DTU CENTRAL LIBRARY

EDITORIAL INSIGHT

COMPILATION OF THE EDITORIAL OF BUSINESS STANDARD, BUSINESS LINE, THE ECONOMIC TIMES, MINT

TABLE OF

Contents

businessline.

bl.portfolio

02 Sep 2025

Tianjin tango

Modi-Putin-Xi dynamics sends strong message

The bonhomie and good cheer, even if only for the cameras, was unmistakable. The Shanghai Cooperation Organisation (SCO) that held its summit in Tianjin in China over the last two days was eclipsed by the Modi-Xi and Modi-Putin meetings. The three leaders have left no one in any doubt that they intend to present a united front to President Trump, if not necessarily the US.

The US President, who had set out to take on Presidents Putin and Xi, has ended up taking on Prime Minister Modi — who has responded by making common cause with the first two. By coming together, the three leaders have sent out a powerful signal to Trump, even if concrete on-ground moves flowing from the meetings will have to be awaited. The Indian signalling, via no less than a visit by the Prime Minister, has been so strong that the US embassy in India put out tweets on Monday morning saying how good India-US relations are and how the relationship is growing in strength. This surely comes as a surprise, after the remarkable and sustained belligerence from the White House and its close aides in recent weeks. Even so, it would be naive to assume that India has moved closer to China, or that its ties with the US have been ruptured beyond repair. As for Russia, as this newspaper had noted earlier, bilateral relations have been cordial, notwithstanding some predictable ups and downs. Russia has stood by India economically, diplomatically and militarily for 70 years. India has reciprocated to the extent it can.

It's the relationship with China, however, that is a problem. There are two major sticking points. One is, of course, the boundary question. The other is China's strategy of using Pakistan as a counter to India. The former has remained unresolved for 70 years. The latter started in 1965 when Pakistan attacked India. Given this, it must be a matter of deep satisfaction to the Indian delegation that the SCO summit acknowledged terrorism and the attack in Pahalgam by Pakistani terrorists. At the SCO Defence Ministers meeting in June, Defence Minister Rajnath Singh had refused to endorse the joint declaration as it failed to mention the Pahalgam attack.

As to the boundary question it has always been China's stand that it should be delinked from trade and investment between the two countries. By 2010 India had accepted this but in 2018 it was China that reignited the boundary issues. It has now decided to revert to the pre-2018 position. This is also a very positive outcome for India. But what happens next is not clear. Much will depend on whether China lifts its embargo on the

and militarily for 70 years. India has reciprocated to the extent it can.

It's the relationship with China, however, that is a problem. There are two major sticking points. One is, of course, the boundary question. The other is China's strategy of using Pakistan as a counter to India. The former has remained unresolved for 70 years. The latter started in 1965 when Pakistan attacked India. Given this, it must be a matter of deep satisfaction to the Indian delegation that the SCO summit acknowledged terrorism and the attack in Pahalgam by Pakistani terrorists. At the SCO Defence Ministers meeting in June, Defence Minister Rajnath Singh had refused to endorse the joint declaration as it failed to mention the Pahalgam attack.

As to the boundary question it has always been China's stand that it should be delinked from trade and investment between the two countries. By 2010 India had accepted this but in 2018 it was China that reignited the boundary issues. It has now decided to revert to the pre-2018 position. This is also a very positive outcome for India. But what happens next is not clear. Much will depend on whether China lifts its embargo on the
sale of items that are important to Indian industry such as rare earth minerals, tunnel boring machines and fertilizers. Even if it does, its tendency to use trade as a weapon of coercion has a long history, as countries like Japan and Australia can testify. In sum, so far so good because Trump has been put on notice that India has other options. That badly needed to be done. Meanwhile, an interesting set of optics, engaging India no doubt, will unfold on the global stage in the near future.

businessline.

bl.portfolio

02 Sep 2025

ASHIMA GOYAL

REUTERS

How to respond to external shocks

COUNTERING TARIFFS. Diversify trade across many countries, provide credit warranties and interest subsidies to firms, allow lenders to roll over loans

Indian exports affected by US double tariffs are less than 1 per cent of GDP because of a low aggregate value of about 2 per cent of GDP as well as exempt categories. Therefore, India can resist being pushed. Strategic autonomy is important. Even so, the US is one of the very few countries we have a trade surplus with and employment intensive MSMEs are disproportionately affected.

But we know what to do. Timely but time limited support for MSMEs worked very well post-pandemic and needs to be made available again. Liquidity on easy terms, allowing lenders to roll over loans without declaring them as NPAs for a year, credit warranties and interest subsidies from the government will give firms time to find other buyers without having to close down or lay off workers. Sunset clauses prevent moral hazard. Budgetary impact was minimal as a robust recovery set in for eligible firms. Very little of the warranties and restructuring help made available was actually required. Therefore such help is consistent with the continued fiscal consolidation that is already reducing interest spreads and borrowing costs.

GOVT HAS MAJOR ROLE

Domestic diversity helped the economy do well after the pandemic. This has to be built into trade also, diversifying engagement across many countries, without excluding the US. The government has a major role in enabling this. Doing business and creating common interests will help reduce other disagreements. And not being overly dependent on any one country reduces its ability to force concessions.

Our size and growth give us bargaining power, but it rises with domestic capabilities and strength. Reform, therefore, must focus on enhancing these. Removing irritants for business just at the central level is inadequate. All tiers of government have to reform — and everyone becomes more willing to pull together under an unfair external threat. While regulatory power is minimal at the third tier, multiple agencies with overlapping powers and obstructive political demands are common.

Perhaps operating procedures and task-mappings in municipalities that work well could be more broadly publicised and adopted. China gave incentives to local leaders, encouraging decentralised initiatives and competition. In our system of many parties is it possible to reward corporators if their area meets objective criteria? That voters now want results makes it a political target.

Stellar 7.8 per cent growth in Q1 shows that liquidity infusion and revival of government investment were able to reverse the cyclic slowdown that set in Q3 last year. That private consumption grew at 7 per cent despite slowing credit card and MFI lending as risk weights rose, suggests consumption growth is not debt driven but a result of employment and income rising after a period of sustained growth. Rural wages have also risen for the past few quarters.

These data-points underline again the importance of protecting growth from shocks. Core inflation is likely to remain soft as more export surplus finds its way into the domestic markets. There are signs growing competition from regional players is restraining MNC profit margins. Monetary policy still has space that it must use to support the counter-cyclical stimulus. Interest rates work with a lag and real rates are still above equilibrium because expected trend inflation, looking through base effects, is running at below 4 per cent.

Trend inflation below target implies output below potential. While reforms raise potential output, monetary policy has to help output to reach that potential, especially in view of shocks to export demand. Government attempts to raise potential output are nullified if monetary policy remains restrictive. This may force the government to reverse consolidation. Markets already fear this. Tight monetary and loose fiscal policy are not optimal in Indian conditions.

> While reforms raise potential output, monetary policy has to help output to reach that potential, especially in view of shocks to export demand

MARKET INTERPRETATION

Markets have interpreted a neutral stance to indicate that there will be no more cuts and partly as a result the 10-year G-Secs yield has risen above 6.5 per cent in end-August. Long rates are the ones that matter for the real sector so this steepening of the yield curve reduces monetary pass through. A rate cut in October would underline that a neutral stance means a data-based response in either direction as required.

Another possible reason for rising long-term yields is a rise in risk perceptions with excess volatility in exchange rates. While the rupee is market determined, the RBI has long successfully intervened against perception driven excess volatility that can cause persistent real misalignment. In the early 2010s when the RBI said forex markets are too large to intervene, the rupee sank. Such misperceptions must be avoided.

There is a view that surplus liquidity provides more stimulus than rate cuts would. But inflation targeting mandates the RBI to keep its short rate instrument at the repo. It has the tools to do so, even with excess liquidity. While liquidity is better somewhat in excess in Indian conditions, too much leads to uncertainty and perverse incentives for markets. NBFCs have the temptation to borrow at low short rates and lend long creating asset-liability mismatches. Banks may lower lending standards to place loans. Excess liquidity infusions should be self-limiting as they were post-pandemic.

In all economies, as in India, high growth raises corporate profits, cash balances and savings. China could direct this into investment. Sustained infrastructure investment supported their steady catch-up growth.

Here corporate physical investment and R&D expenditure remain inadequate. Carrots as well as sticks are required in India. Such a package can be designed. For example, firms may be given three options, of which they can choose any one or a mix: First: Invest or spend 10 per cent of PBT on R&D. Second: Put it in designated infrastructure bonds or funds. If neither, then the default option: It goes as tax to the government to build a platform for a pipeline of ready Central/State infrastructure projects.

The initiative could be called corporates for the future. They have to get future ready and helping the country to do will also help them. This is the time for everyone to pull together.

The writer is Emeritus Professor, IGIDR

businessline.

bl.portfolio

02 Sep 2025

Decoding the new income tax law

Updated rules on deductions, marginal relief, and pre-construction interest come into effect from April 2026

bl.explainer

Nishanth Gopalakrishnan

The Income Tax Bill, 2025 — popularly known as the 'new I-T Bill' — has been passed by both Houses of Parliament and received the President's assent on August 21, officially making it an Act. It is all set to come into force from April 1, 2026.

This is the second draft of the Bill that has been passed, following the withdrawal of an earlier draft by the Finance Ministry to make changes recommended by a Select Committee of the Lok Sabha. Amidst the rigmarole, taxpayers seem to have certain questions regarding the new legislation.

Why was the initial draft of the I-T Bill withdrawn?

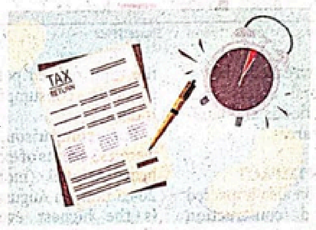
According to Neeraj Agarwala, Partner, Nangia & Co LLP, "The new Income Tax Bill was initially withdrawn to correct drafting inconsistencies and to carefully consider the feedback received from various stakeholders. For example, in the first draft, taxpayers were required to file their return on or before the due date of original filing, in order to claim refund. While it did allow filing a belated return, this condition was considered restrictive when compared to the provisions under the existing Income Tax Act, 1961 (ITA). To address such issues, the draft was sent back for revision, and the Parliamentary Select Committee recommended several changes that were subsequently incorporated into the new version."

