THEIR VIEW

The policy response we require to address Trump's disruptions

Fiscal and monetary policy can both work in the same direction to spur economic growth while we wait for the dust to settle

SUDIPTO MUNDLE
is chairman, Centre for Development Studies.

PTI

It is nearly a month since US President Donald Trump launched his trade war. Simultaneously, he has continued to wage war against immigration, decimated the US government, attacked liberal universities in America and turned American foreign policy on its head. As the shock waves of these disruptions reverberate across the world, political leaders have been scrambling to craft a response. Not an easy task, since he keeps shifting the goalposts. On the trade policy front, for instance, after his atrocious tariff policy announcements spooked financial markets, he backed off with a partial 90-day pause for all countries except China, the US's principal rival.

These uncertainties notwithstanding, all countries including India need to craft their policy response to contain the impact of the Trump disruption, a flexible one that can be adapted to further changes in his policies. For this, we must note that India will be impacted through two distinct channels: the direct impact of Trump's tariff policy and the indirect impact via the adverse effects of his disruptions across a wide front on US and global growth.

In an early assessment of the impact of Trump's disruptions in my February *Mint* column (*bit.ly/3GgBxEn*) I had suggested that the impact would be net positive for India. I had then focused only on his three main priorities: immigration, trade and transforming US foreign policy. The specifics of his policies have evolved since then, but I would still stand by the assessment that the direct or price impact of his tariff policy will be net positive. His so-called 'reciprocal' tariff policy is not reciprocal *vis-a-vis* the tariffs of trade partners, but their trade balance with the US, with India having a relatively modest trade surplus. This is why India faces a tariff hike to 26% despite having one of the highest tariff rates, while countries like China, Vietnam and others have been hit much harder. Hence, the post-tariff relative prices of US imports will shift in favour of India as compared to other competitors for the US market.

Meanwhile, India has moved aggressively to conclude free trade agreements with the EU, UK and others. More important, it hopes to conclude at least an interim bilateral trade agreement with the US during Trump's 90-day pause on his new tariffs. India will probably import more hydrocarbons, small nuclear-power plants and other products from the US to reduce if not eliminate its bilateral trade surplus. In return, it is likely to seek milder tariffs, which would further enhance its gain in relative prices compared to rivals.

My February column cited above had not adequately factored in the indirect impact of Trump's disruptions, especially the decimation of US government institutions, on Indian exports and GDP growth via their adverse impact on US and global growth—the 'income' effect as distinct from the 'price effect.' I now believe that this negative income effect will dominate the positive price effect on Indian exports, thereby bringing down both export growth and GDP growth. Analysts and columnists have been writing everyday about the adverse impact of the Trump shock. Daily real-time data is also available on the impact on financial markets, the dollar, oil prices and so on. Global uncertainty indicators are off the charts and there are estimates of the probability of a US recession ranging from 40% to 60%. But there have not been many forecasts of the actual level of US or global growth.

The International Monetary Fund has now indicated that the US economy will slow down from 2.7% in 2024 to 1.8% in 2025. Its corresponding estimate of global growth has also been pared down to 2.8%, while that for India has been marginally reduced from 6.5% to 6.2%. This is a gross under estimate of the impact of Trump's disruptions, which could perhaps be comparable to the 2008 financial crisis. My colleagues at the National Institute of Public Finance and Policy (NIPFP) and I have made our own projections of reduced Indian GDP growth for 2025-26, which will be presented at the NIPFP seminar on India's economic outlook this Friday.

QUICK READ

The pandemic shock of 2020-21 showed the robustness and flexibility of India's macro management and the same levers could now be used in response to the Trump shock.

While the Indian central bank's monetary policy has already pivoted to support GDP growth, the government's switch to debt-level tracking has made more space for fiscal expansion.

How can the adverse impact on the Indian economy be minimized? The pandemic shock of 2020-21 demonstrated the robustness and flexibility of our macroeconomic management. When the economy contracted sharply in 2020-21, fiscal and monetary policies were reset to contain the contraction. After the economy bounced back to high growth in 2021-22, riding on the base effect of the earlier contraction, fiscal policy was recalibrated to resume fiscal consolidation, while monetary policy was gradually re-focused on its principal mandate of containing inflation, which had gone well above the target.

At present, inflation is below the central bank's 4% target, at 3.3%. Monetary policy has already been switched to an accommodative stance to revive growth, which has been subdued. The Trump shock will further depress growth. Fiscal consolidation has also been exceeding its target and acquired more elbow room with the government's switch from the fiscal deficit to debt-to-GDP ratio as the principal monitoring target (S. Mundle & A. Sahu, *Economic & Political Weekly*, 19 April 2025).

