

Current Affairs

Qno.1:

Introduction

The United States has recently imposed double tariffs on India. Economically, it threatens Indian exports, raises costs and may disrupt global supply chain. Geopolitically, it also affects regional power dynamics in South Asia, alters India's strategic alignments and could also influence global trade and alliances. This development reflects the complex interplay between trade policies and economic interests.

Background:

In past US-India relations are mainly of long term and Strategic in nature because of

Strategic interest of each other. Both countries want to counter China's expansion in the Indian ocean region and pacific ocean. China has replaced US as world largest exporter. India has territorial dispute with china and threat of war always exists. India needs strong military support of US to counter balance china. India needs weapons and US needs export market for its export weapons. Therefore, both countries has strong relations with each other.

Rationale behind US tariff increase on India

The relationship between India and US has decline since Donal Trump return to office, despite

Strong ties during his first term. US imposed 25% additional tariffs on India due to purchase of Russian oil by India. In 2021, India bought around 2bn \$ of oil.

But in now, the oil imports exceed 96bn\$. Russia faces sanctions from western countries following invasion of Ukraine but ^{India} increased the oil imports from Russia.

Resultantly, US imposed 25% additional tariffs on India which is of total 50%.

This is highest tariff in the world India is facing straining bilateral relations.

Economic Implications:

1) Impact on India's Economy

- Reduce export competitiveness
India's exports

to the US subject to higher costs which reduces their competitiveness in the US market as India's largest trading partner with US. This could lead to a decline in exports affecting India economy.

• Domestic Inflation

Due to US tariffs production cost increase leading to raise domestic prices. The increased prices contributes inflation in the country. High-tariffs make raw material more expensive that disrupt supply chain.

• Decline in foreign Investment

High cost of producer goods can reduce investor trust in India, declining foreign direct investment.

2) Impacts on US economy

• Increase in Consumer prices

US consumers face higher prices for Indian goods especially textiles, electronic and agricultural products.

• Supply chain disruption

Companies that rely on India imports for manufacturing ^{may} experience high cost, potentially affecting their profitability.

3) Impacts on global economies

• Disruption of trade flows

Many countries in South Asia, Europe, Africa are indirectly linked to India - US trade. The US - India tariff tension can disrupt regional supply chain.

If India exports to US decline, the demands from others regional economies like Bangladesh, Malaysia also decline. This can cause instability in global markets and increase production cost across different countries.

• Effects on emerging economies

India is one of the world's fastest emerging economies and a major engine of global south. A slow down in India economy due to higher tariffs and reduced exports weaken global demand for raw material. Countries that relies on India exports ^{could} face shortage of raw material reducing their global economies.

• Decline in investor Confidence

Frequent tariff and trade dispute reduce global investor's trust in global market. This trade policies discourage long term investment and increase volatilities in stock market and currencies.

Geopolitical Implications

1) Regional power dynamic

Economic pressure on India can alter the balance of power in South Asia. Reduced economic strength limit its ability to invest in regional infrastructure, defense and diplomacy in South Asia. This could create an opportunity for china to expand its economic and political footprint in the region through aid, investment and BRI project.

2) India - China - Russia Relations

In response to growing economic pressure from US, India strengthen its ties with China and Russia to balance its strategic position. Closer cooperation in forums like BRICS and SCO could provide India with alternative trade and defense partnership. Such collaboration gradually shift the regional balance of power reducing US influence in Indo-Pacific region.

3) Global power politics

Strong US-India ties in past could be strained. India's frustration with US lead to take a more cautious approach in multilateral trade negotiations under the WTO. Meanwhile, other global

powers such as EU, Japan and Asean take advantage to strengthen their economic ties with India. Consequently, global power shift, reducing US dominance and pave the way for a multipolar world order.

Conclusion,

The US decision to impose double tariffs on India carries significant economic and geopolitical consequences. Economically, it threatens India exports, and overall growth. Geopolitically, it affect regional power politics, strains the Indo-Pacific relationship, and push India to diversify its alliances ^{with} powers like ~~India~~ China and Russia. A balanced approach is better for both countries for economic stability and regional peace.