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EDITORIAL ANALYSIS



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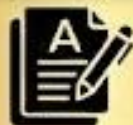
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The Cruel Gatekeepers

India's broken competitive and Board examination system is torturing its youth. It demands root-and-branch reform. To begin with, allow candidates to sit for a test multiple times

Rohit.Saras@timesofindia.com



Tears rolling down the cheeks of a young woman holding the iron grills of an examination centre shut in her face. Another girl next to her, wailing uncontrollably.

Elsewhere, a desperate mother falling to the feet of a security guard, begging for her daughter to be let past a gate closed moments earlier.

These scenes from the Sunday NEET re-examination offer a window into a tragedy far deeper than an isolated administrative mishap. They expose a deep systemic rot within India's high-stakes competitive education model – a pathology so entrenched that every attempt to secure it, only intensifies the agony of those it is meant to evaluate.

The immediate trigger for the distress witnessed across centres was a rigid gate-closure deadline. Arriving at 1.35pm for a 2pm exam could mean instant disqualification, even if the five-minute delay was caused by massive urban traffic jams engineered by local rallies. It could be a jam caused by a random road accident, or an unscheduled train halt. For the affected students, missing the cut-off by moments effectively invalidates half a decade of relentless toil. This unforgiving rigidity explains the desperate, panicked spectacles of students trying to scale perimeter walls, praying to be let in just this once.

In a country where a medical career remains one of the few guaranteed tickets to economic security, children as young as ten are routinely uprooted from their families to live in the pressure-cooker 'coaching factories' of towns like Kota and Sikar. The trauma is not borne by candidates alone; it engulfs a wider circle of parents, siblings, and future generations who watch this spectacle with mounting dread. To subject more than two million aspirants to this structural anxiety is bad enough; to force a nationwide retest because the original May exam was compromised by rampant paper leaks points to a long-set institutional atrophy.

The foundational flaw lies in the architecture of the system itself. We are among a few countries that remain stubbornly wedded to a hyper-centralised, single-day pen-and-paper lottery. Because a student's entire future hinges on a single three-hour window once a year, a lucrative black market for leaked papers thrives. Govts' response has not been structural modernisation, but a paranoid escalation of securitisation – deploying

biometric scanners, digital jammers, and criminal-like frisking protocols that treat aspiring doctors like potential felons.

Similar rigidities plague other exams, the most outdated and purposeless of which is what we call the Board exams – school clearing exams across national boards like CBSE and 30+ state education boards. Decades ago these exams, also called pre-university exams, were synonymous with entrance criteria; a high score secured direct admission into medical, engineering

zero. Common entrance exams like NEET, JEE, or CUET came up supplementing one 'do-or-be-damned' exam with two. If the ostensible purpose of retaining Board exams is to assess broad learning, while entrance exams gauge specific professional eligibility, the lack of systemic coordination is baffling.

Most colleges abroad admit Indian students on average scores of the last four exam scores, board being only one. That's a holistic test of learning outcome. The Indian system, conversely, compresses

the final four years of schooling into a hellish crucible of boards, pre-boards, coaching classes, and entrance exams that test both state capacity and student sanity past their breaking points. This misalignment produces other tragic anomalies too: often students who rank among the top percentiles in hyper-competitive entrance exams find their achievements reduced to naught simply because they missed an arbitrary percentage threshold in their Board exams.

Allowing candidates to attempt an examination multiple times and submit their best score would instantly deflate the artificial premium placed on a single afternoon

Politicians of all hues routinely pay lip service to reducing student stress, yet the current apparatus does the precise opposite. The remedies are obvious, tested, and widely used elsewhere. Central and state govts must dismantle this high-stakes annual bottleneck. Instead, it should transition to a rolling, (wherever possible) screen-based examination administered three or four times a year. This does not require an overnight replication of America's SAT or the computer-based format of India's own JEE; rather, it demands a steady, deliberate migration towards a flexible model.

Allowing candidates to attempt an examination multiple times and submit their best score would instantly deflate the artificial premium placed on a single afternoon. It would eliminate the structural incentives for corrupt leaks and remove the catastrophic penalty of a five-minute traffic delay. If India wishes to harness its already declining demographic dividend, it must stop breaking the spirits of its youth at the exam-centre gates. Modernising this system is no longer just a technocratic upgrade; it is a moral and developmental imperative.



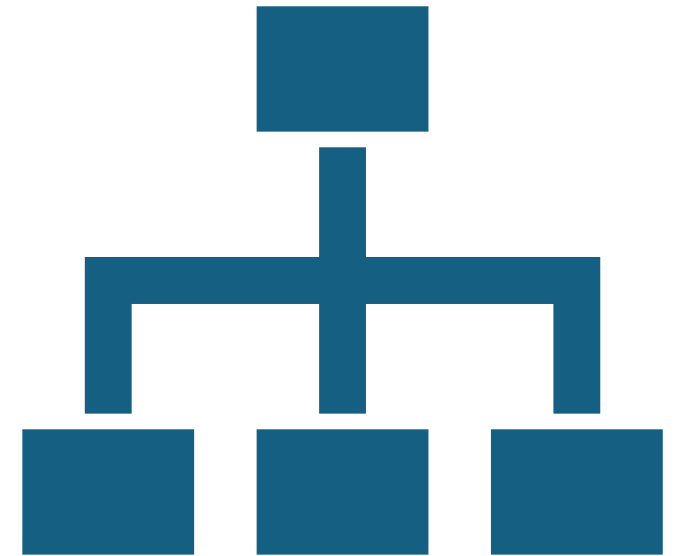
Faces that haunted the nation

and other courses, or eased the path considerably. However, as number of applicants surged and grade inflation became the norm in all boards, states gradually introduced separate competitive entrance exams. Even after that, several states continued using Class 12 marks as one of the admission criteria until nationalised tests became standard.

The intent was not wrong, implementation was. The archaic Board exams were retained with the same dread and inflexibility – held only once a year – even as their practical relevance dwindled to near

- **Key Terms and Explanations**

- **Hyper-Centralization:** This describes an evaluation framework where a single, centralized authority conducts a uniform test on a single day to determine access to limited national resources.
 - *Example:* Subjecting over two million medical aspirants to one uniform pen-and-paper test (like NEET-UG) across diverse geographies and economic backdrops, rather than using decentralized or multi-stage university admissions.
- **Demographic Dividend:** This is the economic growth potential resulting from shifts in a population's age structure, specifically when the working-age population (15 to 64 years) outnumbers the non-working-age population. India is currently in this window, but its potential depends heavily on turning human capital into a skilled, emotionally resilient workforce.
- **Securitization of Education:** The practice of turning academic environments into high-security zones by using biometric scanners, digital signal jammers, metal detectors, and intense frisking protocols. This approach shifts the administrative perspective, treating students less like candidates and more like potential security threats.
- **Grade Inflation:** A systemic trend where educational boards award disproportionately high marks or grades over time. This dilutes the distinguishing value of secondary school certificates and forces institutions to create separate, ultra-competitive entrance exams.
- **Holistic Evaluation Model:** An admission paradigm that assesses a candidate's capabilities through a broad mix of metrics—such as multi-year academic records, psychometric profiles, interviews, and portfolios—rather than relying on a single high-stakes test.
- **Rent-Seeking Coaching Economies:** An economic setup where private coaching institutes extract significant financial premiums from students by drilling them for specific test patterns, without necessarily adding deep, structural value to the broader formal education system.





- **Main Arguments and Substantive Parts**

- **The Core Thesis**

- The contemporary competitive examination model in India has evolved into an inflexible system that often values administrative standardization over student welfare and genuine academic evaluation. By compressing multi-year aspirations into tight, single-day windows, the framework unintentionally drives a thriving underground market for leaks, worsens a growing mental health crisis, and reduces multi-year learning journeys to a high-pressure lottery.

- **Key Substantive Points**

- **The Tyranny of Administrative Rigidity:** The system operates with strict, unforgiving operational deadlines (such as immediate gate closures), leaving zero margin for unpredictable realities like urban traffic jams, sudden public rallies, or transit accidents. For an aspirant, missing a cut-off time by just five minutes can instantly wipe out five years of intense, continuous preparation.

- **The Mirage of Securitization:** In response to integrity breaches like paper leaks, the state often doubles down on physical security measures—such as biometric monitoring and criminal-style frisking. However, this creates a false sense of security. It penalizes the psychology of honest students at the gates while failing to stop systemic, high-level structural breaches that happen long before the exam booklets reach the test centers.

- **The Redundancy of Dual-Testing:** The co-existence of intense Class 12 Board Exams and nationalized entrance tests (like NEET, JEE, and CUET) subjects young students to two conflicting assessment systems. The traditional Board exams have lost much of their practical screening utility due to grade inflation, yet they remain just as rigid and stressful, trapping students in a exhausting cycle of continuous, high-stakes testing.

- **Counter-Perspectives & Institutional Justifications**

- Defenders of the centralized testing model argue that a single, standardized exam is the fairest way to handle India's massive scale. It prevents regional evaluation biases, limits subjective nepotism in individual university admissions, and gives students from rural or underprivileged backgrounds a direct, uniform track to top-tier institutions based on clear, quantifiable merit.

- **Historical Evolution of the Issue**
- The tension between centralized testing and holistic student development is deeply rooted in India's changing educational landscape.
- Colonial Meritocracy & Civil Service Filtration
- Pre-Independence Era
- The British colonial administration introduced rigid, centralized examinations primarily as sorting mechanisms to fill limited bureaucratic positions. This prioritized elimination over education, embedding a culture of high-stakes, memory-based testing into the Indian subcontinent's academic foundation.
- The Rise of State-Level Decentralization
- 1950s – 1970s
- Following independence, education was initially placed under the State List. State boards and regional universities managed their own evaluation criteria. Admissions to professional courses relied on Class 12 marks or localized, state-run entrance tests, which matched regional demographic needs but lacked national standardization.
- Constitutional Shift & Institutional Uniformity
- 1976
- The 42nd Constitutional Amendment Act moved education from the State List to the Concurrent List. This structural change empowered the Central Government to legislate on educational standards, laying the groundwork for eventual nationalized, uniform entrance examinations.
- The Commercialization and Rise of Coaching Hubs
- Late 1990s – 2000s
- As the gap between rigid school curriculums and competitive entrance patterns widened, towns like Kota in Rajasthan and Sikar evolved into massive private coaching hubs. This shift commercialized test preparation, transforming it into a high-pressure industry focused on pattern-drilling rather than holistic conceptual learning.
- The Nationalization Era & The Birth of NTA
- 2013 – 2017
- The Supreme Court and the Central Government institutionalized NEET to clean up corrupt practices in private medical college admissions. In 2017, the Union Cabinet established the National Testing Agency (NTA) as an autonomous, self-sustained premier testing organization to run high-stakes entrance exams nationwide.
- The NEP 2020 Pivot towards Reform
- 2020 – Present
- The National Education Policy (NEP) 2020 explicitly pointed out the harms of the current "coaching culture" and high-stakes exams. It called for a shift toward regular, formative assessments, flexible testing schedules, and common university entrance parameters designed to test conceptual clarity rather than rote memorization.



