THE HINDU
INDIA'S NATIONAL NEWSPAPER SINCE 1878

Daily News Analysis

The Hindu Important News Articles & Editorial For UPSC CSE

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In a move that has significantly strained Indo-U.S. trade relations, former U.S. President Donald Trump signed an executive order doubling tariffs on Indian imports from 25% to 50%. This action was justified by the U.S. as a response to India's continued import of oil from Russia, despite sanctions and diplomatic pressure.

- The development has triggered strong reactions from India's Ministry of External Affairs (MEA) and trade bodies, citing the move as "unfair, unjustified, and unreasonable." This marks a fresh low in bilateral trade diplomacy, raising pertinent questions on strategic autonomy, economic nationalism, and global trade politics.

Trump hikes levy on Indian imports to 50%

U.S. President signs order for additional 25% tariff on Indian goods, doubling July 31 rate

One part takes effect today and the rest after 21 days; decision 'extremely unfortunate', says MEA

This is a 'severe setback', says FIEO chief, noting that 55% of Indian exports to U.S. market will be affected

T.C.A. Sharad Raghavan
NEW DELHI

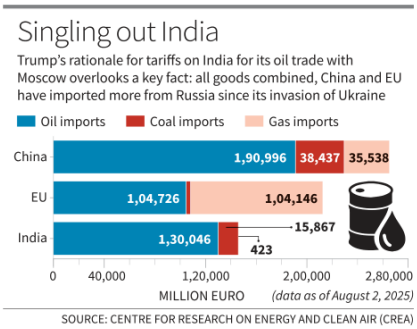
U.S. President Donald Trump on Wednesday signed an executive order imposing an additional 25% tariff on imports from India, in response to India "directly or indirectly" importing oil from Russia. This is over and above the 25% tariff on Indian imports that Mr. Trump approved on July 31.

While the initial 25% tariff will come into effect from Thursday, the additional 25% tariff will come into effect after 21 days.

The Ministry of External Affairs (MEA), in response, said it has made its stand clear – through an earlier statement following Mr. Trump's threat of additional tariffs – that these actions were "unfair, unjustified and unreasonable". It was "extremely unfortunate" that the U.S. has chosen this course of action, the MEA said.

"To deal with the national emergency described in Executive Order 14066 [relating to Russia's actions in Ukraine], I determine that it is necessary and appropriate to impose an additional *ad valorem* duty on imports of articles of India, which is directly or indirectly importing Russian Federation oil," Mr. Trump's executive order said.

"Accordingly, and as consistent with applicable law, articles of India imported into the customs territory of the United States shall be subject to an additional *ad valorem* rate of duty of 25%," it added. Over the last few days, Mr. Trump has repeatedly threatened additional tariffs on India as a "penalty" for its oil imports from Russia.



India's clear position

In response to one such threat, the MEA on Monday pointed out that, not only did the U.S. encourage such trade previously, both the European Union and the U.S. actively trade other items with Russia in excess of the amount that India pays for Russian oil.

"We have already made clear our position on these issues, including the fact that our imports are based on market factors and done with the overall objective of ensuring the energy security of 1.4 billion people of India," the MEA statement said on Wednesday. "It is therefore extremely unfortunate that the U.S. should choose to impose additional tariffs on India for actions that several other countries are also taking in their own national interest."

"We reiterate that these actions are unfair, unjustified and unreasonable," the MEA added. "India will take all actions necessary to protect its national interests."

This latest escalation by Mr. Trump is a "severe setback" for Indian exports, said S.C. Ralhan, president of the Federation of Indian Export Organisations (FIEO), noting that nearly 55% of Indian exports to the U.S. market will be directly affected.

"The 50% reciprocal tariff effectively imposes a cost burden, placing our exporters at a 30% to 35% competitive disadvantage compared to peers from countries with a lower reciprocal tariff," Mr. Ralhan added.

Negotiators from the U.S. and India are currently engaged in finalising the first tranche of a Bilateral Trade Agreement (BTA) by fall of this year. The next physical meeting between the two sides is expected to start on August 25 in New Delhi.

"India should remain calm, avoid retaliation for at least six months, and recognise that meaningful trade negotiations with the U.S. cannot proceed under threats or mistrust," said Ajay Srivastava, founder of the Global Trade Research Initiative and a former Director General of Foreign Trade.

He added that India could consider stopping its purchases of Russian oil only if it was economically viable, and not under duress from Washington.

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Tariff imposition is an economic blackmail: Rahul

NEW DELHI

The Leader of the Opposition in the Lok Sabha, Rahul Gandhi, said the second round of tariff imposed on India was "economic blackmail" aimed at securing an unfair trade deal. PM Narendra Modi should not let his "weakness" override the interests of the Indian people, he said. » PAGE 4

Background of the Issue

- On July 31, the U.S. imposed a 25% tariff on Indian imports.
- Now, an additional 25% tariff has been imposed, bringing the total to 50%.
- The rationale cited is India's import of Russian oil, which the U.S. links to the national emergency declared under Executive Order 14066, related to Russia's actions in Ukraine.
- One part of the tariff is effective immediately, and the other after 21 days.

