

The U.S. - China Trade War & Its Implication

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Abstract: *The present scenario in the global economy regarding trade war between U.S.-CHINA will be alarming situation for the global economy. The main issue was size of the U.S.. bilateral trade deficit with china and it continues to be important issues in bilateral trade relation. If any country try to pick a fight with trading partner in the name of self-protectionism, it always leads to trade war, because if you impose something and expect that no one will take actions against him then you need to wake up and you have to also face same action from your trading partner. The research will study each and every aspect of U.S. - CHINA trade war. The paper will also highlight every dimension of trade war and it's implication on global economy. It also try to highlight past and present trade war between the nation's and how it effect the global economy.*

Keywords: Trade war, Protectionism, Global Economy

1. Introduction

In Jan. 2018, the U.S. announced tariffs on solar panels that are imported mainly from China. Then they announced in mar 2018 that they would increase trade tariffs on steel and aluminum including [About E.U & NAFTA- European union & North American free trade agreement are both multilateral trade organization and their main concept are basically based on economic integration and partnership to promote trade and development between the partners nations] EU and NAFTA countries. IN response to higher tariffs China, EU and Mexico filed a retaliatory packages with the WTO. But the U.S. also announced additional tariffs for other Chinese product's in early April 2018. Immediately after that China reacted again with publication of list of goods with retaliatory 25% tariffs increases. It provides information on the economic consequences of the [Executive office of the president 'addressing trade agreements violations and abuses '82 federal registrar 20819, April 29, 2017] current trade dispute between China and U.S.. The [Imf warns trade war could cost global economy, Richard Partington Economic correspondent, July 16, 2018] economic effect of this trade conflict are limited with the exception of a number of sectors in China as well as in U.S..

The Chinese GDP loss will be eventually increases to 1.2% of the GDP. The GDP loss for U.S. will be limited to 0.3% due to the market power that they have. At the sector level, the trade conflict will lead to significantly shifts especially in the U.S. and China. U.S. president Donald Trump imposed 34 billion dollar tariff on Chinese goods as part of new tariffs policy.

According to the Trump administration imposition of tariffs were necessary steps to protect the national security and the intellectual property right of U.S. business and helps to reduce the U.S. trade deficit with China. According to Trump government form [Imf warns trade war could cost global economy, Richard Partington Economic correspondent, July 16, 2018] investigation on the intellectual property of America and its allies had been costing America alone an estimated 225 billion dollar to 600 billion dollar a year. On March 31, 2017 President Trump issued executive order 13786 addressing trade agreement violations and abuses.

The Trump administration is relaying partly on section [Section 301, U.S. trade act of 1974 (last edition march 23, 2018) relief from unfair trade practices, actions by the U.S. trade representative] 301 of the trade act of 1974 to prevent what it claims are unfair trade [Blair, Dennis, Alexander, Keith, China intellectual property theft must stop the New York Times, August 15, 2017] practices and theft of intellectual property. The [office of the president omnibus report on significant trade deficit '82 federal registrar 16721, March 31, 2017] act gives the president the authority to unilateral impose of fines or other penalties on trading partner, if it is deemed to be unfairly harming the U.S. business interest. So, the [President Trump slaps tariffs on solar panels in major blow to renewable energy, time magazine, January 23, 2018] Trump administration had imposed tariffs on steel and aluminum import from china and countries from E.U. Trump administration put 30% tariff on foreign solar panel. Over 1300 categories of Chinese imports were listed for the tariff including aircraft parts, batteries, flat panel television, medical devices and various other things. Due to this [Biesheuvel Thomas (April 4, 2018) as china fires back in trade war, here are winners and the losers, bloomberg, retrieved april4, 2018] Chinese government also retaliates against the American government by imposing tariffs on 128 products from America which include aluminum, airplanes, cars, pork, soybean and fruits.

After Chinese government retaliation again American government declared that they will imposed 25% tariff on 50 billion dollar worth of Chinese exports. In anticipation of tariffs going into effect stock prices in America as well as in china significantly losses for four to six weeks prior. Stock market fall by 20% which was record level lower as compare to country total value of stock. A global trade war is increasingly turning from talk to reality because recent Decision made by the ³ American President Regarding imposing of tariffs. All the economist sees that the decision taken by the U.S. President only leads to all out trade war. The W.T.O is facing the greatest crisis of its 23 years of Existence. According to game theory a tit - for - tat always leads to trade war between the two Nations's. Such decision not only affects one country it will hamper the whole world economies. A tariff only reduce the export and leads to imported inflation which will only hurts the people's purchasing power and investment. Due to this many developing countries could end up being caught in the

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middle of the trade war and create situations of trade spat. Current global scenario becomes worse day by day and it's time to resolve the ongoing trade issues to avoid all out trade war.

