

Uncertainty in Global Economy

What is the issue?

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Uncertainty in the global scenario due to the tariff dynamic has to be handled by following an integrated strategy.

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What is the current global scenario?

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- The US President indicated his decision to raise tariffs on steel and aluminium imports into the US in line with his isolationist reforms.

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- In response to his decision, US's trade partners have informed the World Trade Organisation about the retaliatory tariffs they intend to impose.

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- India has also announced [retaliatory tariffs](#) on several imports from the US, such as nuts, apples, and motorcycles.

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- Most of the [retaliatory tariffs](#) that have been declared by various countries are strictly proportional with the tariffs announced by the US.

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What are the concerns with this dynamic tariff scenario?

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- There is uncertainty regarding the pattern of world trade including that of services once the tariff dynamic kicks in.

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- Since, the retaliatory tariffs of US's trading partners will affect US equally, it is ambiguous how the US administration will react.

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- The world economy is entering a deeply destabilising period where even the final 'real' value of currencies may change.

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- As not just changes to trade but vast changes to capital flows are being driven by reviving US growth, [US federal government](#) borrowing, and the stance of the United States Federal Reserve.

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How will in impact India?

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- If US now distorts and disobeys the rules, its ramifications will be manifold and it will affect the global economy and its strategic alliances.

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- Therefore, companies that are globally integrated, including those in India, will have to re-examine and re-optimize their operations.

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- But the Indian government is still unprepared to bring up the resources for an integrated and holistic response to these changes.

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- India is far below its potential growth trend-line and thus it needs to work out pro-active rules defining international economic and strategic engagement as quickly as possible.

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Source: Business Standard

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