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EDITORIAL ANALYSIS



JULY 29



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QUALITY**

- 1. Jobs, not just examination reform (BUSINESS STANDARD)**
- 2. The reform dose that transformed India pharma (BUSINESS STANDARD)**
- 3. The urban nightmare — a fire with no escape (THE HINDU)**
- 4. How national security shapes business strategy (THE HINDU BUSINESSLINE)**



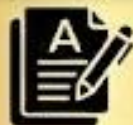
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Jobs, not just examination reform

For young Indians, a better testing system is imperative, as is creating more skilling and employment opportunities

ILLUSTRATION: ANITA KUMAR MISHRA



Will the government's policy response to last week's developments at Jantar Mantar in New Delhi yield the desired result? Will it prevent any more such protests by young Indians?

The government's immediate response to the agitation was flawed. It chose not to engage with the stakeholders, including the affected parties, and instead cracked down on the young agitators with brutal police force. It was only when the agitation became widespread that the government chose to accept major demands of the agitators — that the education minister should quit — and came out with announcements on reforming the examination system conducted by the National Testing Agency and introducing stringent legal provisions against those convicted of examination paper leaks.

It is likely that more reforms in the education system will be introduced as the government begins to assess the unrest among young people in the country. More visible steps may also be taken to address the demand for salaried jobs for young people. Remember that it was largely an electoral setback that pushed the government to initiate a few schemes for jobs. The Bharatiya Janata Party (BJP) did not win enough seats in the 2014 elections to form a government on its own and it had to rely on its alliance partners to retain power in New Delhi for a third consecutive term.

Unsurprisingly, the government's first Budget, presented in July 2014, unveiled an ambitious package of schemes to facilitate employment, skilling and other opportunities for 41 million young people at a financial outlay of ₹1 trillion. These included an internship scheme under which the top 500 companies could volunteer to provide one-year-long internship opportunities to 10 million young people over five years. The scheme was to initially run for two years with an internship allowance of ₹5,000 per month, along with a one-time assistance of ₹6,000 to be provided by the government. Companies were expected to bear the training cost, 10 per cent of which could be met through their corporate social responsibility funds. A year later, the Union Cabinet cleared these schemes.

Not much is known about how these schemes have fared on the ground, although a senior journalist, Indulekha Aravind, found, based on a reply to an application filed under the Right to Information Act, that the internship scheme performed poorly. Till April 30, companies had posted only 207,000 internship opportunities, which was just about 10 per cent of the two-year target. Actual offers were even lower at 173,000. Of those who received offers, only 48,000 showed up for work, and only 5,100 stayed till the end of their internship. Less than one per cent of what was initially allocated for five years of the

internship scheme was spent till March 2016. Almost half of what was spent went towards promoting and advertising the scheme.

It is reasonable to deduce that these job schemes were announced in 2014 because the government was worried about the electoral costs it might incur if it allowed popular resentment over the lack of adequate jobs and employment opportunities to grow. But those concerns did not appear to be as pressing for the Bharatiya Janata Party's leaders after the party began winning elections in the following years.

Results of the Assembly elections in October and November 2014 had certainly helped it repair some of the damage it had incurred in the general elections held earlier in May that year. The BJP-led National Democratic Alliance (NDA) retained the status of Maharashtra and Haryana, overcoming the headwinds of anti-incumbency. The BJP appeared to be back on a stronger political footing with its performance in the Bihar Assembly elections in 2015. In 2016, it not only retained Assam, but also won West Bengal.

With these electoral gains in its pocket, the BJP-led government in New Delhi did not appear as worried over jobs as it was immediately after the general elections in 2014. But the protest over leaked examination papers was not just about a flawed system of holding tests for admitting young students into different educational institutions. It was also about shrinking job opportunities and the lack of salaried jobs in a market already impacted by technology and artificial intelligence. Facing the examination system alone, therefore, will not be adequate to address the angst of the youth.

A bigger challenge lies in generating an adequate number of jobs for an economy where over 25 per cent of the population is in the 18 to 29 age group. To believe that Jantar Mantar protests were led only by young students will be a mistake. The young students were helped and supported by this larger cohort of the population between 18 and 29 years, a segment electorally large enough to make a difference to election results in the coming few years.

It is easier to identify a challenge as intricate and formidable as creating jobs. Facing up to the challenge requires greater resolve. What the government attempted in 2014 is perhaps worth a fresh look. Experts had pointed out many gaps in the internship schemes announced by the government two years ago. Those gaps should be plugged without any further delay. For instance, internship schemes should be conceived keeping in mind the specific needs of different cities and towns. A young job-seeker from a southern state cannot be expected to undergo an internship in a company in a northern state or vice versa.

Similarly, the need for more schemes that create skilling opportunities should be embraced with greater commitment and should not be ignored once they cease to be an electoral concern. If the government wishes that protests like the one that took place at Jantar Mantar during the last few weeks should not recur, it must reflect its energies on jobs, not just the examination system.



- **Key Terms and Concepts**
- **Demographic Dividend vs. Demographic Disaster**
- **Demographic Dividend:** The economic growth potential that results from shifts in a population's age structure, specifically when the share of the working-age population (15–64 years) is larger than the non-working-age share. In India, over 29% of the population falls within the crucial 18–29 age bracket.
- **Demographic Disaster:** The socio-economic risk where an abundant young population remains underemployed, unemployed, or unskilful. Instead of driving economic growth, this idle human resource creates social unrest, psychological angst, and political instability.
- **Jobless Growth and Structural Underemployment**
- **Jobless Growth:** An economic phenomenon where an economy experiences Gross Domestic Product (GDP) expansion without a corresponding increase in formal or salaried employment opportunities.
- **Structural Underemployment:** A situation where individuals are employed in jobs that do not fully utilize their skill sets, education, or productivity potential. This is often driven by a mismatch between the higher education curriculum and market demand.
- **Examination Integrity and Paper Leaks**
- **Examination Integrity Creep:** The systemic erosion of trust in centralized competitive testing frameworks due to paper leaks, institutional compromises, administrative oversights, and technological vulnerability.
- **Public Examinations (Prevention of Unfair Means) Act, 2024:** A legislative intervention designed to penalize organized cartels, paper leaks, and fraudulent practices in public recruitment examinations, seeking to restore procedural probity.
- **State-Assisted Internship Frameworks**
- **PM Internship Scheme Architecture:** A public policy model designed to bridge the skill-employment gap by partnering with top corporate firms. It provides stipends (e.g., ₹5,000 monthly allowance alongside a one-time grant of ₹6,000) partially funded through Corporate Social Responsibility (CSR) allocations.
- **Implementation Leakage in Welfare Schemes:** The gap between scheme design and actual ground implementation. Examples include low conversion rates from internship listings to actual completions, or a disproportionate allocation of public funds toward advertisement rather than direct monetary transfers.
- **Technological Disruption in the Job Market**
- **Artificial Intelligence (AI) and Automation Disruption:** The rapid integration of AI and automated workflows into entry-level corporate, administrative, and service-sector roles. This trend reduces traditional salaried job creation, raising the bar for entry-level employment.

- **Main Arguments and Core Thesis**
- **The Central Thesis**
 - Addressing youth angst and economic vulnerability requires moving beyond procedural examination reforms or punitive measures against paper leaks. Structural joblessness, high underemployment, and implementation bottlenecks in government schemes must be tackled holistically to convert India's demographic dividend into economic output.
- **Core Substantive Points**
- **The Misalignment Between Testing Reforms and Livelihood Reality**
 - **Beyond Test Security:** While legislative interventions and restructuring testing agencies address the immediate anger surrounding paper leaks, they do not resolve the primary cause of youth anxiety: the absolute shortage of stable, salaried jobs.
 - **Hyper-Competition for Scarce Public Jobs:** Millions of youth invest years preparing for a small number of public sector seats. This creates high systemic vulnerability, making any exam disruption a major trigger for public unrest.
 - **Structural Bottlenecks in National Employment & Skilling Packages**
 - **Implementation Gaps:** Massive financial outlays (such as the multi-trillion rupee packages aimed at reaching over 40 million youth over five years) often face severe ground-level execution bottlenecks.
 - **Conversion Deficit in Internship Schemes:** Out of hundreds of thousands of internship opportunities posted by major corporations, actual intake and completion rates remain disproportionately low. A significant percentage of target applicants drop out or fail to join due to structural friction.
 - **Fiscal Misallocation:** A substantial portion of budgetary allocations in initial rollout phases ends up diverted toward promotion, awareness campaigns, and administrative marketing rather than direct stipend disbursements or skill creation.
- **Geographical and Socio-Economic Mismatch**
 - **Spatial Incompatibility:** Policy frameworks often fail to account for mobility constraints. Expecting young job seekers from rural or southern/eastern states to relocate to distant industrial hubs for short-term, low-stipend internships creates high economic and social barrier costs.
 - **Quality of Work vs. Gig Work:** The growing reliance on informal or short-term gig arrangements fails to offer the financial security, social protection, and long-term upward mobility offered by traditional formal salaried positions.

- **Historical Evolution of the Employment and Examination Issue**
 - **Pre-Independence Era: Administrative-Centric Education**
 - **Macaulayan Legacy:** The colonial educational framework was designed primarily to create a class of administrative clerks and civil service functionaries to manage the colonial state apparatus.
 - **Neglect of Technical and Vocational Skills:** High prestige was attached to administrative public jobs, while vocational, technical, and industrial skills were neglected. This set a lasting socio-cultural preference for government employment over private entrepreneurship.
 - **Post-Independence to Pre-1991: State-Led Employment**
 - **Public Sector Expansion:** Under the planned economy model, Public Sector Undertakings (PSUs) and government departments served as the primary drivers of formal, stable, and social-security-backed employment.
 - **Rise of Educated Unemployment (1970s):** Industrial growth lagged behind the expansion of higher education, leading to widespread youth unrest, student movements, and political agitations across the country during the 1970s.
 - **Post-1991 Liberalisation: Service-Led Growth and the Jobless Gap**
 - **Service Sector Boom:** Economic reforms triggered high GDP growth driven primarily by information technology, financial services, and telecommunications.
 - **Manufacturing Deficit:** Unlike East Asian economies, India bypassed a manufacturing-led structural transformation. As a result, millions of agricultural workers moved directly into low-productivity informal services or construction rather than formal industrial jobs, cementing the era of "jobless growth."
 - **Centralisation of Examinations and Modern Discontent (2010s–Present)**
 - **Creation of Central Testing Bodies:** To standardize higher education admissions and recruitment, centralized agencies like the National Testing Agency (NTA) were established.
 - **Systemic Failure and Integrity Crisis:** Digital vulnerabilities, local recruitment cartels, and administrative oversights caused widespread paper leaks and exam cancellations, culminating in the passage of the Public Examinations (Prevention of Unfair Means) Act in 2024.
 - **Corporate Skilling Pivot:** The state shifted toward large-scale corporate-linked apprenticeship and internship programs to share the burden of employment generation with the private sector.
-



COMPREHENSIVE ANALYSIS: REFORMING EMPLOYMENT & EXAMINATIONS

1

KEY TERMS & EXPLANATIONS



Demographic Dividend → arrows from youth population to economic growth
Jobless Growth → Upward economic line out rows → but flat line for new jobs
Underemployment → Person-shaped badgess, many skill and aoes
Examination Integrity → Shiled
AI Disruption: Robot arm replacing a clerical desk

2

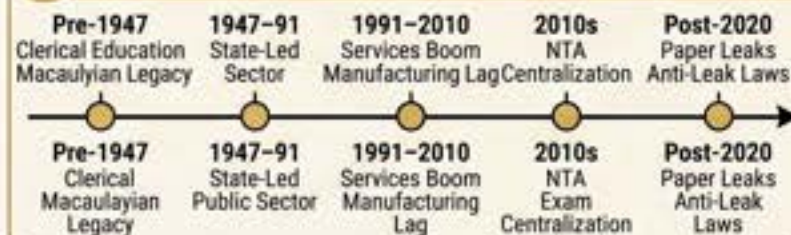
MAIN ARGUMENTS & SUBSTANTIVE PARTS



Thesis: Shift from punitive-only exam laws to **structural job creation**
Cause: Paper Leaks ≠ Jobless Crisis
Effect: Implementation Gaps in Schemes (leaking)
Problem: Geographical Mismatch (map disconnected dots)
Challenge: Job Scarcity for Public Posts

