



● POLITY

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26 killed in terrorist attack in J&K's Pahalgam

INTERNAL SECURITY

At least 26 people, including two foreign tourists, were killed and many others injured—some critically—when terrorists attacked near the Baisaran meadows in Pahalgam, Anantnag district, Jammu and Kashmir. The attackers emerged from nearby forests on Tuesday afternoon. The official casualty count has not been released yet. The incident coincided with a visit by U.S. Vice-President J.D. Vance, who expressed condolences to the victims.

“strongly condemned the terror attack in Pahalgam”. He added: “Those behind this heinous act will be brought to justice... They will not be spared! Their evil agenda will never succeed. Our resolve to fight terrorism is unshakable and it will get even stronger.”

- Prime Minister Narendra Modi

The Resistance Front, an offshoot of the Lashkar-e-Taiba, claimed responsibility for the attack. However, the security agencies did not confirm the veracity of the claim. The outfit alleged that 85,000 domicile certificates have been issued to non-locals, “creating a pathway for demographic change” in J&K.

16 killed on the spot

A major terror attack occurred in Kashmir, marking the first such incident targeting civilians since the revocation of J&K's special status in 2019. At least 16 people were killed on the spot, with more succumbing to injuries en route to the hospital. Among the victims was Syed Hussain Shah from Anantnag, while an 83-year-old tourist from Tamil Nadu and a 65-year-old woman from Odisha were injured. Around 40 tourists were present when terrorists opened indiscriminate fire using automatic rifles and small arms, reportedly checking identities before shooting at close range. The attack took place in a remote, non-motorable meadow near Pahalgam, delaying rescue efforts. Eyewitnesses described chaos, and the aftermath was captured on mobile phones by local guides. Despite Pahalgam being a high-security area due to the nearby Amarnath shrine, the attackers exploited the terrain to evade immediate response.

Injured tourists

A terror attack in Kashmir left several tourists injured, with distressing scenes showing them lying unattended. Local



guides assisted in taking the injured to a nearby hospital, and helicopters later airlifted critically wounded individuals to an Army hospital in Srinagar. Joint Army and J&K police teams responded swiftly. Union Home Minister Amit Shah, despite hosting the U.S. Vice President, rushed to Srinagar and condemned the attack, vowing severe action against the perpetrators. Lt. Gen. M.V. Suchendra Kumar also arrived in Srinagar and received a security briefing from local commanders.

Shocked: Omar

J&K Chief Minister Omar Abdullah strongly condemned a recent attack on civilians, calling it unprecedented and shocking. He described the perpetrators as inhuman and deserving of contempt, stating that no words of condemnation would suffice.

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Vance calls for closer ties between U.S., India in defence, energy sectors

INTERNATIONAL RELATIONS

U.S. Vice-President J.D. Vance emphasized strengthening U.S.-India ties, particularly in defence and energy sectors, stating that their relationship would shape the 21st-century global landscape. Speaking at the Rajasthan International Centre, he advocated for greater U.S. access to Indian markets to foster a mutually beneficial partnership, aligning with President Donald Trump's aim to rebalance global trade. Vance highlighted that both governments had agreed on priority areas like job creation, resilient supply chains, and worker prosperity. He confirmed that the terms of reference for a bilateral trade agreement had been finalized, laying the groundwork for a fair and shared future trade deal.



A large gathering of trade, political, and academic representatives attended an event where U.S. Vice-President Mr. Vance emphasized the shared commitment of India and the U.S. to a free and prosperous Indo-Pacific region. He welcomed India's move to amend its civil nuclear liability laws and expressed U.S. support for India's energy security and nuclear power goals, linking them to its AI ambitions. Vance also acknowledged Prime Minister Modi's efforts for Indian industry, contrasting them with past U.S. leaders' failures to protect American workers. He criticized previous U.S. approaches toward India as condescending, while noting the Trump administration's 90-day pause on high tariffs on Indian exports.

