TRADE WARS AND THEIR CONSEQUENCES FOR THE GLOBAL ECONOMY

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Abstract

With the development of international trade, the number of conflicts also increases, leading to significant losses for its participants and complications in interstate relations. In this context, there arises a need for measures to regulate international economic relations, including mechanisms that allow for the prevention and effective resolution of emerging conflicts with minimal costs.

The aim of this work is to analyze the characteristics of modern international trade development amid intensified competition and the formation of international mechanisms for resolving conflicts in the global market, in order to provide a more complete understanding of the potential use of these mechanisms to protect the interests of domestic exporters and importers, as well as producers and consumers of goods and services.

The novelty of this research lies in clarifying the depth of the economic and trade-political reasons for the increase in conflicts in the global market in the second half of the 20th and early 21st centuries, in applying a comprehensive approach to the problem of conflicts, and in filling gaps in the study of multilateral regulation of international trade.

Keywords: trade wars, international trade, economic instability.

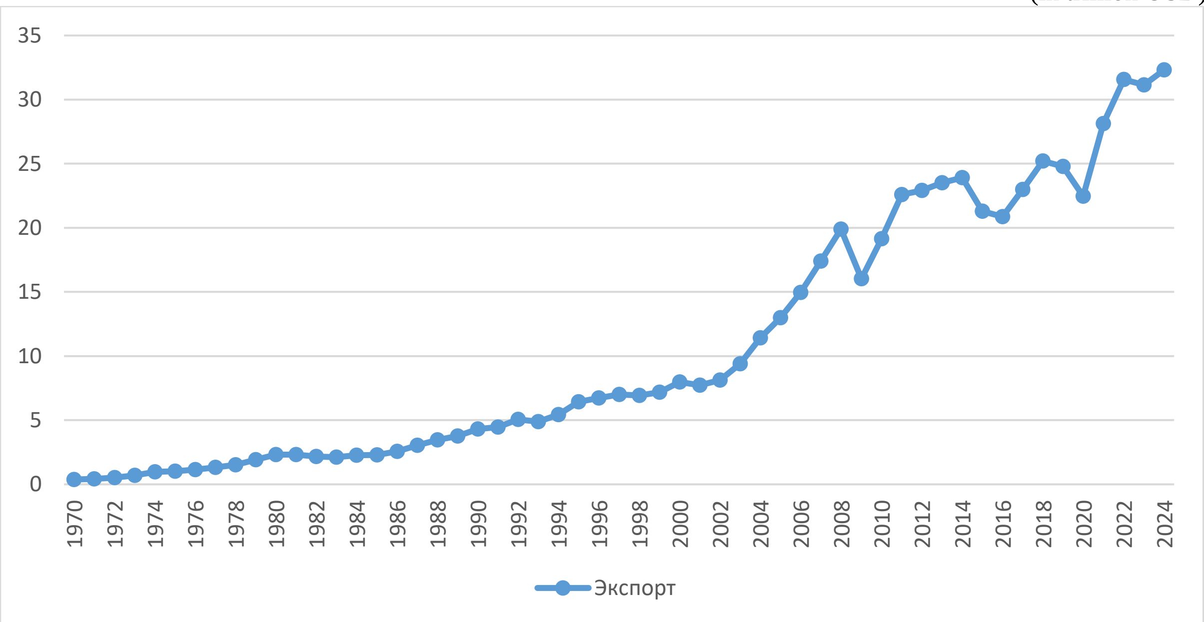
Conflicts in foreign trade are a significant negative factor for the development of international economic relations. The damage from such conflicts increases primarily with the rise in their number and the value of contracts, and particularly with the implementation of various trade-political measures aimed at unjustified restrictions on trade or unlawful strengthening of suppliers' positions in the global market. These aspects in the development of modern trade—specifically the causes of disputes, their scale, forms, economic consequences, and, most importantly, ways of resolution—have not been sufficiently analyzed. At the same time, trade conflicts damage mutual cooperation not only among the immediate participants but also among national economies, and therefore naturally attract growing attention from the global community.

The development of world trade is accompanied by conflicts between its direct participants, between counterparties and official institutions of other countries, and in relations between governments. In the second half of the 20th century, these conflicts intensified significantly for many economic and trade-political reasons and became a factor complicating international cooperation.

