AXIA IAS ACADEMY

EDITORIAL ANALYSIS

JULY 18

CONSISTENT COMPREHENSIVE AND CREDIBLE

UNIQUE AND BEST IN QUALITY

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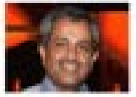
India's Parliament must not stage its Cadaver Synod



Sanjay Hegde

Senior Advocate of the Supreme Court of India

In January 897 CE, Rome witnessed the strangest trial in the history of the Church. Pope Stephen VI ordered the corpse of his predecessor, Pope Formosus, dug up from its grave. Formosus had been dead for about nine months. His body was dressed in papal vestments and propped upon a throne in the Lateran basilica. A trembling deacon stood beside the corpse and answered questions on its behalf. The dead pope was charged with perjury and with violating canon law. He was, unsurprisingly, found guilty. His election was declared void. His acts were annulled. The three fingers of his right hand, the fingers of consecration, were hacked off. The body was then flung into the Tiber.

History remembers this spectacle as the Cadaver Synod. It settled nothing. It disgusted Rome, provoked an insurrection, and Stephen VI himself was imprisoned and strangled within months. Successor popes reburied Formosus with honour and burned the record of the trial. The lesson has endured for centuries. A tribunal that sits in judgment over someone who no longer holds the office it can take away does not do justice. It performs theatre, and the theatre degrades the tribunal more than the accused.

An impossible impeachment

India's Parliament now stands at the edge of its own Cadaver Synod. The Lok Sabha Speaker has announced that the report of the inquiry committee constituted under the Judges (Inquiry) Act, 1968, into allegations against Justice Yashwant Varma will be tabled when Parliament reconvenes on July 20. The report was submitted on May 18, 2026. The difficulty is stark. Justice Varma resigned on April 9, with immediate effect, giving up his official residence, vehicles and amenities. His judicial salary has ceased. He has revived his enrolment with the Bar Council and may resume practice as an advocate. Whatever the Allahabad High Court website may say, the man is no longer a judge in any sense that the Constitution recognises. The question before Parliament is whether it should proceed against a judicial corpse.

Begin with first principles. The Constitution treats the conduct of judges as a subject beyond ordinary parliamentary debate. Article 121 forbids any discussion in Parliament of the conduct of a Supreme Court or High Court judge in the discharge of his duties, except upon a motion for an address praying for his removal. The bar is deliberate. The framers knew that a legislature free to debate judicial conduct at will would soon hold judges hostage to majorities. So they permitted one exception – and one alone. Parliament may discuss a judge's conduct only when it is actually engaged in the solemn business of removing him. The discussion is incidental to removal. It has no independent existence.

Parliament must avoid a purposeless exercise over the Justice Yashwant Varma report

Removal, in turn, presupposes an office to be vacated. Article 124(4), applied to High Court judges through Article 217(1)(b), speaks of a judge being "removed from his office." The Judges (Inquiry) Act creates elaborate machinery, a motion, an inquiry committee, a report, an address to the President, all directed to a single constitutional consequence. The Act knows no lesser penalty. It cannot censure, fine or disqualify. It can only remove. Once the judge has already left, the machinery grinds on with nothing to grip.

A judge is a constitutional functionary

Has Justice Varma left? The Supreme Court answered that question nearly half a century ago. In *Union Of India vs Shri Gopal Chandra Misra And Ors.* (1978), a Constitution Bench held that a High Court judge's resignation under the proviso to Article 217 is a unilateral constitutional act. It requires no acceptance by the President or anyone else. A judge who resigns with immediate effect severs the constitutional link at the moment of his own choosing. A judge is not a government servant whose resignation lies on some desk awaiting orders. He is a constitutional functionary who holds office by the Constitution and may relinquish it by the Constitution. Justice Varma's letter said "with immediate effect". The link snapped on April 9. That his name lingers on a website is an administrative carryover, not a statement of law.

Precedent points the same way. Justice P.D. Dinakaran resigned in 2011 while impeachment proceedings were pending; the inquiry committee was dissolved, and no report reached Parliament. When Justice Soumitra Sen resigned (2011) after the Rajya Sabha had actually adopted the removal motion, the proceedings simply ended. Parliament thereafter never took the matter up. In both cases, the institution understood that resignation extinguishes the removal jurisdiction. The Varma committee, unusually, continued its work after his resignation and submitted a sealed report after his resignation. Tabling that report as a formal record may perhaps be defended as closure of the file, but even that is strictly not necessary. The Speaker can just inform Parliament that such a report has been received, but no further action is deemed necessary. Before Parliament proceeds further, members must demand that it be advised by the Attorney General, who must be summoned to the House. Anything beyond tabling would take Parliament into realms that no legislature has gone before.

Consider what that territory looks like. If Parliament can proceed to debate and vote upon the removal of a man who is no longer a judge, then the resignation of the judge is no barrier. Neither, logically, is retirement. Nor, indeed, is death. Every safeguard in Article 121 rests on the premise that the discussion serves a live removal. Remove that premise, and a future Parliament could constitute committees against judges who retired a decade earlier, or whose judgments displeased a later majority. It could posthumously arraign a Chief Justice for a verdict delivered in another political era. The special majority requirement would remain, but special majorities have been mustered before and will be again. Judicial independence does not depend on judges being brave on the day of judgment alone. It depends on their knowing that no legislature will hold a synod over their record after they have gone.

Close the file

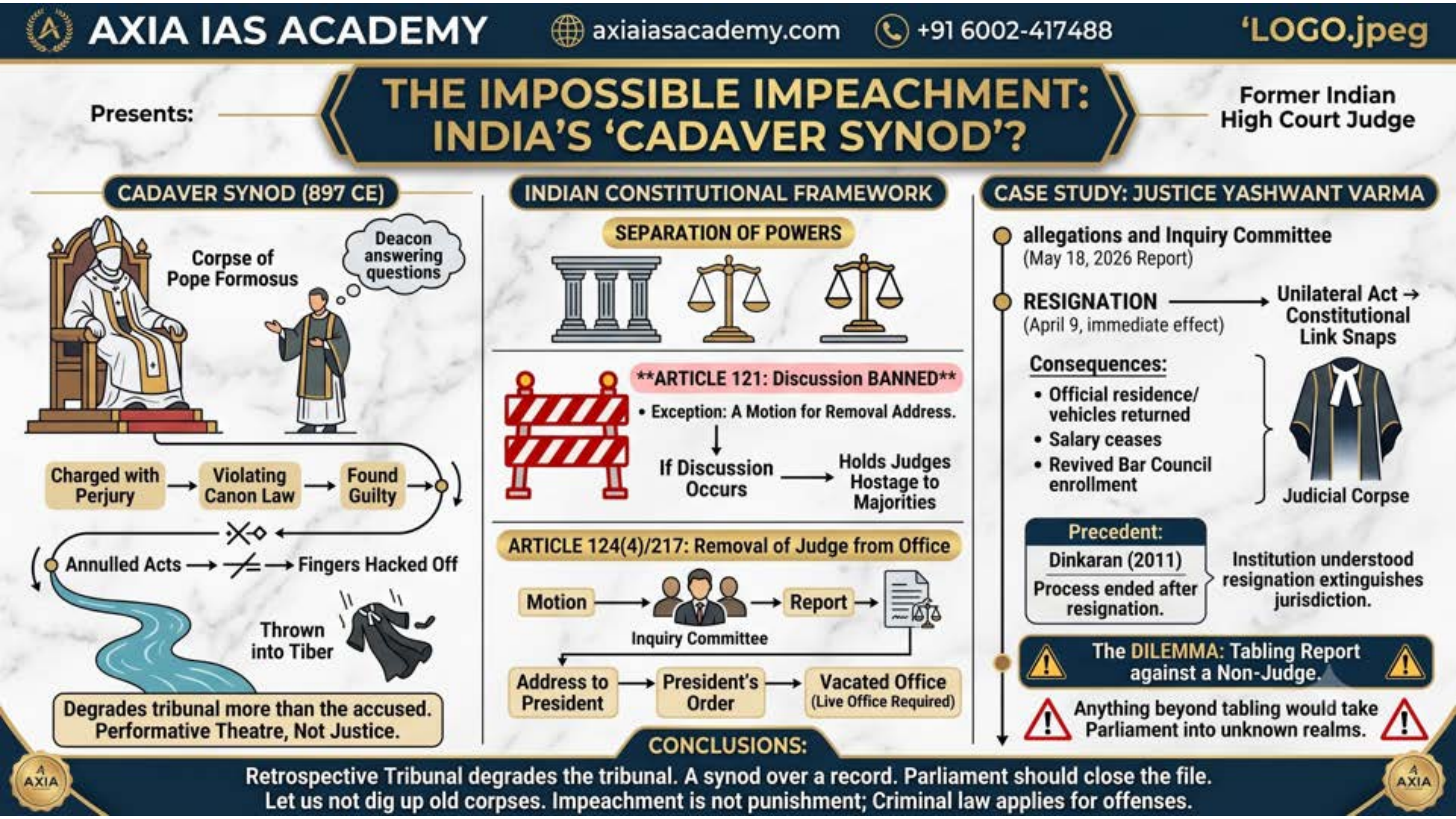
None of this means that Justice Varma escapes accountability. Impeachment is not punishment. It is the removal of an unfit occupant from a constitutional office, and that purpose stands fully achieved. The office is vacant. If the burnt currency notes found at his residence disclose an offence, the criminal law applies to former judges exactly as it applies to the rest of us. Investigation, prosecution and trial remain open, and are indeed the proper forum for questions of guilt. His pension and terminal benefits raise separate statutory questions that the government may lawfully examine. What Parliament cannot do is dress the corpse in robes and conduct a trial that can end only in removing a man from an office he does not hold.

Rome eventually understood this. Pope Theodore II reinstated the ordinations of Formosus and reburied him with honour in St. Peter's Basilica. Pope John IX condemned the synod and burned its acts. The Church survived Formosus. It nearly did not survive the trial of his corpse. Parliament should table the report, note it, and close the file. Let us not dig up old corpses just for the stink.

- **Key Terms and Explanations**
- **Cadaver Synod (Historical Metaphor)**
- Originating from the notorious ecclesiastical trial of 897 CE where the corpse of Pope Formosus was exhumed, dressed in papal vestments, and tried for perjury, this term serves as a profound legal metaphor. In constitutional philosophy, it represents any trial or tribunal that insists on sitting in judgment over an individual who no longer holds the office that the tribunal has the power to strip away. It signifies institutional actions that cross the line from functional justice into political theater, ultimately degrading the credibility of the institution conducting it.
- **Constitutional Functionary**
- Unlike standard government or civil servants whose terms of employment are governed by statutory contracts and whose resignations require formal executive acceptance, a constitutional functionary holds office directly under the authority of the Constitution. A High Court or Supreme Court judge in India is an independent pillar of the state. Consequently, their actions—such as tender of resignation—are unilateral constitutional acts that alter their legal status the moment they are executed, requiring no validation from a superior authority.
- **Article 121 (Restriction on Parliamentary Discussion)**
- This constitutional provision acts as a protective shield for the judiciary by explicitly prohibiting any discussion in Parliament regarding the conduct of a Supreme Court or High Court judge in the discharge of their duties. The Constitution permits exactly one exception: when a formal motion for an address praying for the removal of the judge is actively being considered. The bar is absolute, ensuring that judges are protected from the shifting tides of legislative majorities.
- **Removal Motion vs. Impeachment**
- While the public discourse and media frequently use the term "impeachment" for judges, the Indian Constitution reserves this specific term exclusively for the President under Article 61. For judges of the higher judiciary, Articles 124(4) and 217(1)(b) use the term "removal from office." Impeachment involves a quasi-judicial trial within the chambers of Parliament, whereas the removal of a judge requires a statutory investigation under the Judges (Inquiry) Act, 1968, followed by a special majority address passed by Parliament and presented to the President.
- **Unilateral Resignation**
- As settled by the jurisprudence of the Supreme Court of India, a judge’s resignation with immediate effect is a self-executing constitutional right. The constitutional link between the individual and the office snaps instantaneously upon the delivery of the letter to the designated authority (the President). It cannot be suspended, delayed, or rejected by the executive, meaning the individual immediately steps down from the constitutional post and returns to the status of a private citizen.

- **Main Arguments and Substantive Parts**
- **The Principle of Functional Purpose**
- The core structural argument rests on the purpose of legislative removal proceedings. Impeachment or removal under the Indian Constitution is not designed as a retrospective punishment or a tool for moral denunciation; it is a protective mechanism meant to vacate a constitutional office occupied by an unfit individual. Therefore, if a judge voluntarily relinquishes office via resignation, the primary objective of the constitutional mechanism is fully realized. Pushing forward with the process after the office is vacant leaves the constitutional machinery with nothing left to grip.
- **The Jurisdictional Void**
- The strict textual reading of Article 124(4) and Article 217 demonstrates that Parliament’s jurisdiction is tied explicitly to the phrase "removal from his office." This implies that the existence of a live, occupied office is a prerequisite for the jurisdiction to manifest. Once a judge resigns, they cease to hold that office in the eyes of the law. Any attempt by a legislature to vote on the removal of a non-judge creates a logical and jurisdictional void, as Parliament cannot remove someone from a position they no longer occupy.
- **The Breakdown of Constitutional Safeguards**
- The constitutional framework permits the discussion of judicial conduct *only* as an incidental step toward actual removal. If Parliament establishes a precedent where it can debate, vote upon, and censure the conduct of a judge who has already resigned or retired, the absolute protection guaranteed under Article 121 collapses. This interpretation would allow future legislative majorities to weaponize parliamentary committees against retired judges whose past verdicts displeased the ruling political class, completely undermining the security of tenure.
- **Distinction Between Institutional and Criminal Accountability**
- Halting parliamentary removal proceedings does not mean an erring individual escapes the rule of law. A clear line must be drawn between institutional accountability (losing the right to hold a constitutional office) and criminal accountability (punishment for unlawful acts). Once a judge resigns, their special constitutional protections drop away, and they face ordinary criminal law just like any other citizen. If there are allegations of financial corruption or criminal misconduct, the proper forum is a court of law through standard investigation and prosecution, not symbolic legislative proceedings.