Order in T.N. Governor case doesn't apply to Kerala, Centre argues in SC

POIITY & GOVERNANCE

The Central Government informed the Supreme Court that its April 8 judgment—requiring Governors and the President to act on pending State Bills within three months—does not apply to Kerala, as it was specific to Tamil Nadu's case. The Attorney-General and Solicitor-General argued that the factual circumstances differ between the two States. The Solicitor-General requested more time to study the Tamil Nadu ruling, and the court scheduled a detailed hearing for May 6. Justice Narasimha noted that the court would examine whether the Tamil Nadu judgment has broader applicability, citing Article 141 of the Constitution, which makes Supreme Court rulings binding.

Senior advocate K.K. Venugopal and advocate C.K. Sasi argued that the Supreme Court's deadline for Governors and the President to decide on granting assent to Bills applies uniformly across States. The April 8 judgment interpreted Article 200 of the Constitution, emphasizing that unnecessary delays in granting assent reduced Bills to "mere pieces of paper," undermining their intent to reflect people's aspirations. The case in Kerala, involving delays of 8 to 23 months for eight key Bills, has been ongoing for over two years. By November 2023, the Kerala Governor had assented to one Bill and referred the others to the President. Venugopal demanded that the Governor clarify whether the referred Bills violated Article 254 or encroached upon the Union List.

Ongoing issue

Kerala's case against its Governor dates back to over two years

■ Kerala had argued in the Supreme Court that keeping Bills pending for long and indefinite periods of time by Governors is manifestly arbitrary

■ A Governor is a part of the State Legislature under Article 168 of the Constitution and cannot act in a way contrary to the wishes of the elected representatives of the people

■ By sitting on Bills, Governor tried to 'defeat the rights of the people'. An arbitrary show of lack of urgency by the Governor violated the fundamental right to life of the people of Kerala



With big cat count rising, M.P. to develop buffer zones around its 9 tiger reserves

ECOLOGY & ENVIRONMENT

The Madhya Pradesh Cabinet approved the "Development of Buffer Zones in Tiger Reserves" scheme with a budget of ₹145 crore for 2025-26 to 2027-28. The scheme aims to enhance the state's nine tiger reserves by installing chain-link fencing in ecologically sensitive areas, developing grasslands and water resources, and implementing wildlife protection and fire safety measures. It also includes monitoring and treating wild animals, as well as providing skill development training for local communities. The decision was made at a Cabinet meeting led by Chief Minister Mohan Yadav.

Conservation efforts

Madhav National Park, inaugurated as the ninth tiger reserve in Madhya Pradesh on March 10, 2025, is now the state with the highest number of tiger reserves. In 2023, three tigers, including two females, were introduced to the park as part of a reintroduction project. The tiger population in the buffer zones surrounding the state's nine reserves has increased from 526 to 785 in the past four years, highlighting the success of ongoing conservation efforts.

Manipur police warn personnel against attending meeting called by Kuki group

INTERNAL SECURITY

The police in Manipur's Kangpokpi district issued a warning to their personnel, instructing them not to attend a meeting organized by the Kangchup Area Protection and Development Committee, a Kuki organization, scheduled for April 30. The committee, linked to the Kuki Inpi and allegedly in consultation with Kuki militant groups, invited Kuki village chiefs and police personnel from Kuki villages to the meeting. In response, the Kangpokpi Superintendent of Police issued a counter-notice on April 21, warning that any uniformed personnel attending the meeting would face disciplinary action for gross service misconduct.



Vehicle theft

In the past few days, vehicle theft cases have surged in Manipur. Between April 16 and 20, police recovered 75 stolen four-wheelers and seven two-wheelers during a special drive targeting illegal tinted window films. Additionally, on April 21, four members of the outlawed PREPAK (People's Revolutionary Party of Kangleipak), a group focused on Meitei aspirations, were arrested in Imphal East. Three of the arrested individuals were involved in the abduction of two people, who were later rescued.

