

# Satheesan chosen as Kerala Chief Minister; swearing-in on Monday

**The Hindu Bureau**

THIRUVANANTHAPURAM

Senior Congress leader V.D. Satheesan will be sworn in as Kerala's next Chief Minister on Monday, with the party's leadership finally declaring its choice on Thursday, 10 days after the Congress-led United Democratic Front (UDF) swept the Assembly election. Following his formal selection as the leader of the Congress Legislature Party in the State, Mr. Satheesan, accompanied by senior Congress leaders, met Governor Rajendra Vishwanath Arlekar at the Lok Bhavan and staked his claim to form the government.

Talking to presspersons after the announcement, the Chief Minister-designate expressed his resolve to build a new Kerala by raising the living standards of the people and fulfilling the UDF's election promises.



V.D. Satheesan addressing the media in Thiruvananthapuram on Thursday. NIRMAL HARINDRAN

Mr. Satheesan, 61, will take oath as Chief Minister at 10 a.m. on Monday at the Central Stadium in the State's capital. Further clarity on how many Ministers will be sworn in along with him is expected after a UDF meeting scheduled for Friday. All the remaining MLAs will be sworn in on May 21.

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**OLIVE BRANCH**

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# Efforts on to release Kuki, Naga people held hostage in Manipur, say Ministers

## The Hindu Bureau

GUWAHATI/NEW DELHI

A day after four persons were killed in separate incidents in Manipur, the State's Home Minister, Govindas Konthoujam, said on Thursday that at least 38 people from the Kuki and Naga communities are being held hostage by different groups.

While some organisations claimed that 43 people have been either detained or abducted by various groups, Deputy Chief Minister Losii Dikho said that at least 44 have been abducted with an infant and two Naga Catholic trainee priests among them.

Three of the four killed in Wednesday's separate ambushes by suspected extremists were Kuki church



People blocking a road amid shutdowns called by the Kuki and Naga communities in Churachandpur, Manipur, on Thursday. PTI

leaders. Two of them were key members of the Thadou Baptist Association of India (TBAI). The attacks took place in the Kuki-dominated Kangpokpi district. The fourth, a Naga villager, was killed in the Naga-majority Noney district.

“We have reports that

more than 38 people from both communities have been held hostage by different groups. We are working with civil society organisations and political leaders to secure their release,” Mr. Konthoujam told journalists after visiting the family of Wilson Thanga, who was killed in

Noney. He also went to the Jawaharlal Nehru Institute of Medical Sciences in the State's capital, Imphal, where Thanga's body had been kept for autopsy. Three Naga MLAs accompanied him.

Speaking with *The Hindu*, the Deputy Chief Minister, who is leading the negotiations on behalf of the State government to secure the release of those abducted, said that the killing of the church leaders was “unprecedented” as such attacks did not occur even at the height of previous conflicts.

He said talks were on with Kuki and Naga groups till late on Thursday and efforts were on to find an amicable solution.

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# Efforts on to release Kuki and Naga hostages

The hill districts of the State remained tense on Thursday after the attacks. Mr. Konthoujam said the State government apprised Union Home Minister Amit Shah of the security situation and of efforts to secure the hostages' release. "We suspect that some people do not want peace to return to Manipur," he said.

"We have been trying to find an amicable solution and while talks were on with Kuki and Naga groups till late on Thursday, we have not been able to reach a conclusion. At least 11 Nagas are present at the camp of a Kuki SoO (insurgent group in Suspension of Operations pact with the government) group but the whereabouts of seven others are not known yet. This has led to delay in the release of all hostages," said Mr. Dikho, who belongs to the Naga People's Front, an alliance partner of the ruling Bharatiya Janata Party (BJP).

Manipur's Congress MP Angomcha Bimol Akoi-jam, however, doubted the government's seriousness in protecting the lives and property of the people of the State affected by an ethnic conflict since May 3, 2026. "We strongly condemn this violence and the Government of India's irresponsible abdication of duty, and demand immediate action against those responsible," he said.

In an ultimatum to the Chief Minister, the United Naga Council (UNC) said Kuki groups have held 20 Nagas hostage in Kangpokpi district. The UNC is the apex body of the Naga tribes of Manipur. The UNC said 18 of these hostages, including women and a two-year-old child, are at Leilon Vaihphai village, while two priests are at Sapermeina.

The UNC set 6 p.m. of May 15 as the deadline for the government to ensure the release of the abducted Nagas to avert "any consequences arising out of its inaction".

## HEARING CHALLENGE TO 2023 LAW ON PM-LED PANEL

# Why minister, why not a neutral person in panel to pick ECs: SC

**Bench to AG: It will always be 2:1, executive controlling everything**

**Ananthkrishnan G**

*New Delhi, May 14*

STATING THAT the Election Commission of India must not only be independent but also appear to be so, the Supreme Court Thursday wondered why there can't be an "independent member" in the three-member panel that picks the Election Commissioners (ECs) when even the committee for selecting the CBI Director has the

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**EC ANNOUNCES S.I.R. IN 16 STATES AND 3 UTs**

**Chief Justice of India in it.**

The bench of Justices Dipankar Datta and S C Sharma asked the Centre why put up a **show of independence in the matter of selection of ECs by**

the committee, comprising the Prime Minister, the Leader of Opposition and a Cabinet Minister, when the decision is by a 2:1 majority and the Cabinet Minister is a PM pick.

"I was just wondering. For a **CBI Director, the CJI is there — for maintenance of law and order or you can stretch it to rule of law also.** But not for maintaining democracy? Not for ensuring a pure election? We don't say that the CJI should be there. Why shouldn't there be an independent member?" Justice Datta said.

"Let us be very clear. Today,  
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# SC on panel to pick EC

the Prime Minister ticks one (name). The Leader of Opposition ticks another one. There is disagreement between the two. Will the third member go towards the LoP? he asked Attorney General R Venkataramani.

