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# How to define 'industry': Inside SC's split verdict



VINEET BHALLA

IN A landmark judgment that brings the curtain down on a legal debate spanning multiple decades, a nine-judge Constitution Bench of the Supreme Court delivered a fractured verdict on what constitutes an "industry" under Indian labour law.

While the judgment comprises of five separate opinions that differ sharply on the interpretation of the law, they agreed on the practical position for pending proceedings: pending cases under the repealed Industrial Disputes Act, 1947, involving the definition of "industry", will continue to be decided under the 1978 "triple test" laid down by a seven-judge SC bench in *Bangalore Water Supply and Sewerage Board v. R. Jayappa*. The new Industrial Relations Code, 2020, will have to be interpreted independently under its own test and scheme.

## History of dispute

The dispute centres on Section 2(j) of the erstwhile Industrial Disputes Act, 1947 which defined an "industry". It had wording led to decades of judicial debate over whether workplaces like hospitals, universities, charitable institutions and government departments came within its ambit — and whether their employees were entitled to statutory protection under the Act.

In 1978, a seven-judge bench in *Bangalore Water Supply* adopted an expansive interpretation. Justice V R Krishna Iyer's leading opinion laid down the "triple test": an undertaking would qualify as an industry if there was systematic activity, organised through cooperation between employer and employee, for the production or distribution of goods or services calculated to satisfy human wants and wishes.

The court held that the absence of a profit motive was irrelevant. It also declined a "dominant nature" test for establishments carrying on several activities and recognised a narrow exception for genuinely sovereign functions.

The judgment was not unanimous. The effective majority was 4:3 two concurring opinions. The dissenting judges favoured an additional requirement that the activity

## • HOW THE ISSUE DIVIDED THE CONSTITUTION BENCH



Chief Justice of India Surya Kant



Justice Satish Chandra Sharma



Justice Alok Arora



Justice Vinod Mishra



Justice Dipankar Datta



Justice Ujjal Bhuyan

"... this Court has repeatedly been required to navigate competing currents of thought in its search for a principled and workable understanding of Section 2(j). It is our earnest hope that the present adjudication serves as a reliable beacon for courts and tribunals at various levels, bringing a greater measure of coherence, certainty, and finality to a question that has engaged judicial attention for decades."



Justice P S Narasimha



Justice B V Nageswara



Justice Jayashree Bagchi

"A statute that creates Conciliation Officers, Labour Courts and Industrial Tribunals and handles them... seems to say... who falls within its reach."

"... a narrowly tailored definition of 'industry' would not assist in maintaining industrial peace, protection of workers and employers."

"... interpretation which yields to no marked error needs to be stated... the economic & technological changes since it was decided have weakened rather than strengthened the case for revisiting it."

be carried on along commercial lines.

The expansive interpretation came under pressure. Parliament passed the Industrial Disputes (Amendment) Act in 1992, seeking to exclude, among other categories, hospitals, educational and research institutions, charitable and philanthropic bodies and certain government activities. But the amended definition was never notified — it never acquired legal effect.

Meanwhile, the SC's own decisions diverged over issues such as government welfare activities and sovereign functions. In 1996, a three-judge bench held that the local Forestry Department could be an industry, while a later two-judge bench took a narrower view in relation to a forest department.

In 2005, a five-judge bench in *State of LP v. Jai Bh Singh* expressed reservations about *Bangalore Water Supply* and referred the matter to a larger bench. In 2007, a seven-judge bench directed that it be placed before the present nine-judge bench.

## Validity of reference

CJ Surya Kant, writing for himself and Justices Satish Chandra Sharma, Alok Arora and Vinod Mishra, upheld the validity of the reference. Justice P S Narasimha and Justice Jayashree Bagchi also agreed that the reference could validly be considered by the bench.

## Balancing act

The ruling resolves the immediate problem created by the repeal of the Industrial Disputes Act without creating a new category of law for pending cases.

By retaining the 1978 test for those proceedings, the court has avoided reopening their legal basis. But it declined to carry that precedent forward as the governing interpretation of the new labour code.

Justice B V Nageswara pointed out that the 2005 reference was based on an incorrect assumption that there was a conflict between two smaller bench decisions regarding the forest department.

Justice Dipankar Datta termed it a "balancing reference". He criticised the 2005 bench for wrongly assuming that the 1978 *Bangalore Water Supply* judgment was not a unanimous decision simply because some judges had written separate concurring opinions. He noted that a settled precedent, particularly one laid down by a seven-judge bench and followed for decades, should only be revisited upon the satisfaction of exacting tests like a manifest error or public mischief. He concluded that the 2005 bench failed to meet this threshold. Thus, there was effectively a split on the validity of the reference. Justice Bhuyan also signed off on Justice Datta's opinion.

## The triple test

Here, the judges differed more substantially. CJ Kant's opinion said the triple test required "calibration". In his view, an activity should have a discernible commercial character analogous to trade or business to qualify as an industry. This would keep the profit motive irrelevant while excluding activities divorced from economic enterprise, including purely charitable initiatives and

core sovereign functions. But this was not made the governing test for pending cases which, he held, would continue to be governed by the erstwhile triple test.

Justice Narasimha defended the 1978 approach, as did Justices Datta and Bagchi. They stressed the social-welfare purpose of labour legislation and argued that introducing a commercial requirement could deprive workers in institutions such as hospitals and schools of statutory protection merely because their employers were not profit-making entities. Justice Bagchi described the triple test as possessing a "rare fidelity in judicial interpretation", while Justice Narasimha emphasised the importance of the test in protecting workers amid privatisation and changing economic conditions.

Justice Narasimha adopted a different approach. He wrote that the debate over modifying the triple test had become "unnecessary" because the Industrial Disputes Act had been repealed.

## Pending cases

This is where the judges found common ground despite their differences.

The court declined to retrospectively replace the 1978 test with a newly formulated, narrower test. Pending proceedings under the old Industrial Disputes Act involving Section 2(j) will therefore continue to be decided in accordance with *Bangalore Water Supply*.

All the opinions also made it clear that the judgment does not have any bearing on the interpretation of the new Industrial Relations Code. The Code defines "industry" as any systematic activity involving cooperation between an employer and workers to produce or supply goods and services, regardless of capital investment or profit motive. Unlike the old law, the Code excludes charitable and philanthropic institutions, domestic services, and sovereign government functions from this definition. The SC has made clear that its provisions must be interpreted independently.

## Sovereign functions

The ruling also dealt with the question of when government activities can be excluded as "sovereign functions". The broad principle emerging from the opinions is that an activity does not become sovereign just because it is performed by the State or is connected with a welfare objective. The exception is confined to core governmental functions. This is consistent with the approach in *Bangalore Water Supply*.

- **Key Terms and Explanations**

- **Section 2(j) of the Industrial Disputes Act (IDA), 1947:** The statutory provision defining an "industry" as any business, trade, undertaking, manufacture, or calling of employers, including any calling, service, employment, handicraft, or industrial occupation or avocation of workmen. Its open-ended phrasing historically created conflict over whether non-commercial entities fall within its ambit.
- **The "Triple Test" (*Bangalore Water Supply, 1978*):** A judicial standard establishing that an entity is an industry if it features:
  - Systematic activity,
  - Organized cooperation between employer and employee, and
  - Production and/or distribution of goods and services to satisfy human wants and wishes. Under this test, the absence of a profit motive or commercial intent is completely irrelevant.
- **Dominant Nature Test:** A legal mechanism applied when an institution performs multiple functions. If the predominant character of the complex activity satisfies the triple test, the entire establishment is deemed an industry, even if some ancillary functions are non-commercial.
- **Sovereign Functions:** Core state functions that cannot be delegated to private actors—such as legislative powers, administration of justice, maintenance of law and order, and national defense. Inalienable sovereign functions are strictly exempted from the definition of industry, while welfare or developmental activities of the state are not.
- **Industrial Relations Code (IRC), 2020:** Modern legislative consolidation that repeals the IDA 1947. It defines industry through systematic economic cooperation while expressly excluding charitable institutions, domestic services, and inalienable sovereign functions.
- **Stare Decisis and Judicial Reference:** The doctrine that courts adhere to precedent to ensure stability and predictability. A smaller bench cannot overrule a larger bench and must present compelling grounds of manifest error or public mischief before referring settled law to a larger Constitution Bench.

- **Main Arguments and Substantive Parts**

- The Supreme Court's nine-judge Constitution Bench addressed the long-standing fracture over defining an industry, balancing legacy litigation with contemporary statutory frameworks:
  - **Preservation of Precedent for Pending Disputes:** The Bench achieved practical unanimity in ruling that the expansive 1978 *Bangalore Water Supply* test will continue to govern all pending proceedings under the repealed IDA, 1947. Retrospectively imposing a narrower definition would disrupt decades of industrial adjudication and strip pending litigants of statutory protection.
  - **The Commercial Calibration Doctrine:** One school of thought within the Bench argued that the 1978 test required recalibration. Proponents maintained that an undertaking must display a discernible commercial character—analogueous to a trade or business—to qualify as an industry, thereby removing purely charitable ventures and non-economic state functions from industrial tribunals.
  - **The Social-Welfare and Labour Protection Doctrine:** A concurring faction strongly defended the expansive 1978 framework. They underscored that labour laws serve a remedial, social-welfare purpose. Conditioning statutory protections on "profit" or "commerciality" exposes vulnerable workers in hospitals, educational institutions, and research establishments to unregulated termination and exploitation.
  - **Finality and Institutional Credibility:** The validity of the 2005 reference was sharply questioned on grounds of judicial discipline. A settled, seven-judge precedent operating for decades should not be destabilized merely due to divergent interpretations of smaller benches without fulfilling tests like manifest error or clear public mischief.
  - **Prospective Separation of the New Labour Codes:** The judiciary established a clean break between past jurisprudence and future disputes. The Industrial Relations Code, 2020 creates an autonomous statutory baseline that must be interpreted entirely on its own textual merit and policy scheme.

- **Historical Evolution of the Issue**
  - **Pre-Independence Era:** The colonial regime governed industrial harmony through the Trade Disputes Act, 1929, which lacked comprehensive conciliation machinery and adopted a restrictive view of commercial enterprise to suppress widespread worker strikes.
  - **Post-Independence Foundations (1947):** The enactment of the Industrial Disputes Act, 1947 introduced a formal framework for industrial peace, collective bargaining, and adjudication tribunals. Section 2(j) contained a wide definition, triggering conflicting High Court rulings on whether universities, hospitals, clubs, and municipalities constituted industries.
  - **The Watershed Judgment (1978):** In *Bangalore Water Supply and Sewerage Board v. A. Rajappa*, a seven-judge Constitution Bench established the "Triple Test". Justice V.R. Krishna Iyer's opinion brought educational institutions, research labs, hospitals, and philanthropic organizations under the protective umbrella of labour law.
  - **The Unnotified Legislative Revision (1982):** Parliament enacted the Industrial Disputes (Amendment) Act, 1982 to narrow Section 2(j) by explicitly excluding hospitals, educational, scientific, and charitable bodies. However, the executive never officially notified this amendment, leaving it legally inoperative.
  - **Emergence of Judicial Friction (1990s–2005):** During economic liberalization, conflicting rulings arose regarding state welfare arms like social forestry and irrigation departments. In 2005, a five-judge bench in *State of UP v. Jai Bir Singh* formally doubted the viability of *Bangalore Water Supply*, referring the issue to a nine-judge bench.
  - **Modern Legislative Overhaul (2020):** Parliament consolidated 29 central labour laws into four simplified Labour Codes, including the Industrial Relations Code, 2020, which statutorily defines "industry" and incorporates explicit institutional exemptions.
  - **Settlement of Legacy Disputes:** The nine-judge Constitution Bench retained the 1978 doctrine for all ongoing IDA 1947 cases, leaving the Industrial Relations Code, 2020 to govern future disputes independently.
- **Way Forward**
  - **Expediting Labour Code Implementation:** States and the Union government should coordinate to finalize and notify rules under the Industrial Relations Code, 2020. Providing clear statutory guidelines will resolve operational ambiguities without relying heavily on retrospective judicial interpretation.
  - **Establishing Specialised Fast-Track Industrial Tribunals:** Establish time-bound fast-track mechanisms to clear legacy disputes pending under the repealed Industrial Disputes Act, 1947. This prevents multi-decade legal uncertainty for both retired workmen and long-standing enterprises.
  - **Strengthening Enterprise-Level Conciliation Machinery:** Bolster the capacity and training of Conciliation Officers and internal Works Committees. Resolving grievances through institutional negotiation reduces reliance on prolonged litigation in formal labour courts.
  - **Balancing Social Security with Operational Flexibility:** Pair the exclusion of specific sectors (like philanthropic or domestic entities) under modern codes with accessible, universal social security coverage under the Social Security Code, 2020. This prevents excluded workers from losing all institutional safety nets.
  - **Clarifying the Boundaries of Sovereign Functions:** The executive should maintain clear, updated guidelines defining core, inalienable sovereign operations versus commercial or welfare activities. This ensures clarity in dispute resolution access across public-sector departments.



PRE-1947

1947

1978

1982

2005

2020

PRESENT

IDA  
(Wide definition)

Bangalore  
Water Supply

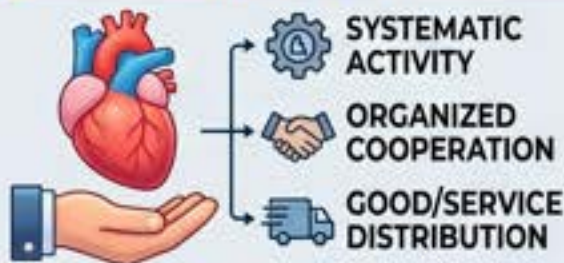
Unnotified  
Amendment, narrowing

State of UP v  
Jai Bir Singh Ref

IRC  
Autonomous Code

9-Judge  
Split Verdict

### LEGACY ERA: THE 'TRIPLE TEST' (IDA, 1947)



PROFIT MOTIVE IRRELEVANT  
PREVENTS LABOUR EXPLOITATION

### THE SC CONSTITUTION BENCH & SPLIT DOCTRINE (2024)



### THE NEW PARADIGM: INDUSTRIAL RELATIONS CODE, 2020 (IRC)



AUTONOMOUS STATUTORY BASELINE

- Systematic Economic Cooperation
- Explicit EXEMPTIONS:  
Charitable, Domestic, Inalienable  
Sovereign functions



DOMINANT  
NATURE  
TEST

LABOUR IS NOT  
A COMMODITY

WELFARE OVER  
FORMALISM

### UPSC CSE RELEVANCE & PYQ LINKAGES

large benches,  
stare decisis

LEGAL STABILITY  
MATTERS

GS2

Way Forward

- Expedite codes
- Fast tribunals
- Balanced social security

GS3

Brief linkages

- Datour reforms
- Labour reforms,  
employment

GS4

FUTURE-READY  
LABOUR CODE



# SC lauds repealed MGNREGA as 'neither freebie nor exploitation'

Krishnadas Rajagopal  
NEW DELHI

The Supreme Court on Friday praised the repealed Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), calling it a "salutary scheme" that was neither a freebie nor an exploitation of rural workers.

The court's accolade came amid claims by civil rights groups that MGNREGA's successor, the Viksit Bharat Guarantee for Rozgar and Aajeevika Mission (Gramin) or the VB-G RAM G Act, has seen a 50% decline in employment generation, despite an increase in guaranteed work days from 100 to 125 per household annually.

The new law reflects a shift from a demand-driven, rights-based framework to a centrally controlled model. Also, the funding burden on States has increased three-fold, shifting from a 90:10 ratio to 60:40. The "MGNREGA was a good, effective scheme. It did a wonderful job in rural areas and was



**Right to work:** People employed under the MGNREGA scheme dig a trench in Tiruvannamalai, Tamil Nadu. C. VENKATACHALAPATHY

implemented pan-India. It was neither a freebie nor exploitation," Chief Justice of India Surya Kant, heading a three-judge Bench, orally observed.

## Compensation sought

The Bench was hearing a petition filed by activist Aruna Roy seeking directions for the government to pay delayed wages under the MGNREGA, along with compensation.

Advocates Prashant Bhushan, Cheryl D'Souza and Neha Rathi, appearing for Ms. Roy, urged the court to examine whether

a law could prescribe minimum wages lower than the threshold determined by the State concerned.

The petition also sought to elevate the statutory guarantee of rural work to the status of a fundamental right under Article 21 (right to life) of the Constitution.

