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**3rd July**

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## 4 red lines in India-US trade talks: Corn, ethanol, soyabean & dairy

HARISH DAMODARAN

NEW DELHI, JULY 2

UNITED STATES President Donald Trump has said his administration is going to sign “a very big” trade deal “to open up India”, “where we are able to go in and compete (with) much less tariffs”.

India has maintained that agriculture and dairy are its “red lines” in its ongoing negotiations with the US. “There’s no way we could do anything that would weaken our agriculture, our

EXPLAINED

E

The  
challenge

OPENING UP imports of the four farm products is politically fraught: it involves farmers across several states, and calls for a relook at key policies regarding regulation around genetically modified crops.

farmers’ positions,” Finance Minister Nirmala Sitharaman said in an interview with the *Financial Express*.

What are these “red lines” that the US is testing and driving a hard bargain to circumvent, if not remove?

It basically reduces to four farm products: corn (maize), ethanol, soyabean and dairy.

On these, India imposes both tariff and non-tariff restrictions, and the US is pushing for greater market access.

**CONTINUED ON PAGE 2**

**Backdrop:** Ongoing India-USA trade talks

**Relevance:** GS 2/Bilateral agreements

India has firmly identified **agriculture and dairy** as its non-negotiable "red lines" in trade talks with the US, particularly concerning **four key commodities: corn (maize), ethanol, soybeans, and dairy**. These sectors are tightly regulated through **tariff and non-tariff barriers**, which the US is seeking to ease for greater market access.

### Non-negotiable "red lines" in trade talks

#### Corn (Maize)

- **Current Scenario**

- The US is the world's **biggest maize producer and exporter**, with an estimated 377.6 million tonnes (mt) output, as against India's 42.3 mt, in 2024-25.
  - It grows **94% of its corn** using **GM varieties** that resist pests and herbicides.
- India charges **15% duty** on maize imports of up to **0.5 mt** annually, with quantities beyond that attracting a higher 50% rate. Moreover, it **neither grows nor allows** the import of GM maize.

- **Proposal under discussion**

- To permit the import of GM maize exclusively for use as a feedstock to manufacture fuel ethanol.
  - **Over 46% of ethanol** made by Indian distilleries for blending with petrol is currently coming from maize. (Sugarcane juice/molasses (32%) and surplus/broken rice (22%)).

- **Issues**

- **Resistance from sugar mills:**
  - Between **2017–18 and 2023–24**, the share of **grain-based ethanol** in India's Ethanol Blended Petrol (EBP) programme rose from **0% to 57%**.
- **Sugar mills fear** that allowing **imported GM maize** for ethanol production could further **reduce sugarcane's share**, undermining their role in the programme
  - **Opposition from Bihar:** Bihar is India's **third-largest maize producer** after Karnataka and Madhya Pradesh.

- **Current Scenario**

- US is the **world's biggest producer and exporter** of ethanol too. In 2024, it exported \$4.3 billion worth of ethanol.
- **India is the third largest market** (at \$441.3 million) after Canada (\$1.5 billion) and United Kingdom (\$535.1 million).
- **Ethanol Imports in India:** Permitted only for **non-fuel industrial purposes**, such as manufacturing **alcohol-based chemicals, medicines, or beverages**, but not for blending in petrol and diesel.

- **Proposal under discussion**

- Given India's total projected ethanol consumption of **11,350 million litres in 2025**, the US would want an opening up of the market.

- **Issues**

- Import of ethanol for **fuel use may** undermine the EBP programme's primary objective:
  - To reduce dependence on imported fuels and
  - Create a market for surplus domestic agricultural produce, particularly sugarcane and cereal grains.

- **Current Scenario:**

- The US is the **second biggest producer and exporter** of soybeans after Brazil.
- The US and Brazil's average per-hectare yields of 3.4-3.5 tonnes are way above India's 0.9 tonnes.

- **Soybean imports in India:**

- India allows the import of **GM soybean oil**. However, imports of both **whole GM soybeans** and the residual **de-oiled cake** (DOC) after extraction of oil are prohibited.
  - **Reason:** GM protein matter is present only in the raw bean and DOC, not the oil.
- Earlier, the NITI Aayog had supported the import of GM soybean, so that the oil extracted can be sold in the domestic market and the DOC exported to other countries.

- **Issues:**

- Soybean is grown in about 13 million hectares of the country, mainly in Madhya Pradesh, Maharashtra, and Rajasthan.
- The crop selling at well below the government's minimum support price may not make it politically easy to permit imports of GM soybeans.

- **Current Scenario:**

- US isn't as big a player as New Zealand and the European Union in dairy, when it comes to the global milk powder and butter trade.
- India currently levies duties @ 30% on cheese, 40% on butter and 60% on milk powder which render imports from even low-cost producers such as New Zealand and Australia unviable.

In 2025, India's total milk production is projected to reach approximately **239 million metric tons**. This makes India the **world's largest milk producer**, contributing about a quarter of the global milk supply.

- **Issues:**

- Imported dairy products in India shouldn't be derived from animals fed on any formulation produced from the internal organs, blood meal, or tissues of bovines.



## Geographic and climatic conditions:

Crop	Temperature	Soil	Rainfall	Season
Corn (Maize)	21°C – 27°C	Well-drained fertile loamy or alluvial soil	500 – 800 mm (well-distributed)	Kharif (main), also grown in Rabi & Zaid in some regions
Sugarcane	20°C – 35°C (optimum: ~27°C)	Deep, well-drained loamy or alluvial soils rich in organic matter	1,000 – 1,500 mm (with irrigation)	Planted in spring (Feb–Mar) or autumn (Oct–Nov); harvested after 10–16 months
Soyabean	20°C – 30°C	Well-drained, medium black to loamy soil with good moisture retention	600 – 800 mm (mainly during monsoon)	Kharif (sown June–July, harvested Sept–Oct)

India's latest production with global rankings:



Crop	India Production (Lakh metric tonnes)	Global Rank (Production)
Corn	422.81 LMT (Estimated 2024-25)	Fifth largest producer of Maize (2023)
Sugarcane	4501.16 LMT (Estimated, 2024-25 )	2nd largest (2024)
Soybean	151.80 LMT (Estimated, 2024-25 )	5th largest (2022)

State-wise Production in India

**Sugarcane(Estimated 2024):** Uttar Pradesh, Maharashtra, Karnataka, Tamil Nadu, and Gujarat.

**Soyabean:** Madhya Pradesh, Maharashtra, Rajasthan, Karnataka, Gujarat.

**Maize:** Karnataka, Madhya Pradesh, Bihar.

**Milk:** UP, Rajasthan, Madhya Pradesh, Gujarat, and Maharashtra.



## PRACTICE QUESTION

**Q1. With reference to the current scenario of India–US agricultural trade, consider the following statements:**

1. The United States is the largest maize producer and exporter in the world.
2. India permits the import of genetically modified soybean and its de-oiled cake for animal feed.
3. India only permits Imports of Ethanol for non-fuel industrial purposes.

Which of the statements given above are correct?