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INDIA'S EXAMINEE CRISIS: UNDERSTANDING A SYSTEMIC PATHOLOGY & THE MODERNISATION IMPERATIVE

1. THE TRAUMATIC SPECTACLE & DEEPER TRAUMA



- * **Rigid deadlines at center gates.** Arriving just moments late (e.g., 1.35pm) causes instant disqualification.
- * Urban traffic jams, random road accidents, or train halts invalidate half a decade of relentless toil.
- * **Uprooting children (from age 10) to 'pressure-cooker' coaching factories like Kota & Sikar.**
- * **Trauma engulfs wider circles of families with mounting dread.**



2. DEEPER SYSTEMIC ROT: THE ARCHITECTURE OF FLAW



- * **Hyper-centralised, single-day pen-and-paper 'lottery' structure.**
- * **Lucrative black market for leaked papers thrives on single-day pressure.**
- * **Paranoid escalation of securitisation: biometric scanners, digital jammers, criminal-like frisking.**
- * **Redundant class 12 marks alongside nationalized tests.**
- * **Practical relevance of Board exams dwindles to zero.**



3. THE PATH TO MODERNISATION: A MORAL IMPERATIVE



- * **Steady deliberate migration towards a flexible model.**
- * **Allows candidates to attempt an examination multiple times and submit their best score.**
- * **Instantly deflates artificial premium on a single afternoon.**
- * **Eliminates structural incentives for corrupt leaks and removes delay penalties.**
- * **Moral developmental imperative to stop breaking the spirits of our youth.**
- * **Harness declining demographic dividend by ending the cycle.**



- **Logical and Philosophical Base**
- **Utilitarian Sorting vs. Deontological Care**
 - At its core, the current testing framework is built on a narrow version of **Utilitarianism**, where the primary goal is maximizing the efficiency of the sorting process for millions of applicants. The system treats individual student anxiety and emotional burnout as acceptable collateral damage in pursuit of an easily quantifiable, standardized metric.
 - From a **Deontological (Duty-Based) Ethical** perspective, this approach is deeply flawed. It treats students merely as instruments for institutional sorting rather than as individuals with intrinsic rights to dignity, mental well-being, and fair treatment.
- **The Illusion of Pure Meritocracy**
 - The system relies on the assumption that an identical examination environment ensures a pure, fair competition. However, this logic ignores deep structural inequalities. A test that rewards speed, pattern-drilling, and specific exam strategies favors students who can afford expensive coaching factories, undermining the core ideal of equal opportunity.
- **The Panopticon of Exam Security**
 - In response to internal corruption and security breaches, the system often adopts a surveillance mindset reminiscent of Jeremy Bentham's **Panopticon**. By escalating security measures—like digital jammers and intense physical frisking—the testing environment begins to mirror a correctional facility. This institutionalizes distrust, forcing honest aspirants to navigate an atmosphere of suspicion during moments of intense performance anxiety.

- **Multidimensional Analysis**
- **Social Dimension**
 - **Erosion of Foundational Youth Psychology:** The constant focus on ultra-competitive exams replaces critical developmental years with chronic anxiety, leading to high rates of student burnout and rising suicide numbers in coaching hubs.
 - **Deepening of Urban-Rural and Class Divides:** Centralized testing formats create a stark digital and economic barrier. Wealthier urban families can afford specialized coaching, while underprivileged and rural students are left relying on underfunded state schools, widening the opportunity gap.
- **Political Dimension**
 - **Strains on Center-State Federalism:** Education sits on the Concurrent List, and the shift toward mandatory national exams has sparked political tension. States like Tamil Nadu argue that uniform national tests override local reservation systems and undermine state autonomy in managing regional healthcare and engineering needs.
 - **Policy Rhetoric vs. Structural Inertia:** While politicians across parties regularly speak out about reducing student stress, the actual administrative machinery often defaults to increasing security measures rather than implementing deeper, structural testing alternatives.
- **Legal Dimension**
 - **Challenges to Article 14 and 21:** Ultra-rigid administrative choices—like disqualifying a student for a minor delay caused by external disruptions—can be seen as arbitrary actions that conflict with the Right to Equality (Article 14) and the broader right to a dignified livelihood (Article 21).
 - **The Rise of Legislative Anti-Leak Frameworks:** In response to recurring leaks, the government introduced measures like the *Public Examinations (Prevention of Unfair Means) Act*. While these laws increase criminal penalties for systemic cheaters, they focus on punishment after the fact rather than fixing the structural vulnerabilities that cause leaks in the first place.
- **Ethical Dimension**
 - **Institutional Apathy vs. Moral Empathy:** Locking gates on a distressed student who missed a deadline due to a traffic jam highlights a sharp conflict between rigid administrative rules and basic human empathy. It shows a system where bureaucratic compliance matters more than human dignity.
 - **The Normalization of Cheating and Leaks:** When a single exam determines a student's entire professional future, it creates a powerful financial incentive for corruption. This encourages organized syndicates to exploit vulnerable families, undermining the ethical foundations of the country's educational framework.
- **International Dimension**
 - **Global Admissions Models:** In contrast to India's single-day testing approach, many Western systems use a multi-parameter evaluation framework (incorporating SAT/ACT scores, high school GPAs, statement of purpose essays, and extracurricular portfolios) to distribute student risk across several areas.
 - **The East Asian Pressure Cooker Model:** Systems like China's *Gaokao* or South Korea's *Suneung* share India's intense, single-day pressures. However, these nations are actively experimenting with multi-admission pathways and vocational alternatives to prevent widespread economic and emotional burnout among their youth.
- **Economic Dimension**
 - **The Rent-Seeking Coaching Monopolies:** The competitive test ecosystem has fueled a multi-billion dollar parallel economy. This coaching market extracts significant financial resources from families without improving the quality of the core formal school system.
 - **Risks to the Demographic Dividend:** Investing years of youth energy into rote learning and repetitive test-taking creates a workforce with narrow skills. This limits innovative thinking and risks turning a valuable demographic dividend into a challenging crisis of educated underemployment.

Textbook & Class	Chapter Title	Core Analytical Connection
Class XI Sociology (<i>Understanding Society</i>)	Chapter 2: Social Change and Social Order in Rural and Urban Society	Illustrates how rapid urbanization, traffic congestion, and infrastructure gaps directly disrupt individual lives, showing that a five-minute exam delay is often a structural urban failure rather than a personal mistake.
Class XII Sociology (<i>Indian Society</i>)	Chapter 5: Patterns of Social Inequality and Exclusion	Explains how private coaching centers act as financial filters, transforming economic wealth into educational advantage and reinforcing social stratification under the guise of an equal competition.
Class XI Political Science (<i>Indian Constitution at Work</i>)	Chapter 7: Federalism	Examines the friction within the Concurrent List over educational policy, analyzing how centralized national tests can clash with regional autonomy and the diverse needs of individual states.
Class XII Economics (<i>Indian Economic Development</i>)	Chapter 5: Human Capital Formation in India	Connects directly to the argument that an educational system focused primarily on rote test preparation can hinder real human capital development, reducing the country's long-term economic innovation.

- **GS Paper II: Governance, Polity, and Social Sector**

- **Syllabus Line:** *Issues relating to the development and management of Social Sector/Services relating to Education, Human Resources.*

- **Application:** Evaluating how the National Testing Agency (NTA) operates, analyzing the implementation gaps of the National Education Policy (NEP) 2020, and designing institutional frameworks to manage large-scale public examinations safely and fairly.

- **Syllabus Line:** *Functions and responsibilities of the Union and the States, issues and challenges pertaining to the federal structure.*

- **Application:** Assessing the constitutional balance of education on the Concurrent List and addressing regional concerns regarding mandatory centralized entrance exams.

- **GS Paper IV: Ethics, Integrity, and Aptitude**

- **Syllabus Line:** *Public/Civil service values and Ethics in Public administration: Status and problems; ethical dilemmas in public and private institutions; accountability and ethical governance.*

- **Application:** Discussing the ethical tension between strict administrative rule-following and compassionate public governance when handling vulnerable students at test center gates.

- **Syllabus Line:** *Human Values - Lessons from the lives and teachings of great leaders, reformers and administrators; role of family, society and educational institutions in inculcating values.*

- **Application:** Analyzing how a highly competitive testing environment can overshadow holistic character development and values, replacing them with a narrow focus on exam survival.

- **Essay Paper & Optional Subjects**

- **Application:** This topic provides strong material for philosophical essays focusing on the true purpose of education, the pressures of modern meritocracy, or managing India's demographic potential. It also connects well with optional subjects like Sociology (Education and Social Stratification) and Public Administration (Institutional Design and Policy Implementation).

- **Way Forward**

- To move away from an rigid, high-stakes testing bottleneck toward a more resilient evaluation framework, India can implement structural reforms through a deliberate, phased approach.

- **1. Transition to a Rolling, Multi-Window Examination Framework:** Short-Term Implementation (1–2 Years).

- Dismantle the single-day testing model by moving to a rolling, computer-based exam system administered three to four times a year, similar to global SAT or adaptive testing formats. Allowing candidates to submit their best score immediately reduces the intense pressure of a single afternoon and minimizes the disruptive impact of unpredictable delays like traffic or transit issues.

- **2. Adopt Psychometric Testing and Formative Normalization:** Medium-Term Design (2–3 Years).

- Introduce standardized statistical normalization methods to ensure fairness across multiple test sessions. Shift the focus of exam questions away from speed and rote memorization toward psychometric and problem-solving evaluations, which reduces the effectiveness of repetitive drilling taught in private coaching centers.

- **3. Establish a Weighted, Holistic Admission Matrix:** Long-Term Structural Reform (3–5 Years).

- Create a balanced admissions framework that evaluates students across multiple areas, combining normalized Class 12 school performance, entrance exam scores, and portfolios of work. This distributes a student's academic risk and restores the educational value of regular secondary schooling.

- **4. Modernize Digital Security and Protect Test Integrity:** Continuous Governance Rule.

- Shift security efforts away from stressful physical frisking at the gates and toward advanced, backend technological solutions. Use encrypted, decentralized cloud-based question delivery systems that unlock only moments before the examination begins, cutting off the structural pathways that enable paper leak syndicates.

UPSC CSE Mains Questions

- GS Paper II (2020):** "The National Education Policy 2020 is in conformity with the Sustainable Development Goal-4 (2030). It intends to restructure and reorient the education system in India." Critically examine the statement.
- GS Paper II (2016):** "Professor Amartya Sen has advocated important reforms in the primary education and primary health care systems of India. What are your suggestions to improve their functioning and performance?"
- GS Paper I (2023):** "Explain why the youth in India are facing a crisis of employment despite possessing high educational qualifications."
- GS Paper IV (Ethics Case Study Theme):** You are an exam center superintendent where a candidate arrives seven minutes late due to a local public transport breakdown. The rules state that under no circumstances can the gates be opened after the designated time. The candidate is distraught, and a crowd is beginning to form. Discuss the ethical dilemmas and your course of action.

Q1. Consider the following statements regarding the National Testing Agency (NTA) in India:

- 1.It was established as a statutory body under an Act of Parliament to ensure independent examination administration.
- 2.It is chaired by an eminent educationist appointed by the Ministry of Education.
- 3.It handles the administration of competitive exams like NEET, JEE Main, and CUET.

Which of the statements given above are correct? (a) 1 and 2 only

- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2, and 3

Military reforms are not a one-man act

The new CDS alone can't push through reforms such as theatreisation and jointness. It needs political impetus more than inter-service negotiations

The appointment of General Haja Subramani as India's Chief of Defence Staff (CDS) comes at a moment when the demands on the armed forces are expanding rapidly. India must prepare for integrated operations across multiple domains, the possibility of simultaneous pressure on multiple fronts, and warfare getting increasingly shaped by new technologies. It is, therefore, natural that much of the commentary around the challenges facing the new CDS focuses on theatreisation, jointness, capability development, emerging technologies, and *atmanirbharta* (self-reliance).

