PCSK9 gene, LDL cholesterol management, one-shot genetic therapies.

• HEALTH

Inside one-shot therapy to lower bad cholesterol

VERVE-102 cut LDL cholesterol by about 62% in an early trial, most helpful for those with family history. But more diverse trials are needed to know if the effect will last for decades

EXPERT EXPLAINS

DAVID E NEWBY

BRITISH HEART FOUNDATION DUKE OF EDINBURGH CHAIR OF CARDIOLOGY

A NEW experimental therapy from US pharma major Eli Lilly and its subsidiary Verve Therapeutics — involving a single shot infusion that may bust LDL (low-density lipoprotein), or bad cholesterol, at one go and which sharply lowered LDL by 62% for as long as 18 months after treatment in a trial — continues to make waves among cardiologists. The therapy works by permanently switching off a cholesterol-related gene called PCSK9 inside the liver, taming LDL forever.

LDL is called "bad cholesterol" because high levels make it stick to artery walls and form hard fatty deposits called plaque. These deposits narrow the arteries and block blood flow, elevating the risk of heart attacks and strokes.

VERVE-102 is not a traditional drug. It is a form of *in vivo* (administered directly to the patient's body) gene editing, which allows scientists to alter DNA and modify gene function. Instead of temporarily blocking cholesterol production with medicines, researchers use genetic instructions delivered through an intravenous infusion to permanently alter liver cells from producing it altogether.

Professor **David E Newby,** a co-author of the VERVE-102 phase 1 trial, said, "In traditional treatment, you keep taking the medicine to keep the effect of lowering LDL. In VERVE-102, you make a one-time targeted change to DNA inside liver cells to keep the effect going."

"The goal is to permanently reduce the liver's ability to produce PCSK9 after a single intravenous infusion. We are hoping that a 'one-and-done' cholesterol treatment could eventually replace conventional medicines," he said.

The study is exciting because it shows that a concept once considered futuristic — a one-time genetic treatment for lifelong cholesterol control — has begun to enter human clinical testing. The challenge now is proving that the benefits of making such a change last a lifetime truly outweigh the risks. For now, it is a promising potential future option for selected high-risk patients, rather than a replacement for existing treatments such as statins, ezetimibe, PCSK9 inhibitors, or inclisiran.

He spoke to **Rinku Ghosh**.

Why target PCSK9?

PCSK9 is a protein involved in regulating LDL cholesterol in the blood. Scientists discovered that people who naturally have certain loss-of-function changes in the PCSK9 gene tend to have lower LDL cholesterol throughout their lives and a lower risk of coronary heart disease. This provided an important clue: reducing PCSK9 activity could be a safe and effective way to lower cardiovascular risk.

That discovery was later supported by drug trials. Medicines such as PCSK9 monoclonal antibodies can substantially reduce LDL cholesterol and cardiovascular events. Traditional medicines temporarily block PCSK9 or reduce its production. Their effects therefore require continued treatment. VERVE-102 is designed to change that battle with daily compliance of drugs.

The study produced a roughly 60% reduction in LDL cholesterol after a single infusion in patients. How would that reduce their actual risk of heart attack or stroke?

This is very large. For every 1 mmol/L (millimoles per litre, or a unit used to measure the concentration of substances in your blood) reduction in LDL cholesterol, your risk falls by 20-22%.

So, if you start with a LDL cholesterol of 4.0 mmol/L, that is approximately 155 mg/dL (milligrams per decilitre, or a unit used to measure the concentration of a substance such as blood sugar or cholesterol in one-tenth of a litre), and it goes down to 1.6 mmol/L (60% reduction), then you halve your risk.

After four weeks, the highest-dose group showed particularly strong reductions: PCSK9 levels fell by about 88%, whereas LDL cholesterol fell by about 62%, LDL cholesterol decreased by approximately 78 mg/dL on average.

We know that lowering LDL cholesterol reduces cardiovascular risk, but VERVE-102 itself has not yet been shown to prevent heart attacks or strokes. How cautious should patients be about interpreting the current results?

We always would want large trial data and this is needed. However, all the cholesterol-lowering trials so far have shown us that lower cholesterol means less cardiovascular events in patients.

