



## President Trump's Return :India's Energy Security



The global oil market is a crucial factor influencing not only energy prices but also the broader economic landscape, especially for major oil importers like India. With former US President Donald Trump's potential return to power, there is renewed focus on how his administration might impact crude prices and the international oil market's stability. Trump's anticipated policies, especially around energy production and diplomatic efforts to ease global tensions, could reshape the dynamics of oil availability and pricing. For a country like India, which relies heavily on imported oil, these developments bear significant consequences for both economic stability and growth.

### Significance of Crude Prices for India

India, the world's third-largest consumer of crude oil, depends on imports to meet over 85% of its oil requirements. As such, the Indian economy is highly sensitive to changes in global oil prices. Any fluctuation impacts inflation, trade deficits, foreign exchange reserves, and the value of the Indian rupee. The cost of crude imports also directly influences transportation,



agriculture, and a range of industries that rely on oil as a key input. This dependency on imported oil subjects the Indian economy to vulnerabilities that can disrupt planning and development efforts.

When oil prices rise sharply, India faces increased inflationary pressures as fuel costs ripple through the economy, leading to higher prices for goods and services. Additionally, a high import bill for crude oil worsens India's trade deficit and puts downward pressure on the rupee. Consequently, oil prices become a critical factor for India, necessitating measures to manage their impact and reduce volatility risks.

### **History of Oil Price Shocks for India**

India has experienced several oil price shocks in the past, each impacting the economy and prompting policy changes. In 1973, the first oil shock followed the Arab-Israeli War when OPEC nations placed an embargo on oil exports to countries supporting Israel. This caused oil prices to quadruple, disrupting economies worldwide, including India's, where inflation surged, and economic growth slowed.

The 1979 Iranian Revolution triggered another oil crisis, with prices doubling in a year. For India, heavily dependent on Middle Eastern oil, the consequences were severe. Inflation soared, and the government struggled to meet the demands of a growing population. Another shock in 1990, following Iraq's invasion of Kuwait, caused oil prices to spike again, exacerbating India's balance-of-payments crisis and eventually prompting economic liberalization measures.

More recently, the 2008 financial crisis saw oil prices surge to nearly \$150 per barrel, impacting India's inflation and fiscal position. The COVID-19 pandemic in 2020 brought a unique scenario where prices crashed due to reduced demand, but India's oil import costs remained high as the rupee weakened against the dollar.

### **How Trump's Return Could Impact Crude Prices**

If Donald Trump were to return to the US presidency, his energy and diplomatic policies could play a significant role in stabilizing oil prices. Trump has historically supported policies that increase US oil production, a stance that would contribute to a greater supply in the global oil market. His slogan "Drill, baby, drill" reflects a commitment to expanding domestic energy production, which could lead to higher exports and increased availability of oil globally. This increased supply could apply downward pressure



on prices, benefiting large oil consumers such as India.

Trump's diplomatic strategies may also indirectly influence oil prices. During his campaign, he proposed initiatives to de-escalate ongoing conflicts, particularly in the Middle East and Eastern Europe. If successful, these diplomatic efforts could lead to a more stable geopolitical landscape, reducing the risk of sudden oil price spikes triggered by supply disruptions. Stability in regions that produce and transport a significant portion of the world's oil would benefit importers by minimizing volatility in the oil markets.

Furthermore, Trump's approach to trade, particularly his stance on imposing tariffs on imports from China, could indirectly impact oil demand. China, as the world's largest oil importer, plays a critical role in influencing global oil demand. If Trump were to introduce restrictive trade policies affecting China, it might dampen Chinese economic growth and, consequently, its oil consumption, which could further alleviate demand pressure on oil prices.

### **India's Measures to Mitigate Oil Price Shocks**

To cushion its economy against oil price shocks, India has adopted a multifaceted approach, encompassing both short-term and long-term strategies.

1. **Strategic Petroleum Reserves (SPR):** India has developed strategic petroleum reserves to safeguard against sudden disruptions in oil supply. These reserves act as a buffer during times of high prices or supply shortages, allowing the country to stabilize its domestic oil market temporarily.
2. **Diversification of Oil Suppliers:** India has sought to diversify its sources of oil imports, gradually reducing its dependency on a few countries and regions. India now imports oil from countries like the United States, Brazil, and Guyana, in addition to traditional suppliers like Saudi Arabia and Iraq. Diversifying suppliers minimizes risks associated with geopolitical tensions in any single region.
3. **Encouraging Domestic Production:** India has been working to enhance domestic oil production, though with limited success. Initiatives such as the "Make in India" campaign and the "Hydrocarbon Exploration and Licensing Policy" aim to attract investment in the oil and gas sector and reduce import dependency.
4. **Boosting Renewable Energy Investments:** To reduce long-term reliance on fossil fuels, India



has made substantial investments in renewable energy. The government aims to achieve 450 gigawatts of renewable energy capacity by 2030. This transition toward green energy sources can help India reduce its dependence on imported oil over time.

5. **Energy Pricing Reforms:** India has implemented reforms to reduce subsidies and allow market-driven pricing for fuel. This aligns domestic prices with international rates, helping to avoid the fiscal burden of subsidizing fuel during periods of high oil prices.
6. **Promotion of Fuel Efficiency:** The government has introduced fuel efficiency standards and promoted public transportation and electric vehicles to decrease oil consumption. These measures help reduce demand for imported oil and mitigate the economic impact of price fluctuations.

### **Potential Benefits for India from a Stabilized Oil Market**

If Trump's policies were to increase oil availability and stabilize prices, India stands to benefit in several ways. Lower oil prices could ease inflationary pressures, helping stabilize domestic prices for essential goods and services. This, in turn, would support economic growth by improving consumer spending and reducing production costs for businesses.

Furthermore, a decrease in the trade deficit resulting from reduced oil import costs could strengthen the rupee, enhancing India's purchasing power on the global market and supporting foreign exchange reserves. Lower oil prices would also allow the Indian government to allocate more resources toward development and social welfare programs, reducing the fiscal strain of high import bills.

### **Conclusion**

In summary, Trump's potential return to the presidency could have profound implications for the global oil market, potentially stabilizing prices and benefiting major importers like India. His policies to expand US oil production, coupled with diplomatic initiatives aimed at reducing geopolitical tensions, could enhance oil availability and lower prices, providing India with a degree of relief from its long-standing energy security concerns.

However, the Indian government must continue its efforts to build resilience against oil price shocks



**TERABYTE**

**Everything Matters**

**P L RAJ IAS & IPS ACADEMY**

**Making You Serve the Nation**

through strategic petroleum reserves, diversification of suppliers, promotion of renewable energy, and fuel efficiency standards. In the long run, transitioning to a more sustainable energy portfolio will be crucial for India's economic stability and growth, regardless of global oil market fluctuations.

As the international landscape evolves, India's proactive approach to energy security and its commitment to sustainable development will be key to managing the challenges and seizing the opportunities that come with fluctuating oil prices in a globalized world.