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THE STUDY OF IMPACT OF US-CHINA TRADE WAR ON INDIAN ECONOMY

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Abstract
An impending trade war between US and China, the world's two largest economies can cause insurmountable consequences of immeasurablescale. It can cause distortions in the complex web of interconnected commodity and value chains sprawled across the boundaries, ultimately leading to suboptimal social welfare of the international community. The present research paper is small step to study theimpact of US-China trade war on Indian Economy.

US President Donald Trump sees China as a major economic adversaryand he has done so for quite a long time. In an interview in 2015, he stated "because it's an economic enemy, they have taken advantage of us like nobody in history, it's the greatest theft in the history of the world what they have done to the United States, they have taken our jobs". In a similar tone, Trump's National Security Strategy of 2017 criticizes that China challenged American power, influence and interests attempting to erode American security and prosperity.

Many share Trump's threat perception in the United States. According to a report of the polling institute Pew Research Center, a majority of Americans view China unfavorably. The top issues Americans are concerned about include the large US debt held by China, cyber-attacks from

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China, the country's impact on the global economy, the loss of US jobs to China and the US trade deficit.

The United States has had a large deficit in merchandise trade with China for many years. Amounting to USD 382 billion in 2018, the deficit in trade in goods is higher than that with any other country in absolute numbers. Trump finds the causes mostly in unfair trade practices abroad- subsidization of domestic companies, overcapacities, forced technology transfer and theft of intellectual property rights. But the trade conflict is about much more than the US trade deficit, it is all about power and economic dominance. This was reinforced by the Made in China 2025 strategy, which aims to make the country a 'manufacturing superpower'.

Partially Trump is right, China has become a heavyweight in the world economy but has yet to assume responsibility for the global economic order. Quite the contrary, the country frequently fails to adhere to the rules of the WTO and its own accession protocol to the organization.

Nonetheless Trump's goals are fundamentally defective. The President wants to 'decouple' the US from China, or in other words, massively reduce the interdependence between the two countries. Not only will this strategy not work, the policies of the President are dangerous and could easily backfire. Trump's tariff war has already taken its toll both in the US and globally. While China has made some concessions, none of these are legally binding. Any US-China deal is unlikely to address the underlying problems, rooted in China's economic model. What's more, it will not end the competition between the two superpowers for dominance in the international system.

Keywords: Trade War, US, China, India, Impact, Superpower, Global Reputation, Trade and Tariff Deficit, Developed and Developing Economies, Economic Dominance etc.

1. Introduction

International trade is being labelled as 'engine of growth' for centuries. The rapid expansion of international trade has caused greater dependence among the world nations, where a web of commodity and value chains forms close knit interconnections extending deep into internal and international levels. The expansion of international trade has over the centuries lifted millions of people out of poverty in developing countries, though it is severely criticized for engendering wider disparities in income distribution both in developed and developing economies.

The developed countries were the ardent champions of free trade and played pivotal role in the establishment of international agencies like WTO and IMF who advocated developing countries around the world to pursue free trade policies in order to accelerate economic development. But there seems to be a reversal in the policy stance of developed countries in the present global scenario.

The growing trade deficits in developed countries an accused consequence of booming international trade is one among the reasons that promoted nationalist populists in various developed country's driving seats and they undoubtedly and persistently pursue anti trade policies and re-negotiate the existing institutional setups promoting multilateral trade like Trans-Pacific Partnership, North American Free Trade Agreement etc.

At a time in history, when international trade and multilateral trading system face the backlashes that it has never ever encountered, this study puts forth an impact of US-China trade war on Indian economy, which has the potential to impose a grinding halt to the not so smooth functioning global trade relations at present.

