

# India–US Trade Relations

## *Asymmetry, Interdependence and the Architecture of Engagement*

GS Paper II (IR) • GS Paper III (Economy) • Essay • Ethics • APSC CCE

### 01 Key Terms and Explanations

Understanding the vocabulary of trade diplomacy is the first step toward analysing it with precision. Every major phrase below has appeared, directly or indirectly, in UPSC Mains answers and prelim options.

#### ❖ Trade-Related Terms

- **Trade Asymmetry:** Trade Asymmetry:
  - A structural imbalance where one nation is significantly more exposed to the other. In the India–US context, the US is India's largest goods export destination (~18% share), while India constitutes a much smaller fraction of American trade. This asymmetry gives the US leverage in negotiations that India cannot easily match.
- **Merchandise Trade Deficit:** Merchandise Trade Deficit:
  - When a country imports more goods than it exports. The US runs a goods trade deficit of ~\$45 billion with India, which becomes the political justification for tariff actions, even though the full picture including services changes the calculus substantially.
- **Services Trade Surplus:** Services Trade Surplus:
  - The US enjoys a services surplus of ~\$15 billion with India. This means American financial, legal, educational, and insurance services exported to India outstrip what India earns in services within American territory. This partially offsets the goods deficit, reducing the net deficit to roughly \$30 billion.
- **GSP:** Generalised System of Preferences (GSP):
  - A unilateral trade concession under which developed countries allow developing nations to export certain goods at reduced or zero tariffs. India was the largest beneficiary of the US GSP until its revocation in 2019, which withdrew preferential access worth approximately \$6 billion in Indian exports.
- **Tariff:** Tariff:
  - A tax levied on imported goods. The Trump administration's 26% tariff on Indian goods exemplifies how tariffs serve both revenue and strategic coercive purposes. Unlike sanctions, tariffs maintain a veneer of legality under WTO frameworks.
- **Evergreening:** Evergreening:
  - A pharmaceutical industry practice of extending drug patent monopolies by making minor modifications — a new salt, a new dosage form — without therapeutic improvement. India's Section 3(d) of the Patents Act, 2005 was specifically designed to block this. It remains one of the most contested provisions in bilateral IP negotiations.
- **TRIPS:** TRIPS (Trade-Related Aspects of Intellectual Property Rights):

- A WTO agreement (operational from 1995) that set minimum standards for IP protection globally. For India, TRIPS forced a fundamental shift from process patents to product patents for pharmaceuticals by 2005, threatening its generic drug manufacturing model. India's creative compliance — inserting Section 3(d) — preserved much of the industry.
- **Special 301:** Special 301 Watch List:
  - An annual US Trade Representative report identifying trading partners with inadequate IP protections. India has appeared consistently, creating a diplomatic irritant despite the fact that Indian generics lower healthcare costs for American consumers.
- **Remittances:** Remittances:
  - Money sent by diaspora members to their home country. Indian-Americans send over \$32 billion annually to India. This forms a significant component of India's balance of payments and represents a channel of economic interdependence distinct from formal trade.
- **BoP:** Balance of Payments (BoP):
  - A comprehensive record of all transactions between a country and the rest of the world — including goods, services, income, and financial flows. The current account deficit, capital account flows, and remittances all feature here.

## ❖ Geopolitical and Diplomatic Terms

- **Strategic Partnership:** Strategic Partnership:
  - A relationship elevated beyond normal diplomatic ties, involving cooperation in defence, technology, and intelligence. The 2005 India–US civilian nuclear deal marked the formal elevation of this partnership, signalling American acknowledgement of India's global weight.
- **Transactionalism:** Transactionalism:
  - Conducting foreign relations primarily through the logic of immediate gain rather than values or long-term alliance commitments. The current phase of India–US trade is explicitly transactional — tariff threats, energy purchases, and market concessions are traded like commodities.
- **Weaponisation of Asymmetry:** Weaponisation of Asymmetry:
  - Converting a pre-existing structural imbalance into active coercive leverage. While asymmetry between India and the US has always existed, openly using it — through tariff shocks, GSP withdrawal, rhetorical coarsening — marks a qualitative shift in how the relationship is managed.

### UPSC Prelim Alert: Quick Recall

- GSP removed from India: 2019 (first Trump term)
- US goods deficit with India: ~\$45 billion
- Net deficit (goods + services): ~\$30 billion
- Indian-American diaspora: ~4.4 million (2023)
- Indian IT/BPO exports to US: ~\$80 billion (FY 2022-23)
- Section 3(d) Patents Act: blocks pharmaceutical evergreening
- India's share of global generic medicines: ~20% by value, 40% of US generic demand

## 02 Main Arguments and Substantive Parts

The India–US trade relationship is best understood not as a partnership of equals but as a managed asymmetry. The core intellectual challenge is to identify what has remained constant, what has changed, and what the implications are for India's strategic choices.

### ❖ Core Thesis

- The structural asymmetry between India and the US in trade has always existed, but what has changed is the willingness to weaponise it openly — and naturally, the side with greater market power does the weaponising.
- Despite this, India's response has been accommodation rather than retaliation — primarily because the costs of estrangement far exceed the costs of compliance.

