

DAILY CURRENT AFFAIRS IN ENGLISH

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Page 01: GS 2 : International Relations

Prime Minister Narendra Modi has categorically rejected U.S. President Donald Trump's claims of mediating between India and Pakistan over the recent tensions following Operation Sindoor. Modi, in a direct phone call, dismissed the idea of third-party mediation, reasserting India's consistent diplomatic stance on bilateralism in Indo-Pak relations.

India won't accept mediation, PM tells Trump

In a phone call, Modi dismissed U.S. President's claim of brokering Indo-Pak. ceasefire, says Misri | Within hours, Trump says Modi and Pakistan Army chief Munir had been 'helpful' in 'stopping the war' | Trump invites Modi to Washington, which the PM declined as he was travelling to Croatia

Suhasini Haidar
NEW DELHI

India does not and will never accept mediation by the United States, Prime Minister Narendra Modi has told U.S. President Donald Trump directly over a telephone call, Foreign Secretary Vikram Misri said on Wednesday. He added that the Prime Minister dismissed Mr. Trump's claims over Operation Sindoor in clear terms during the 35-minute telephone call.

However, a few hours later, Mr. Trump repeated his claims, even adding that Mr. Modi and Pakistan Army chief Field Marshal General Asim Munir had been "helpful" in "stopping the war".

In a televised statement from the Prime Minister's plane 'India 1', Mr. Misri

said the call was requested by Mr. Trump after a meeting between the two leaders was cancelled as the U.S. President left the G-7 Summit in Canada a day early.

"Mr. Modi firmly stated that India does not and will never accept mediation. There is complete political consensus in India on this matter," Mr. Misri said, indicating the criticism from the Opposition parties over Mr. Trump's allegations.

'I stopped war'

The U.S. President, a few hours later, said: "I stopped a war between Pakistan and India", while adding that he "loved Pakistan" and "[PM] Modi is a fantastic man" he would conclude a trade deal with.

A White House spokesperson said Mr. Trump had decided to invite the Gen-



eral Munir to lunch after the latter suggested the Nobel Peace Prize be given to the U.S. President for his role in "preventing a nuclear war".

"This man [Munir] was extremely influential in stopping it from the Pakistan side, Modi from the India side and others. They were going at it and they are both nuclear countries," Mr. Trump added.

Mr. Misri said Mr. Trump invited Mr. Modi to Washington on his way back from Canada, which the Prime Minister declined as he was travelling to Croatia. The invitation from Mr. Trump was particularly significant as General Munir was in Washington and scheduled to have lunch with him on Wednesday, a White House advisory had said.

'PM must tell the nation what was told to Trump'

NEW DELHI
The Congress on Wednesday said that Prime Minister Narendra Modi must take the nation into confidence and brief leaders on what he has told U.S. President Donald Trump. » PAGE 5

India, Croatia plan long-term defence ties: PM

NEW DELHI
India and Croatia will make long-term plans for deepening the defence partnership, PM Narendra Modi said in Zagreb, announcing joint cooperation in space ventures with the country. » PAGE 5

dia's strikes on Pakistan on May 7. Mr. Trump had repeatedly claimed credit for the ceasefire on May 10, saying he had averted a "nuclear conflict" between India and Pakistan using trade as a leverage, and both U.S. Secretary of State Marco Rubio, and Commerce Secretary Howard Lutnick have officially repeated the claims.

In his statement on-board the Prime Minister aircraft, Mr. Misri said the two leaders had also discussed the ongoing conflict between Israel and Iran and called for a "direct dialogue" between Russia and Ukraine. He said Mr. Modi extended an invitation to Mr. Trump to visit India for the Quad summit, expected to be held in November this year, and that the U.S. President accepted the same.

pressed his support towards India's fight against terrorism".

Fight against terror

The Ministry of External Affairs (MEA) did not respond to Mr. Trump's latest comments, which he has repeated more than a dozen times despite denials from New Delhi, over the past six weeks since Operation Sindoor began with In-

Key Developments:

- **India's Firm Rejection of Mediation:**
 - PM Modi, during a 35-minute call with Trump, reiterated that India does not and will never accept foreign mediation in its bilateral matters with Pakistan.
 - This aligns with India's long-standing policy of bilateralism, particularly enshrined in the 1972 Simla Agreement, which bars third-party involvement in Indo-Pak disputes.
- **Trump's Contradictory Statement:**
 - Despite India's denial, Trump publicly claimed he had "stopped a war" between the nuclear neighbours and credited both Modi and Pakistan Army chief General Asim Munir for the ceasefire.
 - He also expressed his affection for both leaders while framing the ceasefire as a U.S.-led diplomatic success.

- Diplomatic Tensions and Perceptions:
 - Trump's assertions, including Munir's suggestion for a Nobel Peace Prize for the U.S. President, reflect a U.S. effort to project leadership in global conflict resolution.
 - India's external affairs establishment, however, maintained strategic restraint and did not escalate the rhetorical exchange.
- Operation Sindoor and Strategic Autonomy:
 - Since the start of Operation Sindoor on May 7, India has emphasized its right to retaliate against cross-border terrorism, while carefully managing escalation.
 - India's rejection of Trump's mediation narrative also reaffirms its strategic autonomy in foreign policy, especially on security matters.
- Geopolitical Undertones:
 - The conversation between Modi and Trump also included references to broader geopolitical issues—Israel-Iran tensions, and Russia-Ukraine war, showing India's centrality in global diplomacy.
 - Modi invited Trump for the upcoming Quad Summit in November, which he accepted, indicating India's continued balancing of partnerships amid tensions.

