



NEWS ANALYSIS

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BAJIRAO IAS ACADEMY

Q) India's engagement with the Central Asian Republics is expected to help improve mutual security and regional economic prosperity. Discuss.

Tapping into Kazakhstan's rare earths potential

As the world accelerates its transition to cleaner energy through cutting-edge technology, the demand for rare earths has increased globally. India, the third-largest carbon emitter, is pivoting to renewable energy and faces a growing need for rare earths. Despite being the fifth-largest holder of rare earth elements, India relies heavily on China for imports as it lacks advanced technologies for extraction. Amid supply chain disruptions and security concerns tied to China's dominance in this sector, New Delhi is diversifying its sources through agreements with the U.S., Latin American, and African countries to mitigate dependency on China. In this context, Kazakhstan emerges as a promising and strategically closer alternative.

China's monopoly

China accounts for over one-third of the global rare earths' possession and around 70% of its production, with India sourcing around 60% of its imports from Beijing. This heavy reliance stems from India's insufficient domestic production to meet the demands of critical sectors like electronics, defence, and clean energy.

However, China's past actions of disrupting critical technology and mineral supply due to bilateral issues give rise to fears as it tries to exert control over the critical mineral industry. China's monopoly in global and Indian rare earth demand leverages its position to dictate supply chain terms. China recently halted the supply of antimony, crucial for flame retardants, solar cells, batteries, and military gear, citing national security concerns. This move, along with a ban in December 2023 on critical technologies for extracting rare earths and producing magnets, reinforces China's grip on the sector.

Meanwhile, reduced ore supplies from Russia



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India's over-reliance on China and possible global shifts after the U.S. regime change underscore the need for diversification.

– mainly antimony concentrates used in wind and solar energy production – have intensified China's concerns as both the largest producer and consumer of rare earths. Russia's invasion of Ukraine has further exposed the risks of concentrated supply chains, resulting in India and Western nations to seek sustainable, diversified alternatives.

Why Kazakhstan is important

In this context, Kazakhstan, a close ally of India, offers a viable alternative to meet India's rare earth demands. Kazakhstan is among the richest sources of rare earths. With New Delhi's increasing engagement with Astana through the 'Connect Central Asia' policy and connectivity initiatives such as the International North-South Transport Corridor, a rare earth partnership could unlock significant economic benefits for both nations. Kazakhstan holds 15 of the 17 known rare earth elements and, with advanced extraction technologies, could dent China's dominance in this sector. Astana already has extraction agreements with Japan and Germany, while the U.S., South Korea, and the European Union have recently joined exploration and production deals to tap its rare earth reserves.

Kazakhstan's extraction of rare earth elements like dysprosium is projected to grow significantly between 2024 and 2029. The country's President Kassym-Jomart Tokayev recently highlighted rare earths as the "new oil" for Kazakhstan's economy. The country hosts one of the world's three full-cycle beryllium and scandium factories, crucial for telecommunications, and is among the four global manufacturers of tantalum and niobium, essential for nuclear reactors and clean energy. Astana is expanding its role in rare earth and strategic mineral production with investments in tungsten, battery materials, and magnets. Its vast mining potential in rare earth

elements can complement India's efforts in this sector. The Kazakh government is prioritising advanced technologies and partnerships to strengthen its presence in emerging fields like lithium and heat-resistant alloys. Additionally, Kazakh metallurgical plants extract bismuth, antimony, selenium, and tellurium, and use imported technologies to produce gallium from alumina and indium from polymetallic ores, all of which are essential for renewable energy production.

The way forward

India's COP29 pledge to achieve 500 GW of renewable energy by 2030 highlights the importance of rare earth elements like dysprosium in advancing clean energy technologies. India lacks capacity across the rare earth supply chain but plans a 400% increase in mining output over the next decade.

India's over-reliance on China and possible global shifts after the U.S. regime change underscore the need for diversification. India-Kazakhstan collaboration can enhance India's resource security, reduce dependence on China, and support sustainability by procuring rare earth through domestic extraction and import sources through partners in closer proximity. Apart from India's direct connectivity challenges with Kazakhstan, there is a lack of necessary extraction technologies in both countries. Nevertheless, the 'India-Central Asia Rare Earths Forum', proposed by National Security Adviser Ajit Doval during the second India-Central Asia Summit in Astana, aims to boost partnerships and private sector investment, potentially combating these challenges. It could facilitate bilateral training, joint mining ventures, shared geological data and expertise, sustainable extraction practices, and create a regional market to reduce reliance on China.