- (a) 1 only**
- (b) 1 and 2 only
- (c) 2 and 3 only
- (d) All of the above

# Dalai Lama successor issue

## The line will continue after me, no other authority can interfere, says Dalai Lama

Sushant Bakshi  
NEW DELHI



Buddhist monks watch a recorded video message by Tibetan spiritual leader, the Dalai Lama, in Dharamshala on Wednesday. AP

The succession plan for the next Dalai Lama, the highest spiritual leader of Tibetan Buddhism, will be decided by a trust, not the Chinese government, asserted the 14th Dalai Lama in Dharamshala, making it clear for the first time that he believes he will be reincarnated. Releasing a widely anticipated statement during a convention of the leaders of many Buddhist traditions who have gathered for celebrations of the Dalai Lama's 90th birthday, the spiritual leader, born as Tenzin Gyatso, said the process by which future Dalai Lama will be recognised would now begin with consultations with leaders, members of the Tibetan Government in Exile, and other stakeholders.

The statement sparked a response from Beijing, which has said any succession must be "approved" by the Central government, and has passed a law in Tibet in 2007 mandating its authority over the issue, although this has not been accepted by the Tibetan community.

Neither the MEA nor other government officials reacted to the statement from Dharamshala. India has maintained that the Dalai Lama is an "honoured guest" and a spiritual leader in the country and the Prime Minister sends greetings to him on his birthday each year. This year, Minister for Minority Affairs Kiren Rijiju and Chief Ministers of Himachal Pradesh and Sikkim will attend the celebrations.

In a recorded video speech and translation released on Wednesday, the Nobel Peace Laureate said the responsibility for the succession "will rest exclusively with members of the Gaden Phodrang Trust, the Office of His Holiness the Dalai Lama"—a trust he set up in 2011.

"They should consult the various heads of the Tibetan Buddhist traditions and the reliable oath-bound Dharma Protectors who are linked inseparably to the lineage of the Dalai Lamas. They should accordingly carry out the procedures of search and recognition in accordance with past tradition," he said referring to the tradition of recognising a Dalai Lama through reincarnation or rebirth, or "emanation" since the First Dalai lama was ordained in 1415.

In Delhi, Chinese Ambassador to India Xu Feihong said the Chinese government "protects the tradition" of reincarnation, but added, in accordance with the law, "The reincarnation of the Dalai Lama must follow the process that consists of search and identification in China...", he said.

The Dalai Lama's state-

ment on Wednesday is the continuation of a lengthier statement he issued in 2011, after he had decided to separate the political leadership of the Tibetan movement from the spiritual one. At the time, he had said he would decide by 2025 or thereabouts whether the institution of the Dalai Lama would continue after his demise.

While he did not refer directly to China or Beijing's role in his latest statement, the Dalai Lama said that apart from the Gaden Phodrang Trust "no one else has any such authority to interfere in this matter".

The Chinese government, which has long staked a claim over choosing or "approving" the next Dalai Lama, Beijing also claims that the practice of approving high lamas was in line with a Qing dynasty tradition where high lamas were decided by drawing their name from a "golden urn". On Wednesday, China's Ministry of Foreign Affairs rejected the Dalai Lama's statement, and said any succession plan would have to "comply with Chinese laws and regulations as well as religious rituals and historical conventions".

**Backdrop:** There will be a successor, Trust sole authority, says Dalai Lama

**Relevance:** GS 1 - Art and culture, GS2 - India- China relations

- The **14th Dalai Lama** confirmed for the first time that he **believes he will be reincarnated**.
- Announced that the **Gaden Phodrang Trust** will be the **sole authority** to manage and recognise the next Dalai Lama.
- Emphasised the succession should proceed without external interference, **especially from China** (though not named directly).
  - In his 2025 book ***Voice for the Voiceless***, confirmed successor would be **born outside China**.
- Made this declaration during a **Buddhist convention** in Dharamshala as part of his **90th birthday celebrations**.
- Stressed that the **recognition process** will align with **past traditions of Tibetan Buddhism**.
- Recognition will involve **consultation with**:
  - Heads of Tibetan Buddhist traditions.
  - Members of the Tibetan Government-in-Exile.
  - Dharma Protectors bound by oath.
  - The Tibetan public and global Buddhist followers.
- Declared that procedures of search and recognition will follow **customary practices of reincarnation or emanation** since 1411.

## Historical Context & 2011 Declaration

- Dalai Lamas are believed to be reincarnations of Avalokiteśvara, the bodhisattva of compassion.
- "Dalai Lama" (meaning *Ocean of Wisdom*) was first conferred on Sonam Gyatso by Mongol ruler Altan Khan in the 16th century.
- Born on July 6, 1935 in Taktser (now Qinghai, China); identified as the reincarnation of the 13th Dalai Lama at age 2.
- Fled Tibet in 1959 after the Chinese military crackdown and established the Tibetan government-in-exile in Dharamshala, India.
- In 2011, he formally relinquished political authority, ending the tradition of combining spiritual and political roles
- In 2011, the Dalai Lama decided to **separate political and spiritual roles**.
- He stated that **by age 90**, he would decide whether the institution of the Dalai Lama should continue.
- He cited a **1969 statement** that the **people should decide** if the reincarnation of the Dalai Lama should continue.
  - The **Tulku system** in Tibetan Buddhism allows spiritual masters to reincarnate to continue their teachings.

- Said he received requests from:
  - Tibetans inside Tibet.
  - Members of the Central Tibetan Administration (CTA).
  - Tibetan NGOs and Buddhist communities globally (including China, Mongolia, Russia).
- Based on these appeals, he **affirmed continuation** of the institution of the Dalai Lama.

### **Gaden Phodrang Trust**

- Named after the **residence of the Dalai Lama lineage** at Drepung Monastery (Lhasa).
- Established in **2011 in Dharamshala**, India.
- Mandated to:
  - Maintain the institution of the Dalai Lama.
  - Recognise future reincarnations.
  - Uphold Tibetan Buddhist traditions and processes.
- Described as one of three organisations related to the Dalai Lama.

## Other Related Institutions

- **Dalai Lama Trust** (2009, New Delhi):
  - Supports education, ethics, interfaith harmony, and world peace.
  - Promotes Tibetan culture, student welfare, and secular values.
- **Gaden Phodrang Foundation** (Zurich):
  - Swiss nonprofit under Swiss government supervision.
  - Supports the tradition of the Dalai Lama, environmental causes, and intercultural dialogue.
  - Promotes science-religion understanding and Buddhist philosophical knowledge.

## China's Position & Response

- China labels the Dalai Lama as a “**splittist**” and denies his authority.
- **Immediate rejection** of the Dalai Lama's succession plan.



- Chinese Foreign Ministry stated:
  - Any reincarnation must comply with **Chinese laws**, including the **2007 Tibet Law**.
  - Recognition must follow the **Golden Urn system** and be **approved by the central government**.
    - Golden Urn is a method introduced by the Qing dynasty of China in 1793 for selecting Tibetan reincarnations by drawing lots or tally sticks from a golden urn.

### India's Reaction

- The **MEA and Indian government** did not issue any public statement.
- India has consistently regarded the Dalai Lama as a **spiritual leader and an honoured guest**.



## PRACTICE QUESTION

**Q2. In the context of Tibetan Buddhism, which of the following correctly describes the concept of “reincarnation” of Lamas?**

- (a) It refers to the belief that enlightened beings can choose to be reborn to continue their spiritual work.**
- (b) It is a form of ascetic self-mummification followed by Tibetan monks.
- (c) It refers to the symbolic burning of old scriptures to mark spiritual renewal.
- (d) It is a ritual where monks remain in deep meditation until death.