Yet, there is a danger in placing the burden of comprehensive military reform on one appointment. The question is not whether General Subramani has the professional ability to push reform. The more important question is whether India's civil-military architecture gives the CDS the support and institutional mechanisms required to deliver what is expected of the office.

The office of the CDS was created to provide integrated military advice, promote jointness among the services, and drive them towards greater operational integration. However, the CDS does not command the three services. Nor does he control all the levers of finance,

acquisition, industrial capacity, research and development, or national security decision-making. This distinction matters because military reforms and capability-building sit at the intersection of political direction, financial commitment, professional military advice and national strategic ambition. Progress, therefore, depends on creating the conditions for the CDS to succeed.

Three areas merit attention. The first is political ownership of military reform. In mature democracies, defence transformations have rarely succeeded through inter-service negotiations. In the US, for example, the Goldwater-Nichols reforms were driven through legislation despite institutional resistance, because the political system concluded that jointness was a national requirement. Where political leaders treat reform as their own project, it moves. Where they announce objectives and leave implementation to the military, reform often stalls.

India's experience illustrates this starkly, with the blueprint for integrated theatre commands under preparation since the creation of the CDS in 2009.

The services will naturally approach theatreisation from different professional perspectives, and the CDS can present options to the government. However, the final choices must be made by the political leadership. Only the government can decide how much autonomy theatre commanders should have, how air power should be allocated, how India should balance continental and maritime priorities, and how command authority should function in war. No CDS, however determined, can

be both the architect of reform and the authority that sanctions it.

The second area is financial ownership of capability development. The Defence Acquisition Council approves the military's 10-year Integrated Capability Development Plan (ICDP), but it does not carry an assured financial commitment from the ministry of finance. Annual budgetary allocations are shaped by fiscal-year arithmetic rather than capability timelines. The result is a plan without an assured budget. Fighter aircraft, submarine, and tank programmes have stretched across decades, not because of technical complexity alone, but because procurement priorities and funding commitments do not always move in step.

The CDS can prioritise the capability development plan, but this cannot substitute for financial ownership by the State. The government must accept that domestic industry cannot invest in capacity and technology when orders remain hostage to the annual budget cycle. If it wants technological transformation, it must align defence budgets, procurement timelines, research institutions, and private industry with operational requirements.

There must also be honesty about risk, because every budgetary decision creates military consequences. If certain capabilities cannot be funded, the political leadership must know what operational risk it is accepting. That conversation must be part of a disciplined defence planning process.

The third issue is institutionalised military advice. This is perhaps the least discussed but most important element of higher defence manage-



The services will approach theatreisation from different professional perspectives, and the CDS can present options to the government.

ment. Military advice should not be episodic, personality-driven or sought only in moments of crisis. It must be regular, structured and integrated into national security decision-making.

In peacetime, when decisions about force structure and capability priorities are actually made, there is no regular apex-level mechanism for the military to present integrated assessments to the political leadership. The CDS and service chiefs do provide advice, but this typically happens during a crisis.

Operation Sindoor offered a glimpse of what becomes possible when political direction and military advice interact closely. But that was crisis management. The challenge is to make the process of political-military interaction a permanent institutional reality.

India has strong traditions of civilian control, and that must remain non-negotiable. However, civilian control is strengthened, not weakened, when political leaders receive timely and professional military advice. Here, the CDS has a critical role. He should not merely transmit service views upward but refine them into integrated military counsel. Where the services disagree, he should present the disagreement honestly, explain the operational implications, and recommend a course of action.

Given these structural conditions, what must change? First, the government must treat theatreisation as a political decision, not a prolonged inter-service negotiation in which theatre

commands emerge as a compromise between institutional preferences. Second, it must commit to long-term financial backing of the capability plan. A 10-year capability plan without assured budgetary support will remain aspirational rather than strategic. Third, it must institutionalise regular military advice at the apex level, so that integrated professional assessments shape peacetime planning, not merely crisis response.

General Subramani should present the government with clear reform options, explaining the operational advantages, risks, costs and trade-offs, rather than seeking indefinite consensus among the services. He should build jointness from the ground up, creating the institutional habits that will make theatre commands work when they arrive. Finally, he must drive the development of joint warfighting strategies for sustained, multi-front conflicts that could stretch over weeks and months. This doctrinal work will be the intellectual foundation on which theatre commands rest.

India's defence transformation is a national endeavour. That responsibility lies not only with the CDS, but also with the political leadership.

Lieutenant General Deependra Singh Hooda (retired) is the co-founder of the Council for Strategic and Defence Research and a distinguished fellow at the Delhi Policy Group. The views expressed are personal



Deependra Singh Hooda

- **Key Terms and Explanations**
- **Chief of Defence Staff (CDS):** The permanent Chairman of the Chiefs of Staff Committee (CoSC) and the principal military adviser to the Minister of Defence. The CDS heads the Department of Military Affairs (DMA) within the Ministry of Defence. Crucially, the CDS does not exercise direct operational command over individual service assets but functions as an integrator for planning, procurement, and joint doctrines.
- **Integrated Theatre Commands (Theatreisation):** A structural reorganization where geographical or functional commands of the Army, Navy, and Air Force are unified under a single operational commander. *Example:* Instead of the Army and Air Force maintaining separate, uncoordinated command headquarters for the Western front, a single Unified Western Theatre Command controls all assets in that region to execute unified operations.
- **Jointness and Operational Integration:** "Jointness" is the conceptual habit of the three services thinking, planning, and training together. "Operational Integration" is the advanced stage where these services blend into a singular cohesive force during combat, pooling logistics, communications, and intelligence rather than fighting parallel battles.
- **Integrated Capability Development Plan (ICDP):** A comprehensive 10-year blueprint designed to guide future weapon acquisitions, technological updates, and force structure requirements for all three services collectively, aiming to avoid duplication of equipment.
- **Atmanirbharta (Self-Reliance) in Defence:** A strategic framework targeted at minimizing dependence on foreign military hardware imports by fostering domestic research, development, and manufacturing via private and public sectors.
- **Civil-Military Architecture:** The institutional matrix governing relations between the political executive, the civilian bureaucracy (such as the Ministry of Defence and Ministry of Finance), and the professional military leadership. It determines how national security decisions are made, funded, and executed.
- **Multi-Domain Operations:** Modern warfare that requires simultaneous synchronization of actions across five distinct arenas: land, sea, air, cyber, and space.
- **Operation Sindoor:** A critical five-day military campaign executed from May 7 to May 10, 2025, in response to a major cross-border terrorist attack in Pahalgam. It served as a real-world testing ground for stand-off air combat, integrated air defenses, loitering munitions, and close political-military coordination.

- **Main Arguments and Substantive Parts**

- The ongoing transformation of India's military infrastructure reveals a core tension: the danger of placing the entire burden of structural defense transformation on a single office or individual appointment. True military modernization rests on systemic alignment across three pillars.

- **The Limits of Individual Agency**

- While the professional competence of leadership is vital, an individual cannot overcome deep institutional design limitations. The CDS acts as a central node for synthesis and advice, yet lacks direct operational command over individual service chiefs. Crucially, the office operates without complete autonomous control over financial allocations, industrial capacity, or structural research and development.

- **Political Ownership vs. Inter-Service Negotiation**

- True defense transformations historically stall when left entirely to voluntary consensus among competing military branches. Because individual services naturally view reorganization through their own distinct tactical lenses, structural overhauls like theatreisation require a top-down political mandate.

- Political leadership must make the definitive choices regarding the allocation of vital assets (such as air power), the balance between continental and maritime strategic priorities, and the degree of autonomy granted to regional theater commanders.

- **Financial Predictability vs. Fiscal-Year Arithmetic**

- The military's long-term modernization suffers from a misalignment between acquisition timelines and state financial backing. While the Defence Acquisition Council signs off on the 10-year Integrated Capability Development Plan (ICDP), these plans do not carry binding financial guarantees from the Ministry of Finance.

- Instead, funding remains bound to short-term, annual budget cycles. This mismatch prevents domestic defense industries from making multi-year investments in technology and capacity, turning long-term strategic planning into a list of aspirations rather than actionable programs.

- **Institutionalized Strategic Advice vs. Episodic Crisis Management**

- The civilian leadership needs continuous, structured interaction with military leaders during peacetime, when force structures and equipment choices are actually decided. Currently, high-level political-military exchanges occur primarily during active crises, as seen during Operation Sindoor. The challenge is converting these temporary crisis-management successes into a permanent, institutionalized consultative mechanism.

- **Historical Evolution of the Issue**

- India's journey toward an integrated higher defense command spans more than seven decades, marked by institutional resistance, hard-learned operational lessons, and gradual bureaucratic evolution.

- **The Era of Fragmented Commands (1947–1971)**

- At independence, India inherited a British command structure that split the military into independent, single-service branches. The conflicts of 1947, 1962, and 1965 were fought with minimal institutionalized joint planning.

- Even the 1971 war, though a major victory, relied heavily on personal chemistry between the service chiefs rather than structured, joint military mechanisms. The result was a dispersed network of 17 individual service commands operating in geographic silos.

- **The Kargil Catalyst and the KRC (1999–2001)**

- The Kargil War exposed significant gaps in real-time intelligence sharing and air-land operational coordination. The subsequent Kargil Review Committee (KRC), followed by the 2001 Group of Ministers (GoM) report, formally recommended creating the post of Chief of Defence Staff to provide single-point military advice and foster jointness. However, political hesitation and inter-service disagreements over asset control delayed implementation.

- **The Committee-Led Push (2012–2015)**

- **Naresh Chandra Task Force (2012):** Proposed a middle-ground solution by recommending a permanent, non-operational Chairman of the Chiefs of Staff Committee (CoSC) to nudge the military toward jointness without altering command lines.

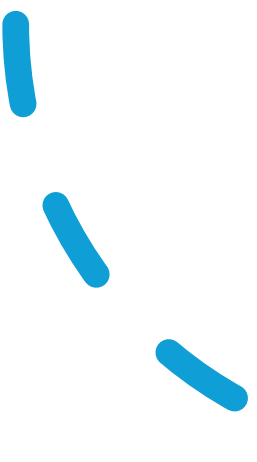
- **Lt. Gen. D.B. Shekatkar Committee (2015):** Formulated a comprehensive blueprint to optimize combat capability, rebalance the defense budget toward capital modernization, and re-emphasized the urgent requirement for a CDS.

- **Creation of the Office and Structural Realignment (2019)**

- In December 2019, the government announced the creation of the CDS post alongside the Department of Military Affairs (DMA). General Bipin Rawat was appointed as India's first CDS, tasked with rolling out Integrated Theatre Commands within a strict timeline. This marked the transition of the Ministry of Defence from a purely civilian bureaucratic structure into an integrated civil-military department.

- **Real-World Testing and the Current Era (2025–2026)**

- The modern security landscape faces multi-domain pressures along the northern and western borders. Operation Sindoor in May 2025 proved that integrated air defense networks and automated data links can deliver significant advantages in high-tech, short-duration conflicts. Under current leaders like Chief of Defence Staff General Raja Subramani, the focus has shifted from debating the concept of theatreisation to finalizing its organizational structure.





INDIA'S HIGHER DEFENCE REFORM: The New CDS & Systemic Challenges

Analysis for UPSC CSE Preparation by AXIA IAS ACADEMY

axiaiasacademy.com

+91 6002-417488

CONTEXT: THE CHANGING SECURITY LANDSCAPE

- Integrated Ops across domains (Land, Sea, Air, Cyber, Space)
- Multiple front pressures.
- Warfare shaped by new technologies.
- Focus on Theatreisation, Atmanirbharta, Capability Development.



