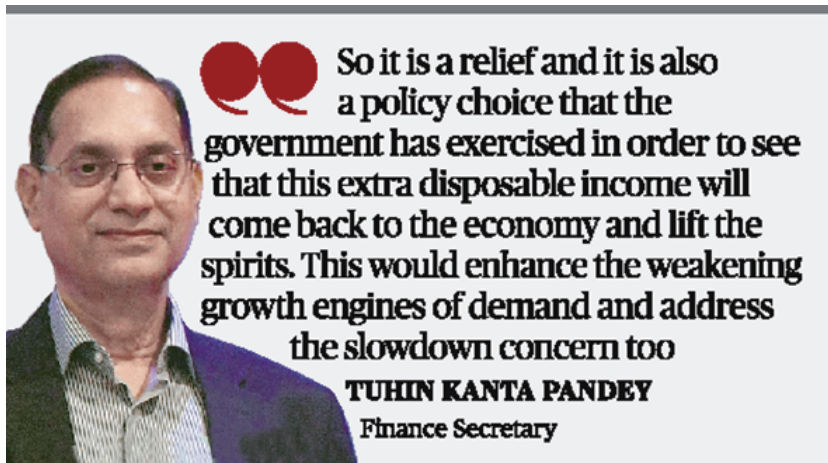




## Tax cut will boost slowing economy: Centre

### ECONOMICS & DEVELOPMENT



The Centre has reduced the income tax burden to address public concerns and stimulate economic growth by boosting demand, savings, and investments, according to Finance Secretary Tuhin Kanta Pandey. He emphasized that the current economic situation requires multiple growth drivers and that trusting people's financial choices will ultimately benefit the economy. The government will forgo ₹ 1 lakh crore by making annual incomes up to ₹12 lakh tax-free and restructuring tax slabs.

### 'Unfathomable spur'

Finance Secretary Tuhin Kanta Pandey stated that the

government's tax relief would significantly boost the economy by addressing public concerns and countering the slowdown. He explained that returning money to people allows for broader economic benefits, as individuals can choose to consume, save, or invest. Increased consumption supports various sectors, higher savings strengthen bank deposits and credit availability for MSMEs, and direct investments, such as in housing, contribute to economic activity. He emphasized that household investments remain a vital economic driver, especially in smaller towns.

Finance Secretary Tuhin Kanta Pandey stated that the impact of the tax stimulus on growth would depend on the balance between consumption and investment, both of which would benefit the economy. He emphasized that the measure provides relief while also serving as a policy tool to boost demand and counter the economic slowdown. He assured that the Budget is non-inflationary, maintaining a fiscal deficit of 4.4 % of GDP. Addressing concerns about public capital expenditure, he clarified that total effective capex amounts to ₹20 lakh crore, including spending by the Centre, states, and public sector firms.

## 260 Myanmar refugees take shelter in Manipur

### INTERNATIONAL RELATIONS

Amid the ongoing civil war in Myanmar, security agencies are verifying reports of a Manipuri youth's death and monitoring its impact on Manipur's ethnic tensions. Since January 27, around 260 Myanmar refugees have taken shelter in India near the Moreh border in Manipur, according to a defense source.

### 'Temporary refuge'

Amid Myanmar military air strikes since January 9, refugees have been entering areas near the Manipur border. While around 100 initially sought temporary refuge and returned, 261 refugees arrived between January 27-29 and have not yet left. Officials believe reports of Manipuri youth deaths may be exaggerated propaganda, though unverified reports suggest Kuki-Zo tribal members were also killed. The banned People's Liberation Army (PLA), a Meitei insurgent group advocating Manipur's secession, recently held a funeral for a member. The Union Home Ministry extended the ban on PLA and seven other insurgent groups for another five years in 2024.

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## Trump slaps 25% tariff on imports from Canada, Mexico; additional 10% duty for Chinese goods

### INTERNATIONAL RELATIONS



U.S. President Donald Trump on Saturday announced broad tariffs on trading partners Canada, Mexico and China, claiming a "major threat" from illegal immigration and drugs. The move sparked promises of retaliation. Canadian and Mexican exports to the U.S. will face a 25% tariff starting Tuesday, although energy resources from Canada will have a lower 10% levy.