What are the key changes proposed in the revised version?

According to Agarwala, "Among the important modifications was the treatment of pre-construction interest deduction. The earlier draft permitted this deduction only for self-occupied property, whereas the ITA extends the benefit to both self-occupied and let-out properties. The revised version has corrected this anomaly."

Another important correction relates to the rebate under Section 87A. Under the ITA, marginal relief is available to resident individuals under the new tax regime if their total income exceeds ₹12 lakh. This safeguard was missing in the initial draft but has been reinstated.

Similarly, the ITA provided taxpayers with the facility to obtain both lower TDS and nil-TDS certificates, albeit for specified receipts. The first draft of the Bill failed to explicitly recognise nil-TDS certificates, which has now been addressed.



NEW AVATAR. Drafting inconsistencies corrected, feedback considered ISTOCK.COM

How does advance nil-TDS certification help?

"An advance nil-TDS certificate helps a taxpayer by preventing unnecessary tax deductions at source when the income is either exempt from tax or the total tax liability is expected to be nil. Without such a certificate, the payers are obligated to withhold TDS, often creating a situation where the taxpayer has to claim a refund while filing the return, leading to cash flow issues.

"By obtaining a nil-TDS certificate in advance, the taxpayer ensures that no tax is deducted at source, thereby improving liquidity, and aligning the actual tax deducted with their final liability," says Agarwala.

What are the changes proposed i[n] commuted pensions or lumpsum pension payments received by some individuals?

In fact, there are no changes proposed [in] this regard. The new law just presents the earlier provisions in a table within Section 19, for better comprehension. Commuted pension received by Cent[ral] and State government employees or a corporation established by a Central A[ct] or State Act remain exempt.

For other employees, such as employees serving a private organisation, commuted pension remains taxable with a deduction fro[m] the actual amount, as earlier. For thos[e] who are in receipt of gratuity, the deduction is one-third of the commut[ed] pension. For others, it is half of the commuted pension.

Further, commuted pension from a pension scheme with an IRDAI-approved insurer remains outside taxation ambit, as it has been earlier.

businessline.
bl.portfolio

02 Sep 2025

Power of Jan Dhan Yojana

It has helped Nabard expand its schemes

Shaji KV

The Pradhan Mantri Jan Dhan Yojana (PMJDY) stands out as a foundational reform that has redefined financial inclusion and laid the groundwork for rural prosperity.

From the perspective of the National Bank for Agriculture and Rural Development (Nabard), PMJDY is not just a banking scheme but a catalyst for empowerment, resilience, and inclusive growth.

Launched in August 2014 to bank the unbanked and serve underserved areas, PMJDY has covered over 56 crore beneficiaries as of July 2025. The aggregate deposit balance stands at ₹2.6 lakh crore, with 66.7 per cent of accounts located in rural and semi-urban areas. This scale and reach have made PMJDY one of the largest financial inclusion programmes globally.

The PMJDY has allowed Nabard to expand the reach of its programmes, whether through Self Help Groups (SHGs), Farmer Producer Organizations (FPOs), or cooperative banks, by ensuring that every participant has a secure and accessible financial identity.

DBT: A GAME CHANGER

One of the most transformative outcomes of PMJDY has been its role in facilitating Direct Benefit Transfers (DBTs) for a wide range of schemes like PM-KISAN, MGNREGA, PMAY, Ujjwala etc ensuring that subsidies, wages, and entitlements reach beneficiaries directly, transparently, and efficiently.

One of the most profound impacts of PMJDY has been its role in empowering rural women. With over 29 crore women beneficiaries, PMJDY has become a gateway to financial autonomy

BANKING. For the unbanked

building on this foundation through new-generation initiatives, deploying multilingual AI voice agents in cooperative banks to serve non-literate and digitally excluded populations. These agents, powered by PMJDY-linked data, will allow rural customers to check balances, apply for loans, and receive alerts in their native languages.

To take financial inclusion to the next level under PMJDY, the government is driving end-to-end computerisation of Primary Agricultural Credit Societies (PACS) and has facilitated setting up of Sahakar Sarathi Private Limited (SSPL) to equip Rural Cooperative Banks with modern, centralized digital solutions.

Despite its success, PMJDY faces certain challenges. 16 per cent of accounts are inactive, and India still has one of the largest populations of unbanked adults due to its size. Further only a small share of rural India is cyber-aware with just 12.6 per cent of individuals aged 15 and above know how to report a cybercrime. This glaring gap underlines the urgent need for digital safety awareness and capacity building in villages.

Nabard, under the guidance of the Department of Financial Services, is actively tackling these challenges through a mix of

programmes globally.
The PMJDY has allowed Nabard to expand the reach of its programmes, whether through Self Help Groups (SHGs), Farmer Producer Organizations (FPOs), or cooperative banks, by ensuring that every participant has a secure and accessible financial identity.
DBT: A GAME CHANGER
One of the most transformative outcomes of PMJDY has been its role in facilitating Direct Benefit Transfers (DBTs) for a wide range of schemes like PM-KISAN, MGNREGA, PMAY, Ujjwala etc ensuring that subsidies, wages, and entitlements reach beneficiaries directly, transparently, and efficiently.
One of the most profound impacts of PMJDY has been its role in empowering rural women. With over 29 crore women beneficiaries, PMJDY has become a gateway to financial autonomy and social inclusion.

By ensuring that every SHG member has an individual bank account, PMJDY has enabled direct benefit transfers (DBTs) into women's accounts, a lifeline that became particularly critical during emergencies such as the Covid pandemic.

The government's JAM trinity — Jan Dhan, Aadhaar, and Mobile — has created a robust platform for delivering services, verifying identities, and enabling digital payments.

Nabard has built on this foundation to structure a pilot of Central Bank Digital Currency (CBDC) for tenant farmers in Andhra Pradesh and Odisha.

Furthermore, Nabard is

the next level under PMJDY, the government is driving end-to-end computerisation of Primary Agricultural Credit Societies (PACS) and has facilitated setting up of Sahakar Sarathi Private Limited (SSPL) to equip Rural Cooperative Banks with modern, centralized digital solutions.
Despite its success, PMJDY faces certain challenges. 16 per cent of accounts are inactive, and India still has one of the largest populations of unbanked adults due to its size. Further only a small share of rural India is cyber-aware with just 12.6 per cent of individuals aged 15 and above know how to report a cybercrime. This glaring gap underlines the urgent need for digital safety awareness and capacity building in villages.
Nabard, under the guidance of the Department of Financial Services, is actively tackling these challenges through a mix of capacity-building initiatives, financial literacy campaigns, and innovative partnerships with fintechs and civil society organizations.

Nabard's vision for the next phase includes Jan Dhan 2.0, which would integrate savings, credit, insurance, and pensions into a single, unified rural financial product. It also envisions Jan Dhan for Enterprises, extending the successful model to rural MSMEs and Farmer Producer Organizations (FPOs).

The power of PMJDY lies not just in numbers, but in the lives it touches and the futures it shapes.

The writer is Chairman, NABARD

businessline.

02 Sep 2025

Traversing the trade minefield

Thanks to Trump tariffs, there is now a thaw in India-China ties. But the trade imbalance can be a spoiler

MACROSCAN.

CP CHANDRASHEKHAR, JAYATI GHOSH

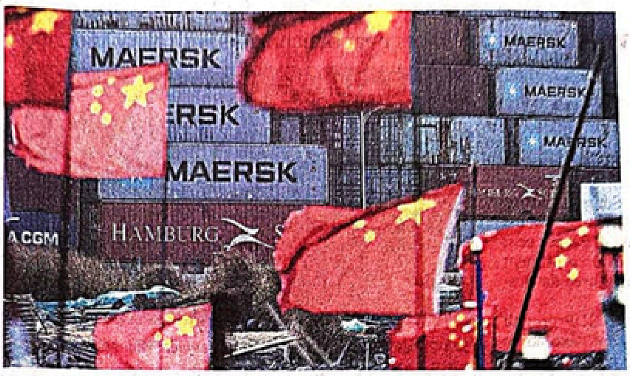
Trump's tariff aggression and the imposition of tariffs aggregating 50 per cent on most imports from India, have had one significant outcome. Neighbours India and China are now willing to talk to each either, pointing to a thaw in the relationship following the clashes in the Galwan Valley in 2020.

In the new environment, not only have talks between the two countries revived, but Prime Minister Modi has chosen to travel to the Shanghai Cooperation Organisation summit and meet with Chinese President Xi Jinping.

There are two factors that seem to play a role in driving India's stance of compromise and dialogue with a country considered for long as the primary 'enemy'. One is the desire to send out a signal to the Trump administration, through rapprochement with a 'rising' China, in the hope that this will force the US to rethink the punitive tariffs it has imposed on the country. The other is to seek in China the alternative market for the Indian goods that the tariff hikes will definitely keep out of the US, so as to prevent any deterioration of India's balance of payments.

If the post-tariff hike decline in India's exports to the US is to be compensated with exports to other regions, a large part of that increase would have to be directed at the largest of these markets, which is China. India's effort at improving relations with China is clearly motivated by that objective. But that objective is not easy to realise.

India's exports to China principally consisted of minimally processed primary products, excepting for organic chemicals while its imports are dominated by heavy machinery and electronics



TRADE MATTERS. India's trade balance is heavily skewed in favour of China REUTERS

History provides some lessons. The evolution of trade relations between India and China suggest that relative competitiveness has been shifting in China's favour. This is reflected in the fact that while India's dependence on imports for imports from China has increased over time, it has not been able to make inroads into China's markets.

