


Chapter 2

The Political Economy of Trade Wars

Ann Mary Cherian

 <https://orcid.org/0009-0002-1452-8941>


Christ College, India

Nilesh Anute

 <https://orcid.org/0000-0001-6599-813X>

Sri Balaji University, India

Kamal Kumar Rajagopalan

 <https://orcid.org/0000-0001-8833-0554>


P.P. Savani University, India

P. Selvakumar

 <https://orcid.org/0000-0002-3650-4548>

*Department of Science and Humanities,
Nehru Institute of Technology,
Coimbatore, India*

Sumanta Bhattacharya

 <https://orcid.org/0000-0003-2563-2787>

Asian International University, India

T. C. Manjunath

 <https://orcid.org/0000-0003-2545-9160>

*Rajarajeswari College of Engineering,
India*

Satish Pawar

 <https://orcid.org/0000-0003-0098-935X>

*Balaji College of Arts, Commerce, and
Science, India*

ABSTRACT

In the complex web of global economics, few concepts have sparked as much debate, policy intervention, and public interest as trade. Trade—the exchange of goods, services, and capital across international borders—has long been championed as a driver of economic growth, innovation, and international cooperation. Since the end of World War II, the global economic order has largely trended toward liberalization, fostering a rules-based system designed to reduce tariffs, eliminate trade barriers, and integrate markets across continents. Institutions like the General Agreement on Tariffs and Trade (GATT), and later the World Trade Organization (WTO), were created to promote free trade principles and resolve disputes within a structured

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framework. This post-war period of globalization ushered in unprecedented levels of economic interdependence, transforming domestic economies and reshaping geopolitical alliances. In the intervention, and public interest as trade.

1. INTRODUCTION

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This post-war period of globalization ushered in unprecedented levels of economic interdependence, transforming domestic economies and reshaping geopolitical alliances. In the intervention, and public interest as trade. Trade—the exchange of goods, services, and capital across international borders—has long been championed as a driver of economic growth, innovation, and international cooperation. Since the end of World War II, the global economic order has largely trended toward liberalization, fostering a rules-based system designed to reduce tariffs, eliminate trade barriers, (Aguilera R. et al. 2021) and integrate markets across continents. Institutions like the General Agreement on Tariffs and Trade (GATT), and later the World Trade Organization (WTO), were created to promote free trade principles and resolve disputes within a structured framework. This post-war period of globalization ushered in unprecedented levels of economic interdependence, transforming domestic economies and reshaping geopolitical alliances.

Yet, despite decades of globalization and economic integration, a new wave of protectionism has surged in recent years, challenging the orthodoxy of free trade. Nations around the world are reasserting control over their trade policies, often resorting to tariffs, quotas, and other restrictive measures in an effort to shield domestic industries from foreign competition. This phenomenon—termed “the rise of protectionism”—has catalyzed a resurgence of trade wars, whereby countries retaliate against each other's trade barriers in a spiraling sequence of economic confrontation. Trade wars are not new. History provides several examples of how economic nationalism and protectionist policies have led to intense commercial rivalries between nations, often with damaging consequences.

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