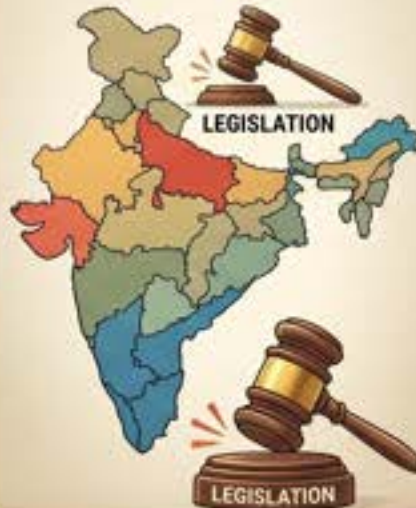
WAY FORWARD FOR THE NEW CDS

- Present clear reform options, not seek indefinite consensus.
- Build jointness from the ground up (habits, training).
- Drive joint warfighting strategies.
- Doctrinal foundations for sustained conflict.

ESSENTIAL PILLARS FOR SUCCESSFUL MILITARY REFORM

PILLAR 1: POLITICAL OWNERSHIP OF REFORM

- Legislate jointness (e.g., Goldwater-Nichols US)
- Political leaders make final choices
 - Theatre Commands
 - Air Power allocation
 - Continental/Maritime balance



PILLAR 2: FINANCIAL OWNERSHIP OF CAPABILITY

- Assured budget for Integrated Capability Plan (ICAP), not annual cycles.
- Enable domestic industry to invest in capacity and technology.
- Honesty on operational risk.



PILLAR 3: INSTITUTIONALIZED MILITARY ADVICE

- Regular, structured, apex-level advice integrated into decisions.
- Honest advisor presentations for disagreements.
- Example: Transitioning from Operation Sindoor crisis management to permanent reality.



- **Logical and Philosophical Base**
- The debate over higher defense management rests on core principles of governance, statecraft, and organization.
- **Objective Civilian Control vs. Bureaucratic Subjugation**
- Democratic governance requires non-negotiable civilian supremacy over the armed forces. However, political scientists draw an important distinction between two approaches:
 - **Subjective Civilian Control:** Civilian oversight is maintained by keeping the military structurally fragmented, insulated from state decision-making, and dependent on non-specialist civilian bureaucrats. This approach can limit professional military effectiveness.
 - **Objective Civilian Control:** Political leadership maximizes military efficiency by granting the military professional autonomy over its internal doctrines and structures. In return, the military integrates cleanly into the state's decision-making apparatus, providing professional advice while leaving final strategic choices to elected leaders.
- **The Logic of Unity of Command**
- Modern multi-domain warfare undermines the traditional philosophy of service-specific autonomy. When land, air, and sea operations are split among separate commands, it creates competing priorities for limited assets.
- The structural logic of theatreisation is built on the principle of **Unity of Command**: a single operational commander must control all tools within a theater of war to eliminate friction and focus power on a single strategic objective.
- **Resource Realism vs. Strategic Aspirationalism**
- A state cannot build sustainable defense capabilities on plans that lack guaranteed, multi-year funding. Aligning the 10-year Integrated Capability Development Plan with annual, short-term budget allocations assumes that security needs can be turned on and off based on fiscal-year arithmetic. Resource realism requires acknowledging that strategic capability development requires predictable, multi-year funding commitments to succeed.

- **Multidimensional Analysis**
- **Political Dimension**
 - **Legislative Mandate:** In mature democracies, deep military overhauls rarely succeed through internal consensus alone. *Example:* The United States enacted the Goldwater-Nichols Department of Defense Reorganization Act of 1986, using legislative power to mandate jointness despite initial institutional resistance. India's reliance on executive orders rather than specific statutory acts leaves its defense reforms vulnerable to shifting bureaucratic priorities.
 - **Assumption of Operational Risk:** When funding limits or institutional gridlock stall critical acquisitions, the resulting gaps create real national security risks. Political leaders must actively understand and accept these specific operational trade-offs rather than leaving them to the military to manage in isolation.
- **Economic and Industrial Dimension**
 - **The Budgetary Cycle Mismatch:** Developing complex defense platforms like modern fighter aircraft or submarines takes decades. Forcing these programs to rely on unpredictable annual budgets stalls progress and increases overall costs.
 - **Private Capital Multipliers:** Domestic defense manufacturers cannot confidently invest in factories, specialized tooling, or long-term research and development when orders remain uncertain. Providing long-term financial commitments creates market predictability, encouraging private investment and advancing self-reliance goals.
- **Legal and Statutory Dimension**
 - **Amending Service Acts:** Implementing unified theater commands requires changing the underlying legal framework. The Army Act (1950), Navy Act (1957), and Air Force Act (1950) must be updated or integrated to allow a single commander from one service to exercise legal, disciplinary, and administrative authority over personnel from another branch.
 - **Government Business Rules:** The Government of India (Allocation of Business) Rules must clearly define the boundaries of authority between the civilian Defence Secretary and the military CDS to avoid overlapping responsibilities and administrative friction.
- **Ethical Dimension**
 - **The Morality of Resource Allocation:** National budgets face an inherent ethical tension between defense spending and social welfare programs (often framed as "guns vs. butter"). However, sending troops into modern conflicts with fragmented command structures or outdated equipment due to poor planning raises serious ethical concerns regarding duty of care and preventable casualties.
 - **Accountability for Strategic Risk:** Political and military leaders share an ethical obligation to maintain transparency about the military's actual capabilities. Glossing over systemic friction or operational gaps can lead to strategic miscalculations during an unexpected crisis.
- **International and Geostrategic Dimension**
 - **Deterring Multi-Front Threats:** India faces complex security challenges along its borders, requiring a highly coordinated military response. Moving away from isolated service commands toward integrated theater commands signals a modern, unified defense posture that strengthens regional deterrence.
 - **Global Interoperability:** Modern international operations, joint exercises, and regional partnerships require structures that can interface seamlessly with foreign militaries, which are increasingly organized around unified joint commands.
- **Social and Organizational Dimension**
 - **Overcoming Service Parochialism:** The primary barrier to theatreisation is cultural rather than technical. Personnel spend decades developing deep loyalty to their specific service branch. Shifting this mindset requires building a new organizational culture focused on joint operations from the ground up, starting with basic training and military academy curricula.
 - **Human Resource Alignment:** Modernizing the military's command structure requires updated career progression models. Officers must see that serving in joint, multi-service command roles is a prerequisite for top leadership positions, rather than a detour from traditional single-service career paths.

Linkages with NCERT Textbooks



Class 11 Political Science: *Indian Constitution at Work* (Chapter 4: Executive):

Connection: Explores the role of the President as the Supreme Commander of the Armed Forces and how the Union Cabinet exercises real executive authority. It outlines the constitutional basis for civilian control over the military and demonstrates why major structural changes require political direction.



Class 12 Political Science: *Contemporary World Politics* (Chapter 7: Security in the Contemporary World):

Connection: Examines traditional external security threats, the changing nature of warfare, and the role of military deterrence. This foundational material explains why modern technological threats and multi-front pressures require unified defense structures.

- **Linkages with the UPSC CSE Syllabus**
 - **GS Paper 2: Governance and Polity**
 - **Syllabus Topic:** *Statutory, regulatory, and various quasi-judicial bodies; Formal/informal associations and their role in the Polity.*
 - *Application:* Analyzing the institutional design of the Ministry of Defence, the creation of the Department of Military Affairs (DMA), and the balance of authority between civilian bureaucrats and professional military leadership.
 - **GS Paper 3: Security and Technology**
 - **Syllabus Topic:** *Security challenges and their management in border areas; Linkages of organized crime with terrorism; Science and Technology-developments and their applications and effects in everyday life.*
 - *Application:* Evaluating Integrated Theatre Commands as a tool to counter two-front challenges, the integration of space and cyber assets into multi-domain operations, and the lessons learned from recent joint-service deployments like Operation Sindoor.
 - **GS Paper 4: Ethics and Aptitude**
 - **Syllabus Topic:** *Public/Civil service values and Ethics in Public administration; Accountability and ethical governance.*
 - *Application:* Exploring the ethical responsibility of leadership when balancing defense needs against fiscal constraints, managing operational risks, and ensuring transparency in strategic planning.
 - **Essay Paper & Optional Subjects**
 - **Essay:** Themes focusing on self-reliance (*Atmanirbharta*), institutional modernization, and strategic leadership during national transitions.
 - **Political Science & International Relations (PSIR):** National security decision-making, defense diplomacy, and maintaining regional balances of power.
 - **Public Administration:** Structural administrative overhauls, the dynamics of civil-military relations, and reforming budgetary processes.
-

- **Way Forward**
- **Establishing Top-Down Political Direction**
 - The government should formalize theatreisation through a direct mandate from the Cabinet Committee on Security (CCS), or consider legislative backing similar to global models like the Goldwater-Nichols Act. The political leadership must clearly define the final command structures, settle disagreements over asset allocation, and establish clear lines of wartime authority.
- **Transitioning to Predictable, Long-Term Defence Funding**
 - The Ministry of Finance and Ministry of Defence should work together to shift away from strictly annual budget cycles for major defense acquisitions.
 - Implementing a rolling, non-lapsable defense modernization fund would provide the multi-year financial predictability needed to support the 10-year Integrated Capability Development Plan (ICDP), allowing domestic manufacturers to confidently invest long-term capital.
- **Institutionalizing Continuous Military Advice**
 - India needs a permanent, structured forum where the political leadership, civilian secretaries, and integrated military leadership regularly assess strategic risks during peacetime. Moving away from episodic crisis-driven consultations ensures that professional military advice systematically shapes long-term planning, rather than just immediate crisis responses.
- **Building Jointness from the Ground Up**
 - The CDS should prioritize developing joint warfighting doctrines designed for long-term, multi-front conflicts. This intellectual foundation should be paired with practical, joint training programs at every stage of military education, ensuring that future officers treat multi-service cooperation as a standard operating habit rather than a mid-career adjustment.



- **UPSC CSE Prelims Questions**
- **Question (2015):** With reference to the Indian Renewable Energy Development Agency Limited (IREDA), which of the following statements is/are correct? (1) It is a Public Limited Government Company. (2) It is a Non-Banking Financial Company. *[Context: Evaluates understanding of statutory and public corporate structures within government ministries].*
- **Question (2018):** Consider the following pairs: Regions sometimes mentioned in news vs. Country. *[Context: Highlighting the importance of mapping international security and conflict zones, foundational for defense studies].*
- **UPSC CSE Mains Questions (GS Paper 3)**
- **Question (2022):** "What are the maritime security challenges in India? Discuss the organizational, technical, and procedural initiatives taken to improve the maritime security architecture."
- **Question (2020):** "Distinguish between 'Capital Budget' and 'Revenue Budget'. Explain the components of both these Budgets." *[Context: Direct relevance to managing capital procurement cycles vs. revenue maintenance costs within the defense budget].*
- **Question (2019):** "The Indian defense forces are being modernized but face a severe mismatch between strategic aspirations and financial allocations. Critically evaluate the structural constraints in India's defense budgeting process."
- **Question (2017):** "The concept of 'jointness' or 'theatre commands' has been a long-standing recommendation for reforming India's higher defense management. Discuss the opportunities and challenges in implementing Integrated Theatre Commands in the context of India's dual-border threat."





