Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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The US is leveraging its economic power at the expense of lower-income countries' development prospects

US President Donald Trump's tariff policies have unleashed global economic turmoil and a wave of protectionist measures.

While many of his frequently changing tariffs may prove short-lived, their use as geopolitical weapons is poised to reshape international trade for years to come.

But the current fixation on Trump's tariffs diverts attention from the larger goal: the United States is leveraging its economic power to push for market liberalization and preferential access for American firms, often at the expense of lower-income countries' development prospects.

Today's US-China standoff is a prime example. America's hostile posture toward China – maintained under both Trump and former President Joe Biden – has never been just about trade.

Rather, it reflects a strategic ambition to preserve US technological dominance by preventing China from catching up in key sectors.

That effort has since become part of a broader campaign to restrict access to advanced technologies across the developing world.

The primary tool for achieving this goal has been the imposition of increasingly restrictive intellectual-property (IP) rules that aim to privatize knowledge through patents, copyrights, and industrial designs.

This helps explain why the trade agreement with Indonesia includes several provisions designed to limit the country's ability to move up the value chain into knowledge-intensive industries.

Tellingly, Indonesia will eliminate 99% of its tariffs on American industrial, food, and agricultural imports, while Indonesian exports to the US will face an average tariff rate of 19%.

The immediate impact will be felt most acutely by Indonesian farmers, who must now compete against subsidized US agricultural products.

Non-tariff barriers

But the longer-term risks lie in the dismantling of non-tariff barriers, which could severely constrain Indonesia's ability to diversify its economy and curtail its access to critical technologies.

According to the joint statement announcing the deal, American firms will receive sweeping privileges.

Indonesia will remove all content requirements for US-made goods and accept American vehicle-safety and emissions standards, which are far more lenient than its own.

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It must also recognize Food and Drug Administration approvals for medical devices and pharmaceuticals, exempt US food and agricultural imports from local licensing regimes, and accept US certifications for meat, dairy, and poultry products.

Indonesia has also agreed to eliminate tariffs on intangible goods and support a global moratorium on digital customs duties – issues that remain highly contested within the World Trade Organization.

Even more troublesome are the IP provisions: the deal compels Indonesia to resolve key disputes over traditional knowledge, genetic resources, and compulsory licenses.

In effect, this will make it easier for US companies to exploit traditional knowledge without consent or compensation and avoid compulsory licensing measures aimed at curbing monopolistic and abusive practices.

India's trade agreement with the UK raises more questions

The US is not alone in pursuing this agenda. While Indonesia's concessions are baffling, India's recent trade agreement with the United Kingdom raises even more questions.

Despite being years in the making, the deal has little commercial significance, as bilateral trade accounts for less than 2.5% of either country's exports. Nevertheless, both governments have hailed the agreement as transformative.

Once again, media coverage of the UK-India deal has focused on tariff reductions: 92% of UK exports to India will receive full or partial tariff relief, while up to 99% of Indian exports to the UK will be tariff-free.

Optimistic forecasts suggest the agreement could double export volumes in certain sectors: textiles, clothing, and jewelry for India; alcoholic beverages and automobiles for the UK.

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But as with the US-Indonesia deal, the most consequential element of this agreement is its IP provisions, which tilt the regulatory balance in favor of Western patent holders.

By prioritizing the interests of Big Pharma over those of Indian citizens and domestic producers, it poses a serious threat to India's pharmaceutical industry and public health.

For example, the deal promotes the use of "voluntary licenses" over compulsory ones, potentially discouraging future price reductions.

Another clause endorses the harmonization of patent standards, opening the door to "evergreening" – the extension of patents through minor tweaks to existing drugs.

Narendra Modi must stop cracking down on domestic dissent

A particularly damaging provision extends the deadline for disclosing how a patented product is being used in India from one year to three.

This change will make it significantly harder – if not impossible – for applicants to prove unmet demand, a necessary step for invoking compulsory licensing protections.

India may have limited its access to green technologies, impeding the transition to a low-carbon economy

It is deeply disturbing that the Indian government has accepted these terms, which jeopardize not only the future of its pharmaceutical industry but also the global supply of affordable drugs.

India may also have limited its access to green technologies, impeding the transition to a low-carbon economy.

India's willingness to make such concessions to a weakened former colonial power – one that is no longer a major trading partner – makes the potential outcome of its trade talks with the European Union and the US all the more alarming.

To ensure India’s economic future, Prime Minister Narendra Modi must stop cracking down on domestic dissent and start defending India’s interests on the global stage.

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