2. Literature Survey

As blows are exchanged back and forth between the worlds two major economic power, the prospect trade war seems to be real. There are no winners and losers in a trade war; instead one would damage the prosperity of both the sides. These tariffs could lead to protectionist domino effect damaging firms, employees, and consumer. One of the main reasons for escalation of the previous tariff increases is the almost immediate retaliatory process.

The affected countries immediately react with threats of counterbalance trade measure, which are usually of the same magnitude but sometimes even higher than the initial tariffs increases. This process could further escalate through internal Dynamics in more tariffs increases. This further escalate through internal Dynamics in more tariffs increases. To capture the process where the number of targeted products and the level of the tariffs are bilaterally raised. Trade war also disproportionately affect the quality life of lower class population. When basic thing such as food, clothing, become more expensive as result of high taxes, due to which the population has less money to spend on other goods ad services which shift the pace of economy. The adverse effect of trade war extend far beyond this In which any harsh actions or decision will are always more likely to derail the economic growth of the both nation's. This unexpected protectionist decision may also be a genuine move against the globalization which we as know was controlled by neoliberal economics and has in fact nothing to do with the real economics. It is sheer criminalizing of economics. It has done enormous harm to the 99.9% and benefitted 0.1%.The so called Free trade agreements and multi country trade agreements like NAFTA, TTIP, and TPP have former being negotiated and later on suspended are quite difference from the local production for local market because they all have always favored the giant American corporations. A full blown trade war would punch a hole in the global economic growth because of reduce trade volume, supply chain disruption and lost confidence among the investor. According to the Professor Eshwar Prasad, a trade war wounds all combatants. It rattles business consumer confidence, restrain exports and hurt economic growth. Many U.S. firms or companies rely on low trade barrier to create a international supply chain that reduce cost and increases efficiency. The last time [Irwin Douglas 2017, peddling protectionism :Hawley –Smoot act and the great depression, Princeton university]U.S. imposed tariffs in the year 1930s, that effect was prolong and worse which leads to great depression which rattles the whole world. Winning a trade war by destroying both export and import would a pyrrhic decision. We all know that we lived in globalized world, where whole world become a global village. Due to this each and every nations depend upon each other, but due to the some recent activities it tries to put a question mark on this and try to give a chance to re-think the concept of free trade once again. The whole study tries to give an idea about how trade war also. Certain really hamper the whole global

economy. Through this study it only try to give an idea that trade war will not spare any countries if they can't decide how to deal and resolve such issues by proper channel of communication. However, a full blown escalation of the trade conflict to a trade war only has a loser in which it could hinder businesses, investment, disrupt global supply chains, slow the speed of productivity.

A trade war [What is trade war? definition and meaning, business dictionary.com. retrieved 2017-08-15] is an economic conflict resulting from extreme protectionism which nation's raises or create tariff or trade barrier against each other in response to the trade barrier created by the other party. For example- if a country tries to raises a tariff against the trading partner, the trading partner also retaliates and raises tariffs [Staff investopedia 28 September 2009, trade war]. A trade war that begins in one sector can affect other sectors Economic protections are more costly than others, because they may be more likely to be trigger a trade war.

Although [Full out trade war would cost the global economy, Thomas Franck, 2July 2018] all economies would suffers from further escalation the U.S. could find itself as the focus of global retaliation with a relatively higher share of it's export taxed in global market. We can assume further escalation of trade war between U.S. and China. We can assume that the global trade Growth more than halves in 2018 looks still positive because we assumed that the announcement of imposing tariffs will be implemented in the late Q2 or Q3. So, they will not only start to have impact in the later part of this year. For [The threat of trade war to the global economy, financial times, July 20, 2018] 2019 theirs is more pronounced impact, with trade growth falling by more than our base scenario. This would be similar to the sharpest slowdown in global trade growth seen since 2000 (2001 and 2008) apart from 13% contractions in 2009 during the global financial crisis. Such outcome is comparable to a recent trade war scenario.