On 8thMarch 2018 the US President Donald Trump announced imposing additional tariffs on China's export of steel and aluminium to USA. On 22ndMarch 2018, President Trump announced plans to enact sanctions against China over its Intellectual Property Rights policies that negatively affect the US stakeholders. These sanctions included raising tariffs by 25% on selected Chinese products valued at $50 billion to $60 billion. On 1stApril, China announced that it had retaliated against the US action by raising tariffs on various American products such as pork. On 3rd April US administration unveiled a list of 1,333 products worth $50 billion in trade to which it intended to apply a 25% tariff. These Chinese goods are in strategic sectors such as information technology, robotics, advanced rail and shipping, new energy vehicles and high-technology medicine and health care etc. A few hours later, China released its proportional response 25 % tariffs on 106 products also worth $50 billion in trade.

Thus, there is a tit-for-tat action was going on between China and US. The Trump administration's plans to tax $50 billion worth of Chinese imports was met with threats by the Chinese to subject $50 billion worth of American products to the same. China threatened to retaliate with tariffs on American cars, chemicals and other products. The 106 goods many produced in parts of the country that have supported President Trump, were selected to deliver a warning that American workers and consumers would suffer in a protracted standoff.

Under the WTO rules a developing country is entitled to a certain extent to use non-market practices to spur economic development. Since it became an economic power house trailing only the US, developed countries want China to follow the same rules and responsibilities as a market economy. So far, China's government has reacted to new tariff actions by the Trump administration with relatively restrained words and promises of proportional responses to the American government actions.

The actual intention behind the Trump administration's recent series of anti-China moves goes beyond this rhetoric.

It has two aspects:

a) Forcing Beijing to open its market further for US goods and services and providing US companies with more favorable investment conditions.

b) Curbing the state-backed high-tech sectors that form the core of Beijing's 'Made in China 2025' strategy.

The US and China are the two biggest economies in the world. A trade war would have very serious repercussions all over the world economy. It could derail the current global economic expansion and cripple American businesses that depend on business with China. It could also further complicate geopolitical priorities given the Trump administration has enlisted the help of the Chinese in solving the crisis with North Korea as well.

2. Research Methodology

A) Topic of Research:

The study of Impact of US-China Trade War on Indian Economy.

B) Objectives of Research:

a) To study the concept of trade war in the international market.

b) To find out the reasons behind trade war.

c) To find out the impact and consequences of trade war on the Indian economy.

C) Hypothesis of Research:

H_0: The US-China trade war is not resulted into massive impact on Indian economy.

H_1: The US-China trade war is resulted into massive impact on Indian economy.

D) Scope of Research:

The study of Impact of US-China Trade War on Indian Economyis analyzed during the last decade.

E) Research Design:

a) Types of Data:

Secondary data has been collected and used for the present research study.

b) Sources of Data:

Secondary data was collected from internet, reference books, journals, articles, publications and various printed material.

c) Tools for Data Analysis and Presentation:

Tables, Percentages and Proportions are used for data analysis and interpretation.

3. Historical Background

Meaning of Trade War:

A trade war is when a nation imposes tariffs or quotas on imports and the other countries retaliate with the same vigor through the imposition of more or similar types of tariffs. It definitely affects international trade. Typically a trade war starts when one country tries to protect its domestic market and tries to create jobs for its people. In a narrow point of view, this kind of a move may look that it would work. However, in the long term a trade war is said to cost jobs, slow down the economic growth of every country involved. Let us also not forget about the issue of inflation when the supposed tariff increases the price of the imports.

The last time it happened in the US in recent history was in the 1930s, which was the Smoot Hawley Tariff which increased 900 import tariffs by a percentage of 40-48 % with the intention of supporting US farmers who had been affected by the Dust Bowl. This raised food prices for Americans who were already in a bad place due to the Great Depression. The other countries involved started with their own tariffs and it forced global trade to go down by 65%, which worsened the depression and become one of the many reasons which started the World War II.

How did the US China Trade War start?

It all started in the year 2018, let us trace the events through a timeline:

1. On 22nd January, President Trump imposes tariffs on the imported Chinese solar panels and washing machines. China is regarded as the world leader in solar equipment manufacturing.

