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Edition: International Table of Contents

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A recent report released by the Union Health and Family Welfare Ministry (dated June 19) highlights critical challenges plaguing India's organ transplantation ecosystem, especially in government hospitals. The findings, based on a review meeting by the National Organ and Tissue Transplant Organisation (NOTTO), offer insights into structural, procedural, and financial barriers.

Infrastructure deficiencies, shortage of funds affecting organ transplants: report

S. Vijay Kumar
CHENNAI

The report dated June 19 followed a review of organ transplant activities. C. VENKATACHALAPATHY

The organ transplantation programme in India has been crippled by multiple issues, especially insufficient funds, shortage of specialised doctors, and procedural delays, a report released by the Union Health and Family Welfare Ministry dated June 19 revealed.

The report, which followed a high-level meeting of senior health officials to review the status of organ transplantation activities in government hospitals and identify the key challenges, pointed to infrastructure deficiencies, especially a shortage of intensive care unit (ICU) beds and lack of financial support to patients who required lifelong medication that was expensive.

Explaining the bottlenecks and other issues faced by state-owned institutions, the report said only 13,476 kidney transplants were performed, both in government and private hospitals, against the recommended one lakh cases last year. The capacity of government hospitals was not adequate to meet the target of organ transplants and creation of new centres were "definitely" required.

The report elaborated on the lack of facilities in government healthcare institutions, saying a significant number of government hospitals had reported the absence of dedicated infrastructure for organ retrieval and transplantation, including specialised transplant operation theatres and dedicated transplant intensive care units. A critical issue was the shortage of ICU beds, which were essential for maintaining potential brain-stem dead donors. In many trauma centres, beds were unavailable for potential donors due to high patient volume.

Many institutions, including All India Institutes of Medical Sciences, lacked in-house Human Leukocyte Antigen cross-matching laboratory facilities. The dependency on external laboratories was causing significant delays and logistical challenges in the transplantation process.

The report compiled by the National Organ and Tissue Transplant Organisation, which convened the meeting, said the shortage of specialised faculty, coupled with frequent transfer of trained personnel, was disrupting the continuity and establishment of transplant programmes. A major bottleneck was the scarcity of dedicated and trained transplant surgeons, nephrologists, urologists, anaesthetists, neurosurgeons/neurologists, and intensivists within the government hospitals.

Burden on patients

On the paucity of funds, the report said some hospitals had reported inadequate funds to initiate or restart specialised transplant programmes. A significant concern was the high cost of immunosuppressant drugs, which patients must take for life. The financial support available under current schemes was often limited to the first year.

The report "strongly recommended that liver and heart transplantation, including the lifelong cost of immunosuppressants for post-transplant recipients, be comprehensively included under the central Ayushman Bharat Pradhan Mantri Jan Arogya Yojana [AB-PMJAY] scheme".

Key Issues Identified:

1. **Infrastructure Deficiencies:**
   Government hospitals are severely lacking in basic infrastructure to support organ transplantation. Most do not have:
   - Dedicated transplant operation theatres and ICUs.
   - Facilities for maintaining brain-stem dead donors.
   - Trauma centres with adequate beds to hold potential donors.

   These deficiencies severely limit the capacity of government hospitals to meet the national demand for organ transplants.

2. **Inadequate Numbers and Capacity:**
   - Only 13,476 kidney transplants were conducted last year, against a recommended target of one lakh.
   - Limited capacity and insufficient creation of new centres hinder national transplantation targets.
3. **Lack of Trained Manpower:**
   - Acute shortage of transplant-specific medical professionals such as transplant surgeons, nephrologists, urologists, intensivists, anaesthetists, and neurologists.
   - Regular transfers of trained personnel break continuity and derail programme sustainability.
4. **Technological and Laboratory Gaps:**
   - Absence of in-house HLA (Human Leukocyte Antigen) cross-matching labs even in prestigious institutions like AIIMS.
   - Dependence on external labs leads to delays and logistical issues.
5. **Financial Barriers and Patient Burden:**
   - High cost of post-transplant immunosuppressant drugs (lifelong requirement).
   - Current public health schemes often cover treatment only for the first year, leaving patients vulnerable thereafter.
   - Hospitals often lack dedicated funding to initiate or restart transplant programmes.

Recommendations Made by the Report:

- **Policy Integration with Ayushman Bharat (AB-PMJAY):**
  Strong recommendation to include liver and heart transplantation and lifelong immunosuppressant coverage under the AB-PMJAY to reduce the patient burden.
- **Capacity Building:**
  Emphasis on establishing new transplant centres and increasing investment in infrastructure, labs, and workforce development.

Implications for Governance and Health Policy:

- **Equity in Healthcare:** The disparity between private and public hospital capabilities raises ethical and access issues. Poorer patients relying on government facilities remain underserved.
- **Health System Strengthening:** A holistic policy is needed that covers funding, HR training, infrastructure development, and inter-institutional coordination.
- **Sustainable Healthcare Financing:** Incorporating high-cost treatments like organ transplants within public insurance schemes ensures protection against catastrophic health expenditure.

