

The Trump Presidency and Future of Indo-U.S. Relations

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Abstract

The election of Donald Trump as the President of the United States of America came as a surprise to many around the world, none least of those watching in India. Taking into account high levels of expected uncertainty in what we have seen of Mr Trump and his team, India's true focus must remain in designing and implementing a clear, internally-based strategy in a transparent and inclusive manner to promote open and fair trade, addressing climate change, and boost cooperation bilaterally, regionally, and multilaterally.

The views and guidance provided in this Working Paper were prepared internally at CUTS International with inputs from external collaborators. As the Trump Presidency develops, key geo-economic and geo-political issues between the U.S. and India may evolve and aspects of this Working Paper could be modified.

The world is witnessing unprecedented shifts in domestic political alignments; from Myanmar and the Philippines in the east to Turkey and the UK in the west and beyond. None more so dramatic was the 2016 election of Donald Trump as the President of the United States of America. The rise of anti-globalisation, anti-free trade, and nationalism in many parts of the global has left many in India's public policy and business circles anxious over what may become of the Indo-U.S. relation under a Trump Presidency.

Over the past several decades, the U.S. and India have pursued a strategic partnership linked by shared values, democratic principles, and geopolitical interest in Asia and the world. It is these connections, as well as India's economic liberalisation in the 1990s, that led bilateral trade to increase five-fold in the past decade and foreign direct investment (FDI) to India near US\$30bn.

Despite this significant progress, India and the U.S. still have a long way to go to reach their desired goals of enhanced bilateral relation in strategic spheres. In 2015, imports from the U.S. were US\$21.4bn while India's exports to the U.S., which totalled about US\$40bn in 2015, stood at less than two per cent of total goods that enter the U.S.

In this respect, it is important to note that the Indian diaspora in the U.S. play a significant role in business, information technology, cultural and educational exchange. There are more than 40 different dialogues and working groups coordinating closer strategic and commercial ties.

Throughout the Bush administration, common concerns over China and terrorism brought the two nations closer, which continued under Mr Obama's Presidency in tackling climate change.

The defence relationship in particular has steadily grown over several administrations.

Starting in 1998, when India conducted its second nuclear test, their geopolitical relationship has evolved. Within ten years of conducting that test, the Indo-U.S. civil nuclear agreement was signed, which Vice President Pence voted for. In a more recent significant advancement in their partnership, India was designated by the U.S. Congress as a "[major defence partner](#)"² to facilitate defence trade and technology sharing between the two countries.

In the past two years the relationship has moved even closer under the leadership of President Obama and Prime Minister Modi, promoting a clear practice of cooperation. The momentum sustained over numerous U.S. presidencies may carry the Trump administration in the same positive direction, including in trade, business ties, tourism, counter-terrorism, and defence cooperation. Critically, there is obvious bipartisan support for this growing partnership with India in the U.S. Congress.

Still, little can be verified and the feeling of uncertainty seems to be the only common thread for India facing a Trump Presidency. This coupled with the evidence of Mr Trump's lack of demonstrated policy knowledge, [personalisation of decision-making](#),³ and [contradictory positions](#) within his administration⁴ will likely pose challenges for Delhi's foreign policy apparatus in key geo-economic and geo-political areas.

For those Indian policymakers, negotiators and diplomats wondering what to do with such uncertainty and destructive anti-globalisation emanating from the U.S., let us be clear that President Trump must be taken seriously for

² Sumit Ganguly, 'Reaching The Milestone', *The Indian Express*, December 29, 2016

³ Dani Rodrik, 'Trump's Defective Industrial Policy', *Project Syndicate*, January 10, 2017

⁴ Finer, Jon, 'Trump Has No Foreign Policy', *Politico*, 18 February 2017

his extraordinary ‘[transactionalist](#)’⁵ and [zero-sum worldview](#)⁶ that is expected to guide his administration. Nevertheless, India has an opportunity to expand and deepen its trade relations, uplift its domestic capacity, tackle climate change, and become a leading actor in the Asia-Pacific region.

Given the limited predictability coupled with the challenging transactionalist approach, it is clear for India and her diverse 1.2 billion people that its policy must be foremost guided by internally-based strategy grounded in the development and economic needs of its citizens – employment generation, market access through expanding trade, education, health, and technology – and protecting the rules-based global and regional system India has helped construct.

This grounded strategy will provide the necessary and beneficial policy predictability, something which is likely to be challenged by Mr Trump and other factors. The foundation of such a strategy is already in place on certain issues in India’s [Foreign Trade Policy 2015-2020](#),⁷ [climate change commitments](#),⁸ and ‘Make in India’ initiative, among others.

[Prime Minister Modi noted](#) that “globalisation needs new inheritors who can help promote the projects, regimes and norms of the 20th century”;⁹ a call for India to play a greater role in regional and global affairs. Ultimately this role will have to be taken up and forward by those situated in the New Delhi bureaucracy and its missions abroad, with critical inputs

⁵ Kahl, Colin and Hal Brands, ‘Trump’s Grand Strategic Train Wreck’, *Foreign Policy Magazine*, January 31, 2017

⁶ Wright, Thomas, ‘Trump’s 19th Century Foreign Policy’, *Politico*, January 20, 2016

⁷ ‘National Foreign Trade Policy 2016-2020’, Government of India, Ministry of Commerce and Industry, Department of Commerce

⁸ ‘India’s Intended Nationally Determined Contribution: Working Towards Climate Justice’, *UNFCCC*

⁹ Saran, Samir, ‘Globalism, radicalism, populism on Raisina Hill’, *Overseas Research Foundation*, February 16, 2017

from civil society, business community, and other experts. This process must be transparent and strategy made available to the public.

Importantly, there must be cooperative integration of government ministries to design and implement a clear strategy. Civil society can assist and support in this effort as well.

What to expect from a Trump Presidency

From overall observations, we expect relations to remain constant for some time. A Trump Presidency will have less of a direct impact on India, barring a few specific areas like movement of Indian professionals to the U.S. or impediments to FDI to India. Although no less important, more impact may be indirect in terms of trade, climate change, and security that Indian decision-makers should be aware of.

Importantly, relations may be dictated mostly by business considerations and less of shared values or cultural connections.¹⁰ Analysing the new administration based on established Republican Party ideals is not recommended. The administration will be guided strictly on the unique decision-making style of Mr Trump and his Cabinet appointments.

