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New regime may benefit India on oil, Ukraine deal



Onlookers watch as results of the 2024 US Presidential election are broadcast in Times Square in New York, US, on Wednesday. (Bloomberg)

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Article Content:

Officials say Trump's "America First" agenda will have impact on India's trade with the US, but will also provide it an opportunity in terms of friend-shoring.

Broad promises made by the Trump 2.0 campaign to Americans including on quelling inflation may favour India as they could soften oil prices and lead to an early end to the Ukraine-Russia conflict, officials said adding that the new regime may revive India-US tariff negotiations providing opportunities for further expanding trade.

The new government of the US is unlikely to ignore current global economic realities and geopolitical dynamics while taking any major policy decisions vis-à-vis India, and the second Donald Trump administration (Trump 2.0) is expected to be more engaging and cooperative, they added requesting anonymity. While the global geopolitical situation has radically changed since early 2021, India's economic strength and global standing have only grown, hence trade negotiations between the two partners may happen amicably and for mutual benefit, they said.

One of the people, a senior government functionary, said the Narendra Modi government has worked cordially with all the three regimes – the Obama administration, the Trump administration and the Joe Biden-Kamala Harris administration. Each time, the India-US economic relationship

got strengthened. “Both Prime Minister Modi and President Trump are veteran world leaders with a common agenda -- a strong, safe and prosperous world,” he said.

Both government officials and industry experts said that India and the US are poised to strengthen their strategic relationship as they have common goal – to strengthen democracy, stop illegal immigration, check money laundering and crush terrorism.

The people admitted that Trump’s “America First” agenda will have impact on India’s trade with the US, but will also provide it an opportunity in terms of friend-shoring. The US will have to import several items in order to protect Americans from rising inflation and for those items India could be the preferred supplier if the US curbs Chinese imports through higher tariffs, they pointed out. During his campaign, Trump said he would impose a 10-20% tariff on all imports and a higher tariff of 60-100% on Chinese imports. That would make Indian garments, footwear and toys competitive in the American market.

“India and the US have recently resolved their disputes amicably, outside the WTO [World Trade Organisation]. The two countries are always willing to negotiate all trade matters, including tariff issues bilaterally, for mutual benefits,” a second official said.

Ajay Sahai, director general of the Federation of Indian Export Organisations (FIEO) said both India and the US recognise each other’s strengths. “Still, America may bargain for more market access in areas like agriculture, medical devices and IT hardware. The two partners will negotiate such matters while keeping sensitivities of each other in mind,” he said.

Some experts said Trump’s election may increase uncertainty on several trade issues, but believe that the end result will still be beneficial from a larger India-US perspective. “It will strengthen the overall strategic partnership, especially in defence space,” said Nilaya Varma, CEO and founder of consultancy firm Primus Partners adding that the Trump administration may work with India to “counterbalance Chinese influence” by boosting strategic partnerships and investments.

But there is also a view that the US could take a protectionist turn, impacting India

Agneshwar Sen, partner-tax and economic policy (International Trade) at EY India said that the US will use high tariffs “strategically to onshore manufacturing and change current supply chains” that could see India facing higher tariffs on exports of textiles, chemicals, pharma and auto/engineering products. “India would have to either seek alternative markets (which will be difficult) or retaliate with its own tariffs on US exports”.

The solution, Sen added, could be a “trade deal that is attractive to the US “ and which also protects India’s interests.

If the trade policy measures, such as across-the-board increase in customs tariffs, discussed during the election campaign, are implemented, “We may well go back to the pre-WTO era of a ‘spaghetti bowl’ of free trade agreements. India will do well to be fully prepared and negotiate an FTA with the US. We will have to be ready to discuss a wide range of issues that will be put on the table,” he said.

The US is one of India’s biggest trade partners. It exported merchandise worth \$77.52 billion to India in 2023-24 and imported goods worth \$42.2 billion. India exports drugs and pharmaceuticals, telecom instruments, pearls, precious and semi-precious stones, textiles and marine products. It imports crude oil, petroleum products, coal, IT hardware, ship, boats, electrical equipment and other commodities from America.

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