Former U.S. President Donald Trump imposed an additional 10% tariff on Chinese goods and suspended duty-free exemptions for low-value imports from three countries. Citing the International Emergency Economic Powers Act, the White House justified the move as a response to illegal immigration and drug trafficking, particularly fentanyl. The tariffs aim to hold these countries accountable for their commitments.

Trump acknowledged that Americans might experience economic hardship due to the tariffs but insisted it was a necessary sacrifice to protect U.S. interests and "Make America Great Again."

In response to U.S. tariffs, China's Commerce Ministry vowed countermeasures and planned to file a complaint with the World Trade Organization. Mexican President Claudia Sheinbaum announced retaliatory tariffs as part of a pre-planned "Plan B" strategy. Canadian Prime Minister Justin Trudeau also pledged to impose 25% tariffs on select U.S. goods worth Can\$155 billion, with the first round starting Tuesday. Trudeau emphasized Canada's intent to defend its economy while avoiding escalation. Meanwhile, the European Union warned it would retaliate "firmly" if targeted by U.S. tariffs, criticizing the measures against Canada, Mexico, and China.

## ED attaches overseas assets worth ₹16,000 crore in high-profile cases

### INTERNAL SECURITY

The Enforcement Directorate has attached or frozen overseas assets worth nearly ₹16,000 crore across 16 countries in over 30 cases. These include land, residential and commercial properties, and bank accounts linked to major business figures such as former IPL chairman Lalit Modi and fugitive businessmen Nirav Modi and Mehul Choksi.

Indian authorities are tracking and freezing illicit assets across multiple countries, including the U.S., U.K., UAE, and others, under the Prevention of Money Laundering Act (PMLA). The Enforcement Directorate (ED) can issue attachment or confiscation orders and seek international cooperation through Letters Rogatory.

The Sterling Biotech bank fraud case is the largest, with ₹9,778 crore in attached properties across the U.S., U.K., and Comoros, involving over 350 domestic and offshore shell entities. In the ₹34,615 crore DHFL bank fraud case, properties worth ₹1,246 crore were attached in Australia, the U.S., and UAE. The probe, based on a CBI FIR, implicates former DHFL executives Kapil and Dheeraj Wadhawan.

The Enforcement Directorate (ED) has attached significant assets in various international jurisdictions in high-profile financial fraud cases. In the ₹13,578-crore Punjab National Bank scam, assets worth over ₹915 crore linked to Nirav Modi were frozen across the U.S., U.K., UAE, Hong Kong, Singapore, and Switzerland. Assets of his uncle, Mehul Choksi, were attached in the U.S., UAE, and Japan. While Nirav Modi is in a U.K. jail awaiting extradition, Choksi is fighting an extradition request from Antigua. The ED also froze ₹578 crore in the Uttar Pradesh Power Corporation provident fund scam in the U.K., and ₹503 crore in assets linked to Jet Airways founder Naresh Goyal. Additionally, assets worth ₹397 crore were frozen in Mauritius in Lalit Modi's case, while the REI Agro and Moser Baer fraud cases saw assets attached in the UAE, Isle of Man, and Switzerland.

In the City Limouzine chit-fund fraud case, the Enforcement Directorate (ED) attached ₹160 crore in assets in Switzerland and Singapore. The prime accused, Sayed Mohammed Masood, and others allegedly collected over ₹1,000 crore from small investors across multiple Indian states, promising high returns. In the ₹3,700-crore AgustaWestland VVIP chopper deal case, the ED froze properties worth ₹22.17 crore and ₹7.23 crore in Switzerland and France, respectively.

## Navigation satellite launched last week suffers malfunction

### SCIENCE & TECHNOLOGY



The Indian Space Research Organisation (ISRO) has been unable to perform the intended orbit-raising operations for the NVS-02 satellite due to a valve malfunction. The NVS-02, the second satellite in the NVS series, was launched by the ISRO on January 29 as part of its landmark 100th launch from Sriharikota.

The Indian Space Research Organisation (ISRO) reported a glitch preventing orbit-raising operations for the NVS-02 satellite, as the valves for admitting oxidiser to fire thrusters failed to open. While the satellite is in an elliptical orbit, ISRO is working on alternate strategies for its use in navigation. Despite this issue, the satellite was successfully injected into the Geosynchronous Transfer Orbit with high precision,

and all launch vehicle stages performed flawlessly. The satellite's solar panels were deployed, and communication with the ground station was established. NVS-02, equipped with advanced navigation and ranging payloads, will replace IRNSS-1E at 111.75°E.