Ethical and Diplomatic Dimensions:

- India's position highlights the sovereignty principle in international relations and the ethical dilemma surrounding unrequested mediation.
- Trump's repeated public statements, despite formal denials by India, raise questions about credibility in high-level diplomacy and the media-driven narrative building by global powers.

Conclusion:

- India's response to Trump's mediation claim reaffirms its sovereign diplomatic tradition, consistent with constitutional and international norms. The episode illustrates the complexities of nuclear diplomacy, strategic communication, and the challenges of maintaining credibility and consistency in foreign relations amid media spectacle and leadership posturing.

UPSC Mains Practice Question

Ques : How should India respond to global powers projecting themselves as mediators in South Asian conflicts? Examine with reference to Operation Sindoor. **(250 words)**

Page 01: GS 2 : International Relation

In a major diplomatic development, India and Canada have agreed to restore full diplomatic ties, including the appointment of High Commissioners and the revival of trade and consular dialogues. This reset comes two years after bilateral relations deteriorated over the killing of Khalistani separatist Hardeep Singh Nijjar in Canada and Ottawa's subsequent allegations implicating Indian involvement.

In a reset, India and Canada agree to appoint High Commissioners and restart visa services

Suhasini Haidar
NEW DELHI

Two years after a major rupture in ties, India and Canada have agreed to restore the High Commissioners in Delhi and Ottawa, and discussed restarting talks for a trade agreement, visa services, and other dialogue mechanisms. The decisions came during Prime Minister Narendra Modi's talks with Canada's newly elected Prime Minister Mark Carney on the sidelines of the G-7 outreach session in Kananaskis, Canada, where India is a special invitee.

"The Prime Ministers agreed to take calibrated steps to restore stability to this very important relationship. The first of these steps agreed upon was to



Prime Minister Narendra Modi meets Prime Minister of Canada Mark Carney on the sidelines of the G-7 Summit at Kananaskis. PTI/PMO

restore High Commissioners to each other's capitals at an early date," Foreign Secretary Vikram Misri announced after the meeting, adding that "senior and working level mechanisms in a host of areas related to trade, people-to-people contact, and connectivity"

had also been resumed.

"The leaders also discussed the importance of restarting the stalled negotiations on the Early Progress Trade Agreement (EPTA), with a view to paving the way for a Comprehensive Economic Partnership Agreement (CEPA).

They agreed to task their respective officials to engage further in this regard," Mr. Misri said.

Names ready

Officials said the appointment of High Commissioners may be processed as early as July, once Canada names its nominee. New Delhi has already forwarded the name of India's Ambassador to Spain Dinesh Patnaik to Ottawa as its nominee, it is learnt.

In addition, the two Prime Ministers discussed collaborations in "clean energy, digital transformation, artificial intelligence, LNG, food security, critical minerals, higher education, mobility, and supply chain resilience", a statement by the Ministry of External Affairs (MEA) said.

Significantly, neither side directly referred to the case of Khalistani activist Hardeep Singh Nijjar, who was gunned down in Canada two years ago, which led to a rift in bilateral ties. However, Mr. Carney referred to the problem of 'transnational repression'.

"PM Carney raised priorities on the G-7 agenda, including transnational crime and repression, security, and the rules-based order," a readout by the Canadian Prime Minister's office said.

In a joint statement on transnational repression issued separately, G-7 leaders condemned all violence and harassment against "dissidents, journalists, human rights defenders, religious minorities" by other countries.

Key Developments:

- Restoration of Diplomatic Channels:
 - PM Narendra Modi and Canadian PM Mark Carney met on the sidelines of the G-7 outreach session in Canada and agreed to restore High Commissioners in New Delhi and Ottawa.
 - Both leaders emphasized "calibrated steps" to bring back stability to the strategic bilateral relationship.
- Rebooting Trade Negotiations:
 - Talks to restart the Early Progress Trade Agreement (EPTA), a precursor to the Comprehensive Economic Partnership Agreement (CEPA), were discussed.

- The revival of trade negotiations signals renewed economic engagement despite past political tensions.
- People-to-People and Sectoral Cooperation:
 - Dialogue mechanisms on visa services, higher education, and mobility will be restarted.
 - Cooperation in clean energy, AI, critical minerals, LNG, and supply chain resilience has been prioritized — aligning with global strategic and climate goals.
- Diplomatic Balancing Over Controversial Issues:
 - Notably, no direct reference was made to the Nijjar killing or the diplomatic fallout that followed.
 - However, Canadian PM Carney's mention of "transnational repression" and the G-7's joint condemnation of such acts suggests the issue remains diplomatically sensitive.