A move that endangers the right to vote

POLITY & GOVERNANCE

The Election Commission of India (ECI)'s renewed push to link Aadhaar with voter ID endangers the right to vote. It is being justified as a measure to clean electoral rolls, eliminate bogus voters, and improve electoral integrity. Yet, experience and data show that Aadhaar linkage has resulted in mass disenfranchisement, systemic errors, exclusions, arbitrary welfare disentanglements, and far-reaching infringements on the fundamental right to privacy of citizens.

Questionable claims

The claim that linking Aadhaar with voter IDs is voluntary, arguing that the process is coercive. Form 6B, which is used for voter registration, forces individuals to either submit their Aadhaar number or declare they don't have one, leaving no meaningful opt-out. By September 2023, over 66 crore Aadhaar numbers had been linked, facilitated by questionable data-sharing practices, such as using data from the National Population Register and other government sources.

The Election Commission of India (ECI)'s new proposal worsens the situation by requiring citizens who don't provide Aadhaar to appear physically before an Electoral Registration Officer, contradicting previous assurances made to the Supreme Court in 2023. This proposal imposes additional burdens on vulnerable groups, including the elderly, people with disabilities, migrant workers, and those in remote areas, thus undermining the principles of universal suffrage and diminish-

ing trust in democratic processes.

The issue of linking Aadhaar with voter ID in India, highlight concerns over the lack of an accessible appellate process if a citizen's justification for not submitting Aadhaar is rejected. It references the Supreme Court ruling in Lal Babu Hussein v. Electoral Registration Officer (1995), which emphasized the need for procedural fairness in electoral decisions. The Union government and the Election Commission of India argue that linking Aadhaar will reduce duplicate voters and electoral fraud, but this claim is disputed. Aadhaar, designed as a residency-based identification system, is not proof of Indian citizenship, as affirmed by multiple High Courts and the UIDAI. Additionally, the Supreme Court in Justice K.S. Puttaswamy v. Union of India (2018) restricted Aadhaar's use to welfare programs funded by the Consolidated Fund of India, underlining its limitations.

The Election Commission of India's (ECI) proposal to link Aadhaar with voter IDs, highlight several risks. It argues that the linkage could lead to voter disenfranchisement, as demonstrated in 2015 when 55 lakh voters in Telangana and Andhra Pradesh were mistakenly removed from the electoral rolls due to Aadhaar mismatches. The ECI was forced to abandon the effort after the Supreme Court intervened. The passage also warns that the linkage could enable government surveillance and voter profiling, with the potential for political misuse of voter data. The Digital Personal Data Protection Act, 2023, includes exemptions for government entities, making it easier for political parties to exploit electoral data for manipulation and micro-targeting voters.

The Election Commission of India (ECI), a constitutionally independent body, should not rely on the Unique Identification Authority of India (UIDAI), a statutory body under executive control, for electoral data. This risks undermining the separation of powers and the integrity of free and fair elections. Additionally, the Aadhaar database has been found to be unreliable, with issues like duplicate entries and faulty biometric data, as highlighted in the 2022 Comptroller and Auditor General (CAG) report. The report also points out that UIDAI has not verified the residency status of Aadhaar holders, raising concerns about the use of Aadhaar data for electoral roll de-duplication, which could lead to errors such as wrongful deletions and exclusions.

Methods of electoral verification

Using technology, like linking Aadhaar with voter IDs, which could infringe on citizens' privacy rights. Instead, it advocates for strengthening traditional voter verification methods such as door-to-door verification, independent audits of electoral rolls, and effective grievance redressal mechanisms. Introducing social audits would further ensure accountability and prevent political manipulation. It emphasizes that the right to vote is a constitutional guarantee, and any policy that imposes undue burdens, relies on unreliable verification, or encourages political profiling should be discarded. The support for the Aadhaar-voter ID linkage across political parties is seen as concerning.

