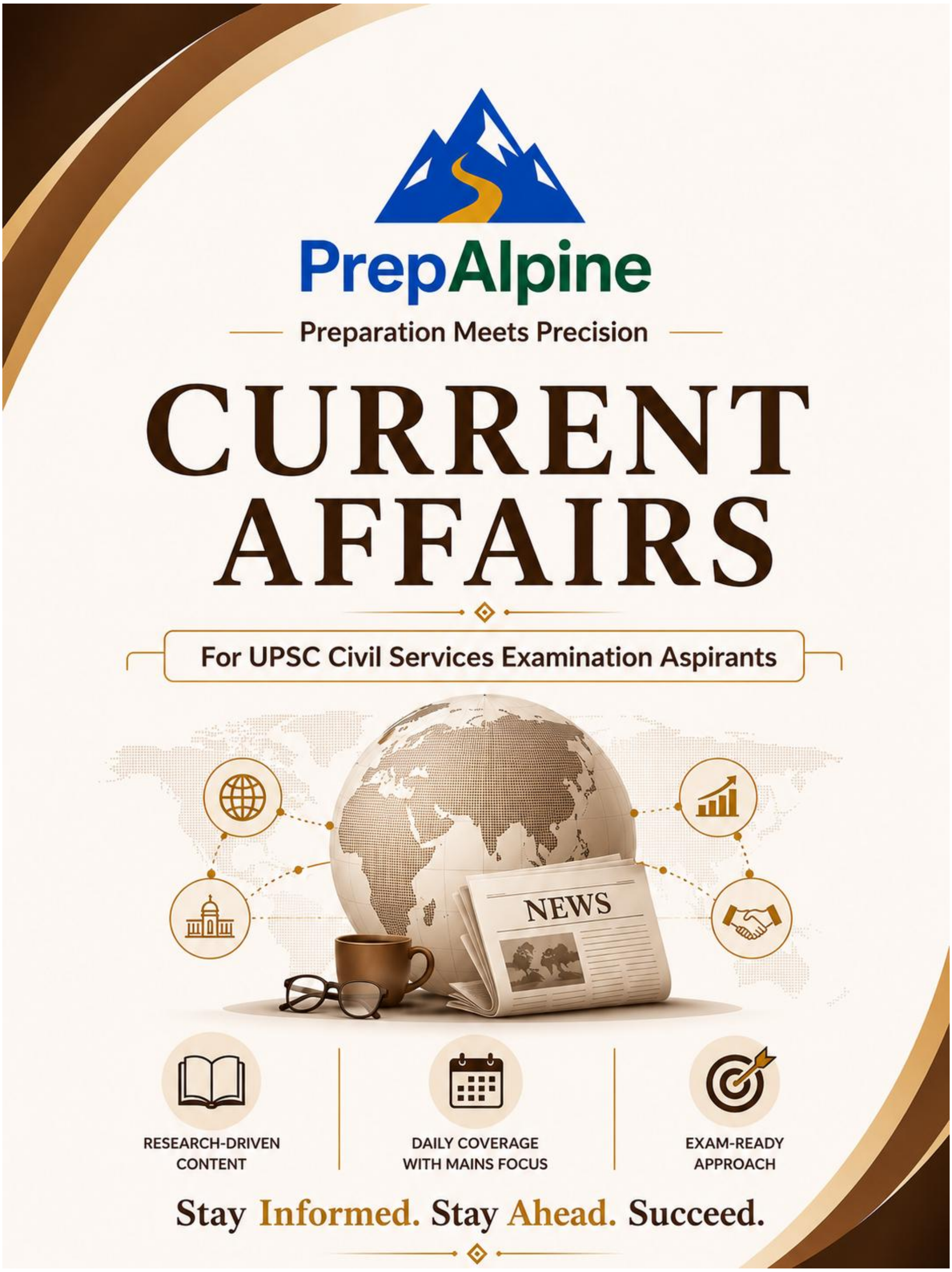
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