It was totally based on rough estimate that the global GDP growth falling sharply, particularly in 2019 by 2 - 2.25 PP.It was just a precise estimate as the real impact would highly uncertain. You can assume that the high possible scenarios of global trade will definitely Change because of the impact of imposing tariffs. In terms of monetary Policy's and they will hold their decision.

You have to note down the potential magnitude of Growth in this scenario have different indication that real impact on global economy would depend on highly uncertain according to the market reaction on imposing tariffs by the U.S. government.

It clearly states that the impact of imposing tariffs will show on both real GDP and global trade by falling their number from 2018 to 2019.The real impact will de-escalate the global Growth engine in the 2019, and whole world region will have to face it. The rising economies Nation's of Asia, Africa and Middle East need to ready to face such type of deep economic situation in near future.

American government also rattled all European leaders by labeling the European Union one of the greatest foes over trade. From the given below data it clearly shows that how much Europe suffers Growth downgrade for the year 2018. The latest economic outlook report by IMF shows amid rising tension in global economy. IMF also said that the greater the risk emerging for the global economy. Warning that the broad expansion for the world economy in which each and every Countries must resist. They have to require inwards looking thinking and remember that on a range of problem should be dealt with common interests, multilateral Co- operation is vital. press

3. References of Trade War in History

The danger of ignoring history are only beginning to manifest themselves, but they can be seen in several recent developments. The most notorious example of self-defeating protectionism is Smoot-Howley Act of 1930 which raised U.S. tariff on more than 20,000 goods. After Canada and other trading partners retaliate against the U.S., the export of U.S. fell by 60%. Economists dispute the extent of the damage, but there is little doubt that the measure deepened the Great Depression and lasting effects on diplomacy. A closer analogy to the current skirmishing between Washington DC and Beijing could be the so-called Chicken War of the early 1960s. This began when European countries alarmed at competition from new methods of factory farming imposed tariffs on imports of U.S. chicken. The U.S. retaliates with tariffs targeting potato farmers, Camper Vans and French Cognac. Mr. Trump himself prefers comparison with the measures which Ronald Reagan have taken against Japan in the 1980s, which ranged from quotas on car imports to punitive tariffs on electronic goods. But the results were disastrous for the U.S. auto industries which shed jobs as a producer opted to boost prices by limiting output and due to this the consumer has to pay a huge amount.

The tactics which the U.S. government used in the Reagan administration no longer work even in the superficial sense. America needs to remember that by always using economic muscle to demand voluntary restraint from trading partners may not be possible always with the given geopolitical backdrop. Supply chains are global and U.S. manufacturers need to import different things from the rest of the world. If they will act like this, they will also face the same actions from trading partners and these continue till each party will face severe consequences. Barry Eichengreen and Douglas Irwin in his research paper, *The Slide To Protectionism The Great Depression- Who Succumbed And Why ??* has discussed that after the imposing of Smoot - Hawley Act 1930 by the U.S. government which caused another problem in the year 1931 when financial crisis in Europe's largest bank happened. Due to the failure of the largest Austrian bank, the Creditanstalt creates havoc-like situations in whole Europe's. The countries depend upon foreign loans like Germany face a very tough situation due to the rapid loss of gold and foreign exchange reserves. Due to this reason German government imposed strict control on flow of foreign reserves. Due to this decision by German government creates another major problem in Europe because each and every nation's in Europe taken protectionist measures which cause severe blow

to the world commerce. World trade volume fell by 16% from third quarter of 1931. Between 1929 and 1932 it will fall 25% and nearly half of this reduction was due to the higher tariffs and non-barriers. One of the main escalations of the previous tariff increases is almost immediate retaliatory process. The affected countries immediately retreat. With the threat of counterbalance trade measures, which are usually of the magnitude but sometimes even higher than the initial tariff increases. This process could further escalate through internal dynamics in more tariff increases. To capture the process where the number of targeted products and the level of the tariffs are bilaterally raised.

