

EXECUTIVE BRIEFINGS POLITICS & ECONOMY: DONALD TRUMP

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February 2017*

Trump card

It is becoming gradually evident that the election promises made by Donald Trump during his campaign were much more than political gimmickry. Clearly he may have said everything that he did to appeal to a white working class constituency but if his first few days in office are an indication of things to come, he intends to honour his promises. Shortly after assuming office, Mr Trump withdrew from the Trans Pacific Partnership (TPP), a trade agreement that had been painstakingly negotiated over 6 years with a number of Asian countries; gave authorisation for rapid clearances to go ahead with the Dakota Access and Keystone XL pipelines as long as they used American steel; dismantled the rules that governed Obama-care; imposed restrictions on refugees from specified Muslim nations; and issued instructions to extend the wall along the US-Mexico border.

Mr Trump had previously threatened to label China a currency manipulator and impose trade sanctions. The cornerstone of American foreign policy is its relationship with the second largest economy and the largest trading nation. As things stand, most analysts are unsure as to what form that will take. The US administration has indicated its desire to revisit the 'one China' doctrine as well as increase its military presence in the South China Sea with a view to curtailing China's expansionary motives along what it calls the nine-dash line. Whilst this may appear to be good news to a number of Asian countries that are affected by China's assertiveness, they can never be sure whether all of this is part of a grand vision to increase American military presence in the region or simply a bargaining chip for negotiating better trade arrangements with China. Their response is therefore liable to be muted.

Mr Trump's policy towards traditional European allies has also created reasons for despair. Perhaps justifiably, he has argued that NATO members must cough up a little more, at least as per their initial commitments to the Organisation. Currently, only 5 of NATO's 28 members spend 2% of their GDP on defence, as they are required to do. Besides the US, these include Greece, Poland, Estonia and the United Kingdom. Mr Trump has been supportive of Brexit and promised to put the UK at the very top of his agenda for trade negotiations. Britain will desperately need to negotiate trade treaties once it exits the common market.

On India, as early indications go, some of the Trump administration's policies are likely to be favourable. This is largely on the grounds of a hardened stance towards countries that are adversarial towards India such as Pakistan and China. It also seems likely that defence cooperation and the sale of sophisticated military hardware to India, despite China's objections, will continue. Mr Trump had during his election campaign, said that if elected President, the Indian community would have a 'true friend' in the White House. He sees India as an important check against other powers in the region and therefore, seems willing to stoke a constructive friendship. Previous American Presidents have rarely acknowledged India's role as a stabilising regional power in such explicit terms. All these are positive indications.

On the other hand, with Jeff Sessions as Attorney General, overseas working visas – H1B – issued to IT companies will become harder to come by. Some of the larger ones have already started recruiting locally within America but such a strategy comes with higher costs and the Indian IT industry may have justifiably begun to worry about an erosion of its growth prospects in America. There is a silver lining

however, in that Mr Trump may adopt a somewhat softer approach towards skilled foreign labour, something he alluded to during his campaign speeches.

His foreign policy, particularly towards the West Asian region, will also have important implications for India although it is as yet unclear what shape this will take. There is a risk that he may choose to abandon Mr Obama's legacy, vis-à-vis say the Iran nuclear agreement and seek to start anew, as he had threatened to do during his election campaign. This would adversely impact the security architecture within Asia, which was tenuous to begin with. Given its proximity to India, renewed instability within Iran would be discomfoting. On trade, India is not immediately affected by measures such as the scrapping of the Trans Pacific Partnership. The tough stance of the Trump administration on trade policy issues will therefore have a minimal impact.

On economic policy, Mr Trump intends to "bring the jobs back to America" and invest heavily in infrastructure. He also seeks to lower taxes – down to 20% – and provide incentives to American companies to repatriate the USD 3 trillion they have stashed abroad. The administration targets a growth of 4%. Going forward it is likely that all of what Mr Trump seeks to initiate, he will not achieve. The administration will come into conflict with Congress and the traditional Republican establishment in a number of areas including those that concern domestic and foreign policy. However, if the first few weeks are any indication, Mr Trump is going to try very hard in pushing through the agenda that got him into the White House in the first place.