THEIR VIEW

How Trump's policy blitzkrieg is likely to impact India's economy

On balance, his disruptions are more an opportunity than a threat but we must chart a careful path to maximize our gains

SUDIPTO MUNDLE
is chairman, Centre for Development Studies.

AP

From the very day of his second appointment as US President, Donald Trump has unleashed a blitzkrieg of executive orders which have turned many US policies on their head, sacked large numbers of government staff and disrupted governance systems. These disruptions are severely impacting the US, but are also reverberating throughout the world. It is an unrestrained and unprecedented display of raw power by the most powerful man in the world. How are these disruptions likely to affect India? Three disruptive moves in particular need to be taken into consideration in this regard—on immigration, trade and tariff policy, and foreign policy.

Attacking immigration was Trump's first major move. He had harped on this issue in his election campaign. In addition to blocking illegal immigrants through the southern US border with Mexico, and deporting illegal immigrants already in the country, he may drastically restrict immigration even through legal channels, including the H-1B visa route. Deportation is a tragic outcome for illegal Indian migrants who had paid huge sums and borne great hardship to reach the US. A tightening up of H-1B visa provisions is also an unfortunate setback for aspiring legal migrants. However, neither of these policies is a major issue for the Indian economy.

The second disruption, the most important for India, is in trade and tariff policy. Trump first targeted neighbours Mexico and Canada, then US allies like the EU and Japan, and then China. His approach in all cases is to announce an aggressive policy, then allow time for negotiations before new tariffs actually kick in. Among the other countries he is targeting, India is the most prominent. He has often called out India for imposing the "highest" tariffs and announced that he will impose reciprocal rates. Talks have begun on a bilateral trade agreement. Meanwhile, the imposition of reciprocal tariffs has been held in abeyance. A trade agreement will probably entail larger imports of oil, defence equipment, mini nuclear-power plants, etc, by India from the US to reduce the bilateral trade imbalance. Part of this will replace cheaper imports from Russia, which is a negative.

However, a major component of any trade agreement will relate to tariffs. India will have to significantly reduce its tariffs for the US as well as other members of the World Trade Organization under its 'Most Favoured Nation' provisions. The process has already started with the latest budget proposals and will be taken further. Lowering tariffs will serve India well. Consumers will enjoy lower prices. Lower import duties will also help exporters who have had the playing field tilted against them in favour of the protected industries. Economists have long advocated this policy and the 1991 reforms demonstrated how tariff reduction was followed by a boom in exports. Despite this, the protectionist lobby prevailed and India's policy of easing tariffs was reversed a few years ago. Now Trump will prevail and its impact will be beneficial for Indian consumers, exporters and the economy.

The third disruption is the upending of US foreign policy on many fronts. In Gaza, Trump's intervention helped end the killing and destruction. But he has replaced the two-state solution, the previous US stance, with an atrocious proposal that the US take over Gaza and develop it as a resort while Palestinians are re-settled in neighbouring Arab countries. These neighbours, all beholden to the US, are scrambling for a viable alternative. How the Gaza question will play out remains uncertain, but the real target behind Trump's Gaza policy is Iran. A concerted US-Israeli bid to isolate Iran will adversely affect India's economic relations with Tehran. But peace in Gaza will enable a revival of the ambitious India-Middle East-Europe Economic Corridor (IMEC), which was put in cold storage after the Gaza war broke out. On balance, India will gain.

Another aspect of Trump's foreign policy doctrine is putting Ukraine and the North Atlantic Treaty Organization (Nato) allies of the US on notice, while he makes overtures to Russia. This should be seen together with his energetic pursuit of a technology and trade war against China, the only potential threat to US hegemony. Based on Kissinger's 'balance of power' doctrine, Nixon had reached out to China to isolate the Soviet Union, the only threat to US power at the time. Trump is reversing that doctrine, reaching out to Russia to isolate China. How will all this impact the Indian economy? On the downside, easing of sanctions against Russia will give it more elbow room to negotiate higher prices for oil exports to India, though payment arrangements may become easier. However, apart from higher imports of more expensive oil and defence equipment from the US, as noted above, India may benefit as a strategic partner from transfers of technology and more US investments. Further, China may re-assess and moderate its hostility towards India, as is already evident. If the moderation is extended to trade and investment, India will need to carefully nuance and calibrate its stance to take advantage of this opportunity. Finally, the EU and UK are also reaching out to India as their alliance with the US turns fragile. Here again, India can bargain hard to maximize trade and investment benefits.

Thus, on balance, the Trump disruptions are more an opportunity than a threat for India. However, India needs to carefully navigate its way to make the most of the potential gains.

These are the author's personal views.

