



EDITORIAL: INDIAN EXPRESS

GENERAL STUDIES 2: INTERNATIONAL RELATION

DATE: 23.01.2025

IMPACT OF PRESIDENT TRUMP'S AGGRESSIVE "AMERICA FIRST" TRADE POLICIES ON GLOBAL TRADE DYNAMICS

Introduction

President Donald Trump's "America First" trade policies signified a decisive shift in U.S. economic strategy, redefining global trade dynamics and bilateral partnerships. These policies, aimed at curbing trade imbalances and addressing non-market practices, have had wide-ranging implications for global economies, including India. The U.S.-China trade tensions, supply chain reforms, and evolving trade frameworks have created both challenges and opportunities for key players in the global market.

America First Trade Policy: Focus on China and North America

- **Strategic Shift Towards Protectionism:**
President Trump's "Golden Age of America" rhetoric underscored a pivot towards protectionist policies, particularly targeting China's alleged non-market policies and practices (NMPP). These measures aimed to safeguard U.S. industries and address perceived trade inequities.
- **Opportunities for North America:**
While the policies challenged China's trade dominance, they also signaled a more cooperative approach towards North American neighbors like Mexico and Canada. Through renegotiations such as the USMCA (United States-Mexico-Canada Agreement), Trump's administration sought reciprocity while preserving regional trade relations.

Addressing Non-Market Practices and Enhancing Supply Chain Traceability

- **Reforms in Trade Enforcement:**
Trump's trade policies placed significant emphasis on curbing China's exploitation of global trade through third-party countries. The Quadrennial Supply Chain Review highlighted the need for robust trade reforms, including amendments to Articles 301 and 201 of U.S. trade law, to prevent circumvention of trade measures.
- **Technological Integration in Trade Monitoring:**
Proposals for pooling resources from departments such as Treasury, Commerce, and Homeland Security aimed to streamline revenue enforcement. These measures reduced the burden on Customs and Border Protection and improved supply chain transparency.



Implications for India Amidst a U.S.-China Trade War

- **Risks of Dumping and Market Diversion:**
The U.S.-China trade war posed risks of market dumping in India, where surplus Chinese goods could flood Indian markets. Additionally, trade diversions disrupted India's export prospects to regions like Africa, further intensifying economic pressures.
- **H-1B Visa Dependency:**
India's dominance in the U.S. services sector relies heavily on H-1B visas. However, evolving global dynamics, including shrinking margins in Business Process Outsourcing (BPO), necessitate diversification into high-value services such as professional consulting, Maintenance, Repair, and Overhaul (MRO) services, and emerging tech-driven sub-sectors.
- **Opportunities in Collaboration:**
Strengthening U.S.-India ties through measures like simplified H-1B visa processing and expanded quotas for Indian students highlights potential avenues for collaboration. India's focus on sectors like artificial intelligence and synthetic biology could further enhance bilateral trade prospects.

Challenges and Opportunities in U.S. Trade Deficit

- **Key Contributors to the Deficit:**
The U.S. trade deficit of \$1.05 trillion in 2023 highlighted significant trade imbalances. While China contributed 30%, India, with a surplus of \$33 billion, ranked ninth. India's mixed trade patterns showcased both strengths and vulnerabilities across primary and consumption goods sectors.
- **Sector-Specific Policy Requirements:**
Addressing trade imbalances requires nuanced, sector-specific strategies to balance imports and exports. A comprehensive approach focusing on trade expansion rather than contraction is crucial for fostering mutually beneficial partnerships with the U.S.

Strengthening Trade Partnerships: A Way Forward

- **Indo-Pacific Economic Framework (IPEF):**
India's commitment to three of the four pillars of the IPEF – supply chains, clean energy, and anti-corruption – underscores its readiness to engage in deeper trade cooperation. These efforts align with the shared goals of economic resilience and supply chain stability.
- **Institutional Mechanisms:**
Establishing institutional mechanisms that integrate trade, investment, technology, and finance is critical for sustaining long-term U.S.-India trade relations. These mechanisms can help India explore broader opportunities beyond the U.S. while aligning with emerging global trends.

What Should India Prioritize Strategically?

Defense and Border Security



- India must prioritize strengthening its military capabilities to counter security challenges posed by China's military assertiveness and cross-border terrorism from Pakistan.
- Enhancing defense collaborations with the U.S., particularly in advanced weaponry and counterterrorism technology, remains essential.

Energy Security

- Diversifying energy sources, including renewable energy, is crucial for India to ensure stable supplies from key partners. Collaborations with the U.S. on clean energy initiatives could advance India's energy transition goals.

Economic Growth

- India must ensure stability in South Asia to maintain economic growth while neutralizing destabilizing influences from China and Pakistan. Building robust regional alliances can support this objective.

Future Capabilities for India

- **Technology Leadership:**
Emphasizing digital transformation, artificial intelligence, and cybersecurity can position India as a global tech leader. Joint ventures with the U.S. in cutting-edge technologies can accelerate progress.
- **Soft Power Diplomacy:**
Promoting values like democracy and pluralism, coupled with diaspora engagement, strengthens India's global standing and influence.
- **Balancing Relations with Russia:**
Maintaining strategic ties with Russia is critical for India to counterbalance Sino-Russian influence in the region and safeguard its interests.

Conclusion

President Trump's "America First" trade policies reshaped global trade dynamics, presenting both challenges and opportunities for countries like India. While issues such as trade imbalances, market dumping, and H-1B dependencies persist, avenues for collaboration in technology, supply chains, and services offer significant potential. For India, strategically navigating these complexities, bolstering defense and energy security, and leveraging technological and soft power assets will be key to building a robust and sustainable partnership with the U.S.

Source: <https://indianexpress.com/article/opinion/columns/how-india-can-do-business-with-trumps-america-9794065/>