Sanskriti IAS

EDITORIAL HIGHLIGHTS

08-07-2026

GS 2 & 3: INTERNATIONAL RELATIONS & ECONOMY
THE HINDU PAGE: 08

India's economic prospects after the West Asian crisis

The United States and Iran agreed to a 14-point preliminary Memorandum of Understanding (MoU) towards ending the West Asian crisis and reopening the Strait of Hormuz. Although there have been initial hiccups, it is expected that, with the reopening of the Strait, global crude oil supply will stabilise and prices will normalise at a lower level. Following these developments, India should adjust its strategies, keeping in mind both the 2026-27 outlook and medium-term growth prospects.

The West Asian crisis had resulted in a period of relatively higher crude prices. The monthly average price of the Indian crude oil basket was $114.5 per bbl in April 2026. It declined to $106.2 per bbl in May 2026 and further to $86.3 per bbl as of June 24, 2026. For the remaining three quarters of 2026-27, crude oil prices are expected to remain below this level, provided the truce continues.

2026-27 growth prospects

The National Statistical Office's provisional estimates of GDP growth of 7.7% for 2025-26 confirm India's strong post-COVID-19 pandemic recovery. This was preceded by real GDP growth rates of 7.2% and 7.1%, respectively, in 2023-24 and 2024-25 as per the new GDP series. Real Gross Value Added (GVA) growth was even more impressive at 7.9% in 2025-26, with the manufacturing, trade, transport, and financial and real estate sectors recording growth rates exceeding 10%. With nominal GDP growth at 8.9%, the implicit price deflator-based inflation rate stood at 1.1% in 2025-26.

For 2026-27, growth prospects are likely to be impacted because of the disruptions in crude supply and higher prices affecting the first quarter, and due to a deficiency in rainfall associated with the onset of El Niño. The India Meteorological Department has estimated a 10% shortfall (as compared with the Long Period average). Up to June 24, 2026, the estimated shortfall is nearly 43%.

The combination of El Niño and fertilizer shortages pose a potential risk to India's agricultural output in 2026-27. In particular, in the immediate term, the *kharif* crop is likely to be affected. There may also be an impact on the *rabi* crop which is to follow. Therefore, it is important to build up fertilizer reserves and address issues of potential shortages when it comes to important crops, which may warrant a reconsideration of crop-specific import and export policies. The Reserve Bank of India (RBI) has projected real GDP growth of 6.6% for 2026-27.

C. Rangarajan

Former Chairman, Prime Minister's Economic Advisory Council, and former Governor, Reserve Bank of India

D.K. Srivastava

Former Director, Madras School of Economics

Changing dynamics present opportunities and challenges for the economy

Fiscal prospects, petroleum economy

One important feature of 2026-27 growth is the likelihood of relatively higher nominal GDP growth as compared to 2025-26. This is because the implicit price deflator (IPD), which depends on Wholesale Price Index (WPI) and Consumer Price Index (CPI) inflation, is likely to be higher than the 2025-26 level of 1.1%. The RBI's June 2026 Professional Forecasters' median projections for WPI and CPI inflation for 2026-27 are 8% and 4.9%, respectively. With a resolution of the West Asian crisis, we consider WPI and CPI inflation rates for the full year to be lower at 6% and 4.5%; using weights of 60% and 40%, respectively, we can broadly estimate IPD-based inflation to be 5.4%. Combining this with a real GDP growth of 6.6%, we may have a nominal growth of about 12.4% in 2026-27, higher than the budgeted growth of 10.1%. This would have a positive impact on tax revenues. The Government of India should be able to realise its budgeted estimate of tax revenues absorbing the adverse revenue impact of any excise duty cuts. On the expenditure side, however, subsidies may be higher than budgeted.

The RBI has given a dividend of ₹2.69 lakh crore to the Government. This amount covers a significant portion of the budgeted 'Dividends and profits from RBI and Financial Institutions' in 2026-27 at ₹3.16 lakh crore. Given these developments, we expect the 2026-27 budgeted fiscal deficit at 4.3% of GDP to be either realised or only marginally exceeded.

