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Navigating the Global Economic Transformation

Context

- **The world's normative economic consensus, the liberal, globalised order** long anchored by the United States, is **undergoing a profound transformation**.
- The **intensifying strategic and economic rivalry between the U.S. and China** has **reconfigured global trade flows**, financial systems, and geopolitical alliances.
- This **contest for supremacy is not merely a struggle for markets or influence**; it represents the birth of a new geo-economic order.
- **The Global South, have the opportunity to craft a more equitable and sustainable model** of global governance.

The Rise of State-Capital Entanglement and The Resurgence of Primordial Statecraft

• The Rise of State-Capital Entanglement

- One of the defining features of the new economic paradigm is **the fusion of political power with concentrated corporate interests**, a phenomenon that may be termed a state-capital Gordian knot.
- **Populist-autocrats across nations are increasingly subordinating national policy** to the interests of oligopolies and crony capitalists.
- In contrast to classical laissez-faire capitalism, where the state minimally intervenes and markets reward competitiveness, **these regimes mortgage public assets and manipulate policy to serve a small economic elite**.
- Such plutocratic governance corrodes the social contract, deepens inequality, and undermines democratic institutions.

• The Resurgence of Primordial Statecraft

- The **consolidation of crony capitalism has coincided with a revival of traditional power**
- The **United States, under the banner of America First, has recalibrated its strategic and economic alignments** to reclaim control over critical industries and supply chains.

- **From pressuring Taiwan to relocate semiconductor production**, to securing access to rare earths and digital infrastructures, **Washington is reasserting control over the arteries of global production.**
- Its geopolitical manoeuvres, from managing allies in Europe to influencing conflicts in West Asia, reveal **an attempt to restore spheres of influence reminiscent of 20th-century imperialism.**
- The **outcome has been an upsurge in regional conflicts** and humanitarian crises, exposing the fragility of the current world order.

The Age of Digital Colonialism

- Big Tech and cloud-capitalist enterprises have emerged as **transnational actors** capable of shaping political discourse and manipulating democratic processes.
- **Through control of data**, digital infrastructure, and algorithmic governance, **these entities have effectively siphoned off rents from global value chains.**
- The **weaponisation of technological systems**, evident in mechanisms like the AI Action Plan, the Cloud Act, and state-backed digital currencies, **heralds a new era of digital colonialism.**
- **While digital financial ecosystems promise efficiency**, they simultaneously threaten the sovereignty of nation-states and blur accountability in political financing, **enabling populist-autocrats to consolidate power.**

Retreat of Developmental Aid and the Global Fallout

- The **withdrawal of developmental aid by wealthy nations** has had catastrophic consequences for vulnerable populations.
- **G7 funding cuts**, reductions in small enterprise grants, and slashed contributions to the World Food Programme have collectively **deepened poverty and fuelled instability** across the Global South.
- **These developments have spurred distress migration**, expanded the recruitment base for militant groups, and weakened state legitimacy in fragile regions.
- **Economic retrenchment by the Global North thus opens strategic space** for undemocratic powers to expand influence, particularly in Africa and Asia.

Opportunity Amid Disruption: The Role of the Global South

- The **ongoing disruptions also present an unprecedented opportunity** for emerging economies — particularly India and China, to shape a new global compact.
- **The old neoliberal model**, built on cheap labour, debt dependency, and environmental exploitation, **has reached its limits.**
- The **resulting inequality is stark**: nearly half the world lives below the \$6.85 poverty line, and hundreds of millions suffer hunger.
- **Populist leaders have weaponised these inequalities** to rally support for authoritarianism, exploiting economic despair to erode democratic norms.
- In this context, **India and the Global South face a defining choice**: to accept an unjust status quo or to collaboratively forge a New Economic Deal.