“May not. I don’t need to second guess that,” Venkataramani said.

“So it’s the executive that’s controlling everything,” Justice Datta said.

The bench was hearing petitions challenging the Chief Election Commissioner and Other Election Commissioners (Appointment, Conditions of Service and Term of Office) Act, 2023, which laid down that the CEC and ECs will be selected by a panel comprising the PM, LoP and a Cabinet Minister,

Justice Datta made these remarks when Venkataramani defended the law which was brought following the 2023 judgment in the Anoop Baranwal case. In that ruling, the Supreme Court, while referring to Article 324 (2) which called for a law to be made by Parliament “fixing the criteria for selection, conditions of service and tenure” of the CEC and ECs, had directed that until such time the law is

made, they shall be appointed on the advice of a committee comprising the Prime Minister, Leader of the Opposition in Lok Sabha, and in case there is no such leader, the leader of the largest party in the Opposition in Lok Sabha, and the Chief Justice of India.

Parliament then brought in the Chief Election Commissioner and Other Election Commissioners (Appointment, Conditions of Service and Term of Office) Act, 2023, which, however, left out the CJI.

Pointing out that the Baranwal judgment spoke of the independence of the poll body, Justice Datta said, “On the perception of the quality as to who the Chief Election Commissioner is, it is not sufficient that the Commission is independent. It must appear to be independent also.”

Turning to the AG, he said, “If you accept this proposition, how do you secure independence?”

Agreeing with the need to ensure independence of the poll body, Venkataramani said, “It (independence) will be demonstrated in everything it does.”

Justice Datta asked if that would start with the appoint-

ment.

The AG said, “After appointment. Appointment is not a matter which tests the qualities of the person... He (EC candidate) cannot certify himself.”

Justice Datta said, “One must have the same confidence in the body when the third member is a neutral person. The level of confidence must be to the degree that if there is a third person, absolutely neutral, the Election Commissioner, who is now being appointed, must be selected by a body of at least one absolutely neutral person.”

“We don’t proceed further to say the PM cannot appoint. But it should be by a neutral person. He should select. Why should it be a Minister from the Cabinet? Let us assume the ruling party has 300 MPs. Three hundred can’t become ministers. The discretion lies with the PM, he will select 25 of his best. Now you micromanage it again and bring 1 from the 25. Why?”

As the AG tried to explain, Justice Datta said, “Why do you then include the Leader of the Opposition? He is ornamental. It will always be 2:1. Then why do you put up this show of independence in the body? A member of the Cabinet will go against the PM?”

“May not,” Venkataramani said.

# NYT: US set to drop charges against Adani after lawyer makes \$10-bn offer

## Reversal after industrialist hires one of Trump's personal lawyers

ENS Economic Bureau  
New Delhi, May 14

THE NEW York Times reported Thursday that the US Department of Justice (DOJ) was planning to drop criminal charges against Adani Group Chairman Gautam Adani following discussions linked to a proposed \$10-billion investment in the US, a move that could bring an abrupt end to one of the most high-profile corporate fraud investigations involving an Indian business group in recent years.

The reversal came after Gautam Adani hired a new legal team led by Robert J Giuffra Jr., one of President Donald Trump's personal lawyers and the co-chairman of the prominent firm Sullivan & Cromwell, according to the NYT.

The criminal charges

against Adani stemmed from an indictment unveiled by US prosecutors in November 2024. It accused Adani, his nephew Sagar Adani and several associates of orchestrating a massive bribery scheme involving approximately \$265 million in payments to Indian government officials.

The report said Giuffra's efforts on Adani's behalf culminated in a previously unreported meeting last month at the Justice Department's headquarters in Washington. "Giuffra ticked through about 100 slides outlining why prosecutors lacked basic evidence, as well as the jurisdiction even to bring the case," the report stated.

"Another slide also made an unusual offer: If prosecutors dropped the charges, Adani would be willing to invest \$10 billion in the American economy and create 15,000 jobs, echoing a pledge he had made in the wake of Trump's election," it stated.

The Adani Group did not respond to an email from *The Indian Express* seeking its

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response on the report.

As part of the same meeting, the *NYT* said, Giuffra sought to resolve a parallel civil case against Adani brought by the Securities and Exchange Commission, as well as a separate investigation by the Treasury Department. Both agencies are now preparing to strike settlements with Adani and impose financial penalties, it said.

While prosecutors maintained that the investment proposal would “play no role” in the outcome of the proceedings, sources cited by the *NYT* said the offer received a “favourable response” from DOJ officials.

Prosecutors earlier alleged that the payments were intended to secure lucrative solar energy contracts that could generate close to \$2 billion in profits over a 20-year period while supporting the construction of one of India’s largest renewable energy projects.

US authorities have alleged that Gautam Adani, Sagar Adani and former Adani Green Energy chief executive Vneet Jain raised more than \$3 billion through loans and bond offerings from international investors while concealing details of the alleged corruption scheme. Prosecutors charged the trio with securities fraud, conspiracy to commit securities fraud and wire fraud conspiracy.

Parallel civil proceedings were also initiated by the US Securities and Exchange Commission, which accused the executives of misleading investors and hiding corruption risks associated with the company’s operations. Last year, the SEC sought assistance from India’s Ministry of Law and Justice regarding a complaint against Gautam Adani and Sagar Adani in the alleged violation of securities laws. The SEC had accused the Adanis of “recklessly making false and misleading representations” concerning Adani Green Energy’s debt offering.

The case extended beyond the Adani family and included several international executives.

Adani and his associates have consistently denied all allegations, arguing that the charges are baseless and politically motivated. The company has also maintained that it complied with all disclosure requirements and corporate governance standards.