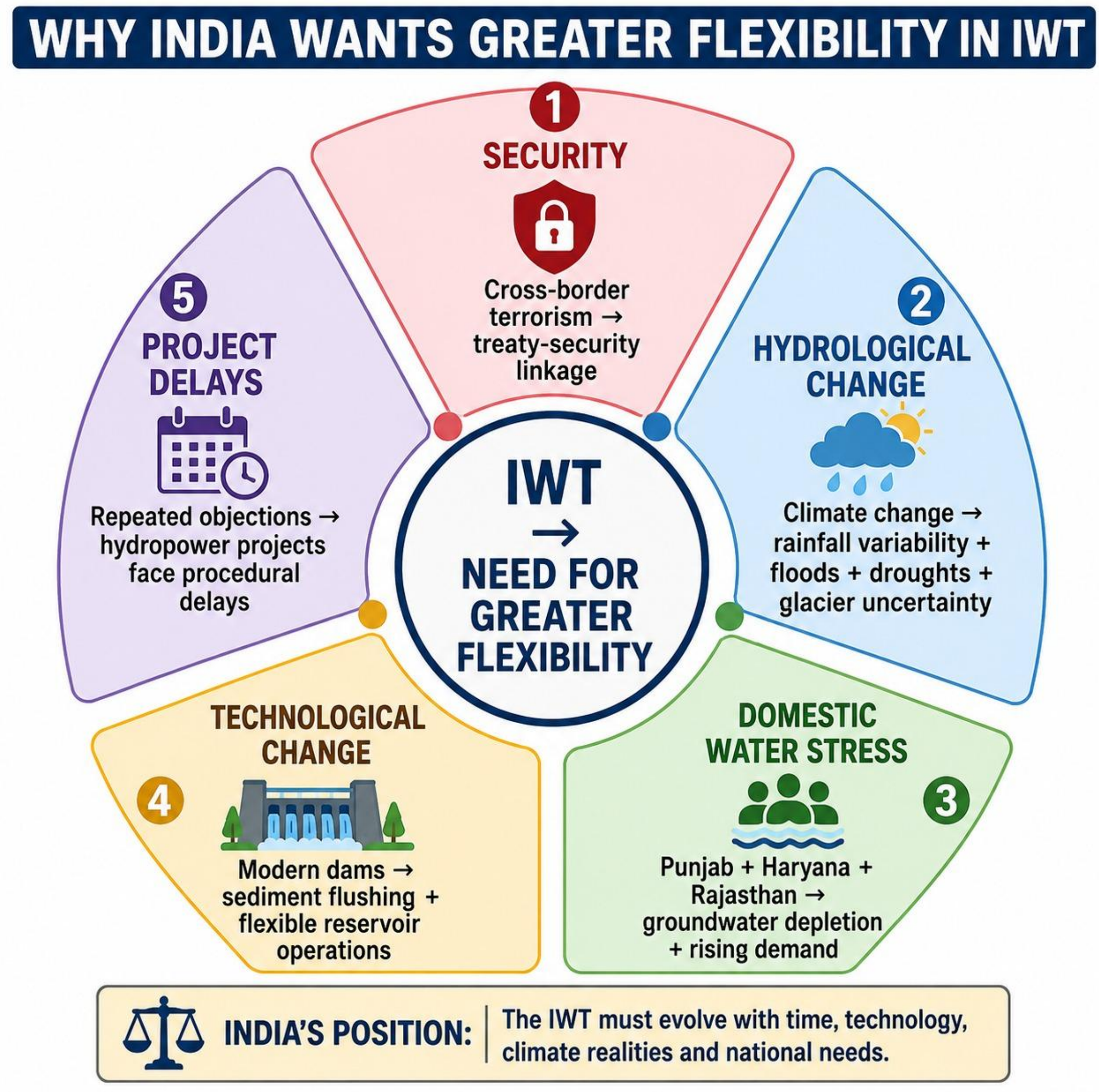
DAILY CURRENT AFFAIRS DATED 27.07.2026