# Backed by strong profit growth, PSBs' FY25 dividend transfers up 166% in 4 years

RITESH VYAS  
MUMBAI, JULY 2

DRIVEN BY robust growth in profitability public sector banks (PSBs) have seen a 166 per cent surge in total dividend payouts to shareholders, including to the government, between 2020-21 and 2024-25.

The total dividend paid by state-run banks to shareholders in March 2025 rose to Rs 11,770 crore in 2021-22 to Rs 34,980 crore in the financial year ended March 2025, data compiled by The Indian Express shows.

As a result, the central government is also likely to see a jump of 166 per cent in dividend from public sector banks to Rs 22,771.96 crore in 2024-25 from Rs 8,761 crore paid in 2021-22 on account of its majority stake in these lenders. The Centre's stake in PSBs dropped 37 per cent to 51 per cent as of mid-March 2025.

Among public sector banks, the government gets the highest dividend from State Bank of India (SBI), the country's largest lender, in which it holds 57.61 per cent stake. In 2024-25, the government is expected to receive Rs 8,188 crore as dividend from SBI.

"The 66 per cent increase in dividends [paid by SBI to the bank] also has to do with the way profitability has grown. So, if you look at it as a percentage of profit, the dividend distribution rate of public sector banks has been hovering between the 20-22 per cent of net profit," said Sumanta Lakia, senior director, financial institutions (banks), IBC's Ratings.

"Moreover, the Pragati Capital Fund Framework also provides clear guidelines for financial soundness and dividend distribution, which banks must meet to pay dividends. Considering the sector's improved financial health, modernisation and strong conditions," he said.

Under the Pragati Capital Fund Framework, banks have to monitor and maintain certain minimum levels of parameters like Tier-1 ratio, net non-performing assets (NPA) ratio, and return on assets. Any breach of a ratio threshold by a bank results in the revocation of the PCA,



which leads to the suspension of security of business restrictions. In the last four financial years, state-run lenders' profit rose 164 per cent to Rs 1.78 lakh crore from Rs 71,542 crore in 2020-21. PSBs have become more profitable in the last four years on account of improvement in various financial metrics, including higher loan growth and reduction in NPAs, mainly due to loans being written off, analysts said.

"The improvement in asset quality and capital position after the massive recapitalisation of PSBs by the government has supported their loan book growth, as well as earnings leading to consistent increase in dividend payments," said Anil Gupta, senior vice president and managing head - Financial Sector Ratings, IBC's Ltd.

As of end-March 2025, gross NPAs of public sector banks declined to 2.9 per cent from 3.8 per cent as of March 2022, while net NPAs fell 104 bps from 1.7 per cent, according to Reserve Bank of India (RBI) data.

## Dividend payouts may slow down

Analysts believe state-run lenders may not be able to maintain the pace of dividend transfers to shareholders in 2025-26 due to likely falling profitability. The decline in profit may be on account of a lower net interest margin (NIM) following RBI rate cuts (bps reduction in the policy rate) by the RBI earlier in 2025.

Whenever there is a reduction in the repo rate, banks' interest income from loans falls immediately, while their interest margin doesn't adjust instantly. This puts pressure on their profit margins. "As the loan book growth is expected to mod-

erate further in 2025-26, which coupled with pressure on net interest margin is expected to translate in a muted or slower growth for the banking sector, including PSBs," said Sumanta Gupta.

According to a recent report by Credit Ratings, NIM of domestic banks is expected to decline from 20-25 bps in 2023-24 compared to 2024-25 due to a declining interest rate scenario, with yield an advance expected to fall more than the cost of deposits in the current financial year. Overall, profitability of banks may be impacted by around 12-14 bps, with estimated decline on total assets of 135 per cent in 2024-25, down from 1.34 per cent in 2024-25 due to pressure on NIMs and spike in credit costs, the Credit Ratings report said.

Banking analysts also said that qualified institutional placement (QIP) by PSBs to public sector investors — to meet the minimum public shareholding criteria in some cases — will lead to a reduction in the government's stake in these banks, resulting in lower dividend transfers. In 2023-24 compared to 2024-25, the country's largest lender, SBI, is in the process of raising up to Rs 25,000 crore through the QIP route. Last month, state-run lender Union Bank of India resumed bond approval to raise up to Rs 1,000 crore of equity capital through public issue or rights issue or private placement, including QIP.

"The moderate growth in earnings of banks coupled with expected dilution in distribution of government equity could translate in muted growth in dividends receipts of the government," said Gupta from Credit.

# PSB's dividend transfer

**Backdrop:** PSBs have become more profitable in the last four years.

**Relevance:** GS3 - Banking sector

- **Dividend Growth PSB (FY22–FY25):**

- PSBs' total dividend payouts grew **166%** from ₹13,170 crore (FY22) to ₹34,992 crore (FY25).
- Government's share in dividends rose **160%** from ₹8,761 crore (FY22) to ₹22,774 crore (FY25).

- **SBI as Major Contributor:**

- Government holds **57.43% stake** in SBI.
- Expected dividend from SBI to government in FY25: ₹8,149 crore.

- **Dividend Payout Ratio:**

- PSBs' dividend distribution has hovered around **20–22% of net profit**.

### **Reasons for Increased Profitability**

- **Improved Financial Metrics:**

- Higher **loan growth**.
- Reduction in **Gross and Net NPAs**.
- NPAs reduced partly due to **loan write-offs**.

- **Profit Growth:**

- PSBs' total profit rose **144%** in 4 years: from ₹73,142 crore (FY22) to ₹1.78 lakh crore (FY25).

- **Asset Quality Improvement:**

- **Gross NPAs** fell from **5.9% (FY22)** to **2.8% (FY25)**.
- **Net NPAs** declined from **1.7%** to **0.5%** in the same period.
  - Gross NPA is the total value of a bank's non-performing assets, while Net NPA is the amount after deducting provisions, indicating the bank's actual credit risk. Net NPA offers a clearer view of financial health.

- **Government Recapitalisation Support:**

- Past **recapitalisation** improved PSBs' capital positions and loan book growth.

- **Compliance with PCA Framework:**

- PSBs improved financial health to meet **Prompt Corrective Action (PCA)** norms (CET-1 ratio, NPA ratio, RoA), enabling dividend payments.
  - Common Equity Tier 1 (CET1) is a core part of Tier 1 capital, introduced in 2014, it serves as a safeguard against financial crises, with banks required to maintain minimum CET1 ratios set by regulators.

- **Tier 1 Capital:** A bank's core capital comprising equity and disclosed reserves; serves as the primary buffer against financial losses and ensures operational continuity.
- **Tier 2 Capital:** Supplementary capital including undisclosed reserves and subordinated debt with a minimum maturity of five years.
- **NPA ratio** indicates the share of a bank's loans that are not earning income, reflecting the quality of its loan portfolio and overall financial health.
- **Return on Assets (ROA)** measures how efficiently a company uses its assets to generate profits, indicating overall asset productivity.

### Outlook for FY26: Expected Decline in Dividends

- **Profitability Pressure:**

- Expected decline in **net interest margins (NIM)** due to:
  - **100 bps repo rate cut** by RBI in 2025.
  - Faster decline in **loan yield** than deposit costs.