"The Constitution does not make the right to work a fundamental right. It is more a democratic aspiration under Part IV (Directive Principles of State Policy)... To achieve that aspiration, the state formulates the policy by which work is provided at a grad-

ed, compensatory level. Should we treat it on par with Article 21?" Justice Joydalya Bagchi asked Mr. Bhushan. Mr. Bhushan said the right to lead a dignified life is part of Article 21.

"A dignified life requires you to get employment at minimum wages. Anything below minimum wages is forced labour," he submitted. Justice Bagchi said a minimum wage threshold might risk shrinking employment opportunities, while Chief Justice Kant noted that wages were usually linked to prevalent local conditions.

Justice V. Mohana stated that the issues raised by Mr. Bhushan must be examined afresh in light of the new law, rather than under the MGNREGA.

Mr. Bhushan submitted that States were required to provide nearly half the funds under the new law. "The number of employments has come down by half. States have no money," he said. The court asked him to file a new petition while disposing of the current one.

- **Key Terms and Explanations**
  - **Demand-Driven Employment Guarantee:** A legal framework where the provision of work is triggered by the citizen's formal application rather than government discretion or pre-allocated budgets. Under this mechanism, failure by the state to provide work within a statutory timeframe (typically 15 days) mandates the payment of an unemployment allowance.
  - **Rights-Based Framework vs. Supply-Driven Model:** A rights-based approach treats livelihood support as an enforceable statutory entitlement, empowering citizens to hold the state accountable. In contrast, a supply-driven model provides employment only up to the limit of administrative targets, predetermined budgetary envelopes, and centralized project clearances.
  - **Statutory Minimum Wage vs. Subsistence Wage:** A statutory minimum wage is the legally enforceable floor wage fixed by appropriate governments under the Code on Wages to ensure basic nutrition, clothing, housing, and essentials. A subsistence wage covers only bare physical survival. Paying wages below the statutory minimum threshold is legally categorized as a form of non-consensual economic coercion.
  - **Forced Labour (Article 23 Jurisprudence):** In Indian constitutional law, particularly following the *PUDR v. Union of India (1982)* judgment, forced labour is not limited to physical bondage. It includes labour performed under economic duress or at remuneration rates lower than the statutory minimum wage, violating human dignity.
  - **Fiscal Federalism and Cost-Sharing Ratios:** The constitutional distribution of financial responsibilities between the Union and States for Centrally Sponsored Schemes (CSS). A shift from a 90:10 ratio (Union funding 90%) to a 60:40 ratio significantly increases the expenditure burden on state exchequers, altering state-level fiscal space and social sector priorities.
  - **Social Audit and Delayed Wage Compensation:** A participatory governance mechanism where local communities audit government records and public works directly through Gram Sabhas. Delayed wage compensation refers to legally mandated interest paid to workers if wage disbursements exceed the statutory timeline.
- **Main Arguments and Substantive Parts**
  - The transition from open-ended statutory employment frameworks to centrally directed rural mission models highlights several structural and constitutional dimensions:
    - **Structural Redesign vs. Ground-Level Absorption:** Expanding nominal entitlements (such as increasing guaranteed annual work days from 100 to 125 per household) can paradoxically coincide with declining actual employment generation if the operational framework shifts from a self-targeting, demand-responsive window to an administratively rationed, centrally controlled allocation.
    - **Tension Between Fundamental Rights and Directive Principles:** While Article 41 directs the state to secure the right to work within the limits of its economic capacity, judicial jurisprudence has progressively interpreted the Right to Life with Dignity (Article 21) as requiring access to basic livelihood. The core constitutional question is whether statutory welfare guarantees can be diluted without infringing upon fundamental socio-economic rights.
    - **Fiscal Federalism and State-Level Resource Constraints:** Altering cost-sharing ratios for rural public works places an asymmetric financial load on states. When states are mandated to cover 40% of program expenditures without a corresponding expansion of their revenue-raising avenues, localized funding shortfalls lead to wage payment delays, suppressed local labor demand, and systemic implementation bottlenecks.
    - **The Wage Rate Parity Dilemma:** Setting rural public works wages below prevailing state minimum wages generates severe constitutional friction under Article 23. While economic arguments caution that higher public wage floors might crowd out private agricultural labour and strain fiscal budgets, constitutional standards maintain that public welfare schemes cannot institutionalize sub-minimum wage rates.
    - **Welfare as a Productive Asset Engine, Not a Freebie:** Rural guaranteed public works serve as counter-cyclical macroeconomic stabilizers during distress periods, create durable public assets (such as water harvesting structures, soil conservation, and rural connectivity), and enhance rural purchasing power rather than operating as passive, unproductive cash transfers.

- **Historical Evolution of the Issue**
  - **Pre-Independence Era:** Colonial public works operated strictly as distress relief under the Famine Codes of the late 19th century, designed solely to prevent mass starvation at minimal cost. Concurrently, Mahatma Gandhi advocated for decentralized, village-level constructive programs to provide universal, dignified rural self-reliance through local production.
  - **Post-Independence and the Maharashtra Precedent (1972):** Severe droughts led to the enactment of the Maharashtra Employment Guarantee Act of 1977 (effective 1979), originating from the 1972 MEGS model. It became the world's first formal legislative recognition of an enforceable right to manual work, funded through dedicated state-level taxation.
  - **Executive-Driven Schemes Phase (1980s–1990s):** The Union government launched a succession of top-down, supply-driven programs, including the National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme (RLEGP), Jawahar Rozgar Yojana (JRY), and Sampoorna Grameen Rozgar Yojana (SGRY). These schemes suffered from ad-hoc funding, bureaucratic rationing, leakage, and lack of citizen enforceability.
  - **The Rights-Based Paradigm (2005 Enactment):** The passage of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) marked a paradigm shift. It codified a legal guarantee of 100 days of manual work per rural household, decentralized planning to Gram Sabhas, introduced mandatory social audits, and established a legally binding unemployment allowance.
  - **Digitalization and Contemporary Transitions:** The system integrated Direct Benefit Transfers (DBT), Aadhaar-based wage payments, and geo-tagging of assets. Contemporary reforms explore broader mission-mode structures, altered federal funding ratios, and targeted rural livelihood schemes, reigniting debates over central control versus decentralized, demand-driven rights.
- **Way Forward**
  - **Indexation and Statutory Wage Parity:** Align rural public works wages with state-notified minimum wages or index them to the Consumer Price Index for Rural/Agricultural Labourers (CPI-AL/CPI-RL) with periodic revisions. This eliminates sub-minimum wage rates and protects workers against inflationary erosion.
  - **Rule-Based, Non-Discretionary Federal Financing:** Establish an automated, statutory funding pipeline between the Union and States. If cost-sharing ratios are adjusted (e.g., 60:40), matching untied grants or enhanced tax devolution must be extended to fiscally vulnerable states to prevent artificial suppression of labor demand.
  - **Strengthening Panchayat-Led Asset Diversification:** Shift asset creation planning from rigid, centralized project lists to open-ended, community-driven micro-plans managed by Gram Sabhas. Focus on climate-resilient works, such as:
    - Decentralized watershed development and groundwater recharge systems.
    - Regenerative agriculture, community afforestation, and wasteland reclamation.
    - Rural public health, sanitation, and child-care infrastructure.
  - **Inclusive Digitalization Without Technological Exclusion:** Ensure digital mechanisms (such as biometric attendance and mobile tracking) do not become administrative barriers for illiterate, elderly, or geographically remote workers. Establish offline grievance redressal mechanisms and fallback biometric protocols.
  - **Mandatory, Independent Social Audits:** Institutionalize independent social audit directorates across all states, adequately funded from a dedicated administrative cess, ensuring continuous community oversight, prompt wage-delay compensation payouts, and transparent expenditure tracking.



## UPSC MAINS ANALYSIS: THE RURAL EMPLOYMENT JURISPRUDENCE

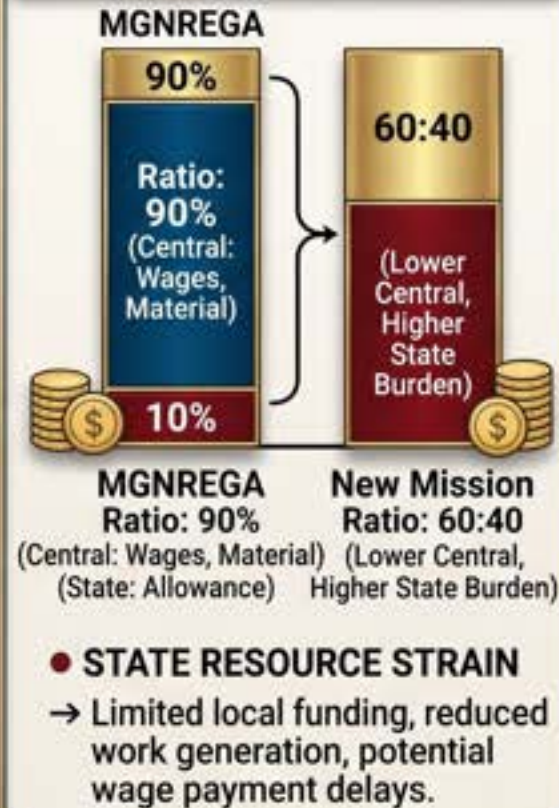
### MGNREGA vs. Managed Missions: Key Structural and Legal Differences



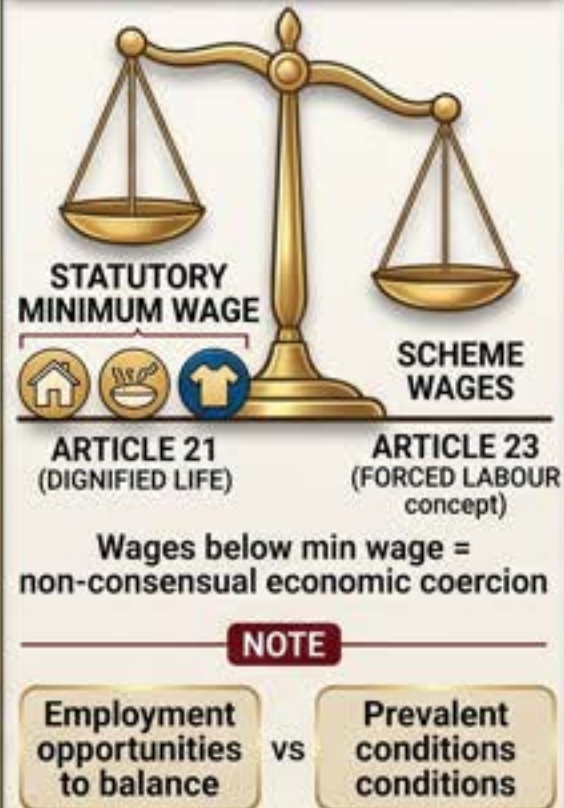
#### LEGAL FRAMEWORK DISTINCTION



#### FISCAL FEDERALISM & BURDEN SHARING



#### WAGE RATE PARITY DILEMMA



#### MULTIDIMENSIONAL IMPACTS & WAY FORWARD

- **DISTRESS MIGRATION MITIGATION**  
Seasonal safety net
  - **WOMEN EMPOWERMENT**  
High participation, financial agency
  - **ASSET CREATION**  
Watershed, soil conservation, roads
  - **SOCIAL AUDIT**  
Transparency and accountability
- SC Quote: (no person):**  
**NEITHER FREEBIE NOR EXPLOITATION**
- CONCLUSION**
- Indexing wages to upto-ratmentoary wages unial economic coercion
  - Rule-based financing for enzimymt to umer ratams needs



# Ethanol blending policy is behind rise in sugar prices, says Opposition

Sugar prices went up from ₹48 to ₹67 a kg over last three months, says Congress, blaming the diversion of sugar cane for fuel; asks why petrol prices were not reduced despite falling global crude rates; Kejriwal says government run by 'illiterates'

**The Hindu Bureau**  
NEW DELHI

**T**he diversion of sugar cane and food-grains for ethanol production is driving food prices higher, the Congress said on Friday, adding that vehicles not designed for 20% ethanol-blended fuel face mileage and compatibility problems. The Aam Aadmi Party (AAP) too claimed that diverting sugar cane towards ethanol production has reduced sugar output, pushing sugar prices up by ₹20 per kg in just 17 days.

The National Democratic Alliance (NDA) government at the Centre had, on Thursday, allowed duty-free imports of 10 lakh tonne of raw sugar under a Tariff Rate Quota (TRQ) till October 31, amid the rising prices of the sweetener in

As more sugarcane is diverted towards ethanol, domestic sugar prices have surged nearly 20% in August to a record ₹5,350 per 100 kg. India is now considering importing sugar for the first time in nearly a decade to meet domestic demand during the festival season

**SYED NASEER HUSSAIN**  
Congress MP



local markets. The move is aimed at enhancing domestic availability and capping price rise.

## Immediate review

In a post on X, Congress communications chief Jairam Ramesh demanded an immediate review of the E20 fuel policy and sought the provision of non-ethanol petrol options.

"The people are paying

the price for both expensive food and expensive travel because of the wrong decisions of the arrogant Modi government," Mr. Ramesh said, adding that "a fuel policy under which both the vehicle and the kitchen become expensive" could not be acceptable to the country.

According to the figures cited by Mr. Ramesh, sugar prices have risen from ₹48

to ₹67 a kg and jaggery prices from ₹50 to ₹65 a kg over the past three months. Rice and maize flour, he said, have become costlier by 16% and 11%, respectively, while animal feed prices have risen 10.34%.

The Congress leader also asked why there was no cut in petrol prices despite a decline in international crude oil prices and lower costs resulting from 20% ethanol blending. He alleged that alternatives to petrol had been limited to benefit ethanol producers, while serious questions remained over the impact of E20-blended petrol on vehicle mileage and compatibility.

## Food security

Congress Rajya Sabha MP Syed Naseer Hussain said the Modi government's ag-

gressive push for E20 was compromising India's food security. "As more sugarcane is diverted towards ethanol, domestic sugar prices have surged nearly 20% in August to a record ₹5,350 per 100 kg. India is now considering importing sugar for the first time in nearly a decade to meet domestic demand during the festival season," he said in a post on X.

AAP convener Arvind Kejriwal said in a video message that the government started making ethanol from sugarcane in order to save foreign exchange spent on oil imports. "Now, they will import sugar using that foreign exchange," he said. "It's a government entirely run by illiterates. No one knows what will happen if they do something," he added.

- **Key Terms and Conceptual Framework**

- **Ethanol Blending Programme (EBP):** A national initiative aimed at blending indigenously produced bio-ethanol with motor spirit (petrol) to curtail crude oil import dependency, reduce vehicular tailpipe emissions, and support agrarian income. The policy targets a 20% ethanol blend (E20) across all retail outlets.
- **First-Generation (1G) Biofuels:** Biofuels produced directly from edible food crops rich in starch and sugar, such as sugarcane juice, molasses, broken rice, and maize. While technologically straightforward, 1G biofuels directly compete with human food and animal feed supplies.
- **Second-Generation (2G) Biofuels:** Advanced biofuels derived from non-edible agricultural waste, such as rice straw (*parali*), sugarcane bagasse, bamboo, and forest residues. They bypass the food-chain conflict but require higher capital investment and sophisticated enzymatic technologies.
- **Food vs. Fuel Trilemma:** A socio-economic conflict that arises when arable land, irrigation resources, and harvested food grains are redirected from food production to bioenergy generation, threatening food security and price stability.
- **Agflation (Agricultural Inflation):** A persistent, structural rise in the prices of agricultural commodities and livestock feed driven by supply disruptions, climatic anomalies, or institutional diversion of feedstocks for industrial purposes.
- **Tariff Rate Quota (TRQ):** A trade mechanism that permits a specified volume of a commodity to be imported at a lower or zero customs duty, while imports exceeding that threshold face significantly higher tariffs to protect domestic producers.
- **Fair and Remunerative Price (FRP):** The statutory minimum price declared by the Central Government under the Sugarcane (Control) Order, 1966, which sugar mills are legally mandated to pay sugarcane farmers, irrespective of whether the mill makes a profit or a loss.