GS Paper II: International Relations

1. Indus Waters Treaty in Abeyance: India's Emerging Water Strategy

a. Introduction

Following the Pahalgam terror attack, India placed the Indus Waters Treaty (IWT), 1960 in abeyance. Pakistan has subsequently accused India of threatening the water security of a lower-riparian state, while India is considering fuller utilisation of its entitlements, accelerated hydropower development and more flexible reservoir operations.



b. Indus Waters Treaty: Basic Framework

Brokered by the World Bank in 1960, the IWT divided usage rights over the six rivers of the Indus system:

India – Eastern Rivers	Pakistan – Western Rivers
Ravi, Beas, Sutlej	Indus, Jhelum, Chenab
Largely unrestricted Indian use	Pakistan receives predominant use, while India retains specified rights including limited irrigation and run-of-river hydropower

The treaty survived wars and prolonged bilateral tensions and was therefore often cited as an example of functional cooperation despite political hostility.

c. Why India seeks greater flexibility

- **Security–treaty linkage:** India argues that treaty cooperation cannot remain completely insulated from persistent cross-border terrorism, reflected in the formulation that "blood and water cannot flow together."
- **Pakistan's repeated objections:** India maintains that Pakistan has routinely challenged Indian hydropower projects on the Western Rivers, turning exceptional dispute-resolution mechanisms into instruments that can delay legitimate Indian projects.
- **Changed hydrological realities:** The treaty reflects the demographic, technological and hydrological conditions of the 1950s. Climate change has since increased rainfall variability, glacier-related uncertainty, floods and drought risks, requiring more adaptive river management.
- **India's domestic water stress:** Indus-basin States such as Punjab, Haryana and Rajasthan face groundwater depletion and rising agricultural, urban and industrial demand.
- **Technological change:** Modern dam management requires techniques such as sediment flushing, low-level outlets and flexible reservoir operations, which were less developed when the treaty was negotiated.

d. What India may do

- **Accelerate hydropower development:** India could expedite projects in the Chenab basin, including Sawalkot (1,856 MW), Pakal Dul (1,000 MW), Ratle (850 MW), Kiru (624 MW) and Kwar (540 MW). This would support clean energy, grid stability and development in Jammu & Kashmir.
- **Utilise Eastern River waters more fully:** Projects such as the Ujh Multipurpose Project can reduce flows from India's allocated Eastern Rivers that currently cross the international boundary without being productively utilised domestically.
- **Modernise reservoir operations:** India could undertake sediment-management and flushing operations necessary for maintaining the efficiency and lifespan of existing projects.

The Salal project illustrates the issue: modifications following Pakistani objections reportedly constrained sediment-management mechanisms, contributing to reservoir siltation.

e. India's strategic case

The IWT cannot remain technologically frozen when climate, energy and water-security conditions have fundamentally changed. As an upper riparian, India also has legitimate developmental requirements and should maximise lawful and sustainable utilisation of its river resources.

Pakistan's water insecurity also cannot be attributed solely to upstream India. Its own policy documents acknowledge challenges such as canal losses, inadequate storage, inefficient irrigation infrastructure and water-intensive cropping patterns. Thus, water scarcity is partly a question of domestic water governance.

But India must manage the lower-riparian dimension carefully.

Water is fundamentally different from conventional instruments of diplomatic pressure because downstream populations depend upon predictable river flows for food, livelihoods and human security.

Aggressive rhetoric can therefore enable Pakistan to portray a bilateral security dispute internationally as one of upper-riparian coercion against a vulnerable lower-riparian state.

Moreover, abrupt river manipulation could impose reputational costs on India, which itself is a lower riparian in important transboundary river systems and has an interest in defending principles of predictability and equitable river governance.

f. Larger Strategic Dilemma

India therefore confronts two competing imperatives:

Maximise legitimate sovereign utilisation
↓
Water + Hydropower + Climate resilience + Development

while preserving responsible riparian behaviour
↓
Predictability + International credibility + Regional stability

The stronger strategy is consequently technical and institutional assertion rather than water weaponisation.

g. Way Forward

- Maximise India's legitimate utilisation through storage, irrigation and hydropower infrastructure.
- Modernise reservoir management using contemporary dam-safety and sediment-management practices.
- Frame India's international position around changed circumstances, climate resilience and developmental requirements, rather than primarily punitive rhetoric.
- Maintain transparent hydrological data and scientifically explain natural or operational variations in downstream flows.
- Strengthen water efficiency and groundwater management within India's own Indus basin.
- Any future framework with Pakistan should incorporate climate variability, modern engineering standards and effective dispute-resolution mechanisms that prevent procedural obstruction.

