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EDITORIAL ANALYSIS



JULY 9



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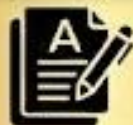
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It's A Different Arunachal Now, Thanks To Army, IAF & Big Infra Push...But Last-Mile Connectivity To LAC Needs Work



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Notwithstanding periodic episodes of cartographic obfuscation by the Chinese regarding the status of Arunachal Pradesh, the state is progressing on the road to development. Enabling this, as part of a whole-of-govt approach, are Indian Army and IAF, whose

presence in strength, in and around the state, is an assurance that no military adventurism by adversarial neighbours will go unchecked.

I saw this on a recent road trip from Dibrugarh in Upper Assam to Mechuka Valley and beyond, to within touching distance of LAC with China. Historically, Mechuka carries a solemn legacy of the 1962 conflict with China, when the Chinese advanced along multiple axes down Lola Pass and along Siyom Valley, overran Mechuka, and stopped short of Aalo at a place called Tato, after Mao declared a unilateral ceasefire on Nov 20, 1962.

For decades after 1962, lack of resources had created vulnerabilities for India, particularly in areas east of Tawang and Kameng District, more commonly known in Army as Rest of Arunachal Pradesh (RALP). The situation today is vastly improved, propelled by strong and evolving Army deployment, with adequate firepower.

Complementing this are IAF fighter squadrons equipped with latest multi-role aircraft, and air mobility- and special forces-capable platforms comprising the latest helicopters and transport aircraft. Adding defensive punch, is a network of the latest multi-layered air defence systems, including S-400. Speedy rollout of dual-use infra and durable roads to within touching distance of LAC, by BRO, and Army's engineer regiments, augurs well.

I travelled through the Area of Responsibility of an infantry division with a large frontage across LAC in

central Arunachal. The division, which includes two sensitive and contested areas that demand constant alertness and surveillance, is largely responsible for defence of the southward approaches from LAC, that run along the Subansiri, Siyom and Siang rivers.

Blending traditional roles such as regular long-range patrols using tactical drones for surveillance and situational awareness, and effective joint ops, the division represents the new face of a tech-enabled Indian Army. Aiding infantry battalions along LAC are a variety of All-Terrain Vehicles and Rough Terrain Vehicles that facilitate surveillance during monsoon and winter.

Improved joint ops are another feature of the operational landscape in RALP, particularly with IAF's latest inductions, like the C-130 and C-17 heavy-lift aircraft. In recent exercises, Army divisions have trained with IAF's heavy-lift helicopters, such as Chinook, in swift inter-valley transfer of troops and artillery guns, including underslung operations.

Another example of improved operational capability in RALP is ready availability of artillery firepower required for both offensive and defensive operations. Forward availability to the division commander of assets such as the highly mobile ultra-light howitzers and long-range Multi-Barrel Rocket Launchers acts as significant deterrence.

Medium-sized drones, including octocopters and quadcopters, are important force multipliers and enablers, particularly in surveillance and tactical reconnaissance roles at high altitudes. Field formations, such as infantry divisions and units under their command, are emerging as innovation and incubation centres for increased use of drones.

BRO is doing a stupendous job in improving border

infra. The road from Aalo to Mechuka and beyond is dotted with labour camps comprising locals and contracted labour from states such as Jharkhand and Bihar. Complementing BRO to achieve last-mile connectivity till LAC are Army's integral engineer regiments. Speedy progress in completing the Trans-Arunachal Highway indicates there is visible recognition of the reality that roads and highways hold the key to securing the state and unlocking its economic potential.

Infantry divisions deployed in RALP lay emphasis on conducting military civic action, without diluting operational efficiency. Initiatives include adopting schools and training teachers; opening eyes of school kids from remote areas to the rest of the country; and giving a free hand to Regimental Medical Officers to take medical care to local populations who don't have access to basic healthcare.

India's decision to open remote parts of Arunachal to tourists offers credible signalling opportunities. Tourists daily make their way up to the last motorable point along Siyom River, bare kilometres short of LAC. Army recently conducted/coordinated a complex multi-activity International Triathlon, comprising river rafting, cycling, and running, called International Military Adventure Challenge Cup along Siang River.

Modi's landing in a C-130 J, along with take-off and landing of other latest fighter aircraft, on an emergency landing strip on a highway in Upper Assam, is part of the larger canvas of strategic posturing and signalling.

Much still needs to be done to improve last-mile connectivity up to LAC, given transformative whole-of-govt approach over the last few years. But, there's little doubt Arunachal is in safe hands.



- **Key Terms and Explanations**
- **Line of Actual Control (LAC):** The loose, un-demarcated boundary line that separates Indian-controlled territory from Chinese-controlled territory. Unlike a legally settled International Border (such as the Radcliffe Line between India and Bangladesh), the LAC is a product of military positions held after the 1962 war. It is divided into three sectors: Western (Ladakh), Middle (Uttarakhand/Himachal), and Eastern (Arunachal Pradesh/Sikkim).
- **Rest of Arunachal Pradesh (RALP):** A specific military and strategic classification used by the Indian Armed Forces. It encompasses all geographical sectors of Arunachal Pradesh extending east of the heavily fortified Tawang and Kameng districts. This includes vast, rugged river valleys like the Subansiri, Siyom, and Siang, which have historically received less infrastructure focus but are now central to India's defensive planning.
- **Cartographic Obfuscation:** The strategic practice of deliberately altering maps, issuing revisionist geographic naming conventions, or manipulating geographical data to engineer territorial claims. For example, the periodic practice by external neighbors of renaming historical towns or river valleys within Arunachal Pradesh to assert an artificial historical sovereignty over undisputed Indian territory.
- **Whole-of-Government Approach:** A governance model that breaks down traditional bureaucratic silos, integrating the operations of multiple ministries, civil agencies, and military arms toward a singular national objective. In frontier areas, this means the military, the Border Roads Organisation (BRO), civil administration, and local communities operate under a unified strategy to combine national security with regional development.
- **Underslung Operations:** A tactical military aviation technique where heavy equipment, ammunition, or artillery pieces (such as the M777 Ultra-Light Howitzer) are suspended by high-strength cables underneath heavy-lift helicopters like the CH-47 Chinook. This allows for rapid transport across vertical mountain ridges and deep river valleys where traditional road transport is impossible or too slow.
- **Strategic Posturing and Signalling:** Explicit, highly visible military or administrative actions intended to communicate defensive readiness, capabilities, and sovereign resolve to an adversary without engaging in direct conflict. Examples include landing heavy transport aircraft on civilian emergency highway airstrips or hosting international events in close proximity to the LAC.
- **Military Civic Action (MCA):** Welfare and developmental programs undertaken by armed forces for local populations in remote or conflict-prone border zones. These activities include managing medical camps, upgrading local schools, and organizing national tours for students, which help build institutional trust and reinforce national integration.

- **Main Arguments and Substantive Parts**
- The evolving security landscape in Northeast India highlights a shift from historical vulnerabilities to modern, tech-enabled deterrence.
- **The Core Thesis**
- Comprehensive infrastructure development, military modernization, and robust civil-military synergy have transformed Arunachal Pradesh—particularly the Rest of Arunachal Pradesh (RALP) sector—from an isolated border region into a highly fortified, socio-economically integrated frontier. This holistic reinforcement serves as a primary deterrent against external military adventurism.
- **Shifting from Vulnerability to Strategic Strength**
- Historically, areas east of Tawang suffered from a lack of resources, resulting in significant security vulnerabilities. Today, this has been corrected through a strong, evolving military presence backed by modern firepower. Defense planning has shifted from defensive, low-altitude holding positions to assertive forward deployment right up to the LAC.
- **Joint Interoperability and Modern Firepower**
- Modern deterrence along the eastern frontier relies heavily on tight integration between the Indian Army and the Indian Air Force (IAF).
- **Air Mobility:** Strategic lifters like the C-17 Globemaster and C-130J Super Hercules ensure rapid deployment of troops from mainland India directly to advanced landing grounds in Upper Assam and Arunachal.
- **Tactical Mobility:** Heavy-lift helicopters like the Chinook facilitate rapid inter-valley transfers, moving artillery guns and special forces across rugged terrain within minutes.
- **Air Defense & Firepower:** The deployment of layered air defense networks, including long-range missile systems like the S-400, alongside highly mobile rocket launchers (MBRLs) and ultra-light howitzers, provides a strong defensive shield.
- **Technology as a Force Multiplier**
- The modern infantry division along the LAC operates with advanced technological integration to overcome difficult terrain and weather:
- **High-Altitude Surveillance:** Tactical drones, octocopters, and quadcopters provide real-time situational awareness, ensuring constant monitoring of high passes during monsoons and winters.
- **All-Terrain Capabilities:** All-Terrain Vehicles (ATVs) and Rough Terrain Vehicles (RTVs) have modernized traditional foot patrolling, allowing rapid response along the difficult southward approaches of the Subansiri, Siyom, and Siang rivers.
- **Infrastructure Development and Sovereign Signalling**
- The rapid construction of the Trans-Arunachal Highway and last-mile connectivity roads by the BRO and Army engineer regiments is a vital component of this transformation. Beyond logistical utility, opening up remote valleys like Mechuka to domestic and international tourism, alongside events like the International Military Adventure Challenge Cup, serves as clear administrative signalling that validates India's undisputed sovereignty under international legal frameworks.

- **Historical Evolution of the Issue**
- **Pre-Independence Era: The Simla Convention (1914)**
 - The boundary between northeastern India and Tibet was formalised via the McMahon Line, drawn during the Simla Convention of 1914. While British India established the North-East Frontier Tracts, administrative presence in the deep interior remained minimal. The area was insulated from the mainland using the Inner Line Regulations, leaving the high-altitude valleys largely unmapped and physically disconnected.
- **The 1962 Conflict and the Legacy of Vulnerability**
 - Following independence, the region was renamed the North-East Frontier Agency (NEFA). The year 1962 marked a critical turning point when the Chinese People's Liberation Army (PLA) launched a multi-axial invasion.
 - In the central sector, Chinese forces moved rapidly down the Lola Pass and through the Siyom Valley, overrunning Mechuka and advancing deep into Indian territory. They halted at Tato, just short of the regional hub of Aalo, before declaring a unilateral ceasefire on November 20, 1962. This exposure revealed severe gaps in India's logistics, forward communication lines, and high-altitude combat preparation.
- **The Era of "Strategic Neglect" (1963–1980s)**
 - In the decades following the 1962 war, India's border policy was defined by a cautious, defensive philosophy. There was a deliberate hesitation to construct high-quality, all-weather roads close to the LAC, based on the tactical assumption that such infrastructure could be used by an invading army to rapidly enter the Assam plains. Consequently, sectors like RALP faced slow development, leading to local migration toward lower valleys and creating an administrative vacuum.
- **The Turning Point: Sumdorong Chu and Full Statehood (1986–1987)**
 - The Sumdorong Chu standoff in 1986 in the Tawang sector altered India's defensive calculus. The Indian military response demonstrated a new willingness to forward-deploy and hold ground using air-mobility assets.
 - Amid this geopolitical shift, NEFA was granted full statehood as Arunachal Pradesh on February 20, 1987. This change integrated the region firmly into India's political mainstream and initiated a gradual shift from passive defense to active border management.
- **Modern Era: Comprehensive Border Fortification (2000s–Present)**
 - The old doctrine of leaving border areas underdeveloped has been fully replaced by an active infrastructure strategy. Key initiatives include the fast-tracked Trans-Arunachal Highway, the activation of multiple Advanced Landing Grounds (ALGs), and the implementation of the Vibrant Villages Programme. These efforts have successfully transformed the frontier into an interconnected, tech-enabled, and economically vibrant security zone.



ARUNACHAL PRADESH: THE PROGRESS-STRENGTH CONVERGENCE - AN INTEGRATED ANALYSIS



- **Logical and Philosophical Base**

- The transformation of India's frontier policy is rooted in specific strategic principles and governance philosophies.

- **The Deterrence Framework: Infrastructure as a Deterrent**

- The current strategy is built on the logic that physical vulnerability invites aggression, whereas infrastructure acts as a deterrent. Developing robust roads, bridges, and airstrips close to the LAC does not create vulnerabilities; instead, it enables rapid mobilization of defensive assets, balancing out the extensive infrastructure built on the opposite side of the border.

