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THE STUDY OF U.S.CHINA TRADE WAR WITH REGARD TO INFLUENCE ON THE INDIAN ECONOMY

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Abstract
This article uses the global general equilibrium model used in many countries to numerically simulate the effects of possible trade wars between China and the United States. We introduce an endogenous trade imbalance structure with the cost of trade in a model that examines both the effects of tariff and non-tariff wars. The results of our simulation show that the trade war between China and the United States will seriously hurt China, but its negative effects are inexpensive. The United States can win unilateral sanctions against China, but they will lose if China takes retaliatory action. By comparing the effects of war in the context of mutual trade, China will lose more than the United States. The introduction of non-tariff wars with trade barriers will intensify the negative effects, and the relatively negative effects on China are greater than for the United States. Mexico's involvement in the trade war with the United States will reinforce the negative effects and harm the United States. As part of a non-cooperative and cooperative bargaining balance, USA can get more than China in trade negotiations, which means that the US has stronger bargaining power than China. In addition, trade wars between China and the United States will hurt most countries and the world, especially in terms of GDP and manufacturing employment, but will bring benefits for their prosperity and trade. . The trajectory of the Indian economy seems to have developed since the beginning of the year. The impressive 7.5% growth rate, which is the fastest of any major economy in the world, indicates that problems such as the demonization and deployment of the GST are only short-term problems that are quickly resolved. . Needless to say, the general public is optimistic, which is reflected in stock market trends. However, the growing tensions between the United States and China and the introduction of tariffs indicate a strong possibility of a total trade war between these two countries.

Keywords: China, Numerical General Equilibrium, Trade War, U.S GST In India.

Introduction
The increase in tariffs on Chinese exports to the United States was almost unachievable, as President Donald Trump did not say anything about the volume of imports ($ 200 billion) that would now be taxed at 25 percent. Instead of 10 percent. This is a blow for China, which depends more on the United States than the latter on this nation. In 2018, the deficit was $ 379 billion and China is the largest trading partner of the United States. The products concerned are machinery, toys, sporting goods, furniture, plastics, etc. What are the implications for the world? First, China may retaliate, but the United States may not be affected and may call on other countries to meet their needs. The main US imports are aircraft, machinery and vehicles. Second, because Chinese products are taxed at a higher rate in the United States, other countries can contribute and fill the gap. This opens up opportunities for other exporters, including India. The cost advantage, however, will be important, as will the strength of the currency or rather the weakness to capture this market. Third, from the point of view of the US industry in the United States, being supplanted by cheaper Chinese products, it would be a good thing, even if the user industries would be at a disadvantage in terms of higher costs. Fourth, China is likely to be more aggressive with exports, and the world should pay attention to the dumping of goods as it seeks to recapture markets. China has an intrinsic strength when dealing with countries in Africa and Latin America and can explore deeper here. Fifth, it is possible for China to depreciate the currency in order to gain a competitive advantage that cannot be ruled out. It happened in 2015 as well. The move is now also going well with China's slowdown scenario in terms of Yuan growth and weakening. This, in turn, will have consequences for other countries, with China having enough power to move currencies. A strong dollar and a weak Yuan may not be good news for all countries.
Both economies are likely to be affected differently. The United States is already on the road to tax cuts to revive its economy and may not be affected by the trade war. China may have more to lose, but looks set to implement easy domestic policies to keep investment moving, which can counter the 0.5% decline in output analysts expect. The overall impact on global growth may therefore not be too large, although there may be price volatility -

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commodities and currencies in the extreme case. Can India rely on that? Theoretically, in areas such as ready-to-wear, we can move forward, but we will have to compete in Bangladesh, especially in Vietnam. In the margins, there may be gains. However, India has also been taken into account by the United States for unfair trade and the status of GSP must already be withdrawn soon. Given our influence on the global economy, we may need to revisit our policies and practices. The impact may be increased volatility in commodity prices and currencies as the trade war intensifies. While a non-retaliation situation would strengthen the dollar and put pressure on the rupee, the continuation of the war can lead to volatility. Global trade will become more volatile and will also affect investment flows that otherwise are not part of the deal. This can be more serious.

