



## IMPACT OF TRADE WARS AND GEOPOLITICAL INSTABILITY ON BUSINESS

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### ABSTRACT:

The term war can be interpreted in many terms which provides different meanings. It can be made for the benefit of the nation, for taking revenge, for securing peace, for protecting themselves etc. In the context and the nature of business trade wars can be made which helps the business to be competitive among others and also for protecting their sustaining business. These wars provide both benefits and burden to the nations. The reasons for these trade wars can be due to the unfair trade practices. The trade wars can help to reshore the business jobs and expand their domestic production facilities. Since the Government is involved in these trade wars, it can provide the essential support and subsidies for the business. These trade wars create conflicts in the currency values and fluctuates the monetary values that affects the domestic business. These trade wars can also increase the costs for the business and reduces the profit margins. Geopolitical instability helps to shape the global business and can increase the demand for certain products or services. It can be used to attract the foreign investment which helps in creating opportunities for the business. It provides uncertainty to the business and also affects the supply chains in the business. The Regulatory and Policy changes due to the geopolitical instability brings a lot of changes to the business. The ultimate result in the legal and regulatory challenges is the damage to the reputation of the business. These trade wars and geopolitical instability in the business brings both benefits and burdens to the business. It has both positive and negative sides. These sides jointly impact the business in a effective way and at the same time it also disturbs the business which is an unpredictable one.

### KEYWORDS:

Peace, Unpredictable one, geopolitical instability, regulatory challenges, reputation, profit margins, uncertainty.

### INTRODUCTION:

Businesses should be competitive among others in order to sustain in the business field and also to face and adapt the future challenges in the business. Trade wars can be made for being superior among the others and also it ensures that to analyze the areas where the scope of business needs to be improved. These trade wars and geopolitical instability on the business creates new business

opportunities in the business field. It helps to gain strategic partnerships and alliances which leads to the expansion of the business. These trade wars can also make a great impact in the domestic production of the business. Major benefits of the trade wars were it helps to know about the innovative techniques which can be made in the business. Trade wars can be served as a tool to secure and protect your business. These two factors such as the trade war and the geopolitical instability majorly impacts on the



financial markets. It helps to know about the existence of the financial markets and to adopt the strategies for attaining increase in the financial outcome of the business. With the help of knowing about the financial markets, it can help the business to know about the currency fluctuations and can adopt strategies for overcoming those currency barriers. These currency barriers are considered to be a crucial factor for the business as they decide the growth of the business. Trade wars enable the business to know about the trade practices and the currency exchanges in different financial markets. The analyzing of the financial markets based on the outcome of the trade wars helps to improve the financial stability of the business.

The trade wars and the geopolitical instability can change the preferences of the customers as the trade wars hits the growth of the business. If the growth of the business has been hit down then automatically the preference of the customer may be changed lead to the loss of the business. Most of the business are struggling to develop and expand their business due to the changes that takes places because of the customers decisions based on their needs and preferences. This is considered to be an important fact as the customer preferences had impacted many businesses to both loss and profit which can be taken place due to the trade wars.

The Trade wars and the geopolitical instability helps in impacting the mobility of the talent across various borders and the nations. It makes the businesses harder to find out the skilled labors and employees as there are certain restrictions on the immigration due to the geopolitical instability that leads to the lack of necessary manpower. It leads to the delay of the business operations. The outcome of the delay in business operations will automatically leads to slowing down the process of the business. New trade policies, tariffs and compliance requirements which are being introduced can lead to legal and regulatory challenges as it provides a challenge to forecast the long-term market dynamics. The

legal challenges often change the ideas and innovations of the business which leads to the loss in the investment cost and slows down the profit margins of the business. The reason for the introduction of new trade policies and tariffs are due to the trade wars and the geopolitical instability that takes place in the business. These two factors impacts the business in a great manner which can provide a growth and progress the business in a faster way but also it creates many challenges and barriers to the business. They can also be able to impact the businesses which takes place both domestically and globally.

#### Statement of the Problem:

1. This research tells about the advantages and the disadvantages of the trade wars and geopolitical instability in the business.
2. This research discusses whether the regulatory and compliance challenges leads to instability on business.
3. This research discusses the effects due to trade wars and geopolitical instability on business.
4. This research discusses whether the trade wars helps in impacting the mobility of talent across borders and nations in the business.