- **Sovereignty Through Effective Administration**

- Under international law, sovereignty is maintained through regular administrative exercise and economic integration rather than just map claims. Developing border areas, opening them to tourism, and supporting local communities demonstrates active, uncontested governance.

- **The Whole-of-Government Concept**

- This principle recognizes that national security cannot be handled by the military alone. True defense requires coordinating infrastructure builders (BRO), tactical air power (IAF), boots on the ground (Army), and local populations into a unified system.

- **Empathy-Led Civil-Military Cohesion**

- The local population in border areas serves as the primary eyes and ears of national security. The military's presence is supported by institutional empathy, delivered through medical care and educational aid. This approach strengthens national integration by ensuring border residents feel valued by the state.

- **Multidimensional Analysis**
- **Social Dimension**
- **Preventing Border Migration:** Building roads and improving connectivity provides remote communities with access to schools, healthcare, and electricity, which helps reduce migration away from strategic border zones.
- **National Integration through MCA:** Initiatives such as military-run school adoptions and national exposure tours help bridge cultural and geographic distances, strengthening ties between remote border communities and the rest of the country.
- **Political Dimension**
- **Assertive Administrative Will:** The physical presence of senior leadership and civil infrastructure confirms the state's political commitment to protecting territorial integrity.
- **Cooperative Federalism:** Strong coordination between the central security apparatus and the state government of Arunachal Pradesh ensures smooth land acquisition and resource allocation for strategic projects.
- **Legal Dimension**
- **Countering Revisionist Claims:** Developing infrastructure and hosting official activities offers strong legal evidence of ongoing administrative control, countering external attempts at cartographic revision.
- **Domestic Legal Frameworks:** Navigating environmental protection laws and the Forest Conservation Act is essential for fast-tracking strategic infrastructure like highways and border outposts in ecologically sensitive zones.
- **Ethical Dimension**
- **The Right to Development:** For decades, border communities faced limited access to development due to defensive strategy considerations. Rectifying this balance ensures these populations receive equal access to modern infrastructure and public services.
- **Preserving Tribal Identities:** Infrastructure development must be managed carefully to protect the unique cultural heritage, customs, and land rights of indigenous communities like the Monpa, Adi, and Mishmi tribes.
- **International Dimension**
- **Countering Gray-Zone Tactics:** Regular tourism and infrastructure development help counter low-intensity, non-military assertiveness near the border, establishing clear boundaries without escalating tensions.
- **Geopolitical Signalling:** Hosting public sports events and operating advanced air defense systems near the LAC signals defensive readiness and strategic confidence to regional neighbors.
- **Economic Dimension**
- **Unlocking High-Value Tourism:** Improved connectivity opens up pristine areas like the Mechuka Valley and Siang River for adventure tourism and eco-tourism, generating sustainable livelihoods for local youth.
- **Developing Cash-Crop Corridors:** All-weather roads enable remote farmers to transport high-value perishable goods, such as kiwi, oranges, large cardamom, and organic ginger, to national markets, turning security corridors into productive economic zones.

- **Linkages with NCERTs**

- **Class XII Political Science (Politics in India Since Independence - Chapter: India's External Relations):** This text outlines the historical development of Sino-Indian relations, the strategic impact of the 1962 war, and how that conflict shaped India's defense spending and regional alignment.

- **Class XI Geography (India: Physical Environment - Chapter: Structure and Physiography):** This chapter provides important context on the challenging terrain of the Eastern Himalayas, including its steep valleys and major river systems like the Brahmaputra (Siang). This geography directly influences infrastructure construction and tactical military movements.

- **Class XII Human Geography (Transport and Communication):** This section discusses the economic and social importance of border roads, demonstrating how networks like those built by the BRO connect remote areas, reduce regional imbalances, and support national defense.

- **Linkages with UPSC CSE Syllabus**
- **GS Paper 3: Internal Security & Infrastructure**
- **Border Area Management:** Strategies for securing land borders and maintaining stability in contested frontier zones.
- **Role of External State Actors:** Analyzing challenges to internal security through border pressure, gray-zone tactics, and cartographic changes.
- **Technology in Warfare:** The use of drones, advanced air defense systems, and all-terrain logistics to improve border security.
- **GS Paper 2: International Relations & Governance**
- **India and its Neighborhood:** Bilateral relations, border management protocols, and regional security dynamics with northern neighbors.
- **Governance and Institutional Models:** The implementation of whole-of-government strategies and public service delivery in remote areas.
- **GS Paper 1 & 4 / Essay**
- **Geography of the Northeast:** The physical geography, resource distribution, and strategic vulnerabilities of India's frontier states.
- **Ethics of Development (GS 4):** Balancing national security infrastructure needs with environmental conservation and the rights of indigenous communities.
- **Essay Themes:** Concepts regarding security as a prerequisite for regional economic growth, or modern infrastructure as a pillar of national sovereignty.



- **Way Forward**

- To maintain long-term stability and growth along the eastern frontier, several strategic priorities should be pursued.

- **Accelerating All-Weather Last-Mile Connectivity**

- While key arterial routes like the Trans-Arunachal Highway have progressed significantly, focus must remain on building all-weather lateral roads connecting deep valley axes. Constructing strategic bypasses and high-altitude tunnels is necessary to keep forward positions accessible during heavy monsoons and winter snows.

- **Deepening Technological Surveillance**

- Given the wide geographical frontages along the Subansiri, Siyom, and Siang rivers, human patrolling should be supported by automated surveillance networks. Deploying high-altitude long-endurance (HALE) drones, satellite monitoring loops, and thermal sensor grids along key passes will ensure continuous situational awareness without overextending personnel in extreme weather.

- **Expanding the Vibrant Villages Programme**

- Securing border regions depends on keeping them populated. Expanding the Vibrant Villages Programme to offer stable solar micro-grids, reliable 4G/5G digital connectivity, and better primary healthcare will help retain local communities, transforming remote villages into active hubs of civic and security support.

- **Promoting Sustainable Border Tourism**

- Building on successful initiatives along the Siyom and Siang rivers, the state should expand regulated home-stay networks and adventure tourism in frontier valleys. This economic opening strengthens local livelihoods and reinforces India's sovereign presence through regular civilian activity.



Civil Services Exam (UPSC) — Prelims Style

Q1. Consider the following statements regarding the Border Roads Organisation (BRO):

- 1.It functions under the administrative control of the Ministry of Home Affairs.
- 2.It is responsible for executing the construction of the Trans-Arunachal Highway.
- 3.It undertakes infrastructure development projects in neighboring countries like Afghanistan and Bhutan.

Which of the statements given above are correct?

- A) 1 and 2 only
- B) 2 and 3 only
- C) 3 only
- D) 1, 2, and 3

Answer: B

Explanation: Statement 1 is incorrect because the BRO was brought entirely under the Ministry of Defence in 2015 to improve strategic coordination. Statements 2 and 3 are correct; the BRO plays a key role in building major border infrastructure like the Trans-Arunachal Highway and handles strategic projects in friendly foreign countries.

Q2. In the context of India's defense infrastructure in the Northeast, the locations Pasighat, Mechuka, and Ziro are frequently in the news. They are best known as:

- A) Strategic locations for underground nuclear missile silos.
- B) Hydroelectric power stations built on the Subansiri River loop.
- C) Advanced Landing Grounds (ALGs) operated by the Indian Air Force.
- D) Integrated Check Posts (ICPs) along the India-Myanmar international border.

Answer: C

Explanation: Pasighat, Mechuka, and Ziro are crucial Advanced Landing Grounds (ALGs) in Arunachal Pradesh. They enable the Indian Air Force to operate heavy transport aircraft and helicopters close to the LAC, supporting rapid tactical mobility.

RBI's Financial Stability Report is transparent, yet leaves some key questions unanswered

Devil is in the Footnotes



Krishnan Ranganathan

RBI's June 2020 Financial Stability Report (FSR) is an unusually transparent piece of central-bank writing — one that discloses its assumptions, names risks, and resists temptation of mistaking a rising market for a healthy one.

► **Household debt** It has risen to 45.5% of GDP up four percentage points in a year, and the report takes comfort in the fact that borrowers are better rated than before. That is true and worth noting, but it answers only who is borrowing, not why.

On the report's own figures, the answer is increasingly consumption, which now accounts for nearly half of all household debt. A reader might wonder whether this reflects financial deepening or households using credit to manage flat incomes. The report embraces the first interpretation and leaves the second to be inferred.

► **Asset quality** A multi-decadal low of 1.8% in bad loans is a genuine achievement, broad-based across bank groups. It coincides, however, with a firm portfolio carrying a 51% bad-loan ratio, and more than a third of the system's impaired assets. The report's data reveal a similar pattern at the other end of the income scale, where lower-income borrowers account for a disproportionate share of fresh defaults even as the retail book improves overall. None of this undermines the headline figure, which is real. It suggests that a system-wide average, however encouraging, is best read alongside the dispersion beneath it.

► **Gold lending** Loans against household jewellery are growing at roughly 42% a year, reaching \$34 bn and 17.4% of non-bank lenders' retail portfolio. RBI attributes the trend to rising gold prices, which have strengthened collateral buffers, while noting that a price correction could weaken them. Both points are true, and together they underscore that safety and



Over the charmer

risks are two sides of the same variable. The report's data also show the growth concentrated among existing borrowers re-plodging mortgages over debt, a pattern consistent with sensible refinancing or with increasing borrower strain. The more difficult to distinguish without loan-level repayment data, which RBI has not yet published.

A similar dynamic appears in fintech small-ticket lending, where non-bank platforms have taken a majority share of a fast-growing, largely unsecured segment with delinquencies above 6%. Both would benefit from fuller treatment in future editions.

► **Funding** Credit growth has accelerated to 14.5%, led by state-owned banks, even as deposit growth lags — and RBI traces this to savers shifting from FDs into MF industry.

Connecting these two observations more explicitly would sharpen an otherwise valuable point. The report is similarly even-handed, if somewhat reticent, on why public-sector lenders are setting the pace. Readers are left to weigh scale and improved underwrit-

ing against the possibility that an implicit sovereign backstop permits greater risk taking, without the report itself adjudicating between the two.

► **Stress-testing framework** This is the report's strongest feature. Assumpti-



ons are disclosed in full, many of them conservative — provisions are front-loaded, dividends are assumed to continue through the modelled stress — and a reverse stress test usefully shows that a shock of 4.4 standard deviations would be needed to breach the capital floor.

This is a welcome benchmark. It would sit more prominently, and do more interpretive work, if placed alongside the headline 'severe' scenarios, which are not otherwise calibrated against a probability or a historical comparative number.

Where the report does disclose individual outcomes, the picture is a shade less uniform than the aggregate suggests: 4 banks holding 12% of system assets,

and 15 of 174 NBFCs fall short of their minima under the severest scenario — a detail that rewards attention alongside the reassuring average.

The contagion analysis, which assumes bilateral exposures remain unchanged over a 2-yr horizon, finds limited knock-on losses, a natural extension, consistent with the report's emphasis on rising interconnectedness, would be to model the funding-side contagion that characterised the ILPS episode, where the transmission ran through withdrawn credit lines rather than direct losses.

► **Cybersecurity risk** Ranked by RBI's respondents as the leading concern for the year ahead — readers would benefit from the same quantitative treatment the report applies so thoroughly elsewhere. At present, it is flagged but not modelled.

► **Insurance** Life insurance grievances have declined by a fifth over 5 yrs, which the report reads as improved conduct.

General insurance grievances have nearly tripled over the same period, and the report's own language here is notably direct — 'systemic shortfalls in claims management, service quality and product communication'. Having used that phrase, the document moves on without returning to it in the Overview, where a reader might expect a finding of that weight to surface.

None of this detracts from the rep-

A reverse stress test usefully shows a shock of 4.4 standard deviations would be needed to breach the capital floor.

This is a welcome benchmark that would sit more prominently if placed alongside headline 'severe' scenarios

or score achievement. The arithmetic is sound, disclosure genuine, and RBI deserves credit for publishing material that allows this kind of scrutiny.