Shanghai Cooperation Organization



- ❖ India's relations with central Asia has a long history. The two regions have shared **deep cultural linkages with each other over two millennia** in terms of **people to people contact, trade, and commerce.**
- ❖ The **close trade and cultural linkages between the Indian subcontinent and Central Asia**, whose beginnings can be traced to the Indus valley civilization, tapered after India's partition in 1947 as New Delhi found itself without a direct land corridor to the region.

India's engagement in the CAR

- ❖ The **Strategic Partnership Agreements (SPA)** was signed with Kazakhstan, Tajikistan and Uzbekistan to stimulate defence cooperation and deepen trade relations.
- ❖ **New Delhi's 'Connect Central Asia' policy of 2012**, aimed at furthering India's political, economic, historical and cultural connections with the region.
- ❖ **India signed MoUs with Iran in 2015 to develop the Chabahar port** in the Sistan-Baluchistan province that was in the doldrums from 2003.

Recent developments in India-CAR relations

- ❖ The External Affairs Minister attended the **6th Foreign Ministers' Conference on Interaction and Confidence-Building Measures** in Asia (CICA) in Nur Sultan.
- ❖ India **extended a credit line of \$200 million for the support of development projects** and signed an memorandum of understanding (MoU) on **High-Impact Community Development Projects (HICDP)**.
- ❖ India supported efforts for a **peaceful solution of the Nagorno-Karabakh conflict** between Azerbaijan and Armenia under the **Organization for Security and Cooperation in Europe's (OSCE)** Minsk group.

Challenges faced by India in the relations with CAR

- ❖ India's efforts were stonewalled by Pakistan's lack of willingness to allow India passage through its territory.
- ❖ The growing geostrategic and security concerns regarding the **BRI's China-Pakistan Economic Corridor (CPEC)** and the violation of India's sovereignty is another challenge.

Way forward

- ❖ Most of the Central Asian leaders view **India's Chabahar port as an opportunity to diversify their export markets** and control China's ambitions.
- ❖ They have admitted **New Delhi into the Ashgabat Agreement, allowing India access to connectivity networks** to facilitate trade and commercial interactions with both Central Asia and Eurasia, and also access the **natural resources of the region.**
- ❖ **Rising anti-Chinese sentiments within the region** and security threats from the Taliban allow New Delhi and Central Asia to reimagine their engagement.
- ❖ Central Asian countries have been keen to have India as a partner as they have sought to **diversify their strategic ties.**

Strengthening fisheries extension services

Why is strengthening fisheries extension services crucial?

What support do Matsya Seva Kendras provide to fish farmers?

Abhilaksh Likhi

The story so far:

India possesses diverse fisheries resources that provide livelihood opportunities to approximately three crore fishers and fish farmers. The country has witnessed an 83% increase in the national fish production since 2013-14, that stands at a record 175 lakh tons in 2022-23. With 75% of this coming from inland fisheries, India is the second-largest fish and aquaculture producer globally. In this backdrop, strengthening last-mile fisheries and aquaculture extension services is of paramount importance. Experts contend that such extension should provide request-based services to fishers/fish farmers on the life cycle of improved species cultured, water quality, disease, and available rearing technologies; address issues faced by seed growers and hatcheries; and conduct need-based

training to promote sustainable practices and fisheries-based activities that have the potential to be viable business models.

What is the role of Matsya Seva Kendras?

Under the flagship Pradhan Mantri Matsya Samapada Yojana, 'Matsya Seva Kendras' (MSK) has been envisioned as one-stop solution to provide a range of extension services by trained aquaculture professionals. The governmental assistance to set up such Kendras for women and weaker sections is available to the extent of 60%. Funds have been provided to State governments and Union Territories for operationalising 102 such Kendras. For example, the MSK in Thrissur, Kerala has a well-equipped lab for water, soil, and microbial analysis to conduct request-based disease tests, while the MSK in Nasik and Sangli districts in Maharashtra focuses on capacity building for fishers/fish farmers

on varied seed/feed inputs backed with the required technology infusion.