# Iran listening, India says safe Hormuz key to economic health

BRICS Foreign Ministers meet PM;  
Araghchi says Iranians don't seek war



External Affairs Minister S Jaishankar with Iranian Foreign Minister Seyed Abbas Araghchi in New Delhi on Thursday. AP

**Shubhajit Roy**

*New Delhi, May 14*

UNDERLINING THAT “stability cannot be selective, and peace cannot be piecemeal”, External Affairs Minister S Jaishankar told visiting Foreign Ministers of the BRICS countries Thursday that “safe and unimpeded maritime flows through international waterways, including the Strait of Hormuz

and Red Sea, remain vital for global economic well-being”.

His remarks at the New Delhi meeting of the grouping, where Iran counterpart Seyed Abbas Araghchi and UAE Minister of State for Foreign Affairs Khalifa Shaheen Al Marar were also present, came on the day India condemned the attack on an Indian-flagged vessel off Oman, calling it “unacceptable”

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# BRICS

and said “we deplore the fact that commercial shipping and civilian mariners continue to be targeted”. Stating that all Indian crew on board were safe, the MEA thanked the Omani authorities for rescuing them.

Ties between Iran and the UAE plummeted after Tehran accused its Persian Gulf neighbour of hosting US military personnel and facilities. Iran continued to target the Emirates even after the US-Israel combine decided on a ceasefire to strike a deal with Tehran. Israeli Prime Minister Benjamin Netanyahu’s office disclosed Wednesday that he made a secret visit to the UAE during the war, drawing an angry response from Araghchi.

Given the deep distrust between Iran and the UAE, Jaishankar tried to diplomatically balance the two sides, flagging energy disruptions as well as “unilateral coercive measures and sanctions”.

The UAE will be PM Narendra Modi’s first stop Friday as he sets out on a tour of four European nations. On Thursday, Modi met the BRICS Foreign

Ministers including Araghchi, Russian Foreign Minister Sergey Lavrov, Brazil’s Mauro Vieira, Indonesia’s Sugiono and South Africa’s Ronald Lamola.

Chairing the proceedings, Jaishankar flagged the Iranian closure of the Strait of Hormuz and its fallout. “The conflict in West Asia merits particular attention. Continuing tensions, risks to maritime traffic, and disruptions to energy infrastructure highlight the fragility of the situation. Safe and unimpeded maritime flows through international waterways, including the Strait of Hormuz and Red Sea, remain vital for global economic well-being,” he said.

Araghchi, in his remarks, urged BRICS member states and the international community to condemn what he called violations of international law by the US and Israel, including their aggression against Iran. Iran’s Press TV quoted him asking members to prevent politicisation of international institutions, take concrete action to halt warmongering and to end the impunity of those violating the UN Charter.

“We believe that BRICS can, and must, become one of the principal pillars in shaping a more just, balanced, and hu-

mane global order; an order in which might can never be right. Nations which stand up for their dignity and independence may endure hardship, but they will never be defeated,” he said.

Jaishankar said, “The wider region also gives rise to serious concern. The conflict in Gaza has grave humanitarian implications. A sustained ceasefire, humanitarian access, and a credible pathway towards a durable and peaceful resolution remain essential. India supports a two-state solution where the Palestine issue is concerned.”

Araghchi said, “It ought to be clear that Iran is unbreakable and only emerges stronger and more united when under pressure. While ready to fight with everything we have in defence of our freedom and our soil, we are equally ready to pursue and defend diplomacy.”

“We Iranians never bow to any pressure or threat, but we reciprocate the language of respect. As much as our powerful armed forces remain ready to exact devastating retribution on foreign aggressors, my people are peace-loving and do not seek war. We are not the aggressor in this sordid situation, but the aggrieved,” he said.

# India backs two-state solution for Palestine issue, says Jaishankar at BRICS meeting

**Kallol Bhattacharjee**

NEW DELHI

Highlighting India's traditional approach to the Israel-Palestinian conflict, External Affairs Minister S. Jaishankar on Thursday presented the "National

Statement" at the BRICS ministerial, reiterating India's call for a "two-state solution" to the issue and calling for an end to "risks to maritime traffic, and disruptions to energy infrastructure" in the Gulf region.

Supporting the need for dialogue and diplomacy to resolve conflicts in the region and in North Africa, Mr. Jaishankar sought "coordinated diplomatic efforts" to deal with the situations in Lebanon, Syria, Sudan and also in Libya.

The day-long BRICS Fo-



**Multilateral engagement:** Prime Minister Narendra Modi with the Foreign Ministers and Heads of Delegation of BRICS countries during a meeting in New Delhi on Thursday. PTI

reign Ministers' meeting witnessed several speeches, including one by Iran's Foreign Minister Seyed Abbas Araghchi who said that Iran will defend its sovereignty while "advancing diplomacy", adding that the U.S.-Israel attack against Iran will not have a "military solution".

"The wider region also gives rise to serious concern. The conflict in Gaza has grave humanitarian implications. A sustained ceasefire, humanitarian access, and a credible pathway towards a durable and peaceful resolution remain essential," Mr. Jaishankar said. "India supports a

two-state solution where the Palestine issue is concerned." Mr. Jaishankar referred to the impact of the U.S.-Israel war on Iran and highlighted the risks that the conflict has posed to shipping and energy infrastructure.

Referring indirectly to the recent actions by the

U.S. against multiple members of the United Nations, Mr. Jaishankar drew attention to the "increasing" tendency towards "unilateral coercive measures and sanctions", terming them "inconsistent with international law".

Earlier, Mr. Jaishankar welcomed the dignitaries that included Mr. Araghchi who made an emphatic call to resist the U.S. Referring to U.S. military and trade practices, Mr. Araghchi said the international community is facing "variations" of the "same regnant coercion".