- **Projected Financial Impact:**

- **NIM decline:** 20–25 bps expected in FY26.
- **Return on Total Assets (RoA)** may fall to **1.15%** in FY26 from **1.34%** in FY25.

- **Loan Growth Moderation:**
  - **Loan book growth** likely to slow in FY26, affecting earnings.
- **Credit Cost Pressure:**
  - Rise in **credit costs** may further compress margins and profits.

### **Capital Raising & Impact on Govt Dividends**

- **QIP and Dilution of Govt Stake:**
  - Some PSBs raising capital through **Qualified Institutional Placement (QIP)** to meet SEBI's minimum public shareholding norms.
    - QIP is a capital-raising method introduced by SEBI in May 2006, allowing listed Indian companies to issue equity or convertible securities to Qualified Institutional Buyers (QIBs). It aims to reduce reliance on foreign capital.

- **Examples:**

- **SBI** to raise up to ₹25,000 crore via QIP.
- **Union Bank of India** approved ₹3,000 crore equity capital raise through QIP/other modes.

- **Impact on Govt Receipts:**

- **Reduced shareholding** will mean **lower dividends** for the government in FY26.

- **Muted Dividend Growth Expected:**

- Slower earnings + dilution of stake = **muted growth in government's dividend receipts** in FY26.





## PRACTICE QUESTION

**Q3. Consider the following statements regarding the decline in NPAs of Public Sector Banks (PSBs) between FY22 and FY25:**

1. Loan write-offs helped reduce gross and net NPAs.
2. Government recapitalisation improved PSBs' capital positions.
3. PCA framework sets thresholds for asset quality and capital adequacy.

**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) 1, 2 and 3**

# 1st income tax in Persian Gulf

OMAN'S 5% TAXES TO AFFECT ONE PER CENT OF POPULATION, SAYS NEW TAX IS TO PROMOTE SOCIAL EQUITY, REDUCE OIL & GAS DEPENDENCE

## First income tax in the Persian Gulf signals a changing economic reality in region

TURKIAL-BALUSHI  
& VIVIAN NEREIM

SAMJUNG, JULY 2

THE CONCEPT of an income tax has long created debate and anxiety among the citizens of the fossil fuel-rich countries in the Persian Gulf. But no nation actually introduced one until last week, when Oman announced that it would apply a 5 percent tax starting from 2028 on those who make more than 42,000 Omani riyals, or around \$109,000.

Officials said that the new tax was intended to promote social

equity and reduce the country's dependence on oil and gas, which made up around 70 percent of the state revenues last year. But Oman could also become a testing ground in the region, where the royal families that have ruled for decades have used their resource wealth to subsidize citizens' lives while granting them minimal political participation.

Since oil was discovered in the Arabian Peninsula the 1930s, the Gulf's royal families have run an authoritarian form of government that involves sharing some fossil-fuel revenue their citizens through public-sector employ-

ment, subsidies and other state benefits — while keeping a significant portion of it for themselves, through mechanisms that are typically opaque.

The families have combined that strategy with varying degrees of political repression, enabling them to maintain stable, generally peaceful states while limiting political participation.

But that model has come under pressure over the past decade. Oil revenue has fluctuated in several Gulf countries, and their governments have also spent more. They are looking for ways to diversify their



The tax would mainly affect high-earning foreign residents, potentially pushing some to leave, economists say. *NYT*

economies beyond fossil fuels.

In Saudi Arabia, one of the first major policy changes by Mohammed bin Salman, now the crown prince and de facto ruler, was to cut energy subsidies. That sent citizens rushing to gas stations to fill their tanks before prices increases took effect.

One reason is that there are fewer high earners in Oman than in other Gulf States, such as United Arab Emirates and Qatar.

The new law also includes "broad exemptions that significantly reduce the burden," said Said Al-Mahrami, a prominent Omani economic consultant.

Education fees, health-care costs and many other expenses would all be deductible, he said.

The tax would mainly affect high-earning foreign residents, potentially pushing some to leave, said Karen E. Young, a political economist focused on the Gulf at Columbia University's Center on Global Energy Policy.

Still, some Omanis questioned the timing of the announcement — in the middle of a regional war between Iran and Israel.

"At first glance, the income tax appears to be a positive step — if its goal is to fund and improve public services, and if it ex-

cludes low-income groups," said Samia Murad, 31, an Omani woman who runs a nonprofit youth group. "But the real concern is whether it might be misused, becoming an added burden on citizens or a factor that discourages investment in Oman."

Ahmed Kashoub, an Omani economist, said that the tax was necessary to diversify the state's revenue streams. "But over time, the law can support better public services and more balanced economic development — provided the government ensures transparency about how tax revenues are allocated," he said. *NYT*

**Backdrop:** Oman will introduce a 5% income tax in 2028 for individuals earning over 42,000 Omani Riyals.

**Relevance:** GS3 - Tax System

- New Income Tax: Oman will implement a **5% income tax starting in 2028**.
- It applies to individuals earning more than **42,000 Omani Riyals (~\$109,000)**.
- **Only around 1% of the population** will be affected.
- Aimed at promoting **social equity** and **reducing dependence on oil and gas**, which accounts for **~70% of state revenue**.

### Purpose and Policy Shift

- Marks the **first income tax in the Persian Gulf region**.
- Reflects a shift from traditional **oil-funded welfare models** to **tax-based revenue systems**.
- Designed to help **diversify the economy** beyond fossil fuels.
- Seen as part of broader regional reforms triggered by **volatile oil revenues** and **increased public spending**.

## Regional Context

- Gulf monarchies have historically offered **subsidies and public jobs** in exchange for **limited political participation**.
- This “resource-for-obedience” model is **under pressure** due to falling/stagnant oil revenues
- **Saudi Arabia** cut energy subsidies under Crown Prince Mohammed bin Salman as part of similar economic reforms.

## Who Will Be Affected?

- Mostly **high-earning foreign residents**.
- Some economists expect the tax could **push foreign workers to leave**.
- Oman has **fewer high earners** than countries like UAE and Qatar.

## Exemptions and Deductions

- The law includes **broad exemptions**:
  - Deductions allowed for **education fees, healthcare costs**, and other expenses.
- These measures are intended to **ease the burden** on residents.

## Public & Expert Reactions

- **Mixed reactions** among Omanis:
  - Some see it as a **step toward better public services**.
  - Others fear it may be **misused** or deter **investment**.
- Critics question the **timing**, given regional instability (e.g., Iran-Israel conflict).
- Experts like **Ahmed Kashouh** believe the tax can support **economic balance**, if transparency is ensured.



### 1. Persian Gulf Countries

Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates



## 2. Bordering Countries of Oman

Saudi Arabia, United Arab Emirates (UAE), and Yemen





## PRACTICE QUESTION

**Q4. Which of the following countries share a land border with Oman?**

1. Saudi Arabia
2. United Arab Emirates (UAE)
3. Yemen
4. Qatar

Select the correct answer using the code below:

- (a) 1, 2 and 3 only**
- (b) 1, 2 and 4 only
- (c) 2, 3 and 4 only
- (d) 1, 3 and 4 only



## Rephasing global development finance

India's development cooperation with the Global South has been showing a rising trend for the last several years. India has made consistent efforts to expand the facets of these engagements and has also almost doubled the flow of quantum – from around \$3 billion in 2010-11 to around \$7 billion in 2023-24. While capacity building programmes and the initiatives for technology transfer and duty-free access to India markets have been important modalities of this engagement, the main instrument has been the extension of lines of credit (LoC) under the Indian Development and Economic Assistance Scheme (IDEAS).