## Beyond tax cuts, a closer read of the Union Budget

### ECONOMICS & DEVELOPMENT

The Union Finance Minister, Nirmala Sitharaman's presentation of the Union Budget on Saturday, February 1, was against the backdrop of pressing macroeconomic challenges — persistently high taxes and unemployment squeezing the middle-income class, subdued private investment, mounting external vulnerabilities that threaten to derail the growth story, and a looming fiscal overhang. The Finance Minister laid out an ambitious road map for Viksit Bharat, spanning agriculture, manufacturing, micro, small and medium enterprises (MSME), social welfare, and infrastructure.

### Targets that raise questions

The Budget's fiscal consolidation target of 4.4% of GDP in FY26 relies on ambitious revenue projections, including a significant increase in tax revenues. However, these projections may be overly optimistic given tax cuts and economic challenges like softening domestic consumption and weakening external demand. Success also depends on the asset monetisation plan, though past underperformance raises concerns. Additionally, the ₹11.54 lakh crore in market borrowings could crowd out private capital.

Revisions to personal income tax rates, exempting incomes up to ₹12 lakh, offer relief to middle-income taxpayers but result in ₹1 lakh crore in foregone revenue. This may limit the government's ability to fund essential developmental initiatives. The erosion of the tax base, alongside declining household savings, raises concerns about the long-term sustainability of these tax cuts, especially when public investment is crucial for inclusive economic growth.

The Budget highlights India's ambition to become a global manufacturing leader, addressing concerns over its underperformance in manufacturing, which constitutes only 17% of GDP. While production-linked incentives (PLIs) have had some success, their scalability and long-term impact are uncertain. Key measures, such as enhanced credit facilities for MSMEs and the launch of a National Manufacturing Mission, aim to improve ease of doing business and promote clean-tech

manufacturing. However, the revision of MSME criteria and other measures do not fully address key competitiveness issues like regulatory inefficiencies, infrastructure gaps, and low innovation capacity. The lack of focus on industrial R&D, which is currently low, hampers India's ability to compete with innovation-driven economies. Achieving global competitiveness will require deeper structural reforms and sustained investment in innovation and infrastructure.

### The gaps remain in agriculture

The Budget introduces significant agricultural initiatives, such as the Prime Minister Dhan-Dhaanya Krishi Yojana and the National Mission on High-Yielding Seeds, to improve productivity and climate resilience, with a focus on enhancing financial flexibility for farmers through increased KCC loan limits and targeted support. However, it falls short in addressing systemic issues like price volatility, market access, and agricultural exports, which remain underdeveloped.

For the external sector, the Budget introduces measures like Bharat Trade Net (BTN) and export credit support for MSMEs, but these efforts lack the scale needed to tackle India's trade deficits. While services exports are growing, the Budget's initiatives to diversify exports are insufficient. A more ambitious export strategy, particularly focusing on value-added sectors like pharmaceuticals, electronics, and renewable energy, is needed to strengthen India's position in global supply chains and enhance export competitiveness.

### Not a transformative push

The Budget demonstrates a cautious approach to climate action and clean energy, focusing on incremental measures like incentives for lithium-ion battery recycling, duty exemptions on critical minerals, and support for solar and battery manufacturing. However, without significant investment in grid modernization, energy storage, and industrial decarbonization, the transition to a low-carbon economy will be incomplete.

The success of the Budget will depend on balancing private enterprise with inclusive development, boosting consumption while maintaining savings, and fostering growth without compromising macroeconomic stability. The government's ability to execute these plans and adapt as needed will be crucial.

## A Budget that is forward-looking and growth-oriented

### ECONOMICS & DEVELOPMENT

The Union Budget 2025-26 is in line with the government's sustained efforts over the past few years to bolster economic growth and development. The provisions of the Budget indicate the continuation of the government's strategic approach toward economic expansion, fiscal prudence, and sectoral growth.