At the end of the engagements, visiting dignitaries Mr. Araghchi, Russian Foreign Minister Sergey Lavrov and Brazil's Foreign Minister Mauro Vieira called on Prime Minister Narendra Modi.

# Uneasy truce in Beijing as Trump and Xi discuss trade ties, Taiwan

**Ananth Krishnan**

BEIJING

The United States and China appeared to come to an uneasy truce – at least for now – on trade, Taiwan, and the future of an increasingly contested relationship, as their leaders met for talks in Beijing on Thursday.

Chinese President Xi Jinping told visiting U.S. President Donald Trump that relations could descend to “clashes and conflicts” if the Taiwan question, which he described as “the most important issue in China-U.S. relations”, was not managed properly, according to the Chinese readout of the



**Leaders' day out:** China's President Xi Jinping and U.S. President Donald Trump at the Temple of Heaven in Beijing as the two leaders took a tour on Thursday after delegation talks. AFP

talks. “If it is handled properly, the bilateral relationship will enjoy overall stability. Otherwise, the two countries will have clashes and even conflicts, putting the entire relationship in

great jeopardy,” he said. China also conveyed its opposition to U.S. arms sales to Taiwan.

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## IN BRIEF

### Delhi govt. unveils austerity plan

**NEW DELHI**

Delhi Chief Minister Rekha Gupta on Thursday announced a slew of austerity measures, including ‘work from home’ for government staff twice a week, staggered office timings, and a push for public transport under the 90-day ‘Mera Bharat, Mera Yogdan’ campaign. » **Page 7**

### Woman gang-raped inside bus in Delhi

**NEW DELHI**

Two bus drivers were arrested on Thursday for the alleged gang rape of a woman inside a private sleeper bus at Rani Bagh. Police said the assault occurred on May 11. » **Page 16**

# Uneasy truce as Trump, Xi discuss trade, Taiwan

The U.S. readout, for its part, made no mention of Taiwan, though Secretary of State Marco Rubio later told presspersons the U.S. position remained unchanged. The readouts suggested both sides had merely underlined their respective positions on an issue that remains a flashpoint. The White House statement said both did agree on the need to keep the Strait of Hormuz open and to support the free flow of energy, and that Mr. Xi had “made clear China’s opposition to the militarisation of the strait”. However, there appeared no broader agreement on addressing the Iran crisis.

The ceremony in Beijing trumped the substance. Mr. Trump’s visit began with a grand welcome on Thursday morning, as he was greeted by marching PLA troops and cheering schoolchildren at the Great Hall of the People. “It really was a magnificent welcome like none other,” Mr. Trump said. The two leaders spent several hours in each other’s company, with delegation talks followed by Mr. Xi taking the U.S. President on a tour of the Temple of Heaven.

A state banquet followed in the evening, with further talks over tea set for Friday in the Chinese leadership’s Zhongnanhai compound.

At the formal talks, Mr. Xi called for “a new vision” for ties, which he labelled “a constructive relationship of strategic stability” for “the next three years and beyond”.

The two leaders may meet three more times this year alone, officials said. Mr. Trump invited Mr. Xi to visit the U.S. on September 24, which he provisionally accepted. The two leaders could also meet at an APEC (Asia-Pacific Economic Cooperation) summit that China is set to host later this year, and at the G-20 meet in Miami.

The broader challenge facing the two leaders as they navigate a fractious relationship is a changed dynamic. “The U.S. still thinks it is dealing with the China of 10 years ago, but the power dynamic has shifted”, said Cameron Johnson, formerly Professor at New York University Shanghai and senior partner at a supply chain consulting firm that advises U.S. and Chinese companies. Both countries have traded blows in an ongoing trade and technology war.

The visit could yield a temporary truce.

# Jaishankar slams 'unilateral' sanctions days before expiry of Russian oil purchase waiver

**Suhasini Haidar**  
**Saptaparno Ghosh**  
NEW DELHI

As India awaits the United States' decision on extending its waiver on sanctions against the import of Russian oil, External Affairs Minister S. Jaishankar on Thursday hit out at unilateral non-UN sanctions, calling them unjustified.

Delivering the national statement at the BRICS Foreign Ministers meeting chaired by India, Mr. Jaishankar called on the grouping of emerging economies to address the problem of such sanctions.

Significantly, the meeting was attended by Russian Foreign Minister Sergey Lavrov and Iranian Foreign Minister Abbas Araghchi representing two of the U.S.'s most heavily sanctioned countries.

With the latest waiver in place, import of Russian crude oil surged to 1.96 million barrels per day since the start of May till date compared with 1.57 million barrels per day during the full month in April, according to data from real-time maritime analytics provider Kpler.

The major increase in India's oil intake from Moscow in May indicates that Indian refiners are rushing to secure stable supplies from Russia while those from West Asia are stuck due to the blockades on the Strait of Hormuz.

In fact, India's import of Russian oil stood at 1.98 million barrels per day in March as the U.S. extended its sanctions waiver on Russian oil purchases for the second consecutive month. Oil imports from Russia have surged despite



External Affairs Minister S. Jaishankar with his Russian and Saudi Arabian counterparts at the BRICS meet on Thursday. PTI



These unjustifiable measures

cannot substitute dialogue, nor can pressure replace diplomacy

**S. JAISHANKAR,**  
External Affairs Minister

the fact that Russian crude oil is being sold at a premium of as much as \$5 for every barrel to Indian importers. "We must also address the increasing resort to unilateral coercive measures and sanctions inconsistent with international law and the UN Charter. Such measures disproportionately affect developing countries.," Mr. Jaishankar said. "These unjustifiable measures cannot substitute dialogue, nor can pressure replace diplomacy," he said.

In the wake of the war in West Asia, the U.S. had granted month-long waivers for oil imports from Iran and Russia, which India took advantage of.

