## The best way forward for India's trade policy amid Trump's tariffs

New Delhi must not get provoked and should continue focusing on its strategic priorities that will outlast the US president



is chairman, Centre for Development Studies

merica's punitive tariff has kicked in. It is now time to take a step back and calmly consider India's best way forward in dealing with Donald Trump's America, keeping in view the fact that Indo-US economic and geopolitical partnerships long precede the current US president and will continue after him.

On the immediate issue of US tariffs, setting aside exempted items, about 70% of Indian exports to the US will be impacted by the 50% tariff rate. That works out to about 7.4% of total Indian exports and less than 1.6% of India's GDP. Estimates suggest that the adverse impact on India's GDP growth would be to the tune of 0.5% or less. In other words, the macroeconomic impact of the 50% tariff will be quite limited. The problem is that its impact is concentrated on a few employmentintensive export sectors, like textiles and apparel, gems and jewellery, and agricultural and marine products, especially shrimp. To avoid bankruptcies and worker layoffs in these sectors, the government must immediately launch special assistance packages for affected enterprises. Of course, there will be winners as well as losers. The Indian consumers will benefit from the lower prices of affected products in the domestic market: cheaper jeans, jewellery, shrimp, etc. They would similarly enjoy lower prices if India lowered its import tariffs under US pressure. Conversely, if India retaliates with steep tariff hikes on US imports into India, it will expose Indian consumers to higher prices while extending even higher protection to local producers already protected by high tariffs.

On the US side, US consumers will be paying higher prices, since tariffs have been hiked for all countries, if not as much as for India. Prices would be higher even for import-substituted products because high-cost domestic US production will survive only thanks to drastically-raised tariffs. US inflation will rise and the adverse income effect of higher prices on aggregate demand will lead to a reduction in domestic production, adjusted for import substitution. There is a high probability of the US economy suffering stagflation—high inflation and negative growth.

Returning to India's options, beyond a special relief package for the worst-affected sectors, India's response should be embedded in a broader revision of its trade policy to adapt to the upended global trading system. The huge size of the US economy, accounting for over a quarter of global GDP, has emboldened Trump to indulge in disruptive policies. However, the US accounts for only about 11% of  $global\,trade.\,If\,all\,other\,members\,of\,the\,World$ Trade Organization (WTO) continue trading with one another in full compliance with WTO rules, 90% of global trade could continue as before—more so if countries diversify their trade away from the US, as is already happening. But this cannot go beyond a point because of strategic geo-political



**OUICK READ** 

India should retain its focus

on strategic priorities and not

get provoked into knee-jerk

responses to 1 rump's tariffs. We

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than many developed countries.

Beyond a relief package for

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reform our trade policy, with

membership of regional trade

groups one aspect of it, and raise

the productivity of our workers.

considerations. Instead, trade will mostly continue to be increasingly channelized through regional free trade arrangements like the Regional Comprehensive Economic Partnership (RCEP) or the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). India needs to become part of at least one of these as a top priority in trade policy reform, while simultaneously pursuing free trade agreements (FTAs) with the UK, EU, Qatar and others. This will require a significant reduction in

India's high tariffs, which should be its second trade policy priority. Maintaining high protectionist tariffs at the cost of consumers and exporters will severely hurt India's economy in the present global environment. Eventually, tnat will translate to a nigh cost in domestic politics. Third, much must be done to strengthen India's trade competitiveness. The government's focus on infrastructure and logistics is welcome. But it also needs to significantly lower the compliance burden of doing business and nudge enterprises-public and private-to invest in cutting-

edge technologies. Finally, it should work to rapidly improve the very low skill profile and low productivity of the average Indian worker.

In the broader geopolitical domain, Trump's quixotic behaviour goes with a clear recognition of power. He is tip-toeing around Russia and China, which he clearly respects, perhaps because they could incinerate US cities if he provokes them to war. But he is concerned about a potential threat from Brics. He has hit the other two major Brics

economies, Brazil and India, hard because they lack such strike capacity or a monopoly over strategic goods like rare earth magnets and rare minerals. He shows scant respect for G-7 allies because they depend on the US umbrella for their security. Most of them have been grovelling, but some have stood up to his bullying. India has no such dependence and can pursue its policy of strategic autonomy. It needs to strengthen strategic cooperation with the US in the Indo-Pacific and needs US investments

and cutting-edge technologies. It should work towards these goals, ignoring Trump's provocations. Russia and China have reached out and will seek to strengthen ties at the forthcoming SCO summit, with Russia helping to improve india-China relations.