If budgetary provisions for 2025-26 are any indication, the red flag from the Ministry of Finance on credit lines, as a modality of engagement, is absolutely clear. At the G-20, India expressed serious concerns over rising sovereign debt levels across the Global South. During the third Voice of Global South Summit (VoGS) in 2024, Prime Minister Narendra Modi articulated the concept of a Global Development Compact (GDC), thereby implying a harmonious balance between all the modalities of engagement with the Global South. It is worth noting that there are five modalities of engagement, viz., capacity building, technology transfer, market access, grants and concessional finance. This balanced approach on modalities may be supplemented by India by having wider and deeper partnerships with countries that can work across third countries.

In this backdrop, under the modalities of engagement, India has to refocus on LoCs as an instrument of engagement. India was largely borrowing from global capital markets and providing the resources to the partner countries at a concessional rate of interest. The difference in the rates of interest was being absorbed by the Government of India. With a rising global liquidity crisis, such schemes have lost their relevance as capital market predictability and the repaying capabilities of partner countries have become severely constrained. India should take full advantage of this new reality.

### Shrinking ODA and debt crisis

The traditional official development assistance (ODA) providers are going through their own budgetary crisis while the partners of the Global South have challenges in coping with the debt



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With geopolitical complexities affecting global development finance, a solution lies in evolving a mechanism of pooling resources with like-minded countries

crisis. With rising geopolitical complexities, the flow of global development finance in any case is witnessing a profound decline. The collapse of USAID and the decline of the Foreign, Commonwealth and Development Office (FCDO) have highlighted the emerging crisis in development finance. The availability and leveraging of resources have been hampered further by the declining trend in ODA, which is likely to be close to \$97 billion. This proposed slashing of foreign aid is a near 45% reduction from the levels of ODA in 2023, which stood at around \$214 billion. At the Organisation for Economic Co-operation and Development (OECD), its Development Assistance Committee (DAC) has been an elite club for ODA providers, dictating the terms and conditions for the economic and political programmes for the South.

Shrinkage in the resource flow is likely to affect several development programmes, across least developed economies, particularly at a time when several of them are passing through an unprecedented debt crisis. Over the last 20 years, a series of overlapping crises and major geopolitical and economic transformations have reshaped the global financial environment, leaving many developing countries struggling to access funding. This has posed a risk to development progress at risk and jeopardised achievements.

The investment needed to achieve the Sustainable Development Goals (SDG) by 2030 has also surged from \$2.5 trillion in 2015 to over \$4 trillion in 2024. Without a major increase in financing, progress toward the SDGs (already derailed by the COVID-19 pandemic and other global shocks) will remain elusive. Simultaneously, borrowing has become costlier and less predictable.

### Rationale for triangular cooperation

A ray of hope lies in the possibility of evolving a new mechanism of pooling resources with like-minded countries. The flows from the 19 non-DAC countries that report to the OECD rose from \$1.1 billion in 2000 to \$17.7 billion in 2022. Some of these countries such as Indonesia and Brazil have evolved a rich global experience with Japan and Germany of working in third countries. Japan and Indonesia have worked together in several Association of Southeast Asian Nations

(ASEAN) economies to implement development projects. Similarly, Germany and Brazil have worked together in Mozambique in multiple development areas. Triangular Cooperation (TrC) has emerged as a powerful mechanism to bridge the divide between the Global North and the Global South.

The beauty of the TrC is that it brings together a traditional donor from the Global North, a pivotal country from the Global South, and a partner country (often from the Global South), creating inclusive platforms for shared learning, mutual respect and the co-creation of solutions tailored to local needs. Comprehensive TrC data is still being compiled at the global stage. However, the efficacy and the success of the model has been well established. Some preliminary data collection suggests TrC to be between \$670 million to \$1.1 billion.

### Partnerships with results

The TrC has shown that addressing physical infrastructure can advance social progress. For instance, improving regional energy grids expands digital connectivity and provides access to opportunities in education and health. In this context, in 2022, Germany and India signed a Joint Declaration of Intent on the implementation of TrC projects in third countries (during the sixth India-Germany Inter-Governmental Consultations), with a focus on Africa, Asia, and Latin America. Since then, TrC projects are being implemented in several countries which include Cameroon, Ghana and Malawi in Africa, and in Peru in Latin America.

These offer clear examples as to how to rephase global development finance in a manner that ensures assured and efficacious outcomes in a cost-effective manner. Engagement in TrC was further emphasised during India's G-20 presidency, with expanded collaborations involving countries such as Germany, the United States, the United Kingdom, the European Union, and France. These partnerships span a variety of sectors and modalities, from grant-based projects to investment-driven initiatives such as the Global Innovation Partnership (GIP) with the U.K. These efforts illustrate how leveraging technical, financial, and human resources can deliver results in third countries.

*The views expressed are personal*

**Backdrop:** Impact of rising geopolitical complexities on global development finance

**Relevance:** GS 2/International Relations

The evolving complexities of global geopolitics, shrinking official development assistance (ODA), and a deepening debt crisis in the Global South have significantly disrupted traditional development finance models. In this challenging landscape, there is a pressing need to rephrase global development finance by adopting more inclusive, balanced, and collaborative approaches.

**Official Development Assistance (ODA):** A specific type of foreign aid aimed at promoting economic development and welfare in developing countries.

- It is concessional (provided on favorable terms), and its main objective must be the development of the recipient country.
- ODA is primarily provided by governments and international institutions.

## India's Development Cooperation with the Global South

- **Core Modalities of Engagement:**
  - Extension of lines of credit (LoC) under the Indian Development and Economic Assistance Scheme (IDEAS)
  - Capacity building programmes
  - Technology transfer initiatives
  - Duty-free access to Indian markets
- **Rising Assistance:** India's development aid to the Global South has nearly doubled from **\$3 billion (2010–11)** to **\$7 billion (2023–24)**.
  - **Policy Shift:** The Ministry of Finance has raised concerns over LoC sustainability.
- At the **G-20**, India raised concerns over the **rising sovereign debt burden** in the Global South.
- **Global Development Compact (GDC):** Proposed by India during the Voice of Global South Summit (2024)
  - It focuses on a harmonious balance between all the modalities of engagement with the Global South (E.g., Capacity building, technology transfer, market access, grants, and concessional finance).

## Challenges faced by the current Global Development Finance structure

- **Shrinking Official Development Assistance (ODA)**
  - The traditional ODA providers are going through their budgetary crisis
  - Current ODA is likely to be close to \$97 billion (It was around \$214 billion in 2023).
  - The collapse of USAID and the decline of the Foreign, Commonwealth and Development Office (FCDO) have highlighted the emerging crisis in development finance.
- **Rising Sovereign Debt in the Global South**
  - Many developing countries are burdened with **unsustainable debt**, limiting their ability to borrow or invest in development.
- **Geopolitical Tensions**
  - **Conflicts and rivalries** among major powers are diverting attention and resources away from global development.
  - **Fragmented multilateralism** is undermining coordinated development efforts.

