

● US-CHINA TRADE WAR

Decline in global trade growth may hurt India

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ANY SHARP ESCALATION of the US-China trade war is likely to drag down global trade growth and hurt India, although in its present form, the face-off between the world's two largest economies may not jeopardise the country's export prospects, trade analysts said on Friday.

In fact, if the US extends curbs on Chinese garments and textiles, India will have an opportunity to exploit that advantage and ship out more to the largest economy, which is already its single-biggest market in these items. But the country may have to gear up with more anti-dumping measures to counter any potentially massive inflows of products, including steel, that will be targeted by these countries.

Analysts said international agencies may soon start revising down their growth projection for global trade if the situation escalates. Only in January,



Donald Trump

the International Monetary Fund had raised its growth forecast for global trade by 0.6% and 0.5% for 2018 and 2019, respectively, from its earlier forecasts to 4.6% and 4.4%. One of the major drivers of this growth was an upward revision in global economic expansion, led by the US.

US President Donald Trump's plans for tariffs on up to \$60 billion in Chinese goods in his bid to address his country's \$375 billion goods trade deficit with China has already prompted the world's second-biggest economy to propose a list of 128 US products as



Xi Jinping

potential retaliation targets. US goods with an import value of \$3 billion in 2017 could be targeted. These goods include wine, fresh fruit, dried fruit and nuts, steel pipes, modified ethanol, and ginseng.

"The trade war is a cause for concern for India, but we need not be unduly worried. A lot will depend on the details of the US tariff plans and the products both these countries will be targeting. At the moment, a lot of it is just rhetoric. In fact, after slapping a 25% tariff on steel supplies and 10% on aluminium imports from various countries, the US has now dras-

tically cut down on the number of targeted countries," said Ajay Sahai, director general at FIEO.

Just before its planned tariffs on steel and aluminium imports were to be enforced on the EU, the Trump administration announced it was exempting the bloc, along with Australia, Argentina, Brazil, Canada, Mexico and South Korea. However, China or even India has yet got a reprieve from this measure.

In a note, CARE Ratings said: "If global trade volume shrinks on account of this trade war, our exports are bound to be buffeted. The expected double digit growth in exports in FY19 may not happen." Global growth can be affected as a trade war will mean higher prices and lower growth in these two main geographies and it will impact our exports, it said.

The global GDP was valued at \$75.3 trillion, with the US and China accounting for \$19.4 trillion and \$ 11.9 trillion, respectively.