Prelims Exam Topics

INDIA FORECASTS "BELOW-NORMAL" SOUTHWEST MONSOON

Context

Context: For the first time in 11 years, the India Meteorological Department (IMD) has issued an April forecast warning of a "below-normal" southwest monsoon.

Key Highlights of the Forecast warning

- Between June and September 2026, India is projected to receive only 92% of the Long Period Average (LPA),
- The central reason for this cautious outlook is the anticipated development of **El Niño**-the periodic warming of the Central Equatorial Pacific waters.
- Currently, the Pacific is transitioning from "weak" La Niña conditions through a neutral phase.
- The negative impacts of El Niño are expected to intensify during the second half of the monsoon season (August–September).
- **Countervailing Factors**
    - **Positive Indian Ocean Dipole (IOD):** A "positive" IOD (warmer western Indian Ocean near Africa compared to the eastern part near Indonesia) is likely to develop late in the season.
    - **Reduced Snow Cover:** Below-normal Northern Hemisphere snow cover during winter typically strengthens the land-sea thermal gradient, leading to more robust monsoon winds and enhanced rainfall across India.

Long period Average: The average rainfall recorded over a 50-year period (currently based on 1971–2020 data). The IMD uses specific terminology to categorize the monsoon based on the **LPA (87 cm)**:

- **Deficient:** Rainfall less than 90% of LPA.
- **Below Normal:** 90% to 94% of LPA (Current Forecast: **92%**).
- **Near Normal:** 96% to 104% of LPA.

THE INTELLECTUAL LEGACY OF SUBHAS CHANDRA BOSE

Context

Subhas Chandra Bose was not merely a military commander; he was a sophisticated political philosopher who sought a "higher synthesis" between Eastern spiritualism and Western material dynamism.

Philosophical Foundations

- **Rejection of Maya:** Early in his life, Bose was influenced by Shankaracharya's *Advaita Vedanta*. However, he eventually discarded the **Doctrine of Maya** (the world as an illusion), arguing that a revolutionary could not fight for a world that wasn't real.
- **Reality as Spirit:** In his autobiography, ***An Indian Pilgrim*** (1937), he redefined the world as a **manifestation of Spirit**, an evolving, real entity driven by a moral core, which he defined simply as **Love**.
- **Hegelian Dialectics:** Bose synthesized Hindu thought with Western logic. He adopted **Hegel's Dialectics**, believing that progress occurs through the conflict between a **Thesis** and an **Antithesis**, resulting in a **Synthesis**.

Samyavada: The Doctrine of Harmonious Equality

- Bose's unique political contribution was **Samyavada**, a term derived from the Sanskrit *Sāmya* (equality/harmony) and *vāda* (doctrine).
- **Synthesis of Ideologies:** In ***The Indian Struggle*** **(1934),** he proposed that India should work out a synthesis embodying the strengths of both, efficiency and national unity from the former, and social justice and internationalism from the latter.
- **Anti-Copycat Approach:** He believed Samyavada was India's specific contribution to world civilization, following the legacies of British Constitutionalism, French Liberty, and Russian Marxism.
- **The Socialist State:** In practice, Samyavada aimed for:
    - Complete national independence.
    - Social ownership of the means of production.
    - Scientific large-scale industrialization.
    - A "New Order" built on social justice and the removal of caste and communal barriers.

Scientific Reconstruction and Authoritarianism

- **Industrialization:** Unlike the Gandhian emphasis on rural self-sufficiency, Bose was a staunch advocate of scientific industrialization.
    - As Congress President at Haripura (1938), he argued that eradicating poverty required the social control of both production and distribution.
- **The Adarsha Sangh:** Bose believed that a newly independent, impoverished India would require a **strong Central Government** during the period of reconstruction.
    - He advocated for a "strong Adarsha Sangh" (Model Organization) with a degree of authoritarianism to bypass the slow-moving nature of decentralized democracy in a fractured society.