PRITHVI BANERJEE

The debate on industrial policy and WTO reform has intensified amid geo-economic competition, technological shifts, and renewed state intervention in strategic sectors. As industrial policy instruments increasingly shape trade outcomes, permissible state support and the adequacy of WTO disciplines to ensure that such policies do not distort trade or undermine a level playing field have moved to the forefront. For developing countries, this debate is also intrinsically linked to ensuring they have the policy space flexibility necessary for structural transformation.

Two perspectives frame the discourse. The first, held by developed countries, blames global imbalances on unfair trade practices and market distortions. It claims state subsidies and non-market interventions undermine competitive neutrality, generate surplus production, and disadvantage market-based firms. Consequently, the US, EU, Japan, and others are pushing for stronger subsidy disciplines, transparency, and stricter WTO enforcement. While primarily targeting China's industrial dominance, other large developing nations remain potential targets.

For large developing countries like India undergoing genuine development transitions, global rule-making that inhibits the use of flexible industrial policies presents a severe challenge. Restraining state support risks undermining India's ability to create the millions of middle-class jobs required for the socio-economic transformation envisioned under its *Vision Bharat* vision.

Conversely, the second perspective views imbalances through structural inequities in the international economic system. Disparities in capital, technology, productive capacity, and global value chain integration constrain developing countries from high value-added activities. From this standpoint, industrial policy is a legitimate and necessary instrument for economic diversification, technological upgrading, and development catch-up.

The Centre for WTO Studies working paper *Navigating the Development Divide: The Case for Policy Space in India's Industrial Policy Strategy Amid Rising Global Protectionism* and a follow-up discussion paper *India's Push for Balancing Industrial Policy Space in WTO: A Developing Economy*, published by IIS, highlight that China and the developed West account for the bulk of global industrial subsidies. India and other large developing countries account for



WTO REFORMS. For large developing countries like India, global rule-making that inhibits the use of flexible industrial policies presents a severe challenge

minuscule shares. Recent micro-level firm data from the OECD's MAGG Database of Industrial Subsidies confirms this.

Across major sectors, corporate subsidies in India, Brazil, and Indonesia represent a fraction of the revenue percentage seen in China and fall well below advanced European and East Asian levels. In absolute terms, their financial support remains extremely modest compared to the US, China, and advanced economies.

The March 2026 US 301 investigations into manufacturing overcapacity show how this threat of industrial overcapacity and unfair trade can be weaponised. This action targets major powerhouses like the EU, China, Japan, and Korea alongside developing nations like India, Brazil, and Indonesia. Beset with US Deputy Secretary of State Christopher Landau's candid remark that the US will not repeat the mistake of "allowing India to develop markets unchecked" like it did with China, the indication is clear.

There will be an attempt to frame global rules that undermine the rise of large developing countries to neutralise

any future competitive threat. This poses a real danger to countries like India.

A critical and fair balance requires framing rules that hold dominant, non-market players like China accountable to prevent unfair practices, while ensuring developed nations do not use rule-making to inhibit future competition from rising developing economies like India. The two aforementioned papers offer a combination of recommendations to bridge this divide.

BALANCED TRADE REFORM

Objectively define industrial dominance: Subsidies and unfair practices by dominant countries with significant sectoral shares of global output and trade have the most trade-distortive effects, and developed countries with higher per-capita incomes should not be allowed to defend their actions in the name of development transition. The proposed framework establishes three conditions to define industrial dominance: a country's per-capita income must be above \$10,000, and its overall manufacturing exports must be under 10 per cent of the world total or three times its global GDP share, whichever is higher. Additionally, its export share in that specific product must also be under 10 per cent or three times its global GDP share, whichever is higher.

Flexibilities for non-dominant developing countries: While dominant countries meeting these conditions must strictly adhere to rules under the WTO Agreement on Subsidies and

Countervailing Measures (ASCM) and Trade Related Investment Measures (TRIMS), non-dominant developing countries below these thresholds should enjoy full policy flexibility. They must be freed from existing constraints under these WTO rules, with the sole exception of prohibited export subsidies under the ASCM.

Countering greater distortion potential: Although ASCM rules allow members to block unfair trade causing material retardation to domestic industries, strict evidentiary requirements make it difficult to counter dominant global suppliers. Stricter rules must apply to industrially dominant players. Meeting the dominance criteria should constitute *prima facie* evidence of capacity to distort trade, allowing provisional anti-dumping or countervailing duties for up to one year to shift the burden of proof to the dominant supplier.

Stricter accountability and transparency: The ASCM mandates subsidy reporting but fails to effectively penalise non-compliance. If a dominant player hides a subsidy, it should be presumed illegal and harmful, permitting other members to immediately levy temporary protective tariffs without lengthy harm-proving processes. These penalties remain until full disclosure occurs. Limiting this rigorous discipline to truly dominant players ensure it avoids placing undue institutional burdens on developing countries and LDCs.

The author is Head, Centre for WTO Studies, Indian Institute of Foreign Trade. Views are personal

- **Key Terms and Explanations**
- **Agreement on Subsidies and Countervailing Measures (ASCM):** A core WTO agreement that disciplines the use of subsidies and regulates the actions countries can take to counter the effects of those subsidies. Under the ASCM, subsidies are generally classified based on whether they cause trade distortion. It allows affected nations to apply **Countervailing Duties (CVDs)** to neutralize subsidized imports that harm domestic industries.
- **Trade-Related Investment Measures (TRIMS):** This WTO agreement applies to domestic regulations that affect foreign investment in goods. It prohibits measures that discriminate against foreign products or lead to trade restrictions—such as **local content requirements (LCRs)**, which mandate that a certain percentage of manufacturing inputs must be sourced locally.
- **Section 301 Investigations:** A powerful instrument under US trade law (specifically the Trade Act of 1974) that authorizes the US President to take action, including retaliatory tariffs, against foreign administrative practices or policies that violate international trade agreements or are deemed unjustifiable, discriminatory, or restrictive to US commerce.
- **Competitive Neutrality:** The economic principle that public and private enterprises should compete on a level playing field. It implies that state-owned enterprises (SOEs) or state-backed firms should not enjoy artificial competitive advantages—such as cheap state credit, tax immunities, or regulatory favors—over market-driven competitors.
- **Material Retardation:** A legal standard under WTO rules where a domestic industry has not yet been fully established but its creation and growth are being actively delayed or prevented due to unfair, underpriced, or highly subsidized foreign imports.
- **Structural Transformation:** The long-term process by which an economy shifts its primary output and employment from low-productivity sectors (like subsistence agriculture) to high-productivity sectors (like advanced manufacturing and modern services).
- **Viksit Bharat:** The strategic socio-economic vision of the Government of India to transform the nation into a fully developed economy by the centenary of its independence in 2047, requiring sustained high GDP growth, massive job creation, and rapid technological upgrading.

- **Main Arguments and Substantive Parts**
- The global consensus on free trade is giving way to geo-economic competition, bringing the debate over state-led industrial policy to the forefront of international economics.
- **The Developed Economies' Paradigm: Market Distortion**
- Advanced economies argue that global trade imbalances stem from non-market interventions and unfair state support. Their narrative focuses on several key challenges:
- **Erosion of Competitive Neutrality:** Massive state subsidies and non-market interventions protect state-backed enterprises, leaving market-based firms at a disadvantage.
- **Systemic Supply Gluts:** Sustained state support leads to industrial overcapacity, flooding international markets with underpriced goods and threatening the survival of domestic industries elsewhere.
- **Push for Stronger Enforcement:** Led by the US, EU, and Japan, this camp advocates for stricter transparency, tougher subsidy disciplines, and aggressive WTO enforcement mechanisms. While primarily directed at China, these strict standards threaten to sweep in other rising developing nations.
- **The Developing Economies' Paradigm: Structural Inequity**
- Large developing nations view these imbalances through the lens of historical and structural inequities embedded in the global trade architecture. Their core positions include:
- **Asymmetry in Resources:** Developing countries face deep deficits in capital, advanced technology, and infrastructure, which limits their ability to move up global value chains without state support.
- **Industrial Policy as a Necessity:** State intervention is seen as a legitimate tool for economic diversification, technological catch-up, and managing structural transformations.
- **The Threat to Development Space:** Restricting flexible state support threatens a country's capacity to generate industrial jobs, which are vital for elevating millions into the middle class and achieving long-term developmental goals.
- **The Reality of Subsidy Disparities**
- Empirical data from sources like the OECD's MAGIC Database reveals a significant gap between rhetoric and reality regarding industrial subsidies:
- **Concentration of Subsidies:** The overwhelming majority of global industrial subsidies are concentrated within China and the advanced Western economies (US and EU).
- **Modest Scale in Developing States:** In both absolute financial terms and as a percentage of corporate revenue, the industrial support provided by nations like India, Brazil, and Indonesia is a small fraction of that deployed by dominant economic powers.
- **The Weaponization of Trade Rules**
- Recent trade enforcement measures, such as the early 2026 US Section 301 investigations into manufacturing overcapacity, show how concerns over market distortions can be used strategically. By targeting both advanced export engines and expanding developing economies like India, these actions suggest a broader geopolitical effort: framing global trade rules to check the rise of emerging economic competitors and preserve the existing industrial hierarchy.

- **Historical Evolution of the Issue**
- The tension between international trade rules and domestic industrial policy has evolved through distinct historical phases, shaping the current debate over state intervention.
- The GATT Era and Import Substitution (ISI)
- 1947 – 1994
- Following independence, India and many developing nations adopted Import Substitution Industrialization (ISI) to build domestic industrial bases behind high tariff walls. The General Agreement on Tariffs and Trade (GATT) offered broad flexibilities for economic development, allowing sovereign states substantial freedom to deploy state-led support, tariffs, and industrial quotas.
- The WTO Breakthrough and Structural Constraints
- 1995
- The establishment of the WTO replaced the flexible GATT framework with a single institutional commitment. Agreements like the ASCM and TRIMS placed strict bounds on state intervention by banning local content requirements and specific export-contingent subsidies, narrowing the policy space available to developing countries for structural transformation.
- China's Integration and Global Shift
- 2001
- China's accession to the WTO accelerated global value chain integration and shifted manufacturing capacity toward East Asia. Combining massive state capitalism, low labor costs, and global market access, China emerged as the world's workshop, raising concerns among advanced economies about state-driven competitive advantages.
- The Doha Deadlock and Rise of Protectionism
- 2001 – 2019
- Launched as a 'Development Round' to address imbalances facing developing nations, the Doha negotiations stalled over disagreements regarding agricultural and industrial subsidies. The global financial crisis accelerated a turn inward, leading to a rise in non-tariff barriers and bilateral trade remedies outside the WTO framework.
- The New Industrial Policy Wave
- 2020 – 2025
- Supply chain disruptions during the pandemic and intensifying geopolitical rivalries triggered a major revival of state-led industrial policy. Advanced economies launched massive subsidy programs, such as the US CHIPS and Science Act and the Inflation Reduction Act, alongside the EU's Green Deal Industrial Plan. In parallel, India expanded its manufacturing push through its flagship Production Linked Incentive (PLI) schemes.
- Overcapacity Disputes and Unilateralism
- 2026
- The international trade system faces deep friction, highlighted by the US Section 301 investigations into manufacturing overcapacity. Advanced economies are increasingly using trade enforcement tools unilaterally, targeting not only primary geopolitical rivals but also large emerging economies like India, Brazil, and Indonesia to protect domestic industrial markets.

