

The Hindu Important News Articles & Editorial For UPSC CSE

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—It's about quality—

Rupee depreciated past 87 against the U.S. dollar due to global uncertainties, impacting imports, exports, and India's economic stability.

Amid global meltdown, rupee breaches 87 against the dollar

Indian rupee slumps 49 paise on first day of trading after Trump imposes tariffs on Canada, Mexico, and China; Finance Ministry official hints Centre is unfazed by the currency's trajectory, terms it a global uncertainty that has to be dealt with

Vikas Dhoot
NEW DELHI

The Indian rupee slumped almost 0.6% or 49 paise to breach the 87 mark against the U.S. dollar on Monday, amid a meltdown for most emerging market currencies and stock markets across Asia and Europe on the first day of trading after President Donald Trump imposed higher tariffs on Canada, Mexico and China. The rupee, which had crossed the 86 mark vis-à-vis the dollar on January 10, closed at 87.11 after slipping close to 87.3 during the day.

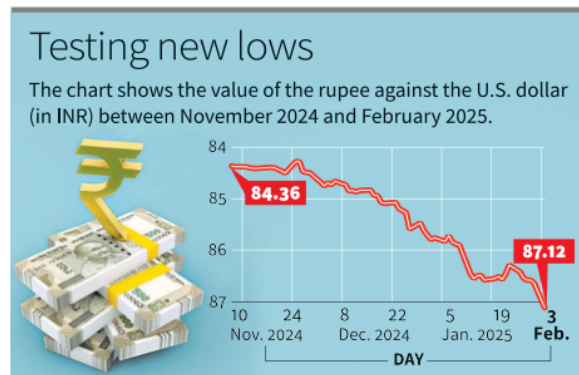
A top Finance Ministry official signalled the government was unfazed by the currency's trajectory, terming it a global uncertainty that has to be dealt with and stressing that India does not believe in using "exchange rate policy"

to push trade and the key is to manage volatility, not to attain a specified level for the currency.

'Dollar Index is high'

"What is happening over the last couple of months is that the dollar is appreciating. The Dollar Index is pretty high, and against all currencies... it is not just the emerging markets, but even with the developed countries. Today, the Dollar Index has picked up again and is above 109," Economic Affairs Secretary Ajay Seth told *The Hindu*. The index had risen over 1% through the day, to 109.7.

"As per our policy that we know the Reserve Bank of India follows, is to take care of the volatility at any level of dollar. At any level, if the dollar is appreciating, that means our imports become a little costlier, but our exports



become competitive," he noted. "However, India has never used exchange rate policies to promote exports. That is not our policy. That's not a sustainable way to keep growing so we believe in strengthening our export competitiveness through better quality," Mr. Seth emphasised, adding that India can only envisage ways to handle the uncertainty that any move by the U.S. to raise tariffs will trigger.

"Each country takes a decision which it assesses to be in their best interest as a sovereign entity, just as we decide what we feel is the best interest of India and Indian people. In sovereign decision-making, there is nothing wrong, because this is the assessment of that particular country. The only things in our hand is – how do we deal with that uncertainty?" the Secretary said.

"What happens in the

rest of the world whether the global growth rate is X or Y – that is given to us, we have to deal with it that and in spite of that factor, we have to do what we have to do. If there's this headwind, it means we must have a more powerful engine to move forward. That is what we try to do," Mr. Seth explained.

The government's focus, he said, is on making India more self-reliant by developing competitive advantages where it doesn't have them. "This is a nuanced approach and we should be clear about it. Second, we should not create cost disadvantages through the tariff policy or through our regulations, and clean up those areas. So this Budget again tries to clean up those areas," he pointed out.

EDITORIAL
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Rupee Breaches 87 Mark

- ▶ The Indian rupee fell by 0.6% (49 paise) to close at ₹87.11 per U.S. dollar, after briefly touching ₹87.3.
- ▶ The depreciation followed increased tariffs by the U.S. on Canada, Mexico, and China, affecting emerging markets and stock markets globally.

Government's Stance on the Decline

- The Finance Ministry official stated that India does not use exchange rate policy to boost trade but focuses on managing currency volatility.
- The Indian government remains unconcerned about the rupee's decline, viewing it as part of global economic uncertainty.