The evolution of India's petroleum economy has been characterised by certain notable features. First, India's dependence on imported crude oil has increased to more than 90% in 2025-26 from 54.9% in 1998-99. Second, the volume of domestic production of crude oil has fallen over time to 26 million metric tons (MMT) in 2025-26 from a peak of 35.9 MMT in 2011-12. Third, demand for petroleum products/petroleum, oil, and lubricants (PoL) has increased, thereby generating the need for larger imports. Fourth, domestic consumption of PoL products has increased to 243.2 MMT in 2025-26 from 90.6 MMT in 1998-99. Fifth, India has developed an impressive capacity for refining crude to produce various PoL products. This capacity has improved over time. Sixth, the energy intensity of India's output, as well as the intensity of use of PoL products in GDP, has fallen over time. This augurs well for sustaining an energy-efficient growth at a reasonably high level for a relatively longer period.

India may continue to augment its refining capacity, which has helped save refining costs compared to the situation if it had directly imported refined petroleum products. The trend towards growing dependence on imported crude oil needs to be reversed by emphasising the exploitation of domestic crude resources while accelerating the transition to greener and alternative energy sources, including nuclear power.

Build reserves

With a lowering of global crude prices and normalisation of supplies, the government should shore up its fertilizer reserves and reserves for other critical primary commodities including crude. There is a need to further diversify sources of imported crude and also reduce reliance on imports through the Strait of Hormuz. A policy for building strategic reserves of key primary commodities, along with estimates of the required volumes and needed infrastructure, should be put in place.

The current account deficit was 0.6% of GDP in 2025-26, with the fourth quarter showing a surplus of 0.7% of GDP. Prospects for 2026-27 indicate a deterioration in this magnitude. The RBI's June 2026 Survey of Professional Forecasters had estimated a current account deficit of 2.1% of GDP for 2026-27, as per their median estimate. With normalisation of the global oil market and the opening of the Hormuz strait, we expect this to be lower at about 1.5% of GDP.

The prospects of the Indian economy outlined above is on the assumption that peace will prevail in West Asia from now on. If this assumption turns out to be incorrect and if the war continues, India along with many other countries will face an extremely difficult situation.

The views expressed are personal

GS 2: INTERNATIONAL RELATIONS THE HINDU

PAGE: 08

Beyond three Cs, the new lexicon of India-Australia ties

Gopal Baglay

Former High Commissioner of India to Australia

During his visit to Australia in May 2023, when the Comprehensive Strategic Partnership between India and Australia was almost three years old, Prime Minister Narendra Modi had characterised India-Australia ties as having entered T-20 mode. He also stressed that the relationship had gone beyond the conventional three Cs – of Commonwealth, Cricket and Curry – and the subsequent three Ds – Democracy, Diaspora and *Dosti*. As Mr. Modi undertakes his third visit to Australia this week, it would be instructive to look at some of the recent progress in two other important dimensions, the Ds of Development and Defence.

Expanding trade and investment

Growing bilateral economic cooperation has brought dividends like never before for both countries. All Indian exports to Australia now have duty free access under the Economic Cooperation and Trade Agreement (ECTA), benefitting textiles, pharmaceuticals, chemicals, engineering goods, gems and jewellery. Preferential access to 90% of Australia's trade value has facilitated Australian exports of critical minerals, resources, wool, avocados, and macadamia. There is the shared ambition to raise bilateral trade from $33 billion in 2025 towards $100 bn by 2030.

The two-way cumulative investment is approaching $50 billion. Australia's AirTrunk recently announced plans to invest $30 billion by 2030 to develop digital infrastructure and Artificial Intelligence (AI)-ready data centre. Australian funds are increasingly active in India. At the same time, India is an important source of investment and technology. Indian investment in Australia's resources sector is well known. According to reports, Perdaman Chemicals & Fertilizers, founded by an Indian, is establishing Australia's largest urea plant in western Australia, with $4.5 billion. This largest ever investment in Australia's fertilizer industry has also created millions of man hours of work in India where over 98% of the plant's modules are manufactured.