- **Unpredictable Capital Markets**

- **Volatile interest rates** and **reduced global liquidity** have made borrowing more expensive and uncertain, especially for concessional lending.

- **Increased Financing Gap for SDGs**

- The investment needed to meet the Sustainable Development Goals (SDGs) has surged from **\$2.5 trillion (2015)** to over **\$4 trillion (2024)**.
- Without new financing mechanisms, SDG progress remains stalled.

- **Inadequate New Models of Cooperation**

- Emerging economies and alternative donors are yet to fully institutionalize scalable, inclusive development finance mechanisms.
- **Triangular cooperation** is promising but still underutilized and underfunded.

- **Limited Access to Climate Finance**

- Many developing countries struggle to access promised climate finance due to complex procedures and eligibility constraints.

- **Fragmentation and Conditionality**

- Development aid is often **fragmented, politically driven, and tied to donor priorities**, undermining recipient ownership and effectiveness.

- **Overlapping Global Crises**

- COVID-19, climate change, food insecurity, etc, have stretched both donor and recipient capacities, compounding the financing strain.

## **Way forward**

- **Triangular Cooperation (TrC)– Partnerships with Results**

- It brings together a traditional donor from the Global North, a pivotal country from the Global South, and a partner country (often from the Global South)
- **It bridges the Global North-South divide** and creates inclusive platforms for shared learning, mutual respect, and the co-creation of solutions tailored to local needs.
- **Infrastructure as a Driver of Social Progress:** The TrC has shown that addressing physical infrastructure can advance social progress.
- E.g., Improving regional energy grids expands digital connectivity and provides access to opportunities in education and health.



- TrC projects are being implemented in several countries, including **Cameroon, Ghana, and Malawi** in Africa, and in **Peru** in Latin America.
- TrC is estimated to be between \$670 million and \$1.1 billion.
- **Examples:**
  - **Japan and Indonesia** have worked together in several ASEAN economies to implement development projects.
  - **Germany and Brazil** have worked together in Mozambique in multiple development areas.
  - **Germany and India** signed a Joint Declaration of Intent (2022), on the implementation of TrC projects in third countries with a focus on Africa, Asia, and Latin America. Since then,
- **Rebalance Development Modalities**
  - Move beyond excessive reliance on **Lines of Credit (LoCs)** and ensure a **balanced approach** across all five modalities (Capacity building, Technology transfer, Market access, Grant, and Concessional finance)
- **Reassessing Lines of Credit (LoCs) amid Changing Realities**
  - Due to the current global liquidity crunch and reduced repayment capacity of many developing countries, the Lines of Credit (LoCs) model has become less viable.

- In light of these constraints, India must **re-evaluate and strategically adapt its approach to LoCs**, aligning with the new global financial realities.
- **Pool Resources and Expertise**
  - Explore **joint funds and innovation partnerships**, such as the **Global Innovation Partnership (GIP)** between India and the UK.
- **Advocate for Reforming Global Financial Institutions**
  - Push for a **more inclusive and representative governance structure** in institutions like the IMF, World Bank, and OECD-DAC.
- **Develop Alternative South-led Platforms**
  - Strengthen platforms like **BRICS, IBSA**, and **Voice of Global South** to promote alternative narratives and financing models.
- **Build Local Capacities**
  - Invest in institutions, human capital, and governance in partner countries to ensure that development assistance is impactful and sustainable.
  - Scale up **digital public infrastructure** and e-governance support.



## Conclusion

In a rapidly shifting global finance landscape, countries, especially India, must adapt their development strategy by reducing reliance on Lines of Credit and embracing a balanced mix of modalities. Through deeper partnerships and Triangular Cooperation, India can help build a more inclusive, sustainable, and resilient global development finance framework, especially for the Global South.



## PRACTICE QUESTION



- Q.** Shrinking global aid and rising debt distress in the Global South have exposed the limitations of traditional development finance models. Discuss how India can recalibrate its strategy to become a credible development partner in this evolving scenario. *(250 words)*

## Custodial deaths: police convictions remain zero in T.N. and beyond

Dalits are disproportionately targeted for police brutality in Tamil Nadu

### DATA POINT

**Sambavi Parthasarathy**  
**Devyanshi Bhandi**  
**Vignesh Radhakrishnan**

**E**ven a murderer would not have caused this much injury to a person", observed the Madurai Bench of the Madras High Court on Tuesday during the hearing of a batch of Public Interest Litigation petitions over the custodial death of Ajith Kumar, a security guard who died in police custody in Sivaganga district last Saturday.

Kumar's death is not an isolated incident but part of a broader picture in Tamil Nadu and even in the rest of the country. The pattern is clear: a significant number of custodial deaths take place, of which a considerable number of them are reported, a few of the policemen are arrested, and none of them are convicted. Kumar's death is definitely not the first instance to spark public outrage in Tamil Nadu. The Ambasamudram custodial torture in 2023 and the Sathankulam custodial torture case that led to the death of a father-son duo in 2020 are still fresh in memory.

Data show that Tamil Nadu has a long history of police brutality. According to data from Parliament, 490 deaths were reported while suspects were in judicial or police custody between 2016-17 and 2021-22 (up to March 31, 2022), as shown in **Map 1**.

In the past six years, Uttar Pradesh reported the highest number of fatalities (2,630) in judicial/police custody among all the States, while Tamil Nadu reported the highest number among the southern States. In total, 11,656 deaths were recorded in India in the period considered. It is important to note, though, that not all custody deaths are due to police excess.

While the five constables involved in Kumar's death were arrested, data show that no police of-

ficer has been convicted for custodial deaths between 2017 and 2022. Not just in Tamil Nadu, but across India, no police officer has been held accountable for such deaths in this period.

In India, 345 magisterial/judicial enquiries were ordered into the deaths of persons in police custody/lockup between 2017 and 2022 (**Chart 2**). And in these five years, 123 policemen were even arrested while such deaths were investigated. Moreover, over 79 were also chargesheeted. However, not a single policeman was convicted.

Data also show that convictions of State police personnel have been rare, not just in the case of custodial deaths, but also in any human rights violations case.

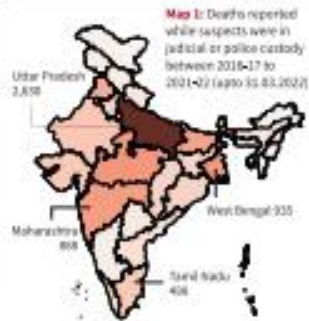
**Chart 3** shows that 74 cases of human rights violations related to illegal detention, deaths in custody, and torture/causing hurt/injury were filed against police in India between 2017 and 2022. Forty-one police personnel were chargesheeted. However, only three were convicted.

Importantly, policemen arrested for human rights violations in disproportionately low compared to the actual cases. Those convicted form a negligible share of those few arrested.