The suggestion, offered in the spirit the report invites, is modest: a published severity benchmark alongside the reverse stress test already calculated, a funding-side extension to the contagion model, and a touch more prominence in the Overview for findings — on gold, on fintech, and on general insurance conduct — that the data support rather more strongly than the summary let on.

A report this forthcoming has little to lose, and a good deal to gain, from carrying its own endnote through to the final page.

The writer is former executive director, Nissara

- **Key Terms and Explanations**
- **Financial Stability Report (FSR):** A biannual publication by the central bank that assesses the resilience of the financial system. It evaluates whether the banking, non-banking, and market infrastructures can withstand severe macroeconomic shocks.
- **Household Debt-to-GDP Ratio:** The total liabilities of households (including retail loans, housing loans, and credit card debt) expressed as a percentage of the Gross Domestic Product. A sharp rise indicates growing leverage, which acts either as a sign of financial maturity or as an economic vulnerability.
- **Financial Deepening vs. Income Smoothing:**
 - *Financial Deepening* occurs when access to institutional credit expands, allowing underserved populations to invest in productive assets.
 - *Income Smoothing* happens when households use credit lines to maintain daily consumption during phases of stagnant real incomes, effectively borrowing against future earnings to pay for present necessities.
- **Gross Non-Performing Assets (GNPA) & Dispersion:** GNPA measures the total value of loans that are overdue for 90 days or more. *Dispersion* refers to how these bad loans are distributed across different sectors. For instance, a very low systemic GNPA average can coexist with acute pockets of defaults in specific segments like agriculture or low-income retail.
- **Gold Lending & Re-pledging:** Loans extended by commercial banks or Non-Banking Financial Companies (NBFCs) against physical gold ornament collateral. *Re-pledging* or rolling over occurs when a borrower uses the appreciating value of the same gold asset to secure a fresh or larger loan to pay off existing debt obligations.
- **Sovereign Backstop:** An implicit or explicit assurance by the government that it will bail out or inject capital into state-owned entities (such as Public Sector Banks) if they face severe financial distress. This assurance alters risk perceptions among depositors and lenders alike.
- **Reverse Stress Test:** A risk management tool where the regulator models an extreme, hypothetical system failure or capital breach, and then works backward to calculate exactly how large of a macroeconomic shock (measured in standard deviations from the norm) would be required to cause that failure.
- **Funding-Side Contagion:** A systemic crisis that propagates when an institution faces a sudden cutoff of liquid credit lines or a freeze in the interbank wholesale funding market, rather than directly absorbing credit asset losses. The 2018 Infrastructure Leasing & Financial Services (IL&FS) collapse serves as a classic example of this dynamic.



- **Main Arguments and Substantive Parts**

- The contemporary macroeconomic discourse centers on a vital tension: headline financial health is at a multi-decadal high, yet structural undercurrents demand close monitoring.

- **The Macro-Micro Paradox in Banking Health**

- The banking system displays exceptional resilience, with system-wide Gross Non-Performing Assets (GNPAs) hitting a historic low of 1.8%. This reflects robust corporate balance sheets, clean-up operations over the past decade, and improved underwriting standards.

- However, looking strictly at the average obscures critical sectoral vulnerabilities:

- The agricultural loan portfolio carries a disproportionately high 5.1% bad-loan ratio, holding more than a third of the banking system's total impaired assets.

- At the lower end of the income spectrum, fresh retail defaults are rising faster than the overall book improvements would suggest.

- **The Consumption-Driven Leverage Boom**

- Household debt has climbed significantly to 45.5% of GDP. While mainstream indicators highlight that these borrowers possess stronger credit scores than past cohorts, the core vulnerability lies in the *utilization* of this debt. Nearly half of all household liabilities are driven by consumption rather than asset-creating investments. This raises a fundamental policy question: is this credit expansion a healthy sign of financial penetration, or is it a structural coping mechanism for households facing stagnant real wages?

- **Asset Volatility in Shadow Banking and Gold Portfolios**

- Loans against household jewellery are expanding rapidly at roughly 42% annually, accounting for 17.4% of NBFC retail portfolios. This hyper-growth is cushioned by elevated global gold prices, which expand the value of the underlying collateral.

- The structural risk emerges if gold prices correct downward, instantly exposing lenders to collateral deficits. Furthermore, data indicates that this growth is highly concentrated among existing borrowers re-pledging old assets to roll over debt, masking potential cash flow stress. A similar risk profile is unfolding in unsecured fintech micro-lending, where small-ticket delinquencies have crossed the 6% threshold.

- **The Structural Credit-Deposit Mismatch**

- An asymmetric growth pattern has emerged between bank assets and liabilities. Credit growth is advancing at 14.5%, led by Public Sector Banks, while deposit growth continues to lag. This divergence stems from a behavioral shift in domestic savings: households are moving away from traditional fixed deposits (FDs) toward capital markets and mutual funds. To fund this credit boom, banks are turning to short-term wholesale markets, building up structural liquidity vulnerabilities.

- **Stress Testing, Contagion, and Consumer Grievances**

- The current macroprudential framework reveals that it would take an extraordinary shock of 4.4 standard deviations to breach institutional capital minimums. Yet, under simulated severe stress, 4 major banks (holding 12% of system assets) and 15 NBFCs would fall short of their capital requirements.

- Furthermore, existing contagion models look primarily at direct bilateral credit exposures, often downplaying funding-side liquidity freezes. On the consumer side, a stark divergence has appeared: while life-insurance grievances have dropped by 20% over 5 years, general insurance grievances have nearly tripled, exposing systemic challenges in claims management and product transparency.

- **Historical Evolution of the Issue**
- **Phase 1: The Social Banking Paradigm (Pre-1969 to 1980s)**
- **1969 & 1980 Nationalizations:** Structural shift from class banking to mass banking. The primary policy objective was directing credit to neglected sectors like agriculture and small industries (the genesis of Priority Sector Lending).
- **Systemic Outcome:** Financial access expanded dramatically, but it also institutionalized a culture of politically driven loan waivers and weak credit discipline. This led to structurally poor asset quality and low operational efficiency across state-owned lenders.
- **Phase 2: Liberalization and Prudential Dawn (1991 to 2010)**
- **Narasimham Committee Reforms (I & II):** Introduced global asset classification norms, capital adequacy ratios (CAR), and income recognition requirements. This phase allowed private sector banks to enter the market, changing the competitive landscape.
- **The 2000s Infrastructure Boom:** Following the global financial crisis of 2008, aggressive credit allocation was directed toward large-scale infrastructure, power, and steel projects. This was often funded via consortia led by Public Sector Banks.
- **Phase 3: The Twin Balance Sheet Crisis and Asset Clean-up (2010 to 2018)**
- **Asset Quality Review (AQR) 2015:** The central bank initiated a comprehensive evaluation that forced banks to recognize hidden bad loans, causing reported NPAs to surge past 11%.
- **Insolvency and Bankruptcy Code (IBC) 2016:** Shifted the creditor-debtor balance of power by establishing a time-bound legal process for resolving insolvency.
- **The 2018 IL&FS Crisis:** The sudden default of a major infrastructure shadow bank triggered a severe funding freeze across the NBFC sector, underscoring the risks of funding-side contagion and maturity mismatches.
- **Phase 4: Retailization, Financialization, and Digitalization (Post-2018 to 2026)**
- **Corporate Deleveraging:** Large corporate balance sheets cleaned up, leading to a structural shift in bank lending toward retail loans, housing, and unsecured consumer credit.
- **Fintech & Co-Lending Explosion:** The integration of digital lending platforms and automated underwriting algorithms accelerated small-ticket consumption credit, shifting retail risk away from corporate sectors and directly onto household balance sheets.

RBI's June 2026 Financial Stability Report (FSR): A COMPREHENSIVE VISUAL ANALYSIS



FSR OVERVIEW & TRANSPARENCY

- Discloses assumptions
- Names risks
- Resists mistaking rising market for healthy

HOUSEHOLD DEBT: A BEYOND THE AVERAGE VIEW

Household Debt:
45.5% of GDP
(up 4 points in a year)



Interpretation:
Financial Deepening
vs.
Income Smoothing
(Consumption = ~half of debt)

ASSET QUALITY: Headline vs. Sectoral Realities

A

Overall Bad Loans
(Headline)
= 1.8%
(Multi-decadal low)

B

Dispersion Beneath

Farm Portfolio:
5.1% Bad Loans
(>1/3 of impaired assets)

GOLD LENDING & EMERGING RISKS



- Growth: **42%** annually (\$54 bn)
- **17.4%** of non-bank retail portfolios



Trend: Concentrated on existing borrowers re-pledging for roll-over

Correction Threat vs. Strengthened Collateral

FINTECH SMALL-TICKET LENDING



- Fast-growing, largely unsecured segment
- **Delinquencies above 6%**



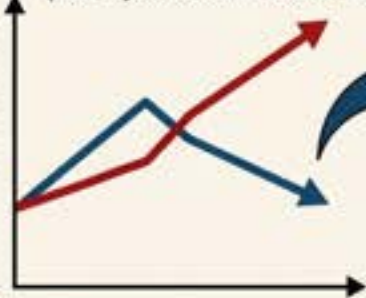
WAY FORWARD

- Severity Benchmark alongside reverse stress test
- Funding-side contagion model extension
- Prominent Overview findings for Gold, Fintech, Insurance

FUNDING & CREDIT-DEPOSIT GAP

- Credit Growth: **14.5%**
(Led by state-owned banks)

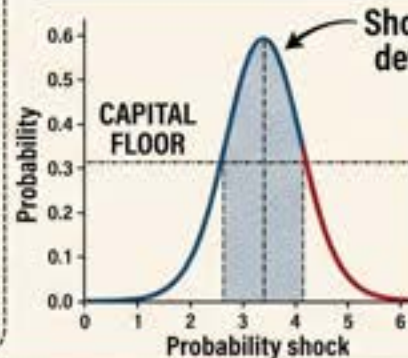
- Deposit Growth: **Lagging**



Savers shift:
From FDs to MF Industry

State-owned banks:
Lead due to scale & underwriting vs. implicit sovereign backstop

STRESS-TESTING FRAMEWORK & HIDDEN FAILURES



Text Box:
Individual outcomes:
4 banks (12% assets),
15 of 174 NBFCs fail in severest scenario

CONTAGION ANALYSIS & CONCERNS

- Modelled Funding-Side Contagion



Withdrawn credit lines
(IL&FS style)



- Cybersecurity #1 Concern (Flagged, not modelled)

- Conflicting Insurance Trends

Life Insurance grievance down 1/5th

General Insurance grievance tripled
(systemic claims/service shortfalls)

- Severity Benchmark alongside reverse stress test
- Funding-side contagion model extension
- Prominent Overview findings for Gold, Fintech, Insurance

- **Logical and Philosophical Base**
 - The debates around macro-financial regulation reflect competing economic theories and regulatory philosophies.
- **Aggregate Utilitarianism vs. Distributive Vulnerability**
 - The mainstream approach to financial stability relies heavily on an aggregate utilitarian philosophy: if the system-wide average capital adequacy and asset quality are secure, the financial system is deemed healthy.
 - However, an alternative perspective focuses on *distributive vulnerability*. Drawing on ideas similar to John Rawls' focus on the least advantaged, this view argues that systemic health must be judged by its weakest links. An economy with a 1.8% overall NPA can still face localized stress if defaults are concentrated among smallholders and low-income families, highlighting a gap between headline macro metrics and micro-level realities.
- **Epistemological Boundaries of Risk Modeling**
 - Financial stress testing often assumes that future crises will mirror past statistical patterns. This methodology can create a false sense of security. Calculating that a system can withstand a "4.4 standard deviation shock" assumes that financial risks follow predictable distributions. In reality, modern financial systems are complex and prone to unexpected disruptions, where non-linear behavioral shifts—like a sudden drop in household savings or a rapid run on digital liquidity—can outpace historical models.
- **Moral Hazard and State Backstops**
 - The persistent outperformance in credit growth by state-owned banks highlights a classic regulatory dilemma. Do these public lenders excel because of superior underwriting skills, or because market participants assume an implicit sovereign backstop?
 - This implicit safety net can create moral hazard. It allows public sector institutions to take on greater asset-liability mismatches and pricing risks, knowing that the state ultimately guarantees their survival. This dynamic can distort market competition with private sector counterparts.