Figure 1

Development and Changes in the Structure of Global Exports, 1970–2024

(in trillion USD)



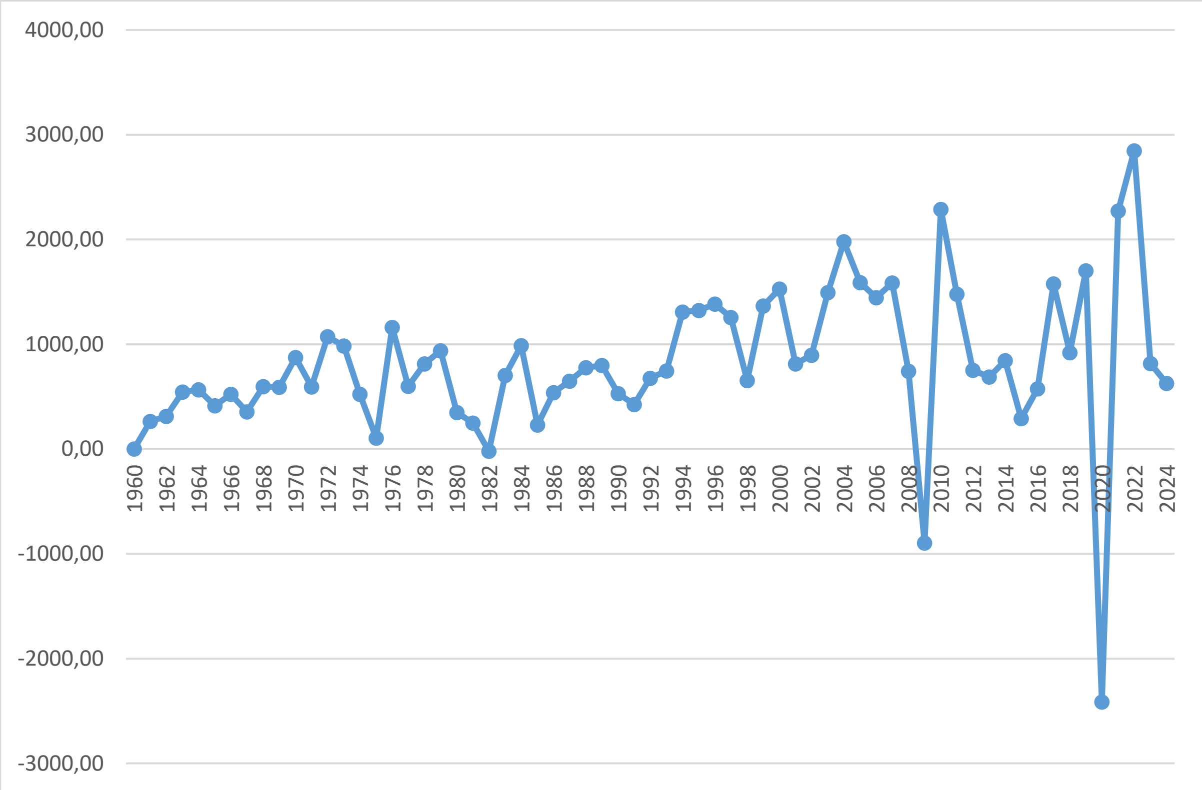
One of the objective reasons for the growth of conflicts in foreign trade is the rapid increase in the scale of global exports (Figure 1). World exports grew more than 80-fold between 1970 and 2024. The average annual growth rate of global exports during this period exceeded 5% and was significantly higher than the corresponding rate of growth of the total gross product of all countries.

Another similar reason for the increase in conflicts in foreign trade is the change in its commodity structure in favor of manufactured goods.

Trade in services, previously considered only a component of goods trade, has in the last two decades come to be regarded as an independent sphere of international economic relations and has also grown significantly. In the 1970s and 1980s, the growth rate of global service exports outpaced that of goods exports, and in the 1990s it grew at similarly high rates as goods exports (Table 2).

Table 2

Global Exports of Goods and Services (Annual % Growth)



Source: data.worldbank.org

Statistical indicators of the annual growth rate of global exports of goods and services from 1960 to 2024, shown in Figure 2, are characterized by high volatility, reflecting both economic cycles and global crises affecting international trade. The figure shows that the world economy actively recovered after World War II, with stable positive growth averaging 6–8% per year. This growth was driven by the industrialization of Europe and Japan, as well as the expansion of world trade under GATT.