### The multiplier effects of the IT cuts

The Budget introduces a significant personal income-tax cut, granting full exemption to individuals earning up to ₹12 lakh annually (₹12.75 lakh for salaried taxpayers). This move is expected to boost disposable income, drive consumption, and stimulate economic growth across sectors like retail, real estate, and automobiles. Additionally, the ₹ 11.2 lakh crore capital expenditure allocation for 2025-26 marks a 10 % increase, aiming to enhance infrastructure, employment, and economic activity. The Budget also launches a National Manufacturing Mission to strengthen the 'Make in India' initiative, fostering domestic manufacturing, reducing imports, and attracting foreign investment through policy support and streamlined regulations.

### Focus on labour-intensive sectors

The Budget prioritizes job creation in labour-intensive sectors like tourism, food processing, and leather by offering incentives and regulatory support. Infrastructure development is also a focus, with a Maritime Development Fund to boost the marine economy and an expanded UDAN scheme to improve air connectivity to 120 new destinations, fostering regional growth.

In agriculture, the Prime Minister Dhan-Dhaanya Krishi Yojana targets 100 low-productivity districts to enhance rural livelihoods through better irrigation, storage, and credit access, benefiting 1.7 crore farmers and strengthening rural purchasing power. Additionally, the government aims to reduce the fiscal deficit from 4.8% to 4.4% by 2025-26, promoting economic stability, investor confidence, and long-term growth.

## A boost to ease of doing business

The Budget streamlines the duty structure by removing seven tariff rates and limiting cess and surcharges to one, enhancing ease of doing business and ensuring a fair taxation system. Addressing the inverted duty structure will boost trade competitiveness and strengthen domestic firms' role in global supply chains. With continued emphasis on capital expenditure, manufacturing, and labour-intensive sectors, alongside fiscal prudence and income-tax relief, the Budget sets a foundation for strong economic growth. While detailed policy impacts will emerge over time, the overall approach reflects a proactive and growth-oriented strategy.

## Crisis in Congo

### INTERNATIONAL RELATIONS

The Democratic Republic of the Congo is facing renewed conflict as the M23 rebel group has captured the strategic city of Goma, dealing a major blow to the Congolese government. M23, formed after a failed 2009 peace deal, claims to protect the Tutsi minority, while Congo and UN experts accuse Rwanda of backing the rebels. The crisis traces back to the 1994 Rwandan genocide, after which ethnic tensions persisted in the region. Unlike in 2012, Rwanda, under President Paul Kagame, is now stronger and more influential. The conflict highlights Congo's vulnerabilities and Rwanda's ambitions, as well as deep-rooted ethnic tensions. The international community should urge Kagame to restrain M23, while Congo must address genocide-linked groups on its soil and build trust with its Tutsi minority for lasting peace.

## The legal systems under which citizenship is acquired

### INTERNATIONAL RELATIONS

Citizenship is the full and equal membership of a country, described by Hannah Arendt as the "right to have rights." It is acquired through two main legal principles: jus soli (right of soil), where citizenship is based on birthplace regardless of parents' nationality, and jus sanguinis (right of blood), where it is based on parental citizenship. North and Latin American countries like Canada, Mexico, and Brazil follow 'jus soli', while many African, European, and Asian countries like Egypt, Germany, and India follow 'jus sanguinis'.

### What is the current issue in the U.S.?

The U.S. follows the "jus soli" principle, granting citizenship to all born on its soil, as established by the 14th Amendment in 1868 and reaffirmed by the Supreme Court in 1898. However, President Trump's executive order, protecting the Meaning and Value of American Citizenship, restricts citizenship to children of U.S. citizens or Green Card holders, effective from February 19. A federal court in Washington has temporarily stayed the order, calling it "blatantly unconstitutional."

### What about citizenship in India?

India's citizenship is governed by the Citizenship Act, 1955. Until June 1987, India followed the "jus soli" principle, granting automatic citizenship by birth. Amendments in 1987 and 2004 introduced the "jus sanguinis" principle, requiring at least one Indian parent, later restricting it further to prevent citizenship for children of illegal Bangladeshi immigrants.

The Citizenship Amendment Act, 2019 (CAA) offers accelerated citizenship to Hindus, Christians, Sikhs, Jains, Buddhists, and Parsis from Pakistan, Afghanistan, and Bangladesh who entered India before December 31, 2014. Critics argue this religious exclusion of Muslims violates secularism, while the government defends it as a measure to aid persecuted minorities. The Supreme Court will determine its constitutional validity. Meanwhile, the government must ensure its implementation does not disadvantage Muslim citizens.



