

Trump's Key First Priorities in Second Term

The whirl wind issue of “Executive Orders” post inauguration of Donald Trump’s second presidency is reflective of the mayhem in the offing that can jettison globalization through increased trade, technology and capital flows fragmentation, boding serious repercussions for EMDEs (Emerging Markets and Developing Economies) in particular

- ◇ Ending Joe Biden’s policies of climate change, streamlining permitting, and reviewing for rescission all regulations that impose undue burdens on energy production and use, including mining and processing of non-fuel minerals
- ◇ Use all necessary resources to build critical energy infrastructure
- ◇ Energy policies to end leasing to massive wind farms that degrade natural landscapes and fail to serve American energy consumers
- ◇ Withdraw from the Paris Climate Accord
- ◇ All agencies to take emergency measures to reduce the cost of living
- ◇ Announce the America First Trade Policy
- ◇ America will no longer be beholden to foreign organizations for our national tax policy, which punishes American businesses
- ◇ Reforming and improving the government bureaucracy to work for the American people. Freeze bureaucrat hiring except in essential areas

Executive orders affecting economy

30 executive orders have been signed on the first day. The orders affecting economy and trade are:

- ◇ Directing federal agencies to combat consumer inflation
- ◇ Repealed Biden-era regulations to ease burdens on oil and natural gas production, particularly in Alaska
- ◇ Impose 25% tariffs on Canada and Mexico starting Feb. 1, with plans for additional tariffs on Chinese imports left unspecified
- ◇ Officially withdrew the U.S. from the Paris Climate Agreement. Expand fossil fuel drilling and eliminate Biden's electric vehicle mandate
- ◇ Halt federal hiring, except for the military and unspecified areas of government. Froze the implementation of new federal regulations
- ◇ Proposed reclassifying certain federal employees as political appointees, making it easier to terminate them
- ◇ Order signed on the United States' exit from the World Health Organization
- ◇ Suspended US foreign assistance for 90 days pending reviews

Implication of key priorities and executive orders

US Economy

- ◇ The priorities and executive orders signal downsizing of public sector and also improving its efficiency. The policy thrust is reducing current expenditure and reducing headcount. This will boost private sector by crowding-in
- ◇ Trade policy will be major focus for the next few months. To begin with tariffs will be imposed on Canada and Mexico, but the executive orders allow for wider investigation and other major trading partners will be affected
- ◇ The thrust to hydrocarbon sector and moving away from EVs and renewables is major shift. This also implies that US will exit Paris agreement. This has implication for domestic US inflation as it decouples from international energy prices
- ◇ US pharmaceutical policy will encourage local production and US may withdraw from WHO

Implication for rest of the world

The initial impact of the announcement for rest of the world would be:

- ◇ We expect USD to appreciate only if fiscal consolidation, CAD reduction and inflation control happen together which could prove to a tough proposition
- ◇ We expect climate finance from US origine investors to slowdown thus impacting transition in EMDE such as India
- ◇ We expect that US will impose tariffs on China. For India, past experience suggest that India has broadened its export market and exports towards value added and thus even if tariffs are imposed in a limited manner India might me impacted but not significantly in long run
- ◇
- ◇ We expect that US may negotiate favourable tax treatment for US business operating in India thus impacting the revenue of the Center
- ◇ The impact of suspension of aid should be marginal
- ◇ US may negotiate for fresh oil purchase contracts from US oil companies to support it local production. These purchases may have to be weighed carefully by India to avoid any disruptions and inflation management.

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