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EDITORIAL ANALYSIS

# Terms of Trade: Why India Must Lock In Rules, Not Chase a Tariff Deal

BUSINESS STANDARD

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# Terms of Trade: Why India Must Lock In Rules, Not Chase a Tariff Deal

 **Business Standard**

23 June 2026

GS2

GS3

 Source: [ujyari.com](https://ujyari.com) — researched, fact-checked & UPSC-mapped


## INTERVIEW ANGLE

*"When a partner's trade policy is hostage to its own courts and elections, should India still sign a bilateral deal, or wait for legal certainty? Defend your position."*

✓ Every fact web-verified against primary sources (<https://ujyari.com/how-we-verify/>)

## WHY THIS EDITORIAL MATTERS

Business Standard's "Terms of trade" lands at a hinge moment. India and the United States have a framework for a bilateral (<https://ujyari.com/vocab/bilateral/>) trade agreement (BTA), launched in February 2025, but the ground beneath it has shifted. The American tariffs that originally pushed New Delhi to the table, Donald Trump's "reciprocal" tariffs imposed under the International Emergency Economic Powers Act (IEEPA), have been struck down by US courts. The newspaper's argument is sharp: India should not chase a deal whose foundation is legally collapsing. It should instead lock in durable, rules-based terms that survive American domestic flux.

For an aspirant, this is a near-perfect GS2-meets-GS3 case study: how a country negotiates external-sector strategy when a partner's policy is unpredictable, and how rules-based trade architecture protects national interest better than transactional bargaining.

## THE CORE ARGUMENT

*"India should negotiate for terms of trade that outlast a single administration's tariffs, not a deal that is hostage to another country's courts and elections."*

The editorial's logic runs in three steps.

First, the leverage (<https://ujiyari.com/vocab/leverage/>) that framed the talks has evaporated in law. The US Court of International Trade (CIT), then the Court of Appeals for the Federal Circuit, and finally the US Supreme Court on February 20, 2026, held that IEEPA does not authorise the President to impose tariffs. The IEEPA-based reciprocal tariffs terminated on February 24, 2026.

Second, a deal anchored to a struck-down instrument is structurally fragile. If the tariff schedule rests on contested executive power, it can be reversed by a new ruling, a new statute, or a new administration. Exporters cannot invest against a moving target.

Third, the answer is to negotiate from rules, not fear. India should seek World Trade Organization (WTO) consistent, schedule-based commitments with enforceable dispute settlement, the kind of durability it secured in the India-UK Comprehensive Economic and Trade Agreement (CETA).

## HOW TO THINK ABOUT IT

When you read a trade editorial, do not get lost in the tariff numbers. Ask three structural questions.

### 1. What is the source of the partner's bargaining power, and is it stable?

Here, US power came from IEEPA tariffs. Once courts found those unlawful, the power became contingent (<https://ujiyari.com/vocab/contingent/>). A good negotiator distinguishes between durable leverage (statutory tariffs passed by Congress, like Section 232 or 301 measures) and contingent leverage (executive emergency powers now judicially curbed). India should price this difference into every clause.

### 2. Who actually bears the cost of uncertainty?

Indian exporters in pharmaceuticals, textiles, gems and jewellery, and auto components plan capacity years ahead. A deal that might be unwound by litigation gives them no planning horizon. The cost of uncertainty falls on Indian MSMEs and jobs, not on Washington's negotiators.

### 3. What is the WTO-consistent default?

The Most-Favoured-Nation (MFN) principle of the WTO requires that a tariff concession (<https://ujiyari.com/vocab/concession/>) given to one member be extended to all, unless covered by a qualifying free trade agreement under GATT Article XXIV. If India locks in a rules-based FTA, its concessions are legally framed and defensible. If it accepts ad hoc, reciprocal, deal-specific tariffs, it risks both instability and WTO friction.

## THE TRADE-POLICY CONTEXT

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### The IEEPA tariff strikedown, in brief

STAGE	BODY	FINDING
Trade court	US Court of International Trade	IEEPA tariffs exceeded the President's authority; orders vacated
Appeal	Federal Circuit Court of Appeals	Affirmed that IEEPA tariffs are unlawful
Apex ( <a href="https://ujjiyari.com/vocab/apex/">https://ujjiyari.com/vocab/apex/</a> )	US Supreme Court (Feb 20, 2026)	Affirmed lower courts; IEEPA does not authorise tariffs
Effect	Executive action	IEEPA-based tariffs terminated Feb 24, 2026

The lesson is institutional. In the US, tariff power is constitutionally vested in Congress (Article I), delegated to the President only within statutory (<https://ujjiyari.com/vocab/statutory/>) limits. Emergency powers under IEEPA do not stretch to broad tariff-making. This is precisely the kind of separation-of-powers check that makes executive trade leverage unreliable.

