Cuts in time

GST rate cuts will boost consumption at a time when exports face challenges

The sweeping changes to the Goods and Services Tax (GST) regime, authorised by the GST Council on Wednesday, have come as a shot in the arm for the mood of the people, and, potentially, for the economy overall. Few things spur optimism and demand as effectively as tax cuts. The Centre did well to push the GST Council towards these reforms, which rose to the occasion and cleared them quickly. Criticism that these reforms have come too late is neither here nor there. The GST Council is a federal body, and any of the States could have suggested these rate cuts earlier but did not. The appropriateness of the Prime Minister's announcement of the reforms in his Independence Day speech, coming as it did before either the relevant Group of Ministers or the GST Council met, can be questioned. But here, too, the fact that the Council announced its decisions on the first day of what was supposed to be a two-day meeting shows that the States were on board. The minutes of the 56th meeting will reveal each member's stated position. The rate changes span nearly every sector, and are, overwhelmingly, in the downward direction. Very few items, such as high-end motorcycles and higher priced apparel, are set to become more expensive. Tempting as it was to pack the 40% bracket with more items, the GST Council did well to keep it narrow. Overall, these rate cuts, coupled with the income-tax rate cuts announced in Budget 2025, should serve as a much-needed boost to consumption at a time when other engines of growth such as exports and private investment are sputtering.

The government has maintained that the revenue implication of these GST rate cuts would be around ₹48,000 crore a year, based on 2023-24 consumption data. Given the scope of the cuts, this seems like an underestimation. However, only time will tell what the actual number will be. It is to be noted that the GST Council decided to do away with the compensation cess, despite Opposition-governed States calling for one to protect their revenues. Such a cess would have diluted the rate rationalisation and simplification efforts and is best eschewed. Instead, the States are now going to have to look to their own revenue sources, as well as the 16th Finance Commission, to offset the losses they face. The new GST 2.0 still has some anomalies, and is still more complicated than it needs to be, but the removal of duty inversions and the easing of paperwork are a huge improvement. The government should now revive the National Anti-Profiteering Authority, at least temporarily, to ensure that the rate cuts are passed on once they kick in on September 22.

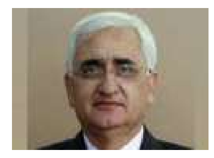
Process as punishment

Repeated bail denial, as in Umar Khalid's case, enables state overreach

The Delhi High Court's decision to deny bail, once again, to former university scholar Umar Khalid and others in the "larger conspiracy" case relating to the 2020 Delhi riots is a grim affirmation of how special security laws, combined with a deferential judiciary, can transform pre-trial detention into extended punishment. The court's reasoning, which held that Khalid's five-year-long custody is not in itself sufficient grounds for bail, rests on the stringent provisions of the Unlawful Activities (Prevention) Act (UAPA). Section 43D(5) of the UAPA bars bail if there are "reasonable grounds" to believe the accusations are prima facie true, a clause that judicial interpretation since the Supreme Court's Watali (2019) judgment has hardened into a near-insurmountable barrier. By forbidding a detailed examination of evidence at the bail stage, the law effectively forces courts to accept the prosecution's narrative. If the charge sheet alleges a conspiracy and attaches voluminous material, the accused is jailed, sometimes indefinitely. With provisions that extend the investigation period to 180 days and prohibit anticipatory bail, the UAPA creates a legal framework where the process itself becomes the penalty — as in Khalid's case. Courts, however, possess the authority to counter such procedural constraints. Long incarceration without trial has been recognised in rulings as grounds for relief, even in serious cases.

A different Bench of the High Court, while granting bail in 2021 to three other activists in the same case, had ruled that the state, in its anxiety to suppress dissent, had "blurred the line between the constitutionally guaranteed right to protest and terrorist activity". It astutely observed that peaceful mobilisation, however inconvenient to the government, could not be casually categorised as a "terrorist act". The current Bench appears to have ignored this crucial distinction. In treating protest-related speech and organisational planning to blockade roads as sufficient to establish a *prima facie* case of terrorism, it punishes dissent, precisely where constitutional liberty should have the stronger claim. This approach echoes the dangers embedded in the Bharatiya Nyaya Sanhita's Section 152, whose vague vocabulary invites the same broad strokes that have been weaponised under the UAPA. Incomprehensibly, the Bench even justified the trial's slow pace, calling it "natural". The price for Khalid is already severe, with his name fixed in the public imagination as a conspirator. When the judiciary defers to the state's anxieties and allows the line between protest and terrorism to be erased, the distinction between accusation and guilt collapses. If prolonged delay is permitted to be a substitute for conviction, the constitutional guarantees of liberty and free expression under Articles 19 and 21 are hollowed out for all citizens.

Trump's tariff war as opportunity for the Global South



Salman Khurshid
is India's former External Affairs Minister

Pushparaj Deshpande
is Director, Samruddha Bharat Foundation

Although much has been made of what the United States and U.S. President Trump are doing, it is critical for India (and the world) to dissect the *raison d'être* behind the disruptions being imposed on them today. The economic, geopolitical and technological polycrisis necessitates a strategic recalibration, to insulate ourselves and to forge a more equitable world order.

Mr. Trump's economic warfare is motivated by three imperatives. First, he is consciously pandering to America's silent majority (and not just the 'Make America Great Again' Republicans) which feels shortchanged by globalisation's nucleus, namely capital accumulation, cheap labour, the environment's colonisation and trickle-down economics. This neo-liberal status quo has caused an unprecedented concentration of wealth and power on the one hand, and mushrooming inequalities on the other. Instead of comprehensively restructuring economic paradigms and thereby redressing legitimate grievances (which the Global South also feels acutely), he has unleashed xenophobic, racist and centrifugal politics, veneered by economic populism.

Trump's motivations

Domestic politics partly explains why Mr. Trump hawkishly vilifies the liberal international order as antithetical to American interests. This has translated into sanctions on 30-plus nations and tariffs on nearly 70 (impairing the free movement of goods and ideas), the forging of trade blocs, the undermining of transnational organisations and treaties , circumscribing of foreign aid to vulnerable nations (reversing solidarity commitments dating back to the First World War) and a crackdown against immigration (impeding the free movement of labour). This 360° attack on the norms and institutions of the liberal world order is just a fig-leaf for the ruthless pursuit of sovereign self-interest.

Second, sidestepping that the tariffs are a camouflaged super-tax on American companies and consumers (who will collectively absorb 70% of tariffs costs, according to Goldman Sachs), they are designed to bolster America's economic strength by extorting nations and companies. Even though America accounts for 26% of global GDP, China, at 17%, is fast catching up (and nearly on a par with the other G-7 members, which collectively account for 20%-22% of global GDP). This is why America continues to heavily subsidise agricultural production, deepens unilateralist industrial, technology and climate change policies, bludgeons nations into making investment commitments, and strives to retrench the dollar's privileged position (including circumscribing global-currency alternatives). This coercive statecraft has historical precedent, with protectionism and punitive mercantile capitalism being leveraged to bolster economies and force sovereign nations to open markets. This hypocrisy continues and is exemplified in America pressuring India to eschew protections for the agricultural sector, while it imposes tariff walls of 350% on tobacco products, 200% on dairy products and 120% on fruits. India's textiles, jewellery and gems, auto components and metals sectors are being severely impacted by these discriminatory tariffs. Clearly, old (imperial) habits die hard.

> India must move swiftly, using the unfolding polycrisis to reshape the world's geo-economic and political architecture

Third, even though tariff-weaponisation is singularly Trumpian, reversing America's perceived deindustrialisation and checking China's ascendance has bipartisan support. The escalating tariffs against India were purportedly designed to pressurise Russia to end the war with Ukraine (one of Mr. Trump's key election promises). However, despite the U.S.-Russia meeting on Ukraine, penalties against India continue (perhaps as leverage against nations pursuing multipolarity). Irrespective of when Mr. Trump can claim "peace in our time", his attention will inevitably shift to what America sees as its biggest challenge to a unipolar world — the China theatre. It is no coincidence that the tariffs also included provisions to check China's strategic influence while furthering American national security goals (as an investigation by *The Washington Post* on the U.S.'s "supplemental negotiation objectives" action memo reveals).

What New Delhi must do

These upheavals hold multiple lessons for India. Its response to the epistemic polycrisis the world faces today has to address both the substantive and the symbolic. For example, the unstated assumption that Washington sees India as a democratic counterweight to China needs to be seriously re-examined. India needs to ask the degree of geopolitical convergence it has with America given that the U.S. has renewed its vows to Pakistan (possibly to retain an inside track with China), is trying to re-hyphenate India and Pakistan, may skip the Quad Summit that India will host later this year, and inhibits American companies manufacturing in India and having advanced technology collaboration. Mr. Trump's actions have disrupted the India-U.S. partnership built painstakingly over 25 years, compelling the Bharatiya Janata Party (BJP) government to make major concessions to China to avoid a two-front problem (without any reciprocal concessions). America needs to accept that India's northern borders are live fault-lines. While India must defend its territorial integrity vigorously, for now, India must manage competition, avoid conflicts and substantively strengthen itself.

Second, the government must confront Mr. Trump more aggressively in the pursuit of India's national interest. It is no coincidence that America has not levied tariffs on China, even though their bilateral trade deficit is $295 billion, while China imports oil from Russia and trades with Iran. This is partly because of Chinese restrictions on rare metals and magnets, which are critical to the U.S.'s defence and technology sectors. In contrast, the BJP government complied twice to American diktats, stopping oil imports from Iran and Venezuela and temporarily waiving the 11% import duty on cotton. The BJP would do well to learn that bullies only respond to strength. Third, Prime Minister Narendra Modi's foreign policy adventurism (personalised diplomacy, manufactured diaspora events, and click-bait acronyms) have not furthered India's strategic interests and must be immediately re-calibrated. For example, the government and right-wing diaspora outfits tried in vain to ingratiate themselves to Republican legislators and right-wing influencers/lobbyists close to Mr. Trump. Likewise, BJP Ministers misread American support by myopically conflating India's economic size with strategic utility. And, equally problematically, the BJP partially eschewed non-alignment (now globally feted as multi-alignment) and sacrificed India's material interests for a symbolic seat at the high table. Sadly, the Modi-doctrine has bound China and Pakistan in an "iron-clad alliance" (creating a unified threat to India's northern flank), isolated India in its neighbourhood, put India's wealth-creators in the cross hairs of punishing tariffs, and subject American-Indians to virulent racism.

India must capitalise on disruptions

India must leverage this polycrisis to reshape the world's geo-economic and political architecture. This window could narrow after America's mid-term elections next year. Therefore, India must champion multipolarity as an alternative to both unipolarity and bipolarity. India can also capitalise on this opportunity to forge a New Economic Deal that works equitably for all nations. After all, neoliberal globalisation has not worked well, especially for those in the Global South. This has been compounded by weak and imbalanced multilateral institutions, an extreme concentration of global power and wealth in the hands of a few in the Global North, the forced reduction of taxes and high levels of sovereign debt (leading to reduced government revenues, a scaling back of state-driven functions, and limited fiscal space to invest in national developmental goals).

But to do this effectively, the government must urgently redress India's structural problems. Manufacturing is at a four-decade low, unemployment is unacceptably high, private investment is stagnant, scientific research is abysmal and public sector units are still not being re-deployed strategically (such as China's State-Owned Enterprise). The government must make concerted efforts to restore trust in economic stakeholders, spearhead policies that ensure equitable growth (without which India will not appear as an attractive market to investors), and a bold new vision.

This necessitates eschewing transactional instrumentalities, and investing time in forging relationships with multiple stakeholders within and outside government. It also means making constructive efforts to forge a bipartisan consensus both domestically and with the Global South. To expedite the realisation of India's manifest destiny, the government must shed its partisan blinkers, reach across the aisle, and lead a unified approach in the national interest.

GST 2.0 is a landmark in India's tax journey

Chandrajit Banerjee
is Director General, Confederation of Indian Industry (CII)

The 56th meeting of the GST Council on September 3, 2025 will be remembered as a defining milestone in India's tax history. These reforms go far beyond tax rates and structures. They represent a decisive shift towards a simpler, fairer, and growth-oriented system that is aligned with the aspirations of a Viksit Bharat 2047.

A long-standing demand of both industry and consumers has been simplification of the multiple GST slabs (5%, 12%, 18%, and 28%). The move to a transparent "Simple Tax", with just two rates, 18% as the Standard Rate and 5% as the Merit Rate, along with a 40% de-merit rate for a select few goods — is transformational.

This bold step reduces compliance burdens, enhances predictability for business, and makes the tax regime more citizen-friendly. It clearly signals the government's commitment to align Indian taxation with the best global practices.

Relief for a range of income groups

The reforms directly touch the daily lives in Indian households. Common items such as soap, shampoo, toothpaste, a bicycle, and kitchenware are now in the 5% bracket. Essentials such as Ultra-High Temperature milk, *paneer*, *chapati* and *paratha* are exempt. Packaged foods, noodles, chocolates and beverages have seen notable rate cuts, boosting consumption and offering relief to families across income groups.

Equally impactful is the exemption of GST on all life and health insurance products. This single decision will make insurance more affordable, particularly for senior citizens and low-income families, raising India's insurance penetration and strengthening social security.

Health care has been given a powerful boost through exemptions and reductions on essential drugs, devices, and treatments for cancer, rare diseases and chronic conditions. These measures ensure wider access to modern medicine and diagnostics, easing financial burdens on households. Farmers stand to benefit from major reductions. Tractors, farm machinery, and other vital implements now attract only 5% GST, while fertilizers and inputs such as sulphuric acid and ammonia have moved from 18% to 5%. By correcting earlier inverted duty structures, these reforms lower cultivation costs and improve farm productivity.

> The simplification of the multiple GST slabs is an example of people's reform

Labour-intensive sectors such as handicrafts, marble, granite, and leather goods now enjoy reduced GST rates, which will stimulate demand and secure employment. By making traditional industries more competitive, the reforms safeguard livelihoods while opening new growth avenues.

Changes in critical sectors

A particularly significant achievement is the correction of inverted duty structures in critical sectors. For instance, the GST reduction on man-made fibre and yarn to 5% eliminates a distortion that had long plagued the textile value chain. This move is expected to boost competitiveness, exports, job creation, and domestic value addition across textiles and apparel.

Cement, a cornerstone for housing and infrastructure, has shifted from 28% to 18% GST. This will drive multiplier effects across construction and infrastructure, while cuts for renewable energy devices and automotive components will accelerate India's green growth journey.

The Confederation of Indian Industry (CII) has consistently called for such corrections and is gratified to see so many recommendations accepted that range from a rationalisation of auto parts to relief for hospitality and wellness services. These changes will harmonise markets and reduce unnecessary disputes.

The announcement that the Goods and Services Tax Appellate Tribunal (GSTAT) will become operational by year-end marks a historic institutional advance. For tax-payers, this means faster dispute resolution, more consistent rulings, and enhanced trust in the system. Other process reforms, including provisional refunds for inverted duty structures, risk-based compliance checks, and harmonisation of valuation rules, further reduce uncertainty and compliance costs. Together, these measures reinforce India's position as one of the world's easiest large economies for doing business.

Over the past eight months, the CII has strongly advocated simplification into a two-rate structure, a correction of anomalies, a reduction of rates on essentials, support for labour-intensive sectors, and faster operationalisation of GSTAT. It is heartening that so many of these have now been adopted.

The Council's decisions reflect both responsiveness and a deep sense of partnership with industry. This is a proud moment for all stakeholders who have constructively engaged in shaping these reforms.

Almost immediate benefits

Equally noteworthy is the careful phasing of reforms from September 22, 2025. This sequencing ensures revenue stability while allowing industry and consumers to benefit immediately from lower rates. The approach safeguards fiscal health while stimulating demand and investment.

These announcements are more than technical adjustments. They are a people's reform. They touch citizens, farmers, workers, businesses and entrepreneurs alike. By simplifying the structure, lowering rates on essentials, correcting distortions, and strengthening institutions, GST 2.0 has created a stronger foundation for India's growth journey.

The CII stands ready to support effective implementation, build awareness, and ensure that the benefits of these reforms flow seamlessly to every citizen.

LETTERS TO THE EDITOR

GST, a new tax slab

The government's decision to rationalise and revamp the present Goods and Services Tax (GST) structure, although belated, is commendable, if the goal is to ensure that the interests of the common man are upheld (Front page, September 4). Waiving GST on individual life and health insurance policies is praiseworthy. But it is unfortunate that group medical policies were not given such a concession. Only time will prove whether the new GST policy benefits the poor and the middle class or remains as yet another gimmick by the central government ahead of crucial Assembly elections in several States.

Kshirasagara Balaji Rao,
Hyderabad

Even before the GST Council meets and comes to a decision on GST reforms, the Prime Minister announced in August that GST rates would be rationalised, as a Deepavali gift. The GST Council appears to have meekly endorsed the reforms without any debate or discussion. This does not seem to be the procedure to take when it comes to making key decisions.

V. Padmanabhan,
Bengaluru

Letters emailed to letters@thehindu.co.in must carry the postal address.

Should commercial speech on digital platforms be regulated?

Apar Gupta

is advocate and founder-director of the Internet Freedom Foundation

Jay Vinayak Ojha

is senior resident fellow at the Vidhi Centre for Legal Policy

PARLEY

On August 25, the Supreme Court urged the Union government to frame guidelines for regulating social media, noting that influencers often commercialise free speech in ways that may offend the sentiments of vulnerable groups. A Bench of Justices Surya Kant and Joymalya Bagchi directed that these regulations be drafted in consultation with the National Broadcasters and Digital Association. The order stemmed from an intervention application filed by a non-profit representing persons with Spinal Muscular Atrophy, which alleged that comedians Samay Raina, Vipul Goyal, Balraj Paramjeet Singh Ghai, Sonali Thakkar, and Nishant Jagdish Tanwar had made derogatory remarks about those living with the disorder. Should commercial speech on digital platforms be regulated? Apar Gupta and Jay Vinayak Ojha discuss this question in a conversation moderated by **Aaratrika Bhaumik**. Excerpts:

Is there a regulatory vacuum that necessitates new guidelines?

Apar Gupta: No. The circumstances underlying the present order demonstrate that legal mechanisms for prosecution already exist. The very basis on which the Supreme Court entertained this matter was the FIRs lodged by the State governments of Maharashtra and Assam under various provisions of the Bharatiya Nyaya Sanhita (BNS), and the Information Technology (IT) Act, 2000, in connection with a stand-up skit uploaded on YouTube titled *India's Got Latent*. The IT Act further establishes a censorship framework that permits the removal of online content pursuant to court orders or executive directions. In practice, this mechanism is frequently invoked in secrecy and without adequate adherence to principles of natural justice. Thus, the court's apprehension... appears misplaced.

Jay Vinayak Ojha: I believe one ought not to attempt to "fix what is not broken". While the wisdom of individual provisions may certainly be debated, their existence cannot be denied. In my view, Mr. Raina's jokes were in exceptionally poor taste. Yet, to construct an elaborate framework of legislation, subordinate rules, or guidelines on the basis of a single incident would be an overreaction.

Is protecting individual dignity a constitutionally permissible ground to restrict speech?

JVO: The reasonable restrictions on free speech under Article 19(2) of the Constitution are exhaustive, encompassing security of the state,

Safeguards must begin with strong review mechanisms. GETTY IMAGES

public order, decency, morality, and other grounds. They do not, however, include the protection of individual dignity. It is a slippery slope to suggest that speech may be curtailed on the basis of a somewhat amorphous concept such as dignity, which lacks a precise legal definition. That said, concerns regarding the participation of differently abled persons in public life and the preservation of their dignity are legitimate. Moreover, the court possesses inherent jurisdiction under the Constitution to do "complete justice", a mandate that empowers it to account for the wider social ramifications of online speech.

AG: Any limitation on the freedom of speech and expression must be imposed through a duly enacted law, and such restrictions must also withstand the test of proportionality. In *Subramanian Swamy v. Union of India* (2016), the Supreme Court upheld the constitutionality of criminal defamation, recognising individual dignity as one of the bases for sustaining the remedy. However, to treat dignity as an independent ground for restricting speech, particularly when invoked on the basis of individual sensibilities, risks inviting expansive censorship.

Could such regulations be used to silence speech deemed unpalatable?

JVO: Yes, such regulations are likely to exert a chilling effect on speech. Restrictions based on morality or defamation may legitimately intersect with questions of dignity, and in those instances, the Constitution permits limits on expression. The difficulty arises when dignity is invoked as an independent basis for restriction, which is not constitutionally defensible. Such a move would inevitably curtail the freedom of comedians, satirists, and other artists, and discourage them from performing with candour.

AG: I do not endorse the jokes aired in this

> It is a slippery slope to suggest speech may be curtailed on the basis of a somewhat amorphous concept such as dignity
>
> JAY VINAYAK OJHA

particular show. Yet, we must recognise that literature and stand-up comedy often confront society with uncomfortable truths and compel us to reflect. The Supreme Court itself has acknowledged the importance of protecting even unpalatable speech. In March, it quashed a criminal case initiated by the Gujarat Police against Congress MP Imran Pratapgadhi, accused of inciting discord through a poem. A Bench headed by Justice A.S. Oka emphasised that Article 19(1)(a) protects not only agreeable speech but also views that may offend or disturb. Moreover, concerns persist that the Union government may revive the Broadcasting Services (Regulation) Bill, criticised for placing even independent creators under government scrutiny. If we concede that online content must serve only a "social value" defined by the majority, we risk sliding into mass censorship or worse, the arbitrary suppression of voices the state finds inconvenient.

Does the profit-driven nature of commercial speech justify its regulation?

