



BAJIRAO IAS ACADEMY

THE HINDU ANALYSIS

2ND AUGUST 2025

**TRUMP's 25% TARIFFS ON
INDIA**





India's Digital Sovereignty

What has been missed is India's digital sovereignty

The India-United Kingdom Free Trade Agreement (FTA), called the Comprehensive Economic and Trade Agreement (CETA), has been lauded by the Union Commerce and Industry Minister, Piyush Goyal, as the 'gold standard' for all India's trade deals. Mr. Goyal has asserted that no compromise was made in any sensitive sector. Evidently, the Minister seemed to be counting only agriculture and labour-intensive manufacturing as sensitive sectors – which they are. But remarkably, despite the wide coverage the FTA has received, the impact on India's other, highly sensitive digital sector, which permeates every sphere of national activity and holds the key to our future, has gone without official comment or media scrutiny.

We argue that the compromises made in the digital sector through the India-U.K. FTA have profound consequences for India's digital sovereignty – a term frequently invoked in high-level political discourse. India has completely flipped on several core positions that it has long maintained at global forums, including at the World Trade Organization (WTO).

Source code disclosure

The most surprising giveaway is on India's sovereign right to seek ex ante access to the source code for foreign digital goods or services, even for those deemed sensitive. This is very different from getting source code ex post for a specific investigation or remedy, which is allowed under the agreement. Regulators in different sectors often have strict disclosure rules, such as for food and medicine ingredients. Software now permeates nearly every product, including telecom, Artificial Intelligence (AI) and health applications, whereby it may be crucial for the regulators to be able to 'look under the hood' of software, for safety, security and general compliance requirements, and to enable urgent, real-time upgrades.

Giving up this right is a 180-degree turn from India's steadfast stand at the WTO and other forums. Even the United States, which first included source code related prohibitions in its FTAs and at the WTO, withdrew this formulation last year, recognising its domestic regulatory, law enforcement and security imperatives. In the U.S. driven Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP),

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The compromises that India made in the digital sector through the India-U.K. Free Trade Agreement will have profound consequences for India's digital sovereignty

the 'source code disclosure' provision applied only to mass-market software such as Microsoft's operating systems – meaning not to niche and custom-made software. It specifically excluded software for critical infrastructure. In the U.K. FTA text, the prohibition applies to all software. Businesses are always free to enter, or avoid, transactions requiring disclosure of source code. What is sacrificed here are India's regulatory rights in this regard, for all times to come, in a sector that has just begun to take shape.

Surrendering a critical national resource

Granting equal and non-discriminatory access for U.K. parties to 'Open Government Data' – a term from the pre-digital era which then meant government transparency, and access to its statistics – constitutes another major giveaway. This is because data is not what it used to be. Today, it has acquired an entirely new avatar, being the digital era's most valuable resource. AI, where heated competition for global mastery is raging, is but patterns derived from data, which is why data is deemed to be priceless.

This concession is very significant, even though this provision is yet at a 'best endeavour' level, and non-binding. It is incomprehensible why India (where the intention to be an AI superpower is a staple of top-level political rhetoric), has conceded that national data held by the government is not a sovereign resource but an international free for all. Facilitating foreign access to such data poses risks of eroding India's competitive advantage in using India's own data to create Indian AI products, and also serious security risks as national data can be weaponised.

The most contested issues in digital trade are the 'free flow of data' and 'data localisation'. While India seems to have largely stood its ground on these issues, its commitment to "enter into consultations to extend appropriate equivalent disciplines" to the U.K. if India agrees to any concessions with another country, denotes a dangerous regress, and visible vulnerability, with regard to India's long-held positions on these key issues.

This matter links to the one above on India's data being an important national economic resource as well as the need to safeguard it from a security point of view. Again, last year, owing to similar considerations, the U.S., the original proponent of 'free flow of data' and 'prohibition

on data localisation', withdrew from these stances at the WTO.

It is difficult to understand how Indian negotiators could be so naïve or negligent in agreeing to the above concessions. Digital trade concessions are not like those on commodities, where tariffs can be applied one day and removed on another.

Digital trade texts are essentially about rule making for a new global digital order. We either fully opt into western, Big Tech-oriented, digital architectures, or we maintain sufficient autonomy and sovereignty. This is because once the digital rules and systems are set, they are almost impossible to roll back. India's digital concessions are thus buttressing a set of rules for a global digital ecosystem from which India cannot extricate itself later. And India is doing all this in a reactive mode without a clear road map of its own.