India's Response and Position

- The MEA condemned the move as extremely unfortunate and highlighted the double standards of Western countries.
- **It emphasized that:**
  - India's oil imports are based on market dynamics and energy security needs of 1.4 billion citizens.
  - EU and U.S. themselves continue trade with Russia in various forms.
  - India will take all steps to safeguard its national interests.

Economic Implications

1. **Export Setback**
   - FIEO (Federation of Indian Export Organisations) stated that 55% of Indian exports to the U.S. will be affected.
   - Indian exporters face a 30-35% cost disadvantage, leading to loss of competitiveness.
2. **Trade Diversion**
   - Buyers in the U.S. may shift to other countries with lower tariffs, affecting India's market share.
3. **Pressure on Bilateral Trade Talks**
   - The tariff imposition comes at a time when both countries are finalising the first tranche of a Bilateral Trade Agreement (BTA).
   - The trust deficit may delay or derail meaningful negotiations.

Strategic and Diplomatic Dimensions

- **Violation of WTO norms?**
  - Unilateral and targeted tariff hikes could be challenged at WTO as being discriminatory.
- **Strategic Autonomy under Pressure**
  - India has long maintained a policy of strategic autonomy, balancing relations with both the U.S. and Russia.
  - Caving under U.S. pressure would set a precedent for external influence on India's foreign policy decisions.
- **Energy Security**
  - Russia provides discounted crude, crucial for India's fiscal stability and inflation control.
  - Abrupt disengagement could hurt domestic growth, especially amidst global oil volatility.

Expert Opinion

- **Ajay Srivastava, Global Trade Research Initiative, suggests:**
  - No retaliation for now – wait at least 6 months.
  - Continue trade negotiations, but not under pressure.

- India should consider ending oil imports from Russia only if economically viable, not due to political coercion.

Way Forward

1. **Diplomatic Engagement**
   - High-level dialogue should be pursued to diffuse tensions and build mutual trust.
2. **Leveraging Multilateral Forums**
   - India can raise the issue at WTO or G-20 platforms to gather support from Global South.
3. **Diversification of Export Markets**
   - Reduce dependence on the U.S. by exploring Latin America, Africa, Southeast Asia for trade partnerships.
4. **Energy Policy Reassessment**
   - Long-term strategies should focus on energy diversification and renewable alternatives to reduce geopolitical risks.
5. **Strategic Messaging**
   - India must clearly communicate that economic coercion won't alter its sovereign decisions, while remaining open to win-win partnerships.

Conclusion

The U.S.'s decision to hike tariffs on Indian imports to 50% is a clear indicator of rising protectionism and geopolitical pressure in global trade relations. For India, this is not merely a commercial challenge but a test of its diplomatic maturity and strategic resolve. While safeguarding its economic and energy interests, India must also uphold its image as a responsible global actor. Navigating this sensitive episode with prudence, patience, and principle will define the future trajectory of Indo-U.S. ties in a multipolar world.

UPSC Prelims Practice Question

Ques: If India were to retaliate by imposing equivalent tariffs on American goods, which of the following challenges might arise under WTO rules?

1. Retaliation might require DSB (Dispute Settlement Body) authorization.

2. Such retaliation could violate India's own MFN obligations.

3. India could be accused of trade protectionism under GATT norms.

4. Unilateral retaliation is not legally permitted unless ruled by WTO.

Select the correct code:

A. 1 and 4 only

B. 1, 2 and 3 only

C. 1, 2, 3 and 4

D. 2 and 3 only

Ans: C)

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Page 04 : GS 2 & 3 : International Relations & Indian Economy

India, with a coastline of over 7,500 km and 12 major ports, depends heavily on maritime trade for economic growth. In a landmark move, Parliament has passed two crucial legislations – the Merchant Shipping Bill, 2024 and the Carriage of Goods by Sea Bill, 2025 – aiming to modernise and harmonise India's maritime legal framework with global standards. These reforms are expected to simplify shipping regulations, improve legal clarity, and boost investor confidence in India's maritime economy.

Parliament passes legislation to modernise India's maritime laws

The Hindu Bureau
NEW DELHI

The Carriage of Goods by Sea Bill, 2025 was passed by the Rajya Sabha on Wednesday even as the Opposition continued loud protests against the special intensive revision (SIR) of electoral rolls in Bihar. The Lok Sabha passed another maritime legislation, the Merchant Shipping Bill, 2024.

Amid the din in the Upper House, Finance Minister Nirmala Sitharaman also tabled the Demands for Grants for Manipur for 2025-26. Manipur has been under President's Rule since February 13.