AG: Commercial speech should not be dismissed as irrelevant to public discourse. Our society runs on commerce and trade, and free expression itself is often likened to a "marketplace of ideas". A classic example is *Sakal Papers v. Union of India* (1962), where the government sought to limit the number of pages a newspaper could publish by tying it to its price. The Supreme Court struck this down as unconstitutional, holding that such a measure curtailed both the dissemination of news and the circulation of newspapers. It affirmed that the freedom to publish any number of pages and to reach as many readers as possible is an essential component of the right to free speech under Article 19(1)(a). The same logic extends to other forms of expression. For instance, a stand-up comedian must earn a livelihood to pay for performance venues. But the fact that speech is commercial, or perceived to be driven by profit, cannot in itself justify regulation.

JVO: ...the Supreme Court's jurisprudence has consistently recognised that even commercial speech falls within the ambit of Article 19(1)(a). Moreover, speech of comedians, journalists, or satirists has never traditionally been categorised as commercial speech.

Does the Supreme Court's polyvocality (divergent views expressed by coordinate Benches) inevitably lead to inconsistent precedents?

AG: A polyvocal court does not detract from its status as a court of record, which obliges it to follow the law laid down in earlier decisions. Even when a precedent is inapplicable to a new fact situation or requires incremental modification, its essence remains intact. However, what is troubling in this case is that the court has directed the executive to frame regulations. Such regulations would carry not only the ordinary presumption of constitutionality but also reinforced legitimacy. This court-mandated exercise blurs institutional boundaries and renders any future constitutional challenge doubly difficult.

JVO: The dichotomy between legal certainty and the development of law through individual judicial perspectives has always been contentious. However, we should not conflate the polyvocal nature of courts with the problem of coordinate Benches issuing conflicting judgments. When a Bench of equal strength delivers a ruling that departs from an earlier coordinate Bench, it is a breach of judicial discipline. In such cases, the only proper course is to refer the matter to a larger Bench.

What safeguards should these regulations embody to prevent misuse?

JVO: Safeguards must begin with strong review mechanisms. The regulations should also reflect a clear respect for constitutional values of free speech, and that ethos must extend to those charged with enforcing them. Equally important is meaningful stakeholder consultation, which must not be confined to groups favouring restrictions while excluding those most affected.

AG: The court's order states that all stakeholders will be invited in framing these regulations, but it neither specifies who those stakeholders are nor how they will be consulted. Moreover, the existing takedown regime under Section 69A of the IT Act and the Blocking Rules, 2009, is already opaque. Aggrieved individuals are often not given notice before their content is removed. Such opacity in takedown orders, censorship, and website blocking has become a recurring feature of India's regulatory landscape. These deficiencies must be addressed in the new regulations.

To listen to the full interview
Scan the code or go to the link
www.thehindu.com

NOTEBOOK

Makings of Madras Day celebration from behind the scenes

With every Made of Chennai edition, we get to dig deep into The Hindu Archives and offer the beauty we unearth of the city back to its people

Vibha Sudarshan

With Madras Day now behind us, let us take you on a gentle walk through the efforts that unfold quietly, yet passionately, behind the scenes. At the Library Department, every July begins with an eager wait for the official nod that allows us to set the Made of Chennai celebrations in motion. Once greenlit, our journey of ideas, planning, and collaboration begins in earnest.

It was no different this time around. Thirupurasundari Sevvel, the curator for the project, gave us a brief outline of the theme. We then began by sifting through the huge repository of archival images to pick out the best based on the year's theme – *Thiral, Thiran, Thakkam*. The keywords were crowds, celebrations and sporting events in Chennai (then Madras) with the 'Black and White' era in focus.

It was really interesting to find that in a cricket-crazy nation, other sports like badminton, gymnastics, swimming and boxing had a huge following as well. We had a photo of Muhammad Ali visiting Madras in 1980. There was one of Russian gymnast Maria Grokhoskaya, the absolute champion in the Helsinki Olympics, visiting Madras as part of the Russian gymnastics team in 1956.

From the first shortlist of over 120 images, we narrowed it down to 78 photos. With a few iterations, we were ready with the flow and arrangement of photos. Each photo was then colour-corrected and polished to make it resonate with the theme. With the final approvals in place, they were printed and exhibition-ready.

The main attraction – The Book (kept at the centre of the exhibition) – is collated from the rich archives of *The Hindu* with the theme in mind. The carefully curated pages speak volumes about the city, even as the photos tell many a tale. The exhibition was inaugurated on August 8 by film director Revathi and Carnatic musician Aruna Sairam at the Kasturi Buildings.

The curation holds something for everyone in the audience. For a textile enthusiast, it shows how sports apparel has changed over the decades. We had photos of women playing badminton in sarees.

For a heritage enthusiast, images of buildings and places allow them a glimpse of Chennai as it was in the 1950s-60s.

For a marketing enthusiast, the archival pages from *The Hindu* give an idea of how yesteryear brands promoted their products and services. Most of the advertisements featured illustrations that captured the style and costume of the people.

For the senior citizens who come in large numbers, it is a time for recollection of events they had stood witness to.

The Special Madras Day columns always hold a significant place in the Madras Day festivities. This time, our reporters from the Chennai city bureau had written about the Statues in Madras. And also about the various art and cultural activities in Chennai under the theme Crucible of Culture, highlighting light music troupes, gaana music and street theatre. We found some amazing gems from our Archives for the ever-loved Snippets Column. Each piece of news, each story unearthed, became another thread in the fabric of celebration.

We are now ready for the special supplement of *The Hindu* on Madras, curated by historian V. Sriram. Once the theme of the articles is decided, we put out collections of photographs to go with the article. The teamwork, dedication and purpose of providing the best edition of the newspaper to the reader are visible when you browse through the special supplement.

The months of preparation for Made of Chennai is more than just work – it is a journey of rediscovery, a chance to fall in love with the city all over again. And as one celebration ends, our hearts already long for the next, when once more we set out to uncover new gems hidden within this beloved city. Each exhibition and each archival search strongly underlines the core values of *The Hindu* and the spirit with which it is still upheld. At The Hindu Archives, we are ready to uncover more treasures which embody the legacy of *The Hindu* and its Digital archives.

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PICTURE OF THE WEEK

In troubled waters

People wade through chest-deep flood waters at monastery market in New Delhi on Wednesday. Over 8,000 people from six districts in Delhi have been moved to tented flood relief camps as the water level of the Yamuna at the Old Railway Bridge on Wednesday rose to 207.09 metres. SUSHIL KUMAR VERMA

FROM THE ARCHIVES The Hindu

FIFTY YEARS AGO SEPTEMBER 5, 1975

International Music Day on Oct 1

MADRAS, Sept 4.

The UNESCO is to observe October 1, 1975 as International Music Day and the week from September 29 to October 5 as the first World Music Week. A number of distinguished musicians including M. S. Subbulakshmi have issued appeals to musicians and music organisations the world over to make International Music Day an important landmark in the history of music.

The International Music Council is meeting in Canada this year and there will be a very special concert on October 1 at which violin maestro Yehudi Menuhin will be the soloist. The proceeds will go to the Musicians' International Mutual Aid Fund.

Mr. Yehudi Menuhin, who is the President of the International Music Council will inaugurate both the World Music Week and the International Concert Day. He has appealed to people all over the world, that during the period of the celebrations, they should "express their deepest human feelings and their highest hopes through the medium of music."

He adds in the course of his appeal: "Words have been so abused, especially with the growing illiteracy of our contemporary societies, but music still offers the possibility of human understanding with the minimum of disagreement..."

A HUNDRED YEARS AGO SEPTEMBER 5, 1925

Immigration into Australia

PROHIBITION OF INDIANS: "WHITE POLICY CRITICISED

Sydney, Sep. 4.

The speeches at a dinner given last night by the State Government in honour of the visiting pressmen, developed into a discussion of the "White Australia" policy.

The Governor presided over the occasion. Minister Loughlan opened the subject by explaining the policy on which Australia was unanimous and which was not based on any idea of the racial superiority of the Whites, but on the well-known dissimilarity of the whites and the coloureds in feelings, sentiment and other respects. Australia recognised the need for more people, but did not by wholesale immigration want to introduce slumdom and poverty into the country.

Text&Context

THE HINDU

NEWS IN NUMBERS

Number of deaths as a crowded Nigerian ferry capsizes

32 A crowded ferry with nearly 100 passengers capsized on the Malale River in Niger State after hitting a tree stump. Rescue teams said 50 survivors were pulled out, while eight remain missing. Overloading and poor safety compliance are common causes of Nigeria's boat tragedies. AFP

Illegal structures on deemed forest land in Faridabad

6,793 A Supreme Court mandated panel reported that unauthorised buildings, including farmhouses and government facilities, have come up on 780 acres of land in four villages of Faridabad notified under the Punjab Land Preservation Act, 1900. PTI

The level to which the Yamuna river has risen on Thursday

207.44 In metres. Rising floods have left children in low-lying areas of Delhi struggling with wet books, missing uniforms and lost notes just days before exams. Many are borrowing textbooks and copying lessons late into the night. PTI

The increase in the cost of IPL tickets after GST hike

40 In per cent. Fans will have to spend more on IPL tickets next season after the government raised the GST on admission to these matches from 28% to 40%. A ticket with a base price of ₹500, earlier costing ₹640, will now be ₹700. IPL has been classified under luxury goods. PTI

French women boxers barred from world championships

5 The boxers have been excluded from the world championships in Liverpool after missing a deadline to submit results of newly mandated sex tests. Female boxers have to undergo a PCR test or an equivalent genetic screening test to determine their sex at birth. AP

COMPILED BY THE HINDU DATA TEAM

India-China: the making of a border

Being high up in the Himalayas, in a largely unpopulated area, the India-China border has been largely indeterminate and inaccurate. While at present peace and tranquillity at the boundary is what is important, the issue is far from being resolved

WORLD INSIGHT

Manoj Joshi

India has a complicated history with regards to its border with China. The border was the product of two empires – the Manchu and the British. Being in the Himalayas and in an unpopulated area, it was not precise.

After Independence, it would have been prudent for both countries to sit and lay down a precise and accurate border. Unfortunately, India took the position that it knew where the border was and that there was no need for negotiations. The Indian position was based on its confidence in British-era maps, but not on actual control on the ground.

The beginning of the conflict

While neither India nor China had a permanent presence in the Aksai Chin, a barren, high-altitude desert, China in order to facilitate its control of Tibet built a highway through the Aksai Chin from Xinjiang and occupied it. Similarly, in the east, India established control over Tawang, a major monastery town in what is now Arunachal Pradesh. It did so on the basis of the fact that it had signed a border agreement with Tibet in 1914, at a time when Tibet had been independent, which defined the boundary by the so-called McMahon Line.

The Chinese suggested various ways to deal with what they said was an undefined border. In 1959, they proposed that the two sides accept a Line of Actual Control as the border and move forces 20 kms back from it. In 1960, Zhou Enlai, former Premier of China, came to New Delhi and proposed a swap where India would concede the Chinese position in Aksai Chin in exchange for Chinese acceptance of India's claim over Arunachal Pradesh.

However, India refused. When India belatedly tried to recapture Aksai Chin, it led to friction with China and eventually resulted in the 1962 India-China war. After the war, the Chinese withdrew to the areas north of the McMahon Line in the east, but in the west (Ladakh), they retained some areas they had captured in the war.

Post war developments

For nearly one and a half decades, both sides stayed away from the border. In 1975, India constituted a high-level China Study Group to monitor the Sino-Indian border. It was under the directions of this body that the border was mapped with satellite imagery, and Indian police/Army patrols were ordered to regularly police the border by establishing patrolling points along it.

In February 1979, Atal Bihari Vajpayee, who was the foreign minister of the then Janata Party government, visited Beijing and became the first senior Indian leader to go there since the war. Vajpayee, a veteran parliamentarian, had been a critic of Nehru's China policy. But in 1979, he saw his mission as one to restore normalcy with India's two neighbours, Pakistan and China. Though his visit had to be cut short because of the Chinese invasion of Vietnam, it did succeed in restoring a degree of normalcy in India-China ties. The Chinese motivation for accepting the Indian outreach was to ensure that New Delhi did not get too close to the Soviet Union which was, at the time, viewed as China's principal antagonist.

Deng Xiaoping, China's supreme leader, suggested a revival of the 1960 Zhou proposal. In June 1980, in an

New relations: Indian Prime Minister Jawaharlal Nehru greeting Zhou Enlai, the Chinese Premier, on his arrival in New Delhi, on April 19, 1960. HINDU ARCHIVES

interview with Krishan Kumar, Editor of *Vikrant*, a now defunct defence journal, Deng said that China could recognise the McMahon Line if India was willing to recognise the existing status quo. The Chinese repeatedly tried to push this proposal but the Indian government, now headed by Indira Gandhi, comprised of officials who had not forgiven China for the 1962 "betrayal", saw this as an effort to trade one chunk of Indian territory for another.

In 1983, the Chinese went a step further and proposed not just a swap, but also that India should concede areas their forces had captured in 1962 in Ladakh. This proposal was named the 'LAC Plus', and it also was not accepted by the Indian government.

A time for negotiations

Nevertheless, the two sides resumed their border talks with the first round being held in December of 1981. The initial talks did not yield much. The Chinese pushed their package deal, while India wanted the talks to be held sector by sector. Therefore, the two sides were unable to come to an agreement. By the fifth round of talks in September 1984, the Indian side felt that the Chinese were coming around to their view, but they were mistaken. Even as the sixth round began in November 1985, Chinese Vice-Minister Liu Shuqing informed his Indian counterpart, Secretary (East) A.P. Venkateswaran, that there was a bigger dispute in the eastern sector, and that India would have to make unspecified concessions here for the Chinese to be able to give concessions in the west. Though they did not state it at the time, they were demanding that India concede the Tawang tract as part of the settlement.

The demand for Tawang was more fundamental, and represented a shift in China's domestic Tibet policy since the monastery was a major centre of Tibetan Buddhism and the area around it had been controlled by Tibet till well after the 1914 agreement.

Further on, Indian and Chinese troops clashed on the border in Nathu La and Cho La in Sikkim in 1967, but things settled down thereafter. In 1975, Sikkim was incorporated into the Indian Union, an action that led to Chinese protests.

In 1983, as part of a reset of the overall Indian security posture against China, Indian officials began visiting Wangdung in the region of the Namka Chu river where the first clashes of the 1962 war had occurred. In 1986, the Chinese occupied this region and triggered a crisis that saw the forward deployment of Indian forces at a pass overlooking Wangdung. Under Operation Falcon, India moved its forces forward along the entire LAC. The Chinese response was haphazard as they were clearly taken aback by this development. In any case, the two sides soon reached an agreement to de-escalate the situation. But the crisis did reveal that the Indian Army was now very different from the force that suffered disaster in 1962.

Move towards complete normalcy

By 1985, it was clear to the Chinese that the Soviet Union's threat had reduced because of their mis-adventure in Afghanistan. Now in order to check India's increasing closeness to the U.S., China invited Rajiv Gandhi to Beijing as a return for Zhou's 1960 Delhi visit. The Gandhi visit to China in December 1988 was seen as the beginning of the true normalisation of ties that had been sundered by the 1962 war. Deng told Rajiv "let both sides forget the unpleasant period in our past relations." The two sides agreed to restore, improve and develop good neighbourly relations.

As for the border, Premier Li Peng stated that it should be settled on the basis of mutual understanding and mutual accommodation (MUMA). Rajiv Gandhi's response to this was that there should be a "fair and reasonable... mutually acceptable solution to this question." In the meantime, the two sides agreed to develop bilateral relations in other fields which would create the conditions for a "fair and reasonable" settlement of the boundary issue.

This was a decisive break from the past, since till then India had insisted that without the settlement of the boundary issue, there could be no normalisation of ties. This situation suggested that the priority was to maintain peace and tranquillity on the borders. The two countries then eventually re-designated the meeting of their officials as a "joint working group" (JWG) on the border issue to work together for a settlement.

Manoj Joshi is a Distinguished Fellow, Observer Research Foundation, New Delhi. This is the first of a three part series on India-China border relations.

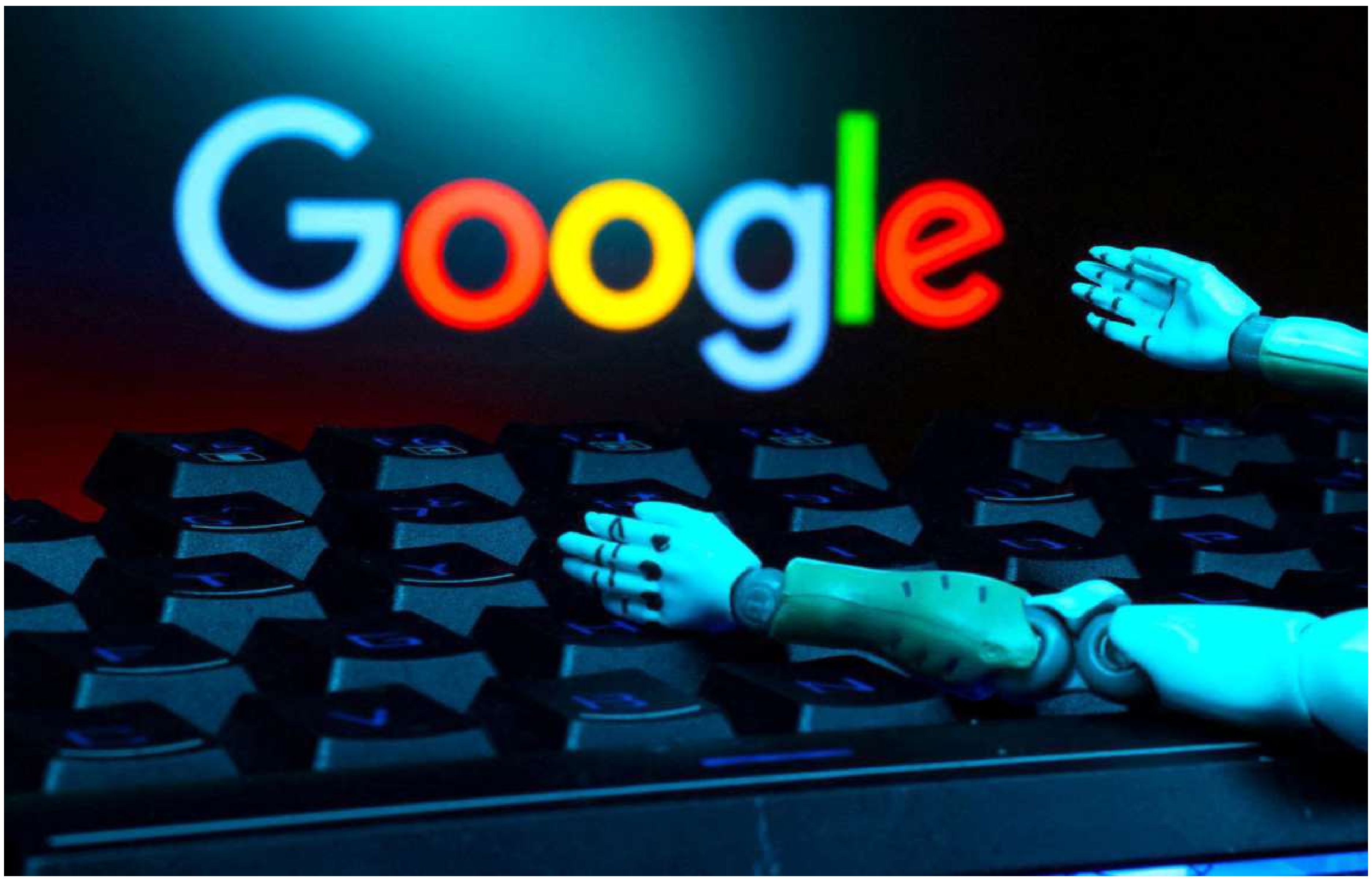
THE GIST

While neither India nor China had a permanent presence in the Aksai Chin, a barren, high-altitude desert, China in order to facilitate its control of Tibet built a highway through the Aksai Chin from Xinjiang and occupied it.

In 1960, Zhou Enlai, former Premier of China, came to New Delhi and proposed a swap where India would concede the Chinese position in Aksai Chin in exchange for Chinese acceptance of India's claim over Arunachal Pradesh.

When India belatedly tried to recapture Aksai Chin, it led to friction with China and eventually resulted in the 1962 India-China war.

CACHE



REUTERS

Will Google lose its data moat after landmark U.S. court ruling?

Over the past two decades, Google has become synonymous with searching the internet, so much so that 'googling' has entered the global lexicon. Challenging this dominance, the U.S. Department of Justice (DoJ) and a coalition of states sued the Alphabet-owned company in 2020

John Xavier

The decision by U.S. District Court Judge Amit Mehta, compelling the Silicon Valley giant to share its search data with rivals, appears on the surface to be a significant blow. However, a deeper look into the mechanics of modern search and the trajectory of Artificial Intelligence (AI) suggests that while the landscape is changing, Google's fortress may be far from breached.

Over the past two decades, Google has become synonymous with searching the internet, so much so that "googling" has entered the global lexicon. The company reached this zenith by relentlessly refining its search engine, feeding it an ever-increasing volume of user queries and interaction patterns.

This information cemented Google's dominant position, keeping it years ahead as competitors languished. This technical superiority was reinforced by exclusive deals with device manufacturers, making Google the default search engine, pre-empting new users from ever testing alternative platforms.

Challenging this dominance, the U.S. Department of Justice (DoJ) and a coalition of states sued the Alphabet-owned company in 2020. In a pivotal moment, Judge Mehta ruled that "Google is a monopolist, and it has acted as one to maintain its monopoly." The court found that Google had spent billions on distribution deals to be the "out-of-the-box" search engine at all key entry points.

While the DoJ sought a structural breakup, including the divestment of the Chrome browser, the court instead ordered behavioural remedies aimed at restoring competition by lowering barriers for Google's rivals. The centre-piece of this remedy is the requirement for Google to open its vast trove of search data to "qualified competitors," a move designed to help them build more capable search products.

The old moat and the new frontier

To understand the ruling's true impact, one must first appreciate the architecture of Google's dominance. It rests on two pillars: a colossal, continuously updated index of the web and an unparalleled volume of user interaction data. The index is the library and the user data is the librarian's knowledge of which books are most useful for which questions.