It seems that the U.K. was able to extract all the above concessions, the absolute opposite to what India has stood for till now, because, unlike manufacturing and agriculture, there is no specific political 'constituency' for digital sovereignty. But it is perhaps an even more important issue in the mid to long term. We may be seeing a repeat of how India lost out on early industrialisation and had to suffer grievous colonial exploitation, causing a loss of wealth and independence. In making these digital concessions, we may be giving up our digital future, independence and prosperity.

India must act quickly

India needs to develop and negotiate towards a global digital architecture that protects and furthers its digital sovereignty. As a late starter in 'digital industrialisation', it should create the space required for India to become a digital superpower and not a digital colony.

For this, India needs to urgently formulate a full-fledged digital sovereignty and 'digital industrialisation' policy which should then inform and guide its trade negotiations. Our negotiators must be accompanied by digital sovereignty experts with access to the top political leadership, which has the core responsibility for safeguarding India's long-term digital interests. These interests are often not so visible, and, therefore, tend to get by-passed and not fought for.

CONTEXT

- ❑ The UK-India Free Trade Agreement (FTA), dubbed the Comprehensive Economic and Trade Agreement (CETA), is being hailed by the government as a landmark digital trade agreement and economic partnership.
- ❑ However, experts argue that the deal compromises **India's digital sovereignty**.
- ❑ Key concessions on source code access and open government data raise long-term strategic and regulatory concerns, largely ignored in official discourse.
- ❑ The trade negotiations have sparked debates on the balance between **market access benefits and digital autonomy**.

- ❑ The UK-India FTA primarily considers **agriculture and manufacturing** as sensitive sectors, **excluding the digital sector**, which increasingly underpins all domains of national security and economy. This oversight extends to crucial areas like financial services and legal services.
- ❑ Despite rapid **digitalisation**, India didn't treat its **digital economy** as sensitive, leaving it vulnerable to **external influence** through trade deals and potentially impacting its trade surplus.
- ❑ There was **minimal public or media attention** on the digital provisions of the agreement, reflecting a **lack of awareness** of their implications, including aspects of electronic contracts and authentication.
- ❑ The digital sector lacks a strong political constituency, unlike agriculture or labour, causing **undue policy negligence** in vital digital concerns, including cross-border data flows.
- ❑ Ignoring the **digital domain's sensitivity** now may lead to **long-term dependency**, much like India's past experience with colonial economic structures, potentially affecting job creation and export competitiveness.

SOURCE CODE DISCLOSURE RETREAT

- ❑ Disclosure is vital for **safety, compliance, and upgrades** in sectors like **telecom, AI, and health**, especially in real-time. This also affects government procurement processes.
- ❑ Even the **U.S. has rolled back** similar restrictions, recognising the **security risks** and **regulatory needs** tied to source code access, particularly in post-Brexit trade deals.
- ❑ The UK deal **applies to all software**, unlike **CPTPP**, which excluded **critical infrastructure and custom-made software**. This broad approach could affect various sectors, including those using facial recognition tools.
- ❑ These digital rules are not like **commodity tariffs**; once agreed, they **shape the global digital order** and are hard to undo, potentially impacting future trade negotiations.

GRANTING OPEN ACCESS TO DATA

- ❑ Once a tool for **transparency**, **open government data** now includes **valuable datasets** used in **AI development and analytics**, raising questions about data exclusivity clauses.
- ❑ Allowing **equal, non-discriminatory access** to this data gives **UK firms potential leverage** in building **AI on Indian data**, potentially affecting India's generic pharmaceutical industry.
- ❑ Unfettered access increases **vulnerability to cyber-attacks** and **data weaponisation**, compromising national security and potentially impacting UPI transactions.
- ❑ India risks losing its **competitive advantage** in developing **AI and digital solutions** tailored to local needs, potentially affecting professional consulting services.
- ❑ The clause is **non-binding**, yet it sets a **dangerous precedent** in treating **data as a shared global resource**, not a national one, which could impact revenue sharing arrangements.

