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Fixing Problems, Unlocking India's Growth Potential

Context

- **India's economic trajectory has historically been marked by bold reforms**, from liberalisation in 1991 to the introduction of the Goods and Services Tax (GST) in 2017.
- **Each step has sought to balance efficiency, inclusivity, and competitiveness** in a rapidly evolving global economy.
- The **latest set of measures announced at the 56th GST Council** meeting on September 3, 2025, **represents the next milestone in this journey.**
- Widely referred to as GST 2.0, **the reform package is not merely a technical adjustment but a forward-looking transformation** designed to simplify taxation, promote growth, and strengthen institutional trust.

Significance of GST 2.0

- **The Promise of Simplification and Fairness**
 - For years, **businesses and policymakers have called for a GST framework that is simpler**, more predictable, and fairer.
 - The **reforms directly address these concerns by streamlining rates**, harmonising classifications, and clarifying tax rules.
 - By moving **towards a two-rate structure, a standard 18% and a merit rate of 5%**, with only a few items taxed at 40%, India is aligning itself with global best practices.
 - This **reduces complexity for businesses while reassuring investors of policy stability** and long-term predictability.
 - **Institutional credibility is further reinforced** by the operationalisation of the Goods and Services Tax Appellate Tribunal (GSTAT).
 - **With faster, more transparent dispute resolution, GSTAT not only unclogs the system** but also signals that taxation in India is as much about fairness as it is about revenue collection.
- **Relief for Consumers and Households**
 - One of the most immediate impacts of GST 2.0 is **its relief for households across income groups.**

- **Everyday essentials** such as soap, toothpaste, shampoo, and packaged foods **have been moved to lower tax brackets**, easing budgets and stimulating demand in mass-consumption sectors.
- The **construction sector also benefits from reduced GST on cement and other inputs**, which directly supports the government's Housing for All mission while lowering costs for infrastructure projects.
- **These changes carry a multiplier effect**, boosting allied industries like steel, tiles, and paints.
- Equally significant is the decision to cut GST on life-saving drugs and medical devices.
- **Beyond easing healthcare costs, this reform reinforces India's global role** as a hub for affordable medicines.
- It illustrates how fiscal policy can achieve social good while sustaining economic advantage.

• **Strengthening Labour-Intensive and Export Sectors**

- Labour-intensive industries, textiles, handicrafts, leather, footwear, and toys, stand to gain considerably from rationalised rates.
- **Lower costs will preserve margins, safeguard livelihoods**, and stimulate employment in semi-urban and rural areas.
- The **automotive sector, another key pillar of the economy, is set to benefit** from cheaper vehicles, further energising investment in auto-manufacturing hubs.
- **Exporters and micro, small, and medium enterprises (MSMEs) are among the biggest winners of GST 2.0.**
- Long-standing distortions created by inverted duty structures in textiles, fertilizers, and renewables have been corrected, **making Indian products more globally competitive.**
- By removing thresholds for refunds on low-value consignments, **the government has also extended critical relief to courier and e-commerce exporters**, where liquidity issues are often acute.

Broader Significance of GST 2.0 and Challenges Ahead

• **Empowering MSMEs Through Formalisation**

- Perhaps the most transformative measure is the **Simplified GST Registration Scheme for small and low-risk businesses.**
- **Automated approvals within three days significantly reduce compliance costs**, lower entry barriers, and encourage formalisation.
- For MSMEs, **the backbone of India's economy in terms of jobs, exports, and innovation, this change provides not only immediate relief** but also long-term opportunities to expand into new markets.
- By **strengthening MSMEs, GST 2.0 builds resilience at the grassroots level** of India's economy.