COMPREHENSIVE ANALYSIS: WTO REFORM, INDUSTRIAL POLICY & THE FUTURE OF GLOBAL TRADE

A FOCUS ON THE DEVELOPMENT DIVIDE



COMPREHENSIVE DATA FOCUS:

FOCUS ON RIS/OECD MAGIC DATABASE

AXIA IAS ACADEMY

RISE ABOVE THE REST

THE CONTEXT & DUELING PARADIGMS.

DEVELOPED COUNTRY PERSPECTIVE



Global Imbalances & Market Distortions



Undermining Competitive Neutrality



State Subsidies generate Surplus Production

DEVELOPING COUNTRY PERSPECTIVE



Industrial Policy for Structural Transformation



Technological Catch-Up



Policy Space Flexibility Needed

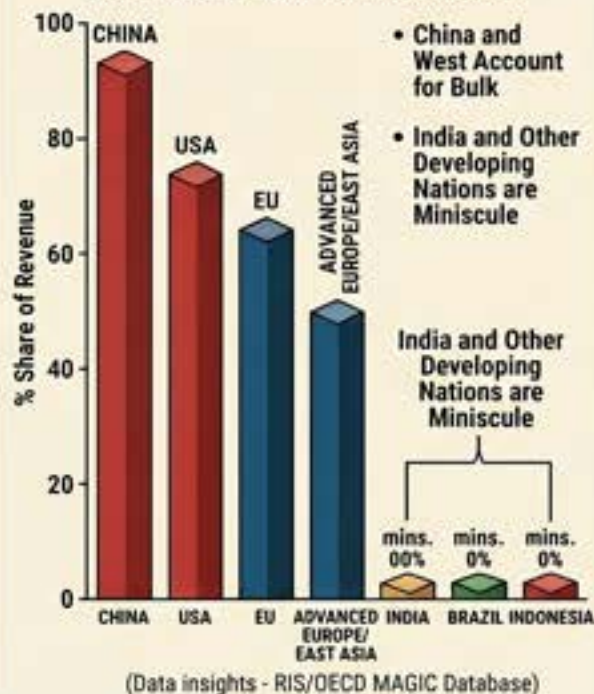
Weaponized Rules

(e.g., US Section 301 Investigations 2026)



REVEALING THE SUBSIDY DISPARITIES.

GLOBAL INDUSTRIAL SUBSIDIES (DATA INSIGHTS - RIS/OECD MAGIC Database)



A BALANCED TRADE REFORM (OUR PROPOSAL)



OUR BALANCED TRADE REFORM FRAMEWORK

1 OBJECTIVE DEFINITION OF DOMINANCE



Per-capita income >\$14k



>10% overall export-specific, 3x GDP share

>10% product-specific, -or 3x GDP share

2 ASYMMETRIC POLICY FLEXIBILITY

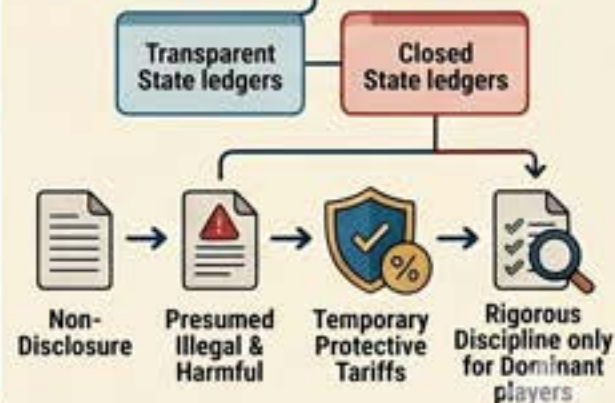


COUNTERING DISTORTION & BOOSTING ACCOUNTABILITY.

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- 
- **Logical and Philosophical Base**
 - **The Neoliberal Paradigm: Market Efficiency & Comparative Advantage**
 - **Theoretical Foundations:** Rooted in classical and neoclassical economics (Adam Smith, David Ricardo), this perspective views the global market as an efficient allocator of resources based on natural comparative advantages.
 - **Core Assumptions:** It assumes that competitive neutrality maximizes global welfare. State subsidies are viewed as distortions that breed inefficiencies, sustain uncompetitive firms, generate artificial surpluses, and harm market-driven competitors.
 - **Policy Stance:** Trade rules should be strictly enforced, transparent, and uniform across all nations, regardless of their developmental status, to prevent state-backed distortion of market outcomes.
 - **The Developmental State Paradigm: Corrective Intervention & Catch-Up**
 - **Theoretical Foundations:** Grounded in the infant-industry argument championed by Alexander Hamilton and Friedrich List, and expanded by modern development economists like Ha-Joon Chang.
 - **Core Assumptions:** This view contends that the global market is inherently unequal, entrenching the advantages of early industrializers. Free trade left unguided can lock developing nations into low-value commodities and primary processing.
 - **Policy Stance:** Industrial policy is a necessary tool to correct structural inequities, overcome market failures, and build technical capabilities. Developing nations require policy flexibility because treating unequal nations with uniform rules reinforces structural disadvantages.
 - **Hyper-Globalization vs. Democratic Sovereignty**
 - This policy tension illustrates **Dani Rodrik's Globalization Trilemma**, which posits that a country cannot simultaneously maintain deep global economic integration, national sovereignty, and democratic politics.
 - By enforcing strict, uniform regulations on domestic subsidies, global trade institutions run into friction with democratic mandates in developing nations. These mandates require states to prioritize domestic employment, social stability, and poverty reduction over rigid international trade rules.

- **Multidimensional Analysis**
- **Social Dimension**
 - **Employment Generation:** For developing nations, industrial manufacturing is more than an economic indicator; it is a vital engine for mass employment. Restricting state support risks slowing job growth, making it harder to absorb surplus agricultural labor into formal manufacturing.
 - **Middle-Class Expansion:** A robust domestic manufacturing sector is essential for building a stable middle class. Denying countries the policy tools to foster industrial growth can worsen income inequality and stall social mobility.
- **Political Dimension**
 - **Sovereign Policy Space:** National governments face strong domestic political mandates to deliver industrial modernization and strategic self-reliance. International trade rules that limit these domestic policy choices can lead to friction between global commitments and sovereign priorities.
 - **Electoral Legitimization:** Programs like *Atmanirbhar Bharat* or the *Viksit Bharat* vision are central to national political discourse. External efforts to limit these initiatives can be perceived as challenges to national development goals.
- **Legal Dimension**
 - **ASCM and TRIMS Contradictions:** Emerging industrial support policies, like local sourcing mandates or production-linked incentives, can create friction with WTO rules under TRIMS and the ASCM.
 - **Dispute Settlement Paralysis:** The ongoing gridlock in the WTO Appellate Body weakens multilateral enforcement. As a result, powerful economies are increasingly turning to unilateral mechanisms like Section 301 actions, moving away from rule-based dispute resolution.
- **Ethical Dimension**
 - **Global Distributive Justice:** Early industrializing nations used extensive state subsidies, protectionist tariffs, and colonial economic arrangements to build their wealth. Demanding that developing nations abandon similar developmental tools raises significant questions of fairness and global economic justice.
 - **The Right to Development:** From a Global South perspective, access to flexible policy space is an extension of the right to development. International frameworks should account for these differing developmental starting points rather than imposing uniform obligations.
- **International Dimension**
 - **Weaponization of Interdependence:** Global supply chains are increasingly being influenced by geopolitical competition. Trade tools are sometimes deployed strategically to slow the emergence of new economic and technological rivals.
 - **Rise of Minilateralism:** The impasse within the WTO is driving a shift toward plurilateral agreements, regional economic blocs, and tailored partnership networks, fragmenting the post-Cold War multilateral trade architecture.
- **Economic Dimension**
 - **Correcting Market Failures:** Strategic state support helps address systemic underinvestment in high-risk, capital-intensive sectors like semiconductors, advanced materials, and renewable energy technologies.
 - **Managing Global Excess Capacity:** Unchecked state subsidies can lead to genuine economic distortions, creating global overcapacity that drives down prices, triggers protective trade barriers, and destabilizes market-driven supply chains.

- **Linkages with NCERTs**
- **Indian Economic Development (Class XI):**
 - *Chapter 2: Indian Economy (1950–1990):* Provides critical historical context on inward-looking trade strategies, Import Substitution Industrialization (ISI), the use of industrial licensing, and the early rationale for protecting domestic industries.
 - *Chapter 3: Liberalisation, Privatisation and Globalisation - An Appraisal:* Explains the structural crisis of 1991, India's transition toward an open economy, integration with global trade, and the domestic impacts of joining the WTO in 1995.
- **Contemporary World Politics (Class XII):**
 - *Chapter on Globalization:* Examines the economic, political, and cultural dimensions of global integration, highlighting the ongoing tensions between international institutions and national sovereignty.
- **Introductory Macroeconomics (Class XII):**
 - *Chapter 6: Open Economy Macroeconomics:* Covers foundational concepts related to the balance of payments, trade balances, exchange rate dynamics, and how domestic economic policies interact with international trade flows.



- **Linkages with UPSC CSE Syllabus**
- **GS Paper II: Governance, Constitution, Polity, Social Justice, and International Relations**
- **Bilateral, regional, and global groupings and agreements** involving India and/or affecting India's interests.
- **Effect of policies and politics of developed and developing countries** on India's interests, Indian diaspora.
- **Important International institutions, agencies, and fora**—their structure, mandate, and functioning (specifically the institutional crisis and reform of the WTO).
- **GS Paper III: Technology, Economic Development, Biodiversity, Environment, Security, and Disaster Management**
- **Indian Economy and issues relating to planning, mobilization of resources, growth, development, and employment.**
- **Effects of liberalization on the economy**, changes in industrial policy, and their effects on industrial growth.
- **Government Budgeting and Subsidies** (specifically the economic trade-offs of internal subsidies versus international trade obligations).
- **Essay Paper & Optional Subjects**
- **Essay Themes:** Global justice versus economic nationalism; the geopolitical dynamics of international trade; balancing national sovereignty with globalization.
- **Optional Alignments:** Highly relevant for students taking **Economics** (International Trade, WTO, and Industrial Growth), **PSIR** (Global Political Economy, Transnational Actors, and Transnational Institutions), and **Management/Commerce**.

- **Way Forward**

- To navigate this era of geo-economic competition, India and fellow developing nations need a proactive strategy that balances domestic development goals with international trade commitments.

- **1.Build Plurilateral Coalitions:**Diplomatic Alignment.

- India should work to build consensus among non-dominant developing economies within forums like the G20, BRICS+, and the G77. Jointly advocating for a structured definition of industrial dominance can help insulate emerging economies from broad, undifferentiated protectionist measures.

- **2.Champion Asymmetric WTO Reform:**Institutional Advocacy.

- At future WTO Ministerial Conferences, India should advance the proposal to link subsidy disciplines directly to global market share and per-capita income thresholds. This approach targets enforcement at dominant, non-market actors while preserving policy flexibility for countries undergoing genuine developmental transitions.

- **3.Strengthen Domestic Trade Remedy Mechanics:**Legal Defense.

- India needs to modernize its internal trade defense tools by upgrading the Directorate General of Trade Remedies (DGTR). Enhancing capability to gather data, document material retardation, and rapidly deploy provisional countervailing duties can help counter sudden influxes of highly subsidized foreign imports.

- **4.Optimize Industrial Support Schemes:**Policy Alignment.

- Domestic industrial initiatives, including Production Linked Incentive (PLI) schemes, should be structured to align carefully with WTO compliance guidelines. Shifting support toward research and development grants, clean technology adoption, and regional development initiatives can help protect these programs from external legal challenges.