- **Historical Evolution of the Issue**
- **The Constituent Assembly Debates (1949)**
- During the framing of the Constitution, pioneers like Dr. B.R. Ambedkar fought to balance judicial accountability with absolute independence from political interference. The framers deliberately rejected models that allowed the legislature to easily dismiss judges or routinely debate their conduct. They designed a rigid framework under Articles 121 and 124(4) to ensure that a judge's conduct could only be scrutinized under the gravest circumstances, establishing a high bar for legislative intervention.
- **Enactment of the Judges (Inquiry) Act, 1968**
- To formalize the vague "proved misbehaviour or incapacity" standard in the Constitution, Parliament enacted the Judges (Inquiry) Act, 1968. This law took the primary investigative power away from raw political debates and handed it to a judicial committee consisting of a Supreme Court judge, a High Court Chief Justice, and an eminent jurist. This established a statutory, rule-bound process, ensuring that Parliament could only vote on a removal motion *after* a professional judicial panel found the individual guilty.
- **The Landmark Turning Point: Gopal Chandra Misra Case (1978)**
- The legal finality of a judge's resignation was firmly established by a Constitution Bench of the Supreme Court in *Union of India vs. Shri Gopal Chandra Misra*. The court ruled that a High Court judge's resignation under Article 217 is a completely unilateral act. It affirmed that the resignation takes effect immediately if specified, without needing any formal acceptance by the President. This ruling established the precedent that a judge can sever their constitutional ties independently, leaving no room for executive or legislative delays.
- **Modern Conventions: The Dinakaran and Soumitra Sen Precedents (2011)**
- The practical relationship between judicial resignation and parliamentary proceedings was tested twice in 2011. First, when Justice P.D. Dinakaran resigned amidst an impeachment inquiry, the investigative committee dissolved, and the matter dropped. Shortly after, when Justice Soumitra Sen resigned after the Rajya Sabha passed a removal motion but before the Lok Sabha could vote, Parliament let the proceedings draw to a natural close. These cases established a strong institutional convention: a judge's resignation brings an end to the legislature's removal jurisdiction.
- **The 2026 Turning Point**
- The current situation surrounding the inquiry report concerning a resigned High Court judge presents a new challenge to this convention. By keeping the inquiry committee active after the judge's resignation and pushing to table the report in the House, the legislature faces a critical decision: respect long-standing constitutional boundaries or set a new precedent that extends parliamentary oversight well past a judge's tenure.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Presents:
THE IMPOSSIBLE IMPEACHMENT: INDIA'S 'CADAVER SYNOD'?
Former Indian High Court Judge
CADAVER SYNOD (897 CE)
Corpse of Pope Formosus
Deacon answering questions
Charged with Perjury
Violating Canon Law
Found Guilty
Annulled Acts
Fingers Hacked Off
Thrown into Tiber
Degrades tribunal more than the accused. Performative Theatre, Not Justice.
INDIAN CONSTITUTIONAL FRAMEWORK
SEPARATION OF POWERS
ARTICLE 121: Discussion BANNED
• Exception: A Motion for Removal Address.
If Discussion Occurs
Holds Judges Hostage to Majorities
ARTICLE 124(4)/217: Removal of Judge from Office
Motion
Inquiry Committee
Report
Address to President
President's Order
Vacated Office (Live Office Required)
CASE STUDY: JUSTICE YASHWANT VARMA
allegations and Inquiry Committee (May 18, 2026 Report)
RESIGNATION (April 9, immediate effect)
Unilateral Act → Constitutional Link Snaps
Consequences:
• Official residence/ vehicles returned
• Salary ceases
• Revived Bar Council enrollment
Judicial Corpse
Precedent:
Dinkaran (2011)
Process ended after resignation.
Institution understood resignation extinguishes jurisdiction.
The DILEMMA: Tabling Report against a Non-Judge.
Anything beyond tabling would take Parliament into unknown realms.
CONCLUSIONS:
Retrospective Tribunal degrades the tribunal. A synod over a record. Parliament should close the file.
Let us not dig up old corpses. Impeachment is not punishment; Criminal law applies for offenses.
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- **Logical and Philosophical Base**
- **Separation of Powers and Structural Equilibrium**
- The philosophical core of this issue rests upon the Doctrine of Separation of Powers, popularized by Montesquieu and embedded within the basic structure of the Indian Constitution. This principle demands a delicate equilibrium where no single organ of the state encroaches upon the core functional domain of another. If the legislature transforms its removal powers into a retrospective disciplinary tribunal, it shifts the balance of power, compromising the independence necessary for the judiciary to function effectively.
- **The Nature of Constitutional Remedies**
- This issue highlights the difference between *in rem* remedies (actions directed at an office or status) and *in personam* remedies (actions directed at punishing an individual). The constitutional process of judicial removal is strictly an *in rem* action designed to protect the integrity of the office. Once that office is vacant, continuing the proceedings changes the nature of the remedy into an *in personam* punishment. This crosses outside the constitutional role of the legislature and steps into the domain of the criminal courts.
- **Preserving Judicial Courage and the Chilling Effect**
- True judicial independence requires that judges can make difficult decisions against powerful interests without fearing future retaliation. If the barrier between a judge's active service and the legislature's power to censure them is broken, it risks creating a dangerous chilling effect. Judges might worry that a future, politically hostile Parliament could revive old grievances long after their retirement, threatening the fearlessness required of the judiciary.

- **Multidimensional Analysis**
- **Legal and Constitutional Dimension**
- The primary legal concern is maintaining the strict boundaries of parliamentary debate set by Article 121. Allowing Parliament to deliberate on the conduct of a former judge sets a risky precedent, effectively bypassing the constitutional bar. It risks expanding the scope of the Judges (Inquiry) Act, 1968, into areas the text simply does not support. The act offers no middle ground like censure, fines, or future disqualification—its only legal outcome is removal from an active post.
- **Political Dimension**
- From a political perspective, there is a constant risk of majoritarian overreach. In a parliamentary system where the executive often commands a strong legislative majority, the strict rules surrounding judicial removal serve as a vital check against political targeting. Allowing post-resignation or post-retirement trials opens the door for political parties to target independent judges, turning a solemn constitutional process into a tool for political messaging.
- **Ethical Dimension**
- The situation creates a tension between public morality and constitutional morality. Public morality demands visible accountability and an open recording of wrongdoing when a public servant faces serious allegations. However, constitutional morality requires institutions to adhere strictly to the rules, procedures, and limits set by the founding document. Ethically, seeking justice through methods that overstep constitutional limits risks undermining the integrity of the institution itself.
- **Social Dimension**
- The relationship between the citizen and the state relies heavily on public trust in an independent judiciary. If the public sees the judiciary as vulnerable to legislative oversight even after a judge steps down, faith in the courts as an impartial protector of citizen rights can erode. While an unaddressed allegation harms the reputation of the courts, a legislative process that goes beyond its legal boundaries can cause deeper, long-term damage to public trust in the separation of powers.
- **Economic Dimension**
- A stable economy relies on the predictable enforcement of contracts and the secure protection of property rights, both of which require an independent judiciary. If investors see that judicial tenure can be subjected to retroactive legislative reviews, it signals a rise in institutional instability. Maintaining clear boundaries between the legislature and the judiciary helps ensure a reliable legal environment, which directly influences international credit ratings and long-term foreign direct investments.
- **International Dimension**
- In global constitutional law, the treatment of judicial independence serves as a key metric for evaluating a nation's adherence to the rule of law. While some presidential systems, like the United States, have historically debated or permitted post-office impeachments to prevent individuals from holding future public office, India's constitutional text provides no such disqualification mechanism. Deviating from established domestic conventions could negatively impact India's standing on global rule of law and democracy indices.

- **Linkages with NCERTs**
- **Class XI: Indian Constitution at Work**
- **Chapter 6 (Judiciary):** This chapter examines the independence of the judiciary, focuses on the security of tenure, and details the rigorous process required for the removal of judges. The current debate provides a practical case study for students trying to understand why the framers made the removal process so difficult and how these provisions protect judges from political pressure.
- **Chapter 5 (Legislature):** This section outlines the powers, privileges, and constitutional limits of Parliament. It explains the purpose behind Article 121, highlighting how the restriction on discussing judicial conduct helps maintain a healthy balance of power between the legislative and judicial branches.
- **Class VIII: Social and Political Life – III**
- **Unit 3 (The Judiciary):** This foundational text introduces the concept of the separation of powers and explains why an independent judiciary is essential for a fair legal system. The issue of post-resignation proceedings serves as an excellent real-world example to illustrate how these theoretical checks and balances work in practice to prevent any single branch of government from becoming too powerful.

- **Linkages with UPSC CSE Syllabus**
- **General Studies Paper II (Governance, Constitution, Polity)**
- **Structure, Organization, and Functioning of the Judiciary:** Directly touches upon judicial independence, security of tenure, and the constitutional checks on judges.
- **Separation of Powers between various organs:** Analyzes the potential friction between Parliament and the Judiciary when interpreting the scope of Articles 121 and 124(4).
- **Comparison of the Indian Constitutional Scheme with other countries:** Evaluates how India handles the end of legislative jurisdiction compared to systems like the United States.
- **General Studies Paper IV (Ethics, Integrity, and Aptitude)**
- **Public/Civil Service Values and Ethics in Public Administration:** Examines the balance between ensuring institutional accountability and upholding constitutional morality.
- **Probity in Governance:** Explores the appropriate legal paths for addressing corruption allegations against high-level public officials without compromising the dignity of constitutional offices.
- **Essay Paper**
- This topic fits well within broader essay themes, including:
    - *"Constitutional Morality vs. Majoritarian Will."*
    - *"Judicial Independence: The Bedrock of a Vibrant Democracy."*
    - *"The Separation of Powers: A Delicate Balance or a Constant Tug-of-War?"*
- **Optional Subjects**
- **Political Science and International Relations (PSIR) - Paper 1B:** Covers the Section on Indian Government and Politics, focusing on the Supreme Court, High Courts, and the evolution of judicial review.
- **Law Optional - Paper 1 (Constitutional Law):** Relevant to topics concerning the entry, tenure, and removal of judges of the higher judiciary, along with the boundaries of parliamentary privileges under Article 105.

- **Way Forward**
- **Establishing a Clear Precedent of Institutional Restraint**
- Parliament should follow established constitutional principles and avoid continuing removal proceedings against a judge who has already resigned. The Lok Sabha Speaker can formally table the inquiry committee's report purely to close out the official record, noting the judge's resignation as the reason for ending the proceedings. This ensures transparency for the committee's work without crossing into an impermissible debate on judicial conduct.
- **Consulting the Attorney General for Legal Guidance**
- Before taking any legislative action that could alter the interpretation of Article 121, the House should seek a formal constitutional opinion from the Attorney General for India. By inviting the Attorney General to clarify the legal boundaries regarding former judges, Parliament can ensure its steps align with the Supreme Court's ruling in the *Gopal Chandra Misra* case, helping to prevent unnecessary constitutional crises.
- **Strengthening the Judiciary's In-House Accountability Framework**
- To address allegations of judicial misconduct effectively before they escalate to a complex parliamentary removal process, the judiciary needs to strengthen its own internal accountability systems. The Supreme Court's existing "In-House Procedure" should be updated with clearer timelines and more transparent formal structures. This would allow the judiciary to address issues thoroughly from within, preserving public trust while maintaining its independence.
- **Clarifying the Path for Criminal Accountability**
- It is vital to reinforce the principle that leaving a constitutional office does not grant immunity from criminal prosecution. If an inquiry reveals evidence of corruption or criminal acts, federal investigative agencies should pursue the matter under ordinary criminal law, such as the Prevention of Corruption Act. This demonstrates that accountability is maintained through the proper legal channels, avoiding the need for symbolic legislative trials.