#### Review of Literature:

1. XinWei Feng in his research paper had provided a comprehensive analysis of the United States-China trade war, examining its causes, unfolding events, and significant impacts on global trade, economic stability and bilateral relations. The findings of this research highlight the disruptive effects of the trade war on global supply chains, increased costs for businesses and consumers, negative economic consequences for both countries.
2. Khizar Hayat in his research had identified that the trade conflicts are relevant to global supply networks because they shift industry patterns, pricing strategies, and



global trade models. This paper assesses the broad impacts of the trade war between the United States and China. The findings that are arrived in the research suggested a practical strategy for governments and companies to enhance a supply chain resilience and sustain operations amidst increasing the volatility in the global economy and political landscape.

3. David Bishai in his research had examined the impact of recent geopolitical shifts on global trade networks, using a comparative analysis across different regions and economic sectors. With the rise of protectionism, trade wars, and shifts in global power dynamics, particularly between major economies such as the United States and China, the global landscape is undergoing significant transformation.
4. Sheela in her research stated that the contemporary global economic system is increasingly affected by the complexities of geopolitical tensions, which often lead to destabilization and unpredictability in international trade, investment flows, and market confidence. This research paper had explored the intersection of geopolitical risks and economic security, focusing on how diplomatic disputes, military conflicts, and shifting power dynamics influence global economic stability.

#### Methodology:

1. This research comprises of both doctrinal and non-doctrinal research.
2. Both Primary and Secondary data in this research has been collected in the form of questions and surveys from students and the persons who are aware of the trade wars that are happened in the business regarding the impact which it made and about the geopolitical instability on businesses.

#### PRIMARY DATA:

The data was collected through questionnaire and respondents were send link with few questions a data among 83 samples were collected. The collected data was analysed in the form of Pie-chart representation and was used for representing the opinions of the respondents.

#### SECONDARY DATA:

The data was collected from journals, articles, newspapers, internet, books and the history of business changes in the world.

#### STUDY AREA:

The respondents are not specifically chosen they are from different fields and age groups who has the knowledge and were aware about the trade wars and the geopolitical instability of the business.

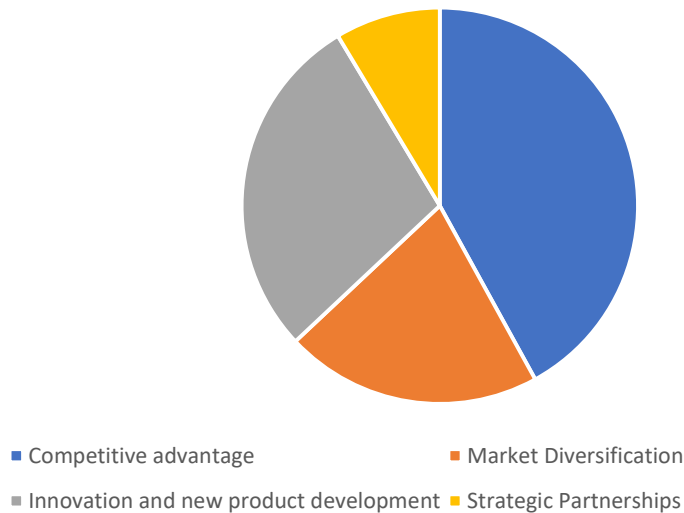
#### Hypothesis:

- 1.What are the advantages and disadvantages of trade wars and the geopolitical instability on business?
2. What are the effects of trade wars and the geopolitical instability on the business?
- 3.Whether the customer preferences can be changed due to the trade wars and geopolitical instability on business?



## Results and Discussion:

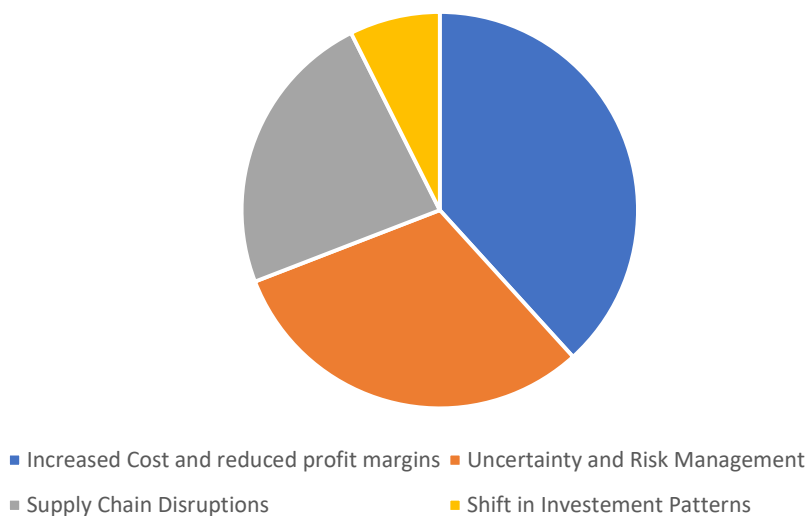
### Advantages of trade wars and Geopolitical instability in business



The First aspect in this research topic is to know about the advantages of the trade wars and the geopolitical instability on business. In my research most of them had adopted the competitive advantage among the four key advantages. The term competitive advantage means it helps the businesses to be

competitive among the others and also which contributes to produce innovative and new products and to be successful in achieving the goals of the organisation and can be the strongest and best among other organisation. It also adds fuel to the process of innovative contributions and development of products.