2. On 8th March, Trump asked China to develop a plan to reduce the USD 375 billion US trade deficit by a USD 100 billion. China is open to the idea because the part of their economic reform plan is to reduce their dependence on exports. But the Chinese warn that they cannot do much because the deficit is mainly due to the high demand of Chinese goods in the American market.

3. On 22nd March, Trump announced that it would levy tariffs on USD 60 billion of imports on China. The Trump Administration also said that it will limit the US technology transfers to Chinese companies. China needs all foreign companies who want to sell their products in the

mainland to share all their trade secrets with Chinese companies. China responded to this by imposing tariffs on USD 3 billion in US fruit, pork, recycled aluminium and steel pipes.

4. On 26th March, the White House started negotiating with the Chinese and focused on three main requests, which ranged from China reducing tariffs on US automobiles, Chinese importing more US semiconductors and American business sector to have greater access to China's financial sector.

5. On 3rd April, the US administration announced that it may impose tariffs of USD 50 billion on Chinese electronics, aerospace and machinery. China retaliated with 25% tariffs on USD 50 billion of American exports to China. China targeted 106 products which mainly affected the industries located in states that supported President Trump in the 2016 election.

6. China also cancelled all the US soybean import contracts. It used to import USD 12 billion in US soybeans. China can easily replace its demand through Brazil's supply. US farmers used to sell half of their crop to China. China being their biggest customer. In July 2018 soybean prices hit a 10 year low for the US Farmers.

7. In April President Trump said that he will impose tariffs on USD 100 billion more of Chinese imports which would equals to 1/3rdof the US imports from China. China announced that the trade negotiations broke down

8. On 4th May 2018 Trump administration listed out 5 demands and presented them to China:

a) End subsidies to tech companies

b) Stop 'stealing' US IPR

c) Cut tariffs on US goods by 2020

d) Open China to more of American investment and

e) Reduce trade deficit by USD 200 billion by 2020

9. It is expected that China will not be able to meet the first two demands, China plans to reduce its trade deficit also. China also agreed to import more US products.

10. China by mid of May 2018, agreed to remove tariff on US pork imports, further it also allowed Qualcomm to acquire NXP. What they wanted in return was that US remove tariffs on Chinese telecom company ZTE. By the end of May 2018, the White House said it would announce a final list of products by mid-June which will receive tariffs. By the end of June 2018, investment restrictions would also be announced.