Way Forward for Policymakers:

- Allocate targeted funds to upgrade transplant infrastructure in government hospitals.
- Create a robust national transplant workforce policy with incentives and retention mechanisms.
- Ensure permanent integration of organ transplant-related expenses into AB-PMJAY, including drugs and post-care.
- Develop a national organ sharing and logistics mechanism to reduce time lags.

Conclusion:
The organ transplantation programme is a crucial part of tertiary healthcare, yet it suffers due to chronic underfunding, poor infrastructure, and human resource shortages. If India aims to create a universal, inclusive healthcare system, organ transplantation must be brought into the mainstream of public health policy with comprehensive support systems under schemes like AB-PMJAY.

UPSCMainsPractice Question

Ques : Despite policy initiatives, India's organ transplantation programme suffers from systemic weaknesses." Critically examine the infrastructural and administrative challenges, and suggest viable policy reforms. **(250 Words)**

Page 01: GS 2 : International Relations

In a major escalation of tensions in West Asia, the United States launched airstrikes on three Iranian nuclear sites — Fordow, Natanz, and Isfahan — on Sunday, marking a significant shift from diplomatic engagement to military action. This comes amid the ongoing Israel-Iran hostilities and stalled nuclear negotiations. The strikes were authorized by U.S. President Donald Trump without congressional approval and have drawn strong condemnation from Iran and concerns from global observers.

U.S. bombs three key Iranian nuclear sites

Attacks crossed a 'big red line', says Iran Minister while asserting the country's right to self-defence

No immediate signs of radioactive contamination following the strikes, says UN nuclear watchdog

There will be 'either peace or tragedy for Iran', says Trump acting without congressional nod

Associated Press
DUBAI

Prompting fears of a wider regional conflict, the United States inserted itself into Israel's war against Iran early on Sunday by dropping 30,000-pound bombs on a uranium enrichment site buried under a mountain, a risky gambit that aimed at destroying the Islamic Republic's nuclear programme after months of failed diplomacy.

The U.S. also fired dozens of missiles, and President Donald Trump said that the combination of strikes "completely and fully obliterated" three nuclear sites. However, U.S. defence officials said an assessment of the damage was ongoing.

The Atomic Energy Organization of Iran confirmed that attacks took place on the Fordow and Natanz enrichment facilities as well as its Isfahan nuclear site, but it insisted that its nuclear programme will not be stopped. Both Iran and the UN nuclear watchdog said there were no immediate signs of radioactive contamination following the strikes.

U.S. Defence Secretary Pete Hegseth said the country does not "seek war" and that the operation would not be "open-ended", though Mr. Trump earlier warned there would be additional strikes if Tehran retaliated. "There will either be peace or there will be tragedy for Iran," said Mr. Trump, who acted without congressional authorisation. Vice-President J.D. Vance, however, said the strikes have given Tehran the possibility of returning to negotiate with Washington.

Hours later, Iranian Foreign Minister Abbas Araghchi said the attacks have crossed a 'big red line' adding that the time for diplomacy had passed and that his country had the right to defend itself. Mr. Araghchi said he would be flying to Moscow to coordinate positions with its ally, Russia. "The warmongering and lawless administration in Washington is solely and fully responsible for the dangerous consequences and far-reaching implications of its act of aggression," he told presspersons in Turkiye.

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Trump's gambit

The White House says the combination of strikes 'completely and fully obliterated' three nuclear sites in Iran

Fordow: Iran's most **heavily fortified** nuclear site used for uranium enrichment, which is built deep beneath a mountain

Natanz: Largest **uranium enrichment facility** in Iran

Isfahan: Iran's largest **nuclear research site,** which was targeted by Israel 2 times since the crisis began on June 13

War plans: U.S. President Donald Trump and Cabinet members in the White House on Saturday night. AFP

Iranian parliament votes to close Strait of Hormuz

T.C.A. Sharad Raghavan
NEW DELHI

Iran's parliament, the Majlis, has reportedly approved the closure of the Strait of Hormuz in response to the attacks by the U.S. on Iranian nuclear facilities, the country's state-owned media PressTV reported on Sunday.

The Strait of Hormuz connects the Persian Gulf with the Gulf of Oman and the Arabian Sea, and is one of the world's most important oil trade routes.

FULL REPORT
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PM calls for 'immediate de-escalation' of conflict

Kallol Bhattacherjee
NEW DELHI

Prime Minister Narendra Modi spoke with the President of Iran, Masoud Pezeshkian, and called for "immediate de-escalation" on Sunday, hours after the U.S. struck three prominent nuclear sites in Iran. The conversation between the two leaders is significant as it came ahead of an emergency meeting of the Board of Governors of the International Atomic Energy Agency (IAEA) in Vienna, where the U.S. attack on Iran will be the main subject of attention.

FULL REPORT
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Key Developments:

- The U.S. dropped 30,000-pound bombs and fired multiple missiles targeting underground uranium enrichment facilities.
- Iran confirmed damage to the sites but asserted that its nuclear programme would continue unabated.
- The UN nuclear watchdog (IAEA) and Iran reported no immediate radioactive contamination.
- Iran's Foreign Minister declared the strikes as having crossed a "red line," vowing self-defence.

- Trump warned of further strikes if Iran retaliates, framing the moment as a choice between "peace or tragedy."