If you look at Mr Trump’s ‘deal-making’, he often exaggerates his position, making outrageous statements to surprise his opponent, and then proceeds to make a moderated offer that would be more palatable, although ultimately ending where he intended all along. His Commerce Secretary, Wilbur Ross, said as much at his Senate confirmation hearing that preconditioning negotiations with threats is a good tactic.¹¹ Expect Mr Trump to make many fantastical and even [fabricated](#)

¹⁰ Mr Trump is known to not have an ideology *per se*, but rather guided more by self-interest

¹¹ Broughton, Philip Delves, ‘The art of restructuring comes to the seat of power’, *The Financial Times*, January 21, 2017

[comments](#),¹² especially in [social media](#),¹³ as a distraction; creating uncertainties to his advantage and making it harder to find a winning scenario for India.

Furthermore, he has been known to say, often in a hyperbolic fashion, whatever he thinks his audience wishes to hear. Take his [phone call](#) with Pakistan's Prime Minister Nawaz Sharif where Mr Trump emphatically praises Pakistan.¹⁴ This should be seen as crude deal-making rather than his true opinion.

Thus, reactions by India's policy-makers should be tempered and remain steadfast in its grounded policy positions that cannot be undermined by seemingly irrational posturing by a Trump-led government. Indeed, Mr Trump gave India much rhetorical praise, saying it is "[doing great](#)",¹⁵ and [shown affinity](#) for Prime Minister Modi;¹⁶ thus giving negotiators some initial space to manoeuvre.

While Mr Trump's foreign policy is known as '[America First](#)',¹⁷ do not be misguided that the U.S. under Mr Trump will become isolationist from the global stage considering his proposal to boost defence spending by US\$100bn and his threats of engagement in the Middle East.

Nevertheless, his transactionalist worldview may drastically narrow U.S. policy based predominantly on interest rather than values. While previous U.S. administrations certainly

had their own interest in mind, as most nations do, the level of cordial win-win partnership with India based on shared values is expected to diminish under a Trump Presidency; making negotiations more challenging. This scenario may require India to become less reliant on U.S. leadership; forcing more self-sufficiency in some areas while working closer with regional partners on other appropriate issues.

Considering the decision-making process in the U.S. executive branch, where Secretaries and their departments craft limited options for the President, it will be crucial to monitor and build relations with Mr Trump's appointments, particularly since [not all Cabinet members](#) share Mr Trump's views.¹⁸ The relationship between Mr Trump and Mr Modi will also be critical as both heads of government share a centralised approach to decision-making.

However, we can infer thus far from the majority 'outsider', business-oriented, China-critical crowd filling the administration that Mr Trump has surrounded himself with loyalist who should generally follow his directions, if not get [side-lined](#).¹⁹

With regard to the many players in Mr Trump's administration, India will have to wait and see how the dynamics evolve. For instance on trade, many expect Commerce Secretary Ross to head trade strategy with Mr Navarro, Lighthizer, Greenblatt, and Mnuchin playing important roles; however the hierarchy is unclear. While linked in their anti-China views, there will undoubtedly be varying voices competing for Mr Trump's attention. This is similar to what we saw in the 2016 campaign where Mr Trump [played his staff against each other](#) and created rivalries.²⁰

¹² Rabin-Havt, Ari, 'Trump's outrageous lies come straight from big businesses' playbook', *The Washington Post*, December 16, 2016; David A. Graham, 'The Many Scandals of Donald Trump: A Cheat Sheet', *The Atlantic*, November 22, 2016

¹³ The Editorial Board, 'Truth and Lies in the Age of Trump', *The New York Times*, December 10, 2016

¹⁴ Friedman, Uri, 'Lessons From Trump's 'Fantastic' Phone Call to Pakistan', *The Atlantic*, December 02, 2016

¹⁵ Malhotra, Aditi, 'What Donald Trump Thinks About India', *The Wall Street Journal*, 27 January 2017

¹⁶ Rajghatta, Chidanand, 'Trump says India is a 'true friend', invites Modi to US', *The Times of India*, 26 January 2017

¹⁷ The White House – America First Foreign Policy, *Whitehouse.gov*

¹⁸ Steinhauer, Jennifer, 'Latest to Disagree With Donald Trump: His Cabinet Nominees', *The New York Times*, January 12, 2017

¹⁹ Miller, Aaron David and Richard Sokolsky, 'Rex Tillerson Is Already Underwater', *Politico*, February 22 2017

²⁰ Karni, Annie, 'Trump's risky approach to the West Wing', *Politico*, January 10, 2017

The Trump Administration

Office	Designee	Former Position
Secretary of State	Rex Tillerson*	ExxonMobil Chairman and Chief Executive Officer
Secretary of the Treasury	Steven Mnuchin*	Banker, Partner at Goldman Sachs
Secretary of Commerce	Wilbur Ross*	Banker, Investor
Secretary of Defence	James Mattis*	Retired Marine Corps General, former Head of Central Command
Secretary of Homeland Security	John Kelly*	Retired Marine Corps General
Secretary of Energy	Rick Perry*	Governor of Texas
Secretary of Labour	Alexander Acosta	Dean, Florida International University College of Law
Secretary of the Interior	Ryan Zinke*	Congressman from Montana
Secretary of Agriculture	Sonny Perdue	Governor of Georgia
Secretary of Transportation	Elaine Chao*	Deputy Secretary of Transportation and Secretary of Labour
Secretary of Education	Betsy DeVos*	Businesswomen, private schools activist
Secretary of Health and Human Services	Tom Price*	Congressman from Georgia
Secretary of Housing and Urban Development	Ben Carson*	Neurosurgeon
UN Ambassador	Nikki Haley*	Governor of South Carolina
Attorney General	Jeff Sessions*	Senator from Alabama
CIA Director	Mike Pompeo*	Congressman from Kansas
United States Trade Representative	Robert Lighthizer	Deputy Trade Representative
Environmental Protection Agency	Scott Pruitt*	Oklahoma Attorney General
Small Business Administration	Linda McMahon*	World Wrestling Entertainment, Inc Executive

White House Appointments

White House National Trade Council, Head	Peter Navarro	Professor of Economics and Public Policy, University of California, Irvine
National Economic Council, Head	Gary Cohn	President and Chief Operating Officer of Goldman Sachs
Special Representative for International Negotiations	Jason Greenblatt	Chief Legal Officer to The Trump Organisation
National Security Advisor	H.R. McMaster	Army Lieutenant General
Chief of Staff	Reince Priebus	Head of Republican National Committee
Chief Strategist and Senior Counselor	Steve Bannon	Businessman, Media Executive (Breitbart)

* Confirmed by Senate as of March 20, 2017

Geo-economics

Trade

As pointed out by Gary Hufbauer of the Peterson Institute for International Economics,²² the U.S. President has [considerable authority](#) to decide trade policy, including revoking trade agreements and [levying tariffs on imports](#),²³ without interference from Congress or the courts. Thus, unilateral threats on trade decisions should be taken seriously. While American institutions and [systems of checks](#)²⁴ may moderate some of the Trump administration's impulses, such controls will predominantly be geared toward domestic policy. As it pertains to India and foreign relations, the President and executive branch are far less inhibited.