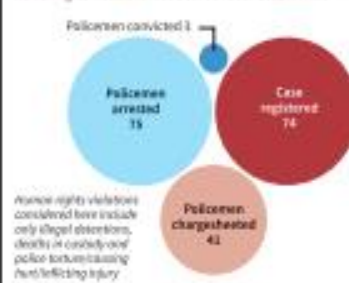
Worryingly, those belonging to Scheduled Castes (SCs) often bear the brunt of custodial torture in Tamil Nadu. A disproportionately higher share of detainees — persons held lawfully in custody under preventive detention laws, distinct from regular suspects charged with specific crimes — in Tamil Nadu belong to the SCs. In 2022, 38.5% of the detainees in Tamil Nadu were SC, while the community's share in the State's population was 20% (**Table 4**). This problem is mostly unique to Tamil Nadu and as can be seen from the table, the State police also take in a much higher number of people in detention. As on December 31, 2022, Tamil Nadu had 2,129 detainees — almost half of India's number.

### No accountability for custodial deaths

The data for the charts were sourced from the National Crime Records Bureau, the Parliament Questions and Answers, and the 2013 Census.

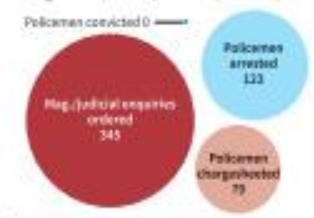


**Chart 3:** Cases registered against police personnel for select human rights violations filed between 2017-2022 in India



Human rights violations considered here include only illegal detentions, deaths in custody and police torture/causing hurt/infecting injury

**Chart 2:** The magisterial/judicial enquiries ordered into the deaths in police custody/lock up, policemen chargesheeted/arrested/convicted (2017-2022)



**Table 4:** The share of SC in detainees among States with a high number of detainees as on December 31, 2022

State/UT	Total detainees	% of SC in detainees	% of SC in total population
Tamil Nadu	2,129	38.5	20.04
J&K U.T.	546	1.1	7.38
Gujarat	334	0.6	6.74
Haryana	236	1.3	20.17
Uttar Pradesh	272	7.6	20.7

Tamil Nadu had 2,129 detainees — almost half of India's number

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**Backdrop:** Ajith Kumar, a security guard died in police custody in Sivaganga district last Saturday  
**Relevance:** GS2 - Legal System

- Ajith Kumar, a security guard, died in police custody in Sivaganga district (June 2025).
- Madurai Bench of Madras High Court observed the brutality was excessive: *“Even a murderer would not have caused this much injury.”*

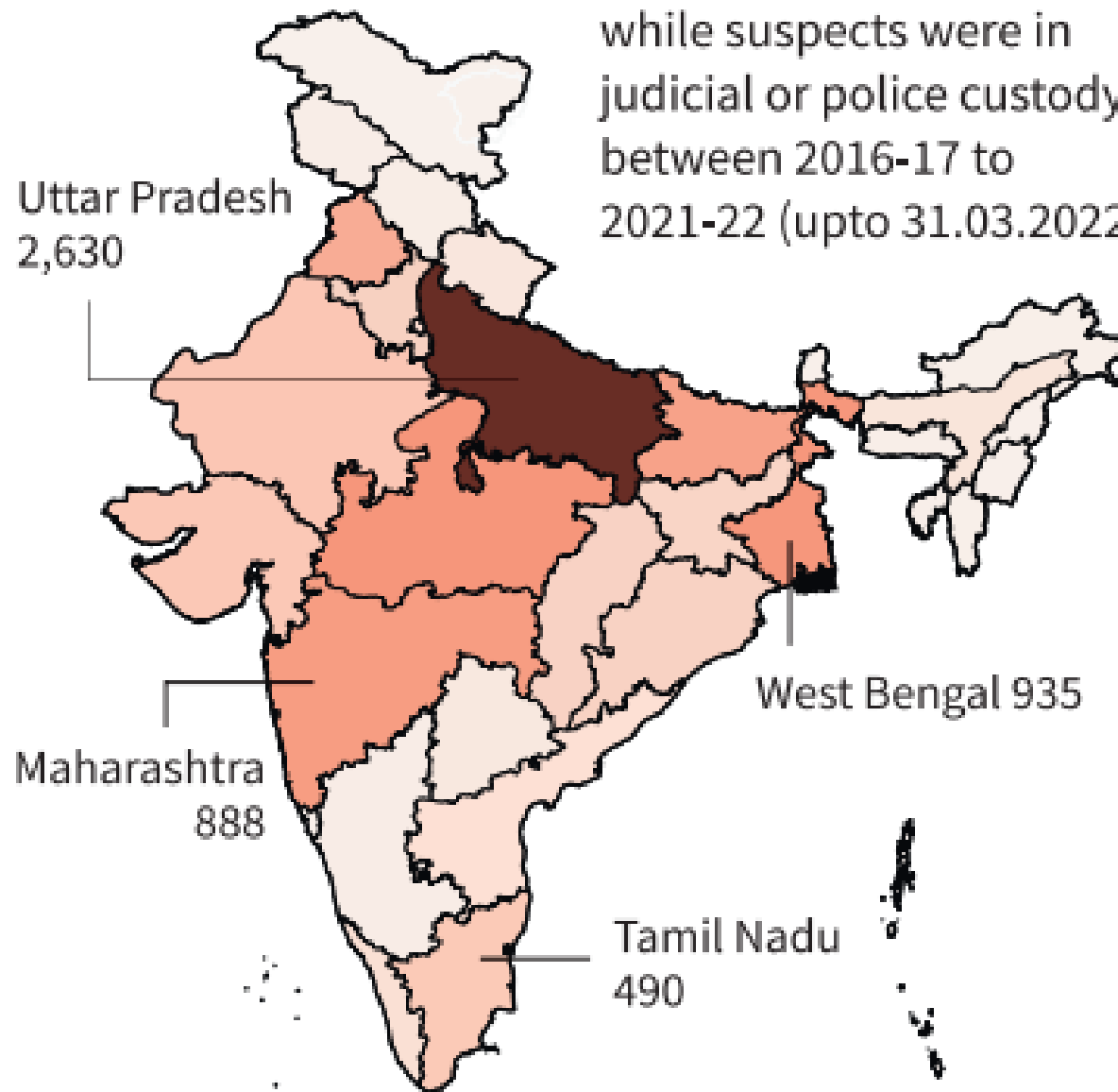
### Patterns in Custodial Deaths

- Consistent pattern: Many custodial deaths → Few arrests → Zero convictions.
- Tamil Nadu has a long history of police brutality (e.g., Sathankulam case 2020, Ambasamudram case 2023).
- Custodial deaths are not always due to police excess, but accountability remains poor.

### Data Highlights (2016–2022)

- Tamil Nadu: Highest custodial deaths in southern India; 490 deaths (judicial + police custody).
- India (total): 11,656 custodial/judicial custody deaths.
- Uttar Pradesh: Highest in India – 2,630 deaths.