- **Main Arguments and Core Dynamics**

- **Trade-Offs in Feedstock Diversion:** The rapid scale-up of 1G biofuel mandates diverts significant quantities of sugarcane juice, B-heavy molasses, and surplus food grains toward distilleries. While this stabilizes mill cash flows and guarantees timely payments to cane growers, it simultaneously tightens the domestic balance sheet for sweeteners and animal feed, triggering price escalation across retail markets.
- **Macroeconomic Irony of Import Offsetting:** The foundational economic premise of biofuel blending is foreign exchange preservation via reduced crude oil imports. However, severe domestic supply crunches force the government to permit duty-free imports of raw sugar under Tariff Rate Quotas (TRQ) to tame festival-season inflation, effectively spending foreign exchange on agricultural imports instead.
- **Spillover into Allied Value Chains:** The industrial demand for coarse grains like maize and broken rice to bridge ethanol shortfalls drives up input costs for the dairy and poultry sectors. When distillers purchase maize at higher prices, animal feed costs surge, generating secondary inflationary pressures in milk, egg, and meat markets.
- **Consumer End-Use Dilemmas:** The transition to higher ethanol blends (E20) introduces challenges for legacy vehicular fleets. Because ethanol has approximately 33% lower energy density by volume than pure gasoline, un-optimized internal combustion engines experience a noticeable drop in fuel economy (mileage) alongside potential corrosion of rubber and aluminum components.
- **The Policy Justification:** State interventions in biofuels provide an economic safety valve during surplus harvest years, preventing a domestic sugar price collapse, ensuring prompt clearing of cane dues, and advancing India's nationally determined contributions (NDCs) under global climate frameworks.

- **Historical Evolution of Biofuel Policy & Sugar Governance**

- **Pre-Independence to Early Decades (1940s–1980s):** Early initiatives trace back to the Indian Power Alcohol Act of 1948, which mandated the blending of alcohol with petrol to dispose of surplus molasses produced by expanding sugar mills. However, low crude prices and structural shortages of alcohol kept blending negligible for decades.
- **Pilot Initiatives & National Policy (2003–2009):** The Ministry of Petroleum and Natural Gas launched the Ethanol Blended Petrol Programme in 2003 with a 5% target across select states. In 2009, the first comprehensive National Biofuel Policy was notified, setting an aspirational target of 20% blending by 2017, which faltered due to feedstock supply deficits and fragmented pricing.
- **The 2018 Policy Shift:** The National Policy on Biofuels (2018) broadened the feedstock horizon beyond C-heavy molasses to include sugarcane juice, sugar beet, sweet sorghum, and damaged food grains (broken rice, maize). It introduced differential, remunerative pricing for ethanol derived from different sugarcane streams.
- **The Accelerated 2022 Amendment:** The Union Cabinet advanced the target date for 20% ethanol blending from 2030 to the 2025–26 ethanol supply year. This accelerated schedule led to large investments in grain-based and dual-feed distilleries across the country.
- **Supply Crises and Calibrations (Present Day):** Erratic monsoons and El Niño phenomena led to depleted cane reserves. This forced temporary administrative bans on using sugarcane juice for ethanol, followed by tariff reductions on raw sugar imports to maintain domestic food security, highlighting the need for dynamic policy adjustments.

- **Way Forward**

- **Transition to Second-Generation (2G) Feedstocks:** Shift financial incentives, viability gap funding, and research grants toward cellulosic ethanol plants that utilize agricultural crop residues (*parali*, bagasse) rather than edible crops. This avoids the food-versus-fuel conflict while addressing seasonal air pollution.
- **Counter-Cyclical Blending Mandates:** Adopt an agile, data-driven blending policy that scales target percentages up or down based on annual monsoon performance, buffer stock assessments, and domestic food price indices, rather than enforcing rigid volumetric targets.
- **Feedstock Diversification to Climate-Resilient Crops:** Promote drought-tolerant, low-water crops such as sweet sorghum, pearl millet (bajra), and cassava on degraded lands for ethanol conversion, reducing groundwater extraction in over-exploited sugarcane belts.
- **Tariff and Trade Calibration:** Implement forward-looking supply-demand forecasting to adjust trade tariffs and Tariff Rate Quotas (TRQs) ahead of peak consumption periods, stabilizing wholesale prices without hurting domestic farm-gate returns.
- **Automotive Adaptation and Consumer Safeguards:** Accelerate the rollout of flex-fuel engine vehicles (FFVs) capable of running on varied ethanol blends, while ensuring transparent retail labeling and fuel options for owners of legacy, un-optimized vehicle models.



# AXIA

IAS ACADEMY

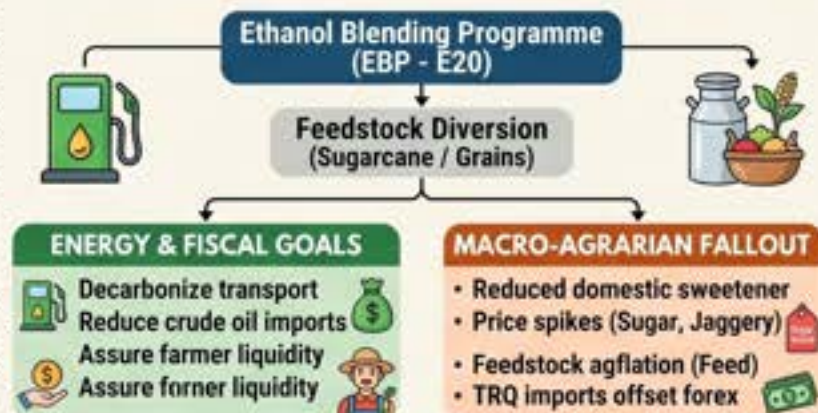
RISE ABOVE THE REST

## INDIA'S ETHANOL BLENDING PROGRAMME (EBP): A COMPREHENSIVE ANALYSIS | For UPSC & State PSC Aspirants

### CORE CONCEPTS & DEFINITIONS

- EBP** (Target E20, indigenously produced bio-ethanol blended with petrol)
- 1G Biofuels**: edible crops: sugarcane juice, broken rice, maize
- 2G Biofuels**: non-edible waste: rice straw, bamboo, forest residues
- Food vs. Fuel Trilemma**: conflict over land and crops
- Agflation**: rising agri prices
- TRQ**: specified low-duty imports
- FRP**: statutory minimum payment to farmers
- QUOTA**

### MAIN DYNAMICS & FLOW



### MULTIDIMENSIONAL MATRIX

| SOCIAL                                                                                                                        | ECONOMIC                                                                                                                     | POLITICAL                                                                                                                 | LEGAL & REGULATORY                                                                                                                          | STRATEGIC & INTERNATIONAL                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Caloric affordability</li> <li>nutritional security</li> <li>Impact on poor</li> </ul> | <ul style="list-style-type: none"> <li>Mill liquidity</li> <li>Displaced forex</li> <li>Poultry/Dairy feed crisis</li> </ul> | <ul style="list-style-type: none"> <li>Cane lobbies vs urban consumers</li> <li>Federal frictions (FRP vs SAP)</li> </ul> | <ul style="list-style-type: none"> <li>Essential Commodities Act (1955)</li> <li>NFSA (2013)</li> <li>Stock limits, export curbs</li> </ul> | <ul style="list-style-type: none"> <li>Geopolitical oil shield</li> <li>Global sugar prices</li> <li>WTO subsidy disciplines</li> </ul> |

### HISTORICAL EVOLUTION



### LOGICAL & PHILOSOPHICAL FOUNDATIONS



### NCERT LINKAGES & SYLLABUS MAPPING

| CLASS   | CHAPTER                                                                    | UPSC CSE & STATE PSCs                 |
|---------|----------------------------------------------------------------------------|---------------------------------------|
| 10 Geo  | Water footprint, water outcription, oovermentem, and roee soies            | GS Paper 1                            |
| 11 Econ | Food inflation, water resoement, balances second ssames, and inflation     | Paper 1, 2, 3, 4                      |
| 12 Geo  | Land resources, carbon arvovation, land crovers and resources              | Essay                                 |
| 12 Bio  | Carbon cycles, naturooion rick and resolles, plannt footprint, and economy | • Illustrative Topics<br>• Sub-topics |

### STRATEGIC WAY FORWARD



### PAST YEARS' QUESTIONS



# Trade unions sound the alarm over Supreme Court judgment on the definition of industry

**The Hindu Bureau**  
NEW DELHI

Left-leaning trade unions have expressed concern over a nine-judge Bench judgment of the Supreme Court that said the definition of industry as per a 1978 judgment of the top court will not be applicable to the recently implemented Industrial Relations Code. They alleged that the latest judgment reflects "a structural tilt" towards managerial interests over the collective rights of workers.

"Justice Nagarathna rightly questioned the necessity of reopening a settled jurisprudence of nearly five decades, particularly when the Industrial Relations Code has already replaced the Industrial Disputes Act," said All India Trade Union Congress (AITUC) general se-



Elamaram Kareem

cretary Amarjeet Kaur said. She said the AITUC is deeply concerned that the majority judges have left crucial questions to future litigation instead of confronting the implications of the exclusionary architecture of Section 2(p) of the Industrial Relations Code.

"The Code's exclusions relating to sovereign functions and charitable, social, or philanthropic institutions require strict and constitutionally compati-

ble interpretation. Governmental activity cannot automatically be equated with sovereign function, nor can the institutional label of a charitable organisation by itself erase the industrial character of the work performed by its employees," she said, adding that in an economy increasingly characterised by privatisation, shifting the focus from the substance of work to the institutional status of the employer can operate to the disadvantage of labour.

Centre of Indian Trade Unions (CITU) general secretary Elamaram Kareem said that both the legislature and the judiciary failed to protect the rights of workers as mandated by the Constitution. Trade Union Centre of India (TUCI) president Fredy K. Thazhath said it has slashed labour protections.

- **Key Terms and Explanations**
  - **Industry (Industrial Jurisprudence):** Under labor law, an "industry" is not limited to smoke-belching factories or manufacturing plants. It historically refers to any systematic, organized activity carried out through the cooperation between an employer and employees for the production or distribution of goods and services to satisfy human wants.
  - **The Bangalore Water Supply "Triple Test" (1978):** A seminal legal doctrine formulated by Justice V.R. Krishna Iyer. It established that an enterprise is an industry if it satisfies three criteria:
    - *Systematic Activity:* Organized, continuous operations rather than casual or sporadic work.
    - *Cooperation:* Functional collaboration between capital/management and labor.
    - *Production/Distribution of Goods & Services:* Directed toward fulfilling human needs, regardless of whether a profit motive exists.
  - **Sovereign Functions vs. Welfare Functions:**
    - *Sovereign Functions:* Inalienable activities strictly reserved for the state that cannot be delegated to private players (e.g., defense, maintenance of law and order, legislative functions, foreign affairs, and administration of justice).
    - *Welfare/Commercial Functions:* Public services undertaken by a welfare state (e.g., running public transport, municipal water supply, telecom, irrigation, and healthcare) where labor relations resemble those in commercial enterprises.
  - **Industrial Relations Code (IRC), 2020 & Section 2(p):** One of the four consolidated Central Labor Codes enacted to replace older statutes, including the Industrial Disputes Act, 1947. Section 2(p) defines "industry" statutorily while explicitly excluding charitable institutions, sovereign state functions, domestic services, and social welfare organizations.
  - **Collective Bargaining:** The institutionalized negotiation mechanism through which organized labor (trade unions) and employers resolve disputes over wages, working conditions, benefits, and workplace security without resorting to unilateral managerial coercion.
- **Main Arguments and Substantive Parts**
  - The debate over the scope of labor protection centers on balancing managerial flexibility with the constitutional welfare of the workforce:
  - **The Thesis of Judicial Realignment:** Modern labor policy and recent judicial interpretations seek to bring statutory certainty by respecting the legislative boundaries set by Parliament in the new Industrial Relations Code, 2020, moving away from expansive judge-made tests that broadened definitions across sectors.
  - **The Argument for Managerial Efficiency & Investment:** Proponents of a clear, codified definition argue that the expansive 1978 precedent created persistent ambiguity. Educational institutions, research centers, and philanthropic missions frequently faced prolonged labor litigation in tribunals, elevating compliance costs and dampening the Ease of Doing Business.
  - **The Trade Union Counterargument (Labor Vulnerability):** Worker organizations argue that narrowing the definition of "industry" structurally disadvantages labor. By excluding charitable, educational, and philanthropic bodies, millions of workers performing manual, technical, or clerical jobs in these institutions lose statutory access to Industrial Tribunals, conciliation officers, and protections against arbitrary retrenchment.
  - **The Peril of Institutional Labeling:** A critical flaw highlighted by labor jurists is the risk of formal misclassification. An entity operating commercially or generating substantial revenues could register under a "charitable" or "philanthropic" umbrella, thereby stripping its employees of fundamental industrial dispute resolution mechanisms.
  - **The Question of Judicial Continuity:** Dissenting and critical legal perspectives question the necessity of revisiting five-decade-old settled jurisprudence (*stare decisis*) when the legislature had already enacted new codified statutes, arguing it leaves frontline workers in statutory limbo pending fresh rounds of litigation.

- **Historical Evolution of the Issue**
  - **Colonial & Post-Independence Foundation (1929–1947):** The Trade Disputes Act, 1929 evolved into the Industrial Disputes Act (IDA), 1947, designed to maintain industrial peace and facilitate state-mediated conciliation during post-war industrial reconstruction.
  - **The Era of Fragmentation (1950s–1970s):** The Supreme Court oscillated wildly in its interpretations. In *Hospital Mazdoor Sabha (1960)*, hospitals were deemed industries; in *Safdarjung Hospital (1970)*, that view was overturned. Similarly, universities (*Delhi University case, 1963*) and social clubs (*Gymkhana Club, 1968*) were alternately included and excluded.
  - **The Krishna Iyer Landmark (1978):** A 7-judge Constitution Bench in *Bangalore Water Supply & Sewerage Board v. A. Rajappa* unified the jurisprudence. It declared that the nature of the activity and the employer-employee cooperation mattered, not the profit motive or the philanthropic character of the institution.
  - **The Unimplemented Legislative Push (1982):** Parliament amended the IDA in 1982 to exclude hospitals, educational, and scientific institutions, but linked this to the creation of an alternative grievance redressal law. Because no alternative mechanism was ever established, the 1982 amendment was never officially notified.
  - **The Reference to a 9-Judge Bench (2005):** In *State of U.P. v. Jai Bir Singh*, a 5-judge bench noted that the 1978 ruling had swept non-industrial, sovereign, and academic institutions into labor litigation, recommending a review by a larger 9-judge bench.
  - **Codification Era (2020–Present):** The Union Government consolidated 29 Central Labor Laws into 4 Labor Codes. The Industrial Relations Code, 2020 codified specific exclusions in Section 2(p), reigniting the constitutional contest between worker protections and statutory flexibility.
- **Way Forward**
  - **Create a Universal Statutory Grievance Redressal Mechanism:** If educational, charitable, and domestic workers are excluded from traditional Industrial Tribunals under the Industrial Relations Code, the state must establish dedicated, low-cost Alternative Dispute Resolution (ADR) tribunals to ensure these workers are not left without accessible legal recourse.
  - **Adopt a Substantive Functional Test over Nominal Labels:** Enforce strict administrative oversight to ensure commercial entities do not mask their operations under charitable or non-profit trusts to evade labor obligations. The nature of the enterprise must be determined by the substance of its operations, not its registration status.
  - **Universalize the Floor of Social Protection:** Decouple basic worker protections (such as occupational safety, maternity benefits, medical insurance, and gratuity) from the technical definition of "industry," ensuring these safety nets apply uniformly across all employment sectors via the Social Security Code, 2020.
  - **Revitalize Tripartite Consultations:** Reinvigorate institutional mechanisms like the Indian Labour Conference (ILC), ensuring that structural reforms to labor law incorporate consensus-building among central trade unions, industry federations, and state governments.
  - **Strengthen Internal Dispute Committees (IDCs):** Mandate time-bound, representative Internal Grievance Committees in all institutions employing more than 10 individuals, ensuring workers have direct representation in internal workplace dispute settlements.

# COMPREHENSIVE ANALYSIS: TRADE UNIONS vs. SC JUDGMENT on 'INDUSTRY' DEFINITION (A critical look at the conflict and impact)

## KEY TERMS & CONCEPTS



**INDUSTRY:**  
systematic, co-operative  
work, workers,  
producing goods/services  
for human wants



**THE 'TRIPLE TEST'**  
(BWS CASE 1978):



Systematic activity + Functional cooperation + Focus on goods/services (regardless of profit)



**SOVEREIGN FUNCTION**  
Only inalienable state acts  
(defense, justice, police)



**CHARITABLE & PHILANTHROPIC INSTITUTIONS**  
Non-profit bodies providing relief (new exclusions).

## TRADE UNION ALARMS (RED TEAM Icons)

VS

## SC JUDGMENT & IRC LOGIC (GOLD TEAM Icons)

Narrowing  
Definition



Strict Code  
Adherence

Weakening  
Collective  
Rights



Reducing  
Industrial  
Litigation

Shifting Focus  
from Substance  
of Work to  
Institutional Status



Promoting  
Investment

Risk of  
Misclassification



legislative  
Certainty

Loss of  
Statutory  
Protections



Creating Clear  
Legal  
Boundaries

Dissenting Voices:  
Re-opening Settled Jurisprudence,  
Leaving crucial questions to future litigation.