The Rajya Sabha was earlier adjourned, soon after the tabling of papers and obituary references at 11 a.m. When the House reassembled at 2 p.m., Bhubaneswar Kalita, who was in the Chair, called for taking up the Carriage of Goods by Sea Bill, 2025, even as Opposition members continued to protest and trooped into the Well of the House. The Bill was approved by a voice vote amid the din. It had been passed by the Lok Sabha earlier.

Large backing: The Bill marks a significant step towards aligning India's maritime legal framework with global standards. REUTERS

Union Minister of Ports, Shipping and Waterways Sarbananda Sonowal said, "Today, with the passage of the Bills, the Modi government's push for India's modern shipping gets double endorsement from Parliament."

The Merchant Shipping Bill, 2024 is meant to be progressive, future-ready legislation that replaces the outdated Merchant Shipping Act of 1958. The Bill marks a significant step towards aligning India's maritime legal framework with global standards and strengthening the country's position as a trusted maritime trade hub.

The Carriage of Goods by Sea Bill, 2025, repealed the Indian Carriage of Goods by Sea Act, 1925.

The legislation is expected to simplify maritime trade laws, reduce litigation risks, and enhance transparency and commercial efficiency in cargo movement by sea.

Key Highlights of the Two Bills

1. Merchant Shipping Bill, 2024

- Replaces the Merchant Shipping Act, 1958, which had become outdated.
- Focuses on being progressive and future-ready.
- Aligns with International Maritime Organisation (IMO) conventions and global maritime practices.
- Seeks to enhance ease of doing business in the shipping sector.

2. Carriage of Goods by Sea Bill, 2025

- Replaces the Indian Carriage of Goods by Sea Act, 1925.
- Introduces modern legal provisions governing cargo transportation by sea.
- Aims to:
    - Reduce litigation risks.
    - Improve transparency and efficiency in maritime contracts.
    - Encourage faster cargo movement and dispute resolution.

Significance of the Legislation

A. Alignment with Global Standards

- Brings Indian maritime law in line with international conventions like:
    - Hague Rules
    - Hamburg Rules
    - Rotterdam Rules
- Enhances India's image as a reliable maritime trade partner.

B. Boost to Blue Economy

- Modern legal frameworks will foster:
    - Private sector participation
    - FDI in ports, shipping, and logistics
    - Growth of coastal and inland shipping
- This aligns with the Sagarmala Programme and PM Gati Shakti for port-led development.

C. Ease of Doing Business

- Reduces red-tape and procedural complexities.
- Simplifies cargo carriage regulations.
- Improves investor confidence and contract enforcement mechanisms.

D. Maritime Governance Reform

- Provides clear rights and responsibilities for carriers, consignors, and consignees.
- Reduces dependency on British-era colonial laws.
- Enhances legal certainty in shipping-related commercial transactions.

Challenges and Concerns

- Implementation capacity in maritime states may lag behind.
- Requires training of legal and port authorities to understand new norms.
- Alignment of state maritime boards with central regulations is critical.
- Ensuring small players in shipping sector are not burdened by compliance.

Conclusion

The passage of the Merchant Shipping Bill, 2024 and the Carriage of Goods by Sea Bill, 2025 is a transformative step in India's maritime legal history. By repealing colonial-era laws and embedding international best practices, India is signaling its ambition to emerge as a maritime power in the Indo-Pacific region. While legislative reform is a strong foundation, its success will depend on implementation, coordination with states, and stakeholder training. Together, these steps can unlock the true potential of India's blue economy, strengthen trade resilience, and further integrate the country into global maritime value chains.

UPSC Mains Practice Question

Ques: Discuss India's efforts to harmonise maritime trade legislation with global standards. Can this make India a maritime power in the Indo-Pacific region?

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Inaugurating Kartavya Bhavan 3 in New Delhi, Prime Minister Narendra Modi called upon all stakeholders to contribute towards making India the world's third-largest economy and strengthening national productivity. Emphasising infrastructure as a symbol of modernity and national vision, the PM linked physical transformation with administrative efficiency and aspirational governance. The occasion highlighted India's transition from colonial-era structures to future-ready institutions aligned with the goals of a developed India (Viksit Bharat) by 2047.

Work together to make India third largest economy: Modi

Prime Minister inaugurates Kartavya Bhavan 3, says policies of the future will be formulated in the building; landmark infrastructure projects are a reflection of India's global vision, he adds

The Hindu Bureau
NEW DELHI

Prime Minister Narendra Modi on Wednesday urged all stakeholders to work together to make India the world's third largest economy and scale up national productivity.

Addressing a programme to inaugurate Kartavya Bhavan 3 in the national capital, Mr Modi encouraged all Indians to contribute to the success stories of government initiatives such as Make in India and Atmanirbhar Bharat. Strengthening India's capabilities must become a shared pursuit and personal mission, he said.

India is witnessing key achievements associated with the making of a modern country, Mr. Modi said, listing recently built infrastructure landmarks such as Kartavya Path, the new Parliament Building, the new Defence Offices Complex, Bharat Mandapam, Yashobhoomi, and the National War Memorial dedicated to the martyrs. He emphasised that these were not merely buildings or regular infrastructure, pointing out that policies shaping a developed India would be formulated in these very structures. In the coming decades, the nation's trajectory would be determined from these institutions, he said.