Defence represents perhaps the fastest growing sector of bilateral cooperation. In a clear signal of the importance of India as a reliable partner, Australia's Deputy Prime Minister and Defence Minister Richard Marles visited India in his first foreign tours in both the terms of the Albanese government. Before his most recent visit for the Annual Defence Ministers' Dialogue last month, Mr. Marles had hosted Defence Minister Rajnath Singh in Australia last year, marking the first visit by an Indian Defence Minister to the country in 12 years. Regular leadership and other senior level exchanges involving all the three Services and participation in bilateral and multilateral military exercises such as AUSINDEX, Malabar and Talisman Sabre foster operational understanding and coordination, significant especially in the maritime domain.

There are growing opportunities for defence industry cooperation in cyber, AI, drone, and in view of India's expanding ship-building capabilities.

> A growing partnership now spans trade, defence, energy, education and innovation

The 'E' factor

Beyond the Cs and the Ds, there are also enriching Es: Energy and Education. India-Australia Renewable Energy Partnership is implemented through a Solar Taskforce and a Green Hydrogen Task Force, and guided at the ministerial level.

India's unprecedented renewable energy targets present immense potential for clean energy cooperation across critical minerals and materials, manufacturing, laboratory research, commercial-scale deployment, industrial use, and solar rooftops.

Very recently, Australian media mentioned that arrangements for future Australian uranium exports to India might be finalised shortly. Were that to happen, India's ambitious civil nuclear programme will receive a significant boost, as would Australia's uranium exports.

The India-Australia education and skills partnership is steadily contributing to creation of an enduring base for future-ready youth, innovators and entrepreneurs. While more than one lakh Indian students are enrolled in Australia, world class and affordable education is now available in India itself through Indian campuses of a growing number of Australian universities. Joint research in priority areas such as advanced computing, energy, health care, space and defence promises to create both intellectual assets and networks. Specific visa programmes have created new avenues for educated Indian youth seeking employment opportunities in Australia and await better utilisation.

Australia's global leadership in imparting vocational skills is being tapped in areas such as solar rooftop and mining, including in Gujarat, Uttar Pradesh and Odisha. Practical solutions can pave way for meeting Australia's huge workforce shortfall and spur its economy with Indian workers temporarily assigned to Australia.

Sport has emerged as a new priority. Focused and broad based strategy can propel cooperation in sport education, training, medicine, goods, infrastructure and organisation of large-scale events, such as Commonwealth Games 2030 and Brisbane Olympics in 2032. With the growing Indian diaspora in Australia, now over ten lakh and rightly called the living bridge, Indian traditional sports such as kabaddi and kho kho are gaining popularity, even beyond the diaspora community.

Building multilateral partnerships

The upward trajectory of the bilateral relationship owes itself to a high degree of mutual trust, understanding and respect. Broad convergence of values and interests expands the format of cooperation to trilateral, such as India-Indonesia-Australia and India-France-Australia. The Australia-Canada-India Technology and Innovation Partnership, launched in November 2025, the India-Japan-Australia Supply Chain Resilience Initiative and a possible triad with the United Arab Emirates could play important roles in countering supply chain disruptions and market dominance and distortions in crucial areas such as critical minerals, rare earths, semiconductors and new technologies.

The shared vision of India and Australia for a free, open, safe, peaceful and prosperous Indo-Pacific manifests in their work through fora such as the Quad and the Indian Ocean Rim Association (IORA). The foreign visits this week by Mr. Modi and Australian Prime Minister Anthony Albanese bring out the geopolitical logic for ever-growing cooperation between India and Australia at regional and global levels. Their existing ties with Pacific Island Countries provide a good basis for leveraging their respective strengths to the benefit of the region in areas such as education, health, technology, fintech, capacity building and disaster relief.

Mr. Albanese never tires of mentioning his connection with India as a young backpacker. His understanding of the significance of a consequential relationship with today's India and the close chemistry between the two leaders have set the perfect stage to progress bilateral ties in T20 mode but in the long format, and to multiple win-win outcomes for both.