### India's stakes in the US market

- The United States is India's single largest export destination.
- India's goods exports to the US were about USD 87 billion in FY 2025-26.
- India ran a goods trade surplus of roughly USD 34 billion with the US in FY26, down from about USD 41 billion the previous year as US imports rose.
- A reported interim framework saw the US reciprocal tariff on India eased from 25 percent toward 18 percent during 2025-26 negotiations.

This surplus is the heart of the friction: Washington frames it as imbalance; New Delhi frames it as competitiveness. The surplus also gives India standing. It is not a supplicant.

## Sectors on the table

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SECTOR	INDIA'S INTEREST	SENSITIVITY
Pharmaceuticals	Offensive: large generics exporter, wants tariff certainty	High export value
Textiles and apparel	Offensive: labour-intensive jobs at stake	Competition from Vietnam, Bangladesh
Agriculture and dairy	Defensive: protect farmers, livelihoods, food security	Politically non-negotiable red line
Auto components	Mixed: export interest plus import competition	Supply-chain linked

The defensive line on agriculture and dairy is critical. India has consistently refused to open these to deep tariff cuts in past FTAs, reflecting the livelihood weight of its farm sector.

### The contrast that makes the case

The strongest argument in the editorial is comparative.

- **India-UK CETA:** signed, ratified through stable process, entering into force on July 15, 2026, delivering duty-free access for the bulk of India's exports to the UK. A treaty text, not an executive whim.
- **India-EU FTA:** concluded in January 2026, with signing and implementation following through formal ratification, again a rules-based, durable instrument.

Both show India can secure deep market access through predictable, treaty-based processes while defending red lines. The US track, by contrast, has been buffeted by tariffs that courts then voided. The contrast is the argument: durability beats drama.

## THE COUNTER-VIEW

A fair answer must engage the other side.

Delay is not costless. The US is India's biggest export market; rivals such as Vietnam or others negotiating with Washington could lock in access first and capture share in textiles or electronics. Exporters facing live tariff threats want relief now, not a seminar on legal certainty. And in a system as litigious as the United States, waiting for "perfect" legal clarity may mean waiting forever, while competitors move.

There is also a strategic dimension. The India-US relationship spans defence, technology, and Indo-Pacific cooperation. A stalled trade track can sour the wider partnership. So the choice is not "deal versus no deal" but "what kind of deal, and how anchored."

## THE WAY FORWARD

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The editorial's prescription, sharpened for an exam answer:

- ① **Negotiate from rules, not fear.** Insist on WTO-consistent, MFN-respecting commitments with schedule-based tariff bindings, so concessions are legally framed and defensible.
- ② **Demand enforceable dispute settlement.** A binding mechanism makes the deal survive a change of administration or court mood.
- ③ **Hold the agricultural and dairy red lines.** Protect farmer livelihoods and food security; these are non-negotiable in line with past FTA practice.
- ④ **Sequence and phase market access.** Use transition periods to protect sensitive sectors while opening competitive ones.
- ⑤ **Decouple non-trade pressure.** Keep energy procurement and security questions out of the core trade text so the agreement stands on commercial logic alone.
- ⑥ **Use CETA as the benchmark.** Treat the durable, treaty-based India-UK CETA as the template for what a stable India-US BTA should look like.

## PYQ LINKAGE

This editorial maps directly onto recurring UPSC themes.

- **GS2 (IR):** "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 aspirations." (UPSC Mains 2019) The trade dimension is a live instance of this friction.
- **GS3 (External Sector):** Questions on India's free trade agreements, the WTO, and the implications of protectionism for the Indian economy recur across Prelims and Mains.
- **Prelims hooks:** IEEPA, WTO Most-Favoured-Nation principle, GATT Article XXIV (FTAs as an MFN exception), India-UK CETA, India-EU FTA, and the institutional fact that US tariff power is vested in Congress.