TRADE DYNAMICS

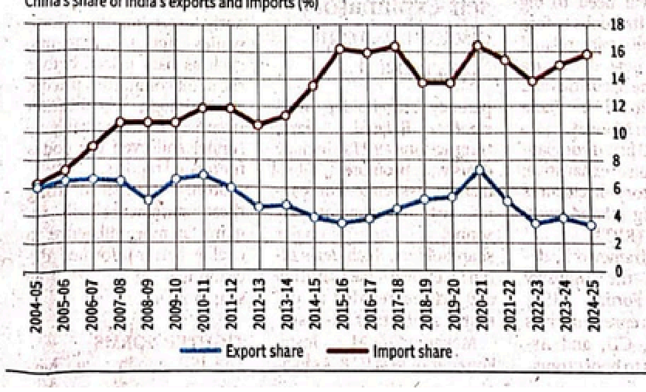
As Chart 1 shows, over the last two decades the share of imports from China in India's total imports has risen significantly. On the other hand, the share of India's exports directed to China has stagnated for some time and then declined. The "strengthening" of trade relations between the countries has mainly been driven by rising imports from China into India.

The result has been a long-term rise in India's deficit in trade with China (Chart 2). While that deficit appeared to be on the decline just before and after the Covid years, it has, interestingly, spiked after clashes between troops of the two countries in the Galwan Valley in 2020, which otherwise worsened relations between the two countries.

CHART 1

Import surge

China's share of India's exports and imports (%)



The deficit with China, which was close to \$100 billion by 2024-25, rose from 7 per cent of India's total deficit with all trading partners to a high of 47 per cent in 2016-17. Though it declined subsequently, trade with China still accounted for as much as 35 per cent of India's aggregate trade deficit in 2024-25 (Chart 3).

What is noteworthy is the nature of India's trade dependence on China. As Table 1 illustrates, India's exports to China principally consisted of minimally processed primary products, excepting for organic chemicals. On the other hand, India's imports from China consisted largely of machinery and equipment, especially for the electronics industry (Table 2).

MANUFACTURING BLUES

Thus, India's trade with China reflects starkly the inadequate development of its own manufacturing sector, despite long years of emphasis on boosting manufacturing production. A feature of that inadequate development is India's open production cycle in which domestic manufacturing production remains dependent on imports of machinery and sophisticated intermediates from abroad. This is not surprising. China has registered major advances on the technological front, while India has struggled to advance despite much promise.

The implications of these trends are obvious. Increased aggregate trade between the two countries could widen the already large deficit in India's trade with China, with more imports rather than enhanced exports. It could also displace some domestic production, which would add to the adverse effects on domestic economic activity of the Trump tariffs. Given that context, trade cannot be the principal basis for strengthened relations between the two countries in the near future.

Even if China makes some concessions, the resulting benefit to India is unlikely to be a major contributor to that strengthening. On the other hand, a worsening deficit could lead to discontent on the Indian side. If relations have to strengthen, geopolitical factors and the need to stand up to Trump could be the more important factors — at least for India.

02 Sep 2025

WEDNESDAY, 14 FEBRUARY 2018

NEW DELHI (CITY)

₹6.00

www.business-standard.com

Business Standard

COMPANIES P2

BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12

TRUMP TO PUSH FOR 'RECIPROCAL TAX'

ILLUSTRATION: BINAY SINHA

Cost-cutting path to competitiveness

High costs of manufacturing could wipe out India's gains from ease of doing business reforms and trade agreements

What should we do to address the tariff challenge? The problem is a symptom of a deeper underlying issue: Our farms and firms are simply not productive enough, and the cost of business is not low enough for global markets. Solve this problem, and others will become redundant.

Post-tariffs, a slew of reforms have been proposed by many commentators, and indeed almost all of those would be welcome. A range of global trading agreements, whether bilateral or regional, have also been proposed and those are welcome as well. But how would the government address the underlying problem — that of lower productivity and higher costs? This problem causes the government to take a defensive stance in global interactions, protecting our productive entities rather than promoting them globally. If we don't solve this, make Indian producers competitive, all global agreements will eventually become quite pointless.

LAVEESH BHANDARI

So what should the policymaker do? First, recognise that we can't do everything at once. Policy needs to focus, achieve early successes, build momentum, and then expand its scope. I would start with strengthening the firms that are the most productive and globally competitive — these happen to be the exporting firms and also the ones most impacted by Trump tariffs. Second, I would focus on a few sectors where early gains are possible. Interestingly, most of these sectors are highly labour-intensive. And finally, the hard part of reforms has to be done. But even there, we would achieve greater success by focusing on a few elements rather than attempting systemic reforms all at once.

There can be no doubt that with the 50 per cent additional tariffs, many businesses are going to see an immediate fall in orders, and even those that have long-term contracts will be unable to meet the tariff requirements. Revenues will fall and many production lines will need to be paused, and some units will be forced to close down. Bankers will resort to tightening credit and working capital allocations to the impacted sectors. What makes it more unfortunate is that the firms most hurt will be the ones that are more efficient, export more, and are better able to compete globally.

There are a few micro and macro mechanisms for these exporting firms, including lower or no tariff on their imports, and loan repayment holidays. Another option could be for the government to absorb the US tariffs on a time-bound basis, until firms are able to find alternative markets. Taken together, the hit on the exchequer cannot be more than \$20 billion. Make these benefits available for a year and you have given the best of Indian businesses breathing space to do what they do best — compete in global markets.

Having taken care of the immediate, adopt a focused approach to sectoral policy for the medium term. Among the sectors worst hit by the tariffs are apparel, jewellery, shrimp farming — perhaps fisheries in general — footwear, light engineering, furniture, handicrafts, and a few others. Almost all are highly labour-intensive, and it is encouraging that at least some Indian firms in these domains are efficient enough to compete globally.

How would we support these sectors? Ensure that the exporting sector's inputs are free of tariffs. Remember the firms that they are competing against in global markets are receiving these same inputs at low duties and with few government hurdles. Second, in interactions with the United States, Russia, China, the European Union, and developing countries such as Brazil, Indonesia, I would open up Indian markets in areas where India is less competitive. Note that all geoeconomic negotiations today are as much about imports as they are about exports, and imports can be a powerful negotiation tool, as Donald Trump has just taught the world. If India does need to import, it is better to import products where Indian firms are relatively less productive. This will help support the downstream units be more competitive in global markets

Third, the cost of business is high in India and this needs to be addressed. One way is to reduce the value of the rupee enough to price away India's inherent inefficiencies. This will mean rupee devaluation. The problem with devaluation is that the advantage remains only for a little while. Eventually the inefficiencies will eliminate that benefit. Another option is to provide targeted subsidies with a sunset clause, similar to the production-linked incentive (PLI). But how many products can the government support this way, and for how long? PLI appears to work better for units with a single product; therefore, it may not be as effective for items such as garments and jewellery, where products are highly varied.

The most difficult and yet the most powerful part of India's focused approach will be costs. Over the past decade, the government has made many all-round efforts at creating a better business climate. Yet manufacturing investment has been found wanting. The ease-of doing-business (EoDB) efforts dealt with many parameters and sub-parameters.Yet more remains to be done. Take any representation from industry, and the checklists of what is required run into hundreds of items. This strategy towards greater EoDB is clearly not going to work for what India needs. In the long run, India has to work on the cost of doing business (CoDB) by reducing both direct costs and business uncertainties. What might these include?

One, on labour: India has to empower businesses by eliminating the Industrial Development and Regulation Act (IDRA), especially the part constraining owners from rationalising workers, and replace it with unemployment insurance. Protect the workers' consumption, not their job.

Two, on land: Land is expensive in India, large parcels are difficult to access, and facilitative infrastructure is mostly missing. An industrial parks (IP) policy is critical, where land costs are absorbed by the government but industrial parks compete with one another on the services they provide to their units. Currently, most are run by government departments, this asset needs to be unlocked and new IPs need to be created near major demand and service centres for MSMEs to become low-cost productive powerhouses.

Three, legal delays: In India, they significantly ramp up the cost of doing businesses. Such delays should not be acceptable in any civilised society. While we need three times more judges and courtrooms, we also need the judiciary to take responsibility and give far fewer adjournments, and avoid frivolous cases, reducing them at least by a factor of four.

Four, electricity costs: India needs to let everyone pay the actual cost, rather than overcharging manufacturing and subsidising other sectors, including households.

And finally on cost of capital: Why do banks have such high margins, or why do tax authorities go overboard on reassessments? Who would take responsibility over the cost build-up because of these?

In sum, India needs to focus on a few things and clean up the clutter that stands in the way of productive low-cost farms and firms. If we cannot do that, then high costs will eventually negate all the go[illegible] that ease of doing business or international tra[illegible] agreements can potentially bring.

The author heads CSEP Research Foundation. The views are personal

02 Sep 2025

Safety with affordability

New rules on medical devices should balance them

An interdepartmental high-level committee of the central government is reported to have begun discussion on framing rules to regulate the entry of refurbished medical devices into India. The pre-owned equipment market, valued at about ₹1,500 crore, accounts for nearly 10 per cent of India's medical-device sector. These machines help hospitals in small cities keep costs down, but at present, the Medical Devices Rules, 2017, do not differentiate between new and refurbished devices. Nearly 75 per cent of medical devices in India are imported, and shortages of MRI (magnetic resonance imaging) machines, CT (computerised tomography) scanners, ventilators, and dialysis equipment remain widespread. The challenge is a real tradeoff. If import is allowed without adequate checks, unsafe or old machines could slip in, endangering patients. If import is blocked altogether, many hospitals will be forced to delay upgrades and diagnostic tests will become more expensive.

Refurbished medical devices are well regulated in many countries. The European Union's Medical Device Regulation applies the same strict standards to refurbished devices as to new ones, requiring manufacturers or authorised partners to ensure traceability, safety testing, and post-market surveillance. In the United States, the Food and Drug Administration (FDA) draws a clear line between routine "servicing" and "remanufacturing". If refurbishment alters the device's performance or intended use, the refurbisher must meet full regulatory obligations like registration, quality system compliance, and safety reporting.

A balanced framework in India could combine these lessons with the country's own needs. Imports should be restricted to original manufacturers or certified partners, while devices that are too old or have exceeded usage thresholds should be barred. Every refurbished machine could carry a unique ID, which would be accompanied by radiation and safety-test reports, and come with at least a one-year warranty. A public registry of refurbished devices and their compliance record would add transparency. At the same time, building certified refurbishment labs and testing facilities in India would not only help in regular safety checks but also generate skilled jobs and help create a credible domestic refurbishment ecosystem. Yet, one of the key hurdles in moving towards such a framework could be the shortage of trained technicians for calibration, radiation-safety checks, and quality audits. Investing in this workforce is as important as writing the rules, because patient safety depends on the rigour of testing and maintenance.