Geopolitical Significance:

- Bilateral Pragmatism:
 - Both nations have chosen pragmatic diplomacy over prolonged hostility, indicating maturity in foreign policy handling of complex political issues.
- India's Global Positioning:
 - As a special invitee to the G-7, India used the platform to recalibrate relations and assert its role as a global diplomatic player with multi-alignment strategies.
- Diaspora and Domestic Politics:
 - India-Canada relations are often shaped by diaspora politics. The decision to move forward without public escalation shows restraint, despite differing domestic pressures in both countries.

Challenges Ahead:

- Trust Deficit:
 - Lingering suspicions regarding activities of Khalistani elements in Canada remain unaddressed, which could resurface during future diplomatic or legal developments.
- Electoral Calculations:
 - Both governments may face pressure from their respective domestic constituencies — Indian diaspora in Canada and nationalist sentiments in India — potentially affecting long-term consistency in policy.
- Security Cooperation:
 - While trade and tech collaboration are being revived, cooperation on counter-terrorism and security frameworks remains a grey zone.

Conclusion:

- The India-Canada reset is a positive turn in a recently strained bilateral relationship. It reflects the importance of issue-based engagement in foreign policy, where economic and strategic cooperation is not held hostage to singular controversies. However, for durable normalization, both countries must work toward building mutual trust, strengthening legal cooperation, and maintaining transparent diplomatic communication.

UPSC Mains Practice Question

Ques:Examine the significance of restoring full diplomatic ties between India and Canada for bilateral trade and strategic cooperation.(250 words)

The Ministry of Education released the Performance Grading Index (PGI) 2.0 report for 2023–24, assessing the quality of school education across States and Union Territories based on multiple indicators. The report provides insights into disparities in learning outcomes, infrastructure, governance, and inclusivity, underlining critical policy gaps in India's pursuit of quality universal education.

Chandigarh tops school education index, Meghalaya comes last: report

Maitri Porecha

NEW DELHI

Chandigarh has been adjudged the best performer in school education for the academic year 2023-24, while Meghalaya appears in the lowest rung of the Performance Grading Index (PGI) 2.0 report released by the Union Education Ministry on Wednesday.

The States are graded on a wide range of indicators, including learning outcomes and quality, access, infrastructure, equity, governance processes, and teacher education and training, for a total of 1,000 points.

None of the States feature in the top scoring range of 761-1,000, which suggests that there is huge scope for improvement, Ministry officials said. The report shows that 24 States



More scope: Twenty-four States & Union Territories improve scores, report says, but no States in the top scoring range. K. MURALI KUMAR

and Union Territories improved their scores in 2023-24 from the previous year's, while the remaining 12 States and Union Territories saw declining scores.

Chandigarh achieved a score of 719, and is the sole State to reach Grade Prachesta-1, for scores between 701 to 760. Ten States and Union Territories – Punjab, Delhi, Gujarat, Odisha, Kerala, Dadra Nagar Haveli

and Daman Diu, Haryana, Goa, Maharashtra, and Rajasthan – have scored between 581 and 640, called Grade Prachesta-3.

At the other end of the scale is Meghalaya, which scored 417, thus falling into the category of scorers between 401 and 460, labelled as Akanshi-3. Other States which have a long way to go to improve the quality of school education are Te-

langana, Assam, Jharkhand, Tripura, Manipur, Chhattisgarh, Bihar, Nagaland, Mizoram, and Arunachal Pradesh, which have been put in the Akanshi-2 category, as they have scored between 461 and 520. In the middle ranks are 14 States and Union Territories – Puducherry, Himachal Pradesh, Andaman and Nicobar Islands, Tamil Nadu, Karnataka, Lakshadweep, West Bengal, Madhya Pradesh, Sikkim, Uttar Pradesh, Jammu & Kashmir, Uttarakhand, and Ladakh – which scored between 521 and 580, labelled Akanshi-1.

Bihar and Telangana have made the highest improvement in access to school education. With regard to the infrastructure domain, Delhi, J&K, Telangana have made highest progress between 2022-23 and 2023-24, officials said.

Key Highlights:

- Top and Bottom Performers:
 - Chandigarh topped the index with a score of 719, the only one in Grade Prachesta-1 (701–760 range).
 - Meghalaya ranked lowest, scoring 417, placed in Grade Akanshi-3 (401–460 range).
- Overall National Performance:
 - No State or UT reached the top scoring range (761–1000), indicating that no region meets the ideal standard of school education quality.
 - 24 States/UTs improved their scores over the previous year, while 12 States/UTs declined, indicating mixed progress.
- Grading Breakdown:
 - Prachesta-3 (581–640): 10 States/UTs including Punjab, Delhi, Kerala, and Maharashtra.
 - Akanshi-1 (521–580): Includes Uttar Pradesh, Tamil Nadu, J&K, West Bengal, etc.
 - Akanshi-2 (461–520): States like Assam, Bihar, Chhattisgarh, Tripura, Telangana, etc.
 - Akanshi-3 (401–460): Meghalaya alone.
- Positive Developments:
 - Access Improvement: Bihar and Telangana made significant progress in improving access to education.
 - Infrastructure Development: Delhi, Jammu & Kashmir, and Telangana reported maximum improvement in school infrastructure indicators.