Considering the U.S. is India's top export destination, with about [a US\\$19bn positive trade balance in 2016](#),²⁵ if the U.S. becomes neo-protectionist or increases tariffs broadly, this will obviously damage India's economy as exports are already sluggish. Mr Trump will likely focus his attention first on countries the U.S. has significant trade deficit (see chart below). However, India is clearly on the radar of certain administration trade officials.²⁶

²² Hufbauer, Gary Clyde, 'Don't Underestimate What Trump Could Do', *Peterson Institute for International Economics*, September 19, 2016

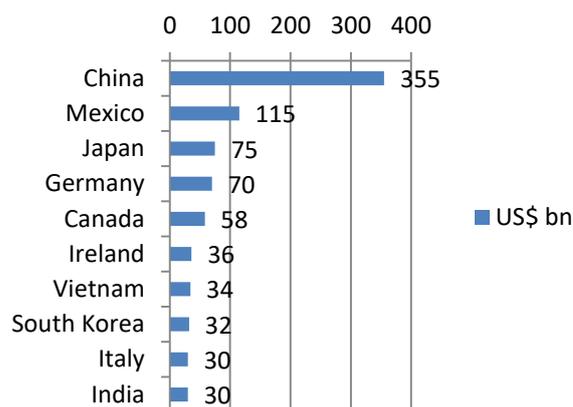
²³ Parthasarthy, Raghavan, 'Trump's tariff walls could hurt India', *The Hindu Business Line*, December 11, 2016.

²⁴ Levitsky, Steven and Daniel Ziblatt, 'Is Donald Trump A Threat To Democracy?', *The New York Times*, December 16, 2016

²⁵ Trade in Goods with India: 2016, United States Census Bureau, U.S. Department of Commerce.

²⁶ Peter Navarro has pointed out India's "notoriously high tariffs", although debatable. Mr Navarro also stresses that the administration will try for significantly increase Rules of Origin provisions in all bilateral agreements. Sirohi, Seema 'Peter Navarro: Most dangerous man for the global economic order', *The Economic Times, Blogs*, March 15, 2017.

U.S. Top Deficit 2016



Source: U.S. Census Bureau

Few specifics are available on the U.S. trade strategy. The recent [President's Trade Policy Agenda](#) seems to confirm the administration's transactionalist approach it will take in bilateral negotiations.²⁷ Also, given the number of Cabinet appointments and advisers who are deemed as "China hawks" (some even believing the U.S. is already in a [trade war](#)²⁸) it is quite certain that China will be the first and predominant focus for the administration.

Mr Trump stated that he will increase tariffs on goods from China and Mexico. His statements threaten a 45 per cent across-the-board levy on Chinese goods and 35 per cent on Mexican. If Mr Trump does not unilaterally set a tariff on all imports, targeted sector tariffs are likely to be seen in key manufacturing that Mr Trump feels have lost U.S. jobs, such as machinery, auto parts, electronics, and possibly textiles.

However, more likely (or optimistically), his administration will end up using anti-dumping measures to restrict select Chinese goods from entering the U.S., as the U.S. has done with varying success on [tyres](#)²⁹ and [steel](#).³⁰ Also,

²⁷ 'The President's 2017 Trade Policy Agenda', *USTR*, 2017

²⁸ Appelbaum, Binyamin, 'Trump Taps Peter Navarro, Vocal Critic Of China, For New Trade Post', *The New York Times*, December 21, 2016

²⁹ Lee, Don, 'Limited success of Chinese tire tariffs shows why Donald Trump's trade prescription may not work', *Los Angeles Times*, July 24, 2016

many U.S. manufacturers still need imported raw materials and components, which would be harmed by broad tariffs.

Furthermore, consumers would bear the cost of such tariff hikes and the planned increase in wages once jobs apparently move back to the U.S. is not a safe bet to balance off higher consumer prices. Reality may restrain this particular populist position given that the U.S.-China bilateral trade is around US\$500bn, the large investments of U.S. firms in China, and China's significant holdings of over US\$1tn in U.S. treasury bonds.

All this shows that attacks on Chinese trade are short-sighted and manufacturing would simply move to other low-income countries in the region like Vietnam or Bangladesh.

Importantly, India also has an export surplus with the U.S. and thus may be a target at some later point. Many fear this approach to leveraging tariffs to bring back U.S. jobs and increase domestic consumption could lead to a trade war, which may be more politically damaging than [economically](#).³¹ Although, we'd expect the value of the US\$ to [strengthen](#),³² as it already has to a 14-year high since Mr Trump's election, and thus could have an equalising effect on U.S. production and consumption; however still damaging to investment with fluctuating capital flows.

However, economic confrontation between the U.S. and China is still a possibility considering such appointments as Wilbur Ross for Commerce Secretary, Peter Navarro as head of the new White House National Trade Council, and Carl Icahn as Special Adviser on Regulatory Issues. These men can be seen as strident

³⁰ Riley, Charles, 'U.S. hikes duties on Chinese steel to more than 500%', *CNN*, May 18, 2016

³¹ Krugman, Paul, 'The Mitt-Hawley Fallacy', *The New York Times*, March 04, 2016

³² Dayen, David, 'Trump Is Signaling a Trade War, but It's Not as Disastrous as You May Think', *The Nation*, January 05, 2017

economic nationalist and China hardliners. It is unclear how Mr Trump's pick of Terry Branstad for Ambassador to China will play out. Branstad is known as a long-time friend of President Xi Jinping, but whether his relationship will be used to ease tensions and improve relations or for strategic purposes in Mr Trump's planned confrontation with China will have to be watched closely.

Commerce Secretary Ross [stated](#)³³ that trade deals should include each side sharing effects on its own industries and jobs, that deals should be open to renegotiation after five years, and that concessions are made immediately rather than spread over a period of time - this approach may be difficult for India to deal with.

Moreover, if Mr Trump follows through with his plan to [punish American companies](#)³⁴ investing and moving jobs abroad, through a border tax and other measures, this may hamper India's 'Make in India' efforts to attract U.S. firms to invest. It is unclear at what level Mr Trump's personal business ties, as well as Secretary of State Rex Tillerson's connection to a [project in Bangalore](#),³⁵ will influence the administration's approach to India.