3

HISTORICAL EVOLUTION OF THE ISSUE



4

LOGICAL & PHILOSOPHICAL BASE



Social Contract Theory
State legitimacy



Capability Approach
Realization of agency



Distributive Justice
Fair equality of opportunity



Intergenerational Ethics
Duty to future generations

5

MULTIDIMENSIONAL ANALYSIS



6

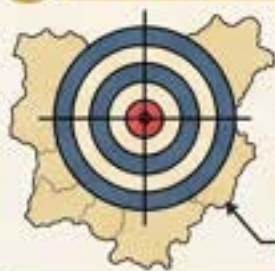
LINKAGES WITH NCERTs



Class 11 Econ (Employment)
Class 12 Sociology (Industrial Society)
Class 11 Pol Sci (Rights)
Class 12 Pol Sci (Popular Movements)

7

LINKAGES WITH UPSC CSE SYLLABUS



GS 1 (Society/Demographics)
GS 2 (Governance/Welfare Schemes)
GS 3 (Economy/Technology)
GS 4 (Ethics/CSR)

Add a specific
APSC-context link

8

WAY FORWARD



9

PREVIOUS YEARS' QUESTIONS (PYQs)



SPECIALY PRELIMS

Prelims practice question

Themes: • Demographic Dividend understanding
 • Unemployment types
 • Skills in the economy

Main questions are summarized:

GS 2: Exam Integrity vs. Leaks - Encancellation
GS 3: Jobless Growth analysis - Ritling economy

Add APSC regional context examples



- **Logical and Philosophical Base**
- **Social Contract Theory (Locke, Rousseau)**
- **Breach of State-Citizen Pact:** Youth invest years of financial resources and emotional effort into competitive examinations based on an unwritten pact: the state guarantees a fair, transparent, and merit-based selection process.
- **Erosion of Institutional Legitimacy:** Systemic examination failures and long-term job scarcity break this social contract, leading to institutional alienation and street agitations.
- **Amartya Sen's Capability Approach**
- **Realisation of Human Agency:** Education and training are valuable only if they expand an individual's real freedoms and actionable capabilities.
- **Unrealised Potential as Systemic Loss:** When a state educates its youth but fails to generate formal opportunities, human capital turns into widespread dissatisfaction.
- **Distributive Justice and Meritocracy (John Rawls)**
- **Fair Equality of Opportunity:** Rawlsian justice requires that individuals with similar talents and motivations enjoy equal life chances, regardless of social background.
- **Flawed Meritocracy:** Paper leaks, systemic corruption, and unequal geographical access to internships undermine fair competition, favoring those with economic resilience or illicit access over disadvantaged candidates.
- **Intergenerational Ethics**
- **Duty to Future Generations:** Failing to create sustainable employment for a country's largest youth cohort transfers economic vulnerabilities to future generations, undermining national pension systems, social security stability, and overall wealth generation.

- **Multidimensional Analysis**
- **Social Dimension**
- **Mental Health and Youth Alienation:** Continuous exam delays, leaks, and job search failures create anxiety, depression, and social frustration among youth.
- **Erosion of Social Mobility:** For rural and lower-middle-class families, securing a formal job or public seat is often the only route out of generational poverty. Disruptions in these pathways freeze social mobility.
- **Political Dimension**
- **Electoral Responsiveness vs. Structural Reform:** Political dynamics often force short-term policy announcements, such as new schemes or legislative bans. However, sustained long-term administrative effort is required to fix deep-seated structural issues.
- **Youth as a Politically Conscious Bloc:** With over 29% of the population aged 18–29, youth constitute a decisive electoral demographic capable of shifting policy agendas through public agitations and voting choices.
- **Legal and Constitutional Dimension**
- **Article 14 and 16 Guarantees:** Paper leaks and biased selection processes violate Equality Before Law (Article 14) and Equality of Opportunity in Public Employment (Article 16).
- **Article 21 (Right to Livelihood):** The Supreme Court of India has expanded Article 21 to include the right to live with human dignity, which incorporates the right to a fair chance at securing a livelihood.
- **Statutory Enforcement vs. Ground Implementation:** Passing stringent penal statutes like the Public Examinations Act (2024) deters organized crime, but fails to fix systemic administrative negligence within examination bodies.
- **Ethical Dimension**
- **Institutional Probity:** Educational and testing institutions must uphold uncompromising standards of honesty, fairness, and transparency.
- **Corporate Social Responsibility (CSR) Beyond Compliance:** Corporate participation in state-backed internship programs must extend beyond token compliance to provide genuine mentorship, fair stipends, and real pathways to job absorption.
- **International Dimension**
- **Global Competitiveness:** An underutilized workforce reduces India's potential to become a global hub for manufacturing, high-end services, and technology innovation.
- **Brain Drain:** High-skilled youth unable to find dignified formal roles in domestic markets often migrate abroad, resulting in a net drain of human capital.
- **Economic Dimension**
- **Low Female Labor Force Participation Rate (FLPR):** General employment scarcity hits female youth disproportionately, restricting economic independence and growth.
- **Fiscal Inefficiency:** High budgetary outlays spent on advertising and promoting welfare schemes rather than direct infrastructure creation or stipend disbursements reduce the return on public expenditure.
- **Automation and AI Realities:** Technological shifts are shrinking traditional white-collar, entry-level office jobs, compounding the structural employment challenge.

- **Linkages with NCERT Textbooks**
- **Class 11 Economics: *Indian Economic Development***
- **Chapter 7: Employment: Growth, Informalisation and Other Issues**
 - *Connection:* Analyzes the phenomenon of "jobless growth," casualization of the workforce, unemployment types (structural, frictional), and the policy failures in absorbing young labor into formal sectors.
- **Class 12 Sociology: *Social Change and Development in India***
- **Chapter 4: Change and Development in Industrial Society**
 - *Connection:* Focuses on how technological shifts, outsourcing, and flexible labor practices impact job security, social status, and youth aspirations in modern India.
- **Class 11 Political Science: *Indian Constitution at Work***
- **Chapter 2: Rights in the Indian Constitution**
 - *Connection:* Contextualizes fundamental guarantees under Article 16 (Equal opportunity in public employment) and Article 21 (Right to life and livelihood), illustrating constitutional mandates against corrupt recruitment processes.
- **Class 12 Political Science: *Politics in India Since Independence***
- **Chapter 7: Rise of Popular Movements**
 - *Connection:* Demonstrates how non-party political mobilizations and youth-led street agitations historically force structural issues like unemployment and anti-corruption onto national political agendas.



- **Strategic Mapping to UPSC CSE Syllabus**
 - **GS Paper 1: Indian Society & Demographics**
 - **Population and Associated Issues:** Harnessing India's demographic dividend vs. mitigating the risks of youth unemployment and social unrest.
 - **Social Empowerment:** Social mobility challenges faced by rural and underprivileged youth seeking formal employment.
 - **GS Paper 2: Governance, Constitution, & Public Policy**
 - **Development Processes and the Development Industry:** Evaluating the role of public-private partnerships (e.g., government-corporate internship models).
 - **Welfare Schemes for Vulnerable Sections:** Assessing the design, implementation gaps, and fiscal efficiency of skill development packages.
 - **Important Aspects of Governance & Transparency:** Institutional integrity of central testing bodies (like NTA), implementation of the Right to Information (RTI) to monitor spending, and legislative measures against systemic corruption.
-
- **GS Paper 3: Economic Development & Technology**
 - **Indian Economy and Issues Relating to Employment:** Structural unemployment, jobless growth, informalization of labor, and industrial policy execution.
 - **Changes in Industrial Policy and Their Effects on Industrial Growth:** Private sector investment trends, corporate participation in skilling, and CSR alignment with national employment goals.
 - **Technology & Automation:** The impact of Artificial Intelligence and advanced technology on entry-level salaried job creation.
 - **GS Paper 4: Ethics and Human Interface**
 - **Public/Civil Service Values and Ethics in Public Administration:** Maintaining probity, fairness, and uncompromising standards in public examinations.
 - **Corporate Social Responsibility Ethics:** Ensuring private enterprises view skilling and internship initiatives as a long-term nation-building investment rather than a minimal compliance requirement.

- **Comprehensive Way Forward**
- **Comprehensive Institutional Overhaul of Testing Bodies**
- **End-to-End Encryption and Security Protocols:** Implement advanced cryptographic security for examination papers, along with strict administrative separation of duties between question paper setters, printers, and test administrators.
- **Third-Party Audits and Decentralised Testing Architecture:** Subject testing agencies to independent cybersecurity and operational audits. Distribute testing centers logically across tier-2 and tier-3 cities to reduce travel burden and security risks.
- **Spatial and Decentralized Redesign of Skilling Schemes**
- **District-Level Industrial Matching:** Redesign government-backed internship programs to match youth with industries within their home districts or regions, minimizing housing, mobility, and relocation costs.
- **Incentivizing MSMEs for Apprenticeships:** Broaden scheme eligibility beyond top 500 corporations to include Micro, Small, and Medium Enterprises (MSMEs). MSMEs form the backbone of local employment and can absorb interns more effectively at the grassroots level.
- **Pivot Toward Labor-Intensive Industrial Strategy**
- **Targeted Sectoral Support:** Realign schemes like Production Linked Incentives (PLI) to focus directly on labor-intensive industries such as textiles, leather, food processing, and construction services, rather than capital-intensive sectors alone.
- **Care and Green Economy Expansion:** Invest systematically in the care economy (healthcare, early childhood education) and the green transition (renewable maintenance, sustainable urban expansion) to generate durable, salaried jobs.
- **Fiscal Accountability and Outcome Budgeting**
- **Cap Promotion and Advertisement Spending:** Establish strict legislative limits on public scheme advertising budgets, ensuring that a vast majority of allocated funds flow directly into stipend transfers, training infrastructure, and mentor compensation.
- **Real-Time Data Transparency:** Launch public digital dashboards tracking internship applications, offer letters, join rates, completion milestones, and post-internship job conversions in real time to enable active civic monitoring.



- **UPSC CSE Mains Questions**
- **GS Paper 2 (Governance & Public Policy)**
 - **2023:** "Instilling governance integrity and preventing corrupt practices in high-stakes public competitive examinations requires both legislative teeth and institutional overhaul." Discuss in light of recent public examination reform attempts.
 - **2021:** "Has the Skill India initiative achieved its desired objectives in creating an employable workforce? Evaluate the structural constraints faced by government skilling programs in bridging the corporate-skill gap."
- **GS Paper 3 (Indian Economy & Employment)**
 - **2022:** "How far has the Indian economy achieved structural transformation from agriculture to manufacturing and services? Analyze the phenomenon of 'jobless growth' in this context."
 - **2020:** "Demographic Dividend in India will remain a theoretical concept unless accompanied by quality higher education, workforce skilling, and formal job creation." Elucidate.
- **GS Paper 4 (Ethics)**
 - **2021:** "Public trust in state institutions is built on fairness, procedural integrity, and transparency. Analyze how compromised examination processes degrade institutional legitimacy and social cohesion."



The reform dose that transformed India pharma



► FROM PAGE 1

Nitaya Varma, co-founder and CEO of public policy and management consulting firm Prinson Partners, describes the 1970 Patents Act as one of the most important policies that aided Indian pharma's rise. The law enabled domestic companies to master reverse engineering and process chemistry at a time when the market was dominated by multinational drugmakers. It would eventually help create one of the world's most competitive generic-drug industries.

Economic historian Chirag Tumber has described the Indian pharma industry's rise as being underpinned by "technocratic entrepreneurship", where pioneers such as Hareend and K. Anil Reddy combined scientific expertise with business ambition.

Speaking at a conference last year, Tumber argued that while the Patents Act of 1970 created the opportunity, it was first-generation entrepreneurship that made the story distinctive.

Reflecting on the challenges entrepreneurs faced before liberalisation, Anil Reddy has said in his memoir, *Behind An Unfinished Agenda*, that he entered an industry that was "woefully short of technology" in manufacturing many basic medicines. But Reddy's ambitions extended well beyond generics. In 1993, when most Indian companies were focused on reverse-engineering and off-patent drugs, Dr Reddy's launched one of the country's earliest serious drug-discovery programmes.

The company invested heavily in research in new chemical entities and licensed several experimental compounds to multinational companies. Though none of them ultimately became a globally marketed breakthrough medicine, the effort underpinned a larger

ambition: That Indian pharma should not be content manufacturing affordable drugs, it must discover them. In many ways, that remains the industry's unfulfilled agenda.

By the time the shackles on Indian industry began to be removed from 1991, the pharma industry already possessed something many other sectors lacked: A domestic manufacturing base, scientific talent and a generation of entrepreneurs capable of competing globally.

Broadened horizons

Before the reforms, most Indian pharmaceutical companies were focused primarily on the domestic market. When the economy opened, these firms invested in creating world-class manufacturing processes, chasing exports and competing in highly regulated markets such as the US and Europe.

