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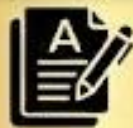
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The fate of the Washington Consensus, once talisman

Once upon a late-20th-century lecture circuit, the phrase “Washington Consensus” (WC) did the work of a talisman: 10 tidy policy prescriptions that promised macro stability, market-led growth, and a path out of crisis for beleaguered states. John Williamson, who coined the term in 1989, formulated its 10 commandments: fiscal discipline; reordering public spending toward pro-growth priorities; tax reforms to broaden the tax base and lower rates; liberalisation of interest rates; competitive exchange rates; trade liberalisation through lowering tariffs; liberalisation of inward foreign direct investment; privatisation of state-owned enterprises; deregulation to remove barriers to entry and competition; and securing property rights. These were presented as near-universal remedies, administered by institutions in the West that watched the global macro-economy like physicians with a single, favoured prescription, summed up in the words liberalise, privatise, and deregulate. Three decades on, the prescription seems obsolete, overtaken by the onrush of global events.

Its shaping, its legacy

The Washington Consensus was never merely technocratic; it carried a political history. Adopted in moments of crisis, its reforms arrived bound up with conditionality, bargaining power, and a belief that markets, once set free, would generate growth that trickled down. The core tenets of the “consensus” emerged from the ideological crucible of Reaganomics and Thatcherite structural adjustment programmes. These principles – fiscal austerity, deregulation, privatisation, and trade liberalisation – were adopted with little critical scrutiny by the Bretton Woods Institutions (the World Bank and the International Monetary Fund, or IMIs) and their regional counterparts such as the Asian Development Bank during the mid to late 1980s. Their embrace was largely a response to the debt crises and macroeconomic instability that afflicted many developing countries at the time.

Yet, the consequences of this orthodoxy were far reaching and, in many cases, deeply destabilising. The Asian financial crisis, which erupted in Bangkok in 1997, and the global financial meltdown of 2008, were among the most visible symptoms of the Consensus’s systemic flaws. Equally telling were the breakdowns of the WTO ministerial meetings in Seattle (1999) and Cancun (2003), which exposed the deepening rift between developed and developing nations – a divide the Doha Round never managed to bridge.

One of the most damaging legacies of the Consensus was its categorical rejection of industrial strategy. Promoted by the IMIs on behalf of industrialised nations, this taboo was reinforced through WTO rules on Trade-Related Investment Measures (TRIMs), intellectual property (TRIPS), and subsidies – all of which



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constrained the policy space for developing countries seeking to nurture domestic industries. Another pillar of WC dogma was deregulation in favour of an idealised “free market”, even in contexts where market institutions were weak or non-existent – as was the case across much of Africa and the least developed countries. For decades, the IMF advanced the notion that inequality was irrelevant so long as growth occurred and would eventually “trickle down”. In practice, however, Structural Adjustment Programmes proved particularly harmful to the poorest nations, which lacked even the minimal institutional foundations upon which the WC’s assumptions were built.

Compounding these issues was the manner in which the WC was conceived – largely in western capitals, without meaningful consultation with the developing countries that would bear the brunt of its implementation. The results were mixed enough to invite reappraisal, even during the WC’s heyday. Some countries – parts of East Asia, Pinochet’s Chile – found ways to combine market openings with strong state direction and industrial strategy. Others – several Latin American cases, some post-Soviet transitions – suffered debt crises, inequality spikes and social backlash.

A loss of faith

The conditionalities imposed by the IMIs and the rigidity of WTO rules led to widespread discontent, manifesting in street protests across the Global South throughout the 1990s and beyond. The backlash against globalisation – whether from the anti-capitalist left in earlier decades or the far right after 2008, with its toxic blend of white supremacy, racism, and anti-immigration sentiment – can be traced, at least in part, to the failures of the WC and the global financial crisis it helped precipitate. Movements such as MAGA and Bresh reflect this disillusionment.

Ironically, none of the countries that successfully industrialised – neither the United States nor Japan before the Second World War, nor South Korea, Taiwan, or Singapore in the post-war era – adhered to the WC’s prescriptions during their formative years. Their success was rooted in state-led strategies that prioritised industrial policy, precisely the kind of intervention the “consensus” sought to delegitimise.

The WC may have dominated the late 20th century, but its time has passed. The task now is to craft a new consensus – one that is inclusive, context-sensitive, and responsive to the realities of a multipolar, digital, and ecologically fragile world.

We must revisit the policy mix that enabled the rare post-war success stories – South Korea, Taiwan, and in its own way, China – to ascend into the ranks of advanced economies. This does not mean a wholesale return to 20th-century models, but rather a thoughtful adaptation of

their core principles to contemporary challenges. Education, public health, infrastructure investment, and “infant industry” protection remain as vital today as they were then. But new imperatives – digital trade, climate resilience, and AI governance – demand fresh thinking and innovative frameworks.

We are witnessing two new trends: one, the emergence of a “post-Washington consensus” that insists on public accountability, social safety nets, and the politics of redistribution; the other, the Beijing counter-narrative, where state-led intervention, targeted industrial policy, and limited political liberalisation offer an alternative template.

If the late 20th century was the triumph of liberalisation, the mid-2020s have seen its theatrical undoing in the form of the Trump tariff tempest – sweeping, erratic and punitive. Protectionism is being brandished as an instrument of geopolitics and domestic politics alike. Supply chains are being reconfigured, not so much for efficiency but for dominance and national security. The implicit bargain that underwrote the WC – that free markets would be the engine of prosperity, and supply chains the neutral plumbing of global commerce – has been strained by a revived appetite for economic nationalism, and the wielding of sovereign power as a battle-axe rather than a shield.

Tariffs and industrial subsidies signal a re-politicisation of economic policy. They reveal that Trump’s America is willing to accept short-run costs and global friction to reclaim perceived strategic advantage. If in 1990 the default was “liberalise”, in 2025 the default is “what will protect our interests?”

The shattering of a myth

Has the world moved to a new consensus? Not exactly. What has emerged is less a single set of new verities and more an acceptance that policy must be politically context-sensitive. A pragmatic eclecticism now rules: fiscal prudence still matters, but so does targeted public investment; markets are powerful allocators, but they need rules, institutions, and buffers; trade is growth-enhancing, but national security can justify strategic decoupling and politics can justify tariffs.

The neat ideological narrative – liberalise, privatise, deregulate – has given way to a toolbox from which policymakers pick instruments with explicit geopolitical and distributional aims. In that messy landscape, success will come from the hard work of designing policies that fit national capacities, global constraints, and political realities.

That is not the end of globalised liberalisation; it is the end of the myth that there is a ready-made template that every nation subscribes to. The struggle to grow and prosper is still every nation’s struggle. But each has to find its own path forward amid the policy mess into which all have been plunged.

The Washington Consensus no longer fits a multipolar, digital and fragile world

- **Key Terms and Explanations**

- **Washington Consensus (WC):** A set of 10 economic policy prescriptions considered the "standard" reform package promoted for crisis-wracked developing countries by Washington, D.C.-based institutions (IMF, World Bank, and US Treasury).

- **Fiscal Discipline:** Avoiding large fiscal deficits relative to GDP. *Example: A government cutting subsidies to reduce its borrowing.*

- **Structural Adjustment Programmes (SAPs):** Loans provided by the IMF and World Bank to countries that experienced economic crises, conditional upon the adoption of WC policies.

- **Industrial Policy/Strategy:** Official strategic effort by a state to encourage the development and growth of specific sectors of the economy. *Example: India's PLI (Production Linked Incentive) scheme.*

- **Infant Industry Argument:** The economic rationale for protecting emerging domestic industries against foreign competition until they mature.

- **Beijing Consensus:** An alternative to the WC, characterized by state-led capitalism, authoritarian pragmatism, and a focus on infrastructure and stability over immediate political liberalization.

- **Strategic Decoupling:** The deliberate reduction of economic interdependence between nations (e.g., US and China) in sectors deemed critical to national security.



- **Main Arguments and Substantive Parts**

- **The Obsolescence of a Universal Template:** The core thesis is that the "one-size-fits-all" approach of the Washington Consensus has failed. The rigid "liberalize, privatize, deregulate" mantra ignored the unique institutional capacities of developing nations.

- **The Myth of Market Neutrality:** The article argues that the WC was never purely technical but ideological, rooted in "Reaganomics." It highlights how institutions like the WTO used rules (TRIPS, TRIMs) to kick away the ladder that developed nations themselves used to grow.

- **Historical Counter-Evidence:** The author points out a glaring irony: no successful industrial power (USA, Japan, South Korea) actually followed the WC during their growth phase. They all used heavy state intervention.

- **The Rise of Geopolitics over Economics:** In the 2020s, economic efficiency (supply chains) has been sacrificed for national security (friend-shoring/de-risking). The "Trump tariff tempest" is cited as evidence that even the proponents of the WC have abandoned it for protectionism.

- **Pragmatic Eclecticism:** The world is moving toward a "toolbox" approach. Governments now pick and choose policies (e.g., combining fiscal prudence with heavy industrial subsidies) based on national interest rather than ideological purity.