QUICK READ

Of Trump's three big disruptions, US immigration policy impacts India the least, while import tariff reduction will amount to trade liberalization that can benefit our economy and enhance exports.

Trump's geopolitics can also deliver benefits if India navigates its way ahead well. The IMEC may be back in play even as shifting geopolitical dynamics offer us a new set of opportunities.

MINT CURATOR

Oscars: Should biopics leave politics blowing in the wind?

Two films tackle social leadership but only one provokes reflection

FRANK BARRY
is a Bloomberg Opinion columnist and member of the editorial board covering national affairs.

'A Complete Unknown' leaves questions of Dylan's politics unanswered AP

The Best Picture nominees at this year's Oscars include two movies whose main characters embody a political truth that escapes too many of America's Republicans and Democrats. Unfortunately, only one of the films allows viewers to see it.

In *Conclave*, a drama about the selection of a new pope, Cardinal Lawrence (played by Ralph Fiennes) delivers a brief speech around which the plot revolves. "There is one sin I've come to fear above all others: certainty," Lawrence says. "Certainty is the great enemy of unity. Certainty is the deadly enemy of tolerance. Even Christ was not certain at the end."

The message is clearly directed at the Church's conservative wing. Unsurprisingly, the movie has been popular among liberals and panned by conservatives. Ben Shapiro dismissed it as "propaganda about the evils of the Catholic Church," and Megyn Kelly called it a "disgusting anti-Catholic film." It's neither. But nor is it really about the Church. It's about politics, and the blindness that afflicts rigid ideologies of all types.

The righteous intolerance of the left can be as oppressive and misguided as that of the right, as many who have been attacked by liberal mobs (online or otherwise)—or felt themselves censoring their own thoughts—can attest. Whether liberal viewers recognize that Lawrence's speech takes aim at them too is an open question. The movie could have made that point more explicit, but it at least invites viewers into a conversation on the topic.

The same cannot be said of the Best Picture nominee whose protagonist challenged certainty on the left. *A Complete Unknown* is about a young Bob Dylan's arrival in New York and his rise to stardom. The drama builds up to one of rock-n-roll's most iconic moments: His decision to buck folk music purists by going electric at the 1965 Newport Folk Festival, where he was famously booed. Director James Mangold takes great liberties with the story (it's Hollywood, after all), and, as entertainment, the movie mostly succeeds, thanks to the strength of the acting and Timothée Chalamet's studied impression of Dylan's singing. But a central plot line—Dylan turning his back on politics — is left almost entirely unexamined. Why did he did stop writing the protest songs that had made him the face of the 1960s' counter-culture?

That question has long frustrated liberals. A *New York Times* review of the film referred to Dylan's "baffling neutrality." Viewers are left to conclude that it was simply a matter of Dylan's "orneriness" and desire to follow his own muse. But there's more to the story. A year before going electric, Dylan said he was done writing what he called "finger-pointing songs," a shift he seemed to announce in his 1964 release *My Back Pages*. That song, which does not appear in the movie, is a blistering rejection of the left's righteousness and a declaration of independence from its "lies that life is black and white."

Dylan, like Cardinal Lawrence, took aim at certainty, but on the left. Perhaps that was omitted by the biopic because showing it would have required giving his character more depth, or since it might have put off some viewers. Regardless, in flattening Dylan, the movie deprives viewers of the chance to understand what led him to *My Back Pages*.

For anyone interested in that question, Jeffrey Edward Green's new book, *Bob Dylan: Prophet Without God*, makes for fascinating reading. Green places Dylan in the prophetic tradition, but in a singular spot: uncertain about a world of moral chaos and determined to unflinchingly face its "ethical ambiguities".

For Green, Dylan's rejection of an article of faith on the left—that the demands of individual freedom and social justice can be harmonized—leads to his political break. Seeing the two in conflict, he stops pointing fingers, and in doubting his own power—if not the left's—to bring about a new world order of peace and justice, Dylan refuses to sacrifice his life and art to the cause.

In this way, he embodies a trait that is rarely attributed to him: humility. Rather than delivering answers as the "spokesman for a generation," Dylan devotes himself to exploring questions—what Green calls "incessant searching"—not about the world as it might be, but about the human condition as it is. For Dylan, that search—and the uncertainty that underpins it—has never ended.

In *Conclave*, Cardinal Lawrence prays for "a pope who doubts." As 88-year-old Pope Francis faces a health scare, it's anyone's guess whether his eventual successor will fit that bill. But for more than 50 years now, we have had a prophet who doubts. If only *A Complete Unknown* had allowed people to see him.