Looking back, Nandini Prasad, chairperson of Prinson Pharma, says the biggest change in ambition. "If you think back to the 1970s, we were protected and very focused on our own market. The ambition changed and people realised that they could compete with the best in the world, not just on cost but also on quality," she says. Of course, that shift required a profound cultural transformation. "The kind of manufacturing that we did for the domestic market, in terms of scale, quality and automation, was completely different from what was needed for the West," she adds.

Prasad believes India's advantage today extends beyond low costs. "Cost is important, but it is also scale and quality. The ability to manufacture at scale, at cost and with quality is not easy. And I would add ambition," she says.

After the reforms, the industry effected one of the most remarkable corporate transformations in post-liberalisation India. Companies such as Sun Pharmaceutical Industries, Dr Reddy's, Ranbaxy, Lupin and Aurobindo moved into the world's most tightly regulated pharmaceutical markets. Acquisitions, abbreviated new drug application (ANDA) filings and USFDA approvals became the new markers of success.

New events signified that transformation better than Sun Pharma's acquisition of Ranbaxy in 2014. The deal not only created India's largest pharma



1. Y K Hanied, now the non-executive chairman of Cipla, visiting a facility in Goa in 2002; 2. Dr Reddy's opens a branch in Russia in 1992; 3. Kiran Manmohan Shew at the National Stock Exchange, Mumbai, on the day Biocon went public in 2001

PHOTOS: CIPLA, DR REDDY'S LABORATORIES, AND BIOCON

company, but also marked the coming of age of the industry that had evolved from import substitution to global scale.

The generic trypt

The industry's biggest success story, and something it has become synonymous with, is generic drugs.

The combination of chemistry skills, manufacturing capabilities and cost competitiveness created an industry that was primed to pounce on a global opportunity. One such opening came with the US creating a streamlined pathway for generic approvals under the Hatch-Waxman Act of 1984. It allowed companies to challenge patents and launch lower-cost alternatives after exclusivity periods expired.

According to Jaydeep Ghosh, partner and industry leader - life sciences and healthcare at Deloitte South Asia, India pharma's rise was not the result of a single event. "The real success factor was India's ability to combine policy-enabled opportunity with entrepreneurial enter-

prise and scientific talent," he says.

Making it affordable

Beyond generics, the industry also focused on expanding access to medicines. One defining moment came in 2001, when Cipla offered a triple-combination HIV/AIDS therapy for less than \$1 a day. It dramatically reduced treatment costs for patients in developing countries and challenged the economics of patented medicines. It also shifted the global debate around access to life-saving drugs and cemented Cipla's reputation as a supplier of affordable healthcare solutions.

Another major turning point came in 2005, when India adopted a product-patent regime under the World Trade Organization's Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement. Many feared that the change would weaken the domestic industry's generic-driven growth model. Instead, Indian companies adapted.

Milind Achari, leader of the pharma



The big shifts

- 1970 Patents Act: Process patents created India's reverse-engineering advantage
- Post-1991: Domestic drugmakers moved into the US and Europe
- US generics push: Indian drugmakers used patent challenges and low-cost manufacturing to scale rapidly
- 2001 milestone: Cipla offered HIV therapy for under \$1 a day
- 2005 product-patent regime: India ended process-patent-led copying, pushing drugmakers towards patient-compliant generics and innovation
- 2014 Sun-Ranbaxy deal: The acquisition created India's largest pharmaceutical company
- Covid-19: Serum Institute and Bharat Biotech powered vaccine rollout and global supplies
- Global footprint: India supplies 20 per cent of generics and 60 per cent of vaccines
- FY26 record: Pharmaceutical exports reached \$29.2 billion

vaccine manufacturing network became critical to both domestic and global immunisation efforts.

The innovation imperative

The next phase of growth may prove the most challenging yet.

According to Anil Sethi, senior director at Citi Ratings, the industry faces a dual challenge. While dependence on China for key starting materials, intermediates and active pharmaceutical ingredients remains a strategic vulnerability, companies must simultaneously preserve the scale and cash flows generated by generics. They must also migrate towards higher-value segments such as biosimilars, complex injectables, specialty medicines and contract development and manufacturing. Meanwhile, pricing pressure in the US generics market and increasing regulatory scrutiny continue to test profitability.

Vernia of Prinson Partners argues that the next phase of growth will require stronger emphasis on research and development (R&D), deeper industry-academia collaboration, reduced dependence on imported APIs and complex biologics, and a regulatory system that supports innovation.

That brings into focus the industry's biggest challenge: innovation.

Indian pharma companies have demonstrated remarkable strength in process innovation, manufacturing excellence, vaccines and biosimilars. However, they have struggled to create a steady pipeline of globally successful novel drugs.

Habib Khoskiwala, chairman of Wockhardt, whose novel antibiotic Zaywin recently received USFDA nod, says India needs to think carefully about how innovation is rewarded. "What is \$100 crore? You need \$100 million, \$200 million to get a drug out," he says.

For Ghosh of Deloitte, the industry's next phase will be very different from the past. "India's first pharmaceutical revolution was built on the ability to make medicines affordable, accessible and available at a global scale. The next one is expected to shift from a scale-led generics model to an innovation-led healthcare ecosystem," he says.

More than three decades after liberalisation, Indian pharma has largely achieved what Hanied sought for—affordable medicines at global scale. It has also produced globally competitive companies.

The challenge that remains is the one Anil Reddy pursued decades ago and that Khoskiwala continues to speak of today: Can India become a meaningful source of new medicines, not just a manufacturer?

The answer will determine whether India remains the pharmacy of the world, or becomes one of its laboratories as well.

- **Key Terms and Concepts**
- **Process Patent vs. Product Patent Regime**
 - **Process Patent:** Grants legal protection only to the specific chemical manufacturing method used to create a drug, allowing other companies to produce the exact same therapeutic drug using a different chemical pathway.
 - **Product Patent:** Grants exclusive rights over the actual final chemical molecule or compound itself, regardless of the process used to make it. India re-adopted this regime in 2005 to comply with WTO-TRIPS obligations.
- **Generics and Off-Patent Drugs**
 - Bioequivalent versions of brand-name innovator drugs that contain the same active pharmaceutical ingredients, dosage, and performance characteristics, but are sold at a fraction of the original price after the innovator's patent expires.
- **Active Pharmaceutical Ingredients (APIs) and Key Starting Materials (KSMs)**
 - **API:** The biologically active component in a drug formulation that produces the intended therapeutic health effect.
 - **KSM:** The foundational chemical raw materials used to synthesize APIs.
- **Abbreviated New Drug Application (ANDA)**
 - An explicit regulatory submission made to the United States Food and Drug Administration (USFDA) for the review and ultimate approval of a generic drug product. It bypasses full animal and human clinical trial requirements by establishing therapeutic equivalence to an already approved drug.
- **Biosimilars and Biologics**
 - **Biologics:** Complex, large-molecule medicines produced from living biological organisms (such as proteins, monoclonal antibodies, and vaccines).
 - **Biosimilars:** Highly similar, non-identical generic equivalents of complex biological drugs that require rigorous comparative clinical trials to prove safety and efficacy.
- **Compulsory Licensing (Section 84 of the Indian Patents Act, 1970)**
 - A statutory provision enabling the government to license a third party to manufacture and distribute a patented product without the consent of the patent holder under specific conditions, such as public health emergencies or exorbitant market pricing.
- **Section 3(d) of the Indian Patents Act**
 - A critical legal provision preventing "evergreening" (minor modifications to existing drugs to extend patent terms). It mandates that a new form of a known substance can only be patented if it demonstrates significantly enhanced *therapeutic efficacy*.
- **Technocratic Entrepreneurship**
 - An industrial model driven by leaders who possess deep scientific and technical expertise combined with visionary business strategy, enabling firms to turn complex chemical synthesis into scalable commercial ventures.

- **Core Thesis and Substantive Arguments**

- **Core Thesis**

- India's structural transformation from a drug-import-dependent nation into the "Pharmacy of the Developing World" stands as one of post-independence India's greatest policy-driven industrial achievements. Driven by the legal framework of the 1970 Patents Act and catalyzed by the 1991 economic reforms, Indian pharmaceutical firms built world-class reverse-engineering, chemistry, and mass-scale manufacturing capabilities.

- However, this scale-led generic model now faces an existential ceiling. To secure its future economic and strategic relevance, the industry must transition from volume-driven generic manufacturing to value-driven, high-tech innovation in novel drug discovery, biosimilars, and active pharmaceutical ingredient (API) self-reliance.

- **Key Substantive Arguments**

- **Policy-Enabled Technological Capability Building:** The domestic industry did not grow purely by market forces; it was systematically nurtured by legislative design. By recognizing process patents instead of product patents in 1970, Indian state policy provided domestic chemical engineers with the legal flexibility to master complex reverse-engineering pathways.

- **Democratization of Global Public Health:** Indian pharmaceutical capabilities transformed global health equity. The pivotal moment occurred in 2001 when Indian drugmakers offered a triple-combination HIV/AIDS therapy for under \$1 a day—a dramatic price crash from the \$10,000+ per patient annual cost charged by Western monopolies. This intervention altered the economics of global HIV care, particularly across sub-Saharan Africa.

- **Scale and Global Export Footprint:** Post-1991 market opening allowed domestic firms to target regulated Western markets through USFDA-compliant manufacturing facilities. Consequently, India became a central pillar of global healthcare systems, supplying over **20% of global generic medicines** by volume, **60% of global routine vaccines**, and achieving a record **\$31.12 billion in pharmaceutical exports** (FY26).

- **The Chinese API Vulnerability:** Despite dominance in final formulations, India relies heavily on China for **60% to 70% of its critical Active Pharmaceutical Ingredients (APIs)** and Key Starting Materials (KSMs). This upstream dependency exposes national drug security to geopolitical frictions and supply chain disruptions.

- **The Scale-to-Innovation Imperative:** Low-margin generic manufacturing is increasingly exposed to price erosion, tightening USFDA regulatory scrutiny, and high raw material costs. Moving into novel chemical entities (NCEs) and biosimilars requires patient long-term capital, deep industry-academia research ties, and regulatory reform. A generic drug costs a few million dollars to copy, whereas developing a novel drug demands \$100 million to over \$200 million alongside high clinical failure risks.

- **Historical Evolution of the Pharmaceutical Sector**
- **Pre-Independence to 1970: The Era of Import Dependency**
- **Colonial Legacy:** India was almost entirely dependent on foreign multinational corporations (MNCs) for basic medicines, with over 80% to 90% of finished drugs imported at exorbitant prices.
- **Structural Barriers:** The Indian Patents and Designs Act of 1911 protected product patents, allowing Western companies to maintain monopolies, charge high prices, and prevent local manufacturing.
- **1970 to 1990: The Process Patent Watershed**
- **The 1970 Patents Act:** Based on the recommendations of the Ayyangar Committee, India repealed product patents for pharmaceuticals and agricultural goods, recognizing only process patents valid for 7 years.
- **Rise of Reverse-Engineering:** Domestic firms developed advanced chemical engineering processes to replicate patented global drugs legally and cost-effectively, laying the groundwork for a self-reliant domestic pharmaceutical industry.
- **1991 to 2004: Economic Liberalisation and International Expansion**
- **Industrial Unshackling:** Abolition of strict industrial licensing, easing of Foreign Exchange Regulation Act (FERA) constraints, and trade liberalization enabled domestic leaders to expand production capacities.
- **Targeting Regulated Western Markets:** Indian companies leveraged their low-cost advantage to file Abbreviated New Drug Applications (ANDAs) in the US market, capturing a significant share of generic drug supply in North America and Western Europe.
- **2005 to 2019: WTO-TRIPS Compliance and Consolidation**
- **Patents Act Amendment (2005):** To comply with the WTO TRIPS Agreement, India restored product patents on pharmaceuticals, ending the era of process-led copying for post-2005 molecules.
- **Shift to High-Value Generics:** Indian companies adapted by focusing on complex off-patent generics, domestic M&A consolidation (e.g., Sun Pharma's acquisition of Ranbaxy), and building initial biotechnology/biosimilar pipelines.
- **2020 to Present: Pandemic Resilience and the Innovation Frontier**
- **COVID-19 Pandemic Response:** India reaffirmed its status as the world's vaccine hub, manufacturing billions of doses (e.g., Serum Institute of India, Bharat Biotech) for domestic use and global distribution through the Vaccine Maitri initiative.
- **Addressing Structural Vulnerabilities:** Launch of the **Production Linked Incentive (PLI)** schemes for APIs, KSMs, and Medical Devices to reduce dependence on imports, alongside the **PRIP (Promotion of Research and Innovation in Pharma-MedTech)** scheme to stimulate basic scientific R&D.