- **Historical Evolution of the Issue**
- **Late 1980s (The Genesis):** John Williamson coins the term (1989) as Latin America struggles with debt. The fall of the Berlin Wall reinforces the "End of History" belief in market capitalism.
- **1990s (The Heyday and First Cracks):** SAPs are rolled out globally. However, the **1997 Asian Financial Crisis** exposes the dangers of premature capital account liberalization.
- **2000s (Institutional Backlash):** Ministerial failures at Seattle and Cancún show the Global South's resistance to WTO mandates. Growth in the "BRICS" nations starts offering alternative models.
- **2008 (The Turning Point):** The Global Financial Crisis originates in the heart of the "Consensus" (the US), shattering the myth of self-regulating markets.
- **2016–Present (The Age of Populism):** Brexit and the election of Donald Trump signal a retreat from hyper-globalization. The COVID-19 pandemic and the Ukraine war further cement the need for "self-reliance" and state intervention.

The Evolution of Global Economic Order: From Washington Consensus to Pragmatic Statism

THE WASHINGTON CONSENSUS (THE OLD GUARD)



Market-Led Liberalism (1989)

- 10-point reform package promoting liberalization, privatization, and deregulation for developing nations.



The 'One-Size-Fits-All' Failure

Ignored local institutional capacities and assumed growth would naturally "trickle down" to all.



2008: The Moral Turning Point

The Global Financial Crisis shattered the myth of self-regulating, efficient markets.



THE EMERGING POST-WASHINGTON ORDER (THE NEW ERA)

Security Over Efficiency



Return of Industrial Policy

States now use subsidies and protectionism (e.g., India's PLI Scheme) to build domestic depth.



Resilient Supply Chains

Shifting from Just-in-Time to Just-in-Case models.



India's Strategic Autonomy

Combining market efficiency with "Atmanirbhar Bharat" to ensure growth is resilient and inclusive.



Comparative Summary

Feature	Washington Consensus	Emerging Global Order
Driver	Market-Led (Universal)	State-Led (Context-Specific)
Priority	Economic Efficiency	National Security & Resilience
Trade	Hyper-Globalization	Strategic Decoupling / Friend-shoring

- **Logical and Philosophical Base**
- **Neoliberalism vs. Developmentalism:** The WC is rooted in **Neoclassical economics**, which assumes markets are perfectly competitive and efficient. The counter-argument is based on **Developmental State theory**, which posits that in developing contexts, the state must "create" markets and guide investment.
- **The Trickle-Down Assumption:** The logic was that inequality is a secondary concern because growth would eventually lift all boats. Philosophically, this prioritizes *Aggregate Utility* over *Distributive Justice*.
- **Sovereignty vs. Global Governance:** The WC assumed that global rules should supersede national policy space. The new shift is a reassertion of **Sovereign Realism**—the idea that a state's primary duty is the security and prosperity of its own citizens, not the health of the global trading system.

- **Multidimensional Analysis**

- **Social:** Rising inequality under the WC led to the erosion of the middle class in many nations, fueling "identity politics" and anti-immigrant sentiment.

- **Political:** Economic nationalism is now a winning electoral strategy. The "middle ground" of politics has shifted from market-liberalism to state-protectionism.

- **Legal:** A crisis in the WTO's Dispute Settlement Body as nations increasingly invoke "National Security" exceptions to bypass trade rules.

- **Ethical:** Is it ethical for developed nations to deny developing nations the same tools (subsidies/protection) they used to prosper? This is the "Ladder-Kicking" ethical dilemma.

- **International:** A shift from a unipolar economic world (led by the IMF/WB) to a multipolar one with new players like the New Development Bank (NDB) and the AIIB.

- **Economic:** A move from "Just-in-Time" efficiency to "Just-in-Case" resilience.

Linkages with NCERTs

Class 9–10 Economics: “People as Resource”, “Globalisation and the Indian Economy” – concepts of liberalisation, MNCs, and outsourcing.

Class 11 Economics (Indian Economic Development):

- “Indian Economy 1950–1990” – planning, public sector, ISI.
- “Economic Reforms Since 1991” – LPG reforms, structural adjustment, role of IMF/World Bank.

Class 12 Economics:

- “Macroeconomics” chapters on fiscal policy, external sector – relevance for deficits, exchange rates, BoP.
- “Open Economy Macroeconomics” – trade flows, capital flows.

Class 11 Political Science (“Political Theory” and “Indian Constitution at Work”): justice, equality, role of the state, and globalisation.

Class 12 Political Science (“Contemporary World Politics”): globalisation, WTO, IMF, World Bank, and alternative models of development.

- Linkages with UPSC CSE Syllabus

- GS Paper I
- World history: post-World War II economic order, decolonisation, globalisation.
- Indian society: impact of globalisation on inequality, social justice, and regional disparities.
- GS Paper II
- Functions and responsibilities of the Union and the States in economic and social sectors.
- Role of external actors (IMF, World Bank, WTO) in policy-making; impact on sovereignty and policy space.
- Comparative politics and international models of development.
- GS Paper III
- Indian economy: liberalisation, reforms, planning vs market, growth and inclusion.
- Inclusive growth, issues arising from it; government budgeting; fiscal policy.
- Infrastructure, investment models, industrial policy, FDI, and trade.
- Environment: sustainable development, climate-related economic policies, green industrial strategies.
- Science and Technology: digital economy, AI governance, technology and national security.
- GS Paper IV (Ethics)
- Probity in economic policy-making, conflict of interest, crony capitalism.
- Ethical dimensions of austerity, welfare, and distributive justice.
- Global justice, responsibilities of richer nations in shaping fair rules.

- Way Forward

- **Context-Specific Policy Design**

- Encourage countries (including India) to use evidence-based, locally grounded approaches instead of copying external templates.
- Promote wider consultation with stakeholders (states, communities, businesses, civil society) before major economic reforms.

- **Balanced Role of State and Market**

- Maintain macro-prudence (inflation control, sustainable deficits) but combine it with proactive industrial policy, especially in strategic and green sectors.
- Strengthen independent regulators and competition policy to avoid both over-centralisation and crony capitalism.

- **Inclusive and Just Growth**

- Prioritise human capital (education, health, nutrition) and comprehensive social protection as non-negotiable pillars of development.
- Use tax and transfer policies to address inequality while preserving incentives for innovation and investment.

- **Reformed Global Economic Governance**

- Advocate for greater voice of the Global South in IMF, World Bank, and WTO.
- Seek more flexible rules on industrial policy, technology transfer, and climate finance to expand policy space for developing economies.

- **Strategic but Responsible Protectionism**

- Use tariffs and industrial subsidies judiciously for genuine infant industries and critical technologies, with clear sunset clauses and performance monitoring.
- Avoid beggar-thy-neighbour policies that provoke trade wars and undermine multilateralism.

- **Embedding New Frontiers: Digital, Climate, AI**

- Develop coherent national strategies on data governance, cyber-security, and AI ethics, aligned with constitutional values and human rights.
- Anchor industrial policy in climate commitments (e.g., green hydrogen, EVs, renewable energy) to align development with ecological limits.



- UPSC CSE Mains – GS III & Essay
 - 2014 GS-III: “Critically examine the impact of globalisation on poverty and inequality in India.”
 - 2016 GS-III: “The nature of economic reforms in India since 1991 has been such that they have increased the inequality in India. Comment.”
 - 2018 GS-III: “How far has globalisation affected the economic and social structure of India?”
 - 2019 GS-III: “Do you think that protectionism and economic nationalism is taking shape in the world in the name of development? Give reasons.”
 - 2020 GS-III: “Discuss the role of WTO in promoting trade in the era of globalisation. Has it been able to balance the interests of developed and developing countries?”
 - Essay (multiple years): topics on globalisation, development models, role of the state, inequality, and democracy.
-
- UPSC CSE Prelims
 - Questions on IMF, World Bank functions; WTO–TRIPS–TRIMs provisions; balance of payments; effects of liberalisation; FDI vs FII; fiscal deficit concepts.

Running scared? Nope. Playing Smart

Too many critics of GOI foreign policy are preoccupied by whether India sounds fearless. But, we are in a world of weaponised hard power. So, the priority is to, somehow, maintain operational flexibility.

That's what GOI moves, on Iran war, Chinese investment, Russian oil reflect

Syed Akbaruddin



Viewing India's foreign policy debate from outside the capital has its uses. Distance makes it easier to see how starkly arguments are drawn in Delhi, and how quickly the actual constraints on Indian policy disappear from view.

Today, the sharpest criticism of Indian foreign policy is that it has tilted in the wrong direction: too deferential to Washington, too comfortable in its signalling towards Israel, and too ready to adapt under American pressure, while underestimating the wider signal this sends.

That criticism comes in three broad forms: dependence, asymmetry, and signalling. The dependence argument is that Delhi increasingly trims policy to remain within an American comfort zone. The asymmetry argument is that India is more restrained in responding to American and Israeli uses of force, than to the retaliation that follows. The signalling argument is that India increasingly accepts the optics of a wider US-Israel frame.

GOI's recent move on Chinese-linked investment points to something larger. India did not ease Press Note 3 because distrust of China disappeared. It adjusted because the demands of manufacturing, technology, and capital began to outweigh the signalling value of blanket rigidity. The real story is not alignment, but exposure.