Implications for International Relations and Regional Stability:

1. **Violation of International Norms and War Powers Oversight:**
   - The unilateral action by the U.S. without congressional approval revives debates on executive overreach and war powers within U.S. democracy.
   - The strike may be seen as a breach of international norms, especially given the absence of a UN mandate.
2. **Erosion of Diplomatic Channels:**
   - Iran's announcement that the "time for diplomacy has passed" signals the collapse of nuclear deal negotiations (JCPOA revival).
   - It also reduces the space for European or multilateral mediation efforts.
3. **Heightened Risk of Regional Escalation:**
   - Iran's coordination with Russia could further entrench geopolitical blocs.
   - The possibility of retaliatory strikes by Iran or proxy groups raises fears of a broader West Asian conflict.
4. **Global Economic Repercussions:**
   - Increased instability in the region could disrupt global oil markets, impacting energy prices and supply chains.
   - Escalation near the Strait of Hormuz — a vital oil transit chokepoint — could have significant economic fallout.
5. **Nuclear Non-Proliferation Concerns:**
   - Military strikes on nuclear facilities, even without radioactive fallout, set a dangerous precedent.
   - They may push Iran to accelerate covert enrichment efforts, undermining global non-proliferation norms.
6. **Impact on U.S. Global Image:**
   - The strike may embolden U.S. adversaries and strain relations with allies who favour diplomatic resolutions.
   - It also places Washington at odds with the UN-led approach to nuclear oversight and peacebuilding.

India's Strategic and Diplomatic Considerations:

- **Evacuation and Security of Indian Diaspora:** With thousands of Indian workers in Iran and the Gulf, any conflict escalation necessitates contingency plans.
- **Oil and Trade Dependencies:** Disruption in the region could impact India's energy security and trade with West Asia.

- **Balancing Act:** India will need to carefully navigate its relations with both the U.S. and Iran, given its strategic and economic interests.

Conclusion:

The U.S. airstrikes on Iran's nuclear facilities have injected a new level of volatility into an already fragile West Asian geopolitical landscape. While intended to cripple Iran's nuclear ambitions, the strikes risk provoking a wider conflict, undermining diplomacy, and creating ripple effects across global political and economic systems. For countries like India, the challenge lies in managing its national interests while maintaining strategic neutrality in an increasingly polarized region.

UPSC Mains Practice Question

Ques:The U.S. airstrikes on Iranian nuclear facilities reflect a shift from diplomacy to unilateral militarism. Critically evaluate the implications of this shift on international law and multilateralis.(250 words)

Page : 05 :GS 2 : International Relations

In a dramatic escalation following the U.S. airstrikes on its nuclear facilities, Iran's Parliament (Majlis) has reportedly approved a resolution to close the Strait of Hormuz, one of the most strategically important maritime chokepoints in the world. While the final decision rests with Iran's Supreme National Security Council, the political move signals Tehran's intent to use its geographic leverage in response to military aggression.

What is the Strait of Hormuz and Why It Matters?

- It is a narrow waterway between Iran and the Arabian Peninsula, specifically the United Arab Emirates, and Musandam (Oman).
- It connects the Persian Gulf to the Gulf of Oman.
- Iran is located on the north coast, while the UAE is on the south coast.
- The Gulf of Oman is on the Strait's east, while the Persian Gulf is on the west.
- The strait is 167 kilometers long, with its width varying from 39 kilometers to 95 kilometers.
- Its width narrows towards the north but still allows for the passage of large vessels.
- Some of the islands located in the Strait of Hormuz are Hengam, Hormuz, and Qishm.
- The Strait of Hormuz is considered one of the world's most economically important choke points.

- About 30% of the world's liquefied gas and 25% of oil pass through the Strait of Hormuz, including substantial volumes to Asian economies like India, China, Japan, and South Korea.
- Any disruption can spike global crude prices, impact shipping, and raise insurance and freight costs.

Key Implications:

1. Impact on Global Oil Supply and Prices:

- Closure or disruption will likely result in immediate oil price volatility and panic in global markets.
- Even a short-term disruption can increase inflationary pressures worldwide, especially in oil-import-dependent economies.

2. India's Strategic Concerns:

- India imports nearly 80% of its crude oil, much of which transits through the Gulf.
- Although Petroleum Minister Hardeep Puri assured diversification of supplies and strategic reserves, India remains vulnerable to price shocks and regional instability.
- The Strait is also a key shipping route for Indian trade with Gulf and European nations.

3. Escalation of West Asian Conflict:

- The move could provoke further military responses from the U.S. and its allies, risking open conflict in the Persian Gulf.
- Regional maritime security, already fragile, could be severely compromised.

4. Strategic Use of Geography as Leverage:

- Iran is showcasing its geopolitical power through geography — by threatening to cut off a global trade route to retaliate against military aggression.

Iranian parliament votes to close Strait of Hormuz trade route

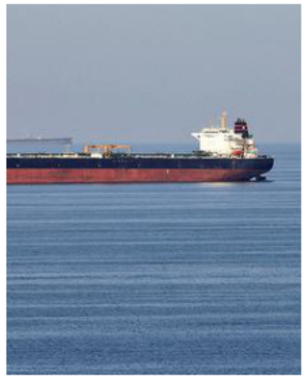
T.C.A. Sharad Raghavan
NEW DELHI

Iran's parliament, the Majlis, has reportedly approved the closure of the Strait of Hormuz in response to the attacks by the U.S. on Iranian nuclear facilities, the country's state-owned media PressTV reported on Sunday, citing Esmaeil Kowsari, a member of the Majlis.