Exploring India's potential in the Arctic region

INTERNATIONAL RELATIONS

Global trade is facing challenges, with the U.S. pushing nations to explore alternative trade strategies. This has led to expanding partnerships around supply chains and trade routes, influenced by both the fragmentation of regional blocs and climate change. The Arctic, as a key area impacted by climate change, is emerging as a significant geopolitical and energy resource, particularly for the Global South. While India should avoid reckless exploitation, it deserves a voice in the Arctic's future commercial opportunities.

The dying canary signals new trade routes

The passage discusses the rapid shrinking of Arctic sea ice, which is opening up the Northern Sea Route (NSR), a new trade route connecting the Atlantic and Pacific Oceans. This route is seen as a strategic and economic opportunity for global trade, reducing travel time and freight costs. India, having long recognized the significance of such routes, has been actively involved in Arctic affairs since signing the Svalbard Treaty in 1920. India is the only developing nation, along with China, to have an Arctic research base (Himadri). In addition to its economic interests, India has also explored how Arctic changes, such as sea ice loss, could impact its monsoon patterns and agricultural outputs.

To capitalize on the NSR, India's Arctic policy, released in 2022, needs to be better aligned with its objectives. As part of this strategy, India is focusing on strengthening its shipbuilding capabilities, particularly to meet the harsh conditions of Arctic navigation. The 2025-26 Budget has allocated \$3 billion for maritime development, including shipbuilding clusters and ice-breaking fleets, to ensure India can efficiently navigate the NSR.

The Arctic Circle India Forum happening on May 3-4, 2025, in New Delhi offers an opportunity to advance India's Arctic policy through stakeholder consultations, partnerships, and possibly the appointment of a 'polar ambassador.' The passage also emphasizes the exponential increase in international cargo shipments along the Northern Sea Route (NSR)

and the climate crisis, with global temperatures in 2024 surpassing the 1.5°C mark, signalling a potential long-term breach of the Paris Agreement. This presents a critical policy issue for India, highlighting the need for careful balance between commercial interests and environmental sustainability, and the importance of building alliances with like-minded nations.

Playing with ice and fire

Russia, with its Arctic expertise, is seen as a key partner for India in exploring the NSR, especially following a decision made during a summit between Indian Prime Minister Modi and Russian President Putin. The Chennai-Vladivostok Maritime Corridor could serve as a link to NSR ports. However, aligning with Russia may implicitly support China's Polar Silk Road, which could enhance China's control over the Arctic. If India sides with the Western bloc, it risks losing access to resources controlled by Russia in the Arctic. A balanced approach of collaborating with both the U.S. and Russia, along with Japan and South Korea, could be ideal, advocating for a more inclusive Arctic Council to address concerns over China-Russia cooperation.

Opposing imposition

POLITY & GOVERNANCE

The BJP-led government in Maharashtra has announced that English and Marathi medium schools will begin teaching Hindi as a third language from Class 1, in line with the National Education Policy 2020. This move has sparked significant political opposition, with some viewing it as an imposition of Hindi and others fearing it could undermine the Marathi language. Chief Minister Devendra Fadnavis defended the decision, arguing that Hindi is a widely accepted communication language across India. However, concerns have been raised about the practical challenges of implementing this policy, including teacher recruitment, training, and salary costs. There is growing resentment towards the policy, partly due to the perception that it caters to Hindi-speaking migrants in Maharashtra. Historically, Maharashtra has emphasized regional pride and Marathi culture, but the current opposition to Hindi appears more linked to the BJP's centralizing agenda than any long-standing animosity towards the language.

While the Constitution is unitary in structure, it recognises and accommodates diversity in numerous ways. Previous centralising efforts by Congress governments included the promotion of Hindi, but there was enough institutional flexibility to balance divergent interests. Though the BJP now governs with a reduced mandate, it has managed to secure support from allies for its centralising vision, provoking resistance in States such as Tamil Nadu and Maharashtra. Meanwhile, the educational landscape is undergoing a radical transformation with developments in AI and neuroscience. Instead of creating divisions, the Fadnavis government would do well to build consensus to address the evolving demands of school and higher education.