NEED FOR DIGITAL POLICY FRAMEWORK

- ❑ India must immediately draft a **Digital Sovereignty Policy**, guiding all **future digital trade** and technology-related decisions, including aspects of reciprocal tariffs.
- ❑ Negotiation teams must include **tech and cybersecurity experts** who understand **software, data governance, and infrastructure stakes**, crucial for effective trade negotiations.
- ❑ Top-level political leaders must be engaged to **protect strategic digital interests**, not just **short-term trade goals**, considering the broader implications of economic partnerships.
- ❑ Policies on **AI, data protection, cyber law, and digital industry** must converge into a **single framework** that addresses cross-border data flows.
- ❑ India must position itself as a **norm-maker** in global digital governance, not a **passive rule-taker**, especially in post-Brexit trade deals.

Health of India's Economy

Health of India's economy

Trump says India's economy, the fastest growing in the world, is 'dead'. Here's how India stacks up against other countries on growth. But the data also show significant concerns for India on a range of indicators



UDIT MISRA

ON JULY 30, United States President Donald Trump announced 25% tariffs on India, as well as an unspecified "penalty" for buying military equipment and energy from Russia. A day later, Trump posted on social media that he did not care if India and Russia "take their dead economies down together".

Asked about Trump's description of India as a "dead" economy, Leader of Opposition in Lok Sabha Rahul Gandhi said: "Yes, he (Trump) is right... Everybody knows this except the Prime Minister and the Finance Minister. I am glad President Trump has stated a fact... The whole world knows that India is a dead economy and that the BJP has killed it..."

Union Minister of Commerce & Industry Piyush Goyal pushed back, saying that India had rapidly transformed from being one of the "fragile five" to the fastest growing major economy in the world in just over a decade.

"We have risen from the 11th largest economy to one of the top five... It is also widely expected that we will become the third largest economy in a few years. Today, international institutions and economists see India as the bright spot in the global economy. India is contributing to almost 16% of the global growth," Goyal said in a statement to Parliament.

"In the last decade, the government has taken transformative measures to promote India as the manufacturing hub of the world... India's young, skilled and talented workforce is driving innovation and competitiveness of Indian industry. Our exports have steadily increased during the last 11 years," he said.

Economic growth

So, is India's economy "dead"? While Trump, who seems annoyed with India's hard bargaining in the talks for a trade deal, need not be taken literally, it stands to reason that one absolutely necessary attribute of a dead economy must be an absence of

WORLD ECONOMIES: WHAT THE NUMBERS SHOW

	GDP current prices*		GDP in 2025 relative to GDP in 1995		GDP in 1995 as %age of US GDP in 1995		GDP in 2025 as %age of US GDP in 2025	
	1995	2025						
Argentina	288	684	2.4		3.8%		2.2%	
China	738	19,232	26.1		9.7%		63%	
Germany	2,595	4,745	1.8		34%		15.6%	
India	360	4,187	11.6		4.7%		13.7%	
Japan	5,546	4,186	0.8		72.6%		13.7%	
Pakistan	99	373	3.8		1.3%		1.2%	
Russian Federation	336	2,076	6.2		4.4%		6.8%	
UK	1,345	3,839	2.9		17.6%		12.6%	
US	7,640	30,507	4		100%		100%	

Pakistan data available up to 2024. Source: IMF, The Indian Express Research *Billions of US dollars



I don't care what India does with Russia. They can take their dead economies down together, for all I care. We have done very little business with India, their Tariffs are too high, among the highest in the world.

DONALD TRUMP

Join FREE Whatsapp Channel <https://whatsapp.com/channel/0029Vam2VRb6RGOKH6o8d0f> the United Kingdom have grown by less than 3 times, and Germany has failed to even double its economy.

The table alongside contains data for gross domestic product (GDP) from the International Monetary Fund (IMF) for a selection of countries over the past 30 years from 1995.

They have been selected in the context of Trump's comments, and the recent trade pacts signed between his administration and countries such as Pakistan, the UK, and the EU (of which Germany is the biggest economy). Japan has been included because it is one of the world's biggest economies.

The data throw up a picture that is obviously contrary to Trump's contention that India, or even Russia, are "dead" economies. Column 3 shows the number of times the GDP of each country has grown over the past 30 years. The top three countries are China, India, and Russia in that order.

While the US has now become four times its 1995 size, its closest trade partners like

Concerns for India

Do the above numbers mean India's economy has no problems? While India is by no means a "dead" economy — far from it — it does have several ailments.

While India's overall GDP has grown, its growth rate has lost a step since 2011-12, and failed to replicate the spurt of fast growth — averaging 8%-9% — that was witnessed before the Global Financial Crisis of 2008-09. Since 2014, India's growth rate has hovered around 6%.

