



# India's Atlantic challenge

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## **Trump's 'America First' policy and the Brexit deal could pose more challenges this year**

- While 2019 is a year of hope and perhaps provides an opportunity for a reset in some areas of policy for India, a lingering concern is that the choppy waters of the Atlantic Ocean may throw up many economic challenges that might rock India's boat of stable economic growth.
- This is because, first, U.S. President Donald Trump's 'America First' policy could lead to more tariff and subsidy hiccups, culminating in protracted trade battles, in the context of protectionism.
- And second, if the U.K. has a 'hard Brexit', India may be looking at unexpected complications regarding trade adjustment, and a U.K.-India Free Trade Agreement (FTA) may be out of the question.
- Considering the U.S. first, the Trump administration is attempting to replace the rules-based trade order with a bilateral trade agreements and sanctions network, a system that has distinct disadvantages for India.
- The trade experience of 2018 provides a sense of what could happen in 2019 vis-à-vis India-U.S. trade relations.
- When India was denied an exemption by the U.S. from increased tariffs on steel and aluminium imports, it reciprocated by hiking import duties on 29 American export products, including pulses and iron and steel products.
- This show of strength against Washington's deep-pocketed lobbies was, however, at odds with India's original stand on this issue, which was pro-globalisation.
- A broader disadvantage for India of a spiralling trade war with the U.S. is that it could easily spin out of control and create rifts in other areas such as security and diplomacy.
- If that happens, it may be of considerable benefit to China, which India — and ironically the U.S. too — wants to contain.
- With the U.K., India's trade in 2019 depends on the twists and turns of

Brexit politics, both in London and in Brussels, with the March 29 deadline for the same looming ever closer.

- However, for India to secure its trade interests, it needs to renegotiate with both the EU and the U.K. for goods and services.
- Also, the discussion on FTA with the EU must be resumed and a similar conversation must be launched with the U.K.

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