Civil Services Examination (Mains)

- 2023 (GS II):** "The World Trade Organization (WTO) is struggling to maintain its relevance in the face of rising protectionism and unilateral trade measures." Critically analyze the statement with special reference to India's position on key issues.
- 2020 (GS III):** "What are the major challenges facing the manufacturing sector in India? How far can the 'Make in India' initiative help in resolving these challenges?"
- 2017 (GS II):** "What are the key areas of dispute between developed and developing countries at the World Trade Organization? Discuss in the context of the recent Ministerial Conferences."
- 2016 (GS III):** "Discuss the impact of liberalization on the agricultural and industrial growth of India since the 1991 economic reforms."

Question 1

Consider the following statements regarding the WTO Agreement on Subsidies and Countervailing Measures (ASCM):

- 1.It applies to both agricultural and industrial products under a uniform set of compliance parameters.
- 2.It explicitly prohibits subsidies that are contingent upon export performance or the use of domestic over imported goods.
- 3.Countervailing duties can be imposed unilaterally by a member country without establishing evidence of material injury to its domestic industry.

Which of the statements given above is/are correct? A) 2 only

B) 1 and 2 only

C) 2 and 3 only

D) 1, 2, and 3

The rule versus the relationship: prosperity demands a rebalance

India's oldest institutional challenge is also its most urgent. The economy needs rules to be followed and strangers trusted



V. ANANTHA NAGESWARAN
Chief Economic Adviser, Government of India

6 May 2026, London: Bailey, governor of the Bank of England, addressed the Bank's annual Cullers' Feast with a question that seemed whimsical but was not: Can artificial intelligence (AI) make money? It could, the AI systems he consulted replied, but usually as part of a wider manufacturing system, not by itself. What interested Bailey was the larger story behind that answer: why did Britain industrialise first and what does that history tell us about how countries grow?

His answer, drawing on recent scholarship by economists James Gifford, Joel Mokyr and Guido Tabellini, points to institutions—specifically, the trade organisations and commercial networks that broke down family and clan-based societies in medieval Europe, and thereafter the creation of the industrial zone for trading companies. The Cullers' Company of the Bank, founded in 1624, was not merely a regulator of the money trade; it was, in retrospect, a training ground for the impersonal, rule-based coordination that eventually made industrial capitalism possible. Where the rule applies to everyone, the market can scale. Where the rule applies only to those without connections, it cannot.

Leaders in India will immediately recognise the gap between these two worlds. We are, at our best, a society of extraordinarily high trust within networks. For example, various communities in India—Marwatis, Chettis, Goanese and others—run more banks among other—go movements to the power of trust within a circle of shared moral obligation. The problem is the boundary of that circle. Outside it, the default switch has from trust to suspicion, from rule to relationship. This is what the academic literature calls particularistic as opposed to generalised trust, and it is the central institutional difference between societies that scale and those that do not.

A recent essay by the economist David Oso on the slow Indian growth resurgence puts this in its sharpest possible form. Beyond the well-known argument about China's investment in health and education, Oso makes a sharper claim: what Mao's revolution did, at terrible and untoldable cost, was to destroy the clan structures and kinship hierarchies that had organised Chinese social life for millennia. When Deng Xiaoping opened up China's economy in 1978, there was no labour class left to capture rents and no kinship network powerful enough to distort the labour market at scale. China was, in effect, a socially modern country that happened to be extraordinarily poor—a mismatch that rapid industrialisation was almost bound to resolve. India, by contrast, achieved independence by negotiating rather than revolution. Its traditional social order survived more or less intact.



But the more precise diagnosis is this: India has failed to implement either model with any coherence. A relationship-based society that is serious about itself requires genuine decentralisation—small units of government fully empowered with fiscal resources and binding authority. So far, we may have diffused accountability without distributing power. India has, in short, the centralisation of a trust-based state without its institutional quality, and the social texture of a relationship-based society without the decentralised balance that would allow it to function.

The geopolitical context makes this institutional deficit more costly than ever. A fractured and conflict-prone world places a premium on speed, scale and impersonal coordination under uncertainty. Add to this the approaching AI cycle—which India skullduggies as the likely next general purpose technology, the successor to steam and electricity—and the urgency compounds.

The countries that expect the most from AI will be those whose institutions enable rapid complementary innovation: clear legal frameworks, flexible labour markets and trust infrastructure that enables strangers to connect through digital platforms. These are, almost precisely, the requirements of an impersonal, rule-based society. India's

risk is not merely that it will be slow to adopt AI, it is that it will under-extract from it, as it has under-extracted from previous technological cycles, because the institutional environment extracts a toll that other societies do not pay.

The state cannot close this gap by itself. The institutions India needs—from a society that extends trust and obligation only within the network to one that extends them to the stranger, the citizen, the unknown person on the other side of a transaction—are not primarily a legislative task. It is a moral one, and it must be undertaken by both the governing and the governed simultaneously. The Indian diaspora shows it is possible: the same person who navigates India's labyrinthine of relationship-based compliance becomes, in a different institutional environment, a scrupulously rule-following participant in an impersonal economy.

This is India's defining challenge of the next generation. The geopolitical moment will not wait for the moral transition to complete itself at its own pace. There is no more time for gradualism. Both the labour markets and trust infrastructure that enables strangers to connect through digital platforms, and the AI cycle, are coming. The time to act is now.

These are the author's personal views.

- **Key Terms and Explanations**

- **Particularistic Trust:** This refers to a social dynamic where trust, moral obligation, and cooperation are strictly confined within specific in-groups, such as family, clan, caste, or immediate community networks.

- *Example:* A business owner who prefers to secure loans from within their community network via informal agreements, or relies entirely on family members for key managerial positions due to a deep-seated suspicion of outsiders.

- **Generalized Trust:** The systemic disposition to extend trust and cooperative intent to strangers, unknown citizens, or abstract institutional systems, operating on the assumption that shared, impersonal rules will protect all parties equally.

- *Example:* An entrepreneur confidently shipping high-value goods to a completely unknown buyer on an e-commerce platform, relying purely on the legal frameworks and digital dispute resolution mechanisms of the state.

- **General Purpose Technology (GPT):** A core, transformative technology that possesses the potential to drastically alter societies, reshape business models, and catalyze sweeping structural changes across multiple sectors of an economy. Historic examples include the steam engine and electricity; the modern equivalent is Artificial Intelligence (AI).

- **Institutional Toll (or Deficit):** The hidden economic friction, high transaction costs, and developmental drag that occur when a country's administrative, legal, and social frameworks fail to support efficient, rule-based operations. This forces actors to rely on expensive, personalized safeguards.

- **Administrative Devolution:** The statutory transfer of decision-making powers, financial autonomy, and legislative authority from a highly centralized state apparatus down to localized, subnational units of self-governance.

- **Main Arguments and Substantive Parts**
- The socio-economic landscape is defined by a fundamental structural reality: the long-term capacity of a nation to scale its markets and absorb revolutionary technologies depends on its transition from a relationship-based society to a rule-based one.
- **The Institutional Genesis of Industrial Capitalism**
- Economic history reveals that Western Europe's pioneering industrialization was not merely a product of sudden technological breakthroughs. Instead, it was underpinned by centuries of institutional evolution. Medieval trade organizations, municipal corporations, and merchant networks systematically dismantled insular, clan-based dependencies. Institutions like the Cutlers' Company of Sheffield acted as foundational training grounds. By enforcing uniform standards and rule-based coordination that applied equally to everyone, they laid down the trust infrastructure necessary for impersonal market transactions to expand.
- **The Sino-Indian Growth Divergence**
- A stark contrast emerges when evaluating the developmental trajectories of Asia's two giants through a sociological lens. Recent scholarship highlights a profound structural paradox regarding China's rapid rise:
- **The Chinese Trajectory:** The radical upheavals of the mid-20th century, despite their severe human costs, systematically leveled the centuries-old clan hierarchies and traditional landlord networks that dominated rural life. Consequently, when economic liberalization began in 1978, the state operated on a socially modernized canvas. There were fewer deeply entrenched localized interest groups capable of distorting labor markets or capturing economic rents.
- **The Indian Trajectory:** India achieved its independence via peaceful, constitutional negotiation. While this preserved social stability and continuity, it left traditional social fabrics, kinship structures, and community-based obligations largely intact. These deep-seated networks continue to influence modern economic and administrative transactions.
- **The Indian Structural Dilemma**
- India's unique challenge lies in its incoherent institutional design. It features a top-heavy, highly centralized administrative architecture reminiscent of an impersonal state, yet lacks the corresponding institutional agility and rule-of-law execution. Simultaneously, it retains the dense, localized social texture of a relationship-driven society, but lacks the genuine devolution of financial and political power that would allow smaller local units to govern themselves effectively.
- **The AI Cycle and the Imperial Imperative of Trust**
- As the global economy enters the AI cycle, the premium on institutional quality has skyrocketed. Artificial Intelligence cannot be optimally utilized in a vacuum. It demands rapid, complementary innovations, flexible labor markets, transparent legal frameworks, and digital infrastructures where strangers can transact through automated algorithms without fear of systemic fraud.
- Nations that maintain a high "institutional toll" risk severely under-extracting value from this technology, transforming an economic breakthrough into an expensive digital layer atop an unchanged social structure.

- **Historical Evolution of the Issue**
- **Pre-Independence Era: The Pre-Colonial and Colonial Roots**
 - Before British intervention, India's economic life was remarkably vibrant but deeply organized around community institutions. Indigenous business groups—such as the Marwaris, Nattukottai Chettiars, and Gujarati merchants—developed sophisticated financial systems like the *Hundi* (informal bills of exchange). These networks functioned beautifully because of an unyielding inner circle of shared moral obligations and kinship trust.
 - When the British East India Company and later the Crown established a formal common-law legal framework, they focused primarily on revenue extraction and maintaining political order. Out of strategic caution, the colonial state consciously avoided dismantling traditional social hierarchies, leaving local community structures to govern everyday commerce and social relations.
- **Post-Independence and the Nehruvian Era (1947–1960s)**
 - With independence, India adopted a highly progressive, modern, and egalitarian Constitution. However, because this political transformation occurred through institutional negotiation rather than a radical social overhaul, the underlying social fabric remained largely unchanged. The state superimposed centralized planning, public sector undertakings, and heavy industrialization onto an agrarian society deeply fragmented by caste and kinship ties. This created an early disconnect: the formal language of the state was rule-based, but the informal practice of everyday life remained strictly relation-based.
- **The Rise of the Licence Raj and Bureaucratic Centralization (1970s–1980s)**
 - As economic policies turned inward, the state heavily centralized economic command through extensive licensing, permits, and quotas. This environment inadvertently amplified the value of particularistic networks. Securing a manufacturing license or navigating complex regulatory mazes required political connections and personal access to bureaucrats. Instead of fostering generalized trust, this era institutionalized relation-based capitalism, where survival depended more on *who* you knew than the merit of your enterprise.
- **The Post-1991 Liberalization Era to the Present**
 - The landmark economic reforms of 1991 dismantled the permit raj, unleashed market competition, and integrated India into the global economy. Yet, the expansion of the market far outpaced the reform of state institutions. While parts of the economy modernized rapidly—such as the technology and services sectors—basic public systems like contract enforcement, judicial processing, and land titling lagged behind.
 - In recent years, India has made significant strides by building digital public infrastructure (like India Stack and UPI) to bypass interpersonal bias. However, the core dilemma remains unresolved: a highly centralized administrative structure operating alongside a deeply resilient network of localized, informal relationships.