However, the waiver on Iran lapsed last month, and the waiver on Russia, which was extended, is set to expire on May 16, with U.S. officials indicating that there would be no exten-

sion. Speaking to the media on April 25, Treasury Secretary Scott Bessent had said he had agreed to the waivers due to requests from "more than 10 of the most vulnerable and poorest countries".

"But I wouldn't imagine that we'd have another extension," he said, adding that the Russian oil available on-board ships that the waiver covered, had already been bought up.

While the NDA government maintains India's traditional position on not accepting non-UN sanctions, in practice it has complied with a series of sanctions from the U.S. for commercial reasons, including on oil from Iran, Russia and Venezuela, trade with Iran and the development of the Chabahar port.

When asked on Wednesday whether India would consider cutting oil imports from Russia as it did in the past, if the U.S. does not extend the waiver on Saturday, External Affairs Spokesperson Randhir Jaiswal said that the government's policy is "guided by the interests of 1.4 billion Indians". However, he declined to comment on reports that India has asked the U.S. for another extension.

# Blackouts, protests break out as Cuba says fuel has 'run out'

**Agence France-Presse**

HAVANA

Cuba was hit by worsening power outages on Thursday as the island's communist government said oil reserves had run out and rare protests broke out around the capital Havana.

Eastern Cuba was plunged on Thursday into the latest of regular electricity shutdowns affecting the whole country, while people protested against power outages in neighbourhoods around Havana, in the west of the island.

Oil reserves sent by Russia have now "run out," Energy Minister Vicente de la O Levy told state television, describing the situation as "very tense".

"The heat continues to rise, and the impact of the blockade is indeed causing us significant harm... because we are still not receiving fuel."

U.S. Secretary of State Marco Rubio renewed an offer of \$100



Miguel Diaz-Canel

million in aid on the condition that the assistance be distributed by the Catholic Church, bypassing the government.

## 'Ready for talks'

"We are ready to hear the details of the proposal and how it would be implemented," said Cuba's top diplomat, Bruno Rodriguez, on social media.

A resident of San Miguel del Padron, a neighbourhood on the outskirts of Havana, said that people had protested the power cuts by banging pots and

pans on Wednesday evening.

Several other similar small protests were held in neighbourhoods across the capital to express widespread frustration.

"Turn on the lights!" shouted residents in Playa, a district in the western part of the capital.

President Miguel Diaz-Canel on Wednesday blamed a U.S.-imposed "genocidal energy blockade" on Cuba for its grim energy shortages.

Data compiled showed prolonged blackouts and record generation shortfalls in recent days – 65% of Cuban territory endured simultaneous blackouts on Tuesday.

"This dramatic worsening has a single cause: the genocidal energy blockade to which the United States subjects our country, threatening irrational tariffs against any nation that supplies us with fuel," Mr. Diaz-Canel said.

# WPI more than doubles to 8.3% in April

India's WPI inflation rises to its highest level in 3.5 years on the impact of the West Asia crisis on prices in India; experts say that this jump in wholesale prices could soon be passed on to consumers, and could also start hurting the profitability of companies if it is not passed on

**T.C.A. Sharad Raghavan**  
NEW DELHI

In the first sign of the impact of the West Asia crisis on prices in India, wholesale inflation in India jumped to 8.3% in April 2026, its highest level in 3.5 years, driven by the sharp rise in crude oil and natural gas prices. Inflation in this category stood at 67.2% in April.

Data on the Wholesale Price Index (WPI) released by the Ministry of Commerce and Industry on Thursday showed that the last time wholesale inflation in India was higher than this was in October



2022. It had stood at 3.9% in March 2026.

Notably, food inflation at the wholesale level remained relatively low, at 2% in April 2026, compared with 1.9% a month

earlier. "The first sign of the impact of war on the Indian economy has been seen in the WPI inflation number for April which came at 8.3%," Madan Sabnavis, chief economist at

the Bank of Baroda said. "This is a direct result of the global developments which have manifested on the oil front."

Shashwat Singh, Fundamental Analyst at Bajaj Broking too said that the rise in wholesale inflation was largely driven by higher crude oil prices, fuel and power costs, imported inflation, and elevated input prices amid the ongoing geopolitical tensions in West Asia.

Within the index, inflation in the crude oil and natural gas sectors stood at a 46-month high of 67.2% in April 2026, coming on the back of a 39-month

high in March.

While the higher international prices of both products are a driving factor for this, there is also a significant base effect pushing the inflation numbers up. That is, the sector witnessed deflation of 7.6% and 15.5% in March and April of last year.

## Fuel inflation

The fuel and power category, too, saw inflation rise to 24.7% in April 2026, the highest since October 2022. This was driven by inflation in the mineral oils category, which rose to 39.5% in April 2026.

Mr. Singh pointed out

that this elevated wholesale inflation could soon pass on to the retail level and directly affect consumers. He added that it could also hurt the profitability of companies.

"Higher logistics, freight, and commodity prices are now increasingly getting reflected in wholesale inflation, which could eventually pass through to consumer inflation as well," Mr. Singh said.

"The spike also suggests margin pressure for manufacturing and industrial companies if cost increases cannot be fully passed on to consumers."

# Bursting at the seams

The current rise in inflation is not transient, but systemic

India's April retail inflation, at a 13-month high of 3.48%, is only marginally higher than its March print of 3.4%, and continues to remain deceptively benign. Wholesale inflation has more than doubled to 8.3% in April from 3.88% in March – a 42-month high – signalling that substantial upstream price pressures are still working their way through the economy. Unsurprisingly, the spike in the Wholesale Price Index (WPI) has been led by soaring fuel and power prices, which rose 24.71%, while petroleum and natural gas prices surged 67.2%. This clearly indicates that the full impact of rising energy costs has not yet been passed on to end-consumers. However, such a pass-through now appears imminent. Union Petroleum Minister Hardeep Singh Puri recently indicated that the Centre may have little choice but to raise retail petrol and diesel prices, with public sector oil marketing companies reportedly absorbing “under-recoveries” of nearly ₹30,000 crore a month since the U.S.-Israeli war with Iran began. Any increase in retail fuel prices will have economy-wide implications.