4. About Economic Depression

Depression is an [Private tutor, infoplease.com, from the original on 2012-09-07] unusual and extreme form of recession. Depressions are characterized by their own abnormal lengths. Increases in unemployment, falls in the [Diagnosing depression, the economist, December 30, 2018] availability of credit (often due to some banking and financial crisis) shrinking output as buyers dry up and suppliers cut back on the production and investment, large number of bankruptcies including sovereign debt default, significantly reduced amount of trade and commerce (especially international business) as well as highly volatile relative currency value fluctuations (often due to the currency devaluation). Price deflation, financial crisis and bank failure are also common elements of the depression. Following are the [About the great depression, English.uiuc.edu. archived from the original on 2009-04-06] world-known depression which shocked the whole world:

1.1929-1932-: Great economic depression began with the stock market crash of 1929 and lasted till 1939. The worst economic downturn in history, the decade was defined by the widespread unemployment and steep decline in industrial output. It was the longest, deepest and most widespread depression of the 20th century. Between 1929 and 1932 worldwide GDP fell by an estimated 15%. The great depression had a devastating effect on countries both rich and poor. Personal income, tax revenue, profits and prices were sharply dropped while international trade plunged by more than 50%. Unemployment in U.S. rose to 25% and in some countries rose as high as 33%. Cities around the world were hit hard especially those dependent on heavy industries. Construction was basically halted in many countries. Farming communities and rural areas suffered as crop prices fell by 60%.

2.1998-2002-: Argentine great depression was an economic depression in Argentina which began in the third quarter of 1998 and lasted until the second quarter of 2002. It almost immediately followed the 1974-1990 great depression after a brief period of economic growth. It was begun after Russian and Brazilian financial crisis which caused widespread unemployment, riots, fall of government, default of countries' foreign debt, the rise of alternative currencies and the end of the peso fixed exchange rate to the U.S. dollars. The economy shrank by 28% from 1998 to 2002. Due to the neo-economic liberal economic platform which was centered around anti-labor, monetarist policies

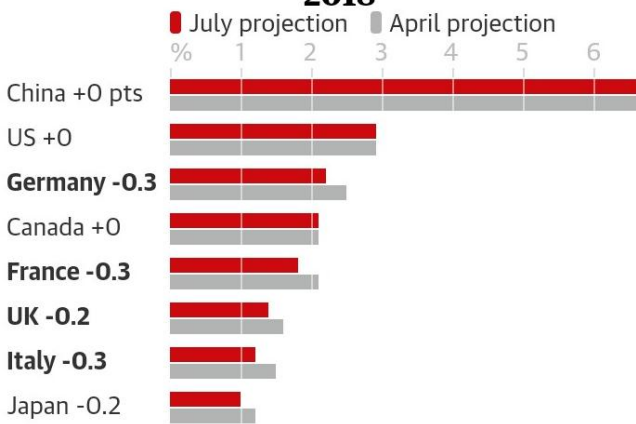
of financial liberalization. Budget deficit jumped to 15% of GDP as the country went into a huge debt.

3.2008- 2010:- The financial crisis of 2008 also known as global financial crisis and it was considered by many economists to have been the worst financial crisis since the great depression of 1930s. It occurs despite federal reserve's and treasure department efforts to prevent it. It led to the great depression, housing prices fell by 31.8% and unemployment was still above 9%. Due to the Economic Growth millions of stock traded daily. In 2008, the number of stock traded daily in NASDAQ stock exchange had Growth of 49%. Due to the prosperous Economy it makes easier to contract a credit loan. Banks gives loan on the basis of the contracted mortgage whose rates were not but variable financial markets speculated in these mortgages.

The epicenter of this crisis was New York stock market and banking sector. Market have experienced having huge losses. According to the Robert Parker, the market fall by 45% in one month and since 2007 banks once again find themselves at the forefront of the crisis like -Fannie Mae, Freddie Mac, Lehman Brothers, Northern Rock all these powerful banks are collapsed in 2008 financial crisis which rattled the whole world economies.