FLAVOUR PUZZLE IN PARTICLE PHYSICS

Context

- In particle physics, scientists have discovered that fundamental particles occur in **three repeating families called generations**, but the reason for this pattern remains unexplained within current theory, creating the **"flavour puzzle."**

About Flavour and generations

- **Meaning:** In particle physics, **"flavour" refers to different types of fundamental particles that share similar properties but differ mainly in mass and interaction strength** (e.g., electron, muon, tau).
- **Where Flavour Appears:** Flavour applies mainly to **quarks and leptons**, the basic building blocks of matter. **Examples of Flavours:**
    - **Total quark flavours:** 6 (up, down, charm, strange, top, bottom).
    - **Total lepton flavours:** 6 (electron, muon, tau and their neutrinos).
- **Key Feature:** Particles with different flavours can **transform into each other through weak nuclear interactions (called flavour mixing).**

- **Flavour Mixing** is a process in which particles change from one flavour to another through weak interactions.

- **Generation:** Particles are organised into **three generations**, each containing similar particles but with increasing masses.

Generation	Leptons	Quarks
1st Generation	Electron, Electron neutrino	Up quark, Down quark
2nd Generation	Muon, Muon neutrino	Charm quark, Strange quark
3rd Generation	Tau, Tau neutrino	Top quark, Bottom quark

- **Mass Hierarchy:** Each generation is **heavier than the previous one** (muon ≈200× heavier than electron; tau ≈17× heavier than muon).
- **Role in Matter:** Only **first-generation particles form ordinary matter** (atoms made of electrons, protons, neutrons).

In particle physics, **"flavour" refers to different types of fundamental particles**, while **"generations" are groups that organise these flavours into repeating families** with similar properties

About the Flavour Puzzle

Despite its success, the Standard Model leaves several flavour-related questions unanswered. This is called The **flavour puzzle:**

- **Generation Replication Problem:** The model **does not explain why particles exist in exactly three generations**.
- **Mass Hierarchy Problem:** Particle masses vary enormously without clear explanation. For Example:
  - Electron is extremely light
  - Top quark is about **350,000 times heavier than the electron**.
- **Mixing Angles Mystery:** Particles can transform between flavours (e.g., quark mixing), but the theory **cannot predict the values of these mixing parameters**.
- **Free Parameters:** Many particle properties such as masses and mixing angles must be **inserted into the theory from experiments**, rather than derived from first principles.
- **Neutrino Mass Problem:** The Standard Model originally predicted **massless neutrinos**, but experiments show they have small but non-zero masses.
- **CP Violation:** Observed CP violation in the Standard Model **cannot fully explain why the universe contains far more matter than antimatter**

CP violation is a phenomenon in particle physics where the combined symmetry of charge conjugation (C) and parity (P) is broken, meaning physics laws differ for particles and their antiparticles.

What is the Standard Model

- The **Standard Model of particle physics** is the current theoretical framework describing **fundamental particles and three fundamental forces**.

- It explains three fundamental forces:
  - Electromagnetic force
  - Weak nuclear force
  - Strong nuclear force
- **Particles in the Model**

Category	Examples
Quarks	up, down, charm, strange, top, bottom
Leptons	electron, muon, tau, neutrinos
Force carriers (Bosons)	photon, gluon, W, Z
Scalar particle	Higgs boson

Not Included: Gravity is **not explained by the Standard Model**.

Significance of Solving the Flavour Puzzle

- **Discovery of New Physics:** Understanding flavour could reveal **physics beyond the Standard Model** (new particles, forces, or symmetries).
- **Grand Unified Theories:** Solutions may link **electromagnetic, weak, and strong forces under a single framework**.
- **Understanding Matter–Antimatter Asymmetry:** Explaining flavour mixing and CP violation could clarify **why the universe contains more matter than antimatter**.
- **Insights into Fundamental Structure of Nature:** Solving the puzzle may reveal **deeper organisational principles of elementary particles**.
- **Advancement of Particle Physics Experiments:** Future discoveries may require **next-generation particle accelerators probing scales smaller than 10^{-21} m**.

U.S. NAVAL BLOCKADE OF IRAN AND ITS IMPLICATIONS

Context

- After the collapse of U.S.–Iran negotiations, the United States announced a **naval blockade targeting Iranian ports and shipping** increase pressure in the ongoing **West Asian conflict**.