April retail inflation has already been driven chiefly by food, with the Consumer Food Price Index rising to 4.2% from 3.87% in March. Predictably, restaurants and accommodation services witnessed among the sharper increases, reflecting the cascading effect of rising commercial LPG prices. The price of the widely used 19.2 kg commercial LPG cylinder has risen by roughly ₹850-₹1,000 over revisions since the conflict began, while the 5 kg canister has reportedly seen increases of over ₹200 in several markets. The canister is extensively used by migrant wage labour across the country, directly feeding into food basket costs and potentially dampening consumption demand. This comes even as Prime Minister Narendra Modi has appealed to people to refrain from “extravagant spending on weddings and travel abroad” and to cut back on buying precious metals for a year. Consequently, the Centre doubled import duties on gold and silver in an attempt to discourage safe-haven investments and ease pressure on the rupee, which has depreciated by nearly 8.5% against the U.S. dollar in the past two-and-a-half months since the conflict began. For context, the rupee had depreciated by roughly 2%-3% annually on average over the previous five fiscal years. The current slide is therefore exceptionally sharp. It is increasingly evident that retail inflation is bursting at the seams and will likely find fuller expression in the months ahead. The sharp divergence between the Consumer Price Index and WPI suggests that producers are still absorbing a significant share of rising costs, a situation that is unlikely to remain sustainable. This leaves the Reserve Bank of India with limited room but to eventually tighten monetary policy in order to keep inflation within its tolerance band of 2%-6%. What is unfolding is not merely transient inflation driven by commodity volatility, but also broader systemic inflationary pressure, with limited manoeuvring space for both the government and the central bank.

AFTER HIKE IN GOLD IMPORT DUTY AND PM'S CALL FOR AUSTERITY MEASURES

# To attract foreign investors, Govt considers cut in withholding tax

Currently, non-residents pay about 20% — one of the highest in the world

Aanchal Magazine  
& Siddharth Upasani  
New Delhi, May 14

AFTER HIKING import duty on gold, the government and the Reserve Bank of India are learnt to be considering multiple measures to attract foreign investment inflows including a cut in the withholding tax rate on government bonds, if not completely elim-

inating it.

Withholding tax is akin to a tax deducted at source and is paid by foreign investors on interest income they receive on their holding of Indian bonds. At present, non-residents pay a withholding tax of about 20% on the interest they get on the government bonds they hold — one of the highest in the world — after a concessional rate of 5% ended in 2023.

The discussions on some of these proposals have been on over the past few weeks with policy makers keen to conserve foreign exchange reserves and secure the external account amid the ongoing West Asia conflict.

Prime Minister Narendra Modi too had recently appealed to the people to stop buying gold, use public transport and car pool to cut fuel consump-

tion, avoid foreign travel and destination weddings overseas to save foreign exchange.

Queries sent to the Finance Ministry and the RBI did not elicit a response.

According to sources, the discussions have also precipitated in an internal wrangling among sections of the top policymakers if these measures will unfold as envisaged and

»CONTINUED ON PAGE 2

**E.** EXPLAINED

## Behind the worry

On top of a foreign capital strike, depletion of forex reserves by \$38 billion in two months has forced the government to not just conserve foreign exchange but also make Indian markets attractive for foreign capital. This will stabilise the capital account and prevent rupee fall.

actually translate into higher investment inflows in the current global economic situation given the prevailing high interest rates in the US and the lingering exogenous threats to the macro-economy.

In one such meeting, *The Indian Express* has learnt, senior officials discussed threadbare if any special foreign deposit scheme needs to be brought in, a proposal which was eventually junked. Back in 2013, when the rupee had fallen sharply due to US Federal Reserve's 'tap tantrums', RBI had opened a Foreign Currency Non-Resident (Bank) deposit swap window for a period of just under three months, during which banks raised \$26 billion, helping boost the central bank's forex reserves.

Officials are also learnt to have discussed in detail the removal of the withholding tax on government bonds for foreign investors. But whether investment flows will actually increase after elimination of the tax was an apprehension holding back a final decision, a person aware of the developments said.

Instead, more austerity measures and forex conservation have been cited as a priority to tackle the evolving situation. Other steps to discourage imports and conserve forex, such as a hike in import duty on gold and other precious metals, have been announced in line with the Prime Minister's appeal to citizens.

"A key concern with the proposal to remove withholding tax is that it might not work in the current context, exposing India to fresh scrutiny. Austerity measures and fuel hikes have happened almost in the entire Asia Pacific region two months ago. India has been comparatively behind the curve on this. A fuel price hike is inevitable and not hiking retail fuel prices will make the situation untenable. Investors and rating agencies would have an eye on this," a person aware of the meetings on the issue told *The Indian Express*.

In contrast, while China has a withholding tax of 10% on interest income from bonds, a temporary exemption has been in place since November 2018, with interest on certain government debt also exempt, according to a report by global account-

ancy firm KPMG.

Among other Asian economies, while Vietnam levies a 5% withholding tax, Malaysia exempts government bonds from this levy.

Investors from countries with which India has double taxation avoidance agreements pay lower rates. Meanwhile, investors who don't have an Indian tax residency suffer even more because the withholding tax must be paid on the gross amount and losses can't be set off against past gains.

Meanwhile, another person aware of the discussions said any immediate measures are to be cautiously implemented, adding that the ability to prevent a further slide in the rupee is at present limited as the market is pricing in earlier interventions when the exchange rate was stabilised to a large extent over the span of roughly three years. "The slide now appears to be steeper because of the earlier interventions, which limits the possible use of forex to now defend a specific level of the rupee," the person said.