India also has not achieved the pace of growth that China did during its own journey. In 2014, India's GDP was \$2.1 trillion; 11 years later, at the end of the ongoing financial year, it is projected to reach \$4.1 trillion, according to the IMF. By comparison, China's GDP raced from \$1.9 trillion to \$4.6 trillion in just four years, from 2004 to 2008.

In terms of trade — which is the context of Trump's comments — India's share is just 18% of total global exports of goods, and just 4.5% of total global exports of services.

One sign of weakness in the economy is the fact that there are many sectors that India wants to protect when it comes to international trade. India's farm economy is plagued with distress, with the bulk of the farmers living at subsistence levels.

The reason why the bulk of India's population is still engaged in the rural and farm sectors is the failure to boost manufacturing. Official data show that since 2019-20, manufacturing has registered a slower growth rate (CAGR of 4.04%) than even agriculture and allied activities (4.72%).

Further, despite overall GDP growth, the quality of growth and its distribution is acutely skewed, leading to widening inequalities and persistently high poverty. Twenty-four per cent of the population is below the World Bank poverty line for India. In 2011-12, when India was a poorer country and its poverty line was the same as the abject poverty line, 27% of India qualified as poor.

Data on inequality also show an alarming rise. And on human development metrics such as health and education, the situation is concerning.

A stark skills mismatch means that unemployment in India rises to very high levels with rising educational attainment. And female participation in the economy is among the lowest in the world — even when it is rising, the quality of work is of the poorest quality with low and stagnant wages.

CONTEXT

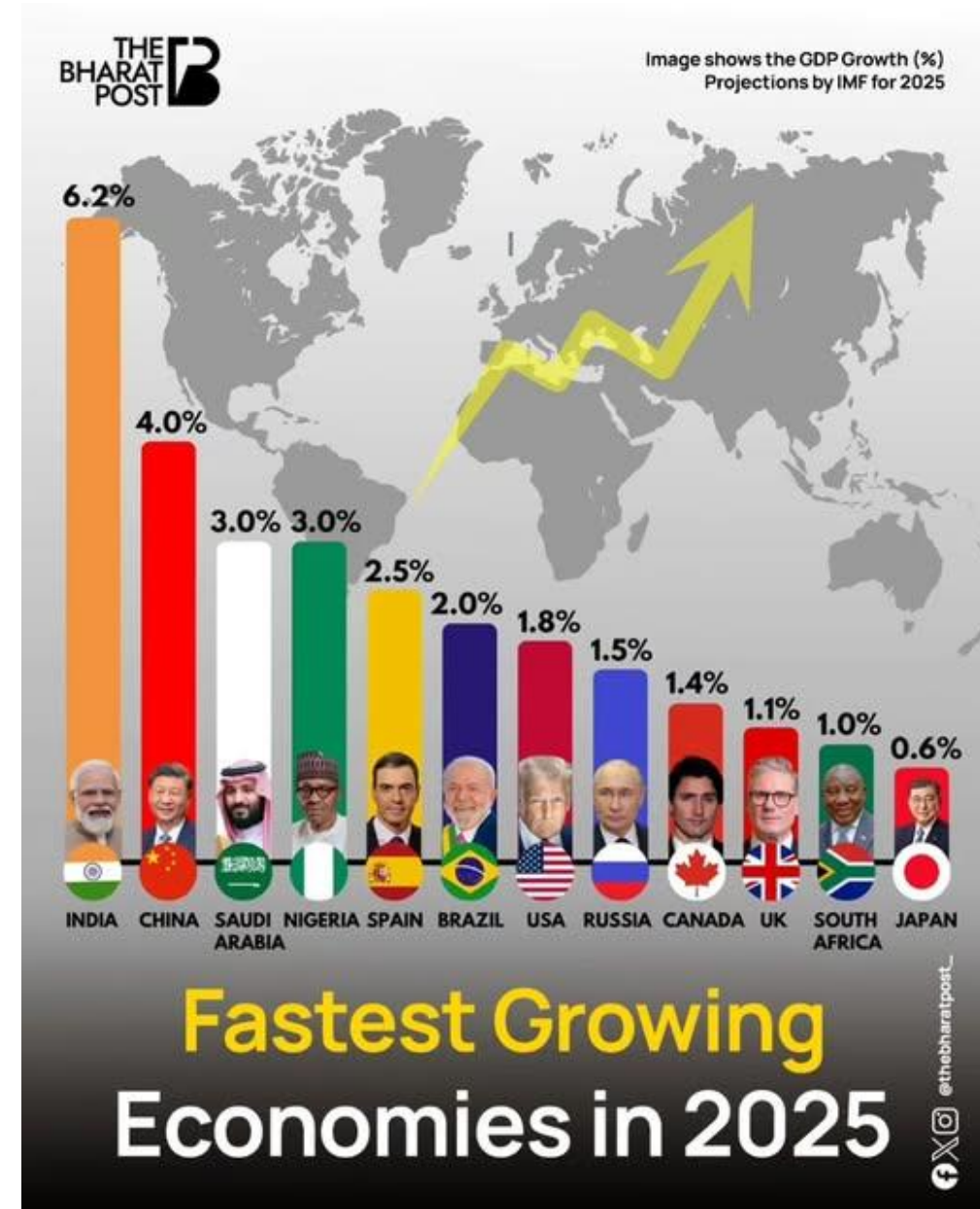
- ❑ U.S. President Donald Trump's remarks calling India a **"dead economy"** and announcing a 25% tariff, along with penalties for India's military and energy purchases from Russia, have ignited a political exchange in India.
- ❑ Opposition leaders agreed with Trump's criticism, blaming the government for "killing" India's economy.
- ❑ On the other hand, the govt defended India's economic performance, highlighting its rise from the "fragile five" to one of the world's top five economies.