Moreover, drugs that block the PCSK9 protein have also been shown to reduce heart attacks. So, it is highly likely but unproven yet for this new approach.

Some participants were followed for at least one year, and the longest follow-up reached 18 months. The reductions in PCSK9 and LDL cholesterol appeared relatively stable during this period. However, an 18-month period is very different from proving that an effect will last for decades. That needs further research.

One-time treatment sounds extremely attractive to patients who struggle with taking tablets or returning for injections. But does convenience justify the possibility of a permanent genetic change?

This is key. I take statins and it is a pain. Repeat prescriptions, remembering to take them, and so on. If safe, this would be revolutionary. This is a permanent change and we do not yet know the long- term consequences as we will need to closely observe these people.

However, there are naturally occurring mutations of this gene, too, and people who have them have less heart disease and live longer. Hence the trial.

Who do you think should ultimately be considered for a treatment like this? Would you reserve it for people with familial hypercholesterolemia or very-high cardiovascular risk?

We would start with these people first as they have the most to gain and we can then observe if there are any problems before more widespread use.

A new kind of drug

VERVE-102 is a form of gene editing that is administered directly to the patient's body, allowing scientists to alter DNA and modify gene function.

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Genetic instructions are delivered via an intravenous infusion to permanently alter liver cells from producing cholesterol altogether.

• EXISTING TREATMENTS

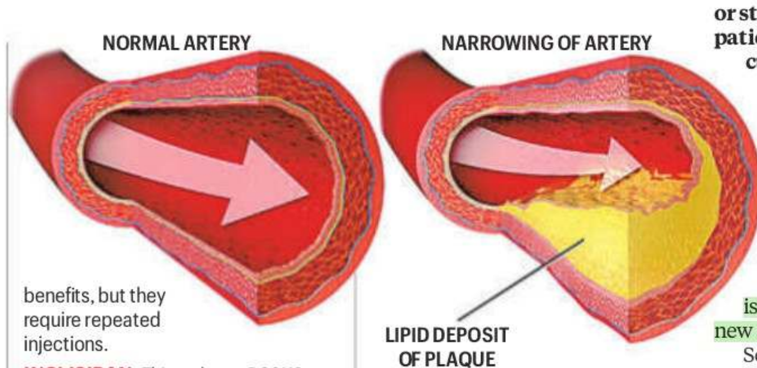
LDL is called 'bad cholesterol' because high levels make it stick to artery walls and form hard fatty deposits called plaque. These deposits narrow the arteries and block blood flow, elevating the risk of heart attacks and strokes.

STATINS: They are usually the foundation of treatment. They are relatively inexpensive, widely available, and supported by extensive evidence showing reductions in cardiovascular events.

EZETIMIBE belongs to a class of drugs called cholesterol absorption inhibitors. It is an oral prescription medicine used to lower high blood cholesterol and other fats in the blood that works by blocking cholesterol from being absorbed in your small intestine.

PCSK9 ANTIBODY MEDICINES can produce powerful LDL reductions and have demonstrated cardiovascular benefits, but they require repeated injections.

INCLISIRAN: This reduces PCSK9 production and can lower LDL cholesterol by roughly 50%. Its less frequent dosing may make long-term treatment easier for some patients. Importantly, it does not permanently modify DNA.



BEHIND NEW TRIBUNALS BILL, DECADE-LONG TUSSLE BETWEEN CENTRE, SC

(INDIAN EXPRESS PAGE NO 4)

1. **GS II** (Polity & Governance)
2. **Topics:** Separation of powers between various organs dispute redressal mechanisms and institutions; Statutory, regulatory and various quasi-judicial bodies.
3. **Concepts:** Tribunals Reforms Bill 2026, judicial independence, National Tribunals Commission, separation of powers, quasi-judicial bodies.

• LAW

Behind new Tribunals Bill, decade-long tussle between Centre, SC

Vineet Bhalla
New Delhi, August 18

PARLIAMENT HAS passed the Tribunals Reforms Bill, 2026, introducing sweeping changes to the administration of tribunals across the country. Tribunals are quasi-judicial bodies that are set up to provide swift and specialised resolution of disputes and reduce the caseload of courts.