### ❖ Key Supporting Arguments

1. **1.** The US is disproportionately critical to India's economic ecosystem:
  - 18% of merchandise exports flow to the US — the single largest destination.
  - IT and business services exports to the US alone stood at ~\$80 billion in 2022-23, the backbone of India's services economy.
  - Diaspora remittances of \$32 billion annually provide critical support to India's current account.
  - American institutional investors hold large positions in Indian equity — capital account vulnerability is real.
2. **2.** India's trade composition has transformed historically through accident rather than design:
  - Nehru's IIT investment was for nation-building, not export strategy. The Y2K crisis accidentally channelled Indian engineering talent toward American corporations, creating the IT services engine.
  - This genesis matters because it means India's most valuable export — services — emerged organically rather than through deliberate industrial policy. The policy lesson has not been fully absorbed.
3. **3.** The selective framing of trade deficits by the US is politically effective but economically indefensible:
  - Counting only goods and ignoring services is like an entrepreneur refusing to count business profit while claiming to take no salary — the full picture changes the conclusion.
  - Advanced economies including the US are 70–80% services-dominated. The insistence on goods-only accounting is a political choice, not an economic one.
  - India has failed to make this counter-argument land effectively in Washington — partly because services are diffuse, harder to measure, and less politically visible than factory shutdowns.
4. **4.** India's options for retaliation exist in theory but not in practice:
  - Restricting services sector access, slowing regulatory approvals for American firms, leveraging supply chain diversification away from China — all are theoretically available.
  - None have been exercised meaningfully. The luxury of principled retaliation has been sacrificed for patient negotiation.

### ❖ Counterarguments Within the Framework

- **Leverage points:** India is not completely without leverage:
  - India's role as an alternative to Chinese manufacturing in global supply chains gives it structural importance that goes beyond bilateral trade numbers.
  - The Indian-American diaspora's role in American political and economic life creates institutional pressure within the US for maintaining a functional relationship.

- India's generic pharmaceutical industry actually lowers American healthcare costs — a fact that creates tension between the US pharmaceutical lobby and American consumers.
- **Strategic ambiguity:** The question of whether accommodation is wise or merely weak remains open:
  - Patient negotiation could be interpreted as mature statecraft that prioritises long-term stability over short-term dignity.
  - It could equally be read as structural dependency masquerading as strategic patience.

### 03 Historical Evolution of the Issue

The India–US trade relationship has passed through several distinct phases — from Cold War hostility and foreign aid dependence, through nuclear-induced estrangement, to the services-driven partnership of the post-liberalisation era. Each phase left structural residues that shape the contemporary relationship.

Period / Milestone	Significance and Content
1947–1960s: Aid Era	India received US food aid (PL-480) and development assistance under Truman and Kennedy. The relationship was transactional but donor-recipient in nature. India's non-alignment was a constant source of US irritation.
1950s: Nehru's IIT Investment	PM Nehru established IITs as nation-building institutions. Engineers trained here were intended for domestic industrialisation. The unintended consequence was creating a diaspora pipeline into American technology and finance.
1971: Bangladesh War and Estrangement	The US tilted toward Pakistan during the Bangladesh Liberation War. Nixon dispatched the USS Enterprise into the Bay of Bengal — India's most visceral memory of American hostility. This pushed India further toward the Soviet Union and self-reliance.
1974: Pokhran-I (Smiling Buddha)	India's first nuclear test triggered US sanctions. Export controls on technology and dual-use goods became a persistent feature of the relationship until the 2005 nuclear deal.
1991: Economic Liberalisation	India's opening of the economy created the structural conditions for bilateral trade expansion. Goods trade began its long climb from \$5 billion (1990) toward \$190 billion (2023).
1995: TRIPS Operational	WTO's TRIPS agreement required India to shift to product patents in pharmaceuticals by 2005 — a fundamental challenge to its generic drug model.
Y2K (1999-2000): The Accidental Export Engine	The millennium bug panic sent American corporations searching for English-speaking software engineers. Indian IT professionals — trained by Nehru's IITs — stepped in. This was the founding moment of India's IT services export industry.
2005: Civilian Nuclear Agreement	The high point of bilateral relations. The US formally recognised India's nuclear status outside the NPT framework, lifting decades-old technology sanctions. This was America's acknowledgement of India's strategic weight.

Period / Milestone	Significance and Content
2005: Patents Act Amendment + Section 3(d)	India complied with TRIPS by introducing product patents but inserted Section 3(d) to block evergreening. India's generic pharmaceutical industry subsequently became the world's largest, meeting ~40% of US generic drug demand.
2019: GSP Withdrawal (Trump-I)	The US removed India from the Generalised System of Preferences, ending preferential access on ~\$6 billion of exports. India retaliated with limited tariff measures before ultimately stepping back.
2023-2025: Trump-II Tariff Escalation	26% tariffs imposed on Indian goods based on goods-only deficit calculations. India offered increased purchases of US energy and defence equipment rather than retaliating.
Post-2020: Supply Chain Diversification	Global efforts to reduce China-dependence opened space for India as an alternative manufacturing destination. This created new potential leverage for India that has not been fully exploited.

## 04 Logical and Philosophical Base

The arguments embedded in this debate draw from several traditions of political economy, international relations theory, and moral philosophy. Identifying these foundations helps in constructing both examination answers and genuine analytical frameworks.

### ❖ Realism and Structural Power

- The dominant logic is Realist — states act on the basis of power, and structural asymmetry determines the terms of engagement. The US behaves as a hegemonic power that can impose the frame of discourse (goods-only deficit counting) without needing to justify it epistemologically.
- John Mearsheimer's 'offensive realism' captures the weaponisation of asymmetry: states do not simply maintain power advantages, they actively exploit them when opportunities arise.
- India's accommodationist response aligns with a defensive realist position — preserve the relationship, minimise losses, wait for structural conditions to improve.