THE INDIAN PHARMACEUTICAL SECTOR: FROM GENERIC HUB TO INNOVATION FRONTIER

PRE-1970: DEPENDENCY ERA



- 80-90% IMPORTS
- HIGH PRICE TAGS
- MNC MONOPOLIES

1970 PATENTS ACT: CAPABILITY BUILDING



- CHEMICAL FORMULAS, LABS
- PROCESS PATENTS
- REVERSE-ENGINEERING LEGALIZED

POST-1991 REFORMS: GLOBALIZATION



- GENERIC EXPORTS PUSH



2005 TRIPS COMPLIANCE: PATENT FOCUS



- PRODUCT PATENTS RESTORED
- PATENT-COMPLIANT R&D

PRESENT & FUTURE FRONTIER



- PUSH FOR API SELF-RELIANCE
- PRIP SCHEME
- BIOSIMILARS
- NOVEL DRUG DISCOVERY

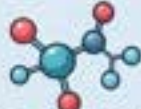
CORE ANALYSIS & KEY CONCEPTS

PROCESS PATENT vs. PRODUCT PATENT REGIME



Affordability and molecule legality

VS.



COMPULSORY LICENSING (SEC 84)

SECTION 3(d)

Evergreening prevention
Example: a pruned plant

Government stamp over a patent paper
Natco vs. Bayer



MULTIDIMENSIONAL ASSESSMENT

SOCIAL

- Reduced out-of-pocket spending
- Health equity
- PMBJAK



POLITICAL

- Soft Power ('Vaccine Maitri')
- Strategic Autonomy
- Trade Tensions



LEGAL

- TRIPS Flexibilities
- Doha Declaration
- CDSCO Oversight
- Quality Control



ECONOMIC

- \$31B+ exports, employment
- Need for R&D capital depth



ETHICAL

- Right to Life over Profits
- Clinical Trial Integrity



INTERNATIONAL

- Global Supply Chain Anchor
- API Vulnerability (dependency on China)



THE STRATEGIC WAY FORWARD: VOLUME TO VALUE

VOLUME-LED GENERICS

- Large sticks
- Low margin
- High costs
- Chinese API dependent



VALUE-LED INNOVATION

- Fewer complex molecules
- Novel Drugs
- Biosimilars
- India API security



Re-created STRATEGIC ROADMAP

RAW MATERIAL SECURITY

- PLI
- Bulk Drug Parks

R&D ECOSYSTEM

- Industry-Academia
- PRIP Venture Capital

REGULATORY STRENGTHENING

- CDSCO
- Single-Window

Required capital shift in at the low-created capital shift

UPSC CSE / STATE PCS MAPPING

(GS II, III, S&T, Ethics)

Key sub-themes:

- Right to Life over Profits
- Clinical Trial Integrity

Key-themes:

- Novel Drug Discovery and Novel Biomolecules

- **Logical and Philosophical Foundations**
 - **Utilitarian Ethics vs. Monopolistic Intellectual Property Rights:**
 - The foundational rationale of India's pharmaceutical policy prioritizes *utilitarian social welfare*—achieving the greatest health outcomes for the greatest number of people.
 - This directly contrasts with the Western doctrine of absolute property rights, which frames patent monopolies as individual reward mechanisms for capital investment. India's framework treats essential drugs as a public good required to preserve life.
 - **Right to Health as an Extension of the Right to Life (Article 21):**
 - The legal logic underlying public health safeguards in Indian patent law (such as Section 3(d) and compulsory licensing) is rooted in Constitutional jurisprudence. Under Article 21, the State bears a constitutional mandate to ensure affordable, life-saving medicines remain accessible to citizens.
 - **Infant Industry Protection and Technocratic Capitalism:**
 - The economic logic behind the 1970 Patents Act aligned with the "infant industry argument." By temporarily shielding domestic firms from global product-patent monopolies, the state provided space for indigenous firms to accumulate technical capacity, reverse-engineering mastery, and capital equity.
 - **Distributive Justice in Global Health Governance:**
 - The expansion of Indian generic medicines across the Global South challenged asymmetric international trade structures. It demonstrated that market-based pricing mechanisms of advanced economies often create access disparities, requiring intervention through low-cost generic production to uphold global distributive justice.
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- **Multidimensional Analysis**
- **1. Social Dimension**
- **Dramatically Reduced Out-of-Pocket Expenditure:** Affordable generic formulations prevent millions of Indian families from falling into poverty due to catastrophic healthcare costs.
- **Healthcare Equity:** Widens access to chronic disease treatments (cardiovascular, diabetes, oncology) across rural and urban lower-income demographics.
- **Public Health Safeguards:** Sustains public health initiatives by enabling state and central procurement systems (e.g., PMBJAK - Pradhan Mantri Bhartiya Janaushadhi Pariyojana) to acquire high-quality medicines at affordable rates.
- **2. Political and Geopolitical Dimension**
- **Soft Power and Health Diplomacy:** "Vaccine Maitri" and global distribution of generic antiretrovirals have positioned India as a dependable partner to the Global South.
- **Strategic Autonomy:** Reliance on external suppliers for basic health inputs creates strategic vulnerabilities; domestic drug security directly underpins national sovereignty.
- **Bilateral Trade Tensions:** India's refusal to concede on stringent patent protections (such as data exclusivity) often draws friction with Western trade partners, including regular citation in the United States Trade Representative (USTR) "Special 301 Report."
- **3. Legal and Regulatory Dimension**
- **Balancing TRIPS Flexibilities:** India pioneered the utilization of WTO-TRIPS flexibilities (Doha Declaration) by incorporating public health safeguards into national law, such as Section 3(d) and compulsory licensing provisions.
- **Quality and Regulatory Oversight:** Regulatory standards overseen by the Central Drugs Standard Control Organization (CDSCO) require ongoing modernization to ensure strict quality compliance, addressing concerns over substandard drug exports that threaten international trust.
- **4. Ethical Dimension**
- **Right to Life vs. Commercial Profits:** Navigates the ethical conflict between corporate rights to generate investment returns and the universal right to life-saving treatment.
- **Clinical Trial Integrity:** The shift toward novel drug research requires adherence to bioethical standards during human clinical trials, safeguarding vulnerable trial populations from exploitation.
- **5. International Dimension**
- **Global Supply Chain Anchoring:** India produces 1 in 4 generic pills consumed in the US and a large portion of medicines used across Africa and Latin America.
- **Vulnerability in Raw Material Supply Chains:** Upstream reliance on China for 60-70% of APIs and basic chemical starting materials exposes the global pharmaceutical supply chain to geopolitical disruptions.
- **6. Economic Dimension**
- **Export Engine:** The pharmaceutical sector remains a foreign exchange generator for India, with exports surpassing **\$31 billion in FY26**.
- **High-Skilled Employment:** Supports a large ecosystem of chemical engineers, biotechnologists, pharmacologists, and manufacturing technicians.
- **R&D Financing Constraints:** Private sector spend on basic research and discovery remains low (~0.7% of GDP overall national gross expenditure on R&D), leaving the sector vulnerable to margin compression in basic generics unless capital shifts toward high-value innovation.

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- **Linkages with NCERT Textbooks**
 - **1. Class 11 Economics: *Indian Economic Development***
 - **Chapter 3: "Liberalisation, Privatisation, and Globalisation: An Appraisal"**
 - *Linkage:* Explains how domestic market protection (1970–1991) built base technical capabilities, while post-1991 reforms unbundled export potential, allowing firms to register rapid export-led growth through global integration.
 - **Chapter 8: "Infrastructure" (Health Infrastructure)**
 - *Linkage:* Connects the cost of essential medicines to public health infrastructure, out-of-pocket medical expenditure, and national productivity.
 - **2. Class 12 Political Science: *Contemporary World Politics***
 - **Chapter 6: "International Organisations" & Chapter 9: "Globalisation"**
 - *Linkage:* Examines how international legal agreements like WTO-TRIPS constrain domestic policy, and how India navigated these pressures to maintain public health safeguards.
 - **3. Class 12 Biology: *Biotechnology and its Applications***
 - **Chapter 12: "Biotechnology and its Applications"**
 - *Linkage:* Covers recombinant DNA technology, monoclonal antibodies, biosimilars, and biopiracy/patenting issues, establishing the scientific foundation for the next phase of pharma innovation.
 - **4. Class 11 Chemistry: *Unit 14: Environmental Chemistry / Applied Chemistry***
 - **Concepts of Industrial Organic Synthesis**
 - *Linkage:* Demonstrates the chemical engineering processes involved in converting precursor compounds into complex Active Pharmaceutical Ingredients (APIs).

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- **Mapping to UPSC CSE Syllabus**
 - **GS Paper 1: Indian Society and Globalization**
 - **Sub-theme:** Impact of globalization on vulnerable sections, health equity, and social development.
 - **GS Paper 2: Governance, Public Health, and International Relations**
 - **Sub-theme:** Issues relating to the development and management of Social Sector/Services relating to Health; Government policies and interventions.
 - **Sub-theme:** India's bilateral and multilateral relations; soft power projection via health diplomacy (Vaccine Maitri).
 - **GS Paper 3: Economy, Science & Technology, and IPR Issues**
 - **Sub-theme:** Industrial Policy and Liberalisation; effects of economic policies on industrial growth.
 - **Sub-theme:** Science and Technology—developments and applications; Indigenization of technology (API manufacturing under PLI).
 - **Sub-theme:** Intellectual Property Rights (IPR) issues, TRIPS, patent regimes, and national drug security.
 - **GS Paper 4: Ethics**
 - **Sub-theme:** Corporate Social Responsibility; profit maximization versus human welfare; ethical considerations in clinical research and drug pricing.
 - **Optional Subjects**
 - **Economics:** Industrial growth, import substitution vs. export promotion, technology transfer, and IPR economics.
 - **Public Administration:** Public health management, regulatory bodies (CDSCO), and policy implementation.
 - **Political Science & International Relations (PSIR):** Global South diplomacy, WTO negotiations, trade governance, and national autonomy.

- **Strategic Way Forward**
- **1. Rebuilding Upstream Self-Reliance in APIs and KSMs**
- **Accelerated PLI Deployment:** Expand the scope and financial allocation of the Production Linked Incentive (PLI) scheme to cover a broader range of critical APIs, fermentation-based intermediates, and Key Starting Materials.
- **Dedicated Mega Bulk Drug Parks:** Provide common infrastructure facilities (such as central effluent treatment plants, low-cost power, and steam pipelines) to lower manufacturing costs and build cost parity with Chinese imports.
- **2. Transitioning to High-Value R&D and Biosimilars**
- **Operationalizing the PRIP Scheme:** Efficiently deploy the **Promotion of Research and Innovation in Pharma-MedTech (PRIP)** scheme to fund early-stage novel chemical entity (NCE) research, complex biological targets, and biosimilar development.
- **Venture Capital Co-Funding Models:** Establish state-backed blended finance venture funds to co-invest with private pharma capital, lowering the risk of early-stage Phase I and Phase II clinical trial failures.
- **3. Regulatory Reforms and Global Quality Enforcement**
- **Strengthening CDSCO:** Transform the Central Drugs Standard Control Organization into a centralized, world-class regulatory authority with modernized testing laboratories, unified state-level oversight, and stringent audit protocols to protect the global "Made in India" reputation.
- **Streamlining Clinical Trial Processes:** Update the *New Drugs and Clinical Trials Rules* to establish predictable, transparent, single-window clearance timelines for drug trials without lowering ethical safety standards.
- **4. Deepening Industry-Academia Synergies**
- **Institutional Linkages:** Build collaborative hubs connecting national research institutes (such as CSIR laboratories, NIPERs, and IITs) with private industry research units to move discovery from academic labs to commercial production.
- **Talent Development:** Target academic curricula toward biopharmaceuticals, bio-process engineering, computational drug design, and global regulatory affairs.

- **UPSC CSE Mains Questions**

- **GS Paper 3 (2014)**

- "India's Patent Law balances the commercial interests of drug manufacturers with the constitutional mandate of ensuring affordable access to life-saving medicines." Critically analyze this statement with special reference to Section 3(d) and Compulsory Licensing provisions under the Patents Act, 1970.

- **GS Paper 3 (2019)**

- "Despite being termed as the 'Pharmacy of the World', India's pharmaceutical industry suffers from structural vulnerabilities in upstream supply chains." Examine the causes of India's high reliance on imported Active Pharmaceutical Ingredients (APIs) and discuss measures taken by the government to achieve self-reliance.