Less is known of Mr Trump's views on intellectual property rights, a major concern for India and its vital generics industry. Considering the likely business-oriented and 'America First' approach, with a focus on China, we can expect U.S. pharmaceutical firms to receive the President's full support in controlling patents and data, threatening access to medicines globally.

³³ McLannahan, Ben and Laura Noonan, 'Wilbur Ross tries to turn round US heartland', *Financial Times*, November 25, 2016

³⁴ Mike Dorning, Thomas Black, and Nacha Cattana, 'Trump's Threat Damps Companies' Plans to Move U.S. Jobs Abroad', *Bloomberg*, December 14, 2016

³⁵ Kasturi, Charu Sudan, 'India hopes rest on CEO's project - Trump choice for top diplomat is Delhi's buffer against President-elect's rhetoric', *The Telegraph, Calcutta*, December 14, 2016

Free Movement of Professionals

Restricting movement of Indian skilled labour (business and IT) to the U.S. was already threatened by the Consolidated Appropriations Act of 2016 that increased L-1 and H-1B visa fees for companies with more than 50 employees. Additional bills are being introduced in the U.S. Congress, for example the 'Protect and Grow American Jobs Act' and 'High-Skilled Integrity and Fairness Act of 2017' to raise the minimum salary of H1-B holders. India brought a [complaint](#)³⁶ to the WTO requesting for consultation on U.S. temporary work visas. The dispute is currently delayed.

The free movement of professionals from India to the U.S., which accounts for half of U.S. permanent work migration, has been a bilateral contention for some time. His 'America First' stance is [expected to restrict](#) H-1B visas by altering the programme to shorten durations, limit visas for spouses, reverse training programmes for Superior Technology, Engineering, And Mathematics (STEM) students, and suspend relief for those applying for green cards.³⁷

Despite a seemingly positive meeting by Foreign Secretary S. Jaishankar with Trump's Cabinet in early March, the administration [suspended a programme](#) that expedites high-skilled work visas, vital for the tech industry. Strengthening such threats further is Attorney General Jeff Sessions, a [long-time critic](#)³⁸ of the temporary work visa.

While this could impact [India's economy](#), including affecting employment and remittances³⁹ as well as hamper diplomatic ties

between the [two nations](#),⁴⁰ it could also impact the U.S. economy.

Indian IT companies pay around US\$22.5bn in taxes, contributed US\$6.6bn in Social Security between 2011-2015, and invested US\$2bn from 2011-2013. It also provides hundreds of thousands of U.S.-based jobs by empowering firms to innovate and be cost-effective, even as they attracts temporary Indian tech workers.⁴¹

More than 410,000 U.S. jobs, both direct and indirect, were supported by the Indian IT industry in 2015 through their U.S. operations spanning from the northeast to the west coast, including U.S. federal and state governments. Furthermore, the fees for H1-B and L-1 visas paid by Indian companies to the U.S. Treasury during 2011-2015 totalled US\$375mn and supplemented U.S. border security.⁴²

At the moment, India and its impacted industries must unequivocally show the administration and Congress that U.S. skilled and unskilled domestic labour, the kinds of jobs Mr Trump has called to return home, will not fill the gap if Indian professionals are blocked out of the U.S. labour market.

The Iran Nuclear Deal

If the Joint Comprehensive Plan of Action is altered or damaged, although it is a multilateral agreement and could survive without the U.S., the prospects for India-Iran cooperation may be complicated. The development of the Chabahar port, an Indian initiative, for trade with Russia and Central Asian countries through Iran (International North South Transportation Corridor) could face further difficulties, other

³⁶ ICTSD Bridges, 'India Files WTO Challenge Against US Visa Fee Increases', March 10, 2016

³⁷ Yglesias, Matthew and Dara Lind, 'Read leaked drafts of 4 White House executive orders on Muslim ban, end to DREAMer program, and more', *Vox*, 25 January 2017

³⁸ Varghese K. George, 'Sessions Promises Curbs on H-1b Visa', *The Hindu*, January 13, 2016

³⁹ From the U.S. to India was around US\$12bn in 2015

⁴⁰ Peri, Giovanni et. al., 'STEM workers, H1B Visas and Productivity in US Cities', *Journal of Labor Economics*, Vol. 33, No. S1, US High-Skilled Immigration in the Global Economy (Part 2, July 2015), pp. S225-S255

⁴¹ Jacob Funk Kirkegaard, 'The Economic Scope and Future of US-India Labor Migration Issues', *Peterson Institute for International Economics*, February 2015

⁴² 'Contributions of India's Tech Industry to the U.S. Economy', *NASSCOM*, 2015

than the [recent delays](#),⁴³ with fresh sanctions blocking foreign investment. However, Mr Trump's picks for Defence, CIA, and State confirm that the [U.S. should keep its word on the deal](#).⁴⁴

Regional and International Trade

It is well-known that Mr Trump and his Cabinet, including Mr Ross, oppose plurilateral trade agreements, such as the Trans-Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP), and North American Free Trade Agreement (NAFTA), preferring bilateral agreements, but their specific objections are not known – generic statements include that they are “bad deals for America” and “weaken our manufacturing base”.

Therefore, it is unclear what strategy Mr Trump has in mind for bilateral trade deals; will they be comprehensive, include strong intellectual property rules, investment, or labour or environmental provisions?

Considering that U.S. tariffs are already on average very low, areas of investment, non-tariff barriers, intellectual property, and ‘WTO-Plus’ issues are essentially what’s left to make a Free Trade Area (FTA) worth negotiating. Getting clarity on this strategy will be vital for India promoting an FTA with the US.

The demise of the TPP should not be read as a rejection of creating an ambitious trade deal with regional partners. It is likely that TPP members in Regional Comprehensive Economic Partnership (RCEP), for example Australia, Japan, South Korea, will promote TPP-level standards as already revealed in intellectual property and investment draft chapters, which

India should temper considering its development needs and capacity.

However, there is also strong global pressure to keep trade deals modest. This modesty may be tempting for India who was feeling threatened by the trade diversion and higher standards presented in the TPP. But it would not serve India domestically or drive export-led growth by concluding yet another low-ambition trade agreement that will likely result in poor utilisation and inadequate benefits.

Thus, it is indeed critical for India not to disregard the TPP standards and to continue to view the TPP as a challenge and opportunity for trade standards in whatever form it may resurface in the future. For India, this means not to disengage from the discourse on those high-level standards.

Of course, with TPP out of the picture India can be relieved from threats from Vietnam taking greater textile trade away from India. However, this should not make India’s industries complacent and should focus on moving these industries up the value chain in order to gain more from their export. India's recent accession to the Customs Convention on International Transport of Goods is a welcomed step toward efficient multi-modal movement of goods.