Grand opening: Prime Minister Narendra Modi watering a sapling during the inauguration of Kartavya Bhavan 3 in New Delhi. PTI

For decades after Independence, India's administrative machinery had operated from buildings constructed during the British colonial era, he said. He noted the poor working conditions in these old administrative buildings, which "lack adequate space, lighting, and ventilation".

Mr. Modi said it was difficult to imagine how an important Ministry such as the Home Ministry had functioned for nearly 100 years from a single building with insufficient infrastructure.

He said various Ministries of the government currently operate from 50 locations across Delhi, many of which are rented buildings. He underlined that the annual expenditure on rental costs alone was a staggering ₹1,500 crore.

'Global vision'

"The grand Kartavya Bhavan and other major infrastructure projects, including the new Defence Complexes, are not only a testament to India's pace but also a reflection of its global vision," the Prime Minister said.

The Kartavya Bhavans, the new Central Secretariat buildings which will house all Ministries and departments of the Centre, embody the resolve to fulfil the nation's dreams and will guide the policies and direction of a developed India, he added.

He said that his government was engaged in nation-building with a holistic vision, and asserted that no part of the country was untouched by the stream of development today.

Key Highlights of the Address

1. **Kartavya Bhavan 3 Inauguration**

- Part of the new Central Secretariat complex under the Central Vista Redevelopment Project.
- Will house major ministries and departments currently operating from 50+ locations in Delhi.
- Aims to reduce ₹1,500 crore annual rental expenditure.

2. **Call for National Participation**
   - Encouraged citizens to contribute to government initiatives like:
     - Make in India
     - Atmanirbhar Bharat
   - Urged for a shared mission to scale up national productivity.
3. **Modern Infrastructure as Policy Catalyst**
   - Infrastructure such as Kartavya Path, New Parliament, Defence Complex, Bharat Mandapam, Yashobhoomi, and War Memorial are:
     - Reflections of a global vision.
     - Spaces where future policies for a developed India will be shaped.
   - Emphasised the shift from colonial legacy to self-designed administrative architecture.

Significance and Broader Implications

A. Administrative Reform through Infrastructure

- Modern offices = Better working conditions, digitalisation, and inter-ministerial coordination.
- Enhanced efficiency in governance and policy implementation.

B. Symbolic Shift from Colonial Past

- PM Modi reiterated that many ministries functioned in outdated British-era buildings.
- New infrastructure symbolises India's self-confidence, sovereignty, and post-colonial transition.

C. Economic and National Vision

- Focus on achieving 3rd largest economy status (India is currently 4th as per 2025 estimates).
- Infrastructural growth seen as a multiplier for economic productivity and job creation.

D. Nationwide Development Focus

- The PM asserted that no part of India is untouched by development, promoting the idea of inclusive growth.
- Infrastructure is used as a unifier of national aspirations.

Critical Perspective

- While the infrastructure revamp is symbolically important, it must be matched by:
  - Civil services reform
  - Policy innovation
  - Administrative training
- Risk of over-centralisation if multiple ministries converge in one location.
- Citizens must see visible service delivery improvements to validate such investments.

Conclusion

Prime Minister Modi's speech at the inauguration of Kartavya Bhavan 3 reflects a transformational vision—one that ties infrastructure with institutional purpose and administration with aspiration. As India prepares to position itself as the third-largest global economy, such nation-building efforts must remain inclusive, transparent, and people-centric. The physical modernisation of governance spaces must translate into responsive and accountable governance, truly reflective of a Viksit Bharat.

UPSC Mains Practice Question

Ques: How does replacing colonial-era administrative buildings with modern institutions reflect India's evolving cultural and policy identity? Illustrate with examples. (**150 Words)**

The recent flood disaster in Uttarkashi district, Uttarakhand, underscores the chronic vulnerability of the Himalayan region to climate-induced and anthropogenic disasters. Triggered by torrential rains from August 3–5, the flooding of the Kheer Ganga river led to the death of at least four persons, with many feared missing, including Indian Army personnel. Labelled a "cloudburst" by state officials, the event raises deeper concerns about the fragility of mountain ecosystems, inadequate forecasting infrastructure, and the need for proactive disaster mitigation.

Key Highlights

- Torrential rain caused massive water and debris flow, affecting hotels, homes, and lives in Dharali town at 8,600 ft altitude.
- Preliminary reports blamed a cloudburst, but the IMD lacks weather radar coverage at such altitudes to confirm this scientifically.
- The combination of persistent rainfall, loose soil, and terrain likely caused a massive buildup and release of water and silt.
- Climate change and unregulated infrastructure development are intensifying such disasters.
- The response so far has been ritualistic: condolence messages, token relief, and little systemic change.