Setting up refurbishment units in India can lower costs for hospitals, create jobs, and build a reliable local base for safe devices. If refurbishment is added to the ongoing schemes such as the Promotion of Medical Devices Parks, it can help overcome this hurdle, build a strong domestic base for safe devices, and reduce dependence on imports. In the end, the refurbished-device debate is not about old machines versus new ones; it is about affordability, accessibility, and safety. A transparent, safety-first but affordability-conscious framework is the way forward. Done right, refurbished machines need not be stopgap measures; they can anchor a resilient health care system that expands diagnostics and treatment to underserved regions.

02 Sep 2025

Business Standard

COMPANIES P2
BRITANNIA SEEKS PARTNER FOR DAIRY VENTURE

WORLD P12
TRUMP TO PUSH FOR 'RECIPROCAL TAX'

Domestic champions, global laggards

PROSAIC VIEW

PROSENJIT DATTA

Though the Trump tariffs represent unilateral action by the United States and do not adhere to the global trade principles of the World Trade Organization, they have also spurred major soul-searching in India about what the country can do to become more globally competitive.

Industrial associations, corporate leaders, and senior economists have all called for major next-generation reforms in areas including land acquisition, power costs, taxes, compliance red tape, and labour laws — all of which would lead to a substantial improvement in the ease of doing business, while also enhancing the basic competitiveness of Indian companies.

Meanwhile, policymakers have their own views. Union Commerce Minister Piyush Goyal observed that India's 1.4-billion-strong domestic market has become a cosy comfort zone, providing good profits to Indian businesses — and they do not feel the need to venture out in search of opportunities around the globe.

Mr Goyal's observation should not be dismissed as mere pique. To a large extent, it is true that large Indian manufacturing-led business houses are more comfortable expanding into multiple industries and playing in the domestic market rather than seriously making a big export foray. While many Indian brands are well known, none can be called a true global champion.

In some ways, this has to do with business policies before economic reforms of 1991. Until then, the government, for all practical purposes, decided how much you could produce. At its worst, the government also decided which areas you could get into, how many players per sector, and even the prices at which you could sell the finished product. While there were periods of less government interference, big Indian business houses got accustomed to managing licenses and had no incentive to build competitive businesses. Anything they produced was lapped up by consumers because of a lack of options.

This partially explains why we have so many Indian conglomerates instead of huge corporations that specialise in one or two areas. General Motors or Ford grew big making cars and ancillaries — they rarely tried to get into multiple, unrelated areas. Sure, there were conglomerates even in the US, but they were soon found to be unsustainable in most cases.

On the other hand, India gave rise to big conglomerates — the Tatas, the Birlas, the Godrejs, the Mahindras and others. Even those who initially focused on one area to build size found comfort in expanding to new, unrelated sectors, and that seems to be the case even now. You can see this in the expansion plans of Reliance and the Adani group, though, to be fair, the latter is trying to be a global player in ports at least.

Even after 1991, while conditions began to improve for corporations, many pain points remained. Because of regulations and the difficulty of accessing capital at competitive costs, only a select few businesses that knew how to thrive under such conditions grew — while many other entrepreneurs remained small and uncompetitive. A few sectors bucked the trend — auto ancillaries and generic pharma are examples — but even here, globally renowned champions are rare.

There have been some honourable attempts in the past and even now. Royal Enfield, for example, is trying to build a global brand in classic motorcycles. While some blame can be placed on big Indian corporations, which preferred to manage the domestic system rather than aim to become global conquerors despite their size and resources, the government too needs to reflect on where its policies went wrong.

While a lot gets written about labour, compliance, land acquisition, and other problems — all of which are genuine — what is often brushed under the carpet is that successive Indian governments made no effort to increase competition and quality, or to reduce costs for consumers in the domestic market. Even where we export, the quality sold abroad is often higher, while the Indian consumer pays more for the same product — and settles for lower quality — at home. From steel to cement, automobiles to packaged food, Indian consumers get the short shrift. This creates perverse incentives. Even global companies operating in India often distinguish between the quality of what they sell abroad and what they offer in the domestic market.

Why didn't China experience this problem when it was reforming its economy in the 1980s? One reason is that China promoted enormous domestic competition and also kept raising the quality bar. This was a survival of the fittest in a truly competitive market. This led to global levels of quality while focusing on reducing production costs. The government helped with some policies to protect and incentivise domestic players — but also forced them to be globally and domestically competitive.

Perhaps Indian policymakers should debate this too. Would an environment that focuses on consumers — irrespective of whether they are domestic or global — insists on high quality and low costs, and promotes a high degree of domestic competition work better than having a few national champions that dominate multiple sectors but are rarely recognised as global majors in their industries?

The author is former editor Business Today and Businessworld, and founder of Prosaic View, an editorial consultancy

02 Sep 2025

From rivals to partners

Sino-Indian relations see a cautious reset

Prime Minister Narendra Modi's first visit to China in seven years — this time to attend the Shanghai Cooperation Organisation (SCO) summit — offered the first signals of "positive momentum" in relations, which have been under the shadow of the border standoff in Ladakh. After a meeting with President Xi Jinping on the sidelines of the summit in Tianjin, the language deployed in the statements by the two sides reflected a notable change in tonality. Building on the goodwill accruing since the two leaders met in the Russian city of Kazan last year, both statements spoke of India and China as "development partners, not rivals" and underlined that differences should not turn into disputes. The fact that an article on the Xi-Modi meet, titled "Partnership seen as key to Sino-Indian relations", appeared on the front page of the *China Daily*, the Chinese Communist Party's mouthpiece, suggests a significant shift in Beijing's outlook. Both statements referred to the need to pursue "strategic autonomy", with Mr Modi adding that relations should not be viewed through a "third country lens", an oblique reference that Beijing should not view India as a United States-allied counterweight in Asia.

Equally, with a hug, handshake and a 45-minute car-ride meeting with Russian President Vladimir Putin, Mr Modi also sought to underline India's disinclination to respond to American President Donald Trump's demand to stop buying Russian oil as a condition for lifting part of the punitive 50 per cent tariff on India. These shifts, however welcome, must be viewed against the backdrop of attempts at rebalancing power alignments across the globe as a result of the erratic policies of the current White House incumbent. Indeed, Mr Xi has made little secret of his objective of heralding a China-led reconfiguration of global alliances via the pageantry of the SCO summit, with 20 leaders attending, including Turkish President Recep Tayyip Erdogan, who is seeking to raise awareness of United States-supported Israeli atrocities in Gaza. His opening summit remarks on "an equal and orderly multipolar world" and "inclusive globalisation" emphasised the effort at shifting equations.

Given this, the choreographed bonhomie between Mr Modi and Mr Xi must be tempered by a realistic understanding of the geopolitical compulsions driving relations. This much is evident in some critical differences between the Indian and Chinese readouts of the Xi-Modi meet. On the border issue, for instance, the Indian statement spoke of "fair, reasonable and mutually acceptable resolution of the boundary question processing from the political perspective of ... overall bilateral relations". The Chinese statement implied that the border issue should not define overall China-India relations. It stated that both sides should "handle China-India relations from a strategic and long-term perspective" and "further elevate them through the Tianjin summit". The Chinese readout also invoked Jawaharlal Nehru's "Panchsheel Policy" underlining that "the five Principles of Peaceful Coexistence, advocated by the older generation of leaders of China and India over 70 years ago, must be cherished and promoted". Panchsheel finds no mention in the Indian statement. Further, where China spoke of a joint leadership of the Global South, the Indian statement was silent. In the current climate of self-interested cooperation, these divergences may be kept in abeyance. But they reflect a fundamental difference in outlook, which could become consequential if geopolitical circumstances change.

02 Sep 2025

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

Global food security holds the key to sustainable peace

ARCHANA DATTA

is a former director general, Doordarshan and All India Radio; and former press secretary to the President of India.

Famine is now a reality in Gaza after Israel's 22-month war on the Palestinian territory, as confirmed by the Integrated Food Security Phase Classification (IPC), a UN-backed agency. "Food has been used as a weapon," according to the UN's emergency relief and humanitarian affairs head, who pointed to "systematic obstruction of humanitarian aid deliveries." Separately, the UN's secretary general called the Gaza crisis "a man-made disaster." The IPC has sounded a famine alert multiple times, and every instance has been directly linked to an armed conflict.

The year 2024 witnessed a record number of armed conflicts since World War II and over 295 million people experienced acute hunger across 53 conflict-ravaged countries. The *Global Report on Food Crises* by the Food and Agriculture Organization (FAO) reveals that 2024 marked the sixth consecutive annual increase of people facing acute food insecurity, up 13.7 million from 2023. An immediate impact of conflict is on agriculture and food production, as it destroys crops, livestock and infrastructure, disrupting food supply chains. In an environment of uncertainty, resource scarcity and risk, farmers tend to shy away from long-term investment and shift towards quick-harvest crops that limit their income. This weakens prospects of agricultural development and economic stability.

The repercussions of conflict extend from farms to broad socioeconomic and environmental systems. The world's eight worst food crises—in Yemen, Congo, Afghanistan, Ethiopia, Syria, Sudan, South Sudan and Nigeria—have been linked to both conflict and climate shocks (WHO). Higher temperatures and changing humidity often favour the spread of pests and diseases that harm crops and livestock. Elevated carbon levels reduce the nutritional value of crops, hurting human health and food security. Scarce resources generate tensions among different user groups such as farmers and herders, or between various communities, potentially triggering social unrest. In such a feedback loop, the effects of climate change exacerbate conflict, undermine climate mitigation efforts and create a vicious cycle in which instability and environmental degradation further worsen food insecurity.