IMF growth chart

Europe suffers growth downgrades for 2018



Guardian Graphic | Source: IMF. G7 and China shown

5. Impact of US-China Trade War on Global Economy

We all know that [U.S. – China trade war will transform the global Economy, Yuwa Hedrick Wong, global chief economist and the chair of the academic advisory council at master card inc, July 13, 2018] rising trade tension will cost the rest of the world and could cost \$430 billion on global economy. Delivering a sharp rebuke for Donald Trump -the Washington DC based organizations said the current threat made by the U.S. and its trading partners risked lowering global growth by as much as 0.5% by 2020 or about \$430 billion GDP will be lost worldwide

Reason behind the U.S. - China Trade War

The most important reasons is the huge trade deficit the U.S. has with China and the fact that [What will be the impact of the largest trade war in economic history be? Benchu, Economic editor, Independent, 6 July, 2018] China has been

accused unfair practices. The current example of Trump imposing tariffs against the imported steel and aluminum to the U.S. market is based partially on the fact that cheap steel and aluminum from abroad has choked the U.S. steel industries, which resulted loss of many Americans jobs where China has benefited from American and he knows that if they can't stop it will be really a very disadvantage for the American industries as well as for government. We all know that steel and aluminum are vitals for Nation's infrastructure, security and welfare. However, in China's case it is not an ally with U.S., but a rival. That is only one example out of many others where Americans feel that they have been sold out to China. [Section 301, U.S. trade act of 1974 (last edition march 23, 2018) relief from unfair trade practices, actions by the U.S. trade representative] The American President Decision to imposing billion dollars of tariffs on Chinese products was basically to cut the trade deficit with China. *Trade deficit means it is difference between how much your country buys from another country, compared with how much you sell to that country and in this case U.S. has massive trade deficit with China.. With the help of following given, it will clearly explained how U.S. have trade deficit with China:- table list the official trade statistic from the united states of America and china for the years 2012 to 2017, using official trade data. From the U.S. perspective, its bilateral trade deficit with china more than doubled in the value of over the last 6 years.

Years	Export	Import	Balance
2017	129, 893.6	505, 470.0	-3, 75, 576.4
2016	115, 545.5	462, 542.0	-346, 996.5
2015	115, 873.4	483, 201.7	-367, 328.3
2014	123, 657.2	468, 474.9	-344, 817.7
2013	121, 746.2	440, 430.0	-318, 683.8
2012	110, 516.6	425, 619.1	-315, 102.5

22. Other trade issues also contribute to this bilateral tension. For more about U.S. trade relations with china in general see CRS Report (RL33536), china-U.S. trade issues.

Note: All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted unless otherwise specified. Details may not be equal totals due to the rounding. Table reflects only yearly basis data between two nations. Table reveals the most discrepancy between trade data from the two nations stems from significantly different figures for china exports to the United States. However, the discrepancy between U.S. export and Chinese import figures bilateral trade has been rising in recent years.

From the a above data it clearly shown that U.S. export less good's and service's as compared to China, Whereas China export increases rapidly from year to year. That's the main reason behind U.S. government to impose tariffs so they will manage trade deficit.

WTO

The [W.T.O homepage, retrieved, 2015-06-29] world trade Organization is an intergovernmental organization that regulate international trade. The W.T.O officially commenced on 1st January 1995 under the Marrakesh Agreement signed by 124 countries on 15 the April 1994, replacing the General Agreement on Tariffs and Trade

(GATT) which commenced in 1948. It is the largest international economic organization in the world. The W.T.O deals with the regulations of trade in goods and services and intellectual property between participating countries by providing a frame work in which each participants need to adhere the W.T.O agreement which are signed by the representative members and ratified by their parliament's. The W.T.O prohibited discrimination between trading partners, but also provides environmental protection, national security and other goals.

Studies show that the W.T.O boosts trade. Research shows that in the absence of the W.T.O, the average country would face an increase in tariffs on export by 32%. According to a 2017 study in the journal of economic law nearly all Recent agreement (PTAs) the W.T.O explicit often dozen of time across multiple chapter's is copied verbatim from W.T.O agreement the presence of the W.T.O in PTAs has been increased.

Whether U.S. A has violated the W.T.O Norms??

American President Decision to impose tariffs on Chinese products will already weaken world trade organization. American President Single handedly kill the dying W.T.O. China in particular never accepted the Norms of W.T.O and due to spectacular economic growth pursuing economic Policies that too often defied the organization market based principles did more than any other country to weaken the legitimacy of the organization. The failed Doha Round negotiation launched in 2001 and never successfully completed which shows that members Nation's had no capacity to find compromise regarding update of W.T.O rules. It can be argued that the old system better suited to political facts. In creating W.T.O, the U.S. and other countries tried to fashion a law based predictability that would provide the certainty to allow global commerce to expand even faster.