Indian foreign policy should now be read not through the old alignment-vs-non-alignment frame, but as an effort to manage exposure. Key exposures are energy, technology, capital, supply chains, and security. Each of these can now be weaponised by others, whether through sanctions, export controls, shipping disruption, investment restrictions, or conflict. Seen this way, some apparent inconsistencies look less like confusion, than like selective risk management.

The Russia oil episode is more complicated than the above criticism suggests. India bought Russian crude at scale, because discounted oil helped contain inflation, and ease pressure on growth. When the costs of that position rose, Delhi adjusted. One reading sees capitulation. Another sees a state trying to keep

energy affordable, without inviting punitive fallout. For an import-dependent economy, it may not look elegant. It was still an effort to protect room for growth.

The Iran episode sharpens the asymmetry critique, but it also reveals the order of India's concerns. India described developments in the Gulf as a matter of great anxiety, and called for dialogue, after the US-Israeli strikes on Iran triggered retaliation. Critics note the imbalance. India showed more visible urgency when



Gulf stability, shipping, and energy flows were at risk, rather than when the original strikes took place.

Wider international response reflected a similar pattern. On 11 March, Security Council adopted Resolution 2807, condemning Iran's retaliatory attacks on Gulf states and Jordan, but issued no comparable condemnation of the earlier strikes on Iran.

That asymmetry reflects not just political preference, but India's deep exposure to the Gulf. The region bears directly on growth, inflation, remittances, energy security

and household stability. When order in the Gulf is shaken, the effects are quickly felt across India's economy.

That is where India's material dependence is greatest, and where its diplomacy is bound to be especially careful. That may not satisfy critics, but it explains more than moral outrage does.

India learned this lesson long ago. In 1962, China exposed the limits of rhetoric without leverage. In 1971, facing war and external pressure, India turned to Soviet Union for strategic insurance, when doctrine alone would not do.

Taken together, the lesson is the same: principles matter, but when security is at stake, states preserve themselves through leverage and partnerships, not rhetorical consistency alone.

Here, the criticism is strongest, but incomplete. It is most persuasive when it warns that tactical adjustment can harden into dependence, and that signalling can slip into self-subordination. It is weakest when it assumes that autonomy is proved mainly by keeping declaratory distance from US.

That is an odder way of measuring freedom of action. For India today, the more serious question is whether it retains operational autonomy: enough energy flexibility, economic resilience, technological access, and strategic choice to avoid being trapped by any single pole.

India was once poorer, but louder. Now it is wealthier, and more guarded. The contrast is real, but the usual conclusion is too easy. Declaratory non-alignment carried fewer costs, than today's world of weaponised interdependence. A richer India has more power, but also more exposure.

The real question is not whether it sounds fearless, but whether it remains free to choose. That is why Indian foreign policy should be judged not by abstract purity, but by whether Delhi can reduce exposure without surrendering agency.

In a fractured order shaped by American overreach, Chinese pressure, and weaponised economic power, that will not always look elegant. But for India, inelegance is not the worst sin. Misreading the structure of the problem, is the greater danger.

The writer is a former permanent representative of India to UN



- **Key Terms and Explanations**

- **Weaponized Interdependence:** This concept refers to how states, particularly powerful ones, can leverage global networks of trade, finance, and information as instruments of power. By controlling key nodes in these networks (e.g., the SWIFT financial messaging system, global shipping chokepoints, or semiconductor supply chains), a state can impose costs on others.

- **Example:** The US using its control of the dollar-based financial system to impose sanctions on Russia, making it difficult for other countries to trade with Russia without facing secondary sanctions.

- **Operational Autonomy:** This is the practical freedom a state has to make and implement decisions in its national interest, regardless of external pressure. It's not about *what* a country says (declaratory policy), but *what it can do*. It emphasizes the actual capacity for independent action over rhetorical posturing.

- **Strategic Exposure:** This describes a state's vulnerability to external shocks or coercion due to its dependence on other countries for critical needs. The article identifies key areas of exposure for India: energy (oil imports), technology (access to critical software and hardware), capital (foreign investment), supply chains (for manufacturing and pharmaceuticals), and security (defense partnerships).

- **Signalling:** In international relations, signalling refers to the actions or statements a state makes to convey its intentions, preferences, or resolve to other actors. The article critiques a focus on "optics"—the signal sent by appearing aligned with a particular bloc—over the substance of policy.

- **Declaratory Non-alignment:** This refers to the historical practice of India staking out a clear, principled, and independent position on global issues primarily through statements and votes in international fora. The article argues this was easier and less costly when India was less integrated into the global economy.

- **Asymmetry Critique:** This specific criticism, as defined in the article, argues that India's responses are uneven. It suggests India is quicker to react to the *consequences* of actions by Western powers (e.g., instability in the Gulf after US/Israeli strikes) than to the *original actions* themselves, implying a bias or a hierarchy of concern influenced by its strategic partnerships.

- **Main Arguments and Substantive Parts**

- **Core Thesis:** The central argument is that Indian foreign policy under the current government should not be judged by the old yardstick of "non-alignment vs. alignment." Instead, it is best understood as a pragmatic strategy of managing India's growing "exposures" in a world where economic and technological dependencies can be weaponized.

- **Key Points and Supporting Evidence:**

- **Critique of the Critics:** The article acknowledges the three main critiques of current policy—dependence (on the US), asymmetry (in responding to conflicts), and signalling (adopting a US/Israel frame). It presents these as a valid starting point but argues they are incomplete.

- **Managing Exposure, Not Just Alignment:** The author uses key policy moves as evidence for the "exposure management" thesis.

- **On Chinese Investment:** The decision to reconsider restrictions on Chinese-linked investment (Press Note 3) wasn't due to reduced distrust, but because the need for capital and technology to fuel domestic manufacturing (an exposure) outweighed the symbolic benefit of keeping investment out. This shows policy adjustment based on economic exposure.

- **On Russian Oil:** India's massive purchase of discounted Russian crude was a direct response to the exposure of its energy-dependent economy to price shocks and inflation. When the "costs of that position rose" (i.e., risk of sanctions), India adjusted again. This is portrayed as a state trying to navigate a narrow path between affordability and punitive fallout.

- **On the Iran-Israel Conflict:** India's stronger reaction to the *retaliatory* strikes by Iran, which threatened Gulf stability and energy flows, is explained by its deep "exposure to the Gulf." The region is critical for India's energy security, remittances, and trade. The response was driven by material vulnerability, not just political preference.

- **Historical Precedents:** The article grounds its argument in Indian history. The 1962 war with China exposed the "limits of rhetoric without leverage." The 1971 treaty with the Soviet Union is cited as a classic example of a state seeking "strategic insurance" when security is at stake, prioritizing survival over "rhetorical consistency."

- **The New Metric for Autonomy:** The author proposes a new way to measure India's freedom of action: not by its declaratory distance from the US, but by its ability to maintain **operational autonomy**. The real question is whether India can retain enough flexibility in energy, technology, and security to avoid being trapped by any single power center.

- **Conclusion:** The article concludes that in a fractured global order, inelegant and pragmatic policy is not a sin. The greater danger is misreading the nature of the problem—which is not about ideological purity, but about managing complex vulnerabilities without surrendering agency.

- **Historical Evolution of the Issue**
- **Pre-1947 & Early Independence:** The idea of strategic autonomy is rooted in the anti-colonial struggle, which fostered a deep distrust of entangling alliances. This led to the philosophy of Non-Alignment, a moral and political stance aimed at preserving newly won independence.
- **The Cold War Era:** Non-alignment was the guiding principle, but it was often tested.
 - **1962 Sino-Indian War:** Exposed the hollowness of purely rhetorical non-alignment when faced with a direct military threat, leading to a pragmatic, though temporary, military dependence on Western powers.
 - **1971 Bangladesh Liberation War:** The signing of the Indo-Soviet Treaty of Peace, Friendship and Cooperation was a masterstroke of strategic insurance. It was a clear demonstration that when core security was at stake, ideology took a backseat to pragmatism and the need for hard power support.
- **Post-Cold War Era (1990s-2000s):** The collapse of the USSR necessitated a major foreign policy reorientation.
 - **Look East Policy:** A shift towards engaging with Southeast Asia, driven by economic imperatives.
 - **Nuclear Tests (1998) and the US-India Civil Nuclear Deal (2008):** This period marked a strategic realignment with the US, culminating in a deal that recognized India as a responsible nuclear state. This was a high point of strategic convergence with the West.
- **The Contemporary Era (2014 onwards):** The current phase is defined by a more multipolar and confrontational world.
 - **Deepening Strategic Partnerships:** India has deepened its strategic ties with the US, Japan, Australia (Quad), and Israel, focusing on shared concerns, particularly regarding China.
 - **Multi-Alignment / Issue-Based Alliances:** Simultaneously, India has pursued a policy of "multi-alignment," participating in groupings like SCO and BRICS with Russia and China, and maintaining robust energy ties with Russia despite Western pressure.
 - **Weaponized Interdependence:** The Russia-Ukraine war and the subsequent Western sanctions, along with the US-China tech war, have fully revealed the concept of "weaponized interdependence," forcing India to actively manage its exposures in energy, trade, and technology.