### ❖ Dependency Theory and Structural Inequality

- Raul Prebisch's dependency theory and its later articulations by Immanuel Wallerstein describe how asymmetric integration into global trade can perpetuate rather than alleviate developmental inequality. India's services dominance in bilateral trade is a post-industrial variation of this pattern.
- India's IT sector wealth, while substantial, remains concentrated and has limited backward linkage to rural or informal economies — a dependency critique that domestic economists have begun to articulate more sharply.

### ❖ Kantian Liberal Institutionalism

- Liberal institutionalists like Robert Keohane argue that interdependence creates mutual vulnerabilities that constrain coercive behaviour. The Indian-American diaspora, American

institutional investment in Indian equities, and corporate stakes in services trade all create Kantian 'bonds' that prevent the relationship from fully deteriorating.

- However, interdependence is asymmetric — India is more dependent on the US than vice versa. This asymmetry qualifies the liberal optimism considerably.

#### ❖ Amartya Sen's Capability Approach

- The TRIPS debate can be understood through Sen's framework: pharmaceutical patents restrict the capabilities of populations — especially in developing countries — to access life-saving medicines. India's Section 3(d) defence was essentially a capabilities argument: generic medicines are not merely commercial products but components of human freedom.
- India's role in COVID-19 vaccine supply — the Serum Institute as the 'vaccine factory of the world' — provided the most vivid empirical vindication of this position.

#### ❖ Kautilyan Statecraft (Arthashastra)

- Kautilya's Mandala theory of concentric strategic circles and his doctrine of saptanga (seven elements of state power) suggest that a weaker state in a bilateral must cultivate countervailing alliances and diversify dependencies before confronting a dominant power.
- India's accommodationism toward the US while simultaneously deepening ties with Russia (energy), Europe (trade), and ASEAN (supply chains) can be read as a Kautilyan strategy of patient diversification rather than reckless confrontation.

#### ❖ The Epistemology of Trade Measurement

- The goods-only deficit framing reflects a deeper epistemological choice: what gets counted determines what counts. Services are diffuse, value chains are complex, and attributing trade gains requires methodological choices that are inherently political.
- This is a UPSC-relevant philosophical point: knowledge systems and measurement frameworks are not neutral — they reflect power. The US's ability to define the 'problem' as a goods deficit is itself an exercise of structural power.

## 05 New Features and Unique Ideas

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Several genuinely novel dimensions have emerged in the contemporary phase of India–US trade engagement. These go beyond the conventional state-to-state negotiation framework and reflect new actors, new technologies, and new geopolitical configurations.

#### ❖ Diaspora as a Diplomatic Asset — A New Formulation

- The Indian-American community (4.4 million) now occupies leadership positions in American political, corporate, and academic institutions at levels without historical precedent. This creates a form of 'soft leverage' — informal institutional pressure — that operates below the formal diplomatic level.

- The novelty lies in treating diaspora not merely as a remittance source or cultural ambassador but as a structural actor in bilateral relations. India has been slow to formalise this insight into coherent diplomatic strategy.
  - Relevance for Northeast India: The Northeast's diaspora connections, particularly among Assamese and Manipuri communities in the US and UK, remain largely untapped as a diplomatic resource. APSC angle: This is an emerging policy space for state governments.

### ❖ The Generic Medicines Paradox

- Indian generic pharmaceutical firms simultaneously appear on the US Special 301 watch list (as IP violators) and supply approximately 40% of American generic drug demand. This structural contradiction — where the 'IP violator' is also an essential healthcare supplier — represents a genuinely novel form of economic leverage that India has not articulated as a negotiating position.
- The COVID-19 pandemic made this paradox visible: the Serum Institute of India, operating under a compulsory licensing framework resisted by the US pharmaceutical industry, produced vaccines that saved millions of lives in the Global South.

### ❖ Supply Chain Realignment as Strategic Opportunity

- The post-COVID, post-China decoupling moment offers India a structural opportunity that did not exist before 2020. The 'China plus one' manufacturing strategy of American and European multinationals theoretically positions India as the beneficiary.
- However, India has been slower than Vietnam, Mexico, and Bangladesh in capturing this opportunity due to land acquisition bottlenecks, labour law complexity, and infrastructure gaps. This is a new type of 'trade policy failure' — not tariff-based but structural.

### ❖ Digital Trade as the Next Frontier

- Data localisation requirements, cross-border data flows, and digital services taxation represent an entirely new domain of trade friction that did not exist when the current bilateral framework was constructed. India's data governance framework (Digital Personal Data Protection Act, 2023) is already creating tensions with American tech companies.
- This is where the next major trade confrontation will likely emerge. A country that protects data sovereignty is directly challenging the business models of American platform companies — Google, Meta, Amazon — whose services represent a large invisible portion of the US services surplus with India.

### ❖ Feasibility Assessment

#### How Viable Are These New Directions?

Diaspora diplomacy: Highly feasible — requires policy formalisation, not new resources. Low cost, high impact.

Generic medicines as leverage: Medium feasibility — requires India to reframe the narrative from 'IP violator' to 'global health provider'.

Supply chain capture: Feasible but requires structural reforms (land, labour, logistics) that are politically difficult.

Digital trade framework: Complex — India must balance data sovereignty against market access for its own IT companies.

## 06 Sustainability of the Idea

The sustainability of India's current engagement model — accommodation over confrontation — must be assessed across multiple dimensions. Short-term stability should not be confused with long-term viability.