- **Multidimensional Analysis**
- **Social Dimension**
 - **Household Vulnerability and Stress:** When consumption debt grows faster than real wages, household balance sheets become vulnerable to economic shocks. Using credit lines to cover basic living costs can lead to structural debt traps for vulnerable demographics.
 - **Widening Credit Disparities:** The divergence between record-low corporate defaults and elevated agricultural and low-income retail defaults points to uneven financial health across social classes. This trend can exacerbate broader socioeconomic inequalities.
- **Political Dimension**
 - **The Credit-Waiver Cycle:** Credit discipline in agricultural portfolios is frequently disrupted by political incentives, such as the anticipation of farm loan waivers around election cycles. This trend can inadvertently discourage regular repayments, driving up agricultural NPAs.
 - **Political Economy of Public Sector Banks:** State-owned banks often face competing demands. They are expected to function as commercially viable businesses while simultaneously acting as instruments for national development, financial inclusion, and counter-cyclical lending.
- **Legal and Regulatory Dimension**
 - **Evolving Shadow Banking Jurisdictions:** The rapid expansion of fintech and co-lending structures often outpaces traditional regulatory frameworks. Regulators face the ongoing challenge of monitoring digital lending applications and complex risk-sharing agreements between banks and NBFCs.
 - **IBC Capacity Constraints:** While the Insolvency and Bankruptcy Code fundamentally changed credit behavior, structural delays and low recovery rates in regular bankruptcy proceedings can lock up capital, reducing the efficiency of credit recycling.
- **Ethical Dimension**
 - **Predatory Micro-Lending:** The growth of unsecured, small-ticket digital loans can sometimes involve unethical collection practices, lack of transparent pricing, and misleading advertising, creating consumer protection challenges.
 - **Systemic Issues in General Insurance:** A tripling of consumer grievances in general insurance reveals underlying shortfalls in corporate conduct. Issues like opaque policy terms, arbitrary claims rejections, and poor communication raise ethical concerns around consumer protection.
- **International Dimension**
 - **Basel Framework Adjustments:** India's regulatory policies must balance international standards like Basel III/IV with local economic realities. For instance, Western macroprudential toolkits may not fully account for unique local risks like rapid variations in gold-collateral valuations.
 - **Global Macro Spillover Risks:** Domestic gold-backed lending is deeply connected to international commodity prices and global monetary policy decisions. Shifts in interest rates by major central banks can impact global gold prices, directly affecting collateral values within the Indian shadow banking system.
- **Economic Dimension**
 - **The Savings Financialization Trend:** The shift in household savings from traditional bank fixed deposits to mutual funds and equities alters the structure of financial intermediation. This forces banks to rely on costlier wholesale markets, compressing net interest margins and creating liquidity management challenges.
 - **Productive vs. Non-Productive Credit:** When credit growth is driven by consumption rather than capital expenditure, its long-term multiplier effect on real GDP growth tends to diminish. This dynamic can fuel short-term demand-driven inflation without expanding the economy's productive capacity.

- **Linkages with NCERT Textbooks**
- **Class XII Macroeconomics – Chapter: "Money and Banking":**
 - *Core Concepts:* Central Bank functions, credit creation by commercial banks, and qualitative/quantitative monetary instruments (such as risk-weights and statutory ratios).
 - *Relevance:* The current credit-deposit mismatch and the use of macroprudential tools directly illustrate how the central bank manages system liquidity and credit direction in practice.
- **Class XI Indian Economic Development – Chapter: "Economic Reforms Since 1991":**
 - *Core Concepts:* Financial sector liberalization, changing role of the central bank from regulator to facilitator, and the emergence of private and foreign banking entities.
 - *Relevance:* This framework provides the historical context needed to understand how the Indian financial system transitioned from a strictly nationalized structure to today's diversified market of banks, NBFCs, and fintech platforms.
- **Class XI Indian Economic Development – Chapter: "Rural Development":**
 - *Core Concepts:* Agricultural credit systems, sources of rural finance, and the persistent challenges of institutional debt and rural distress.
 - *Relevance:* This material explains why agricultural portfolios remain vulnerable to higher bad-loan ratios, demonstrating how structural rural issues translate directly into systemic banking metrics.



- **Linkages with UPSC CSE Syllabus**
- **GS Paper III: Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, Development, and Employment**
- **Banking System and Monetary Policy:** Analyzing credit-deposit trends, structural banking health, and the evolving role of non-banking financial intermediaries.
- **Inclusive Growth and Financial Inclusion:** Evaluating the balance between expanding financial access through digital platforms and protecting vulnerable consumer segments from high debt burdens.
- **GS Paper IV: Ethics and Human Interface; Corporate Governance**
- **Ethical Issues in Commercial Operations:** Analyzing the responsibilities of financial institutions regarding transparent product communication, fair claims management in insurance, and avoiding predatory lending practices.
- **Essay Paper**
- **Socioeconomic Themes:** Topics focusing on the relationship between aggregate financial metrics and localized structural vulnerabilities, or evaluating whether rapid credit expansion supports sustainable economic development.



- **Way Forward**
- **Granular Macroprudential Interventions**
- **Targeted Risk Weights:** Regulators should proactively adjust risk weights on hyper-growth segments, such as gold loans and unsecured small-ticket fintech lending, before systemic vulnerabilities build up.
- **Loan-Level Repayment Visibility:** Implementing mandatory, granular reporting frameworks for gold loan rollovers would help institutions distinguish between routine, constructive debt refinancing and borrowers facing financial strain.
- **Upgrading Contagion and Risk Models**
- **Funding-Side Liquidity Stress Modeling:** Contagion assessments should go beyond direct credit losses to explicitly simulate funding-side shocks, wholesale market freezes, and unexpected credit line drawdowns.
- **Calibrated Probability Benchmarks:** Stress test scenarios should be benchmarked against historical precedents and clear probability metrics to make reverse stress-testing data more actionable for institutional risk planning.
- **Structural Adjustments in the Banking and Insurance Sectors**
- **Innovative Deposit Mobilization:** To help bridge the credit-deposit gap, banks need to develop new liability products that can compete effectively with capital market instruments, rather than relying excessively on short-term wholesale funding.
- **Strengthening General Insurance Regulation:** Regulatory oversight around claims management needs to be reinforced. Introducing standardized product disclosures and automated dispute resolution mechanisms would help address the rising volume of consumer grievances.



- **Civil Services Exam (Mains)**
- **2023 (GS Paper III):** "Is inclusive growth possible under market economy? State the significance of financial inclusion in achieving economic growth in India."
- **2019 (GS Paper III):** "Do you agree with the view that steady GDP growth and low inflation have left the Indian economy in good shape? Give reasons in support of your arguments."
- **2018 (GS Paper III):** "How sectors of the Indian economy are linked with banking systems? What are the key bottlenecks faced by the banking sector in resolving non-performing assets (NPAs) through the Insolvency and Bankruptcy Code (IBC)?"
- **Assam Public Service Commission (APSC)**
- **APSC CC (Mains) - General Studies:** "Examine the role of regional rural banks and NABARD in addressing the credit requirements of the agricultural sector in the Northeast. What structural limitations continue to impede credit flow?"
- **APSC CC (Mains) - General Studies:** "Discuss how the growth of micro-finance institutions and digital shadow banking platforms has changed consumer leverage patterns in smaller urban centers."



DPDP Act: Trojan horse for State overreach

In June, the Union government restricted access to Telegram across the country under the IT Act, citing paper-link concerns. The company has since challenged the order in court, claiming it excessive. A few days later, on July 1, the IT ministry asked WhatsApp to suspend its new e-commerce feature while they consult on fraud and impersonation risks. While neither of these actions falls under Section 36, Digital Personal Data Protection (DPDP) Act, together, they highlight a trend of executive notices issued quickly with limited public explanations. This forms a useful reference for Section 36, which relies on similar discretion but focuses on personal data and is currently being reviewed by the Supreme Court.

When the DPDP Act comes into full effect in May 2027, over a billion citizens will have rights to know who holds their data, to correct it, and to delete it. That said, powers reserved for the government are significant but often overbroad.

Section 36 permits the Centre to request information from any data fiduciary or intermediary related to the Act. Rule 23 of the DPDP Rules, 2025, and its seventh schedule define these requests as pertaining to national security, statutory obligations, and assessing "big data, data policies" among "information as from IT Act's definition, includes data, software, databases, and computer programmes, covering a wide scope that goes beyond standard compliance paperwork. Rule 23C further exempts these requests from being disclosed to the data principal (individual to whom the data belongs) if such disclosure could harm specified interests. Though intended to protect data principal's rights, the statute includes a way for government to collect data without the principal ever knowing.

Following three petitions, the provision was taken up for examination by a five-judge Supreme Court bench. In February, the court chose not to pass the Act, directing the issue raised as "complex" and "sensitive." Petitioners argued Section 36 is vague, overly broad, and lacking an appeals process. While the Telegram and WhatsApp issues aren't exactly a part of these petitions, they provide a practical context for understanding how notice-based, state-sensitive actions operate in such services. This is relevant for questioning whether procedural shortcomings of Section 36, applied to personal data with a non-disclosure clause, deserve similar examination.

Other democracies handle similar problems for national security differently. In the US, the Fourth Amendment and court rulings require government data access to have judicial or semi-judicial approval, although this is not always followed effectively. The EU's General Data Protection Regulation (GDPR) allows exceptions only when they are "necessary and proportionate," overseen by independent authorities. Brazil's Lei Geral de Proteção de Dados Pessoais (General Data Protection Law) gained EU-designated "adequacy status" in January, thanks to its independent regulator, Autoridade Nacional de Proteção de Dados (National Data Protection Authority). Comparable laws in Japan, Thailand, and South Africa, all require clearly defined and demonstrable necessity, rather

The US requires government data access to have judicial or semi-judicial approval. The EU's GDPR allows exceptions only when they are overseen by independent authorities.



than open executive discretion.

The Supreme Court of India has already set the relevant standard. In Puttaswamy (2017), the Court stated that government intrusion into privacy must meet the trifecta of legitimacy, necessity, and proportionality. Section 36 meets the first condition because it has a legal basis. The other two conditions are more questionable. Phrases like "sovereignty, integrity or security of India" are broadly defined and, elsewhere, have justified restrictions on press and internet connectivity. Without judicial oversight, mandatory notice to a supervisory body, or a time-limit on collection and holding of data, it is challenging to consistently demonstrate necessity and proportionality.

The Data Protection Board, whose members are appointed through a government-led process, currently reviews complaints (rather than requests) under Section 36.

Foreign companies face a related challenge: Article 48 of the GDPR makes foreign data requests enforceable only through treaty mechanisms. Thus, a Section 36 demand involving a joint EU-Indian venture could lead to the kind of disputes Brazil's ANPD model aims to prevent.

Three targeted reforms could improve Section 36 to better match constitutional standards and international practices: requiring prior judicial or semi-judicial approval for security-related requests; mandatory notice to Data Protection Board whenever a demand is made; and a proportionality safeguard that requires the government to outline the minimum information needed. As May 2027 approaches, these changes should be implemented to ensure that a law designed to protect a billion citizens' data does not leave access largely unchecked due to one provision.

Tanya Verma is a research fellow at Vidhi Centre for Legal Policy. The views expressed are personal.

DPDP Act is a suraksha kawach for data privacy

India's Digital Personal Data Protection (DPDP) Act, 2023, seeks to balance individual privacy with the realities of a rapidly expanding digital economy. Section 36 of the Act empowers the State to require the Data Protection Board (DPB), a data fiduciary or a data intermediary to furnish information. This, however, is not an instrument of unchecked state power. Rather, it is the enforcement mechanism that makes privacy rights-meaningful in practice—providing a suraksha kawach (security armour) for citizens.

Every day, citizens entrust banks, fintech platforms, social media companies, e-commerce platforms and ed-tech firms with sensitive financial, biometric, and personal information. When these entities fail to protect that data, the State must be equipped to respond swiftly. Section 36 provides that capability while remaining firmly tied to the Act's objective of safeguarding privacy and ensuring lawful processing of personal data.