In the 1991 Gulf War, when over 700 of Kuwait's oil fields were set ablaze, a massive oil slick in the Gulf and 300 inland lakes severely contaminated the soil, apart from groundwater and irrigation systems, all of which made farming a challenge. In Syria, the FAO conducted a damage and loss assessment (DaLA) study in 2016-17, five years after the crisis of 2011, and found that the agricultural sector suffered harm to the tune of $16 billion, equivalent to one-third of the country's GDP in 2016. Syria, once self-sufficient in food, is now a significant food importer. Meanwhile, the Russia-Ukraine war—both countries are major exporters of farm commodities—has significantly disrupted food production and the global foodgrain trade. In 2022, a DaLA study in Ukraine revealed that rural households, livestock keepers, fisherfolk and aquaculturalists suffered losses of nearly $2.3 billion. In 2023, the collapse of the Kakhovka Dam and the Dnipro River system led to potential desertification of fertile lands in southern Ukraine, causing losses of around $1.5 billion in grain and oilseed production. In Gaza, years of conflict have destroyed key Mediterranean crops like olives, vines, legumes, wheat, barley and maize, with adverse roles played by prolonged droughts and increased heat stress.

The world must make starvation history but war famines persist. Gaza is a glaring example. There are many others

As of 1 September 2024, 67.6% of Gaza's cropland, 71.2% of orchards and other trees, 67.1% of field crops and 58.5% of vegetables have been damaged, almost 95% of cattle have died and nearly all calves have been slaughtered. The Interim Rapid Damage and Needs Assessment of January in Gaza and the West Bank estimated losses of about $1.3 billion in agriculture and food systems. In August 2024, in the aftermath of the 20-month long conflict, famine was detected in Sudan's Zamzam IDP camp in North Darfur, which spread across the country, affecting half its population.

Now, nearly half the world's population is exposed to conflict and an estimated 21,000 people are dying each day from conflict-fuelled hunger (Oxfam). In such a dire situation, the need for humanitarian aid and protection has more than doubled. In 2025, relief missions aimed to help around 305 million people in 72 countries, with a total funding requirement of $44.18 billion, representing less than 2% of the world's military spending. But, till recently, only $5.96 billion (or 13.5%) had been mobilized. Unfortunately, humanitarian plans have been chronically underfunded. In 2023 and 2024, less than half of the financial requests were met (*Global Humanitarian Overview*, 2025).

The fight against hunger has slowed considerably. At this pace, the goal of zero hunger by 2030, or even low hunger, won't be reached until 2160. That is a wait too long for the world's conscience to allow. But then, conflicts themselves are unconscionable. Today, warring countries continue to flagrantly violate the International Humanitarian Law that prohibits the targeting of civilians, food and water sources. Starvation is used as a war weapon with impunity. In the face of common global challenges like climate change, geopolitical instability and acute hunger, the world must abide by its humanitarian commitments. Only an equitable, sustainable and resilient food system can usher in a stable and peaceful world.

MY VIEW | IT MATTERS

OpenAI's India launch will steepen its learning curve

SIDDHARTH PAI

is co-founder of Siana Capital, a venture fund manager.

When OpenAI announced recently that ChatGPT would be formally available in India at ₹399 a month, it was significant because that small fee grants access to a tool seen as cutting-edge but somewhat out of reach for daily users. What was a curiosity is now a regular fixture in Indian digital life.

This is not just a pricing move—it's a strategic shift that opens the gates to one of the world's most dynamic internet user bases. With nearly 800 million users online, India ranks second only to China, but it differs in one critical respect: it is wide open to global platforms. There are no Great Firewalls or mandated domestic clones. Instead, international apps and services compete openly.

For OpenAI, India represents both scale and complexity—two ingredients essential to push the limits of any AI model. India's linguistic diversity is especially instructive. While Hindi commands large numbers, it is only one among many languages with tens of millions of speakers. Add hybrid forms and you get a digital environment that can stretch the adaptability of any language model. It is a natural test-bed, where users don't just consume AI outputs, they interrogate, correct and argue with them.

This is exactly the kind of organic feedback loop that AI companies pay good money to simulate. Training and refining a language model is an expensive, compute-intensive process. But just as important is real-world human feedback—the stream of nudges, corrections and clarifications that help fine-tune the model. In the US, AI firms hire teams of annotators to provide this kind of oversight. In India, OpenAI is creating the conditions for natural access to such feedback at scale. Even better, the company will be paid to receive it.

Consider this: ChatGPT misuses a Tamil expression. A user points it out, perhaps with a bit of sarcasm. The model learns. Another user catches a factual error in its cricket statistics. Correction logged. Over time, such corrections help the model grow more local, culturally aware and accurate. From OpenAI's perspective, it's a win-win.

The ₹399 subscription creates a paying customer base, but also a self-updating model improvement engine. What was once a cost centre becomes a revenue-generating stream of valuable training data. This is economies of scale meeting the psychology of participation. Brilliant move.

The upside for Indian users is substantial too. At this price, ChatGPT undercuts many conventional learning and productivity tools. There's also a cultural alignment. India places a premium on intellectual agility—the ability to absorb, process and apply information quickly. It wants not just answers, but conversations. Unlike static sources like textbooks or websites, the tool encourages iterative questioning, back-and-forth reasoning and curiosity.

That said, the rollout of AI tools always comes with its fair share of hype, especially in software development. For months, tech media and startup founders have touted the promise of Generative AI replacing coders or dramatically enhancing their productivity. Many developers shared positive anecdotes: Copilot wrote 30% of their code; ChatGPT helped unblock a tough problem, etc. The impression grew that coders would soon be managers of AI rather than makers of software. I have also held that view.

ChatGPT's low cost service gives it a vast test market of diverse and argumentative chatbot users

But then a reality check arrived. On 10 July 2025, METR (Model Evaluation and Transparency Reports), an independent research organization, published findings that question those claims (*shorturl.at/CCA9R*). According to its analysis, there is no consistent evidence that Generative AI tools significantly reduce the time that experienced developers spend on complex coding tasks. While these tools can offer useful scaffolding—boilerplate code, syntax suggestions, simple debugging—they fall short when it comes to deeper tasks like architecture, optimization or interpreting nuanced business logic.

Worse, over-relying on AI tools can sometimes introduce subtle errors that take time to detect. What starts as a quick shortcut can turn into a lengthy detour. METR's report warns that while AI can assist with routine coding tasks, it cannot think like a programmer. It can mimic logic, but not create it.

So, where does that leave the story of the AI-assisted coder? Still valuable, but not as revolutionary as some expected. Developers like using these tools; many feel more confident and creative with them. Yet, it's a big jump to say that these tools can replace real expertise. Like calculators and spreadsheets in earlier times, improvement in the ease of working is real, but limited. Productivity increases are there, but mostly for repetitive, obvious or well-understood tasks.

In India, this distinction will become clear quickly. Developers, engineers and students will test these tools not just in theory, but in daily tasks. They'll expect results and identify flaws. If the tool proves useful, it will succeed. If not, it will be fixed, criticized or discarded—sometimes all three.

That is both a challenge and an opportunity. OpenAI has entered a country that is vast, demanding and deeply committed to technological progress. The "cheap" ₹399 subscription is actually a bet that Indian users will help shape AI. Given our history with mobile, fintech and digital services, it's a solid bet. But even in an AI-driven future, it seems that some jobs like providing context, critiques and corrections remain uniquely human. And India has no shortage of smart human beings.

02 Sep 2025

mint

OUR VIEW


AFP

How to choreograph an elephant-dragon dance

To ensure that vital interests are neither trampled nor scorched, our steps must retain a stiff security vigil while daring a few elegant moves aimed at a world less vulnerable to US whim

When elephants make love, the grass gets trampled too, observed Singapore's Lee Kuan Yew, riffing off a Kenyan saying that the grass gets trampled when elephants fight. When India and China declared their readiness to cooperate at the Shanghai Cooperation Organisation (SCO) summit at Tianjin, imagery was evoked of an elephant and dragon getting ready to dance. If such an implied transformation of our bilateral relationship takes place, it could well work in favour of businesses in both countries. While the leaders of both exchanged warm words, differences remain—especially over our mutual border. According to China's Xi Jinping, we should not wait for the settlement of territorial disputes to jointly address major development challenges, including those arising from trade uncertainty. Prime Minister Narendra Modi did not dispute this, but made it clear that an unsettled border cannot but cast its shadow over common efforts. Another area of divergence is terror. While Modi stressed the need for the SCO to clearly disavow and combat terror, China's backing of Pakistan could be taken as a lack of commitment on Beijing's part.

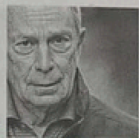
Still, there is much that India, China and the world stand to gain from the two Asian giants working together, not just bilaterally but alongside other Brics members. Once we have a reasonable assurance of stability at the border, both New Delhi and Beijing could ease norms for bilateral trade and investment. While prospects of gains may tempt visions of an economic tango, we must not have our toes stepped upon or key interests scorched. We cannot expose our vital infrastructure to the risk of sabotage that may arise if we use Chinese equipment and software in our power grid, financial network, health system, database management and dashboards that control everything from traffic lights and railway signals to air traffic and water sluice gates. For full safety, we must indigenize all this. That would still leave large swathes of economic activity for expanded trade, investment and tech cooperation among various entities in both countries. Several buzzy fields could be identified for closer commercial ties, joint ventures included.

Moves in world affairs would call for both sides to be especially nimble. An agenda could conceivably emerge from a shared view of challenges arising from the US giving up its post-World War II role as the under-pinner of global security, trade and financial arrangements. As a champion of the Global South, Brics could work to preserve the multilateral trade system, complete with a device to resolve disputes, now that the US has chosen to secede from it. The policies of US President Donald Trump have shaken the dollar's credibility as a global currency. While its hegemony may endure, Brics could promote a stablecoin pegged to the value of the IMF's unit of account, the SDR, backed by holdings of dollar, euro, yen and other assets to satisfy US norms under its new law for digital currencies. This could be used for intra-Brics settlements to begin with. Together with a Brics reinsurance arm and clearing house, this framework could offer the world a useful option. Even if the West stays suspicious of anything with China behind it, proposals backed by India might appeal not just to the Global South, but also to US allies reeling under the shock of a White House that doesn't seem to have the word 'cooperation' in its dictionary.