## THE EVOLVING LEGAL VIEW (TIMELINE)

(Pre-1978)

**BROAD**

Conflicting interpretations

(1978)

**DEFINITIVE BWS**

Krishna Iyer's Triple  
Test - high protection

(2020)

**NEW CODE**

Section 2(p) Exclusions

(Present)

**CHALLENGES**

Trade Union concerns

Labor Protection Level

## UPSC & NCERT LINKAGES

GS Papers 2, 3  
NCERT Class XI Eco (Employment),  
XII Soc (Industrial Society)

## MULTIDIMENSIONAL IMPACT



## WAY FORWARD

1. Universal ADR for Non-Profit workers.
2. Strict Functional Scrutiny of Charitable Status.
3. Social Protection Universalization
4. Meaningful Tripartite Consultations
5. Strengthening Internal Grievance Mechanisms
6. Ratifying ILO Conventions

# A fresh protest at Jantar Mantar demands a complete overhaul of the reservation system

**Abhinay Lakshman**

NEW DELHI

Thousands of protesters gathered at Jantar Mantar in New Delhi on Friday under the banner of the Reservation Hatao Andolan (RHA), a Cockroach Janta Party (CJP)-style Instagram-page led mobilisation of anger against India's reservation policy. The protesters called for an overhaul of the reservation system, demanding that quota in public education and employment be solely based on income rather than socio-economic categories; raised demands such as "one family, one reservation"; and called for a roll back of UGC's caste-equity rules.

The movement began when a student, Harsh Du-



**New demand:** The crowd that gathered at Jantar Mantar in New Delhi on Friday to protest against caste-based reservation. ANI

bey, started the RHA Instagram page while the student movement being led by the CJP was demanding the resignation of former Education Minister Dharmendra Pradhan. Soon after Mr. Pradhan's resignation, Mr. Dubey said he had handed over control of the page to veteran anti-re-

servation activists Anuradha Tiwari, Ajeet Bharti, and Neha Das.

Significantly, the RHA movement has flagged the concentration of quotas being availed by a small section of communities within each category of SC, ST, and OBC. This argument, which has led to

calls for introducing a creamy layer concept, is being used by the RHA movement to call for an overhaul of the system itself.

## **Stand-off with police**

The protests came amidst the BJP-led Union government reiterating their stance that reservation for socio-economic categories such as SCs, STs, and OBCs is not a poverty alleviation scheme but a scheme meant to ensure representation for marginalised communities. Further, on Thursday, the Centre had told the Supreme Court that it was rethinking the 2026 UGC equity regulations.

On Friday morning, the protesters, many of whom were mobilised by organisations representing peo-

ple from "general" castes, such as Karni Sena and Ranbir Sena, arrived at Jantar Mantar despite the Delhi Police stating that no permission had been granted. However, the protesters refused to leave and had a stand-off with the security personnel. By evening, the protesters had set up a stage with a banner that read: "Reservation Reform Satyagraha". Around 7:30 p.m., the police announced that the gathering was illegal, and personnel could be seen putting protesters on buses and taking them away.

Mr. Dubey later posted on X that some protesters were marching towards Raj Ghat. He said they will return to Jantar Mantar if the police removed them from Raj Ghat as well.

- **Key Terms and Explanations**
  - **Substantive Equality vs. Formal Equality:** Formal equality posits that the law must treat all individuals identically regardless of their background. Substantive equality, enshrined under the Indian constitutional scheme (Articles 14 to 16), recognizes that treating unequals equally only perpetuates inequality; hence, differential treatment through affirmative measures is necessary to achieve real, practical equality.
  - **Affirmative Action and Adequate Representation:** In the Indian context, affirmative action through reservations is primarily an instrument of representation rather than a welfare or anti-poverty program. It is designed to dismantle historical monopolies in public employment and state-funded education by ensuring that structurally excluded communities have an effective voice in state administration (Article 16(4)).
  - **Creamy Layer Doctrine:** Originating in judicial jurisprudence (*Indra Sawhney*, 1992), this principle identifies socially advanced and economically affluent members within a backward class who have crossed the threshold of backwardness, thereby excluding them from reservation benefits so that the gains percolate to the truly marginalized.
  - **Sub-categorization / Sub-classification:** The administrative and legal grouping of communities within broad reserved categories (such as SC, ST, or OBC). This mechanism prevents dominant groups within a reserved class from cornering the bulk of quota benefits, ensuring equitable intra-group distribution of opportunities.
  - **Economic Criteria and EWS Quota:** Introduced via the 103rd Constitutional Amendment Act (2019) under Articles 15(6) and 16(6), this mechanism targets individuals solely on the basis of family income and economic vulnerability, distinct from traditional criteria rooted in historical social and educational backwardness.
- **Main Arguments and Substantive Parts**
  - **Demands for Income-Based Affirmative Action:** Critics of caste-based quotas argue that income should serve as the sole criterion for reservation, asserting that economic hardship cuts across all social groups and that caste-based preferences create social polarization among youth.
  - **Critique of Quota Concentration and Intra-Group Disparities:** A major point of contention is that multi-generational beneficiaries within reserved categories often monopolize opportunities. Proponents of reform demand mechanisms like "one family, one reservation" and the universal application of the creamy layer concept across all reserved classes.
  - **The Constitutional Paradigm of Representation:** The state and constitutional scholars counter that reservations are structurally distinct from poverty alleviation schemes. Financial deprivation can be addressed through scholarships, subsidies, and credit access, whereas social discrimination, untouchability, and systemic underrepresentation require structural participation in state institutions.
  - **Institutional Tensions in Higher Education and Administration:** The debate reflects an ongoing friction between standardization in academic equity frameworks and demands for merit-based competition, set against the constitutional mandate of balancing administrative efficiency (Article 335) with social justice.

- **Historical Evolution of the Issue**

- **Pre-Independence Initiatives (1880s–1930s):** The roots of affirmative action trace back to the Hunter Commission (1882), Jyotirao Phule's demands for representative administration, the 1902 reservation decree by Chhatrapati Shahu Maharaj in Kolhapur, and the communal representation policies under British colonial rule, culminating in the Poona Pact (1932) which secured reserved seats for Depressed Classes within the general electorate.
- **Constituent Assembly Debates (1946–1949):** Framers debated the balance between individual equality and compensatory discrimination. The resulting framework embedded fundamental rights to non-discrimination (Articles 15(1), 16(1)) alongside specific enabling clauses (Articles 15(4), 16(4)) and protective duties under the Directive Principles (Article 46).
- **Early Judicial Rulings and First Amendment (1950s–1970s):** The invalidation of communal quotas in *State of Madras v. Champakam Dorairajan* (1951) led to the First Constitutional Amendment inserting Article 15(4). The subsequent First Backward Classes Commission (Kaka Kalelkar, 1953) laid early foundations for recognizing other backward classes.
- **Mandal Commission and the Indra Sawhney Verdict (1979–1992):** The implementation of the Mandal Commission recommendations in 1990 expanded reservations to 27% for OBCs. The landmark *Indra Sawhney* judgment (1992) upheld this expansion while establishing the 50% quota ceiling, barring reservations in promotions, and creating the creamy layer rule for OBCs.
- **Modern Jurisprudential Shifts (2000s–Present):** Subsequent developments include constitutional amendments enabling reservation in promotions (Articles 16(4A), 16(4B)), the *M. Nagaraj* (2006) and *Jarnail Singh* (2018) rulings on quantifiable data and creamy layer applicability, the 103rd Amendment (2019) introducing the 10% EWS quota, and recent Supreme Court affirmations on the permissibility of sub-classification within reserved categories.

- **Way Forward**

- **Empirical, Data-Driven Policy Formulation:** Undertake comprehensive, granular socio-economic surveys to map the real distribution of educational, occupational, and economic assets across all communities, moving away from outdated baseline data.
- **Rationalized Sub-Classification and Creamy Layer Application:** Implement nuanced intra-group sub-categorization (as evaluated by bodies like the Justice Rohini Commission) and apply refined creamy layer criteria to ensure quota benefits reach the most disadvantaged strata within protected classes.
- **Transforming Foundational Public Services:** Shift long-term state focus toward universal, high-quality public schooling, early childhood healthcare, nutrition, and market-aligned technical skilling, eliminating disparities at the entry level rather than relying solely at terminal selection stages.
- **Fostering Broad-Based Formal Job Creation:** Expand private sector employment opportunities, encourage labor-intensive manufacturing, and support entrepreneurial ecosystems to reduce zero-sum competition over public sector posts.
- **Strengthening Transparent and Inclusive Institutional Frameworks:** Develop clear, evidence-based guidelines in higher education institutions and workplaces to support first-generation learners and marginalized candidates without administrative ambiguity or arbitrary discretionary power.

# UNDERSTANDING INDIA'S RESERVATION DEBATE: THE JANTAR MANTAR PROTESTS ANALYSIS.



## WHAT'S HAPPENING AT JANTAR MANTAR?



- Reservation Hatao Andolan (RHA) Mobilization
- Social Media-driven anger
- Demanding Complete Overhaul



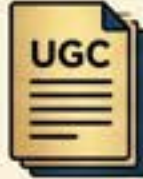
## CORE DEMANDS OF PROTESTERS (RHA)



Solely Income-Based Quota

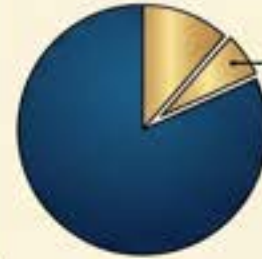


"One Family, One Reservation" Rule



Roll Back Caste Equity Rules

## KEY ARGUMENTS FOR CHANGE



Quota Concentrated in Small Section



Calls for Sub-categorization



Intra-group Disparity

## GOVERNMENT POSITION: REPRESENTATION vs. POVERTY



Reservation is for Socio-Economic Representation, not Poverty Alleviation.



Ensuring Adequate Representation for Marginalized Communities

## Key Concepts in the Debate

### Creamy Layer

Definition of how entrenchment of both break creamy layer in and grimal representation.

### Sub-categorization

All sub-categorization definitor to valiaally expeed group linent metning from a soll categorization.

### Economic Criteria

Economic criteria to regutiate definition of enomic orability or for the economic canviety.



Defence Secretary Rajesh Kumar Singh and Permanent Under Secretary for Defence of U.K. Jeremy Pocklington in New Delhi, India

## India, U.K. review bilateral defence ties at DCG meeting

**Saurabh Trivedi**  
NEW DELHI

Defence Secretary Rajesh Kumar Singh and the Permanent Under Secretary for Defence of the United Kingdom, Jeremy Pocklington, on Friday co-chaired the 25th India-U.K. Defence Consultative Group (DCG) meeting in New Delhi, reviewing bilateral defence cooperation with a focus on defence industry and research and development.

According to the Ministry of Defence, the two sides reviewed ongoing defence industrial cooperation, with particular emphasis on research and development under the India-U.K. Vision 2035 and the 10-year Defence Industrial Road map.

### **Maritime security**

India and the U.K. also agreed to expand exchanges between their armed forces through joint exer-

cises, training and capacity building initiatives.

They acknowledged the robust maritime security cooperation between the two countries in the Indo-Pacific, including the establishment of the Regional Maritime Security Centre of Excellence under the Indo-Pacific Oceans Initiative.

The two sides exchanged views on regional peace and security and reaffirmed their commitment to mutual security and strategic autonomy.

They reiterated that the India-U.K. Strategic Partnership is anchored in shared values of peace, stability, freedom and mutual respect. The meeting marked Mr. Pocklington's first visit to India in his new capacity. During his visit, he laid a wreath at the National War Memorial and paid homage to soldiers who made the supreme sacrifice in the service of the nation.

- **Key Terms and Explanations**
  - **Defence Consultative Group (DCG):** The apex bilateral institutional mechanism between India and the United Kingdom, co-chaired at the level of the Defence Secretary (India) and the Permanent Under Secretary for Defence (UK). It serves as the primary steering committee overseeing joint military cooperation, strategic dialogues, and defence acquisitions.
  - **India-U.K. Vision 2035 & 10-Year Defence Industrial Roadmap:** A comprehensive long-term bilateral framework designed to transition India-UK ties from a transactional buyer-seller relationship toward joint research, co-design, co-development, and co-production of next-generation military hardware.
  - **Indo-Pacific Oceans Initiative (IPOI):** An open, non-treaty-based global initiative launched by India at the East Asia Summit in 2019 to ensure a safe, secure, and stable maritime domain. The UK has partnered with India specifically under the Maritime Security pillar of IPOI.
  - **Regional Maritime Security Centre of Excellence:** A dedicated institutional node established under the IPOI framework to enhance Maritime Domain Awareness (MDA), capacity building, information sharing, and disaster response across the Indian Ocean Region (IOR).
  - **Strategic Autonomy:** A foreign policy doctrine asserting a nation's sovereign prerogative to make independent choices and partnerships based on national interests, without being bound by rigid formal military alliance commitments.
- **Main Arguments and Substantive Parts**
  - The contemporary India-UK defence matrix reflects a structural realignment shaped by shifting geopolitical imperatives across the Indo-Pacific and Europe.
  - **Transition from Buyer-Seller to Technology Co-Creation:** Bilateral defence relations have moved beyond off-the-shelf imports toward high-end industrial collaboration. The primary thrust centers on core technological domains, including jet engine propulsion, complex maritime weapon systems, and electric propulsion for naval vessels under the 10-year Defence Industrial Roadmap.
  - **Indo-Pacific Maritime Convergence:** Following the UK's post-Brexit strategic orientation, London has institutionalized an "Indo-Pacific Tilt." This aligns with India's vision of a Free, Open, and Inclusive Indo-Pacific. Establishing the Regional Maritime Security Centre of Excellence reinforces collaborative surveillance and blue-water security.
  - **Deepening Tri-Service Interoperability:** Enhancing bilateral exercises—such as *Ajeya Warrior* (Army), *Konkan* (Navy), *Indradhanush* (Air Force), and the tri-service *Konkan Shakti*—strengthens operational readiness and joint logistics.
  - **Counter-Friction and Strategic Differences:** While defence cooperation is expanding, legacy friction points remain. These include differences in diplomatic posture regarding European conflicts, the operation of anti-India separatist networks on British soil, and divergent priorities within traditional regional alignments.

- **Historical Evolution of the Issue**

- The trajectory of India-UK military ties has evolved from colonial dependency to Cold War distance, and ultimately to an equal strategic partnership.
  - **Post-Independence Legacy (1947–1960s):** India inherited British military organization, doctrine, and hardware. The fledgling Indian Armed Forces relied heavily on British platforms, including the aircraft carrier *INS Vikrant* (formerly HMS Hercules), Hawker Hunter fighters, and Canberra bombers.
  - **Cold War Divergence & Estrangement (1970s–1990s):** Geopolitical rifts widened as the UK aligned with the Anglo-American bloc and Pakistan, while India deepened defence cooperation with the Soviet Union following the 1971 Friendship Treaty. British arms embargoes during regional conflicts prompted India to diversify its military supplies away from London.
  - **Post-1998 Realignment and Strategic Partnership (2004–2015):** Bilateral ties normalized following the 1998 nuclear tests. The partnership was formally upgraded to a "Strategic Partnership" in 2004, institutionalizing the Defence Consultative Group (DCG) and establishing structured military exercises.
  - **Post-Brexit Comprehensive Strategic Partnership (2021–Present):** In 2021, the bilateral relationship was elevated to a *Comprehensive Strategic Partnership* alongside the launch of the *Roadmap 2030*. High-profile milestones, such as the deployment of the UK Carrier Strike Group (CSG21) to the Indian Ocean and the signing of the Defence Industrial Roadmap, have solidified this engagement.
- **Way Forward**
  - **Accelerate Co-Development of Strategic Technologies:** Focus industrial roadmaps on mission-critical technologies where the UK has specialized expertise, including marine gas turbine and electric propulsion systems, jet engine core technologies, and advanced composite materials.
  - **Operationalize Maritime Domain Awareness (MDA):** Expand white-shipping information exchange agreements and station reciprocal liaison officers at India's Information Fusion Centre – Indian Ocean Region (IFC-IOR) and UK maritime operational headquarters.
  - **Establish Institutional Red Lines on Extremism:** Address internal political frictions by setting up joint task forces focused on countering cross-border illicit financing, visa fraud, and separatist groups operating on foreign soil.
  - **Finalize Complementary Economic Frameworks:** Synchronize strategic defence initiatives with the India-UK Free Trade Agreement (FTA) to ease supply chain disruptions and lower tariffs on dual-use high-technology components.
  - **Institutionalize Logistics and Interoperability Agreements:** Fully operationalize mutual logistics support arrangements to enable seamless refueling, turnaround, and maintenance across Indian Ocean and European bases during joint operations.