The simulated trade war was part of an assessment of two trade strategies that countries could use to force a non-compliant country to meet its Paris commitment to reduce emissions. In the other strategy, compliant countries imposed border carbon price adjustment fees on the carbon emissions associated with the production of a good to non-compliant countries. The study emphasized the potential of trade measures to induce the United States to reduce its greenhouse gas emissions after the announced withdrawal of the Paris Agreement. The study found that when BCAs were taxed on US exports, the country's revenue-equivalent losses were much lower than they would be if the US kept its Paris promise. Thus, the imposition of BCA on its exports would not provide the United States with any economic incentive to move from non-compliance to compliance.

In a trade war resulting in much higher strategic rates than BCA rates, US revenue-equivalent losses are greater than if they were honored if the US respected their Paris commitment (and avoided commercial war). At the same time, countries that comply with Paris and impose strategic tariffs in the United States (and face US-imposed strategic rates) would also suffer significant revenue-equivalent losses. Winchester concluded that strategic tariffs could be used to enforce Paris Agreement commitments, provided that the compliant countries are prepared to absorb substantial economic losses at home. "Border carbon adjustments cannot be used as an effective enforcement mechanism of the Paris Agreement because they do not impose significant economic costs on non-compliant countries," concludes Winchester. "At the other extreme, strategic tariffs would likely result in significant economic losses for non-compliant and compliant countries, but would offer those who apply them the opportunity to punish" clear passengers "who refuse to pay their own share of the reduction. emissions in Europe. in line with the objectives of the Paris Agreement. China's Shanghai Composite Index, down 3.8 percent on Tuesday, was hit by escalating trade tensions with the United States. Emerging benchmark markets such as Hong Kong (down 2.8%), Taiwan (down 1.7%) and South Korea (down 1.5%) also felt the same heat. India was no exception. The Nifty fell 0.83%. According to Wood Mackenzie, while China may be able to source crude oil from alternative sources such as West Africa, whose quality is similar to that of US crude, the United States would find it difficult to find a market alternative of the size of China. However, if crude oil prices fall, so will India. "However, if oil prices are lower as a result of a generalized trade war, its positive impact on the economy may be canceled / limited due to other negative developments such as weaker confidence and / or disrupting global trade, "said Anubhuti Sahay, chief economist at Standard Chartered Bank.

Objectives of the Study
The general objective of this research is to analyse and review of Chinese foreign trade and its EXIM policies. To review the trend of India's foreign trade during 2016 to march 2019,To pin point the problems of new heavy tariff from both side USA and India and to suggest the remedial measures to control trade war.

Research Methodology
This research paper basically depend on the secondary data, such as books, research article, bulletins, magazines, news papers internet etc. And primary data also collected by observations personal interviews.

Trade War Can Affect Indian Market
US President Donald Trump has announced import duties of 25% and 10% on steel and aluminum respectively. This decision has been criticized by the European Union. Cecilia Malmstrom, EU Trade Commissioner, said at a conference in Brussels that taxation "would put at risk thousands of jobs in Europe and a firm and proportionate

response is needed". The EU responded by proposing a 25% tariff on steel, clothing and other US industrial goods. The United States then imposed a 25% tariff on more than 1,300 Chinese products. And China responded on Wednesday with additional duties on 106 US products. But analysts say the trade war could be short-lived and that impending negotiations will help defuse the tension. There are three possible reasons. First, the federal law used by President Trump to issue a notice soliciting public comment imposing 25% tariffs on more than 1,300 Chinese items requires his administration to seek "consultations" with China before imposing taxes. US Secretary of Commerce Wilbur Ross said on CNBC that he expects trade action between the US and China to lead to a "negotiated deal". The retaliation adopted by China does not explicitly indicate when the additional customs duties would enter into force.

Second, the Chinese government has stated that it will appeal to the World Trade Organization's Dispute Settlement Body (DSB) for a ruling. This requires consultation before China presents its arguments in court. If the call is accepted, trade analysts predict that China could have the advantage, given the record number of plaintiffs who almost always end up on the winning side. However, the United States has so far ignored the WTO.

Third, China's retaliatory tariffs, which are in line with the measures taken by the EU earlier this year, should hit the United States where it hurts, which could lead to dissent and pressure. national lobby groups. China imports about 60% of the world's soybean production, and about 40% of this is from the United States. Midwestern states, such as Iowa, one of the major soybean producers, should be affected by the Chinese tax. Iowa and other agrarian states voted for Trump in the presidential election. Earlier, in response to the Trump government's announcement of increased tariffs on steel and aluminum imports, the EU responded by targeting US products of major Republican-controlled states, including imposing higher duties on Harley-Davidson motorcycles manufactured in the home state of President Paul Ryan of Wisconsin, bourbon taxes levied in the state of Kentucky, Senate Majority Leader Mitch McConnell, and tariffs on orange juice that would affect Florida - widely regarded as a key state. It seems that the growing pressure within the Republican Party itself can force Trump's hand on this issue.