India can also take the opportunity to play a major and cooperative role in crafting an ambitious RCEP as this could place it in an important leadership position to contribute to a much larger FTA of the Asia-Pacific that is expected farther down the line.

With global trade set to expand slower than global GDP for the first time in 15 years and Asian exports only expected to grow at 0.3 per cent, Mr Trump’s inward-looking approach will only exacerbate the challenge for India. Thus, it will be critical for India to expand its trade connections to find new export opportunities while also deepening existing trade relations to remove regulatory barriers that continue to

⁴³ Chaudhury, Dipanjan Roy, ‘Iran, India trade charges on delay of Chabahar port’, *The Economic Times*, February 06, 2017

⁴⁴ Bobic, Igor, ‘Donald Trump’s Cabinet Nominees Disagree With Him on a Lot of Things. It May Not Matter’, *The HuffingtonPost*, January 13, 2017

hamper India's trade growth despite tariff reductions.

At the same time, as India expects slow export growth in the short-to-medium-term, it should simultaneously look to expand its domestic consumption capacity through targeted reforms, attracting foreign investment and encouraging greater domestic investment, effectively implementing the Goods and Services Tax, simplifying its Rules of Origin criteria, and infrastructure improvements for efficient transportation of goods and services.

At the multilateral level, presumably the U.S. will stay in the WTO but with limited interaction except when it sees the dispute settlement mechanism benefiting the country. However, concerning, it is clear from the President's Trade Policy Agenda that any WTO ruling which the Trump administration opposes may be ignored.⁴⁵ For India, being a strong proponent of multilateralism, this would be harmful to the promotion of the rules-based multilateral trading system.

Geo-politics

Mr Trump and his advisors are [less interested in regional or multilateral institutions](#)⁴⁶ unless they suit their immediate interest, rather than based on values. There is also likely to be little patience in the administration for sluggish multilateralism or diplomacy. During the election, Mr Trump often questioned institutions and alliances for their value. Based on his transactionalist worldview, Mr Trump will focus on getting the "best deal" which may include countries "[paying their fair share](#)".⁴⁷

⁴⁵ The President's 2017 Trade Policy Agenda', *USTR*, 2017

⁴⁶ Navarro, Peter and Wilbur Ross, 'Scoring the Trump Economic Plan: Trade, Regulatory, & Energy Policy Impacts', *Trump for President official campaign*, September 29, 2016

⁴⁷ Kottasova, Ivana and Sonam Vashi, 'Reality Check: Trump on NATO countries paying their fair share', *CNN*, July 27, 2016

With the potential withdrawal of U.S. engagement and even credibility in many traditional cooperative areas in Asia, starting with the dismantling of the TPP, China is the most probable regional power, which may intend to fill the gap in dictating trade rules and security relations in Asia. Indeed, in its 2017 white paper on "[China's Policies on Asia-Pacific Security Cooperation](#)",⁴⁸ China provides an extensive vision for regional cooperation which could be used to set the agenda in Asia-Pacific.

Regarding China's relation with India, the paper states that "China is committed to deepening its comprehensive strategic partnership of coordination with Russia and establishing a closer partnership with India". China seems to already be taking the lead on this matter in putting forward a '[Friendship and Cooperation Treaty](#)',⁴⁹ perhaps in an effort to pre-emptively co-op India as a partner before Mr Trump can approach India to help oppose China's rise. India would do well to also have such a clearly articulated position paper.

Many see Mr Trump's view on China fitting well with India's interest and, thus, it seems advisable for India to continue to position itself as a natural ally to the U.S. in combating China's mercantilist tendencies. As attractive as this may be, it also boxes India into a rules-taker position from an unpredictable zero-sum administration rather than an active participant in rules-making.

Rather than the *status-quo* complacency or obstructionist tendencies, India's engagement in the region through a close network of political, economic, and security relationships is crucial in achieving its goals under rising Chinese influence, as [former foreign secretary](#)

⁴⁸ 'China's Policies on Asia-Pacific Security Cooperation, The State Council Information Office of the People's Republic of China January 2017, First Edition 2017', *CCTV.com*, January 11, 2017

⁴⁹ 'Chinese envoy moots 'friendship treaty', Free Trade Agreement with India', *Hindustan Times*, January 10, 2017

[of India Shyam Saran noted](#).⁵⁰ India, based on clear, grounded strategic vision, can work both with the U.S. as well as China to achieve its goals on its own terms rather than follow global leaders around on whatever trade or security jaunt they please.

Building these relationships and networks in Asia will help create a regional order less dependent on the U.S. and, hence, less vulnerable to unpredictability. This also includes India's immediate neighbours in South Asia where some relations have soured recently giving opportunities for China to make diplomatic and even infrastructure inroads as in the case of Pakistan and Nepal. Engagement points that provide India opportunities for predictability and to stabilise relations in uncertain times include summits (G20, BRICS, UN), FTAs, WTO, UNFCCC and the Asian Infrastructure Investment Bank.

Climate Change

The Paris deal is a 'bottom-up' multilateral agreement as it depends on each country devising plans (Nationally Determined Contribution) to cut emissions and working with businesses. The possible U.S. withdraw, or more likely its inaction on financial and emissions commitments, from the agreement would be harmful, but it would not stop India from developing and implementing its own crucial plans for reducing emissions to realise international targets.

Global progress on renewable technology, coupled with reduction in cost, cannot be stopped and investments will continue. India needs to place itself at the centre of this movement. India has set a target to increase its clean energy share -- solar and wind -- by 40 per cent by 2022 to 175 gigawatt and 100 gigawatt solar alone. India's solar mission is one of the fastest growing in the world. It is encouraging to see India planning to generate

⁵⁰ Saran, Shyam, 'China, India and the World After Trump', *The Wire*, November 24, 2016

57 per cent of its energy through renewable sources by 2027.

According to [India's energy blueprint](#),⁵¹ it is expected to achieve 275 gigawatts of energy from renewable sources by 2027 and 100 gigawatt generated from "other zero emission sources" like nuclear. However, financing will be a major challenge for emerging economies like India as rich countries are counted on to provide US\$100bn-a-year by 2020 to help fund emissions cuts. If the U.S. stands on the side, it may be difficult for India to reach its ambitions.

Security

One of Mr Trump's clearest positions is on defeating ISIS (Islamic State of Iraq and Syria) and terrorism in general, predominantly in the Middle East. It is likely that his security policy will be focussed in this region and less in Asia, at least in the beginning of his term.