Rising Dollar Index and Global Impact

- The Dollar Index, which measures the dollar's strength against major currencies, rose to 109.7.
- The rupee's depreciation makes imports more expensive but improves export competitiveness.

Government's Economic Strategy

- India aims to handle global uncertainties by enhancing export competitiveness through better quality goods rather than currency manipulation.
- The government's focus is on self-reliance, developing competitive advantages, and removing cost disadvantages through trade and regulatory policies.
- The Budget includes steps to streamline regulations and reduce trade barriers for long-term economic growth.

Rupee Depreciation

- **Potential Advantages Boosts Exports** – Indian goods become cheaper for foreign buyers, increasing demand.
- **Encourages Foreign Investment** – Foreign investors find Indian assets more affordable, attracting capital inflows.
- **Tourism Growth** – India becomes a cheaper destination for international tourists, boosting tourism revenue.
- **Incentivizes Domestic Manufacturing** – Imported goods become costlier, encouraging local production and reducing dependency on imports.
- **Challenges of Rupee Depreciation Rising Import Costs** – Essential imports like oil, electronics, and machinery become more expensive, leading to inflation.
- **Higher Fuel Prices** – A weaker rupee raises crude oil import costs, increasing fuel prices and transportation expenses.
- **Increased Foreign Debt Burden** – Loans borrowed in foreign currency become costlier to repay.

- ➔ **Capital Outows** – Foreign investors may withdraw investments due to uncertainty, affecting financial markets.

UPSC Mains Practice Question

Ques : How does rupee depreciation affect different sectors of the Indian economy? Suggest measures to balance its benefits and challenges. (150 Words /10 marks)



A new study reveals that 110 glaciers in the eastern Himalayas of Arunachal Pradesh have vanished in 32 years (1988-2020).

Himalayas in Arunachal Pradesh lost 110 glaciers in 32 years: study

Rahul Karmakar

GUWAHATI

A new study has revealed that a section of the eastern Himalayas in Arunachal Pradesh lost 110 glaciers in 32 years.

The study by a quartet of researchers also found that these glaciers covering an area of 309.85 sq. km disappeared at a retreat rate of 16.94 sq. km during the study period from 1988 to 2020. The retreat exposed bedrock and created glacial lakes, threatening glacial lake outburst floods (GLOFs).

Glacial retreat, a key indicator of global climate change, is the process by which glaciers melt faster than new snow and ice can accumulate. The eastern Himalayas have been witness to a major GLOF – the 2023 Sikkim disaster that killed at least 55 people and destroyed a 1,200-megawatt hydropower project



Climate crisis: The eastern Himalayan region is warming at a rate surpassing the global average, the study says. AFP

on the Teesta River.

Authored by Vimha Ritse, Amenuo Susan Kulu, and Latonglila Jamir of Nagaland University's Department of Environmental Science, and Nabajit Hazarika of the Guwahati-based Cotton University's Department of Environmental Biology and Wildlife Sciences, the study was published in the *Journal of Earth System Science*.

The researchers used remote sensing and geographic information systems to map glacier boundaries, even in debris-covered areas, from Tawang to Lohit districts of Arunachal Pradesh through West Kameng, Kurung Kumey, Upper Siang, and Upper Dibang Valley districts. They also used the Randolph Glacier Inventory of Global Land Ice Measurements from Space

as a reference.

They found that the number of glaciers decreased from 756 to 646 during the 32-year-long study period. The glacial cover during this period reduced by 309.85 sq. km from 585.23 sq. km, working out to a loss of a little more than 47%.

Most of the glaciers studied lie at an elevation of 4,500-4,800 metres above mean sea level.

"The eastern Himalayan region is warming at a rate surpassing the global average with temperature increase reported between 0.1° and 0.8°C per decade, which is notably higher than the global increase of approximately 0.74°C over the last century. The warming trend is expected to continue, experiencing a temperature rise of 5-6°C and an increase in precipitation of 20-30% by the end of the century," the study said.

Analysis of the news:

- The glaciers lost covered an area of 309.85 sq. km, retreating at a rate of 16.94 sq. km per year.
- The melting glaciers exposed bedrock and led to the formation of glacial lakes, increasing the risk of Glacial Lake Outburst Floods (GLOFs).
- This retreat is a significant indicator of global climate change.
- The study used remote sensing and GIS to track the glaciers, covering several districts from Tawang to Lohit in Arunachal Pradesh.
- The region is warming faster than the global average, with temperatures rising at 0.1°–0.8°C per decade.