Fostering a 'whole of government approach,' the Government of India advises MSKs to mobilise start-ups, cooperatives, fish farmers' producer organisations, joint liability groups, and self-help groups to share best practices. The latter includes regenerative and conservation management practises for both inland and marine fisheries in view of the effects of climate change.

How do Sagar Mitras support fishers?

Another innovative extension initiative by the government is the deployment of "Sagar Mitras" in coastal States and U.T.s as a vital interface between the government and sea-borne fishers. They compile information and data on daily marine catch, price fluctuations, and requisite marketing needs at fish landing centres/harbours. They disseminate information to fishers on local

regulations, weather forecasts, natural calamities, hygienic fish handling, and potential fishing zones in the seas.

How can extension services be improved?

To make the extension and advisory services in fisheries and aquaculture more robust the need of the hour is twofold. First, the above initiatives should be institutionally converged with the already networked field extension machinery of over 700 Indian Council of Agricultural Research-driven Krishi Vigyan Kendras and the State governments and U.T.s extension services. Second, promoting digital outreach. The National Fisheries Development Board has initiated a nationwide virtual learning platform, 'AquaBazaar,' that enables experts to clarify basic concepts and provide practical demonstrations to fishers on breeding/seed production of commercially important fish.

In this context, the World Bank-assisted Government of India project to formalise the fisheries and aquaculture sector is a boon indeed. It aims to create work-based digital identities for all fishers and fish farmers in the country, thereby strengthening their extension, capacity building, and awareness generation needs.

Abhilaksh Likhi is Secretary, Department of Fisheries, Government of India. The views expressed are personal

THE GIST

Strengthening fisheries extension services is essential for supporting fishers and promoting sustainable practices, with initiatives like Matsya Seva Kendras and Sagar Mitras playing key roles.

Matsya Seva Kendras and Sagar Mitras help fishers by providing critical support, training, and information to improve productivity and sustainability.

Context

- ❖ India possesses diverse fisheries resources that provide **livelihood opportunities to approximately three crore fishers** and fish farmers.
- ❖ The country has witnessed an **83% increase in the national fish production since 2013-14**, that stands at a record 175 lakh tons in 2022-23.
- ❖ With **75% of this coming from inland fisheries**, India is the second-largest fish and aquaculture producer globally.

Extension should provide

- ❖ Request-based services to fishers/fish farmers .
- ❖ Address issues **faced by seed growers and hatcheries.**
- ❖ Conduct **need-based training to promote sustainable practices and fisheries-based activities** that have the potential to be viable business models.



INVESTING IN BLUE REVOLUTION

- Pradhan Mantri Matsya Sampada Yojana makes highest ever investment of Rs 20,050 crores in fisheries sector
- PMMSY will be implemented over a period of 5 years in all UT/States
- Enhancing fish production, strengthening of value chain, post-harvest management, expanding export are the focus areas
- Expected to generate about 55 lakhs direct and indirect employment opportunities
- A win-win: Income to farmers, nutrition to consumers

Role of Matsya Seva Kendras

- ❖ Under the flagship **Pradhan Mantri Matsya Samapada Yojana**, 'Matsya Seva Kendras' (MSK) has been envisioned as **one-stop solution to provide a range of extension services** by trained aquaculture professionals.
- ❖ The government is providing assistance to set up such Kendras for women and weaker sections.
- ❖ Funds have been provided to State governments and Union Territories for **operationalising 102 such Kendras**.
- ❖ The Government of India advises **MSKs to mobilise start-ups, cooperatives, fish farmers' producer organisations, joint liability groups, and self-help groups to share best practices**.

Sagar Mitras support fishers

- ❖ Innovative extension initiative by the government is the deployment of **"Sagar Mitras" in coastal States and U.T.s** as a vital interface between the government and sea-borne fishers.
- ❖ They disseminate information to fishers on **local regulations, weather forecasts, natural calamities, hygienic fish handling**, and potential fishing zones in the seas.