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## On live-in relationships in Uttarakhand

### POLITY & GOVERNANCE

Uttarakhand's Uniform Civil Code, passed in February 2024, mandates the registration of live-in relationships at both their commencement and termination. This requirement applies to residents of Uttarakhand as well as those from other parts of India. The rules, effective from January 27, 2025, demand extensive documentation for registration. Critics argue that this infringes upon the right to privacy, as defined in Article 21 of the Constitution, and violates the 2017 nine-judge Bench ruling in the Justice K.S. Puttaswamy case, which upheld privacy as including both informational privacy and decisional autonomy.

#### What is the registration process?

The new code allows only unmarried, heterosexual couples to enter into live-in relationships, with registration available via an online portal or offline process. Applicants must submit detailed documents, including photographs, PAN, Aadhaar, and proof of residence. If one partner is 18-21, their guardians must be notified. The rules equate live-in relationships with marriage, requiring approval from a religious or community leader for couples within the "degrees of prohibited relationships" as defined by the Hindu Marriage Act. Couples must also disclose prior relationships and their current marital status.

#### What about housing?

The rules require couples already living together to provide proof of their shared household, such as utility bills and, if rented, landlord details. If not living together, they must apply for a provisional certificate and secure accommodation within 30 days. Landlords must request a registration certificate, with penalties for non-compliance. The registrar can conduct inquiries to verify documents and ensure no coercion or fraud. Failure to register within a month may lead to civil or criminal penalties, including fines or imprisonment. Providing false information or false complaints can result in stricter penalties.

#### What have experts said?

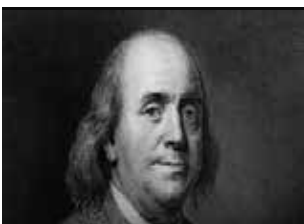
This will lead to large-scale social surveillance of relationships, which appears to be the intended consequence of the legislation. There are no penalties for third parties in cases of data leaks, which is particularly concerning since the exposure of personal information can pose real-world threats. This is likely to disproportionately affect interfaith and inter-caste couples.

## January records a subdued power consumption growth of just 3%

### ECONOMICS & DEVELOPMENT

India's power consumption increased by just 2.7% to 137.49 billion units (BU) in January as use of heating appliances like heater and geysers reduced last month, owing to above-normal temperatures.

In January 2024, India recorded its third-highest mean temperature of 18.98°C since 1901, impacting power consumption and demand. Power consumption reached 133.94 BU, while peak power demand rose to 237.30 GW, up from 222.32 GW. In May 2024, the peak demand hit an all-time high of 250 GW, surpassing the previous record of 243.27 GW in September 2023. The power ministry had projected peak demand to reach 260 GW in summer 2024 and 270 GW by summer 2025. Experts attribute subdued demand in January to warmer temperatures reducing the use of heating appliances and expect a similar trend in February.



*"If you invest more in your education, then you are likely to get more interest in it."*

*—Benjamin Franklin*

# Auto sector hails push for lithium-ion battery production

## ECONOMICS & DEVELOPMENT

The automotive industry has welcomed the Budget's customs duty exemptions for capital goods used in manufacturing lithium-ion batteries, which will promote local manufacturing and support India's clean mobility transition. The Automotive Component Manufacturers Association (ACMA) praised the rationalization of customs duties on key raw materials and the reduction of inverted duty structures, making domestic manufacturing more cost-effective. The Budget also eliminates duties on scraps of 12 critical minerals, aiding the critical mineral recycling industry. Finance Minister Nirmala Sitharaman announced a National Manufacturing Mission to support "Make in India," including policies for clean tech manufacturing and an ecosystem for solar, EV, and renewable energy technologies.

### Export boost

Shailesh Chandra, President of the Society of Indian Automobile Manufacturers, highlighted the importance of the Export Promotion Mission and support for integration with global supply chains, which will help Indian manufacturers expand exports and align with global markets. The Federation of Automobile Dealers Association of India (FADA) noted that credit and loan support for medium and small enterprises, including an enhanced credit guarantee for start-ups, will drive financing for fleet expansion in taxis, transport, and logistics. FADA also mentioned a ₹10,000 crore fund-of-funds for start-ups, which could support auto-tech ventures, fleet leasing models, and last-mile delivery businesses.