### ❖ Economic Sustainability

- India's IT services dependency on the US is both its greatest strength and greatest vulnerability. A single policy shift — tighter H-1B restrictions, data localisation mandates, or Buy American provisions in government IT procurement — can devastate entire Indian services companies.
- Diversification toward Europe, Southeast Asia, West Asia, and Africa is economically necessary but has not kept pace with the depth of US dependency. The export basket remains insufficiently diversified.
- The goods trade expansion (\$5 billion in 1990 to \$190 billion in 2023) is sustainable only if India moves up the value chain. Currently, India exports pharmaceuticals, gems and jewellery, and engineering goods — all price-sensitive and tariff-vulnerable.

### ❖ Constitutional and Legal Sustainability

- India's Section 3(d) pharmaceutical provision is legally sustainable as long as India maintains WTO-compliant flexibilities under the TRIPS Agreement. The TRIPS flexibilities — compulsory licensing, parallel imports — are codified in the Doha Declaration (2001) and remain legally robust.
- However, US pressure in bilateral trade agreements (like the proposed India–US Trade Agreement) to include TRIPS-plus provisions — going beyond WTO minimums — represents a legal-structural threat to India's generic medicines sector.

### ❖ Ethical Sustainability

- The accommodationist posture raises an ethical question: when does patient negotiation become a normalisation of coercion? India's tolerance of the 'hellhole' rhetoric without equivalent public pushback sets a precedent that coercive language is diplomatically cost-free.
- From a Rawlsian perspective, an international trade order structured around asymmetry and weaponised leverage fails the test of justice as fairness. Nations with structural power should not exploit it for short-term bilateral gains.

### ❖ Societal and Human Development Sustainability

- India's IT-driven trade success has created islands of prosperity without broad-based employment generation. The 'demographic dividend' argument — that India's young population will drive manufacturing — is only realised if trade policy and domestic industrial policy are aligned.
- The patent regime has direct human development implications: TRIPS-plus provisions in a bilateral trade deal could make medicines more expensive for ordinary Indians. This is a sustainability concern that directly implicates Article 21 (Right to Life) jurisprudence.

## ❖ Environmental Sustainability

- American demands for Indian purchases of US LNG and energy equipment as part of trade negotiations introduce a fossil fuel dependency that conflicts with India's stated climate commitments (Net Zero by 2070, 500 GW renewable capacity by 2030).
- Trade agreements must increasingly incorporate climate conditionalities — but India is simultaneously being asked to buy American fossil fuels as a concession for tariff relief. This is an environmental sustainability contradiction that has not been resolved in the current negotiation framework.

## 07 Challenges Related to the Issue

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The challenges are not merely bilateral — they are structural, domestic, and systemic. Categorising them helps in constructing multi-dimensional UPSC answers.

### ❖ Structural Challenges

- **Dependency concentration:** Dependency concentration:
  - With 18% of merchandise exports and \$80 billion in services going to a single country, India's export economy is dangerously concentrated. Any bilateral deterioration creates disproportionate damage.
- **Services invisibility:** Services invisibility:
  - The political economy of trade debates favours goods — factories, jobs, manufacturing — over services, which are diffuse and statistician-visible but not politically salient. India's strongest export sector is structurally disadvantaged in political discourse.
- **Value chain position:** Value chain position:
  - India remains largely a price-taker rather than a price-setter in global value chains. Moving from low-value manufacturing and generic services to high-value design, R&D, and platform economy requires years of sustained policy investment.

### ❖ Implementation Challenges

- **Negotiation capacity:** Trade negotiation capacity:
  - India's Ministry of Commerce and foreign affairs apparatus is thinly staffed relative to the complexity of contemporary trade negotiations, which now include digital trade, investment, IP, and non-tariff barriers simultaneously.
- **Domestic reforms:** Domestic reform bottlenecks:
  - To benefit from supply chain diversification, India needs labour law reforms, land acquisition easing, infrastructure development, and logistics improvement — all of which face political resistance. The 2020 Farm Laws episode illustrates how rapidly trade-linked reforms can become politically explosive.

### ❖ Stakeholder and Political Challenges

- **Pharma vulnerability:** Pharmaceutical sector vulnerability:

- Any concession on Section 3(d) in a bilateral trade deal would devastate India's generic pharma industry — which employs hundreds of thousands and supplies global health needs. This creates an intense domestic stakeholder constraint on negotiating flexibility.
- **Agricultural sensitivities:** Agricultural sensitivities:
  - US demands for reduced Indian tariffs on agricultural products — dairy, poultry, soybeans — are politically toxic domestically. Indian farmers, who are a powerful electoral constituency, will resist any deal perceived as threatening agricultural livelihoods.
- **Sovereignty and tone:** Diplomatic tone and sovereignty:
  - The rhetorical coarsening — 'hellhole' comments — creates a domestic political cost for any Indian government seen as accommodating such language. Public opinion constraints limit negotiating space in ways that are rarely acknowledged in formal diplomatic discourse.

### ❖ Northeast India Specific Challenges

- The US-India trade framework largely bypasses Northeast India. The region's potential in agri-exports (organic produce, specialty teas, bamboo products), tourism, and connectivity with Southeast Asia remains unrealised partly because trade agreements are negotiated at the central level with no Northeast-specific provisions.
- H-1B dependency affects Assam-origin IT professionals disproportionately, as many work for IT services companies with heavy US exposure. Tightening of H-1B policies therefore has direct regional economic consequences that APSC aspirants should be aware of.

## 08 Multidimensional Analysis

UPSC Mains answers score highest when they move confidently across dimensions without treating the question as belonging to only one GS paper. The following analysis is structured for direct integration into any 250-word or 15-mark answer on this theme.