Analytical Issues Raised

1. Misuse of the Term 'Cloudburst'

- A "cloudburst" is defined by the IMD as rainfall ≥10 cm/hour over a 10 sq. km area.
- In the absence of accurate real-time data in hilly terrains, the label often becomes a political excuse for helplessness.
- It masks the slow-onset vulnerability that builds up over time due to human activity.

2. Anthropogenic Stress

Sleeping disasters

Governments must monitor silt accumulation at vulnerable points

The disaster in Uttarkashi district of Uttarakhand serves as a reminder of the permanent risk of destabilisation in the Himalayas. At least four persons were killed and at least 60 people are feared washed away after a mass of water, debris and muck triggered by torrential rain hit the Kheer Ganga river on Tuesday afternoon. The flood hit hotels and residential buildings in Dharali town, situated 8,600 feet above sea level, where video footage recorded by residents showed giant waves of water gushing through the area, engulfing people and homes. Several Indian Army personnel are also feared dead, according to preliminary reports.

The proximate cause of the disaster is the extremely heavy rainfall from August 3 to 5, with some parts of the district reporting nearly 30 cm of rainfall over a single day due to the monsoon and its active phase over North India. The fury and the volume of the water that gushed through the town seemed to suggest that this was a sudden event, prompting State officials to categorise it as a 'cloudburst'. However, this has a very specific meaning in how the India Meteorological Department (IMD), the official forecaster, defines it. A large volume of rain, of at least 10 centimetres in an hour over 10 square kilometres, is what usually qualifies as a cloudburst. The lack of weather radars at those altitudes means that the IMD is incapable of such a computation. Therefore, it could very well be that continuous heavy rain over the past 48 hours may have loosened the soil and combined with the craggy, undulating terrain, unleashed large volumes of silt along with copious amounts of water. Whether it was a sudden event or the result of a gradual build-up might seem only of academic interest, given the loss of life, livelihood and property. The knee-jerk categorisation as a 'cloudburst' allows state authorities to claim helplessness. Once it is projected as a freak phenomenon, the event only elicits social media commiseration from public authorities in the form of 'prayers' and 'deep sadness' and a pre-defined token sum as disbursement. The recent past shows that these are anything but outliers. Climate change has increased the probability of extreme rainfall events and, therefore, the numerous infrastructure projects undertaken in the hills and the resulting debris act as latent explosives that are triggered from such rainfall. Following relief operations, the State government must – as soon as conditions are conducive – review debris and silt accumulation at critical points in the State to buffer the inevitable damage from climate change.

- Construction of hydropower projects, highways, and tourism infrastructure in fragile zones adds to destabilisation.
- The removal of vegetation, accumulation of construction debris, and poor land-use planning aggravate risk.

3. Inadequate Monitoring & Early Warning

- Lack of Doppler radars, soil saturation monitoring, and real-time rainfall analysis hampers early detection.
- Traditional knowledge and community-based warning systems are underutilised.

4. Climate Change and Extreme Events

- IPCC reports have confirmed increased frequency and intensity of extreme rainfall in the Indian Himalayan Region (IHR).
- Such events are no longer rare and need to be considered in all disaster and infrastructure planning.

Way Forward / Recommendations

1. **Improve Monitoring Infrastructure**
    - Install weather radars and soil moisture sensors in high-risk Himalayan zones.
    - Use remote sensing and GIS mapping for landslide and flood risk zones.
2. **Debris & Silt Management**
    - Conduct regular silt and debris accumulation audits at vulnerable river points.
    - Enforce stringent rules on construction waste disposal in hill regions.
3. **Urban Planning in Hill Towns**
    - Update and implement zoning laws and building codes based on carrying capacity.
    - Restrict construction in ecologically sensitive zones (ESZs).
4. **Community Involvement & Preparedness**
    - Invest in local early warning systems, community drills, and decentralised disaster response units.
    - Engage local stakeholders in vulnerability mapping and post-disaster reconstruction.
5. **Long-Term Climate Adaptation Strategy**
    - Integrate climate risk assessment in all infrastructure projects.
    - Promote nature-based solutions like afforestation, wetland restoration, and slope stabilisation.

Conclusion

The Uttarkashi disaster is not an isolated tragedy but a predictable outcome of systemic neglect, poor planning, and increasing climate extremes. Mislabeling it as a "cloudburst" evades accountability and delays

meaningful reforms. As India aspires to grow economically and globally, its ecological foundations must not be undermined. True resilience will emerge not from token responses but from scientific monitoring, responsible development, and community-led disaster preparedness.

UPSC Mains Practice Question

Ques: Natural disasters in the Himalayan region are increasingly becoming frequent due to climate change and unregulated human intervention. Discuss in the context of the recent Uttarkashi disaster.

In its latest monetary policy review, the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) has maintained the repo rate at 5.5% and retained its neutral policy stance. This decision reflects the RBI's effort to strike a delicate balance between supporting growth and ensuring price stability, amidst a volatile global environment shaped by geopolitical tensions, financial market uncertainty, and a changing inflation outlook.

