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How India Survived History's Biggest Oil Shock

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The closure of the Strait of Hormuz forced India to manage its biggest external energy shock in years. The ceasefire has reopened the route, but the fiscal, currency and energy-security costs remain.

Authors



Context When the strait of Hormuz shut in early 2026 after US-Israeli strikes on Iran, India faced its worst external energy shock in years.

Facts

India imports about 88% of its crude; 30% of that volume passes through the Strait of Hormuz.

The rupee fell 4.9% to 93/dollar & RBI spent \$46 billion of reserves smoothing & not defending the fall.

India's response: refineries lifted domestic LPG output by a quarter; a Natural Gas Control order rationed fertiliser plants to 70% of normal supply.

Analytical Crux

New Delhi didn't defend prices instead it absorbed the shock across the system. The bill was paid in dollars and rupees which created a wider deficit, a weaker rupee. Approx. ₹ 1.1 lakh crore is gone in exercise but not in growth or jobs. The energy security is a function of macroeconomic prudence plus diversification and not of any one route or region. The vulnerability was always structural and never about Iran alone. At present the crisis is paused but not solved. The issue is that if a crisis began the draw-down reserves and a depreciated rupee won't be able to reach its original position. This is the reason why long-term energy security cannot depend on a single route or a single region.

Verbatim Quotes

“A resilient economy, built on sound macroeconomic prudence, has a strong capacity to absorb exogenous shocks without triggering systemic disruptions.”

- Nilanjan Ghosh & Arya Roy Baudhan

Lost in India's celebrations of trade pacts, the big deal

Lost in India's celebrations of trade pacts, the big deal

IN CASABLANCA, Humphrey Bogart observes that the problems of "three little people don't amount to a hill of beans in this crazy world". Trade policy is not cinema, but the line applies with some precision to India's current diplomatic enthusiasm for free trade agreements. Its recent trade deals with the EU and the UK and an earlier one with Japan have been widely celebrated, underlining the openness to global commerce. The celebrations are not entirely misplaced. But the arithmetic suggests India may be cheering for the hill of beans while the mountain stands unclimbed.

The mountain is the United States. For the period 2020-25, India's annual goods trade surplus with America averaged approximately \$42 billion. India's combined goods trade surplus with the EU, the UK, and Japan together was approximately \$12 billion. The ratio is roughly 4 to 1 in favour of the US. One country, no trade agreement, nearly four times the commercial benefit of three large partners and three "celebrated" trade deals. This is the number that should be at the centre of India's trade strategy conversation. It is emphatically not.

The US surplus is not an accident. It reflects India's genuine comparative advantages in pharma generics, software-adjacent electronics assembly, and skilled labour-intensive goods. An India-US FTA that zeroes remaining tariffs on these categories would cement demand for Indian exports. A full deal cuts both ways too, opening India's market wider to American agriculture, energy, and defence goods, so the \$42 billion surplus will not simply hold. But

even a partial narrowing of it would dwarf anything on offer from the EU, UK, or Japan deals combined. And the bigger prize is not goods at all: It is market access for Indian IT and professional services — a services negotiation, not a merchandise one.

These numbers cover only merchandise goods trade. India exports \$79 billion in goods to the US annually and imports \$37 billion, generating the \$42 billion surplus. These are not raw commodities but generic pharmaceuticals (India supplies roughly 40 per cent of US generic drug volumes), electronics including Apple's iPhone assemblies now made in India, gems and jewellery, engineering goods, and chemicals. The US is India's most important destination for high-value, knowledge-intensive manufactured exports.

The EU is India's second-largest goods trading partner. The country runs a surplus of around \$18 billion annually with the bloc — real and growing, driven partly by petroleum re-exports after Russia's invasion of Ukraine, and partly by pharmaceuticals and engineering goods. The EU-India FTA matters: India pays 9-12 per cent tariffs on textiles and garments entering Europe, while Vietnam, which signed an EU deal in 2020, pays nothing — a legitimate grievance and real opportunity. But even a generous estimate of what the EU FTA adds to India's goods balance — perhaps \$8-10 billion annually at full implementation — leaves the US surplus in a categorically different league.

