



Impact of US Policy Shifts on India

For Prelims: [Paris Agreement](#), [World Health Organization](#), [Global minimum tax](#), [H-1B visa](#), [Greenhouse gases](#), [Fossil fuels](#), [Global South](#), [Organization for Economic Cooperation and Development](#), [Tax havens](#), [Quad alliance](#), [BRICS](#)

For Mains: US Policy Changes and Implications for India, Birthright Citizenship, Global Climate Action Post-US Withdrawal, Taxation and Global Economy

[Source: TH](#)

Why in News?

US President Donald Trump has signed multiple executive orders, including **ending birthright citizenship**, withdrawing from the [Paris Agreement](#), exiting the [World Health Organization \(WHO\)](#), and rejecting the [global corporate minimum tax \(GCMT\) deal](#).

- These decisions carry significant implications on India, climate policy, and the lives of Indian professionals in the US.

What is the Impact of Revocation of Birthright Citizenship?

- **Birthright Citizenship in US:** In the US, there are two types of birthright citizenship: **ancestry-based** and **birthplace-based (*jus soli*) (right of the soil)**, which grants citizenship to individuals born on US soil, **regardless of parental nationality**.
- **Executive Order:** The order asserts that children born to **noncitizen parents are not subject to US jurisdiction** and therefore **do not qualify for automatic citizenship**.
 - One of the main objectives of the executive order is to reduce **"birth tourism,"** where **women travel to the US to give birth for automatic citizenship** for their children.
 - This policy will particularly impact families from **countries like India and Mexico**, where birth tourism has been prevalent.
- **Impact:**
 - **Impact on H-1B Visa Holders:** Indian [H-1B visa holders](#) and [Green Card applicants](#) may see their **US born children lose automatic citizenship**, creating uncertainty for families.
 - Families with mixed citizenship statuses could **face separation** or be forced to reconsider their futures in the US.
 - This policy shift could discourage **long-term migration** and **family planning among skilled workers**.
 - Indian nationals may increasingly opt for migration to countries like **Canada, the UK, Australia, and New Zealand**, which have more favorable immigration policies.
 - **Rise in Deportations:** Approximately **7.25 lakh** undocumented Indians in the US face increased risk of [deportation](#).

- **Legal Challenges:** Revocation of birthright citizenship contradicts the **14th Amendment to the US Constitution**, guaranteeing citizenship to all born on American soil. **Court challenges are likely.**
- **Economic Impact on the US:** Skilled migrants contribute significantly to innovation, healthcare, and **Information Technology (IT)** sectors.
 - Such policies **may create talent shortages in the US** and disrupt businesses dependent on Indian professionals.

What are the Implications of US Withdrawal From the Paris Agreement?

- **Paris Agreement:** Adopted in 2015 by 196 nations (including India) at **United Nations Climate Change Conference (COP21)** in Paris, is a legally binding global accord under the **United Nations Framework Convention on Climate Change (UNFCCC)**.
 - It aims to **limit global warming to 1.5°C** above **pre-industrial levels**, with a fallback target of staying below **3.6°F (2°C)**.
 - Encourage nations to **set increasingly ambitious emission reduction targets.**
 - It requires developed nations, including the US, to commit to **funding climate adaptation and mitigation efforts** in developing countries.
- **Reasons For US Withdrawal:** Trump stated that the **Paris accord** does not reflect US values and redirects taxpayer dollars to countries that "**do not require or merit**" **financial assistance.**
- **Implications:** The US, as the **second-largest emitter of greenhouse gases**, holds a key role in global efforts to reduce emissions.
 - Its withdrawal from the Paris Agreement impacts **international climate finance, cutting funds for mitigation and adaptation efforts** in developing nations, including India.
 - The scaling back of **private climate finance**, heavily influenced by the US, could restrict resources for **renewable energy and green projects.**
 - Additionally, US focus on **fossil fuels** and rollback of energy regulations may lead to **4 billion tonnes of additional emissions over four years**, worsening global climate challenges.

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CLIMATE FINANCE

Climate finance refers to local, national or transnational financing—drawn from public/ private/alternative sources of financing—to support mitigation and adaptation actions against climate change.

PRINCIPLES OF CLIMATE FINANCE

- ↳ Polluter Pays
- ↳ Common but Differentiated Responsibility and Respective Capability (CBDR-RC)

Multilateral Climate Funds Coordinated by UNFCCC

- ↳ **Global Environment Facility (GEF):** Operating entity of financial mechanism (1994)
- ↳ **Kyoto Protocol (2001):**
 - ↳ **Adaptation Fund (AF):** Gives developing countries full ownership of adaptation projects
 - ↳ **Clean Development Mechanism (CDM):** To carry out emission-reduction projects in developing nations
- ↳ **Green Climate Fund (GCF):** estd. - 2010 (COP 16)
 - ↳ Funds under it - **Least Developed Countries Fund (LDCF)** and **Special Climate Change Fund (SCCF)**
- ↳ **Long-Term Climate Finance:**
 - ↳ **Cancun Agreements (2010):** Mobilize and provide scaled-up funds in short and long term
 - ↳ **Paris Agreement (2015):** Developed nations agreed to establish new collective goal of at least \$100 billion/year by 2025
- ↳ **Loss and Damage Fund (2023) (COP27 & COP28):** Financial assistance to nations most vulnerable and impacted by effects of climate change

Climate Investment Funds (CIFs) under World Bank

- ↳ Clean Technology Fund
- ↳ Strategic Climate Fund

INDIA'S INITIATIVES REGARDING CLIMATE FINANCE

Fund	Objective
■ National Adaptation Fund for Climate Change (NAFCC) (2015)	■ For vulnerable Indian states
■ National Clean Energy Fund (2010-11)	■ Advancing clean energy (started with initial carbon tax on industrial coal use)
■ National Adaptation Fund (2014)	■ Bridging gap between required and available funds
■ Intended Nationally Determined Contributions (INDCs) (2015)	■ Nationally binding targets adopted under UNFCCC
■ Climate Change Finance Unit (2011)	■ Leads on global climate finance issues

Challenges to Climate Finance

- ↳ Gap between national needs and climate finance under NDCs
- ↳ Least Developed Countries receive much less approved funding in per-capita terms from the multilateral climate funds
- ↳ Slow rate of approvals
- ↳ Failure in securing viability-gap funding



What is the Impact of the US Withdrawal From the WHO?