Section 69 of the BNS is redundant

POLITY & GOVERNANCE

There is an ongoing controversy over cases of rape being filed based on a false promise of marriage. In some instances, men in relationships are accused of rape despite the women allegedly consenting to a physical relationship. There were expectations that the government would remove provisions in the law that undermine women's agency in giving informed consent. However, the government introduced a new provision in the Bharatiya Nyaya Sanhita (BNS), 2023, specifically addressing cases of sexual intercourse based on a false promise of marriage. This provision, Section 69, creates a standalone offense that did not exist under the Indian Penal Code (IPC).

Limitations set by the Court

There are legal implications of sexual intercourse based on a false promise of marriage, comparing it to the offense of rape under Section 375 of the IPC. It highlights how Section 69 BNS reduces the punishment for such cases, but also addresses the narrowing of scope by the Supreme Court. In cases like Anurag Soni v. The State of Chhattisgarh (2019), the Court has clarified that giving a false promise of marriage does not automatically constitute rape unless the accused never intended to marry from the outset. If the promise was made with genuine intentions but later circumstances changed, it may not qualify as rape.

In the case of Rajnish Singh @ Soni v. State of U.P. (2025), the court quashed the FIR and all proceedings against the accused. The complainant had engaged in a consensual sexual relationship with the accused for 15 years, based on a false promise of marriage. However, the court found that the relationship was not solely driven by this promise but was also influenced by factors like love or passion. The complainant only accused the accused of sexual abuse after discovering that he had married another woman, despite having previously presented herself as his wife. The court ruled that the relationship

was consensual and lacked any element of deceit or misconception, leading to the dismissal of the case. In the case of *Abhishek Arjariya v. The State of Madhya Pradesh (2025)*, the High Court of Madhya Pradesh quashed the FIR and all subsequent proceedings. The prosecutrix, who was already married, had developed a physical relationship with the accused based on a false promise of marriage. The court held that consent obtained under such circumstances did not qualify as consent based on a misconception of fact, as the prosecutrix was already married at the time. The court referenced several precedents set by the Supreme Court to support its decision to dismiss the case.

Examining Section 69

Section 69 of the BNS criminalizes sexual intercourse with a woman under deceitful means or false promises of marriage, provided the act does not amount to rape. The punishment can extend to ten years of imprisonment and a fine. The explanation clarifies that "deceitful means" include false promises of employment, promotion, or marriage by concealing identity.

This section was introduced as a separate offense and does not alter the definition of rape or consent under the law. Rape under Section 63 of the BNS is defined based on seven circumstances, six of which involve lack of consent. Consent is considered vitiated if given under conditions like fear, intoxication, or misunderstanding of facts. False promises of marriage fall under the "misconception of fact" as per Section 28 of the BNS, which vitiates consent in such situations.

Since the definitions of rape and consent in the BNS are similar to those in the IPC, sexual intercourse based on a false promise of marriage (misconception of fact) should fall under the scope of rape. Therefore, Section 69 of the BNS, which criminalizes such acts separately, appears redundant. Unless Section 63 of the BNS explicitly excludes cases covered under Section 69, Section 69 may be constitutionally invalid, as it lacks a non-obstante clause and could violate Article 14 of the Constitution. The passage suggests that police should conduct a preliminary inquiry to determine if a cognizable offence has occurred, avoiding unnecessary charges and saving time for the courts.

Food prices may remain low if IMD's prediction holds true

ECONOMICS & DEVELOPMENT

A rain check

Data for the charts were sourced from the Centre for Monitoring Indian Economy (CMIE) and the Ministry of Statistics and Programme Implementation (MoSPI).