- **GS Paper 2 (2021)**

- "Public health is not merely a social expenditure, but a strategic investment in national human capital." In light of India's pharmaceutical growth story, evaluate how health diplomacy ("Vaccine Maitri") strengthened India's standing in the Global South.

- **GS Paper 3 (2023)**

- "To move from low-margin volume dominance to high-value innovation, the Indian pharmaceutical sector requires an ecosystem shift." Elaborate on the reforms needed in regulatory frameworks, industry-academia research ties, and venture risk financing to foster novel drug discovery in India.

The urban nightmare — a fire with no escape

In June 22, 2006, 25 people gasped to death in a burning building in Aliganj, Lucknow. Trapped behind smoke-filled corridors and sealed exits, they never had a chance. The commercial establishment operating from a residential neighbourhood was a veritable death trap – pigeonhole-sized workstations crammed into an unauthorised structure with no viable fire escape.

It was not merely a building that caught fire, but a system that failed. A tragedy waiting to happen, aided by those whose job it was to prevent it.

All this happened, while the TV channels discussed animatedly U.S.-Iran parleys, where India played no role, and analysts dissected the number of Members of Parliament defecting to the Elumath Shinde-led Shiv Sena. Not aware if there was ever a mention of a collapse of political ethics and morality. But then, do ethics, morality and professionalism figure in urban governance today? Major fires have erupted in cities across India in 2006 on account of failures of urban regulation – signifying abject greed and mismanagement.

On June 3, a fire in a bed and breakfast facility, Malviya Nagar, Delhi, was also caused by illegal construction with no emergency exit. In February, a Bhiwadi garment plant, Rajasthan, which caught fire was an illegal firecracker manufacturing unit behind closed doors; the fire in a cracker manufacturing unit in Virudhunagar, Tamil Nadu, took place when the factory was running illegally on a Sunday.

Yet, amidst the horror, emerged stories of extraordinary courage. In Delhi's Malviya Nagar fire, a mattress shop owner reportedly emptied his entire stock onto the street to cushion those jumping from the burning building. Young residents rushed forward without waiting for instructions, while police personnel administered CPR, evacuated victims and continued rescue efforts despite injuries to themselves. Such acts of humanity stand in sharp contrast to the institutional failures.

Historical data trends suggest that India sees approximately 13,000-15,000 fire deaths annually, with the summer of 2006 projected to be one of the worst due to extreme heatwaves triggering electrical fires. In the first quarter of 2006, 39 people have died in fires in Delhi alone, even before the summer peak began.

Violations without consequences

The problem extends far beyond Aliganj and Malviya Nagar. Death traps of varying forms exist in countless urban settlements across India. They may differ in appearance but share a common characteristic: everyone knows the violations exist, yet they continue.

This is what makes the present crisis particularly troubling when India today possesses technological capabilities unimaginable even a decade ago. Satellite imagery can identify encroachments. Drones can map illegal



Yashvardhan Arad

Retired Indian Police Service officer, who has served as the Central Information Commissioner, Secretary - Security, Government of India, and Special Director, Intelligence Bureau

Urban neglect, political apathy, and corruption continue to claim lives across India

constructions. Geographic Information Systems can track land use changes. Digital property databases can identify violations. Artificial intelligence can flag anomalies and real-time dashboards can monitor compliance.

Is it really difficult for a municipal commissioner, a development authority official, a State government functionary or the Lieutenant Governor to call for a list of establishments operating without licenses, fire clearances or in myriad violations of building norms?

The difficulty lies elsewhere. It lies in political pressure and vote-bank calculations and in the thriving informal economies that governments are reluctant to confront and where urban laws and regulations are routinely violated. But, most importantly, it lies in corruption.

Could the fire in Lucknow have been averted? Yes. In 2006, a notice for demolition was given but within two months was withdrawn. It was clearly a political decision. The property stood out as a symbol of political patronage under benign oversight of officials, right in the midst of a prominent locality of the capital. This sends out a message to the lower officials, the enforcers, who then entrench a system of their own beneficiaries, overlooking various violations for monetary benefits.

The Special Investigation Team (SIT) formed to investigate the fire comprised two senior officers, from the IAS and the IPS from the State of Uttar Pradesh, with the report to be submitted to another IAS officer of the government. The head of Lucknow land development Authority is also an IAS officer. In such a situation, can the inquiry yield anything purposeful. If a calamity of this kind results only in a conversation between a closed loop of bureaucrats, can there ever be any meaningful reform? No. But it was certainly possible if the Minister of Urban Development and the head of the capital land development authority were indicted for this tragedy.

This pattern is visible across the country. In Noida, a young professional lost his life after falling into a waterlogged, poorly protected urban hazard. In Indore, celebrated nationally for cleanliness, deaths linked to contaminated water supply raise disturbing questions about basic civic safeguards. Bengaluru, India's technology capital, repeatedly grinds to a halt after heavy rains. Mumbai, India's financial capital, continues to struggle with flooding despite decades of investment and repeated expert recommendations.

A common thread

Different cities. Different governments. Different political parties, but the same outcome. The real concern is the absence of accountability and governance deficit. What happened after Delhi's basement coaching centre tragedy? Arrests were made. Commitments were constituted. Headlines were generated. Yet, illegal and unsafe basement operations continue to flourish in many cities.

How many inquiry reports have fundamentally

altered urban governance? How many officials have faced meaningful consequences years after disasters? How many systemic reforms have followed repeated tragedies? India has actually become adept at managing outrage and far less effective in preventing a recurrence of man-made tragedies.

At the heart of the problem lies a governance structure that nobody wishes to discuss honestly. For over three decades, since the 74th Constitutional Amendment, India has spoken of empowering urban local bodies. Yet, most city governments remain weak. Every Chief Minister is the de facto mayor for all cities in his/her State and municipal corporations have responsibility without authority. Elected representatives have visibility without power. Important functions remain scattered across development authorities, municipal corporations, public works departments, water boards, transport agencies and numerous specialised bodies.

A flooded road belongs to one agency, a drain to another, land to a third and enforcement to a fourth. Citizens, meanwhile, simply see government. This fragmentation has created a dangerous accountability vacuum.

Fix governance first

The answer therefore is not another scheme. Indian cities are already overflowing with schemes, missions, projects and programmes. Every few years a new initiative comes up with a new acronym and fresh funding. The problem is not the absence of schemes, but the absence of governance. A number of well-meaning schemes lie buried under corruption and mismanagement. Cities require empowered local institutions, professional urban management, clear accountability and fearless enforcement. Technology must become an instrument of compliance rather than a showcase of modernisation. Most importantly, governments must find the political courage to dismantle entrenched systems of tolerated illegality. Officers, the enforcers, look away fearing a clash with political vested interests.

The victims of Lucknow and Delhi fires did not die because India lacks fire safety laws. They died despite those laws. That is the distinction policymakers must understand. Urban governance is ultimately measured not by the number of projects inaugurated, smart-city dashboards installed or schemes announced, but by the number of tragedies prevented. The real test of governance is whether an ordinary citizen can work, live, study, shop or sleep in a building without fear of dying because somebody chose to ignore the rules.

Will this tragedy become yet another file, another enquiry and another forgotten headline? Or will it finally compel us to confront the uncomfortable truth that India's cities are not merely growing beyond their capacity but are increasingly failing the very citizens they were meant to serve?

- **Key Terms and Explanations**
- **Urban Governance Deficit**
- **Definition:** The systemic mismatch between the rapid pace of urban growth and the administrative, financial, and enforcement capabilities of urban local bodies.
- **Explanation:** It reflects a situation where civic bodies exist on paper, but lack the structural power or political freedom to manage basic urban functions like fire safety, zoning compliance, and disaster management.
- **De Jure vs. De Facto Urban Leadership**
- **Definition:** *De jure* refers to authority granted by law, whereas *de facto* refers to authority exercised in real-world practice.
- **Explanation:** Under urban administration, the elected Mayor is the *de jure* civic head, but because of legislative and executive centralization, the State Chief Minister or State-appointed Bureaucrats serve as the *de facto* decision-makers.
- **Fragmented Accountability Vacuum**
- **Definition:** An administrative state where civic responsibilities are divided among multiple overlapping, uncoordinated parastatal agencies, allowing each to shift blame when a disaster strikes.
- **Explanation:** When urban management is split among Development Authorities, Municipal Corporations, Public Works Departments (PWD), and Fire Services, no single authority accepts ultimate responsibility for safety failures.
- **Institutionalized / Tolerated Illegality**
- **Definition:** A state of administrative functioning where regulatory non-compliance (such as building code violations, lack of emergency exits, or unapproved commercialization) is knowingly permitted by enforcement officials in exchange for political or monetary gain.
- **Explanation:** Rather than being an oversight, regulatory non-compliance becomes a stable economic ecosystem where property owners pay bribes or leverage political patronage to operate unsafe premises without fear of demolition or closure.
- **Closed-Loop Bureaucratic Inquiry**
- **Definition:** Post-disaster investigative mechanisms wherein executive civil servants are tasked with inspecting and assigning blame for administrative failures committed by their own bureaucratic peers.
- **Explanation:** Because the investigating officers and the heads of defaulting urban development authorities belong to the same cadre and governance network, such inquiries usually end up penalizing lower-level field staff while preserving higher-level administrative and political immunity.
- **Technological Compliance Paradox**
- **Definition:** The gap between possessing advanced technological capability for urban monitoring and the deliberate non-enforcement of laws on the ground due to institutional resistance.
- **Explanation:** Modern cities possess Geographical Information Systems (GIS), high-resolution satellite mapping, drone surveillance, and automated property databases capable of instantly flagging illegal structures. However, these tools fail to prevent disasters because the administrative apparatus chooses not to act on the generated data.

- **Main Arguments and Substantive Parts**
- **Core Thesis**
- Urban disasters in modern Indian cities—whether fatal fires, basement flooding, or building collapses—are not accidental or force majeure events. They represent a structural crisis of governance characterized by institutional corruption, administrative fragmentation, political patronage, and a fundamental refusal to empower local democracy.
- **Key Substantive Arguments**
- **1. The Political Economy of Tolerated Illegality**
- **Systemic Norm:** Illegal construction and commercial conversion of residential spaces are not random oversights; they are routine governance practices.
- **Patronage Networks:** Local enforcement officers and political representatives operate a system of tacit approval. Notices for demolition or closure are routinely issued to project compliance on paper, only to be withdrawn or stalled following political intervention.
- **Resource Extraction:** Safety violations are converted into recurring informal revenue streams for enforcing agencies, turning public hazard into private gain.
- **2. The Illusion of Post-Disaster Accountability**
- **Outrage Management:** Following a major urban disaster, state authorities rely on public relation tactics—appointing Special Investigation Teams (SITs), setting up inquiry committees, and announcing monetary compensation.
- **Bureaucratic Protectionism:** Inquiries function within a closed loop where civil servants investigate civil servants. This structure prevents systemic administrative reform and insulates senior officials and political leaders from criminal liability.
- **Lack of Institutional Memory:** Once media attention fades, inquiry reports are archived without implementing structural changes, creating a pattern of recurring, preventable tragedies across different urban centers.
- **3. Technology Without Enforcement Will Is Powerless**
- **Sophisticated Monitoring Capabilities:** Modern urban planning departments have access to advanced technologies like satellite imagery, GIS mapping, AI-driven anomaly detection, and real-time compliance dashboards.
- **Deliberate Inaction:** Technology can identify illegalities, but it cannot enforce the law. Without administrative integrity and political backing, high-tech monitoring tools remain passive showcases rather than active enforcement mechanisms.
- **4. The Structural Crippling of Urban Local Bodies**
- **Decentralization Deficit:** Despite three decades passing since the 74th Constitutional Amendment Act, state governments have resisted real devolution of power, funds, and functionaries to Urban Local Bodies (ULBs).
- **Visibility Without Power:** Elected mayors and municipal councilors hold high public visibility but possess negligible statutory authority. Real executive power remains centralized with State-appointed bureaucrats, parastatal development authorities, and State Urban Development Ministries.
- **Jurisdictional Fragmentation:** Urban service delivery is split across competing agencies with no single point of command, creating an accountability vacuum where every agency operates in isolation.
- **5. Scheme Overload Versus Governance Underload**
- **Fixation on Infrastructure Schemes:** National policy urban interventions frequently prioritize top-down flagship schemes, smart city missions, funding packages, and branding campaigns.
- **Neglect of Basic Enforcement:** Schemes and technology upgrades cannot substitute for basic governance functions: enforcing fire safety norms, maintaining drainage networks, regulating land use, and prosecuting corrupt officials.