- **Previous Years' UPSC Questions**
- **UPSC CSE Prelims**
- **1. With reference to the Constitution of India, consider the following statements: (2019)**
- No discussion shall take place in Parliament with respect to the conduct of any Judge of the Supreme Court or of a High Court in the discharge of his duties except upon a motion for presenting an address to the President praying for the removal of the Judge.
- The courts have no jurisdiction to inquire into the validity of any proceedings in Parliament on the ground of any alleged irregularity of procedure. *Which of the statements given above is/are correct?* (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2
- **Answer: (c)**
- **2. Consider the following statements: (2019)**
- The Motion to impeach a Judge of the Supreme Court of India cannot be rejected by the Speaker of the Lok Sabha as per the Judges (Inquiry) Act, 1968.
- The Constitution of India defines and gives details of what constitutes 'incapacity and proved misbehaviour' of the Judges of the Supreme Court of India.
- The details of the process of impeachment of the Judges of the Supreme Court of India are given in standard Rules of Procedure of both Houses.
- If the motion for the removal of a judge is signed by the requisite number of members, the address for removal must be passed by each House of Parliament by a majority of the total membership of that House and by a majority of not less than two-thirds of total members of that House present and voting. *Which of the statements given above is/are correct?* (a) 1 and 2
- (b) 3 only
- (c) 4 only
- (d) 1, 3 and 4
- **Answer: (c)**
- **UPSC CSE Mains**
- **"Judicial Independence is not an exemption from accountability; rather, it is a precondition for it."** In light of this statement, evaluate the efficacy of the constitutional and statutory provisions governing the removal of judges of the higher judiciary in India. *(15 Marks, 250 Words)*
- **Analyze the doctrine of Separation of Powers as it operates under the Indian Constitution.** Discuss how the friction between the Legislature and the Judiciary over their respective jurisdictions affects the health of constitutional democracy in India. *(15 Marks, 250 Words)*
- **The system of checks and balances prevents any single organ of the State from becoming absolute.** Examine the validity of this statement with respect to Parliament's power to investigate and remove judges of the High Courts and Supreme Court. *(10 Marks, 150 Words)*

A trade deal that tests India's competitive confidence

V. Anantha Nageswaran

The 18th Chief Economic Adviser to the Government of India

A trade agreement is usually sold on its potential for export facilitation. Its deeper worth often lies in what it obliges the country to import. The Comprehensive Economic and Trade Agreement between India and the United Kingdom, which came into force earlier this month, is a good agreement on the first count. It may prove an even better one on the second.

The first fruits lie here

Start with exports, because that is where the immediate gains lie and where they matter most. Effective July 15, nearly all of India's exports – about 99% by value – will enter the U.K. free of duty. The tariffs that fall to zero are not on the goods that fill headlines but on the goods that matter to India's workers: textiles and garments, leather and footwear, marine products, processed food, engineering items, and auto components. These are labour-intensive sectors. They employ precisely the workers India most needs to draw into productive, formal jobs. A garment unit in Tiruppur, Tamil Nadu, or a footwear cluster in Agra, Uttar Pradesh, competes on thin margins; a duty of 12% or 16% at the British border is often the difference between winning an order and losing it.

Hitherto, India has carried a handicap in this aspect. Bangladesh, Pakistan and Cambodia already shipped their garments into Britain duty-free while India's exports paid the tax. That gap is now closed. This is the part of the agreement that deserves to be recognised, because it bears directly on employment. Trade policy is, in the end, about jobs.

A gain of a different character deserves mention. India is the world's largest supplier of generic medicines, and Britain buys close to $30 billion of pharmaceuticals a year. Removing the duty lets Indian generics compete on price. This is not a labour story but a scale one – a mature Indian industry meeting one of its largest markets on equal terms.

Another aspect of the agreement too deserves special mention. It settles an old unfairness. An Indian professional posted to Britain for a few years has had to pay into the British social security system money he would almost never see again, while still contributing at home. The Double Contribution Convention that takes effect alongside the trade pact now exempts such workers, and their employers, from that double payment for up to five years. More than 75,000 workers and some 900 companies stand to save on the order of $600 million a year. It is money returned to Indians who go abroad to work, and the removal of a real grievance that had long irritated an otherwise warm relationship.

Opening markets, raising standards

Now to the imports – and to the part of the agreement that will make some people uncomfortable. India has agreed to bring its duty on cars built in Britain down from about 110% towards 10%, and to lower the tax on Scotch whisky from 150% towards 40% over a decade. The cuts are phased across years, capped by quotas, and drafted so that India's own passenger vehicle industry has the time to enhance its competitiveness. They are, in short, cautious. But they point in the right direction, and the direction is the point.

This is a good place to record what protection does when it is never-ending. It does not build strong industries; it preserves weak ones. An industry that is never made to face a better product never has to make one. India's own record proves this in both directions. Where its carmakers have had to compete – in small and mid-sized vehicles, at home and abroad – they have become genuinely good. Where they have sheltered behind very high walls, they have had little reason to improve. Letting a limited number of British cars in at a lower duty will not overwhelm anyone. It will do something more useful. It will remind India's producers that the customer, not the tariff schedule, is the person they must satisfy. Exposure to competition is not a concession to a trading partner. It is a favour we Indians do ourselves. A domestic industry pushed to raise its game confers significant economic benefits over time.

Use the open door

In the end, trade agreements are living arrangements, not monuments. Signing an agreement and making it work are two different tasks, and the second is the harder and longer one. The gains promised today will become real only if India's exporters are ready, its procedures are clean, and its enterprises are informed and educated of the opportunities that trade agreements create. There is considerable scope for improvement in the utilisation rate of free trade agreements in India. The government and premier industry bodies must actively and continuously engage with small industry and enterprise associations.

India and Britain now intend to double their trade, from about $56 billion, by the end of the decade. Whether they get there will depend less on the text signed last year than on the confidence with which India uses it. That, in the end, is what an agreement like this asks of a nation: to compete. Thiruvalluvar said it more economically than any government could. Those who strive without slackening, he wrote, will see even destiny retreat before them. An open door puts that conviction to the test. India should be glad of the test.

Trade agreements reward nations ready to compete

The views expressed are personal

- **Key Terms and Explanations**
- **Comprehensive Economic and Trade Agreement (CETA) / Free Trade Agreement (FTA)**
- An expansive pact between nations that reduces or eliminates tariffs, import quotas, and non-tariff barriers on goods, services, and investments. Unlike basic trade agreements, a comprehensive agreement goes beyond simple customs duties to address intellectual property, labor movement, and regulatory alignment.
- **Example:** A textile manufacturer in Tamil Nadu can ship garments to London without paying the standard entry tax, making Indian products instantly competitive with local or third-country alternatives.
- **Tariff and Customs Duty**
- A tax or duty imposed by a government on imported goods from other countries. Tariffs are traditionally used to generate revenue and protect domestic industries from foreign competition.
- **Example:** A $100 bottle of Scotch whisky entering a country with a 150% tariff sees its base import price inflate to $250 before any retail markups or domestic taxes are applied.
- **Double Contribution Convention (DCC)**
- A bilateral social security agreement designed to protect the financial interests of cross-border workers. It prevents professionals on short-term foreign assignments from being forced to contribute to the social security systems of both their home and host countries simultaneously.
- **Example:** An Indian software engineer posted to the United Kingdom for three years continues to contribute to India’s Employees' Provident Fund (EPF) while being exempted from the British National Insurance system, saving thousands of dollars in non-refundable foreign deductions.
- **Labour-Intensive Sectors**
- Industries where the ratio of labor to capital is high. These sectors require a large amount of human effort relative to the financial investment in machinery. They serve as critical instruments for mass employment generation in developing economies.
- **Example:** Industries like garment manufacturing, leather tanning, footwear production, and agro-processing, where human skill and assembly lines cannot easily be entirely replaced by automation.
- **Protectionism vs. Liberalization**
- **Protectionism:** An economic policy of restricting imports from other countries through methods such as tariffs on imported goods, import quotas, and a variety of other government regulations. The goal is to shield domestic producers from foreign competition.
- **Liberalization:** The relaxation of government restrictions on economic growth and trade, allowing free market forces and international competition to drive efficiency, price discovery, and consumer choice.
- **FTA Utilization Rate**
- The metric that measures the actual extent to which exporters utilize the tariff concessions available under a free trade agreement. A low utilization rate indicates that despite legal provisions for zero duty, exporters are failing to claim benefits due to bureaucratic hurdles, lack of awareness, or complex Rules of Origin.

- **Main Arguments and Substantive Parts**
- The economic architecture of a high-value bilateral trade pact operates on two distinct yet complementary vectors: immediate export advantages and long-term domestic structural reforms driven by import exposure.
- **The Immediate Export Catalyst and Job Creation**
- The immediate dividends of an agreement lie in its capacity to expand market access for labor-intensive products. By removing duties on nearly all exports by value, the agreement directly addresses structural unemployment and formalization of the workforce.
- **Levelling the Competitive Playing Field:** For years, Indian exporters faced a structural disadvantage in Western markets against regional competitors like Bangladesh, Pakistan, and Cambodia, which enjoyed duty-free access via various preferential schemes. Removing a 12% to 16% tariff barrier levels this terrain.
- **Empowering Manufacturing Hubs:** Micro-clusters such as the garment units in Tiruppur or the footwear ecosystems in Agra operate on ultra-thin profit margins. Eliminating border taxes translates into immediate order acquisition and sustained employment for low- and semi-skilled laborers.
- **Scaling Up Mature Industries:** For high-volume sectors like generic pharmaceuticals, removing duties transforms price competitiveness into massive market scale, positioning Indian manufacturers to capture large shares of foreign public healthcare procurement budgets.
- **Resolving the Diaspora Diaspora Grievance**
- Beyond merchandise trade, structural services cooperation requires addresses long-standing labor anomalies. The inclusion of mechanisms like the Double Contribution Convention remedies historical inequities.
- **Financial Redundancy Fixed:** For decades, Indian professionals on short-term international stints paid into foreign social security networks without ever qualifying for the benefits due to short residency tenures.
- **Capital Retention:** Exempting these workers for up to five years functions as a direct capital injection back into the hands of professionals and corporations, removing an institutional irritant in bilateral relations.
- **The Strategic Value of Open Imports**
- The deeper value of an advanced trade agreement rests on what it obliges a country to import. The phased reduction of steep tariffs on premium foreign commodities (such as automobiles and spirits) introduces constructive domestic pressure.
- **The Perils of Infinite Protectionism:** Keeping tariff walls indefinitely high (e.g., 110% on automobiles or 150% on spirits) does not foster globally competitive domestic champions; instead, it tends to insulate inefficient monopolies.
- **Competition as a Policy Tool:** Exposing domestic industries to well-calibrated, phased external competition forces internal innovation. The historical trajectory of small and mid-sized passenger vehicles shows that when local industries are pushed to compete, they develop the resilience needed to succeed both domestically and internationally.

- **Historical Evolution of the Issue**
- The tension between protectionist insulated development and outward-looking trade liberalization has defined India's economic history for over a century.
- **The Pre-Independence Era: Asymmetric Colonial Integration**
- During the colonial era, trade policy was designed to serve imperial interests rather than domestic development. India functioned primarily as an exporter of raw materials (cotton, silk, indigo) and a captive importer of finished British manufactured goods. Mechanisms like the "Imperial Preference" system ensured that British goods entered Indian markets under lower tariffs than those from the rest of the world, stifling the growth of early indigenous modern industries.
- **Post-Independence to 1991: The Era of Insulated Protectionism**
- Shaped by colonial skepticism and the desire for self-reliance, post-independence policy embraced the **Import Substitution Industrialization (ISI)** model.
- **High Tariff Walls:** The state erected massive tariff and non-tariff barriers to protect infant domestic industries from foreign shocks.
- **The License Raj:** Quantitative restrictions, import licensing, and strict foreign exchange controls became standard. While this built a diverse industrial base, it isolated the domestic market, leading to a lack of technological modernization, poor product quality, and a systemic bias against exports.
- **1991 to the 2010s: Liberalization and Multilateralism**
- The Balance of Payments crisis of 1991 forced a paradigm shift. India initiated the Liberalization, Privatization, and Globalization (LPG) reforms, systematically slashing peak customs duties.
- **The Shift to Regionalism:** India moved toward regional economic integration, signing Free Trade Agreements with ASEAN, Japan, South Korea, and Sri Lanka during the 2000s.
- **The Skepticism Phase:** Many of these early FTAs led to widening trade deficits, as domestic manufacturing structural bottlenecks prevented India from fully capitalizing on export windows. This created a cautious approach toward massive multilateral trade blocs, culminating in India's withdrawal from the Regional Comprehensive Economic Partnership (RCEP).
- **The Present Era: Strategic, High-Value Bilateralism**
- Today, India pursues a new generation of deep, reciprocal bilateral trade agreements with major developed economies (such as the UAE, Australia, and the UK). This strategy focuses on securing direct market access for labor-intensive sectors, resolving long-standing service-sector friction points, and using calibrated import competition to integrate domestic manufacturing into resilient global value chains.

AXIA IAS ACADEMY

RISE ABOVE THE REST

COMPREHENSIVE ANALYSIS: INDIA-UK COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT (CETA) FOR UPSC CSE

PILLAR 1: IMMEDIATE EXPORT GAINS (FACILITATION & JOB CREATION)

- Nearly all exports (99% by value) enter UK duty-free (effective July 15)

INDIA EXPORTS

- Nearly all exports (99% by value) enter UK duty-free (effective July 15)
- **Key sectors:** Textiles, Garments, Leather, Footwear, Processed Food, Auto Components
- **Benefit:** Leveling the playing field against regional competitors with lower marginal costs
- Closing duty gap (e.g., vs Bangladesh, Pakistan)
- Trade policy as a job creation tool.