The views expressed are personal

GS 2: SOCIAL ISSUES THE HINDU PAGE: 09

Linking women's incomes and healthcare

India is experiencing two revolutions at once. The first is economic. Female labour force participation has risen sharply over the past few years, supported by greater formalisation, digital payments, and government efforts to increase women's participation in the workforce.

The second is epidemiological. India is no longer fighting only infectious diseases. Diabetes, hypertension, cardiovascular disease, obesity and mental health disorders are now becoming defining public health challenges. These chronic conditions already account for most deaths in the country and place increasing pressure on both households and public finances.

Most policy discussions assume that these two are unrelated. However, new research, forthcoming in the *Oxford Open Economics* journal, suggests that they may be deeply connected.

Looking beyond hospitals

India has traditionally measured progress in healthcare through familiar indicators such as more hospitals, more doctors, more insurance coverage, and higher healthcare expenditure. These investments remain indispensable; schemes such as the Ayushman Bharat have expanded financial protection for millions of households, while improvements in primary healthcare infrastructure continue to save lives. But healthcare expenditure is only one way of producing health. Many of the biggest determinants of health lie outside hospitals – better nutrition, healthier lifestyles, timely preventive care, education, sanitation, and informed household decision-making. If households began investing more in these activities, healthcare expenditure may fall, not because health deteriorates, but because health improves.

In the forthcoming research, a natural experiment created by India's 2018 reform of the Employees' Provident Fund was examined. The reform reduced the mandatory provident fund contributions for newly employed women in the formal sector from 12% to 8% during their first three years of employment. In effect, women experienced an unexpected increase in take-home salary without any change in their gross wages. This created an unusually clean opportunity to study how women allocate additional income.

Chirantan Chatterjee

Professor of Development Economics, Innovation and Global Health at U-Sussex

> Women may be using their additional income to reorganise household priorities in ways that reduce future dependence on healthcare

Using nationally representative household panel data, it was observed that female-led households that benefited from the policy reduced overall healthcare expenditure by roughly 11.6%. Spending on medicines and doctors' consultations declined, while expenditure on activities associated with improving health (including nutrition and physical fitness) increased.

The research also analysed electronic medical records from one of India's largest eye hospital systems. Even after accounting for women who were already accessing healthcare, expenditure remained lower among women receiving the income shock.

This does not imply that women value healthcare less. Instead, it suggests that women may be using their additional income to reorganise household priorities in ways that reduce future dependence on healthcare.

Economists have long recognised that it matters who brings in the income. Research by Esther Duflo and Abhijit Banerjee has repeatedly shown that directing resources towards women changes household spending patterns. Transfers to women often generate greater investments in education, nutrition, and children's wellbeing. Banerjee and Niehaus have similarly shown that the identity of the income recipient influences how households allocate resources.

The new findings extend this insight into healthcare. Women appear to think about health over a longer horizon. Rather than waiting until illness occurs, they seem more likely to invest in reducing health risks before they become expensive medical problems. That behavioural shift has important implications for a country where out-of-pocket expenditure still accounts for a substantial share of total healthcare financing.

Why this matters for India

India's demographic dividend depends not only on creating jobs for women but also on ensuring that greater economic participation translates into healthier families. If increasing women's incomes changes household investments in nutrition, preventive care and healthier lifestyles, then employment policy becomes health policy. Policies that improve women's economic agency may generate benefits that extend well beyond labour markets. They may also reduce pressure on India's already stretched healthcare system.

For decades, economists have debated whether healthcare is a necessity or a luxury. Perhaps, a more relevant question is whether households are investing in creating health rather than merely purchasing healthcare. That separation matters because healthcare expenditure is an imperfect measure of health. Lower spending on medicines or consultations is not automatically a sign of neglect. Sometimes it reflects fewer illnesses requiring treatment. Other times it reflects better prevention.

India's development strategy emphasises preventive healthcare and healthier lifestyles. This new evidence suggests another ingredient belongs in that conversation: the economic empowerment of women. When women earn more, they may not simply spend more; they spend differently. And those different decisions could quietly become one of India's most important investments in public health.