MPC holds repo rate at 5.5%, maintains GDP growth at 6.5%

Headwinds emanating from prolonged geopolitical tensions, volatility in global financial markets posing risks to growth outlook, says committee

Lalatendu Mishra
MUMBAI

Policy matters: RBI Governor Sanjay Malhotra delivering the monetary policy statement on Wednesday. PTI

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) on Wednesday voted to maintain the policy repo rate at 5.50% and continue with its neutral stance after assessing the current and evolving macroeconomic situation.

Consequently, the standing deposit facility (SDF) rate under the liquidity adjustment facility (LAF) remains unchanged at 5.25% and the marginal standing facility (MSF) rate and the bank rate at 5.75%.

This decision is towards achieving the medium-term target for consumer price index (CPI) inflation of 4% within a band of +/- 2%, while supporting growth. The MPC took note that the global environment continues to be challenging. Global growth, though revised upwards by the IMF, remains muted. The pace of disinflation is slowing down, with some advanced economies even witnessing an uptick in inflation, it noted.

In this backdrop, the domestic growth remains resilient and is broadly evolving along the lines of our assessment, it stated.

However, the prospects of external demand remain uncertain amid ongoing tariff announcements and trade negotiations. The headwinds emanating from prolonged geopolitical tensions, persisting global uncertainties, and volatility in global financial markets pose risks to the growth outlook, it observed. Taking various factors into account, the projection for real GDP growth for 2025-26 has been retained at 6.5%, with Q1 at 6.5%, Q2 at 6.7%, Q3 at 6.6% , and Q4 at 6.3%.

Real GDP growth for Q1:2026-27 is projected at 6.6%. The risks are evenly balanced.

Stating that CPI headline inflation declined for the eighth consecutive month to a 77-month low of 2.1% (y-o-y) in June 2025, the MPC observed that this was driven primarily by a sharp decline in food inflation led by improved agricultural activity and various supply side measures. However, core inflation, which remained within a narrow range of 4.1-4.2% during February-May, increased to 4.4% in June, driven partly by a continued increase in gold prices, it stated adding that the inflation outlook for 2025-26 had become more benign than expected in June.

Considering various factors, CPI inflation for 2025-26 has been projected at 3.1% [as compared with 3.7% previously] with Q2 at 2.1%; Q3 at 3.1% ; and Q4 at 4.4%. CPI inflation for Q1:2026-27 is projected at 4.9%. The risks are evenly balanced.

"Despite a challenging external environment, the Indian economy is navigating a steady growth path with price stability," RBI Governor Sanjay Malhotra said in his Monetary Policy statement.

Key Highlights of the Policy

Interest Rates

- Repo rate: 5.5% (unchanged)
- Standing Deposit Facility (SDF): 5.25%
- Marginal Standing Facility (MSF) and Bank Rate: 5.75%
- Stance: Neutral

Growth Outlook

- Real GDP growth for 2025–26: Retained at 6.5%
  - Q1: 6.5% | Q2: 6.7% | Q3: 6.6% | Q4: 6.3%
- Q1 of 2026–27: 6.6%
- Risks: Evenly balanced

Inflation Outlook

- CPI inflation for 2025–26: Revised down to 3.1% (earlier 3.7%)
  - Q2: 2.1% | Q3: 3.1% | Q4: 4.4%
- Q1 of 2026–27: 4.9%
- Risks: Evenly balanced

Analytical Insights

1. Why Was the Repo Rate Held Steady?

- CPI Inflation is well below the 4% target, falling to 2.1% in June 2025, a 77-month low.
- Core inflation, however, is inching up (4.4% in June), largely due to rising gold prices.

- With headline inflation benign and growth stable, the RBI sees no urgent need to hike or cut rates.
- A rate cut might fuel asset bubbles, while a hike could dampen consumption and investment.

2. Global Factors at Play

- Global disinflation is slowing.
- Geopolitical tensions and tariff wars are weakening external demand.
- Financial market volatility (exchange rates, capital flows) adds to uncertainty.

3. Domestic Economic Stability

- Agricultural productivity has improved, easing food inflation.
- Government's supply-side measures have helped control price volatility.
- Indian economy is resilient, supported by infrastructure investment, urban demand, and services growth.

4. Policy Dilemma: Growth vs. Inflation

- RBI's mandate: Inflation targeting (CPI @ 4% ± 2%) with support to growth.
- With inflation under control, focus shifts to sustaining growth amid external shocks.

Conclusion

RBI's decision to maintain the repo rate at 5.5% highlights its prudent and cautious approach in a globally uncertain environment. With inflation cooling and growth steady, the central bank seeks to maintain macro-financial stability without hampering momentum. Going forward, the RBI will need to stay nimble and data-driven, especially as global volatility, trade disruptions, and commodity price fluctuations continue to shape India's economic trajectory. For policymakers and stakeholders, the challenge remains: nurturing growth while guarding against emerging inflationary pressures.