The UK deal is the one fur-



SURJIT S BHALLA

For the period 2020-25, India's annual goods trade surplus with America averaged approximately \$42 billion. India's combined goods trade surplus with the EU, the UK, and Japan together was approximately \$12 billion

thest along: India and the UK signed the Comprehensive Economic and Trade Agreement (CETA) in July 2025. It delivers duty-free access for 99 per cent of India's exports to the UK by value — but India's current goods surplus with the UK is only around \$5 billion, a rounding error next to the American number.

The Japan story is more cautionary. India and Japan signed the Comprehensive Economic Partnership Agreement (CEPA) in 2011, with a trade target of \$25 billion by 2014. India's goods exports to Japan today — 15 years on — are approximately \$6 billion, and the trade balance has swung from a small deficit at signing to a deficit of roughly \$11 billion now. The CEPA removed most tariffs; what it could not remove were Japan's formidable non-tariff barriers. At the July 2026 Modi-Takaichi summit, the two sides agreed only to review and negotiate a CEPA upgrade — a commitment to talk, not a negotiated reduction in non-tariff barriers.

There is also the China question, which none of these deals addresses but which no serious discussion of Indian trade policy can ignore. India's goods trade deficit with China reached approximately \$99 billion in 2024-25 — a record, on imports of \$113 billion against exports of just \$14 billion. The combined surplus from all three of India's agreements with EU, UK and Japan would not cover an eighth of that deficit.

Which brings us back to the United States. The India-US goods relationship has strengthened every decade since 2000 — a sur-

plus of roughly \$7 billion in the 2000s, \$22 billion in the 2010s, \$42 billion now — without a single formal trade agreement, a sign of how much more could be achieved with one. An India-US agreement covering goods and services — with stable, near-zero tariffs across pharmaceuticals, electronics, gems, and engineering goods, plus provisions on IT services and professional mobility — would be the most consequential trade agreement India has ever signed, serving its broader ambitions: An economy more reliant on markets than bureaucrats, on the growth path Viksit Bharat requires. In India's trade policy universe, the US relationship is not one deal among several. It is the deal. The others are useful increments, this one a structural shift.

Given this, it's worth asking why the US deal is so difficult to achieve. Political economy supplies part of the answer: The likely losers are inefficient Indian producers who currently enjoy protection, and China, since deeper US-India integration would reinforce the global shift away from Chinese manufacturing dominance.

In the end, Bogart gave up the hill of beans and chose the larger cause. India's trade negotiators face a version of the same choice: Keep celebrating agreements that improve the margin, or muster the political will for the one that changes the game. The arithmetic has been clear for some time. The question is whether the strategy has caught up with it.

The writer is chairperson of the Technical Expert Group for the first official Household Income Survey for India. Views are personal

Context

While India celebrates its EU, UK and Japan trade deals it keeps postponing the deal with US.

Facts

The EU is India's second-largest goods partner: surplus of \$ 18 bn.

India-UK CETA in 2025: duty free access for 99% of exports by value.

India's deficit with China: \$ 99 bn in 2024-25.

Analytical Crux

India is banking small "increment" FTAs while the one relationship that would change the game the US, with 4 times the surplus of all three combined stays unclimbed. The point isn't that the EU, UK or Japan deals are worthless; it's that they move the margin while a US deal would be a structural shift toward the "markets over bureaucrats" model Viksit Bharat needs. This reframes the FTA debate around opportunity cost and comparative advantage and it keeps one eye on the elephant no deal addresses that is the trade deficit with China.

Verbatim Quotes

"India may be cheering for the hill of beans while mountain stands unclimbed. In India's trade policy universe, the US relationship is not one deal among several. It is the deal."