These changes address several of the concerns the Supreme Court has repeatedly raised over the years regarding the administration of tribunals, particularly over tenure and the executive's discretion in appointments. But the Bill does not entirely remove the government from the administration of tribunals.

The confrontation over tribunals

For years, the SC and the Centre have been locked in a legislative and judicial back-and-forth over the governance of tribunals.

The friction began with the Finance Act of 2017, which empowered the Centre to frame rules for tribunals. These rules were struck down by a Constitution Bench of the SC in 2019 for undermining judicial independence. When the Centre notified new rules in 2020, the SC recommended several modifications, including suggesting a five-year tenure for members.

Instead of incorporating these suggestions, the Centre promulgated an Ordinance in April 2021 that fixed the tenure at four years, set a minimum appointment age of 50, and required selection committees to recommend a panel of two names for the government to choose from.

After the SC struck down these provisions as arbitrary, Parliament passed the Tribunals Reforms Act in August 2021, re-enacting the exact provisions the court had just declared unconstitutional.

What SC said in 2025

In November 2025, a two-judge bench struck down provisions of the 2021 Act, calling its re-enactment an "impermissible legislative override" of earlier judgments. The court criticised the government for its persistent refusal to adhere to its pronouncements.

It ruled that a short four-year tenure is "anti-merit" and "increases interference by the executive jeopardizing the independence of the judiciary". It also held that the government could not demand a panel of two names as this gave the executive undue discretion in appointments.

The judgment also reiterated the need for a National Tribunals Commission and directed the Centre to establish one within four months. It protected certain existing appointments and selections while the new framework was being put in place.

New selection process

- The search-cum-selection committee for members will be headed by a judicial member of the Commission and will include a retired High Court judge, a government secretary, a technical member and experts.
- The committee will recommend one suitable candidate for each vacancy, with one additional name kept on a waiting list.
- The government must make the appointment within three months of receiving the recommendation.

Changes in the 2026 Bill

In its Statement of Objects and Reasons, the 2026 Bill says that it is being introduced "in consonance with the directions of the Supreme Court" to "improve the efficiency, ensure independence, transparency and uniformity" in the functioning of tribunals.

The most significant change is the establishment of the National Tribunals Commission. The SC had repeatedly insisted on the creation of this independent body to sever the tribunals' reliance on their parent government ministries for administrative and financial needs, which the court argued kept them under executive control.

The Commission will conduct the selection process for vacancies, review the performance of tribunals, oversee inquiries into complaints against members, and maintain a National Tribunals Data Grid. It will be headed by a former SC judge or a former Chief Justice of a High Court and comprise two judicial members and two technical members. The technical members must have at least 25 years' experience in fields such as public administration, finance, or law.

The Commission, however, is not entirely insulated from the executive. The Centre appoints its chairperson and members — though the chair and judicial members are to be appointed after consulting the Chief Justice of India. The Centre also appoints the commission's secretary, provides grants, and retains rule-making powers over several aspects of tribunal members' qualifications and service conditions.

The Bill, which repeals the 2021 Act, resolves the previously contested issue of tenure: chairpersons and members will hold office for a term of five years. The maximum age limit has been set at 70 years for chairpersons and 67 years for members. They can be considered for reappointment.

Now, the search-cum-selection committee for members will be headed by a judicial member of the Commission and will include a retired High Court judge, a government secretary, a technical member and experts. The committee will recommend one suitable candidate for each vacancy, with one additional name kept on a waiting list. The government must make the appointment within three months of receiving the recommendation. This is a significant departure from the 2021 framework.

HOW INDIA'S NEW NUCLEAR RULES COULD FAVOUR OLD NUCLEAR ENERGY PARTNER RUSSIA

(INDIAN EXPRESS PAGE NO 4)

1. **GS III** (Science & Tech / Energy) & **GS II** (International Relations)
2. **Topics:** Infrastructure: Energy; Awareness in the fields of Nuclear Energy; Bilateral agreements.
3. **Concepts:** Small Modular Reactors (SMRs), SHANTI Act, Indo-Russian nuclear cooperation, Akademik Lomonosov floating power plant, VVER-1200 reactors.