The period from 1974 to 1985 saw sharp fluctuations, caused by oil crises, inflationary shocks, and recessions in various countries. During this time, export growth slowed to 2–3% per year. Beginning in 1986, the global economy entered a period of sustained growth. This stability was supported by the development of international trade agreements, the expansion of production chains in Asia, and the establishment of the WTO in 1995. However, attention should also be paid to the Asian financial crisis of 1997–1998, which caused a brief downturn followed by recovery.

A global economic boom occurred between 2001 and 2008, with exports reaching record growth rates, especially in China. The curve in Figure 2 rises to nearly 3,000% (relative changes axis). A sharp decline is then observed in 2008–2009, linked to the global financial crisis, marking the steepest drop in exports over the entire period. In 2009, growth turned negative, representing a near collapse of the world economy. This was followed by uneven recovery, with alternating periods of growth and decline until 2019. These fluctuations allowed exports to grow at moderate rates, influenced in part by trade wars between the USA and China.

In 2020, the year of the COVID-19 pandemic, recovery began and has continued to the present. By 2024, global exports had increased by only 3–4%, significantly below the average growth rates of previous decades.

Another emerging and highly contentious area in international economic relations has become trade in intellectual property.

The development of world trade in the second half of the 20th century was characterized by a significant increase in volume and the expansion of participating countries (Tables 3–5). Increased competition changed the positions of individual states in the global market, intensifying relations between direct suppliers and national governments.

Table 3

Exports of Goods from Major Developed Countries (in billion USD)

Страны	1946 г.	2000 г.	2001 г.	2003 г.	2010 г.	2015 г.	2020 г.	2025 г. (прогноз)
США	9,5	782	730,9	724,0	1 279	1 419	1 431	~1 600
Франция	0,9	298	319,5	384,7	474	510	490	~520
Великобритания	3,7	280	273,5	303,9	560	630	695	~710
Канада	2,2	277	262,2	272,1	430	448	450	~480
Всего в мире	31,7	6180	6162,4	7274,0	16 718	18 181	22 483	~24 000

By 2003, compared to 1946, the share of several of the most developed countries in global exports had decreased significantly: the USA – from 30% to 10.0%, the United Kingdom – from 11.7% to 4.2%, and Canada – from 6.9% to 3.7%.

Among developed countries, Japan expanded its exports most dynamically. It managed to noticeably displace major competitors and substantially increase its share of global exports (9% in 2000). Only in the last decade did Japan's share slightly decline (to 7.7% in 2000) due to economic stagnation and the expansion of capital exports to establish assembly production abroad, directly in sales markets, thus circumventing various trade barriers. However, by the 2010s, the share of goods exports began to fall to 7.8%, associated with economic stagnation, relocation of production overseas, and competition from Asian countries. Specifically, Western European countries began adopting Japan's approach and, more recently, have also been actively expanding production abroad.

In the period 2010–2015, there was post-crisis growth following the global financial crisis. According to Table 3, in 2015 the USA achieved goods exports of up to $1,431 billion due to the development of high-tech and energy exports. Japan maintained its volumes, with moderate growth due to weak domestic dynamics and strong competition with China and the Republic of Korea. France and the United Kingdom continued to lead in exports of industrial goods and machinery. Nevertheless, during this period the United Kingdom faced currency fluctuations.

In the period 2016–2020, goods exports were persistent but fluctuated due to trade restrictions and customs disputes. The COVID-19 pandemic in 2020 caused a decline, with exports in these countries decreasing by 10–15%. However, the EU countries weathered this period steadily, as their system of mutual supplies mitigated the economic impact.

After 2021, the global economy experienced a surge. By 2024, its volume reached $32–33 trillion. In 2025, according to forecasts, growth is slowing due to geopolitical conflicts and high inflation, but there is a shift in favor of developing countries.

