

Impact of US-China Trade War

Why in news?

The latest round of the tariff war between the US and its largest trade partner China, is set to present a significant opportunity for India.

What is the history of US-China trade war?

- **Trade deficit**- US's trade deficit with China and accusation of unfair subsidies have constrained the relationship leading to trade war
- **2018 trade war** - In 2018, US imposed a 25% tariff on Chinese imports of around 34 billion dollars and further tariffs in 2018 and 2019.
- US accused China for "unfair trade practices" and "technology theft".
- **Limitation on technology transfer**- The US has denied China both the knowledge and inputs for producing frontier goods and services as well as access to markets, affecting semiconductor production and 5G technology.
- **2023 trade war**- It encompasses 100% tariff on electric vehicles, a 50% tariff on semiconductors, and a 25% tariff on electric vehicle batteries imported from China.
- Increased tariff on medical gloves, syringes, needles, critical minerals, solar cells and aluminium.
- These measures aim to counteract China's perceived unfair trade practices and protect US industries from the influx of low-priced Chinese goods.

What will be the impact of US-China trade war on India?

Positive effects

Negative effects

<ul style="list-style-type: none"> • Opportunities for exporters- Indian exporters can capitalize on the void created by the US-China tariff conflict. • Strong market- India has a strong market presence in the US for products like face masks, syringes, medical gloves and natural graphite. • Metals and minerals- Higher tariffs on Chinese metals can benefit Indian exporters of these commodities, increasing their market share in the US. • Increase competitiveness- With the US imposing higher tariff on Chinese goods, Indian products in similar categories might become more competitive allowing Indian exporters to increase market share in the US. • China's retaliation- If China imposes retaliatory tariffs on US goods, Indian exporters could step in to supply products to both the US and Chinese markets. 	<ul style="list-style-type: none"> • Rise of dumping- Chinese products that face higher tariffs in the US could flood the Indian market, harming local manufacturers. • 2018 tariff hike- The tariff hikes in 2018 did not reduce China's exports as they merely shifted to other destinations or entered the US through third countries. • Electric Vehicle sector- The significant tariff hike on Chinese EVs, from 25% to 100% poses a risk as these vehicles might be redirected to other markets, including India which could disrupt the local market manufacturers. • Semiconductors and Li-ion batteries- essential components of various industries would potentially inundate Indian market with cheaper alternatives.
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How India could potentially use this opportunity?

- **Anti-dumping measure-** India employs tools such as the Directorate General of Trade Remedies to impose anti-dumping duties on underpriced imports. However, the process can be slow due to delays in accessing and analysing trade data.
- **Enhanced monitoring-** To address these challenges more effectively, India could establish a dedicated department to monitor key import data daily. This would allow for quicker responses to potential dumping and unfair trade practices.
- **Review of EV policy-** Given the potential influx of cheap Chinese EVs, India might need to reassess its EV policies to protect domestic manufacturers and maintain a balanced market.
- **Strengthening trade policy-** India should develop a robust trade policy with China that supports its manufacturing sector and mitigates the adverse effects of the trade war.
- **China plus one strategy-** India should emphasize its potential as an attractive alternative manufacturing hub for companies looking to diversify away from China.

China plus one refers to a strategy in which companies avoid investing only in China and diversify their businesses to alternative destinations.

Reference

[Business Line- US China trade war](#)



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