OTHER KEY PROVISIONS & BENEFITS

PHARMACEUTICALS (SCALE)

Market value of ~$30bn annually

DOUBLE CONTRIBUTION CONVENTION (DCC)

- Exempts cross-border workers for up to 5 years
- Saves **~$600 Million/year** for ~75,000 workers
- Resolves an old grievance and grievance for short-term professionals

PILLAR 2: STRATEGIC IMPORTS: BOOSTING COMPETITIVENESS

- **Phased and capped duty reductions** (over 10 years)
- **Examples:**
  - **UK Cars** (limited numbers, duties e.g., ~110% towards 10%)
  - **Scotch Whisky** (duties ~150% towards 40%)
- **Competition logic:** Not an overwhelm, but a call to satisfy customers, not tariffs
- **Protectionism vs. Liberalization:** Protection preserves weakness, competition builds strength

Competition → Innovation Customer Satisfaction → Global Success

Examples: 'Mid-Sized Cars (Strong)' vs. High-sheltered luxury cars (Weak)'

MULTIDIMENSIONAL UPSC FRAMEWORK

SOCIAL	ECONOMIC	POLITICAL/ STRATEGIC	LEGAL	ETHICAL
Employment generation, labor MSMEs, tier-2 cities	Value chain integration, MSME scaling, corrected duty structures	Post-Brexit realignment, de-risking supply chains, economic diplomacy	Setting IPR, labor, mobility precedents, Rules of Origin	Fair, reciprocal trade; balancing producer vs consumer

UPSC KEY TERMS & SYLLABUS

- COMPARATIVE ADVANTAGE
- FTA vs CETA
- MSME UTILIZATION

Direct mappings:
GS Paper II (Bilateral Agreements, Diaspora)
GS Paper III (Liberalization, Industrial Policy)

WAY FORWARD: MAXIMIZING UTILIZATION

ACTIVE MSME ENGAGEMENT → TRADE FAIRS & AWARENESS → CAPACITY BUILDING → QUALITY HARMONIZATION → TEST OF CONFIDENCE: India should compete. Thiruvalluvar concept: Strive without Slackening. → DOUBLING TRADE BY 2030 (TARGET: ~$112 BN)

- **Logical and Philosophical Base**
- **The Principle of Comparative Advantage**
- The core logic of modern trade pacts relies on David Ricardo’s **Theory of Comparative Advantage**. Nations maximize their economic well-being when they produce goods where their opportunity cost is lowest, trading for items that other countries produce more efficiently. India leverages its abundant labor capital (textiles, pharmaceuticals), while the UK leverages its high-value specialty manufacturing (automobiles) and premium agro-commodities.
- **Producer Welfare vs. Consumer Sovereignty**
- A key philosophical tension in trade policy involves balancing producer protection with consumer choice.
- High tariffs protect domestic manufacturers from losing market share, but they penalize the domestic consumer, who must accept higher prices and lower quality.
- Lowering tariffs shifts the focus to consumer sovereignty. It recognizes that true economic strength comes from satisfying the customer rather than preserving defensive tariff schedules.
- **The Dynamics of Infant Industry vs. Mature Competition**
- The "Infant Industry Argument" suggests that new domestic sectors need temporary protection to develop capacity. However, the logical extension of this principle warns against permanent protection. Protectionism without an expiration date creates rent-seeking behavior and industrial stagnation. The philosophical foundation of recent trade policy is that exposure to competition is an act of long-term self-improvement rather than a concession to external partners.
- **The Ethical Value of Effort and Openness**
- The philosophical framework aligns closely with Classical Indian thought, notably expressed by the ancient poet-philosopher Thiruvalluvar. The core idea is that sustained, unyielding effort (*Parakramam*) allows an economy to overcome structural destinies. An open door serves as a practical test of national capability, asserting that competitive resilience, rather than isolationism, drives true economic self-reliance (*Atmanirbharata*).

- **Multidimensional Analysis**
- **Social Dimension**
- **Formalization of Labor:** Giving zero-duty access to labor-intensive sectors like textiles and leather helps draw millions of workers out of informal, precarious employment into formal jobs with stable wages and better safety standards.
- **Regional Cluster Development:** Target benefits flow directly into tier-2 and tier-3 manufacturing clusters, reducing distressed rural-to-urban migration by creating localized industrial employment.
- **Diaspora Welfare:** Resolving the double social security contribution problem safeguards the disposable income of Indian white-collar professionals abroad, strengthening social ties with the global diaspora.
- **Economic Dimension**
- **Value Chain Integration:** Calibrated duty reductions on auto components and engineering items allow Indian manufacturers to integrate more deeply into global supply chains.
- **Correcting Inverted Duty Structures:** Lowering input costs helps dismantle older, inverted tariff structures that penalized domestic manufacturing by taxing raw materials more heavily than finished goods.
- **Boosting MSME Competitiveness:** Small-scale exporters gain an immediate pricing advantage in major Western markets, helping them scale operations up to international standards.
- **Political and Strategic Dimension**
- **Post-Brexit Realignment:** For the UK, this agreement secures vital access to one of the world's fastest-growing consumer markets. For India, it cements a strategic economic partnership independent of large multilateral trade blocs.
- **Economic Diplomacy:** Using deep bilateral pacts allows India to counter regional economic dominance and build resilient supply chains with trusted democratic partners.
- **Legal and Regulatory Dimension**
- **Setting Global Precedents:** The inclusion of distinct frameworks like the Double Contribution Convention offers a template for upcoming trade negotiations with the EU and the US.
- **Intellectual Property and Rules of Origin:** The agreement establishes strict legal mechanisms to prevent third-party countries from routing cheap goods through partner nations without genuine value addition.
- **Ethical Dimension**
- **Fairness in Trade Policy:** Moving away from high tariffs helps balance state-sanctioned protection for domestic monopolies against the right of consumers to access quality global goods at fair prices.
- **Reciprocity vs. Exploitation:** Transitioning to balanced, reciprocal trade agreements moves the relationship past colonial-era patterns, placing both nations on equal economic footing.

- **Linkages with NCERTs**
- **Class XI: Indian Economic Development**
- **Chapter 3: Liberalisation, Privatisation and Globalisation - An Appraisal:** This chapter details India's pre-1991 protectionist strategy, the structural crisis that followed, and the subsequent shift toward an open economy. The current move away from high tariffs on luxury imports like cars and spirits directly reflects the ongoing evolution of the liberalization policies introduced in 1991.
- **Class XII: Fundamentals of Human Geography**
- **Chapter 9: International Trade:** This chapter examines the foundations of international trade, the role of the World Trade Organization (WTO), and the shifting dynamics of regional trade blocs. It provides the necessary context for analyzing why nations choose bilateral agreements over gridlocked multilateral negotiations.
- **Class XII: Contemporary World Politics**
- **Chapter 6: Globalisation:** This chapter explores the economic, political, and cultural dimensions of global integration. It highlights the tension between maintaining state sovereignty and participating in free market systems, providing a solid backdrop for understanding how opening domestic markets affects local industries.

- **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:** Direct application to studying new-generation free trade agreements, geopolitical realignments, and trade negotiations with Western partners.
- **Effect of policies and politics of developed and developing countries on India's interests, Indian diaspora:** Highly relevant for analyzing the Double Contribution Convention and its direct economic benefits for non-resident Indian professionals.
- **GS Paper III: Technology, Economic Development, Bio-diversity, Environment, Security and Disaster Management**
- **Effects of liberalization on the economy, changes in industrial policy and their effects on industrial growth:** Direct linkage to analyzing how phased tariff reductions affect domestic industries like automotive manufacturing and spirits.
- **Employment and Growth:** Focuses on the role of labor-intensive export manufacturing (textiles, leather) in generating formal employment and driving inclusive gross domestic product growth.
- **Essay Paper**
- **Themes on Economic Architecture and Self-Reliance:** Highly useful for essays exploring the balance between protectionism and open competition, the evolution of globalization, and strategies for achieving genuine economic resilience.
- **Optional Subjects**
- **Economics:** Directly relates to International Trade theories, Balance of Payments adjustments, and the impact of tariff reductions on welfare economics.
- **Political Science & International Relations (PSIR):** Relevant for topics dealing with the Global Political Economy, transnational economic diplomacy, and the changing dynamics of India's foreign policy.

- **Way Forward**
- **Enhancing FTA Utilization Rates**
- The government and major industry associations (like FICCI, CII, and ASSOCHAM) should establish dedicated **FTA Utilization Desks** in prominent industrial clusters. These units can train small and medium enterprises on how to navigate Rules of Origin documentation, helping them successfully claim zero-duty benefits.
- **Investing in Trade Infrastructure and Reducing Logistics Costs**
- To fully capitalize on tariff reductions, India must address its domestic logistics challenges. Improving port infrastructure, simplifying customs clearance with automated digital checks, and expanding dedicated freight corridors will help ensure that local exporters are not held back by high internal transport costs.
- **Upgrading Technology and Quality Standards**
- As tariff protections gradually phase out over the next ten years, domestic industries must actively modernize. The state can support this transition with targeted technology up-gradation funds, encouraging sectors like automotive and component manufacturing to align their quality metrics with global benchmarks.
- **Strengthening Sanitary and Phytosanitary (SPS) Harmonization**
- For high-potential sectors like marine products and processed foods, the main hurdles are often non-tariff barriers rather than duties. Setting up state-of-the-art testing laboratories and aligning domestic food safety standards with international requirements will help prevent Indian agricultural and marine exports from facing arbitrary rejections at foreign borders.

- **UPSC CSE Prelims Conceptual Focus Areas**
- **1. Which of the following best describes the term 'Rules of Origin' frequently seen in the context of international trade agreements?**
- A) The criteria used to define where a product was made, ensuring tariff benefits are restricted to signatory nations. B) The historical geographical location where a particular crop or commodity was first cultivated. C) The legal framework governing the migration of skilled labor between developed and developing economies. D) The maritime routes designated for the secure transport of containerized cargo during global emergencies.
- **Answer: A** (*Explanation: Rules of Origin are critical in FTAs to prevent non-member nations from transshipping goods through an FTA partner to evade tariffs.*)
- **2. In international economics, a persistent 'Inverted Duty Structure' refers to a situation where:**
- A) Finished goods are taxed at a lower rate than the raw materials or intermediate inputs required to manufacture them. B) Export duties are systematically kept higher than import duties to prevent domestic shortages. C) Services are heavily taxed while merchandise trade is completely exempted from border regulations. D) Developing nations impose higher tariffs on luxury goods compared to essential agricultural commodities.
- **Answer: A** (*Explanation: An inverted duty structure discourages domestic manufacturing because it makes local production costlier than directly importing the finished product.*)
- **UPSC CSE Mains**
- **2023 (GS Paper II):** "The decisions of India to stay out of the Regional Comprehensive Economic Partnership (RCEP) has wide strategic and economic implications. Critically analyze the statement in light of India's current focus on bilateral Free Trade Agreements."
- **2020 (GS Paper III):** "Account for the failure of manufacturing sector in achieving the goal of labor-intensive export-led growth in India. Suggest measures to rectify the structural bottlenecks."
- **2017 (GS Paper II):** "What are the key irritants in the bilateral trade relations between India and developed Western economies? Discuss how new-generation trade agreements can resolve issues related to labor mobility and intellectual property rights."
- **2018 (GS Paper III):** "Impact of globalization on Indian economy has been asymmetrical across different sectors. Examine how exposure to foreign competition has transformed the domestic passenger vehicle industry over the last three decades."

India now has the funds, the talent and the opening for a research leap

SHIVKUMAR KALYANARAMAN AND V ANANTHA NAGESWARAN

FOR THREE months this spring, the most consequential number in the Indian economy was the distance between a tanker and the Strait of Hormuz. When the strait closed in March, a country that imports the overwhelming share of the oil it uses found its lifeline pinched at a single point and re-routed at a cost to longer voyages for Russian crude. The lesson was salutary, but incomplete. In the end, oil can be rerouted. A nation that is aspiring to be self-reliant in critical technologies enjoys no such latitude.

The deeper lesson is not that supply chains are fragile, but that they have become instruments of policy — an export licence a lever, a chokepoint a weapon, a technology freely traded one year, an object of denial the next. China spends 2.43 per cent of its output on research and development, three-quarters of it financed by its own companies, with one ambition: To end its dependence on technologies others control and deepen the world's dependence on those it controls.

India knows where it stands, because it has taken its own measure without flinching. As of 2023, it spends 0.64 per cent of GDP on research and development — against a global average more than twice that — and barely two-fifths of even that is financed by private enterprise, whereas in China, Korea and America the share is three-quarters or more. However, the state has, for the first time, put real weight behind the proposition.

The Anusandhan National Research Foundation, notified in 2024 — a statutory body chaired by the Prime Minister, convening academia, industry, start-ups, philanthropy and the diaspora — exists to change the arithmetic of risk. Its Research, Development and Innovation Fund commits Rs 1 lakh crore over six years to the private sector alone, a fund of funds supplying patient capital built to outlast the quarterly cycle; its ANRF Core adds Rs 50,000 crore over five years for underlying science. The design is catalytic: For every rupee companies invest in pre-commercial research in partnership with the foundation, they are likely to commit five to 10 of their own to commercialise and scale up these research outputs. All-of-government and all-of-society collaboration is a means to higher productivity and impact for all parties. And it goes beyond the cheque, aligning government procurement and regulation with the landscape it is building.