**AXIA IAS ACADEMY**  
RISE ABOVE THE REST

### KEY TERMS & EXPLANATIONS



**DCG** - Defined as the primary strategic framework for directing industrial cooperation, co-development, and future capabilities, integrating R&D with advanced industrial practices



**IPOI** - India's Indo-Pacific Oceans Initiative, aligning regional security architecture and sustainable blue-economy practices across the maritime domain.



**Strategic Autonomy** - The principle of maintaining independent decision-making and diverse partnerships to secure national interests in a multipolar world.

### HISTORICAL EVOLUTION



### LINKAGES

#### NCERTs



Pol. Sci.  
Class 12



Geography  
Class 10



Pol. Sci.  
Class 12



Geography  
Class 10

#### UPSC Syllabus



UPSC  
Prelims  
Topic  
Book

GS Paper 1-4  
• GS Paper 1-2  
• GS Paper 1-3  
• GS Paper 1-4



UPSC  
Mains  
Topic  
Book

GS Paper 1-4  
• GS Paper 1-2  
• GS Paper 1-3  
• GS Paper 1-4

# INDIA-U.K. DEFENCE TIES: A COMPREHENSIVE STRATEGIC ANALYSIS

## 1. Technology & Indigenization



- Vision 2035 Roadmap
- Co-Development of Jet Engine & Electric Propulsion
- 10-Year Defence Industrial Roadmap



Composite material

## 2. Maritime Security & IPOI



- Indo-Pacific Tilt
- IPOI Alignment
- Regional Centre of Excellence



Regional Maritime  
Centre of Excellence

## 3. Mil-to-Mil

## Interoperability



Joint Compose  
icons

- Deepening Interoperability
- Joint Logistics
- Tri-Service Exercises (e.g., Konkan Shakti)

Joint Exercise  
icons

## PHILOSOPHICAL BASE



## MULTIDIMENSIONAL ANALYSIS



**Social**  
Key dispora  
annota symbol



**Political**  
Key points used  
(UNSC PS)



**Legal**  
Key poltics and  
legal /law books



**Ethical**  
Key sex lines of  
communication



**Economic**  
Make in India  
factory



**International**  
Key points | multi-  
flag on globe

## WAY FORWARD & PYQs

➤ Technology Co-Creation

➤ MDA

➤ FTA

➤ Countering extremism

### Previous Years' Questions

Prelims  
(Questions and  
Key Terms)

Mains  
(Essay and  
GS Themes)

**ON BEHALF OF AXIA IAS ACADEMY**

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# Centre notifies key scheme to manufacture mobile phones

The ₹62,500 cr. scheme, offering incentives for Indian brands, was cleared by Cabinet last month; it builds on PLI Scheme for Large Scale Electronics Manufacturing which ran from 2020 to FY26

The Hindu Bureau  
NEW DELHI

**T**he Ministry of Electronics and Information Technology (MeitY) on Friday notified the Mobile Phone Manufacturing Scheme (MPMS), aimed at incentivising the domestic assembly of smartphones and greater local value addition in the process. "The time has come to focus on developing Indian brands," IT Minister Ashwini Vaishnaw said at an event announcing the scheme's notification. "Indian brand, Indian design, Indian IP; that's the thought process."

The ₹62,500 crore scheme had been approved by the Union Cabinet on July 15, and continues an earlier scheme that ran from 2020 to the last financial year.

With the notification and the announcement, the Ministry provided some fresh information about how the scheme would be operationalised. For instance, phone makers receive additional incentives for sourcing certain parts domestically.

This is on top of the base incentive (tapering down from 2.75-2.25% over the five year tenure, with rates of 2.25-5% depending on the year and the incremental sales) for the assembly itself. These additional incentives amount to 1.5% (with individual component incentives ranging



Union IT Minister Ashwini Vaishnaw, centre, addresses the media during the launch of the MPMS, in New Delhi on Friday. (PTI)

from 0.2-0.5%).

The 1.5% additional incentive would only be applicable if a firm is sourcing domestically for at least a quarter of the phones it sells in a given fiscal year.

While foreign phone makers face a higher bar to avail incentives, the corpus is fungible overall, meaning there is no earmarked amount as such for domestic players. Indian brands – which will need to be majority-owned by Indian citizens and incorporated in India, along with intellectual property and trademark held locally – will have a flat 5% incentive throughout the scheme's tenure, and are not subject to a minimum sales threshold applicable for other brands; they will have a baseline fixed at 2025-26.

Indian brands will also enjoy a domestic design and research and development incentive of 3%. Indian brands only need to demonstrate a ₹1,000 crore turnover, while oth-

ers need a minimum of ₹10,000 crore.

The scheme pushes expectant firms to grow production quickly. Incentives are only disbursed for sales that are beyond 115% the production of the previous fiscal year. For instance, if a unit produced ₹10 crore worth of phones in the preceding fiscal and then ₹12 crore in the next, it would only be eligible for incentives on production of ₹50 lakh. Briefing reporters on the details of the scheme, IT Secretary S. Krishnan said that it would create 60,000 "direct" jobs.

"Domestic value addition in mobile phone manufacturing is at 23%, which is a substantial deepening" of the sector, Mr. Krishnan said. "Our goal of doubling overall domestic value addition from 18-23% to 35-40% will be achieved in the coming days." The latter target is in line with the value addition achieved by Chinese phone assembly units. The

number has a ceiling due to the global nature of electronics value chains, where various components crisscross the globe multiple times. Mr. Krishnan said that the phone manufacturing industry was important because "technology and skill transfer enables new sectors across the ecosystem [such as] laptops, gaming consoles, drone manufacturing, medical devices, components, tablets, smart watches and automobile windshields."

A massive amount of phone assembly by firms like Apple and Samsung has moved into India, making India an exporter of finished handsets. "Around 70-75% of phones were imports in 2014-15, and now we're exporters," Mr. Krishnan pointed out.

"India is the second largest phone manufacturer in the world and practically all phones sold here are made here."

The government is aiming for ₹39 lakh crore in cumulative production (the combined sale value of the finished products) by the end of MPMS, which runs through 2030-31, and cumulative exports worth ₹15 lakh crore.

An empowered committee will make recommendations to the government on applications by Indian brands for incremental incentives, as well as any "non-fiscal" support from the government.

- **Key Terms and Explanations**

- **Production Linked Incentive (PLI) & Mobile Phone Manufacturing Scheme (MPMS):** Fiscal interventions where the state provides direct financial incentives (typically 2% to 6%) on incremental sales of goods manufactured within domestic borders. Unlike traditional upfront capital subsidies, these incentives are output-based, rewarding actual scale and market performance.
- **Domestic Value Addition (DVA):** The proportion of a product's final value created within the host country, calculated by subtracting imported inputs from the gross output value. Historically hovering around 15–23% (dominated by simple assembly), the objective is to push DVA beyond 35–40% through localized component sourcing.
- **"Screwdriver Assembly" vs. Deep Manufacturing:** "Screwdriver assembly" refers to low-complexity, final-stage integration of semi-knocked-down (SKD) or completely knocked-down (CKD) kits imported from abroad. Deep manufacturing involves fabricating core components locally—such as Printed Circuit Board Assemblies (PCBAs), camera modules, display panels, and lithium-ion cells.
- **Global Value Chains (GVCs):** The fragmentation of production across multiple countries, where each nation specializes in a specific task (R&D in the US, component fabrication in Taiwan/South Korea, assembly in China/India). Electronics represents the most cross-border, hyper-fragmented GVC in the modern economy.
- **Incremental Sales Baseline (The 115% Hurdle):** A performance filter ensuring that state subsidies reward genuine expansion rather than existing capacity. Under this mechanism, manufacturers qualify for incentives only on output generated above a defined growth threshold (such as 115% of the preceding year's turnover).
- **Design-Led Manufacturing & Intellectual Property (IP):** Moving up the technological ladder from Original Equipment Manufacturing (OEM/contract assembly) to Original Design Manufacturing (ODM) and Original Brand Manufacturing (OBM). Holding domestic IP and trademarks captures higher profit margins than pure physical fabrication.
- **Fungible Corpus:** A flexible budgetary allocation where funds are not strictly compartmentalized into rigid sub-quotas, allowing the state to channel disbursements dynamically based on sectoral demand and manufacturer eligibility.

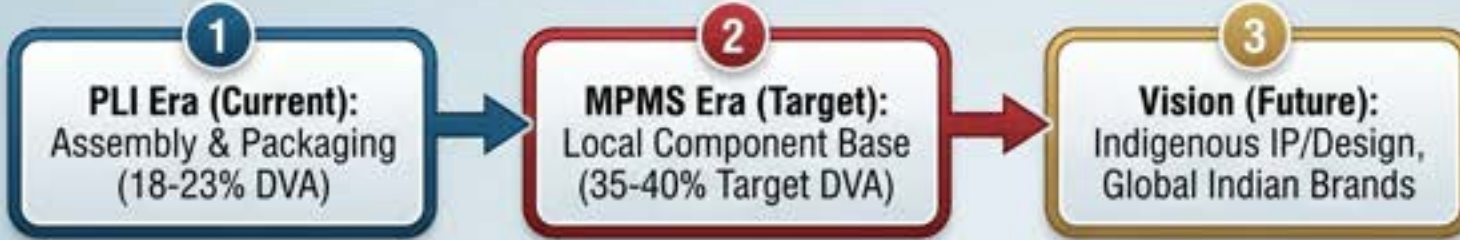
- **Main Arguments and Substantive Policy Dimensions**

- The policy blueprint represents a structural transition from merely hosting foreign assembly lines to incubating domestic technological sovereignty and supply chain depth:
- From Assembly Hub to High-Tech Sovereign
- **Targeting Deep Value Addition over Gross Assembly:** Assembly lines create rapid factory employment, but true economic resilience lies in the sub-tier component ecosystem. The policy architecture incorporates graded fiscal incentives (0.2% to 1.5%) contingent on domestic component procurement, directly addressing the structural vulnerability of relying on imported active and passive components.
- **Differential Architecture for Indigenous Champions:** Recognizing that domestic enterprises lack the capital scale of multinational conglomerates, the framework establishes an asymmetrical playing field. Indian-owned firms operating with domestic IP face significantly reduced turnover barriers (₹1,000 crore vs. ₹10,000 crore for foreign entities), receive stable baseline incentives (5%), and are awarded dedicated R&D design support (3%).
- **Stringent Performance Filters:** To prevent fiscal rent-seeking, incentives are tethered strictly to net incremental output (the 115% growth rule). This ensures that budgetary outlays correspond to measurable capacity additions and export surges, targeting a cumulative production volume of ₹39 lakh crore and exports of ₹15 lakh crore.
- **Cross-Sectoral Industrial Spillovers:** Electronics manufacturing does not exist in isolation. Competence in mobile hardware fabrication generates lateral technological spillovers, seeding capabilities required for defense electronics, laptops, medical devices, avionics, drone hardware, and automotive systems.
- **Counter-Arguments and Structural Headwinds:**
  - *Tariff Inefficiencies:* Elevated import duties on intermediary components risk inflating input costs, which can undermine global export competitiveness.
  - *Scale Asymmetry:* Domestic Indian brands currently hold marginal domestic market share compared to established East Asian giants, making the rapid realization of economies of scale difficult.
  - *Geopolitical Friction:* Deepening DVA requires complex equipment, specialized machinery, and engineering talent, where cross-border regulatory hurdles and geopolitical tensions can complicate technical collaborations.

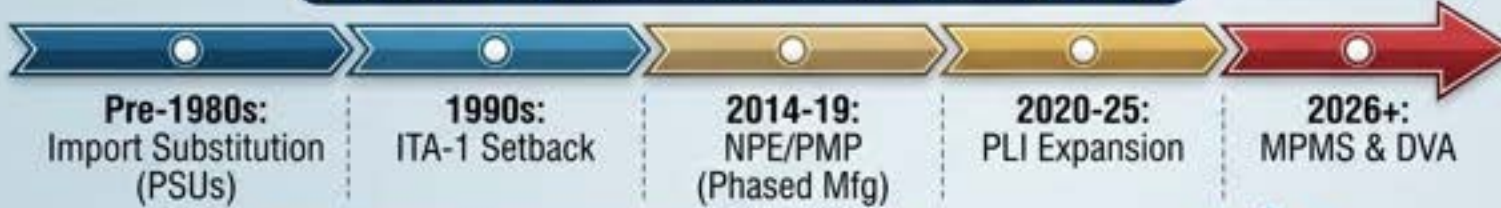
- **Historical Evolution of Electronics Manufacturing in India**
  - **Pre-Independence to 1980s (Import Substitution & State Dominance):** The post-colonial era relied on public sector undertakings (PSUs) such as Bharat Electronics Limited (BEL) and Indian Telephone Industries (ITI) under the Industrial Policy Resolutions of 1948 and 1956. Strict licensing, high import tariffs, and reservations for small-scale industries prevented the emergence of large-scale, globally competitive consumer electronics manufacturing.
  - **The 1990s to Early 2000s (The ITA-1 Setback):** Following the 1991 balance of payments crisis and trade liberalization, India signed the WTO Information Technology Agreement (ITA-1) in 1997. ITA-1 mandated zero customs duties on IT hardware. While this fueled the software and IT services revolution, it exposed the domestic hardware sector to low-cost imports from East Asia without a level playing field, leading to de-industrialization in domestic component manufacturing.
  - **2014–2019 (Make in India & Phased Manufacturing Programme):** Recognizing heavy import dependence—where mobile phones were 70–75% imported in 2014–15—the government rolled out the National Policy on Electronics (NPE) and the Phased Manufacturing Programme (PMP). PMP utilized a graduated customs duty structure to encourage local assembly of chargers, adapters, and battery packs.
  - **2020–2025 (The PLI Expansion):** The introduction of the Production Linked Incentive (PLI) Scheme for Large Scale Electronics Manufacturing shifted strategy from defensive tariff walls to offensive fiscal support. Global contract manufacturers established massive assembly operations, turning India into the second-largest mobile phone manufacturer globally and transforming the country into a net exporter.
  - **2026 and Beyond (Deep Value Addition & Design Sovereignty):** The transition toward the Mobile Phone Manufacturing Scheme (MPMS) marks the current phase. The strategic focus has evolved from assembly-driven employment to domestic value addition (targeting 35–40%), domestic design ownership, and building homegrown global brands.
- **Way Forward and Policy Recommendations**
  - **Deepening Upstream Component Ecosystems:** Fiscal incentives must continually target the localization of complex sub-assemblies—such as multi-layer PCBAs, camera modules, vibrator motors, and display drivers. Aligning mobile manufacturing with the India Semiconductor Mission (ISM) ensures domestic access to fabricated microchips, reducing dependency on external wafer fabs.
  - **Rationalizing the Tariff Structure:** India must address inverted duty structures (where duties on intermediate inputs exceed those on finished goods). Lowering tariffs on non-locally available components reduces operating costs for domestic assemblers, improving global price competitiveness.
  - **Establishing Design-Led R&D Ecosystems:** Moving beyond contract assembly requires direct public-private funding for domestic fabless chip design, software-hardware integration, and industrial product design. Expanding the Design Linked Incentive (DLI) scheme will help homegrown firms build, protect, and monetize domestic Intellectual Property.
  - **Upgrading Workforce Capabilities:** Advanced component manufacturing requires high-precision mechanics, Surface Mount Technology (SMT) handling, and VLSI engineering. Curricula across Industrial Training Institutes (ITIs) and engineering universities must align with industry standards through targeted apprenticeships and skill development partnerships.