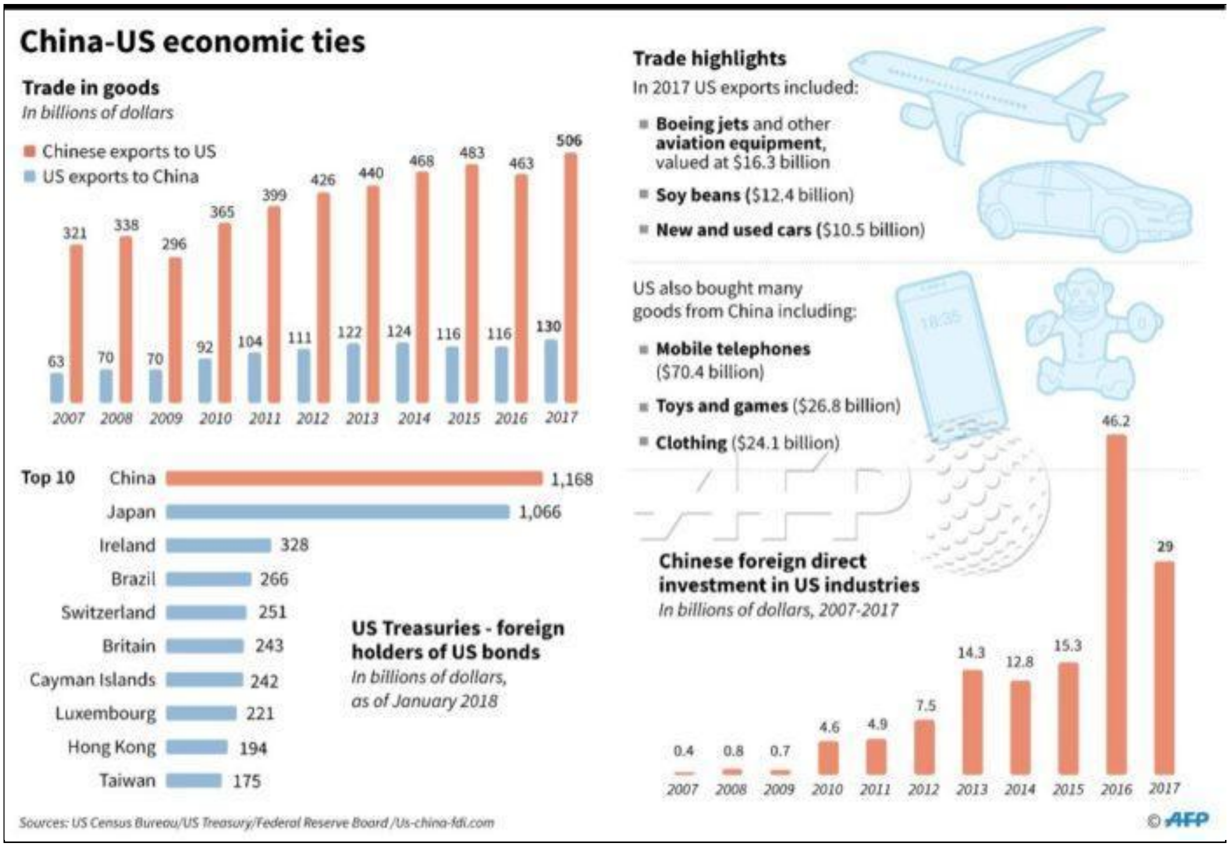
11. By July 2018, President Trump's tariffs were in effect, they hurt USD 34 billion Chinese imports. China retaliated with a 40% tariff on US automobile industry. The administration in a few day's time also announced 10% tariffs on USD 200 billion Chinese imports, which would go in effect from 24thSeptember 2018. The tariffs will then rise to 25% by the end of the year. They are expected to raise prices on a variety of goods. China retaliated by adding tariffs on USD 60 billion in US exports. Trump administration threatened to add tariffs until all of the USD 500 billion of Chinese imports are hurt by it.

12. In August 2018, the White House imposed a 25% tariff on USD 16 billion worth of Chinese goods. It went into effect on 23rdAugust. It is mainly levied on industrial equipment'ssuch as tractors, plastic tubes and chemicals. In retaliation, the Mainland announced a 25% tariff on USD 16 billion worth of US goods which mainly included automobiles and coal.

4. Analysis of Trade War:

Since the beginning of the year the trajectory of the Indian economy seems to be going up. An impressive growth rate of 7.5 %, which is the fastest among all the major economies in the world, points to the fact that issues like demonetization and the implementation of GST were only short-term breakdowns which are being overcome swiftly. It is needless to say that there is a sense of optimism among the general public which is reflected in the stock market trends. However, increasing tension between the US and China and the implementation of tariffs indicate a strong possibility of a full-blown trade war between these two countries.

The impact of a trade war between the superpowers may have implications which may impact the global and the Indian economies. Hence it is wise to analyze the possible effects well in advance and plan accordingly.



Trade War and Possible Escalation:

Towards the beginning of the year, the President of the US, Donald Trumpscolded China, alleging unfair trade practices and theft of intellectual property. The US is perhaps one of the biggest consumers of Chinese goods. Hence souring trade relations between the two meant economic implications for the Asian nation.

