



# **DAILY EDITORIAL ANALYSIS**

**TOPIC**

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**TRADE WARS & TRADE  
WEAPONIZATION**

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## TRADE WARS & TRADE WEAPONIZATION

### Context

The global economic landscape has been significantly reshaped by trade wars initiated during the US President Donald Trump and the broader trend of trade weaponization. These measures have had far-reaching effects on various sectors of the global economy.

### What is a Trade War?

A trade war occurs when nations impose tariffs or trade barriers against each other in retaliation for perceived economic harm or unfair trade practices.

### Key Example:

- **U.S.-China Trade War (2018-Present):** The U.S. imposed heavy tariffs on Chinese goods, citing intellectual property theft, unfair subsidies, and currency manipulation. In response, China levied counter-tariffs, leading to disruptions in global supply chains.

### What is Trade Weaponization?

Trade weaponization refers to the strategic use of trade policies as geopolitical tools rather than purely economic measures. It includes economic sanctions, export controls, supply chain restrictions, and currency manipulation to exert pressure on rival nations.

### Examples:

- **U.S. sanctions on Huawei** to curb China's technological advancements.
- **Russia's gas supply cuts** to Europe amid geopolitical tensions.
- **China's rare earth export controls** to maintain dominance in technology manufacturing.
- **Recent U.S. tariffs:** A 25% tariff on all imports from Canada and Mexico and a 10% levy on Chinese goods.

### Major Trade Wars and Trade Weaponization in Global Politics

- **US-China Trade War:**
  - ♦ The U.S. imposed tariffs on **\$550 billion** worth of Chinese goods.
  - ♦ China retaliated with countermeasures, disrupting electronics, automobiles, and agriculture sectors.
- **US Sanctions on Russia (2022-Present):**
  - ♦ Following Russia's invasion of Ukraine, the U.S. and the EU imposed sanctions restricting **oil, gas, and banking transactions**.
- **China's Economic Coercion Tactics:**
  - ♦ **Australia:** Bans on Australian coal, barley, and wine after it called for a COVID-19 origins investigation.
  - ♦ **Taiwan:** Banned Taiwanese food imports amid rising political tensions.
  - ♦ **Lithuania:** Blocked Lithuanian exports after it deepened ties with Taiwan.

### Impacts of Trade War & Trade Weaponization

- **Economic Disruptions:**
  - ♦ Increased production costs, inflation, and energy price surges.
  - ♦ Disruptions to global supply chains and trade flows.
  - ♦ Shift of manufacturing away from China (e.g., Apple and Samsung moving production to India and Vietnam).
- **Weaponization of Commodities:**
  - ♦ **Energy:** Oil and gas as leverage in geopolitical conflicts.
  - ♦ **Food:** Grain exports being restricted as economic pressure.
  - ♦ **Technology:** AI and semiconductor supply chains becoming battlegrounds.

- **Shifts in Global Alliances:**
  - ♦ **Friendshoring:** Countries shifting trade towards geopolitical allies.
  - ♦ **New Trade Alliances:** India's active participation in QUAD and IPEF.
  - ♦ **Mineral Security Partnership (MSP):** Diversifying and stabilizing critical mineral supply chains.
- **Technology Wars:**
  - ♦ The U.S.-China **chip war** over semiconductor dominance.
  - ♦ Rise of **alternative payment systems** (e.g., Russia's Mir, India's rupee-ruble trade).

### Strategies and India's Role in the Trade War Era

- **India's Response to the US-China Trade War:**
  - ♦ **'China Plus One' Strategy:** Global firms shifting production to India.
  - ♦ **Production-Linked Incentive (PLI) Scheme:** Attracting manufacturers in electronics, pharmaceuticals, and semiconductors.
- **India-Russia Trade Relations Amid Sanctions:**
  - ♦ **Oil Imports:** Increased imports of discounted Russian oil.
  - ♦ **Alternative Payment Systems:** Exploring RuPay and rupee-ruble trade to bypass SWIFT sanctions.
- **India's Strategy Against Chinese Trade Dominance:**
  - ♦ **Ban on Chinese Apps (2020):** Over 200 apps, including TikTok, banned citing national security concerns.
  - ♦ **Higher Import Duties:** Raised tariffs on electronics, solar panels, and chemicals.
  - ♦ **Strengthening Domestic Manufacturing:** 'Atmanirbhar Bharat' initiatives to reduce reliance on Chinese goods.
  - ♦ **Trade Diversification:** Strengthening ties with ASEAN, Africa, and Latin America.
  - ♦ **Tariff Adjustments:** Raising tariffs on Chinese goods while negotiating Free Trade Agreements (FTAs) with Australia, UAE, and the EU.

### India's Path Forward

- **Strengthening Trade Partnerships:** Expanding ties with the EU, ASEAN, and Africa.
- **Investing in Critical Sectors:** Developing semiconductor, renewable energy, and AI industries.
- **Enhancing Supply Chain Resilience:** Boosting indigenous manufacturing.
- **WTO Reform:** Addressing challenges posed by unilateral trade actions.

### Future Outlook

- The era of free trade is gradually shifting toward **economic nationalism and strategic decoupling**. The rise of regional trade agreements (RCEP, IPEF, QUAD Economic Framework) and an increased focus on **supply chain resilience** indicate a movement toward de-globalization.

Source: IE

### Mains Practice Question

[Q] Analyze the impact of trade wars on the global economy. How does the concept of trade weaponization influence international relations and economic stability? Discuss the potential consequences for both participating and non-participating countries.