Data Contradicts Trump's Dead Economy Remark on India

- ❑ Contrary to U.S. President Donald Trump's claim of India being a “dead economy,” data from the International Monetary Fund (IMF) over the past 30 years presents a starkly different picture.
- ❑ From 1995 to 2025, India's GDP has grown nearly 12 times, ranking it among the fastest-growing major economies, second only to China.
- ❑ In comparison, the U.S. economy has grown fourfold, while key allies like the United Kingdom and Germany have expanded by less than three times and less than two times, respectively.
- ❑ Notably, Japan's GDP in 2025 is lower than its 1995 level, reflecting economic stagnation.
- ❑ The data underscores that India and even Russia, despite facing challenges, have exhibited robust economic growth, debunking the narrative of them being “dead” economies.

India Among Few Economies Growing Faster Than the U.S.

- ❑ When comparing economic growth relative to the U.S., only three countries—China, India, and Russia—have expanded their share of the global economy over the past 30 years.
- ❑ India, which was less than 5% the size of the U.S. economy in 1995, has grown to nearly 14% by 2025.
- ❑ In contrast, America's traditional allies and trade partners, including the United Kingdom, Germany, and Japan, have all seen their economies shrink in size relative to the U.S.
- ❑ This highlights India's impressive economic ascent, defying claims of being a “dead” economy.



India's Economic Growth Masks Deep-Rooted Structural Challenges

- ❑ While India is far from being a “dead” economy, its robust GDP growth conceals several persistent structural issues.
- ❑ Since 2011-12, India's growth rate has slowed, failing to replicate the 8-9% surge seen before the 2008 global financial crisis, with recent years hovering around 6%.
- ❑ Unlike China's rapid expansion, India's GDP has grown at a much slower pace.
- ❑ In global trade, India holds a modest 1.8% share in goods exports and 4.5% in services.
- ❑ The economy remains protectionist in sectors like agriculture, which is plagued by distress and subsistence-level farming due to the failure of manufacturing to absorb surplus rural labour.
- ❑ Manufacturing growth has lagged behind agriculture since 2019-20. Additionally, economic growth has been highly unequal, with 24% of the population still below the poverty line and alarming rises in income inequality.
- ❑ Human development indicators, particularly in health, education, and employment quality, remain poor. High-skilled unemployment and low female workforce participation further highlight deep-rooted socio-economic challenges that need urgent attention.

SC on Himachal Environmental Disaster

‘Entire Himachal may vanish’: SC sounds environment alarm

ANANTHAKRISHNAN G
NEW DELHI, AUGUST 1

“THE DAY is not far when the entire state of Himachal Pradesh may vanish,” said the Supreme Court Friday as it sounded the alarm on the deteriorating environmental situation in the state that has frequently borne the brunt of natural disasters.