Will India be impacted?

If the trade war intensified - and it is a big one - a reduced trade commitment between the US and China could have positive results for countries like Brazil and India from the point of view of trade , at least in the short term. In the case of soy, for example, one of the key elements of the list, there could be a cascading impact in terms of opportunities for India to enter other markets, according to the Soybean Processors Association of India. Most of China's annual soybean imports (about 100 million tonnes) are for domestic consumption; the rest is used in the manufacture of soybean oil and export flour. If the tax hits China's imports, exports could be reduced, a space that India could potentially fill to meet the demand of other countries. But in the long run, a full-fledged trade war is bad news. This invariably leads to a more inflationary scenario and low growth. Inflation generally benefits assets such as gold, while negatively impacting currencies and certain sectors of the equity market.

India can capitalise on US-China trade war

In the major trade standoff between China and the US, US President Donald Trump is steadfast in his approach of raising tariffs and using other policies for pressurising China. On his part, China’s President Xi Jinping has indicated that China will not give in to pressure from the US. “We are now embarking on a new Long March, and we must start all over again,” Xi stated recently. Even if solutions emerge, the problem will keep festering. Thus major international firms that invest in China are examining options to spread their risks and shift some of their existing and new investments to other countries. Several persons have written about the possibility of India benefiting through increasing exports to the US and a shift of foreign direct investment (FDI) to India. However, to substantively benefit from this situation, India requires a strategic approach to convert this opportunity into a major gain. India needs to focus on becoming a new powerhouse as a global hub for exports, with a major positive impact on competitiveness and job creation. China’s merchandise exports are almost the same as India’s GDP. Even a 10% shift from Chinese exports to Indian exports would imply over 75% increase in Indian exports. India needs to develop a strategy and vision for itself and the world to make this a reality. Its recent tepid export performance suggests that investment from large global companies is the transformative path for India, provided certain key points are kept in mind.

Biggest Worry: Interest Rates

The indirect impact, that is, the potentially cascading inflationary effect of the US decision itself, could be of greater concern to India. In the US economy, increasing tariffs on a range of imported products increases the threat of rising consumer prices, as importers pass on the rising costs of their raw materials. This could force the Federal Reserve to publish its interest rate rise rates in advance faster than it would otherwise have done. An increase in interest rates in the United States has implications for emerging economies such as India, for both equity and debt markets. The Fed is on track to raise interest rates at least twice this year; Market analysts, however, believe Fed Chairman Jerome Powell could potentially raise rates faster to avoid overheating the US economy. The Fed should also continue the planned reversal of the easy money policy of the last decade. The central bank announced in September 2017 that it would start narrowing its balance sheet by selling treasury bonds and mortgage-backed securities that it would have accumulated after the Lehman Brothers crash in 2008 to inject cash on the market.

Of the current $ 20 billion per month ($ 12 billion of Treasury securities maturing monthly without being replaced, as well as $ 8 billion of mortgage-backed securities), the sale of these securities is expected to increase the future, according to the details available at the January 30 and 31 meeting of the US Federal Open Market Committee. Thus, the Fed would gradually reduce the assets of $ 4 trillion acquired during the quantitative easing phase. Even a minor disruption of the US financial markets can have major consequences for India. The three external risk factors of rising rates, rising interest rates and rising bond sales come at a time when the domestic banking system is facing renewed stress from bad debts. The Indian economy, especially the financial markets, will face significant volatility and stress from the combined effects of global and national challenges.

Outflow of money

For India, the impact of the Fed's inflationary action will be significant through the interest rate channel. US market yields have risen slightly since mid-2016 and have gone from a low of about 1.5% per year to over 2.8% now. The benchmark US bond yield hovered around 5% in 2007, a year before the start of the global recession that forced central banks in developed countries to lower interest rates to near zero. Although the return to pre-2008 levels is only gradual, yield increases could be faster than expected. The Indian government bond market has been declining for the past seven months due to rising US yields and expectations of increased local inflation. As yields rise, bond prices fall, resulting in mark-to-market losses for BSPs. Indian banks, stressed by bad debts, may experience market value losses of up to Rs 20,000 crores in the January to March quarter, analysts said. Rising interest rates in the United States could be a difficult situation for the Indian equity market. Rising US yields will lead to emerging market bond and equity outflows as US investors seek higher yields at home. While the increase in domestic capital inflows is a reassuring factor for Indian equities, higher interest rates make the option available to investors who borrow money cheaply in the United States and invest in Indian stocks much less attractive.