The Strait of Hormuz connects the Persian Gulf with the Gulf of Oman and the Arabian Sea, and is one of the world's most important oil trade routes.

According to the report, which cited Esmaeil Kowsari, a member of the Majlis, the final decision on the closure of the Strait of Hormuz lies with Iran's Supreme National Security Council.

India imports about 80% of its oil requirement, meaning that disruptions in the Strait of Hormuz will likely impact the price of oil that India purchases. The Strait of Hormuz is also a vital trade route for ships travelling to and from India.



The strait connects the Persian Gulf with the Gulf of Oman and the Arabian Sea. FILE PHOTO

Petroleum Minister Hardeep Puri, however, downplayed the impact on India. "We have been closely monitoring the evolving geopolitical situation in the Middle East since the past two weeks," Mr. Puri posted on X. "Under the leadership of PM @narendramodi Ji, we have diversified our supplies in the past few years and a large volume of our supplies do not come through the Strait of Hormuz now." "Our Oil Marketing Companies have supplies of several weeks and continue to receive energy supplies from several routes," he added.

- This reaffirms Iran's ability to project influence without conventional warfare, escalating tensions asymmetrically.

5. Legal and Diplomatic Ramifications:

- Closure of the strait may violate international maritime law, particularly the UN Convention on the Law of the Sea (UNCLOS).
- It could draw international condemnation and isolate Iran further in multilateral forums like the UN.

India's Policy Options:

- **Diplomatic Outreach:** India must continue engaging both the U.S. and Iran, advocating for de-escalation and dialogue.
- **Energy Diversification:** Further reduce dependence on Gulf routes through strategic deals with Russia, the U.S., Africa, and Latin America.
- **Maritime Security Cooperation:** Collaborate with regional navies and participate in international maritime security initiatives in the Indian Ocean Region.
- **Enhancing Strategic Reserves:** Expand India's Strategic Petroleum Reserves (SPR) to cushion against future shocks.

Conclusion:

The Iranian Parliament's vote to close the Strait of Hormuz is not just a tactical military response but a strategic signal of Iran's geopolitical capability. While its actual closure remains uncertain, the threat alone is enough to destabilize global markets and diplomatic balances. For India, the episode underlines the need for strategic foresight, diversified energy security, and robust diplomacy in a volatile region.

UPSCPrelimsPractice Question

Ques:Why is the Strait of Hormuz geopolitically significant?

1. A large volume of global oil trade passes through it.

2. It is a key naval passage for NATO forces in the Pacific Ocean.

3. It lies between Iran and Oman/UAE.

4. It is used to export wheat and coal from Central Asia.

Select the correct answer using the code below:

A) 1 and 2 only B) 1 and 3 only C) 2 and 4 only D) 1, 2, and 3 only

Ans: (b)

Page 10 : GS 3 : Indian Economy

India is currently experiencing a rare alignment of expansionary monetary and expansionary fiscal policy, with recent interest rate cuts by the RBI and income tax reductions by the government. This policy mix, while aimed at reviving growth, raises crucial questions about macroeconomic stability, inflation management, and the effectiveness of fiscal stimulus in a slowing economy.

Expansionary policies in a slowing economy

Stable macroeconomic outcomes require co-ordination between fiscal and monetary policy. The effects of expansionary fiscal policy can be nullified through contractionary monetary policy; this occurred in the U.K. and the U.S., where the announcement of tax cuts were met with a reluctance to further cut interest rates

ECONOMIC NOTES

Rahul Menon

The Reserve Bank of India (RBI) has cut key lending rates in two successive meetings, indicating a significant expansionary shift. In April 2025, the repo rate was cut by 25 basis points, and a further 50 basis point cut was announced in the recent meeting in June, bringing the policy repo rate to 5.5%. The RBI forecasts GDP growth of 6.5% for 2025-26, and inflation within the band of 4% +/- 2%, indicating sufficient room for these rate cuts.

The reduction in inflation has allowed for this expansionary move. The expectation is that it will spur private investment and lead to increased growth rates. But these moves have come on the back of a similar expansionary move on the part of fiscal policy, that of the recent cuts in income taxes. The fact that expansionary fiscal policy is being followed by expansionary monetary policy necessitates questions regarding the policy mix.

GETTY IMAGES

Policy co-ordination

Both fiscal and monetary policy impact aggregate demand and inflation. By reducing interest rates by way of monetary policy, investments increase and vice versa. An increase in government spending or a reduction in taxes increases aggregate demand and consumption through fiscal policy. Increasing aggregate demand leads to rising demand for goods and services, thereby increasing labour demand and wages, eventually leading to an increase in inflation. Therefore, stable macroeconomic outcomes require co-ordination between fiscal and monetary policy. The effects of expansionary fiscal policy can be nullified through contractionary monetary policy; this occurred in the U.K. and the U.S., where the announcement of tax cuts were met with a reluctance on the part of monetary policy to further cut interest rates, citing the inflationary nature of such fiscal policy moves. When monetary policy becomes ineffective, expansionary fiscal policy is required. In the wake of the 2008 recession, when interest rates had hit zero, government spending was increased to bring full employment.