Every search query, every click, every moment a user lingers on a page, and even how they refine a failed search provides a signal. This real-time feedback loop, collected from billions of devices through its default-by-design strategy, is the lifeblood that allows Google's algorithms to learn, adapt, and deliver superior relevance.

Judge Mehta's remedy, by forcing Google to share query and interaction data, is a direct assault on this data moat. The intention is to give competitors the raw material they need to train their own algorithms and build more comprehensive indexes. In theory, this levels the playing field. In practice, however, it may be a solution for a problem that is already being superseded by a new technological paradigm.

From search engine to GPT engine

The future of information retrieval is not a list of 10 blue links – it will be a direct, synthesised answer. We are witnessing the evolution from search engines to what can be described as GPT-powered answer engines. Driven by Large Language Models (LLMs), these new systems don't just point you to information; they understand, summarise, and generate it for you. Features like Google's AI Overviews are the opening act of this transformation. Users are no longer just "searching", they are engaging in a dialogue with an AI that provides a consolidated, conversational response.

In this new world, the nature of competitive advantage shifts dramatically. While the historical query data and web index that the court is ordering Google to share are valuable for building a foundational, traditional search engine, they are less critical for perfecting a generative AI-powered one. The new data is not what people searched for yesterday, but how they interact with the AI-generated answers of today.

Why Google's lead is set to expand

This is where Google's incumbency becomes an almost insurmountable advantage. The company's data moat isn't just its historical archive; it is its real-time, global-scale user-testing platform. As Google rolls out AI Overviews and other generative features across its products – Search, Chrome, Android – it gains access to a feedback loop of unparalleled scale.

Every time a user accepts an AI-generated answer, refines their prompt, or clicks on a source link within an overview, they are providing a signal that fine-tunes Google's models. This is Reinforcement Learning from Human Feedback (RLHF) on a scale that no competitor can hope to replicate.

Rivals, even with access to Google's historical query logs, are essentially being given the blueprints to a 2020-era engine while Google is building a the next decade's answer engine. The data that truly matters for winning the AI race is the nuanced, personalised, real-time interaction data with generative models.

Google's distribution deals, while now deemed anti-competitive, have secured it the prime real estate to collect this next-generation data from billions of users.

The court's remedy may help a few competitors to build a better classic search engine, but it does little to help them challenge Google in the transition to an AI-first answer engine.

The moat, therefore, is not being drained; it is simply being re-engineered around a new, more advanced, and even more defensible technology.

THE DAILY QUIZ

Please send in your answers to dailyquiz@thehindu.co.in

Launched on September 5, 1977, Voyager 1 revealed volcanic moons and witnessed Saturn's rings up close. Take this quiz to see how well you know this interstellar pioneer

Prathmesh Kher

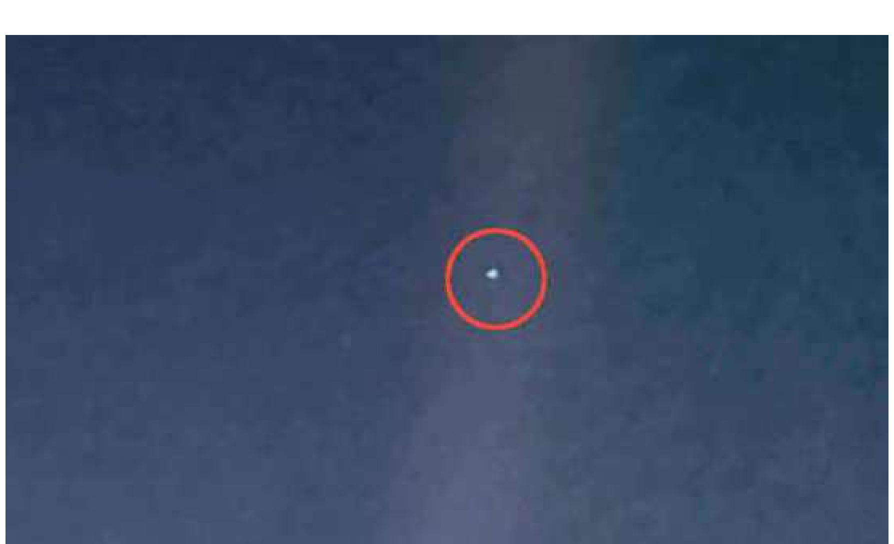
QUESTION 1
Which two gas giants did Voyager 1 fly past, and what key discoveries did it make during each encounter?

QUESTION 2
What milestone did Voyager 1 achieve in 2012, and why was it significant?

QUESTION 3
What powers Voyager 1, and how long is it expected to remain operational?

QUESTION 4
What is the Golden Record, and what was its purpose?

QUESTION 5
In approximately 40,000 years, Voyager 1 is expected to pass near a star currently located in which constellation?



Visual question:
What does this image show?

Questions and Answers to the previous day's daily quiz: 1. This person is perhaps most well known for leading Ottoman forces to victory at the Battle of Gallipoli in 1915. **Ans: Mustafa Kemal Atatürk**

2. This man was Kenya's Prime Minister in 1963-1964 and its first President in 1964-1978. **Ans: Jomo Kenyatta**

3. This person was a politician and revolutionary known for leading Ghana to independence from Britain in 1957. **Ans: Kwame Nkrumah**

4. Nguyễn Sinh Cung is credited with founding this nation in 1945. **Ans: Vietnam**

5. This man essayed a central role in the reconstitution of Uruguay, when he was in South America in exile. **Ans: Giuseppe Garibaldi**

Visual: Name this statesman known as "El Libertador". **Ans: Simón Bolívar**

Early Birds: Tamal Biswas| Sushil Prasad| Jha Akshay Amarendra| Prashansa Lohumi| Sudhir Thapa

FROM THE ARCHIVES

Know your English

K. Subrahmanian
S. Upendran

"How did you do on the test?"

"Not bad, actually. I managed to glimpse at my notes before I took it."

"You didn't 'glimpse' at your notes, you 'glanced' at them."

"Is there a difference between 'glance' and 'glimpse'?"

"Both glance and glimpse mean a 'quick look', but there is a difference in meaning between the two. When you 'glance' at something, you look at it intentionally. For example, I glanced at the newspaper headlines before I left for work."

"I sometimes glance at my neighbour's answers during exams."

"That's not a good thing to do. Here's another example. The policeman kept glancing in my direction."

"Now tell me, what does 'glimpse' mean?"

"When you catch a glimpse of something or someone, you catch sight of the object momentarily. In other words, you see it for a very brief period."

"And since I see the object only momentarily, it probably implies that I don't see it very clearly."

"That's right. For example, I caught a glimpse of my father in the crowd."

"Is it OK to say, I caught a glimpse of Gopa as he rode by in his new car?"

"It certainly is. Did you manage to meet Gopa yesterday?"

"Yes, I did. We discussed on cricket for a long time."

"You don't 'discuss on' something, you 'discuss' something. For example, we discussed cricket for a long time."

"My father discusses politics with his friends every day."

"My friends discuss movies during the lunch break."

"That sounds interesting. So, it's wrong to say 'discuss on'. Is it OK to say 'discuss about'?"

"No, it is incorrect to say 'discuss about'. We don't say, we discussed about movies. Instead we say, we discussed movies."

"I think I understand. Can we discuss something else now?"

"What would you like to discuss?"

"How do you pronounce f..i..a..n..c..e?"

"The first syllable 'fi' is pronounced like the 'fi' in 'fish'. The 'a' in the second syllable 'an' sounds like the 'o' in cot, not, and pot. And the final syllable is pronounced like the word say."

"And where is the stress?"

"Most British dictionaries tend to put the stress on the second syllable 'an'. Americans, on the other hand, stress the final syllable."

"I see. Tell me, what is the correct spelling? Is the last syllable of fiancé spelt c..e.. or c..e..e?"

"Both spellings are correct. When spelt with one 'e', the word refers to the man that a woman is engaged to."

"And when the final syllable contains two 'e's', the word refers to the woman a man is engaged to, I suppose."

"That's right."

"That's interesting. "

Published in The Hindu on December 30, 1997.

Word of the day

Squeamish:
excessively fastidious and easily disgusted

Synonyms: dainty, nice, prissy

Usage: *He was so squeamish he would only touch the handle with his elbow.*

Pronunciation: newsth.live/squeamishpro

International Phonetic Alphabet: /ˈskwiːmɪʃ/

For feedback and suggestions for Text & Context, please write to **letters@thehindu.co.in** with the subject 'Text & Context'

How the antibiotic culture in India imperils mental health

While threat of antimicrobial resistance is acknowledged as a formidable public health hazard, its implications on mental well being remain under examined; public health campaigns must pivot towards education and empowerment and regulatory reform is imperative to address the issue

Rashikkha Ra Iyer

As mental health awareness gains momentum in India, a surreptitious menace is insidiously undermining this edifice of progress: the unbridled use of antibiotics. Whilst the threat of antimicrobial resistance (AMR) is ubiquitously acknowledged as a formidable public health hazard, its profound implications on mental well being remain under examined. At the epicentre of this conundrum lies the intricate gut-brain axis – a labyrinthine communication nexus between the gastrointestinal apparatus and the cerebral cortex.

Nascent research suggests that perturbations in gut microbiota, frequently precipitated by overzealous antibiotic consumption, may significantly contribute to the aetiology of anxiety, depression, and cognitive degeneration. In a country where antibiotics are often taken sans prescription or medical oversight, this gut-brain axis nexus demands an urgent and paradigmatic shift in attention for remedial measures to mitigate this silent yet calamitous crisis.

In focus: Students raising awareness about antimicrobial resistance. FILE PHOTO

Antibiotic consumption

India occupies a distressing prominence in the global hierarchy of antibiotic consumption. The trifecta of over-the-counter accessibility, rampant self-medication, and limited public awareness has cultivated an entrenched culture of antibiotic overutilisation. According to the Institute for Health Metrics and Evaluation, antimicrobial resistance (AMR) was accountable for an estimated 2,67,000 fatalities in India in 2021, with projections forecasting an escalation to 1.2 million by 2030, should prevailing trends continue.

A seminal study published in 2022 in *The Lancet Regional Health - Southeast Asia* revealed a disquieting statistic: nearly half of all antibiotics consumed in India comprised unapproved formulations, exacerbating the threat of resistance. This egregious misuse not only fuels the conflagration of AMR but also precipitates a deleterious impact on the gut's microbial diversity – a vital constituent of mental well being.

What's in the gut

The gastrointestinal tract harbours trillions of microorganisms that exert a profound influence on the biosynthesis of pivotal neurotransmitters, including serotonin and dopamine. These chemical messengers orchestrate the regulation of mood, sleep-wake cycles, and stress responses, and so, the gut plays an integral role in maintaining neurological homeostasis. When antibiotics disrupt this delicate microbial equilibrium, the repercussions can resonate throughout the nervous system, potentially precipitating a cascade of downstream effects.

Pioneering research from institutions such as the National Institute of Mental Health and Neurosciences (NIMHANS) and the All India Institute of Medical Sciences (AIIMS) has initiated an exploration of the intricate relationship between gut dysbiosis and psychiatric maladies. Although the scientific discourse is still evolving, the accumulating evidence is sufficiently compelling to justify the implementation of targeted public health interventions towards a proactive and informed response to mitigate the burgeoning threat of gut-related psychiatric disorders.

The ramifications of microbial perturbation extend beyond mere biochemical imbalances; they encompass a broader psychosocial dimension that implicates the very fabric of human experience. The gut microbiota, often romanticised as the "second brain," is not merely a passive consortium of bacteria, but an active participant in neurochemical symphony. Through the production of short-chain fatty acids, modulation of the immune system, and interaction with the vagus nerve, these microorganisms wield influence over neurodevelopmental trajectories and behavioural phenotypes.

Indeed, the burgeoning field of psychobiotics – a portmanteau term coined to describe probiotics and prebiotics that confer mental health benefits – has illuminated the therapeutic potential of modulating gut flora to ameliorate psychiatric symptoms. A 2020 meta-analysis published in *Frontiers in Psychiatry* revealed that probiotic supplementation was associated with significant reductions in depressive symptoms, particularly among individuals with mild to moderate depression. Such findings underscore the plausibility of gut-targeted interventions as adjuncts to conventional psychiatric care, especially in a nation like India where mental health infrastructure remains woefully inadequate.

Compounding this crisis is the paucity of public awareness regarding the gut-brain axis and its susceptibility to pharmacological insult. The average Indian consumer, often bereft of access to nuanced medical counsel, remains oblivious to the long-term consequences of indiscriminate antibiotic use. The cultural proclivity towards "quick fixes" and the valorisation of pharmaceutical interventions over lifestyle modifications further entrench this paradigm. In rural and semi-urban locales, where healthcare access is fragmented and regulatory oversight lax, antibiotics are dispensed easily, and without prescription –frequently for viral infections where they are not only ineffective but actively deleterious.

Moreover, the economic incentives that drive antibiotic over-prescription cannot be ignored. Private practitioners, operating within a fee-for-service model, may be inclined to prescribe antibiotics to appease patient expectations or expedite symptomatic relief. Pharmacies, often unregulated, serve as de facto dispensaries, offering potent medications without requisite prescriptions. This confluence of systemic vulnerabilities and behavioural predispositions has rendered India a fertile ground for AMR proliferation and microbial dysbiosis.

The implications for mental health are manifold. Dysbiosis-induced inflammation has been implicated in the pathogenesis of major depressive disorder, with elevated levels of pro-inflammatory cytokines such as IL-6 and TNF-alpha observed in affected individuals. These inflammatory mediators can traverse the blood-brain barrier, altering neurotransmitter metabolism and neuroplasticity. Furthermore, gut-derived metabolites like butyrate and propionate have been shown to influence gene expression in the brain, modulating synaptic function and stress reactivity.

Need for interventions

In this context, the intersection of microbiology and psychiatry assumes profound significance. It invites a reconceptualisation of mental illness – not merely as a cerebral aberration but as a systemic dysfunction with gastrointestinal antecedents. Such a paradigm shift necessitates interdisciplinary collaboration, integrating gastroenterology, psychiatry, nutrition, and public health to forge holistic interventions.

Encouragingly, India possesses a rich repository of traditional knowledge that can be harnessed to promote gut health. Fermented foods – ubiquitous in Indian cuisine – such as curd, idli, dosa, and pickles, serve as natural probiotics, fostering microbial diversity and resilience.

Public health campaigns must pivot towards education and empowerment. The National Health Mission and Ayushman Bharat can incorporate gut-brain literacy into their outreach programmes, elucidating the dangers of antibiotic misuse and the virtues of dietary modulation. School curricula can embed modules on microbiome science, cultivating a generation of informed citizens. Media platforms, both traditional and digital, can amplify narratives that valorise microbial stewardship and mental wellbeing.

Simultaneously, regulatory reform is imperative. The Central Drugs Standard Control Organization must enforce stringent controls on antibiotic dispensation, mandating prescription-only access and penalising non-compliance. More surveillance systems such as INSAR (Indian Network for Surveillance of Antimicrobial Resistance), which is now part of a broader network, should be created and integrated with mental health metrics to elucidate correlations and inform policy. Investment in microbiome research, particularly within Indian populations, can yield context-specific insights and therapeutic innovations.

Clinicians, too, must recalibrate their praxis. Antibiotic stewardship should be embedded within medical training, sensitising practitioners to the collateral damage of pharmacological interventions. Psychiatric evaluations can incorporate gastrointestinal assessments, recognising the bidirectional interplay between gut and mind. Nutritional counselling, often relegated to ancillary status, must be foregrounded. As India strides towards a more enlightened discourse on mental health, it must not overlook the microbial foundations of well being.

(Rashikkha Ra Iyer is a multidisciplinary clinician working in the U.K., specialising in the delivery of clinical interventions in forensic settings Rashikkha.RaIyer@outlook.com)

At least 63 million Indians, around 6.3 % of the population, live with significant hearing loss. FILE PHOTO

From silence to sound: power of hearing implants

Karthik Madesh Ratnavelu

In a country as vibrant and expressive as India, silence should never define a person's experience of life. Yet, for millions living with hearing loss, that is the quiet reality. At least 63 million Indians, around 6.3 % of the population, live with significant hearing loss according to figures widely used by India's health authorities. This number comes from earlier World Health Organization (WHO) estimates and with today's population growth, the true burden is likely even higher.

Globally, the challenge is immense. The WHO reports that 430 million people require rehabilitation for disabling hearing loss, including 34 million children. Newborn and early onset permanent hearing loss occurs in roughly 0.5 to 5 in every 1,000 infants, highlighting the need for universal newborn screening and regular checks through childhood.

Silence not a choice

Too often, hearing loss is missed or misunderstood. In children, it may be mistaken for inattentiveness or slow learning. In adults, it can be dismissed as fatigue or personality change. Among older people, it is wrongly accepted as an unavoidable part of ageing rather than a treatable condition. The consequences are far-reaching, affecting education, employment, emotional well-being and social connection.

For parents, discovering that a child has hearing loss can be deeply emotional. It is not uncommon to feel overwhelmed or uncertain. Early intervention can change the trajectory of a child's development.

Advances in hearing implant technology have transformed the landscape of ENT care. These devices do not just restore hearing; they restore participation in life. Cochlear implants bypass the damaged parts of the inner ear and directly stimulate the auditory nerve, making them ideal for individuals with severe to profound sensorineural hearing loss when hearing aids no longer suffice.

Active middle ear implants provide mechanical stimulation to the ossicles or the cochlear windows. They are particularly valuable for people with conductive, mixed or selected sensorineural hearing loss, especially when ear canal conditions or intolerance make conventional hearing aids ineffective. Outcomes are consistently strong when surgery is paired with proper follow-up, including speech and auditory rehabilitation. Modern techniques are standardised, with low rates of major complications reported worldwide.

Hearing implants have the power to change lives at every stage, from children finding their voices to elderly patients reconnecting with family and society. Around the world, these devices have enabled adolescents to regain confidence in classrooms and older individuals to rediscover the joy of conversation, festivals and social interaction after years of quiet withdrawal.

Early detection is key

The greatest gains come when intervention is timely. Delays often mean children face language and learning setbacks, or adults experience avoidable isolation. Building a culture of preventive hearing care is essential. This means universal newborn screening, school-based checks, routine assessments for older adults and public awareness to reduce stigma.

Hearing is not only about sound; it is about connection. It is a child answering a teacher's question. A grandparent laughing at a family joke. These moments are irreplaceable. When medicine offers us the power to preserve or restore them, no one should be left behind in silence.

(Dr. (Surgeon Commander) Karthik Madesh Ratnavelu is director and senior consultant, ENT, head & neck surgeon at SIMS Hospital, Chennai. karthikmadesh@hotmail.com)

THE SCIENCE QUIZ

Please send in your answers to science@thehindu.co.in

Measuring blood pressure is important, because high blood pressure is a silent killer. Here is a quiz on everything related to blood pressure

Zubeda Hamid

QUESTION 1
Blood pressure is a measurement of the force of the blood against the walls of blood vessels. It is measured in mm HG. What does mm HG stand for?

QUESTION 2
The first number in your reading is systolic, and the second diastolic. Systolic is the pressure when the heart _______________ and diastolic is the pressure when the heart is ______________.

QUESTION 3
Your heart beats about 1,00,000 times a day. Is this statement true or false?

QUESTION 4
What happens to the arteries when you have uncontrolled hypertension?

QUESTION 5
Approximately how many liters of blood does you heart pump around the body?

QUESTION 6
What is the condition low blood pressure medically known as?

QUESTION 7
One of the easiest way to help lower blood pressure is to remove or reduce this ingredient from foods. What is it?

QUESTION 8
Veins carry oxygenated blood from the heart to various parts of the body. Is this statement true or false?

Visual question: The image is of a common device know as a blood pressure monitor or blood pressure gauge. What is its medical name? REUTERS

Answers to previous edition's quiz:
1. What is one key difference between a migraine and a tension headache? **Ans: Additional symptoms** 2. Name a common trigger that can lead to migraine attacks. **Ans: Stress, hormonal changes** 3. The introduction of _____ in the 1990s revolutionised the treatment of migraines. **Ans: Triptans** 4. Migraines can sometimes occur without any head pain. True or False ? **Ans: True** 5. What is the term for the sensory warning signs that may happen before a migraine? **Ans: Aura** 6. Can strong smells trigger migraines in some people? **Ans: Yes** 7. What is photophobia? **Ans: Photophobia means sensitivity to light** 8. How can keeping a 'headache diary' help? **Ans: It helps track triggers, patterns and symptoms** 9. What does the term "chronic migraine" mean? **Ans: It means having migraines on 15 or more days each month, for at least three months** Visual: Who is this British physician. **Ans: Thomas Willis**

thehindubusinessline.
FRIDAY - SEPTEMBER 5, 2025

Sweeping reform

GST rate revamp is transformative

It would not be an exaggeration to say that the 56th meeting of the GST Council is a milestone in this country's economic history. There is, of course, the fact that the Council on Wednesday evening, agreed to slash rates on a number of items of mass consumption and reduced the number of key rates. But the big picture is that the Council has dismantled a harsh indirect tax structure for the benefit of lay citizens.

For too long, the common man has borne the brunt of shoring up government revenues — by coughing up both direct and indirect taxes. If this trend changes, it should be regarded as a progressive shift in India's tax system. The GST Council has agreed to crunch a handful of rates to just two broad ones — 5 per cent and 18 per cent, for most goods and services, besides some which will be zero rated and a thin category of 'sin goods' and luxury items which will be taxed at 40 per cent. About 440 goods' rates have been rationalised — nearly 60 per cent of them have moved from 12 to 5 per cent; 9 per cent from 12 to nil; 7 per cent from 28 to 18 per cent; while another 12 per cent have been shifted from 18 to 5 per cent. So, while most services, which account for 60 per cent of GDP, are still rated at 18 per cent (very few at 12 per cent), the levy on goods has dropped sharply with the wholesale shift of items from the 12 per cent slab; the average rate for goods may well be in the 8-10 per cent range now.