## FACTS CORNER

- **IEEPA:** International Emergency Economic Powers Act, 1977, a US law for economic measures during national emergencies; US courts held it does not authorise tariffs.
- **US Supreme Court ruling on IEEPA tariffs:** February 20, 2026; affirmed Court of International Trade and Federal Circuit; tariffs terminated February 24, 2026.
- **India-US BTA:** Bilateral Trade Agreement negotiations launched February 13, 2025.

- **India's FY26 goods exports to US:** about USD 87 billion; goods trade surplus about USD 34 billion. Ujyari Current Affairs · [ujyari.com](https://ujyari.com) · Free Daily Current Affairs for UPSC & State PCS
- **India-UK CETA:** signed; enters into force July 15, 2026; duty-free access for the bulk of India's exports.
- **India-EU FTA:** concluded January 27, 2026; signing and implementation to follow.
- **WTO MFN principle:** a concession to one member must extend to all, except under qualifying FTAs (GATT Article XXIV).
- **US Constitution:** tariff and trade power vested in Congress (Article I), delegated to the President only within statutory limits.

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Source: Terms of Trade: Why India Must Lock In Rules, Not Chase a Tariff Deal — [Ujyari.com](https://ujyari.com) | Free UPSC & State PCS Editorial Analysis

**KEY ARGUMENTS AT A GLANCE**

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**India should negotiate the US trade agreement to secure durable, rules-based and predictable terms anchored in WTO principles, rather than chase a quick deal whose foundation, American tariff authority, has already been struck down by US courts and remains politically reversible.**

 **SUPPORTING**

- The US Supreme Court on February 20, 2026 affirmed lower courts and held that the IEEPA does not authorise the President to impose tariffs; the IEEPA-based reciprocal tariffs terminated on February 24, 2026, removing the very leverage that framed the original talks.
- A deal whose tariff schedule depends on contested executive power is inherently unstable; commitments that bind only as long as a particular administration or court ruling holds offer exporters no investment certainty.
- India's contrasting experience with the signed India-UK CETA (in force July 15, 2026) and the concluded India-EU FTA shows the value of treaty texts ratified through stable, rules-based processes over executive fiat.

 **COUNTER**

Delay carries cost too. The US remains India's largest export market, with Indian goods exports of about USD 87 billion in FY26; sectors like pharma, textiles, gems and auto components want tariff relief now, and a rival who signs first could capture market share. Waiting for perfect legal certainty in a litigious system may mean waiting indefinitely.

 **WAY FORWARD**

Negotiate from rules, not fear: insist on WTO-consistent, MFN-anchored commitments, schedule-based tariff bindings with clear dispute settlement, sectoral carve-outs that protect agriculture and dairy, and phased market access. Decouple non-trade pressure (energy, security) from the trade text and keep the India-UK CETA template as the benchmark for durability.


**MAINS ANSWER FRAMEWORK**

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**QUESTION**

*The strikedown of the US reciprocal tariffs by American courts has altered the environment in which India is negotiating a bilateral trade agreement with the United States. In this context, examine why a developing economy should prioritise durable, rules-based and WTO-consistent commitments over a transactional deal tied to another country's domestic legal and political flux. Illustrate with India's recent trade agreements. (250 words)*

**INTRODUCTION**

Trade agreements derive their worth not from the headline they generate but from the predictability they guarantee. The US tariff turmoil of 2025-26 is a live lesson that a deal is only as strong as the legal authority beneath it.

**BODY**

The original India-US talks were framed by Washington's reciprocal tariffs. Yet US courts dismantled that very instrument: the Court of International Trade and the Federal Circuit found IEEPA tariffs unlawful, and the Supreme Court affirmed this on February 20, 2026, with the tariffs terminating on February 24.

Negotiating against leverage that no longer legally exists, and that could swing again with elections or fresh statutory action, exposes India to a deal that may not bind tomorrow. The wiser course is to convert the moment into durable terms: WTO-consistent and MFN-respecting schedules, enforceable dispute settlement, and defensive lines on agriculture and dairy, while protecting offensive interests in pharma, textiles and auto components.

India's FY26 goods surplus of about USD 34 billion with the US gives it standing, not weakness. The signed India-UK CETA and the concluded India-EU FTA prove India can secure deep, rules-based access without ceding on red lines.

**CONCLUSION**

India should bargain for terms of trade that survive courts and elections. A slower deal built on rules will outlast a fast one built on a struck-down tariff.


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