



# National Conference

On

## GLOBAL TRADE WARS AND THEIR IMPACT ON INDIA'S ROADMAP TO VIKSIT BHARAT 2047

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# **NATIONAL CONFERENCE ON “GLOBAL TRADE WARS AND THEIR IMPACT ON INDIA’S ROADMAP TO VIKSIT BHARAT 2047”**

**Volume – 1**

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|    |                                                                                                                                                                                     |     |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| 14 | Innovation-Driven Economic Resilience in India: A Conceptual Framework of Startups and MSMEs under Atmanirbhar Bharat, Make in India, and Startup India<br><b>Dr. G. Gnanaselvi</b> | 82  |
| 15 | A Study on Role of AI in the Startup Eco System in Coimbatore City<br><b>Mr. Suriya Prakash R &amp; Dr. Vishnu M M</b>                                                              | 89  |
| 16 | Artificial Intelligence and Emerging Technologies in Digital Trade: An Empirical Study on Trade Efficiency and Export Performance<br><b>Prathap R</b>                               | 94  |
| 17 | Green Innovation in Indian Start-Ups: A Pathway to Sustainable Economic Strength<br><b>Dr. D. Rajasekaran &amp; Ms. P. M. Sri Raja Mahalakshmi</b>                                  | 97  |
| 18 | Role of English Language and Its Impact in Global Trade Wars<br><b>Dr. V. Suresh</b>                                                                                                | 102 |
| 19 | Emerging Issues in Smart Cities and Global Trade: Governance, Innovation, and Urban Competitiveness<br><b>Akshaya N &amp; Dr. V. Mathan Kumar</b>                                   | 106 |
| 20 | Impact of Global Trade Conflicts on India's Agricultural and Manufacturing Sectors<br><b>M. Manidayanand</b>                                                                        | 112 |
| 21 | An Analytical Study of Supply Chain Management and Its Role in Enhancing Performance of Textile Industries in Coimbatore City<br><b>Mrs. P. Indumathy</b>                           | 121 |
| 22 | Global Trade, Export Competitiveness, Supply Chains and ESG Compliance in Organic Food Products<br><b>Dr. E. Renuga</b>                                                             | 128 |
| 23 | Role of Start-Ups and Msmes During Covid-19: Pillars of India's Economic Resilience<br><b>Ms. V. Brintha &amp; Dr. S. Shanmugapriya</b>                                             | 134 |
| 24 | The Future of Trade in a Digital and Divided World<br><b>Dr. P. Anitha</b>                                                                                                          | 142 |
| 25 | Impact of Global Trade Conflicts on India's Agricultural and Manufacturing Sector<br><b>Dr. P. Gomathi Devi</b>                                                                     | 151 |
| 26 | Digital Trade, Artificial Intelligence and Emerging Technologies in the Context of Global Trade War<br><b>S. Srinithi &amp; Dr. T. Vijaya Chitra</b>                                | 156 |
| 27 | Global Trade Wars and Its Impact on the Indian Economy<br><b>Mr. Prakalathan A &amp; Dr. B. Indira Priyadharshini</b>                                                               | 161 |
| 28 | Impact of Global Supply Chain Realignment on India's Development Goals for 2047<br><b>Dr. D. Padma &amp; Mrs. S. Vishnu Priya</b>                                                   | 166 |

# IMPACT OF GLOBAL TRADE CONFLICTS ON INDIA'S AGRICULTURAL AND MANUFACTURING SECTOR

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## Abstract

*Global trade conflicts have emerged as a defining feature of the contemporary international economic system. Trade tensions such as the U.S.–China trade war, disruptions caused by the World Trade Organization dispute settlement challenges, and geopolitical conflicts like the Russia–Ukraine War have significantly altered global trade patterns. As an emerging economy deeply integrated into global markets, India faces both risks and opportunities from these developments. Global trade conflicts have emerged as a significant challenge to the stability of the international economic system, disrupting established trade flows, global value chains and commodity markets. Escalating tariff wars, economic sanctions, protectionist policies, and geopolitical tensions among major economies have created an uncertain global trade environment. As an emerging economy with deep integration into global markets, India's agricultural and manufacturing sectors are particularly vulnerable to such disruptions. This paper examines the impact of global trade conflicts on India's agricultural and manufacturing sectors. It highlights issues such as export volatility, rising input costs, inflationary pressures, and shifting foreign investment trends.*

**Keywords:** Global, Trade conflicts, Economic system and

## Introduction

Globalization has significantly interconnected national economies through trade, investment, and global value chains. However, the recent rise in protectionism, tariff wars, economic sanctions, and geopolitical conflicts has disrupted the stability of international trade systems. Trade conflicts occur when countries impose tariffs, quotas, or other barriers to protect domestic industries or retaliate against other nations.

For India, a developing economy with substantial dependence on agricultural exports and manufacturing imports/exports, global trade disruptions present serious economic challenges. Agriculture employs a large portion of the population and contributes significantly to exports such as rice, spices, tea, and cotton. Meanwhile, manufacturing plays a critical role in economic growth, employment generation, and export diversification.

