

MAY ESCALATE IN SHORT TERM

Tariff war cannot last, say experts

● After China, EU to slap tariffs; Trump may stay aggressive

MUKESH JAGOTA
New Delhi, April 4

THE FATE OF the Trump administration's tariff offensive would be determined by the way the US' key trading partners react to it, experts said. The comments come even as China retaliated on Friday with an additional 34% duty on US imports, mirroring Washington's latest reciprocal tariff rate on Beijing.

Next in line could be the European Union, which is reportedly preparing to impose fresh duties on up to \$28.4 billion worth of US imports. This move is part of the EU's response to the US steel and aluminium tariffs that came into effect on March 12.

China's retaliation may prompt the US to escalate further, as US President Donald Trump has threatened to impose even steeper tariffs if countries hit back. This tit-for-tat could potentially bring trade between the

AFTERMATH

■ China's retaliation may prompt the US to escalate further

■ This tit-for-tat could bring trade between the two economies to a standstill

■ This can impact global economy at large

■ Tariff rates for China have now reached as high as **76%**

■ India is opting to resolve the matter through the Bilateral Trade Agreement



■ Apart from BTA, the India-US trade dialogue covers a wide range of issues of mutual interest

■ This include deepening supply chain integration

■ According to experts, Trump is seemingly hoping his country's market power would force others to cut tariffs

world's two largest economies to a standstill — an outcome that would have serious consequences not only for the US and China but for the global economy at large.

On a wide range of Chinese imports, tariff rates have now reached as high as 76%, following the implementation of reciprocal duties.

In contrast to the situation in 2019, when India retaliated against US steel and aluminium tariffs, India has refrained from retaliation this time, opting instead to resolve

the matter diplomatically through the Bilateral Trade Agreement (BTA).

"If China, Mexico, Canada, and the EU — the four largest trading partners of the US, collectively accounting for 55% of its imports — mount a coordinated counter-offensive, then Trump might have to necessarily backtrack and relent," said Abhijit Das, an expert in international trade policy and WTO affairs.

Some experts feel India should have kept space for dealing with the tariffs from the US. "We have over-

committed ourselves very soon, and it is not easy to disengage at this point," said Biswajit Dhar, former professor at JNU and now a professor at the Council for Social Development.

"Trump is seemingly hoping his country's market power would force others to cut tariffs to mitigate the impact of the reciprocal levies. With many countries issuing conciliatory — rather than aggressive — following the US move, he might have a case. But it is early to say how things will eventually pan out," Das said.

While economists are warning of steep economic costs to the US from these reciprocal tariffs, Sivakumar Ramjee, executive director — indirect tax at Nangia Andersen LLP, suggested it could take two years before the US government re-evaluates the impact.

For India BTA remains the best option, other experts said. "It is the right time to fast forward the BTA and give concessions where possible for the early conclusion of the first tranche," said Anurag Sehgal, MD at Price Waterhouse & Co.

Apart from BTA, the India-US trade dialogue covers a wide range of issues of mutual interest including deepening supply chain integration. Supply chain partnerships and technical collaboration could be a way for more trade between the two countries, Rudra Kumar Pandey, partner at Shardul Amarchand Mangaldas & Co, said.

To contain the fallout of tariffs on overall trade the experts suggested more focus on market diversification, especially looking at developing countries that are growing fast. Speeding up FTAs with the EU, UK, South America and Middle East could also help.