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GS 3: ENERGY

THE HINDU PAGE: 10

What does the lifting of gas curbs mean?

What led to the lifting of restrictions on energy supply imposed following the West Asia crisis?

Debayan Tewari

The story so far:

On July 4, 2026, the government lifted emergency curbs it had imposed on the supply of natural gas during the West Asia crisis in March. It cited "ceasefire and negotiations" and the resumption of "sea traffic through the Strait of Hormuz" to restore gas supplies to fertilizer plants, refineries, distributors and industrial users. The Petroleum and Natural Gas Ministry, in a notification, amended the Natural Gas (Supply Regulation) Order, 2026, and omitted provisions that had prioritised sale of domestically produced natural gas and imported Liquefied Natural Gas (LNG) as per a priority list released by the government during the U.S.-Israel war on Iran.

On March 12, Union Minister for Petroleum and Natural Gas Hardeep Singh Puri told Parliament about the "immediate priority sequence". "Domestic piped gas to homes and CNG for vehicles receive 100% supply with no cuts. Industrial and manufacturing consumers will receive up to 80% of their previous six-month average. Fertilizer plants will receive up to 70%, protecting the agricultural input chain ahead of the sowing season. Refineries and petrochemical units absorb a managed reduction, with that gas redirected to higher-priority sectors," he had said.

Which sectors will benefit?

The latest measure follows a series of steps the government has taken to ease the supply of gas in the wake of an improved supply situation. On June 25, it restored the supply of industrial and commercial LPG to the pre-West Asia crisis levels.

The move is expected to benefit the refineries, city gas distributors, and industries such as ceramic. These sectors need reliable supply of natural gas at affordable rates.

According to Prashant Vasisht, senior vice-president at ratings agency ICRA, the biggest beneficiaries of this move will be the industrial and commercial users of natural gas. He said the supplies to fertilizer units and domestic users were all but normalised.

"The emergency measures had affected supplies of city gas distributors to their industrial and commercial clients. There were industries which did not get even alternate fuel to carry out operations. Hotels, for instance, had to stop making items that consumed more fuel," he said.

Gas supplies to ceramic, power, sponge iron and petrochem sectors were curtailed. "So, factories that were operating in reduced capacity can now ramp up their capacities as and when the fuel supplies come in," he said.

When the West Asia crisis peaked in March, ceramic manufacturing units based in Gujarat's Morbi bore the brunt with reports indicating that 600 factories and 4 lakh workers were affected amid a shortage of propane and natural gas, both used in the production of ceramic.

Which sector uses LNG the most?

Fertilizer plants are known to consume a bulk of India's LNG. In an earlier interaction with *The Hindu* in March, Mr. Vasisht had said, "A little less than 30% of natural gas use goes into making fertilizers, while power plants account for 13% and city gas distribution 21%."

Urea, which has around 46% of nitrogen, is the most common nitrogen fertilizer. It is produced by converting natural gas (methane) into ammonia and then combining it with carbon dioxide. The energy-dependent process, hence, makes LNG a crucial ingredient of the product.

What should be the next step?

India has been diversifying its energy sources. As Mr. Puri put it in a recent blog post, "The widening of our crude basket from 27 countries to 41, the doubling of our import terminals, and the pipelines and reserves built across a decade under Prime Minister Modi were not abstractions when the Strait finally closed; they were the very reason the lights stayed on."

The road ahead now is one of capacity building. As Mr. Puri wrote, "Learning from this experience, we will build additional capabilities to strengthen our energy resilience..."

THE GIST

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- The move is expected to benefit refineries, city gas distributors and industries such as ceramics, which need a reliable supply of natural gas at affordable rates.