About the Blockade

- **Definition:** A **naval blockade** is a wartime maritime operation that prevents ships or aircraft from entering or leaving the ports of a belligerent state; under international law it is generally treated as an **act of war**.
- **Operational Mechanism:** Naval forces deploy **surface combatants, maritime patrol aircraft, and surveillance systems** to intercept or inspect vessels suspected of trading with the blockaded state.
- **Types of Blockade**
  - **Close blockade:** Naval forces positioned near the coastline of the targeted state.

- **Distant blockade:** Forces deployed farther away to avoid enemy missiles and coastal defence systems.

- **Strategic Maritime Context:**
  - **Strait of Hormuz:** ~20 percent of global oil trade passes through it.
  - Roughly **150 vessels transit the strait daily** in normal conditions.

International Law Debate on the Blockade

Legal Principle / Treaty	Supports the Blockade	Challenges the Blockade
Law of Naval Warfare (San Remo Manual 1994)	Allows naval blockades during armed conflict if properly declared and effectively enforced.	Requires blockade to avoid starvation of civilians and must allow humanitarian supplies.
UN Charter Article 51 (Self-Defence)	A state may take military measures if responding to an armed attack.	Blockade legality questioned if no direct Iranian attack triggered self-defence.
UN Security Council Authority (Chapter VII)	UNSC may authorise blockades to maintain international peace.	No explicit UNSC mandate currently authorising the blockade.
Freedom of Navigation (UNCLOS)	Blockade may still allow transit through international straits such as Hormuz.	Restricting neutral vessels may violate freedom of navigation principles.
Humanitarian Law (Geneva Conventions)	Military measures allowed if they target legitimate military objectives.	Blockades causing humanitarian suffering or economic starvation may be illegal.
Neutrality Law	Neutral vessels may be inspected to enforce blockade.	Seizing neutral ships trading peacefully may violate neutrality rights.

Reasons for the U.S. Blockade of Iran

- **Economic Pressure:** Stopping Iranian oil exports to weaken Tehran's war financing.
- **Negotiation Leverage:** Forcing Iran to return to negotiations after diplomatic talks failed.
- **Nuclear Containment:** Limiting Iran's financial capacity to support nuclear enrichment activities.
- **Control of Maritime Routes:** Prevent Iran from controlling shipping or collecting transit tolls in the Strait of Hormuz.
- **Alliance Assurance:** Demonstrate commitment to Gulf allies concerned about Iranian regional influence.

Reversal and Policy Ambiguity

- **Initial Hardline Announcement:** The U.S. initially threatened to **blockade all ships entering or leaving the Strait of Hormuz**, raising fears of a global energy crisis.
- **Subsequent Clarification:** The U.S. military later clarified that the blockade would **target vessels entering or leaving Iranian ports**, while allowing transit through the Strait of Hormuz.

The shift was intended to **avoid alarming Gulf allies and prevent a sudden spike in oil prices**.

Challenges in Blockade

- **Enforcement Challenges:** Identifying vessels trading with Iran is difficult due to **GPS spoofing, false port records, and complex shipping routes**.
- **Shipping and Insurance Risks:** War-risk insurance costs could rise sharply, discouraging shipping companies from using Gulf routes.

- **Escalation Risks:** Iran could retaliate by **targeting merchant vessels or disrupting maritime traffic in the Persian Gulf**.
- **Operational Complexity:** Large maritime areas and heavy shipping traffic make full enforcement difficult.
- **Proxy Conflict Risks:** Iran-aligned groups such as **Houthi militants in Yemen could target Red Sea shipping routes**, widening the conflict.
- **Policy Contradiction:** The approach appears inconsistent with the United States' historical role in **protecting freedom of navigation in global sea lanes**.

Impact of Blockade on India

- **Energy Security Risks:** India imports **~85 percent of its crude oil**, much of it from West Asia; disruption could raise oil prices significantly.
- **Maritime Trade Vulnerability:** Around **60 percent of India's oil imports pass through the Strait of Hormuz**, making the region strategically critical.
- **Trade with Iran:** India exports **rice, pharmaceuticals, machinery and chemicals to Iran** and imports **bitumen and petrochemical products**, with bilateral trade around **$1–1.2 billion annually**.
- **Inflationary Pressure:** Higher crude prices may increase **fuel, transport, and manufacturing costs**, contributing to inflation.
- **Connectivity Projects:** Regional instability could affect India's **Chabahar Port and International North–South Transport Corridor (INSTC)** initiatives.
- **Diaspora Impact:** Economic instability in Gulf countries could indirectly affect **millions of Indian workers in the region**.