• ENERGY

How India's new nuclear rules could favour old nuclear energy partner Russia

Pratyush Deep and Anil Sasi
New Delhi, August 18

RUSSIA'S NUCLEAR sector advantage in India could only get more pronounced if the draft rules issued this week by the Department of Atomic Energy for the Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India (SHANTI) Act are anything to go by.

The rules specifically state that foreign nuclear technology sourced for a nuclear power plant or reactor in India must mandatorily have its design certified or approved by the regulatory body in its country of origin and must already be operational there or in another foreign country.

This could matter for the small modular reactor (SMR) sector, an area where India is keen to step up its presence. SMR technologies are aimed at supplying clean electricity to remote regions with limited grid infrastructure, as well as to individual industrial enterprises. India is looking at SMRs as a solution for localised applications, such as energy-hungry data centres, and for quickly scaling up baseload capacity.

Russian nuclear company Rosatom State Corporation, a state-owned company that specialises in nuclear energy and non-nuclear energy products, has made a strong pitch for deploying its SMRs for targeted applications in India. It also aims to position its large new-generation atomic power reactor-based projects as the cornerstone of bilateral cooperation in nuclear energy.

Russia's SMR lead

While it is already building conventional nuclear projects in India, Russia has a lead in the nascent field of SMRs, which are advanced nuclear reactors that have about a third of the generating capacity of most traditional nuclear power reactors but can produce a large amount of low-carbon electricity.

Currently, two SMR projects have reached the operational stage globally, including an SMR named the Akademik Lomonosov floating power unit that has two modules of 35 MWe (megawatt electric) and started commercial operation in May 2020.

Akademik Lomonosov is as of 2023 the only operational floating nuclear power plant.
WIKIMEDIA COMMONS

The Lomonosov is a non-self-propelled power barge that doubles up as a floating nuclear power station and is docked in Pevek harbour, providing heating for the Arctic port town and supplying electricity to the regional power system. It is the world's northernmost nuclear power plant.

The other operational SMR is a demonstration project called HTR-PM in China that was grid-connected in December 2021 and is reported to have started commercial operations in December 2023.

Other global companies that are in the fray for SMR leadership include New Jersey-based Holtec International, Rolls-Royce SMR and GE-Hitachi's BWRX-300. But nearly all of these reactors are in the design certification phase and are yet to be cleared by their domestic regulators. So, in effect, the SHANTI Act clause could be a problem for most of these players if they seek to enter India.

Russia is learnt to have made a strong pitch for SMR-based projects at a working meeting that took place in Mumbai on November 10 between Ajit Kumar Mohanty, Chairman of India's Department of Atomic Energy, and Alexey Likhachev, Director General of Rosatom.

During the November meeting, the two sides reviewed the progress of the Kudankulam nuclear power project (KKNPP) in Tamil Nadu — the largest nuclear power station in India and the flagship project of Russian-Indian energy cooperation. KKNPP Units 1 and 2, where Russia's earlier 'VVER-1000' light water reactor or LWR units (where water is used to cool power reactors) have been deployed, were connected to the national power grid. They currently supply electricity to south India.

One of the key negotiating points for Moscow is the promise of serial construction of high-capacity nuclear power units of Russian design in India, based on the new-gen 'VVER-1200' reactor models. Technical specifications are being proposed by the Russian side, government officials indicated.

A new area of cooperation that was learnt to be under discussion is the construction of SMRs of Russian design in India. In April 2024, Rosatom had presented its Indian partners with information on the corporation's floating nuclear power solutions. Russia is the only country in the world with expertise in this field.

Cost advantage

In terms of pressurised water reactors or light water reactors, too, Russian companies are likely to have an edge, particularly on cost. According to industry insiders, LWRs offered by French and US companies are significantly more expensive than India's indigenous pressurised heavy water reactors.

Russian reactors, however, are estimated to be only marginally more expensive. Estimates peg the cost of indigenous reactors at around Rs 18 crore per MW-electric, compared with about Rs 34 crore per MW-electric for Russian reactors.