- **Historical Evolution of the Issue**
- **Pre-Independence Era (1881–1947): Colonial Foundations of Urban Planning**
- **Lord Ripon’s Resolution (1882):** Introduced basic municipal self-governance, but local bodies were treated as instruments for revenue collection and basic sanitation rather than centers of democratic planning.
- **Colonial Enclaves vs. Native Quarters:** Urban planning was dualistic, focusing on infrastructure and safety for European settlements while leaving broader urban areas to unorganized, high-density growth without building regulation.
- **Town Planning Acts:** Early legislation (e.g., Bombay Town Planning Act, 1915) established top-down regulation focused on land acquisition rather than participatory local management.
- **Post-Independence Early Decades (1950s–1970s): The Rise of Parastatal Authorities**
- **State-Led Urbanization:** Rapid post-partition migration and industrialization forced states to build urban infrastructure quickly.
- **Bypassing Local Bodies:** State governments created nominated, non-elected Parastatal Agencies and Improvement Trusts (e.g., Delhi Development Authority established in 1957) to oversee master planning and land development.
- **Erosion of Municipalities:** Elected municipal corporations were stripped of planning powers and relegated to basic maintenance tasks like waste disposal and street lighting.
- **The Constitutional Landmark (1992): The 74th Constitutional Amendment Act**
- **Legislative Intent:** Accorded constitutional status to Urban Local Bodies (ULBs) and inserted the Twelfth Schedule, granting ULBs authority over urban planning, fire services, land-use regulation, and public amenities.
- **Incomplete Implementation:** State governments used constitutional loopholes to delay devolving the "3Fs"—Funds, Functions, and Functionaries.
- **Persistence of Dual Power:** Parastatal bodies (Development Authorities, Water Boards, Slum Rehabilitation Boards) remained under direct State Government control, leaving local bodies financially dependent and politically weak.
- **The Infrastructure Mission Era (2000s–2010s): Capital Infusion without Structural Reform**
- **JNNURM (2005):** Jawaharlal Nehru National Urban Renewal Mission injected capital into urban infrastructure, attempting to link funds to municipal management reforms.
- **Smart Cities Mission & AMRUT (2015):** Focused on technology integration, pan-city digital infrastructure, and specific area-based developments.
- **Special Purpose Vehicles (SPVs):** Created corporate-style SPVs to execute Smart City projects, further bypassing elected municipal councils and deepening the democratic deficit in urban governance.
- **Present Era (2020s): Recurring Disasters and the Accountability Vacuum**
- **Compounding Urban Vulnerabilities:** Rapid urban density, climate-induced extreme heatwaves, intense precipitation, and widespread unauthorized construction have turned urban compliance failures into active safety hazards.
- **Systemic Failure Points:** Tragedies like basement flooding in coaching hubs, chemical fires in illegal manufacturing units, and residential fire traps reveal that decades of financial investment have failed to establish basic administrative accountability or life-safety standards.



AXIA

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RISE ABOVE THE REST

THE ANATOMY OF INDIA'S URBAN GOVERNANCE AND FIRE SAFETY CRISIS: A COMPREHENSIVE SYSTEMIC ANALYSIS



STRUCTURAL REFORM ROADMAP: A WAY FORWARD

1. Empowered ULBs
& Fixed Mayor
Tenure

2. Unified
Metropolitan
Authority (UMTA)

3. Independent
Safety Audits
(NBC Compliance)

4. Technology-Based
Public Data
Dashboards

5. Market-Oriented
Land Use Reforms

6. Strict Legal
Liability for
Officers

- **Logical and Philosophical Base**
- **Breakdown of the Social Contract Theory**
- **Philosophical Core:** As articulated by Thomas Hobbes and John Locke, citizens yield certain liberties and pay taxes to the sovereign state in exchange for the protection of life, liberty, and property.
- **Urban Governance Reality:** When citizens pay municipal taxes, development charges, and commercial fees, but are subjected to unsafe, fire-hazard-ridden environments, the fundamental obligation of the state is broken. The administration demands citizen compliance with tax laws while consistently failing in its primary duty to ensure safe public spaces.
- **Deontological Ethics vs. Utilitarian Opportunism**
- **Deontological Imperative (Duty-Based):** Immanuel Kant's ethical frame posits that institutional duties—such as enforcing building codes to protect human life—are absolute obligations that cannot be compromised for expediency.
- **Utilitarian Opportunism (Outcome-Based Failure):** Current urban administration operates on a distorted utilitarian logic, where political expediency, vote-bank consolidation, and corruption yields short-term utility for local actors. The catastrophic cost—human lives lost in fires—is treated as an acceptable externalities rather than an absolute ethical failure.
- **The Principal-Agent Dilemma in Bureaucracy**
- **Theoretical Model:** Citizens act as the *Principal* who elect and fund public officials (the *Agents*) to manage public resources and enforce safety standards.
- **Systemic Misalignment:** Because administrative incentives prioritize political superiors over local citizens, agents align their behavior to serve political patronage and self-preservation. Inquiries remain closed-loop processes designed to protect institutional leadership rather than serve public accountability.
- **Erosion of Constitutional Morality and Judicial Principles**
- **Constitutional Morality:** Requires administrative officials to adhere to the spirit of the Constitution—specifically Article 21 (Right to Life and Personal Liberty)—over political pressure or personal convenience.
- **Rule of Law vs. Rule by Law:** Regulatory processes are frequently weaponized selectively against vulnerable citizens while systematic building code violations by influential economic actors are normalized under administrative patronage.

- **Multidimensional Analysis**
- **1. Social Dimension**
- **Disproportionate Impact on Vulnerable Groups:** Unregulated, informal, or low-cost commercial establishments frequently house young students, migrant factory workers, and low-wage employees who cannot afford safer, compliant spaces.
- **Erosion of Civic Trust:** Repeated urban disasters create a sense of helplessness and cynicism among citizens regarding state institutional capacity.
- **Disruption of Urban Social Fabric:** Uncontrolled commercialization of residential neighborhoods damages community safety, liveability, and local social infrastructure.
- **2. Political Dimension**
- **Political Patronage Networks:** Local political figures often rely on illegal commercial networks and unapproved developments for campaign funding, local mobilization, and electoral support.
- **Emasculation of Local Democracy:** Mayors lack executive authority and fixed tenures, concentrating urban decision-making within State Urban Development Ministries and un-elected state bureaucrats.
- **Short-Term Electoral Cycles:** Political leadership prioritizes short-term populist schemes or high-visibility foundation stones over long-term structural reforms and routine safety enforcement.
- **3. Legal Dimension**
- **Non-Enforcement of Building Codes:** The National Building Code (NBC) of India provides comprehensive guidelines, but its adoption and strict enforcement by municipal bodies remain inconsistent and discretionary.
- **Dilution of Accountability Laws:** Regulatory bodies face minimal criminal liability when disasters occur; penal action rarely extends beyond junior field inspectors to high-level sanctioning officers.
- **Judicial Overreach vs. Executive Inaction:** Courts are forced to intervene through Public Interest Litigations (PILs) to order demolitions or safety audits, reflecting the failure of executive administrative machinery.
- **4. Ethical Dimension**
- **Erosion of Professional Integrity:** Public enforcers and engineers routinely compromise safety standards, treating structural violations as opportunities for rent-seeking rather than risks to human life.
- **Conflict of Interest in Internal Inquiries:** Allowing state agencies to self-investigate institutional failures undermines basic principles of natural justice and institutional accountability.
- **Normalizing Negligence:** Systemic administrative failure treats preventable human deaths as routine urban risks rather than institutional moral failures.
- **5. International Dimension**
- **Global Best Practices Comparison:** Cities like Singapore (Urban Redevelopment Authority) and Tokyo enforce strict land-use plans, automated safety audits, and unified governance structures with clear accountability.
- **Impact on Global Image and Investment:** Unsafe urban conditions, recurring infrastructure failures, and poor disaster readiness damage India's global reputation as a business and investment destination.
- **UN Sustainable Development Goals (SDG 11):** Failures in urban governance directly hinder India's progress toward SDG 11 (Sustainable Cities and Communities), which mandates safe, resilient, and inclusive urban spaces.
- **6. Economic Dimension**
- **Direct Economic Loss:** Fire hazards and urban flooding lead to capital destruction, property damage, operational shutdowns, and loss of productivity.
- **Misallocation of Public Capital:** Massive public funds spent on smart city technologies and infrastructure projects are wasted when baseline safety regulations and land-use rules are ignored.
- **Distorted Market Real Estate Dynamics:** Unenforced land-use regulations distort urban real estate values, incentivizing illegal construction over formal, safety-compliant developments.

- **Linkages with NCERTs**
 - **1. Class 6 Social Science (Political Life) – Chapter 7: *Urban Administration***
 - **Core Linkage:** Introduces the fundamental duties of Municipal Corporations, including street lighting, garbage collection, water supply, and building safety enforcement.
 - **Relevance:** Helps students compare the textbook ideal of local self-governance with the real-world operational challenges and administrative gaps seen in Indian cities today.
 - **2. Class 11 Political Science – *Indian Constitution at Work*, Chapter 8: *Local Governments***
 - **Core Linkage:** Details the provisions of the 74th Constitutional Amendment Act, the Twelfth Schedule, and the mandate for urban local self-government.
 - **Relevance:** Demonstrates the gap between constitutional intent and state-level execution, highlighting how incomplete devolution of the "3Fs" weakens urban accountability.
 - **3. Class 11 Geography – *India: Physical Environment*, Chapter 7: *Natural Hazards and Disasters***
 - **Core Linkage:** Examines man-made and natural hazards, vulnerability profiles of human settlements, and disaster mitigation strategies.
 - **Relevance:** Provides spatial context on how unplanned urbanization, ecological encroachment, and poor structural safety transform manageable hazards into severe urban disasters.
 - **4. Class 12 Sociology – *Social Change and Development in India*, Chapter 6: *Mass Media and Communications / Urbanization***
 - **Core Linkage:** Analyzes rapid urban growth, rural-to-urban migration patterns, spatial segregation, and the expansion of informal urban settlements.
 - **Relevance:** Clarifies the socio-economic pressures that drive illegal construction, basement conversions, and commercial exploitation of residential zones in fast-growing cities.
-

- **Linkages with UPSC CSE Syllabus**
- **General Studies Paper 1 (GS-1)**
- **Syllabus Topic:** *Urbanization, their problems and their remedies.*
- **Analytical Application:** Evaluating how rapid, unregulated urban expansion, high population density, and ineffective land-use planning make Indian cities vulnerable to fire safety hazards and infrastructure failure.
- **General Studies Paper 2 (GS-2)**
- **Syllabus Topic:** *Devolution of powers and finances up to local levels and challenges therein; Important aspects of governance, transparency, and accountability; Role of civil services in a democracy.*
- **Analytical Application:** Assessing the structural weaknesses of the 74th Constitutional Amendment Act, jurisdictional overlap among urban parastatals, the lack of municipal mayor empowerment, and administrative failures in regulatory enforcement.
- **General Studies Paper 3 (GS-3)**
- **Syllabus Topic:** *Disaster and Disaster Management; Infrastructure: Energy, Ports, Roads, Airports, Railways etc.*
- **Analytical Application:** Formulating fire safety protocols, urban hazard mitigation strategies, building structural safety standards, and integrating GIS/remote sensing technologies into active disaster compliance systems.
- **General Studies Paper 4 (GS-4)**
- **Syllabus Topic:** *Ethics and Human Interface; Public/Civil service values and Ethics in Public Administration; Accountability and ethical governance.*
- **Analytical Application:** Analyzing the administrative conflict of interest in self-investigating bureaucracies, ethical lapses in regulatory enforcement, systemic corruption, and the loss of administrative integrity in public safety protection.
- **Essay Paper**
- **Relevant Themes:**
 - *"Smart Cities require Smart Governance, not just Smart Infrastructure."*
 - *"The True Test of Governance is the Protection of Human Dignity and Life."*
 - *"India's Urban Paradox: World-Class Ambitions vs. Local Governance Deficits."*



- **Way Forward**
- **1. Structural Empowerment of Urban Local Bodies**
- **Empowered Mayorality:** Transition from ceremonial mayors to directly elected executive mayors with fixed 5-year terms and executive decision-making powers over municipal administration.
- **Devolution of 3Fs:** Fully implement the 12th Schedule of the Constitution by transferring planning functions, budget allocation, and personnel management directly to elected local municipal councils.
- **2. Eliminating Governance Fragmentation**
- **Unified Urban Planning Authorities:** Establish single-window Metropolitan Governance Authorities in million-plus cities to consolidate functions currently split across Parastatals, Development Authorities, PWDs, and Municipal Corporations.
- **Single-Point Accountability:** Designate a single statutory officer responsible for life-safety clearances, zoning compliance, and emergency management within designated urban zones.
- **3. Independent Safety Oversight and Regulatory Audits**
- **Third-Party Safety Audits:** Mandatory, periodic fire and structural safety audits conducted by independent certified agencies rather than internal departmental inspectors.
- **Urban Regulatory Ombudsman:** Establish an independent urban ombudsman empowered to investigate public complaints regarding illegal constructions and issue binding sealing orders directly to field enforcers.
- **4. Automated Enforcement and Open Data Transparency**
- **Automated Violations Dashboards:** Mandate that all GIS, satellite mapping, and drone-based spatial inspection data be automatically published on public web portals to prevent internal selective non-enforcement.
- **Digital Geo-Tagging of Building Clearances:** Link fire clearances, land-use permits, and occupancy certificates to public geo-tagged digital property registries accessible to citizens, insurers, and emergency services.
- **5. Enforcing Strict Legal Liability and Administrative Accountability**
- **Criminal Negligence Standard:** Amend municipal and building regulatory laws to penalize supervisory officers and local enforcement inspectors for criminal negligence when non-compliant structures cause fatal disasters.
- **Independent External Inquiries:** Mandate that investigations into major civic disasters be headed by independent judicial figures or multi-disciplinary experts rather than internal executive civil service committees.