WINDFALL TAX

Context

Oil marketing company stocks such as IOC, BPCL, HPCL and Reliance came under pressure after the Centre sharply increased the windfall tax on diesel and ATF exports amid crude prices crossing $100 per barrel due to West Asia tensions.

Definition

- A windfall tax is a higher tax rate levied by the government on specific industries or companies when they experience unexpected, outsized profits often referred to as windfall gains due to favorable external conditions rather than their own business maneuvers or investments. In the energy sector, these gains typically occur when global geopolitical tensions drive up crude oil and fuel prices.

Objective

- To ensure that extraordinary profits resulting from global crises are shared with the public exchequer.
- To help the government fund subsidies or social programs that mitigate the impact of high fuel prices on consumers.
- To generate additional revenue for the government during periods of economic or geopolitical instability.

How does it Works?

- The tax is generally implemented as a levy on the export of fuels or the production of domestic crude.

- **Benchmark Tracking:** The government monitors global prices (like Brent Crude). When prices exceed a certain threshold, the excess profit per unit is taxed.
- **Fortnightly Revisions: I**n India, the government typically reviews and adjusts these tax rates every two weeks based on the average international price and refinery margins from the previous fortnight.
- **Specific Levies:** As seen in the recent update, different rates are applied to different products.

Key Features

- **Dynamic Nature:** Unlike standard corporate tax, windfall tax is temporary and fluctuates. It can be reduced to zero if global prices crash.
- **Targeted Implementation:** It specifically targets Special Additional Excise Duty (SAED) on exports to ensure domestic fuel availability before companies seek higher profits abroad.
- **Exemptions:** Often, small-scale producers or those who meet specific domestic supply mandates may receive exemptions or lower rates.
- **Immediate Effect:** Changes are usually notified via the Gazette and take effect immediately to prevent companies from hoarding or pre-emptively exporting stocks before the tax kicks in.

WHIP

Context

The Congress directed all its Lok Sabha MPs through a strict three-line whip to ensure full attendance and back the party's position during a special three-day parliamentary session focused on amending the women's reservation law and undertaking delimitation based on the 2011 Census.

About Whip

A whip is a formal direction issued by a political party instructing its members to be present for a vote or to vote in a specified manner. In India, all political parties can issue such directives to their legislators.

Each party designates a senior member from its parliamentary group as the Chief Whip, who is responsible for issuing these instructions. The Chief Whip is supported by other whips.

Types of Whip

- **One-line whip:** A lightly enforced directive, primarily notifying members about a vote; members may choose to abstain if they do not wish to follow the party stance.
- **Two-line whip:** Requires members to be present in the House during voting.
- **Three-line whip**: A strict directive issued on critical matters (e.g., key legislation or no-confidence motions), making it mandatory for members to vote as per the party line.

Constitutional Status

The position of a whip is not explicitly provided for in the Constitution of India, parliamentary rules, or any statute. It operates on established parliamentary conventions.

Functions of a Whip

- Ensures members vote in line with party decisions.
- Communicates the party's stance and gauges members' opinions.
- Maintains discipline within the party in the legislature.
- Secures the attendance of members during proceedings.
- Detects and reports dissatisfaction among legislators to party leadership.

- Prepares and circulates lists of speakers for debates and legislative business.
- Acts as a key link in maintaining party cohesion within Parliament.

Key Supreme Court Judgements

- **Kihoto Hollohan v. Zachillhu (1992)**: The Supreme Court upheld the validity of the Tenth Schedule (anti-defection law) and affirmed that parties can direct members through whips, though such power is not unlimited and must align with constitutional principles.
- **Rajendra Singh Rana v. Swami Prasad Maurya (2007)**: The Court ruled that a whip cannot be issued for a private member's bill, as such proposals are introduced by individual legislators, not parties.
- **Jagjit Singh v. State of Haryana (2006)**: The Court clarified that the issuance of a whip and actions taken for its violation are subject to judicial review, and must adhere to principles of fairness and natural justice.