Analysis & Implications:

- Persistent Regional Disparities:
 - The data reaffirms deep-rooted inequities in educational outcomes between high-performing and low-performing States.
 - Northeastern and tribal-dominated States such as Meghalaya, Nagaland, Mizoram, and Arunachal Pradesh continue to lag, demanding targeted interventions.
- Inadequate Quality Benchmarks:
 - The absence of any State scoring above 760 reflects systemic weaknesses across indicators like teacher quality, governance, and learning outcomes.
- Need for Data-Driven Policymaking:
 - PGI provides granular, performance-based evidence to guide States in policy prioritization, resource allocation, and educational planning.
- Urban-Rural Divide and Digital Gaps:
 - Better performance by urban centres like Chandigarh and Delhi underscores the need to bridge the urban-rural divide, especially in the digital and infrastructure domains.
- School Education & Economic Mobility:
 - The quality of school education is directly linked to long-term human capital development, productivity, and social equity—central to India's demographic dividend.

Conclusion:

- The PGI 2.0 is a crucial tool to measure outcomes-based governance in school education. While some progress is visible, the overall picture calls for urgent and sustained reforms. India's aspiration to be a knowledge economy and a Viksit Bharat by 2047 will remain incomplete without addressing the structural inequities and ensuring equity, quality, and universal access in school education.

UPSC Mains Practice Question

Ques: Discuss the role of the Performance Grading Index (PGI) in improving school education outcomes. How can low-performing States be supported effectively? (250 Words)

Page 08 : GS 2 : Indian Polity

The Sixteenth Finance Commission (SFC), under the chairmanship of Arvind Panagariya, is facing a major challenge — the growing demand from States to raise their share in the divisible pool of taxes from 41% to 50%. This demand stems from concerns over the erosion of States' fiscal autonomy due to the Centre's increasing use of non-divisible cesses and surcharges and the limited revenue-raising powers of States post-GST.

Key Issues Highlighted:

- Shrinking Divisible Pool:**
 - Cesses and surcharges have increased disproportionately — from 12.8% to 18.5% of gross tax revenue.
 - These are not shared with States, reducing their effective share to around 31% in recent years (down from 35%).
- States' Fiscal Dependency:**
 - Post-GST, States have fewer independent revenue sources.
 - Though GST collections have improved, States remain reliant on the Centre due to reduced fiscal autonomy.
- Horizontal Devolution Concerns:**
 - Current formula based on population and income distance disproportionately benefits less developed States.
 - Progressive States, especially in the South, see this as penalising performance and governance efficiency.
- Centre's Hesitancy:**
 - The Centre faces high expenditure on defence and infrastructure.

A fair share

Retaining the 41% share in the divisible pool for States will be unjust

The Sixteenth Finance Commission (SFC), whose recommendations on financial devolution will be valid from April 1, 2026, faces a piquant situation. Its chairman Arvind Panagariya had noted last week that 22 out of 28 States, including many ruled by the Bharatiya Janata Party (BJP), had asked for a larger share of the divisible pool of tax collections, from 41% to 50% — a legitimate demand. The Union government has effectively shrunk the divisible pool by disproportionately increasing its revenue through non-shareable cesses and surcharges, whose share of the Centre's gross tax revenue soared from 12.8% between 2015-16 to 2019-20 (pre-pandemic years) to 18.5% between 2020-21 and 2023-24 (Budget expenditure). Thus, the effective share of States in the Centre's gross tax revenues averaged close to 31% in the 2020-21 to 2023-24 period — it was 35% in the previous corresponding period. Compounding this is the post-GST reality, where limited avenues for States to raise their revenue, make them critically dependent on central transfers. While GST collections have been fairly good in recent years, this has still not addressed the issue of the reduced avenues for States to increase their revenue. Further, the existing formula for horizontal devolution, with a heavy weightage given to population and income distance, is seen by economically progressive States (the South), as a penalty for performance and responsible governance.

Keeping the status quo would go against the grain and the idea of cooperative federalism that the BJP-led government has emphasised. Mr. Panagariya also remarked that a sudden nine-point jump to 50% would "[upset] too many carts", indicating that the Centre would be loath to lessen its share because of rising expenditure on defence and other capital-intensive projects. This means that the Finance Commission would be less inclined to engage with States' demands, also explaining why it might keep the devolution share unchanged at 41%. Yet, doing so would be a missed opportunity to forge a new federal compact. A modest increase in the vertical devolution, meeting States' demands half-way, would be a welcome signal. The Finance Commission must also recommend a mechanism that will rein in the arbitrary use of cesses and surcharges, maybe even capping them at a fixed percentage of the gross tax revenue of the Centre and including any surplus collection in the divisible pool, as some have suggested. It must fine-tune the horizontal distribution criteria to create a more equitable balance between a State's needs, its area, and its performance. Crafting a formula that is fiscally prudent and one that strengthens the federal structure at its roots, the States, is imperative.

- A sharp jump to 50% devolution is deemed disruptive, and maintaining 41% seems likely.

Analysis and Implications:

- Fiscal Federalism at Risk:
 - The increasing centralisation of fiscal resources erodes the principle of cooperative federalism. It also strains the relationship between the Centre and the States, especially when fiscal needs at the State level (health, education, welfare) are rising.
- Inequitable Tax Sharing:
 - The growing reliance on cesses and surcharges by the Union government undermines the spirit of Article 280 and the Finance Commission's mandate, as these are outside the divisible pool and beyond the States' claim.
- Need for Reform:
 - A rebalanced devolution formula is essential to ensure fairness.
 - States' performance in governance, fiscal discipline, and development should be recognised in horizontal devolution.
 - There is a compelling case for capping cesses/surcharges or including a part of them in the divisible pool.
- Political and Constitutional Challenge:
 - Maintaining the current share might suit the Centre's fiscal needs but goes against the grain of decentralisation and federal harmony.