Table 4

Exports from Developing Countries and China, 2001–2024 (in billion USD)

Country	2001	2003	2015	2024
China	266,2	438,4	2542	3356,3
Mexico	158,5	165,3	414,5	681,5
South Korea	150,7	194,3	630,2	683,1
Singapore	121,7	144,1	549,4	978,6
World Total	6162,4	7274	18130	24,43 tr

Among the group of countries under consideration, China should be highlighted, which accounted for 4.0% of global exports in 2000 (4.3% in 2001, 6.0% in 2003). Its share increased particularly sharply over the last decade, prompting countermeasures in many importing countries. After 2015, growth rates slowed, but the country still held a leading position in goods exports; over more than 20 years, its exports increased 12.6 times.

Among developing countries that increased their share of global production, Mexico stands out (growth of almost 4.5 times compared to 1953, mainly due to assembly production) and the countries of the Middle East (due to increased oil supplies and rising prices). From 2015 to 2024, growth accelerated due to the relocation of production chains from China.

At the same time, many developing countries, many of which were former colonies, had no experience either in commercial practices or in state trade regulation. This also increased the level of conflict in the global market.

Table 5

Changes in Positions of Developed and Developing Countries in Global Exports, 1953–2022 (%)

	1953	1973	1983	1993	2000	2003	2022
Region/Country	100,0	100,0	100,0	100,0	100,0	100,0	100,0
North America	24,2	16,9	15,4	16,8	17,9	15,8	13,3
Western Europe	34,9	45,4	38,9	43,7	39,5	46,2	35,8
Japan	1,5	6,4	8,0	10,0	7,7	6,4	4,0
Australia & New Zealand	3,2	2,1	1,4	1,5	1,2	1,4	1,54
China	1,2	1,0	1,2	2,51	4,0	7,7	14,2
Mexico	0,7	0,4	1,4	1,4	2,7	2,4	2,15
Middle East	2,7	4,1	6.8	3,4	4,2	2,5	2,9

Changes in the positions of countries in global exports are driven by shifts among suppliers in certain relatively large commodity markets, in particular ferrous metals, chemical products, and machinery and equipment (Tables 6, 7, and 8; the WTO Secretariat provides the corresponding statistical data only for the last two decades of the 20th century).

Table 6

Changes in Positions of Major Suppliers in the Global Ferrous Metals Market, 2005–2015 (%)

	2005	2010	2015
Japan	9,9	7,8	6,5
Germany	4	3,1	2,6
France	4,2	1	0
Italy	3,3	1,8	1,4
USA	8,2	5,6	4,8
Sweden	0,52	0,33	0,28
South Korea	4.2	4,1	4,3
China	30,9	44,3	49,5

The positions of the Republic of Korea (whose share more than doubled) and China (over the last decade of the 20th century) have significantly strengthened in the global ferrous metals market, whereas Japan, the main supplier, saw its share drop sharply. Between 2005 and 2015, the share of Western European suppliers also declined due to restructuring and reduction of production capacities. It should be noted that exporters of ferrous metals (and chemical products) are most frequently subject to investigations, both justified and unjustified, for alleged unfair commercial practices, aimed at restricting their access to domestic markets.

In 2020, global crude steel production totaled 1,864 million tons, with China's share increasing noticeably to 56%. Unfortunately, after the pandemic, this figure decreased to 53% by 2024. These numbers indicate that China has effectively absorbed available market shares and has become dominant, displacing many traditional leaders. This trend shifts the global ferrous metals industry toward Asia, signifying growth and development of the region's infrastructure. Consequently, European and American players are losing shares in the global market, as can be seen in Table 6.

Table 7

Changes in Positions of Major Suppliers in the Global Chemical Products Market, 2005–2015 (%)

	2005	2010	2015
USA	24,4	16	12
Germany	12,6	10,1	9,3
France	5	13,6	9,9
Japan	8,6	7,8	4,6
UK	3,2	1,9	1,1
Netherlands	2,9	2,2	2,0
Sweden	2,0	1,0	0
South Korea	3,0	5,5	2,8
China	10,8	25,8	37,2

On the global chemical products market, the positions of developed countries such as France and Japan have strengthened significantly, while among developing countries, the Republic of Korea and China have also expanded their shares. At the same time, Germany, the Netherlands, and the United Kingdom have seen a substantial decline in their share of global exports. The share of the United States, a leading supplier, has remained at the same level.

Changes in the positions of various exporters in individual product markets were accompanied by corresponding protective measures from competitors, which, in turn, served as an additional source of trade-political conflicts.