While fuel costs account for a relatively small share of the overall cost of nuclear generation, high upfront capital costs remain a key challenge for new nuclear projects. Financing costs and the length of the construction period are also critical determinants of the final cost of nuclear power.

A CHANGING ASIA DEMANDS MORE FROM DELHI AND TOKYO, TOGETHER

(INDIAN EXPRESS PAGE NO 10)

1. **GS II** (International Relations)
2. **Topics:** Bilateral, regional and global groupings and agreements involving India; Effect of policies and politics of developed and developing countries.
3. **Concepts:** India-Japan Special Strategic and Global Partnership, Indo-Pacific security architecture, Japan's defense policy transformation, defense industrial cooperation.

A changing Asia demands more from Delhi and Tokyo, together

RAJA MANDALA

BY C RAJA MOHAN

JAPANESE DEFENCE Minister Shinjiro Koizumi's visit to India this week comes amid the unfolding transformation of Tokyo's defence and regional security policies. Japan, long reined in by self-imposed military restraint, is adopting a more vigorous national defence policy and an active regional military diplomacy. That Koizumi is coming to Delhi after consultations in Canberra with his counterparts from Australia and New Zealand indicates new directions in security cooperation in the Indo-Pacific. Koizumi's talks in Delhi should help end the current slow and incremental approaches to defence cooperation and outline more ambitious goals for the security partnership.

Driving Japan's new defence policies is the rise of China as a great military power and Beijing's growing political will to translate that power into concrete outcomes. This is a challenge Delhi and Tokyo share as they confront assertive Chinese military policies — on Japan's maritime frontier with China and India's contested land border across the Himalayas. The geography is different, but the PLA's methods are the same: Persistent probing and the slow but definitive alteration of the territorial status quo.

For both Tokyo and Delhi, the challenge from China is magnified by the volatility of American policies. Neither seeks an Asia without America. Japan remains deeply invested in its alliance with Washington, while India sees a continuing American military presence as essential to a stable Asian balance. But Donald Trump's second presidency has reinforced questions about the predictability of American policy and the nature of its regional commitments.

Part of the answer for Delhi and Tokyo lies in strengthening their own national capabilities and deepening partnerships with each other and other Asian powers. Koizumi's itinerary captures the possibilities. Japan's defence partnership with Australia has advanced rapidly. Canberra and Tokyo have expanded military exercises, reciprocal access, logistics and defence industrial cooperation. Australia's decision to acquire Japanese-designed *Mogami*-class frigates marks an important breakthrough for a country that, until recently, imposed extraordinary restrictions on exporting weapons.

India-Japan defence cooperation has also expanded, but remains well behind the political rhetoric about their "Special Strategic and Global Partnership". Koizumi's visit should therefore be an occasion not merely to review bilateral exercises and exchanges, but to ask how Delhi and Tokyo can give their defence partnership much greater operational and technological weight.

The opportunity arises from the extraordinary changes underway in Japan itself. For much of the post-war era, Japanese strategy rested on a simple bargain. Tokyo concentrated on economic reconstruction while relying on the United States for security. Defence expenditure remained around 1 per cent of GDP, arms exports were tightly restricted, and the Self-Defence Forces operated within narrow political constraints. Those conditions began to change as the China challenge unfolded. In 2010, China overtook Japan as the world's second-largest economy. Its growing economic resources supported a massive expansion of military capabilities, the consequences of which for Japan soon became evident.

> Shinjiro Koizumi's visit should be an occasion not merely to review bilateral exercises and exchanges, but to ask how both countries can give their defence partnership much greater operational and technological weight

After returning as prime minister in 2012, Shinzo Abe accelerated the effort to adapt Japanese security policy to the new circumstances. As the scale of the China challenge deepened and concerns about American reliability grew, Japan outlined a sweeping set of defence reforms in 2022. One element was a rapid increase in defence expenditure. Tokyo set itself the goal of raising defence-related spending to around 2 per cent of GDP by 2027, but brought forward that target through additional spending last year.