India's Foreign Policy: From Ideological Purity to Managed Exposure

The Evolution of Strategy

Phase I: Idealistic Non-Alignment (1947-1962)

The Present (Phase IV)

Managed Exposure

Weaponised Interdependence
A condition where global networks (finance, tech, trade) are used as tools of statecraft and pressure.









Focused on anti-colonialism; ended when the 1982 war proved rhetoric without hard power is a liability.



Shift toward "issue-based coalitions" prioritizing domestic economic resilience over global optics.



Feature Comparison: Old vs. New Framework

	Old Frame (Idealism)	New Frame (Pragmatism)
Core Goal	 Moral Signaling	 Exposure Management
Autonomy Type	 Declaratory (Speeches)	 Operational (Capability)
Logic	 Non-Alignment	 Multi-Alignment

Logical and Philosophical Base

Philosophical Foundation (Realism/Pragmatism): The article's logic is rooted in political realism. It assumes that the primary goal of a state is survival and the pursuit of national interest in an anarchic international system. Power, not just principles, determines outcomes. This is a departure from the more idealistic strain of Nehruvianism, which gave significant weight to moral suasion and global norms.

Core Logic: The central logic is that India's growing integration into the global economy has created new vulnerabilities. A wealthier India has more to lose from disruptions. Therefore, foreign policy must be primarily a tool for risk mitigation. The logic is defensive and proactive: identify the key areas where India is most exposed (energy, technology, capital) and use diplomacy and policy to create buffers, diversify sources, and retain freedom of action. It's a logic of managing complexity, not simplifying it through ideological commitment.

- **Multidimensional Analysis**

- **Social:** A foreign policy focused on stable energy prices and job-creating investment has direct social implications. It cushions the poor and middle class from inflation and supports livelihoods tied to the Gulf (remittances) and manufacturing (investment). This creates a strong social mandate for pragmatism over ideological purity.
- **Political:** Domestically, it provides the government with flexibility to navigate a complex world without being hemmed in by rigid ideology. Internationally, it positions India as a "swing state" capable of engaging with all major powers, enhancing its diplomatic heft. However, it also exposes the government to criticism from those who demand a more principled stance on issues like democracy and human rights.
- **Legal:** This policy approach often involves navigating a complex web of international law and domestic regulations. For example, the purchase of Russian oil required setting up complex payment mechanisms to avoid violating international sanctions, while the reconsideration of Chinese investment involves amending domestic FDI (Foreign Direct Investment) rules (like Press Note 3).
- **Ethical:** This is the most contentious dimension. The policy prioritizes national interest, which can be seen as ethical in a realist framework. However, it can appear amoral when it involves maintaining ties with regimes accused of human rights abuses (e.g., Russia, Myanmar) or when it prioritizes economic gain over a strong, value-based stance on global conflicts. The "asymmetry critique" is fundamentally an ethical one.
- **International:** It shapes India's global image as a pragmatic, strategic actor that is difficult to pigeonhole. It increases India's attractiveness as a partner for those seeking to balance against a single power. However, it can also lead to trust deficits, as major powers may see India as unreliable. It reinforces India's role as a key player in the Global South, advocating for the interests of developing economies in a fragmented world.
- **Economic:** The policy is fundamentally economic in its logic. It aims to secure affordable energy, attract diverse sources of capital, integrate into global supply chains, and protect domestic growth from external shocks. The success of the policy is ultimately measured by economic outcomes: growth, inflation, and employment.

Linkages with NCERTs

Class 12 Political Science (Contemporary World Politics):

- **Chapter 1 (The Cold War Era):** Provides the foundational understanding of Non-Alignment, its origins, and its meaning during the bipolar world. Essential for contrasting with the modern concept of "exposure management."
- **Chapter 2 (The End of Bipolarity):** Explains the shock of the USSR's collapse and the consequent need for India to reorient its foreign policy, setting the stage for the post-Cold War pragmatism.
- **Chapter 4 (India's External Relations):** Directly relevant. It covers the principles of India's foreign policy, the history of relations with neighbors (China, Pakistan), and the domestic debates around these policies. The 1962 war and the 1971 treaty are discussed here.
- **Chapter 9 (Globalisation):** Helps in understanding the concept of "interdependence" and how economic integration creates both opportunities and vulnerabilities.

Linkages with UPSC CSE Syllabus

GS Paper II (Governance, Constitution, Polity, Social Justice and International Relations):

- **India and its Neighborhood- Relations.**
- **Bilateral, Regional and Global Groupings and Agreements involving India and/or affecting India's interests.** (e.g., Quad, BRICS, SCO, I2U2).
- **Effect of Policies and Politics of Developed and Developing Countries on India's interests.**
- **Indian Diaspora.** (Its role in the Gulf is a key example in the article).
- **Important International Institutions, Agencies and Fora - their Structure and Mandate.** (Relevance of UNSC, IMF/World Bank in shaping global rules).

GS Paper III (Technology, Economic Development, Bio-diversity, Environment, Security and Disaster Management):

- **Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.** (Link to foreign investment and its role in manufacturing).
- **Effects of Liberalization on the Economy.**
- **Challenges to Internal Security through Communication Networks, Role of Media and Social Networking Sites.** (Connects to the "signalling" and information warfare aspect of foreign policy).
- **Role of External State and Non-state Actors in creating challenges to Internal Security.**

- **Way Forward**

- **Institutionalize the "Exposure Audit":** The government should formalize the process of identifying and monitoring strategic exposures. This involves creating inter-ministerial groups to constantly assess vulnerabilities in energy, trade, technology, and finance, and develop proactive mitigation strategies (e.g., diversifying supply chains for critical minerals, building strategic oil reserves).

- **Deepen "Multi-Alignment" with Capabilities:** The policy of engaging with all major powers must be backed by tangible investments. This means deepening the Quad as a technology and security partnership while simultaneously investing in alternative payment mechanisms with BRICS nations to reduce financial exposure to any single bloc.

- **Strengthen Domestic Capabilities (Atmanirbhar Bharat as a Foreign Policy Tool):** The ultimate way to reduce exposure is to build internal strength. A truly "self-reliant" India in critical sectors like defense manufacturing, semiconductors, and green energy will have far greater operational autonomy. The "Make in India" initiative is thus a crucial pillar of this foreign policy approach.

- **Invest in Strategic Communication:** To counter domestic and international critiques, the government must clearly articulate the "why" behind its "inelegant" policies. It needs to explain that managing exposures is the new form of strategic autonomy, helping citizens and partners understand that pragmatism is a strategy, not a sign of confusion.



UPSC CSE Mains (General Studies Paper II)

- 2023:** "What is the significance of Indo-US defence deals over Indo-Russian defence deals?" (Tests understanding of shifting strategic partnerships and exposure management).
- 2022:** "'India's relations with Israel have, of late, acquired a wider meaning and depth.' Discuss."
- 2021:** "How will I2U2 (India, Israel, UAE, USA) grouping be a driver of the economic growth of India?" (Tests understanding of new, issue-based, pragmatic groupings).
- 2020:** "'India's look east to act east policy has been a success story in terms of economic diplomacy.' Analyze."
- 2019:** "The issue of turbulence in the Gulf region has significant implications for India. Evaluate." (Directly relevant to the Iran-Gulf exposure argument in the article).
- 2018:** "India's relations with its neighbours have always been a tightrope walk. Analyze India's neighbourhood policy since independence."
- 2017:** "What are the main implications of the US withdrawal from the Iran Nuclear Deal for India? How should India respond?" (Directly relevant to the Iran exposure example).
- 2016:** "'Non-alignment 2.0' and 'Strategic autonomy' are the two terms used in the context of Indian foreign policy. Discuss."
- 2015:** "The broader aims and objectives of India's foreign policy have remained largely unchanged over the years. Critically examine."
- 2014:** "With reference to the comprehensive and long-term strategic partnership between India and Russia, evaluate the areas of convergence and divergence between the two."

- **Key Terms and Explanations**

- **Gross Domestic Product (GDP):** The monetary value of all final goods and services produced within a country's borders in a specific time period. It is the primary indicator used to gauge the health of an economy. For example, if India produces cars, provides banking services, and grows wheat, the total value of all such final goods and services is its GDP.
- **Gross Value Added (GVA):** A measure of the value of goods and services produced in an area, industry, or sector of an economy. It is GDP minus net taxes on products. GVA at basic prices provides a picture of the economy from the producer's side, while GDP is from the consumer's side.
- **Deflator:** A price index used to convert nominal output (measured at current prices) into real output (measured at constant prices), thereby removing the effect of inflation.
 - **GDP Deflator:** The broadest measure of inflation, reflecting price changes for all goods and services produced domestically.
 - **Wholesale Price Index (WPI):** Measures the average change in prices of goods at the wholesale level. A key criticism in the article is its inappropriate use to deflate *services* sector output, for which it was never designed.
- **Formal vs. Informal Sector:** The formal (or organized) sector comprises registered entities that follow government regulations, pay taxes, and maintain regular accounts. The informal (or unorganized) sector consists of small, unregistered enterprises with no formal accounting, like a local carpenter or a street vendor. The article highlights the methodological error of using formal sector data to project the performance of the informal sector.
- **Double Deflation:** A more sophisticated and accurate method for calculating real GVA, especially for sectors like manufacturing. It involves deflating output with an output price index and deflating intermediate consumption with an input price index separately, then subtracting the latter from the former. The simpler, and often flawed, method is single deflation, where both are deflated using the same index.
- **Base Year:** The reference year against which real GDP is calculated. The weights of different goods and services in the GDP basket are fixed as per the structure of the economy in this year. The article mentions the update from 2011-12 to a new base year to reflect structural changes in the economy.
- **Backcasting:** The process of revising past GDP series using a new methodology to make them comparable with the current series. This provides a consistent long-term data set for analysis.