UPSC Prelims Practice Question

Ques: With reference to the Monetary Policy Committee (MPC) of India, consider the following statements:

1. The MPC is a constitutional body that determines the inflation target under the RBI Act, 1934.

2. The committee consists of six members, with equal representation from the RBI and the Central Government.

3. The decisions of the MPC are binding on the RBI.

Which of the statements given above is/are correct?

A. 1 and 2 only

B. 2 and 3 only

C. 1 and 3 only

D. 2 only

Ans: B

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Daily News Analysis

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What is the potential of biochar?

What are the byproducts of biochar production and how can they generate additional electricity and fuels? How can biochar help the construction sector? Why does biochar remain underrepresented in carbon credit systems? How should one enable large-scale adoption of biochar?

EXPLAINER

Harishankar Kopperi
Suresh N.S.

The story so far:

With the Indian carbon market set to be launched in 2026, CO2 removal technologies such as biochar are expected to play a crucial role. Biochar is a type of charcoal rich in carbon and is produced from agricultural residue and organic municipal solid waste. It offers a sustainable alternative to manage waste and capture carbon. However, to truly serve as a scalable pathway for negative emissions across sectors, biochar requires participation and support from multiple stakeholders.

What is biochar's potential?

India generates over 600 million metric tonnes of agricultural residue and over 60 million tonnes of municipal solid waste every year. A significant portion of both is burnt openly or dumped in landfills, leading to air pollution from particulate matter and greenhouse gases such as methane, nitrous oxide, and CO2.

By using 30% to 50% of surplus waste, India can produce 15-26 million tonnes of biochar and remove 0.1 gigatonnes of CO2-equivalent annually. Byproducts of biochar production, such as syngas (20-30 million tonnes) and bio-oil (24-40 million tonnes), can generate additional electricity and fuels. Theoretically, utilising syngas could generate around 8-13 TWh of power, equivalent to 0.5-0.7% of India's annual electricity generation, replacing 0.4-0.7 million tonnes of coal per year. Bio-oil can likewise potentially offset 12-19 million tonnes (or 8%) of diesel or kerosene production annually, leading to lower crude oil imports and reducing more than 2% of India's total fossil-fuel-based emissions.

How can biochar be a carbon sink?

Biochar can hold carbon in the soil for 100-1,000 years due to its strong and stable characteristics, making it an effective long-term carbon sink. Its application across different sectors provides scalable opportunities for reducing emissions.

Removing emissions: A biochar pit and graded sticks. GETTY IMAGES

In agriculture, applying biochar can improve water retention, particularly in semi-dry and nutrient-depleted soils. This, in turn, can abate nitrous oxide emissions by 30-50%. Notably, nitrous oxide is a greenhouse gas with 273-times the warming potential of CO2, making its mitigation a crucial benefit of biochar.

Biochar can also enhance soil organic carbon, helping restore degraded soils.

In carbon capture applications, modified biochar can adsorb CO_2 from industrial exhaust gases. However, its carbon removal efficiency is currently lower than that of conventional methods.

In the construction sector, biochar can be explored as a low-carbon alternative to building materials. Adding 2-5% of biochar to concrete can improve mechanical strength, increase heat resistance by 20%, and capture 115 kg of CO_2 per cubic metre, making building materials a stable carbon sink.

In wastewater treatment, biochar offers a low-cost and effective option to reduce pollution. India generates more than 70 billion litres of wastewater every day, of which 72% is left untreated. A kilogram of biochar, along with other substances, can treat 200-500 litres of wastewater, implying a biochar demand potential of 2.5-6.3 million tonnes.

What hinders biochar's application?

Despite its theoretically substantial potential to capture carbon, biochar remains underrepresented in carbon credit systems due to the absence of standardised feedstock markets and consistent carbon accounting methods, which undermine investor confidence.

While research confirms biochar's technical feasibility for applications across sectors, deployments are hindered by barriers such as limited resources, evolving technologies, market uncertainties, and insufficient policy support. Viable business models are yet to emerge for large-scale adoption. Market development is further constrained by limited awareness among stakeholders, weak 'monitoring, reporting, verification' frameworks, and a lack of coordination across areas such as agriculture, energy, and climate policy.

To enable large-scale adoption, sustained support for R&D is essential to create region-specific feedstock standards and to optimise biomass utilisation rates based on agro-climatic zones and crop types. Further, biochar should be systematically integrated into existing and upcoming frameworks, including crop residue management schemes, bioenergy initiatives in both urban and rural contexts, and state-level climate strategies under the State Action Plans on Climate Change. Recognising biochar as a verifiable carbon removal pathway within the Indian carbon market will generate additional income for investors and farmers through carbon credits. Deploying biochar production equipment at the village level has the potential to create approximately 5.2 lakh rural jobs, linking climate action with inclusive economic development. The additional benefits of biochar, such as better soil health, lower fertilizer requirement (by 10-20%), and higher crop yield (by 10-25%), should be systematically integrated into policy and market frameworks to fully realise its potential.