Dr Manmohan Singh's ambitious vision of a liberal India

Nation mourns former PM Manmohan Singh, the economist-ruler credited with liberalisation

He passed away at AIIMS on Thursday night after falling unconscious at home

President Droupadi Murmu describes Singh as 'one of the greatest sons of Bharat'

Modi says as PM, Singh made extensive efforts to improve people's lives

Government functions cancelled and seven-day national mourning declared

Sandeep Phukan
NEW DELHI

Former Prime Minister Manmohan Singh, 92, passed away at the All India Institute of Medical Sciences here on Thursday evening.

Dr. Singh was admitted to the hospital in the emergency ward around 8 p.m. in a critical condition. "He was treated for age-related medical conditions and had sudden loss of consciousness at home. Resuscitative measures were started immediately at home. He was brought to the medical emergency at AIIMS Delhi at 8.06 pm. Despite all efforts, he could not be revived and was declared dead at 9.51 p.m.," an AIIMS bulletin said.

He is survived by his wife, Gurcharan Singh, and three daughters.

Dr. Singh, who was PM

for two terms in the Congress-led United Progressive Alliance government from 2004 to 2014, had been in poor health for the past few months. As Finance Minister under former Prime Minister P.V. Narasimha Rao, he was the architect of reforms in 1991 that changed the course of India's economic trajectory.

As a mark of respect to the former Prime Minister, all Union government functions were cancelled and a seven-day national mourning was declared. The Union Cabinet will meet on Friday morning to pass a condolence resolution. Dr. Singh's last rites will be performed with full state honours.

Paying her tribute to the former Prime Minister in a post on X, President Droupadi Murmu described Dr. Singh as "one of the great-

A lasting imprint on India's external relations

NEW DELHI

Although he was sometimes criticised by the Opposition for being "maun" or silent, Manmohan Singh was a prolific communicator when it came to his foreign policy. His engagement with the Quad made way for two of his biggest foreign policy breakthroughs: with Japan, that ended India's isolation over the nuclear tests of 1998, and with the United States, which allowed for the civil nuclear deal. » PAGE 13

est sons of Bharat".

"Dr. Manmohan Singh Ji was one of those rare politicians who also straddled the worlds of academia and administration with equal ease. In his various



roles in public offices, he made critical contributions to reforming Indian economy. He will always be remembered for his service to the nation, his unblemished political life and his

utmost humility. His passing is a great loss to all of us. I pay my respectful homage to one of the greatest sons of Bharat and convey my heartfelt condolences to his family, friends

A forthright FM who effected social change

NEW DELHI

It is well known that Manmohan Singh made way for foreign investments in myriad sectors. Yet, few would remember his maiden Budget also set the foundations of India's modern stock market boom with the creation of SEBI. Or that he passionately battled for consumer interests as well as wealth creators, even as he held reservations against "mindless and heartless" conspicuous consumerism. » PAGE 13

and admirers," she said.

Offering tributes to his predecessor, Prime Minister Narendra Modi said India mourns the loss of one of its most distinguished leaders whose wisdom and

humility were always visible. "Dr. Manmohan Singh Ji. Rising from humble origins, he rose to become a respected economist. He served in various government positions as well, including as Finance Minister, leaving a strong imprint on our economic policy over the years. His interventions in Parliament were also insightful. As our Prime Minister, he made extensive efforts to improve people's lives," Mr. Modi said on X.

Congress Parliamentary Party chairperson Sonia Gandhi and her daughter Priyanka Gandhi Vadra reached the hospital as soon as news of his hospitalisation became known. Congress president Mallikarjun Kharge and Leader of the Opposition in the Lok Sabha Rahul Gandhi, who were in Karnataka's Belagavi for an extended

meeting of the Congress Working Committee, rushed back to Delhi.

In a post on X, Mr. Kharge said India has lost a visionary statesman, a leader of unimpeachable integrity, and an economist of unparalleled stature, and asserted that "history will undoubtedly judge him kindly". "A man of action rather than words, his immense contribution to nation-building will be etched in the annals of Indian history."

"Manmohan Singh Ji led India with immense wisdom and integrity. His humility and deep understanding of economics inspired the nation. My heartfelt condolences to Mrs. Kaur and the family. I have lost a mentor and guide. Millions of us who admired him will remember him with the utmost pride," Mr. Gandhi said.