For consumers and producers, this is a boon. Items which should turn cheaper are those of household use, food products, textiles, leather products, medicine, agriculture inputs, besides aspirational items such as ACs, small cars and bikes. Notably, tax on health insurance has been reduced from 18 per cent to nil. A punitive tax on luxury goods cannot be faulted, but a price-based tax rate seems tedious. Lower prices for mass products should translate into higher demand and investment. The rate reduction and rationalisation, which come into effect from the third week of this month, can offset export setbacks in labour intensive goods. The growth push should allay apprehensions over revenue loss raised by some States. While estimates of revenue foregone range from ₹48,000 crore (over an unspecified period) to ₹85,000 crore over a year for the States and Centre, the buoyancy generated from the rate cuts is expected to expand the tax base. The States so far have welcomed the reform step, cutting across parties. They have benefited from tax devolution, post-GST.

However, there are doubts over transmission of price cuts to the consumer. Clarity is needed over treatment of accumulated input tax credit on products whose duties will come down — on whether this may need to be set off against further sales before September 21, or 'reversed'. It is to be hoped that producers pass on the lower prices to consumers and don't attempt to appropriate the benefit for themselves. In the absence of an anti-profiteering mechanism in place, the government should keep an eye out for possible sharp practices by producers.

POCKET

RAVIKANTH

Time for innovation corridors

WAY AHEAD. Physical and virtual clusters, where academia, start-ups, corporates and govt agencies collaborate, key to progress

VIPIN SONDHI
SANDEEP VERMA

This Independence Day, the Prime Minister reiterated his vision, that of an Atmanirbhar Bharat leading to a Viksit Bharat by 2047. His emphasis was clear: India's growth and economic self-reliance must be anchored in domestic technological and manufacturing capacity. The priority sectors he named are critical: semiconductors, EV batteries, space technology, digital infrastructure, fighter jets and engines. These are sectors where expertise cannot be achieved by incremental improvement alone; they demand breakthrough innovation and strong, self-sustaining ecosystems. The announcement was more than industrial policy. It was a strategic call to build an innovation architecture that integrates research, design, manufacturing and talent pipelines, so that India can shape its future rather than fall on the wrong side of trade and tariffs.

HOTTING UP. The global race for leadership in emerging technologies is intensifying

PANDEMIC LESSONS

The Covid-19 pandemic provided a live demonstration of what such innovation ecosystems require. Within months of the virus's emergence, scientists, data analysts, manufacturers and logisticians collaborated to develop, test, manufacture and distribute vaccines. This was not a single-discipline triumph.

Those of us leading organisations during that period, observed first-hand, how interdisciplinary cooperation could compress timelines from years to months. The lesson was clear: breakthroughs happen when disciplines converge around a shared problem.

Watching Zubin Mehta conduct an orchestra showed how a symphony blends diverse instruments into one harmonious whole.

Through a prism, our physics teachers have revealed that white light is a convergence of many colours. Innovation follows the same rule; progress accelerates as someone observed 'when coders, creators and changemakers combine strengths'.

During a recent visit to MIT's museum in Boston, exhibits linking AI, holography, robotics and biotech with art, ethics and storytelling, presented science as a shared human experience.

The next day, a Harvard sophomore guiding visitors to fund her tuition responded to a question on the matter: their laboratories thrive on integrating disciplines. History offers countless reminders that progress often comes from unexpected intersections. Michael Faraday became one of the world's greatest experimentalists, linking electricity and magnetism in ways that underpin modern electronics. Galileo fused his mathematical skills with a craftsman's understanding of optics to improve the telescope, transforming our view of the universe.

This pattern continues today. The James Webb Space Telescope is a triumph not of astronomy alone but of materials science, cryogenics, data processing and international collaboration. In each case, advances emerged because boundaries between disciplines dissolved.

India has all the ingredients for such convergence. A young and ambitious talent base, rapidly expanding digital infrastructure, a manufacturing ecosystem capable of scale and a policy environment increasingly supportive of R&D. Government initiatives such as the Anusandhan National Research Foundation (ANRF), the Semiconductor Mission and Production-Linked Incentive (PLI) schemes are aimed at bridging the gap between research and market-ready innovation.

Yet, our institutional structures often remain siloed. Research in universities is too often disconnected from industry's urgent needs. Start-ups may innovate rapidly, but lack pathways into large-scale manufacturing. Established companies may excel at execution but remain risk-averse towards unproven ideas. The opportunity lies in building platforms where these gaps are closed by design.

> **Convergence-driven innovation corridors would generate more than** technology; they would create entire value chains rooted in India

THE NEXT STEP

Just as India has established defence industrial corridors in Uttar Pradesh and Tamil Nadu to focus and accelerate capability-building, we need innovation corridors; physical and virtual clusters where academia, start-ups, corporates and government agencies collaborate on mission-driven projects.

These corridors would: co-locate R&D and manufacturing, so that prototypes can move quickly into production; enable shared infrastructure such as testing facilities, advanced fabrication labs and simulation environments; facilitate regulatory sandboxes so emerging technologies can be tested under controlled but realistic conditions; and host talent-exchange programmes between universities, start-ups, and established firms.

Globally, the concept works: Stanford and Silicon Valley, a constant exchange of talent and technology; Cascadia Innovation Corridor, linking Seattle and Vancouver in sustainable tech and G60 Science and Innovation Corridor in China, connecting nine cities into a high-tech manufacturing powerhouse.

For India, such corridors could ensure not just faster innovation, but also equitable distribution of resources, capacity building in tier-2 and tier-3 cities with tangible social impact.

THE PAY-OFFS

Convergence-driven innovation corridors would generate more than technology; they would create entire value chains rooted in India. Instead of importing high-value components or intellectual property, we could become net exporters of both.

This would strengthen our trade position, reduce vulnerability to external supply shocks and create high-skill jobs at scale.

The multiplier effects are significant. An EV battery innovation developed in such a corridor could stimulate mining, refining, materials science, power grid upgrades and recycling industries. All within India. A breakthrough in semiconductor packaging could ripple into telecom, automotive, defence and the consumer electronics sectors.

ECOSYSTEM MINDSET

The PM's 2047 vision will require more than policy incentives; it demands a mindset shift. Leaders in academia must embrace industry timelines without compromising scientific rigour. Industry must invest in early-stage research, understanding that not every project will yield immediate commercial returns. Policymakers must design regulations that protect public interest, while enabling rapid experimentation.

In practical terms, this means universities aligning research priorities with national missions; start-ups gaining easier access to capital-intensive prototyping infrastructure; corporates establishing dedicated convergence labs and government providing mission-oriented funding that rewards multi-disciplinary teams.

We stand at an inflection point. The global race for leadership in emerging technologies is intensifying. Convergence is not about addition, it is about multiplication. In the right ecosystem, the meeting of two disciplines can generate exponential outcomes.

The intersection of innovation is about building new architectures, new rules and a playbook for renewed progress. We have moved towards the new Innovation Equation where 1 + 1 does not equal 2, or even 11, but equals infinity!

Nature shows us that harmony emerges from union, whether in music, light or ecosystems. Innovation too shines brightest at the intersection. By institutionalising convergence as a national innovation strategy and embedding it in innovation corridors, India can achieve not just Atmanirbharta but a truly Viksit Bharat.

Sondhi is former MD and CEO of Ashok Leyland, and Verma is Former Secretary, Science and Engineering Research Board, Government of India. Views are personal

EV drive gathers momentum in a maturing market

PM E-DRIVE looks to plug infra gaps, promote tech; but excluding commercial e-cars/private e-buses, a missed opportunity

Saurabh Trivedi
Subham Shrivastava

The amendments to PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE) scheme reflect a sophisticated policy evolution in e-mobility. The changes mark a significant recalibration of India's electric vehicle (EV) incentive framework since the transition from FAME-I (Faster Adoption and Manufacturing of Hybrid and Electric Vehicles) to FAME-II.

The changes introduce dual timelines recognising varying market maturity levels across vehicle segments. While maintaining the original March 2026 deadline for purchase incentives for electric two-wheelers, rickshaws, carts, and L5 three-wheelers, the scheme extends support until March 2028 for electric trucks, buses, charging infrastructure, and testing agency upgrades.

The Budget remains unchanged at ₹10,900 crore, now spread over four years instead of the original two.

Institute for Energy Economics and Financial Analysis's (IEEFA's) econometric modelling found significant policy responsiveness, with FAME-II driving a 9x market multiplier effect for electric two-wheelers. However, it observed that adoption rates remained modest at 4 per cent by 2023 end despite absolute sales growth.

The analysis also highlighted divergence within the segment: While e-scooters have been gaining market traction, e-motorcycles lag with low adoption rates, pointing to the need for differentiated support. The PM E-DRIVE's approach of maintaining the March 2026 timeline while reducing subsidy rates (from ₹5,000 to ₹2,500 per kWh in the second year) aligns well with our recommendations for gradual subsidy tapering. However, calibrated support beyond 2026 may remain necessary. Boosting e-motorcycle adoption needs sustained transitional support. The absence of dedicated incentive under PM E-DRIVE limits targeted demand-side measures.

RESOURCE REALLOCATION

The reallocation within the 3-wheeler category reflects a segment-specific maturity. Our analysis shows that passenger e-rickshaws, which dominated early growth under FAME-I, successfully transitioned from policy-driven expansion to market-led growth, generating a 10x multiplier effect and establishing commercial viability. In contrast, the L5 category represents more advanced three-wheelers, with higher performance requirements and greater scope for technological upgrading. The revised plan redirects ₹142 crore from e-rickshaws/carts to L5 electric three-wheelers. This cuts e-rickshaw/cart coverage to 39,034 vehicles with ₹50 crore allocation (a 73 per cent reduction in total subsidy), while support to L5 three-wheeler rises to 2,88,809 vehicles with ₹857 crore allocation (20 per cent increase).

EV ADOPTION. Divergent trend

Furthermore, the reduction from ₹5,000 to ₹2,500 per kWh along with reduction in the maximum cap across both e-rickshaw/carts and L5 three-wheelers indicates that the government is optimising fiscal resources by directing support where it can stimulate deeper market development, encourage original equipment manufacturer (OEM) innovation, and expand beyond low-end technology pathways.

There are a few divergences from IEEFA's assessment. One, the continued exclusion of private e-bus operators from subsidy support, limiting deployment. An even greater gap is the continued exclusion from PM E-DRIVE of commercial e-cars, a segment that represents one of the greatest opportunities for India's EV transition and showed exceptional responsiveness to FAME-II subsidy.

Data shows commercial four-wheelers demonstrated the strongest policy responsiveness among all segments, with States implementing purchase subsidy policies witnessing 211 per cent higher sales growth and a 21x market multiplier effect.

Commercial EVs face unique challenges, including competition from CNG alternatives and higher upfront costs, but policy support could unlock wider adoption. With central subsidies tapering for two- and three-wheelers, States will increasingly drive demand-side support. States that implemented supportive policies — like creating opportunities for specialised financing instruments, streamlining permit processes, and EV zones — achieved significantly higher adoption than those relying solely on central schemes. PM E-DRIVE's ₹2,000 crore allocation for 72,300 public charging stations and ₹780 crore for testing agency upgrades address infrastructure and institutional capacity gaps.

Trivedi is Sustainable Finance Specialist, and Shrivastava is Climate Finance Analyst (South Asia), at IEEFA

LETTERS TO EDITOR

Send your letters by email to bleditor@thehindu.co.in or by post to 'Letters to the Editor', The Hindu Business Line, Kasturi Buildings, 859-860, Anna Salai, Chennai 600002.

GST: Welcome reforms

This refers to 'GST Council clears 2 slabs of 5% and 18%; sin goods tax at 40%' (September 4). This simplification is designed to boost domestic demand by making the system easier for businesses to navigate and for consumers to understand. Equally important is the relief granted to millions of policyholders through the exemption of health and life insurance premiums from GST. This not only eases the financial burden on families but also encourages greater adoption of insurance — a sector vital for social security and long-term stability. These reforms signal a clear intent to put more money in people's hands, boost confidence, and lay the groundwork for stronger, more inclusive economic growth. By addressing everyday financial concerns, the GST Council has shown that reforms can be both pro-business and pro-people. This optimism-driven agenda has the potential to create lasting momentum in the Indian economy.

S Lakshminarayanan
Puvanur, TN

Recognise short sellers

'Short selling can play an important role' (September 4) highlights a pressing need for the Indian stock market regulator and the public to have an impassionate look at short selling. The article rightly notes the lack of appreciation, rather disdain, towards short sellers and their contribution to the market's healthy development.

Regulators would be doing a great service for a healthy market by giving short sellers due recognition and strengthening oversight mechanism — for effective price discovery. By streamlining SLB (securities lending and borrowing) to be more inclusive and incentivising brokers and other stakeholders for facilitating seamless SLB operations, the healthy competition between bears and bulls would lead to effective, realistic price discovery.

Jose Abraham
Vaikom, Kerala

Rating upgrade

This refers to 'A resilient economy' (September 4). The recent assignment of BBB+ rating to India by a private rating agency (CareEdge Global) has put India Inc at a higher platform at the global stage. This comes at a time when India is facing steep US tariffs and other global headwinds. The recent visit of Prime Minister Modi to Japan and China would help India in its semiconductor manufacturing initiative. However, it is assumed and expected that government maintains the capex tempo throughout the current fiscal besides creating scope for improved private participation in capex investment.

RV Baskaran
Pune

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ND-NDE

Growth looks robust

GST reform, MSME focus are the way forward

Chandrajit Banerjee

India's Q1 FY26 GDP growth of 7.8 per cent is more than a headline number. It is a reaffirmation of India's resilience, reform-driven momentum, and a clear sign of renewal at a time when the global economy is caught in turbulence.

The composition of this growth is encouraging:

The strong services growth, with financial and professional services growing near 9.5 per cent, and trade-hotel-transport sectors surging 8.6 per cent, shows that urban India's demand drivers are back on track.

The 7.7 per cent manufacturing growth is proof of the PLI scheme's success. Agriculture growing at 3.7 per cent is sign of strengthening rural incomes and demand, while construction's 7.6 per cent growth reflects infra and government capex spend is translating into jobs and assets on the ground.

These results are clearly the outcome of a policy architecture in motion:

PLI incentives are sparking shop floors and new investments.

Rural reforms and higher MSPs are restoring farmer confidence.

The Gati Shakti infrastructure programme is knitting together supply chains and reducing costs.

Digitalisation has made payments frictionless and allowed fintech and logistics platforms to transform the way businesses operate.

Add to this GST rationalisation, decriminalisation of business laws, and fiscal prudence, and we see how systematically India has been repositioned. Macroeconomic credibility has provided the runway, while structural reforms are ensuring the take-off.

THE NEXT STEPS

First, crowding in private investment. Corporate deleveraging is behind us. What is needed now is deeper capital markets, easier land and labour frameworks, and financing channels for mid-size manufacturers and MSMEs.

Second, MSMEs must be digitally scaled, integrated into global supply chains, and supported with targeted skilling aligned to Industry 4.0.

Third, fortifying exports. With global trade slowing and tariff pressures increasing, especially from the US, India must be proactive.

INDIA GROWTH. Impressive show REUTERS

Accelerating new trade deals, particularly with the EU, and reviewing older ones will expand our market access.

Fourth, sunrise sectors. Renewables, semiconductors, green hydrogen, defence, and medical devices are the future. The PLIs have laid a base, but sharper targeting and integration with global demand are required to make India a key player in global value chains.

Fifth, fiscal discipline and disinvestment. With nominal GDP moderating, revenue buoyancy must be strengthened. The timely rollout of GST 2.0 — expected to yield $10-12 billion annually — is crucial. Equally, credible disinvestment will not only provide fiscal space but also improve productivity in key sectors.

STRONG FOUNDATION

At CII, we have consistently emphasised competitiveness at every level. Our recent paper on Policies for a Competitive India laid out more than 250 recommendations. Many are already being acted upon by the government.

The real impact will come from micro-level interventions: reducing compliance costs for smaller firms, enabling State-level deregulation, and driving faster energy and trade reforms. CII is mobilising corporates, State councils, and policy boards to convert these reforms into real investment, jobs, and opportunities.

Challenges will remain — global headwinds, climate risks, and the need for skilling and infrastructure — but India has the resilience to navigate them.

India's Q1 GDP growth is evidence of an economy that has embraced reform, resilience, and renewal.

The government's commitment to reform, coupled with industry's optimism, gives us a strong foundation for the next phase.

The writer is Director General, CII

Scope and effects of GST 2.0

INTERPRETING CHANGES. A deep reduction in goods rates, in particular, raises hopes and issues of tax treatment

MOHAN R LAVI

The Government is in a hurry to fast-track GST rate rationalisation — termed as GST 2.0 or big-bang reform. The Prime Minister spoke about it from the ramparts of the Red Fort on August 15. The GST Council blessed these rates at its meeting held on September 3. Most of the new rates would come into effect from September 22.

The proposed rates were approved so fast that the meeting scheduled for the second day was considered unnecessary. There are changes in the rates of tax for about 440 items. Almost 70 per cent of the changes are in the 12-5 per cent (58 per cent) and the 18-5 per cent (12 per cent) categories. Nine per cent of the changes are in the 12-0 per cent category and 7 per cent in the 28-18 per cent category.

Industries that have benefited the most in the reduction from 12 per cent to 5 per cent are textiles, handicrafts and an interestingly titled entry termed "Common man items". Tooth powder, cotton handbags and tableware are some examples of common man items.

The GST rates on services have also been changed. Most specific job work services will shift from 12 per cent to 5 per cent while residual job work services would be taxed at 18 per cent. Works contract services would be taxed at 12 per cent. Both for goods as well as services, input tax credit would be permitted to be taken unless specifically restricted. For instance, hotel accommodation with rack rates less than ₹7,500 per day would now be taxed at 5 per cent without ITC as against the existing 12 per cent with ITC.

Queries answered

The Ministry of Finance has published the detailed rates of tax on goods and services Chapter-wise as per the HSN classification. In addition, it has also answered 75 FAQs. Most of the answers give a reasoning and defend the revised rates while a few raise some issues. The answer to Question 9 suggests that in case there is an exemption under the new schedule but the good or service was taxable earlier, accumulated ITC can be utilised only for supplies till September 21. If it cannot be utilised, the un-utilised portion may have to be reversed. A case in point could be health insurance premiums which are now exempt. In case some health insurance companies are constrained to reverse ITC, they may increase premiums. More clarity is awaited.

The GST Council has stated that corrections have been made for the inverted duty structure in the manmade textile and fertilizer sectors. However, the answer to another FAQ confirms that refund cannot be claimed for supplies made till the revised rates are effective — this again is a direct cost to be borne by the supplier.

GSTAT can expect a flood of cases till June 2026 since most of the orders in the hands of taxpayers now are biased in favour of the Revenue

IPL MATCHES

It is possible that the Indian Premier League (IPL) will lose some of its *mojo* in the coming years. The recent ban on online gaming deprives the BCCI of the main sponsors of the tournament over the past few years. Per the revised rates, fans would have to bear 40 per cent GST for admission to IPL matches. The rate now is on par with that for betting, casinos, gambling, horse racing, lottery and online gaming.

The GST Council has stated that the Goods and Services Tax Appellate Tribunal (GSTAT) will be made operational for accepting appeals before end-September 2025 and will commence hearing before end-December 2025. The Council also recommended June 30, 2026, for limitation of filing of backlog appeals. The Principal Bench of the GSTAT will also serve as the National Appellate Authority for Advance Ruling.

GSTAT can expect a flood of cases till June 2026 since most of the orders in the hands of taxpayers now are biased in favour of the Revenue. Taxpayers can only hope that GSTAT is equipped enough to dispose of the appeals promptly.

The jury is still out whether we will be moving towards an ideal GST after these reforms. So long as there are restrictions on input tax credits and refunds and most assessing officers are revenue driven, no system of taxation can be ideal. Whether we will get there is a million-dollar question.

The writer is a chartered accountant

How the rates stack up

Items	12%-0	12%-5%	18%-0	28%-18%	5%-0	18%-5%	18%-40%	28%-40%	5%-18%	12%-18%
Food		47	1		4	23	1	4		
Tobacco				1		2		5		
Agriculture		11								
Fertilizer		3				20				
Coal									3	
Renewable energy		4								
Textile		40								
Health	33	23			3	2				
Education	4	1			1					
Common man items		25				6				
Consumer electronics				3						
Paper	1	10								9
Transportation				17						6
Sports goods and toys		5								
Dutiable articles for personal use				1						
Leather		6								
Wood		15								
Defence		2								
Footwear		1								
Miscellaneous		24						2		5
Construction		1		1						
Handicrafts		36								
Other machinery		1		6						
Others			20			1				
Total	**38**	**255**	**21**	**29**	**8**	**54**	**1**	**11**	**3**	**20**
%	**9**	**58**	**5**	**7**	**2**	**12**	**0**	**3**	**1**	**5**

Need to revive dormant bank accounts

K Srinivasa Rao

Rising dormant accounts pose a concern. If customer-initiated transactions haven't occurred in the past two years in a deposit account, it is classified as inoperative or dormant. No customer-initiated debits are permitted in such accounts unless re-KYC is completed and the account is revived.

These dormant accounts are more vulnerable to fraud and misuse because their activity often goes unnoticed by the account-holder. They can also be misused as mule accounts to veil money laundering activities. Additionally, the bank misses potential opportunities for new deposit inflows. Therefore, an increase in the number of inoperative accounts could heighten the bank's operational risks.

After 10 years of the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme, many accounts now need re-KYC. As of July 30, 2025, the banking system has 56.04 crore accounts under the PMJDY scheme, holding a total of ₹2.62 trillion in deposits. Of these, nearly 13 crore accounts, which account for 23 per cent, have become dormant, raising concerns. Recently, in its monetary policy, the RBI emphasised the need for banks to take specific steps to reactivate dormant accounts. It highlighted the importance of organising camps at the gram panchayat level from July 1 to September 30 as part of a focused effort to reactivate dormant accounts, open new bank accounts, address customer grievances, and promote micro-insurance and pension products to deepen financial inclusion.