How badly can US protectionism hurt India

According to economist Upasna Bhardwaj of the Kotak Mahindra Bank, there are many uncertainties as to how retaliatory tariff charges in force between the US and China disappear, said: "Thus, cross-border investment risks to be affected. "Capital flows will be affected, but it's not because of trade tensions. "This is because the amount of easy money that was available because of quantitative easing is drying up," said Madan Sabnavis, chief economist at CARE Ratings. The US Fed is tightening its monetary policy. A recent UNCTAD report indicates that foreign direct investment has already slowed down. This could offer an opportunity to India. "India can become more competitive in segments such as textiles, clothing, gems and jewelery because India already has a competitive advantage," said Bhardwaj. However, this is doubtful in the short term because China's exports to the United States are much more diversified and it is a big task for India to close the gap.

Will rupee weaken further?

The rupee will weaken more because of capital flows than the impact of trade problems, Sabnavis believes. For now, economists do not expect the currency to reach the psychological threshold of $ 70 per dollar. Remember that our exports and imports of goods and services account for about 42% of GDP. We also have a current account deficit that depends on external capital inflows for financing. There is no doubt that economic growth and asset markets will be hard hit by a major trade war. The most important problem is that the current world economic order risks being dismantled, brick by brick. The ramifications will go well beyond trade: the impact on geopolitics, for example, could be much more serious.

Trade War and Possible Escalation

Earlier this year, US President Donald Trump reprimanded China for unfair trade practices and intellectual property theft. The United States is perhaps one of the biggest consumers of Chinese products. Therefore, the deterioration of trade relations between the two meant economic implications for the Asian nation. Subsequently, Trump imposed tariffs of 10% and 25% on aluminum and steel from all countries except Canada and Mexico respectively. Since the announcement of the first tariff series in June, 100 companies out of a total of $ 635 billion have encountered difficulties. It was by no means a trade war. However, the main threat was the announcement of the imposition of $ 200 billion in tariffs on Chinese exports by the end of June. This escalation could have a much deeper impact than the first round, suggesting that we are on the brink of a major trade war.

How could this affect India?

As mentioned earlier, the effects of a trade war are unlikely to be limited to these two countries. As a result, India may also experience a changing dynamic of its economy. The basic principles of the economy, that is demand and supply, are going to play again. The shortage of products, whether finished products or raw products, will increase the final consumer price for the consumer. In addition, the burden of the additional fee due to the rights will also be borne by the end user. Here are some examples of consequences for the Indian economy:

The value of the Rupee

In the past month, the value of the rupee fell to its lowest level, while it sometimes oscillated around the mid-68s against the US dollar. This coincided with Donald Trump's threat to impose a new round of $ 200 billion worth of export duties. This trend can be attributed to the weakening of the US dollar, which automatically creates a negative impact on India's trade deficit, causing a sort of backlash.

Indian stock markets

Amid concerns over the global trade war, key indices in the Indian share market dropped due to the cautious approach of the investors. During this period, the BSE Sensex saw regular plunges in points. NSE Nifty's performance too was along the same lines as it also saw significant drops. As of now, the Sensex is trading at about 37,521 (at the time of publication), which is still below the average.

India-US duties

As the United States of America imposed duties on steel and aluminium, India now has to pay approximately $241 million worth of tax to the US. India, on the other hand, as a counter-measure has proposed imposing duties on 30 different types of goods. This will ensure that the US has to pay about $238 million as duties to India. However, this will make life more difficult for the end consumers as everything that falls under the tariff scanner is expected to become more expensive. As far as the manufacturing industry is concerned, the additional duty imposed could have a detrimental impact, as the cost of production will go up due to the rise in the price of raw materials. Moreover, other things which may face an increase in price include foreign motorbikes with high engine capacity and food products like almonds, walnuts, pulses, etc.