Way Forward:

- Modest Increase in Vertical Devolution:
 - A midpoint (e.g., 45%) could address States' concerns without destabilising central finances.
- Cap or Rationalise Cesses and Surcharges:
 - Introduce transparency and accountability in their usage.
 - Include surplus collections in the divisible pool.
- Revise Horizontal Sharing Formula:
 - Balance between equity (need-based) and efficiency (performance-based) principles.
 - Incentivise States for good governance and fiscal discipline.
- Broaden State Revenue Sources:
 - Explore possibilities for giving States more fiscal tools post-GST.

UPSC Mains Practice Question

Ques: The increasing use of cesses and surcharges by the Union government has eroded the States' share in tax revenues. Critically examine this trend in light of cooperative federalism. Suggest measures for strengthening Centre-State fiscal relations. **(250 words)**

Page : 10: GS 2 : International Relations

The recent escalation in hostilities between Iran and Israel has led to a significant spike in global oil prices, with Brent crude futures witnessing a nearly 9% jump on June 13, 2025. The conflict raises concerns over the strategic Strait of Hormuz, a vital oil transit chokepoint, prompting fears of disruptions in global energy supplies and implications for oil-importing nations like India.

Why are oil prices rising amid Iran-Israel war?

How much has benchmark Brent crude futures risen? How important is the Strait of Hormuz and why is its closure a threat to trade stability? How is India positioned to handle an increase in oil prices? Has it been able to diversify its import basket for oil?

EXPLAINER

Saptaparno Ghosh

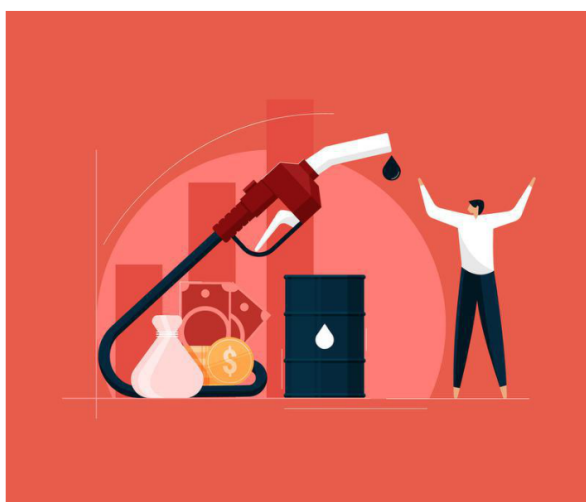
The story so far:

Escalating tensions between Iran and Israel sent oil prices spiralling upwards with fears mounting about a potential disruption in oil supplies globally. The benchmark Brent crude futures had soared about 9% on June 13 to \$75.65 for a barrel after it hit an intraday high of \$78.50/barrel - a near five-month high. The paradigm however eased on June 16 when news reports suggested that Tehran has asked Qatar, Saudi Arabia and Oman to urge U.S. President Donald Trump to press Israel to agree for a ceasefire. At the time of writing (8 p.m. on June 17), Brent crude futures were about 2.4% higher from Monday at \$74.98/barrel.

Why are prices rising?

Iran has repeatedly threatened to close down the Strait of Hormuz. It is the chokepoint that connects the Persian Gulf with the Gulf of Oman and Arabian Sea. For perspective, chokepoints are narrow channels along widely used global sea routes that are utilised for transporting oil through sea. The closure of a chokepoint, even if for a temporary period, can translate to potential delays in supply, reduction in traffic and rise in shipping and insurance costs - all of which culminates into an increased price for energy fuel. Though alternatives exist for some chokepoints, they could entail significant increase in transit times. In fact, from the larger perspective of trade, Pankaj Chadha, Chairman of the Engineering Exports Promotion Council of India explained to *The Hindu* last week that the escalation of the conflict in West Asia would bar access to the Suez Canal and the Red Sea. "(This) will have a huge cost and time escalation for Indian exports by ship," Mr. Chadha held.

U.S. Energy Information Administration (EIA) in an analysis said



ISTOCKPHOTO

that the Strait was "deep and wide enough" to handle the world's largest crude oil tankers. It further observed that the Strait facilitated transportation of an average of 20 million barrels each day (mb/d) in 2024. This is equivalent to approximately one-fifth of the global petroleum liquids consumption. Additionally, the International Energy Association (IEA) attributed the Strait to have served as an exit route from the Gulf for approximately one-fourth of the global oil supply including from major oil-producing nations such as Saudi Arabia and United Arab Emirates alongside Kuwait, Qatar, Iraq and Iran itself.

According to EIA's estimates, 84% of the crude oil and condensate alongside 83% of liquefied natural gas were transported via the Strait headed to Asian countries in 2024.

Can the world manage uncertainty?