THE TRUST INFRASTRUCTURE GAP

A. PARTICULARISTIC TRUST



B. GENERALIZED TRUST



CHINA'S PATH



INDIA'S PATH



HISTORICAL EVOLUTION (SINO-INDIAN DIVERGENCE)

THE GRAND TRANSITION

FAILED
to implement either model with coherence

UPSC & APSC:
Your Path to Understanding and Mastery.

① **Centralized Trust-Based State without institutional quality**



② **Relationship-Based Society without devolved architecture.**



AI: THE NEXT GENERAL PURPOSE TECHNOLOGY CYCLE

Successor to Steam and Electricity.

1. CLEAR LEGAL FRAMEWORKS
2. FLEXIBLE LABOUR MARKETS
3. DIGITAL TRUST INFRASTRUCTURES: STRANGERS TRANSACT THROUGH ALGORITHMIC SYSTEMS

GENERALIZED TRUST

INDIA'S STRUCTURAL DILEMMA

Not primarily a legislative task. It is a **MORAL** one.

1. Indian Diaspora navigate personalized compliance, then become scrupulous rule-followers in impersonal economies.
2. ACT AS IF THE STRANGER MATTERS.

GEOPOLITICAL MOMENTUM AND URGENCY

Speed, Scale, & Impersonal Coordination under Uncertainty.

Fractured, conflict-prone world. No more time for gradualism.

The stranger always matters.

- **Logical and Philosophical Base**

- **Social Capital and the Architecture of Trust**

- The core logic relies on social capital theory, which posits that economic transactions are never purely financial; they are deeply embedded in social relationships. The fundamental insight here is that particularistic trust is self-limiting. While it provides immense security within a closed circle—slashing transaction costs among members—it acts as an invisible barrier to external actors.

- Conversely, generalized trust serves as an economic multiplier. When a society transitions to a framework where the rule of law is applied impartially, the economic circle expands exponentially to include the stranger, the citizen, and the foreign investor.

- **The Impartiality Principle and Market Scale**

- Philosophically, this argument draws directly from Enlightenment thought and classical political economy, which champion the concept of universalism. The logic is elegant: **for a market to achieve truly global scale, rules must be blind to identity.**

- If a legal system treats individuals differently based on their social connections, political proximity, or community background, the market inevitably fractures into localized fiefdoms. High-growth industrial capitalism requires a level of predictability that only an impersonal, rule-based framework can provide.

- **The Philosophical Cost of Gradualism vs. Disruption**

- This analysis presents a sobering philosophical dilemma regarding how societies modernize. It contrasts India's path of democratic gradualism with China's path of revolutionary disruption. The underlying assumption is that traditional, deeply entrenched social structures rarely surrender their power voluntarily.

- A peaceful transition of power preserves human lives and democratic liberty, but often carries a long-term economic cost: the survival of fragmented, rent-seeking social networks. This presents a complex governance challenge: how can a democratic state cultivate a modern, rule-following civic morality without resorting to authoritarian coercion?

- **Multidimensional Analysis**

- **Social Dimension**

- India's social fabric is characterized by dense, tightly woven kinship networks and caste-based communities. While these structures provide vital informal safety nets and mutual aid in the absence of a comprehensive state welfare system, they also reinforce fragmentation.
- When economic opportunities, capital access, and employment avenues are distributed primarily along community lines, it restricts broader social mobility. This dynamic prevents the emergence of a unified civic identity, as individuals tend to view their primary moral allegiance as owing to their community or caste rather than to the abstract state or the broader citizenry.

- **Political Dimension**

- Politically, India exhibits a striking structural imbalance. The nation has concentrated significant regulatory and administrative authority at the central and state levels, yet it has resisted genuine, deep-seated fiscal devolution to the third tier of government—the Panchayats and Urban Local Bodies. This setup results in a system where accountability is easily diffused across multiple bureaucratic layers, while actual governing power and financial resources remain tightly controlled at the top.
- Because local governments lack the independent resources to address local needs effectively, political dynamics frequently default to informal patronage networks, personal connections, and relationship-based intervention.

- **Ethical Dimension**

- At its core, this issue presents a profound ethical conflict between competing moral frameworks:
- **Particularistic Morality:** Dictates that an individual's highest ethical duty is to protect, support, and advance the interests of their family, kin, and community network.
- **Universalist Civic Ethics:** Demands that every citizen and official treat all individuals with strict, impartial fairness, completely independent of personal relationships or identity.
- The prevailing governance challenge in India is often less about a lack of moral awareness and more about this deep-seated friction. Individuals frequently find themselves balancing intense, immediate duties to their social networks against abstract, impersonal obligations to the state.

- **International and Geopolitical Dimension**

- In a fractured, highly volatile geopolitical environment, global supply chains are rapidly reorganizing around principles of resilience and predictability. International corporations look for manufacturing hubs that offer swift, transparent, and completely impersonal institutional environments.
- If India's administrative system imposes an unpredictable "relationship toll" on foreign investors, the country risks losing critical manufacturing opportunities to nations with more streamlined, rule-based ecosystems.

- **Economic Dimension**

- The economic consequence of this institutional mismatch is a persistent hurdle to achieving full manufacturing scale. While India excels in highly concentrated, capital-intensive sectors or specialized service industries (like IT, where corporate governance can create insular ecosystems of generalized trust), it faces a persistent "missing middle" in its broader industrial landscape.
- Small and medium enterprises frequently struggle to scale into global giants. They are often held back by the high transaction costs of navigating regulatory compliance through personalized networks, leaving them unable to tap into broader markets of unknown buyers and sellers.

Class 11 Sociology: *Introducing Sociology*

•**Chapter 3: Environment and Society / Social Institutions:** This chapter provides foundational insights into how traditional social institutions—such as kinship, family structures, and caste networks—shape economic interactions. It explains how traditional societies rely on personalized, identity-driven mechanisms to organize daily labor and resources.

Class 12 Sociology: *Indian Society*

•**Chapter 3: Social Institutions - Continuity and Change:** Essential for understanding the structural resilience of the caste system and tribal identities in modern India. It details how these traditional networks did not simply vanish with the advent of modernity, but instead adapted to influence modern political networks and corporate recruitment.

•**Chapter 4: The Market as a Social Institution:** This chapter links directly to the concept of particularistic trust. It highlights how indigenous trading communities, such as the Marwaris, used close-knit kinship networks and credit systems to build vast economic empires, demonstrating both the power and the boundary limits of identity-based trust.

Class 11 Political Science: *Indian Constitution at Work*

•**Chapter 7: Federalism:** Vital for analyzing the structural gaps in India’s administrative setup. This chapter details the division of power between the Union and the States, providing the necessary context to evaluate why genuine fiscal and administrative devolution to local local bodies has faced persistent hurdles.

- **GS Paper 1: Indian Society**
- **Salient Features of Indian Society; Diversity of India:** Evaluating how kinship, caste, and community networks function as parallel systems of social capital and economic organization.
- **Effects of Globalization on Indian Society:** Assessing the ongoing friction between universal, globalized market norms and resilient, localized cultural relationship frameworks.
- **GS Paper 2: Governance and Polity**
- **Devolution of Powers and Finances up to Local Levels and Challenges Therein:** Analyzing the administrative gap where accountability is diffused without a genuine, deep distribution of fiscal power to local bodies.
- **Important Aspects of Governance, Transparency, and Accountability:** Examining the transition from personalized patronage and relationship-driven compliance to an impartial, rule-of-law administrative culture.
- **GS Paper 3: Economic Development and Technology**
- **Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, and Employment:** Investigating how the "institutional toll" and weak contract enforcement create a missing middle in manufacturing and slow the growth of enterprises.
- **Science and Technology- Developments and their Applications and Effects in Everyday Life:** Analyzing how India can maximize its economic returns from next-generation General Purpose Technologies, specifically Artificial Intelligence, by updating its legal and regulatory frameworks.
- **GS Paper 4: Ethics and Human Interface**
- **Public/Civil Service Values and Ethics in Public Administration:** Resolving the ethical dilemma between particularistic obligations (to family or community) and universal administrative duties (to the rule of law and the general citizen).



- **Way Forward**

- Transitioning India from a relationship-driven social fabric to an impartial, rule-based economic ecosystem requires a series of targeted, institutional reforms.

- **1. Drive Authentic Third-Tier Devolution**

- India must move beyond superficial administrative delegation and pursue true financial empowerment for local self-governments.
- State governments should systematically transfer the "3 Fs"—Funds, Functions, and Functionaries—to Panchayats and Urban Local Bodies.
- Expanding municipal bond markets and tying central fiscal transfers directly to independent local revenue generation will help local bodies break free from top-down patronage networks, turning them into responsive, self-funded governing units.

- **2. Strengthen Digital Trust Architecture**

- To lower transaction costs and minimize interpersonal bias, India should continue scaling up its open-source, non-discriminatory digital public infrastructure.
- Expanding initiatives like the Open Network for Digital Commerce (ONDC) and standardized smart contracts allows small businesses to securely transact with entirely unknown buyers and suppliers. This shifts the foundation of trust away from shared community identities and onto objective, automated cryptographic verification.

- **3. Overhaul Contract Enforcement and Judicial Speed**

- Building generalized trust requires a legal system that can resolve disputes quickly and reliably.
- India should rapidly expand specialized commercial courts at the district level and integrate mandatory Online Dispute Resolution (ODR) for micro, small, and medium enterprise (MSME) contracts.
- Setting strict statutory timelines for commercial cases and modernizing judicial workflows through automated scheduling can substantially lower the "institutional toll," giving businesses the confidence to expand far beyond their personal networks.

- **4. Cultivate an Impartial Civic and Administrative Culture**

- The long-term shift toward a rule-based society is fundamentally a civic and educational project. Public administration training for civil servants should consistently emphasize universalist ethics and strict procedural impartiality over adaptive compliance.
- Concurrently, public campaigns and educational curricula should focus on reinforcing consumer rights, civic responsibilities, and the tangible value of treating the stranger with the same fairness historically reserved for the in-group.

Conceptual Prelims Questions

1. Which of the following clear benefits does a society gain by successfully transitioning from particularistic trust to generalized trust? A) The reinforcement of traditional community-led credit networks like Hundis.

B) A significant reduction in transaction costs when conducting business with unfamiliar economic actors.

C) The absolute centralization of financial and regulatory powers within state capitals.

D) The complete elimination of informal social safety nets in rural areas.

2. In the context of economic history and governance, a 'General Purpose Technology' (GPT) is best described as a technology that: A) Focuses entirely on optimizing output within a single niche manufacturing sector.

B) Operates independently of the state's broader legal and institutional frameworks.

C) Transforms both everyday domestic life and wide-ranging business operations across an entire economy.

D) Requires highly centralized, relationship-based networks to be deployed effectively.

3. Constitutional government at its essential core means: (UPSC CSE Prelims 2014)

A) Permanent Depasentism

B) Bicameral Legislature

C) Limited Government

D) Universal Adult Franchise

4. Which of the following factors is most crucial for a country to fully extract economic value from an incoming General Purpose Technology like Artificial Intelligence?

A) The preservation of localized, identity-based labor market restrictions.

B) An administrative environment that emphasizes centralized regulatory oversight without local devolution.

C) Highly flexible labor markets, transparent legal frameworks, and an impartial trust infrastructure.

D) A reliance on informal, personalized dispute resolution systems rather than formal commercial courts.



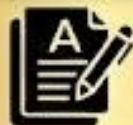
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