In sum, although biochar is not a silver bullet, it offers a science-backed multisectoral pathway for India to achieve its climate and development goals.

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THE GIST

- By using 30% to 50% of surplus waste, India can produce 15-26 million tonnes of biochar and remove 0.1 gigatonnes of CO2-equivalent annually.
- Biochar can hold carbon in the soil for 100-1,000 years due to its strong and stable characteristics, making it an effective long-term carbon sink.
- While research confirms biochar's technical feasibility for applications across sectors, deployments are hindered by barriers such as limited resources, evolving technologies, market uncertainties, and insufficient policy support.

GS. Paper 03 Environment

UPSC Mains Practice Question: Evaluate the prospects, benefits, and implementation challenges of biochar use in India. **(150 words)**

Context :

As India prepares to operationalise its carbon market by 2026, biochar has emerged as a promising carbon-negative technology with vast applications in waste management, agriculture, energy, construction, and climate mitigation. Produced from agricultural residue and organic municipal waste through pyrolysis, biochar not only sequesters carbon for centuries but also generates useful byproducts like syngas and bio-oil. Despite its potential, biochar remains underutilised, due to technical, policy, and economic challenges.

What is Biochar?

- Biochar is a carbon-rich, porous material obtained by heating biomass (crop waste, organic municipal waste) in limited oxygen.
- Functions as a long-term carbon sink, soil enhancer, and pollution absorber.
- Its production also yields syngas and bio-oil—usable for electricity and fuel generation.

Potential of Biochar in India

1. Carbon Removal & Emissions Reduction

- India can remove 0.1 Gt CO_2-equivalent annually by converting 30-50% of surplus biomass into biochar.
- Sequestration potential: Stable carbon lock-in for 100–1,000 years.
- Reduces N_2O emissions by 30–50%, a gas 273x more potent than CO_2.

2. Waste Management

- **India produces:**
  - 600+ million tonnes of agricultural residue.
  - 60+ million tonnes of municipal solid waste.
- Biochar provides a sustainable alternative to open burning and landfilling, reducing air and methane pollution.

3. Energy Security

- **Byproducts:**
  - Syngas (20–30 Mt): Can generate 8–13 TWh, replacing 0.4–0.7 Mt of coal.
  - Bio-oil (24–40 Mt): Can offset 8% of diesel/kerosene, reducing oil imports.
- Net benefit: Reduction of >2% of India's fossil-fuel-based emissions.

4. Soil Health & Agriculture

- **Enhances:**
  - Water retention
  - Soil organic carbon
  - Crop yields by 10–25%
- **Reduces:**
  - Fertiliser demand by 10–20%
- Helps rehabilitate degraded and nutrient-poor soils.

5. Construction Industry

- Adding 2–5% biochar in concrete:
  - Increases mechanical strength and heat resistance.
  - Sequesters 115 kg CO_2 per cubic metre.
- Enables development of low-carbon building materials.

6. Wastewater Treatment

- Treats 200–500 litres of wastewater per kg of biochar.
- Addresses India's challenge of 70 billion litres/day wastewater (72% untreated).
- Creates a demand potential of 2.5–6.3 Mt of biochar for treatment.

Challenges in Biochar Adoption

Challenge	Details
Lack of Carbon Credit Recognition	No standardised accounting methods; limited investor confidence.
Technology and Market Gaps	Evolving tech, limited business models, high production cost.
Policy Incoherence	Biochar not yet mainstreamed into climate or waste policies.
Weak MRV Systems	Poor monitoring, reporting, and verification frameworks.
Awareness Deficit	Low awareness among farmers, entrepreneurs, and investors.

Way Forward

1. Policy Integration

- **Mainstream biochar into:**
  - State Action Plans on Climate Change
  - Crop Residue Management Schemes
  - Bioenergy Missions

2. Carbon Market Recognition

- Recognise biochar as a verifiable carbon sink in the upcoming Indian Carbon Market.
- Enable carbon credit monetisation to benefit farmers and private players.

3. Decentralised Implementation

- Deploy village-level biochar production units.
- Potential to generate 5.2 lakh rural jobs, linking climate action with livelihoods.

4. R&D and Standards

- **Support R&D for:**
  - Feedstock-specific protocols
  - Agro-climatic suitability mapping
  - Long-term storage impact studies

5. Awareness and Capacity Building

- **Conduct training for:**
  - Farmers, entrepreneurs, ULBs (urban local bodies).
  - Build market ecosystems with private sector partnerships.

Conclusion

Biochar offers a science-backed, low-cost, and high-impact solution for India's intertwined challenges of climate change, waste management, energy security, and rural livelihoods. While not a silver bullet, it provides a unique multi-sectoral mitigation pathway. Its success will depend on how effectively India can institutionalise it within its carbon market, scale it through decentralised systems, and align it with national and sub-national climate strategies. Unlocking biochar's full potential could be a cornerstone in India's Net Zero by 2070 journey.