More important has been the change in doctrine. Japan is acquiring long-range "counterstrike" capabilities, including American Tomahawk missiles, while developing longer-range indigenous weapons. It is strengthening air and missile defence, cyber and space capabilities, unmanned systems and its capacity to operate farther from the Japanese islands. A parallel revolution is unfolding in defence production. Tokyo is revitalising its defence industrial base, easing restrictions on arms exports and breaking down the old barriers between civilian technology and national security. Japan has also begun providing military equipment to friendly countries through its new Official Security Assistance programme.

Taken together, these changes represent something much larger than a Japanese "rearmament". Tokyo is finally turning to military power, defence technology, arms exports and security assistance as normal instruments of statecraft. Tokyo is also reaching out to South Korea and other regional neighbours, deepening defence ties with Australia and New Zealand, and strengthening security engagement with Europe. Upgrading defence ties with India is a natural part of this wider strategy. Delhi and Tokyo already have much of the institutional architecture they need: A 2+2 dialogue, a logistics agreement and regular exercises across the three services. Prime Minister Sanae Takaichi's visit to Delhi last month called for more sophisticated exercises, stronger maritime domain awareness and deeper defence industrial cooperation. It also announced the first bilateral defence co-development project, involving the UNICORN naval communications antenna.

But here is the reality check. Defence industrial cooperation has been painfully slow. Delhi and Tokyo need much greater ambition in joint research, development and co-production of weapons and military technologies. Their armed forces must also move beyond exercising together towards greater operational coordination in anti-submarine warfare, maritime surveillance, air defence and logistics. The unfolding transformation of the Asian security environment demands that Delhi and Tokyo do much more together in defence. Japan is demonstrating greater purpose and urgency as it responds to the changing balance of power in Asia. Unlike China, India has long welcomed the prospect of a stronger Japan. It is now time for Delhi to match Tokyo's commitment and enthusiasm in building a consequential Asian defence partnership.

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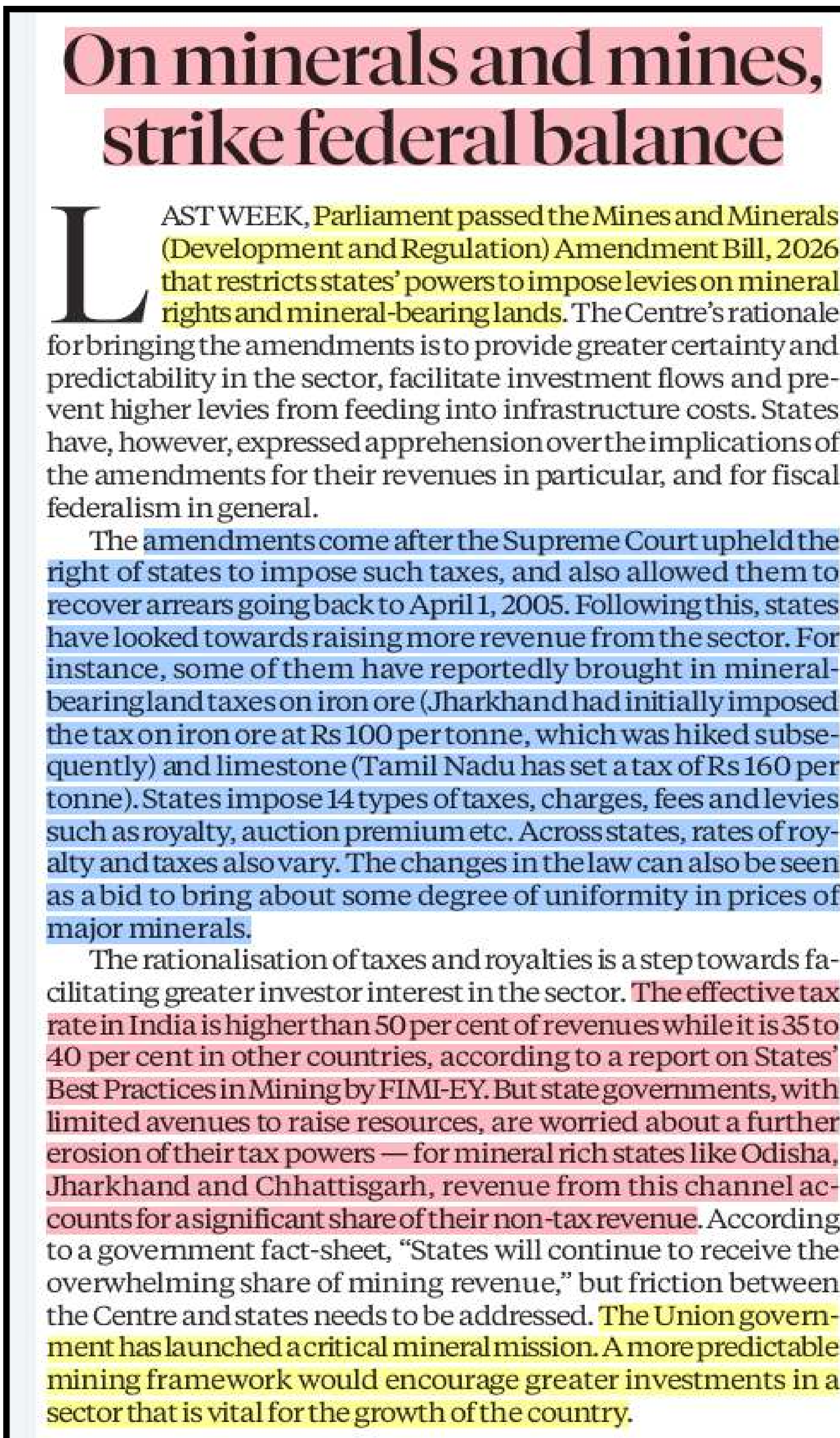
ON MINERALS AND MINES, STRIKE FEDERAL BALANCE