Main Arguments and Substantive Parts

Core Thesis: India's official GDP growth has been significantly overstated, by about 1.5-2 percentage points on average, between 2011-12 and 2023-24. This statistical misreading has painted an inaccurately rosy picture of a "steady, rapid growth" trajectory, masking a significant slowdown.

Key Points and Supporting Evidence:

- **Breakdown of Macroeconomic Relationships:** Historically, GDP growth correlated strongly with indicators like credit growth, tax revenue, electricity consumption, and industrial production. This relationship fractured after the 2015 GDP methodology revision, suggesting that the new GDP numbers were out of sync with ground-level realities.
- **Two Primary Methodological Flaws:**
 - **Inappropriate Data Sources:** The new methodology used data from the formal corporate sector to proxy for the performance of the vast informal sector. This was particularly problematic after 2015 when the informal sector was disproportionately hit by the twin shocks of demonetisation and the introduction of the Goods and Services Tax (GST). This led to an overestimation of informal sector output.
 - **Inappropriate Deflators:** The use of the Wholesale Price Index (WPI) to deflate nominal output in the services sector. When global oil prices crashed, the WPI fell sharply. Using this falling index to deflate services artificially lowered the inflation rate, thereby inflating the *real* growth rate of the services sector.
- **Consequences of Misestimation:**
 - **Policy Paralysis and Complacency:** The strong growth numbers suggested that the existing policy framework was working exceptionally well, reducing the perceived urgency for major structural reforms between 2014-15 and 2019-20. If the data suggests the economy is growing at 7-8%, why risk political capital on difficult reforms?
 - **Creation of "Puzzles":** The strong GDP figures created several economic puzzles that required convoluted explanations: Why was private investment weak if growth was strong? Why was wage growth tepid? Why was there pressure on the rupee? The authors argue for a simpler explanation: growth was not as strong as it appeared.
- **Revision of Historical Narrative:** The 2015 methodology not only overstated recent growth but also understated growth for the period between 2004-05 and 2011-12. This effectively erased from history the "India Shining" boom period of the mid-2000s and the sharp slowdown that followed the Global Financial Crisis, replacing it with a narrative of unbroken, stable high growth.

- **Historical Evolution of the Issue**

- **Pre-1990s:** National income estimation relied on a combination of production and income methods, often with significant time lags. The informal sector was largely estimated through decennial surveys.
- **1999-2000 Base Year (2006 Revision):** A shift towards more comprehensive data sources, including the Annual Survey of Industries (ASI) and National Sample Survey (NSS) data. The challenge of capturing the rapidly growing services sector began to emerge.
- **2004-05 Base Year (2010 Revision):** Attempts were made to improve corporate sector data using MCA-21 database. The limitations of using WPI for services deflation started becoming a subject of academic debate.
- **2011-12 Base Year (2015 Revision):** This was the major "radical" revision discussed in the article.
 - **Change:** It involved a major overhaul of methodology, including new data sources and a change in the way MCA-21 data was used.
 - **Problem:** As the article points out, this revision introduced the significant flaw of extrapolating informal sector performance from formal sector data, a problem exacerbated by the unique economic shocks that followed.
- **2023-24 Base Year (Recent Revision):** The government's latest effort, acknowledged by the authors as commendable, aims to update weights and address some methodological shortcomings identified over the years. The true test will be the quality and plausibility of the backcasted historical data.

The GDP Estimation Debate: Navigating India's Statistical "Illusion"

Since 2015, a significant divergence has emerged between official GDP growth figures and real-sector indicators like credit growth and electricity consumption. This section explores why methodology shifts may have overstated growth and how fixing these statistical "signals" is vital for effective governance.

THE MEASUREMENT CRISIS: WHY THE DISCONNECT?

The Proxy Problem (Formal vs. Informal)

Using formal sector data to estimate the informal economy, masking actual distress.

Informal Economy **Formal Corporate Sector**

The Deflator Distortion

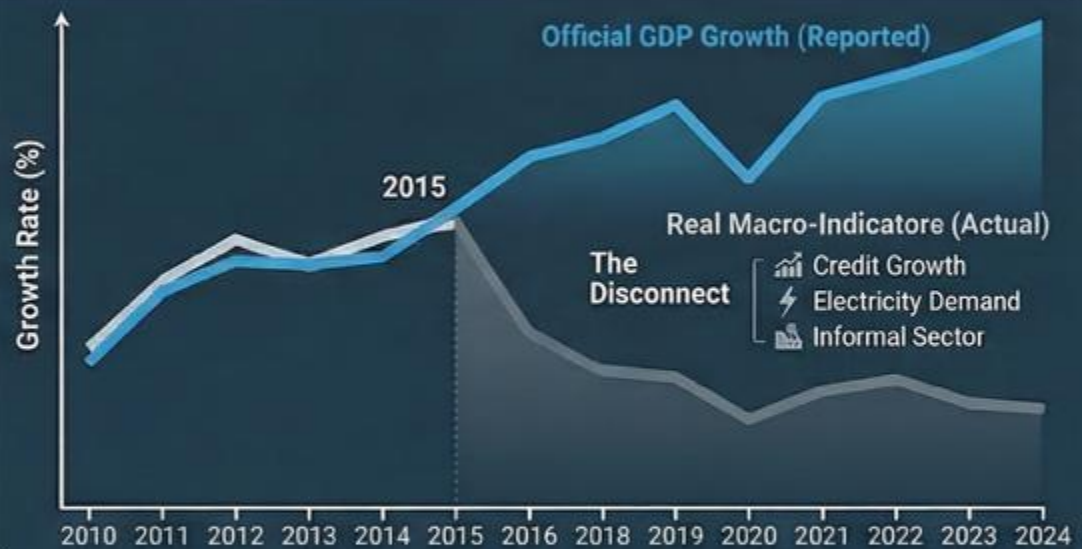
Using the Wholesale Price Index (WPI) for services can artificially inflate real growth figures.



The 1.5-2% Growth Gap

Analysis suggests actual growth may be significantly lower than the officially reported figures, with a gap of approx.

THE POST-2015 DIVERGENCE CHART



MACRO-INDICATOR TRENDS: HISTORICAL VS. POST-2015 REALITY

	Historical Trend	Post-2015 Reality
Bank Credit Growth	High Correlation with GDP	Remained Tepid
Electricity Demand	Moves with Industrial GDP	Significant Decoupling
Informal Sector	Mirrored Formal Growth	Disproportionately Impacted

POLICY IMPLICATIONS & THE WAY FORWARD

Policy Paralysis & Complacency

Overstated growth reduces the perceived urgency for critical structural reforms and monetary easing.



Transition to Double Deflation

Separately deflating inputs and outputs provides a more accurate measure of real value added.



Independent Statistical Audits

Establishing an autonomous National Statistical Commission is essential to restore institutional credibility.



Logical and Philosophical Base

Logic of Data-Based Policy: The entire argument rests on the foundational logic that sound policy requires accurate diagnosis. If the data is wrong, the policy prescription will be wrong. The article argues that India suffered from a "statistical illusion" of high growth.

Positivist vs. Constructed Reality: The article implicitly contrasts a positivist view of economics—where data should reflect an objective reality (ground-level economic activity)—with a situation where the statistical methodology has constructed a different reality (a narrative of steady high growth).

Principle of Parsimony (Occam's Razor): The authors use this philosophical principle to argue that the simpler explanation for various economic puzzles (weak investment, tepid wages) is slower growth, rather than a complex set of unique, unrelated causes for each puzzle.

Multidimensional Analysis

•Social Dimension:

- The misestimation obscures the real struggles of the common person, particularly those in the informal sector who bore the brunt of shocks like demonetisation. If the data shows high growth but people don't feel it, it widens the gap between public perception and official narrative, fueling social discontent.
- It masks the true state of employment and wage growth, which are critical for human development indicators.

•Political Dimension:

- The issue becomes highly politicized. The ruling party can use high GDP figures to showcase economic success, while the opposition can use critiques of the data to attack the government's credibility.
- The article's argument about "policy complacency" is deeply political, suggesting that strong data might have allowed the government to delay tough but necessary reforms, impacting long-term governance.