Currently, one can characterise both fiscal and monetary policy in India as being expansionary. The income tax cuts announced in February 2025 were forecast to provide a significant boost to the economy. This raises a serious question of economic policy co-ordination. If both policy moves work as they are intended to, it would imply a significant increase in inflation. Does the RBI foresee muted inflation risks even as consumption and investment demand both show an increase? Or has the consumption tax cuts failed to show any impact on output expansion, implying an increase in fiscal deficit in the future?

Muted growth

Inflation fell to a six-year low of around 3% in June, with early monsoons and a good harvest leading to a significant fall in the headline inflation rate. This has provided the RBI with sufficient room for a reduction in the interest rate, though headwinds, such as U.S. President Donald Trump's tariff wars and the growing conflict in Iran, loom on the horizon.

The economy does show signs of weakness. A recent SBI report indicated that credit growth has fallen to a three-year low of 9% in May 2025, while the unemployment rate has risen to 5.6% in May 2025 from 5.1% in April. Coupled with low inflation, these are indicative of an economy facing significant pressures on the aggregate demand front. The standard solution is to cut interest rates to boost investment in the face of slowing demand. What is of concern is the slowdown in the economy after the announcement of the income tax cuts. Households were expected to respond to the windfall gain in their disposable incomes by increasing their spending, thus leading to rising aggregate demand and inflation. On the contrary, though growth is forecast to remain steady at around 6.5%, these indicators show that the momentum might just be flagging.

Once could make the argument that these policies take time for signals to be converted into outcomes. Households may only convert the tax windfall into consumption when it actually materialises. But there are two problems with this argument. Firstly, it violates a central contention that individuals are inherently forward-looking, and can discount future windfalls into current spending. This assumption is central to the theoretical framework underlying modern inflation targeting. Secondly, if individuals are not forward-looking, and will only consume in the future, it would imply a sudden increase in future inflation when both investment and consumption increase, necessitating a sharp reaction for future monetary policy.

Deficit fears

Sufficient cuts to interest rates might provide the boost to the economy that income tax cuts could not. However, there is another problem. If output does not rise sufficiently, it would lead to a fall in tax collections, and a rise in the fiscal deficit. The only way to maintain the deficit is to cut government spending. If the government decides to cut revenue spending and not capital expenditure, the impact might fall on vulnerable populations that depend on such spending. With rising power of monopoly capital and a sustained shift towards profits away from wages, relying on normal market mechanisms may no longer achieve the desired outcomes. Sustained government intervention bringing about increases in wages and consumption power for those at the bottom of society is the need of the hour.

Rahul Menon is Associate Professor at O.P. Jindal Global University.

THE GIST

- Currently, one can characterise both fiscal and monetary policy in India as being expansionary. This raises a serious question of economic policy co-ordination.
- The economy does show signs of weakness. A recent SBI report indicated that credit growth has fallen to a three-year low of 9% in May 2025, while the unemployment rate has risen to 5.6% in May 2025 from 5.1% in April.
- Sufficient cuts to interest rates might provide the boost to the economy that income tax cuts could not. However, there is another problem. If output does not rise sufficiently, it would lead to a fall in tax collections, and a rise in the fiscal deficit.

What Has Happened?

- The RBI reduced the repo rate by 75 basis points (25 in April and 50 in June 2025), bringing it down to 5.5%.

- The government announced income tax cuts in February 2025, aiming to boost household consumption and private investment.
- Inflation fell to a six-year low of around 3% in June due to good monsoons and a decline in food prices.
- Despite these stimuli, credit growth has fallen to a three-year low (9%) and unemployment has increased to 5.6% in May 2025.
- These indicators suggest that the Indian economy is under demand-side stress.

Key Issues and Debates:

1. Policy Coordination Dilemma:

- Monetary and fiscal policy must work in tandem for optimal outcomes. If both are expansionary, there is a risk of overheating the economy unless inflation is well under control.
- The current scenario mirrors past cases (e.g., U.K. and U.S.) where expansionary fiscal policy was met with conservative monetary responses to avoid inflation spikes.

2. Effectiveness of Expansionary Policy:

- The expected boost in aggregate demand from tax cuts has not yet materialised.
- This could be due to:
  - Households not being forward-looking (contrary to the assumptions of inflation-targeting frameworks).
  - Increased savings rather than consumption, reflecting low consumer confidence.

3. Fiscal Risks and Deficit Concerns:

- If output and tax collections do not rise as expected, fiscal deficit may widen.
- To contain it, the government may need to cut expenditure — possibly affecting revenue spending (on health, education, welfare).
- This could disproportionately hurt the vulnerable sections of society.

4. Structural Challenges:

- The economy is experiencing a shift from wages to profits, with rising monopoly power.
- Market mechanisms may no longer suffice in raising demand.
- Thus, targeted government intervention — especially in wage and employment support — becomes essential.

Implications for India's Economic Policy:

- **Need for patience:** Fiscal and monetary policy effects are not always immediate; their impact is felt over time.
- **Focus on inclusivity:** Boosting consumption from the bottom of the pyramid (low-income groups) could be more effective than across-the-board tax cuts.
- **Revise assumptions**: Policymakers must reconsider the assumption that households act rationally and respond predictably to economic incentives.