Mr Trump may become friendlier to India if he is firmer with Pakistan and China, needing India's help, especially on counter-terrorism. But which specific issue on security and how much help Mr Trump will ask of India is unclear. If Mr Trump focuses on counter-terrorism and seeks both Pakistan and India's help in the region, it may give a chance for Pakistan and India to build a partnership and even create space for greater economic cooperation if the security situation improves.

There is little evidence of Mr Trump's plans for Afghanistan, as the conflict was seldom mentioned during the campaign. India and other near neighbours will have to wait to see if the Trump administration continues U.S. strategy of training and counter-terrorism. There may be an increase in U.S. activity given Mr Trump's focus on terrorism and ISIS, which has popped up in Afghanistan. In the case of

⁵¹ Mortimer, Caroline, 'India predicts it will exceed Paris renewable energy target by half', *Independent*, December 22, 2016

both Afghanistan and Pakistan, India will have to watch closely the approach taken by Mr Mattis's to the region and how the dynamics of the National Security Council play out between the more nuanced Mr McMaster and Mr Bannon's nationalist approach.

However, with possible U.S. disengagement financially and militarily from Asia, including in East Asia, there could be a destabilising effect depending on how countries in the region react. Mr Trump has commented in favour of Japan and South Korea developing nuclear weapons. Whether he meant it or whether those countries would even pursue such a course, the potential could heighten tensions with nuclear actors in the region - China and North Korea.

While Mr Trump's focus may be set predominantly in the Middle East in terms of security and counter-terrorism, the conflict in the South China Sea may heighten if it catches his Cabinet's interest, particularly Mr Tillerson as ExxonMobil dealt with Vietnam on natural gas exploration in the disputed area. Mr Trump has called for increasing military spending, including its navy. Thus, if Mr Trump sees protecting the maritime navigation routes in his interest we may see greater U.S. activity in the region.

However, if President Rodrigo Duterte of the Philippines, who has warmed up to Mr Trump after rebutting President Obama, convinces Mr Trump to ease up on China in exchange for a better deal in other areas, Mr Trump may not see the value in supporting its allies like Vietnam on such security issues and instead focus on economic matters with China, which will be a significant turnaround in U.S. foreign policy.

What do we do now?

Given the heightened [unpredictability](#)⁵² in foreign relations and likely zero-sum nature of a Trump Presidency, there are specific directions India can take to ensure that it develops a clear and grounded vision for its relation with the U.S. and role in Asia-Pacific. Throughout this process, the expertise of business, civil society, and academia must be taken into account in a transparent manner. Ultimately, India's overall strategy must be made available to the public.

General Relations

India should take note of German Chancellor Angela Merkel's [response](#) to Mr Trump's election, in which she highlights Germany and the U.S.' connection by "values of democracy, freedom, and respect for the law and the dignity of man, independent of origin, skin colour, religion, gender, sexual orientation, or political views."⁵³

In the face of U.S. neo-protectionism 'America First' and the rise of nationalism in many parts of the world, India, with its immense diversity and history of openness, can also **champion such values**.⁵⁴

Therefore, all aspects of the Indian society, not just its government, will have to relentlessly **continue its deeply democratic and value-based connection with the U.S.** while pressing upon the Trump administration that these links matter even if Mr Trump is likely to promote interest over values.

⁵² Stiglitz, Joseph E., 'Trumpian Uncertainty', *Project Syndicate*, January 09, 2017

⁵³ Allegretti, Aubrey, 'Angela Merkel Issues Not-So-Subtle Warning To Donald Trump After His Presidential Win', *The HuffingtonPost*, November 11, 2016

⁵⁴ Importantly, much of the world has seen steady improvements in critical areas of poverty, infant mortality, and middle class income; compared to the pessimism from the West. Mahbubani, Kishore, 'Yes, this is the Asian Century. But there's still cause for Western optimism', *World Economic Forum*, January 13, 2017

Clearly presenting an integrated and grounded strategic vision would beneficially **show strength** to a president that clearly admires “strongmen”.

With a potential conflict between the **U.S. and China**, India will have to **play the balancing act**, not unlike its recent U.S. and Russia relations, in order to maintain beneficial relations with the U.S. while also elevating its trade and connectivity relations with China.

India should not expect that the potential rise in tension between the U.S. and China will draw Washington closer to Delhi, considering Mr Trump’s zero-sum worldview. Likewise, India shouldn’t become complacent in thinking its friendship will blossom due to Mr Trump’s global tirades against what he sees as his enemies. Rather, India must cultivate both countries’ relationships based on its own principled and strategic vision.

The chances for increased trade disputes and tit-for-tat responses are heightened under a Trump Presidency. For India, it will be important **not to get caught up** in such narrow-focused behaviour, especially with a President that has shown to personalise decision-making.

To help keep such occurrence to a minimal, an **independent expert voice on trade, investment, and competition issues would be greatly beneficial for the Washington apparatus**. Non-governmental representation, particularly those well-versed with the Indian polity and its policies, can provide the understanding to quell brash reactions from policymakers and elevate dialogue between the two countries.

While China will be a significant focus on economic issues, other issues for Mr Trump may be determined on an *ad hoc* basis and the security focus based on his Cabinet will likely remain on the Middle East and Russia.

Ironically, China seems to be placing itself to fill this gap in engagement, particularly in promoting a form of trade beneficial to itself. But why should this be a foregone conclusion that China will fill the leadership gap. India is well-placed in many respects to **take on a leadership role**, but must be **inclusive, boisterous, and relentless in showcasing its plan to achieve development goals** in order to be such a champion for developing countries and emerging economies in the region.

India should place itself as a safe alternative to China that will be a non-intrusive partner in Asia-Pacific with a history of understanding and promoting the needs of developing countries in the region and beyond. Countries that leaned more toward the U.S., for example, [Vietnam](#),⁵⁵ South Korea, Japan, and less toward China can look to India as a strong partner in the region on trade and [security](#) cooperation;⁵⁶ both bilaterally and in regional arrangements: Asian Infrastructure Investment Bank, New Development Bank, APEC, Bangladesh, Bhutan, India, Nepal initiative, Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, and Bangladesh-China-India-Myanmar Forum for Regional Cooperation.

As Mr Trump may not be as deeply engaged in many policy issues, it would benefit to **establish strong relations with India’s counterparts in the administration** - Vice President, Cabinet Secretaries, and White House advisers - who could control both the day-to-day governance and micro-policy direction.

This will require **teams of specialised expertise in areas of trade and environment** embedded in foreign affairs and commerce departments to work effectively with U.S. expert and craft the best deal on trade, climate change, defence cooperation and other areas.