•Legal Dimension:

- The Collection of Statistics Act, 2008, provides the legal framework for data collection. The challenge lies in the effective implementation of this act, especially in compelling timely and accurate data from a vast and diverse set of economic actors.
- There is no legal provision for penalizing methodological errors, only for non-compliance in data submission.

•Ethical Dimension:

- The foremost ethical issue is one of **transparency and integrity**. Statistical agencies have an ethical duty to produce the most accurate picture of the economy possible. Using flawed methodologies, even inadvertently, can mislead the public and policymakers.
- It raises questions about the "right to know" of citizens regarding the true state of their economy.



**Linkages with
NCERTs**

**Class 11 Economics
(Statistics for
Economics):**

Chapter 2: Collection of Data: Directly linked to the core issue of what data sources (primary vs. secondary) are used and the challenges of collecting data from a large, diverse economy, especially the informal sector.

Chapter 8: Index Numbers: Essential for understanding deflators (CPI, WPI) and the concept of base year. The chapter explains how index numbers are constructed and their limitations, which is the crux of the deflator problem.

**Class 12 Economics
(Introductory
Macroeconomics):**

Chapter 2: National Income Accounting: This is the most crucial link. It covers the concepts of GDP, GVA, Nominal vs. Real GDP, and the methods of calculating national income. The entire debate is a real-world case study of the complexities and pitfalls in national income accounting.

Linkages with UPSC CSE Syllabus

GS Paper 3 (Indian Economy):

- **Issues relating to Growth and Development:** The core theme.
- **Measurement of Growth:** Directly addresses the technical aspects of GDP estimation.
- **Inclusive Growth:** The misestimation hides the distress of the informal sector, a key component of inclusive growth.
- **Government Budgeting:** Links to how faulty data affects fiscal policy.
- **Investment Models:** Explains puzzles related to private investment.

GS Paper 2 (Governance):

- **Government policies and interventions:** The article is a critique of the informational basis of policy.
- **Statutory, regulatory and various quasi-judicial bodies:** The role and credibility of MoSPI as an institution.

GS Paper 3 (Science & Technology):

- **Data, AI, and the Economy:** The challenge of big data and its use in official statistics is a modern aspect of this issue.

- **Way Forward**

- **Strengthen the Informal Sector Database:** Invest significantly in more frequent and robust enterprise surveys focused specifically on the unorganized sector. Leverage technology and local resources for better enumeration.
- **Adopt and Expand Double Deflation:** The new methodology must fully and credibly implement double deflation, especially for the manufacturing and services sectors, using appropriate input and output price indices.
- **Develop a Comprehensive Services Price Index:** Urgently work on creating a robust and representative price index for the services sector to replace the inappropriate use of WPI.
- **Institutional Independence and Transparency:** Ensure and publicly demonstrate the functional independence of MoSPI from political and bureaucratic interference. Publish detailed methodologies, source data, and the assumptions behind backcasting exercises for public and academic scrutiny.
- **Integrate Multiple Data Sources:** Move towards a data ecosystem that cross-verifies GDP estimates with a wider range of high-frequency and alternative indicators (e.g., satellite data on night-time lights, GST e-way bills, digital payment volumes) to create a more holistic and real-time picture.
- **Communicate Clearly:** The government and MoSPI must proactively communicate the limitations and revisions of data to the public and policymakers, managing expectations and fostering an informed debate.

UPSC CSE Prelims:

2023: With reference to the Indian economy, consider the following statements: (Questions on GDP calculation, Base Year, etc.)

2020: Consider the following statements: The value of Indian exports is continuously increasing. (Indirectly linked to data trends)

2015: The terms 'Base Year', 'Deflator' are directly tested in the context of National Income.

UPSC CSE Mains:

2023: Faster economic growth requires increased rate of investment and improved efficiency of factor use. Comment.

2022: Do you agree that the Indian economy has recently experienced a 'K-shaped' recovery? Support your answer with relevant justifications. (Directly linked to data interpretation and ground realities)

2021: Explain the difference between GDP and GNP. Discuss the limitations of GDP as a measure of economic welfare.

2020: "Growth in the economy has not translated into a corresponding increase in employment." Discuss.

2019: It is argued that the strategy of inclusive growth is intended to meet the objectives of inclusiveness and sustainability together. Comment on this statement. (Requires understanding if measured growth is truly inclusive)

2019: Despite consistent high growth, the creation of new jobs has been a persistent challenge. Account for the reasons.

2015: What are the main drawbacks of GDP as a measure of economic growth and development? In this context, discuss the relevance of the Human Development Index.

Hormuz stranglehold and deeper *atmanirbharta*

If there is one piece of advice India must take from Donald Trump, it is 'drill, baby, drill'



BEYOND IDEOLOGY

R JAGANNATHAN

No matter how the Iran-Israel-US war ends, and no matter how soon it ends, India now has to rethink its energy dependencies — not to speak of dependencies in other areas. In energy, we need deeper *atmanirbharta*, arguably even more than in defence. The ongoing cooking gas shortage, which has become every household's and restaurant owner's core short-term concern, tells us why. It can roil politics more than a limited setback even in defence.

India's excess dependency on oil and gas imports should prompt us to not only build larger reserves of the former (and as much of the latter as feasible), but also lead to further geographical diversification. We cannot simply have a 60-65 per cent import dependency in liquefied petroleum gas (LPG), the bulk of which comes from just one

volatile region — West Asia.

At the broader energy security level, India has directionally been on the right track. The share of non-fossil fuel power capacity has now crossed 50 per cent of the overall installed capacity of 509 Gw. But the problem relates to concentrated dependence on some regions driven by policy priorities. The growing dependence on West Asia for gas supplies is directly related to the huge expansion in household cooking gas consumption and the increasing use of gas in the transport sector.

As Shamika Ravi, a member of the Economic Advisory Council of the Prime Minister, noted in a post on social media site X (formerly Twitter), "Indian households now depend on petroleum products for both cooking (LPG) and transport... Together, LPG + conveyance account for 7.5-10.2 per cent of monthly budgets. This makes our households doubly exposed to any oil supply disruption — a vulnerability that did not exist at this scale in 2011, when rural LPG adoption was just 17 per cent and conveyance 4.2 per cent."

While trying to address pollution and climate change, we may have given less importance to domestic production of fossil fuels, which are going to be important over the next

two decades, coinciding with the period when India must maximise its demographic dividend. There is no place for fossil fuel complacency, never mind what climate activists and greens tell you.

If there is one piece of advice we must take from Donald Trump, it is this: "Drill, baby, drill". It means more and faster exploration and production investments.

What we must also thank Mr Trump for is exposing our vulnerabilities. Our dependence on West Asia, especially those supply sources that are routed through the Strait of Hormuz, cannot sustain. The major West Asian oil and gas producing countries are on either side of the narrow shipping waterway leading to the Strait, but they are now subject to Iran's security priorities. Bahrain, Qatar, Oman, the UAE and even Saudi Arabia have most of their production going through the Strait of Hormuz.

In the 15th century, the Portuguese realised that the trade in spices and other goods from India was subject to extortion by West Asian and Venetian merchants, and Vasco da Gama was commissioned by Manuel I of Portugal to find a new sea route to India. While Vasco da Gama is not a revered name in post-colonial Indian history, he did find a different route to India via the Cape



ILLUSTRATION: BINAY SINHA

of Good Hope. This is our challenge if we choose to tap into West Asian fossil fuels — finding a new route that avoids the Strait of Hormuz.

India's proposal for the IMEC corridor (India-Middle East-Europe Economic Corridor) involves building transport infrastructure going through the UAE, Saudi Arabia, Jordan, Israel, and Greece. Some of these countries are going to be under Iranian threat, which may make the corridor unviable unless there is a wider peace deal in West Asia, where both Israel and Iran agree to back off

from threatening the other. Iran needs to do more, since its theocracy has put Jew-hatred and a commitment to destroy Israel at the core of its wider Islamist mission, which includes supporting proxies in Lebanon (Hezbollah), Yemen (Houthis) and Gaza (Hamas). More than stopping Iran's nuclear ambitions, it is these ever-present threats to Israel's borders that need reining in — and only Iran can do that. Israel and the US have not helped matters by decapitating the Iranian leadership, making the successor regime's will-

ingness to do a deal more unlikely.

The IMEC is not going to work in the foreseeable future. We need different sources to fill in whenever supply disruptions hit the Strait of Hormuz. Dependence on West Asia is only a fair-weather option for us. Whenever peace reigns, we can use this region to augment or stock up reserves at low prices. Over the medium term, we must ask Qatar, the UAE, and Saudi Arabia to build shipping capabilities far away from the Strait of Hormuz and the Red Sea areas that the Houthis can target. And, of course, we must fast-track domestic exploration and production of oil and gas, especially the recent discoveries off the Andamans. We should also be fast-tracking the use of ethanol for cooking purposes, using appropriate stoves.

However, it is not only in energy that we must reduce over-dependence on a few sources of supply in troubled parts of the world. This should be our guiding philosophy in all critical areas, both in imports and exports.