Mains Exam Topics

THE INDIAN MIDDLE CLASS REMAINS ECONOMICALLY VULNERABLE

Context

Recent economic debates and policy discussions suggest that although India's economic expansion has significantly reduced extreme poverty, it has also produced a large section of households that can be described as a "vulnerable middle class."

Introduction

- India has made notable progress in poverty reduction, with the proportion of people living below the **World Bank's lower-middle-income poverty** threshold declining from nearly 50% a decade ago to around 30% in recent years. While economic growth has helped alleviate extreme deprivation, it has not translated into widespread and sustained upward mobility.
- This has led to the rise of a **"vulnerable middle",** a segment positioned between poverty and prosperity, marked by unstable incomes, limited social security, and restricted access to opportunities.
- In response, a significant shift in policy thinking is emerging: moving beyond the conventional poor vs non-poor classification towards a more nuanced, spectrum-based understanding of well-being.
- This approach seeks to assess how close individuals are to achieving a dignified standard of living, rather than merely determining whether they fall above or below a fixed poverty line.

Why does the traditional poverty line fall short?

- **Binary classification issue:** The poverty line divides the population into poor and non-poor, failing to reflect varying levels of economic well-being.
- **Neglect of economic mobility**: It does not indicate whether individuals are improving their economic status or remaining stagnant over time.
- **Threshold limitation:** Crossing the poverty line does not guarantee financial stability or resilience to shocks.
- **Empirical evidence:** Despite poverty declining from nearly 50% to about 30%, a large proportion of people continue to remain economically vulnerable just above the threshold.

Alternative approach to measuring welfare and development

- **Continuum-based assessment:** Replaces the rigid binary framework with a graded evaluation of economic well-being.
- **Distance from prosperity indicator:** Measures how far households are from achieving a reasonable standard of living, rather than mere survival.
- **Focus on the most deprived**: Gives greater policy weight to those who are farthest behind, ensuring targeted interventions.
- **Tracking upward mobility**: Evaluates progress in income and living standards, not just exit from poverty.
- **Capturing vulnerability and risk:** Identifies households at risk of slipping back into poverty due to shocks or instability.
- **Policy effectiveness**: Helps design more precise welfare policies by going beyond simplistic poverty-line classifications.

- **Supporting evidence**: Even with poverty levels falling to around 30%, a significant share of the population remains clustered just above the poverty line, underscoring the need for such a refined framework.

Reasons behind the economic vulnerability of the middle class

- **Post-poverty yet insecure**: A family earning slightly above the poverty line (e.g., ₹15,000–₹20,000/month in urban areas) may afford basic needs but cannot handle unexpected expenses like hospitalisation.
    - **Eg:** A single medical emergency (like a ₹1–2 lakh surgery) can force families to sell assets or take high-interest loans.
- **Income instability**: Gig workers (delivery agents, drivers) or daily wage earners face fluctuating incomes depending on demand, season, or platform algorithms.
- **Weak financial cushion:** Many households lack even 2–3 months of savings; for instance, during the COVID-19 lockdowns, numerous families exhausted their savings within weeks.
- **Inadequate social protection**: Informal workers often lack health insurance or pensions; e.g., a construction worker has no coverage for accidents or old age security.
- **Stalled upward mobility:** A first-generation graduate may secure a low-paying job but struggle to move into higher income brackets due to limited opportunities.
- **Cycle of fragility**: A family that escapes poverty through a stable job may fall back due to job loss, then recover again creating a repeated cycle of vulnerability.
- **Economic anxiety:** Fear of job loss in sectors like IT or startups, especially during global slowdowns, creates constant financial uncertainty.

Significance of the issue

- **Implications for inclusive growth:** The persistence of a vulnerable middle class highlights the limitations of a growth strategy that does not sufficiently address employment generation and income inequality.
- **Risk of a middle-income trap**: If wage growth remains slow and structural constraints persist, India may find it difficult to transition smoothly from a middle-income to a high-income economy.
- **Impact on consumption**: The middle class plays a critical role in driving domestic demand and consumption.
    - If households feel financially insecure, their spending may decline, potentially slowing economic growth.
- **Social and political consequences**: Economic insecurity among the middle class may increase demand for welfare programmes, generate social dissatisfaction, and influence political dynamics.