Important glaciers in this region:

- **Bichom Glacier:** Located on the India-China border in the eastern Himalayas. Plays a key role in the region's hydrology, feeding nearby rivers. Facing threats due to climate change, contributing to glacial lake outburst floods (GLOFs).
- **Kangto Glacier:** Situated in the eastern Himalayas, near the Yarlung Tsangpo River. The Yarlung Tsangpo River, which flows into Tibet, originates from this glacier. A crucial water source for the surrounding region, endangered by warming temperatures.
- **Mazgol Glacier:** Located in the eastern Himalayan region of Arunachal Pradesh. Plays a significant role in the freshwater supply for local communities. Rapid melting is a concern, impacting the region's water resources and ecosystem.
- **Tawang Glacier:** Located in the Tawang district of Arunachal Pradesh. Supplies water to the Tawang River, which supports local agriculture and communities.
- **Pangi Glacier:** Situated in the Upper Siang district of Arunachal Pradesh. Contributes to the river systems that flow into the Brahmaputra. It is retreating, resulting in concerns for water flow stability and potential GLOF event.

India is accelerating its ethanol blending program, utilizing diverse sources like sugar, rice, and maize to achieve energy security and reduce oil imports.

How will the govt. produce the required fuel ethanol?

Does India's ethanol distillery industry have the capacity to produce nearly 1,100 crore litres of fuel ethanol? Why have maize imports increased substantially in the past year?

M. Kalyanaraman

The story so far:

Union Minister Nitin Gadkari said that India will achieve its target of 20% ethanol blending of petrol in the next two months, at least a year ahead of what was originally planned. This would entail the production of nearly 1,100 crore litres of fuel ethanol in one year.

Where will this come from?

The 1,100 crore litres of fuel ethanol will come from sugar and high grade molasses, Food Corporation of India (FCI) rice, broken rice, and maize. India's ethanol distillery capacity has ramped up to 1,600 crore litres, driven by a range of government incentives and the promise of a stable, lucrative market.

Sugar is expected to provide some 400 crore litres this ethanol year, according to

Deepak Ballani, director general of Indian Sugar and Bio-energy Manufacturers Association. India had closing sugar stocks of around 80 lakh tonnes in October 2024. The projected sugar production for next year is around 315 lakh tonnes out of which 40 lakh tonnes will go to fuel ethanol. Mr. Ballani said that ethanol for non-fuel uses will come from low grade molasses called C Heavy that don't go into sugar production.

The government recently decided to reduce the price of FCI rice to distilleries from ₹28 to ₹22.5 per kg. The government handout states that some 110 crore litres of ethanol will be produced from FCI rice this ethanol year. This means almost 400 crore litres of fuel ethanol should come from maize. For context, India was producing little or no ethanol from maize until 2020. Besides pure-play grain-based distilleries coming up, some sugar distilleries have modified to dual-feed so

in the off-season they can use other feedstock (maize) to produce ethanol.

How is maize playing a role?

India's maize production is just about enough for traditional needs such as for the poultry sector, livestock feed, starch production and some 10% for human consumption. As the government had imposed curbs on allowing sugar and high quality molasses for ethanol production, maize imports started ramping up in April 2024. From April to June, approx. ₹100 crore worth of maize was imported while, for 2023-24, maize imports were approx. \$33 million. Ministry of Commerce figures show that a total of \$188 million worth of maize was imported from April to November 2024.

The promise of a steady, lucrative ethanol market has meanwhile goaded many farmers to take to maize cultivation across India. The major maize producing

States are Karnataka, Madhya Pradesh, Maharashtra, Andhra Pradesh, Rajasthan, Bihar, and Uttar Pradesh. For the 2024-25 ethanol year, maize output would be some 42 million tonnes out of which nine million can go towards producing the 350 to 400 crore litres of ethanol, H. S. Jat, director ICAR Indian Institute of Maize Research, Ludhiana, said. Citing good prospects for kharif this year, he said importing maize will not be necessary.

Since 2020-21, when ethanol production was almost all sugar-based, maize production had increased by nearly six million tonnes in three years, for potential ethanol use.