- **UPSC CSE Mains Questions**
- **General Studies Paper 2 (Governance & Politiy)**
- **2020:** *"The local self-government system in India has not proved to be an effective instrument of governance." Critically examine the statement and give your views for improvement.*
- **2019:** *"In the context of the 74th Constitutional Amendment Act, examine the extent to which functional and financial decentralization has been achieved in Urban Local Bodies."*
- **2016:** *"To what extent have the 73rd and 74th Amendments to the Constitution changed the character of local governance in India? Discuss."*
- **2013:** *"In the absence of a well-coordinated administrative machinery, urban governance in India remains fragmented and unaccountable. Elucidate."*
- **General Studies Paper 3 (Disaster Management & Infrastructure)**
- **2021:** *"Discuss the spatial and temporal variations of urban hazards in Indian cities. What measures are needed to ensure urban structural safety and disaster resilience?"*
- **2020:** *"Account for the huge losses caused by urban disasters in India. Discuss the key elements of a comprehensive disaster risk mitigation strategy for mega-cities."*
- **2018:** *"Urban fires and basement inundations are recurring man-made disasters in India. Evaluate the deficiencies in building code enforcement and urban disaster management."*
- **General Studies Paper 4 (Ethics)**
- **2022:** *"Selective enforcement of law and systemic corruption in regulatory administration undermine public safety. Analyze the ethical responsibilities of a public servant in enforcing building safety rules despite political pressure."*
- **2019:** *"Inquiries conducted by administrative departments into their own failures often suffer from institutional bias. Discuss the ethical principles that should govern public accountability inquiries."*



G VENKAT RAMANI

Last week, the Trump administration warned that China's artificial intelligence start-up Moonshot could be added to the US Entity List over allegations of intellectual property theft.

At first glance, the episode appeared to be another chapter in the intensifying US-China technology rivalry. Yet, it pointed to a more fundamental transformation in the relationship between governments and business.

States are no longer merely regulating markets; they are increasingly using economic, technological, and industrial policies to pursue national security objectives. As a result, business leaders can no longer treat geopolitics as a distant concern. It has become a structural force shaping corporate strategy.

At the heart of this transformation is a fundamental change in how governments understand economic power. In an era where technological leadership, supply chains, data, and critical infrastructure increasingly determine national strength, economic policy and national security are no longer separate domains. Artificial intelligence, semiconductors, and critical minerals increasingly shape military capability, technological sovereignty, and industrial competitiveness.

As commercial capabilities acquire strategic significance, governments are intervening more actively through industrial policy, export controls, investment screening, and technology regulation to secure national advantage. The objective is no longer simply to improve economic performance, but to strengthen national competitiveness and strategic autonomy. Business did not suddenly become geopolitical. Rather, national security has expanded into domains once regarded as purely commercial.

*CRITICAL FIRMS

Few developments illustrate this transformation better than the strategic importance of a handful of firms that occupy critical positions in global technology and industrial value chains. Taiwan's TSMC is no longer simply the world's leading semiconductor manufacturer; its advanced fabrication capability has become central to Taiwan's strategic importance and the resilience of global technology supply chains.

The Netherlands' ASML occupies an equally strategic position as the only company capable of producing the extreme-ultraviolet lithography machines required to manufacture cutting-edge chips. The US increasingly treats NVIDIA's advanced AI processors as strategic technologies, restricting their exports on national security grounds.

China, meanwhile, views CATL not merely as the world's largest electric



How national security shapes business strategy

STRATEGIC CORPORATES. Governments now view firms with 'critical' capabilities as strategic assets rather than just corporate entities

vehicle battery producer but as a national champion supporting its ambitions in advanced manufacturing and clean technologies. These firms operate in different industries and political systems. Yet they reveal the same defining reality: corporate capabilities have become strategic national assets.

What distinguishes these firms is not merely their market leadership but their control over capabilities that are difficult to replicate. Their technologies shape the competitiveness of entire industries, giving governments strong incentives to protect them and, where necessary, restrict access to them. Corporate capabilities have become inseparable from national strategic interests.

This shift is reshaping decision making inside the boardroom. Decisions once evaluated primarily through the lens of cost, efficiency and shareholder returns now require a broader strategic assessment. Investment decisions increasingly account for geopolitical exposure alongside financial metrics. Technology choices are influenced by export controls, sanctions risks and regulatory uncertainty. Partnerships, acquisitions, and market expansion strategies are evaluated not only for their commercial value but also for the strategic dependencies they may create. The logic of globalisation itself is changing.

CEOs can no longer treat geopolitics as an external risk delegated to government relations or compliance teams. Geopolitics must become integral to strategic decision-making.

The objective is no longer to build the lowest-cost global value chain, but one that can absorb shocks and adapt quickly to changing geopolitical conditions. Decisions once left to operations or procurement increasingly require board-level oversight. Even manufacturing locations, sourcing strategies and supplier ecosystems are now shaped by political risk. In this environment, resilience has become a strategic capability rather than merely an operational concern. It is no longer simply the ability to recover from disruption, but the capacity to anticipate geopolitical shocks, absorb their impact and adapt before they undermine competitiveness.

INDIAN RESPONSE

Indian companies are already responding to this changing strategic environment. Procurement decisions, once driven primarily by cost, quality and delivery schedules, increasingly incorporate geopolitical considerations. A manufacturer's executive recently told me that some European customers now ask whether critical machine components contain Chinese inputs—not because of concerns over quality, but because supply chains themselves have acquired strategic significance. Indeed, even procurement decisions are shaped by geopolitical considerations.

Another executive noted that even industrial decisions, once regarded as routine engineering inputs, are now scrutinised by country of origin as firms seek to reduce strategic dependencies. In India's electric vehicle industry, Tata Motors has focused on strengthening domestic technological capabilities, while BYD has pursued partnerships with Chinese firms to accelerate technological access. These represent different strategic responses, but both recognise

that firms now operate in a marketplace where geopolitical considerations shape competitive strategy. Efficiency remains essential, but it is no longer sufficient.

CEOs can no longer treat geopolitics as an external risk delegated to government relations or compliance teams. Geopolitics must become integral to strategic decision-making. As geopolitical developments reshape the commercial environment, senior corporate leaders must understand government priorities, regulatory trajectories and strategic competition when making decisions on investment, innovation, partnerships, and international expansion.

While firms retain strategic autonomy, the range of commercially viable choices is increasingly constrained by geopolitical realities. In some sectors, senior executives may also find themselves under growing pressure to align major investment, technology, and market decisions with their governments' national security priorities. Leaders need the judgment to understand how geopolitical developments influence markets, technologies, investment decisions, and supply chains, and how policy shifts in one part of the world can reshape competitive conditions elsewhere. Building this capability also requires organisations to develop systems that monitor geopolitical developments, assess strategic vulnerabilities, and incorporate political risk into corporate planning.

In an era where national security shapes markets, firms that outperform will be those whose leaders integrate geopolitical judgment into business strategy.

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- **Key Terms and Explanations**
- **Geoeconomics**
 - Geoeconomics refers to the use of economic instruments—such as tariffs, sanctions, export controls, investment screening, and industrial subsidies—to achieve national security objectives and geopolitical leverage. Unlike classic international trade theory, which focuses on absolute cost advantages, geoeconomics prioritizes national security and relative strategic power.
- **Strategic and Critical Firms**
 - These are commercial entities that command unique, hard-to-replicate technological capabilities or control narrow bottlenecks in global supply chains. Because their products underpin critical infrastructure, military capability, or economic competitiveness, state governments view these private or public companies as national assets rather than standard commercial enterprises.
- **Weaponized Interdependence**
 - This phenomenon occurs when globalized networks—such as supply chains, financial messaging systems, or communications infrastructure—are asymmetric. States that hold jurisdiction over central nodes or hubs within these networks can leverage them for surveillance, policy enforcement, or economic coercion against other states.
- **Supply Chain Resilience vs. Hyper-Globalization**
 - Hyper-globalization emphasized "Just-in-Time" efficiency, minimal inventory, and sourcing from the lowest-cost producer regardless of geographic location. Supply chain resilience, by contrast, shifts the paradigm toward "Just-in-Case" security. It prioritizes redundancy, friend-shoring, near-shoring, and multi-sourcing to withstand geopolitical shocks and trade blockades, even if it raises baseline production costs.
 - **Example:** A car manufacturer sourcing critical electronic control units from multiple politically aligned countries rather than a single concentrated hub.
- **Strategic Autonomy and Modern Industrial Policy**
 - Strategic autonomy is a state's capacity to pursue its foreign and economic policy priorities without being coercively constrained by external dependencies. Modern industrial policy involves direct state intervention—through targeted tax credits, production-linked incentives, and research grants—to build domestic capabilities in dual-use technologies (commercial and military).
 - **Example:** India's Semiconductor Mission and Production Linked Incentive (PLI) schemes aimed at establishing domestic fabrication facilities and reducing import dependencies.
- **Export Controls and Investment Screening**
 - Regulatory mechanisms used by governments to restrict foreign investment in sensitive domestic sectors (inbound screening) or prohibit the sale of dual-use technologies to foreign entities (outbound export controls).
 - **Example:** Screening Foreign Direct Investment (FDI) from countries sharing land borders to prevent hostile takeovers of critical domestic firms.

- **Main Arguments and Substantive Parts**
- **The Fusion of Economic Power and National Security**
- **Integration of Domains:** Economic policy and national security can no longer be evaluated in isolation. Advanced technologies, critical minerals, telecom networks, and artificial intelligence directly determine a state's strategic power, industrial competitiveness, and military readiness.
- **Redefining the Role of the State:** Governments have shifted from passive regulators of market forces into active market architects. States increasingly intervene using trade sanctions, targeted subsidies, and technology transfers to secure long-term strategic dominance.
- **The Reconceptualization of Commercial Firms as Strategic Assets**
- **Beyond Profit Maximization:** Commercial enterprises possessing critical, non-replicable technologies are now viewed through the lens of national security. The loss or interruption of their operation poses a systemic risk to national power.
- **Loss of Unfettered Commercial Autonomy:** Firms operating in dual-use sectors can no longer treat global markets as open arenas. Their investment choices, mergers, acquisitions, and technology transfers are subject to intense state oversight and geopolitical risk management.
- **The Transformation of Corporate Strategy and Boardroom Dynamics**
- **Geopolitics as an Operational Reality:** Corporate leaders can no longer delegate geopolitics to corporate social responsibility or regulatory compliance teams. Political risk assessment has become an essential component of core strategy.
- **From Cost Efficiency to Risk Resilience:** Investment strategies now balance return on capital against regulatory vulnerability and supply chain exposure. Sourcing decisions are increasingly audited for geopolitical dependencies, driving a broader shift toward "friend-shoring."
- **Pragmatic Adaptation Strategies for Emerging Economies**
- **Navigating Secondary Pressures:** Industries in emerging markets face growing demand from international clients to audit and de-risk supply chains from specific non-aligned jurisdictions.
- **Dual-Track Approach:** To maintain global competitiveness, domestic industries adopt two main strategies: building internal technological depth to reduce import vulnerabilities, and forming targeted technology-sharing alliances with trusted partners.