Subsequently, Trump imposed 10% and 25 % duty on aluminium and steel respectively coming from all countries except Canada and Mexico. Since the first round of tariffs was announced in June, businesses worth $100 billion out of the total business of $635 billion faced difficulties. This, by no stretch of the imagination was a trade war. However the main threat came with the announcement of the $200 billion tariff imposition on China’s export in the latter part of June.

This escalation could have a much more profound impact than the first round which makes many believe that we are on the brink of a major trade war.

China has maintained consistent trade surplus with the US and in 2017 China had a trade surplus with the US worth $275.81 billion. China's overall trade balance in 2017 was a surplus of $ 422.5 billion. It significantly means that China derived 65% of its trade surplus from the US.As per World Bank data 2016 China's top most exporting partner was theUSwiththeexportvolumeofworthUSD3,85,678millionandwithapartnershareof18.39%. But the US occupies the 4thposition as importing partner with the import volume of USD 1,35,120 million with a partner share of 8.51%. All these statistics more than provokes the US president Donald Trump who has unleashed a trade war with China.

The Trump administration slapped trade sanctions on China including restrictions on investment and tariffs on USD 60 billion worth of products. In January 2018 Trump imposed tariffs on solar panels and washing machines. Then he came up with steel and aluminium tariffs on account of the excuse of protecting national security. China is more resilient to face these trade wars today than a decade ago. In 2007, 60% of its GDP was from its external trade and it has gone down tremendously by 30% today. But still China has more stake as it has more trade surplus via greater extent of exports. China has announced its retaliation policy by imposing tariffs on 128 US products ranging from wine to oranges. Nowthequestionremains,isitgoodfortheUSandChinaandfortheworldasawhole?

Once the trade war between the US and China goes out of control, it will most likely disrupt a lot of supply and distribution chains the catalysts of international trade. The consequences would not confine to both the US and China. The US consumers would have to pay higher prices for 'made in America' products instead of cheap Chinese products. The US business investments would have to look out for new avenues of low cost assembly.

Chinese manufacturers will be affected as most of their export manufacturing is the result of foreign investments. This trade competition can dent the ambitious projects of China in technological enhancements especially in Artificial Intelligence. The major discord of the US president Donald Trump is regarding the poor record of China in connection with the intellectual property rights protection, which includes requiring foreign companies to transfer their technology as a condition for investing in China.

The trade tensions between the US and China could trigger a shift from cooperative game to non-cooperative game in international trade with elements of a 'prisoner's dilemma' in which self-interested actions turn out to be sub optimal for individuals and the world community. Various international organizations need to step in to ameliorate the worsening international trade scenario. The role ought not to be confined to WTO. World Bank and IMF need to interfere with proper caution and diligence. World Bank and IMF need to be revamped if necessary to be better multilateral surveillance and reconciliation mechanisms.

Most observers of international affairs are of the view that the trade war is not likely to be escalated and China might play it down by a mild retaliation of charging concessional increase in tariffs. Chinese Supremo Xi Jinping has so far maintained a restrained retaliation. Donald Trump also diluted his strong stand by withdrawing from an across the board tariff by granting exemptions to Argentina, Australia, Canada, Brazil, EU, Mexico and South Korea from his steel and aluminium tariff and also on domestic metal using industries. Donald Trump has even proposed to rejoin the 11 country free trade agreementknownasTrans-PacificPartnership(TPP).NonethelessXiJinpingcanusethis scenario to project itself as champion of free trade and the US being branded as a danger to the global multilateral system that it strived so hard tobuild.

As far as the manufacturing industry is concerned the additional duty imposed could have a detrimental impact as the cost of production will go up due to the rise in the price of raw materials. Moreover other things which may face an increase in price include foreign motorbikes with high engine capacity and food products like almonds, walnuts, pulses etc.