As things stand now, maize is cultivated in 10% more area at a higher yield, says Mr. Jat who also expects some diversion from traditional maize uses since supplying to ethanol is more lucrative for farmers. On whether that won't disrupt the market, Mr. Jat says DDGS (Distiller's Dried Grains with Solubles), a byproduct of ethanol, can be used for poultry. The long-term sustainability of fuel ethanol would depend on whether the switch to ethanol and stress on maize has a negative impact on production of other foodgrains. Mr. Jat estimates that 100 crore litres of fuel ethanol translates to ₹6,000 crore savings on oil imports and the money going into the internal economy including to farmers. For context, India's yearly oil import bill is some ₹10.5 lakh crore.

THE GIST

Union Minister Nitin Gadkari said that India will achieve its target of 20% ethanol blending of petrol in the next two months.

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India's Ethanol Blending Target Achieved Early

- Union Minister Nitin Gadkari announced that India will achieve the target of 20% ethanol blending with petrol in the next two months, ahead of schedule.
- This achievement will require the production of nearly 1,100 crore litres of fuel ethanol annually.

Sources of Fuel Ethanol

- The 1,100 crore litres of ethanol will come from sugar, high-grade molasses, FCI rice, broken rice, and maize.
- India's ethanol distillery capacity has increased to 1,600 crore litres, thanks to government incentives and a stable market.
- Sugar production will contribute around 400 crore litres of ethanol this year. Molasses and rice will also play a role.

Maize's Growing Role

- ➔ Until 2020, India was producing little to no ethanol from maize. However, since then, maize imports and cultivation have increased.
- ➔ The government has reduced the price of FCI rice for distilleries, leading to the production of 110 crore litres of ethanol from rice.
- ➔ Maize production is expected to reach 42 million tonnes in 2024-25, with 9 million tonnes directed to ethanol production.

Economic Impact of Ethanol Production

- ➔ Maize cultivation has expanded due to the high demand for ethanol, benefiting farmers.
- ➔ Ethanol production is expected to save India ₹6,000 crore on oil imports, contributing to the internal economy and farmers' income.
- ➔ The long-term success of ethanol will depend on balancing its production with other foodgrains.

UPSC Mains Practice Question

Ques : Analyze the role of ethanol production in India's energy security and agricultural sector, focusing on the use of maize, sugar, and rice as feedstocks. **(150 Words /10 marks)**

The news discusses Southeast Asia's growing interest in nuclear energy as a cleaner, reliable power source. Nuclear power comes with challenges, but technological advances and financing options are improving the feasibility of nuclear projects, making them more affordable and scalable.

Southeast Asia looks to nuclear power to supercharge its energy transition

Most countries in fast-growing Southeast Asia are looking to develop nuclear energy in their quest for clean and reliable energy; nuclear energy is viewed by its proponents as a climate solution since reactors don't emit the plant-warming greenhouse gases released by burning fossil fuels

NEWS ANALYSIS

Associated Press
JAKARTA

Southeast Asia's only nuclear power plant, completed four decades ago in Bataan, about 40 miles from the Philippine capital Manila, was built in the 1970s but left idle due to safety concerns and corruption. It has never produced a single watt of energy.

Now the Philippines and other countries in fast-growing Southeast Asia are looking to develop nuclear energy in their quest for cleaner and more reliable energy. Nuclear energy is viewed by its proponents as a climate solution since reactors don't emit the planet-warming greenhouse gases released by burning coal, gas or oil. Advances in technology have helped reduce the risks from radiation, making nuclear plants safer, cheaper to build and smaller.

"We see multiple signs of a new era in nuclear power across the world," said Fatih Birol, executive director of the International Energy Agency, adding that it expects 2025 to be a historic high for nuclear-generated electricity because of new plants, national plans and interest in smaller nuclear reactors.

Nuclear energy has been used for decades in



Tricky economics: Nuclear power plants are expensive and take a long time to become profitable. AP

wealthier nations like the U.S., France and Japan. It produces about 10% of all electricity generated worldwide, with 413 gigawatts of capacity operating in 32 countries, according to the IEA. That is more than Africa's entire generating capacity. The IEA says construction of new nuclear power plants needs to "accelerate significantly" in this decade to meet global targets for ending emissions of greenhouse gases.