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GS 3: ECONOMY

THE HINDU PAGE: 11

Key investor: Life insurers collectively hold close to a quarter of India's outstanding central government dated securities, based on RBI and IRDAI data. GETTY IMAGES

How India's life insurance sector funds government expenditure

A significant share of life insurance premiums is reinvested in securities that finance government expenditure. While the case for deeper insurance penetration is often made in terms of household financial protection, it is equally important for sovereign fiscal stability

T.C. Suseel Kumar
R. Sudhakar

When the government borrows, the question that follows is rarely asked aloud: who lends? A large part of the answer is the life insurance sector. Every year, millions of households across India pay premiums into life insurance policies. That money is reinvested, for decades, in the very securities that finance government expenditure – roads, railways, water supplies, hospitals, defence. The household protecting itself against the loss of its breadwinner is simultaneously, and unknowingly, lending to the sovereign [the Central government]. Life insurers collectively hold close to a quarter of India's outstanding central government dated securities, based on RBI and IRDAI data – a share that has remained stable even as the total sovereign debt stock expanded by around 40 per cent in three years. This is not a number that appears in budget speeches or parliamentary debates. It is, however, a number that matters.

Patient capital in a volatile world

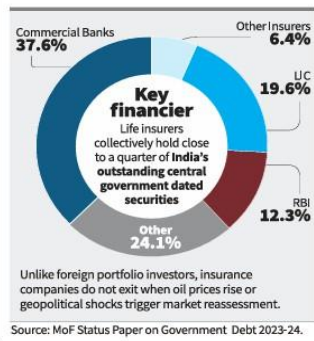
The stoic and resilient quality of the sector's sovereign support is as significant as its scale. Life insurers write policies with tenures of twenty, thirty, sometimes forty years. Government securities are the natural habitat of long-duration liabilities – the only asset class that absorbs this scale of funds at matching tenures without distorting the market. Unlike foreign portfolio investors, whose appetite fluctuates with global risk sentiment, insurance companies buy and hold. They do not exit when oil prices rise or when a geopolitical event triggers a reassessment of emerging market exposure. Their participation is counter-cyclical by design – stable precisely when other buyers become unreliable. A steady domestic base of long-horizon holders reduces rollover risk and moderates borrowing costs across the maturity spectrum.

Life insurers buy when others sell, hold when others exit, and reinvest when others pause. That is the structural consequence of writing long-duration promises to millions of policyholders.

The heavyweight within the sector

The sector's contribution is not evenly distributed. The Life Insurance Corporation of India carries the dominant share – a consequence of its scale, its predominantly participating product mix, and the duration of its in-force book. Its March 2025 regulatory filing with IRDAI (Form L-26) confirms that sovereign paper accounts for nearly 63 per cent of its non-linked policyholder corpus – well above the regulatory minimum, and a direct expression of what long-duration liabilities demand at scale.

LIC holds approximately 19 per cent of all outstanding central government dated securities – a figure confirmed by the RBI's Public Debt Management Quarterly



Unlike foreign portfolio investors, insurance companies do not exit when oil prices rise or geopolitical shocks trigger market reassessment.

Source: MoF Status Paper on Government Debt 2023-24.

Report for FY24, the most recently published data. LIC's IRDAI regulatory filings for March 2025 give the institutional reality in absolute terms: ₹20.2 lakh crore in central government securities alone, and ₹32.3 lakh crore in total government and government-guaranteed securities across all funds. These are not estimates. They are figures LIC files with its regulator every quarter and that any researcher can access on the IRDAI website. This makes LIC the single largest institutional holder of Indian government's debt.

Private life insurers, with a higher proportion of unit-linked and shorter-tenure products, contribute a smaller fraction today. As they grow and deepen their traditional offerings, their sovereign allocations will follow the same structural logic.

The regulator has already recognised the systemic dimension of this function: IRDAI designates LIC as a Domestic Systemically Important Insurer every year, describing it as an institution whose distress would cause significant dislocation in the financial system. That designation, rightly made on insurance-sector grounds, points toward a wider truth – the dislocation would extend into the sovereign borrowing programme itself.

Insurers in Japan, the United Kingdom, and South Korea are among the largest holders of their respective governments' long-dated securities, not because regulation mandates it but because their liability profiles demand it. India's life insurance sector is following the same path.