Need for a strategy:

Under present uncertain circumstances, Indian CEOs have a significant role to play in keeping the business environment stable. Their strategic plans could prove to be crucial and hence there is a need for different plans suitable to different economic environments. Today the world is witnessing an unprecedented trend of synchronous growth, a growth which is dynamic in nature. Hence there is a necessity for preparedness for all types of eventualities as on the other end of the spectrum, if the trade war does not materialize there is the possibility of tremendous growth in the Indian and world economy.

Effect on India:

As mentioned earlier, the effects of a trade war are unlikely to be restricted to merely these two countries. Due to this India too could find some changing dynamics in its economy. The basic principles of economics i.e., demand and supply, will once again come into play. The shortage of supply of a good, either finished material or raw material, will increase the final consumption price for the consumer. Moreover, the burden of increased tax from the duties will also be borne by the final user.

The value of the Rupee:

In the last one month the value of the rupee has dropped to an all-time low, when in some occasions it was hovering around the mid 68 against the US dollar. This coincided with Donald Trump's threat of imposing a fresh round of tariffs on exports worth $200 billion. This trend can be traced to the weakening of the US dollar, which automatically creates a negative impact on the trade deficit of India, causing a chain reaction of sorts.

Indian Stock Markets:

Amid concerns over the global trade war, key indices in the Indian share market dropped due to the cautious approach of the investors. During this period the BSE Sensex saw regular plunges in points. NSE Nifty's performance too was along the same lines as it also saw significant drops. As of now the Sensex is trading at about 37,521 which is still below average.

India-US Duties:

As the United States of America imposed duties on steel and aluminum, India now has to pay approximately $241 million worth of tax to the US. India on the other hand as a counter-measure has proposed imposing duties on 30 different types of goods. This will ensure that the US has to pay about $238 million as duties to India. However this will make life more difficult for the end consumers as everything that falls under the tariff scanner is expected to become more expensive.

“The odds are, the trade war the Trump administration is pursuing is likely going to ineconomic terms harm everybody else much more than the United States” says Adam Posen, President Peterson Institute for International Economics

India being the fastest growing economy in the world today will face the consequences of this trade war. The basic principles of demand and supply would come into the picture. The shortage of supply of a good either finished or raw material will most likely increase the consumption price for the consumer. Further the burden of additional taxes would also be borne by the end user. The effects won’t be limited to a particular area or sector but they would be multifold.

Increase in Exports:

The direct impact on the Indian market could be an increase in the India-US trade market as the US-China trade quota could fall given the situation of tariffs. The US could look forward to finding alternatives for Chinese products whose prices have gone to the sky post-tariff levying. India, which has a $60 billion trade deficit with China, may stand to benefit as Xi Jinping moves to slap levies on US goods such as soybean and simultaneously removes levies from Indian exports. If Chinese exports to the US slow down as a result of the trade war, India may be able to gain significant traction in textile, garments and gems and jewellery. However China could still find crude oil from alternative sources such as West Africa which has a similar quality as US crude, the US would find it hard to find an alternative market as big as China. However if crude oil prices fall as a result then other things constant, India benefits from this perspective.

Weakening Rupee:

The impact on the rupee which is already battling historic lows against the USD making oil and other imports extremely expensive. This would certainly result in inflation, widening of the current account deficit, which is already at 2.4% against 0.7% FY 2017 and an overall macroeconomic instability and possible slippages on sovereign ratings. The US Fed is already on its quantitative easing policy of gradual hiking of interest rates which will encourage flight of capital from debt and equity markets in emerging economies. The trade war will only add fuel to fire. India's highest imports from the US are very critical in nature like nuclear reactors, boilers, mineral fuels, aircraft, space crafts, medical equipment's etc. Any higher duty on these products will impact India's key sectors. The United States and its companies have the stomach to absorb such an impact. However, India does not share the kind of stomach or strength like the US to absorb such high costs.