A firm may enter as a limited partner alongside the foundation's anchor capital in a second-level fund manager; participate directly as an eligible technology entity; or do so through a joint venture with start-ups and the global capability centres (GCCs) already here. On the science side, it may partner on a national mission, set a pre-competitive challenge for the foundation to co-fund, route its corporate social responsibility (CSR) through the ANRF Innovation Fund, or share the cost of a single project before committing further. So many doors exist for one reason: The threshold should never be what keeps a willing firm outside.

But the argument must move on from what is offered to what is required, for a catalyst is not a substitute, or a crutch. The foundation can lower the risk of the climb; it cannot make it. Three acts remain the industry's own. The first is to mobilise one's own capital behind the public catalyst. The second is to choose, with strategic seriousness, the arenas that matter — the technologies in which dependence is most dangerous and capability most valuable — over the incremental gains a captive market rewards. The third, least glamorous and most important, is institutional: To build inside the firm the machinery long-horizon goals demand — dedicated research units, corporate venture arms, planning functions insulated from the tyranny of the next quarter. India can be the world's research and development partner. All of us have to build it together: The foundation's logic is partnership with academia and deep-technology start-ups that outpace incumbents. Building it yields a dividend, no income statement records: Employment, for the doctoral talent India trains at cost and too readily watches depart, with the world-class research culture and context.

Indian industry can rise to such a challenge and history provides the evidence. When India accepted the World Trade Organisation's intellectual property regime in the mid-1990s, agreeing to honour product patents in pharmaceuticals, the expectation was that the domestic drug industry, built on reverse-engineering molecules others had discovered, would be overrun by the very multinationals whose patents it had worked around. That is not what happened. Indian firms chose to build rather than retreat: They mastered process chemistry and the world's strictest regulatory requirements, and made themselves the pharmacy for much of the world. The inflection now before Indian enterprise is broader; its logic is identical.

The climb, moreover, can be swifter than it was for those who went before. India faces the task with the pieces in place at once — a demographic dividend available now, not forever; unmatched digital public infrastructure; funds and architecture now in place; and a global moment that rewards any economy offering an alternative to a single dominant supplier. These are the conditions under which a country does not merely catch up but leaps — from the consumer of intellectual property it has too long been, to the generator its aspirations demand. But the window is the one thing the state cannot hold open alone. Hormuz showed what it costs to depend on others for what one needs; the technological independence that will enhance resilience and, eventually, build indispensability can be achieved only by building capabilities from the ground up. The state has walked the first stretch of that road; the laboratories are ready; the capital is available, and industry's commitment will complete the compact.

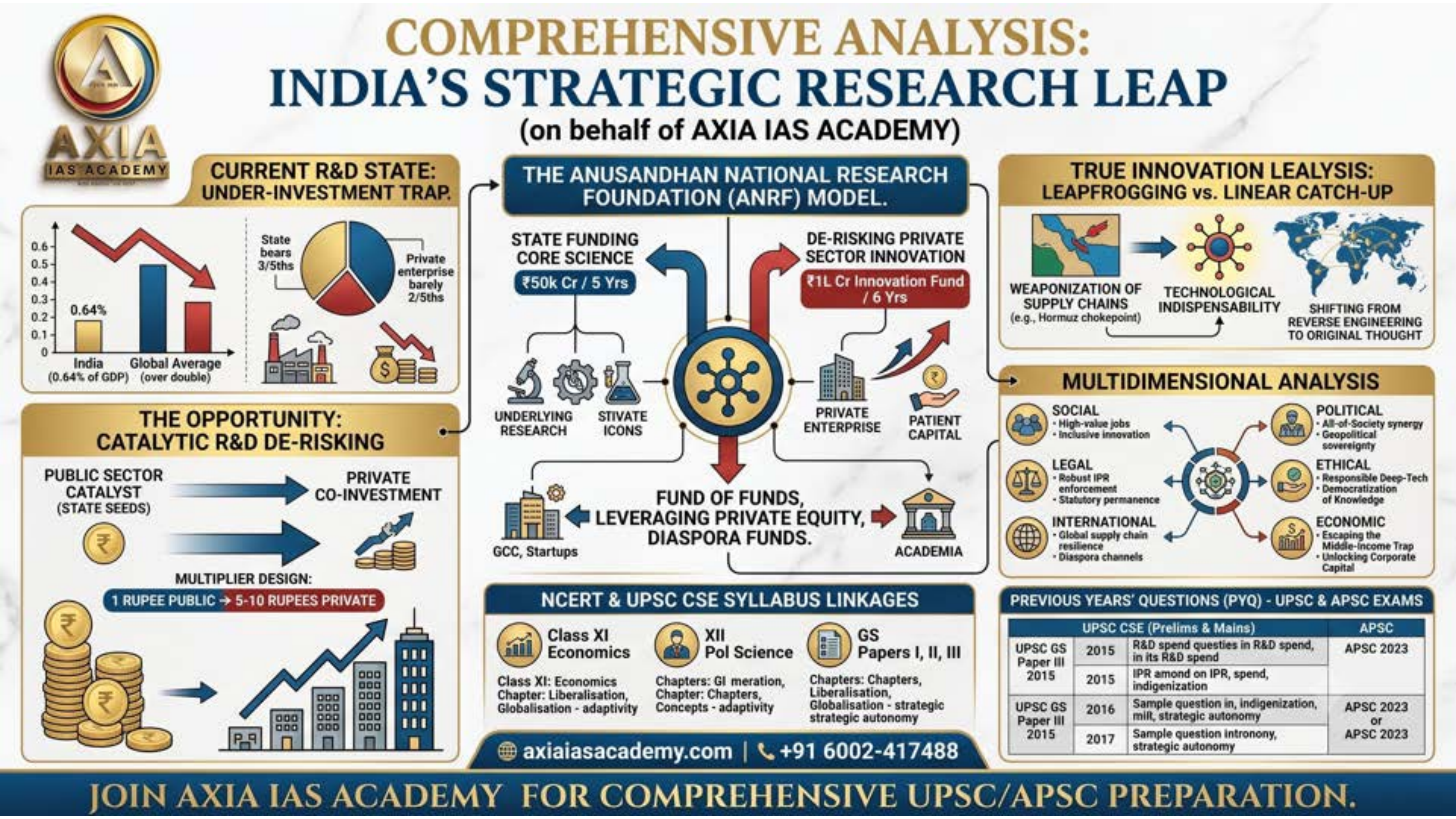
All of us have to build it together: The foundation's logic is partnership with academia and deep-technology start-ups that outpace incumbents

The writers are respectively the CEO of the Anusandhan National Research Foundation and the Chief Economic Advisor to the Government of India. Views are personal

- **Key Terms and Explanations**
- **Anusandhan National Research Foundation (ANRF):** A statutory body established to seed, grow, and facilitate research, innovation, and development across India's universities, colleges, research institutions, and R&D laboratories. It acts as an apex body providing strategic direction for scientific research, chaired by the Prime Minister. By bridging academia, industry, and state bodies, it aims to democratize the research ecosystem.
- **Patient Capital:** This refers to long-term capital where the investor is willing to make a financial investment without expecting quick, short-term returns. In deep-tech and basic sciences, breakthroughs can take a decade or more. Patient capital allows scientists and entrepreneurs the breathing room to fail, iterate, and eventually commercialize highly complex technologies without the constant pressure of quarterly earnings.
- **Technology Chokepoint and Weaponization of Supply Chains:** This concept describes a geopolitical reality where a country or entity gains exclusive control over a critical technology, component, or supply route, using that dominance as leverage over others. Just as a physical maritime chokepoint like the Strait of Hormuz can paralyze global oil transit, a technology chokepoint—such as exclusive control over advanced semiconductor lithography or critical mineral processing—can be used to deny rivals economic growth or sovereign independence.
- **Process Chemistry vs. Product Patents:** Under a *process patent* regime, the specific method of manufacturing a substance is protected, but the end product itself is not. This allowed Indian pharmaceutical companies in the late 20th century to find alternative, highly efficient chemical pathways to recreate existing drugs. Under a *product patent* regime, the final substance itself is protected regardless of how it is made, requiring genuine innovation and the creation of entirely new molecular entities to secure legal protection.
- **Fund of Funds:** An investment strategy where a fund invests in other downstream venture capital or private equity funds rather than investing directly in startups or projects. In the context of national research funding, a fund of funds diversifies risk, leverages institutional expertise, and scales up the total pool of available capital by attracting private co-investments into high-risk technological domains.

- **Main Arguments and Substantive Parts**
- The core thesis of this paradigm centers on an urgent macroeconomic and strategic reality: India stands at a critical juncture where it must rapidly transition from a mere consumer of foreign intellectual property to a primary generator of global technology.
- **The Investment Deficit and Structural Imbalance**
- A defining challenge of the domestic innovation ecosystem is the stark under-investment in research and development. India's total R&D expenditure hovers at a modest 0.64% of its Gross Domestic Product (GDP), which falls significantly short of the global average that stands at more than double this rate.
- More concerning than the total volume is the structural composition of this funding. In advanced economies like China, South Korea, and the United States, private enterprise steps up to shoulder three-quarters or more of the national R&D expenditure. In India, the dynamic is completely inverted: the state bears the heavy lifting, while private corporate enterprise contributes barely two-fifths of the total investment.
- **The Catalytic De-risking Model**
- To correct this structural flaw, the state has introduced a multi-layered financial architecture through the ANRF designed to dramatically alter the arithmetic of risk for the private sector.
- **The Innovation Fund:** Commits ₹1 lakh crore over six years specifically to the private sector. Operating as patient capital, it aims to shelter long-horizon research from short-term market volatility.
- **The Core Science Fund:** Allocates ₹50,000 crore over five years dedicated entirely to underlying, fundamental scientific discovery, which serves as the bedrock for future commercial applications.
- **The Multiplier Design:** The financial framework functions as a public catalyst. For every single rupee a private firm co-invests with the foundation in pre-commercial research, the corporate partner is expected to commit five to ten rupees of their own resources to commercialize and scale up the resulting technology.
- **The Corporate Imperative**
- The success of this transition cannot rely on public financing alone; it demands a fundamental shift in the behavior of domestic industries. Corporate entities must move beyond risk-aversion and execute three clear actions:
- **Capital Mobilization:** Firms must back public funding with substantial amounts of their own capital, viewing R&D as a core growth driver rather than a discretionary expense.
- **Strategic Selection:** Industries must target high-value, deep-tech sectors where foreign dependency poses the greatest threat to national resilience and economic security.
- **Institutional Building:** Companies must establish dedicated, long-horizon internal research units and corporate venture arms that are insulated from the immediate pressures of the next financial quarter.

- **Historical Evolution of the Issue**
- **Pre-Independence to Early Post-Independence (1940s–1960s)**
- Following independence, India faced severe resource constraints and an absent industrial R&D base. Under the vision of a state-led economy, the government focused on creating foundational institutions. This era saw the birth of the Council of Scientific and Industrial Research (CSIR) network, the Department of Atomic Energy (DAE), and the first Indian Institutes of Technology (IITs). The focus was primarily on basic sciences, import substitution, and achieving self-reliance in strategic public sectors, with minimal participation from a nascent private sector.
- **The 1970 Patent Act Paradigm**
- A structural turning point occurred with the passage of the Patents Act of 1970. The law consciously opted out of granting product patents in vital sectors like pharmaceuticals and agriculture, recognizing only *process patents*. This allowed domestic companies to reverse-engineer complex molecules discovered globally by finding new, cost-effective manufacturing processes. It successfully fostered a robust, highly competitive domestic generic drug industry, transforming the country into a low-cost manufacturing hub, though it did not incentivize original molecular discovery.
- **The Mid-1990s WTO-TRIPS Inflection**
- When India signed the World Trade Organization's (WTO) TRIPS agreement in the mid-1990s, it agreed to phase in a strict product patent regime by 2005. At the time, widespread anxiety gripped the domestic industry; critics predicted that multinational corporations would overrun local firms who could no longer rely on reverse engineering.
- Instead, domestic enterprises adapted with remarkable resilience. They mastered international regulatory compliance, upgraded their process chemistry, and scaled up operations to become the "pharmacy of the world." This historical precedent proves that local industry can rise to meet stringent global intellectual property challenges when pushed by structural necessity.
- **The Modern Institutional Era (2024–Present)**
- While the post-2000s witnessed an explosion in service-sector software exports and digital startup ecosystems, deep-tech hardware and core scientific research remained underfunded. Recognizing that digital public infrastructure and a young demographic window cannot be leveraged fully without deep-tech capabilities, the state passed legislative frameworks to notify the Anusandhan National Research Foundation in 2024. This marks a clear policy shift from purely state-funded isolated research labs to an integrated, all-of-society public-private partnership model.