Its significance becomes evident in real-world situations. Consider a major fintech platform suffering a data breach that exposes Aadhaar-linked bank details of millions of users. Fraudsters could immediately exploit the leaked information to obtain unauthorised loans in victims' names. Section 36 enables the Data Protection Board to demand access logs, breach reports, third-party sharing records and compliance documents. This helps authorities trace source of the breach, identify failures, impose penalties where necessary and facilitate compensation for affected individuals. Instead of letting banks and credit agencies alone, citizens gain access to an effective legal mechanism for redress.

A similar need arises in the case of ed-tech companies. During the rapid expansion of online education, many platforms collect detailed information about students without obtaining meaningful parental consent and some later shared it with advertisers. Parents discovered targeted promotions based on children's learning patterns and locations. Under Section 36, authorities can now compel these companies to produce their processing records, consent mechanisms, and data-sharing agreements. If misadventures are established, improperly collected data can be deleted, unlawful processing can be stopped and damages held accountable. This is especially important because children deserve the highest standards of privacy protection.

Another pressing concern is the rise of rogue loan apps. Many such apps unlawfully access users' contact lists, photographs and social media accounts before using that information to harass borrowers, their relatives and even colleagues. Since these operators often delete or shift records across jurisdictions, victims are left with little recourse. Section 36 empowers authorities to direct intermediaries and relevant entities to preserve and produce critical information, enabling faster investigations, prosecutions and takedown orders. This directly protects ordinary citizens from coercion, harassment and financial exploitation.

Critics argue that Section 36 is broadly worded and could enable mass surveillance. However, the provision itself outlines the precise use of this power to the purposes of the DPDP

When private sector entities fail to protect individuals' data, the State must be equipped to respond swiftly. Section 36 provides that capability while being firmly tied to the objective of safeguarding privacy.



Act. Any action taken under it must satisfy the constitutional doctrine of proportionality laid down by the Supreme Court in the landmark Justice K. S. Puttaswamy (Retd.) v. Union of India judgment. Furthermore, its exercise remains subject to judicial review under Articles 32 and 226 of the Constitution. The power is also consistent with information gathering authorities already available to regulators such as the Reserve Bank of India and the Securities and Exchange Board of India. In fact, it is narrower than certain interception powers that already exist under Information Technology Act. Importantly, Section 36 promotes accountability from private entities.

The criticism also reveals a striking inconsistency. During the term of the United Progressive Alliance government, Aadhaar became the world's largest biometric identity programme without the backing of a comprehensive privacy law. The same period also witnessed development of surveillance initiatives such as NAF-GDRI. Despite the UPA government's role in the unopposed digital expansion, no dedicated data protection framework was enacted. Against that backdrop, objections to an enforcement provision within a comprehensive privacy law appear difficult to reconcile with the earlier absence of statutory safeguards surrounding large-scale collection of citizens' personal data.

Section 36 does not tilt the balance against citizens but in favour of them. It strengthens the State's ability to protect them from corporate negligence, cybercrime, and criminal misuse of personal data. In a country pursuing the vision of Digital India, privacy requires effective online and offline mechanisms capable of translating tangible legal rights into real-world protection. Section 36 is one of the most practical and necessary tools for achieving precisely that objective.

Shehzad Poonawalla is a national spokesperson of the Bharatiya Janata Party (BJP). The views expressed are personal.

- **Key Terms and Explanations**
- **Data Principal:** The individual to whom the personal data belongs. In simpler terms, this is the ordinary citizen whose digital footprint, personal details, or financial records are being handled.
 - *Example:* If you open a bank account or sign up for a food delivery app, you are the Data Principal.
- **Data Fiduciary:** Any person, company, or state entity that determines the purpose and means of processing personal data. They bear the primary legal responsibility for safeguarding the data they collect.
 - *Example:* A commercial bank, an e-commerce platform, or a state electricity board acting as the collector and custodian of your personal information.
- **Data Intermediary:** An entity that processes personal data on behalf of a Data Fiduciary, acting as a technical bridge or service provider without directly owning the primary relationship with the consumer.
 - *Example:* A cloud storage company hired by an online education portal to store student records.
- **Significant Data Fiduciary (SDF):** A specific category of Data Fiduciaries designated by the Central Government based on factors like the volume of data handled, potential risk to electoral democracy, or impact on public order. These entities face stricter compliance standards, including mandatory Data Protection Officers and regular independent audits.
- **Section 36 of the DPDP Act:** A controversial yet crucial provision that empowers the Central Government to issue directions requiring the Data Protection Board, any Data Fiduciary, or any Intermediary to furnish specific information, software, or databases necessary for state enforcement or compliance assessment.
- **Data Protection Board of India (DPB):** The statutory, quasi-judicial body established under the Act to adjudicate non-compliance, investigate data breaches, and penalize violators. It acts as the primary enforcement arm of the DPDP framework.
- **Puttaswamy Trifecta Test:** The three-pronged constitutional standard established by the Supreme Court in 2017 to assess any state intrusion into a citizen's privacy. To be constitutionally valid, the state action must simultaneously satisfy:
 - **Legality:** Existence of a clear legislative law.
 - **Necessity:** Serving a legitimate state aim (such as national security).
 - **Proportionality:** Ensuring the least intrusive means are used to achieve that specific aim.



- **Main Arguments and Substantive Parts**
- The debate over Section 36 exposes a structural tension within the Indian state: the duty to protect citizens from digital harms versus the constitutional mandate to safeguard individual privacy from state overreach.
- **The Core Thesis**
- Section 36 represents a dual-use instrument. From one perspective, it is a vital regulatory mechanism—a *suraksha kawach* (security armor)—enabling the state to hold powerful tech corporations accountable and swiftly combat cyber-fraud. From another, it functions as a highly elastic executive tool that permits the state to collect vast troves of citizen data under a shroud of non-disclosure, potentially bypassing traditional checks and balances.
- **Arguments in Favor of Section 36 (The State as Protector)**
- **Corporate Accountability and Swift Intervention:** Digital harms unfold at lightning speed. If a major financial platform suffers a catastrophic data breach exposing user records, authorities cannot wait for prolonged judicial processes. Section 36 allows immediate access to access logs and data-sharing records to mitigate ongoing identity theft.
- **Combating Rogue and Predatory Ecosystems:** The rapid rise of unregulated digital loan applications—which weaponize user contact lists and private photos for extortion—requires exceptional state powers. Section 36 provides the statutory muscle to compel intermediaries to preserve and turn over shifting digital evidence across borders.
- **Protection of Vulnerable Demographics:** Online education platforms often quietly monetize student data for targeted advertising without meaningful parental consent. This provision grants regulators the teeth to demand processing histories, enforce the deletion of unlawfully held information, and protect children's digital environments.
- **A Necessary Balancing Act:** The provision does not operate in a vacuum. Proponents argue that its scope is bounded by the purposes of the DPDP Act itself, and any executive action remains firmly open to judicial review before High Courts and the Supreme Court.
- **Arguments Against Section 36 (The Counter-Perspective on Surveillance)**
- **Absence of Prior Judicial Oversight:** Unlike mature democratic frameworks where state access to private communication requires a judicial or semi-judicial warrant, Section 36 relies entirely on executive discretion. This raises serious concerns about potential mass data-gathering without independent filtering.
- **The Shadow of Non-Disclosure:** Under the accompanying regulatory rules, the government can explicitly bar a Data Fiduciary from informing the affected citizen (the Data Principal) about a data request if national security or public order is cited. This creates a scenario where an individual's personal data is accessed by the state without their knowledge or any immediate path to seek remedy.
- **Elastic and Broad Definitions:** The use of sweeping terms like "sovereignty, integrity, or security of India" mirrors phrasing found in older statutes like the IT Act. Critics note that such broad language has historically been used to justify wide-ranging digital interventions, making the constitutional tests of necessity and proportionality difficult to maintain consistently.
- **Institutional Independence Concerns:** The Data Protection Board—the very body meant to act as an objective referee—relies on a government-led appointment process. This raises questions about its capacity to independently review information demands issued by the central executive.

- **Historical Evolution of the Issue**
- **Pre-Independence to the Early Republic: The Era of Physical Surveillance**
- **1885:** The Indian Telegraph Act is enacted under colonial rule, granting the state broad powers to intercept communications on grounds of public emergency or safety. This set an early precedent for executive-led communication interception without prior judicial warrants.
- **1954 (*M.P. Sharma Case*):** An eight-judge bench of the Supreme Court rules that the Constitution does not explicitly protect a distinct "right to privacy" against searches and seizures, treating privacy as a secondary consideration compared to the state's power to investigate crimes.
- **1963 (*Kharak Singh Case*):** The Supreme Court examines police surveillance practices, such as midnight domiciliary visits. While striking down intrusive physical monitoring, the majority bench reiterates that privacy is not a guaranteed fundamental right under Article 21, though subsequent minority opinions begin to argue otherwise.
- **The Turn of the Century: Digital Expansion and State Identity**
- **2000:** The Information Technology (IT) Act is passed to provide a legal framework for e-commerce, but it lacks robust, independent data protection rules for individual citizens.
- **2009–2016:** The Indian state launches massive, centralized digital identity and security programs, such as Aadhaar and NATGRID. These initiatives collect vast amounts of citizen data without an accompanying comprehensive data protection law, drawing sharp criticism over the lack of statutory guardrails.
- **The Constitutional Watershed**
- **2017 (*Justice K.S. Puttaswamy v. Union of India*):** A unanimous nine-judge bench of the Supreme Court overrules older judgments, declaring the Right to Privacy an intrinsic part of the Right to Life and Personal Liberty under Article 21. The ruling establishes the strict legality, necessity, and proportionality test for any future state intrusion.
- **Regulatory Formulations to Full Enforcement**
- **2018:** The Justice B.N. Srikrishna Committee submits a draft Personal Data Protection Bill, initiating a multi-year legislative debate on governmental exemptions and executive overreach.
- **2023:** The Digital Personal Data Protection (DPDP) Act is officially passed by Parliament, featuring Section 36 as its core executive information-gathering mechanism.
- **Current Scenario:** The ongoing implementation phase faces constitutional scrutiny before a five-judge bench of the Supreme Court. The focus remains centered on executive provisions like Section 36 ahead of the Act's full enforcement deadline in May 2027.

THE DIGITAL PERSONAL DATA PROTECTION (DPDP) ACT 2023: OVERVIEW



Balance Individual Privacy with Digital Economy realities. **Effective May 2027.** Purposes. A **"SURAKSHA KAWACH" (SECURITY ARMOUR) FOR CITIZENS**



CONTEXT & TRENDS

Recent executive notices ties (e.g., Telegram restrictions, WhatsApp username request), with lenient context with limited public culture explanations. Explanations. Cite are referenced by references for Section 36 discretion.