- Surjit S Bhalla

SIR in Manipur is a pathway to exclusion

SIR in Manipur is a pathway to exclusion

Manipur is one of the States covered under Phase III of the Special Intensive Revision (SIR) of electoral rolls being implemented by the Election Commission of India (ECI) currently. The SIR has already drawn adverse criticism from civil society organisations and the Opposition, particularly after the recent Bihar and West Bengal elections, due to its hasty, disproportionate and summary deletion of voters from voters' lists, resulting in the disenfranchisement of large sections of politically "undesirable" communities and voters. Concerns have been expressed by informed citizens about the lack of transparency and often blatant bias of the State and the ruling party in relation to the SIR, and its relationship with the planned delimitation, the 2029 elections and perhaps even an oddly timed Census. These concerns apply to Manipur as well. In addition, there are features of the situation in Manipur that are little known outside – and even within – the State, making the implementation of the SIR in Manipur even more egregious.

Fractured social fabric

First, Manipur has been in the throes of an intense ethnic conflict involving the majority Meiteis (54% of the population, inhabiting the dense Imphal Valley), the Kuki-Zo peoples (15%, inhabiting the surrounding hills) and, more recently, the Manipuri Nagas (26%, mainly in the northern part of Manipur). It has resulted in over 260 deaths in pogroms, attacks, and retaliatory violence; displaced some 60,000 people within and outside Manipur; led to the burning of hundreds of villages and places of worship; and witnessed unimaginable atrocities, including beheadings, dismemberment, and rapes as forms of collective punishment, disproportionately inflicted on the Kuki-Zo.

It has led to a demand by the Kuki-Zo for a 'Separate Administration' for themselves – and an equally stout opposition by the Meiteis to it – while many Manipuri Nagas led by the National Socialist Council of Nagalim (Isak-Muivah), or NSCN-IM, remain committed to their decades old demand for integration of Naga-inhabited areas in a sovereign 'Nagalim'. Many are backed by political, militant and proscribed insurgent groups of diverse persuasions.

Three years after the start of the conflict, not a single case of violence has been brought to book through the courts. An Inquiry Commission



Gautam Mukhopadhyaya
Former Ambassador of India to Myanmar, Afghanistan and Syria, and engaged in issues facing the northeast of India

formed by the Ministry of Home Affairs (MHA) has yet to present its report. Thousands of internally displaced persons languish in camps with little relief.

Ethnic divisions have worsened and spread. Long-standing Naga-Kuki hostilities have been added to the three-year-old Meitei-Kuki conflict marked by the burning of villages (mostly Kuki), ambushes, and recently in May, the killing of three Thadou-Kuki pastors, and, in retaliation, tit-for-tat hostage-taking and the horrific killing of six Nagas in Kuki custody that has in turn set off a full economic blockade of Kangpokpi district. In response, State and central security forces have appeared passive, paralysed and at times, biased.

The conduct of the State government has been widely viewed as partisan, but the role of the Centre and even courts cannot be said to be above board. Conducting the SIR under these conditions, under a pretence of normalcy, is inexplicable.

Narratives driving electoral exclusion

Second, unlike the rest of the country, where the SIR is being driven by the central government through the ECI with the partisan support of the ruling party, in Manipur the demand to "cleanse" the State of alleged "illegal migrants" – a code word for Kukis – is in line with perceptions of politically radicalised Meiteis and Manipuri Nagas, who together constitute about 80% of the population. These allegations have no basis in Census figures for over a century, and are based on recent distortions of history, fake narratives and loud propaganda that feed directly into the SIR exercise. They create a very negative environment for a fair SIR, particularly in mixed areas, that is itself, *ipso facto*, biased against certain communities.

Third, there are several features peculiar to the Kukis themselves that lend themselves to their victimisation by the SIR. The first reason is that close to 50,000 Kuki-Zo remain displaced and scattered in Manipur and outside. There does not seem to be any provision in place for their fair enumeration.