Conclusion:

The synchronised expansion of both fiscal and monetary levers in India signals a strong effort to revive a slowing economy. However, the absence of immediate results underscores the complexities of demand management, policy transmission lags, and structural inequality. A nuanced approach — involving better coordination, targeted support, and flexible responses — is essential to avoid long-term inflationary pressures and social imbalance.

UPSC Mains Practice Question
Ques : Despite expansionary tax and interest rate policies, private consumption and investment remain sluggish in India. Discuss the possible reasons behind this phenomenon and suggest corrective policy measures.**(250 Words)**

Page : 10: GS 2 : Social Justice

With the 2020 National Education Policy (NEP) and the subsequent UGC (Setting up and Operation of Campuses of Foreign Higher Educational Institutions in India) Regulations, 2023, India is now opening its doors to foreign universities setting up campuses. Several institutions from the U.K., Australia, U.S., Italy, and Canada are in various stages of establishing branch campuses, especially in GIFT City (Gujarat) and Navi Mumbai.

How will foreign universities impact higher education?

What opportunities and prospects do foreign universities see in setting up campuses in India? Why are universities abroad dependent on international students? What are some of the challenges they will face?

Pushkar

The story so far:

Several foreign universities are setting up branch campuses in India. So far seven universities from the U.K., five from Australia, and one each from the U.S., Italy and Canada are in the process of obtaining necessary approvals or have done so already. Most will be located in GIFT City and Navi Mumbai. While India has been interested in attracting foreign universities for more than a decade, the 2020 New Education Policy (NEP) revived it and the government subsequently approved the UGC (Setting up and Operation of Campuses of Foreign Higher Educational Institutions in India) Regulations, 2023 (FHEI).

Why are foreign universities coming?

The countries of the Global North embarked on a massive expansion of higher education in the post-Second World War years to accommodate the growing number of young people headed to college. Over time, however, with falling birth rates, domestic enrolments started to plateau and then fall. By the early 21st century, the physical infrastructure and human capital of higher education institutions (HEIs) was too large for the diminishing numbers. This, along with cuts in public spending on higher education, started to create financial challenges. The solution was found in admitting larger numbers of international students who could be charged substantially higher tuition fees.

In 2023, international students represented 22% of total enrolments at U.K.'s universities, 24% in Australia and 30% in Canada. Though only 6% of enrolments at U.S. universities are international students, they make up for 27% of students at Ivy League schools. Universities in all "big four" host countries - Australia, Canada, the U.K. and the U.S. – have become financially reliant in varying degrees on international students. Over the past year, however, there has been a blowback. Australia and Canada have capped their international student numbers. In the U.K., new rules introduced in 2024 reduced the number of student visa applications. These restrictions are hurting universities. Redundancies have become widespread in the U.K., Australia and Canada. Therefore, many universities are looking to India to compensate for the reduced numbers of international students at their home campuses and to diversify their revenue sources.

What are some of the challenges?

India's young population and a relatively low but steadily rising gross enrolment ratio of just under 30% offers immense opportunities. However, branch campuses in other parts of the world – in China, Southeast Asia, and West and Central Asia – have a mixed record. There are several instances where they have lost money and exited. India will not be a walk in the park either.

First, India's higher education market is large in terms of student numbers – 40 million+ – but smaller in terms of the cost that an average student or family can afford. However, India is a growing economy and in the coming years, more people will be able to afford a relatively expensive college education. Second, India lacks a sufficient number of good quality HEIs. Beyond a small number of public and even fewer private institutions, the majority are average to mediocre. Branch campuses will offer better quality education than the majority of HEIs. Third, while many Indians aim to study abroad in order to emigrate, there are others who intend to work in India. Branch campuses will offer these students the option of a foreign degree at home.

The immediate to medium term impact of branch campuses can be expected to be limited. Even if a dozen or two of them are set up, their total student intake will be small. The response of Indian students to branch campuses in the first few years will be crucial to what happens next.

Pushkar is director, the International Centre Goa (Goa), Dona Paula.

THE GIST

The countries of the Global North embarked on a massive expansion of higher education in the post-Second World War years to accommodate the growing number of young people headed to college.

Universities in all "big four" host countries – Australia, Canada, the UK and the US — have become financially reliant in varying degrees on international students.

India's young population and a relatively low but steadily rising gross enrolment ratio of just under 30% offers immense opportunities.

Why Are Foreign Universities Interested in India?

1. **Demographic and Economic Opportunities:**
   - India has a young population and a rising gross enrolment ratio (~30%).
   - A growing middle class is increasingly willing to invest in quality higher education.
2. **Crisis in the Global North:**
   - Countries like the U.K., U.S., Canada, and Australia face declining domestic enrolment due to falling birth rates.
   - Cuts in public funding have made universities heavily reliant on international students.
   - Rising visa restrictions and political pushback have caused revenue losses in traditional host countries.
3. **Strategic Diversification:**
   - Setting up campuses in India helps universities diversify income streams, maintain faculty, and sustain infrastructure.

- India is seen as a long-term market for affordable, scalable expansion.