India's exports may benefit from US-China trade war

In the current uncertain circumstances, the Indian presidents have a significant role to play in maintaining a stable business environment. Their strategic plans may turn out to be key, and therefore there is a need for different plans suitable for different business environments. Today, the world is witnessing an unprecedented trend of

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synchronous growth, which is dynamic. Therefore, there is a need to prepare for all types of eventuality, as at the other end of the spectrum, if the trade war does not materialize, there is the possibility of huge growth in the Indian and world economy.

While the ongoing trade war between the United States and China, the world's largest economies, has triggered an alarm bell when it comes to global growth, India may find itself the main beneficiary if they play their cards well. According to The Economic Times, a study by the department of commerce claims that India can gain a Chinese commodity market abandoned by US exports in the face of higher import duties on Beijing. In fact, the study analyzed and identified at least a hundred products in which India can replace US exports to China, which last year amounted to around 130 billion dollars. "These retaliatory tariffs give the opportunity to increase India's exports to China. The aim of the analysis is to identify such lines, "said the trade department in the study. If exports from India successfully capture the US market share, there will also be a huge double-sided trade gap with China.

In India's last fiscal export to China, it was 86,015 Rore Crore, while Chinese imports amounted to 4.91 lakh crore. In other words, the trade deficit was much higher than 4 lakh Rs. Of particular interest are products in which US exports to China coincide with exports from India. For example, fresh grapes, cotton linters, fire-pipe-dried tobacco, lubricants and chemicals, such as benzene, are several lines in which the value of US exports to China is set at over 10 million dollars. India also exports these products to China. "There is the possibility of increasing our exports in these products due to the difference in tariffs and significant demand in China," said one official. The good news for India is that while China has imposed customs duties of 15-25% on these goods originating in the US, other countries are subject to only 5-10% of customs duties - the rate of the most-privileged country (MFN) applicable to members of the World Trade Organization. In addition, India has been granted an additional 6-35% customs concession on the MFN under the trade agreement in the Asia-Pacific region, which makes Indian exports more competitive today. There are also products that India exports to the rest of the world except China, such as oranges, almonds, walnuts, durum wheat, maize and grain sorghum. It is significant that the export of these products to China exceeds USD 10 million. Take, for example, maize. India has exported $ 143.6 million worldwide goods in 2017-18, while China imported $ 600 million in the same period. While American maize is subject to a 25% duty, APTA countries can get up to 100% of corn export licenses to China - which is a surprise for India. Interestingly, just a day earlier, EU Trade and Industry Minister Suresh Prabhu chaired a meeting of various export stakeholders and ministry officials to discuss the strategy of doubling India's exports by 2025. The survey may serve as a plan to reach the destination.

Conclusion

Given the ongoing war between two nations to the next level, Donald Trump led the US administration to impose customs on Chinese goods of $ 34 billion. The US began imposing tariffs for as much as 25 percent on $ 34 billion in Chinese imports, as announced earlier. Reacting to the latest development, Beijing said it would immediately regain higher duties on an equal amount of US exports. The United States may also consider imposing additional $ 500 billion tariffs on Chinese goods if Beijing retaliates. American President Donald Trump announced import duties in the amount of 25% and 10% respectively on steel and aluminum. The movement was attacked by the European Union. US under Donald Trump announces a list of 1,300 Chinese export goods that the country intends to achieve with a 25 percent duty. The imposition of duties is planned to punish Beijing for restricting US investment in China. The US also accused China of stealing US intellectual property. The total tariffs were on the order of about 50 billion dollars of Chinese exports. On the other hand, China has reacted by writing its plans to counter the American decision, hitting American exports with 25-percent tariffs. The proposed package was targeted at over 100 products produced in the USA, including cars, aircraft and soy, the best American agricultural exports to China, including US $ 50 billion of US exports. Soon Trump took revenge by directing his administration to identify tariffs for $ 100 billion in additional commodities, triggering a potential trade war. Several countries, including India, have warned the United States against the WTO not to impose unilateral trade measures. "Levy striking Chinese imports could hinder exports, a space that India could potentially fill to meet the demands of other countries. But in the long run, a full trade war is bad for India. "At

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the moment we are quite bearish (on rupees), taking into account all circumstances. Not only high oil prices, but also a trade war that's starting, "so although India has a large internal market and I still think India's recovery will continue, external pressure is really growing now. This is not good for the Indian currency. "India is, of course, one of those countries where the exposure to raw materials is higher, especially the import of oil, which leads to a deeper extension of the current account in the future and this is basically negative for INR.

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