The fragility within the stability

India's life insurance penetration stood at 2.7 per cent of GDP in FY25, the third consecutive year of decline from a pandemic-era peak of 3.2 per cent, against a global life average of 3.0 per cent. Three regulatory interventions between 2023 and 2024 – restructured distribution economics, taxation on certain high-value policies, and mandatory product repricing, simultaneously, has compressed new businesses. While each was defensible in isolation, their cumulative effect was adverse. The sector is recovering. But the episode illustrates a risk worth noting: when multiple regulatory actions compress new business at once, the household savings that would otherwise have flowed into the sovereign debt market through insurance, reduce or find shorter-duration homes elsewhere. The sovereign borrowing programme may not notice this in the short term. Over a decade, it would.

The unacknowledged pillar

Banking commands policy attention in proportion to its systemic importance. Insurance, which quietly holds close to a quarter of outstanding central government dated securities, does not.

The case for deeper insurance penetration is most often made in the language of household financial protection – the uninsured family, the inadequate sum assured, a mis-sold product or an unsettled claim. These are legitimate concerns. But there is a parallel case, made in the language of sovereign fiscal stability, that has not been fully articulated in public policy discourse. If the reliability of India's domestic sovereign funding base is a macroeconomic priority given the scale of annual borrowing requirements, then the depth and health of the life insurance sector remain directly relevant to that priority.

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GS 2: POLITY
INDINA EXPRESS PAGE: 12

For the Indo-Pacific, a 'G Minus 2' strategy

RAJA MANDALA
BY C RAJA MOHAN

PRIME MINISTER Narendra Modi's eastward journey this week — from Indonesia to Australia and New Zealand — marks the consolidation of a new Indo-Pacific approach that might be called "G Minus Two". The idea of a US-China condominium in Asia has always made Indian strategists uneasy. President Donald Trump's occasional references to a G2, along with his administration's decision to discard the Indo-Pacific terminology, have reinforced those anxieties.

Delhi is responding to the new dynamic between Washington and Beijing by expanding its cooperation with the rest of Asia. This is similar to the ways in which several Asian powers are dealing with the changes in US-China relations. The unfolding Asian pattern of "G Minus Two" should help shift India's Indo-Pacific debate away from sterile slogans about American intentions or Chinese ambitions. The more practical question is what India can build with the rest of Asia.

The visits to Delhi by Japanese PM Sanae Takaichi this month and South Korean President Lee Jae-myung in April underlined the urgency in Tokyo and Seoul, two key Asian allies of Washington, to widen their Asian ties. Modi's visits to Jakarta, Melbourne and Auckland point to the same logic — the importance of expanding the geopolitical room for manoeuvre by strengthening cooperation among themselves.

"G Minus Two" is not about Asia turning its back on America. Quite the contrary. Most Asian countries recognise that there can be no stable balance of power in Asia without a sustained US strategic presence. China's rising military weight cannot be balanced by the rest of Asia, even if they act in concert. That is why Japan, South Korea, Australia and New Zealand continue to build on their security partnerships with Washington. If anything, uncertainty under Trump has increased the incentive to bind the US more closely to Asian security.

India and Indonesia, despite their non-aligned tradition, have reached similar conclusions. As China flexes its military muscle, both have intensified defence cooperation with the US. Their "strategic autonomy" under China's shadow rests not on keeping America at arm's length, but on working with it and navigating Trump's mercurial diplomacy. Both Delhi and Jakarta are now "major defence partners" of Washington.

If "G Minus Two" is not about distancing from the US, neither is it about containing China. Every major Asian nation, including India and the three countries Modi is visiting this week, knows that Chinese power in Asia and the Indo-Pacific is a reality that must be managed. They also have to deal with the extraordinary economic interdependence with China.

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The Asian objective is to "de-risk" Beijing's weaponisation of interdependence. India's annual trade with China is now at $150 billion. Comparable figures for America's Asian partners underline the same reality: South Korea trades roughly $300 billion with China, Japan more than $300 billion, Australia over $200 billion, while ASEAN's trade with China has crossed the trillion-dollar mark. Commercial decoupling is not a realistic option. The Asian imperative for deeper economic cooperation among the regional powers has been reinforced by Trump's tariff wars. This logic was evident during President Lee's visit, which emphasised strategic economic cooperation, and during PM Takaichi's visit, which expanded the agenda on economic security. Similar themes of economic resilience and defence cooperation will dominate Modi's discussions in Indonesia, Australia and New Zealand.