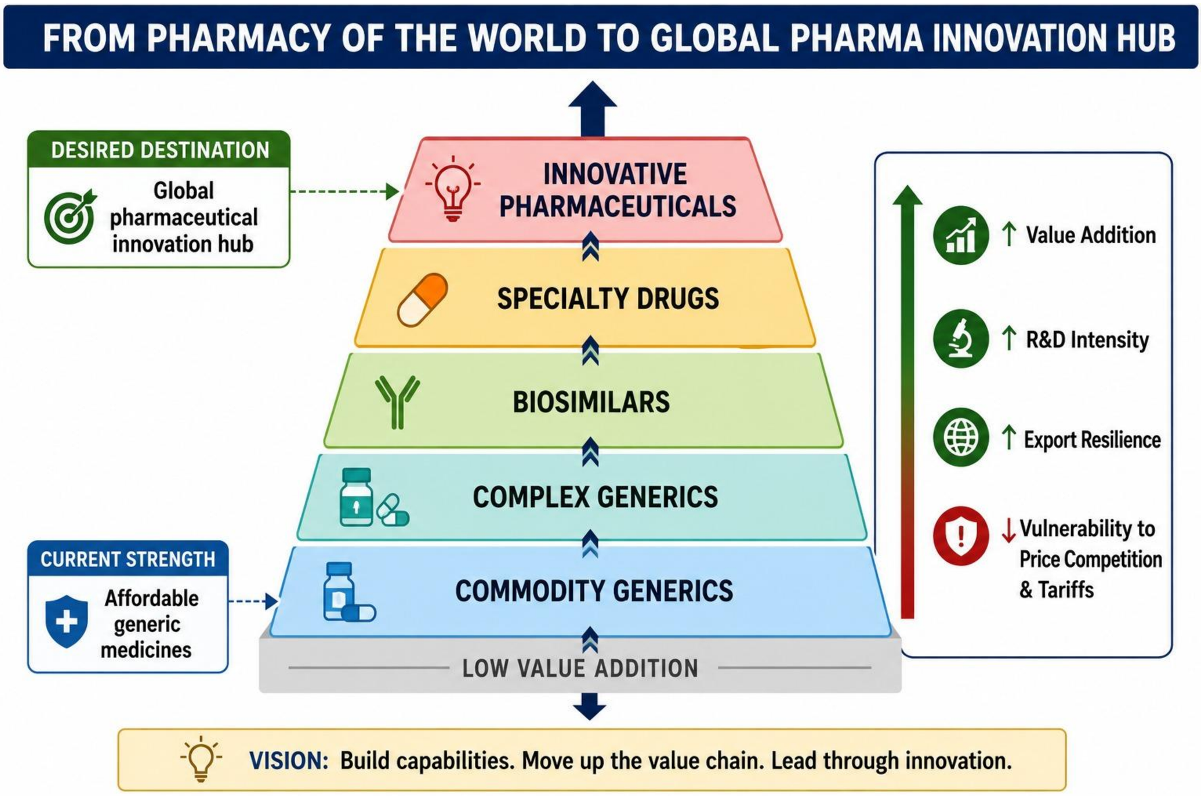
Conclusion

The post-IWT challenge is not simply whether India can exert greater control over Indus waters, but whether it can convert its upper-riparian geography into sustainable strategic capacity without undermining its reputation as a responsible regional power. India's strongest approach lies in maximising legitimate utilisation, modernising infrastructure and practising credible water diplomacy rather than treating water itself as a weapon.

GS Paper III: Economics

2. US Tariff Threat on Generic Drugs – Implications for India's Pharmaceutical Industry

a. Introduction
US President Donald Trump has threatened steep tariffs on imported generic medicines, potentially rising to 100% and later 200%, as part of an effort to "reshore" pharmaceutical manufacturing. This is significant because the US accounts for nearly 40% of India's pharmaceutical exports, around 90% of which are generics.



b. Why is the US market critical for Indian pharma?

India is a major supplier of affordable generic medicines globally, while the US is its most important export destination.