Increase in Interest Rates:

Rising interest rates in America could mean a few bad days for the India's equity market. As higher interest rates in the US will lead to people withdrawing their money from bonds and equities from emerging markets like ours and investing it into their own economy which guarantees them with better and higher interest rates and returns. It can be said that a surge in our domestic inflows is a reassuring factor for our Indian equities but higher rates do make investing in the United States a better option as of now.

Volatile Markets:

Increase in interest rates by the Federal Reserve in the United States because of importers passing on their increased costs of raw material will affect emerging economies such as India both for their debt and equity market. Even a minor disruption in the US financial markets has major implications for India. The three external risk factors i. e. higher tariffs, rising interest rates and elevated bond sales are coming at a time when the Indian banking system is already stressed with NPAs. The economy of the country especially the financial markets have to be ready for a lot of volatility and stress from the combined effects of global and domestic challenges.

Increase in Supplies:

Supply chain disruption is another threat which looms large as the Chinese export to the the US is made up of 30% imports it makes and then finishes these intermediate products to final products. In the event of the export demand from the US going down, the imports will be affected directly. This could lead to excess supply in the emerging markets from where these are imported. India is one of these market and imports a variety of intermediate Goods.

"India can become more competitive in segments such as textile, garments and gems and jewellery since India already has an edge," says economist Upasna Bhardwaj of Kotak Mahindra Bank in a Livemint article. However, this is doubtful in the short run because China's exports to the US are much more diverse and it's a tall order for India to fill the gap.

The Indian economy particularly exports may be impacted. The global trade war get effected to export or escalated further, industry 'If the tariff war escalates into a full-scale global trade war, it would have a collateral damage for the Indian economy as well with the country's exports taking a hit, current account deficit facing pressure and the GDP taking a setback', the chamber said in a statement.

India, too, can be targeted if USA does not stop with China. Presently we have a surplus with the USA. In 2016-17 exports were $42.3 billion and import $22 billion leading to a surplus of $20.3 billion, which may not be significant from USA point of view. In case of China, we have a deficit of $51.1 billion with exports of $10.2 billion and imports of $61.3 billion. Trade battles also make currencies volatile and we should be prepared for the same. It said that the measures taken by the US may not have a direct impact on India but the collateral damage could be in the form of adverse impact on the overall sentiment.

Economic Consequences:

It is admitted that trade war increases the prices of Chinese imports. Those consumerswho are highly dependent on Chinese imported goods suffer by paying higher prices. Recently USA producers and firms who depend on Chinese imports of raw materials have been suffering by increasing costs of production which will be translated into higher prices causing cost-push inflation in US markets. Eventually the profits of US firms decrease due to increasing costs and the profits of Chinese firms decrease because of reduced exports. Moreover the stock and bond returns of the firms who are highly dependent on Chinese imports will decrease compared to other firms which are less dependent on them.

Moving to the global level the imposition of tariffs negatively impacts the global supply chains which the input-output flows occupy. Trade war disrupts the distribution and supply channels, which are considered the main important catalysts for trade. Moreover, trade wars stimulate the effect of trade diversion. Trade diversion creates inefficiency since it diverts the importing process from less cost-efficient country that has higher comparative advantage to another country that has lower comparative advantage.

In that case, China and USA will decide to search for other sources of imports, if they couldn't produce them domestically with less cost. China will search for other markets to import from them instead of importing from USA like Japan, South Korea and Europe. International Monetary Fund warned that Trump's trade war could cost the global economy $430 billion, equivalent to 0.5% reduction in global economic growth.

Political Consequences:

Persistent trade deficits in developed countries recently have driven the politicians there to support populist and nationalist policies to defend the national production by imposing tariffs to restrict imports and foreign competition. This leads to the return of protectionism and rise of populist, nationalist and anti-globalization waves. Moreover, Trump's tariffs didn't affect China only but also Canada and European Union as he imposed tariffs on their imports but they retaliated by imposing tariffs on big lists of US imports. So the impact of trade war has extended to other major players in the international market, which deteriorates the global trade volume and global economic growth and stability. In addition, trade war has shown the power of the newly emergent international powers particularly China.