In developed countries, with government support, small and medium-sized enterprises (SMEs) were involved in foreign trade; these companies often operated using the latest technologies, became narrowly specialized, and targeted specific consumers. While competitive, these enterprises were newcomers in practical operations on the global market and frequently found themselves in conflict situations due to inexperience or even initiated them.

For example, exports from SMEs in EU countries increased in the 1980s and 1990s at rates exceeding the growth of total turnover and GDP. Annual export growth for these companies exceeded 4% (micro-enterprises, i.e., companies with up to 9 employees, almost 5%), while the corresponding turnover and GDP indicators slightly exceeded 3%. As a result, the share of SMEs in the export of goods and services of EU countries combined nearly reached 40% in the 1990s, including micro-enterprise contributions exceeding 10%.

The contribution of more than 100,000 SMEs in the United States to national exports approached 30%, with companies having up to 20 employees contributing 12%, those with up to 99 employees 8%, and those with up to 500 employees 9%.

Postwar tariff liberalization of international trade, occurring at multilateral, regional, and bilateral levels, stimulated foreign trade expansion for entrepreneurs and state support for their activities in external markets. The downside of these processes was an increase in trade conflicts.

Finally, the high profitability of foreign trade operations under insufficient regulation encouraged entrepreneurs to engage in various abuses and unfair commercial practices, creating yet another major source of conflicts in the global market.

Trade-political conflicts, which primarily arise between governments, ultimately affect the interests of major entrepreneurs in the conflicting countries or their groups. These may be entrepreneurs in specific industries or across multiple industries, when measures to restrict or promote trade are unjustifiably applied to them. In both cases, the damage from a single trade-political conflict is usually very large and disproportionate to that from a commercial conflict.

Among the sharpest sectoral trade-political conflicts in the 1990s was the dispute between the United States and the Republic of Korea regarding mutual automobile supplies, the production of which in both countries is a key industrial sector (Korea exports up to 1.5 million vehicles annually, ranking 6th globally). By threatening sanctions, the United States sought (and partially achieved) non-tariff liberalization of the Korean domestic market concerning taxation, standards, and processing of import transactions (customs duties on imported cars in Korea were lower than in most OECD countries) [4].

While commercial conflicts between partners generally result only in additional costs, trade-political conflicts often lead to supply stoppages. Such situations are especially common with anti-dumping measures, which often result in high, effectively prohibitive import duties. Cases also occur where exporters suspend shipments during anti-dumping investigations, even when no unfair competition is confirmed.

The inevitability of trade-political conflicts, with all their adverse economic consequences for many countries, is sometimes due to the “integration” into national legislation of the right to arbitrarily apply protectionist measures [1].

It is also necessary to mention a specific conflict between the EU and the United States, triggered in early 2000 by the EU’s discovery of American commercial espionage against European competitors using the global Echelon intelligence network (originally created during the Cold War for conventional espionage against former socialist countries). Information obtained through it (intercepted international phone calls, telex and fax transmissions, emails, satellite, microwave, fiber-optic, and mobile communications) served the interests of US companies very effectively.

Commercial conflicts manifest in many forms and affect the interests not only of entrepreneurs but also of states.

Primarily, commercial conflicts negatively impact the direct participants in trade transactions. An exporter does not receive the agreed payment in full or on time if the partner fails to fulfill contractual obligations. Importers, in turn, do not receive the agreed quantity of goods (or services), or the quality is below contract standards. Both parties also incur additional costs, such as legal fees.

Since a significant portion of foreign trade operations is conducted with bank credit, banks do not receive expected profits or timely repayments in the event of contract nonperformance.

Moreover, given the close connection of many foreign trade operations with the activities of enterprises, sometimes large industrial complexes, even a single failure in commercial relations can cause substantial damage to the production of such enterprises and complexes.

Finally, commercial conflicts harm the state in the form of delayed tax revenues, fees, and similar payments. If a state-owned enterprise is involved in a conflict, it suffers like any other exporter or importer.

As trade conflicts spread, the damage they cause also increased. Therefore, joint actions by the global community at governmental and non-governmental levels gained importance for preventing conflicts and resolving them when disputes arise.