- India exported around $9.7 billion of pharmaceuticals to the US in 2025.
- Generics constitute nearly 90% of Indian pharmaceutical shipments to the US.
- Major Indian companies such as Sun Pharma, Cipla, Dr Reddy's, Lupin, Aurobindo Pharma and Zydus have significant exposure to the American market.

Thus, the tariff threat strikes at one of India's most successful high-value manufacturing export sectors.

c. Why is the US considering tariffs?

The proposed tariffs are part of a broader shift from globalisation towards strategic industrial policy.

The US seeks to:

- reduce dependence on overseas pharmaceutical supply chains;
- strengthen domestic manufacturing of strategically important medicines;
- attract global pharmaceutical investment and employment;
- improve supply-chain resilience following vulnerabilities exposed by the pandemic and geopolitical disruptions.

The underlying strategy is:

Tariff threat → Higher cost of imports → Investment relocation → Domestic US production

d. Implications for Indian pharmaceutical companies

- **Loss of price competitiveness:** High tariffs could erode the cost advantage that enables Indian generics to compete effectively in the US.
- **Pressure on export revenues:** Given the exceptionally high dependence on the American market, any sustained trade barrier could affect profitability and investment within India's pharmaceutical sector.
- **Shift from exports to local production:** Indian companies may increasingly adopt a "produce where you sell" strategy by acquiring or expanding manufacturing facilities within the US.

This shift is already visible. Indian pharmaceutical firms have substantial US manufacturing operations, while outbound Indian investment into the US has increased sharply.

- **Potential investment diversion:** If market access increasingly depends on local production, capital that might otherwise expand manufacturing capacity in India could move overseas, potentially weakening domestic industrial value addition.
- **Supply-chain restructuring:** The trend illustrates how tariffs can alter not merely trade flows but the geography of global production networks.

e. Why the US also faces a dilemma

Very high tariffs on generics could be counterproductive for the US itself.

Generic medicines are central to keeping American healthcare costs affordable. Unlike high-margin patented medicines, generics generally operate on thin profit margins.

Therefore:

High tariffs → Higher import costs → Possible price increases/shortages → Higher healthcare burden

This creates a conflict between the US objectives of industrial self-reliance and affordable healthcare. Consequently, tariff threats may partly function as leverage to induce pharmaceutical companies to invest locally rather than as an instrument intended for permanent application at extremely high rates.

f. Opportunity for Indian Pharma

The changing environment can also push Indian pharmaceutical companies beyond dependence on low-margin commodity generics.

India can move towards:

Generics → Complex generics → Biosimilars → Specialty drugs → Innovative pharmaceuticals

This would improve value addition and reduce vulnerability to price competition and protectionist measures.

g. Way Forward

- Diversify export markets towards Europe, Africa, Latin America and emerging economies to reduce excessive US dependence.
- Move up the pharmaceutical value chain through complex generics, biosimilars, specialty medicines and drug innovation.

- Strengthen domestic R&D, clinical research and pharmaceutical innovation ecosystems.
- Use strategic overseas manufacturing where necessary while retaining high-value production and research capabilities in India.
- Strengthen India-US engagement around the contribution of affordable Indian generics to US healthcare security and affordability.
- Develop resilient domestic supply chains for APIs and key starting materials to reduce external dependencies.

Conclusion

The US tariff threat reflects a larger transformation from efficiency-driven globalisation to resilience-driven industrial policy. For India, the durable response cannot merely be shifting factories to the US; it must involve market diversification, technological upgrading and movement from the "pharmacy of the world" towards becoming a global pharmaceutical innovation hub.

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While every effort has been made to balance depth with brevity, please keep the following in mind:

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This compilation is curated primarily from the UPSC Mains perspective — with emphasis on conceptual clarity, analytical depth, and interlinkages across GS papers.

However, the PrepAlpine team is simultaneously developing a dedicated Prelims-focused Current Affairs Series, designed for:

- factual coverage
- data recall
- Prelims-style MCQs
- objective pattern analysis

This Prelims Edition will be released separately as a standalone publication.

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- paragraphs
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The complete Monthly Current Affairs Module will be released soon, optimized to a compact 100–150 pages — comprehensive yet concise, exam-ready, and revision-efficient.