NO DEBITS ALLOWED

Dormant accounts in the PMJDY scheme account for 23 per cent, while the World Bank's Findex Report 2025 states that 25 per cent of financial accounts in India are dormant across the industry. Funds in these dormant accounts are safe, as no debit is allowed until the re-KYC process is completed and the accounts are properly activated. Thus, increasing dormant accounts in banks is of concern but not alarming. Similar trends are observed in debit card usage. Out of 990 million debit cards, approximately 200-250 million remain unused.

Among the many reasons for the

RE-KYC. Mandatory for reactivation

increase in dormant accounts, the most significant is the lack of financial and digital literacy among account holders who were mobilised during PMJDY account opening camps drawn from the hinterland. Of the 56 crore PMJDY accounts, 67 per cent are from rural/semi-urban areas. Similarly, out of the total 265.24 crore deposit accounts in the banking industry, 59 per cent come from rural/ semi-urban regions.

Banks can adopt the hub-and-spoke model to accelerate revival of dormant accounts. Branches and back offices should act as hubs, with business correspondents, financial literacy, and credit counselling (FLCCs) centres functioning as spokes to motivate target deposit account-holders to reactivate their accounts. Deceased accounts should be identified for proper settlement.

Since many deposit accounts were opened at bank branches through collaboration with the lead bank, block development offices, self-help groups, NGOs, and gram panchayat activists, their services should be utilised to encourage account-holders to return to banks and reactivate their accounts. Local authorities can educate account holders in their native dialect, explaining how to restore their bank accounts.

This exercise can be seen as an opportunity for banks to rebuild relationships with a large number of depositors and boost savings deposits, especially at a time when the CASA component is slowing down.

The writer is an Adjunct Professor at the Institute of Insurance and Risk Management, Hyderabad. Views are personal

thehindubusinessline.

TWENTY YEARS AGO TODAY.

September 5, 2005

Drop in net financial savings of households

ForR the first time in several years, net financial savings of households declined during the financial year ended March 2005, according to data disclosed in the annual report of RBI. A large 65 per cent increase in the financial liabilities of households was the reason behind the decline in net financial savings.

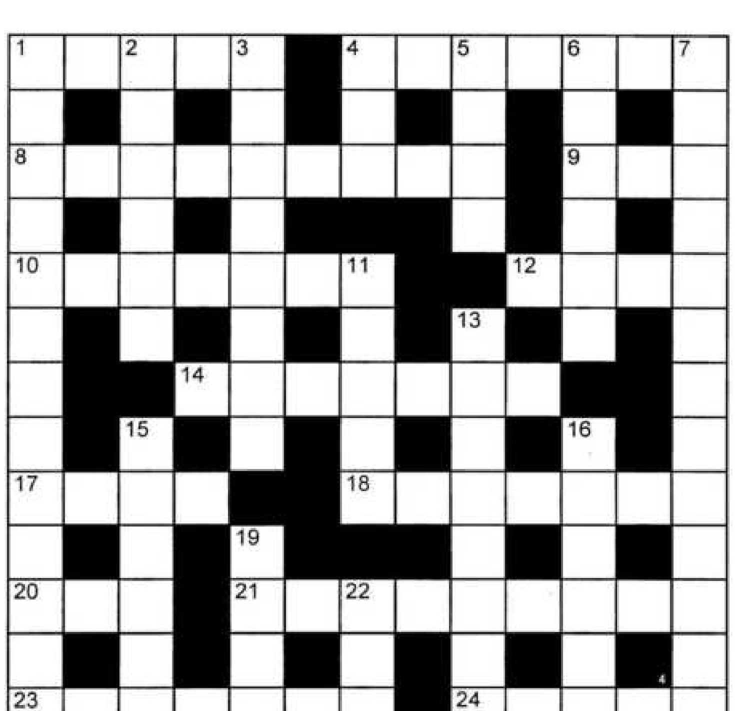
ITC plans super luxury hotels in Bangalore, Chennai

ITC is planning to open two "super luxury" hotels one each in Chennai and Bangalore and is currently looking for suitable places in the cities, according to the Chairman, Mr Y.C. Deveshwar. "We are aiming at building world class luxury hotels and will shell out whatever is required to build such comfort zones," Mr Deveshwar said.

ECB route stays closed for charitable trusts

Funding of charitable work would continue to be difficult with the Ministry of Finance taking a firm view that charitable trusts would continue to remain out of the External Commercial Borrowings (ECB) fold. The decision would particularly affect the entities in the healthcare sector that are run as charitable trusts.

BL TWO-WAY CROSSWORD 2776



EASY

ACROSS

01. Deceives (5)
04. Draw out (7)
08. A fan (9)
09. Second person grammatically (3)
10. Long, narrow flag (7)
12. At one time (4)
14. Compared (7)
17. Midday (4)
18. Thin, glossy silk material (7)
20. Unwell (3)
21. On the spur of the moment (9)
23. Item of apparel (7)
24. Paces (5)

DOWN

01. Failing to meet expectations (13)
02. Very hot (6)
03. Occurring here and there (8)
04. To gel (3)
05. Uncommon (4)
06. Attempting (6)
07. Burglars (5,8)
11. Song of small bird (5)
13. Scents (8)
15. Neck-part (6)
16. Fail to follow suit (6)
19. Small breed of dog, in short (4)
22. Small child; drink (3)

NOT SO EASY

ACROSS

01. Club subscription quietly enheartened by those taken in (5)
04. One may be able to pullout of time spent in prison (7)
08. It is a fan who will quaff malt liquor (9)
09. To me, the reader who will be in every outing (3)
10. Flag the writer with an entry in the National Theatre (7)
12. As soon as one can absorb carbon (4)
14. Keen to make changes in hat that's set in comparison (7)
17. When both hands are up, either way, once a day (4)
18. It is material to a Welshman who dined in reverse order (7)
20. Is not fit to give 'im something to climb (3)
21. Former relief office worker tore top off, off the cuff (9)
23. Grant me a change of clothing (7)
24. A ladder with support for such as are taken progressively (5)

DOWN

01. A dip's changed, indicating it isn't coming up to scratch (13)
02. It's so hot, the ornamental edging! (6)
03. Here and there I'd a Corps in disarray (8)
04. The whole collection has gelled (3)
05. Not enough done for some to be sparse (4)
06. Having a shot at being annoying (6)
07. Slum clearance workers, or those with burglary in mind (5-8)
11. Bird-song is the best we etymologists can contain (5)
13. Presume it's different, loudly included with the scents (8)
15. To grab one around the neck sounds like irascibility (6)
16. Vicar gives the go-ahead to the East but won't follow suit (6)
19. A little dog that will keep changing form (4)
22. Either way, a drink will add up to it (3)

SOLUTION: BL TWO-WAY CROSSWORD 2775

ACROSS 2. Patio 5. Name 7. Ogre 8. Needless 9. Perfects 11. Puck 12. Fringe benefit 15. Band 17. Palisade 19. Impudent 21. Long 22. Odin 23. Sleet

DOWN 1. Bugbear 2. Poe 3. Tunic 4. Oversee 5. Nil 6. Music 10. Fined 11. Peels 13. Empress 14. Indents 16. Armed 18. Lithe 20. Urn 21. Let

The Hindustan Times
ESTABLISHED IN 1924

{ OUR TAKE }

Making GST lean and low

The rate rationalisation move will boost consumer sentiment, but the impact on government finances needs to be watched

From September 22, the central piece of India's indirect tax regime, the Goods and Services Tax (GST) will be both lean and low. Lean because there are now only three (in fact, mostly two) tax slabs compared to the previous five, and low because a large number of commodities and services have seen a reduction in tax rates.

GST created a unified national market for goods and services in India after decades of persuasion and negotiation. It was a leap of faith for everybody, from the government's fiscal managers to businesses who had to deal with something that had never existed to states that gave up their sovereign right to tax. Could things have been done in a better way when GST was rolled out in 2017? Definitely. Just like there are bound to be voices which will make sensible points about how the latest GST reform, both in terms of rates and processes, could also have done better.

In a country as diverse as India, economically, politically and regionally, there is always a case for the proverbial "could have been done better". However, what matters the most is breaking inertia rather than some elusive quest for perfection. Great cannot become the enemy of good.

It is on this count that the latest GST Council's decision needs to be praised. It has given a boost, both material as well as sentimental, to consumer sentiment, especially among the non-rich, ahead of the critical festive season. It has also provided welcome relief from the tax burden on commodities and services of both frequent and necessary use, be it stationery for children or offices and life and health insurance for families. The promise of a GST appeals tribunal and other such process reforms should also make things better for businesses who have been raising concerns about unjustified tax demands. A predictable tax regime is key to boosting investment in any economy, especially from foreign investors. The GST council should factor in the feedback from the latest series of process reforms to make things better.

As is always the case, there are no free lunches in the world. The GST rate rationalisation is expected to come at a fiscal cost, which the government is hoping will eventually be mitigated with a rise in spending. Until that promise has been realised, there should be careful monitoring of the fiscal dynamics which will be unleashed from here on. State finances will be the critical variable to watch.

Rising anxiety about falling fertility rate

The fertility rate in rural parts of the country has fallen to 2.1 children per woman — the replacement rate, which leads to the population within a geography stabilising — from 2.2 in 2020-2022. This brings India's rural fertility rate in line with the larger global fertility trend; urban fertility stands at 1.5 and the overall fertility rate for the country, at 1.9. The country's falling fertility, celebrated as a sign of the success of family planning policies, improving socio-economic conditions of the people and rising educational attainment among women, is now at the centre of a debate: If the trend of decline continues, could it fuel a demographic and economic crisis in the future?

Rising life expectancy and below-replacement fertility, many experts fear, could lead to a multi-tiered crisis, from an ageing population that has not too many caregivers to a social security crisis with not enough contributors and too many dependents. Indeed, there is a fear that the country could grow old before it gets rich. There are other layers to this debate too, predicated on demographic anxieties arising from the varying fertility rates between regions, despite the general trend of decline.

There are two things to keep in mind here, against the backdrop of the inevitable politicisation of the issue by ideologies from across the political spectrum. One, coercive policies to reset demographic composition can compound the problem — the experience of many developed and developing nations that have gone down this road should warn political dispensations against pushing this line. Two, the burden of expectations on demographic sustainability must not constrain reproductive choices of couples. Rather a more fruitful way of ensuring that sustainable populations is to grow the economic pie enough to ensure economic and social security.

Reimagining education is key to future of work

We need disciplines to interact with each other — both for structural renovation of institutions and departments, as well as to ensure holistic, multidisciplinary, and future-ready education for students


Ashish Dhawan


Pramath Raj Sinha

The world is being re-imagined. We are seeing a wave of new technologies, an increased focus on skills and new ways of work, and career paths that are plural, non-linear, and constantly shifting. The influence of artificial intelligence (AI) is becoming increasingly unquestionable. The *Global AI Jobs Barometer 2025*, released by PwC, reveals that industries that are more exposed to AI have three times higher growth in revenue per employee, with accelerated overall growth.

The World Economic Forum (WEF) underscores this trend: By 2030, the fastest-growing jobs will be "big data specialists", "fintech engineers", and "AI and machine learning specialists". Skill sets too are evolving at breakneck speed; in jobs that are more exposed to AI, the skills employers want today are changing 66% faster, with a strong emphasis on AI and technology literacy, and cyber skills.

The focus on AI and technology at work is clear, and rightly so, given their dramatic effects — initially overwhelming but gradually positive — on productivity and efficiency levels across roles and the nature of jobs within an organisation.

In such an age of machine intelligence and automated assistants, it is easy to overlook the degree (and quality) of human collaboration with technology that enables the "outputs" that we find impressive and useful. AI is not simply automating routine tasks and becoming a default personal assistant, it is also amplifying our distinctly human abilities to think, ideate, and solve problems.

According to WEF, analytical thinking, resilience, flexibility and agility, and leadership and social influence top the core skills needed for the workplace today. These are what people call soft — or durable — skills that are foundational to being human.

And, this is fascinating because while technology and digital agility are anchoring the attraction of talent and skillsets by employers, these soft skills help us achieve desired outcomes — when individuals with such skills are able to think critically and creatively, with the right judgment of context and situational sensitivities. As human beings, we imagine, exercise curiosity, and engage with the world and all its thrills and frustrations; we do this with both text and subtext that often transcend what we typically write in our prompts to AI.

Let us ask ourselves: Can AI dream? To what extent can it picture a future reality for us while it gets trained on certain historical and current data? Such critical questions must be asked because the reasons why we take up jobs and engage in work go beyond ticking off routine tasks, producing models, or summarising reports. We work to be able to fulfil essential needs, meet our ends, achieve stability, self-sufficiency, discover our passions, socialise, learn about the world we live in, contribute to our environment, influence lives, and much more. And, these are deeply human intentions and desires.

While AI and technology may not dream themselves, they are indeed helping us dream and extend our imaginations. They are helping us expand our thinking and our view of the world with vast amounts of information and insights. They are also enabling intersections of interests, ideas, and disciplines. This is the future of work, where AI and technology, in close companionship with human skills and our ever-expanding interests, are leading to new possibilities for work and innovation.

History tells us that every new technology revolution brings with it certain anxieties concerning job loss, transformation of roles, and the need for skill evolution. So, the worries with AI are not entirely new — although the resultant shifts will be a lot more pronounced given its massive scale and reach. Yet, at its core, it is set to fundamentally enhance the way we work and pursue our interests.

AI is helping us expand our worldviews with vast amounts of information, enabling the intersection of interests, ideas, and disciplines. HT ARCHIVE

A question thus arises: How ready are the young minds of the country to embrace this? India's universities face an unprecedented responsibility here. Strict departmental silos and traditional classrooms will not get us there. We need disciplines to interact with each other — both for structural renovation of institutions and departments as well as for ensuring holistic, multidisciplinary, and future-ready education for students. Similarly, while research in universities is often measured by publication counts, there is a growing need for relevant, impact-focused research that helps address pressing societal challenges and supports collaborations across disciplines and with industries.

These expectations can't be realised as mere co-curricular pursuits; instead, they must form the core of what and how students learn. For decades, rote learning and high-intensity, competitive entrance exams have shaped Indian higher education, often limiting curiosity and critical thinking in students. A moderated shift towards just-in-time learning and pedagogical innovations, centred on inquiry and exploration — as encouraged in the National Education Policy (NEP) 2020 — can lay the ground for how we live and work in a world of rapid changes. The implications of the intersections among the humanities, social sciences, and natural sciences need to emerge from learning ecosystems that foster interdisciplinary knowledge systems, digital fluency, and a culture of love for learning, rather than being realised only once individuals enter the workforce. While we need to do this for higher education, the foundation of learning begins much earlier. Our children need to be equipped at the earliest level to expand their abilities to think, solve, communicate, learn and relearn.

India is at an inflection point. With a massive young population and growing global ambitions, we have a unique opportunity, which requires a bold new movement to prioritise future-forward education. If we dream of becoming Viksit Bharat, this movement is not optional; it is required.

Ashish Dhawan and Pramath Raj Sinha are founders, Ashoka University. The views expressed are personal

Tehran-New Delhi: New horizons for old friends


Mohammad Reza Bahrami

The relationship between Iran and India has long been shaped by deep-rooted civilisational and historical ties. For centuries, these two ancient nations have not only engaged in trade and political interaction but have also profoundly influenced each other in the realms of culture, language, art, and intellectual thought. Even today, amid rapid global transformations and intensifying power rivalries across Asia, the Tehran-New Delhi relationship retains special significance. A closer look at the various dimensions of this relationship reveals that Iran and India have the potential to play a key role in shaping a more balanced regional order.

The roots of Iran–India relations run deep in the history of South Asian and Iranian Plateau civilisations. Since ancient times, the two countries have been connected through trade routes and cultural and linguistic exchanges. In the modern era, following India's Independence, formal diplomatic relations were established with the signing of a Treaty of Friendship in 1950. Ever since, bilateral relations have consistently persisted based on mutual respect, non-interference in each other's internal affairs, and friendly cooperation across various fields. Shared civilisational bonds, historical ties and a shining history of cooperation form a strong foundation for further development of relations. However, to fully realise these potentials, a concrete roadmap for bilateral cooperation is necessary.

The future depth and growth of Iran-India relations will depend heavily on economic collaboration. A look at the two countries' economies reveals many complementary strengths. Iran holds vast energy reserves and is a major global crude oil producer. Meanwhile, India relies heavily on energy imports to fuel its growth. Until the imposition of unilateral US sanctions, Iranian oil exports to India formed a major part of bilateral economic relations, and given the fact that Iran's energy revenues in India were to a large extent used to finance a significant portion of Iran's imports from India, it was also influential on non-oil bilateral trade. Iran's unique energy capabilities and India's position as the world's third-largest energy consumer have created a natural interdependence, and taking into account the shifting geopolitical dynamics, these complementarities offer promising prospects for both countries.

Another vital pillar of cooperation is regional connectivity. Given India's geopolitical constraints in accessing Afghanistan, landlocked Central Asian countries, the South Caucasus, Russia, and beyond, the strategic port of Chabahar in Iran has become an irreplaceable component in India's Eurasian strategy. The Chabahar Agreement signed between the two countries underscores the two countries' long-term vision for cooperation in this realm. Additionally, collaboration through the International North–South Transport Corridor (INSTC) presents major opportunities for regional cooperation and joint investment aimed at shared peace, prosperity, and development.

There are numerous other avenues for cooperation between Iran and India including agriculture, tourism, cultural and academic exchanges, emerging technologies, knowledge-based sciences, clean and renewable energy, and cooperation in the areas of defence and military, counter-terrorism, regional security and so on, the realisation of all of which call for deeper attention from both sides.

Despite unique potentials and the will and determination of leadership in both countries to expand relations, achievements thus far have not fully matched the actual capacities of the two countries. The underlying factors are both external and internal. Among the external challenges, US secondary sanctions have played a major obstructive role. These sanctions have dampened economic momentum despite strong interest from India's private sector to engage with Iran. Internally, both countries face bureaucratic complexities and a lack of mutual awareness regarding each other's capacities. Addressing these gaps — through greater understanding and efforts to streamline administrative processes — will be essential, especially in economic and financial domains.

Current geopolitical imperatives further reinforce the rationale for closer Iran-India convergence. The unprecedented developments of 2025 have shown that a multipolar world order is no longer a far-fetched idea. These developments have also made it more evident than ever that countries must rely on strategic autonomy when managing their relations with other powers and players. Independent powers are increasingly focused on resisting external pressure and building diverse partnerships aligned with national interests. Some of these partnerships are pursued through bilateral ties, while others emerge through multilateral arrangements and organisations which reinforce regional and multilateral trends at the international level. Against this backdrop, Iran and India — both advocates of strategic autonomy and possessing unique capacities for multi-faceted cooperation — are natural partners. Further, their membership in organisations such as BRICS and the Shanghai Cooperation Organisation (SCO) has provided additional grounds for cooperation.

Through joint efforts, a new and promising chapter can be written in the modern history of bilateral relations. In other words, the outlook for Iran–India relations presents a clear and optimistic vision for broad, multi-sectoral cooperation. These partnerships not only benefit both countries but also contribute to the overall welfare of the wider region. As a result of smart utilization of existing opportunities, Iran and India can become strategic partners at the heart of Asia, playing a pivotal role — alongside other regional actors — in shaping a new regional order.

Iran-India relations, with the necessary care and oversight, can serve as a model of sustainable, resilient, and mutually respectful engagement in a turbulent environment in Asia and the world. In this spirit, the two governments are working to advance bilateral relations with an eye toward peace, security, and economic prosperity.

Along these lines, the 20th Joint Commission Meeting, held in New Delhi on May 8, reviewed progress across a wide range of areas and reaffirmed their leaders' commitment to resolving obstacles and deepening cooperation. Treading on the same path, political consultations led by high level delegates from foreign ministries of the two countries are scheduled to take place on September 8, in Tehran, aimed at giving further momentum towards a new phase in bilateral relations.

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{ MARK RUTTE } CHIEF, NATO

Why are we interested in what Russia thinks about troops in Ukraine? Ukraine is a sovereign country. It's not for Russia to decide

Ahead of talks regarding security guarantees for Ukraine

HT

Proactive protection lacking, US tariffs will hurt MSMEs


Sachin Pilot

Indian exports to the US now face 50% tariffs. No other country in Asia has tariffs this high. Many leaders of the ruling dispensation have attempted to downplay the impact of these tariffs on Indian businesses by stating that India is a domestic consumption-led economy and that Trump's tariffs will not have a significant impact domestically. However, the reality could be very different.

The immediate impact can be gauged from the stock market, where benchmark indices closed August in the red. This is part of an overall sentiment of under-confidence, which was also demonstrated in the massive outflows by Foreign Institutional Investors (FIIs), who have preferred other emerging markets.

In terms of the direct impact on trade, the tariffs affect about two-thirds of India's \$86.5 billion annual exports to the US (impacting close to \$60 billion worth of exports). Labour-intensive industries such as textiles, apparel, gems and jewellery, seafood, and leather will be impacted significantly, creating further stress on the already extremely grim employment levels. Even by the most forgiving estimates (which mask underemployment and exaggerate insecure temporary livelihoods), 18% young urban (qualified) Indians are without work; the number is significantly higher in rural areas. The hit of Trump's tariffs on labour-intensive sectors is only going to hurt India's youth more.

The tariffs have had a particularly painful impact on Rajasthan. The state accounts for almost 60% of gems and jewellery exports, 60% of handicrafts exports, and 30% of readymade garment exports to the US. The impact of Trump's tariffs is immediately noticeable in the drop in shipping containers, from about 378 20-foot equivalent units (TEU) recently in Jaipur to 209 TEU — a 45% fall. The dry port in Jodhpur registered a decline of 75%, dropping from 100 TEU to 25 TEU.