GUEST VIEW

Earthquake insurance: Indian coverage is inadequate

SHISHIR AGARWAL

is senior consultant (disaster finance), National Disaster Management Authority (NDMA)

On 17 February, a 4.0-magnitude earthquake jolted Delhi-NCR, not strong enough to cause damage, but powerful enough to cause concern. Too often, mild tremors are brushed aside as routine, yet they are stark reminders of India's seismic vulnerability. With nearly 59% of the country's landmass at varying degrees of risk, the real question is not if a major quake will strike, but when. While this is a region-specific, once-in-150-year event, should it occur, we would need financing for the four 'R's of rescue, relief, reconstruction and rehabilitation. India has a robust disaster risk financing mechanism, but needs to focus on insurance and ring-fencing in preparation for a significant seismic event.

Loss and damage: Earthquakes are sudden and each is unique, leaving little time for preparedness and response. Homes collapse, people die, businesses shut down and infrastructure crumbles. The burden often falls on individuals and governments and without a structured earthquake insurance system, recovery is painfully slow, pushing families into years of financial distress. The 2001 Bhuj earthquake resulted in losses exceeding ₹10,000 crore. India's quake insurance penetration remains low largely due to lack of awareness, a weak push from insurers and an element of fatalism among people, as also the belief that the government will provide sufficient relief. However, global experience shows that public finances are often inadequate, covering only a fraction of actual economic losses.

Global models: Several countries have earthquake insurance programmes that balance affordability, accessibility and sustainability. Japan, for instance, has a highly developed quake insurance market supported by the government through a reinsurance mechanism, where private insurers provide primary coverage while the government acts as a reinsurer to ensure financial stability for major payouts. Similarly, Turkey's Compulsory Earthquake Insurance Scheme mandates coverage for all residential buildings and has achieved penetration of over 60%. After the 2023 Turkey-Syria quake, it disbursed over $340 million to affected households, demonstrating the effectiveness of compulsory insurance in facilitating swift reconstruction efforts.

Mexico has pioneered the use of catastrophe bonds (or 'cat bonds') to hedge this risk. This financial instrument lets the government transfer risk to global investors and ensures rapid liquidity in the aftermath of a major disaster. Another noteworthy model is New Zealand's Earthquake Commission (EQC), which played a critical role in financing a recovery after the 2011 Christchurch quake that caused $40 billion in estimated losses. The EQC operates a government-backed insurance scheme funded by levies on home insurance policies, enabling a quick financial response.

Innovative solutions: One approach to retail insurance is the use of parametric coverage, which, unlike traditional indemnity-based covers, triggers payouts based on pre-defined parameters such as a quake's magnitude and location. This ensures rapid disbursement of funds, minimizing administrative delays in disaster response. Another potential solution is the creation of a government-backed earthquake insurance risk pool, similar to Japan's reinsurance model, which could ensure affordability while encouraging private sector participation. A risk pool is a corpus of funds reserved—mostly with a reinsurance company—to cover 'cat risk' beyond the balance sheet of insurers.

Some insurance experts are of the view that expressed demand is what spurs the creation of a risk pool. For example, the need for a 'terror pool' arose in the US after the 1993 bombings. Before that, terror risk was manageable for insurer balance sheets, but as it grew more expensive, companies unbundled terror risk and converted it into an add-on product. To cover this heightened risk, a terror risk pool was created in India by GIC Re. Similarly, marine and nuclear risk pools are also operated by GIC Re.

Another means of insuring against disaster risk is the issuance of 'nat cat bonds,' which spreads the risk to global financial markets, albeit at a higher cost. It is a rare instrument, wherein the bond's principal remains at risk. Yet, such bonds are an attractive investment for financial houses, as the disaster risk curve is not aligned with the financial-market risk curve, allowing both risks to be hedged. The World Bank and several global entities offer such bonds, the total market for which is placed at $50 billion outstanding. India's International Financial Services Centre at Gift City could also consider issuing national catastrophe bonds, thereby making India a hub for the Insurance Linked Securities (ILS) market.

Incentivize earthquake insurance: While home insurance should be mandatory, it is also controversial. We must therefore proceed with care. Some countries have taken the mandatory route for home insurance in highly vulnerable zones through legislation. An alternative is to encourage compliance and ensure affordability through tax benefits or premium subsidies. Additionally, banks and housing finance companies could consider making property loan disbursal incumbent on insurance cover for the entire value of a mortgage property. Above all, it is for the insurance industry to expand the country's property insurance market with innovative products and attractive schemes.

QUICK READ

Our vulnerability to earthquakes means it's not a question of if but when one big quake will strike and so we must focus on insurance in preparation for such a significant seismic event.

Government initiatives could use reinsurance devices, issue catastrophe bonds and incentivize home insurance, a segment that retail insurers must do much more to expand.