

Dangerous spiral: on global trade war

The [global trade war is hotting up](#) as major economies continue to impose tariffs on each other. India is the latest to join the tit-for-tat battle by slapping tariffs as high as 50% on a list of 30 goods imported from the U.S. Earlier this week, U.S. President Donald Trump announced that he had ordered his administration to frame new tariffs on \$200-billion worth of Chinese imports. This was in retaliation to tariffs on \$50- billion worth in American goods imposed by China last week in response to Mr. Trump's earlier round of tariffs on Chinese goods. The first shot in the spiralling trade war was fired by the U.S. in March when Mr. Trump unveiled tariffs to discourage the import of steel and aluminium into the country. The latest round of tariffs imposed by the U.S. will be the highest in terms of the value of goods. In all, U.S. tariffs will now affect Chinese goods worth \$450 billion — to put this in perspective, total Chinese imports into the U.S. last year were worth around \$500 billion. The European Union also joined the trade war this month, imposing tariffs on \$3.3 billion of American goods. While the [India-U.S. tariff tiff](#) could escalate, the amounts being discussed right now are minuscule compared to those under threat in the unfolding U.S.-China situation or even the spat between the U.S. and the EU. India's notification to the WTO says that U.S. tariffs on steel and aluminium would cost India \$241 million, and that the tariffs imposed on the U.S. would bring in a commensurate amount. It has also indicated its preference to deal with the issue through dialogue, and not "measures and counter-measures".

Wall St. gets immune to trade war rhetoric

For long, global financial markets largely ignored [risks of an all-out trade war among major economies](#), but things are changing quickly. The Dow Jones Industrial Average fell by as much as 1.6% on Tuesday, while the Shenzhen Composite Index was down 5.8% for the day. This fresh round of volatility suggests investors may be beginning to take threats of a trade war more seriously. The fact is that all sides engaged in a trade war eventually lose. The longer it goes on, the greater the cost as growth slows down under the increasing burden of taxes. The only gainers in a trade war will be special interest groups, such as the U.S. steel industry, which also happens to be a major vote bank for Mr. Trump. Even retaliatory tariffs aimed at pushing back the U.S. may only perpetuate the vicious negative-sum game instead of bringing the war to an end. Mr. Trump's rejection of the G-7 communique that endorsed a "rules-based trading system" for the world suggests there may be no offer of truce from his side any time soon. Nevertheless, 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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