Rajasthan's handicrafts sector employs around 700,000 people, making the state the second-largest exporter of handicrafts in India. The gems and jewellery industry employs around 300,000 people. These jobs face a tremendous risk from the tariffs, which can have a cascading effect on the state's economic landscape by affecting allied industries. The pain is most acutely felt by smaller businesses and MSMEs that often secure loans against export orders and now face a scenario where they will be unable to repay these loans owing to order cancellations arising from increased tariffs.

The telling aspect about the entire disruption is the government's unpreparedness to tackle the issue. Ever since Trump has come into power, he has publicly advocated his preference for imposing tariffs on emerging economies that are net exporters to the US. His tariff announcements of April 2 unmistakably signalled further tariffs impending. Since then, multiple rounds of talks for a trade deal between India and the US have failed. Despite the clear warning signs, we saw no concrete strategy in place by the government to protect domestic businesses in view of these inevitable tariffs.

A reactive approach vis-à-vis a proactive one is going to hurt. The government could have announced adjustments to the GST framework well ahead of when it actually did, so that impacted businesses could formulate a strategy with concerned stakeholders to absorb the initial impacts of these tariffs. The government is yet to implement its Export Promotion Mission, which could have helped address the immediate liquidity crunch that MSMEs and smaller businesses likely face. There could have been additional financial cushions in the form of loan repayment moratoriums, targeted credit lines, and remissions on levies.

Employment generation is well short of the number of jobs that an economy and a population like India requires. There has been a failure of diplomatic foresight and commercial navigation, which has made market diversification for Indian businesses an imperative — something that could have been done much earlier by signing new investment treaties and trade deals with European, African, Latin American, and Asian markets. This would have reduced the reliance of the impacted industries on the US — thereby limiting the impact of Trump's tariffs.

The government has been unable to walk the talk on structural and regulatory reforms. Policy's reactive posture has now left our small businesses to fend for themselves, having to deal with the full-blown impact of Trump's tariffs. This could lead to thousands of business closures and serious job losses. With strategic thinking, a collaborative endeavour, and pre-emptive action, this could very well have been averted.

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A new GST

The indirect tax system has been simplified

The Goods and Services Tax (GST) Council's 56th meeting on Wednesday introduced substantial changes to the indirect tax structure. The changes are expected to benefit consumers, reduce classification disputes, and enhance compliance. GST has been shifted to a comparatively simple and principally two-rate structure of 5 and 18 per cent. A special demerit rate of 40 per cent has been kept for select goods and services. Although it can be argued that GST is still not close to the ideal single-rate tax structure, the latest changes will address a number of anomalies and structural weaknesses in the system. It has also been decided that the Goods and Services Tax Appellate Tribunal will become operational for accepting appeals before the end of this month. This was a missing link in the GST architecture. The new tax structure will be effective from September 22.

The removal of the 12 and 28 per cent slabs and the shifting of items from these slabs to 5 and 18 per cent will make a large number of consumer items cheaper. Almost all food items, for example, have been shifted to the 5 per cent rate from different slabs. Air conditioners and televisions over 32 inches will now be taxed at 18 per cent, as against 28 per cent earlier. Small cars and motorcycles will also move from 28 per cent to 18 per cent. Importantly, insurance products for individuals have been exempted. This will improve affordability and should help increase penetration of insurance coverage. Some of the issues related to the inverted duty structure, such as those in the man-made textile and fertiliser sectors, have also been addressed. GST has also been reduced on agricultural equipment such as tractors and other machinery. The compensation cess, which is being collected to repay the debt raised for compensating states for revenue shortfall during the pandemic, will also come to an end, except on select sin goods, until the loans are fully repaid.

At macro level, the reduction in GST rates is expected to boost demand, resulting in higher growth. According to one estimate, it could add around one percentage point to the growth rate of gross domestic product over the coming few quarters and offset the impact owing to higher tariffs imposed by the United States. However, the outcome will need to be assessed, going beyond festival and pent-up demand, driven by expectations of a rate reduction. Nevertheless, lower overall GST rates will have a cooling impact on inflation outcomes. The trickiest to judge is the fiscal impact.

The government has said that the rate rationalisation will have a revenue implication of ₹48,000 crore. A lot will depend on how the demand responds. From a policy standpoint, the average GST rate is likely to come down further from about 11.6 per cent, which is already lower than the 14.4 per cent rate at the time of inception. The GST Council could have perhaps looked at the possibility of raising the lower 5 per cent rate by a few percentage points to boost revenue collection. While in the aggregate the consumer would have still gained, the government (Centre and states combined) would have been able to protect revenue to some extent. Further, this would have helped move in the direction of a single rate at some point in the future. It may have also allowed the GST Council to simplify the structure further, and items such as footwear, apparel, and automobiles could have been taxed at a single rate. Nevertheless, the changes are net positive and will make the indirect tax system much simpler.

It's raining crises

Cities must plan for climate change

Indian capital New Delhi (and also Delhi), millennium city Gurugram, financial capital Mumbai, Silicon city Bengaluru, and emerging industrial hub Chennai have one thing in common. Every monsoon in the past decade saw these metropolises, all critical centres of economic activity, come to a standstill. The recent flooding and dislocation of daily life in the National Capital Region and of Mumbai is part of this continuum. Municipal authorities are well aware of the widespread misery, deaths, and an erosion of economic value, which these weather events cause. But the glaringly evident solutions appear to elude them.

At first glance, the easy culprit to pinpoint is growing indiscriminate urbanisation. The fact is that urbanisation has been an inevitable corollary to economic growth and development globally. India is no different. The real challenge is to ensure that expanding urban agglomerations are planned optimally, with due consideration for ecological balance and viable financing models to sustain their maintenance. This has not been the case almost anywhere in India, where construction lobbies are gaining influence with municipal institutions, which are increasingly strapped for finance. The result is that trees are felled at will or their roots encased in suffocating concrete enclosures, green belts increasingly destroyed, and water bodies concreted over without consideration for local hydrology even as the supporting infrastructure of basic drainage systems and flood-control mechanisms are conspicuous for their inadequacy. Even the simple steps of cleaning drains in preparation for the monsoon appear to elude municipal authorities.

Climate change and extreme heat are amplifying these problems each year and demand urgent proactive solutions. Studies have shown that the Indian monsoon has been heavier, especially in north-central India, in recent decades. It has also become more erratic. This year, for instance, the monsoon not only arrived early — in some states nearly two weeks to 18 days ahead of schedule — it has also intensified with multiple western disturbances, which contribute to extreme weather events, causing widespread damage from Jammu & Kashmir to Himachal Pradesh and Uttarakhand. According to *Down to Earth* magazine, the monsoon this year witnessed 15 western disturbances till the end of August, which wreaked havoc along the lower Himalayan belt, where, again, random and haphazardly planned construction, which gouges out mountainsides and flattens treelines, is causing untold damage. This year's cycle of death and destruction near Harsil Valley, caused by a mudslide, was largely the result of housing and hotels being built on fragile terrain where construction should not ordinarily have taken place.

Looking ahead, Indian cities urgently need superior monsoon-preparedness plans. They were badly equipped to deal with the seasonal monsoon in the first place; now urban drainage and hydrological systems are simply incapable of handling not just the extended monsoon but also the higher volumes of rainfall that occur in shorter and sharper episodes. After receiving 5 per cent above normal rain in August, the India Meteorological Department has predicted above average monsoon rain in September. The first week alone saw Delhi and Gurugram under water. This is surely a poor precursor to a Viksit Bharat.

No, Fed independence isn't over

Trump's push for democratic control of the Fed and its independence are not mutually exclusive

ILLUSTRATION: BINAY SINHA

United States President Donald Trump's decision to fire Federal Reserve Governor Lisa Cook has set off a firestorm among economic pundits. Ms Cook was sacked for allegedly producing false documentation while applying for mortgages.

The pundits are right about one thing: Malfeasance has only provided Mr Trump plausible legal grounds for removing Ms Cook. The real reason is that Ms Cook is part of the majority on the Fed board that has refused to heed his repeated call for a reduction in interest rates.

By firing Ms Cook, Mr Trump is sending out a message to members of the Federal Reserve board and the Federal Open Market Committee, the Fed's policymaking body on interest rates: The Fed cannot be at odds with the President for long. Democratic accountability of the Fed, Mr Trump is saying, means that the elected authority should have a say in the conduct of monetary policy.

FINGER ON THE PULSE

T T RAM MOHAN

This is not your columnist's reading. It is exactly how US Vice-President J D Vance characterised the position in an interview with *USA Today*. As he put it: "Isn't it a little preposterous to say that the President of the United States — the elected President of the United States, working of course in concert with Congress — doesn't have the ability to make these determinations? I don't think that we allow bureaucrats to sit on high and make decisions about monetary policy and interest rates without any input from the people that were elected to serve the American people."

Is this the end then of central bank independence? The end of the world? Not really, much as pundits would like us to believe it is so.

Central bank independence was formulated against the backdrop of double-digit inflation in the 1970s. When politicians controlled monetary policy, people learnt to expect high inflation. A wage-price spiral and high inflation followed. The lesson: Insulate monetary policy from politicians. Leave it to technocrats to implement an inflation mandate.

The world has changed since. Today, double-digit inflation is a rarity, and inflation imposes serious economic costs only when it is well into the double digits. Moreover, as economist Larry Summers has pointed out, governments have internalised anti-inflation norms, so government-driven monetary loosening is not the threat it was in the past.

Central banks work closely with the Treasury. The need for coordination has become greater for crisis prevention and response. If banks are to be saved with public money, the government has to be involved. If the Fed is to buy back government securities or non-government securities, that is a political decision because it benefits particular holders of securities. It is not sensible for a central bank to be taking these decisions independently.

In the US itself, there are serious concerns about the lack of accountability of the unelected technocrats who run the Fed. Stephen Miran, chairman of the President's Council of Economic Advisors and now nominated to the board of the Fed, has co-authored a paper that highlights serious infirmities in the institutional structure of the Fed. (*Reform the Federal Reserve's Governance to Deliver Better Monetary Outcomes*, Daniel Katz and Stephen Miran, Manhattan Institute, March 2024).

To illustrate, a member of the Federal Reserve Board of Governors enjoys a term of 14 years, more than three times that of an American President. The chairman or a board member can be removed for impropriety but not for bad decisions that may impact millions adversely. The Fed's board has representatives of the regional Reserve Banks, which are owned by private banks, the very entities the Fed is supposed to regulate! The authors ask whether such a structure is at all consistent with democratic accountability.

There is a self-serving presumption underlying the current notion of central bank independence. It is that technocrats are apolitical, utterly objective creatures who are guided by the public good in a way in which venal politicians are not.

We know from experience that the reality is very different. There is nothing noble, elevated, otherworldly or even especially refined about technocrats, including central bankers. Central bankers have political loyalties and are not above conducting monetary policy in ways that suit a particular party. In the US and in Europe, the "revolving door" syndrome, which involves technocrats hopping from the central bank onto government positions and back again, is ever-present. Central bankers tend to come from the ranks of the wealthy and their actions are often disconnected from the interests of ordinary folk. Politicians may be bad but unaccountable technocrats can be worse.

How then do we ensure democratic accountability of the central bank? For the Fed, Messrs Katz and Miran propose a number of reforms, three of which are worth highlighting. One, the term of a Fed board member should be reduced from 14 to eight years. Two, the President should have the right to remove Fed board members. Three, there must be a ban on Fed members serving on the executive branch for four years after demitting office.

Do these reforms spell the collapse of central bank independence? Not at all. We have before our very eyes a model of what Mr Katz and Mr Miran have in mind, namely, the Reserve Bank of India (RBI). The RBI governor typically has a three-year term. He can be removed by the government. In the Monetary Policy Committee, there are three officials of the RBI and three external experts appointed by the government. The RBI governor has the casting vote in the event of a tie.

The RBI governor works in consultation with the government, so the government has an input into the central bank's decisions, whether on monetary policy or regulation. And yet the RBI has a creditable track record of performance. India's central bank combines independence with democratic accountability.

If the Katz-Miran paper is anything to go by, a structure that has some of the features of the RBI is what the Trump administration would like to move towards. That is no cause for alarm. Perhaps that is why America's financial markets are not showing any reaction to Mr Trump's utterances and actions.

The *Financial Times* is disappointed and it almost urges the markets to revolt. It writes: "... some analysts are concerned that investors aren't taking Trump's cumulative threats on the Fed's independence seriously enough. ... Ultimately, more severe market ructions might be what is needed to force Trump to pull back from causing greater damage to the central bank and the US economy at large." (FT, August 27)

Could it be that the markets think Mr Trump is right? That the economy will benefit from cuts in the interest rate — and that fears of inflation getting out of control if he pushes ahead with his Fed reform agenda are exaggerated?

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The false promise of SCO

The Shanghai Cooperation Organisation (SCO) has been the flavour of the season. Photos from the summit have taken social media by storm. If anything, the optics of the Tianjin summit are meant to send a message to the United States and Donald Trump. But beyond the symbolism, does the SCO carry any real significance for India? Should India place its bets on this organisation?

Very few international organisations are named after a city in one of the participating countries. The Shanghai Cooperation Organisation is the most prominent among them. In recent weeks, India has been reeling under the shock of American tariffs and the rhetoric of Trump administration officials. With the shifting contours of American policy, even a club that includes China and Pakistan suddenly seems like a viable option for India.

SANKALP GURJAR

India's enthusiastic participation in the SCO summit hosted by China was meant to signal to Washington that New Delhi has other options. The SCO and Brics have become synonymous with India's strategic autonomy. For some, they also represent an assertion of India's sovereignty and self-respect. The message appears to be that, in the face of American pressure, India will pivot towards other great powers such as Russia and China. Yet, this is also the right time to question the utility of the SCO for India's geopolitical and geoeconomic future.

The SCO is a club of Eurasian countries. It includes Russia, China, Iran, and Central Asian nations. India and Pakistan are also in the group. Unlike India, all of these countries are non-democratic and have questionable human rights record. They are also anti-Western in their foreign policy. Iran, Russia and China are touted to be members of the "axis of upheaval". The Russian war in Ukraine has brought these three countries closer to one another.

India is not anti-West but rather non-West. India has been at pains to underscore this point. However, the SCO is visibly anti-West in its posturing. In fact, the genesis of the organisation dates back to the time when these countries were concerned about the American dominance in world affairs. Although India is worried about the changes in American policy, the worldview in Delhi is not naturally aligned with those in Tehran, Moscow, or Beijing.

Except China, none of these countries is a major economic partner for India. Russia became one after the invasion of Ukraine in 2022. If we take out Russian oil from the Indo-Russian bilateral trade, the overall trade figures are minuscule. The participation in the Eurasian Economic Union (EEU) cannot be compared with the free trade agreements with major economies like the United Kingdom and South Korea. Therefore, the SCO's utility is limited in the economic domain. It was, and continues to be, primarily a political-security group. On that front, what does India get?

India's principal security challengers, China and Pakistan, are both part of the group. It is unlikely that the SCO will help in addressing either of these challenges. China is a dominant player within the organisation, and India's difficult issues — such as the border standoff in Eastern Ladakh or Operation Sindoor — will never find a supportive, or even sympathetic, platform there. The prospect of China and Pakistan working in tandem against India remains real, despite the recent thaw in India–China ties.

As India celebrates the condemnation of Pahalgam terror attack in the latest SCO statement, it must be noted that the same joint statement also condemns the attack on Jaffar Express in Pakistan. Islamabad had blamed India for the attack. Therefore, beyond a symbolic mention of Pahalgam, the SCO's condemnation of terrorism carries little strategic significance. The summit is big on political signalling but short on substance.

The Trump tariffs have underlined the necessity of economic leverage. Hence, the fundamental imperative is to transform India. The key for transforming India is to secure access to Western capital, technology and markets. This can be achieved only by engaging with the US, Europe, Australia and the East Asian countries. The SCO members are no match for these countries.

In the world of tariffs and trade protectionism, the traditional American partners are moving away from Washington. For India, the opportunity lies in fast-tracking the free trade agreement with the European Union (EU) and in deepening economic ties with the Southeast and East Asian countries. Even Latin America comes into play.

Despite the recent tussle, engaging with the US and finding a way out of the current impasse remains the more prudent course. It may not be a bad idea for India to absorb some of the costs of a trade deal with Washington. A continued downward spiral in Indo–US relations would leave New Delhi in an unenviable position. The deepening Sino–Pakistan axis and Pakistan's renewed importance in American strategy are bad news for India. Yet the answer to this strategic dilemma is not to drift away from the US. The SCO offers no panacea for India's geopolitical or geoeconomic challenges. India should be cautious.

The author teaches geopolitics and geoeconomics at the Gokhale Institute of Politics and Economics, Pune. The views are personal

The art of hard-baked resistance

BOOK REVIEW

AKANKSHYA ABISMRUTA

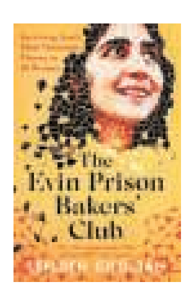
In 1988, the Islamic Republic of Iran killed and buried political prisoners in the Khavaran cemetery — nine years after the 1979 revolution that established Ayatollah Khomeini as the Supreme Leader and Iran as a theocratic state. This mass execution gave rise to a resistance group called "Mothers of Khavaran". It includes mothers and family members of the victims dedicated to seeking truth and justice from the state. In 2022, the death of Jina Mahsa Amini led to the most significant feminist rebellion in Iran with the slogan "Women, Life, Freedom".

Many lives have been obliterated from Iran, many voices unjustly silenced for speaking up against the Supreme Leader. Innocent individuals are detained and tortured in prison. To remember these lives, the names of the people who have disappeared and are systematically abused, is an act of resistance.

Against this backdrop, Sepideh Gholian, journalist and human rights activist, becomes a chronicler of women's lives in Iran's prisons such as Evin, Bushehr, and Ahvaz. She has been imprisoned multiple times starting in 2018 when she "took on the role of reporting on the strike, organising meetings and building solidarity for the strikers in the local community and beyond." In 2020, *IranWire* published her first prison diary *Tilapia Sucks the Blood of Hur al-Azim*, translated from Persian to English by Zahra Moravvej. In 2024, *IranWire* published her second book, which has now been translated by Hessam Ashrafi and published as *The Evin Prison Bakers Club*.

In the introduction, journalist and documentary filmmaker Maziar Bahari writes, "For security reasons, I cannot tell you exactly how I received the different chapters of this book from Sepideh. All you need to know is that it took several people and multiple phone calls with different individuals, including Sepideh, to receive separate chapters by text or photos showing scraps of paper." Ms Gholian had reached out to Mr Bahari to share the idea of this book. She was released in June 2025. The author describes Evin prison as standing "proudly at the edge of Tehran, marring the view of all those who pass by. The locks and chains, and the imposing iron gate, make all the more racket under torrential rain." She writes in a light-hearted manner with a biting wit. She answers the obvious question: how does one bake in prison? She says, "...if baking badly is an inalienable part of who you are, then you can do it anytime, anywhere, and — yes —in any kind of prison. Even without gas."

She dedicates the recipes for 16 desserts such as halva, Kachi pudding, scones, lemon meringue pie, etc., to women prisoners, political and otherwise. These women sing protest songs, dance and bake together. The author instructs readers to do the same in her recipes, looking at it as an act of feminism.



The Evin Prison Bakers' Club: Surviving Iran's Most Notorious Prisons in 16 Recipes
by Sepideh Gholian
Published by Oneworld Publications
200 pages ₹399

The book begins as a prison memoir and quickly goes into a third person narration of a young woman inducing a DIY abortion in prison because she knows that if authorities learn of her "disgrace" it would put her family in danger. In footnotes, one learns of bone-chilling misogynist laws and practices in Iran— whether it is family members absolving each other of honour killing under Islamic Penal Code or prisoners being forced to confess that their new born children are ISIS members. Despite the intimate portrayal of incarcerated women, the book takes a surreal turn, which defies the solemnity of prison memoirs. The translation captures the solidarity of these women despite the editorial footnote stating that some aspects of the Persian text are not fully reflected here.

Such solidarity in the form of activity groups existed in the prisons before Ms Gholian's time. She describes the enactment of a play *Death and the Maiden* by Ariel Dorfman in Evin prison on January 5, 2013, led by Nazanin Deyhimi. Ms Gholian contextualises the character of Paulina Salas, the victim of state-sponsored rape and torture in an unnamed South American country who confronts her tormentor, stating, "The Paulinas of Iran know by heart the sounds of the laughter of men who leave bruises on their bodies in the corners of cells. They know the smell of them, even the pace of their footsteps. One day the Paulinas will hunt down the possessors of those voices, although they won't be able to entrust them to the courts when they do. Until then, the sound of any door opening at midnight will remind them of what was done to them. Resistance isn't their only weapon. They can also keep reminding the voices: we shall not forget. In so doing, they keep... — the torturers — of Iran afraid, forever."

In 12 chapters of this genre-defying work, Ms Gholian shows that even under surveillance and silence, small moments of joy can ring louder than prison bells. *The Evin Prison Bakers' Club* is a testimony of women who resist erasure and knead resistance into their daily lives, letting it rise despite their confinement.

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OUR VIEW

PTI

A big GST stimulus: Now for the market response

Rate and slab reduction could stimulate consumption in support of India's economy. This is clearly a market-oriented reform, even if an ideal GST regime remains a work-in-progress

At long last, India's goods and services tax (GST) regime is set for a dearly needed reset, slated for 22 September, after the GST Council approved a slew of changes that generously reduce tax rates as well as rate slabs, easing not just its burden of payment, but also of compliance. Whether all Indian states would play ball had been unclear, given their revenue concerns, but to the credit of finance minister Nirmala Sitharaman, unanimity prevailed on the thrust of this reform. Our GST structure will soon have just two slabs of 5% and 18%, plus a 40% slab for a few odd 'sin' and luxury goods. As across-the-board easing spells relief, so does a chapter being closed on a legacy muddle: an add-on cess to pay off a loan for shoring up state revenues. Only a few small-ticket 'sin' items will bear a cess to clear what little is left of the loan's dues before we bid this bit of complexity good riddance. Apart from a wide array of goods getting cheaper, process revisions are expected to help new taxpayers register easily and businesses get refunds faster. Working capital tied up in tax ledgers has been a bugbear for industries faced with inverted duties—or tax rates on inputs that are higher than retail-end levies, often resulting in a long wait for piled up input-tax-credit money to roll back in. The rate recast has sought to fix such inversions. Overall, GST 2.0 counts as an impressive leap for India's indirect tax regime.