Context

- ❖ **Dr. Manmohan Singh, former Prime Minister** and architect of India's economic reforms, passed away at the age of 92 on December 26, 2024.
- ❖ He is remembered for his role in shaping modern India's economic landscape, especially his **contributions as Finance Minister in 1991, when India faced an economic crisis.**

Manmohan Singh's Legacy as an Economist

- ❖ **Singh's liberalization policies in the early 1990s**, implemented with Prime Minister Narasimha Rao, transformed India's economy, transitioning the country from a **near-sovereign default to a growing market economy.**
- ❖ **The economic reforms of the 1990s**, particularly in liberalizing trade, finance, and industry, set the stage for India's decades-long economic growth, **lifting millions out of poverty and integrating India into the global economy.**

Administrative and Political Contributions

- ❖ Singh's government enacted landmark policies like the **National Food Security Act and the National Rural Employment Guarantee Act**, aimed at alleviating poverty in marginalized sectors of society.
- ❖ **The Right to Information Act, a hallmark of transparency**, was passed under his leadership, marking a significant step toward accountable governance.
- ❖ His leadership **strengthened Indo-US relations**, culminating in the **2008 Civil Nuclear Deal**, and he played a key role in India's integration into the global political and economic systems.

Taxing the rich more will reduce inequality

Should the wealth tax be reinstated in India?

PARLEY

At a recent panel discussion in New Delhi, French economist Thomas Piketty suggested that a wealth and inheritance tax be imposed on the super-rich in India, which, in turn, could fund health and education. India's Chief Economic Advisor, Anantha Nageswaran, opposed the idea, arguing that higher taxes could encourage fund outflows. Should the wealth tax be reinstated in India? Ajay Shah and Rahul Menon discuss the question in a conversation moderated by Samreen Wani. Edited excerpts:

Is it a good idea to reintroduce a wealth tax in India?

Ajay Shah: I'm not an enthusiast. We should never think about public policy from a standpoint of moral outrage. We should think about means and ends and the effectiveness by which certain objectives can be met. There are two kinds of difficulties. First, how are you going to measure the wealth of a person? If the government says that the measurement of wealth is the value of the assets of a person that are held in liquid assets like equities or debt, then people will get a strong bias in favour of holding assets like real estate and gold. In fact, it is harmful for the country when people emphasise holdings of real estate and gold because the productive assets of the economy are equities and the bonds. Second, people would just leave. If we say that we will tax the elite at a high rate, many will just leave and all the prospects of progress will get damaged.

Rahul Menon: It is time to start talking about it. Just announcing a wealth tax in a budget is not going to do anything. There needs to be a large institutional framework around it. There is a case for it right now simply because the levels of concentration of wealth are extremely high. I don't think it is a moral problem to call out the inequality right now. It is a fundamental development problem, because an increase in inequality reduces capabilities and opportunities for many people. We have a sophisticated and strong system right now to track economic activity. We have implemented it for people at the bottom half of the pyramid. I don't see why we can't start thinking about using it at the top, which is a smaller population.

India had a wealth tax before it was abolished in 2016-17, but the collections were less than 1% of the gross tax collections. The government had said that the cost of collection of the wealth tax was really high. What were the issues then?



A view of Mumbai. GETTY IMAGES



We have a sophisticated and strong system to track economic activity. We have implemented it for people at the bottom half of the pyramid. I don't see why we can't start thinking about using it at the top, which is a smaller population

RAHUL MENON

can we address this problem of data issues to get better approximations of inequality?

AS: At the upper end of the distribution, there is no hope of meaningful data. So, the field investigator is never going to get this data and people are not going to realistically report on their income. Household survey data really does not capture the upper end of the distribution. I don't know any other way to improve the data. There is the *Forbes* magazine ranking of the richest people in the world but that's not a description of a country.

RM: Yes, the surveys don't give you a true picture of what's happening at the top end. But there are ways. Piketty and other academics use the data from various wealth lists. Then, using economic techniques of interpolation, they combine these with surveys to get some amount of data over a period. Now it's very clear that these are approximations, but they do give us a picture. One of the most important ways to do it is through international collaboration. The U.S. has tried doing that by signing agreements with other economies to develop more transparency.

There are two main contentions against the wealth tax. The first is flight of capital and the second is that when certain thresholds are imposed, some people/organisations will be incentivised to stay below that, which will widen the gap between the bottom half and the top half. How do you respond to these?