After selling less than a \$100 billion of foreign currency on a gross basis each in 2020-21 and 2021-22, the RBI sharply stepped up its foreign exchange market interventions in 2022-23, selling what was then a record \$213 billion to check exchange rate volatility. While this figure reduced to \$153 billion in 2023-24, it hit a new high of \$399 billion in 2024-25. This fell sharply to \$166 billion in the first 11 months of 2025-26, although the central bank has intervened aggressively in the forwards market, with its net short position at \$104 billion at the end of February.

The RBI's reduced forex intervention over the last year or so has meant the rupee has weakened by 11% against the US dollar over the period. Since the war began in late February, the rupee has fallen by 5%, with foreign portfolio investors having withdrawn about \$22.5 billion so far in 2026 from Indian financial markets.

On the positive side, February saw net foreign direct investment inflows return to positive territory after a gap of six months to a near-four-year high of \$4.6 billion following an interim trade deal agreed between India and US.

# India needs to win back foreign investors. Three things to do

**T**HE OPTIMISM that has long surrounded India's economic story is now being clouded by conflicts — whether in the form of tariff wars or tensions spilling over from West Asia. For decades, India enjoyed balance-of-payments surpluses, buoyed by strong remittances, steady foreign capital inflows, and exports. But the tide seems to have turned. Foreign equity portfolio investors have pulled out over Rs 2 lakh crore so far in 2026, even as oil prices threaten to double the current account deficit to 2 per cent of GDP, and the comfort of BoP surplus has given way to the rare discomfort of the third consecutive year of deficit.

This may become more than a statistical blip as the US-Iran war continues to defy expectations of an early resolution, warranting a closer look at the changing global environment and the policy roadmap ahead.

Global capital is no longer the neutral tide it once was, nor is it just about efficiency or returns. It is increasingly a tool of strategic competition, more fragmented and increasingly politicised. We are in a two-speed world: Developed economies are getting bigger dollops of flows, while developing countries are struggling. According to UNCTAD, in 2025, global FDI rose 14 per cent to \$1.6 trillion. Flows to developed economies jumped 43 per cent to \$728 billion, driven by Europe and financial hubs shaped by industrial policy and geopolitics. In contrast, FDI to developing economies fell 2 per cent to \$877 billion.

With the global environment steadily deteriorating and capital becoming more discerning, the way forward for policymakers would be a sequenced, time-bound set of tiered actions.

First, ensuring stabilisation through bold

moves over the next six months. Tax reform could be the big-bang stabiliser as opposed to yet another FCNR bond issuance. Capital market signals are worth paying heed to. India could evaluate a shift to a residence-based capital gains tax system, exempting foreign investors from long-term capital gains tax. This would remove a major irritant that currently deters foreign portfolio investors. Long-term capital gains are taxed at 12.5 per cent plus surcharge, short-term at 20 per cent, and indexation has been removed for property and gold. Every rupee taxed while being taken out is a disincentive to re-enter. Exempting non-residents from Indian capital gains tax could provide immediate relief, would have universal impact and requires no bilateral negotiations. Another measure would be to allow European UCITS funds to access India directly, giving them a passport into the market, though this could take longer to work. Also, cutting withholding tax rates and indexing tax thresholds to inflation would further ease the burden.

What about FCNR bonds? Under the circumstances, FCNR bonds should remain in the toolkit, but as a fire extinguisher, not the first line of defence. Offering a concessional window to NRIs at a time when US yields are 4-4.5 per cent would mean a much higher cost and would subsidise foreign/NRI capital at the expense of domestic savers. It will also distort capital allocation, favouring banks and NRIs over corporates. Moreover, external buffers remain strong with reserves of \$650 billion-plus, and manageable debt ratios and healthier balance sheets.

Efforts must be made to curb imports of oil and gold in line with the Prime Minister's appeal. Do-



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mestic fuel prices must be raised to allow demand-side adjustments, followed by the intent to reform subsidies, especially those of fertilisers.

FDI ownership caps could be revisited, including allowing 100 per cent automatic foreign investment into remaining sectors. Note, for India, the FDI is not one of despair and gross FDI remains resilient. Today, 90 per cent of sectors are on the automatic route. Even Press Note 3, which governs investments from land-border countries, has been eased: Ownership below 10 per cent is automatic, and proposals in electronics and polysilicon are fast-tracked within 60 days. Even these (PN3) rules could be refined by lowering the threshold for scrutiny and adopting a screening system similar to America's Committee on Foreign Investment in the United States (CFIUS). Risks of geopolitical exposure should be managed through careful monitoring. Together, the above changes would make India far more attractive to global capital in the world of 2026.

Second, boosting competitiveness. This should focus on measures at the grassroots, alongside which India must front-load infrastructure delivery. Closing infrastructure gaps and delivering on budgeted capex will

keep India in good standing and underwrite growth. Labour reform would be a critical measure, with the Centre having notified rules for all four labour codes. States are expected to finalise rules by the second half of 2026, and compliance could be encouraged through incentives. Raising labour force participation to 65 per cent, via a push to labour-intensive sectors as well as agro-processing, would create

jobs and strengthen India's position in global value chains.

Judicial reform is yet another grassroots pillar. By introducing AI-enabled case management and fast-track commercial courts, India could aim to resolve disputes within months rather than years. A new version of the national single-window system would simplify approvals further. Importantly, judicial improvements would amplify the impact of all other reforms. They are politically less contentious but carry high leverage, much like Poland's judicial efficiency reforms that unlocked economic dynamism.