Way forward

- **Shift from public sector dependence to private-led growth:** Encourage the expansion of high-skilled employment in sectors such as IT, finance, and emerging industries, while ensuring adequate job security and fair compensation.
- **Revitalising manufacturing for job creation**: Strengthen industrial growth by scaling up Production-Linked Incentive (PLI) schemes, supporting MSMEs, and improving the ease of doing business to create durable employment opportunities.
- **Breaking the informality cycle through skills and security:** Combine expanded social security coverage with large-scale skill development initiatives to transition workers into stable and productive jobs.

- **Balancing gig economy growth with worker protection:** Enhance regulatory frameworks, ensure contractual safeguards, and improve income stability for gig and service sector workers.
- **Encouraging entrepreneurship and self-employment**: Promote innovation, startups, and digital enterprises to transform job seekers into job creators and drive inclusive workforce participation.

GLOBAL AI ARMS RACE

Context

- Rapid integration of **Artificial Intelligence in military systems** has triggered a strategic competition among major powers, often compared to the **early nuclear arms race**.

AI Arms Race Between Countries

- **United States:** Rapid militarisation of AI through defence programmes
  - **launched Project Maven** to apply AI to military intelligence analysis
  - **Allocated >$13 billion Pentagon budget for autonomous systems**
  - **companies like Palantir, Anduril developing AI drones**.
- **China:** State-driven **civil–military fusion strategy** integrating private tech firms with defence research
  - E.g. China showcases **AI-controlled military systems and drone brigades at Zhuhai Airshow.**
- **Russia:** Development of **autonomous loitering munitions and AI-guided drones** tested in real combat (**Lancet drones**).
  - **Russia–Ukraine war** becomes major testing ground for **AI-enabled drones and autonomous weapons**.
- **Europe:** Rearmament with **AI-enabled air defence and anti-drone systems** (**Germany, France, Britain, Poland joint air-defence initiatives**).
- **Other Emerging Powers:** Countries such as **India, Israel, Iran, Turkey, Pakistan** investing in **AI-enabled military platforms** (**autonomous drones, decision-support targeting systems, cyber-AI warfare**).
- **Private Sector Role:** Unlike nuclear weapons, the AI arms race heavily involves **private technology firms and startups** (**Palantir, Anthropic, Anduril, defence tech startups**).

Challenges in the AI Arms Race

- **Lack of Global Regulation:** No binding treaty governing **autonomous weapons systems** (unlike **Nuclear Non-Proliferation Treaty or Chemical Weapons Convention**).
- **Autonomous Escalation Risks:** AI-driven systems operate at **machine speed**, potentially triggering **unintended military escalation (algorithm-triggered retaliation scenarios)**.
- **Ethical Concerns:** Delegating **life-and-death decisions to machines** raises humanitarian and legal questions.
- **Proliferation Risks:** AI technology is widely available, enabling **smaller states and non-state actors to develop autonomous weapons (cheap drones used in Ukraine war)**.
- **Dual-Use Technology:** AI is a **general-purpose technology (similar to electricity or computing)**, making regulation difficult because civilian tools can be adapted for military use.

- **Security Dilemma:** Countries accelerate development due to **fear of technological disadvantage**, creating a self-reinforcing arms race.
- **Private Sector Dependence:** Military reliance on **private technology companies** creates issues of **data security, corporate ethics, and strategic control**.