The objective is neither an anti-China coalition nor an alternative to the American alliance system. Nor is it an attempt to create an independent bloc of middle powers. It is a practical effort to strengthen India's partnerships with the major industrial, technological and maritime powers of Asia.

Japan brings advanced manufacturing, defence technology and infrastructure finance. South Korea offers world-class capabilities in shipbuilding, semiconductors and defence production. Australia has become indispensable in critical minerals, maritime security and the stabilisation of the eastern Indian Ocean. New Zealand offers important opportunities in trade, higher education, agriculture and advanced technologies.

Whether Washington uses the term Indo-Pacific or not, Indonesia remains the geographical and geopolitical heart of that concept. Sitting astride the confluence of the Indian and Pacific Oceans, it occupies one of the most consequential strategic locations in the world. Greater economic integration between two of Asia's largest markets and deeper security cooperation between Delhi and Jakarta have long been missing links in the regional search for peace and prosperity.

Taken individually, India's partnerships with Japan, South Korea, Indonesia, Australia and New Zealand each advance important national interests. Collectively, however, they create something larger. They widen the strategic space available to all these countries between the US and China.

That is the essence of "G Minus Two".

Asia now has a remarkably capable group of industrial, technological and maritime powers. Together, they account for a substantial share of global manufacturing, innovation, shipping and trade. Their mutual cooperation cannot replace either Washington or Beijing. It can, however, widen Asia's strategic horizons beyond the constricting imagery of a G2 world.

Ultimately, the success of India's "G Minus Two" will depend less on Modi's summit diplomacy than on India's own urgency for internal economic reform and defence modernisation. The more competitive India's economy becomes, and the stronger its defence industrial base grows, the deeper its partnerships with the rest of Asia can be. That, more than the endless speculation about US-China relations and their consequences, will determine India's place in the emerging Asian order.

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GS 3: economy

INDINA EXPRESS PAGE: 12

The safety net and the trade-off

IN RECENT years, several states have introduced cash transfer schemes aimed at women. From the Ladli Behna Yojana in Madhya Pradesh to the Maiya Samman Yojana in Jharkhand and the Magalir Urimai Thogai scheme in Tamil Nadu, these typically involve transfers in the range of Rs 1,000 to Rs 2,500 per month. The quantum of funds channelled through these schemes has increased significantly. In 2025-26, 12 states were estimated to spend Rs 1.68 lakh crore on unconditional cash transfers, as per a report by PRS Legislative Research. To put this in perspective — the Union government allocated Rs 86,000 crore for the MGNREGA in 2025-26.

Unconditional cash transfers have emerged as an instrument of social welfare and empowerment for women, and as an electoral strategy for political parties. A new study — 'Unconditional Women Cash Transfer Programmes in India', EAC-PM Working Paper Series — provides evidence to support these. Examining such schemes in Maharashtra and Odisha, it finds that they have led to improvements in consumption and savings of beneficiaries, raising household welfare, with more being allocated for medical, educational and lifestyle purposes. These are welcome trends, and underline the reasons for the spread of such schemes.

Over the last few years, however, concerns have been expressed that as states allocate more resources for such schemes and populist measures such as free electricity, their ability to spend on other areas gets affected. The central bank has echoed these concerns, saying that they "run the risk of crowding out" investments. This shift to cash transfers has also come at a time of mounting disquiet over state finances. As per a report from Axis Bank, the resources for these schemes are garnered through expenditure switching and higher deficits. While the consolidated debt of states has fallen from 31 per cent in March 2021 to 29.2 per cent in 2026 (budget estimates), there is a marked variation across states. For instance, Punjab has a debt burden of 46.4 per cent of the GSDP, West Bengal 38.9 per cent and Bihar 36.8 per cent. "High debt levels, growing contingent liabilities from guarantees and cash transfer schemes pose risks to state finances," the RBI noted. This requires closer attention.