# With DeepSeek, are foundational AI model dreams closer to reality in India?

## SCIENCE & TECHNOLOGY



The emergence of DeepSeek-R1 from China — a highly advanced Artificial Intelligence large language model (LLM) — has jolted technology stocks valued on the assumption that highly expensive Graphics Processing Units (GPUs) and the investments accompanying them were the key to winning the global AI race.

R1's ability to compete with advanced models like OpenAI's ChatGPT on a modest \$6 million budget has shifted the conversation around building foundational large language models (LLMs) in India, which was previously seen as too costly. Foundational models are expensive to create due to the need for vast datasets and computational power. Nandan Nilekani, co-founder of Infosys, argued that

India should focus on building AI infrastructure rather than investing in model training. However, Aravind Srinivas, CEO of Perplexity, disagreed, emphasizing the importance of both training models and building on existing ones. India's cost advantage in technology has historically driven innovation, and R1's open-source approach provides India with a significant tool for pursuing foundational AI development.

### Cost no barrier

Union IT Minister Ashwini Vaishnaw emphasized that innovation no longer requires imported chips or massive data centers, as the cost of AI development has decreased. Vaishnaw mentioned that six developers could have AI models ready within 10 months. Purushottam Kaushik highlighted the importance of India creating sovereign AI models tailored to its needs, which has global implications. The Union government's IndiaAI Mission is prioritizing both hardware and homegrown LLMs, with 18,693 GPUs allocated to start-ups and academia. Vaishnaw also announced the quick adoption of the cost-saving open-source R1 model. The Economic Survey advocates for AI integration into education and preparing the youth for the AI-driven future, with training programs bridging the skills gap.

## Missed opportunity to make public health boost economy

### ECONOMICS & DEVELOPMENT

The Union Budget 2025-26 missed an opportunity to boost private consumption by increasing disposable income, especially by addressing health and education costs. The Department of Health and Family Welfare (DoHFW) received only an 11% increase in its budget, the lowest in three years. Allocations for health programs like the PMJAY insurance scheme have risen, but funding for the National Health Mission (NHM) saw minimal increases, particularly for urban health. With slow economic growth, underfunded health programs may worsen rural and urban health crises, potentially harming economic recovery.

The National Health Mission (NHM) has consistently exceeded its budget estimates since 2015, except in 2021, during the pandemic. Insurance programs mainly focus on secondary and tertiary care, while primary care, which covers basic illnesses and preventive services, remains neglected. The Union Budget lacks sufficient allocation for primary care, with estimates from NHM and NUHM showing no significant increase. Private healthcare dominates, but primary care access is low, especially in rural areas. Deficits in facilities and staff, such as in Karnataka, exacerbate the issue. Despite a reduction in out-of-pocket expenses, they remain high by global standards, and the focus on insurance excludes the middle class, which could drive economic growth.

## Trump's tariffs could hit Canada, Mexico hard, while China appears to be prepared

### INTERNATIONAL RELATIONS

U.S. President Donald Trump's sweeping tariffs — 25% on imports from Canada and Mexico, and an additional 10% on goods from China — are set to roil supply chains for products ranging from automobiles to avocados — with industries girding for cost increases.

In 2023, U.S. imports from Canada and Mexico totalled nearly \$900 billion, with goods deeply integrated between the three countries under a trade agreement. New tariffs, particularly a 25% across-the-board tariff proposed by former President Trump, would significantly impact sectors like automobiles, electronics, agriculture, and energy. Canada, heavily reliant on U.S. exports, faces challenges in industries like vehicles and energy, while Mexico's auto, electronics, and agricultural sectors will also be affected. The tariffs could increase costs in U.S. construction materials and food items like avocados. Analysts warn these tariffs might violate the United States-Mexico-Canada Agreement (USMCA).

### Broader conflict

Mr. Trump's proposed tariffs on Canada and Mexico are seen as a way to strengthen Washington's position ahead of the 2026 USMCA review. Economists warn that such tariffs could lead to recessions in Canada and Mexico, while the U.S. could face a shallow downturn. The move reinforces Trump's "America First" stance and raises concerns over geopolitical tensions, inflation, and supply chain disruptions. Mexico and Canada are planning retaliatory tariffs, and China may also respond with countermeasures. While the tariffs may not significantly impact China's economy, they could signal the start of a trade conflict with Beijing.

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