Hence, fiscal and monetary policy can both pull in the same direction of reviving growth till the dust raised by the ongoing global turmoil settles.

These are the author's personal views

MINT CURATOR

Check the risks before trying to give the planet a sunscreen

Geo-engineering must be regulated and studied to avert accidents

FAYE D. FLAM
is a Bloomberg Opinion columnist covering science.

A geo-engineering project gone wrong may cause lasting damage. AFP

More than a dozen private companies around the world are looking to profit from extreme measures to combat global warming—filling the sky with sunlight-blocking particles, brightening clouds or changing the chemistry of the oceans. We live in precarious times when it's not hard to find the technology and money to change the Earth's climate. The problem is that nobody knows how to control the unintended consequences.

Some scientists who've studied and modelled the complexity of Earth's oceans and atmosphere say any 'geo-engineering' scheme big enough to affect the climate could put people at risk of dramatic changes in the weather, crop failures, damage to the ozone layer, international conflict and other irreversible problems.

Environmental lawyer David Bookbinder is more afraid of geo-engineering than he is of climate change. "The consequences of geo-engineering could happen a lot faster and with much less warning," he said. "And could provoke a really bad geopolitical crisis."

The world got an early warning about this Wild West situation in 2022 when a small startup called Make Sunsets caused a scandal by launching a small balloon-borne experiment over Mexico to spray sulphur dioxide into the atmosphere. Now, it's joined by richer, more serious players, including an Israel-based company called Stardust, which is researching a plan to dim the skies with a particle of undisclosed chemistry.

In theory, sulphur dioxide or similar chemicals can cool the planet by forming suspended particles of sulphuric acid that act to scatter sunlight. When I wrote about the Make Sunsets incident, the company's founder said he thought it could profit by selling carbon credits under the belief that its actions would offset emissions.

They won't. Such a particle release does nothing but mask the effect of the carbon build-up in the atmosphere. If those releases are abruptly stopped, the temperature could rise suddenly in what's been called "termination shock."

Bookbinder said that presidents, governors or even private individuals might be authorized to make such decisions. "Right now, anyone can... There are literally no rules." He warned that if a cooling scheme initiated in one country coincided with floods, droughts or crop failures in another, the affected country might retaliate without direct evidence that the geo-engineering caused the problem.

One justification for geo-engineering comes from the 2015 Paris Agreement, which included an imperative to keep warming below 1.5° Celsius. We've already surpassed that mark. Preventing us from reaching even more dangerous temperatures will require more than just stopping carbon emissions. We might need to find a way to pull carbon out of the atmosphere on a global scale.

That was the stated goal of California businessman Russ George back in 2012 when he released iron into the Pacific Ocean off the coast of British Columbia. The iron, in theory, would fertilize algae, which would absorb carbon. There was never any documented scientific evidence that it helped.

Now, several companies, such as Canadian startup Planetary Technologies and US startup Vesta, are beginning to dump chemicals into the oceans in an attempt to increase the pH level of the water. This should, in theory, trigger more carbon uptake from the atmosphere. Planetary Technologies has found a way to make money by selling carbon credits.

With for-profit organizations already releasing chemicals into the oceans, it's important for scientists with no financial stake in this industry to collect data, said geo-chemist Adam Subhas of the Woods Hole Oceanographic Institute. The American Geophysical Union believes monetary gains should not be prioritized in small-scale research either.

There's a catch, according to Stanford's Jacobson. Small-scale experiments won't detect damage that might ensue if the projects were scaled up enough to actually affect global warming. In his view, we aren't coming close to realizing the world's potential to switch our energy needs to renewable resources. He convincingly argues that it makes no sense to resort to exotic and dangerous solutions when we haven't fully exploited what we know is safe and clean.

Right now, some of these companies have sunk millions of dollars in investor money, giving them incentives to convince the public and politicians that their particular brand of geo-engineering is necessary to save the world. What we need instead is more scientific data and some rules to protect us all from rash decisions and their unintended consequences. ©BLOOMBERG

MY VIEW | PEN DRIVE

Why marketers and brand builders should read Llosa

SHUBRANSHU SINGH

is chief marketing officer, commercial vehicles, Tata Motors

Mario Vargas Llosa, an aristocrat of Spanish ancestry, was sent to Lima's military academy to sweat the love of literature out of him. Instead, the experience gave us his first novel, *The Time of the Hero*. Among the greatest literary figures of our times, the Peruvian novelist and liberal died on 13 April, aged 89. I was introduced to his work in 2001 whilst I lived in Aliso Viejo in Southern California and have read much of his work since then.