The Way Forward for India: The Need for Domestic Recalibration

- For India to actualise its potential within this evolving order, **a domestic course correction is imperative.**
- The **state must reclaim its role as a strategic driver** of development, especially in critical sectors such as energy, infrastructure, data, defence, and agriculture.
- **The private sector, while essential, cannot alone resolve structural inequalities** or pursue long-term national goals.
- **Strong anti-monopoly laws, sovereign wealth funds,** and renewed investment in education, science, and public institutions **are essential to ensure economic sovereignty.**

Conclusion

- **As the old order of neoliberal globalisation unravels,** a window opens for the Global South to shape a fairer and more resilient system.
- **India, situated at the intersection of tradition and modernity,** democracy and development, **must seize this moment.**
- **By balancing state leadership with economic innovation,** sovereignty with solidarity, and ambition with accountability, **India can help chart a path towards a just and inclusive world order.**

Navigating the Global Economic Transformation FAQs

Q1. What major shift is reshaping the global economic order?

Ans. The global economic order is being reshaped by the strategic and economic rivalry between the United States and China, leading to new power blocs and geo-economic realignments.

Q2. How are populist-autocrats influencing modern economies?

Ans. Populist-autocrats are fusing political power with corporate interests, creating systems where crony capitalists dominate policy and weaken democratic institutions.

Q3. What is meant by “digital colonialism”?

Ans. Digital colonialism refers to the domination of global economies and politics by Big Tech and digital infrastructures controlled by powerful nations and corporations, undermining national sovereignty.

Q4. How has the withdrawal of developmental aid affected the Global South?

Ans. Cuts in developmental aid have deepened poverty, triggered migration, and fuelled instability in many developing countries, especially in Africa and Asia.

Q5. What steps should India take to strengthen its position in the new world order?

Ans. India should strengthen state-led development, promote fair global reforms, invest in education and innovation, and pursue a genuinely non-aligned foreign policy.

Source: **The Hindu**

The ‘Critical Factor’ in India’s Clean Energy Ambitions

Context

- **India's ambition to emerge as a global leader in clean energy** and sustainable growth **hinges on its ability to secure critical minerals such as lithium, cobalt, and Rare Earth Elements (REEs)**.
- These **minerals form the backbone of modern technologies**, electric vehicles (EVs), solar panels, wind turbines, and energy storage systems, that drive the global transition towards low-carbon economies.
- **As India targets 500 GW of renewable energy capacity by 2030** and net-zero emissions by 2070, ensuring a stable **supply of these minerals has become a strategic and economic imperative**.

The Importance of Critical Minerals in India's Green Transition

- Lithium and cobalt are key components of EV batteries, and India's EV market is projected to grow at an impressive **49% compound annual growth rate (CAGR)** from 2023 to 2030.
- Supported by government initiatives such as the **Electric Mobility Promotion Scheme (EMPS) 2024**, the demand for batteries and energy storage solutions is expected to surge.
- However, India's near-total dependence on imports, almost **100% for lithium, cobalt, and nickel, and over 90% for REEs**—poses significant vulnerabilities.
- The dominance of China, which controls about **60% of global REE production and 85% of processing capacity**, further amplifies strategic risks and highlights the urgency of achieving self-reliance.

Initiatives by India in the Field of Critical Minerals

- India possesses significant untapped mineral potential, with lithium reserves identified in Jammu & Kashmir and Rajasthan, and REEs in Odisha and Andhra Pradesh.
- The **National Mineral Exploration Policy (NMEP) 2016** and the **Mines and Minerals (Development and Regulation) Act 2021** have accelerated exploration through private participation and advanced geophysical techniques.
- The **Geological Survey of India's discovery of 5.9 million tonnes of inferred lithium resources in J&K** marks a pivotal step towards domestic production.
- Moreover, the **auction of 20 critical mineral blocks** in 2023, attracting both domestic and international investors, signals growing market confidence in India's potential as a key player in the global mineral supply chain.