RM: Yes, there may be flight of capital but there are some research papers that say that the scale of this is not too large in countries such as the U.K. and in Norway. In Norway, for instance, there is a lot to keep people there; there is a lot of public infrastructure. There is a reason to stay there even if your taxes rise. That is not the case in India. Wealth tax by itself means nothing unless it is used properly. So, the idea is to use this wealth tax and invest in health and education to create a more educated and healthy workforce. That gives a reason for people to continually invest here, even if the wealth tax is raised.

On the question of thresholds, thresholds for MSMEs don't matter if I'm taxing just 0.04% [of the population]. They can grow until they reach 0.04% and that is when they will be taxed. Again, no one is talking about bringing about perfect equality. Some amount of inequality will always be there. But how much is too much?

AS: The emergence of democracy in the U.K., starting from the Magna Carta in 1215, happened with generation after generation having enormous wealth and power concentrated with a few. That was way beyond anything that we see today. So, inequality is a fact of life.

Finally, I want to come to this idea that we should impose a wealth tax because it can be used for, say, health or education. This is wrong. It is a fundamental feature of public finance that you have a complete decoupling of expenditure and the revenues. I am disappointed that Piketty, a skilled economist, does not get this. We ask ourselves what are the good uses of public money and basically, they are public goods. I think there are only three good taxes in India – personal income tax, GST, and property tax. It is possible to implement these under Indian conditions as long as the rates are kept low with reasonably low distortions. Every other tax in the Indian public finance literature is termed 'bad tax'.

Wealth tax might give some revenue for the social sector. But how do we address the issues in allocations in the same sectors?

RM: There are huge problems with it. We have seen it in education. All the ASER (Annual Status of Education Report) and Pratham surveys say students are not up to the mark. There is a very legitimate question that if we tax billionaires and we put money there, are we just throwing good money after bad? But levying a tax and using it for spending allows us to finance a lot of development goals. It also allows us to do this without necessarily running a deficit, without necessarily borrowing from the public.

AS: There is no merit in that idea. The education system is terrible. It is not efficient to put more money into that problem; we have a management crisis. I feel that the wise approach in India is to choke expenditure until you prove bang for the buck. A meaningful expenditure ratio for India at the present level of development is about half of what is spent today.



To listen to the full interview
Scan the code or go to the link
www.thehindu.com

Context

- The Indian economy is witnessing the growing issue of economic inequality in India and the need for progressive fiscal policies, specifically focusing on the taxation of ultra-high-net-worth individuals (UHNWIs).

Need for Increased Public Spending

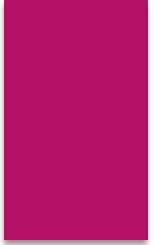
- ❖ Despite strong aggregate income growth, a large portion of India's population continues to **lack access to basic necessities such as food, healthcare, education, and housing**, underscoring the gap in public spending.
- ❖ India's public investments in **climate change adaptation and the green transition remain insufficient**, leaving vulnerable populations at risk of natural disasters and environmental degradation.
- ❖ Rising **income and asset inequality in India**, where the top 10% benefit disproportionately from economic gains, has led to stagnation in mass consumption demand, **hindering overall economic growth**.

Inefficiency of India's Tax System

- ❖ **India's tax-to-GDP ratio is significantly lower** compared to other middle-income countries and G20 nations, limiting the government's capacity to increase public spending on essential services.
- ❖ **India's tax system is regressive**, with indirect taxes disproportionately affecting the poor and middle classes, while the **rich continue to benefit from lower tax burdens**.
- ❖ A more **progressive fiscal policy, with higher taxation of the super-rich**, is crucial to mobilize resources for social welfare and infrastructure development.

Proposal for Taxing the Super-Rich

- There is growing **international consensus on taxing ultra-high-net-worth individuals (UHNWIs) fairly**, as evidenced by the G20 Summit and reports by economists like Gabriel Zucman advocating for a **global minimum wealth tax**.

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- ❖ Contrary to earlier arguments that wealth tax is unfeasible, **digitization of financial records and better tracking of real estate assets** have made it increasingly possible to implement such taxes effectively in India.
 - ❖ Implementing a **wealth tax on the super-rich, in combination with global tax cooperation**, would help curb tax avoidance by UHNWIs, ensuring they contribute fairly to the country's economic needs.



Thank you

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