Opportunities for India:

- **Improved Quality and Competition:**
  - Most Indian HEIs are average to below-average in quality.
  - Entry of reputed foreign universities may raise standards and competitiveness.
- **Foreign Degree at Home:**
  - Students who wish to work in India but desire a global education can now access it locally.
  - Reduced cost compared to studying abroad makes it more accessible to the upper-middle class.
- **Reduced Brain Drain (Potentially):**
  - Availability of international-level education domestically could reduce outbound student **migration.**

Challenges and Constraints:

1. **Affordability:**
   - India has a large student base (40+ million), but average affordability is low.
   - Foreign universities may struggle to price their programs competitively.
2. **Uncertain Student Response:**
   - Many Indian students seek foreign education for migration opportunities, which domestic branch campuses cannot offer.
   - Initial enrolment numbers may remain modest, impacting economic viability.
3. **Mixed Global Experience:**
   - In regions like Southeast Asia and the Middle East, many foreign branch campuses have underperformed or exited due to low returns.
4. **Regulatory and Operational Barriers:**
   - Despite 2023 guidelines, bureaucratic and legal hurdles may persist.
   - Ensuring academic autonomy and faculty quality in a different socio-political context is also a challenge.

Implications for Indian Higher Education:

- Could lead to positive disruption in curriculum, pedagogy, and research culture.
- Will require Indian HEIs to upgrade infrastructure and faculty to remain competitive.
- Raises questions about regulation, accreditation, and equivalency of degrees and credits.
- May deepen stratification in access — benefiting mostly the urban elite.

Conclusion:

The entry of foreign universities in India is a welcome reform, especially in a system plagued by capacity constraints and quality issues. However, its impact will be gradual, shaped by student response, pricing strategy, and policy clarity. In the long term, if managed well, this move could place India on the global higher education map while offering Indian students more choices at home.

UPSC PrelimsPractice Question

Ques:Which of the following statements is/are correct regarding the UGC (Setting up and Operation of Campuses of Foreign Higher Educational Institutions in India) Regulations, 2023?

1. It allows foreign universities to set up independent campuses in India.

2. It mandates that all such campuses must be located only in GIFT City.

3. The regulation was introduced in line with the National Education Policy 2020.

Select the correct answer using the code below:

A) 1 and 2 only

B) 1 and 3 only

C) 2 and 3 only

D) 1, 2 and 3

Ans : b)

Page : 08 Editorial Analysis

Steering the Indian economy amidst global troubles

The global economy is undergoing a significant transformation, marked by shifts in trade policies and continuing geopolitical tensions. We see a return of trade wars, the review of tariffs by countries as well as a surge in negotiations for bilateral trade agreements. These have led to heightened uncertainties, impacting not just trade but also financial markets and economic growth prospects.

With global trade dynamics evolving rapidly, it could lead to a structural realignment of global trade with long-term implications for trade and investments. Businesses will have to weigh the short-term challenges as well as long-term opportunities. Industry has to re-strategise amid rising costs, disrupted supply networks, and asymmetric information. The United States is India's largest export destination accounting for nearly one-fifth of India's merchandise exports. Therefore, uncertainties in the tariff regime in this market severely impact the business of Indian exporters. For certain sectors such as marine, apparel, carpets, gems and jewellery, pharmaceuticals, auto components, and electronics, India's dependence on the U.S. market is very high. Additional tariffs would erode margins of these exporters, particularly Micro, Small and Medium Enterprises (MSME)s and make their exports unviable.

Possible issues

However, the imposition of the U.S.'s reciprocal tariffs itself remains uncertain given the possibility of interim deals and trade agreements that the U.S. is negotiating with many countries (including India) and also the recent order of the U.S. Court of International Trade challenging the imposition of reciprocal tariffs. Under such uncertain scenarios, one cannot even accurately assess whether Indian exporters will get any relative tariff advantage *vis-à-vis* competing countries such as China, Bangladesh or Vietnam that was considered a high probability in the initial assessment when reciprocal tariffs were

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Industry needs to re-strategise amidst rising costs, disrupted supply networks and asymmetric information

announced. Experts and economists have highlighted that the direct impact of these tariffs (if implemented) on the Indian economy is expected to be limited due to India's resilient external economy, particularly rising contribution of services exports, high remittances, adequate forex reserves and low current account deficit. However, the uncertainties surrounding the tariffs are detrimental for exporters planning new orders and also their impact on decision making. In addition, there is a risk of increased threat of dumping into India by China and the Association of Southeast Asian Nations looking to redirect their surplus production.

Medium- to long-term opportunity

Despite the global headwinds, India stands to benefit with the right strategy. The global restructuring of trade offers India an opportunity to become an integral part of the renewed global supply chains. India needs a three-pronged strategy – to manage external shocks; to ensure domestic economic resilience and to leverage a window of opportunity to enhance its global exports. These key policy actions can be considered. First, India has taken a proactive approach by engaging early in Bilateral Trade Agreement (BTA) negotiations with the U.S. Being the first to conclude such an agreement could give India a first-mover advantage. The BTA must be crafted to ensure zero tariffs on sectors critical to India's interests, while cautiously opening up areas without compromising national priorities. India's service exports to the U.S. remain robust and it must be ensured that these are not impacted. Liberalisation of tariffs with the U.S. should be approached on a strictly bilateral basis. Addressing non-tariff barriers (NTBs) will be critical. Possibilities of mutual recognition agreements must be explored. A swift yet balanced trade deal will be key.