- **Reasons For US Withdrawal:** Trump cited the WHO's mishandling of **Covid-19 pandemic**, failure to implement urgent reforms, and susceptibility to political influence, especially from **China**, as reasons for the US withdrawal.
 - Expressed concern over the **US's disproportionate financial contributions compared to China**, despite China's larger population.
 - The **US contributed about 20% of the WHO's total funding**, both in assessed and voluntary contributions.
- **Impact:**
 - **Impact on the WHO: US** withdrawal creates a **funding vacuum** that could **disrupt global health programs**, including **polio eradication** and **pandemic preparedness**.
 - The executive order mandated the recall of all US personnel and contractors, resulting in a **loss of expertise in key areas like vaccine research, disease control, and health policy**, weakening WHO's advisory role globally.
 - **Domestic Implications for the US:** Withdrawing from the WHO could limit **Americans'**

access to global health intelligence and diminish the US's influence on international health policies.

- **Impact on India:** The US exit from the WHO could **slow down India's health programs**, including efforts on diseases like [Human Immunodeficiency Virus \(HIV\)](#) and [tuberculosis](#).
 - With WHO's loss of funding and expertise, **India and other Global South** countries are expected to play a larger role in global health, with **India emerging as a leader in advocating for greater collaboration among developing nations**.

What is the Impact of the US Rejection of the Global Corporate Minimum Tax Deal?

- **GCMT Deal:** The deal, negotiated under the framework of the [Organization for Economic Cooperation and Development \(OECD\)](#), established a **global minimum tax (GMT) rate** under the [GloBE Model Rules](#) for multinational companies.
 - It ensures they pay a **minimum tax in each jurisdiction**, reducing profit shifting and **ending the "race to the bottom"** in corporate tax rates, aimed at preventing countries from **slashing tax rates to attract business**, which often results in minimal tax revenues.
 - The deal, with its two-pillar solution, aims to **curb tax avoidance, tax havens and stabilize global tax competition**.
 - **Pillar 1:** This component focuses on **reallocating the profits of large multinational corporations to the jurisdictions** where they generate revenue.
 - **Pillar 2:** It establishes a **15% GMT rate** aimed at ensuring that companies pay a **fair share of taxes, no matter where they operate**.
- **Reasons for US Rejection:** President Trump argued that the GMT rate of 15% **infringed on US sovereignty and competitiveness**, claiming it would harm American businesses with **higher taxes than the US system**.
 - Under the 2017 Tax Cuts and Jobs Act, the US had a **10% global minimum tax**.
- **Impact:**
 - **Impact on Global Consensus:** The US withdrawal from the agreement could set back international efforts to reach a consensus on global tax rules.
 - **Impact on India:** Experts suggest that **India's tax policies and collection practices** will not be significantly impacted by the **US's exit from the global tax deal**.
 - India has adopted a **"wait and watch" approach**, refraining from introducing significant domestic legislation related to the **GloBE rules**.
 - As a result, the country's **tax landscape remains unaffected for the time being**.

How Can India Navigate the Evolving US Policies?

- **Advocacy and Diplomacy:** India should actively use **diplomatic channels to safeguard** the rights of its **immigrant community**, ensuring that Indians families are protected under evolving US policies.
 - Strengthening bilateral ties with the US can help **advocate for policies that are more inclusive and supportive of Indian immigrants**, ensuring a fairer and more welcoming environment.
 - Strengthening the [Quad alliance](#) with the US, Japan, and Australia can **counterbalance China's influence while enhancing regional stability**.
- **Accelerating Climate Action:** India should accelerate its renewable energy targets under the [National Solar Mission](#) and [National Wind-Solar Hybrid Policy, 2018](#) to demonstrate climate leadership.
 - Collaborating with the [European Union](#), Japan, and other Paris Agreement signatories can help secure alternative funding for green projects to drive renewable energy growth.
- **Enhanced Role in Global Health:** India can leverage its **pharmaceutical and healthcare expertise**, as demonstrated during the [Covid-19 vaccine diplomacy](#), to fill gaps created by reduced US participation in the WHO.

- By pushing for more **Indian professionals to fill key roles at the WHO**, India can enhance its **leadership in global health governance** and strengthen its position in **shaping international health policies**.
- **Navigating Multilateral Platforms:** Partnering with countries affected by US policy shifts, such as the **EU and BRICS members**, can build coalitions for collective action.

Read more: [India-US Relations](#)

Drishti Mains Question:

US policy shifts have significant implications for global governance and India's interests." Critically examine the impact and suggest how India can strategically respond.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Mains

Q. 'What introduces friction into the ties between India and the United States is that Washington is still unable to find for India a position in its global strategy, which would satisfy India's National self-esteem and ambitions'. Explain with suitable examples. **(2019)**

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