⁵⁵ Parameswaran, Prashanth, ‘India to Train Vietnam Fighter Pilots’, *The Diplomat*, December 9, 2016

⁵⁶ Minh, Ho Binh, ‘India offers US\$500mn defense credit as Vietnam seeks arms boost’, *Reuters*, September 03, 2016

One specific appointment to keep in mind is that of **Nikki Haley**. While she does not have much foreign policy experience to go off of in her new role as the **U.S. Ambassador to the United Nations**, her activity in the Indian-American community in her native state of South Carolina might prove as a positive entry point to progress India's interest at the UN.

While the Trump administration takes time to craft its Indo-U.S. position, the **cogs will keep turning at the State Department and in the U.S. Embassy and Consulates** where positive movement on relationship building and connectivity in South Asia is expected to continue for the time being. The Indian government, together with its civil society and business community, should **support such continuation of Indo-U.S. initiatives** with its remaining partners in the U.S. government for the benefit of both countries, and particularly to strengthen India's leadership position on issues of trade, economic connectivity, and security, despite the uncertainties of Mr Trump's potential influence on diplomacy in the region.

Trade & Domestic Reforms

The anti-globalisation and nationalist fervour from so-called 'losers' of globalisation are so palpable that a country like India that has gained most (second only to China) from its open trade stance will have to take even greater effort to **listen to its people at all levels**, and particularly from the **most vulnerable and marginalised**. Their voices must be identified, raised, and heard clearly at formal forums.

Having a clear policy strategy will also **add value to stakeholder consultations for trade promotion**, where Government Ministries would not have to settle for the 'lowest common denominator' from industries worried about foreign competition and instead ensure that Ministries gain the most from input that feeds into the broader policy strategy.

Unless India takes a number of steps on trade-related issues, including **domestic reforms (land, labour, taxes, infrastructure)**,⁵⁷ **diplomatic capacity building, and greater and more cooperative leadership role**, it is likely India will be left behind by other Asian leaders stepping into the void left by a Trump Presidency.

It is critical that **domestic reforms** relevant to trade arrangements are crafted toward the **concerns and needs of those most impacted by trade and globalisation**. This will require balancing an economic strategy that provides the greatest livelihood benefits, including access to employment, credit, food, and other resources, while also ensuring the development needs of India are met to grow its domestic industry and protect its environment.

This will also require clear provisions for **retraining, relocation, and unemployment support in domestic policy** to support those vulnerable to trade liberalisation. These provisions must be adamantly implemented to make them more than just piecemeal measures.

Trade with the U.S.

Expert analysis of U.S. relations with its trade partners as it pertains to India will be **valuable for India's** as well as concerned **U.S. decision-makers**.

Business ties are likely to drive the Indo-U.S. relations more than any other factor in a Trump Presidency. While this should be seen as an opportunity for Indian businesses, despite the threat of U.S. neo-protectionism, they should be cautious to the stark transactionalist

⁵⁷ The Government of India acknowledges in the Foreign Trade Policy Statement of 2015-20, para 6 that: "The biggest challenge, however, is to address constraints within the country such as infrastructure bottlenecks, high transaction costs, complex procedures, constraints in manufacturing and inadequate diversification in our services exports. We have to address these issues anyway despite the external factors, many of which are imponderables outside our control."

zero-sum approach likely to be taken by the Trump administration in its deal-making.

Despite Mr Trump's threats to "bring jobs home", U.S. businesses may still look to India for its manufacturing needs, as it used to depend on China. India has much to offer with its STEM capacity in **IT and other services to U.S. firms [looking to invest in its markets](#)**.⁵⁸ This will still require drastic but necessary **reforms in ease of doing business, infrastructure, and FDI policy**. Focusing on how each Indian state measures up will help in determining where reform and investment is needed.

India can **measure its strategy** for dealing with a potential neo-protectionist U.S., for example, rise in tariffs, based on its first moves against those select countries with higher trade deficits: China, Mexico, Japan, and South Korea.

Since Mr Trump has indicated his intent to pursue bilateral trade agreements, India should move to **consider negotiations on a FTA with the US**. However, India's negotiators should know that negotiating with a Trump team will have little chance of being set in a 'win-win' situation and India will need to **have a clear plan and stick to its stance**. Negotiations were already difficult with the U.S. as it pressured for its own rules, but it is likely that Mr Trump will not tolerate obstructionism from India.

India, while maintaining close ties with US, must nevertheless **defend and work to improve the multilateral trading system at the WTO** for all, but especially developed and least developed countries.

If the U.S. does not budge on combining a bilateral investment treaty with a comprehensive FTA, another course could be to

⁵⁸ Samanta, Pranab Dhal, 'Forget H-1B visas, there's is still enough opportunity for India in Trump's US', *The Economic Times*, February 20, 2017. Alawadhi, Neha, 'India grabs third spot in global tech investment destinations list', *The Economic Times*, June 1, 2016

find a midway between India's model BIT and U.S.' model BIT.

India must **maintain the current Trade Related Aspects of Intellectual Property Rights (TRIPS) level of regulation on intellectual property**, insisting to the U.S. that from a business viewpoint this level of protection is sufficient.

India needs to hold the U.S. to its support for its membership in the **Asia-Pacific Economic Cooperation forum**.

Other Trade Opportunities

Mr Trump's plans for corporate tax cuts, raising interest rates, and import tariffs would likely strengthen the Dollar, damaging U.S. foreign competitiveness and play into his neo-protectionist approach. This move would **challenge India's ability to export substantially and sustainably to the U.S.** and thus would be best met in advance by engaging and opening its trade partnerships.

Thus, there is significant opportunity for India to look for **new and expanded markets and entering into regional and global value chains** in many parts of the world, including Latin America ([Mercosur](#)),⁵⁹ Central and West Asia, and Africa. We'd like to see India's policy-makers and negotiators effectively operationalise the Foreign Trade Policy 2015-20, which acknowledges that India needs to get its house in order to use trade as a tool to achieve security and strategic objectives in the long-term.

Given the possibility of U.S. withdraw or stagnation in TTIP negotiations, the **EU may focus more on its remaining trade agreements**. Here India will have a strong chance to revitalise the sluggish FTA negotiations, including pushing harder for greater access for its professionals, and gain in

⁵⁹ Sen, Amiti, 'India, Mercosur step up efforts to expand trade pact', *The Hindu Business Line*, January 02, 2016

areas of defence equipment, medical equipment, construction material, processed foods and services. Following its departure from the EU, the **UK is similarly looking to broaden its trade connections**, where [India is a top priority](#).⁶⁰

India can also to **explore a more open and prudent foreign and trade policy with China**, rather than adversarial.

As relations between the U.S. and Russia may improve under Mr Trump, India should **intensify its dealings with Russia** to gain from its substantial energy supply and link to regional supply chains by exporting Indian intermediary goods.