The established of [Promoting fair competition archived from the original on 2015-06-06] W.T.O courts to resolve trade dispute promised the sort of commercial predictability that previously been available only within well governed countries. It was just an ambitious vision. But something important and valuable was lost. The W.T.O was a lovely promise of more rational, predictable and fairer global Economic order. The W.T.O agreement is lengthy and complex because they are legal text covering wide range of activities. They deal with: agriculture, textile, telecommunication, governmental purchase, industrial standard's and product safety, intellectual property and much more. But number of simple fundamental principles run throughout all these documents. These principles are the foundation of the multilateral trading system. A closer look at these principles:-

1. Trade without Discrimination- : It has two major components the most favored nation's rule and the national treatment Policy. Both are embedded in main W.T.O rules.-

A. Most Favored Nation's (MFN)- Under the W.T.O agreement countries can't normally discriminate between their trading partners. Grant someone a special favor (such

as lowering custom duty rate for one of their products) and you have to do the same for all other members. This principle is known as most Favored Nation's treatment. It is so important that it is the first articles of GATT which govern trade in goods. MFN is also a priority in GATT (Articles 2) and the agreement on trade related aspect of intellectual property right (TRIPs) Article 4, although in each agreement the principle is handled slightly different. Together these three agreement cover all three main area's of trade handed by the W.T.O. But some exception are allowed for example - countries can set up a free trade agreement that applies only to goods traded within the groups discriminating Against goods from outside or they can give developing countries special access to their market. Any country can raises barrier against any product that considered to be traded unfairly from specifies countries.

B. National Treatment: Treating foreigners and locals equally. Imported and locally produced goods should be treated equal at least after the foreign goods have entered the domestic Market. The same law should be applied to domestic as well to foreign services in which local market, copyright and patents. This principles of national treatment giving other's the same treatment as one's own nationals) is also found in all three main W.T.O agreements (Articles 3 of GATT, Articles 17 of GATS, Article 3 of TRIPs) although once again the principle is handled slightly differently in each of these.

2. Freer Trade:- Gradually through negotiation lowering trade barriers is one of the most obvious means of encouraging trade. The trade barriers concerned include customs duties or tariffs, import bans or quota's that restrict quantities selectively. From time to time other issues such as red tape and exchange rate Policies have also been discussed. Opening market can be beneficial, but it also requires adjustment. The W.T.O agreement allow countries to introduce changes gradually through progressive liberalization.

3. Promoting Fair Competition: The W.T.O is sometimes described as a free trade institution but that is not entirely accurate. The system does not allow tariffs and in limited circumstances other form of protection. More accurately is a system of rules dedicated to open fair and undistorted competition. The rules of MFN and national treatment are designed to secure fair condition of trade. So too are those on dumping (exporting at below cost to gain market share) and subsidies. The issues are complex and the rules try to establish, what is fair or unfair, and how government can respond in particular by charging additional import duties calculated to compensate for damaged caused by unfair trade. Many of the other W.T.O agreement aim to support fair Competition in agriculture, intellectual property.

Dispute Settlement Body:- The general council convenes as the Dispute Settlement Body (DSB) to deal with the disputes between W.T.O members. Such disputes may arise with respect to any agreement contained in the final act of the Uruguay round that is subject to the understanding on rules and procedures. Governing the settlement of dispute (DSU).The DSB has authority to establish dispute settlement panels, refers matter to arbitration, adopt panel reports.

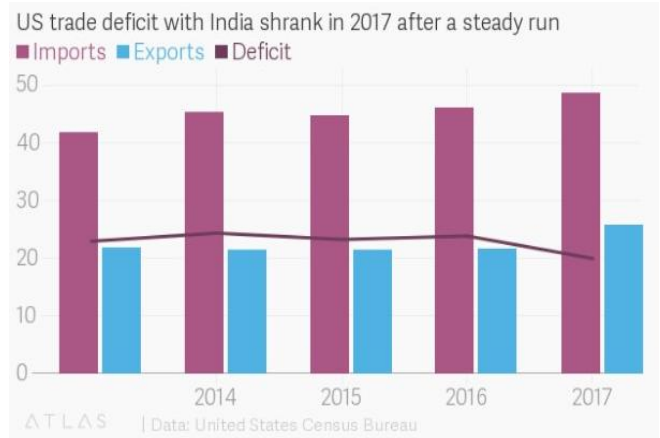
Appellate body and arbitration reports maintain surveillance over the implementation of recommendation and rulings and contained.