While welcoming such initiatives, especially if a reset in ties with China helps secure supplies of special magnets and rare earths, India must stay vigilant. Russia is a reliable friend, as seen during its intervention to block the 7th fleet when former US president Richard Nixon deployed it to threaten India

in the 1971 war. It is also a reliable supplier of defence equipment and oil. China, though, uses every opportunity to keep India down and has increasingly encircled us, not just through its partnership and defence alliance with Pakistan—as seen in the recent India-Pakistan war-but its economic and strategic cooperation with all our other neighbours: Nepal, Bangladesh, Myanmar, Sri Lanka and the Maldives.

These are the author's personal views.

#### MINT CURATOR

## We need more dads than duds to fix the global baby shortage

Claudia Goldin argues that fertility depends on dependable dads



is a Bloomberg Opinion columnist covering

eak population is coming for all of us. Sensible measures can respond to the strains imposed by smaller families, but cultural norms matter as much as policy outcomes. While Federal Reserve Chair Jerome Powell was undoubtedly the main attraction at Jackson Hole, there were other weighty issues on the table. The role of men and societal values in declining fertility was among them. Nobel laureate Claudia Goldin told the Fed's conference that it's important not to overlook tradition when explaining low fertility, and when governments canvas ways to revive it.

There are reasons to pay attention. In most of the world, birth rates are dwindling. In developed countries and some major emerging markets, the total fertility rate, roughly defined as the number of children a woman will bear in her lifetime, has slipped below 2.1. That's generally recognized as the level required for a population to replenish itself. South Korea, Japan and China get headlines, though many UN members are below this marker.

There are implications for prices, budgets, safety nets and GDP. Those already born are living longer, while the state has limited scope to raise fertility. Incentives for couples haven't produced sizeable gains. Singapore had hoped for an increase last year, but its TFR remained just below 1. Ultimately, couples make their own decisions. Those choices will certainly be influenced by the cost of bringing up children. But the priorities of would-be parents and individuals who might forgo families for an array of reasons matter too.

Fathers are an important part of the puzzle, according to Goldin's paper. Yes, compared with a couple of generations ago, women nave far more choice and vastly better access to education. They aren't forgoing the professional aspirations they have worked so hard for. But that alone doesn't explain fewer kids. The desires of males and females have become mismatched, according to Goldin. Men benefit more from upholding traditions than women; when chances are slim that men will ditch such conventions, women will be inclined to skip or postpone motherhood.

Women need to be assured they can reap the rewards of having a career and raising children. "The more men can credibly signal that they will be dependable 'dads' and not disappointing 'duds,' the higher will be the birth rate," Goldin wrote. "Therefore, even though the major factor in the decline of fertility is increased women's agency, the real downside or obstacle is the need for husbands and



Women may postpone or skip having kids if it hampers their agency.

fathers to reliably demonstrate their com-

The challenge may be more pronounced in emerging markets. Swift industrialization coupled with healthcare and educational advances made East Asia, for example, prosperous. Socio-cultural norms haven't evolved as quickly. Births out of wedlock in Korea, which has the lowest TFR in the world, are frowned upon. Single mothers are considered taboo in Japan. In Malaysia, which is on track to morph into an aged society, unwed mothers are stigmatized-and sometimes even flogged. Prospective buyers of Singapore's Housing & Development Board flats must typically be married (or engaged), or be at least 35.

"If the countries that had rapid advances in economic development maintained various marriage and conjugal traditions... the fraction of childless women would increase with fertility declines," Goldin said. "The rationale is if the age at marriage increases with economic development as women seek more education and employment opportunities, but [it] is difficult or impossible to have a child outside marriage, then childlessness will increase.'

The ageing society, a byproduct of retreating fertility, presents many challenges. AI can do some lifting and there is clearly a role for immigration. But this can be delicate. Bank of Japan Governor Kazuo Ueda, who is counting on a labour shortage to put deflation behind the country, acknowledged the role played by foreign workers even as politics around it can be combustible. While they made up just 3% of Japan's workforce, they accounted for more than half its growth from 2023 to 2024.

Diminishing fertility doesn't have many cheerleaders, certainly compared with the 1970s, when constraints on population growth were seen as a good thing. Now, the chatter is about a bust. Chad Jones of Stanford Graduate School of Business worries about unintended consequences of population decline: Stagnating living standards and a dearth of research and ideas among them. The world's headcount will peak at around 10.3 billion in the 2080s, based on UN projections, and then start to head down. Government incentives and rules are unlikely to profoundly alter the trajectory. The real work may be to take a good hard look at ourselves. **©BLOOMBERG** 

MY VIEW | PEN DRIVE

# A final boarding call for our demographic dividend

### TULSI JAYAKUMAR



is professor of economics and policy and executive director, Centre for Family Business & Entrepreneurship at Bhavan's SPJIMR.

he flight from Mumbai to Bangkok was not what I expected. For one, it was an IndiGo flight—technically an international leg, but it felt like a Mumbaito-Delhi hop. Same cabin crew uniforms, same boarding announcements, same scramble for overhead cabinet space. For another, the cabin was overwhelmingly Indian—and I don't mean 'slightly more. The ratio was highly skewed.