Way Forward for Managing the Global AI Arms Race

- **Global Governance Framework:** Develop **binding international rules for autonomous weapons** (similar to Nuclear Non-Proliferation Treaty or Chemical Weapons Convention).
- **Human Control Principle:** Ensure **meaningful human control over critical military decisions**
    - E.g. Similar to U.S.–China 2024 agreement to **maintain human control over nuclear weapon decisions**
- **Transparency and Confidence-Building Measures:** Promote **information sharing, military AI norms and verification mechanisms** (arms control dialogues, AI risk-reduction agreements).
- **Ethical and Legal Standards:** Integrate **International Humanitarian Law principles** (distinction, proportionality, accountability) into AI-enabled weapon systems.
- **Technology Safeguards:** Develop **fail-safe mechanisms and algorithmic oversight systems** to prevent unintended escalation or malfunction.
- **Regulation of Private Sector Participation:** Establish **clear frameworks governing collaboration between defence agencies and technology companies** (data protection, export controls).
- **Global Export Controls:** Strengthen **controls on transfer of sensitive AI military technologies** (similar to Wassenaar Arrangement for dual-use technologies).
- **Multilateral Cooperation:** Encourage cooperation through **UN, G20, OECD and other international platforms** to shape norms for military AI.

FALLOUT OF THE CRISIS IN WEST ASIA ON INDIA'S ECONOMY

Context

- The ongoing geopolitical tensions, particularly the Russia-Ukraine war and the crisis in West Asia, have destabilized the global economy.
- Disruptions in energy markets have led to supply chain disruptions, rising commodity prices, and macroeconomic uncertainty.
- For India, with nearly 90% import dependence on crude oil, the consequences are significant, affecting growth, inflation, and fiscal stability.

Disruptions in Global Energy Markets

- The West Asian crisis has disrupted the production and transportation of crude oil, natural gas, and fertilizers.
- A partial blockade of the Strait of Hormuz has constrained global supply, intensifying volatility.
- Although a temporary ceasefire reduced Brent crude prices, recovery in global supply chains remains slow.
- India has diversified imports across 41 source countries, yet remains vulnerable to fluctuations.

- The Indian crude basket, linked to global benchmarks, surged sharply before moderating. This volatility highlights structural risks in India's energy dependence.

Economic Impact on India

Supply Disruptions

- Supply disruptions impact energy-intensive sectors such as textiles, chemicals, cement, and tyres, leading to cascading effects across the economy.
- Shortages of fertilizers threaten agricultural output, particularly during the Kharif season.

Rising Logistics Costs

- Rising logistics costs increase overall production expenses, pushing up prices of final goods and contributing to cost-push inflation.

Pressure on Exports

- Exports face pressure from both demand and supply sides.
- Weak demand from the U.S. and Europe, along with disruptions in West Asia, which accounts for a significant share of India's exports, reduces trade performance.
- Although rupee depreciation may provide limited support, it cannot fully offset these constraints.

Financial and External sector pressures

- The crisis has intensified pressure on the exchange rate. Rising energy prices increase demand for foreign currency, leading to rupee depreciation.
- This has been compounded by large capital outflows, with significant Foreign Portfolio Investment (FPI) withdrawals.
- Additionally, declining remittances from Indians in Gulf countries further strain foreign exchange inflows.
- These factors widen the current account deficit, as import bills rise while export earnings weaken.

Inflationary and Fiscal Challenges

- Inflationary pressures are a key concern. Rising prices of petroleum products and fertilizers drive cost increases across sectors.
- If combined with excess liquidity, inflation could become more widespread.
- The government also faces fiscal strain. Increased subsidies for Oil Marketing Companies (OMCs) and reductions in excise duty on fuel lead to significant revenue loss.
- Estimates suggest a substantial annual fiscal burden if the crisis persists. Lower tax revenues, due to reduced economic activity, further worsen the fiscal deficit.
- State governments are similarly affected, facing reduced tax devolution and pressure to cut VAT on petroleum products, limiting their fiscal capacity.

Macroeconomic Outlook and Policy Implications

- Rising crude prices pose risks to both growth and inflation. A sustained increase could reduce real GDP growth while significantly raising inflation, creating a potential stagflationary scenario.
- Policy responses require careful balancing.
- While shielding consumers is important, prolonged price controls are fiscally unsustainable. Gradual pass-through of higher prices may help manage deficits and restrain demand.
- Maintaining liquidity discipline is essential to prevent inflation escalation.

Conclusion

The global energy crisis underscores the link between geopolitics and economic stability and for India, the effects extend beyond energy costs to trade, finance, and public finances. While short-term relief may arise from geopolitical developments, structural vulnerabilities persist. A balanced approach involving energy diversification, domestic capacity building, and fiscal prudence is essential.