Southeast Asia will account for a fourth of global energy demand growth between now and 2035, and fossil fuels account for most of the region's energy capacity. Many countries in the region are showing interest in building nuclear



Southeast Asia will account for a fourth of global energy demand growth between now and 2035, and fossil fuels account for most of the region's energy capacity

power plants—which typically produce one gigawatt of power per plant—to help clear their smoggy skies and boost capacity.

Indonesia plans 20 nuclear power plants. A Korean company is assessing restarting the mothballed Philippine plant. Vietnam has revived nuclear plans, and Malaysia's future plans include nuclear energy.

Singapore signed a nuclear cooperation agreement with the U.S. last year, and Thailand, Laos, Cambodia, and Myanmar have shown interest in nuclear power.

Expensive proposition

But nuclear power plants are expensive, take years to build and require a long time to become profitable. Vietnam suspended a nuclear project in 2016 after costs soared to \$18 billion, but on Jan. 14, it signed a deal with Russia on atomic energy cooperation.

International financing for nuclear energy is becoming more available, said Henry Preston, a UK-based communications manager for the World Nuclear Association, noting that 14 major financial in-

stitutions endorsed a goal for tripling global nuclear energy capacity by 2050.

Financing sources are still limited, though. The World Bank does not fund any nuclear energy development projects.

"We hear the call from some stakeholders to explore nuclear power to decarbonize energy and improve energy supply reliability," a World Bank spokesperson said in a recent written response to questions from The Associated Press. "We continue to have conversations with our board, management, and external stakeholders to understand the facts."

Developing robust nuclear energy policies and regulations, now lacking in many countries, could catalyze more funding by reassuring investors, Mr. Preston said. And technological advances are making nuclear power more affordable, experts say.

Small modular reactors, which advocates say can generate up to roughly one-third the amount of power of a traditional reactor, can be built faster and at lower costs than large power reactors, scaling to fit the needs of a particular location. Advocates say they are safer due to simpler designs, lower core power, and more coolant, giving operators more time to respond in case of accidents.

Critics question how in-

expensive the technology might be since smaller reactors have not been widely commercially deployed, said Putra Adhiguna of the Jakarta-based Energy Shift Institute.

The small modular reactors already operating are run by state-owned entities that aren't transparent about performance or costs. The cost of the first such reactor that was to be commercially deployed in the U.S. inflated by about half before it was cancelled, he said.

Nuclear disasters dimmed earlier enthusiasm for nuclear power in Southeast Asia. Ukraine's 1986 Chernobyl disaster was a factor behind the decision to shelve the project in the Philippines. Meltdowns in 2011 at the Dai-ichi nuclear power plant in Fukushima, Japan, following a catastrophic earthquake and tsunami also raised worries, leading Thailand to halt its nuclear power plans.

Some other challenges remain. Markets for nuclear technologies remain concentrated in a few countries—Russia controls roughly 40% of the world's supply of enriched uranium—and this is a "risk factor for the future," said an IEA report. It added that safely disposing of spent fuel and other radioactive waste is essential to gain public acceptance of nuclear power.

Introduction to Nuclear Energy in Southeast Asia

- Southeast Asia's only nuclear power plant, located in the Philippines, was built in the 1970s but has never operated due to safety concerns and corruption.
- Now, several Southeast Asian countries are exploring nuclear energy to meet growing demand for cleaner, more reliable energy.

Nuclear Energy as a Climate Solution

- Nuclear energy does not emit harmful greenhouse gases, unlike coal, gas, or oil.
- Advances in technology have made nuclear power safer, cheaper to build, and smaller, making it more accessible.

Global and Regional Nuclear Energy Trends

- Nuclear power generates about 10% of global electricity, with 413 gigawatts of capacity across 32 countries.
- Southeast Asia's energy demand is rapidly increasing, and many countries are interested in nuclear energy to reduce air pollution and increase power capacity.

Challenges of Nuclear Energy Development

- Nuclear plants are expensive, take years to build, and take time to become profitable.
- Financing for nuclear energy is limited, but some financial institutions support growth.
- Developing strong policies and regulations could attract more investment.

Small Modular Reactors and Technological Advances

- Small modular reactors (SMRs) are cheaper, quicker to build, and safer than traditional reactors.
- SMRs can produce up to one-third of the power of a traditional reactor, fitting local energy needs.

Concerns and Future Challenges

- Nuclear disasters like Chernobyl and Fukushima raised concerns about safety.
- Other challenges include the high cost of waste disposal and reliance on a few countries for uranium supply.