IEA indicated in its June outlook report that oil markets in 2025 "look well supplied" in the absence of a major disruption. This is premised around expectations of supply being able to surpass demand. IEA forecasts world oil demand to increase by 720 thousand barrels a day (kb/d) this year whilst supply is projected to rise 1.8 mb/d to 104.9 mb/d. Additionally, it observed from preliminary data that global observed oil inventories have risen by 1 mb/d on an average since February, and 93 million barrels in May alone. However, it cautioned, "while the market looks comfortably supplied now, the recent events sharply highlight the significant geopolitical risk to oil supply security."

Furthermore, JM Financial observed in their recent sectoral report that there could be a "huge upside risk" if Iran

disrupts the supply from the Strait of Hormuz. However, it holds the scenario as "extremely unlikely" for "U.S. and Western countries are likely to take strong measures against any such disruptions given the huge risk it can pose to global oil and gas prices and, hence, inflation."

Imperative to note though that Iran's own production capacity may not have a significant bearing in the paradigm. This is owing to U.S. sanctions on import of Iranian crude oil. Tehran's major export destination is China. Refineries in the Asian country have particularly benefited from discounted fuel from the West Asian counterpart.

What about India?

Aditi Nayar, Chief Economist at ratings agency ICRA, observed that while crude oil prices have risen quite sharply over the past few days, it has been from "rather benign levels". She holds that should the price persist at the current levels, it may not lead to a "material revision" in ICRA's GDP forecast of 6.2% for the fiscal. "However, a sustained increase from the current levels would weigh on India Inc's profitability and the extended uncertainty may further delay private capex expenditure," Ms. Nayar told *The Hindu*. She summarised this could translate to a downward revision in ICRA's GDP growth projections for the second half of the fiscal. On the aspect of supply, Union Petroleum Minister Hardeep Singh Puri affirmed that India having diversified its import basket is comfortably placed to meet its fuel supply needs. The primary concern with respect to India could be about how things shape up at the Strait of Hormuz. India does not import petroleum crude from Tehran. However, Amit Kumar, Partner and Energy and Renewable Industry Leader at Grant Thornton Bharat had told *The Hindu* last week, "India imports more than 80% of its crude oil needs. Hence, even if direct imports from Iran are minimal, global price spikes due to conflict will raise crude oil import costs."

With inputs from TCA Sharad Raghavan

THE GIST

The benchmark Brent crude futures had soared about 9% on June 13 to \$75.65 for a barrel after it hit an intraday high of \$78.50/barrel.

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Iran has repeatedly threatened to close down the Strait of Hormuz. It is the chokepoint that connects the Persian Gulf with the Gulf of Oman and Arabian Sea. The closure of a chokepoint, even if for a temporary period, can translate to potential delays in supply, reduction in traffic and rise in shipping and insurance costs - all of which culminates into an increased price for energy fuel.

Why Are Oil Prices Rising?

- Geopolitical Risk Premium:
 - Iran has repeatedly threatened to block the Strait of Hormuz, a critical chokepoint for oil transportation from the Persian Gulf. Any military escalation or even perceived threat can add a risk premium to global oil prices.

- Strait of Hormuz's Strategic Importance:
 - This narrow passage handles ~20 million barrels/day, roughly one-fifth of the global petroleum liquids. Its disruption could choke supply from major producers like Saudi Arabia, UAE, Kuwait, Iraq, and even Iran itself.
- Market Psychology and Supply Fears:
 - Even without an actual blockade, fear of future disruption leads to speculative price rises. Insurance premiums for oil tankers rise, shipping becomes slower or riskier, and market volatility increases.
- Global Capacity to Absorb Shocks:
 - The International Energy Agency (IEA) noted in its June outlook that supply currently exceeds demand (projected 104.9 mb/d supply vs. 720 kb/d increase in demand).
 - Inventories have risen since February, suggesting some cushion exists.
 - However, analysts warn that a major disruption in Hormuz would have severe consequences for global oil stability and inflation levels.

India's Position and Concerns:

- Import Dependency:
 - India imports over 80% of its crude oil requirements. Even if it does not import directly from Iran, any global price hike due to Hormuz-related tensions will inflate India's oil import bill.
- Diversification Strategy:
 - India has diversified its crude sources, importing from countries like the U.S., Russia, and Africa. Union Minister Hardeep Singh Puri indicated that this diversification offers some resilience.
- Macroeconomic Impact:
 - Short-term price spikes may not significantly alter GDP forecasts.
 - However, a sustained price rise would increase input costs, reduce profitability for India Inc., delay private capital expenditure, and affect GDP growth (ICRA warns of potential downward revision).
 - Inflation and current account deficits may also worsen if high prices persist.

Conclusion:

- Global oil prices are deeply influenced by geopolitical instability, especially in chokepoints like the Strait of Hormuz.
- While India's diversification efforts help, its high import dependence makes it vulnerable to global price shocks.
- A proactive energy security policy, strategic oil reserves, and diplomatic engagement in West Asia are vital for economic stability.