The second reason is that together with their displacement, many are known to have lost many of their identity, residence, election, education and other documents that could have helped establish their voter credentials. There are visual records of Kuki-Zo educational certificates, Aadhaar cards, and driving licences in Imphal being destroyed after the violence of May 2023.

The third reason is that customary naming systems – where names are derived from the last syllable of complex parental names, nicknames often substitute formal names, and names are converted from tribal names to English orthography – create vast scope "logical discrepancies", making people far more vulnerable to exclusion than in States such as West Bengal. Possibly, more than 90% of Kuki-Zo people are unlikely to be able to produce a single, consistent spelling of their own names, let alone maintain consistency across generations.

The fourth reason is that by some historical anomaly, Manipuri tribals, both Kuki-Zo and Naga, do not enjoy Sixth Schedule status, although they enjoy some measure of autonomy under Article 371C and very weak Autonomous Councils.

This served them well during periodic bouts of violence and displacement, most recently during the Naga-Kuki violence of the 1990s, which again disproportionately affected the Kukis. Village chiefs and local authorities were then able to certify the identities of villagers under their jurisdiction. Such arrangements are unlikely to be recognised in the present exercise and prevailing atmosphere.

Finally, the Kuki-Zo leadership appears, for some reason, unaware of the nature, motivations, and implications of the SIR exercise. They seem to believe, perhaps naively, that as Indian citizens who have lived here all their lives and in possession of necessary documents, including voter ID cards, they have nothing to fear, and that opposing the exercise would amount to an admission of guilt. The dangers of the SIR now appear to be dawning on them, with some Kuki-Zo civil society organisations issuing statements highlighting its shortcomings, although opposition has yet to take a political form.

Safeguarding belonging

A nationwide SIR is now a *fait accompli* following the ruling by the Supreme Court of India in its favour. However, the process can still be made fairer and more sensitive to the risks of exclusion. Unless measures are adopted to limit its potential harm, by 2029 we may see a pathway to statelessness not only for the Kuki-Zo but also for other tribal communities in the Northeast, with their plight obscured amid the broader exclusion and disenfranchisement of Muslims labelled as "illegal migrants".

Context

As the Election

Commission runs its electoral-roll revision in a state torn by ethnic conflict, the exercise risks disenfranchising the Kuki-Zo rather than cleaning up the rolls.

Facts

Manipur demographics :
Meiteis 54% , Manipuri Nagas 26% , Kuki-Zo 15%.

50,000 Kuki-Zo : remain displaced & scattered, many outside the state.

Manipuri tribals : do not enjoy 6th Schedule states ; have limited autonomy under Article 371C and weak Autonomous Councils.

Analytical Crux

This exercise is bureaucratic, one-size-fits-all colliding with a fractured, post-conflict society. A door-to-door enumeration consisting of stable residence, intact documents, one consistent name is normal. But none of this holds for 50,000 displaced Kuki-Zo whose papers were burned and whose customary naming defies a single spelling. The whole community is labelled as "illegal migrants", by the Meitei and Naga. Electoral integrity isn't only about clean rolls its about equal capacity to be counted. Where that capacity is unequal, "purification" can slide into disenfranchisement. With the Supreme Court having upheld the SIR, the arguments shifts from whether to how i.e. to the procedural safeguards that stop this becoming statelessness by 2029.

- **PSIR Optional 2025, Paper II:** "Historical ties between India and Japan grew into a 'special strategic and global partnership'.
Comment."
- **PSIR 2024, Paper II:** "'India and USA have become such strong strategic partners that they need not become formal allies.'
Comment."
- **GS 2024, Paper II:** "Examine the need for electoral reforms as suggested by various committees with particular reference to 'one nation – one election' principle."
- **PSIR 2023, Paper II:** "Why do ethnic conflicts and insurgencies continue to remain major impediments to regional co-operation in South Asia?"
- **PSIR 2023, Paper II:** "How does democratic politics construct citizenship?"

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