(INDIAN EXPRESS PAGE NO 10)

1. **GS II** (Polity) & **GS III** (Economy)
2. **Topics:** Functions and responsibilities of the Union and the States, issues and challenges pertaining to the federal structure; Indian Economy and mobilization of resources.
3. **Concepts:** Fiscal federalism, Mines and Minerals (Development and Regulation) Amendment Bill 2026, taxation powers on mineral rights, Critical Mineral Mission, Centre-State financial relations.



On minerals and mines, strike federal balance

LAST WEEK, Parliament passed the Mines and Minerals (Development and Regulation) Amendment Bill, 2026 that restricts states' powers to impose levies on mineral rights and mineral-bearing lands. The Centre's rationale for bringing the amendments is to provide greater certainty and predictability in the sector, facilitate investment flows and prevent higher levies from feeding into infrastructure costs. States have, however, expressed apprehension over the implications of the amendments for their revenues in particular, and for fiscal federalism in general.

The amendments come after the Supreme Court upheld the right of states to impose such taxes, and also allowed them to recover arrears going back to April 1, 2005. Following this, states have looked towards raising more revenue from the sector. For instance, some of them have reportedly brought in mineral-bearing land taxes on iron ore (Jharkhand had initially imposed the tax on iron ore at Rs 100 per tonne, which was hiked subsequently) and limestone (Tamil Nadu has set a tax of Rs 160 per tonne). States impose 14 types of taxes, charges, fees and levies such as royalty, auction premium etc. Across states, rates of royalty and taxes also vary. The changes in the law can also be seen as a bid to bring about some degree of uniformity in prices of major minerals.

The rationalisation of taxes and royalties is a step towards facilitating greater investor interest in the sector. The effective tax rate in India is higher than 50 per cent of revenues while it is 35 to 40 per cent in other countries, according to a report on States' Best Practices in Mining by FIMI-EY. But state governments, with limited avenues to raise resources, are worried about a further erosion of their tax powers — for mineral rich states like Odisha, Jharkhand and Chhattisgarh, revenue from this channel accounts for a significant share of their non-tax revenue. According to a government fact-sheet, "States will continue to receive the overwhelming share of mining revenue," but friction between the Centre and states needs to be addressed. The Union government has launched a critical mineral mission. A more predictable mining framework would encourage greater investments in a sector that is vital for the growth of the country.