Ques : With growing energy needs should India keep on expanding its nuclear energy programme? Discuss the facts and fears associated with nuclear energy. (250 words/15m)



In News : Benets Accorded to Classical Language

The news discusses the Government of India's support for classical languages, including recognition, establishment of Centers of Excellence, and the recent addition of ve new classical languages.

Support for Classical Languages

- ▶ The Government of India provides various forms of support to languages notied as classical languages, such as awards, centers of excellence, and professional chairs in central universities.
- ▶ This initiative aims to preserve and promote India's rich linguistic heritage.

Languages Recognized as Classical

- ▶ The following languages have been notied as classical languages by the Government of India:
 - Tamil (2004)
 - Sanskrit (2005)
 - Telugu (2008)
 - Kannada (2008)
 - Malayalam (2013)
 - Odia (2014)

Institutions and Centers of Excellence

- ▶ The Ministry of Education, through the Central Institute of Indian Languages (CIIL), Mysuru, is actively promoting these languages.
- ▶ **Various Centers of Excellence have been established to support research and scholarly activities:**
 - **Tamil:** Central Institute of Classical Tamil (CICT), Chennai (established in 2008).
 - **Sanskrit:** Central Sanskrit University, Shri Lal Bahadur Shastri National Sanskrit University, and National Sanskrit University.
 - **Telugu:** Centre of Excellence for Studies in Classical Telugu, Nellore.
 - **Kannada:** Centre of Excellence for Studies in Classical Kannada, Mysuru.
 - **Malayalam:** Centre of Excellence for Studies in Classical Malayalam, Tirur.
 - **Odia:** Centre of Excellence for Studies in Classical Odia, Bhubaneswa
- ▶ In October 2024, the Government notied ve more languages as classical languages:
 - Marathi
 - Pali

- Prakrit
- Assamese
- Bengali

UPSC Mains Practice Question

Ques : Evaluate the significance of the recent inclusion of ve languages as Classical Languages in India. How can this contribute to cultural preservation and academic growth? (250 Words /15 marks)



Some wind behind the sails of India's shipping industry

The government deserves credit for its commitment to develop the maritime sector, largely neglected by predecessor governments. This is reflected in the expenditure on the government's flagship programme, Sagarmala, which, as on September 2024, had outlined 839 projects requiring an investment of ₹5.8 lakh crore by 2035. Of these, 241 projects, worth ₹1.22 lakh crore, have been completed, while 234 projects, valued at ₹1.8 lakh crore, are under implementation. Additionally, 364 projects, with an estimated investment of ₹2.78 lakh crore, are in various stages of development.

Within Sagarmala, ₹2.91 lakh crore (over 50%) is allocated for port modernisation; ₹2.06 lakh crore (more than 35%) for port connectivity; ₹55.8 thousand crore (10%) for port-led industrialisation, the remaining 5% distributed between coastal community development, infrastructure for coastal shipping (not ship acquisition) and inland water transport.

India's economy has seen GDP rising from ₹153 trillion in 2016-17 to ₹272 trillion in 2022-23 – an increase of 43%, growing at a CAGR of 7%, despite two years of COVID-19 related setbacks. The economy is projected to reach \$3.7 trillion this year, \$5 trillion by 2027, and \$7 trillion by 2030.

During this period, India's EXIM trade has also grown from \$66 billion in 2016-17 to \$116 billion in 2022, a cumulative increase of over 77% and an annual growth rate of 12.83%. India aims to boost exports to \$2 trillion by 2030, to strengthen its global trade position.

The industry continues to face stagnation

Despite high economic growth and increased investments in the maritime sector, the Indian shipping industry has remained stagnant. According to statistics by the Ministry of Ports, Shipping and Waterways, the cargo handled at major ports has only marginally increased from 1,071.76 million tons in 2016-17 to 1,249.99 million tons in 2020-21 – a cumulative growth of 14.26% or an annual increase of just 2.85%. In contrast, the number of vessels handled at these ports has actually declined by 5.93%, from 21,655 vessels in 2016-17 to 20,371 in 2020-21.

In terms of Indian-registered ships, the number has increased from 1,313 in 2016-17 to 1,526 in September 2024 – a cumulative rise of 16.77% and an average annual growth of 2.4%. Over the same period, gross tonnage has grown from 11,547,576 GT in 2016-17 to 13,744,897 GT – a cumulative increase of 17.44% and an annual average growth of 2.5%.