COMPREHENSIVE ANALYSIS:
INDIA'S STRATEGIC RESEARCH LEAP
(on behalf of AXIA IAS ACADEMY)
AXIA
IAS ACADEMY
CURRENT R&D STATE:
UNDER-INVESTMENT TRAP.
0.6
0.5
0.4
0.3
0.2
0.1
0
0.64%
India
(0.64% of GDP)
Global Average
(over double)
State bears 3/5ths
Private enterprise barely 2/5ths
THE OPPORTUNITY:
CATALYTIC R&D DE-RISKING
PUBLIC SECTOR CATALYST
(STATE SEEDS)
PRIVATE CO-INVESTMENT
MULTIPLIER DESIGN:
1 RUPEE PUBLIC → 5-10 RUPEES PRIVATE
THE ANUSANDHAN NATIONAL RESEARCH FOUNDATION (ANRF) MODEL.
STATE FUNDING CORE SCIENCE
₹50k Cr / 5 Yrs
UNDERLYING RESEARCH
STIVATE ICONS
DE-RISKING PRIVATE SECTOR INNOVATION
₹1L Cr Innovation Fund / 6 Yrs
PRIVATE ENTERPRISE
PATIENT CAPITAL
FUND OF FUNDS, LEVERAGING PRIVATE EQUITY, DIASPORA FUNDS.
GCC, Startups
ACADEMIA
TRUE INNOVATION LEALYSIS:
LEAPFROGGING vs. LINEAR CATCH-UP
WEAPONIZATION OF SUPPLY CHAINS
(e.g., Hormuz chokepoint)
TECHNOLOGICAL INDISPENSABILITY
SHIFTING FROM REVERSE ENGINEERING TO ORIGINAL THOUGHT
MULTIDIMENSIONAL ANALYSIS
SOCIAL
• High-value jobs
• Inclusive innovation
LEGAL
• Robust IPR enforcement
• Statutory permanence
INTERNATIONAL
• Global supply chain resilience
• Diaspora channels
POLITICAL
• All-of-Society synergy
• Geopolitical sovereignty
ETHICAL
• Responsible Deep-Tech
• Democratization of Knowledge
ECONOMIC
• Escaping the Middle-Income Trap
• Unlocking Corporate Capital
NCERT & UPSC CSE SYLLABUS LINKAGES
Class XI Economics
Class XI: Economics
Chapter: Liberalisation, Globalisation - adaptivity
XII Pol Science
Chapters: GI meration,
Chapter: Chapters,
Concepts - adaptivity
GS Papers I, II, III
Chapters: Chapters,
Liberalisation,
Globalisation - strategic strategic autonomy
PREVIOUS YEARS' QUESTIONS (PYQ) - UPSC & APSC EXAMS
UPSC CSE (Prelims & Mains)
APSC
UPSC GS Paper III 2015
2015
R&D spend questies in R&D spend, in its R&D spend
APSC 2023
2015
IPR amond on IPR, spend, indigenization
UPSC GS Paper III 2015
2016
Sample question in, indigenization, mlit, strategic autonomy
APSC 2023 or APSC 2023
2017
Sample question intronony, strategic autonomy
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- **Logical and Philosophical Base**
- Understanding the structural transformation of R&D requires examining the underlying philosophies and economic assumptions that justify this major policy shift.
- **The Shift from Linear Catch-Up to Exponential Leapfrogging**
- Historically, developing economies followed a linear path: importing foreign technologies, mastering assembly, moving up to process improvement, and finally attempting original innovation. The current philosophical base rejects this slow progression. Given the rapid evolution of artificial intelligence, quantum computing, and biotechnology, a linear approach guarantees permanent dependency.
- The framework assumes that because India possesses an advanced digital public infrastructure (DPI) and a massive pool of young technical talent simultaneously, it can skip traditional evolutionary steps. It can leapfrog directly from a consumer of intellectual property to an active creator of frontier technologies.
- **From Autarkic Self-Reliance to Strategic Indispensability**
- The intellectual foundation of modern industrial strategy marks a departure from the 20th-century concept of *autarky* (total self-sufficiency within closed borders). True security in a globalized world does not come from isolating oneself from global supply chains, but from achieving **strategic indispensability**.
- The goal is to develop unique, highly sophisticated capabilities in specific technological segments so that while India relies on the world for certain commodities, the world becomes equally dependent on India for critical technology components. This mutual interdependence neutralizes the threat of foreign technology chokepoints.
- **Public De-risking of Private Market Failures**
- From an economic philosophy standpoint, basic scientific research is classic public good characterized by high positive externalities and high rates of initial failure. Private markets, driven by short-term shareholder responsibilities, naturally underinvest in projects with highly uncertain timelines.
- The state's intervention is justified by a clear logic: the government acts as a shock absorber for the "arithmetic of risk." By deploying public funds to co-finance pre-commercial research, the state lowers the initial financial hurdle. This turns an unviable private gamble into a calculated, strategically sound corporate project.

Dimension	Key Structural Focus Areas & Critical Realities
Social	• **Reversing the Brain Drain:** Creates a world-class domestic research environment to retain high-caliber doctoral talent who otherwise emigrate. • **Socio-Economic Mobility:** Fosters high-value jobs, shifting the workforce from low-wage services to high-skill, innovation-driven sectors. • **Inclusive Innovation:** Directs public-private R&D toward solving localized challenges like climate-resilient agriculture and affordable healthcare.
Political	• **All-of-Government Governance:** Requires deep alignment across ministries (Finance, Science & Tech, Commerce) to streamline regulations. • **Geopolitical Sovereignty:** Enhances national strategic autonomy by reducing exposure to external technology embargoes and supply line disruptions. • **State-Industry Synergy:** Builds a new cooperative model between elected leadership, corporate boards, and academic institutions.
Legal	• **IPR Framework Strengthening:** Demands robust, transparent intellectual property rights enforcement to protect co-created technologies. • **Statutory Institutionalism:** Leverages the legislative mandate of the ANRF Act to ensure long-term, stable funding across political cycles. • **Regulatory Simplification:** Requires streamlining bureaucratic permissions and customs clearings for importing critical research equipment.
International	• **Countering Techno-Hegemony:** Provides a democratic alternative to China's massive state-backed technology footprint. • **Global Supply Chain Resilience:** Positions the nation as a trusted, reliable partner in global technology alignments like the Quad's tech initiatives. • **Diaspora Mobilization:** Creates formal institutional channels to leverage the financial and intellectual capital of the global Indian diaspora.
Economic	• **Escaping the Middle-Income Trap:** Shifts the GDP growth engine from consumption and low-cost services to high-margin intellectual property production. • **Unlocking Corporate Capital:** Leverages public patient capital to crowd-in massive private investment and venture funding. • **Optimizing National Spending:** Rebalances the historical anomaly of low R&D spending (0.64% of GDP) toward the global benchmark of over 1.5-2%.

- **Linkages with NCERT Textbooks**
- **Class XI Economics: Indian Economic Development**
  - *Chapter Linkage:* "Liberalisation, Privatisation and Globalisation: An Appraisal" & "Human Capital Formation in India."
  - *Analytical Connection:* These chapters lay out the structural reforms of 1991 and explain how India adapted to global competition. The transition from process to product patents post-WTO mirrors the text's discussion on globalization's challenges. Furthermore, the emphasis on retaining doctoral talent directly fits into the textbook's framework on how investing in health and education creates high-yield economic assets.
- **Class XII Political Science: Politics in India Since Independence**
  - *Chapter Linkage:* "Era of One-Party Dominance" (Sections on early planned development) & "Recent Developments in Indian Politics."
  - *Analytical Connection:* This helps students contrast the early Nehruvian model of state-directed scientific self-reliance (import substitution) with the contemporary "All-of-Society" partnership model. It illustrates how the state's role has evolved from being the sole operator of industries to an active financial catalyst for private enterprise.
- **Class X Social Science: Understanding Economic Development**
  - *Chapter Linkage:* "Sectors of the Indian Economy" & "Globalization and the Indian Economy."
  - *Analytical Connection:* The textbook highlights how the Indian economy uniquely bypassed a major manufacturing phase to become service-dominant. The current research push represents a conscious structural effort to build a high-tech manufacturing and IP-generation sector, resolving the historical imbalances identified in the secondary school curriculum.

- **Linkages with UPSC CSE Syllabus**
- **General Studies Paper III (Primary Core Linkage)**
- **Science and Technology:** Developments and their applications and effects in everyday life; Indigenization of technology and developing new technology.
- **Intellectual Property Rights (IPR):** Issues relating to intellectual property rights, product vs. process patent dynamics, and the TRIPS framework.
- **Indian Economy:** Issues relating to planning, mobilization of resources, growth, development, and employment. Investment models (Public-Private Partnerships in R&D).
- **General Studies Paper II**
- **Governance and Public Policy:** Statutory, regulatory, and various quasi-judicial bodies (Structure, mandate, and functioning of the ANRF).
- **Government Policies and Interventions:** Policies aimed at developing core sectors and the effectiveness of their implementation across public-private lines.
- **General Studies Paper IV (Ethics)**
- **Corporate Governance & Corporate Social Responsibility (CSR):** Utilizing corporate resources and CSR allocations for long-term national development goals like the ANRF Innovation Fund rather than short-term public relations.
- **Technology Ethics:** The ethical dimensions of funding deep-tech, artificial intelligence, and ensuring technology remains accessible to marginalized populations.
- **Essay Paper & Optional Subjects**
- **Essay Themes:** Crucial for topics addressing "Self-Reliance vs. Global Interdependence," "Science without Humanity as a Social Sin," or "Innovation as the True Currency of 21st-Century Nations."
- **Relevant Optionals:** Highly useful for **Economics** (Growth and Development models, R&D intensity parameters), **Public Administration** (Public-private partnerships, institutional design of statutory bodies), and **Political Science & International Relations (PSIR)** (Techno-politics, structural power, and strategic autonomy in a multipolar world).

- **Way Forward**
- **Insulating Corporate R&D from Short-Term Market Pressures:** Domestic industries must deliberately establish independent corporate venture funds and internal research teams. These units need to be structurally insulated from the immediate demands of quarterly financial balance sheets. Corporate leaders must view research outlays not as regular administrative costs, but as long-term investments essential for surviving future technological disruptions.
- **Strengthening Triple-Helix Innovation Networks:** The ANRF must move quickly to create functional, localized innovation clusters that link regional industries, state universities, and deep-tech startups. We need to move away from isolated academic research that ends with a journal publication. Instead, institutional funding should favor joint projects where an industry partner commits to commercializing the academic research output from day one.
- **Deploying Strategic Government Procurement policies:** The state can act as a powerful early-stage consumer for home-grown innovations. By reforming public procurement laws to prioritize indigenously developed deep-tech solutions—even if they carry initial premium costs—the government can provide local innovators with a reliable domestic market. This helps them stabilize their operations before scaling up to compete globally.
- **Harnessing Corporate Social Responsibility and Diaspora Channels:** The government should streamline regulatory pathways so corporations can seamlessly direct their mandated CSR funds into the ANRF Innovation Fund. Concurrently, the state should set up clear, bureaucratic-free channels that allow the highly successful Indian scientific diaspora to co-invest in, mentor, and lead deep-tech startups rooted in the domestic ecosystem.

- **Civil Services Examination (Prelims Focus)**
- **With reference to the 'National Innovation Foundation-India (NIF)', which of the following statements is/are correct?** (UPSC 2015)
    - NIF is an autonomous body of the Department of Science and Technology (DST) under the Central Government.
    - NIF is an initiative to strengthen the grassroots technological innovations and outstanding traditional knowledge. Select the correct answer using the code given below: (a) 1 only
    - (b) 2 only
    - **(c) Both 1 and 2**
    - (d) Neither 1 nor 2
- **The term 'Public Key Infrastructure' is used in the context of:** (UPSC 2020) **(a) Digital security technology**
- (b) Food security infrastructure
- (c) Health care and education infrastructure
- (d) Telecommunication and transportation infrastructure
- **Civil Services Examination (Mains Focus)**
- **"India's investment in Research and Development (R&D) continues to remain low at around 0.6% to 0.7% of GDP, with the private sector contributing a minor share." Evaluate how the recently established Anusandhan National Research Foundation (ANRF) aims to correct this structural anomaly and catalyze an innovation-led growth model.** (GS Paper III, 15 Marks, 250 Words)
- **Discuss the features of the intellectual property rights (IPR) regime in India, particularly in light of the shift from process to product patents. How has this transition impacted the growth and global competitiveness of the domestic pharmaceutical industry?** (GS Paper III, 10 Marks, 150 Words)
- **"True strategic autonomy in the 21st century cannot be achieved merely by defensive military capabilities; it requires ending technological dependencies that function as modern chokepoints." Analyze this statement from an economic and national security perspective.** (GS Paper III/Essay Theme, 15 Marks, 250 Words)

Corporate power now rivals state power

The West would like to believe that oligarchs exist only in Russia, but that isn't the case

ILLUSTRATION: BINAY SINHA

BEYOND IDEOLOGY

R JAGANNATHAN

As the world breaks up into smaller and narrower blocs of trust between countries, there is a real danger that non-state corporate interests will begin to dominate global decision-making.

In the age of multiple disruptions, the broader trend is towards sovereign technology control and building reliable supply chains that can more or less be trusted — which is partly a good thing. But sovereign control of technology also means that those powerhouses that create those technologies will be allowed to get bigger and more powerful. What is the chance that national governments will ever try to reduce their power, when this may be so crucial to sovereign power itself? We have reached a tipping point where corporate power may now equal or even be greater than state power.

In the recent past, we have seen the United States trying to restrict access to advanced chips and even artificial intelligence (AI) tools like Mythos for other countries, but these decisions were quickly modified, if not reversed, as core commercial interests cannot be undercut by countries in the global search for dominance. In China, where the Communist party has a monopoly of power, the state quickly stepped in to curtail Alibaba when it seemed like it had gained power beyond its remit. But even China will never allow its own tech firms to lose their global power. Jack Ma of Alibaba may have been sent a tough message by his forced disappearance from public life, but Alibaba was not allowed to wither.

