

UNCTAD REPORT ON TRADE WARS

Recently the UN body has released a report on trade wars titled "**Trade Wars: The Pain and the Gain**".

- This dispute between China and the United States will **not benefit domestic producers in either country** but could have "**massive**" implications on the global economy.

Background

- The ongoing trade tensions initially came out in **early 2018 when China and the United States** imposed tariffs on about \$50 billion of each other's goods.
- The confrontation quickly escalated, and in **September 2018 the United States imposed 10% tariffs** covering about \$200 billion of Chinese imports, to which **China retaliated by imposing tariffs** on imports from the United States worth an additional \$60 billion.
- The 10% tariffs were initially due to rise to 25% in January 2019. However, in early December 2018 the parties agreed to freeze the tariff increase until 1 March 2019.

Positive Impacts

- Amid tit for tat tariff hikes between Washington and Beijing, **trade is being diverted** and a handful of countries stand to benefit from the ongoing trade tensions.
- The trade war between the US and China is expected to **boost the Indian economy with a rise of 3.5% in exports**.
- The countries that are expected to benefit the most from the trade war are:
 - The **EU members** as exports in the bloc are likely to grow by USD 70 billion.
 - **Japan and Canada** will see exports increase by more than USD 20 billion each.
 - Other countries set to benefit from the trade tensions include **Australia, with 4.6% export gains, Brazil (3.8) India (3.5), Philippines (3.2) and Vietnam (5)**.
- However, the study also underscores that even for countries whose exports are set to increase because of the trade disruptions, not all the results will be positive.

Negative Impacts

- One major concern is the risk that trade tensions **could spiral into currency wars, disturbances in commodity prices, financial markets, etc.** all which will have important repercussions for developing countries.
- The **magnitude and duration of tariffs is unclear**, because of which producers have been reluctant to make investment decisions that may turn out to be unprofitable if the tariffs are revoked.
- More countries may join the fray and that protectionist policies could escalate to a global level, which is against the rule based order, thus hurting weaker countries the most.

UNCTAD

- Established in 1964, UNCTAD (United Nations Conference on Trade and Development) promotes development-friendly integration of developing countries into the world economy.
- UNCTAD is a **permanent intergovernmental body established in 1964.**
- Headquarters - **Geneva, Switzerland.**
- Some of the reports published by it are:
 - Trade and Development Report
 - World Investment Report
 - The Least Developed Countries Report
 - Information and Economy Report
 - Technology and Innovation Report
 - Commodities and Development Report