# STRATEGIC SHIFT IN INDIA'S INDUSTRIAL POLICY: FROM ASSEMBLY TO INNOVATION & SOVEREIGNTY

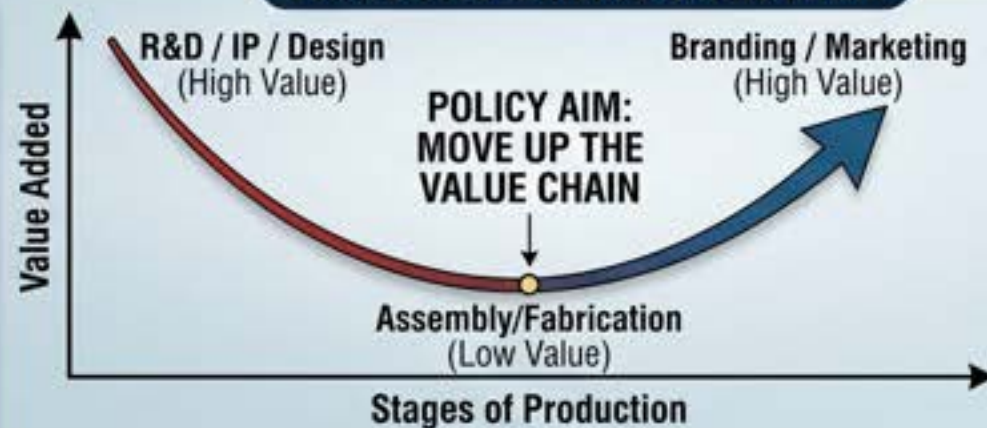
## FROM ASSEMBLY HUB TO HIGH-TECH SOVEREIGN



## EVOLUTION OF ELECTRONICS MANUFACTURING POLICY



## STAN SHIH'S SMILING CURVE LOGIC



## KEY POLICY DIMENSIONS & GLOBAL CONNECT

|                                                        |                                                                     |
|--------------------------------------------------------|---------------------------------------------------------------------|
| <b>STRATEGIC AUTONOMY</b><br>Digital Sovereignty       | <b>"CHINA PLUS ONE" STRATEGY</b><br>Supply Chain Diversification    |
| <b>DOMESTIC CHAMPIONS</b><br>Nurturing Local IP/Design | <b>INDUSTRIAL SPILLOVERS</b><br>Spreading to Defense, Auto, Medical |

## SOCIO-ECONOMIC & GEOPOLITICAL TRANSFORMATIONS

|                                                                    |                                            |
|--------------------------------------------------------------------|--------------------------------------------|
| <b>CAD MITIGATION:</b><br>Net Exporter                             | <b>FORMAL JOB CREATION</b><br>Asc ASCM     |
| <b>COMPETITIVE FEDERALISM:</b><br>STATE CLUSTERS<br>State Clusters | <b>TECH-DIPLOMACY:</b><br>iCET, Quad, SCRI |

## NCERT & UPSC CSE LINKAGES



GS Paper 3  
Economics &  
Technology



NCERT Class 12  
Economics &  
Technology



NCERT Class 12  
Economics

# CMs going abroad: The rules around political clearance

Shyam Lal Yadav  
New Delhi, August 21

TELANGANA CHIEF Minister A Revanth Reddy's visit to the US has been cancelled after the Ministry of External Affairs (MEA) denied "clearance from political angle", his office said on Friday. For a foreign trip, public servants need something called "political clearance" from the External Affairs Ministry.

## What is political clearance?

Political clearance is granted by the Ministry of External Affairs (MEA). This is required not only for public servants but any government servant for a foreign trip. The MEA gets hundreds of requests for political clearance every month from ministries, secretaries, bureaucrats and other officials.

The decision to grant or deny clearance is based on multiple factors, such as the nature of the event, the level of participation from other countries, the kind of invitation that has been extended, and also India's relations with the host country. The system is meant to ensure that official foreign visits do not have diplomatic or foreign-policy implications that have not been assessed by the government.

Since 2016, political clearance applications can be made on the MEA website [epolclearance.gov.in](http://epolclearance.gov.in). These are processed and clearance is issued after coordination among various ministry divisions.

## RULES FOR OTHERS

- For Union ministers, after getting political clearance from the MEA, additional clearance is needed from the PM, whether the trip is official or personal.
- Lok Sabha MPs need clearance from the Speaker, and Rajya Sabha members from the Chairperson.

Cabinet Secretariat circular on May 6, 2015, "... prior political clearance and FCRA (Foreign Contribution Regulation Act) clearance are mandatory."

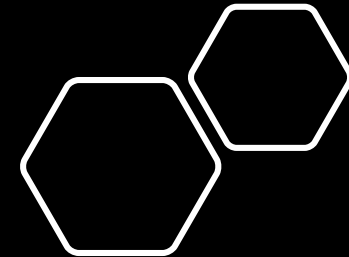
CMs, ministers of state governments and other state officials also need clearance from the Department of Economic Affairs, and must send a copy of the application to the DEA Secretary. The DEA and the ministry concerned will entertain an application only if MEA's political clearance is attached with the request.

## How common is denial of CMs' requests?

Political clearance being denied is nothing new.

In 2022, Arvind Kejriwal, who was then the Delhi chief minister, had to cancel his Singapore visit after not receiving clearance. In October 2019, the Centre had not given him approval to attend another conference abroad.

During the previous UPA regime, the MEA had denied political clearance to trips by then chief ministers Tarun Gogoi (Assam, Congress) to the US and Israel, and Arjun Munda (Jharkhand, BJP) to Thailand. Gogoi had wanted to visit New York for a "high level meeting" on April 2, 2012; a note from the Ministry said: "... direct correspondence by a diplomatic Mission with a State Government being inappropriate". About his proposed trip to Israel for an event on water and environment technology, the Ministry had said: "Concerned agencies would be hard put to provide special consideration for CM, Assam, both from the substantive and protocol angles."



- **Key Terms and Explanations**

- **Political Clearance:** An administrative sanction granted by the Ministry of External Affairs (MEA) to public officials, ministers, and civil servants before undertaking official or private travel abroad. It assesses the political, diplomatic, and foreign policy ramifications of the visit to ensure alignment with national foreign policy goals.
- **Foreign Contribution Regulation Act (FCRA) Clearance:** A statutory clearance required under the Foreign Contribution (Regulation) Act, 2010. It mandates that any public servant or elected representative receiving foreign hospitality (such as airfare, hotel accommodations, or local transport from foreign hosts) must obtain explicit prior approval from the Ministry of Home Affairs to prevent undue external influence.
- **Paradiplomacy (Sub-national Diplomacy):** The conduct of international relations and external outreach by sub-national governments (states, provinces, and city administrations) to attract Foreign Direct Investment (FDI), foster cultural ties, and secure technological partnerships without undermining national foreign policy.
- **Sovereignty and the Exclusive Foreign Affairs Domain (Entry 10, Union List):** The constitutional principle derived from the Seventh Schedule of the Indian Constitution, which vests exclusive legislative and executive authority over foreign affairs, diplomatic relations, and treaties solely in the Union Government (Parliament and the Central Executive).
- **Protocol and Substantive Alignment:** The institutional evaluation of whether a visiting state official's counterpart abroad matches their constitutional hierarchy (protocol symmetry) and whether the visit addresses genuine bilateral or economic objectives rather than redundant or sensitive engagements.
- **e-Political Clearance (epolclearance.gov.in):** The single-window digital platform launched in 2016 to streamline the processing, inter-ministerial routing, and tracking of foreign visit clearance requests submitted by ministries, states, and public servants.

- **Main Arguments and Substantive Parts**

- The framework governing foreign visits by Chief Ministers and state functionaries centers on balancing constitutional federalism with sovereign foreign policy coherence.
- **The Doctrine of 'One Nation, One Voice':** Foreign relations require unified national articulation. If sub-national leaders engage in independent international diplomacy without central coordination, it risks conflicting with ongoing diplomatic negotiations, strategic positions, or bilateral sensitivities.
- **Multi-Layered Executive Oversight:** State executives must navigate multiple clearance channels—including the MEA for political clearance, the Cabinet Secretariat, the Ministry of Home Affairs for FCRA clearance, and the Department of Economic Affairs (DEA) for fiscal aspects. This multi-tiered screening ensures no unassessed commitments are made.
- **Protocol and Dignity of Constitutional Offices:** Denials often stem from protocol asymmetry—such as when a Chief Minister attends events below their constitutional rank or where the host nation's ministerial-level participation is absent, potentially diminishing the institutional dignity of the post.
- **The Contention of Federal Autonomy:** States argue that in an era of competitive federalism and global capital integration, Chief Ministers require reasonable autonomy to seek foreign investments, climate funds, and technological collaborations. Discretionary central vetoes are frequently criticized as instruments of political gatekeeping that impede state-level development initiatives.

- **Historical Evolution of the Issue**

- **Pre-Independence Framework (1935):** The Government of India Act, 1935 introduced provincial autonomy but retained absolute central control over external affairs, defense, and foreign trade in the Governor-General's domain to prevent fragmented external commitments.
- **Constitutional Framing (1950):** The Constituent Assembly reinforced this unitary centralization by placing Foreign Affairs, Treaties, and International Trade in the Union List (Entries 10 to 14 of the Seventh Schedule), ensuring the Central Government remained the sole international personality under international law.
- **Post-1991 Economic Liberalization and Paradiplomacy:** The end of the license-permit raj prompted states to compete directly for foreign investment. State-led global investor summits and Chief Ministerial roadshows emerged, giving rise to active sub-national diplomacy.
- **Consolidation of Executive Guidelines (2010s):** In response to expanding foreign engagements by state delegations, the Cabinet Secretariat issued strict circulars (notably in May 2015) formalizing mandatory prior MEA political clearance and FCRA screening for all overseas visits by ministers and officials.
- **Digital Standardization (2016–Present):** The launch of the [epolclearance.gov.in](https://epolclearance.gov.in) portal institutionalized inter-ministerial screening, while debates around cooperative federalism and central clearance discretion continue during state foreign travel proposals.

- **Way Forward**

- **Formulate Transparent and Codified Guidelines:** The Union Government should frame clear, codified criteria defining the parameters for granting or withholding political clearance (e.g., protocol levels, national security parameters, geopolitical sensitivities) to eliminate perceptions of political arbitrariness.
- **Time-Bound Clearance Mechanism:** Establish a strict, time-bound service-level agreement on the [epolclearance.gov.in](https://epolclearance.gov.in) portal. If an application is rejected, the MEA should provide reasoned, written justifications within a mandated window to ensure administrative fairness.
- **Strengthen the Inter-State Council (Article 263):** Utilize the Inter-State Council as an institutional platform to deliberate and build consensus on a standardized "Code of Conduct for Paradiplomacy," balancing state economic ambitions with national foreign policy prerogatives.
- **Establish a Specialized Paradiplomacy Wing in the MEA:** Strengthen the MEA's States Division to act as a collaborative facilitator rather than a gatekeeper. This division can actively assist Chief Ministers in preparing international itineraries, ensuring protocol compliance, and aligning state investment goals with national foreign policy priorities.

# COMPREHENSIVE ANALYSIS: RULES ON CMs GOING ABROAD & POLITICAL CLEARANCE

## INTRODUCTION & KEY CONCEPTS

- **Political Clearance** (MEA, MEA administrative sanction, not a right, in an national ory server).
- **FCRA Clearance** (MHA, prevents external influence in ot a right).



## LOGICAL & PHILOSOPHICAL BASIS



- Preventing Conflicting Stances
- Ensuring Protocol Symmetry
- National Foreign Policy Coherence

## CONSTITUTIONAL & LEGAL BASIS (GS 2)

- **Union List** (Entries 10, 14): External Affairs, Treaties
- **Cooperative/Competitive** Federalism Tensions.



## HISTORICAL EVOLUTION TIMELINE



## STATE REQUEST



## MANDATORY PRIOR CLEARANCES

**MEA POLITICAL CLEARANCE**  
Vetting for protocol, foreign policy alignment

**MHA FCRA CLEARANCE**  
Foreign hospitality statutory checks

**DEA ECONOMIC VETTING**

## CENTRAL EXECUTIVE DECISION

**APPROVAL**

**DENIAL**  
(with reasoned grounds)

## DENIALS AND FEDERAL FRICTIONS

- Allegations of **Political Gatekeeping**
- Impact on **Developmental Initiatives** (e.g., Climate, Technology)
- Strain on **Cooperative Federalism**.



## WAY FORWARD (REFORMS)

- **Transparent and Codified Guidelines**
- **Time-Bound Clearance Mechanism**
- **Utilize Inter-State Council consensus**
- **Specialized Paradiplomacy facilitation wing** (MEA States Division).



# Routine data or citizenship check? Why Census questionnaire sparked concern

Deeptiman Tiwary  
New Delhi, August 21

THE QUESTIONNAIRE for the population enumeration phase of Census 2027 has triggered a political controversy, with the Congress alleging that the inclusion of detailed questions about respondents and their parents could facilitate surveillance and serve a "deeper nefarious purpose". The Left has raised similar concerns.

The controversy follows an August 15 report in *The Indian Express* that several new or modified questions in the Census questionnaire were also part of the National Population Register (NPR) schedule notified in 2020, when the NPR had become contentious amid protests over the Citizenship Amendment Act (CAA) and fears of a nationwide National Register of Citizens (NRC).

## New Census questions, NPR link

The questionnaire has 40 questions, 14 of them new or modified compared with the 2011 Census. Eight of these — national-

ity as declared, father's and mother's particulars, mobile number, Aadhaar, voter ID, passport and driving licence — were also included in the NPR schedule prepared for the 2020 exercise.

The NPR schedule sought the date and place of birth of a person's father and mother, including the district and State and, if they were born outside India, the country. These questions had been at the centre of the political opposition to NPR.

## The controversy

There are two distinct concerns: privacy and the political context in which the NPR was revived.

On privacy, the argument is that Census data has traditionally been collected for population statistics and planning, while the new questionnaire seeks a much wider range of personal information, including details that can identify or link individuals to other government databases. The question is therefore not simply how much data the government collects, but how it is stored, protected and used.



Census officials in Delhi. PRAVEEN KHANNA

The second concern relates to citizenship. The NPR is a register of the country's "usual residents", not a citizenship register. A usual resident is someone who has lived in a local area for at least six months or intends to stay there for the next six months;

this can include a foreigner meeting the residence criterion.

The NPR is, however, linked in law to the process for preparing the National Register of Indian Citizens. The Citizenship (Registration of Citizens and Issue of National Identity Cards) Rules, 2003, provide for preparation of a Population Register and its verification for preparation of the citizens' register. The rules also provide for individuals whose citizenship is considered doubtful to be marked for further inquiry.

This legal connection became politically explosive in 2019-20. The NPR was being revived soon after the CAA was passed and against the backdrop of the NRC in Assam, which had excluded around 19 lakh people. Also, Union Home Minister Amit Shah repeatedly spoke of a nationwide NRC and asked people to understand the "chronology" in which the CAA would be followed by the NRC.

NPR itself was not new. It had first been prepared in 2010 along with the houselisting phase of the 2011 Census and was updated through a door-to-door exercise in 2015.

But this political context fundamentally changed how a previously uncontroversial exercise came to be perceived as one being associated with the possibility of citizenship being questioned.

## What government said in 2020

The government sought to reassure people that the controversial questions on parents' date and place of birth were optional. The government also maintained that NPR was primarily a database of residents intended to improve policy formulation and delivery of welfare schemes. Shah argued that knowing the demographic composition of an area would help governments plan services and identify beneficiaries.

There was, however, a contradiction that contributed to the mistrust. In December 2019, Shah said NPR data would never be used for an NRC and that the two exercises were governed by different laws. But earlier government statements in Parliament and the Citizenship Rules themselves had explicitly linked the Population Register to preparation of the citizens' register.

## Government's need for data

There is a legitimate administrative rationale for collecting detailed demographic data. The government has argued that a comprehensive database of residents can help it formulate policies, plan public services, identify beneficiaries and improve national security. Information drawn from different government databases can also help reduce duplication and discrepancies in records and cut paperwork for citizens.

The NPR was also envisaged as a way of bringing together basic demographic information with details such as mobile numbers and identity documents. Officials said this could make government services more efficient. These are not inherently unreasonable objectives. Nor are NPR and NRC, as exercises in themselves, necessarily "nefarious". The problem in 2019-20 was the timing, as the NPR was revived amid dented public trust and government assurances failing to restore that trust. It explains why questions that might otherwise seem routine are being viewed through the prism of citizenship and surveillance.

