Continuing Trade War

Why in news?

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- India has recently hiked duty on 29 items imported from the US.
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- The retaliatory measures by India and other countries to US's tariffs are indicative of an expanding trade war.
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What is India's move?

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- Earlier India told WTO of its plans to increase the customs duty on 30 products imported from the US.
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- Motorcycles with internal combustion engine capacity over 800 cc was in the list.
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- However, India has now left out such motorcycles.
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- It has slapped tariffs as high as 50% on a list of 29 goods imported from the U.S.
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- Some of them are lentils, boric acid, fresh apples and shelled almonds.
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What is India's stance?

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- India’s notification to the WTO says that U.S. tariffs on steel and aluminium would cost India $241 million.
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- Thus, the tariffs imposed on the U.S. would bring in a commensurate amount.
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- It has also indicated its preference to deal with the issue through dialogue.
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- It has stated clearly that it did not prefer “measures and counter-measures”.
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What are the other recent developments?

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- In the recent period, **China** and the US have imposed various rounds of tariffs on each other.
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- It all began when **US** unveiled tariffs to discourage the import of steel and aluminium into the country.
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- The latest round of tariffs imposed by the U.S. on Chinese goods will be the highest in terms of the value of goods.
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- It will now affect Chinese goods worth $450 billion.
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- Notably, total Chinese imports into the U.S. last year were worth around $500 billion.
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- The **European Union** also joined the trade war recently, imposing tariffs on $3.3 billion of American goods.
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What will the implications be?

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- Investors may be beginning to take threats of a trade war more seriously.
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- The fact is that all sides engaged in a trade war eventually lose.
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- The longer it goes on, the greater the cost.
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- This is because growth slows down under the increasing burden of taxes.
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- The only gainers in a trade war will be special interest groups, such as the U.S. steel industry.
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- Even retaliatory tariffs may only perpetuate the vicious negative-sum game.
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- It may not contribute to bringing the war to an end.
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- Global powers must try their best to bring an end to the ongoing trade war before it gets out of hand.
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Source: The Hindu, Indian Express

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