Since WTO members adopted the Agreement on Rules and Procedures Governing the Settlement of Disputes, relatively little time has passed, yet some preliminary conclusions can already be drawn. Overall, these outcomes can be considered positive. Many WTO members turn to the dispute settlement mechanism, with a significant number of conflicts resolved at early stages (especially consultations), and in all cases, conflicts were ultimately settled.

According to a report prepared by the WTO Secretariat for the first Ministerial Conference of WTO members (as of November 26, 1996), 62 disputes had been considered, were under consideration, or were in the process of implementation of adopted decisions. By 2004, the total number of complaints submitted to the WTO reached 304.

Since the WTO's creation until the first Ministerial Conference, all instruments of the dispute settlement mechanism were utilized, although to varying degrees.

The most effective tool for reaching mutually acceptable solutions without burdening other instruments was consultations. At this stage, 60% of disputes were resolved (by 2001, this figure reached 75%). The effectiveness of consultations was confirmed further. From 1995 to June 2003, special panels were formed only 110 times (out of 261 complaints), demonstrating the possibility of dispute resolution during consultations.

It is noteworthy that developing countries continued to account for a high share of dispute mechanism usage. According to WTO Secretariat data, in 2001, they filed 2/3 of all complaints. From January to June 2003, their share among claimants was 42%. US and EU participation in using the WTO dispute mechanism in 2000–2003 was mainly due to complaints filed against them by other WTO members.

A parallel investigation by the US General Accounting Office revealed several practical aspects of WTO activities. Member countries are obliged to notify the Secretariat of all changes in their national trade regimes. From 1995–2002, 1,405 notifications were received, including 239 from the US. Of these, 64 notifications were contested, i.e., complaints were filed regarding unlawful changes causing damage, with the highest number involving the US (see Table 13).

The relatively lower involvement of the EU in dispute resolution for a long period is explained by its own internal mechanism among member states.

These data indicate that WTO members, both developed and especially developing countries, actively use the organization to resolve trade regulation disputes.

Despite the effectiveness of the WTO dispute settlement mechanism, member countries pay considerable attention to its improvement.

At the fourth WTO Ministerial Conference in Doha, Qatar, November 2001, a declaration was adopted, including a three-year work program. This program contains a section "Understanding on Dispute Settlement," agreeing to conduct negotiations to improve the dispute resolution mechanism. Unlike the general schedule of a new WTO negotiation round (from January 1, 2005), the dispute settlement negotiations had tighter deadlines—May 2003—to implement results as soon as possible.

The GATT trade-political conflict resolution mechanism underwent a long development, with amendments related to changes in the global economy, primarily the expansion of participants in international economic relations and the growth of exports of finished and semi-finished goods. In addition, the experience of cooperation and compromise among GATT members accumulated.

The purpose of the improved dispute resolution mechanism is to protect the economic interests of WTO members and ensure their compliance with obligations arising from the covered agreements. Research shows that this goal is largely achieved. The rules and procedures also apply to trade agreements among a limited number of participants.

General conclusions:

- In the second half of the 20th century, the international community created an effective system for preventing and resolving conflicts, consisting of two mechanisms: for commercial and trade-political conflicts;
- The updated trade-political dispute mechanism provides all WTO members equal opportunities to resolve conflicts within a strictly regulated period;
- WTO members actively use this mechanism, especially developing countries, to protect their interests from trade-political arbitrariness, including that of developed countries;
- Consultations and special expert panels confirm the effectiveness of the rules of the Dispute Settlement Understanding;
- WTO bodies review disputes objectively and professionally, as publicly confirmed by the US General Accounting Office in 2003.

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As international trade develops, the number of conflicts increases, resulting in significant losses for participants and complicating interstate relations. This necessitates measures to regulate international economic relations, including a mechanism to prevent and effectively resolve emerging conflicts with minimal costs.

The purpose of this paper is to analyze the development of modern international trade in the context of intensifying competition and the emergence of international conflict resolution mechanisms in the global marketplace. This aim is to provide a more comprehensive understanding of the potential for using these mechanisms to protect the interests of domestic exporters and importers, as well as producers and consumers of goods and services.

The novelty of this study lies in its understanding of the underlying economic, trade, and political causes of the increased conflict in the global marketplace in the second half of the 20th and early 21st centuries, its comprehensive approach to the problem of conflict, and its filling of gaps in the study of multilateral regulation of international trade.