MINT CURATOR

If it's broken, fix it: Let troops repair the military kit they use

An insistence on manufacturer-authorized repairs is too restrictive



MICHAEL R. BLOOMBERG
is the founder and majority owner of Bloomberg LP, the parent company of Bloomberg News.


American soldiers should be able to use their battlefield ingenuity. BLOOMBERG

Here's something that US Democrats and Republicans ought to be able to agree on: Americans serving in the military and trying to protect our country and each other should not be strangled by red tape that prevents them from fixing broken weapons and tools. Yet, that is exactly the danger they currently face.

If a war broke out tomorrow, US troops may struggle to repair and maintain the assets they need to defend themselves and defeat the enemy—not because they aren't capable of making those repairs or hiring a third party who can, but because they are contractually forbidden from doing it.

Currently, many Department of Defense contracts reserve repairs for manufacturer-authorized personnel. Such restrictions can apply to everything from backup generators to F-35 fighters. Lacking access to the necessary data, tools, parts and training, troops in the field must either ship broken gear back home or fly out contractors tied to manufacturers—raising costs and imposing potentially dangerous delays.

Believe it or not, military members have actually been told that they can't cobble parts together or do their own repairs. This flies in the face of one of our most storied strengths: American ingenuity. America is a country of fixers. When something is broken, we roll up our sleeves, figure out the problem and get to work fixing it. If we hit a roadblock, we bring in someone as fast as possible to help. It's part of our spirit and character—yet it's being denied to those tasked with protecting and defending us.

Troops report having to send malfunctioning drones that could have been fixed with a drop of glue back to the manufacturer at a cost of $26,000 apiece. A Pentagon investigation last year discovered the Air Force had accepted a markup of 7,943% on spare lavatory soap dispensers for Boeing C-17 cargo planes. On a recent visit, Navy Secretary John Phelan found six of eight ovens, meant to produce over 15,000 meals a day, awaiting manufacturer-approved repairs. It's bureaucracy at its most frustrating—and exorbitantly expensive.

The US Government Accountability Office has estimated that around 70% of the total life-cycle costs of weapons systems goes to operating and support. That's one reason it has recommended the military take over more sustainment activities for the $1.7 trillion F-35 programme. Depending on where they're located, contractors tied to manufacturers are often more expensive than civilian Pentagon employees. This isn't just about cost. It's also about combat readiness. Currently there are lengthy maintenance delays that harm US readiness—and that's during peacetime. Imagine if war breaks out. The stakes will be even higher. In the midst of battle, troops are not going to be able to ship broken gear back to the US, or even to large bases in the region (most of which would be immediate targets). Troops forbidden to do maintenance and repairs in peacetime, and lacking the necessary specs and tools, will struggle to do it under fire.

Relying too much on manufacturers creates unacceptable risks and the problem has been growing since the 1990s, as industry consolidation has boosted the leverage of big defence companies. Of course, firms have a legitimate interest in protecting their intellectual property, but they also have a responsibility not to hamstring the very people they are supposed to be supporting. Plus, competition is healthy. Allowing the military to pursue the fastest, cheapest and best possible solutions will encourage greater efficiency.

As the former chair of the Defense Innovation Board, this was an issue that we examined and highlighted. And the good news is: Secretary of Defense Pete Hegseth recognizes the problem and has begun addressing it. In April, he directed the Army to mandate right-to-repair clauses in all new contracts and seek to add them to old ones. Leaders of other services have said they support taking on the issue, too.

A draft of the Senate's 2026 National Defense Authorization Act requires manufacturers to provide instructions for maintaining covered equipment. In effect, companies would have to allow access to the same manuals, procedures, tools and equipment they use themselves or offer to authorized service providers, either as part of the initial contract or as a negotiated price option. During wartime and combat preparation, the military would have authority and latitude to repair as it sees fit.

Enshrining this in US law deserves bipartisan support. It would expand the Army's new policy to all services and make it harder for industry lobbies to reverse it in future. It would give the military more options—like continuing to have contractors perform complicated repairs as needed—increase transparency and resiliency and bring down costs. The sooner it happens, the better.

mint

2%) ↑ | NIFTY Bank 53782.7 +127.05 (0.24%) ↑ | NIFTY Midcap 100 56506.2 +778

THEIR VIEW

Account Aggregators: All set now to multiply our digital dividends

This digital public infrastructure enables affordable microcredit and should turbocharge lending

V. ANANTHA NAGESWARAN & KAMYA CHANDRA

are, respectively, chief economic advisor to the Government of India; and co-founder and chief strategy officer at the Centre for Digital Public Infrastructure, IIIT, Bengaluru.

Change happens slowly, and then all at once. And so it will be with the way a billion Indians access loans and, by extension, the way Indians access opportunity.

In 2009, such a change was unimaginable. Formal loans at scale were a quixotic moonshot—80% of adults didn't even have a bank account, let alone access to credit. Yet, quietly, the Lego blocks of a solution were laid.

First, via Aadhaar's eKYC, identity verification became universally available digitally, and India opened half a billion new accounts. Then Aadhaar eSign was launched, allowing any loan agreement to be signed digitally via a mobile phone. By 2015, DigiLocker had been introduced; it became a single window for multiple KYC affirmations and underwriting of documents (Aadhaar, PAN, Udhyam and state-wise vehicle/land credentials).

The slow-burn effect of these interventions on GDP growth wouldn't catch eyeballs until years later.

In 2016, a new block was introduced. In December, the Prime Minister announced the facility to pay anyone with just a mobile phone and QR code, across any account, using any app. It worked. Seemingly overnight, Indians went from dealing in cash to transacting digitally via UPI. Within two years, we added Bharat Bill Payments (BBPS), formalizing payments across a staggering array of bills (utilities, telecom, fees and loans). Then 2020 saw the launch of UPI Autopay, a low-cost loan repayment mechanism.

A decade on, India was still far from enabling universally accessible formal loans. But a powerful change was silently at play. Bank statements started filling up with granular cash flow movements: a house-help's salary, a *kirana's* seasonal income or a farmer's steady electricity bill payments. Indians could now prove what and when they were earning as employees or entrepreneurs. They could prove they were worth betting on.

Then, all at once, change became inevitable on 2 September 2021—Account Aggregator Foundation Day—with the ability to share your financial statements seamlessly with consent. The logic was simple: Every loan in the country—across ticket sizes, borrower types or categories—requires income verification. Across personal loans, MSME loans, auto loans, business loans and every other conceivable type of credit, a lender can only lend based on data indicating the borrower's financial flows. The ability to do only one thing well at scale—move financial information instantly at low cost and directly from its source—makes India's open finance Account Aggregator (AA) network an axiomatic piece of digital infrastructure for access to credit.

Yet, AA is not a magic bullet. It is merely the last block that completes a bridge under construction for 15 years—one that allows Indians to cross from being un-lendable to creditworthy by using a combination of digital public infrastructure blocks.

Indians can now comply with a lender's KYC requirements via DigiLocker and Aadhaar, use an AA to share their granular financial history formalized via UPI and BBPS, set up UPI Autopay for repayments, enable AA for ongoing loan monitoring, and eSign a loan contract—all of it by means of a mobile phone in a few minutes.

It wasn't easy for this approach to be adopted across all four financial regulators—RBI, Sebi, IRDAI, and PFRDA. But a historic move coordinated by the Financial Stability and Development Council (FSDC), led by the finance minister, prevented fracturing of the AA network, ensuring that it drives not just credit but also offers a unified view of citizens' finances, covering savings, investments, insurance and pensions. The commercial model took a year of negotiations, but it is finally ready. RBI has evaluated prospective AAs over the years to give out 16 high-provenance licences. To address banks' challenges in working with all licensed players, the network facilitator Sahamati built a router and filed an ecosystem self-regulatory organisation (SRO) application. More than 700 regulated entities—banks, investors, AAs and insurers—are tightening the screws and building safeguards on data pipes for the world's largest rollout of open finance.

Change is coming. 280 million data sharing transactions, growing at 213% annually, have already facilitated ₹16.7 billion of credit disbursal, mostly to small ticket and first-time borrowers. Beyond credit, AA has enabled over 20 million Indians to access superior financial management, investments and life insurance. If AA adoption continues, conservative models indicate India could double formal small business credit and turbocharge progress towards solving a historically intractable problem: inclusive access to affordable credit for a billion Indians. With India's credit growth in flux and shifting geopolitical realities making domestic economic growth drivers essential, cross-functional digital infrastructure like AA is necessary. Just as with the now-household names that rode stormy seas to stay on the UPI boat, the financial institutions that make the most of the AA wave will be the ones we'll remember for unlocking affordable credit in the decades to come.

These are the authors' personal views.

mint

THEIR VIEW

It's game open on AI regulation: A fine balance is yet to be struck

Symbiotic interaction between US laissez faire and EU caution over risks may provide a balance but that's far from assured

RAGHURAM G. RAJAN
is a professor of finance at the University of Chicago Booth School of Business, former governor of RBI and co-author of 'Breaking the Mold: India's Untraveled Path to Prosperity'

AFP

The problem with European regulators, a German businessman recently told me, is that they are too scared of downside risks. "In any innovative new business sector, they overregulate and stifle any upside potential." In contrast, he argued, Americans care more about the upside potential, and thus hold off on regulation until they know far more about the consequences. "Not surprisingly, the United States has much more of a presence in innovative industries."

Artificial intelligence (AI) is a case in point. The EU enacted the world's first comprehensive AI regulation in August 2024, establishing safeguards against risks such as discrimination, disinformation, privacy violations and AI systems that could endanger human life or threaten social stability. The European law also assigns AI systems different risk levels, with different treatments for each. While AI-driven social scoring systems are banned outright, higher-risk systems are heavily regulated and supervised, with a list of fines for non-compliance.

But Europe has little presence in the burgeoning AI industry, especially relative to the US or China. Those leading the charge in generative AI are US-based firms such as OpenAI, Anthropic and Google; no European firm meets the mark. Such a glaring gap seems to speak for itself. For now, the Donald Trump administration's AI Action Plan for the US, which seeks to limit red tape and regulation in AI, looks like the better approach.

The problem with the European way is that it burdens fledgling firms with the costs of regulatory compliance before the technology's potential has become clear. A chatbot that spreads falsehoods or discriminates against certain ethnic groups is certainly not desirable, but there must be some tolerance for such errors in the early stages of a system's development.