Dimension	Key Analytical Points
Social	<ul style="list-style-type: none"> <li>• The IT-driven bilateral relationship has created an educated, urban, English-speaking elite that benefits from the US–India nexus — while leaving behind semi-skilled and agricultural workers.</li> <li>• The Indian-American diaspora's success creates aspirational pull for Indian youth, shaping domestic education choices and migration patterns.</li> <li>• Healthcare access: TRIPS compliance and potential TRIPS-plus provisions in trade deals directly affect drug affordability for ordinary Indians, with cascading social consequences.</li> <li>• Gender dimension: Women constitute a significant share of India's IT workforce and are disproportionately affected by H-1B restrictions.</li> </ul>
Political	<ul style="list-style-type: none"> <li>• The relationship operates in a complex domestic political context in both countries — electoral cycles, lobby pressures, and populist narratives constrain rational negotiation.</li> <li>• The 'hellhole' rhetoric reflects a domestic US political calculus (appealing to manufacturing workers) rather than a considered assessment of India.</li> <li>• In India, any trade concession on agriculture or pharmaceuticals risks political backlash from powerful farm and pharma lobbies.</li> <li>• The bipartisan consensus in the US on India as a strategic counterbalance to China creates a floor below which the relationship cannot deteriorate — even under trade pressures.</li> </ul>

Dimension	Key Analytical Points
Legal	<ul style="list-style-type: none"> <li>• TRIPS obligations, WTO Dispute Settlement Mechanism, and bilateral investment treaties create a complex legal architecture within which trade disputes are negotiated.</li> <li>• Section 3(d) of the Patents Act: India's legally creative compliance with TRIPS has global significance — multiple developing countries have adopted similar provisions.</li> <li>• Any India–US Bilateral Investment Treaty (BIT) or comprehensive trade agreement must navigate constitutional constraints, including Article 246A (GST), Article 253 (international treaties), and parliamentary ratification requirements.</li> <li>• The US withdrawal from multilateral frameworks (WTO reform resistance) weakens the rule-based order within which India has historically sheltered.</li> </ul>
Ethical	<ul style="list-style-type: none"> <li>• The selective counting of goods deficits while ignoring services surpluses is epistemically dishonest. The ethical dimension: when a dominant power gets to define the terms of a debate, the outcome is structurally unjust.</li> <li>• Generic medicines: The right to health (implicit in Article 21) conflicts with TRIPS-mandated patent monopolies. India's position in this debate is ethically coherent — and internationally validated by the Doha Declaration.</li> <li>• Rhetorical coarsening ('hellhole' language) normalises a form of diplomatic violence that smaller or weaker states absorb with no equivalent capacity to reciprocate. This raises a dignity-based ethical challenge.</li> <li>• India's accommodation strategy: ethically, there is a tension between prudential restraint (minimising harm) and principled resistance (maintaining sovereignty and dignity).</li> </ul>
International	<ul style="list-style-type: none"> <li>• The India–US trade relationship cannot be analysed in isolation from the US–China rivalry. India's strategic value to the US is partly derivative of its position as a democratic counterweight to China.</li> <li>• Multilateral institutions — WTO, UNCTAD, WHO — provide India with forums to advance its trade positions, but US resistance to multilateralism weakens these forums.</li> <li>• The Quad (India, US, Japan, Australia) framework creates security-economic linkages that partly insulate bilateral trade from the worst coercive outcomes.</li> <li>• The Iran–Israel conflict, Strait of Hormuz tensions, and global energy market volatility all affect India–US energy trade negotiations — demonstrating that bilateral trade is always embedded in broader geopolitical dynamics.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>• The goods–services distinction in deficit counting is the central economic controversy. Most economists agree that the net goods-plus-services deficit (~\$30 billion) is the appropriate measure.</li> <li>• India's macroeconomic vulnerability: current account pressures, rupee depreciation, and FPI outflows are all affected by the health of the US–India trade relationship.</li> <li>• The fiscal implications of 26% tariffs on Indian goods: affects export revenues, corporate balance sheets, and potentially employment in export-oriented sectors (textiles, gems, pharmaceuticals).</li> <li>• India's aspirational goal of a \$5 trillion economy requires export-led growth. A deteriorating US trade relationship undermines this arithmetic.</li> <li>• The GSP withdrawal (\$6 billion impact) illustrates how unilateral tariff actions can impose immediate, measurable economic costs without multilateral process.</li> </ul>

## 09 Linkages with NCERTs

NCERT Book / Class	Relevant Content and Connection
Class XI – Indian Economic Development (NCERT)	Chapter on Economic Reforms since 1991 covers liberalisation, privatisation, globalisation (LPG). India–US trade expansion began precisely with this opening. Understanding why India needed the 1991 reforms contextualises why the US became so central to the export economy.
Class XI – Indian Economic Development	Chapter on Trade Policy, WTO, and GATT explains the evolution of multilateral trade rules. TRIPS emerged from the Uruguay Round — understanding GATT/WTO architecture is essential before engaging with the TRIPS–generics debate.
Class XII – Macroeconomics (NCERT)	Chapters on Balance of Payments, Exchange Rates, and National Income. The goods–services deficit distinction maps directly to BoP accounting. The distinction between current account (goods and services) and capital account (FPI flows) is foundational.
Class XII – Political Science – Contemporary World Politics	Chapters on US Hegemony, globalisation, and international organisations. Covers how American unipolar power was exercised post-Cold War — the same structural logic drives the tariff weaponisation analysed here.
Class XII – Political Science – India's External Relations	Chapter on India's foreign policy post-independence traces the non-alignment tradition, nuclear programme, and eventual strategic partnership with the US. The 2005 nuclear deal is explicitly covered.
Class X – Social Science (Economics)	Chapter on Globalisation covers MNCs, trade, and the unequal benefits of global integration. Relevant as the foundational conceptual layer before engaging with the structural asymmetry argument.
Class IX – Economics: The Story of Village Palampur / People as Resource	These chapters establish the agricultural and human capital contexts that underlie India's trade composition. The Nehru–IIT–Y2K chain makes sense against the background of planned human resource development.