Chart 1: The difference in first rainfall forecast by the IMD and the actual rainfall received in the respective years (in % points)

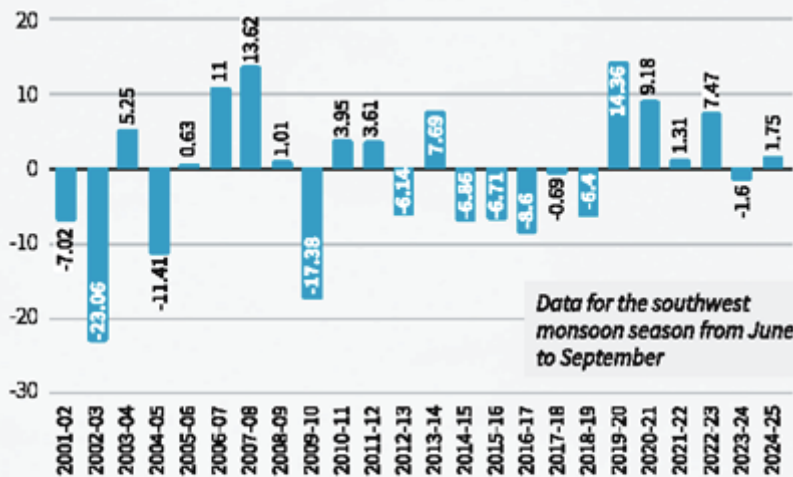


Chart 2: The spatial distribution of rainfall across regions during the southwest monsoon season (as a % deviation from normal). Data for 2023-24

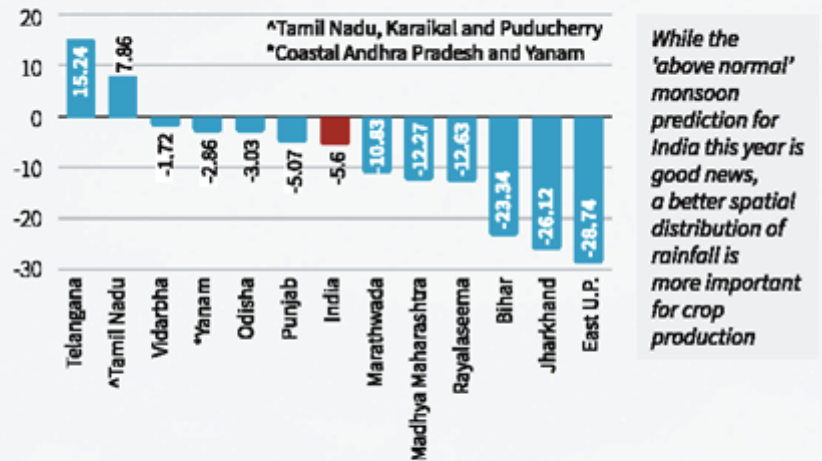
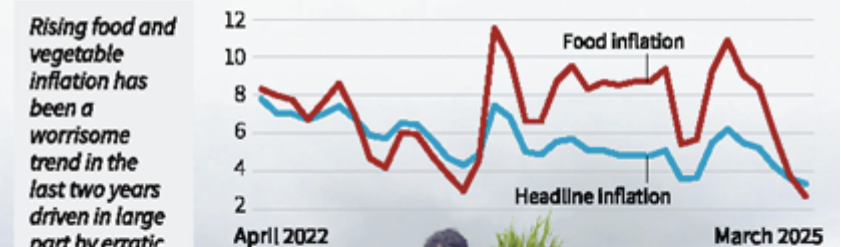


Chart 3: The chart shows headline and food inflation (Y-o-Y change, in %)



EU's far-right vs judiciary conflict

INTERNATIONAL RELATIONS

ascendant right-wing nationalist parties and the judicial systems of member states. Recent court rulings targeting prominent far-right figures have led to accusations of political persecution and calls for protest, forming part of a broader, deeply contentious struggle over judicial independence, the rule of law, and the very nature of democratic governance.

Which rulings have intensified the conflict?