- **Historical Evolution of the Issue**
- **Pre-Independence and Early 20th Century**
- **Mercantilist Imperialism:** Merchant capital and state power were tightly coupled. Entities like the East India Company used commercial monopolies backed by state military force to secure resources and control trade routes.
- **Wartime Resource Control:** During World Wars I and II, access to rubber, oil, steel, and chemical technology became central to national military strategies, establishing clear precedents for state management of critical industries.
- **Cold War Era (1945–1990)**
- **Institutional Export Controls:** Western alliances established bodies like the Coordinating Committee for Multilateral Export Controls (COCOM) to restrict high-technology transfers to rival blocs.
- **India's Quest for Import Substitution:** Emerging post-colonial nations prioritized self-reliance and strategic autonomy. India adopted state-led heavy industrialization and import-substitution policies to minimize vulnerability to foreign pressure.
- **Post-Cold War and the Hyper-Globalization Era (1990s–2010s)**
- **The Rise of Borderless Markets:** The collapse of the Soviet Union and the establishment of the World Trade Organization (WTO) accelerated global integration. Economic efficiency, offshoring, and low-cost production dominated strategy.
- **Decoupling of Security and Commerce:** States largely treated commercial trade and national security as distinct domains, encouraging deep global integration and specialized supply chains.
- **The Contemporary Era (2010s–Present)**
- **Weaponization of Economic Interdependence:** Concentrated supply chains revealed systemic vulnerabilities during international trade disputes and global disruptions, showing that single-source dependencies could be used for political leverage.
- **Return of Active Industrial Policy:** Major global economies introduced large-scale industrial subsidies and export controls to secure semiconductor and green technology supply chains. India responded with programs like *Atmanirbhar Bharat*, Press Note 3 (2020) for strict FDI screening, and Production-Linked Incentive (PLI) schemes.



THE PARADIGM SHIFT:

Before vs. After

**Hyper-Globalization
& Profit Max**



States as passive regulators of markets.



Business leaders treated geopolitics as a distant concern.



Focus purely on cost minimization & market efficiency.

**Strategic Realism
& State Power**



States become active market architects.



Geopolitics integral to core business strategy.



Technological Sovereignty, Military Capability, & Competitiveness prioritized.

Elaborate Points

STRATEGIC GEOECONOMICS:

How National Security Shapes Business Strategy & Trade Policy

THE ROLE OF 'CRITICAL' FIRMS

(CHOKEPOINT CAPTURE)

ASML (Netherlands)



Sole producer, controls critical microchip fabrication.

TSMC (Taiwan)



Controls >90% of Advanced Logic Chips, vital to technology supply.

NVIDIA (USA)



Leader in AI processors, export restricted for security.

CATL (China)



World's Largest EV Battery Producer, viewed as national champion.

SYSTEMIC
CHOKEPOINTS

UPSC STRATEGIC KEY TAKEAWAYS & WAY FORWARD



STRATEGIC AUTONOMY

Capacity to pursue national interest without external coercion.



MODERN INDUSTRIAL POLICY

Targeted state incentives and subsidies for dual-use tech.



SUPPLY CHAIN RESILIENCE

Just-in-case redundancy, friend-shoring, safe-sourcing.

WAY FORWARD: Targeted Industrial Deepening, Plurilateral Diplomacy (e.g., Quad, iCET), Corporate Geo-Intelligence, Balanced FDI & Export Screening.

CORPORATE & INDIAN RESPONSE

CORPORATE STRATEGY TRANSFORMED

Traditional CEO
(Cost, Efficiency)



Strategic CEO
(Resilience, Risk Mitigation)

- Efficiency remains essential, but not sufficient.

- Anticipate shocks, absorb impact, adapt.

ADAPTIVE INDIAN RESPONSE

Strategy 1:
Domestic Indigenization
(e.g., Tata Motors)



Focus on domestic technical capability, local R&D depth.

Strategy 2:
Technological Alliances
(e.g., JSW)



Strategic partnerships with trusted global firms to accelerate tech access.

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- **Logical and Philosophical Foundations**
- **Realism vs. Liberal Free-Market Theory**
- **Shift to Relative Gains:** Neoliberal economic theory posits that free trade generates absolute gains for all participants. The current strategic landscape, however, is driven by political Realism: in an uncertain international system, states prioritize relative power and security over absolute economic growth.
- **Security Primacy:** When market efficiency conflicts with national security, state power takes precedence. Market mechanisms are redirected to serve state survival and technological sovereignty.
- **Neo-Mercantilism and the Re-assertion of State Sovereignty**
- **Wealth as an Instrument of Power:** Neo-mercantilism views economic capability not merely as a tool for consumer welfare, but as the foundational pillar of national defense and geopolitical leverage.
- **Strategic Industrial Choice:** States selectively foster, protect, and subsidize core technology sectors, rejecting the idea that market forces alone should determine industrial specialization.
- **Network Centrality and Chokepoint Theory**
- **Asymmetry in Interdependence:** Global production networks are rarely decentralized; they depend on specific, highly concentrated hubs for key inputs, software, and machinery.
- **Leveraging Vulnerabilities:** Control over these asymmetric hubs gives host states significant structural leverage over global value chains.

- **Multidimensional Analysis**
- **Social Dimension**
- **Employment and Reskilling:** Re-shoring and near-shoring create domestic manufacturing jobs in high-tech sectors, requiring structural investments in STEM education and workforce reskilling.
- **Consumer Cost Impact:** Moving away from lowest-cost global sourcing can increase baseline production costs, potentially leading to higher end-user prices for consumer technology, vehicles, and energy.
- **Political Dimension**
- **Techno-Nationalism:** Technological leadership has become central to political legitimacy and national prestige. Political rhetoric increasingly frames domestic industrial capacity as a matter of sovereignty.
- **State-Corporate Alignment:** Modern statecraft relies heavily on close coordination with private sector leaders in key technology, energy, and defense industries.
- **Legal Dimension**
- **Evolving Regulatory Frameworks:** Cross-border trade is subject to stricter regulatory enforcement, including expanded export administration regulations, technology transfer limits, and foreign investment reviews.
- **Compliance Challenges:** Multinational corporations must navigate conflicting legal demands across different jurisdictions, increasing compliance overhead and operational risk.
- **Ethical Dimension**
- **Dual-Use dilemmas:** Developers of advanced software, artificial intelligence, and biotechnology face complex ethical choices regarding whether their commercial innovations could be used for surveillance or defense applications.
- **Global Technological Equity:** Stricter export controls and technology blockades risk widening the digital and economic divide between advanced economies and developing nations.
- **International Dimension**
- **Fragmentation of Multilateral Rules:** Unilateral trade restrictions and targeted subsidies challenge traditional World Trade Organization (WTO) consensus mechanisms, fragmenting the rules-based global trading system.
- **Growth of Plurilateral Alliances:** Global governance is shifting toward smaller, interest-based coalitions focused on technology standards, supply chain security, and critical raw materials (e.g., Quad, Indo-Pacific Economic Framework).
- **Economic Dimension**
- **Capital Reallocation:** Investment is increasingly directed toward supply chain resilience, redundancy, and domestic manufacturing, shifting emphasis away from pure short-term return on capital.
- **Fiscal Engagement:** Governments are deploying significant public capital through subsidies, tax credits, and co-investments to de-risk private capital in strategic sectors.



- **Linkages with NCERT Textbooks**
- **Class 12 Political Science: Contemporary World Politics**
- **Chapter:** *Globalization and Alternative Centres of Power*
- **Analytical Link:** Helps students understand how state sovereignty evolves under economic integration, and how state actors balance open trade policies with national security imperatives.
- **Class 12 Economics: Indian Economic Development**
- **Chapter:** *Development Experiences of India: A Comparison with Neighbours & Indian Economy 1950–1990*
- **Analytical Link:** Connects historical import-substitution strategies and post-1991 liberalization with contemporary industrial policies like *Atmanirbhar Bharat* and Production-Linked Incentive (PLI) schemes.
- **Class 11 Political Science: Political Theory**
- **Chapter:** *Sovereignty and State*
- **Analytical Link:** Provides a foundation for analyzing how economic interdependence influences a state's domestic autonomy and external political agency.
- **Class 12 Fundamentals of Human Geography**
- **Chapter:** *International Trade and Secondary Activities*
- **Analytical Link:** Illustrates the geographical concentration of global manufacturing nodes, trade corridors, and critical raw materials, framing supply chain vulnerabilities in spatial terms.



- **Mapping with UPSC CSE Syllabus**
- **General Studies Paper 1**
- **Globalization and Social Structure:** Analysis of how shifts in global production networks and technology trade alter employment patterns and industrial geography within India.
- **Resource Distribution:** Spatial mapping and strategic significance of critical minerals (e.g., lithium, cobalt, rare earth elements) required for high-tech manufacturing.
- **General Studies Paper 2**
- **Bilateral and Multilateral Groupings:** Strategic evaluation of alliances like the Quad, the US-India Initiative on Critical and Emerging Technology (iCET), and the Indo-Pacific Economic Framework (IPEF).
- **Impact of Foreign Policies on India's Interests:** Assessing how export control regimes and industrial subsidies enacted by major global economies affect domestic supply chains and trade options.
- **General Studies Paper 3**
- **Industrial Policy and Economic Growth:** Strategic evaluation of targeted incentive programs, supply chain resilience, and domestic manufacturing depth.
- **Science & Technology Indigenization:** Developing domestic technological capabilities, securing semiconductor supply chains, and protecting intellectual property in critical sectors.
- **Technology-Linked Security Risks:** Securing critical digital infrastructure, communication networks, and technological value chains against external disruptions.
- **General Studies Paper 4 (Ethics)**
- **Corporate Governance:** Navigating corporate responsibilities when balancing shareholder returns against broader national security priorities.
- **Ethical Considerations in Dual-Use Technology:** Addressing the societal, human rights, and security implications of commercial technologies adapted for military or surveillance applications.



- **Strategic Recommendations and Way Forward**
- **Targeted Industrial and R&D Investment**
- **Focus on Foundational Technologies:** Capital allocation should prioritize specialized high-value links in global value chains—such as advanced material processing, chip design, and specialized chemical synthesis—where domestic capabilities can create international leverage.
- **Sustaining R&D Commitments:** Public and private sector investments in core science and technology R&D should be systematically expanded to move domestic industries beyond assembly operations into high-value design and intellectual property creation.
- **Strategic Multi-Alignment and Plurilateral Partnerships**
- **Securing Technological Alliances:** Bilateral and plurilateral initiatives (such as iCET with the United States and strategic partnerships with East Asian and European technology hubs) should be utilized to guarantee access to critical machinery, raw inputs, and technical expertise.
- **Diversified Friend-Shoring:** India can position itself as a reliable manufacturing hub within global supply chains, offering international markets an alternative source for high-tech manufacturing.
- **Institutionalizing Geopolitical Risk Management in Corporations**
- **Dedicated Strategic Oversight:** Indian enterprises operating in dual-use or global supply chains should integrate political risk assessment directly into executive decision-making processes.
- **Supply Chain Audits:** Businesses should conduct regular audits of tier-1, tier-2, and sub-tier suppliers to identify geopolitical dependencies and build redundant sourcing strategies before regulatory restrictions occur.
- **Balanced FDI and Trade Regulatory Frameworks**
- **Agile and Transparent Screening:** Investment screening mechanisms (such as Press Note 3) should be applied with regulatory clarity, protecting national security while avoiding unnecessary delays for capital investments.
- **Agile Export-Control Policies:** National trade regulations should adapt quickly to changing international compliance standards, protecting domestic companies from secondary sanctions while preserving access to major export markets.



- **UPSC CSE Mains Practice Questions**
- **Paper: GS Paper 2 (2023 - Theme: Geopolitics & Technology)**
- **Question:** "In the modern era, economic interdependencies are increasingly being weaponized for strategic leverage. Analyze how the securitization of international trade and critical technology supply chains affects India's strategic autonomy. What policy measures should India adopt to navigate this evolving landscape?" (250 Words, 15 Marks)
- **Paper: GS Paper 3 (2022 - Theme: Industrial Policy & Indigenization)**
- **Question:** "The Production Linked Incentive (PLI) scheme seeks to transform India into a global manufacturing hub while enhancing domestic technological resilience. Evaluate the effectiveness of the PLI scheme in critical sectors such as semiconductors and electronics manufacturing in light of global supply chain disruptions." (250 Words, 15 Marks)
- **Paper: GS Paper 4 (2021 - Theme: Corporate Governance & Ethics)**
- **Question:** "Commercial technology corporations are increasingly caught between national security mandates issued by host governments and the commercial drive to maximize returns in global markets. Discuss the ethical considerations that should guide corporate leadership when commercial profitability conflicts with broader national interests." (150 Words, 10 Marks)





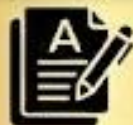
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