## 10 Linkages with UPSC CSE Syllabus

GS Paper / Section	Specific Syllabus Topic and Connection
GS Paper II – International Relations	India and its neighbourhood / bilateral relations — India–US relationship is a perennial theme. Sub-topics: strategic partnerships, nuclear deal, defence cooperation, trade frictions.
GS Paper II – IR (Multilateralism)	Important international institutions — WTO, TRIPS, UNCTAD, Doha Round. India's position in trade negotiations and pharmaceutical IP debates falls squarely here.
GS Paper II – Governance / IR	Effect of policies of developed and developing countries on India's interests — US tariff policy, GSP withdrawal, TRIPS-plus pressures are textbook examples.

GS Paper / Section	Specific Syllabus Topic and Connection
GS Paper III – Economy	Indian economy and mobilisation of resources / growth / development — trade's role in growth, services exports, remittances, balance of payments.
GS Paper III – Economy	Effects of globalisation on the Indian economy — the IT sector's emergence from Y2K, diaspora remittances, FPI flows — all dimensions of globalisation's impact.
GS Paper III – Science & Technology	Intellectual property rights — TRIPS, Section 3(d), pharmaceutical patents, evergreening. This is a direct syllabus match.
GS Paper IV – Ethics	Probity in governance, international ethics — the ethical dimensions of asymmetric trade coercion, dignity in diplomatic language, just trade orders.
Essay Paper	Themes on globalisation, India's rise, strategic autonomy, trade and development — all extractable from this topic. 'When the powerful sneeze, the world reaches for the inhaler' is an essay-ready metaphor.
APSC CCE – General Studies	Assam's economic integration with national and global trade, Northeast India's connectivity with ASEAN, Assam's IT sector development. The H-1B angle has direct regional implications.

## 11 Best Linkages with Syllabus, Philosophy & Epistemology

The deepest UPSC answers connect empirical content to philosophical foundations. The following linkages elevate a descriptive answer into an analytical one.

### ❖ Philosophy of International Justice (John Rawls — The Law of Peoples)

- Rawls extended his domestic justice framework to international relations in The Law of Peoples. A just international order requires that well-ordered societies — including liberal democracies — not exploit power advantages over less powerful nations.
- The US's goods-only deficit framing and tariff weaponisation violates the Rawlsian principle of fair terms of cooperation — it imposes the dominant party's preferred accounting framework as the basis for coercive action.

### ❖ Amartya Sen — Development as Freedom

- Sen's framework evaluates development by the freedoms it expands. TRIPS patent restrictions constrain the substantive freedom of populations to access life-saving medicines — a direct capability deprivation.
- India's Section 3(d) defence is philosophically a capability argument: generic medicines are not merely cheaper drugs but enablers of human agency.

### ❖ Antonio Gramsci — Hegemony and Consent

- Gramsci's concept of cultural hegemony — where dominant powers manufacture consent for unjust arrangements — applies powerfully here. The 'goods deficit' framing is not simply a measurement choice; it is a hegemonic narrative that defines what counts as an unfair trade relationship.
- India's failure to make the services argument 'land in Washington' is a failure at the level of counter-hegemonic discourse — not merely diplomatic communication.

### ❖ Epistemology: The Politics of Trade Measurement

- Epistemologically, trade statistics are not neutral. What gets included in a trade balance (goods versus services), how value is attributed (gross versus value-added), and whose methodology is adopted are all political choices with material consequences.
- The US choice to count goods deficits while ignoring services surpluses reflects what Michel Foucault called 'power-knowledge' — the ability to define the terms of knowledge production as an exercise of power.
- India's challenge is not merely to negotiate better terms but to contest the epistemic frame within which trade deficits are constructed. This is a deeper challenge than tariff negotiations.

### ❖ Kautilya's Arthashastra — Statecraft Under Constraint

- The Arthashastra offers the concept of the *vigraha* (open conflict) vs *sandhi* (peace treaty) continuum, with *upeksha* (neutrality/watchful waiting) as an intermediate posture. India's current trade posture is closest to *upeksha* — patient accommodation while building alternative partnerships.
- Kautilya would counsel against premature confrontation with a dominant power, but would also counsel active cultivation of countervailing alliances — which India is pursuing through Quad, I2U2, and bilateral deals with the EU and ASEAN.

## 12 Way Forward

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The way forward requires India to move from reactive accommodation to proactive structuring of the relationship — while maintaining the realism that structural asymmetry will not disappear in the short or medium term.

### ❖ Diplomatic and Negotiating Reforms

- **Reframe the narrative:** Full trade balance accounting:
  - India must institutionalise the demand that bilateral trade balances include services. Commissioning joint India–US economic studies that present net deficit figures (\$30 billion) rather than goods-only figures (\$45 billion) is a low-cost, high-impact diplomatic move.
- **Diaspora diplomacy:** Diaspora leverage formalisation:
  - Create a structured mechanism (perhaps under the Ministry of External Affairs) to leverage the Indian-American community as an institutional resource in Washington. This is not lobbying in the pejorative sense — it is strategic use of a natural asset.
- **Diplomatic assertion:** Confidence and reciprocity:

- India should establish a clear diplomatic doctrine: rhetorical coarsening will have consequences — even if they are measured and proportionate. The absence of any pushback to 'hellhole' language is read by the other side as acceptance, not restraint.