A major concern has been the aging Indian fleet, with the average vessel age rising to 26 years in 2022-23. However, this has now improved to 21 years, with the addition of 34 relatively younger vessels (average age of 14 years)



Amitabh Kumar

a retired IRS officer, is former Director General, Shipping, Government of India

in 2024. In comparative terms, India's global ranking in ship ownership declined from 17 to 19, highlighting the need for reforms.

Clearly, the assumption that increased investment in ports would automatically drive growth in Indian shipping has been proven wrong.

In reality, Indian shipping has continued to lose market to foreign-flag vessels in carrying Indian EXIM cargo and to rail and road transport for domestic cargo. The reason is simple: the needs of shipowners and shipbuilders are vastly different from those of port and terminal operators.

Multiple challenges such as in shipbuilding

Indian shipping faces multiple challenges hindering its competitiveness: lack of capital and high borrowing costs; short loan tenures, rigid collateral requirements requiring shipowners additional security instead of using ships as collateral; limited understanding of the industry's cyclical nature, leading to inflexible loan restructuring policies; unfavourable taxation laws often favouring foreign-flag vessels over Indian vessels even within Indian waters; delays in repatriating funds for ship acquisitions; stringent regulatory requirements, and additional financial burdens on mandatory training of Indian seafarers and higher port charges, further eroding competitiveness.

In contrast, ships registered in tax havens or flags of convenience – benefit from easier access to capital, lower borrowing costs, lenient regulatory standards, concealed ownership structures, and minimal regulatory oversight. This makes Indian-flagged vessels significantly less competitive in global shipping markets.

Beyond capital constraints, India's shipbuilding industry also struggles with: inadequate infrastructure for constructing large vessels; high input costs, particularly on steel; a weak ancillary industry leading to dependency on imports; customs duties on imported machinery and spare parts, increasing production costs, and skill gaps that limit workforce efficiency.

Additionally, funding challenges for shipowners and delays in new-build vessel deliveries deter potential buyers from investing in Indian shipyards, further weakening the domestic shipbuilding sector.

The Indian National Shipowners Association has for long advocated measures to ease capital constraints and eliminate discriminatory tax policies. Two key recommendations, i.e., the creation of a Maritime Development Fund (MDF) and granting infrastructure status to ships, were incorporated into the Maritime India Vision 2030.

Additionally, industry stakeholders have been pushing for the removal of the 5% IGST on ship capital costs and the exemption of Indian seafarers from TDS requirements.

Except for tax-related relief, most of the industry's long-standing demands appear to have been addressed in the Union Budget.

The government has announced: a ₹25,000 crore MDF; Infrastructure status for large vessels; facilitation of shipbuilding clusters; a 10-year extension of the basic customs duty exemption on shipbuilding spares and equipment; a revamped financial assistance policy for shipbuilding; credit incentives for shipbreaking in Indian yards, and an extension of the tonnage tax scheme to inland vessels.

However, the devil lies in the details. The government's contribution to the MDF will only be 49%, with the remainder to come from major ports. It is unclear whether the ₹25,000 crore will be mobilised in a single year or over multiple years. Given the high capital intensity of shipping, shipbuilding, and port sectors, this amount may still fall short of industry needs.

The aging Indian shipping fleet requires urgent replacement, and greenhouse gas emissions reduction targets will necessitate investments in green technology. The sector requires long-term financing with lower interest rates and repayment tenures of 7-10 years. Additionally, India needs new shipyards to build large vessels and the expansion and modernisation of existing ones. Although Sagarmala has infused funds in ports, additional funds may still be necessary for modernisation, despite transitioning to a landlord model.

If the MDF is strategically utilised to attract external commercial borrowings (ECBs) at lower interest rates, it could help bridge the funding gap across the maritime sector.

Glaring tax disparities

The Budget appears to have missed a crucial opportunity to address the tax disparities that put Indian ships at a comparative disadvantage to foreign ships, even when operating along the Indian coast. Indian-flagged vessels are subject to a 5% IGST on purchase price, a levy not imposed on foreign-flagged ships. Additionally, Indian shipping companies must deduct tax at source (TDS) on seafarers' salaries, whereas foreign vessels employing Indian seafarers face no such obligation.