Investment and Industrial Policy in Mining

- Investment in domestic mining forms the cornerstone of India's critical mineral strategy.
- Despite policy reforms, the mining sector's contribution to India's GDP, just **5% in 2022**, lags far behind resource-rich economies like Australia, where mining contributes over **13%**.
- The **Mines and Minerals (Development and Regulation) Amendment Act 2023** has opened up private exploration, yet high operational costs, regulatory bottlenecks, and environmental challenges persist.
- To bridge this gap, there is need for **streamlined licensing, financial incentives, and production-linked subsidies** that can attract private capital and technology partnerships.

- The government's **National Critical Mineral Mission (NCMM)**, backed by a **₹34,300 crore plan**, is a significant step towards integrating exploration, mining, processing, and recycling.
- State-backed enterprises like **NMDC, IREL (India) Limited**, and **KABIL (Khanij Bidesh India Ltd.)** are diversifying into critical minerals and overseas acquisitions to strengthen supply chains.
- However, the success of these initiatives depends on scaling private participation, technological innovation, and swift project execution.

The Path Forward for India to Build a Circular Economy

- A **circular economy**, focused on recycling, recovery, and reuse, is essential for resilience. India generates nearly **four million metric tonnes of e-waste annually**, but a mere **10%** is formally recycled.
- This represents a massive opportunity to recover critical minerals from discarded electronics and batteries.
- The **Battery Waste Management Rules, 2022** set ambitious recycling targets, yet implementation gaps and infrastructure deficits hinder progress.
- To overcome these barriers, India must **modernise mining and processing infrastructure** with mechanised equipment, automated plants, and efficient waste management systems.
- **Public-private recycling hubs** can accelerate technological innovation, lower costs, and reduce environmental damage.
- **Integrating urban mining, recovering minerals from waste streams**, into the broader critical mineral framework would both reduce import dependence and generate employment in green sectors.

Challenges and Policy Directions

- While India's policy trajectory is promising, several persistent challenges.
- These include **high exploration costs, regulatory delays, insufficient refining capacity**, and **weak enforcement** of recycling norms.
- Moreover, **geopolitical competition for resources underscores the need for diversified international partnerships**.
- India must balance **environmental sustainability** with **industrial expansion**, ensuring that mining activities adhere to ecological and social safeguards.
- Strengthening **research and development (R&D)** in mineral processing and battery technology will also be vital to achieving technological independence.

Conclusion

- India's clean energy transition, and its broader industrial transformation, depends on securing critical minerals through a dual strategy: **developing domestic mining capacity** and **advancing a circular economy**.
- The **National Critical Mineral Mission**, alongside policy reforms and international collaborations, provides a strong foundation for this effort.
- However, **sustained progress will require robust state support, transparent governance**, and public-private synergy.

- By operationalising mining leases, modernising recycling systems, and investing in innovation, **India can not only meet its renewable energy goals but also establish itself as a global leader in the green economy.**

The ‘Critical Factor’ in India’s Clean Energy Ambitions FAQs

Q1. Why are critical minerals important for India’s clean energy transition?

Ans. Critical minerals like lithium, cobalt, and rare earth elements are essential for manufacturing electric vehicles, solar panels, wind turbines, and energy storage systems that power India’s clean energy goals

Q2. What major policy initiative supports India’s exploration of critical minerals?

Ans. The National Mineral Exploration Policy (NMEP) 2016 supports India’s exploration of critical minerals by encouraging private participation and advanced survey technologies.

Q3. What is the purpose of the National Critical Mineral Mission (NCMM)?

Ans. The National Critical Mineral Mission aims to strengthen India’s value chains across exploration, mining, processing, and recycling to reduce import dependence and boost self-reliance.

Q4. How can recycling contribute to India’s mineral security?

Ans. Recycling can recover valuable minerals from e-waste and used batteries, reducing import dependence and promoting a sustainable circular economy.

Q5. What challenges does India face in achieving self-sufficiency in critical minerals?

Ans. India faces challenges such as high exploration costs, limited refining capacity, regulatory delays, and weak recycling infrastructure in achieving self-sufficiency in critical minerals.

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