Flagging a range of issues in the ecologically sensitive region, a bench of Justices J B Pardiwala and R Mahadevan directed the registration of a case in the public interest and sought the Himachal Pradesh government’s response within four weeks.

The bench was hearing a hotel group’s challenge to a Himachal Pradesh High Court order that restricted constructions in an area declared as a green zone by the state’s Town and Country Planning Department in June.

Refusing to interfere with the High Court’s decision, the top court said it “would like to say something in the larger interest of the state of Himachal Pradesh and its inhabitants”.

“...We are afraid to say that it is too late in the day for the state to issue such notifications and try to save the situation. The situation in the state of Himachal Pradesh has gone from bad to worse. The severe ecological im-
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A landslide blocks a road at Samletu in Himachal Pradesh’s Bilaspur district on Friday. PTI

Join FREE Telegram Channel <https://t.me/+jUYKq0AFHBAwMGQ1> balance and other environmental conditions have led to serious natural calamities over a period of years. This year also hundreds of people perished in the floods and landslides & thousands of properties got destroyed,” it said.

According to the State Emergency Operation Centre, Himachal Pradesh has suffered losses to the tune of ₹1,539 crore since the onset of monsoon on June 20. So far, 94 people have died and 36 are missing in rain-related incidents while 1,352 houses have been fully or partially damaged.

The court went on to list a number of serious concerns in the Himalayan state — the “visible” and “alarming” impact of climate change; deforestation; hydropower projects reportedly

causing water shortages and landslides; unchecked tourism affecting the ecological balance and straining resources; and relentless construction of four-lane roads, tunnels and multi-storey buildings to cater to the increasing footfall.

Communities living near hydro-electric projects frequently report water scarcity, landslides, and even structural cracks in their homes, the bench said, adding: “Apparently, the minimum outflow of water, as is contractually mandated, is not being adhered to by the project proponents, resulting in the vanishing of aquatic life. In fact, the mighty trans Himalayan river Sutlej stands reduced to a rivulet.”

“During peak seasons, the influx of tourists results in traffic

congestion, waste generation, noise pollution, overuse of water resources, and encroachment into ecologically sensitive areas. Hill towns often struggle with waste disposal and water shortages during tourist seasons. Every step of the waste management process presents difficulties for the state,” it said.

“The danger to the state’s natural richness is growing as a result of human greed and apathy,” it said, calling for immediate, sustainable planning and conservation measures.

The bench said all Himalayan states need to collate resources and expertise to ensure their development plans are cognisant of environmental challenges.

“All that we want to convey today is that it is high time that the state pays attention to what we have observed and starts taking necessary action at the earliest in the right direction. The Union of India also owes an obligation to see that the ecological imbalance in the state does not get further disturbed and natural calamities do not occur.” “We want to impress upon the State Government and Union of India respectively that earning revenue is not everything. If things proceed the way they are as on date, then the day is not far when the entire state of HP may vanish in thin air from the map of the country,” it said.

Context

- ❑ The Supreme Court has taken suo motu cognisance of the escalating environmental crisis in Himachal Pradesh, blaming unscientific construction, tourism pressure, and human apathy for landslides, floods, and ecological damage.
- ❑ It warned of severe consequences without urgent sustainable development measures and a new plan to address the Himachal disaster situation.