Several high-profile court decisions across Europe have intensified political tensions. In France, Marine Le Pen, leader of the National Rally, was sentenced for embezzling EU funds, resulting in a four-year prison term (two years suspended) and a five-year ban from holding public office, effectively sidelining her from the 2027 presidential race unless the verdict is overturned. In Romania, the Constitutional Court barred far-right figure Călin Georgescu from running in the rescheduled May 2025 presidential election due to alleged antidemocratic actions and fraudulent campaign financing. In Germany, the Alternative for Germany (AfD) party was classified as a threat to democracy by the domestic intelligence agency (BfV), which has raised concerns about its alignment with the country's democratic values, though banning parties remains a complex legal challenge.

What are the reactions?

The reactions to the legal actions against Marine Le Pen have been swift and defiant. She and her supporters condemned the verdict, calling it a politically motivated "witch hunt" aimed at weakening her party. Le Pen argued that the Sapin II law, which led to her ban from running for office, was being applied retrospectively. She has appealed the decision, with a hearing set for 2026. Nationalist leaders across Europe, including Hungarian Prime Minister Viktor Orbán and Italy's Deputy Prime Minister Matteo Salvini, expressed solidarity with Le Pen, criticizing the European establishment. In Germany, the AfD has challenged surveillance decisions and dissolved its youth wing to avoid further classification as extremist. The broader narrative among European conservatives is that these legal actions are politically motivated attempts by elites to undermine rising nationalist movements.

How does this impact wider European politics?

INTERNATIONAL RELATIONS

There is a growing disillusionment with traditional politics, particularly among conservative-nationalist groups, who argue that the judiciary has been manipulated to suppress their movements. They criticize the selective application of laws like Sapin II, claiming that similar offenses by mainstream figures are overlooked. This debate is part of a broader discussion within the EU about the rule of law. Liberal and centrist forces, alongside EU institutions like the CJEU, emphasize that judicial independence and constitutional checks are essential to the Union's values and democracy. In contrast, conservative-nationalists contend that the rule of law is being used by Brussels and national elites to impose a political agenda, undermining national sovereignty and democratic mandates.

Are foreign actors involved?

There are concerns about foreign interference, particularly from Russia, in Western democratic processes. Institutions like the Carnegie Endowment for International Peace and The Soufan Center highlight Russia's efforts to influence elections through disinformation, financial support for extremist groups, and cyber operations. The Romanian election annulment, which cited suspicions of Russian manipulation, and financial ties between Russian entities and parties like Marine Le Pen's RN, underscore fears of Moscow's influence. Experts argue that Russia targets vulnerabilities in EU states to promote anti-EU and anti-NATO sentiments, destabilizing democracies. Outside Europe, figures like U.S. Vice President J.D. Vance and tech mogul Elon Musk criticized legal actions against political figures, likening them to abuse of power and accusing the "radical left" of manipulating the legal system.

Where does it leave the rule of law?

There is a growing erosion of trust in the judiciary, especially when large portions of the electorate view courts as political actors rather than independent arbiters. This distrust, fuelled by rhetoric like "drain the swamp," is particularly prevalent among younger Europeans who may not have experienced authoritarian regimes firsthand. The passage notes that while the European judiciary, including the CJEU, has historically been respected, it faces increasing political pressures and the rise of populism. If courts are seen as part of the political landscape rather than as defenders of constitutional principles, the checks and balances in European democracies could be weakened, leading to potential democratic decline and instability.

Gold breaches ₹1-lakh mark as dollar index slides on tariff tension

ECONOMICS & DEVELOPMENT

Gold prices surged above ₹1 lakh per 10 grams for the first time on Tuesday, driven by a weakening U.S. dollar amid Treasury bond sell-offs and tariff-related uncertainties. The spot price of 24-carat gold reached ₹1,01,245 per 10 grams, while futures were priced at ₹99,000. This surge mirrors the price spike seen during the first COVID-19 wave in 2020.