## Objectives

- Nature of global trade conflicts
- Impact on India's agricultural sector
- Influence on India's manufacturing sector

### 1. Nature of Global Trade Conflicts

Global trade conflicts arise due to:

- **Core Drivers:** Conflicts are driven by economic nationalism (prioritizing domestic jobs), trade imbalances, technological rivalry (e.g., 5G, AI), and competition for resources.
- **Protectionist Mechanisms:** Trade wars involve the imposition of tariffs, quotas, and sanctions to shield local industries from foreign competition.
- **Systemic Disruption:** These conflicts disrupt global supply chains, create uncertainty, and decrease the efficiency of international trade.
- **Retaliation Cycles:** Disputes often escalate when countries engage in tit-for-tat retaliation, with one country's tariffs triggering a response from another.
- **Geopolitical Influence:** Trade conflicts are often intertwined with larger geopolitical tensions, where economic tools are used to influence international relations.
- **Impact on Stakeholders:** While intended to protect domestic industries, these conflicts often result in higher prices for consumers and increased costs for importers.

### 2. Impact on India's Agricultural Sector

#### ❖ Export Demand and Market Access

Global trade conflicts significantly influence India's agricultural exports. When major economies impose tariffs or restrictions on agricultural commodities, global demand patterns shift. India exports products such as rice, spices, tea, coffee, cotton, and marine products to various countries. Trade tensions between large economies can reduce overall global demand, affecting export volumes and earnings. At the same time, if competing exporting countries face higher tariffs, India may gain temporary access to alternative markets. However, such opportunities are often uncertain and short-lived due to policy changes and market volatility.

#### ❖ Price Volatility in Agricultural Commodities

Trade conflicts create uncertainty in international commodity markets, leading to fluctuations in global prices of food grains, oilseeds, sugar, and cotton. Since agricultural prices are closely linked to international markets, Indian farmers may experience unstable income levels. Sudden price drops reduce profitability, while

price spikes increase input costs for related sectors such as livestock and food processing. This volatility makes farm income unpredictable and complicates production planning.

#### ❖ **Rising Cost of Agricultural Inputs**

India imports key agricultural inputs such as fertilizers, agrochemicals, and fuel. Trade restrictions or geopolitical tensions often increase global prices of crude oil and fertilizers. Higher fuel prices raise transportation and irrigation costs, while expensive fertilizers increase the cost of cultivation. As input costs rise without proportional increases in output prices, farmers' profit margins shrink, particularly for small and marginal farmers.

#### ❖ **Impact on Farmer Income and Rural Economy**

Agriculture supports a large share of India's population. Any reduction in export demand or increase in production costs directly affects farmer income. Lower farm income reduces rural consumption, which in turn impacts rural industries and services. This creates a multiplier effect, slowing down overall rural economic activity and increasing financial stress among farming communities.

#### ❖ **Effect on Food Security and Domestic Prices**

Global trade conflicts can lead to export restrictions by major food-producing countries. Such actions may cause shortages in international markets and push global prices upward. In India, rising import costs of edible oils or pulses may increase domestic food prices, contributing to food inflation. To stabilize domestic markets, the government may impose export bans or adjust import duties, which further affect farmers and traders.

#### ❖ **Government Intervention and Policy Response**

To cushion the agricultural sector from external shocks, the government often intervenes through measures such as Minimum Support Price (MSP) adjustments, fertilizer subsidies, export incentives, and buffer stock management. While these policies help stabilize farm income in the short term, they increase fiscal expenditure and may not fully offset the effects of prolonged global trade instability.

#### ❖ **Impact on Agricultural Investment**

Uncertainty caused by global trade conflicts can discourage private investment in agriculture. Export-oriented agribusiness firms may postpone expansion plans due to unstable global demand. Reduced investment affects technological adoption, storage infrastructure, and supply chain modernization, limiting long-term productivity growth in the sector.

#### ❖ **Long-Term Structural Implications**

In the long run, global trade conflicts may encourage India to diversify its export markets and strengthen domestic agricultural value chains. Increased focus on self-

reliance, improved storage facilities, food processing industries, and better market linkages can reduce vulnerability to global shocks. Strategic trade agreements with multiple countries can also help stabilize export opportunities.

### **3. Impact on India's Manufacturing Sector**

#### **❖ Trade Diversion Opportunities**

When major economies impose tariffs on competitors (e.g., restrictions on Chinese goods), Indian manufacturers sometimes gain access to alternative markets, particularly in:

- Textiles
- Pharmaceuticals
- Engineering goods
- Electronics components

#### **❖ Higher Cost of Intermediate Goods**

Indian manufacturing depends heavily on imported components. Trade conflicts:

- Increase input costs
- Disrupt availability of raw materials
- Delay production cycles

#### **❖ Global Value Chain Realignment**

Many multinational corporations are diversifying production bases. India has opportunities to attract investments, especially in electronics and automobile components.

#### **❖ Foreign Direct Investment (FDI) Shifts**

Global firms looking to reduce dependence on specific countries may shift investment to India, but infrastructure and regulatory efficiency remain critical challenges.

### **4. India has Adopted Multiple Strategies**

#### **❖ Trade Diversification**

- Expanding trade partnerships with ASEAN, EU, Africa, and the Middle East
- Reducing overdependence on a few major economies

#### **❖ Domestic Manufacturing Promotion**

- Encouraging local production
- Incentivizing export-oriented industries

#### **❖ Agricultural Support Measures**

- Minimum Support Price (MSP) adjustments
- Export incentives
- Infrastructure development for storage and logistics

## **Conclusion**

Global trade conflicts present a dual challenge for India's agricultural and manufacturing sectors. While increased tariffs, supply chain disruptions, and price volatility negatively affect exports and input costs, opportunities also arise from trade diversion and global supply chain realignment. For agriculture, the primary concerns include income instability and rising production costs. For manufacturing, dependence on imported intermediate goods remains a vulnerability, though shifting global production networks provide long-term opportunities.

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