Moreover, when developers can explore a system's positive possibilities more freely, they also have time (and possibly resources generated from successful but error-prone launches) to figure out cost-effective ways to address issues that undermine the system's reliability. Demanding near-perfection from the outset does not safeguard society so much as stifle the trial-and-error process through which breakthroughs emerge.

Of course, errors such as racial discrimination can be extremely costly, especially if made by chatbots that interact with millions of people. Recognizing this risk, some regulators allow new products to be tested only in tightly controlled settings. Innovators can experiment with a limited group of users and always under the regulator's watchful eye. This 'sandbox' approach helps to contain any harms from spilling over to the broader public—Europe's main concern. But sandboxes might also limit what can go right.

Trials with small, restricted groups cannot capture the benefits of network effects, whereby products become more valuable as more people use them. Nor can they reveal unexpected breakthroughs that come when the 'wrong' people adopt a product (for example, online pornography drove early innovations in web technology). In short, sandbox trials may keep disasters at bay, but they also risk stifling discovery. They are better than outright bans, but they may still cause innovators to bury too many promising ideas before they can scale.

What then are the costs of the *laissez-faire* American approach? Most obviously, the system can blow up because of rogue products, as happened with subprime mortgage-backed securities before the 2008 global financial crisis. Today, one hears similar fears about Generative AI and the crypto industry (with FTX's implosion cited as an early warning signal).

Historically, the US, with its deep fiscal pockets, may have been more willing to take such risks, while the fragmented EU may have been more cautious. But with fiscal space shrinking in the US, a rethink may be in the offing.

Even if the US wants to regulate more, though, can the authorities really pull it off? The American way is to wait until an industry is large enough to matter. But by that point, the industry will have grown powerful enough to shape any rules meant to rein it in. Consider crypto: flush with cash, armed with lobbyists and laser-focused on its interests, it has proven adept at swaying politicians—and public opinion—in its favour. The consequence invariably is under-regulation, even when risks to the public are glaring.

Risk-averse Europe, by contrast, steps in early, when an innovative sector is still small and its voice barely audible. At this stage, it is the incumbents—the banks threatened by crypto, for example—who dominate the debate. Their influence pushes the needle toward excessive caution and heavy-handed rules. The US tends to regulate too little, too late, whereas Europe does too much, too soon. Neither gets the balance quite right.

Even though there is a case for each side moving towards the other, it is worth emphasizing that regulation does not stop at national borders. In fact, the world may benefit from having somewhat different approaches. US chatbots can thrive in a relatively unregulated environment, experimenting and scaling quickly. But once they seek a global presence, they will run into Europe's stricter standards. With sufficient resources and strong incentives, they will find creative low-cost ways to comply, and those risk-reduction strategies may eventually flow back into the US, leaving the world with more and safer innovation.

That is the ideal scenario. Reality is likely to be messier. American firms could cause global harm before European regulators catch up. Europe may continue discouraging innovation before it starts, leaving the world with too little. But perhaps the greatest danger is if regulators on either side of the Atlantic export their own rulebook, forcing the other to fall in line.

The world may be best served if American and European regulators keep seeing regulations differently.

02 Sep 2025

No Easy Fixes to India-China Trade

But services can be brought into play

With India-US trade now resembling a collapsed Jenga stack, India's presence at the Tianjin SCO leaders' summit has set speculators speculating about better India-China economic ties. But rebalancing India's trade with China presents a more complex picture than a similar attempt with the US. India's manufacturing trade surplus with the US can be balanced by increasing arms and energy imports. China's persistent trade surplus with India is driven by manufacturing and calls for protection. Another approach could be to plug into Chinese value chains to expand India's manufacturing export footprint with the world. Rising value addition of Indian exports would act as a countervailing force to Chinese manufacturing competitiveness. China's factory output has moved out of the labour cost arbitrage phase and is increasingly automated. India can pitch to seed vendor ecosystems using Chinese knowhow.

Just as there are no easy fixes to the India-China trade dynamic, there are also no deal breakers either. India's sensitivities over its farm sector will probably be upheld in any reset of trade with China. Unlike the US, China's agriculture trade runs in deficit and won't benefit from easier market access. This allows India to fashion its engagement with China from a safe zone. Apart from food, the two countries have a common position on energy imports that can bind them into a closer bilateral engagement. China and India provide the purchasing power to deepen the energy market within BRICS.

Trade in services is largely untapped. It can be brought into play to balance bilateral trade. India's growth is not going to be as manufacturing-intensive as that of China. It's the poster child of globalisation in services, but needs to diversify its portfolio of services and markets. The Chinese economy is restructuring to lower its dependence on manufacturing. Geography helps in putting services trade on a fast track. There could be outsized gains if exchanges between the two most populous nations become stable.

02 Sep 2025

Don't Slip on Ethanol Blending

Sreeraman Thiagarajan

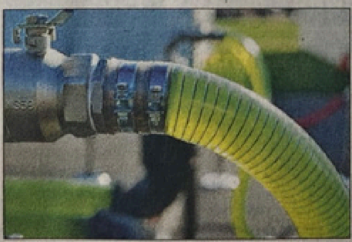
In 'E20 in Our Tanks is Better? Seriously?' (ET, Aug 29), Arijit Barman's argument against ethanol blending fails to capture the wider context. Far from being a reckless imposition, ethanol blending is a pragmatic energy security strategy, one that India cannot afford to dismiss.

Critics ask why GoI is 'forcing' this. The answer lies in history. When Opec embargo of 1973 left Brazil with barely enough fuel for ambulances, the country turned to ethanol. Out of that crisis was born a flex-fuel model that powers Brazil even today. India is not in crisis, but vulnerability is real. We import 85% of our crude oil. Every spike in Brent prices weakens the rupee, raises import bill and tightens fiscal space. Ethanol blending is about insulating the economy from global shocks.

▶ Farm-lobby diktat? India is a grain-surplus country. Rice stocks hover near 60 mn tonnes, more than four times the buffer norm, while wheat is at nearly 37 mn tonnes. Much of this rots or is offloaded at subsidised rates abroad. Using a fraction of it to produce ethanol does not imperil food security. Instead, it puts idle resources to work and stabilises farm incomes.

Even if food crops weren't used, the future lies in second-generation ethanol fuel distilled from crop residues, stubble and bamboo. Plants like IOC's facility in Panipat process two lakh tonnes of rice straw annually. Instead of smog from stubble burning, we get clean fuel in our tanks. To portray ethanol as a contest between food and fuel is to ignore this tech revolution.

▶ Mileage anxiety This fear is overblown. Yes, ethanol has a lower calorific value than petrol, but the real-world impact at 20% blending is about 2-3%. Drivers see that kind of fluctuation depending on tyre pressure, traffic snarls or how much they press the accelerator. Cars are machines. Blaming every variation in mileage on ethanol is lazy arithmetic.



The right mix

▶ Engine corrosion Automakers have anticipated blending for years. Honda launched E10/E20-compliant cars in India in 2009, without any state diktat. Others have followed. Consumers, meanwhile, think nothing of retrofitting CNG kits costing ₹50,000, but baulk at the prospect of ethanol-resistant parts worth a few thousand rupees for cars that cost ₹20 lakh-plus. The double standard is glaring.

▶ Baby steps? As for the suggestion that India should have taken baby steps, that is exactly what has happened. From 5% to 10% to 20%, the rollout has been phased and measured. The much-quoted target of 27% by 2027 is not a hard government deadline, but part of a roadmap under consideration. Presenting it as fait accompli fuels unnecessary panic.

▶ Easy on EVs The idea that EVs are the cleaner, smarter alternative sounds attractive, but it overlooks the reality that more than 70% of India's electricity still comes from coal. Mass EV adoption today would merely shift emissions from tailpipes to smokestacks.

Meanwhile, electricity demand is soaring for industry, households and digital infrastructure. Ethanol offers an immediate, scalable bridge fuel that works within our existing system while EV-charging networks and renewable capacity scale up.

The real debate should not be ethanol vs EVs, or food security vs energy security. It should be about balance. India needs EVs in urban clusters, ethanol-blended petrol for the 30 cr ICE vehicles, and 2G ethanol to turn waste into wealth. Brazil has shown that this portfolio approach works. India can build its own version, suited to local realities.

Ethanol blending is not reckless. It is pragmatic. It reduces oil imports, creates rural income, curbs stubble burning and gives us cleaner air. Yes, automakers must adapt. Yes, consumers must adjust. But the alternative — remaining hostage to oil shocks and choking on smog — is worse.

Before we dismiss ethanol as bitterness in our tanks, let us acknowledge what it really is: a step toward energy independence and environmental responsibility, built not on populism but on hard necessity.

The writer is director, JK India eAgriTech

02 Sep 2025


THE ECONOMIC TIMES

WWW.ECONOMICTIMES.COM

BENNETT, COLEMAN & CO. LTD. | NEW DELHI | 24 +4 PAGES OF ET PANACHE | ₹3.00 OR ₹7.00 ALONG WITH TOI | FRIDAY, 14 OCTOBER 2016

The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it... Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world."

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

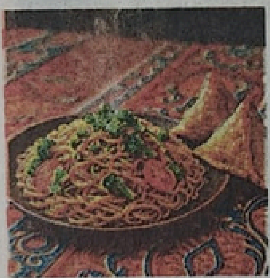
AROUND THE WORLD ›› 17

Let Him Be

Don't Mistake Snacks for a Meal

Narendra Modi's participation at the SCO leaders' summit in Tianjin has drawn global attention, Donald Trump's included. The optics may suggest India is edging closer to China and Russia in the wake of Trump's tariff offensive and his dismissal of the Indian economy as 'dead'. But that conclusion would be as misplaced as declaring the weekend a win for the Xi Jinping-Vladimir Putin corner of the ring. What should ring loud and clear is that New Delhi remains committed to its strategic autonomy.