From the viewpoint of the economy, it should serve as a form of fiscal stimulus rarely tried in India. While its revenue mop-up may fall short and disturb this year's fiscal math, a spurt in retail consumption could also see 'Laffer Curve' logic taking hold if India's GST mop-up swells on the back of an offtake boost. In other words, the fiscal impact will depend on how tax-relieved markets respond. Should a demand uptick prove both robust and durable, it may evoke a supply response from India Inc in the shape of more investment. While weak income growth and rising debt among households can play spoilsport, we can broadly expect the spending nudge of GST 2.0 to support economic expansion. Thankfully, so far, the government has not revived the idea of policing 'profiteering,' as suspected to occur when prices fail to reflect tax relief. The Centre is confident that rate cuts will be passed on, as they have largely been in the past. For a policy to be market-oriented, it must let the pressure of competition keep unfair pricing in check, while companies should be at liberty to work out their own costs and devise various kinds of marketing strategies. Simple math can't tell us how far price tags ought to fall. Input taxes, for example, may remain a burden in some cases where final products pay less GST (or none).

As policy stability matters for investor confidence, GST 2.0 must hold steady. Yet, an ideal regime still eludes us. Fuel, electricity and liquor, which are taxed separately, need to be drawn into GST's ambit; fossil fuels could be slapped with a carbon tax, while booze can join tobacco in the 40% slab. Other residual oddities need to go, such as price-based slab divisions (hotel rooms, for instance). A progressive touch does hold appeal, no doubt, but tax rates that change across thin lines tend to distort markets. GST incentives for clean mobility may also need a rethink in favour of more than just fully electric vehicles. In short, what's good and simple can still be made better. For now, however, it's over to the market.

THEIR VIEW

Incarceration Game: Americans need to wrack their minds over it

This model of how authoritarians could quell dissent has cues for Americans on defending ideals

KAUSHIK BASU
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In a 2022 paper, I introduced an allegory I called the Incarceration Game—an academic exercise that explores how authoritarian leaders consolidate power through increasingly oppressive tactics. My analysis drew inspiration from a 1948 paper on the so-called 'surprise test paradox,' which showed how rational expectations can unravel under certain conditions. Today, US President Donald Trump, grappling with waning public support, seems determined to follow this authoritarian playbook.

The most striking example is the Trump administration's attempt to bring mortgage fraud charges against prominent critics—most notably Federal Reserve Board of Governors member Lisa Cook, Democratic US Senator Adam Schiff and New York Attorney General Letitia James. At the centre of these efforts is Federal Housing Finance Agency Director Bill Pulte, a major Trump donor who now oversees the American mortgage industry.

Naturally, much of the US debate has focused on whether these particular allegations have any merit. Yet, the more pressing issue is the Trump administration's apparently systematic search for incriminating evidence against its political opponents. As Democratic Senator Elizabeth Warren has observed, Pulte "is using access to individual records of Donald Trump's perceived enemies" to settle personal and political scores.

Selective prosecution and targeted intimidation can trigger a cascade effect. As the experiences of Hungary and Turkey have shown, what starts as retaliation against a handful of perceived political opponents can quickly escalate, destabilizing society and undermining democratic governance.

With the Incarceration Game, I sought to illustrate how authoritarianism entrenches itself, in the hope that legal and constitutional safeguards might be designed to prevent such outcomes.

At the heart of the Incarceration Game lies a simple thought experiment. Imagine a country with a population of 1,000 adults, all of whom oppose the leader.

If even half of them take to the streets, the leader would be deposed. They feel so strongly that, short of being certain they will be jailed, they are prepared to go out and protest. The leader's problem is that the prisons can hold only 100 dissenters. With 1,000 people ready to protest but space for just 100 behind bars, the risk of any one person being jailed is small enough that fear no longer deters dissent. In such a scenario, the leader appears to have no way to suppress opposition.

QUICK READ

Created to make people think of strategic options, the game is an academic construct that involves a thought experiment, complete with a strategy an authoritarian faced with a rebellion could use.

Under a president who seems to single out and target opponents, Americans might need to acquaint themselves with the ways of leaders who may use lock-ups to quell dissent.

But a shrewd leader could devise a workaround: divide the population into ten distinct groups of 100 people each—say, opposition leaders, media commentators, trade unionists, academics and others. The leader could then instruct loyal operatives to gather compromising information on the first group, announcing that only members of this group will be jailed if they protest. If fewer than 100 people from that category come out to protest, the authorities will move on to the second category, then the third, and so on, until 100 dissenters have been arrested and the prisons are full.

Using this group-by-group device, the authoritarian leader can silence all 1,000 citizens. Since no one will dissent if imprisonment is certain, opposition leaders—the first group—will remain quiet. Knowing they will be next if they protest, media figures will also stay home. And with both opposition leaders and the media silent, trade union leaders will follow suit.

This backward-induction process will ensure that no one protests or expresses dissent. Individuals will carry on their daily routines in silence, while the country drifts deeper into authoritarianism.

That is a danger that the US must now guard against. The rule of law demands equal treatment: If Cook is punished for mortgage fraud, then all others guilty of the same offence must face the same consequences. Otherwise, justice turns into a tool of oppression.

Admittedly, this may sound like a purely academic concern. But as John Maynard Keynes famously observed, ideas, both when they are right and when they are wrong, "are more powerful than is commonly understood. Indeed, the world is ruled by little else." If Trump is allowed to erode the principle of equality before the law, the idea of selective justice will take root, corroding democracy from within.

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It is a paradoxical truth that tax rates are too high today and tax revenues are too low, and the soundest way to raise the revenues in the long run is to cut the tax rates.

JOHN F. KENNEDY

THEIR VIEW

GST 2.0: A reform that has gone deeper than expected

VIVEK JOHRI

is former chairman, Central Board of Indirect Taxes and Customs, and senior advisor, KPMG and NCAER.

The Goods and Services Tax (GST) Council has finally spoken its mind about the GST 2.0 package of reforms mooted by the Centre and earlier adopted by the Group of Ministers (GoM) tasked with the work of rate rationalization. Going by reports, the discussions were full-throated and the endorsement unanimous. The council deserves plaudits for not dithering in blessing such a comprehensive reform agenda with far-reaching effects, despite concerns about a likely 'loss' of revenue. Looked at closely, the agenda reflects the work of not one, but three GoMs, the other two being on the compensation cess and on life as well as health insurance.

This decision has been hailed by stakeholders and commentators with equal enthusiasm for good reason. At the outset, the relief offered by way of rate cuts is deeper and much more extensive than expected. The exercise has not been confined to the mere abolition of two rate slabs—12% and 28%—and the re-slotting of those goods and services in the 5% or 18% slabs. Goods and services have also been shifted from the 18% slab to 5% where necessary. In the realm of indirect taxes, changing the categorization of individual goods or services from one rate slab to another is usually frowned upon as arbitrary. This is far from it. What has been attempted in this instance has three very clear policy underpinnings.

The most important one is the revision's broad-banding of rates on substitute or similar goods, or goods of the same class, so that classification disputes are minimized. A case in point is food products, where several such disputes had arisen in the past owing to rate arbitrage. Now, all processed foods (barring aerated waters), including an omnibus category of foods not specified elsewhere, are clubbed at a common rate of 5%, setting at rest the scope for any future controversy.

The second imperative that has driven this rejig is the removal of inverted tax rates. By moving specified goods from the 18% to 5% slab, long-standing inversions have been fixed for man-made textiles, tractors and fertilizers, apart from leather footwear and other products. Unless we transition to a single rate structure, some rate inversions are inevitable. The package proposes a revamp of the refund process, so that 90% of the refund of accumulated input tax credit (ITC) due (on account of rate inversions) may be refunded in an automated and time-bound manner, subject to risk-assessment. This would unlock working capital and improve the competitiveness of industry.

The third consideration that has informed such shifts is the clustering of products by their end-use to provide tax relief to certain sectors or items of mass consumption. Examples of these are tractors, agricultural machinery, fertilizers and bio-fertilizers, educational materials, personal care and personal healthcare products, ready-made garments and footwear (up to a certain value threshold) and renewables, including electric vehicles. Similar is the case with the review of items being charged 28%. Goods that can be categorized as 'aspirational'—like small cars, air conditioners, dishwashers and large TVs—have all been clubbed at a common rate of 18%. Barring full exemption for a few goods, the rate cuts are deep, with burdens going down in a range from 36% to 72%. Thus, the relief for consumers is substantial and very likely to stimulate both aggregate demand and growth in the short to medium term. That is why Prime Minister Narendra Modi described it as a Diwali bonanza and its capacity to boost consumption has become its unique selling point.

QUICK READ

To the GST Council's credit, this reform exercise did not stop at the elimination of two rate slabs but delved into fine details to address various structural anomalies within the tax regime.

GST 2.0's wide acceptance stems from the principles that underpin it: the broad-basing of rates for like goods, correction of inverted duties and clustering of products by their end use.

This meticulous attention to detail in calibrating GST rates with clear objectives and a broad purpose is perhaps unprecedented. The spin-off is that the resultant structure automatically acquires durability and would not need to be tinkered with for a while.

Among the three pillars of the Prime Minister's package, the structural pillar referred to the need to impart stability. This has been achieved. As such, a second-order effect of these changes would be the boost they provide private investments, which are motivated to a large extent by certainty and stability.

It is heartening that the list of "demerit goods" or "sin goods" has been confined to tobacco and tobacco products, aerated beverages (given their high sugar content and attendant health risks) and some categories of automobiles (that have the ability to bear a higher incidence of tax). The council has also abjured the temptation of retaining the tax burden on these products at the current level (inclusive of cess) and confined them to the statutorily prescribed 40% rate. Since the rates are *ad valorem*, evasion-prone tobacco and tobacco products will attract tax on their retail sale price instead of today's compounded levy. This is a neat and foolproof approach that takes minimal regulatory oversight.

With these changes and process reforms for registration, refunds and return filing, a major portion of our reform objectives has been accomplished. Some legislation-related issues, such as those related to 'intermediary services,' have also been resolved. The council's attention should shift next to other legislative ambiguities, cleaning up the plumbing for ITC flows, introducing joint or coordinated audits and investing in the training of officers for dispute settlement—best done in mission mode.

These are the author's personal views.

MY VIEW | THE LAST WORD

Use the fiscal need driving up US tariffs to negotiate a deal with it

As the US heads for a fiscal cliff, nations on tariff peaks could propose revenue-maximizing rates that benefit the US exchequer

INDIRA RAJARAMAN
is an economist.

BLOOMBERG

Although the 50% levy by the United States on Indian exports and all other tariff changes since April 2025 now face a legal challenge in US courts, Indian policy has to run with the tariffs for now, and work on palliative measures. A few sectors are exempted (so far) from the India-specific tariff: pharmaceuticals, smartphones and refined petroleum among them. Brazil keeps India company at 50%. The rates on China are not settled. Some sectors like steel are uniform across countries. The 50% tariff translates to a roughly 25-30 % relative tariff disadvantage against equivalent competitors in the US market.

To get a handle on a tariff disadvantage of that size, we need to circle back to 1971, when under the Generalised System of Preferences (GSP) proposed by an arm of the United Nations (UNCTAD), India and other developing countries were allowed preferential tariffs.

The GSP scheme of the US was enacted in 1974, when its average MFN rate (uniform 'most favoured nation' tariff for all countries) was 4%. In June 2019, the US terminated India's eligibility and then closed the scheme altogether at the end of 2020. The closure of GSP was a difficult transition for exporters targeting the US market. And the GSP offered just a 4% advantage, at most.

No compensation in the form of currency depreciation or margin reduction is possible in the face of a 25–30 % relative disadvantage. There is, however, a protective back-to-back contract for intermediate good exports, currently in use in the context of global supply chains. Very simply, the buyer offers to cover any rise in tariffs for the duration of a particular contract. This is reasonable for intermediates, which are tailored to buyer specifications, at a known tariff-inclusive price. Auto components and textiles, the two worst-affected intermediates at a 50% tariff, could have protected themselves had they seen the tariff rise coming.

In a series of destination-specific research studies I once did, I found that the market share response to relative changes in the value of the Indian rupee, versus the currency of major competitors, was extremely sensitive across destinations for large-volume, low-margin exports (like leather), but not products higher up the value chain (footwear parts), where quality and timely supply clearly mattered more. But a 25-30 % tariff disadvantage is hard to battle even at the upper end of the value chain.

Who would ever have thought that pursuit of fiscal revenue from trade tariffs would drive a major retreat from free trade in the US? And that is basically what it is, since the base tariff has been upped to 10% on all imports into the US. Twenty years ago, when India was being harangued about poor fiscal revenue performance, I wrote the following in a paper for an International Monetary Fund (IMF) conference in January 2004: "Compression of the fiscal deficit in the first half of the nineties was pushed through in the face of a decline in revenue from trade taxes which remains uncompensated. The trade tax reform by itself was growth-enhancing. However, the decline in public expenditure, which was achieved through compression of capital expenditure, by as much as 4 percent of GDP over 1991-97, was not. The joint welfare and growth outcomes of such reform processes remain unexplored in the theoretical literature."

In the context of my exhortation to hyphenate trade and fiscal revenue reform, the standard IMF prescription to compensate for falling trade tax revenues was a domestic value added tax (VAT), which in smaller developing countries was a disaster from a revenue perspective. It was the basic reason why they suffered, and still do, from mountains of external debt. But in India, fortunately, the transition to a VAT, which graduated to universal adoption by all the states in 2005, slowly became a revenue success over time. And the goods and services tax (GST) too, after some terrible initial glitches, has on the whole been a revenue success (so far).

To investigate the historical role of revenue from import tariffs in the developed world, I constructed time-series covering 1870-1996 for the US and Canada of yearly data on customs duty rates, along with revenue from imports and from income taxation, as a percentage of (current nominal) GDP (*Global Policy*, 2012). In both countries, as revenue from income taxation rose, duties on imports were reduced and customs revenue correspondingly fell.

QUICK READ

Entrenched inequality in the US has made it politically infeasible to raise income tax revenue even in the face of a looming fiscal crisis. This is what has led to the rise in America's base tariff.

A 50% tariff is prohibitive and chokes Indian exports to the US but a rate structure that appeals to America's fiscal interests may well find receptive ears. Such a proposal is worth a try.

Today, entrenched inequality in the US has made it politically infeasible to raise income tax revenue even in the face of a looming fiscal crisis. This is what has led to the rise in the base tariff levied. The tall tariff peaks, driven by other considerations, actually hurt US tariff revenue. A tariff of 50% is prohibitive, it chokes off imports to zero. Countries so affected need to use that to negotiate their way down to an optimal revenue-maximizing tariff which will favour the US exchequer.

Impossible? Not necessarily. A negotiating strategy that will appeal to the fiscal interests of the US may find receptive ears. Well worth a try. Exporters facing a closed US market cannot easily switch to other destinations.

No amount of subsidies or loan write-offs can compensate for the disaster of losing production capacities and skills built up painstakingly over decades.

MINT CURATOR

India-China rapprochement: A season of wishful thinking?

The record doesn't show Beijing as a reliable partner for New Delhi

MIHIR SHARMA
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There have been hand clasps between the two countries' leaders before. AFP

When pictures emerged from the Shanghai Cooperation Organisation (SCO) summit in Tianjin of Prime Minister Narendra Modi holding hands with China's Xi Jinping and Russia's Vladimir Putin, there was no question that this was a deliberate choice—a statement that India will give the authoritarians to its north yet another chance to show that they are worthy of trust.

This is a massive policy shift in a relatively short time. Just five years ago, Chinese and Indian soldiers were fighting each other on the frozen heights of the Himalayan border they dispute. They stayed eyeball-to-eyeball while New Delhi slowly cut connections with Beijing—banning Chinese investment, throwing out TikTok and cultivating an independent constituency in the Global South. Indian diplomacy presented the country as looking outward to the 'Indo-Pacific,' a vast maritime area defined to include the US, rather than to a 'Eurasia' dominated by continental powers like Russia and China.

If Modi now wants to reach out a hand to the leaders of Eurasia, one might assume it is entirely because India has been insulted and rejected by the US — laden with higher tariffs than almost all its peers and continually needled by President Donald Trump's advisors and officials.

But that isn't the entire story, nor is it the main reason. An attempted rapprochement with China has been likely for a while. Officials publicly argued, well before Trump's re-election, that India's hard line on Chinese investment and trade was hurting its attempts to attract manufacturing investment. Supply lines, skilled trainers and subcontractors—of the sort that Apple, for example, would need—could only relocate to India with Beijing's co-operation.

India's shift marks the end of a hopeful period, during which some expected that reducing China's hold over the global economy could be accomplished unilaterally through wholesale trade or investment cuts. Nobody attempted to go further down that path than New Delhi, and now it has been forced to reverse course.

Even if there was no solid economic rationale for warmer ties, Modi might have tried anyway. One of the hallmarks of his tenure in office has been his [apparent] hope that China will be kinder to its neighbour. Beijing has given little encouragement, but nevertheless New Delhi persists.

Even in Tianjin, the official read-outs of the leaders' meeting had noticeable differences. Beijing stressed the countries should "work together for a multipolar world." New Delhi noted it asked for a multipolar world and a multipolar Asia. The Chinese leader is happy the two countries are talking again, but not happy enough to give an inch on anything substantive. Those soldiers in the Himalayas may have stepped back from each other a bit, but they haven't returned entirely to their pre-confrontation lines.

This will not have deterred India. It has attempted resets with Xi several times already: In 2018 there was talk of the 'Wuhan spirit' of conviviality shaping relations following a meeting there. These moments of good cheer have never lasted. Days, months or years later, the People's Liberation Army pushes on the border just enough to make further normalization impossible. Sometimes just hours later: The first time Xi and Modi met, in 2014, news apparently came of a Chinese incursion while the two leaders were at dinner.

But where, in this delicate dance of elephant and dragon—in Xi's words—does the Russian bear fit? Modi and Putin also held hands, after all. Was that, at least, a message to the West? Perhaps. But, from New Delhi's perspective, Russia's aspirations serve to control China's aspirations, not enhance them. There are areas—northeastern and Central Asia, for example—where Russian and Chinese interests may not perfectly coincide. Putin and Modi may both hope that the presence of the other serves to render Xi more an equal.

There is a great deal of wishful thinking all round. The Russians must have been led to believe that the coolness with which they have been treated by Indian officialdom since their invasion of Ukraine is now a thing of the past. But New Delhi's attitude reflects hopes for a ceasefire; if Moscow remains intransigent, then this warmth may fade even before Putin's scheduled visit to India in December.

The Chinese, meanwhile, expect that Trump's stepmotherly treatment of India has shown them their true place in world affairs, but there's no sign that India has moderated its aspirations. Indian officials just hope that, this time, they will not regret this détente.

History says that friendly clasps between India and China do not last. India always reaches out a hand, but it is eventually dashed away.

MY VIEW | PEN DRIVE

Peace and quiet is a luxury that few of us can afford

SRINATH SRIDHARAN

is a corporate advisor and author of 'Family and Dhanda'

Every year, I look forward to the Ganpati festival with joy, yet I brace myself in quiet dread. The noise levels are overwhelming. On evenings of *visarjan*, with the idol-immersion spot just a short distance away, pounding drums, frenzied crowds and blaring speakers almost make it hard to breathe. Even on higher floors and beyond the designated time, behind closed windows and doors, the cacophony is relentless.

After years of travelling across Indian cities, towns and villages, I see a pattern: India thrives on noise, and also suffers for it. Religious celebrations, social festivals, weddings, political rallies, traffic and even local cricket matches all demand loudness. This obsession extends to brands and services. Telecallers selling everything from real estate to insurance do not hesitate to call during Sunday siestas or workday evenings. In public spaces, the habit persists. People watch Instagram reels and videos at full volume in hospital waiting areas, aeroplanes and trains as if quietude is a social taboo. We have internalized noise as normal.

Indian metro cities consistently exceed the World Health Organization's recommended decibel limits for residential areas, which are 55dB during the day and 45dB at night. During festivals, levels can spike to 110dB, far above legal limits. Chronic exposure contributes to stress, sleep disturbances and cardiovascular problems. The noise levels seem to have a state licence. Decibel rules are rarely enforced and noise almost seems like a social opiate. As a result, we may have become tone-deaf—not just to decibels but to the call of social consciousness.

Culturally, sound has always been a symbol of celebration. Temple bells, church bells, conch shells, drums and fireworks announce auspicious moments and invite participation. Over the years, this ritual clarity has given way to relentless noise. Even weddings have become kitschy and noisy. Festivals and public celebrations spill into streets with honks and amplified music from blaring speakers. This is less about celebration and more a reflection of cultural insensitivity and civic neglect.

Our cities function more as 'noise zones' than true residential spaces, where calm and well-being are now commodities available only through paid therapy or Instagram retreats. When we go on quiet holidays, it takes time to adjust. Only then do we realize how starved our minds are for calm.

Noise is a silent killer of well-being. It seeps into daily life unnoticed, fragmenting attention, fraying patience and steadily raising stress. Workplaces are orchestrated around sound. Phones blare across meetings. Endless notifications, messages and social media updates create a continuous hum in our minds. Thoughts rarely flow uninterrupted. Yet, we celebrate noise as a sign of energy and vitality, mistaking loudness for life.

The social implications are striking. Noise magnifies inequality. Those with resources retreat to quiet corners, gated communities or wellness resorts. The celebration of noise often ignores these realities. In the same locality, a gated community enjoys quiet courtyards while children in a closeby lane try to nap under the roar of a construction site or amped-up loudspeaker. Noise is both a burden and a privilege.

