

HOW THE US-CHINA TRADE WAR IMPACTS NEW DELHI

Relevant for: International Relations | Topic: World Trade, WTO and issues involved

The trade dispute between the United States and China has become the primary destabiliser of the global economy. Just when the conventional wisdom was that the two sides were on the verge of agreement, US President Donald Trump suddenly tweeted he was planning to impose 25% tariffs on another \$325 billion worth of Chinese imports this Friday. The US-China confrontation is now officially the economic equivalent of Schrodinger's cat — simultaneously being resolved and worsening.

There is good and bad in this for India. Expectations of a healthy global economy have presumed the world's main central banks will keep interest rates soft and international trade and investment flows will remain stable. The seemingly intractable US-China trade dispute, which is as much about technology and geopolitics as it is about trade, puts a question mark over those growth figures. India's own growth figures tend to be broadly in sync with global trends. India will not be able to escape contagion.

The positive side is geopolitical. India, like many of Beijing's neighbours, has had to contend with a decade of rising assertiveness by China — some of it openly military — in the external arena. One reason for China's newfound confidence is its sense of ebbing US influence in Asia. The Asian balance of power is still struggling with the consequences of US passivity towards China's takeover of a large part of the South China Sea. Though his motivations may not be geopolitical, Mr Trump has been prepared to beard the dragon in its lair in a manner no other world leader has. The cordiality with which China treats India and Japan today is partially a result of Beijing's worries about its deteriorating US relationship. It remains in India's interest that the US-China confrontation continues, but not that it become a conflagration.

The real Indian concern should be that Mr Trump does not distinguish between friend and foe when it comes to trade. He admires Narendra Modi, sees India as a strategic partner but will not give New Delhi leeway when it comes to exports and imports. One of India's failures in its otherwise positive engagement with the US has been its inability to resolve any outstanding trade issues. If anything, these have now accumulated to the point that a US-India trade war may soon become a sideshow to the larger dispute with China. Mr Trump may or may not settle with China. Bashing China is popular at home and the US economy is booming, so he has little incentive to change his policy. India's coming trade battle with the US, in comparison, is both smaller and less political. But it needs to be addressed by the incoming Indian government as soon as possible.

First Published: May 06, 2019 21:52 IST

END

Downloaded from crackIAS.com

© **Zuccess App** by crackIAS.com