A thaw in Modi-Xi ties has been in the works since their 2024 BRICS meeting in Kazan, Russia. Peaceful coexistence is essential for both sides to prosper: India and China remain neighbours with the world's longest unresolved border. Yet, they are also bound by robust trade. China is a key supplier of components critical to India's clean energy ambitions. India, meanwhile, is on a high-growth trajectory with steadily rising defence capabilities. That Modi chose to visit Japan—another country with a complicated relationship with China—just before SCO underlines the broader context of the Tianjin engagement. His departure before tomorrow's China's Victory Day (against Japan in 1945) celebrations being attended by other SCO leaders is also telling.



The summit itself offered subtle signs. The Tianjin Declaration condemned the April Pahalgam massacre, but also equated it with the Jaffar Express and Khuzdar attacks in Pakistan, suggesting the space Beijing is willing to allow. Still, the Modi-Xi bilateral doesn't wipe the slate clean. Nor does careful optics change the underlying reality of rivalry and competition. To speak of a 'reset' would be misleading. What is unfolding, instead, is a pragmatic understanding between two large neighbours.

02 Sep 2025

Modi's China trip isn't the Great Thaw with China it's being made out to be – it's realgeopolitik

Don't Get Shanghaied by Tianjin

SCO, Beijing Reality Check

Sriparna Pathak

As the international order comes under increasing strain owing to misplaced priorities of Trump 2.0, impetus for the creation of a newer world order increases. Dreams of an 'Asian century', with India and China playing important roles, have re-emerged, as both India and China find themselves at the receiving end of Trump tariffs. However, it is pertinent to understand why the 'Asian century' didn't emerge 25 years into the 21st c. in the first place.

With Narendra Modi attending the Shanghai Cooperation Organisation (SCO) summit, clamour about a 'reset' in ties between India and China has re-emerged. But this ignores the basic premise behind Modi's visit to Tianjin. For starters, his visit was to attend the SCO summit. Projecting it as a 'visit to China' defeats the trip's basic premise. Also important is the fact that it was Russia that facilitated India's entry into SCO, while China brought Pakistan in.

SCO expansion took place last year, with India as an important voice of the 'global south'. As Trump's irrational tariffs target India, India needs to further accelerate trade with other member states of the 'global south'. The expanded SCO provides a perfect platform in this context.

Since unravelling of the India-US partnership began roughly over the last one month, India has been engaging in talks and agreements in the realm of defence and economics with its time-tested partner Russia. Emphasis of a New Delhi-Moscow strategic partnership and focus on bilateral security and trade when national security adviser Ajit Doval met Russia's security council secretary Sergei Shoigu and Vladimir Putin on August 7, discussions exploring a free trade agreement, and signing of terms of reference between India and the Eurasian Economic Union (EEU) were telling.

None of such issues have been discussed, never mind signed, by New Delhi and Beijing. If anything, while speaking to Xi Jinping, Modi reiterated that the relations between India and China have to be based on mutual trust, respect and sensitivity. This is not the first time this has been mentioned. Even at the sidelines of last year's BRICS summit in Kazan, the PM had stated the need for the three. Reiterating them at Tianjin means mutual trust, respect and sensitivity have yet to be firmed up between the two countries.

What is also being missed in most narratives of 'warming' ties between India and China is that Modi did not attend China's Victory Day parade, which will commemorate the 80th anniversary of Japan's surrender in the 2nd Sino-Japanese War and WW2 on September 3. While most other SCO members will be attending, Modi will have boarded the flight back home. Also remember, before visiting China, Modi visited Japan, another time-tested friend of India. A plethora of economic agreements were discussed between India and Japan, none of which again holds true for the India-China bilateral.

Chinese foreign minister Wang Yi had visited India last month and extended an invitation to Modi to attend the SCO summit. While the official stated reason for the visit was the special representatives' talk, Wang discussed a host of economic issues. The Chinese economy is suffering from oversupply, a real estate crisis, youth unemployment and diminished growth rates, while the Indian economy powers through with a 7.8% registered growth in Q1 2025, and remains one of the biggest markets in the world. With Trump tariffs on China, the country's export-led growth strategy has suffered. So, Beijing's need to find additional markets, especially India, would fit this plan.

It is not the case for India. After Wang's visit to Delhi, he went to Islamabad and Rawalpindi, where he reiterated China's position as Pakistan's 'all-weather friend' and Beijing's support to defend Pakistan's sovereignty. The messaging could not be clearer — India playing second fiddle in any China-India ties. One must not also forget that China continues to shield Pakistani terrorists from being listed at the UNSC's 1267 committee. A recent example of this was when it blocked India's attempts to list Pakistan-based The Resistance Front (TRF) as a global terrorist group at the committee.

China is also building giant dams on the Yarlung Tsangpo river in the Tibetan plateau. This will create havoc in downstream Brahmaputra. It's building railway lines in Tibet, close to the Indian border. In addition, Beijing is helping build the Lalmonirhat Bangladesh Air Force base near the northern India-Bangladesh border. The Chinese leadership had also discussed the 20-22 km Siliguri Corridor —India's 'chicken's neck' — with Muhammad Yunus, when the head of Bangladesh's interim government visited Beijing earlier this year.

So, instead of getting ahead of ourselves about any new 'Hindi-Chini bhai bhai' feelings developing, or a 'reset', we must have a clearer understanding of India's national interests in Modi attending the SCO summit.

Reiterating the need for mutual trust, respect and sensitivity at Tianjin that Modi had mentioned at Kazan last year means these have yet to be firmed up between India and China

The writer is professor, China studies, O.P. Jindal Global University

Red Lines & A Message

Harsh V Pant & Kalpit A Mankikar

When Narendra Modi met Xi Jinping in Tianjin on the sidelines of the SCO leaders' summit on Sunday, there was much speculation and excitement. This was understandable. After all, this was Modi's first visit to China since Indian and Chinese troops clashed along the border in 2020.

Here's looking at you, Don T

Through this outreach — and during regular SCO ministerial interactions — New Delhi has made its red lines loud and clear to Beijing. The issue of the border has figured prominently in discussions between Modi and Xi. The former pitched a stable relationship between the two nations based on 'mutual respect, mutual interest, and mutual sensitivity'. He underscored that peace along the line of actual control (LoAC) will have a bearing on the trajectory of the India-China relationship.

While disengagement has taken place along the LAC in eastern Ladakh, de-escalation is yet to happen. Some 50,000-60,000 troops are still deployed on either side of the LoAC in the region.

In August, China's foreign minister Wang Yi was in New Delhi for the 24th round of special representatives (SRs) talks. The SRs mechanism was set up in a 2003 agreement, and is mandated to look into ways to resolve the boundary question from a political perspective. During this sitting, it was resolved to set up an 'expert group' under the Working Mechanism for Consultation and Coordination on India-China Border Affairs to work out the feasibility of boundary delimitation in the border areas, and a 'working group' to advance effective border management to maintain peace along the LoAC.

On the sidelines of the SCO meeting of defence ministers at SCO in Qingdao in June, Rajnath Singh had told his Chinese counterpart Dong Jun that their two nations should work towards a permanent solution of border demarcation, and a structured roadmap of permanent engagement and de-escalation. Thus, the initiative to effectively manage the LoAC and delineate the border — which has been a bone of contention — gathered momentum.

The other issue that Modi raised with Xi in Tianjin was the issue of cross-border terrorism that has come to the forefront after the April 22 attack in Pahalgam. Indian representations during previous SCO ministerial meets have also highlighted this issue.

During the SCO meet in July, S Jaishankar had reminded China that the prime objective of the multilateral grouping was to combat terrorism, separatism and extremism. Banned Huawei satellite phones and encrypted apps were suspected to be aiding terrorists involved in the Pahalgam terror attack in communicating with their handlers across the border.

Earlier, Beijing blocked moves to place Jaish-e-Mohammad's Rauf Asghar, Lashkar-e-Taiba's Sajid Mir and Abdur Rahman Makki on a UN sanctions list. Rajnath Singh had refused to endorse a joint statement at the SCO defence ministers meet in China in June, as India had been pushing for inclusion of tougher language on terrorism.

This concerted effort seems to have borne fruit. The Tianjin SCO declaration states, 'The member states strongly condemned the terrorist attack in Pahalgam on 22 April 2025. They expressed their deepest sympathy and condolences to the families of the dead and the wounded. They further stated that perpetrators, organisers and sponsors of such attacks must be brought to justice.'

It added that 'member states, while reaffirming their firm commitment to the fight against terrorism, separatism, and extremism, stress the inadmissibility of attempts to use terrorist, separatist and extremist groups for mercenary purposes.' This puts Pakistan on notice, since Rawalpindi-Islamabad is known for the use of proxy terror groups, and the Pakistani Army has deep links with terrorist outfits.

The Taiwan issue has come up prominently during previous interactions between India and China. New Delhi and Taipei have been assiduously fostering cooperation in S&T. Foxconn chairman-CEO Young Liu received the Padma Bhushan last year. He later met Modi in New Delhi to discuss investment plans.

During the media briefing after the Modi-Xi summit on Sunday, the issue of Taiwan was raised. Rather than being on the defensive, India has steadfastly maintained that it is well within its rights to build relations with Taiwan in economic, technological and cultural spheres. Also, in maintaining that there was no change in its position on the Taiwan issue, this assertion is cryptic in itself, as India did not repeat that it commits to 'One-China'.

While Modi asserted India's red lines to China during the Tianjin summit, it also sent out a message to the US and a response to Trump's rat-a-tat tariffs on Indian goods supposedly over its import of Russian oil. In Modi sharing a ride with Vladimir Putin, New Delhi has sent a message to Washington that it will double down on strategic autonomy, and won't back down.

In maintaining there was no change in its position on the Taiwan issue, this assertion is cryptic in itself, as India didn't repeat that it commits to 'One-China'

Pant is professor of international relations, King's College London, and Mankikar is fellow, China studies, ORF

Unlock your daily dose of sharp editorial insights from Mint, Business Line, Business Standard & The Economic Times — all in one click, right here

List of Newspapers Subscribed by DTU Central Library
Access link

Design by: Annu Sharma (annusharma73958@gmail.com)

Compiled by: Annu Sharma, Vinita Joshi, Mukul, Abhinav Uniyal

Scan here to access all resources and services of the Central Library, explore our publications under Central Library, and stay connected with every update