Court Observations and Immediate Action Taken

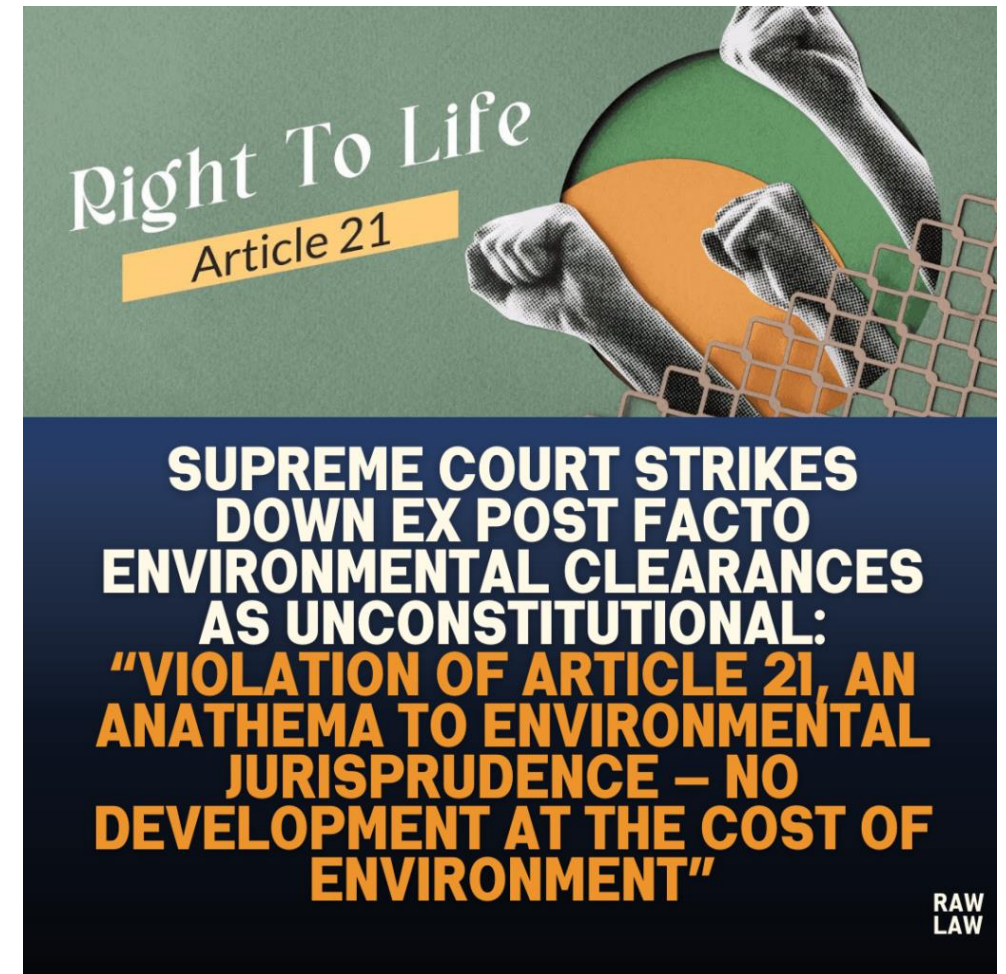
- ❑ The **Supreme Court** dismissed a resort's plea against Himachal's **construction restriction notification** for Tara Mata hill.
- ❑ It warned that Himachal Pradesh may “**vanish into thin air**” if current practices persist.
- ❑ The court blamed “**unscientific construction**” and **greedy tourism promotion** for recent **natural disasters**, emphasizing the need for **disaster risk reduction** strategies.
- ❑ It criticized the use of **explosives and heavy machinery** for road building, which weakens mountain slopes, and suggested exploring **soil bioengineering** techniques.
- ❑ The bench sought an **action plan from the state government** by **August 25**, emphasizing **urgency** in tackling the crisis and implementing a **new plan** for sustainable development.

Environmental Concerns and Ecological Impact

- ❑ Issues flagged include **deforestation**, **receding glaciers**, and **zonal violations** in hotel and resort constructions.
- ❑ **Noise pollution**, **traffic congestion**, and **water overuse** were also highlighted as threats to the **Himalayan ecosystem**.
- ❑ The court stressed the need for **opinions from geologists**, **local communities**, and **environmental experts** to address the **Himachal disaster** situation.
- ❑ Flash floods and landslides have become **frequent**, especially in **Kullu, Mandi, Shimla, and Chamba**.
- ❑ The court reiterated that **revenue generation cannot come at the cost of environmental destruction** and called for improved **solid waste management** and increased **sewage treatment capacity**.
- ❑ Emphasis was placed on exploring **renewable energy sources** to reduce environmental impact and promote sustainable development in the region.

Environmental Jurisprudence by Supreme Court

- ❑ The **Supreme Court** has often invoked **Article 21 (Right to Life)** to uphold **environmental protection**.
- ❑ Through **Public Interest Litigations (PILs)** and **suo motu cognisance**, it addresses issues like **deforestation, pollution, and unsustainable development**.
- ❑ Past cases include **Tehri Dam, Vellore Leather Industry, and Ganga Pollution**, setting legal precedents.
- ❑ Courts balance **development needs** with **ecological sustainability** under the **Precautionary Principle**.
- ❑ The judiciary promotes **Environmental Impact Assessments (EIA)** and adherence to **zoning laws** to safeguard fragile ecosystems and implement effective **disaster risk reduction** measures.





Thank you

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