UPSC Mains Practice Question

Ques: Rising geopolitical tensions in West Asia have once again highlighted the vulnerabilities of oil-importing countries like India. In this context, critically examine the strategic importance of the Strait of Hormuz and evaluate India's preparedness in dealing with oil supply disruptions. **(250 Words)**

Page : 08 Editorial Analysis

Resetting the India-U.S. partnership in uncertain times

Just a few months ago, India and the United States appeared poised to deepen what had been described as the defining partnership of the 21st century. Prime Minister Modi had met President Donald Trump early in his second term. External Affairs Minister S. Jaishankar was present at the inauguration. There was bipartisan goodwill in Washington and strategic optimism in New Delhi. The relationship seemed to rest not on convenience, but on a grander wager: shared democratic values, converging geopolitical interests, and a mutual ambition to shape the emerging world order.

A drift that is serious

Today, however, there is growing unease in New Delhi. Not a rupture, but a perceptible drift; subtle yet serious. A series of tactical and rhetorical signals from Washington suggest a partnership at risk of being undermined by volatility, policy incoherence, and a disconcerting return to older habits of mind. The sense of strategic convergence is dimming. In this context, Mr. Trump's decision to host a lunch on June 18 for Field Marshal Asim Munir, the chief architect of Pakistan's praetorian politics and sectarian rhetoric, has sent a disquieting signal to India, not least because it blurs the line between counter-terrorism partnership and political expediency.

This drift, however, is not irreversible. The structural logic of the partnership remains robust. What is required now is a reset, not of fundamentals, but of tone, clarity, and mutual commitment.

Several recent developments have triggered India's discomfort. Perhaps most jarring has been the return of outdated "hyphenation": treating India and Pakistan as equivalent strategic concerns. In the aftermath of Operation Sindoor, Mr. Trump spoke of India and Pakistan in the same breath, offered mediation on Kashmir, and warned of nuclear escalation. For Indian policymakers who have invested years in decoupling India's rise from the India-Pakistan binary, such language was diplomatically regressive.

On the economic front, signals have been equally disconcerting. Even as Mr. Trump announced that "our deal with China is done", he reportedly discouraged Apple's CEO from expanding manufacturing in India; warning that companies that "go to India" may face difficulties in accessing the U.S. market. For Indian officials advancing a "China-plus-one" strategy and projecting India as a manufacturing hub, the message was undermining.

Immigration policy, too, has become a point of friction. The H-1B visa regime, long a cornerstone of India-U.S. technological cooperation, now appears vulnerable to political posturing and protectionist rhetoric. The consequences risk fraying the connective tissue that binds Silicon Valley to Indian innovation ecosystems.

Most concerning is the apparent warming in Washington's approach toward Pakistan. When



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the United States Central Command (CENTCOM) Commander, General Michael Kurilla, described Pakistan as a "phenomenal partner" in counterterrorism, it represented an extraordinary characterisation of an institution long associated with nurturing cross-border terrorism.

Why is this drift occurring? First, the Trump administration's transactional approach places short-term gain over long-term alignment. India's strategic culture – patient, layered, and civilisational – sits uncomfortably with Washington's preference for the quick deal. The American impulse to monetise diplomacy can often jar with India's more strategic-based lens on geopolitics. In addition, Mr. Trump's diplomatic style remains as intriguing as ever: part showman, part salesman, and unpredictable. He may dazzle one moment and denounce the next, making it difficult for partners, even the closest, to navigate the terrain of trust and expectation.

Second, a segment of the U.S. national security establishment continues to view Pakistan as a familiar, if flawed, partner, especially in the context of Afghanistan and counterterrorism. Despite a history of duplicity, there remains a deep-seated nostalgia for the "known devil", whose strategic utility, however diminished, is still overstated. Meanwhile, India's strategic autonomy is often misconstrued as fence-sitting rather than a principled assertion of sovereignty.

Third, structural asymmetries in influence and communication persist. India's rise is real, but its institutional footprint in Washington lags behind its ambitions.

This is reflected in a troubling misunderstanding of India's strategic intentions. Critics such as Ashley Tellis argue that India suffers from "great-power delusions" and that the relationship falters because India's ambitions outstrip its capabilities. This diagnosis is flawed. India does not suffer from delusions of grandeur; it suffers from the patient weight of becoming. Its desire to chart an independent course reflects not confusion but strategic clarity shaped by history and sovereignty. The real risk lies not in India's aspirations but in Washington's impatience with partners who do not mirror American methods or priorities.

India must take the lead

What then must be done? Both countries must act decisively to prevent further drift.

India should not overreact. Tactical irritants must not obscure deeper strategic alignment. Defence cooperation, Quad initiatives, intelligence sharing, and convergent interests from the Indian Ocean to the Pacific remain strong foundations. But dramatic responses will only exacerbate misunderstanding. Quiet, persistent, and calibrated diplomacy must remain the preferred method. India should broaden and deepen its engagement in Washington beyond traditional diplomacy, leveraging Congress, policy think tanks, and Indian American diaspora as vectors of strategic advocacy.

Domestically, India must accelerate internal economic reforms, not to satisfy any foreign expectations but to reinforce the logic of investment, manufacturing, and long-term confidence. Regulatory clarity and infrastructure modernisation remain the best arguments for India as a global production hub. On the trade front, officials on both sides are cautiously exploring a modest but meaningful bilateral arrangement before the July 9 deadline.