Sadly, noise has become a civic badge. The louder the streets, the more alive the city is presumed to be. Yet, this vibrancy comes at the cost of our inner life. Our mental landscapes mirror our streets, cluttered and overstimulated. We glorify the loud, the colourful and the vibrant. In a nation of more than 1.4 billion people, to be heard has become a way to assert existence. Volume has become a proxy for visibility.

QUICK READ

Decibel rules are rarely enforced in India and noise almost seems like a social opiate. As a result, we may have become tone-deaf not just to decibels but also to calls of social consciousness.

Let's measure and manage our urban soundscapes, making it a key development indicator alongside income, education and health. Peace and quiet marks a sensitive society apart.

And still, paradoxically, we crave peace and quiet. Mindfulness apps and meditation classes are booming. Those who can afford it flock to retreats in the Western Ghats or Himachal Pradesh or to Kerala's backwaters to experience tranquillity.

While silence is at a premium, the irony of it is striking. The same society that celebrates noise publicly also yearns for private calm.

Sound is part of life and culture. The goal is not to eliminate it, but to create pockets of quiet. Green spaces, pedestrian zones, libraries and cafes that respect calm can provide a refuge for the mind. Even a small balcony or courtyard can become a sanctuary if we make space for stillness. Urban planning can make a difference, even if that seems more elusive than the Yeti.

Despite numerous court rulings on permissible noise levels, the state has largely kept quiet about the relentless roar that surrounds us, allowing decibels to run unchecked while citizens bear the brunt. In a democracy that promises us freedom, the liberty to live without our eardrums being assaulted remains missing.

When we talk about India becoming a developed nation, we often focus on GDP, infrastructure and technology. Yet, one of the simplest measures of the quality of daily life is almost always overlooked: silence. We must measure and manage our urban soundscapes, making it a key development indicator alongside income, education and health. The right to peace and quiet is the mark of a sensitive society.

Spreading the Safety Net Farther, Wider

GST exemption on insurance will boost coverage

Waiving GST on health and life insurance premiums may be a regressive move from the tax standpoint, but its economic benefits outweigh costs. Insurance offers an efficient mechanism for social security and reduces the burden on the state. It works as a hedge against healthcare cost inflation and inadequate livelihood security. India lags in insurance penetration and has set a target of achieving universal coverage over the next quarter century. Affordability has been an issue, partly due to low coverage, and the tax waiver will contribute substantially to insurance sector reforms. Investments in the sector have slowed down, and earlier this year, GoI raised the FDI limit from 75% to 100%.

There is some urgency for a GST carveout for insurance, which addresses social security needs intra-generationally. This assumes significance as India approaches its peak population before adverse demographic effects set in. Insurance reforms have been long in the making, allowing state-run monopolies to keep costs low by distributing profits to their customers. Private insurers must set aside a bigger share of profits for shareholders, which affects their competitiveness. Unlike banking, which permits wider innovation, private insurers haven't been able to make big inroads against public sector dominance. Growth is critically dependent on well-capitalised foreign players, whose investment plans are being held back by their local partners. Profits in the general insurance business are concentrated in healthcare, throttling capital flow to other segments.

Revenue implications of the GST exemption are likely to be subsumed by changes in consumer behaviour as insurance penetration improves. Households can adjust their savings requirements with adequate insurance, thus freeing up a bigger slice of income for consumption. The timing of the GST reforms coincides with slowing consumption growth. Exemption for insurance will, on its own, contribute to the intended policy outcome of bolstering domestic consumption to mitigate external volatility.

A True Black-Handed Compliment: Armani

Giorgio Armani was not just a designer; he tailored our era. With his Great Unstitching on Thursday at 91, one of the great architects of modern elegance passed into the grand catalogues of design. Armani — the man was the brand — turned restraint into rebellion, minimalism into a manifesto, black into many possibilities. His genius also lay in what he refused to do — a lesson for everyone in business: ride with the vulgarity of excess, bend to the tyranny of trends, and get drowned in the noise of fleeting whims. In an industry addicted to spectacle, he was *sotto voce*. And the world leaned in to listen.

An Armani suit — the 19th-c. black frock coat of our times — is a design benchmark not just in men's haute couture but also in the art of silhouettes. Stripped of padding and stiffness, 'Armani fluidity' brings power — to both sexes — without sacrificing grace. Re Giorgio (King Giorgio) built a €2.3 bn ($2.7 bn) empire with the craftsmanship of a couturier and craftiness of a CEO. He micromanaged everything — from ad campaigns to runway hairdos, proving that obsession, when paired with vision, becomes legacy.

His absence from Milan's Men's Fashion Week this June was the first crack in a fortress of consistency. Now, the fortress stands without its founder. But the philosophy wears not a tear. The Armani legacy is cut into every boardroom where a woman walks in wearing power disguised as silk, and into every man who learns that elegance isn't loud, it's remembered. He was the anti-Karl Lagerfeld, the un-Versace. No baroque flamboyance, no ironic logos. Giorgio Armani, conducting his business and art from Milan, was the hand behind a global cultural reprogramming. He was the black-handed compliment in the world of aesthetics.

JUST IN JEST

Real big leaders want to be immortal, not just immortalised

Live Forever, Not Just In Hearts and Minds

When world leaders are caught on a hot mic, you half-expect nuclear codes, spy swaps, or at least a catty dig at some rival. But nope, not always. As tanks rolled and jets tore across the Beijing sky during a military parade earlier this week, Vlad and Jinping sounded less like commanders-in-chief and more like late-night podcasters riffing on — sorry Bryan 'Don't Die' Johnson — immortality. Xi wondered aloud if people might soon live to 150. Putin, never one to be upstaged, countered with a vision of endless organ transplants to keep humans ticking. Later, he elaborated: 'Modern health methods allow humanity to hope life expectancy will grow significantly,' citing 'medical means, even surgical ones, related to organ transplants'. The snag? You can swap out body parts like spare parts in a Soviet-era Lada, but the brain still ages.

Meanwhile, in another corner of the circus, rumours whirled online that Donald Trump was either dead, or dying. The spark was a misquoted JD Vance remark. The veep had only said he was prepared to step up if a 'terrible tragedy' struck, while reassuring everyone that boss was in good health. What he meant was that 200 days on the job had him (Vance, not necessarily Trump) feeling ready. Oh, leaders dreaming of eternity. With yes-men always around, they think Mr G Reaper will also say, 'Yes, of course, Sirji!'

The makeover announced by GST Council is welcome, but a cup half-full with red tape still fluttering

40%, ~~28~~%, 18%, ~~12~~%, 5%, 0%...

Anil Padmanabhan

For hum logo

On Independence Day, the PM had declared that India would, ahead of this year's Diwali season, undertake the long overdue reduction and rationalisation of GST. The 56th meeting of the GST Council on Wednesday duly delivered on this promise. The unanimous decision of the council, the apex body made up of Union and state governments guiding this tax regime, reaffirmed bipartisan commitment to India's marquee indirect tax reform, which for the first time economically unified the country — allowing for seamless movement of goods and services. This is especially relevant given that in the recent past, GST has come under intense political scrutiny.

However, the GST Council has fallen short with respect to an equally important commitment — to fully tame 'Babu Raj' by eliminating red tape — made by Narendra Modi in the same Independence Day address. 'Current rules, laws, policies, and procedures must be re-drafted to suit the 21st century, to fit the global environment, and to align with the vision of making Bharat a developed nation by 2047,' he had said.

Undoubtedly, the GST Council, alongside a reduction in rates on several aspirational white goods, has undone some of the multiple classifications that in the past led to unnecessary disputes between tax authorities and taxpayers. But it did not go the full distance, leaving the room open for subjective interpretations and consequent legal disputes.

Viewed this way, the makeover announced by the council is a cup half-full. The obvious question is whether the council missed an opportunity to push through hard-nosed process reforms that would have simultaneously improved ease-of-living and ease-of-doing-business — both of which have stymied the growth and expansion of small and large businesses — to align the indirect tax regime to India's audacious ambition to evolve into a developed economy in the next 22 years.


By reducing slabs and moving many goods to lower tax slabs, reduction in taxes and, eventually, retail prices has been signalled – which should translate into higher consumption

To be sure, the approved amendments, including those that resolve the inverted duty structure with respect to some commodities, have enabled less complexity. The gripe is that it could have done more.

At the same time, by reducing slabs and moving several goods to lower tax slabs, the council has signalled a reduction in taxes and, eventually, retail prices — which, in turn, will presumably translate into higher consumption. The timing could not have been better, with everyone readying for their annual feel-good moment after the harvesting of the summer crop and onset of the festive season.

Significantly, several white goods, which fall within the aspirational consumption basket of the neo-middle and upper-middle classes, like television sets, air conditioners, washing machines and small cars, will be cheaper this Diwali. Remember, the middle classes were also beneficiaries of the direct tax relief announced in this year's Union budget.

The idea of GST was realised on the idea of cooperative federalism. It is, therefore, heartening to note that Wednesday's decision renewed political commitment to this big-ticket reform. The notion was first proposed in 2000 by the Vajpayee-led NDA government. It took 17 years of negotiations to pool tax sovereignties and enable the idea of 'One Nation, One Tax'.

To economically unify India, GST collapsed 36 tax jurisdictions and subsumed 17 taxes and 13 cesses levied by the Union and state governments.

Initially, the states were uneasy about the impact on their exchequer. To resolve this challenge, the Centre, led by then-FM Arun Jaitley, proffered the so-called 'grand bargain'. While states gave up their sovereign right to tax the sale of goods, in return, GoI committed to sharing revenues accruing from taxation of services. Prior to GST, this was in the sole purview of the Centre. It also guaranteed an annual growth of 14% in revenues for the first five years.

Unfortunately, this sense of caution in the GST Council also led to more than an optimum number of tax slabs and higher rates — 70% of products fell into the slab of 18%, implying an average rate higher than desired. This, together with growing incidents of tax overreach, began to hobble what was otherwise a revolutionary idea.


Salted/spicy popcorn sold either loose or labelled will be taxed at 5%, while caramelised popcorn at 18%. But classification chaos isn't over yet

The unpleasant episode involving the taxing of popcorn — loose salted popcorn at 5%, packaged at 12%, and caramel at 18% — only underlined the need for a simple classification. The good news is that after the latest amendments, salted/spicy popcorn sold either loose or labelled will only be taxed at 5%, while caramelised popcorn, defined as a confectionery product, will be taxed at the higher rate of 18%. Similar uniformity and clarity have been provided on taxing Indian breads, including roti, khakhra and parantha, all of which have now been exempt from GST.

Unfortunately, the legacy of differential taxation endures in the classification of parantha vs pizza bread, paneer vs cheese, and honey vs artificial honey. In short, GST rationalisation hasn't done away with the classification chaos.

Yet, the council should be commended for burying another socialist legacy — the idea of 'sin' goods. Instead, they have opted to classify them as 'demerit' goods, suggesting that at least the heart and mind of the council is in the right place — aligned to India's ambitions for 2047.

The writer is an independent journalist

A GST 'Budget' for Aspiring Citizens

Rajiv Memani

GoI has delivered a transformative economic reform. From the PM's 'hint' on August 15 to the unanimous approval of GST rate rationalisation and structural reforms on Wednesday night, the Union and state governments have shown great resolve in delivering the promise on accelerating India's competitiveness and inclusive economic growth.

The reforms are anchored around rate rationalisation, resolution of classification disputes, correction of inverted duty structures, structural changes, and trade facilitation through faster refunds, simplified registration and streamlined return filing. It marks a bold reset of India's indirect tax regime and is poised to create a simpler, more transparent and growth-oriented tax system.

Reduction in rates on essential commodities, food and agricultural products, textiles, medicines, automobiles, and a range of other products will give much-needed relief, especially to the middle-classes and farmers. While a revenue implication is envisaged, it will put an estimated ₹1-1.2 lakh cr in the hands of the average citizen, which will drive GDP growth impact of at least 0.5%.

The revenue impact for the government, and ensuing higher consumption, should offset each other by end-2025, paving the way for higher growth in 2026.

Coming ahead of the festive season, this demand boost could prove pivotal in propelling consumption-led growth. Higher consumption, in turn, leads to higher manufacturing capacities and increased private capex, leading to a virtuous cycle, as also employment generation.

The simplified dual-rate structure of 5% and 18% will enable affordability and accessibility. The food sector has seen most items migrate to a uniform 5% from 12% and 18%, while keeping essentials affordable. In FMCG, daily-use items such as personal care, home and hygiene products have become more pocket-friendly. With the 28% slab being phased out, consumer electronics such as air-conditioners, dishwashers and television sets now attract standard rate of 18%, helping aspirational households upgrade their quality of life.

Beyond urban households, rural India stands to gain. Agriculture has received a boost with a 5% rate on major products such as drip irrigation systems, composting machines and tractors, easing costs for farmers and advancing sustainable practices. Textiles, another major employment generator, will also become more competitive.


Let the shopping begin

The auto sector, weighed down by high GST rates and compensation cess, will benefit from the calibrated reductions for mass-market vehicles. Construction, too, has gained, with cement moving from 28% to 18%, cutting costs and freeing up working capital. RE has been boosted with components taxed at 5%, reinforcing India's net-zero 2070 mission.

In healthcare, many medicines and devices have become more affordable. Now, 33 life-saving drugs have 0% GST. GST exemption on life and health insurance premiums is also a big plus for citizens. In all, the simplified dual-rate structure reduces disputes, ensures predictable pricing and creates smoother supply chains.

By aligning rates of major inputs with those of final products, the GST Council has reduced working capital blockages for the industry. Fertilisers and textiles, where inputs like ammonia, sulphuric acid, fibres and yarn have been reduced to 5% from 12% and 18%, are clear examples. Allowing provisional refunds in inverted duty cases further strengthens liquidity across sectors, particularly for export-linked industries.

The reforms go beyond rates. Recognition of intermediary services as exports marks a breakthrough, boosting global competitiveness of Indian service providers while reducing litigation. Compliance has also been eased by removing the requirement of linking discounts with specific invoices and pre-agreed clauses.

MSMEs, often burdened by compliance fatigue, stand to gain immensely. Faster refunds, reduced working capital blockages and simplified registration will lower entry barriers, enable greater ease of doing business, and allow small businesses to integrate seamlessly into the formal economy. By empowering MSMEs, these reforms will ignite entrepreneurial activity across all segments of enterprises.

The onus is now on industry to pass on the benefit to the end consumer. These reforms mark the beginning of a new era — one that goes beyond fiscal adjustments to represent a true structural reset. They strengthen consumption, reward businesses and reinforce India's standing as a globally competitive economy. They align seamlessly with the country's aspirations of Aatmanirbhar Bharat, Make in India, and Make for the World.

The writer is president, CII

Modi Gov Must Be Less Nehruvian

Dhiraj Nayyar

The spectre of Nehru simply refuses to leave the centre stage more than 60 years after his passing. For the current ruling dispensation, Nehru's ideology and politics are anathema, and his legacy the lingering cause of many of India's problems and challenges. Yet, many of India's first prime minister's ideas and policies seem to lurk in the decision-making of the present Modi government.

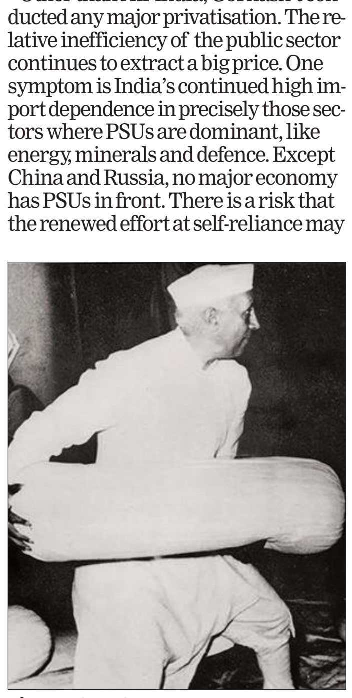
In its latest manifestation, GoI has taken the turn of a new form of global non-alignment with a leaning towards the 'anti-West' camp/'global south', much like the Nehruvian Non-Aligned Movement (NAM). Modi's GoI shouldn't fall into the same potholes as Nehru's GoI did.

There are three areas that require utmost caution, even a reversal in course:

1. Continued importance being given to PSUs in the sphere of business. Today, public sector companies are investing heavily in the green transition. They are the preferred instrument for acquiring energy and mineral assets overseas, and continue to lead in defence manufacturing — Nehru's 'commanding heights'.

Even perennially sick PSUs are getting repeated lifelines. Government has spent over ₹3 lakh cr in the last several years trying to revive BSNL when the private sector is perfectly competent of running telecom. As it is also to run energy, including green energy, and defence. And all of it more efficiently.

Other than Air India, GoI hasn't conducted any major privatisation. The relative inefficiency of the public sector continues to extract a big price. One symptom is India's continued high import dependence in precisely those sectors where PSUs are dominant, like energy, minerals and defence. Except China and Russia, no major economy has PSUs in front. There is a risk that the renewed effort at self-reliance may mean an even greater remit for PSUs.


Time to break out

2. Lack of attention paid to school education, healthcare and light industry. This was at the core of Nehru's failure. East Asia succeeded because it gave prime importance to these three areas at a lower level of per-capita income. Nehru put all of government's resources in heavy industry. The Modi government is putting a lot of resources into what are mostly capital-intensive industries like semiconductors and automobiles, through PLIs and associated schemes.

There isn't much for textiles, garments, footwear and sports goods, which are truly labour-intensive. In fact, these do not necessarily need financial support from GoI. What they do need is policy reform in land, labour, power and logistics. And in cutting red tape.

Even school education and health do not necessarily need bigger money. They need a different policy approach, which delivers outcomes and doesn't focus merely on input and output — learning outcomes vs spending on building schools.

3. Nehru's strategy of non-alignment was built in the aftermath of British colonialism, in which the great powers of the world were equally culpable. Poor postcolonial countries who suffered just like India did constitute a 'global south'. But not much came of the solidarity in terms of increased power or prosperity. Countries like Japan, South Korea and some others in Southeast Asia allied with the West and became rich with market access and technology.

For India, the present moment *is* a challenge. A quarter century of closer alignment with the US has been blown up by a bulldozing, uncompromising American president. There are calls to show the US its place by being friendlier with Russia and China. But it's a non-starter.

China destroyed Nehru. Sixty years later, its interests are more divergent. India's rise is not something China would allow. Today's Russia is not a major power and has only oil and defence equipment to sell to India, and hardly any might to buy India's goods. The 'global south' still exists, but India isn't its natural leader, China is. And, rhetoric aside, China will never give India an equal footing in any bloc it is a part of, not even in BRICS.

Pragmatically, India should align with, or lean towards, Europe, Japan, South Korea, Singapore and some other Asian countries who are big economic players in their own right, are out of favour with the US, and unlikely to embrace China or Russia. In this context, joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) — which was formed in 2018 after Trump 1.0 withdrew the US from the Trans-Pacific Partnership (TPP) in 2017 — would be a good idea.

The world will continue to churn for a while. India should play for its own interest. Only economic prosperity provided by free markets, limited government will buy it global heft.

The writer is chief economist, Vedanta

THE SPEAKING TREE

Seeking Guidance

GIRISH DESHPANDE

Ordinary people like us are easily influenced by whatever happens around us. We tend to get lured and so distracted that we end up suffering. But if the purpose of life is happiness, we need to consciously follow the right path. To do this, many follow a spiritual teacher. Few can explore a difficult terrain without the help of an experienced navigator or guide. Who, then, is the ideal teacher?

The Abhidharma has a long list covering pratimoksha, or external, bodhisattva, or internal, and the secret mantrayana vows. It includes deep insights of one's master as gleaned from his teachings, knowledge of rituals and actualisation of extraordinary achievements by practising the teachings one receives. There is emphasis on generosity, conformity and on affable disposition. When I asked teacher Khenpo Sonam to identify that single-most important quality of a teacher, he answered, 'That would be compassion, which among many other things would mean that a worthy teacher would never, ever think of taking undue or unfair advantage of any of his students.'

Just as the responsibility is upon the teacher to examine his student, the responsibility also rests with the student to examine the teacher and know which teacher to avoid — and which one to follow. Guru Padmasambhava said: not to examine the teacher is like drinking poison; not to examine the disciple is like leaping from a cliff.

ALGO OF BLISSTECH

Watching Dark Clouds Gallop

There's a primal thrill in watching dark clouds gather and gallop across the sky. It's an electric joy that stirs something ancient in us. As the wind picks up and the light dims, the world seems to hold its breath. The clouds, thick and brooding, tumble forward like cavalry, their swift movement a silent drumroll for nature's impending spectacle.

It's not just the visual drama that captivates. It's also the physical sensation of a giant stomping into town. The air grows heavy with anticipation, charged with the scent of rain and earth: petrichor.

Each gust of wind feels like a secret being loudly outed, each thick cloud a silent hoof on the move. There's a delicious tension in the atmosphere, as if the sky itself is preparing to shed its burdens.

For you, the spectator-cum-participant, this is as immersive as being alive gets. Deadlines, errands and digital distractions fade. You're no longer a commuter or a consumer — you're a witness. A participant in something vast and untamed.

The clouds move with purpose, and you feel, for once, that time is not slipping away, but rushing toward something meaningful.

Chat Room

Exemptions Cloud GST Silver Lining

Apropos the news report, 'Great Savings Tax' (Sep 4), the modified GST rate structure has undoubtedly resulted in subjecting almost all goods considered essential or of mass consumption to a low rate of 5%, including no tax on some. Indeed, it ought to have been done much earlier, an in that event, the loss of revenue, now estimated at a whopping ₹48,000 cr, would have been a much smaller amount. While compressing the number of rates is welcome, woefully, the 'next-gen GST reform' has added some new exemptions. Exemptions are anachronistic to a value-added tax system like GST. With a low rate of 5% having been put in place for most goods, exempting some is hardly justified.

T R Rustagi
New Delhi