In India, too, despite all the political ranting and raving over the power of "Adani and Ambani", it is difficult to visualise any breakup when these are among the few conglomerates that can hold their own against global megacorps. Any reduction of corporate power is less likely due to anti-trust action by the state and more due to internal family feuds where progeny want their own companies to run. In the West, where family-run businesses are fewer than in India, corporate power has shifted in favour of unelected chief executive officers and powerful boards.

When the world is adjusting to the new power structures in politics and economics, no major corporate entity will be constrained beyond a point. Far from it, they will wield enormous power over governments, even Uncle Sam. This means tech megacorps like the Mag-7 — Amazon, Apple, Alphabet (i.e., Google), Meta, Microsoft, Nvidia and Tesla/SpaceX — will always have an outsized influence in Washington and on Wall Street. One reinforces the other. The Mag-7 could soon be joined by one or two more major players, Anthropic and OpenAI, which are close to achieving trillion-dollar valuations and about to seek market listings. OpenAI will not be allowed to go down in flames, even if it slips below Anthropic and fails to build viable revenue streams. It will be rescued, even merged with stronger players, for too much money is riding on it.

This scenario has been emerging for quite some time, even before the advent of Donald Trump, whose chaotic policies are hastening the rise of techno-nationalism. The term "techno-feudalism", an older term that has recently been popularised by former Greek finance minister Yanis Varoufakis (among others), implies that sovereignty no longer lies only with governments. It has permeated to the massive tech platforms and corporations that dominate almost every human activity, from mobile phones to chips to the internet-of-things.

Consider how many major anti-trust actions have been successful despite the existence of anti-monopoly laws for more than a century in the US. The two major breakups of corporate power go as far back as 1911, when Standard Oil was broken up into 34 companies, and to 1984, when AT&T was forced to divest its regional telephone businesses (aka, Baby Bells).

In 2000, the US department of justice tried to break up Microsoft, but the latter managed to evade that blow by agreeing to some changes in its monopolistic behaviour. There are ongoing anti-trust actions against Google, Amazon and Apple, but it is unlikely that their corporate power will be curtailed significantly.

Ideally, the big anti-trust actions must begin with the US and China, but if they are going to think of themselves as the new G2, they will be more likely to collaborate to cut down rival techno-feudals in non-G2 states, and not in their own backyards. It is difficult to visualise a scenario in which the US forces a meaningful split in Google, Amazon, Apple, Microsoft, Meta or SpaceX any more than one can expect China to break up its equivalent of the Mag-7 — BATX, which is Baidu, Alibaba, Tencent and Xiaomi.

Consider how dominant just one company is in so many spheres: Google owns 90 per cent of the search market, 60-70 per cent of Android, Chrome and Google Maps. In a saner world, Google (or rather Alphabet, its parent) ought to have been split into at least four or five independent companies, and Amazon into as many, but the shrinking space for nations to act against techno-feudalism in an age of fragmenting political power means very little of this may happen.

The only way techno-feudalism can be curtailed is if there is a global agreement among the major powers, not just the US and China but also the rising midi powers of Asia, Africa, Europe and Latin America, on breaking them up. But this is unlikely to happen when geopolitical power is itself fragmenting. When collective sovereign power is not a factor in enforcing corporate size restrictions globally, techno-feudalism will remain a key factor in global decision-making, even if the decisions reduce citizens to just consumers, with a concomitant loss of privacy and individual agency. Midi powers like India are hardly in any position to challenge the Mag-7 when the US and Europe are unable to do so.

This sounds dystopian, but it is the underlying reality. The only other way this can change is if there is a major citizen revolt against granting so much power to unaccountable corporate caliphs, but such revolts bring their own kind of anarchy as they upend settled rules of law and economic order. The huge increases in unaffordable freebies and subsidies across the world, in which India, too, is complicit, are essentially about containing citizen anxieties and preventing them from spilling over to the streets.

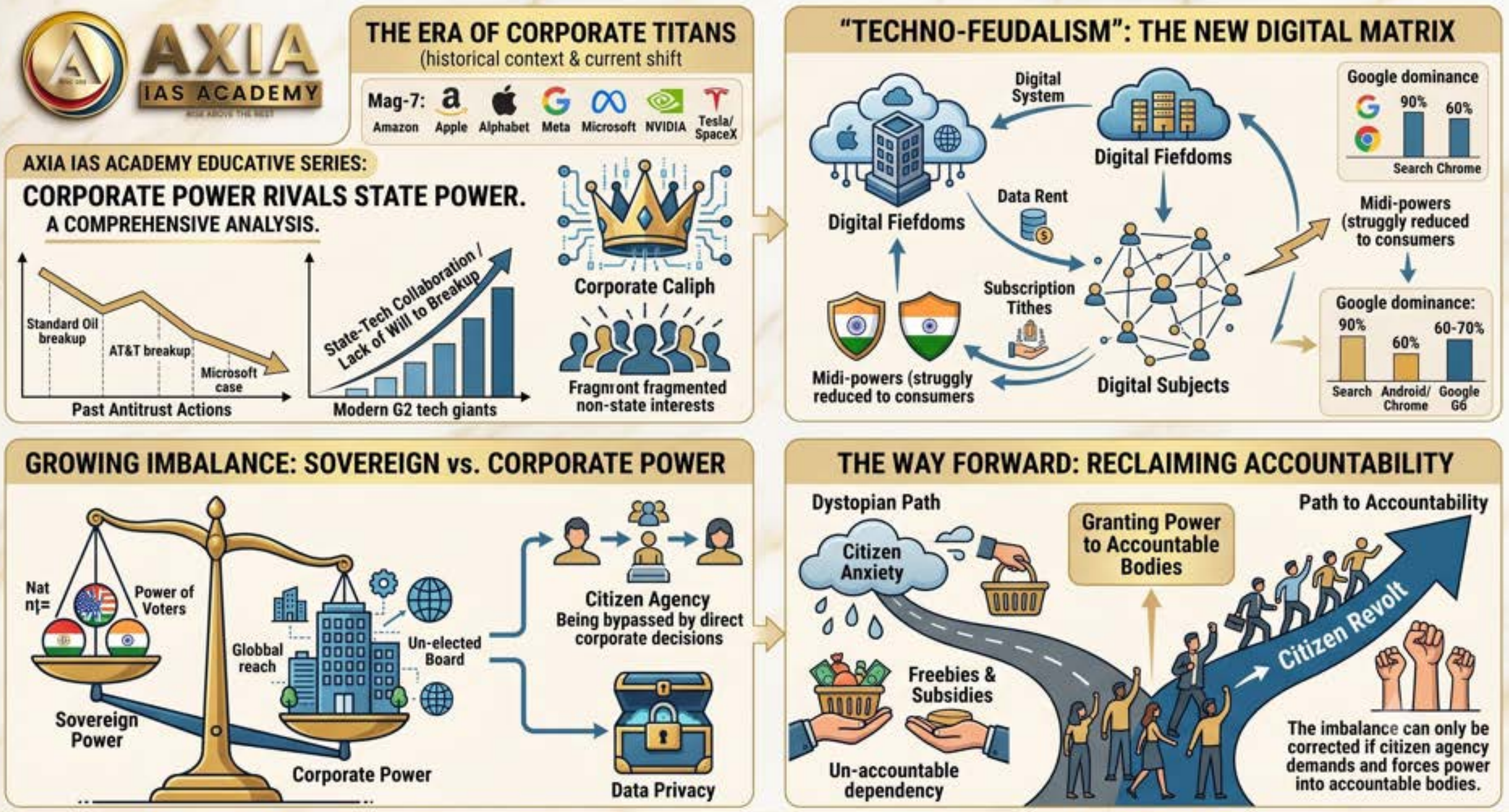
There is a clear and growing imbalance between sovereign power and corporate power, and also between the power of voters to bring about change when pitted against the combined power of the techno-state. We cannot know how this imbalance will be corrected, whether with a bang or a whimper, but it has to happen. The West would like to believe that oligarchs exist only in Russia, but that isn't the case.

The writer is a senior journalist

- **Key Terms and Explanations**
- **Techno-Feudalism:** This concept describes a structural shift where traditional capitalism has morphed into a digital equivalent of the medieval feudal system. Instead of merchant capital and land, power is concentrated in the hands of massive tech platforms that act as "digital fiefdoms." Users and small businesses become modern-day serfs, paying digital rent (in the form of data, commission fees, or subscription costs) to access these platforms. For example, a small e-commerce vendor relying entirely on a dominant global marketplace ecosystem operates under the strict, unilateral rules set by that platform's algorithm.
- **Techno-Nationalism:** A state-centric ideology where a nation’s technological capabilities are directly linked to its national security, economic prosperity, and geopolitical leverage. Under techno-nationalism, sovereign states actively intervene in markets to protect their technological advantages, restrict the export of critical components, and secure domestic supply chains. A prime example is the deployment of export controls on advanced semiconductor microchips and lithography equipment to prevent geopolitical rivals from achieving breakthrough artificial intelligence capabilities.
- **Sovereign Technology Control:** This refers to the deliberate efforts by a national government to assert regulatory authority and legal oversight over digital infrastructure, data flows, and technological ecosystems within its borders. It is the state's attempt to ensure that national laws supersede the internal policies of transnational corporate boards. For instance, mandating that sensitive financial and personal data of citizens must be stored within physical servers located inside the country is an exercise of sovereign technology control.
- **Antitrust Regulation:** A legal and regulatory framework designed to promote market competition and prevent the formation of monopolies or cartels that can distort prices, stifle innovation, and exploit consumers. Historically used against industrial conglomerates, modern antitrust regulation attempts to challenge the anti-competitive behaviors of digital platforms, such as cross-platform data bundling or predatory acquisitions of emerging competitors.
- **Midi-Powers:** In the geopolitical hierarchy, these are significant regional economies and developing nations—such as India, Brazil, South Africa, and parts of Latin America or ASEAN—that wield substantial regional influence but lack the massive, structural corporate-tech ecosystems possessed by global superpowers like the United States or China. These nations often find themselves navigating a fragmented global landscape, attempting to protect their digital sovereignty without possessing domestic equivalents of multi-trillion-dollar tech conglomerates.

- **Main Arguments and Substantive Parts**
- The core thesis revolving around this modern dilemma positions corporate megacorporations not merely as economic actors, but as direct rivals to the traditional nation-state. This structural imbalance reshapes how global decisions are made and poses fundamental challenges to democratic accountability.
- **The Erosion of State Primacy:** The central argument posits that the traditional monopoly of power held by sovereign states is being actively diluted by ultra-large, un-elected corporate entities. These entities command multi-trillion-dollar valuations that dwarf the Gross Domestic Product (GDP) of many sovereign nations. Consequently, their corporate boards and chief executives exercise outsized influence over global supply chains, communication channels, and strategic innovations, making them co-determinants of global policy alongside Washington and Beijing.
- **The Global Antitrust Deficit:** A substantive part of this analysis highlights the historical inadequacy of antitrust interventions. While the twentieth century witnessed successful state-led breakups of industrial giants—such as the dismantling of Standard Oil in 1911 or the divestiture of AT&T in 1984—the modern digital architecture presents a different challenge. Contemporary tech monopolies protect themselves through vast network effects and complex data ecosystems, enabling them to evade or dilute regulatory penalties, thereby rendering traditional antitrust toolkits largely ineffective.
- **The Illusion of Sovereign Containment:** While powerful states attempt to reassert control, their actions are heavily circumscribed by economic realities. For instance, Western democracies may seek to weaponize technology supply chains for geopolitical ends, yet they are frequently forced to modify these directives when core commercial interests face systemic disruption. Similarly, even authoritarian models that forcefully discipline high-profile corporate leaders stop short of dismantling the underlying corporate entities, recognizing that these firms are essential vehicles for projecting global power.
- **The Vulnerability of Developing Economies:** A crucial dimension of this power shift is the marginalization of regional "midi-powers." As the global architecture fragments into narrow blocs of trust, countries across Asia, Africa, and Latin America lack the structural leverage to challenge trans-national digital platforms. This creates a state of systemic dependency, where citizens of the Global South are reduced to mere consumers within external platforms, losing both data privacy and individual agency without viable domestic alternatives.

- **Historical Evolution of the Issue**
- The tension between state sovereignty and corporate accumulation is not a sudden product of the internet age; it is a long-standing historical cycle that has evolved across distinct epochs, transforming from industrial resource control to algorithmic governance.
- **The Era of Industrial Trusts (Late 19th Century to 1911):** The roots of this conflict lie in the Second Industrial Revolution, where laissez-faire capitalism permitted the rise of massive corporate trusts in oil, steel, and railroads. The turning point arrived with the landmark 1911 Supreme Court ruling against Standard Oil, which established that the state possessed both the right and the duty to break up corporate monopolies to protect the public welfare and market competition.
- **The Telecommunications and Infrastructure Monopolies (Mid-to-Late 20th Century):** As the economy shifted toward services and infrastructure, utilities emerged as the new centers of concentrated power. The state realigned its regulatory tools, culminating in the 1984 forced divestiture of AT&T. This intervention proved that infrastructure vital to national security and public discourse could not be left under the absolute control of a single corporate entity, laying the groundwork for competitive telecommunications.
- **The Software and Desktop Revolution (Turn of the Millennium):** The transition from hardware to software altered the corporate-state dynamic. The US Department of Justice's antitrust case against Microsoft in 2000 highlighted how proprietary software ecosystems could lock in consumers and choke off open-market innovation. Although Microsoft avoided a structural breakup, the protracted legal battle demonstrated that software code could function as a regulatory barrier, challenging the state's capacity to maintain open economic spaces.
- **The Rise of Platform Capitalism and Global Tech Ecosystems (2010s to Present):** The current epoch is defined by the emergence of multi-trillion-dollar platform ecosystems spanning search engine dominance, social media networks, cloud computing infrastructure, and generative artificial intelligence. Unlike the localized industrial monopolies of the past, these entities operate globally and fluidly across borders, utilizing network effects to create unprecedented lock-ins that challenge the traditional enforcement capabilities of the nation-state.