Three areas, apart from energy, stand out. One is our over-dependence on Chinese supplies in everything from rare earths to electronic components and other things. Production-linked incentives are important, but ease of doing busi-

ness is even more vital. Two, our software services are too focused on North America, the US in particular. But margins aren't everything. The Infys, TCSes and Wipros must be prodded to diversify markets over a 10-year period. Their share of non-American and domestic Indian business must grow substantially, and products and sovereign platforms must be a larger share of their business.

Our dependence on foreign tech platforms — from Google to Microsoft, Meta and X — is a strategic vulnerability, not least because these firms are heavily involved in the US' national security architecture. If they had to choose between following Indian interests and American ones, no prizes for guessing which way they will tilt. We must have our own sovereign email, messaging, social media platforms, artificial intelligence models, office and Cloud services that will counterbalance US Big Tech. Our data should not be shareable with Uncle Sam, unless when authorised by Indian courts.

A sobering thought: *Atmanirbharta* is not without costs. There will be higher costs, and slimmer margins. That, unfortunately, is the price for strategic autonomy.

The author is a senior journalist

- Key terms and explanations
 - Non-fossil power capacity
- Installed electricity capacity from non-fossil sources: solar, wind, hydro, nuclear, and other renewables.
- India has recently crossed about 50% non-fossil share in total installed capacity of around 485–500 GW, achieving a key COP26 target ahead of 2030.
 - Production-Linked Incentive (PLI)
- A scheme that offers financial incentives to firms based on incremental production in India.
- Used to encourage domestic manufacturing in electronics, solar modules, batteries, etc., thereby reducing import dependence, especially on China.
 - IMEC (India–Middle East–Europe Economic Corridor)
- A proposed multi-modal corridor announced at G20-2023, linking India–UAE–Saudi Arabia–Jordan–Israel–Europe through sea-rail-digital-energy networks.
- Intended to provide a faster and more secure route to Europe and counterbalance China’s Belt and Road Initiative.
 - Force majeure in energy contracts
- A clause allowing parties to suspend obligations due to extraordinary events (war, sanctions, blockades).
- West Asia conflict recently led suppliers to invoke force majeure on part of India’s LNG imports.

Main arguments and substantive parts

Core thesis

India must drastically reduce over-dependence on a few regions (West Asia, China, North America) and foreign tech platforms in energy, trade, and digital domains.

Short-term shocks like LPG shortages reveal deeper structural vulnerabilities that can threaten economic stability and political legitimacy.

Key strands of the argument

Excessive dependence on West Asian hydrocarbons

- India's LPG import dependence has risen with rapid household coverage; most imports are concentrated in West Asia and routed via Hormuz.
- Households now spend a significant share of budgets on LPG and conveyance, creating "double exposure" to oil shocks.
- Current crisis shows that even when overall crude supply is adequate, a chokepoint-centric supply chain can cause local shortages and political backlash.

Need for domestic fossil-fuel production alongside renewables

- While non-fossil capacity has crossed 50% of installed power, liquid fuels and gas will remain crucial for at least two decades.
- Climate ambition should not translate into complacency about domestic exploration (onshore, offshore, shale, CBM).
- The slogan "drill, baby, drill" is used provocatively to underline the need for more exploration and investment in domestic basins, including frontier areas like Andaman offshore.

Geopolitical risk of Hormuz and fragility of IMEC-type routes

- Both Gulf Arab monarchies and Iran sit on either side of Hormuz; conflicts, militia attacks, or sanctions can weaponise this chokepoint.
- The proposed IMEC corridor passes through politically sensitive states (Israel, Jordan, Saudi Arabia) and may remain uncertain if Iran–Israel rivalry persists.
- India therefore must look for alternative sources (e.g., US, Africa, Russia) and encourage Gulf suppliers to create export facilities bypassing Hormuz.

Broader over-dependence beyond energy

- Heavy reliance on Chinese imports for critical minerals, electronics, and components creates economic and strategic risk.
- IT services exports are overly focused on North America; firms should diversify markets and build more products/platforms.
- Over-reliance on US Big Tech platforms (Google, Microsoft, Meta, X, etc.) threatens digital sovereignty and data security.

Self-reliance has costs but is necessary

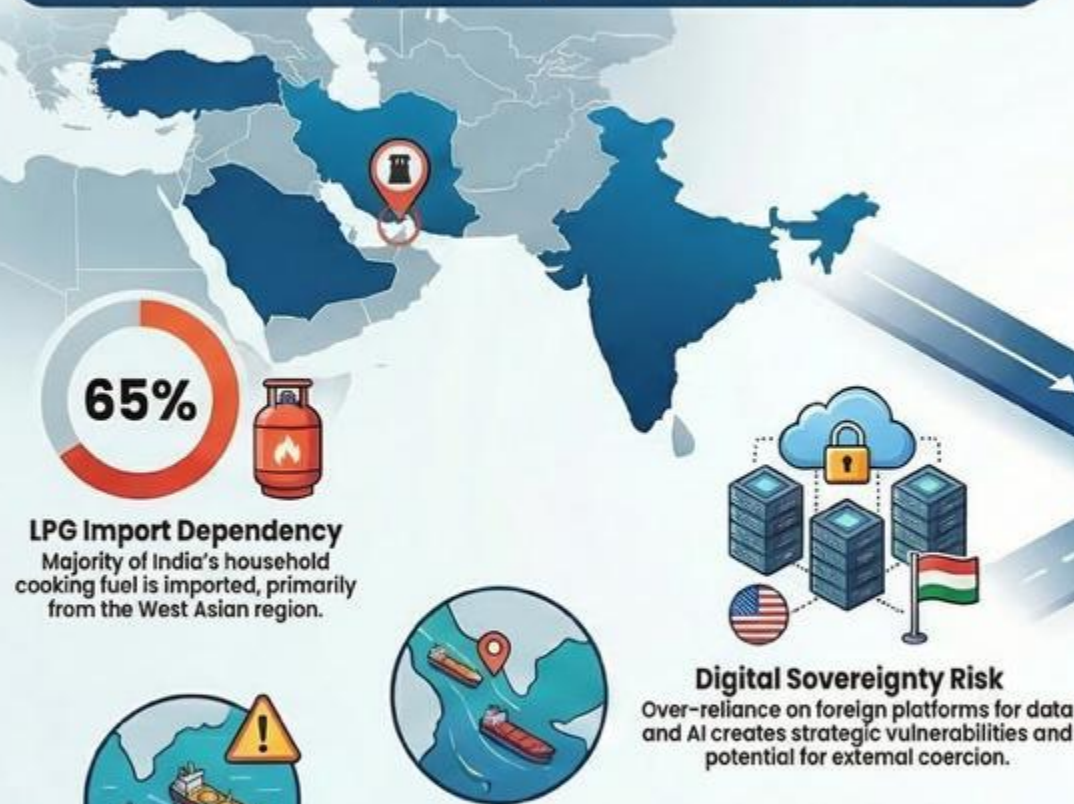
- Building domestic capacity, redundancies, and alternative suppliers will increase costs and reduce margins.
- However, this is viewed as the price of long-term strategic autonomy and resilience.

- Historical evolution of the issue
- Pre-independence to early decades
- British India's energy policy was shaped by imperial needs, with initial focus on coal and some oil exploration (Assam, Digboi).
- Post-independence, India created ONGC (1956) and IOC to reduce dependence but still faced import reliance for crude.
 - 1970s oil shocks and diversification
- The 1973 and 1979 oil shocks exposed India's vulnerability, leading to pricing reforms, conservation drives, and attempts at supply diversification.
- Strategic relations with the USSR and later Gulf states were partly driven by energy security considerations.
 - Liberalisation era (1991 onwards)
- Economic reforms increased energy demand; private and foreign participation entered exploration and refining.
- LPG consumption expanded, but initially urban-centric, with limited rural penetration.
 - 2000s–2010s: Targeted energy programmes
- Introduction of PAHAL, Direct Benefit Transfer, and market-linked pricing; expansion of city gas distribution networks.
- Pradhan Mantri Ujjwala Yojana (2016) dramatically expanded LPG connections to poor households, raising total consumption and import dependence.
- Strategic petroleum reserves were created at Visakhapatnam, Mangaluru, and Padur, but no parallel system for LPG.
 - Climate commitments and renewable push
- From 2015 Paris Agreement onwards, India announced ambitious renewable targets; at COP26, pledged 50% installed capacity from non-fossil sources by 2030, achieved early by 2025.
- Simultaneously, domestic crude and gas production stagnated or declined, increasing import dependence.
 - Recent developments
- Russia–Ukraine war reconfigured global oil and gas flows, with India importing more discounted Russian crude.
- Ongoing West Asia tensions and attack threats in Hormuz/Red Sea have disrupted LNG/LPG flows and raised insurance and freight costs.
- IMEC announced (2023) but its implementation faces uncertainty amid regional conflicts.
- Globally, concerns about data localisation and digital sovereignty have grown, influencing India's own data protection law and debates on indigenous platforms.

