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**Trade war:** Former [RBI](#) Chairman [Raghuram Rajan](#) called for good trade relations between India and China, as they can do a lot of economic activities together. “I do think there is benefit in India having a good relationship with China and vice versa because these are two big countries that can do a lot of activity of economic activity together,” Rajan told CNBC on the sidelines of a Nomura Conference. Given the recent fears of the global trade war, after the Trump administration imposed tariffs on some of the major world economies, former RBI Chairman Raghuram Rajan said that it a trade conflagration poses one of the biggest threats today. “At this point the biggest risk is the combination of rising rates and some untoward action on trade. If we have a trade conflagration in the next few months, that could really hamper the global economy,” he noted.

“The key question is whether these bargaining ploys, threats of leveling tariffs, et cetera result in real negotiation which create that win-win situation; or do entities, do players get locked into positions which mean they actually have to carry out their threats? In which case we’re in a lose-lose situation,” Rajan told CNBC.

But is there a silver lining? According to the rockstar banker, the US administration’s unpredictability has led to greater cooperation between countries. “I do think that one of the reasons that countries are trying to form good relations with each other is the unpredictability of the US administration at this point. So, there is catalyst which is pushing these countries to talk more together,” he told the channel.

Notably, amid the ongoing concerns in the emerging markets on account of strengthening dollar, Raghuram Rajan said that there will be stresses. “There will be still stresses for emerging markets, they will have to cope with a rising dollar and rising international interest rates and the flow back of capital flows,” Rajan said in an interview with Bloomberg Television in Singapore on Tuesday. However, according to the expert, for Asia, narrow current account deficits, moderate inflation and resilient currencies mean the region is insulated. “Some of them can get stressed. At this point I would say, amongst the big ones, no clear and present danger,” he told the channel.

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