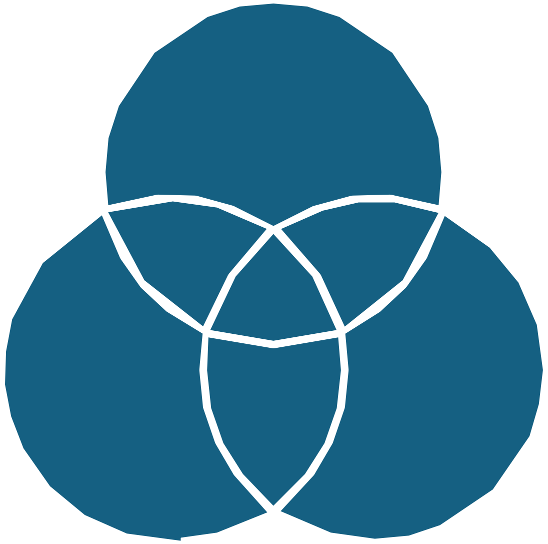


AXIA
IAS ACADEMY
THE ERA OF CORPORATE TITANS
(historical context & current shift)
Mag-7: Amazon Apple Alphabet Meta Microsoft NVIDIA Tesla/SpaceX
AXIA IAS ACADEMY EDUCATIVE SERIES:
CORPORATE POWER RIVALS STATE POWER.
A COMPREHENSIVE ANALYSIS.
Standard Oil breakup
AT&T breakup
Microsoft case
Past Antitrust Actions
State-Tech Collaboration / Lack of Will to Breakup
Modern G2 tech giants
Corporate Caliph
Fragnront fragmented non-state interests
"TECHNO-FEUDALISM": THE NEW DIGITAL MATRIX
Digital System
Digital Fiefdoms
Digital Fiefdoms
Data Rent
Subscription Tithes
Digital Subjects
Midi-powers (struggly reduced to consumers
Google dominance
90%
60%
Search Chrome
Midi-powers (struggly reduced to consumers
Google dominance:
90%
60%
60-70%
Search
Android/ Chrome
Google G6
GROWING IMBALANCE: SOVEREIGN vs. CORPORATE POWER
Nat nt=
Power of Voters
Sovereign Power
Globbal reach
Un-elected Board
Corporate Power
Citizen Agency
Being bypassed by direct corporate decisions
Data Privacy
THE WAY FORWARD: RECLAIMING ACCOUNTABILITY
Dystopian Path
Citizen Anxiety
Freebies & Subsidies
Un-accountable dependency
Granting Power to Accountable Bodies
Path to Accountability
Citizen Revolt
The imbalance can only be corrected if citizen agency demands and forces power into accountable bodies.

- **Logical and Philosophical Base**
- At its core, the debate over corporate versus state power is a profound philosophical conflict regarding the nature of authority, legitimacy, and the social contract that binds human societies.
- **The Subversion of the Social Contract:** Traditional political philosophy, from Thomas Hobbes to John Locke, posits that citizens cede certain freedoms to the sovereign state in exchange for the protection of their rights, security, and the preservation of the public good. The rise of unaccountable corporate power introduces an anomalous third actor into this equation. When digital platforms dictate the parameters of public speech, economic survival, and personal privacy without any democratic mandate, the foundational social contract between the citizen and the state is fundamentally destabilized.
- **Citizenship versus Consumerism:** The underlying logic of the corporate caliphate relies on re-engineering the individual's identity. It seeks to replace the concept of the "citizen"—endowed with constitutional rights, duties, and democratic agency—with that of the "consumer," whose value is measured strictly through data generation and purchasing patterns. This philosophical shift devalues collective democratic participation, suggesting that systemic societal anxieties can be resolved through corporate-provided conveniences, free services, or state-administered subsidies rather than structural empowerment.
- **Territorial Sovereignty versus Algorithmic Governance:** The Westphalian model of nation-states is fundamentally built upon physical borders, territorial jurisdiction, and localized legal accountability. Conversely, the logic of modern technology megacorporations is borderless, fluid, and extraterritorial. Power in this paradigm is exercised not through physical coercion or legislative statutes, but through algorithmic determinism—where private, opaque code governs human behavior, filters information, and structures market access across continents simultaneously, bypassing local legal frameworks.

- **Multidimensional Analysis**
- **Social Dimension**
- The concentration of digital power severely deepens the digital divide, separating those who control or easily access high-tier technology ecosystems from those marginalized at the periphery.
- Algorithmic curation directly impacts cognitive liberty, altering public discourse by prioritizing engagement-driven, polarizing content over nuanced debate.
- To prevent public anxieties from spilling onto the streets, states increasingly resort to expanding welfare safety nets and subsidies, treating the symptoms of economic displacement rather than challenging the structural concentration of corporate wealth.
- **Political Dimension**
- Unelected corporate boards hold an effective veto over modern political communication, influencing election dynamics, information ecosystems, and public perception through opaque algorithmic policies.
- The immense lobbying capacity of tech conglomerates frequently dilutes or delays legislative efforts aimed at data transparency, algorithmic accountability, and fair market competition.
- The traditional state executive finds its regulatory authority weakened, struggling to match the velocity and agility of borderless technological innovations with conventional bureaucratic machinery.
- **Legal Dimension**
- Statutory frameworks governing competition and antitrust remain largely tethered to twentieth-century industrial models, focusing heavily on consumer pricing rather than data aggregation and platform gatekeeping.
- Transnational corporations frequently exploit cross-border jurisdictional mismatches, utilizing complex legal structures and offshore tax havens to evade national regulatory oversight and fiscal obligations.
- The enforcement of judicial decrees face significant practical hurdles when dealing with proprietary software or decentralized networks, where corporate compliance is difficult to verify independently.
- **Ethical Dimension**
- The systemic transformation of fundamental human privacy into a commodified asset—often termed surveillance capitalism—violates core ethical principles of human dignity and informed consent.
- The deployment of proprietary, opaque artificial intelligence systems introduces unvetted algorithmic biases into critical sectors like hiring, lending, and criminal justice without clear paths for recourse.
- Fiduciary duties to maximize short-term shareholder value frequently clash with the broader ethical responsibilities that corporations owe to human society and the preservation of democratic norms.
- **International Dimension**
- Global geopolitics is increasingly shaped by techno-nationalist rivalries, where technology access is weaponized, forcing smaller nations to choose alignment with specific transnational supply chains.
- Developing nations and "midi-powers" experience a form of digital neo-colonialism, becoming deeply dependent on foreign technology infrastructure while lacking the domestic capacity to build sovereign alternatives.
- The international order risks consolidating into a specialized "G2" technology condominium between the United States and China, leaving the rest of the world to navigate a highly fragmented and asymmetric digital landscape.
- **Economic Dimension**
- The unprecedented market capitalization of elite tech firms grants them the financial leverage to execute predatory acquisitions, systematically absorbing potential competitors before they reach scale.
- Traditional micro, small, and medium enterprises (MSMEs) find their profit margins squeezed by platform fees, rendering them subservient to the data-driven algorithms of dominant market aggregators.
- The modern digital economy accelerates wealth concentration, channeling global capital returns toward a tiny tier of technology founders and institutional investors while minimizing broader employment generation.

- **Linkages with NCERTs**
- **Class 11 Political Science: *Political Theory* (Chapter on Sovereignty & Rights):** This text establishes the classical definitions of state sovereignty, internal authority, and the nature of citizen rights. Linking this to the current issue helps students contrast the absolute territorial authority of the Westphalian state with the functional, borderless authority exercised by modern platform conglomerates.
- **Class 12 Political Science: *Contemporary World Politics* (Chapters on Globalisation and Hegemony):** These chapters explore how non-state actors, MNCs, and technological flows reshape global politics and dilute traditional borders. The rise of corporate power serves as a contemporary case study of advanced economic globalization, where corporate interests can match or transcend state power in the international arena.
- **Class 12 Sociology: *Social Change and Development in India* (Chapter on Globalisation and Social Change):** This textbook details how global economic transformations restructure local labor markets, consumer cultures, and class formations in India. The transition toward techno-feudalism directly illustrates these concepts by showing how traditional livelihoods become integrated into global digital supply networks.



- **Linkages with UPSC CSE Syllabus**
- **GS Paper 1: Society (Effects of Globalization on Indian Society):** This linkage requires analyzing how the shift from citizen to consumer impacts India's diverse social fabric, family structures, and local cultural paradigms, alongside the rise of consumerist anxieties.
- **GS Paper 2: Governance and Polity (Statutory, Regulatory, and Quasi-Judicial Bodies; Effect of Policies of Developed Countries):** This represents a direct linkage to the functioning of bodies like the Competition Commission of India (CCI) and the challenges they face in regulating big tech. It also directly touches upon how US or Chinese technology policies impact India's strategic autonomy and domestic regulatory space.
- **GS Paper 3: Economy and Technology (IT, Computers, and Awareness in the field of AI; Growth and Development):** This covers the economic concentration of capital, the challenges of platform monopolies on MSMEs, the digital divide, and the strategic importance of developing sovereign AI and semiconductor ecosystems to safeguard national security.
- **GS Paper 4: Ethics and Human Interface (Corporate Governance, Ethical Accountability, and Value Conflicts):** This provides excellent material for analyzing the ethical dilemmas inherent in data monetization, algorithmic bias, the conflict between corporate profit and public welfare, and the parameters of robust corporate governance.
- **Essay Paper & Political Science Optional (PSIR):** The theme directly feeds into philosophical essays regarding "Democracy in the 21st Century" or "The Changing Nature of the Nation-State," while providing deep content for PSIR Paper 1 (Concepts of Sovereignty and Democracy) and Paper 2 (Global Political Economy).

- **Way Forward**
- Addressing the structural imbalance between state sovereignty and corporate concentration requires a calibrated, multidimensional policy response that combines domestic innovation with robust regulatory frameworks.
- **Pioneering Digital Public Infrastructure (DPI):** Rather than allowing private monopolies to control essential digital gateways, states must build open-source, public-spirited digital infrastructure. India's success with the Unified Payments Interface (UPI) and the Open Network for Digital Commerce (ONDC) serves as a global template. By decoupling the underlying infrastructure from the service layer, the state can democratize market access, foster grassroots innovation, and prevent private entities from becoming absolute gatekeepers.
- **Modernizing Dynamic Antitrust Frameworks:** Regulatory bodies, including the Competition Commission of India, need to upgrade their analytical toolkits to evaluate mergers and acquisitions through the lens of data concentration and network effects rather than simple price distortions. Implementing strict ex-ante regulations—which prevent dominant platforms from favoring their own downstream products or cross-leveraging user data—will ensure a level playing field for MSMEs.
- **Codifying Absolute Data Sovereignty:** Governments must enforce comprehensive data protection legislations that treat personal data as a fundamental extension of individual privacy rather than a corporate resource. Implementing strict data localization mandates for critical sectors ensures that domestic judicial and regulatory authorities maintain unhindered oversight, while giving citizens enforceable rights over their digital footprints.
- **Fostering Global Regulatory Coalitions:** Given the borderless architecture of technology conglomerates, isolated national regulations can lead to jurisdictional arbitrage. Midi-powers and emerging economies should collaborate through forums like the G20 to draft harmonized standards for digital taxation, cross-border data flows, and algorithmic accountability, preventing a duopolistic consolidation of the global digital economy.

- **All Previous Years' UPSC and APSC Questions**
- **UPSC CSE Prelims**
- **2022:** With reference to "Software as a Service (SaaS)", consider the following statements:
    - SaaS buyers can customize the user interface and can change data fields.
    - SaaS users can run the applications through their mobile devices.
    - Internet of Things (IoT) is one of the SaaS applications. Which of the statements given above are correct? (Answer: 1, 2 and 3)
- **2020:** With reference to the current status of digital technologies, consider the following statements regarding 'Blockchain Technology':
    - It is a public ledger that everyone can inspect, but which no single user controls.
    - The structure and design of blockchain are such that all the data in it are about cryptocurrency only.
    - Applications that depend on basic features of blockchain can be developed without anybody's permission. Which of the statements given above is/are correct? (Answer: 1 and 3 only)
- **UPSC CSE Mains**
- **GS Paper 2 (2016):** "Sovereignty is an essential element of the State. Given the wave of globalization, to what extent does it retain its classical character?"
- **GS Paper 3 (2023):** "Introduce the concept of Digital Public Infrastructure (DPI) as a growth driver of the Indian economy. Discuss the challenges and opportunities associated with its implementation."
- **GS Paper 4 (2021):** "Runaway growth of technological innovations has created an ethical vacuum. Analyze this statement in the context of data privacy and algorithmic governance."