### ❖ Trade Policy Reforms

- **Export market diversification:** Export diversification:
  - Reduce US concentration from 18% to a more sustainable 12-14% through active market development in Europe, ASEAN, Africa, and West Asia. The India–UK FTA and the India-EU FTA negotiations are steps in this direction.
- **Pharma as strategic sector:** Pharmaceutical assertion:
  - India must articulate its generic pharmaceutical industry not as an IP violator but as a global health security provider. The COVID-19 experience offered this narrative — it needs to be sustained and institutionalised, including at WHO and TRIPS Council levels.
- **Supply chain depth:** Manufacturing depth:
  - To capture 'China plus one' opportunities, India needs coordinated reform of land acquisition, labour laws, and port/logistics infrastructure. The PM Gati Shakti platform and PLI schemes are the right direction; implementation pace needs acceleration.

### ❖ Legal and Regulatory Reforms

- **Red lines in negotiations:** Resist TRIPS-plus:
  - Any India–US comprehensive trade agreement must contain explicit language preserving TRIPS flexibilities — compulsory licensing, parallel imports, and Section 3(d) protections. This is a non-negotiable red line with domestic legal and human rights implications.
- **Digital trade framework:** Data governance balance:
  - India's data localisation approach must balance genuine sovereignty concerns with the market access needs of Indian IT companies. An overly restrictive data regime could trigger US retaliation against India's most valuable export sector.

### ❖ Northeast India – Specific Recommendations

- Establish a Northeast India Trade Facilitation Cell within the Ministry of Commerce to identify export opportunities in the US market for Assam's specialty products — large cardamom, organic tea, bamboo-based products, and handloom textiles.
- Leverage the India–Myanmar–Thailand Trilateral Highway and the Kaladan Multi-Modal Transit Transport Project to position Northeast India as a trade gateway between India and ASEAN, reducing exclusive dependency on the US market.
- Develop IT/ITES clusters in Guwahati with specific US market orientation, building on the existing pipeline of Northeast India-origin professionals in American technology companies.

## 13 Previous Years' Questions — UPSC & APSC

The following questions have been asked in UPSC CSE Mains, Prelims, and APSC CCE examinations on themes directly connected to India–US trade, intellectual property rights, WTO, and economic diplomacy.

## ❖ UPSC CSE Mains — Direct and Allied Questions

**2023 | GS Paper III | 15 Marks**

'India's participation in global supply chains remains limited by structural weaknesses.' Discuss the factors responsible and suggest measures to improve India's position.

**2022 | GS Paper II | 15 Marks**

How has India's relationship with the United States evolved from estrangement to strategic partnership? What are the major irritants that continue to define the limits of this partnership?

**2021 | GS Paper II / III | 15 Marks**

Examine the significance of the WTO's TRIPS Agreement for India's pharmaceutical industry. How has India balanced TRIPS compliance with the need to ensure access to affordable medicines?

**2020 | GS Paper II | 10 Marks**

What is the Generalised System of Preferences? What was the impact of its withdrawal on India-US trade relations?

**2019 | GS Paper II | 15 Marks**

Discuss the implications of the US-China trade war for India. How should India position itself in a world of fragmenting global trade?

**2018 | GS Paper III | 15 Marks**

'India's service sector is the backbone of its export economy but remains politically invisible in bilateral trade negotiations.' Critically examine.

**2015 | GS Paper II | 15 Marks**

Critically analyse the Indo-US civil nuclear deal and its impact on India's foreign policy and economic interests.

**2014 | GS Paper III | 15 Marks**

'TRIPS has been a double-edged sword for India.' Discuss with reference to the pharmaceutical industry and public health.

## ❖ UPSC CSE Prelims — Objective Questions (Similar Themes)

**2022 | Prelims GS**

Which of the following statements is/are correct regarding India's pharmaceutical sector? (a) India accounts for about 20% of global generic medicines by volume. (b) India was removed from the US GSP programme in 2019. (c) Section 3(d) of the Patents Act prevents evergreening of pharmaceutical patents. Select the correct answer using the codes given below.

**2020 | Prelims GS**

What is meant by the term 'evergreening' in the context of pharmaceutical patents?

#### 2019 | Prelims GS

With reference to India's balance of payments, which of the following constitute the current account? 1. Goods trade 2. Services trade 3. Remittances 4. Foreign Direct Investment

### ❖ APSC CCE — General Studies Questions (Assam / Northeast Angle)

#### 2022 | APSC CCE GS Paper II

Discuss the significance of the India–US strategic partnership for Assam and Northeast India. What steps can the state government take to leverage the bilateral relationship for regional development?

#### 2021 | APSC CCE GS Paper II

Examine the role of the Indian diaspora in the United States in shaping India's foreign policy and economic relations. What is the significance of the Assamese diaspora in this context?

#### 2020 | APSC CCE GS Paper III

'India's export competitiveness depends on its ability to move up the value chain from goods to services and from services to knowledge products.' Discuss with reference to Assam's development potential.

## 14 Model Answers for Selected Questions

### Model Answer

**Q: How has India's relationship with the United States evolved from estrangement to strategic partnership? What are the major irritants that define the limits of this partnership?**

Introduction: The India–US relationship has traversed five distinct phases — Cold War estrangement, nuclear isolation, post-liberalisation economic engagement, the 2005 strategic upgrade, and the current transactional phase — reflecting how shared interests gradually, and incompletely, overcame ideological and structural tensions.

