



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