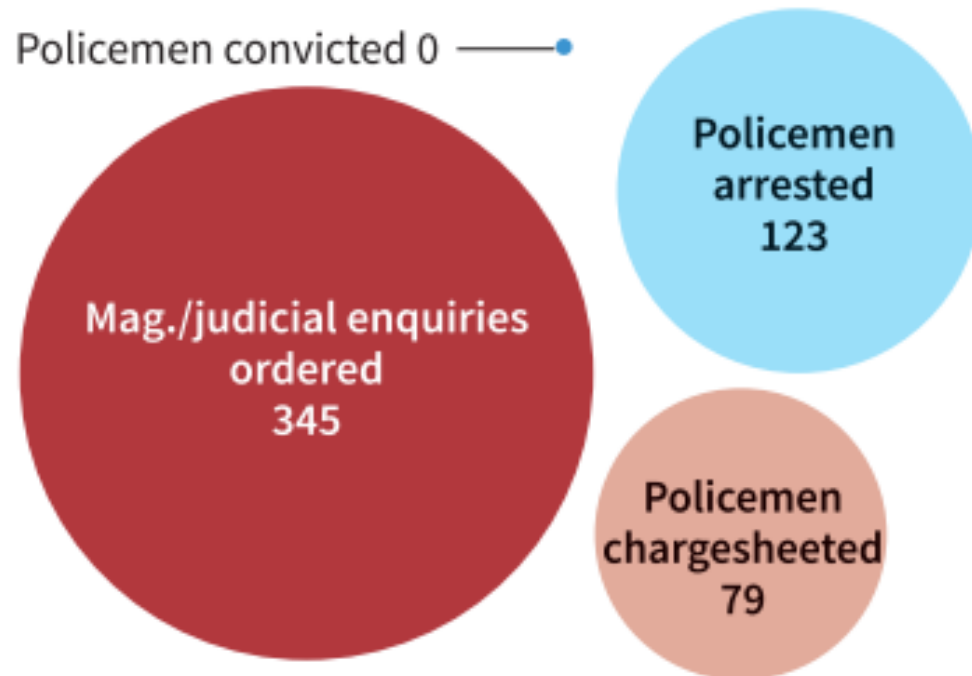
**Map 1:** Deaths reported while suspects were in judicial or police custody between 2016-17 to 2021-22 (upto 31.03.2022)



## Lack of Convictions (2017–2022)

- 345 magisterial/judicial inquiries initiated.
- 123 policemen arrested.
- 79+ chargesheeted.
- 0 convictions for custodial deaths (Tamil Nadu and all-India).

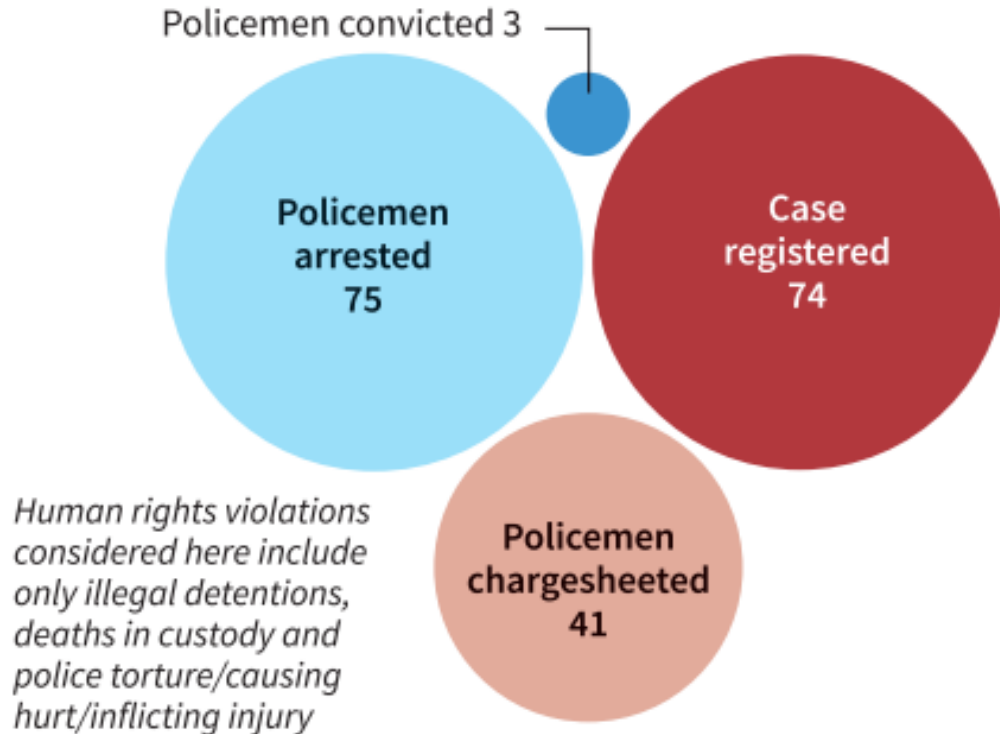
**Chart 2:** The magisterial/judicial enquiries ordered into the deaths in police custody/lock up, policemen chargesheeted/arrested/convicted (2017-2022)



## Human Rights Violations (2017–2022)

- 74 cases filed against police (illegal detention, torture, custodial death).
- 41 police personnel chargesheeted.
- Only 3 convictions nationwide.

**Chart 3:** Cases registered against police personnel for select human rights violations filed between 2017-2022 in India



## Caste Disparity in Detentions (Tamil Nadu)

- Scheduled Castes (SCs) disproportionately affected.
- 38.5% of detainees in Tamil Nadu in 2022 were SCs.
- SCs make up only 20% of the state population.
- Tamil Nadu had 2,129 detainees as of Dec 31, 2022 — almost 50% of India's total detainees.

**Table 4:** The share of SC in detainees among States with a high number of detainees as on December 31, 2022

State/U.T.	Total detainees	% of SC in detainees	% of SC in total population
Tamil Nadu	2,129	38.5	20.01
J&K U.T.	546	1.1	7.38
Gujarat	334	9.6	6.74
Haryana	235	1.3	20.17
Uttar Pradesh	172	7.6	20.7

*Tamil Nadu had 2,129 detainees — almost half of India's number*



## Systemic Concerns

- High number of preventive detentions in Tamil Nadu.
- Poor accountability mechanisms for police excesses.
- Structural bias and lack of transparency persist despite public outrage and legal action.

## NHRC Guidelines on Custodial Deaths

- All custodial deaths must be reported to NHRC **within 24 hours**.
- **Post-Mortem**: to be conducted by a panel of doctors
- **Videography is mandatory** and must be submitted within **48 hours**.
- **Magisterial Inquiry** is **compulsory** in all cases.
- **Independent Investigation**: Investigation by an agency **other than the local police**.
- **Compensation & Action**: NHRC may recommend **compensation** and **disciplinary action**.
- **Preventive Measures**:
  - **CCTV** in police stations.
  - Regular inspections.
  - Follow **D.K. Basu guidelines**.

## **Supreme court judgements on custodial deaths**

### **D.K. Basu vs. State of West Bengal (1997)**

- Laid down mandatory guidelines to prevent custodial torture.
- Included arrest memo, informing relatives, medical checks, and police ID rules.
- Upheld Article 21 (Right to Life).

### **PUCL vs. State of Maharashtra (2014)**

- Issued 16-point guidelines for police encounter killings.
- Mandated FIR, magisterial inquiry, and independent probe.

### **Inhuman Conditions in 1382 Prisons (2016–18)**

- Addressed deaths in judicial custody.
- Ordered time-bound inquiries, record maintenance, and compensation.

### **SC Suo Motu (2023–24) on West Bengal**

- Emphasized CCTV in police stations.
- Reaffirmed D.K. Basu guidelines and State accountability.



## PRACTICE QUESTION



- Q.** Custodial deaths continue despite Supreme Court directives and NHRC guidelines. Critically examine systemic failures and suggest reforms to ensure police accountability and human rights.