• **Towards a Competitive and Inclusive Future**

- The **broader significance of GST 2.0 lies in its alignment of domestic reform** with global economic realities.
- **By simplifying tax rates and reducing litigation, India presents itself as a more predictable and business-friendly destination** for international investors.
- At a time when global supply chains are being reconfigured, India's reforms send a clear message: **the country is committed to ease of doing business, competitiveness, and sustained growth.**

• Challenges Ahead

- While the intent and scope of GST 2.0 are ambitious, **its success will depend on effective implementation.**
- **Procedural delays, compliance burdens, and capacity constraints in enforcement remain challenges** that policymakers must address.
- Yet, **the reforms reflect a government willing to listen to industry, act decisively,** and craft a taxation framework that fuels growth rather than hinders it.

Conclusion

- **GST 2.0 is more than a tax reform;** it is a comprehensive economic reform that aims to boost consumption, empower MSMEs, and reinforce India's growth momentum.
- By making goods more affordable, industries more competitive, and the tax system more reliable, **these reforms mark the beginning of a new chapter in India's growth story.**
- If implemented effectively, **GST 2.0 could well be remembered as a decisive step in India's transformation into a globally competitive economy.**

Fixing Problems, Unlocking India's Growth Potential FAQs

Q1. What is GST 2.0 and why is it significant?

Ans. GST 2.0 is the latest set of tax reforms announced in September 2025, and it is significant because it simplifies India's indirect tax system while boosting competitiveness and fairness.

Q2. How does GST 2.0 benefit households?

Ans. It lowers tax rates on essentials like soap, toothpaste, packaged foods, and housing materials, making daily living more affordable and stimulating demand.

Q3. Which industries are expected to gain the most from these reforms?

Ans. Labour-intensive industries like textiles, handicrafts, leather, and toys, along with the automotive sector and exporters, are expected to gain the most.

Q4. Why are the reforms important for MSMEs?

Ans. The reforms simplify registration and compliance, reduce costs, and improve access to refunds, allowing MSMEs to grow and formalise more easily.

Q5. What message do the reforms send to global investors?

Ans. They signal policy stability, predictability, and ease of doing business, making India a more attractive and

India's Strategic Autonomy in a Multipolar World

Context

- **India's pursuit of strategic autonomy is neither an abstract ideal nor a rhetorical flourish;** it is a pragmatic diplomatic practice, forged in history and tested in contemporary geopolitics.
- **By examining India's engagements with major powers,** the United States, China, and Russia, and its positioning within the Global South, **it is important to discuss that strategic autonomy has become the fulcrum of India's global aspirations** and the key to its resilience in an uncertain international order.
- **Once confined to academic debates, the term has now moved into the mainstream of Indian foreign policy discourse,** reflecting the country's determination to retain agency in a volatile, multipolar world.

Defining Strategic Autonomy: Between Dependence and Isolation

- Strategic autonomy refers to **a state's capacity to make sovereign decisions** in foreign and defence policy without being dictated by external pressures or alliance commitments.
- Importantly, **it does not imply isolationism or neutrality but rather flexibility, independence, and adaptability** in a world of shifting alignments.
- For India, **the concept has deep historical roots.** Colonial subjugation instilled a determination never to allow external powers to decide India's destiny.

The American Partnership, Chinese Challenge and Russian Connection

- **The American Partnership: Collaboration Without Subordination**
 - Over the past two decades, **India's relationship with the United States** has transformed dramatically.
 - Strategic cooperation spans defence, intelligence sharing, technology transfers, and joint military exercises.
 - **Multilateral initiatives such as the Quad, I2U2, and the India-Middle East-Europe Economic Corridor further underscore converging interests,** especially in countering China's rise.
 - Yet, **tensions persist. U.S. pressure to reduce defence and energy ties with Russia,** coupled with protectionist trade policies, has tested New Delhi's ability to safeguard its interests.
 - **India's response, engaging deeply with Washington while asserting independence** on global issues, illustrates strategic autonomy in practice.
 - **It is not anti-Americanism but rather a principled refusal** to subordinate India's interests to another country's strategic imperatives.