Atmanirbharta: India's Roadmap to Energy & Digital Sovereignty

India's Strategic Transition to Self-Reliance in Energy and Digital Sectors

The Vulnerability: Chokepoints & Dependencies



The Solution: The Path to Strategic Autonomy



Strategic Targets

Indicator	Current Status	Strategic Goal
Non-Fossil Power Capacity	~50% of Installed Capacity	Continued Expansion (Net Zero)
LPG Import Dependency	~60-95%	Domestic Exploration & Alternates
Strategic Petroleum Reserves	6.33 MMT Capacity	Phase II Expansion (Chandikhol/Padur)

- Logical and philosophical base
- **Risk-management logic**
 - Over-concentration of supply in a few regions or firms increases systemic risk; diversification and redundancy, though costly, enhance resilience.
 - This is akin to portfolio diversification in finance: slightly lower returns in exchange for lower risk of catastrophic loss.
- **Realist view of international relations**
 - Assumes states pursue power and may weaponise interdependence (sanctions, blockades, cyberattacks).
 - Therefore, India should not assume benign intentions of suppliers or platform providers and must retain autonomy.
- **Pragmatic developmentalism**
 - Growth and poverty reduction require reliable energy and technology access; moral commitments to climate or open markets must be balanced with domestic development needs.
 - Hence the insistence on continued fossil fuel use alongside clean energy.
- **Philosophy of autonomy vs efficiency**
 - The argument privileges autonomy, stability, and security over short-term efficiency and cost minimisation.
 - It echoes Gandhian-style self-reliance but adapted to a complex, globalised digital-industrial economy.
- **Ethical responsibility of the state**
 - The state has a duty to shield citizens from avoidable hardship (like cooking gas scarcity) and ensure sovereignty over critical data and infrastructure.
 - This entails proactive planning rather than reactive crisis management.

THE VULNERABILITY: Chokepoints and Dependencies



The Hormuz Stranglehold:

Nearly 20 million barrels of oil daily pass through this narrow, conflict-prone maritime chokepoint.

The LPG Import Gap



India meets 60-65% of LPG demand through imports, with 85-90% sourced from West Asia.



Digital Sovereignty Risk

Over-reliance on foreign platforms threatens national control over data



Foreign Big Tech Platforms (Google, Meta, Microsoft)

THE STRATEGY: Building Atmanirbhar Resilience

Diversified Interdependence

Expanding Strategic Petroleum Reserves (SPR) and developing routes like the IMEC corridor to bypass risks.



Transition Realism

Expanding domestic fossil exploration while maintaining the 50% non-fossil capacity milestone.

Sovereign Digital Stack

Building indigenous, interoperable platforms for cloud, messaging, and AI under Indian legal jurisdiction.



- Multidimensional analysis
 - Social dimension
 - LPG access has improved women's health and dignity; disruptions hit poor households hardest and can erode trust in the state.
 - Energy price rises disproportionately impact lower-income groups; targeted subsidies and safety nets are essential.
 - Digital sovereignty also has a social inclusion angle: accessible, multilingual, affordable indigenous platforms can narrow digital divides.
 - Political dimension
 - Fuel prices and shortages are politically explosive and can influence elections, making energy policy highly sensitive.
 - Self-reliance projects can generate nationalist legitimacy but may also trigger centre-state tussles over resource control and environmental clearances.
 - Digital platforms shape political discourse; foreign control raises concerns about information manipulation.
 - Legal dimension
 - Environmental impact assessment norms, coastal regulation zones, and forest laws affect new energy projects.
 - Data protection, intermediary liability, and competition laws frame how domestic vs foreign digital firms operate.
 - Trade agreements and WTO rules constrain extreme localisation or discriminatory policies.
 - Ethical dimension
 - Inter-generational justice: today's desire for cheap energy vs future generations' right to a stable climate.
 - In digital domain, balancing privacy, free speech, and national security while designing sovereign platforms.
 - Fair distribution of energy transition costs across regions, classes, and genders.
 - International dimension
 - Energy diversification intersects with India's "multi-alignment" (ties with Gulf, US, Russia, Africa).
 - IMEC, Chabahar, INSTC and similar corridors are also tools of geopolitical balancing against China's BRI.
 - Digital sovereignty debates tie into global conversations on data colonialism, platform power, and AI governance.
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- Linkages with NCERTs
- **Class 9–10 Geography (Contemporary India):** Chapters on minerals and energy resources, manufacturing industries; maps of oilfields, refineries, and transport routes.
- **Class 11 Geography (India: Physical Environment & Economic Geography):** Units on drainage, coasts, and transport; economic chapters on energy, international trade, and regional development.
- **Class 12 Geography (India: People and Economy):** Chapters on transport and communication, international trade, planning and sustainable development.
- **Class 11 Political Science (Indian Constitution at Work):** Federalism, Parliament, and role of the state in economic planning and regulation.
- **Class 12 Political Science (Contemporary World Politics):** Globalisation, security in the contemporary world, international organisations—helps situate chokepoints, energy politics, and digital power.
- **Class 11 Economics (Indian Economic Development):** Infrastructure, environment, and sustainable development, LPG/energy reforms as examples of policy change.
- **Class 12 Economics (Macroeconomics):** Balance of payments, inflation, fiscal policy—use energy price shocks as case studies.

- Linkages with UPSC CSE syllabus

- GS Paper I

- Distribution of key natural resources across the world and India, including hydrocarbons and rare earths.
- Geographical features and their impact on economic activity (Strait of Hormuz, sea routes).
- World history/modern world events: evolution of trade routes, colonial exploitation linked with resource and route control.

- GS Paper II

- India and its neighbourhood relations; India–West Asia, India–China, India–US relations.
- Effect of policies and politics of developed and developing countries on India's interests (sanctions, conflicts, Big Tech regulations).
- Role of non-state actors and technology in international relations (platform companies, cyber security, data flows).
- Governance, transparency, accountability in regulation of digital platforms.

- GS Paper III

- Energy security, infrastructure, growth, and development.
- Science and technology, IT, computers, electronics, space—especially digital economy, AI, and data protection.
- Conservation, environmental pollution and degradation; climate change and commitments.
- Inclusive growth and issues arising from it (LPG access, subsidy reforms).
- Security challenges and their management in border areas and in maritime domain; linkages between development and extremism (chokepoints, piracy, terrorism affecting sea lanes).

- GS Paper IV (Ethics)

- Ethics in public administration: responsibility to ensure basic services.
- Environmental ethics, inter-generational justice, climate responsibility vs development needs.
- Ethical issues in technology and digital platforms: privacy, surveillance, misinformation.

Way forward

Balanced energy mix and phased transition

- Continue aggressive non-fossil expansion while reviving domestic exploration with strict environmental norms.
- Prioritise gas infrastructure and storage (including strategic LPG reserves) and promote clean alternatives like ethanol-based or electric cooking where feasible.

Diversification of suppliers and routes

- Deepen energy ties with Russia, US, Africa, Latin America, and Southeast Asia, while maintaining relationships with Gulf states.
- Support alternate routes and infrastructure (e.g., pipelines/terminals outside Hormuz, connectivity via Africa. Central Asia. INSTC).

Demand-side management and efficiency

- Encourage energy-efficient appliances, induction cooking where grid reliability allows, and public transport to reduce oil demand.
- Use targeted subsidies and smart metering to protect the poor while discouraging waste.

Strengthening domestic manufacturing and critical mineral security

- Deepen PLI and cluster-based policies for electronics, batteries, solar modules, and semiconductor manufacturing with an eye on reducing Chinese dependence.
- Secure critical minerals through domestic exploration and international partnerships (Australia, Africa. Latin America).

Building sovereign digital ecosystems

- Encourage interoperable, open-source based national email, messaging, payment, and cloud platforms under strong independent regulation.
- Enforce robust data protection, competition law, and algorithmic transparency while keeping space for innovation and global collaboration.

Institutional and governance reforms

- Streamline clearances through single-window systems, stable taxation, and predictable regulation to attract investment in energy and tech.
- Strengthen parliamentary oversight and independent regulators in energy and digital sectors to maintain accountability.

- UPSC Prelims
- 2011: Questions on the location and significance of the Strait of Hormuz and other chokepoints.
- 2017: Question on India's energy basket and renewable energy targets.
- 2018: Questions on Ujjwala Yojana and LPG coverage.
- 2020: Questions on data protection and personal data, and on rare earth elements.
- 2021–23: Multiple questions on Paris Agreement, COP summits, and India's climate commitments.
- UPSC Mains – GS II and GS III
- **GS-II 2017:** “Discuss the importance of energy security in India's relations with West Asian countries.”
- **GS-III 2013:** “Discuss the impact of rising oil prices on the Indian economy and measures to reduce vulnerability.”
- **GS-III 2016:** “Examine the challenges of increasing use of LPG and PNG in Indian households and possible solutions.”
- **GS-III 2017:** “What are the main constraints in India's infrastructure development? How can they be removed?” (Use energy and port infrastructure as examples.)
- **GS-III 2018:** “India's renewable energy programme is ambitious but faces many challenges. Discuss.”
- **GS-III 2019:** Question on the role of data as a new resource and need for data protection.
- **GS-III 2020:** “Account for India's dependence on crude oil and discuss measures to ensure energy security.”
- **GS-II / GS-III 2022–23:** Questions on India's Indo-Pacific strategy, Blue Economy, and digital economy/data protection.



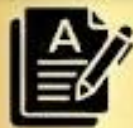
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