The Budget 2025 is a promising step but must not become another half-measure in the name of shipping reforms. The industry needs decisive action, not just incremental progress.

The views expressed are personal

The Union Budget appears to have met most of the shipping industry's demands; but it has missed an opportunity to address tax disparities



GS Paper 03 : Indian Economy

UPSC Mains Practice Question : Despite heavy investments in port infrastructure under the Sagarmala Programme, India's shipping industry remains stagnant. Discuss the key challenges faced by the sector and suggest policy measures to enhance its global competitiveness. (250 Words /15 marks) **(250 Words /15 marks)**

Context :

- The Indian government has made significant investments in the maritime sector through the Sagarmala Programme, but Indian shipping remains stagnant and faces various challenges.
- The 2025 Budget has introduced reforms, but key tax disparities persist, affecting competitiveness.

Government's Commitment to Maritime Development

- The government has prioritized the development of the maritime sector through the Sagarmala Programme, which aims to complete 839 projects with a total investment of ₹5.8 lakh crore by 2035.
- Investment allocation within Sagarmala:
 - ₹2.91 lakh crore (50%) for port modernization.
 - ₹2.06 lakh crore (35%) for port connectivity.
 - ₹55.8 thousand crore (10%) for port-led industrialization.
- The remaining 5% for coastal community development, infrastructure for coastal shipping, and inland water transport.

India's Economic and Trade Growth

- India's GDP grew from ₹153 trillion in 2016-17 to ₹272 trillion in 2022-23, achieving a 7% CAGR despite COVID-19.
- The economy is projected to reach \$3.7 trillion in 2024, \$5 trillion by 2027, and \$7 trillion by 2030.
- India's EXIM trade increased from \$66 billion in 2016-17 to \$116 billion in 2022, reecting a 12.83% annual growth rate.
- India aims to boost exports to \$2 trillion by 2030 to strengthen global trade.

Challenges in the Indian Shipping Industry

- **Capital Constraints** – High borrowing costs, short loan tenures, and rigid collateral requirements make financing difficult for shipowners and shipbuilders.
- **Tax Disparities** – Indian-registered vessels face higher taxation, including IGST on ship purchases and TDS on seafarer salaries, making them less competitive than foreign-registered ships.
- **Aging Fleet** – Despite recent improvements, many Indian vessels remain outdated, affecting efficiency and global competitiveness.
- **Shipbuilding Challenges** – Limited infrastructure for large vessel construction, high input costs, and weak ancillary industries increase dependency on imports.
- **Regulatory Hurdles** – Stringent regulatory requirements and delays in fund repatriation for ship acquisitions hinder sectoral growth.
- **Competition from Foreign Ships** – Foreign-registered vessels benefit from easier access to capital, lower costs, and lenient regulations, reducing the market share of Indian shipping.
- **Lack of Domestic Cargo Preference** – Indian shipping struggles to compete with rail and road transport for domestic cargo movement.
- **Slow Implementation of Reforms** – While policies like the Maritime Development Fund (MDF) and infrastructure status for large vessels have been introduced, their effectiveness depends on proper execution and funding clarity.

Government Initiatives for Maritime Growth

- The Union Budget 2025 announced several measures to support the industry:
- ₹25,000 crore Maritime Development Fund (MDF) (49% from the government, rest from major ports).

Infrastructure status for large vessels

- Facilitation of shipbuilding clusters and a 10-year extension of customs duty exemption on shipbuilding spares.
- Revamped financial assistance policy for shipbuilding and credit incentives for shipbreaking.
- Tonnage tax scheme extended to inland vessels.
- However, the industry remains concerned:
 - The ₹25,000 crore MDF funding mechanism remains unclear—whether it will be allocated in one year or multiple years.
 - The aging fleet requires urgent replacement to meet green technology goals and emission reduction targets.
 - Long-term financing with lower interest rates and 7-10 year repayment tenures is crucial.

➔ **Need for Further Reforms**

- The Maritime Development Fund (MDF) should be strategically used to attract low-cost external commercial borrowings (ECBs).
- Additional investments are needed for modernization of shipyards and building large vessels.
- The tax disparities affecting Indian shipping competitiveness remain unaddressed.
- The government's efforts are a positive step, but more decisive action is needed to ensure real growth in the shipping industry.