- **The Chinese Challenge: Rivalry Without Rupture**

- China represents India's most complex strategic challenge.
- The **2020 border clashes underscored the limits of cooperative engagement**, pushing India to bolster its military posture and deepen partnerships across the Indo-Pacific.
- At the same time, **China remains one of India's largest trading partners** and a co-participant in forums like BRICS and the Shanghai Cooperation Organisation.
- Here, **strategic autonomy translates into dual-track diplomacy**: firm deterrence alongside selective engagement.
- **India neither succumbs to Chinese pressure nor wholly decouples** from its neighbour.

- **The Russian Connection: Legacy and Pragmatism**

- **Despite Moscow's growing alignment with Beijing** and its isolation following the Ukraine war, **New Delhi has continued to import Russian oil** and arms while engaging diplomatically.
- This has invited **criticism from Western capitals**, yet India's position reflects a consistent principle: external powers cannot dictate its partnerships.
- **At the same time, India has diversified defence imports**, invested in indigenous capacity, and cultivated new strategic partners.
- **Its engagement with Russia**, therefore, is not nostalgia but pragmatism, a reminder that **strategic autonomy** is less about loyalty to old allies and **more about preserving space for manoeuvre in a rapidly polarising world**.

India as the Voice of the Global South

- India's **G-20 presidency in 2023 highlighted another dimension of strategic autonomy**: its leadership of the Global South.
- **Prime Minister Narendra Modi and External Affairs Minister S. Jaishankar articulated a vision of India as a sovereign pole in global politics**, plural, pragmatic, and unapologetically independent.
- This **resonated with many middle powers that also seek agency** rather than alignment.
- In this sense, **India's strategic autonomy has normative as well as practical significance**: it embodies an alternative path for states unwilling to be trapped in great-power rivalries.

Constraints and Redefinitions: Autonomy in a Globalised Age

- Despite its appeal, **strategic autonomy is not without challenges**. Economic vulnerabilities, political polarisation, and **institutional constraints can limit India's capacity for independent action**.
- In an era dominated by cyber threats, artificial intelligence, and space competition, **autonomy must extend beyond traditional defence to encompass digital sovereignty**, supply chain resilience, and technological self-reliance.
- **India's recent initiatives in critical minerals**, indigenous digital platforms, and global tech governance **reflect an effort to expand the scope of autonomy into new domains**.

The Way Forward: Standing Tall in a Turbulent World

- **Strategic autonomy, for India, is neither a slogan nor a vestige of non-alignment.** It is the art of navigating a turbulent world without losing one's bearings.
- In practice, **it means engaging with the United States without becoming a junior partner, deterring China without provoking conflict,** and maintaining ties with Russia without inheriting its isolation.
- **It requires both diplomatic skill and domestic strength,** economic, technological, and institutional.

Conclusion

- Ultimately, **strategic autonomy is about more than survival; it is about agency and it allows India to participate in shaping global norms** while protecting its sovereignty.
- As the global order continues to fragment, **India's ability to walk this tightrope with resilience and confidence will define not only its place in the world but also the future of multipolarity itself.**
- **Strategic autonomy, then, is not about standing alone,** it is about standing straight, and standing tall.

India's Strategic Autonomy in a Multipolar World FAQs

Q1. What does strategic autonomy mean for India?

Ans. Strategic autonomy means India's ability to make independent foreign and defence policy decisions without being dictated by external powers or rigid alliances.

Q2. How has India balanced its relationship with the United States?

Ans. India has deepened defence and economic cooperation with the U.S. while maintaining independent positions on issues like trade disputes and relations with Russia.

Q3. Why is China considered India's most complex challenge?

Ans. China is both a rival due to border disputes and strategic competition, and a partner in trade and multilateral forums, requiring India to adopt a cautious, dual-track approach.

Q4. How does India justify continuing ties with Russia despite Western criticism?

Ans. India argues that its relationship with Russia is based on history, defence cooperation, and national interest, and cannot be dictated by external pressure.

Q5. What new domains are becoming part of India's strategic autonomy?

Ans. India is extending strategic autonomy into technology, cyber security, digital infrastructure, and supply chain resilience to remain self-reliant in a globalised age.

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