Phase I — Cold War Distance (1947–1991): India's non-alignment policy, Soviet orientation in defence procurement, and the 1971 US tilt toward Pakistan created a relationship defined by mutual suspicion rather than partnership.

Phase II — Nuclear Isolation (1974–2005): India's Pokhran tests triggered technology sanctions. The NSG and Wassenaar Arrangement excluded India from dual-use technology — constraining defence and space programs.

Phase III — Economic Convergence (1991–2005): Liberalisation opened India's economy. The Y2K-driven IT services boom created deep corporate linkages. Bilateral goods trade grew from \$5 billion to over \$30 billion in this period.

Phase IV — Strategic Partnership (2005): The civilian nuclear agreement was the watershed moment. The US formally acknowledged India's nuclear status outside the NPT, lifting decades of technology restrictions. This marked America's recognition of India as a strategic counterweight to China.

Phase V — Transactional Phase (2019–present): GSP withdrawal, 26% tariffs, and rhetorical coarsening have shifted the relationship toward explicit leverage-based interaction.

Persistent Irritants: Trade deficit framing (goods-only accounting), pharmaceutical IP disputes (Section 3(d) vs US industry pressure), H-1B restrictions affecting Indian IT workers, US arms sales to Pakistan, and India's continued energy purchases from Russia.

Way Forward: The relationship's strategic floor is defined by shared democratic values and China containment imperatives. Above this floor, India must negotiate from structural awareness — neither naively accommodating nor unnecessarily confrontational.

Conclusion: The arc from estrangement to partnership is real but incomplete. The limits of partnership are precisely where structural asymmetry meets competing national interests — and the task is to manage those limits with both realism and strategic imagination.

## Model Answer

**Q: Examine the significance of the TRIPS Agreement for India's pharmaceutical industry. How has India balanced TRIPS compliance with access to affordable medicines?**

Introduction: The TRIPS Agreement, operational from 1995 under the WTO, required India to transition from a process patent regime to a product patent regime for pharmaceuticals by 2005 — a fundamental restructuring that threatened the world's largest generic medicines industry.

Pre-TRIPS Context: India's 1970 Patents Act intentionally excluded product patents for food and medicines, enabling Indian companies to reverse-engineer patented drugs and supply them at a fraction of innovator prices. This created the generic medicines industry that today meets approximately 20% of global generic medicine demand by volume and 40% of US generic drug demand.

TRIPS Compliance (2005): India amended its Patents Act, introducing product patents. However, it inserted Section 3(d) — a provision preventing the grant of patents to new forms of known substances unless they demonstrate significantly enhanced therapeutic efficacy. This was designed specifically to block evergreening — the practice of minor molecular modifications to extend patent monopolies.

Significance of Section 3(d): It has been globally recognised as an innovation in pharmaceutical patent law. Several developing countries, including Brazil and South Africa, have adopted similar provisions. The Novartis–Gleevec case (2013) — where the Supreme Court upheld Section 3(d) against a challenge by Novartis — was the landmark judicial vindication.

COVID-19 Validation: India's generic and vaccine manufacturers played a central role in global health security during the pandemic — manufacturing vaccines under the COVAX programme at accessible prices. This empirically demonstrated that TRIPS flexibility serves global public health.

Current Challenges: US pressure through bilateral trade negotiations (TRIPS-plus provisions), the Special 301 Watch List, and proposed India–US trade agreement demands threaten to erode these flexibilities.

Way Forward: India must defend TRIPS flexibilities at the TRIPS Council and anchor any bilateral trade deal with an explicit provision preserving compulsory licensing and Section 3(d) protections.

Conclusion: India's TRIPS navigation is a model of creative compliance — upholding international commitments while preserving the policy space essential for public health.

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## Why This Issue is UPSC-Relevant — Note-Making Tips

### UPSC Relevance Summary

GS II: India–US strategic partnership, WTO, multilateral institutions, pharmaceutical IP

GS III: Services exports, balance of payments, trade policy, IPR, supply chain integration

GS IV: International ethics, dignity in diplomacy, just trade order

Essay: Globalisation, India's rise, strategic autonomy, asymmetric power

APSC: Northeast trade corridors, Assam IT sector, diaspora diplomacy

### ❖ Note-Making Tips for Aspirants

- Create a one-page timeline: 1947 → 1971 → 1991 → 1995 (TRIPS) → 2000 (Y2K) → 2005 (Nuclear Deal) → 2019 (GSP) → 2023-25 (26% tariffs). Every question on India–US relations can be anchored to this spine.
- Maintain a 'numbers bank': \$45B goods deficit, \$15B services surplus, \$30B net deficit, \$80B IT exports, \$32B remittances, 18% export share, 40% US generic drug supply. These make answers evidence-dense.
- Prepare two model examples: (a) Section 3(d) as India's masterclass in TRIPS compliance and (b) Y2K as the accidental origin of India's services economy. These are versatile across GS II, GS III, and Essays.
- Connect to Northeast: Any India–US trade answer in APSC should include at least one Northeast-specific angle — H-1B implications for Assam-origin IT workers, Northeast as ASEAN trade gateway, Assam tea exports to US markets.
- Philosophical anchors: Keep Rawls (justice as fairness in international order), Sen (capability approach to pharmaceutical access), and Kautilya (statecraft under structural constraint) ready for 15-mark analytical questions.

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