India must play a major and cooperative role in crafting an **ambitious RCEP agreement** where tariff reductions provide consumer price benefits and inputs for Indian domestic firms while ensuring fair trade rules that protect development needs.

These alternative markets should not be viewed simply as final trade destinations but as **suppliers of intermediate goods and inputs** that balance India's participation in **global value chains** between high-value, high-skilled sectors and low-value, low-cost sectors of the value chain.

India's diplomatic community will require greater and more targeted **trade expertise** to negotiate the most beneficial and functional trade agreements.

Comprehensive feasibility studies of FTAs will be required to assess the likely benefits for India's economy and impact on livelihood dynamics in deepening its trade relations.

⁶⁰ 'UK should invest time into FTA with India: Report', *The Economic Times*, January 10, 2017

Free Movement of Professionals

To ensure it continues to be a source of technological, educational and other professional support in the U.S. Indian government and business representatives must clearly separate Mr Trump's attacks on unskilled migrant labour and the **skilled (temporary) labour India provides** and highlighting the **benefits the U.S. has gained from India**.

India's concerted efforts must utilise the **U.S. business community** and **bipartisan support in Congress** to ensure restrictive legislation do not pass.

At the same time, India must elevate itself from dependency on the U.S. by **connecting with other markets to provide skilled services**, such as the UK, [EU](#), [Canada](#) and Australia through FTAs and Mutual Recognition Agreements. Indian IT firms TCS, Infosys and Wipro have also been **moving operations to Mexico** as an alternate hub in North America.⁶¹

The IT, banking, and financial services sectors should obviously drive this expansion, but Indian firms must also look at future demands in **retail** and **healthcare**.

India can ensure multilateral support for the free movement of professionals by leading the efforts for a **Trade Facilitation in Services** agreement at the WTO.

Climate Change

Considering the advancements and accessibility of renewable technology, **India has the opportunity to be a driver in this industry**. Although, India must plan immediately on sources of funding and investment considering

⁶¹ 'EU says will take more Indian skilled professionals amid H1B visa fears', *Livemint*, February 22, 2017. 'Indian techies welcome in Canada after Trump ban', *The Times of India*, February 12, 2017. 'TCS finds cheaper haven in Mexico', *Hindustan Times*, June 7, 2007. Ribeiro, John, 'Wipro Opens Facility in Mexico', *PCWorld*, September 11, 2007.

the U.S. may renege on its financial commitment.

It may be that with China decreasing its coal consumption there will be a higher demand for clean energy technology. India should jump on this opportunity to **engage with China and other partners in advancing the industry.**

China already has a [five-year energy development plan](#)⁶² where it will invest around US\$360bn in renewable technologies by 2020. This is the kind of **investment** India needs to reach for.

To start gaining a foothold on becoming a leader in renewable technology, India can **promote its intrinsic aggregator industry to develop solar technology.** Such groups of aggregators, with established supply links in compatible sectors such as electronics, can procure components domestically and internationally more efficiently than multinational brick and mortar solar companies.

Small scale aggregators can ensure **cost-effective procurement for solar products.** Thus, this approach may be a viable option financially to fend off the challenge of limited funding commitments from the US.

In the long-run, India must **invest in renewable company start-ups.** For example, Claro Energy was able to scale-up through the Bihar State Policy for promotion of New and Renewable Energy Sources.

Similar to other areas of India's economy, improvements are sorely needed in India's consistently restrictive **means of doing business** and ability to **attract FDI**, such as in wind technology and [bio-diesel](#).⁶³

One business case to take note of is **General Electric's successful partnership** with Indian states of Maharashtra, Karnataka, and Tamil Nadu developing [wind turbines](#).⁶⁴

On the Paris agreement, **India can fill the void** that Mr Trump may leave in diplomacy and leadership needed to meet lowering emissions goals. India may be placed as a more attractive alternative to China, along in partnering with allied countries in Asia-Pacific such as Japan, South Korea, and Australia, to promote an approach that suits developing countries specifically and global interest broadly. However, in order to be that leader or provide an attractive alternative to China, India must achieve the model of addressing climate change for others to follow.

Security

India needs to **keep the U.S. engaged as a diplomatic mediator** as and when required and India should **share its ideas on how best to deal with regional issues** with the new administration. Conflicts in India's immediate and extended neighbourhood may escalate without the U.S.' long-running engagement.

There are encouraging signs from Mr Tillerson at State and Mr Mattis at Defence that they will be rational actors within the Trump administration that could temper any impulses from their boss. India's respective Ministers should develop close relations with these two Cabinet members on security and defence matters. Specific areas to focus on will be **Pakistan, Afghanistan, China, and maritime navigation.** Unhindered movement across the seas is critical for India as about [95 per cent of its trade](#)⁶⁵ and 80 per cent of crude oil imports take place through the Indian Ocean.

Given the uncertainty on Mr Trump's security moves regarding Pakistan and China, it is

⁶² Mason, Josephine, 'China to plow US\$361bn into renewable fuel by 2020', Reuters, January 05, 2017

⁶³ Green Leaf Energy, Pvt. Ltd.

⁶⁴ Wind Turbines Available in India, *General Electric*

⁶⁵ Jaishankar, Dhruva, 'Indian Ocean region: A pivot for India's growth', *Brookings India*, September 12, 2016

important for India to have a **clear position on what it wants from its relations with Pakistan and China** in terms of reducing tensions to the west and east of its borders in order to gain from more open trade and competition in absence of security threats.

On Afghanistan, Mr Trump has yet to provide details and will likely rely on his generals, both currently serving and in his Cabinet, and the existing institutional knowledge within the Department of Defence. However, as India has been a consistent economic supporter of rebuilding Afghanistan and should **provide counsel** to Mr Trump's administration on **how best to move forward toward a solution rather than managing the crisis**.

Conclusion

Prime Minister Modi made it clear at the Raisina Dialogue in 2017 that given the churning in international order, the responsibility of promoting norms for equitable development around the world will now fall on countries like India.

Whatever extent a Trump Presidency creates a neo-protectionist 'America First' regime that challenges Indo-U.S. relations or not, India's true focus must remain on promoting open and fair trade and cooperation bilaterally, regionally, and multilaterally.

The likely swell in unpredictability and contradictory policy positions out of the U.S. should not invite reactionary approaches from the Indian government, businesses, or citizenry. Hence, Ministry integration in designing and implementing a clear policy strategy is crucial and should be supported by specialised expertise.

If India is guided by grounded principles based in its development and economic needs it surely can weather any storm of uncertainty that may come its way.