- **Key Terms and Explanations**

- **Decennial Census:** A nationwide statistical exercise conducted under the **Census Act, 1948**, aimed at collecting aggregate demographic, socio-economic, and cultural data to facilitate public policy, resource allocation, and delimitation of constituencies. It captures a snapshot of the entire population at a specific point in time without determining legal identity.
- **National Population Register (NPR):** A comprehensive register of **usual residents** of the country, created under the **Citizenship (Registration of Citizens and Issue of National Identity Cards) Rules, 2003** (framed under the **Citizenship Act, 1955**). It gathers both demographic and basic biometric data of every resident irrespective of their citizenship status.
- **Usual Resident:** A person who has resided in a specific local area for the past six months or more, or who intends to reside in that area for the next six months. *Example:* A foreign academic teaching at an Indian university for eight months is legally classified as a "usual resident" for NPR purposes, despite holding foreign citizenship.
- **National Register of Indian Citizens (NRIC/NRC):** A statutory register containing the verified names of all bona fide citizens of India, as mandated under **Section 14A of the Citizenship Act, 1955** (inserted via the 2003 Amendment).
- **Doubtful Citizen ("D-Voter" / Doubtful Status):** A classification under Rule 4(4) of the Citizenship Rules, 2003, empowering local enumerators or verification officers to flag an individual's citizenship during population register verification for scrutiny by local authorities.
- **Data Triangulation and Interoperability:** The technical and administrative capability to cross-reference multiple state databases (e.g., Census/NPR, Aadhaar, Voter ID, driving licences, passports) using unique identifiers, enabling the state to build comprehensive citizen profiles.

- **Main Arguments and Substantive Parts**

- The administrative expansion of the population questionnaire has generated significant debate, balancing modern developmental governance against privacy, legal intent, and civil rights.

- **The Administrative and Welfare Rationale:**

- *Granular Planning and Service Delivery:* High-resolution socio-economic metadata (e.g., parental lineage, permanent documentation) allows policymakers to accurately identify marginalized pockets, streamline direct benefit transfers (DBT), and eliminate leakages.
- *Database Deduplication:* Interlinking administrative registries reduces systemic redundancies, prevents ghost beneficiaries, and lowers documentation burdens for citizens accessing public utilities.
- *National Security and Border Management:* A verified register of residents strengthens internal security tracking and migration monitoring along border regions.

- **The Civil Liberties, Privacy, and Profiling Concerns:**

- *Erosion of the Census Firewall:* The Census Act, 1948 guarantees strict confidentiality of individual responses under **Section 15**, forbidding their use as evidence in legal proceedings. By incorporating identity document fields (Aadhaar, Passport, Voter ID), critics argue this statistical confidentiality is compromised.
- *Surveillance and Mission Creep:* Collecting detailed granular identifiers (such as parental birthplaces and personal identity numbers) creates an architecture for state surveillance and uninhibited cross-database profiling without a dedicated statutory framework.

- **The Citizenship Verification Nexus:**

- *Statutory Link to the NRC:* Under the 2003 Rules, the NPR serves as the preliminary database from which the NRIC is extracted. Inquiring into parental date and place of birth directly mirrors the evidentiary burden required to establish citizenship by descent under Section 3 of the Citizenship Act.
- *Institutional Trust Deficit:* In the wake of large-scale documentation exercises—such as the Assam NRC update which left out over 1.9 million individuals—and debates surrounding the Citizenship Amendment Act (CAA), collecting lineage data in a general population survey sparks apprehensions of selective exclusion.

- **Historical Evolution of the Issue**
- **The Colonial Precedent (1872–1931):** The British Raj introduced the decennial census (systematically from 1881) primarily as an instrument of colonial control and social categorization. It prioritized caste, religion, and tribe to map social hierarchies, embedding institutional communal consciousness rather than verifying individual legal citizenship.
- **Post-Independence Consolidation (1948–1951):** The newly independent Indian state enacted the **Census Act, 1948**, deliberately insulating statistical collection from punitive or legal inquiries. The 1951 Census focused on post-partition rehabilitation, economic planning, and literacy, maintaining an absolute wall between socio-economic data collection and citizenship determination.
- **The Assam Accord and Citizenship Amendments (1955–1985):** While the **Citizenship Act, 1955** originally emphasized *jus soli* (birthplace citizenship), cross-border migration pressures led to the **1985 Assam Accord**. This introduced **Section 6A** into the Citizenship Act, establishing specific cut-off dates for citizenship in Assam and creating the precedent for citizenship registries.
- **Kargil Review Committee and the 2003 Pivot:** Following the 1999 Kargil Conflict, the Kargil Review Committee and the subsequent Group of Ministers recommended mandatory multi-purpose identity cards to secure border governance. This resulted in the **Citizenship (Amendment) Act, 2003**, which:
  - Inserted **Section 14A**, empowering the Central Government to compulsorily register every citizen and issue national identity cards.
  - Framed the **2003 Citizenship Rules**, legally creating the NPR as the base database for the NRIC.
- **Modern Implementations and Recent Dynamics (2010–Present):**
  - **2010 & 2015:** The NPR was first prepared alongside the 2011 Census houselisting phase and subsequently updated via door-to-door enumeration in 2015 with Aadhaar seeding.
  - **2019–Present:** The publication of the final Assam NRC list, the enactment of the CAA 2019, and the proposed inclusion of parental demographic fields in census schedules heightened political scrutiny over whether routine data collection could be weaponized for citizenship audits.
- **Way Forward**
- **Establish a Statutory and Institutional Firewall:**
  - Reaffirm a strict statutory separation between the **Census Act, 1948** and the **Citizenship Rules, 2003**. Statistical demographic data collected to support public welfare must remain legally protected under non-disclosure provisions to preserve public trust in the Census.
  - If citizenship verification is undertaken, it should occur via a standalone, distinct administrative framework rather than being embedded within decennial socio-economic surveys.
- **Operationalize Data Minimization under the DPDP Framework:**
  - Apply the principles of the **Digital Personal Data Protection (DPDP) Act**—particularly *purpose limitation* and *data minimization*—to administrative data gathering.
  - Avoid capturing non-essential parental identity metadata in routine demographic schedules, making fields strictly voluntary if their inclusion lacks direct welfare-targeting necessity.

## KEY TERMS & CONCEPTS



**Doubtful Citizens:**  
Interrogates a population and thronmend for doubtful citizens.



**Usual Residents:**  
Resident with calendar residents and house house osidents.



**Mission Creep:**  
Interoperable state



## ADMINISTRATIVE NEED VS. CIVIL LIBERTIES



Welfare



National Security



## CENSUS

(Decennial Census)



**Statistical aggregate data**  
Census Act, 1948



Everyone present in India



**Confidentiality:**  
Strictly Confidential

## NPR

(National Population Register)



**Register of usual residents**  
Citizenship Rules, 2003



Every *Usual Resident*



**Confidentiality:**  
Shared identity documents

## NRIC/NRC

(National Register of Citizens)



**Verify legal citizenship**  
Citizenship (Amendment) Act, 2003



**Scope:** Citizens only

**Confidentially:**  
Verifiable Citizen List

## MULTIDIMENSIONAL ANALYSIS SUMMARY



**Social**  
Legal legal documents and commend legal documents.



**Political**



**Legal**  
Puttaswamy doctrine, law book



**Ethical**

Handshake with rules to compass, commentational documents



**Economic**

Fiscal cost, documentation documentation bundle



**NPR**  
[USUAL RESIDENTS]



**Verification & Scrutiny**  
(By Local Authorities)

NPR data can be be used to prepare NRIC data to as usoit to prepare NRIC know the process in to one how maxus data can be used to prepare NRIC

**CITIZEN LIST**  
(NRIC/NRC)



**D-VOTER LIST**

## WAY FORWARD: PRACTICAL REFORMS

- Statutory separations for data confidentiality.
- DPDP Act alignment for data minimization.
- Inter-State Council dialogue for federal consensus.
- Standardized objective verification protocols.



Surveillance



Documentation Burden

INDIA HAD IMPOSED RESTRICTIONS ON INVESTMENTS FROM CHINA THROUGH PN3 IN APRIL 2020

# FDI policy rejig for border nations spur Rs 5k cr investment: DPIIT

Ravi Dutta Mishra  
New Delhi, August 21

A REJIG in India's foreign direct investment (FDI) policy earlier this year has attracted offshore investment proposals worth Rs 4,895.65 crore till August 20, the Ministry of Commerce and Industry said on Friday. In March, the government had allowed foreign entities with non-controlling beneficial ownership from land bordering countries of up to 10% to invest in India.

"A total of 29 FDI investments have been reported under the revised framework up to August 20, 2026, involving proposed FDI of Rs 4,895.65 crore. These investments span a range of sectors, including information technology, artificial intelligence, information & communication, manufacturing, pharmaceuticals, data centres and transport services, among others," the Commerce and Industry Ministry on Friday said.

The ministry said that the 29 investments have been "reported by investors/entities" based in jurisdictions including

Mauritius, the United States, the Republic of Korea, Japan, Singapore, Luxembourg and the Cayman Islands. Earlier, foreign investors with beneficial ownership from land bordering countries (LBCs) of India were required to obtain prior government approval under Press Note 3 (PN3) of 2020, even where such LBC ownership was very small.

The government also approved a 60-day deadline for clearing investment proposals from LBCs, including China, for capital goods, electronic capital goods, electronic components, polysilicon and ingot-wafer for solar cells.

Under the revised investment norms, the majority shareholding and control of the investee entity will be with resident Indian citizen(s) and/or resident Indian entity(ies) owned and controlled by resident Indian citizen(s), at all times, an official release of the Cabinet decision had said.

India had imposed restrictions on investments from China through PN3 in April 2020, making government approval mandatory for invest-



The Centre had approved a 60-day deadline for clearing investment proposals from land bordering countries. REUTERS

ments from countries sharing a land border with India.

The move was aimed at preventing opportunistic takeovers during the Covid-19 pandemic and had remained in force amid heightened national security concerns following the Galwan clash later that year.

The PN3 was primarily meant for Chinese investors, as entities of Bangladesh and Pakistan can invest only under the

government route, while investments from other bordering countries such as Nepal, Myanmar, Bhutan, and Afghanistan are very small as a share of India's total foreign investment inflows.

In one of the first major approvals to Chinese investment in a strategic sector, the Centre in July had cleared a joint venture between Dixon Technologies (India) Limited and Vivo

Mobile India Limited (VMI) for manufacturing electronic devices and smartphones in the country, a BSE (Bombay Stock Exchange) filing showed.

The finance ministry in July had also allowed four Chinese power equipment manufacturing companies with factories in India to participate in government tenders for critical power projects. The four firms — TBEA Energy, Nanjing Electric India, New Northeast Electric India and Taikai Electric (India) — have been exempted from the provisions of the public procurement rules, which require entities from countries sharing a land border with India to register with the relevant Indian authority to be eligible to bid in the procurement of goods, services or works.

All four firms manufacture key power sector equipment such as transformers, wires, high-voltage switchgear and gas-insulated switchgear, which are used in transmission lines. On its website, New Northeast Electric India shows at least 11 transmission line projects across India.

- **Key Terms and Explanations**

- **Foreign Direct Investment (FDI):** An investment made by a firm or individual in one country into business interests located in another country. Unlike portfolio investments, FDI establishes direct control or significant influence over the foreign business operations.
- **Press Note 3 (PN3) of 2020:** A regulatory notification issued by the Department for Promotion of Industry and Internal Trade (DPIIT) under the Foreign Exchange Management Act (FEMA). It made prior government approval mandatory for any foreign investment originating from or having beneficial ownership in countries that share a land border with India.
- **Land-Bordering Countries (LBCs):** Countries sharing contiguous terrestrial boundaries with India, namely China, Pakistan, Bangladesh, Myanmar, Nepal, Bhutan, and Afghanistan. In economic statecraft, this categorization acts as a screening perimeter for national security.
- **Beneficial Ownership:** The natural person or ultimate entity who enjoys the economic benefits of ownership, control, or voting rights of an enterprise, even if the legal title is held under another name, intermediate holding company, or pooled investment vehicle.
- **Non-Controlling Beneficial Ownership:** An equity stake (such as a passive holding of up to 10%) that allows financial participation without granting managerial authority, board representation, veto power, or strategic control over the investee firm.
- **Opportunistic Takeovers:** The acquisition of domestic assets or corporations by foreign entities at discounted valuations during economic downturns, liquidity crunches, or global disruptions.
- **Public Procurement Screening Norms:** Rules governing public tenders that restrict or mandate specialized security clearances for bidders from land-bordering nations before they can supply critical infrastructure equipment.

- **Main Arguments and Substantive Parts**

- The evolving investment framework reflects a calculated shift from broad-brush restrictions toward a targeted, security-vetted economic policy designed to plug domestic manufacturing gaps without compromising national sovereignty.
- **Calibrated Liberalization for Strategic Capital:** Permitting up to a 10% non-controlling beneficial ownership threshold from land-bordering nations allows global private equity and venture capital funds—which often pool minor capital from diverse international limited partners—to invest smoothly in India.
- **Targeting High-Priority Supply Chain Gaps:** Fast-tracking approvals within a fixed 60-day window for critical segments like capital goods, electronic components, polysilicon, and solar ingot-wafers addresses severe domestic supply bottlenecks that impede major initiatives like the Production Linked Incentive (PLI) schemes.
- **Strict Domestic Control as a Prerequisite:** Retaining mandatory majority shareholding and corporate control in the hands of resident Indian citizens ensures that strategic decision-making and operational sovereignty remain strictly within domestic jurisdiction.
- **Pragmatic Carve-Outs for Critical Infrastructure:** Permitting domestic manufacturing subsidiaries of foreign equipment makers to bid for key power transmission projects (such as high-voltage and gas-insulated switchgears) prevents project delays in India's expanding energy grid.
- **Counterarguments and Strategic Concerns:**
  - *Security Vulnerabilities:* Critics argue that even minority stakes or equipment integration in sensitive sectors like telecommunications, artificial intelligence, and power transmission could introduce latent cyber-surveillance risks and backdoors.
  - *Domestic Competitiveness:* Lingering concerns remain that selective easing could disincentivize long-term domestic self-reliance (Atmanirbharta) by reviving dependencies on lower-cost foreign component ecosystems.

- **Historical Evolution of the Issue**

- **Pre-1991 Era (Regulatory Protectionism):** Under the Foreign Exchange Regulation Act (FERA), foreign investments faced rigid caps and strict administrative controls, reflecting an import-substitution industrialization model.
- **Post-1991 Liberalization to 2014 (Market Opening):** Economic reforms opened automatic investment routes across key sectors, transitioning regulatory oversight to the Foreign Exchange Management Act (FEMA) and establishing the Foreign Investment Promotion Board (FIPB).
- **2014–2019 (Global Supply Chain Integration):** FIPB was abolished in 2017 to streamline ease of doing business. Foreign capital, particularly venture capital from neighboring economies, expanded rapidly across India's digital startup ecosystem, electronics assembly, and renewable energy sectors.
- **2020 Turning Point (The Securitization Phase):** Amid pandemic-induced market volatility and heightened geopolitical friction along northern borders, India introduced Press Note 3 in April 2020. This mandate subjected all investments from land-bordering states to mandatory inter-ministerial screening, freezing inflows and stalling joint ventures.
- **2021–2023 (Supply Chain Bottlenecks):** While blanket curbs protected domestic firms from hostile takeovers, they created operational challenges for domestic electronics, pharmaceutical active pharmaceutical ingredients (APIs), and solar cell manufacturing units that relied heavily on upstream components and specialized capital machinery.
- **2024–Present (Calibrated De-risking):** Recognizing that complete decoupling imposes significant economic costs, policy shifted toward "de-risking." Reforms introduced non-controlling minority ownership allowances (up to 10%), time-bound clearance timelines, and joint-venture frameworks led by domestic firms.

- **Way Forward**

- **Institutionalizing Tiered Risk-Based Screening:** Establish a granular, sector-specific classification system. Critical sectors (telecom, artificial intelligence, power grids, quantum computing) should undergo comprehensive security vetting, while standard consumer goods and industrial components can use an expedited processing track.
- **Strengthening Beneficial Ownership Vetting via Digital Tracking:** Integrate corporate database registries with international financial intelligence units to trace beneficial ownership through multi-layered holding entities, preventing opaque capital rerouting.
- **Promoting Value-Added Joint Ventures:** Encourage joint ventures where domestic companies retain controlling equity, board control, and management authority. This secures domestic leadership while transferring critical process knowledge and operational expertise.
- **Setting Up Domestic Testing and Certification Labs:** Build accredited, world-class testing facilities to screen imported capital equipment, switchgears, and power components for embedded malware, hardware trojans, or firmware backdoors before deployment.
- **Strengthening Long-Term Upstream Self-Reliance:** Use targeted foreign capital as a temporary bridge to build indigenous capacity in polysilicon ingots, wafer fabrication, and high-voltage electrical hardware, reducing long-term dependence on single-source supply chains.