A "SURAKSHA KAWACH" FOR CITIZENS (ENFORCEMENT MECHANISM) (STATE'S VIEW)



• **Swift Intervention:** e.g., Fintech Data Breach (Trace source, identify failures, compensate users)



• **Combat rogue loan apps:** Preservation of evidence, stop harassment/exploitation



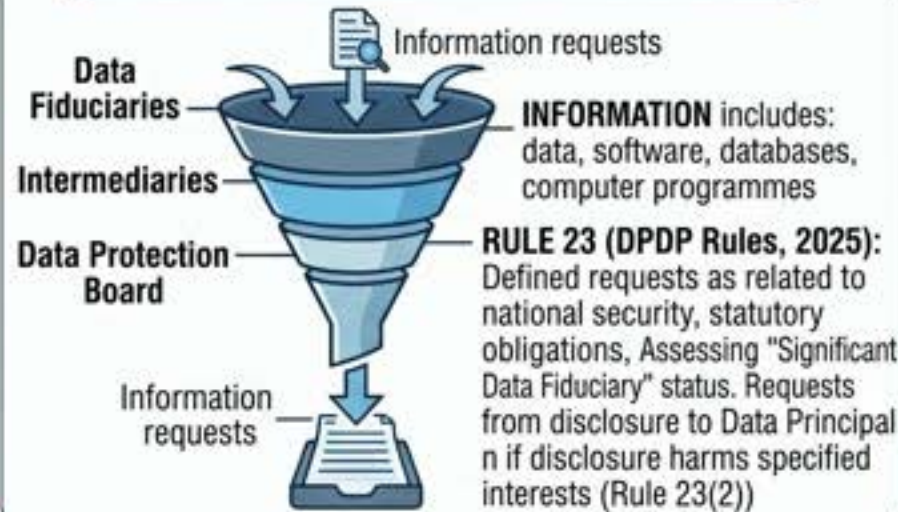
• **Protect Children's Data:** compelling Ed-tech records, stop unlawful processing



• **Promote Corporate Accountability**

• **Narrows existing interception powers (IT Act)**

SECTION 36: UNPACKING STATE POWER



B CONCERNS OF EXECUTIVE DISCRETION & CONSTITUTIONAL VULNERABILITY (CRITIC'S VIEW)



• **Broad & Vague Wording:** "Sovereignty, integrity or security of India" (potential mass surveillance)



• **Absence of Appeals process**



• **Exemption from Disclosure (Rule 23(2)):** Data Principals unaware of data access



• **Potential for mass surveillance**



• **Challenges for Foreign Companies** (GDPR Art 48: Treaty mechanisms required)

THE CONSTITUTIONAL TEST (PUTTASWAMY, 2017)

1. **LEGALITY:** (Met: Existing Law)



2. **NECESSITY:** (Questionable: Broadly defined phrases, e.g., internet restrictions mandatory notice, or time limits)

COMPARISON WITH DEMOCRATIC FRAMEWORKS



US:

Judicial/semi-judicial approval for data access



EU (GDPR):

Necessary & Proportionate, independent oversight



Brazil (LGPD):

Independent regulator (ANPD), EU adequacy prevents disputes



Japan, Thailand, SA:

Clearly defined necessity, not open executive discretion

WAY FORWARD: THREE TARGETED REFORMS

1. Prior judicial or semi-judicial approval for security requests
2. Mandatory notice to Data Protection Board whenever demand made
3. Proportionality safeguard: Government outlines *minimum* information needed



- **Logical and Philosophical Base**

- Understanding Section 36 requires examining the deep-seated philosophical clash over the true purpose of the state and the nature of individual rights.

- **The Utilitarian and Hobbesian Framework (State-Centric Protection)**

- This perspective operates on the assumption that individual rights are meaningless without a stable, secure, and orderly society. Drawing from Thomas Hobbes' social contract theory, the state is viewed as the ultimate protector against chaos and crime.

- In the digital world, this means the state must possess exceptional, flexible powers to counter asymmetrical threats like corporate negligence, financial cybercrime, and cross-border digital fraud. The logical justification here is utilitarian: restricting absolute privacy for a few data points is a reasonable trade-off to ensure the security, economic well-being, and digital safety of the larger collective.

- **The Libertarian and Kantian Framework (Rights-Centric Autonomy)**

- In sharp contrast, this view treats individual autonomy and privacy as intrinsic human goods that cannot be bartered away for administrative convenience. Rooted in Immanuel Kant's philosophy—which dictates that individuals must always be treated as ends in themselves, never merely as means to an end—this framework holds that an individual's data is an extension of their personality and dignity.

- The logical critique of Section 36 under this view points out a structural flaw: by allowing the government to collect personal data without prior independent review or mandatory notice to the individual, the law prioritizes state convenience over fundamental human rights. It challenges the assumption that national security and corporate regulation require entirely unchecked executive tools.

- **Multidimensional Analysis**
- **Social Dimension**
 - The digital divide in India means that millions of neo-internet users are highly vulnerable to digital scams, predatory financial apps, and online exploitation. For this demographic, Section 36 can act as a crucial social shield, allowing the state to step in and confront exploitative corporate entities on behalf of citizens who lack the resources to fight long legal battles alone.
 - Conversely, unchecked surveillance tools risk disproportionately impacting marginalized communities, journalists, and civil rights advocates, potentially creating a chilling effect that stifles free expression and social mobilization.
- **Political Dimension**
 - Politically, Section 36 concentrates significant data-gathering power within the executive branch. This alters the traditional institutional balance of power by centralizing regulatory authority over tech companies and citizens alike within central ministries, rather than separating it across independent regulatory or judicial bodies. It places a heavy premium on political accountability, as the guardrails against the misuse of this data depend largely on internal bureaucratic self-restraint rather than external constitutional checks.
- **Legal Dimension**
 - From a legal standpoint, Section 36 sits at the heart of an ongoing constitutional challenge regarding its compliance with the *Puttaswamy* precedent. The core issue is whether a wide-ranging executive notice can consistently satisfy the strict requirements of "necessity" and "proportionality" without built-in judicial warrants or time limits on data retention.
 - Furthermore, the dual role of the Data Protection Board—acting as an independent arbiter for private corporate data breaches while remaining structurally tied to government appointment processes—creates a complex legal conflict of interest.
- **Ethical Dimension**
 - The primary ethical dilemma revolves around consent and transparency. While the DPDP Act mandates that corporations obtain explicit, informed consent from individuals before processing their data, Section 36 creates a parallel track for the state that bypasses these exact ethical obligations. Utilizing a secret non-disclosure clause to access personal data compromises individual dignity, turning the citizen from an autonomous right-holder into an object of quiet state observation.
- **International Dimension**
 - As India aims to become a global hub for cross-border data flows, Section 36 introduces regulatory friction with international frameworks like the European Union's General Data Protection Regulation (GDPR). The GDPR restricts the transfer of personal data to foreign governments unless done through formal, independent treaty mechanisms.
 - India's reliance on executive discretion over judicial warrants could complicate its pursuit of "adequacy status" with international trading partners, potentially impacting global joint ventures and digital trade.
- **Economic Dimension**
 - On the economic front, a secure digital ecosystem is a prerequisite for a thriving digital economy. By providing mechanisms to curb rogue loan apps and financial data breaches, Section 36 helps build consumer trust in digital markets.
 - However, if information demands are perceived as arbitrary or unpredictable, they can increase geopolitical and compliance risks for foreign tech investors. This could inadvertently raise the cost of doing business in India's highly competitive tech sector.

- **Linkages with NCERTs**
 - **Class 11 Political Science: *Indian Constitution at Work***
 - **Chapter 2: Fundamental Rights in the Indian Constitution:** Directly linked to the evolving scope of Article 21 (Protection of Life and Personal Liberty). It helps students analyze how ancient notions of liberty adapt to modern digital challenges, and illustrates how the state can legally place reasonable restrictions on individual freedoms.
 - **Chapter 6: Judiciary:** Essential for understanding the power of judicial review (Articles 32 and 226). It explains how the Supreme Court evaluates executive mechanisms like Section 36 against constitutional principles.
 - **Class 11 Political Science: *Political Theory***
 - **Chapter 2: Freedom:** Explores the classic philosophical divide between negative liberty (freedom from state interference) and positive liberty (the state actively stepping in to create safe conditions for citizens).
 - **Chapter 5: Rights:** Provides the theoretical framework for analyzing whether data privacy should be treated as an alienable civil right or an unalterable natural human right.
 - **Class 12 Sociology: *Social Change and Development in India***
 - **Chapter 7: Mass Media and Communications:** Offers vital historical context on how digital technology has transformed from a top-down state broadcasting tool into an omnipresent data ecosystem, completely reshaping the relationship between citizens and institutions.
-



- **Linkages with UPSC CSE Syllabus**
- **General Studies Paper II (Core Focus)**
- **Fundamental Rights and Judicial Review:** Analyzing the compatibility of state information demands with Article 21 and the *Puttaswamy* judgment.
- **Government Policies and Interventions:** Assessing the implementation challenges of the DPDP Act, 2023, and its impact on civic freedoms.
- **Statutory, Regulatory, and Quasi-Judicial Bodies:** Examining the independence, structure, and enforcement capacity of the Data Protection Board of India (DPB).
- **General Studies Paper III**
- **Cyber Security:** Understanding how Section 36 serves as a tool to investigate cross-border data breaches, neutralize rogue applications, and safeguard critical financial infrastructure.
- **Growth of the Digital Economy:** Evaluating the impact of data protection laws on the business environment, foreign direct investment, and domestic fintech innovation.
- **General Studies Paper IV & Essay**
- **Ethical Governance and Transparency:** Navigating the ethical balance between a state's duty to protect its population and its obligation to maintain administrative transparency.
- **Essay Themes:** High-yield applicability for essays exploring technology and society, the changing boundaries of privacy, or striking a balance between state power and individual liberty.
- **Optional Subject Linkages**
- **Law Optional:** Constitutional Law (Article 21 developments, administrative discretion, and the doctrine of proportionality).
- **Political Science & International Relations (PSIR):** Political Theory (State sovereignty, citizens' rights, and modern surveillance state concepts).
- **Public Administration:** Accountability and control, bureaucratic discretion, and the evolution of regulatory authorities in a digital era.

- **Way Forward**

- **Introducing Independent Judicial Authorization**

- To align Section 36 with international democratic standards, non-emergency state requests for deep data access should undergo prior screening by a senior judicial or independent semi-judicial authority. This introduces an objective layer of review, ensuring that data-gathering is tailored to address specific, verifiable threats rather than expanding into broad informational fishing expeditions.

- **Enhancing Institutional Oversight via the DPB**

- The Data Protection Board should serve as an active independent oversight body for Section 36 requests. When emergency exceptions require the government to bypass prior notice to a citizen, a detailed record of the request should be automatically logged with the DPB. The Board can then conduct regular, independent audits of these state requests to ensure compliance with the law, helping prevent administrative overreach.

- **Codifying Strict Proportionality and Data Minimization**

- The regulatory rules should explicitly define the scope of government information requests by hardcoding the principle of **data minimization**. The state should be legally required to demonstrate that it is requesting the minimum amount of information necessary to address a specific issue.
- Furthermore, strict statutory deletion timelines must be established. Once a specific cyber-investigation or security assessment concludes, the state should be required to safely purge the gathered data, ensuring that temporary enforcement measures do not inadvertently turn into permanent data repositories.



Civil Services Examination (Prelims)

- 2021:** With reference to the Union Government, consider the following statements:
 - 1. Gopalaswami Iyengar Committee suggested that a minister and a secretary be designated solely for pursuing the cause of administrative reform and promoting it.
 - 2. In 1970, the Department of Administrative Reforms was placed under the Ministry of Home Affairs. *(Focus on the evolving nature of administrative control and ministerial mandates).*
- 2018:** Right to Privacy is protected as an intrinsic part of Right to Life and Personal Liberty. Which of the following in the Constitution of India correctly and appropriately imply this statement?
 - (a) Article 14 and the provisions under the 42nd Amendment to the Constitution.
 - (b) Article 17 and the Directive Principles of State Policy in Part IV.
 - (c) Article 21 and the freedoms guaranteed in Part III.
 - (d) Article 24 and the provisions under the 44th Amendment to the Constitution.
- 2017:** Which of the following bodies is/are established under the Information Technology Act, 2000? *(Exploration of statutory electronic regulatory architecture).*

Civil Services Examination (Mains)

- 2022 (GS Paper III):** "What are the different elements of cyber security? Keeping in view the challenges in cyber security, examine the extent to which India has successfully developed a comprehensive cyber security strategy."
- 2021 (GS Paper II):** "Analyze the multi-layered challenges faced by the digital regulatory framework in India, with special reference to protecting citizen privacy from corporate and state ecosystems."
- 2018 (GS Paper II):** "Examine the scope of Right to Privacy in the light of the Supreme Court's judgment in the Puttaswamy case. How can the state balance national security interests with individual fundamental liberties in the digital sphere?"
- 2017 (GS Paper III):** "Data security is becoming an essential component of national security. Discuss the vulnerabilities of India's expanding digital infrastructure and suggest institutional reforms to address them."

Deepening India-Japan partnership offers a powerful, constructive model



THAROORTHINK

BY SHASHI THAROOR

WHEN JAPANESE Prime Minister Shinzo Abe was in Delhi last week, I was in Japan. There was no connection between the two trips, but we both had a common message: A stronger India-Japan relationship is imperative for both countries at this time of global turbulence.