Gold rush

The graph shows the price of 10 grams gold in ₹. From around ₹25,000 in 2015, price has surged four times in the past decade



In 2024, gold prices have risen by 30%, and this rally has lasted for 128 weeks, indicating potential for further increases. Analysts point to factors such as the falling U.S. dollar, geopolitical tensions, and trade wars with China, along with pressure from former President Trump on the Federal Reserve to cut interest rates, as drivers of this surge.

Gold's appeal as a safe-haven asset has been heightened, especially as geopolitical uncertainties and central bank purchases push its value upward. The short-term outlook remains strong, particularly if U.S.-China trade tensions escalate, while the long-term view remains bullish due to continued central bank accumulation and geopolitical risks.

IMF cuts global growth over Trump tariffs, policy uncertainty

INTERNATIONAL RELATIONS

The International Monetary Fund (IMF) has cut its growth projections across the board, in response to the higher tariffs and policy uncertainty that are the outcome of U.S. President Donald Trump's April 2 near-universal import tariff policy. The April 2025 World Economic Outlook projects global output growth to be 2.8% in 2025, a 0.5 percentage point decrease from the January forecast, with growth expected to rise to 3% in 2026. For India, growth is forecast to be 6.2% in the current fiscal year (ending March 31, 2026), which is 0.3 percentage points lower than previously projected, primarily due to global uncertainty and trade tensions. India's growth for the next fiscal year is expected to be 6.3%, with consumer price changes projected at 4.2% and 4.1% for the current and next fiscal years, respectively. IMF Chief Economist Pierre-Olivier Gourinchas highlighted the reset of the global economic system, noting the highest U.S. tariff rates in over a century and rising policy uncertainty as key factors influencing the economic outlook.

Downturn risks

The IMF has released growth forecasts amidst heightened policy uncertainty, with projections based on tariff and counter-tariff measures as of April 4. While a global downturn is not predicted, the risk of one occurring has increased from 17% to 30%. Global growth remains above recession levels, but all regions will be negatively affected this year and next. Additionally, the disinflation process has been hindered, causing inflation to be revised upward by 0.1 percentage points.

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Sino-U.S. trade war redrawing global LPG trading

INTERNATIONAL RELATIONS

The global LPG market is experiencing a shift due to high U.S. tariffs, which are prompting Chinese buyers to replace U.S. imports with alternatives from the Middle East. As a result, U.S. LPG shipments are being redirected to Europe and other parts of Asia. This change is expected to lower prices and demand for shale gas byproducts, negatively impacting U.S. shale producers and Chinese petrochemical companies. However, it will likely benefit Middle Eastern suppliers and opportunistic LPG buyers in Asia, particularly in Japan and India, who are capitalizing on the price drops.

NGLs in trade war

The trade war between the U.S. and China has expanded to include Natural Gas Liquids (NGLs) like propane, ethane, and butane. China has already stopped importing U.S. crude and liquefied natural gas (LNG), and now its petrochemical firms, which rely on U.S. LPG and ethane for feedstock, are facing challenges. U.S. oil and gas producers, struggling with oversupply and growing inventories, need China to continue purchasing these products. While some U.S. exporters managed to reroute LPG shipments during previous trade tensions, the increased trade volume since then makes it hard to find alternative markets for the volume previously sent to China.

China, the second-largest U.S. LPG buyer after Japan, is expected to reduce its imports by around 200,000 barrels per day (bpd) over the next six to nine months, potentially leading to higher domestic inventories and lower prices in the U.S. As a result, other LPG importers like India, Indonesia, Japan, and South Korea are expected to increase purchases of cheaper U.S. LPG, while the Middle East boosts its supply to China.

Analysts predict that U.S. exports to China will decrease, with Japan and other buyers benefiting from the cheaper U.S. product. A Japanese LPG company source noted that U.S. cargoes can easily be swapped with supply from other regions, which could lead to a shift in contracts between Chinese, Japanese, South Korean, Southeast Asian, and Indian buyers. Japan's U.S. LPG imports have already increased by 12% to 15% in April, with utilities primarily restocking supplies.

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