Most of my fellow passengers were clearly salesmen-first-time-abroad enthusiasm radiating from every seat. The signs were unmistakable: company-logo backpacks, reels playing at full volume because "who needs Bluetooth," and the call-button for the cabin crew being pressed with the confidence of someone ordering room service. Laughter erupted in generous bursts, often at jokes that would never pass HR training. It was a boys' outing with just enough corporate sponsorship to ensure that their WhatsApp group would later be flooded with photos captioned 'Living the Dream.' It's not the first time I've been on a flight

abroad where the Indian presence is impos sible to miss. It's just that these days, the scale of it feels... different. And perhaps it's no coincidence

Last year, the UN officially crowned India the world's most populous country. We edged past China—and in doing so, we also edged past something else: the luxury of anonymity. We are over 1.4 billion strong. Which means that wherever we go, we no longer just 'show up.' We arrive.

It wasn't always this way. A couple of decades ago, spotting a fellow Indian on a foreign holiday was a minor thrill. We'd exchange polite nods, maybe a sotto voce "Which city are you from?" before melting back into our separate itineraries. But somewhere between low-cost airfares, visa-onarrival schemes and the relentless grind of aspirational advertising, the Indian traveller has multiplied-not just in number but in confidence, volume and visibility.

Now, we don't just form part of the crowd. We are the crowd. On the ski lifts of Switzerland, in the queue for the Colosseum, at the night markets of Bangkok—there we are, selfie sticks at the ready, haggling for fridge memento magnets with the same zeal we reserve for buying saris in Chandni Chowk.

remember watching the snowy mountains dotted with women in colourful saris, their chiffon *pallu* flying dramatically in the Alpine wind, each trying a personal Yash Chopra fantasy sequence. In the middle of this cinematic tableau, a man nearby declared loudly, with unmistakable pride: "Switzerland ka India!" It was meant as a compliment, but also summed up the demo-

visiting Switzerland; we were annexing it, one Bollywood pose at a time.

A sudden escalation in our global presence has shifted perceptions. We are no longer the 'exotic other.' We are a demographic superpower, a walking pie-chart slice that represents one-sixth of humanity. That's a lot of responsibility to carry in a cabin bag. The trouble is, we don't

On one trip to Jungfrau in Switzerland, I

graphic shift. We weren't **QUICK READ** 

India's status as the world's top demographic superpower has spelt a loss of anonymity that calls upon us to carry far greater responsibility on trips abroad than we can pack in a cabin bag. Our statistical heft magnifies both our charm and missteps. The challenge our globe-trotters

face is to ensure that the world

sees Indians as explorers, not

invaders; guests, not conquerors.

Take volume control. In most cultures, a group conversation in public space stays within a polite decibel range. For us, public decibels are like GDP growth—the higher, the better. Whether it's narrating a shopping bargain or debating the price of a Thai massage, our voices travel farther than our passports. And in a crowded aircraft cabin, that can mean the entire plane learns of a struggle for a good roaming data plan.

Then there's our complicated relationship with queues. Queuing, for many of us,

is not an orderly arrangement of human bodies, but a competitive sport. We're not rude; we're simply trained to spot and exploit gaps in the formation. A security check in Singapore or boarding gate in Madrid is merely a new arena for this skill set.

And, of course, the food question. The Indian instinct to inquire about "veg options" has gone global. Airline catering managers across

continents can identify us by the urgency with which we ask, "But no onion, no garlic, right?" In many ways, it's admirable: we travel with our values intact. But to the uninitiated, it sometimes comes across as mystifying—as if we've been despatched from a planet where diets are treaty-bound.

Yet here's the paradox: much of what makes us noticeable abroad—our group energy, curiosity, willingness to engageare assets, not liabilities. The problem is one of calibration. When a nation of 1.4 billion plus travels, the margin for error shrinks. If one Indian is rude to a shopkeeper in Milan or leaves a mess in a Bali hotel room, it's not "that tourist" who's remembered—it's "Indians." Our statistical heft magnifies both our charm and missteps. We need to recognize that just as a whisper can carry in a small room, our collective presence carries in a global setting.

The challenge our globe-trotters face is to ensure that the world sees us as explorers, not invaders: guests, not conquerors. Because now that we are the most populous country, the world's impressions of us will form far more quickly—and permanently.

We have arrived. But can we also belong? These are the author's personal views.