Immigration concerns must be reframed as shared opportunities. The H-1B regime is not a concession to India, but an instrument of mutual innovation. The movement of skilled talent, the collaborative ecosystems of tech entrepreneurship, and the potential for co-creating the next generation of frontier technologies should be at the centre of the India-U.S. conversation.

The need to rediscover the basis of ties

For the U.S., the burden is equally significant. Washington must abandon Cold War framings and recognise that treating Indian manufacturing and talent mobility as threats is self-defeating. If the Indo-Pacific strategy is to endure, it must be matched by concrete investments in India's regional capacity-building initiatives.

More fundamentally, both countries must rediscover the moral purpose of their partnership. This is not merely about balancing China or accessing markets. At its best, the India-U.S. relationship is about shaping a democratic, pluralist, and rules-based world order. The arc of India-U.S. relations has never been linear. In 1998, after the Pokhran tests, who could have imagined the level of alignment achieved just a decade later? By 2005, the two countries had stunned the world with the landmark civil nuclear agreement: an audacious act of strategic trust that rewrote the rules of global diplomacy.

That moment reminds us of what is possible when political courage meets mutual respect. As U.S. President Bush once said, "The world will see what two great democracies can do when they trust each other." It is precisely that spirit we must summon again today. As this writer wrote in the introduction to *Engaged Democracies* (co-edited, more than two decades ago), the "real test of the partnership is not how it behaves in moments of celebration, but how it endures in times of stress".

The question then is not, as Walter Russell Mead provocatively asked recently, will Trump lose India? The better question is: will both countries squander a generational opportunity to build a democratic concert in Asia? The answer must be no. This turbulence should serve not as an epitaph, but as a summons to renewal. If clarity, commitment, and candour return to the conversation, the arc of the India-U.S. relationship can still bend – not just toward engagement, but toward enduring partnership and, perhaps once again, toward history-making trust.

While the structural logic of the partnership remains robust, what is needed is a reset that is marked by clarity and mutual commitment

Paper 02: International Relations

UPSC Mains Practice Question: In recent years, India-U.S. relations have shown signs of strategic drift despite shared interests. Examine the key challenges and suggest a roadmap to reset and reinvigorate the bilateral partnership. (250 words)

Context :

- The India-U.S. partnership, often termed the defining partnership of the 21st century, has recently shown signs of strategic drift. Though there is no rupture, subtle diplomatic signals and policy inconsistencies—particularly from the U.S.—are raising concerns in New Delhi. Despite structural strengths in the bilateral relationship, recent events indicate the need for a calibrated diplomatic reset.

Key Issues in the Relationship:

1. Return of “Hyphenation” with Pakistan:

- The U.S. President’s remarks equating India and Pakistan post-Operation Sindoor and offering mediation on Kashmir have evoked concern.
- Such statements revive outdated paradigms and undo years of Indian diplomatic effort to delink itself from the India-Pakistan binary.

2. Incoherent Economic Signals:

- Statements discouraging companies like Apple from investing in India undermine the “China-plus-one” strategy.
- These conflict with earlier American support for India as a key manufacturing hub.

3. Visa and Immigration Policy:

- The H-1B visa regime has become vulnerable to political rhetoric, potentially weakening the technological partnership.
- Indian skilled talent plays a critical role in U.S. innovation, and visa restrictions could harm mutual interests.

4. U.S.-Pakistan Rapprochement:

- CENTCOM describing Pakistan as a “phenomenal partner” in counterterrorism raises strategic alarms in India.
- Despite Pakistan’s history of exporting terrorism, sections of the U.S. establishment remain nostalgic for its utility.

Reasons for the Strategic Drift:

- Transactional Diplomacy:
 - The U.S. under the current administration favors quick deals and immediate returns, while India adopts a long-term, strategic approach rooted in civilizational values.
- Asymmetry in Strategic Perceptions:
 - India’s pursuit of strategic autonomy is often misread in Washington as indecisiveness or fence-sitting.
- Communication Gaps:
 - India’s institutional presence in Washington doesn’t match its geopolitical aspirations, leading to misperceptions.

India's Suggested Response:

- Do Not Overreact:
 - Focus on deeper strategic convergence—Quad, defence cooperation, and maritime alignment—rather than short-term irritants.
- Strengthen Strategic Advocacy:
 - Engage beyond traditional diplomacy—mobilize think tanks, diaspora, and congressional caucuses.
- Economic Confidence from Within:
 - Push internal reforms to attract investment not just as a counter to China, but as a sustainable economic transformation.
- Reframe the Immigration Debate:
 - Emphasize mutual innovation and co-development in frontier technologies as a shared opportunity.

What the U.S. Must Do:

- Abandon Cold War Frameworks:
 - Recognize India as a sovereign partner, not a pawn in old geostrategic equations.
- Support Indian Capacity-Building:
 - Align Indo-Pacific strategy with actual investments in India's regional role.
- Reclaim the Moral Core of Partnership:
 - The relationship must be rooted in shared democratic values and the ambition to shape a pluralist, rule-based world order.

Conclusion:

- The India-U.S. relationship stands at a crossroads. Despite present turbulence, the structural logic of the partnership—based on shared democratic values and geopolitical interests—remains intact. Rather than succumb to misunderstandings or short-term setbacks, both nations must summon strategic maturity, political courage, and a long-term vision to renew this vital partnership for the emerging world order.