The first official three-day visit of PM Abe to India for the 10th India-Japan Annual Summit (July 1 to 3) marked a major turning point for Indo-Pacific diplomacy, injecting a massive \$12.5 billion in fresh Japanese investment into infrastructure and manufacturing sectors, effectively transforming the alliance into an economic powerhouse. Abe's milestone visit yielded 129 MoUs, primarily driven by the India-Japan Joint Economic Forum, which hosted over 150 leading Japanese corporations looking to anchor their capital in India's expanding ecosystem. By establishing a comprehensive roadmap for resilient supply chains in critical technology sectors, including semiconductors, telecommunications, and critical minerals, the partnership actively seeks to reduce vulnerability to single-source global networks and external market disruptions.

The summit solidified deep defence co-operation by committing to joint manufacturing of advanced military hardware, introducing the first military hardware co-development project focussing on cutting-edge naval technology like the Unified Complex Radio Antenna masts, alongside advanced bilateral deliberations regarding the future co-production of Magami-class stealth frigates. Coupled with wide-ranging agreements on high-level AI safety standards, digital development frameworks, and a clean energy initiative spanning proposals for large-scale green ammonia and a robust plan for 1,000 regional biogas plants, the summit positioned the partnership as a significant, multifaceted geopolitical counterweight in the region.



ILLUSTRATION BY SHASHI THAROOR

The structural alignment underscores that beyond trade and investment, the contemporary geopolitical reality demands that India and Japan build Asia's most trusted civilisational partnership, one rooted in shared history, values, and democratic systems. At a historical moment when democracies worldwide are under stress, India and Japan stand as unique anchors of stable democratic governance in Asia, collectively representing one-fifth of humanity living under the rule of law. The strategic alignment formalised via the Quad is not a military alliance but a civilisational commitment to a free, open, and rules-based Indo-Pacific that respects national sovereignty and institutional resilience. By combining their voices, both nations are building an alternative blueprint for global governance, proving that technological progress, environmental sustainability, and commitment to human values can coexist within a fractured global order.

This civilisational cohesion finds an immediate practical application when addressing the stark demographic contrasts that define both societies. While their demographic trajectories appear diametrically opposed, they present an opportunity for complementarity. Japan faces an unprecedented demographic contraction, marked by a shrinking labour force and an ageing society that places severe stress on healthcare systems, hospitality, and technological management. Conversely, India continues to experience expansive demographic growth, with millions of young, technically literate citizens entering the workforce annually but facing unemployment. A hol-

istic, long-term talent and mobility collaboration can transform this contrast into shared economic benefits. By pairing Japan's acute labour shortages with structured, multidisciplinary talent acquisition frameworks, Indian professionals can contribute substantively to Japan's socio-economic security. This arrangement must transcend short-term, myopic migration; it demands an immigration policy framework that prioritises cultural orientation, and robust institutional support to protect workers while delivering highly specialised care and management to Japan's silver economy.

This demographic synergy forms the cornerstone of what must become a joint India-Japan care economy. As Japan navigates its post-industrial demographic transition, it has pioneered sophisticated models of elder care, rehabilitative robotics, and age-appropriate infrastructure. In the coming decades, India will paradoxically house one of the world's largest elderly populations alongside its youthful workforce, rendering Japan's current domestic challenges an essential preview for our future. Through joint venture initiatives, research-based collaborations, and knowledge transfers, India can proactively draw inspiration from Japanese models to develop a sustainable care economy before ageing becomes an acute national crisis.

An equally transformative dimension of this partnership lies in expanding female labour force participation. By designing structured pathways for Indian women to access certified training and deployment in Japan (under guaranteed conditions of safe housing,

career progression, and harassment-free workplace protocols), both nations can simultaneously address Japan's care vacuum and advance female inclusion within India's domestic workforce.

The bridge between these demographic initiatives and industrial durability lies in the integration of Japanese hardware excellence with Indian digital innovation. Celebrated for its peerless precision engineering, robotics, and advanced manufacturing, Japan possesses the material solutions to the physical supply-chain problems of the 21st century. India, conversely, has demonstrated global leadership in developing expansive digital public infrastructure, scalable software architectures, and highly adaptable AI applications. The two nations can co-develop next-generation additive technologies, smart medical devices, and automated logistics networks. This synthesis ensures that economic growth remains anchored in real-world productivity, creating resilient industrial clusters that can insulate both nations from external supply shocks.

The true measure of the India-Japan partnership will be its capacity to foster an inclusive economic paradigm that prioritises the expansion of a stable middle class. India's developmental vision can not be measured solely by GDP; true prosperity requires an egalitarian framework where the benefits of growth are democratised. In this pursuit, Japan's post-war economic miracle serves as the ultimate inspiration, demonstrating that enduring national stability and prosperity emerge when economic policies strengthen ordinary citizens. By shifting the focus of economic cooperation towards manufacturing hubs, logistics networks, and technological infrastructure in Tier-2 and Tier-3 cities, India can replicate Japan's success in driving regional balance and upward social mobility.

As India and Japan step forward into an era defined by global uncertainty, my visit convinced me that our deepening alliance offers a powerful, constructive model for the world. Proof that two great civilisations can align their economic security, demographic strategies, and technological futures to build a more stable, equitable, and democratic Indo-Pacific.

The writer is a fourth-term Member of Parliament (Lok Sabha) for Thiruvananthapuram and chairman of the Parliamentary Standing Committee on External Affairs.

The true measure of the India-Japan partnership will be its capacity to foster an inclusive economic paradigm that prioritises the expansion of a stable middle class

- **Key Terms and Explanations**
- **Unified Complex Radio Antenna (UNICORN) Mast:** An advanced integrated naval antenna system that consolidates multiple communication, radar, and electronic warfare antennas into a single, streamlined, stealthy structure. By reducing the ship's radar cross-section, it significantly enhances the vessel's stealth capabilities. *Example:* Integrating this system onto naval vessels prevents enemy radars from easily detecting them, turning a standard warship into a highly elusive platform.
- **Mogami-class Stealth Frigates:** Next-generation multi-mission stealth frigates utilized by the Japan Maritime Self-Defense Force. They are characterized by a compact hull design, high automation (requiring fewer crew members), and advanced capabilities in anti-submarine, anti-surface, and mine warfare.
- **Demographic Complementarity:** A socioeconomic condition where the population structures of two nations perfectly balance each other's systemic deficits. One country faces an acute labor shortage due to an aging population, while the other possesses a massive, youthful surplus seeking employment.
- **Silver Economy:** The economic and industrial ecosystem dedicated to developing goods, services, healthcare, and infrastructure tailored specifically for the elderly and aging population. *Example:* This includes the production of rehabilitative robotics, specialized elder-care facilities, and age-appropriate smart medical devices.
- **Supply Chain Resilience:** The structural capacity of a global supply network to withstand, adapt to, and rapidly recover from unexpected systemic shocks, geopolitical disruptions, or single-source dependencies. *Example:* Diversifying the sourcing of critical minerals and semiconductors away from a single dominant manufacturing country to multiple allied nations.
- **Hardware-Software Synthesis:** The strategic integration of world-class physical engineering and precision manufacturing (such as Japan's industrial strength) with scalable digital public architectures, software platforms, and artificial intelligence solutions (such as India's digital strength).

- **Main Arguments and Substantive Parts**

- The evolving partnership between India and Japan marks a profound shift from a standard, trade-centric relationship to a deep, civilisational, and multi-dimensional alliance. The architectural framework rests on three substantive pillars, balanced by critical structural counterarguments.

- **The Core Pillars of Cooperation**

- **Strategic and Maritime Defense Integration:** The alliance has advanced from basic joint military exercises to deep co-development and co-production of cutting-edge military hardware. The commitment to co-develop the UNICORN mast and explore the co-production of *Mogami-class* stealth frigates demonstrates a high level of strategic trust. This defense synergy anchors a free, open, and rules-based Indo-Pacific, creating a reliable democratic counterweight to unilateral regional expansionism.

- **Demographic Synergies and the Care Economy:** The two nations feature contrasting demographic realities that can be harnessed for mutual benefit. Japan's severe demographic contraction and labor shortages can be mitigated by structured, long-term talent mobility pipelines drawing from India's expansive pool of young, tech-literate professionals. Crucially, this includes setting up certified, safe pathways for Indian women to enter Japan's elder-care sector under strict protective protocols. Concurrently, India can absorb Japan's institutional expertise in managing a "silver economy" to prepare for its own future demographic aging.

- **Technological Synthesis and Inclusive, Egalitarian Growth:** True strategic success cannot be measured by headline GDP alone; it requires an egalitarian framework that expands and stabilizes the middle class. By blending Japanese precision engineering and manufacturing with India's pioneering Digital Public Infrastructure (DPI) and adaptable AI, the alliance focuses on dispersing manufacturing hubs, logistics networks, and clean energy initiatives (like green ammonia and regional biogas plants) into Tier-2 and Tier-3 cities, democratizing the benefits of growth.

- **Counter-Perspectives and Challenges**

- **The Mobility and Cultural Barrier:** Translating demographic complementarity into reality requires overcoming Japan's historically conservative approach to immigration and significant linguistic and cultural differences. Without robust, institutionalized support frameworks and workplace safety protocols, talent mobility could face friction.

- **Bureaucratic and Technology-Transfer Bottlenecks:** Historically, joint defense production between democratic nations encounters severe hurdles regarding intellectual property rights, technology-sharing clearances, and misaligned bureaucratic timelines. Moving from MoUs to actual assembly lines demands sustained political will.

- **Historical Evolution of the Issue**

- The deep trust shared by India and Japan is unique in Asian geopolitics, built on a historical trajectory that has evolved through distinct phases from spiritual affinity to high-tech defense integration.
 - **The Pre-Independence and Early Foundations:** The relationship traces its cultural roots to the introduction of Buddhism to Japan in the 6th century. In modern history, a foundational moment of mutual respect occurred during the post-WWII Tokyo Trials. Indian jurist Justice Radhabinod Pal delivered a historic dissenting judgment, asserting that the trials were a flawed exercise in victor's justice. This act of intellectual integrity created a lasting reservoir of goodwill toward India in the Japanese consciousness.
 - **Cold War Stagnation and Official Development Assistance (1950s–1980s):** India and Japan established formal diplomatic relations in 1952, with India being one of the first nations to sign a separate peace treaty with Japan. In 1958, India became the first recipient of Japan's landmark Official Development Assistance (ODA) loans. However, the systemic realities of the Cold War limited deep political alignment, as India championed Non-Alignment (with a visible tilt toward the Soviet Union) while Japan became a core security ally of the United States.
 - **The Post-Cold War Reset and Strategic Awakening (1990s–2000s):** The collapse of the Soviet Union and India's 1991 economic liberalization opened new avenues for engagement. Although briefly disrupted by India's 1998 Pokhran-II nuclear tests (which triggered Japanese economic sanctions), relations rebounded swiftly. The turn of the century marked a major shift with Japanese PM Yoshiro Mori's visit in 2000, establishing the "India-Japan Global Partnership," followed by the 2006 elevation to a "Strategic and Global Partnership."
 - **The Special Strategic Era and Plurilateral Integration (2014–Present):** The relationship transformed rapidly under the leadership of Prime Ministers Narendra Modi and Shinzo Abe, who upgraded the alliance to a "Special Strategic and Global Partnership" in 2014. Japan became deeply embedded in India's flagship infrastructure projects, such as the Mumbai-Ahmedabad High-Speed Rail and the Delhi-Mumbai Industrial Corridor.
 - The current era focuses on supply chain resilience, advanced co-development of naval stealth technologies, clean energy projects, and comprehensive human-resource migration to build a stable, multipolar Indo-Pacific.
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INDIA-JAPAN PARTNERSHIP: SPECIAL STRATEGIC & GLOBAL SYNERGY