Third, for the transformation of the economy over the long-term, India must push decisively for trade liberalisation and integration into global value chains. This may also entail tariff cuts with ASEAN and the EU, alongside extending PLI incentives to labour-intensive sectors. This would make exports more sustainable, but only if the institutional foundations of tier two are in place. Broader policy reforms that target energy security, distribution reforms, and the inclusion of the energy sector, specifically electricity and petroleum products, under GST will also have to be acted upon. Financial deepening would provide resilience against volatile foreign portfolio flows. Working to deepen and energise the corporate bond market could also help build domestic pools of capital.

India stands at a cusp, and the policy imperative is clear. Big-bang reforms can draw capital, but structural reforms will ensure it stays and even grows the pie. The world is watching whether India can match ambition with execution.

The writer is group chief economist, L&T Views personal

# Capital flight and pressure on the rupee

India's economy is witnessing significant capital outflows and depreciatory pressures on the rupee amid rising oil prices and global uncertainty, coupled with a widening current account deficit, future interest rate increases abroad could place further stress on India's external account and underlying vulnerabilities

## ECONOMIC NOTES

Rahul Menon

The recent announcement by Prime Minister Narendra Modi urging individuals to reduce their consumption of gold and petrol brought to the fore what many analysts have warned about: India's situation on the external front is far from rosy. The rupee has witnessed significant depreciation over the last few weeks, while the rise in LPG prices has caused hardships for the working classes and triggered a reverse migration of workers back to villages.

Let us focus on the question of capital flows. The outbreak of hostilities in the Persian Gulf and the closure of the Strait of Hormuz have led to an outflow of foreign capital and a weakening of the rupee relative to major currencies. These are to be expected given the profound uncertainty that has gripped global markets. What makes the situation doubly worrying for India is that these outflows and depreciation have occurred even though interest rates in the U.S. and the U.K. have not changed. If foreign central banks do raise interest rates, it might lead to even more pressure on India's external account in the future.

### The taper tantrum

Emerging market economies such as India offer higher returns, but they are also exposed to currency and inflation risks. A rise in Indian inflation and/or a depreciation of the rupee can lower the net return to a foreign investor on holding Indian assets. The returns on Indian assets would have to be higher relative to those on foreign assets to compensate for these risks. In simple terms, the decision to hold Indian assets relative to foreign ones depends on the difference between Indian and foreign interest rates.

If Indian interest rates remain fixed, an increase in foreign interest rates can prompt foreign investors to reduce their



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holdings of Indian assets. This leads to depreciation of the rupee as it is exchanged for dollars. The only way – apart from capital controls – to arrest such a slide is to raise domestic interest rates, but that would negatively affect domestic investment. Monetary policy in emerging economies is tied to that of the U.S.; any increase in U.S. interest rates often forces smaller economies to consider raising their own rates to defend their currencies.

Given the ease with which capital can flow across borders, these outcomes can occur merely on the expectation that interest rates will rise, even before any actual rise. Such an outcome was seen in 2013. With interest rates hitting the zero lower bound in the wake of the 2008 Great Recession, the U.S. Federal Reserve announced a possible end to quantitative easing. The mere expectation of higher future interest rates caused a massive withdrawal of capital from emerging market economies. This was known as the 'taper tantrum'.

What is happening currently is somewhat similar, with capital flight occurring even though interest rates have not actually risen. What is worrying about

the current scenario is that India's depreciation and capital flight have occurred even though foreign central banks have not made any definitive signal that they intend to raise interest rates in the future.

**Uncertainty in monetary policy**  
Despite turmoil in energy markets, central banks in developed economies did not initially raise interest rates. The U.S. Federal Reserve and the Bank of England have maintained interest rates at 3.75% since December 2025. Their initial forecasts were built on the idea that the war – and the subsequent oil price increase – would be temporary, with prices returning to normal levels. Raising interest rates in such a scenario would only prove deflationary.

However, the longer the war continues, the greater the possibility that oil prices will remain elevated, thereby increasing inflationary expectations. Rising wages and prices, as economic agents fought to maintain their purchasing power in the face of rising energy prices, would result in rising inflation.

As the war drags on, the possibility of interest rate increases to combat

inflationary pressures rises.

The beginning of the war provided confusing signals to central banks. While the futures market in the energy sector anticipated an eventual decline in prices, interest rate futures assumed heightened inflation. In dealing with this profound uncertainty, the central banks of the U.K. and the U.S. initially maintained interest rates, providing detailed forecasts outlining different scenarios. And yet, foreign capital exited the Indian economy despite foreign central banks making no commitment to raising interest rates and forecasting the rise in energy prices as being merely temporary.

The rupee has been facing depreciatory pressures for some time; the war gave impetus to a process already occurring. Perhaps one could argue that foreign capital has priced in the possibility of future interest rate hikes and has already acted upon these expectations. The future rise in interest rates – if it were to occur – may not have much of an effect then. But this is to assume that foreign wealth holders have completely discounted the initial stance of Central Banks that inflation was temporary. This is a dangerous assumption to make in a situation of such profound uncertainty.

The Prime Minister's announcement diagnoses the problem the economy currently faces. The current account deficit is widening owing to rising oil prices. Coupled with capital flight, it puts significant pressure on the rupee. But moral suasion cannot be a policy response.

The RBI had initially intervened by imposing restrictions on certain foreign exchange derivative contracts, and the government has recently announced the imposition of import duties on gold. But this has not resolved the underlying vulnerabilities. If interest rates were to rise in the future, these vulnerabilities would come under further stress. The economy is not out of the woods yet.

(Rahul Menon is associate professor at O.P. Jindal Global University)

## THE GIST

▼ The outbreak of hostilities in the Persian Gulf and the closure of the Strait of Hormuz have created profound uncertainty in global markets, leading to capital outflows from emerging market economies such as India.

▼ Foreign investors may have already priced in the possibility of future interest rate increases abroad, while the war merely accelerated the depreciatory pressures that the rupee had already been facing for some time.