

## Global Trade Wars and their impact on economic stability.

### Outline:

#### 1. Introduction:

In recent years, global trade conflicts have been a source of anxiety for many economies throughout the world. Pakistan, being one of the world's most populous economies and a significant player in global economies is not immune to the economic consequences of trade wars. Trade wars impact the international trade flows, lower exports and limit access to vital markets.

#### 2. Decoding the term Trade Wars:

#### 3. How Global Trade Wars impacted the economic stability

3.1 Global trade wars disrupt the international trade flows

3.2 A decline trend in exports can be witnessed

- 3.3 Global trade wars limit the access to vital markets
- 3.4 Disruptions in global supply chains leading to higher production costs and lower profit.
- 3.5 Global trade wars impacted the export industry like textiles
- 3.6 Higher consumer prices and inflation resulted from global trade wars

#### 4. Strategies to mitigate the impacts of Global Trade Wars on Economic Stability:

- 4.1 Diversify export markets to lessen reliance on single nation
- 4.2 Invest in infrastructure and innovation to boost productivity
- 4.3 Advocate trade policies that encourage cooperation.
- 4.4 Participate in multilateral trade accords like WTO
- 4.5 Address the local issues like terrorism, corruption

#### 5. Conclusion:

## The Essay:

In recent years, global trade conflicts have been a source of anxiety for many economies throughout the world. Pakistan, being one of the world's most populous countries and a significant player in the global commerce is not immune to the economic consequences of trade wars. The most significant impacts of the global trade wars on the economic stability of Pakistan are global trade wars impact the international trade flows, decline in trend in exports, limit access to vital markets, high production costs and high consumer prices and inflation. However, some steps should be taken to address these impacts are diversify export markets, invest in infrastructure and participate in multilateral trade accords.

Trade wars are economic wars which are being fought among the countries. This war is being fought by using different tactics like tariffs, import quotas, domestic subsidies and

currency devaluation. As each country imposes a trade barrier, the other country will retaliate with another policy. This creates a 'warring' concept. This situation will escalate into a trade war.

Firstly, global trade wars disrupt the international trade flows among the countries. When a country feels that other country are devising and implementing discretionary steps against the other, then the next country also imposes certain restrictions on the imports. This situation leads to create a barrier in the international trade flows. The recent example is the trade between India and Pakistan. Due to certain reasons Pakistan imposed a ban on the imports from India which are reducing from the \$270 m to the \$400 m in the 2024. These trade restrictions limited the number of the exported goods from one country to another.

Secondly, there witnessed a

decline in the trend of exports. As exports are playing a major role in the economic stability of a country, then their restrictions due to the global trade wars are impacting the economic stability. This is evident in the trade wars between the Russia and Ukraine affecting the Black Sea Grain Deal. Due to the negative impact on the Grain deal, Pakistan has faced a shortage of grain in the country. The grains are helpful in maintaining the needs of the people which have been mitigating due to the climate change. Thus, making a country dependent on exports leading to economic instability.

Thirdly, global trade wars limit the access to vital markets. As one country imposes trade tactics like increase in tariffs, this will lead to the reduction in the global trade operations. As this is manifested in the trade relations between the Pakistan and the Afghanistan.

Afghanistan is a vital market for the Pakistani vegetables and fruits. Due to the trade war Pakistan is not exporting its vegetables to Afghanistan. This has resulted in the loss of option for the Pakistan of the potential markets. Market of Afghanistan is crucial because it not only reduces travel costs but also result in the declining a positive point for the improvement of relations.

Fourthly, disruptions in global supply chains leads to higher production costs and lower profit margins. Due to the trade wars, one country would not export its items to the other countries. This situation leads to the high costs of production. Let's take an example of textile industrial exports of Pakistan. Owing to the restrictions in trade, the export item which was prepared to make it collaborative with the international market is no longer able to export.

The export having high cost of production, is being sold cheaply in the local markets. Thus, lowering the profit margins of that export product.

Fifthly, global trade wars have impacted the export industry. The exports of a country are playing an important role in the economic stability. By exporting an item it brings remittances in a country and leading to enhancement of foreign exchange reserves. Textile industries share in the total exports of Pakistan is a major manifestation. Among \$375 of exports textiles and garments accounts for more than 16% of the total trade. Thus, when a country enters into a trade war with other country, this will give a huge blow to the economic stability of a country by averaging exports.

Sixthly, global trade wars resulted in higher consumer prices and inflation. Due to the trade war tactics there is a shortage of imported

items in a country. This shortage of essential items lead to inflation and high consumer prices. This is evident in the exp. import of oil from middle eastern countries. Owing to the trade barriers Pakistan will not in a position to import oil. This situation will result in higher oil prices which has greater impact on the transportation cost resulted in the inflation. Therefore, trade wars are the precursor of inflation.

Above discussed points are the impacts of global trade wars on economic stability. Now, in the next portion we will discuss the strategies about how to mitigate the impact of global trade wars on economic stability.

First and foremost step is to diversify the export markets in order to lessen the reliance on single nation. When a country exports its items to many countries then because of the trade barriers of one country it can easily export those items to other countries.



To further elaborate it let's discuss some facts. The destination of Pakistani made footballs is mainly European countries especially France and Germany. If these countries due to their economic and security concerns stop importing footballs then it will be a major blow to the football industry. This situation result in the economic recession. That's why Pakistan needs to expand its exports markets in order to mitigate the impacts of global trade wars on economic stability.

Then comes infrastructure and innovation. There is a dire need to invest in ~~invest~~ infrastructure and innovation to boost productivity. Let's take an example, if the agriculture sector is facing the problems of trade barriers then by investing in local industries, to boost and make products of international standard, mitigate the impact of lesser imported items in a country. If Pakistan is facing the trade barriers of importing

precision machinery then it should boost its local industries to make precision machinery in order to lessen the impacts of trade barriers and on economic stability.

Furthermore, advocate trade policies that encourage cooperation to mitigate impacts of trade wars. This is an essential step to mitigate the impact of trade barriers. When a country is facing an economic lapse due to global trade wars then other countries should cooperate with that country to lessen the impacts of trade barriers. If Pakistan face the oil import barriers from the Saudi Arabia then Iran should come in front so that to compensate the negative impacts of trade wars. Therefore, cooperation is necessary in this regard.

In addition to this, participation in the multilateral trade accords like World Trade Organization to lessen the impact of trade wars on economic stability.

By participating in these organizations there are chances to resolve the global trade wars. In the charter of WTO, there is clearly mentioned to maintain the flow of global trade ~~ways~~. So, when a country participant of these organizations can raise its issue to resolve the trade conflicts. Therefore, participation is an essential step to lessen the impact of trade wars on the economic stability.

Last but not least, address the local issues like political instability, terrorism and corruption. These problems are actively participating in not only domestic trade but also global trade. When a country witness political instability then there comes not any foreign direct investment. This is most evident in the current situation of Pakistan. China is hesitating to further the investment because of terrorism and political instability. Leading to negative impact on the economy. Therefore, to address the global trade wars impacts, address the local issues.

To conclude, Global trade wars have impacted the economic stability of Pakistan by disrupting international trade flows, declining the trend of exports, limiting the access to vital markets and higher consumer prices. Certain strategies should be adopted like diversify export markets, invest in infrastructure, advocate trade policies, participate in multilateral trade records and address the local issues to mitigate the impact of global trade wars on economic stability of a country.