I. FOUNDATIONAL CONTEXT

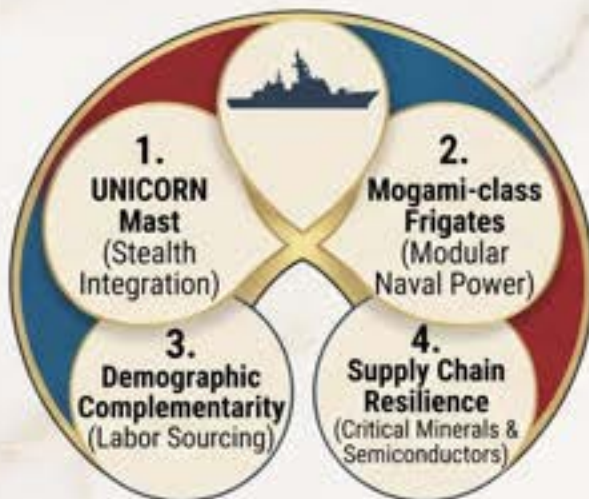


- Judicial Integrity: Reduced Institutional malfeasances
- Cooperative Complementarity Resilience, Lado Strategy & Institutional Trust



- Institutional Trust

II. KEY TERMS & DEFINITIONS



- **UNICORN**: Integrated communication for reduced radar cross-section
- 2. **Mogami-class Frigates** (Modular Naval Power): specific use
- 3. **Demographic Complementarity** (Labor Sourcing)
- 4. **Supply Chain Resilience** (Critical Minerals & Semiconductors)



III. HARNESSING SYNERGIES & IMPACTS

A. DEMOGRAPHIC FLOWS



B. EGALITARIAN CAPITALISM



C. TECHNOLOGICAL SYNTHESIS



IV. THE WAY FORWARD & POLICY RECOMMENDATIONS



ETHICS/LEGAL CORNER

STANDARD ALIGNMENT (AI SAFETY)
LABOR DIGNITY (HARASSMENT-FREE WORKPLACES)

- **Logical and Philosophical Base**

- The deep alignment between India and Japan is not merely a marriage of convenience; it is anchored in clear philosophical principles and a shared worldview that distinguishes it from standard transactional diplomacy.
- **Democratic Peace Theory and Institutional Resilience:** The alliance operates on the premise that long-term stability in Asia is best secured by democratic nations that respect the rule of law, open governance, and national sovereignty. Unlike agreements driven by autocratic shifts, this partnership relies on a shared civilisational commitment to human values, ensuring that cooperation remains stable even through domestic political transitions.
- **Strategic Autonomy and Cooperative Plurilateralism:** The underlying logic rejects the outdated, rigid military alliances of the Cold War. Instead, it embraces plurilateral networks like the Quad (India, Japan, USA, Australia) as flexible, non-military mechanisms. The primary focus is not on containment, but on building alternative blueprints for global governance, securing maritime commons, and providing public goods.
- **Functionalism and Mutual Complementarity:** In terms of economic logic, the partnership is a textbook example of functional interdependence. Instead of competing in identical sectors, it connects the structural surpluses of one nation to the deficits of the other. India offers an expansive, youthful demographic profile and software capabilities, while Japan provides capital, advanced precision hardware, and experience in managing an aging society.
- **Egalitarian Capitalism over Hyper-Concentration:** The partnership rejects a growth model focused solely on top-line GDP. It is grounded in the economic philosophy that genuine national stability requires an egalitarian framework. By directing investments toward Tier-2 and Tier-3 urban centers, it aims to democratize the benefits of growth, prevent regional wealth concentration, and foster an inclusive, stable middle class.

- **Multidimensional Analysis**
- **Social Dimension**
- **Demographic Harmonization:** By interlinking a rapidly aging society with a youthful nation, the alliance creates a sustainable model for global labor management.
- **Gender-Inclusive Labor Migration:** Establishing structured, certified pathways for Indian women to work in Japan's healthcare and elder-care sectors offers a reliable path for socio-economic mobility. These programs are backed by institutional guarantees for safe housing and harassment-free workplaces.
- **Proactive Silver-Economy Planning:** India is projected to face its own significant demographic transition toward an older population in the coming decades. Collaborating with Japan allows India to learn from its advanced elder-care systems, rehabilitative robotics, and age-appropriate infrastructure before facing an acute domestic crisis.
- **Political Dimension**
- **Democratic Stability in Asia:** The partnership establishes a strong axis of democratic governance in Asia, presenting an alternative to a unilateral, hegemony-driven regional order.
- **Institutional Alignment:** Regularized annual summits, ministerial 2+2 dialogues, and active cooperation within plurilateral forums like the Quad and G20 demonstrate a high level of institutional trust that remains resilient across changing domestic political administrations.
- **Legal Dimension**
- **Harmonized Standards and Regulatory Frameworks:** The deep integration of technologies requires aligning legal architectures, including high-level AI safety standards, bilateral data protection rules, and joint digital development frameworks.
- **Defense Technology and Intellectual Property Architecture:** Transitioning from simple military purchases to advanced co-production requires a sophisticated legal framework to govern intellectual property rights, joint patents, and technology transfer protocols for classified defense systems like the UNICORN mast.
- **Ethical Dimension**
- **Human-Centric Technological Governance:** The partnership prioritizes an ethical vision for technology, emphasizing safety standards in AI and assistive robotics that respect human dignity and individual privacy.
- **Dignity of Migrant Labor:** By moving away from unregulated labor migration toward highly structured, state-backed talent mobility frameworks, both nations uphold the ethical treatment, fair compensation, and safety of cross-border workers.
- **International Dimension**
- **Securing the Indo-Pacific Commons:** The maritime alignment between the Indian Navy and the Japan Maritime Self-Defense Force is vital for keeping sea lines of communication (SLOCs) free, open, and secure against coercive tactics.
- **Alternative Global Governance Blueprints:** By collaborating on critical minerals, semiconductors, and telecommunications, India and Japan offer developing nations an alternative model for infrastructure and technological development that protects national sovereignty without creating debt traps.
- **Economic Dimension**
- **De-risking Critical Global Supply Chains:** Substantial Japanese financial commitments, including a \$12.5 billion investment package, help secure supply chains for semiconductors and critical minerals, reducing vulnerability to single-source disruptions.
- **Decentralized and Inclusive Industrialization:** Guiding investments toward regional infrastructure, green ammonia production, and 1,000 regional biogas plants helps diversify industrialization beyond congested tier-1 metros, driving balanced development in Tier-2 and Tier-3 cities.

- **Linkages with NCERTs**
- **Class 12 Political Science (Contemporary World Politics) — Chapter: "New Centres of Power"**
 - *Linkage:* This chapter explores how non-Western powers and regional groupings emerge to shape a multipolar world. The India-Japan axis serves as an excellent case study of a non-Western bilateral partnership creating an alternative model for regional stability, maritime security, and economic governance without relying on traditional Cold War-style military pacts.
- **Class 12 Fundamentals of Human Geography — Chapters: "Population Composition" and "Human Development"**
 - *Linkage:* These chapters explain the Demographic Transition Model, dependency ratios, and aging population structures. The structural relationship between India (Stage 3/4 with a significant youth dividend) and Japan (Stage 5 with severe demographic contraction) illustrates how nations can utilize cross-border talent mobility to address demographic imbalances.
- **Class 11 Indian Economic Development — Chapters: "Employment: Growth, Informalisation and Other Issues" and "Infrastructure"**
 - *Linkage:* These sections highlight India's need to generate high-quality manufacturing employment and build resilient rural-urban infrastructure. The collaborative focus on directing Japanese capital into Tier-2 and Tier-3 cities for semiconductor networks, clean energy initiatives, and Digital Public Infrastructure (DPI) directly addresses India's structural underemployment and regional infrastructure gaps.

Linkages with UPSC CSE Syllabus

General Studies Papers

GS Paper 2 (Governance, Constitution, Polity, Social Justice and International Relations):

- Bilateral, regional, and global groupings and agreements involving India and/or affecting India's interests.
- Effect of policies and politics of developed and developing countries on India's interests, and the Indian diaspora.
- *Core Application:* Analyzing the strategic evolution of the Quad, the security architecture of the Indo-Pacific, and institutional frameworks governing international labor migration and elder-care standards.

GS Paper 3 (Technology, Economic Development, Biodiversity, Environment, Security and Disaster Management):

- Indian Economy and issues relating to planning, mobilization of resources, growth, development, and employment.
- Science and Technology—developments and their applications and effects in everyday life.
- Security challenges and their management in border areas; linkages of organized crime with terrorism.
- *Core Application:* Assessing supply chain resilience initiatives in semiconductors, co-development of naval stealth technologies (*Mogami-class* frigates), clean energy transitions (green ammonia and biogas), and the synthesis of hardware and software (DPI and AI).

GS Paper 4 (Ethics, Integrity, and Aptitude):

- International relations and funding ethics; ethical dilemmas in public and private institutions.
- *Core Application:* Evaluating the ethics of cross-border migration, guaranteeing safety and harassment-free environments for female migrant workers, and establishing global ethical standards for AI governance.

Essay and Optional Subjects

The Essay Paper: Highly applicable for essays addressing themes such as:

- *“Demography is destiny: Harmonizing global disparities for shared prosperity.”*
- *“Multipolarity vs. Hegemony: The search for democratic blueprints in a fractured global order.”*

Optional Subjects (PSIR, Sociology, Geography):

- *Political Science & International Relations (PSIR):* Paper II (India and the World; Foreign Policy of India; Changing International Political Order).
- *Sociology:* Paper II (Social Changes in India; Systems of Kinship/Gender; Development and Dependency).
- *Geography:* Paper II (Economic Geography; Contemporary Issues; Regional Development and Planning).

- **Way Forward**

- **Institutionalizing and Scaling Up the Talent Pipeline:** India should establish dedicated, state-backed "Skill India-Japan Excellence Hubs" across regional centers. These hubs must provide intensive Japanese language training, cultural orientation, and technical certifications. Crucially, the safe, harassment-free frameworks designed for female care workers must be rigorously monitored via joint institutional task forces to ensure safe housing and fair career progression, serving as a model for future bilateral migration agreements.
- **Streamlining Joint Defense Production Lines:** To prevent bureaucratic delays, a fast-track bilateral clearing mechanism should be set up within the defense ministries of both countries. The co-development of the UNICORN mast and the co-production of *Mogami-class* stealth frigates must have clear, time-bound execution phases, accompanied by clear intellectual property-sharing protocols to encourage deeper industrial collaboration.
- **Promoting Decentralized Industrial Clusters:** Indian states should actively create specialized investment zones tailored for Japanese corporations in Tier-2 and Tier-3 urban centers. Linking these clusters to clean energy initiatives—such as the planned 1,000 regional biogas plants and large-scale green ammonia facilities—will help generate high-skill employment outside congested Tier-1 metropolises, supporting balanced regional development.
- **Establishing Joint R&D Hubs for Hardware-Software Synthesis:** Both governments should fund collaborative research institutes focused on combining Japanese precision engineering with India's agile software capabilities. These hubs should prioritize developing next-generation assistive technologies, rehabilitative robotics for aging populations, automated logistics networks, and high-level ethical AI frameworks, ensuring that technology serves human welfare.



Civil Services Preliminary Examination

1. With reference to the "Supply Chain Resilience Initiative (SCRI)", recently seen in the news, consider the following statements:

- 1.It was officially launched by India, Japan, and Australia to reduce reliance on a single dominant nation.
- 2.It aims to attract foreign direct investment and promote complementary industrial relationships in the Indo-Pacific region.

Which of the statements given above is/are correct? (a) 1 only

- 3.(b) 2 only
- 4.(c) Both 1 and 2
- 5.(d) Neither 1 nor 2

6.Answer: (c)

2. In the context of international security and maritime diplomacy, the term "Malabar" refers to: (a) A joint cyber-security framework under the European Union. (b) A multilateral naval exercise involving India, Japan, the United States, and Australia. (c) An anti-piracy task force operating in the Horn of Africa. (d) A bilateral border management agreement between India and Myanmar. *Answer: (b)*

3. Consider the following pairs of bilateral military exercises involving India:

- 1.JIMEX — Japan
 - 2.Dharma Guardian — Japan
 - 3.Shinyuu Maitri — France
- Which of the pairs given above is/are correctly matched? (a) 1 and 2 only*
- 4.(b) 2 and 3 only
 - 5.(c) 1 and 3 only
 - 6.(d) 1, 2 and 3

7.Answer: (a)



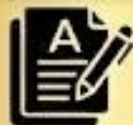
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UPSC CSE CLASSES

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