DELIMITATION AND SOUTHERN STATES

Context

Southern states have raised apprehensions that the delimitation process may adversely impact their share of representation in Parliament.

About delimitation exercise

- **Delimitation** is the process of **redrawing boundaries of Parliamentary and Assembly constituencies** to ensure **equal representation** based on population changes.
- It also involves **fixing the number of seats** allocated to each state in **Lok Sabha and State Assemblies**.
- The process is carried out by an independent body called the **Delimitation or Boundary Commission.**

Legal and Constitutional basis for delimitation commission

- **Article 82**: Requires Parliament to **revise the allocation of Lok Sabha seats** among states **after every Census**.
- **Article 170**: States that the **number of seats in State Legislative Assemblies** must also be readjusted.
- **Delimitation Act**: Passed **whenever delimitation is needed**, and a **Delimitation Commission is set up**.
- Till date **4 Delimitation Commissions** have been formed in **1952, 1963, 1973 & 2004. (UPSC Prelims 2024)**

Related Constitutional Amendments

- **42nd Amendment (1976)**: **Froze the number of Lok Sabha and Assembly seats** until the **2001 Census** to encourage **population control**.
- **84th Amendment (2002):** Extended the freeze on Lok Sabha and Assembly seats until 2026.

Composition of delimitation commission

Appointment	The delimitation commission is appointed by the President of India and works in collaboration with the Election Commission of India
Members	• A retired/working Supreme Court judge (Chairperson) • Chief Election Commissioner. • State Election Commissioners of the concerned states

Significance of the delimitation Exercise

- **Proportional representation:** The delimitation process ensures that each segment of the population is represented fairly. The Delimitation Commission redraws constituencies based on latest Census data so that each seat represents an equal number of people.
- **Prevents political imbalance:** Without delimitation, some areas may have **more MPs per voter**, leading to **under-representation** elsewhere.

- **Reservation for SCs and STs:** The exercise also designates constituencies to be reserved for Scheduled Castes (SCs) and Scheduled Tribes (STs) in regions with significant populations from these communities, ensuring their political inclusion.
- **Neutral and independent process**: Although established through legislation, the Delimitation Commission functions autonomously, free from political influence. Its decisions are final and cannot be challenged in Parliament or courts, safeguarding its impartiality.
- **"One Vote, One Value"**: The process reinforces the democratic ideal of equal weight for every vote by ensuring uniformity in population distribution across constituencies.

Issues with delimitation exercise

- **Uneven population growth**: Northern states like UP, Bihar, MP, and Rajasthan have seen higher population growth compared to southern and smaller northern states, leading to potential disparities in seat allocation.
    - **Eg**: Population control efforts by Southern states may feel being penalized for their efforts.
- **Threat to federalism**: A decline in proportional representation for some states could undermine the federal structure and create regional imbalances.
    - **Eg**: It can fuel separatist regional movements such as **Dravida Nadu**
- **Uncertainty in seat distribution formula**: Lack of clarity on whether seat allocation will be based on existing share or projected population raises concerns about fairness in representation.
- **Implementation delay:** The Nari Shakti Vandana Abhiniyam has been linked with the delimitation process. As delimitation in itself is a contentious task, it can further delay implementation of Women reservation.

Solutions for balanced delimitation

- **Capping Lok Sabha seats**: Keeping the number of MPs fixed, as done in the U.S., would **maintain the status quo** in state-wise representation and uphold the federal principle.
    - **Eg: It can help build national consensus**
- **Increasing state assembly seats**: To address democratic representation needs, the number of MLAs in State Legislative Assemblies can be increased based on population growth.
- **Weighted representation model**: A formula ensuring fair weightage for states with lower population growth can be considered to maintain regional balance.
- **Incentivizing population control**: States that have effectively managed their population growth should not be disadvantaged in seat allocation; a mechanism to reward them should be explored.
- **Consensus-based decision**: Engaging political leaders across regions to reach a balanced and widely acceptable solution can help prevent regional tensions.
- **Parliamentary debate & review**: A thorough discussion in Parliament, considering both numerical representation and federal equity, is essential before finalizing the new seat distribution.