Second, the conclusion of an FTA with the U.K. is a huge positive. India must now pursue other key FTAs with equal vigour. The early conclusion of an FTA with the European Union , Comprehensive Economic Cooperation Agreement with Australia and other important partners will offer Indian exporters enhanced market access in alternative markets.

Third, strengthening import monitoring mechanisms becomes important in wake of a greater risk of dumping into India. Trade remedial measures should be deployed swiftly to protect domestic industries from economic damage.

Fourth, sustaining public capital expenditure is vital in maintaining growth momentum amid global headwinds. Continued public capex will ensure that the domestic economy remains resilient and also help to crowd-in private investments over the medium term.

Fifth, monetary policy should continue to remain accommodative. With inflation currently under control and projected to be lower in coming quarters, further rate cuts by the Reserve Bank of India will help propel growth.

Sixth, anchor potential foreign investments across sectors looking to diversify their supply chains from China, Vietnam and other countries. A focused approach would be required to target global companies to set up shop in India.

Expedite reforms

Finally, work towards next generation reforms and regulatory reforms – as proposed in the last two Union Budgets – must be expedited. Production-Linked Incentive (PLI) schemes must be expanded to include other potential sectors (e.g., hearables and wearables, IoT devices, battery raw materials). These will help scale up manufacturing, attract investment in critical sectors, and build self-reliance.

While global uncertainties pose undeniable challenges, they also offer an opportunity for India to emerge as a global manufacturing hub and be an integral part of the global supply chains. Through strategic trade negotiations and structural reforms, India can weather the storm and emerge stronger.

Paper 03 : Indian Economy

UPSC Mains Practice Question: **India must leverage trade diplomacy to secure its economic interests in an increasingly protectionist global environment." Examine this statement in the context of evolving global trade policies and bilateral negotiations. (250 words)**

Context :

The global economy is facing multiple disruptions - from geopolitical tensions and trade wars to tariff uncertainties and supply chain realignments. These challenges have direct implications for India's export sector, foreign trade policy, and domestic economic resilience. In this context, the President of FICCI outlines a multi-pronged roadmap to navigate external shocks while leveraging emerging global opportunities.

Global Scenario:

- Rise in protectionist measures, including reciprocal tariffs and trade restrictions, especially from the U.S.
- Ongoing tariff reviews and push for bilateral trade agreements (BTAs) across major economies.
- Increased uncertainty in global supply chains, impacting MSMEs and exporters reliant on high-cost destinations like the U.S.
- Risk of dumping by surplus-producing nations like China and ASEAN into the Indian market.

Risks for India:

1. **Export Vulnerability:**
    - The U.S. accounts for nearly 20% of India's merchandise exports, especially in sectors like pharmaceuticals, apparel, gems and jewellery, auto components, etc.
    - Tariff hikes or delays in trade deals can hurt MSME profitability and export viability.
2. **Global Spillovers:**
    - Trade uncertainties impact business confidence, investment flows, and supply chain decisions.
    - Risk of increased Chinese and ASEAN dumping into India as they seek alternate markets.
3. **Domestic Uncertainty:**
    - Exporters face planning difficulties due to lack of clarity on tariff regimes and non-tariff barriers (NTBs).
    - Over-dependence on a few markets and sectors could hurt long-term competitiveness.

India's Strategic Response:

1. Smart Trade Diplomacy:

- Accelerate Bilateral Trade Agreements, especially with the U.S. and U.K.
- Push for zero tariffs on priority sectors while protecting national interests.
- Tackle non-tariff barriers through mutual recognition agreements and regulatory convergence.

2. Diversification of Export Markets:

- Finalise key FTAs with the European Union, Australia (CECA), and other potential partners.
- Reduce reliance on single-country markets like the U.S. by expanding access globally.

3. Defensive Trade Measures:

- Strengthen import monitoring and adopt trade remedial tools (e.g., anti-dumping duties) to protect domestic industries.
- Avoid economic disruption from sudden surges in dumped goods.

4. Domestic Demand and Capex Push:

- Sustain public capital expenditure to maintain growth momentum.
- Crowding-in of private investment can be stimulated through consistent government spending.

5. Monetary Policy Alignment:

- Maintain an accommodative policy stance, especially with inflation under control.
- Further rate cuts can incentivize growth amidst global slowdown.

6. Attract Foreign Investment:

- Target global firms seeking to diversify supply chains away from China.
- Provide incentives and streamlined approvals to anchor investments in key manufacturing sectors.

7. Structural Reforms:

- Expedite next-generation reforms as per Union Budget priorities.
- Expand Production-Linked Incentive (PLI) schemes to high-potential sectors like IoT, battery minerals, wearables.
- Push for regulatory simplification to improve ease of doing business.

Conclusion:

While global trade disruptions pose significant short-term challenges, they also present long-term strategic opportunities for India. By pursuing targeted trade agreements, deepening structural reforms, and enhancing domestic economic resilience, India can reposition itself as a key node in the global supply chain ecosystem. The goal must be to emerge not just as a reactive participant but as a proactive global economic actor.