Llosa's pen charted the psychological, political and social transformations of Latin America with a rare combination of intellectual rigour and narrative brilliance, but his legacy goes beyond the obvious. He offered more than storytelling. His imagination was like an SOS. As Roger Scruton said, "Consolation from imaginary things is not an imaginary consolation."

What made Llosa's voice unique was his fearless engagement with power in all facets—its seductions, hypocrisies and consequences. He dissected dictatorships and democracies alike, drawing from the political chaos of Latin America not just to critique, but to understand. His lessons were applicable to all mankind.

Llosa's 2010 Nobel Prize was not just in recognition of literary merit, but also of a lifetime spent confronting uncomfortable truths. Whether writing about the terrifying charisma of strongmen or the quiet resilience of individuals, Llosa fused journalism, fiction and philosophy with rare precision. He evolved from a youthful revolutionary sympathizer to a staunch defender of liberal democracy. It is this ideological evolution that drove Llosa and his friend Gabriel Garcia Márquez apart. 'Gabo' stayed with the revolutionary left in Castro's Cuba, while Llosa joined the Western liberal mainstream.

To Llosa, a writer's role is not to please, but to provoke, challenge and awaken. My professional career has gained from Llosa's example. Marketers can learn a great deal from Llosa—not just about storytelling, but about the power of narrative to shape perception, culture and identity.

Stories are not just entertainment; they are how people make sense of the world. For marketers, this translates into a crucial lesson: facts may inform, but stories persuade. Llosa didn't sell plots and characters, but entire worlds. Brands, too, must create immersive and believable narratives that tap emotions and aspirations.

Another key lesson is complexity. Llosa never flattened characters into caricatures, even in depictions of despots or revolutionaries. He showed that human beings are self-contradictory, complex and driven by competing desires.

Great marketing embraces this nuance. Instead of reducing consumers to mere stereotypes, demographics or personas, marketers who take a Llosa-like approach look for inner tensions—between status and simplicity, tradition and progress, freedom and belonging—that make people care.

Authenticity emerges from acknowledging and resolving complexity, not avoiding it. Llosa teaches that credibility comes not from rigid positioning, but from clarity and the courage of conviction in principles. Marketers can take a cue from his intellectual honesty: speak with conviction, adapt with humility and always root communication in a deeper understanding of the historical, cultural and emotional context.

Finally, attention is earned, not granted. His viscous prose demands engagement; it's rich, ambitious and unapologetically intelligent. It reminds me of Nirad C. Chaudhuri.

Marketing that respects the audience's intelligence—by telling deeper stories, refusing to oversimplify and inviting interpretation rather than dictating it—builds loyalty and trust. Brands that eventually win are not the loudest, but the ones that say something worth remembering.

QUICK READ

Instead of reducing consumers to stereotypes, marketers should look for inner tensions that make people care: between status and simplicity, tradition and progress and freedom and belonging.

Brands that win are not the loudest but the ones that say something worth remembering. Llosa's work remains relevant for championing the value of truth, freedom and critical thinking.

Llosa is more relevant than ever in today's polarized world because he championed the enduring value of truth, freedom and critical thinking. His novels dissected the dangers of authoritarianism, fanaticism and blind ideology—forces that are resurgent globally. Llosa believed in literature's power to illuminate complexity and challenge complacency.

His intellectual journey underscores the importance of evolving convictions through reason. In an age that often rewards outrage over nuance, Llosa's life and work remind us that real engagement with politics, people and art requires courage, curiosity and moral clarity. He was a chronicler of history, a critic of complacency and a craftsman of language whose influence spanned the globe. In honouring Llosa, we honour the enduring power of literature to shape our conscience. Only a handful of businesses and brands can claim that for themselves.

In homage to a man of letters, let me offer an epitaph: "Here lies Mario Vargas Llosa, a titan of literature whose pen carved truth into fiction and gave voice to the soul of Latin America. Nobel laureate, fearless critic and eternal storyteller, he challenged power and celebrated freedom. His words live on—bold, brilliant and unyielding—etched in the hearts of readers across generations. A life of letters, never forgotten."

Llosa is dead but his ideas will live forever.