# AXIA

# AXIA

## IAS ACADEMY

RISE ABOVE THE REST

## COMPREHENSIVE ANALYSIS: INDIA'S EVOLVING FDI POLICY REJIG FOR BORDER NATIONS

### THE FDI POLICY PIVOT: FROM CURBS TO DE-RISKING

#### BEFORE: PN3 (2020) BLANKET RESTRICTIONS



- STRICT GOVERNMENT APPROVAL REQUIRED
- CONCERNS: OPPORTUNISTIC TAKEOVERS (COVID)
- POST-GALWAN NATIONAL SECURITY



#### AFTER: CALIBRATED REJIG (POST-2024)



- ✓ FAST-TRACK APPROVAL (60-DAY DEADLINE)
- ✓ LIMITED BENEFICIAL OWNERSHIP (NON-CONTROLLING <10%)
- ✓ MAJORITY RESIDENT INDIAN CONTROL
- ✓ STRATEGIC SECTOR CARVE-OUTS

### WAY FORWARD: POLICY RECOMMENDATIONS

TIERED  
RISK-BASED  
SCREENING

ENCOURAGING  
VALUE-ADDED JVs  
WITH DOMESTIC  
CONTROL

STRENGTHENING  
BENEFICIAL  
OWNERSHIP  
TRACKING

ESTABLISHING  
DOMESTIC TESTING &  
CERTIFICATION LABS

FOSTERING  
LONG-TERM  
SELF-RELIANCE  
(ATMANIRBHARTA)

### DATA HIGHLIGHTS: POST-REJIG FDI PROPOSALS



TOTAL FDI:  
Rs 4,895.65  
CRORE



INVESTMENTS:  
29 PROPOSALS



INFORMATION  
TECHNOLOGY & AI

Approved Firms: • TBEA  
Mahka Energy, BBSCI, India



ELECTRONICS  
MANUFACTURING

Approved Firms: • TBEA Energy,  
• Nanjing Electric India



CRITICAL POWER  
EQUIPMENT  
(TRANSFORMERS,  
SWITCHGEARS)

### MULTIDIMENSIONAL IMPACT ANALYSIS



#### [ECONOMIC]

- PLI support
- Component supply chains
- De-risking



#### [POLITICAL]

- National strategic autonomy



#### [LEGAL]

- Beneficial ownership tracing
- Compliance



#### [ETHICAL]

- Responsible tech stewardship
- Data protection



#### [INTERNATIONAL]

- "China+1" diversification
- WTO compatibility



#### [SOCIAL]

- Job generation
- Skill development



# Remembering Niketu Iralu: Peace activist, bridge between Nagas, mainland India



THE  
NEERJA  
CHOWDHURY  
COLUMN  
WEEKLY INSIGHT INTO WHAT'S CHANGING  
IN NATIONAL POLITICS - AND WHY

WE WORK with people professionally all our lives, but it is only a few who really touch us in a meaningful way. Niketu Iralu from Nagaland, who died in a hospital in Delhi on August 18 at the age of 91, was such a figure who touched the lives of countless people he met.

Niketu belonged to a prominent Nagaland family — his father Seville Iralu was among the first Naga doctors and his maternal uncle Angami Zapu Phizo led the Naga National Council (NNC) which declared Nagaland's independence on August 14, 1947. He, however, chose another path — and came to be known as a peace activist dedicated to the pursuit of solutions through non-violence, dialogue and reconciliation.

As news spread of the death of "uncle Niketu" as he was popularly known, social media

was flooded with glowing tributes. Hundreds gathered at the Dimapur airport to pay their last respects as his body arrived from Delhi. People lined up at the roadside villages to say a final farewell as the convoy made its way to his home, *Kerunyu Ki* or "The House of Listening", in Sechu Zubza in Kohima district, where many had sought wisdom and healing touch from him.

I met Niketu Iralu in Delhi first in the mid-1960s. He became my introduction to the Northeast. In 1968, he took me and Kalpana Sharma, both aspiring journalists then, to Chedema perched on a hilltop surrounded by lush green vegetation, not far from Kohima. A peace camp had been set up there which had negotiated a ceasefire in 1964 between the rebel Naga Federal Government and the Government of India, kindling hopes of a resolution after years of insurgency by those demanding a sovereign Naga state.

For the first time I got a glimpse into the history of the Naga struggle and their aspirations, and the challenges facing the Indian government — a conflict which has not yet

found a solution though a new ministerial panel was formed by the Centre last week to take forward the stalled talks. Our Chedema visit was a discovery of the colourful tapestry of tribes and communities that make up the Northeast region — a confluence of diverse races, a gateway to Southeast Asia connected to the rest of India by a narrow "chicken's neck".

We experienced the Nagas' incredible hospitality, and saw the amazing community spirit of a clan. This was visible even as Niketu lay in a Delhi hospital during his last days, with many nieces and nephews who had accompanied him and his wife Christine — a city girl from Mumbai who made the Naga hills her home — to the national capital for his treatment. They took care of him round the clock, along with his son Kevipulie.

## Niketu's long journey

The life of Niketu ran parallel to the saga of modern Nagaland. He would recall the time when the Japanese Army invaded Nagaland in 1944 during the Second World War. Their village Khonoma was run over by the invaders, forcing them to escape

to the forest. One day, Niketu and his brother were fishing in a stream when they suddenly found the Japanese soldiers bathing nearby. He looked straight into their eyes and ran in the opposite direction, through the thorny bushes.

When his mother and a teenaged sister went back to their home in Khonoma to pick some provisions, they found a Japanese soldier helping himself to a Naga shawl. Incensed, his sister slapped the soldier. His mother was petrified about what the soldier would do. But he just bowed slightly, and left. Recalling the incident years later, Niketu said: "Maybe he also had a sister back home."

The Japanese retreated after the battle of Kohima. Had they not been halted, they might have reached the Brahmaputra valley and then on to mainland India — and history would have been written very differently. The words at the Kohima War Cemetery, which Niketu took us to visit, were to stay with me for a long time: "When you go home, tell them of us and say, for their tomorrow, we gave our today."

In many ways, Niketu came to be a bridge between the Naga



NIKETU IRALU  
1935-2026

people and the rest of India. When Phizo died in April 1990 in London, Niketu was asked by the NNC leaders to help them get his body back to India. Phizo had been in exile since 1960 when he left for the UK to mobilise world opinion for the Naga cause.

The V P Singh government was then at the helm in Delhi. Rajmohan Gandhi, grandson of Mahatma Gandhi, was a Janata Dal Rajya Sabha MP, and Niketu's friendship with him went three decades back as they had worked together in an or-

ganisation, Initiatives of Change, to bring about social transformation through "personal change".

The Janata Dal-led government was worried that bringing back Phizo's body might lead to violence in Nagaland. Rajmohan told PM Singh and Union home minister Mufti Sayeed, "Let the Nagas grieve as much as they want. If we don't allow that, then there might be violence." Finally, they agreed.

The then finance minister Madhu Dandavate, who used to start his day early, met Rajmohan and Niketu at 5 am at his residence. Niketu told him he did not need money, which the Nagas had collected, but only foreign exchange clearance. Rajmohan received Phizo's mortal remains and Niketu at the Palam airport's technical area. The casket was immediately shifted to a Home Ministry plane which took the group to Kohima where the funeral was held.

One of the enduring images I have of Niketu is of him getting out of a Maharashtra state transport bus in which our group were travelling, and rushing to a wash room at a village stop — cleaning it with water and bare

hands, for all of us to use. The gesture reflected his care, and respect, for other people.

Humour and music were his language, and it endeared him to the young and old alike.

He used to describe his first encounter with mainland India when he left for Madras Christian College in the 1950s for studies. "When I reached Kolkata... the number of people trying to board the train made me say to myself we have no chance to survive in this — India, which has so many people!" Even on his hospital bed a day before he passed away, he joked about the balding head of one of his old friends who had rushed from Pune to see him, and then chugged onto his hand. While deeply committed to his people, he had befriended many across India.

A Naga elder associated with many prominent organisations in the Northeast, who was recipient of several prestigious awards including the Bhupen Hazarika Integration Award, Niketu's work deepened the idea of peace and reconciliation today in the midst of spiralling global conflicts. This was summed up in a

tribute in Ukhrul Times by a young writer Markson V Luikham, who never met him but was in touch with him on the phone and through emails.

"He was a deeply human man who spent decades asking Nagas to... confront their failures, resist hatred and recover the courage to listen." Niketu did not see reconciliation as weakness, he wrote, adding that to him moral courage also involved "telling one's own side what it does not want to hear".

When she heard of his passing away, a Parsi friend of Niketu, sitting far away in London, decided to honour his memory by singing to herself a song he loved: "Kohima, all night the stars salute you, your forests dark and towering hills above, deep in our hearts, though far away and few, we yearn for home, a land we love."

And now he lies in rest, forever under those Nagaland stars, as he wanted to, in the garden of his house in Sechu Zubza.

Neerja Chowdhury,  
Contributing Editor,

The Indian Express, has covered the last 11 Lok Sabha elections. She is the author of 'How Prime Ministers Decide'

- **Key Terms and Explanations**
  - **Naga National Council (NNC):** A political organization formed in 1946 that initially articulated the political identity of the Naga people. Under the leadership of Angami Zapu Phizo, it declared unilateral Naga independence on August 14, 1947, and led an armed resistance against integration with the Indian Union.
  - **Siliguri Corridor ("Chicken's Neck"):** A narrow geopolitical land corridor in West Bengal, measuring roughly 20 to 22 kilometers at its narrowest point. It forms the sole land bridge connecting mainland India with the eight states of the Northeast, making it a critical strategic vulnerability and a vital logistical lifeline.
  - **Initiatives of Change (Moral Re-Armament - MRA):** An international, non-governmental peace network focused on personal transformation, moral courage, and restorative justice. It emphasizes that systemic political conflicts can be resolved when individuals and communities practice self-reflection, acknowledge past missteps, and engage in empathetic dialogue.
  - **Article 371A of the Indian Constitution:** A special constitutional safeguard inserted via the 13th Constitutional Amendment Act (1962). It mandates that no Act of Parliament regarding religious or social practices, customary law, civil/criminal justice administration, or ownership/transfer of land in Nagaland shall apply unless approved by the Nagaland Legislative Assembly.
  - **Restorative Justice and *Kerunyu Ki* ("House of Listening"):** An indigenous, community-centric model of peacebuilding centered on open dialogue, mutual vulnerability, and active listening. Rather than relying on punitive state measures, it fosters conflict resolution through truth-telling, collective healing, and social reconciliation.
- **Main Arguments and Substantive Parts**
  - The struggle for regional stability in the Northeast highlights that lasting peace in prolonged ethnic insurgencies cannot be secured solely through military deterrence, state power, or elite legal pacts. Genuine conflict transformation requires moral courage, civil society leadership, and deep internal reconciliation within fractured societies.
    - **The Power of Moral Courage Over Rhetorical Blame:** Sustainable peace requires ethnic communities to look inward, acknowledge their own factional violence, and confront hard internal truths rather than exclusively attributing all grievances to the central state apparatus.
    - **Human Dignity and Symbolic De-escalation:** The handling of historical rebel leaders—such as permitting the mortal remains of A.Z. Phizo to return to his ancestral homeland in 1990—demonstrates that respecting collective grief and cultural dignity diffuses tension far more effectively than state coercion.
    - **Bridging the Emotional Chasm:** The alienation between the Northeast and mainland India is fundamentally psychological, stemming from mutual historical ignorance and geographic isolation. Lasting integration depends on sustained cultural exchange, empathetic listening, and shared national solidarity.
    - **Limitations of Top-Down Peace Pacts:** Formal political accords remain vulnerable if they bypass grassroots societal consensus, fail to dismantle parallel extortion networks, or leave inter-tribal and factional trauma unaddressed.

- **Historical Evolution of the Naga Issue**
  - **Colonial Period and the Simon Commission (1881–1947):** Following British annexation of the Naga Hills, the colonial administration maintained a policy of non-interference in tribal customary affairs. In 1929, the Naga Club submitted a historic memorandum to the Simon Commission demanding that Nagas be excluded from constitutional reforms to maintain their traditional autonomy upon British departure.
  - **Post-Independence Insurgency and Statehood (1947–1963):** Following the NNC's unilateral declaration of independence in 1947 and a subsequent plebiscite in 1951, armed hostilities erupted between the Naga Federal Army and Indian security forces. In response to moderate Naga demands, the Government of India enacted the 13th Amendment, carving out the full-fledged State of Nagaland in 1963 with Article 371A protections.
  - **Peace Missions and the Shillong Accord (1964–1975):** The 1964 Peace Mission (featuring Jayaprakash Narayan, Bimala Prasad Chaliha, and Rev. Michael Scott) achieved a temporary ceasefire at the Chedema Peace Camp. However, the 1975 Shillong Accord—where a section of NNC leaders accepted the Indian Constitution and surrendered weapons—was rejected by hardliners, calling it a capitulation.
  - **Rise of the NSCN and Prolonged Insurgency (1980–1997):** Isak Chishi Swu, Thuingaleng Muivah, and S.S. Khaplang formed the National Socialist Council of Nagaland (NSCN) in 1980 to pursue a sovereign, pan-Naga homeland (*Nagalim*). The group later fractured in 1988 into NSCN-IM and NSCN-K, leading to intense factional warfare alongside counter-insurgency operations.
  - **Bilateral Ceasefires to the Framework Agreement (1997–Present):** The 1997 ceasefire with NSCN-IM shifted the conflict from active guerrilla warfare to prolonged political negotiations. Landmark milestones include the 2015 Framework Agreement with NSCN-IM and the 2017 Agreed Position with seven Naga National Political Groups (NNPGs), though final implementation remains complicated by disputes over a separate constitution (*Yehzabo*) and flag.
- **Way Forward**
  - **Broadening the Peace Architecture Beyond Armed Factions:** Formal negotiations must expand beyond armed insurgent groupings to formally integrate civil society platforms, including tribal Hohos, the Naga Mothers' Association, church leadership, and youth representatives, preventing elite capture of peace accords.
  - **Constitutional Pragmatism on Cultural Demands:** Address contentious symbolic issues—such as the demand for a separate flag and constitution—by institutionalizing cultural flags for customary functions and incorporating customary codes into an expanded Article 371A schedule, maintaining constitutional integrity while acknowledging cultural distinctiveness.
  - **Dismantling Parallel Economies and Illegal Extortion:** The central and state governments must coordinate to enforce ceasefire ground rules strictly, shutting down unauthorized camps, curbing parallel tax systems, and offering comprehensive rehabilitation and livelihood packages for demobilized cadres.
  - **Upgrading Border Security and Act East Integration:** Enhance surveillance along the unfenced segments of the Indo-Myanmar border with smart border management technologies, while expanding the infrastructure of the Kaladan Multi-Modal and India-Myanmar-Thailand Trilateral Highway to drive legitimate commerce.
  - **Phased Review of Exceptional Security Laws:** Link the phased withdrawal of the Armed Forces Special Powers Act (AFSPA) to verifiable improvements in local security conditions, building civilian trust and consolidating grassroots peace dividends.

# THE NAGA ISSUE: COMPREHENSIVE ANALYSIS & REGIONAL RECONCILIATION

Insight from Niketu Iralu's Legacy: Peace as Inner Healing



## HISTORICAL EVOLUTION



Pre-independence



## KEY TERMS & EXPLANATIONS

- NNC (Naga National Council)**  
Naga National Council esords to onoff angami saista, Niglo and Ridist imtrimatsuary
- Angami Zapu Phizo:**  
Prominent leader, peacemaker, and bridge of reconciliation.
- Kerunyu Ki (House of Listening)**  
House of Listening violms listeruniny, angami and roarh of listening
- Initiatives of Change:** (initiatives allected, MRA has onge comimitess to angami and reaording sity its nansy militior

**Siliguri Corridor:**  
Narrow neck in a the narrow neck of the centre of the merrcum of the Siliguri Corridor



## MULTIDIMENSIONAL ANALYSIS



## UPSC CSE SYLLABUS & NCERTS

**UPSC CSE LINKAGES**  
GS Paper 1: Regionalism, Society  
GS Paper 2: Federalism  
GS Paper 3: Internal Security, extremism  
GS Paper 4: Ethics in Conflict Resolution  
**ESSAY**

**NCERT LINKAGES**  
**Pol. Sci. Class XII:** Regional Aspirations  
**Sociology Class XII:** Social Movements

## WAY FORWARD

**Broadening Peace Talks Beyond Faction**  
as practical honmel, balanced solutions.



**Final Political Settlement**  
**AFSPA Phased Withdrawal Review**

## PYQ CORNER

**UPSC CSE (Prelims & Prelims & Mains)**  
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**UPSC CSE (Prelims & Prelims & Mains)**  
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