5. Research Findings:

1) The trade war may impact Indian economy more adversely.

2) A trade war would slowdown global growth overall worsening India's already dismal export numbers.

3) The biggest impact could be on the rupee which is already battling historic lows against the US dollar.

4) The rising price of oil threatens to widen India's current account deficit, impacting India's macroeconomic stability.

5) Reducing investment flows into India.

6) However, India which runs a $51.08 billion trade deficit with China may stand to benefit.

7) China imports 100 million metric tons of soybean which serves as protein source and feeds its food processing industry, this presents a huge opportunity for India.

8) India may also seek the opportunity to reduce its own trade deficit against China.

9) India may be able to gain some traction in textile, garments and gems and jewellery if Chinese exports to the US slow down.

6. Conclusion

Trade wars are harmful to the country and global economy. It creates inefficiency, trade diversion, misallocates resources and harms international trade and global economic growth and stability. Trade wars have no winners unless a trade partner has high elasticity of imports than the other partner. The world faces now two scenarios either the worst one of continuing retaliatory tariffs and escalating trade war which will impact the individual economies and the global economy negatively or the best one of reaching agreements like the recent negotiations between Trump and Chinese president to mitigate trade war repercussions and settle their disputes.

While the Trade War which seems like a distant reality earlier has become a true tale of our times and one which will possibly have heavy effects in the years to come, what remains to be seen is how exactly things move. The Republican White House has constantly made its Make in America agenda very clear and is leaving no stone unturned to achieve it. But with the determination also comes a hard reality of fighting with their biggest trade partners and their retaliation which could be very harmful in the times to come. The most certain thing about this trade war is its uncertainty.

Every day a new action is taken which invites an equal and opposite reaction. In these scheme of things, the Indian Government is making a deal with the American authorities to work out a plan where Indian goods purchased by the US don't face the tariffs and the supply-demand equation remains healthy. The ongoing changes cannot be stopped halted, the volatile stock markets which react the moment a new tariff is imposed or a retaliation is announced. The weakening rupee or the rising crude oil prices. There is also the excess supply scare moving over India or other emerging countries ahead.

None of these questions has a definite answer as the problem at hand is neither static nor at a halt. It is an ongoing dialogue where dynamic change occurs almost every hour. The best course India could take is to take advantage of the improved trade relations it could build and hope to increase its exports. It could also plan how it would use its surplus resources if China refuses to buy them due to lack of demand. Alternative buyers or usages of these products should be a priority of the organizational leaders.

The present trade tensions are not perceived to be escalated to the full scale as China is most likely to play it down. However these instances of trade war are indicators of future turbulences in global economic scenario. Any attempts on world leaders to propagate the policies that invoke trade wars invariably leads to promotion of economic nationalism and protectionism which further damages the multilateral trading system that over the decades promoted global economic welfare. It took decades of negotiations for the establishment of the present world trading system. Thus the international organizations and world leaders need to involve in bilateral and multilateral discussions to ameliorate the trade tensions and guard against any threats to multilateral trading structure of the world.

The study suggests that China instead of pursuing aggressive foreign trade policy, open up its own economy to a greater degree with due respect to intellectual property rights. China needs to recognize that aggressive trade policies may eventually hurt their national interests as well as the global welfare. The US president needs to be reined in by economic advisors not to pursue extreme policies which can have backlashes mostly in poor countries around the world. The global trade as we experience today is not at all a perfect one. It has damaged environment, brought forth economic displacements and generated skewed distributions of gains from the trade.

Overall scenario is the loss of welfare to all the stakeholders in the global multilateral system of international trade. In the more globally integrated days of the present era, it is a perfect lesson to imbibe not just by China and the US but also by Russia, EU and other growth aspiring nations of the world.

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