

Trade gains or headwinds? Experts divided on US election impact on India's economy



Republican Donald Trump (left), Democrat Kamala Harris

A MIXED BAG?

- ▶ Experts say higher trade curbs under Donald Trump could hurt India's export competitiveness
- ▶ Trump's focus on fossil fuels, unlike Harris's support for renewable energy, could lower oil prices, benefiting India
- ▶ Defence cooperation likely to deepen under Harris, but Trump's approach could be more transactional
- ▶ Both support tight rules for immigrants and on-shoring efforts to increase domestic industrial production

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As the United States goes to the polls on November 5, economists believe the results could raise several issues for the Indian economy, from increased protectionist measures to impacts on domestic growth and employment, depending on who wins the race.

India, at the same time, is hopeful of benefiting from the US's anti-China stance, which could boost its exports to the country regardless of the election outcome.

Experts feel India-US trade relations could face headwinds if the US turns to more protectionist policies to boost its manufacturing sector. Although India's domestic fundamentals are stable, economists said

Donald Trump's victory could raise some concerns.

"Trump's preference for America and imposing taxes on imports can be an issue. Secondly, his ability to put pressure on the Fed can be an issue and create distortions in the bond market. Third, his high deficit preference will be inflationary and can affect bond yields. Fourth, keeping the dollar strong is another aim which can put pressure on the rupee," said Madan Sabnavis, chief economist Bank of Baroda.

While a Democratic coming back to power would likely mean continuity, Trump as President could introduce tighter trade restrictions, including broader tariffs of 10-20 per cent on all imports, impacting India's price competitiveness in the US.

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Trump vs Harris in equity ring: Who packs a stronger punch?

Battle lines are drawn in a hard-fought election in the US, the outcome of which will be known this week. However, analysts say global markets have already begun preparing for Donald Trump's victory. **PUNEET WADHWA** writes



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FED, PEERS SET TO CUT RATES AGAIN WHILE FACING HAZY AFTER ELECTION OUTLOOK



US may maintain higher tariffs on Chinese imports: Experts

Trump has previously referred to India as “a tariff king”.

“Comparing the two Presidencies, I feel that the Trump’s could be more challenging. His anti-immigration posture could hurt Indian ITES companies. If he insists that American companies bring their capital back home, something he had done during his first term, foreign capital inflows into India could be adversely affected,” said Biswajit Dhar, distinguished professor at the Council for Social Development.

Experts said that regardless of the outcome, the US is expected to maintain higher tariffs on Chinese imports, continue subsidies under policies like the Inflation Reduction Act, and limit the role of the World Trade

Organization.

“Trump has previously labelled India as a “large tariff abuser,” signalling potentially tougher trade negotiations for India under his leadership. The high tariffs and import curbs may not greatly benefit the US, given that higher wages and production costs could erode domestic competitiveness and burden American consumers,” Ajay Srivastava, founder, Global Trade Research Initiative.

Harris, on the other hand, is expected to uphold the current trade dynamics, which have allowed Indian exports to thrive, according to Wright Research. “This continuity would likely support India’s export sector, which has grown under Biden’s relatively stable trade policies,”

they noted.

An analysis by Asia Decoded said that Trump’s focus on rebuilding US manufacturing by incentivising companies to relocate could undermine efforts to coordinate with allies on China-independent supply chains.

“A hit to India’s exports, which have emerged as an important driver for growth post-pandemic, would not bode well for the country’s economic outlook,” it said.

India’s key exports to the US include labour-intensive sectors, such as gems, jewellery, and textiles.

A sectoral analysis by Phillip Capital said that Trump’s focus on fossil fuels, unlike Harris’s support for renewable energy, could lower crude oil prices,

which would benefit Indian refiners and consumers.

In the defence sector, it said Harris is expected to continue the Biden administration’s emphasis on deeper cooperation, while Trump’s approach may be more transactional, centred on arms sales and strategic gains.

Both Harris and Trump support stricter immigration rules and on-shoring efforts to increase domestic production. The PhillipCapital report noted that Indian information and technology companies have sought to mitigate these challenges by hiring more locals in onsite markets, using subcontractors, and establishing more near-shore delivery centres.