Through such report and authorize suspension of concession in the event of non-compliance with those recommendation and rulings. The DSB is made up to all members or Government representative. The Appellate body was also established in 1995 under the Article 17 of the understanding on rules and procedures governing the settlement of dispute (DSU). It is standing body of seven members that hears appeal from reports issued by panels in dispute brought by W.T.O members. The Appellate body can uphold, modify or reverse the legal finding and conclusion of panel reports. Once adopted by the disputes settlement body must be accepted by the parties. The Appellate body is composed of seven members who are appointed by the DSB to serve for four - years' terms with the possibility of being appointed once. The appellate body membership shall be broadly representative of members in the W.T.O. Body receives administrative and legal support from the appellate body Secretariats.

6. Implication of U.S. - China Trade war on India

There is no question that economic growth and assets markets will be badly hurt by a full blown U.S. - China trade war. When trade war happens it just doesn't affect the two economies open trade. It comes as no surprise here that [U.S.-China trade war: what it is, how it impacts India, financial express, July 6, 2018] India is getting dragged into this. As a counter measures against duties on steel and aluminum India has proposed imposing duties on 30 goods imported from U.S.. An estimated total 241 million dollars worth duty will be paid by India against the imposition on aluminum and steel. To [How will the U.S.-China trade war affect global markets and Indian equities, Deepak Jasani, business Standard, August] neutralize that effect, U.S. shall pay around 238 million dollars as duties on goods exported to India. But trade war brings nothing good to the end consumer as everything under tariffs scanner become expensive. In the Indian food sector almonds and walnuts will become expensive. The prices of pulses and lentils like chicken peas, mosur, are likely to go up. For the manufacturing industry the proposed additional duty of 15% could negatively affect the cost of production as it escalates the raw material cost.

These includes stainless steel fittings, binders for factory moulds, structure of iron and steel, screws and bolts, a category of spring and cast articles of iron and steel, plates and sheets. Additional duty of as high 50% has been proposed on motorcycle with an engine capacity more than 800 cc



India runs trade surplus with the U.S. which means India export more to U.S. than what it imports from U.S.. The trade with U.S. is very favorable which means we export more than we import from them. This brings much needed dollars inflows into the country. If the trade war with U.S. escalate, this will widen our trade deficit and also our current account balance deficit. An escalating trade war with U.S. has potential to impact the domestic market as well as industries especially pharmaceutical, apparels, textile.

All these industries are manpower intensive. At a time when unemployment is big issue in India and economy is also slowly coming back to normal a trade war with U.S. will impact the economy's growth momentum. India highest imports from the U.S. are very critical in nature like nuclear reactors, boilers, mineral fuels, aircrafts and medical equipment etc.

Any higher duty on these products will impact India's key sector while the U.S. companies can absorb the impact, India and Indian companies don't have strength to absorb the higher cost.

The current U.S. stance, there Will be risk of further trade escalation may be happened between both countries. India has been placed on the priority watch list in the USTR special 301 report for intellectual property rights (IPR) implementation. Its Foreign exchange policies are also under U.S. watch list.H1B1 visa regulations have been made tougher and fewer Indians are Applying. U.S. has also voiced concern about high Tariffs in India for certain U.S. products. The U.S. has further announced a review of general system of preference (GSP)which permits imports of certain goods from India at zero tariffs, impacting 5.6 billion dollars of the overall U.S. protectionist trade sentiment and policies, which only escalate depending on domestic reaction and global retaliation.

The Indian government would need to ensure a strategic approach to the many dimensions of export endeavor in this evolving trade scenario and accelerate export competitiveness in mission mode to reinstate it's efficiency as growth driver for the nation.

7. Conclusions

The world will now revert to the historical things in which the strong do what they can and weak suffer what they must.

That has long been the reality of international trade politics and can indeed create a sort of workable order, one that will allow countries to respond to the domestic political pressure they all face. Trade wars are nothing new, whether this turns into ugly fight or conflict upsetting the global market. Today if a repeat of something similar to that trade embargo were to happen virtually every country would be affected in some way. In other words, no one will win a trade war because historically trade war always turns out to be a bad idea for the long run. In trade war the real losers will be the consumer's. An Economic showdown between world two big economies doesn't well for anyone.

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