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**US-China trade war could  
help and hurt India**

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## US-CHINA TRADE WAR COULD HELP AND HURT INDIA

### In News

US President has directed his Trade Representative to increase tariffs on USD 18 billion of imports from China to 'protect' American workers and businesses

### US stand

- It has proposed sharp increases in tariffs on certain steel and aluminium products, semiconductors, electric vehicles, lithium-ion batteries, solar cells, ship-to-shore cranes and medical consumables.
  - ◆ The proposed increases are a part of the US's broader strategy under **Section 301 of the Trade Act of 1974**.
- The reasons cited by the US include **China's unfair practices** relating to **technology transfer, intellectual property and innovation** and the threats posed by large manufacturing capacities.
- China is also flooding global markets with artificially low-priced exports.
- All these impact the American businesses and workers negatively .

### China's Response

- Chinese officials have fiercely promised to retaliate, stressing that this will seriously affect bilateral cooperation with the US.

### Impact on Global Economy

- The trade war between the U.S. and China could hurt the economic prospects across the developing countries .
- The trade war can have a direct impact on consumer products.
- The companies may find it difficult to operate with huge taxes and in response to that these will increase their product prices which will put a burden on consumers when they buy any products
- A trade war could weaken investment, depress spending, unsettle financial markets and slow the global economy.
- It could also result in other countries raising protectionist barriers.

### Repercussions for India

- **the positives** : Indian exporters need to make the most of opportunities created by the trade war.
  - ◆ Exporters of face masks, syringes and needles, medical gloves and natural graphite are the best places to benefit from the recent round of tariff hikes by the US.
  - ◆ While China is the biggest exporter to the US in these categories, India too has a good presence in the US in these products.
  - ◆ The United States and China are major trade partners of India in international business and can fulfill the huge gap of trade deficit through export.
  - ◆ India can seek more opportunities in the enhancement of information and communication technology, eCommerce, the chemical industry, outsourcing, and the automotive sector.
- **Negatives**
  - ◆ Indian authorities need to up the ante in checking dumping of low-priced Chinese goods diverted into India, which can negatively impact Indian manufacturing.
  - ◆ With the EU contemplating increasing duties on EV imports from China, there is risk of the latter pushing cheap EVs into India, deterring Indian businesses.
  - ◆ Products slapped with higher US duties such as lithium ion batteries and semiconductors from China could also be diverted to India.
  - ◆ China is already India's biggest trading partner, with India's imports from that country totalling \$101.7 billion in FY24.

### Safeguards available in India

- India has a process for identifying imports which are priced lower than the selling price in the country of origin with the **Directorate General of Trade Remedies levying anti-dumping duty on such products.**
  - ♦ But there is delay in accessing and analysing the trade data and taking action.

### Conclusion and Way Forward

- A recent announcement by the US of an increase in tariffs on a range of imports from China could have repercussions on global trade
- Therefore the commerce ministry's investigation arm Directorate General of Trade Remedies (DGTR) has to remain vigilant
- The Centre could consider setting up a department to analyse the trade data on some key imports daily so that action can be expedited.
- A trade policy with China that bolsters rather than impairs India's recent manufacturing boost deserves attention — especially given India's keenness to be a 'China plus one' hub.

### Mains Practice Question

[Q] How will a US-China trade war affect global trade? Does a US-China trade war give India a window of opportunity?