### Disadvantages of trade wars and geopolitical instability on business



Secondly discussing about the disadvantages of the trade wars and geopolitical instability on business activities

there will be Increased Cost and reduced profit margins as there will be more costs incurred due to the operational activities in the business





areas that happens due to trade wars and due to such increase in costs in the geopolitical areas the profit margins will also be reduced. Since the profit margins reduces this will automatically leads to loss in business. There

will be also more uncertainty and lot of risks would have been arose that could be difficult to be managed.

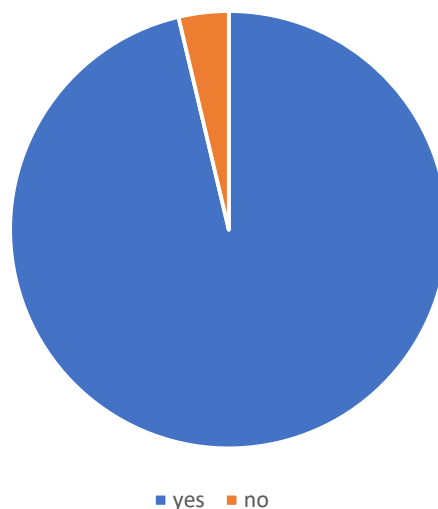
#### Effects of trade wars and geopolitical instability on business



The effects of trade wars and geopolitical instability leads to more number of financial markets, supply chains, access to international trade and business strategies. In this mostly it would result in bringing the knowledge of more financial markets. It provides access to the financial markets and also leads to some of the

fluctuations in currency values. It increases the stock values which would be gradually changes due to the trade wars and instability on business. The trade wars also result in the formation of supply chains and that leads to international trade by evolving new business strategies for achieving the goals and the sustainability of the business.

#### Change of customer preference due to trade wars and geopolitical instability





The Customer preferences can be changed due to the trade wars and the geopolitical instability. As the change is an unpredictable one and it can be made based on the needs and wants of the people. So in such a sense due to the price fluctuations and new market entry access that happens due to the trade wars and the geopolitical instability the preferences of the customer may be varied in such a manner that may be sometimes difficult for the businesses to adapt for such needs and requirements.

### **Suggestions:**

- 1.The Businesses needs to be interdependent by having contacts with diversified suppliers and logistics and not relying on one country or region.
- 2.The Businesses should set up regional hubs which can be used for serving the local customers more efficiently.
- 3.The Businesses needs to be stay updated on the trade policies, sanctions, and international regulations and employ or consult an expert for avoiding the legal and financial challenges.
- 4.The Businesses needs to keep stakeholders, partners, and customers informed about changes and plans and collaborate with them to find joint solutions during disruptions.
- 5.The Businesses needs to keep financial reserves to face sudden cost increases due to the tariffs and sanctions.

### **Conclusion:**

Trade wars had significant advantages in domestic market. It is based on various factors such as industry, location and specific nature of the trade conflict. There are lot of tariffs and trade restrictions on the foreign goods so that it make the domestic markets competitive and significant among the others. This creates an opportunity for the domestic products and markets as the foreign markets are expensive in nature most of them may find to deal with the domestic markets that increase the production and also contributes for higher

sales in the country. In the aspect of supply chains it can lead to various sources that can be used to get many sources of raw materials and products. It helps to avoid future disruptions regarding the supply chains. Since high prices are being charged for trade wars the domestic market can be able to increase their profit margins.

Geopolitical instability can often benefit foreign market players exit or scale back their operations in unstable regions. When the foreign market are unable to make their footprints due to political changes it may benefit to the domestic market for strengthening their position by filling their gaps. It can lead to a significant currency fluctuations and creates opportunities for the businesses to attract foreign capital in certain context. It can also provide opportunities for mergers and acquisitions. Geopolitical uncertainty may often leads in impacting profits especially for companies with international operations or currency-denominated contracts.

The above mentioned are the advantages of the above two aspects but there are certain drawbacks in the trade wars and geopolitical instability of the business. They may disrupt the supply chain and restricts the access of markets due to the increase in the tariff rates and difficult to face the trade barriers. The businesses are unable to manage the risks and difficult to navigate the fluctuating regulations and to adapt to the changing political landscapes. It can also affect the brand reputation of the business as the trade wars and geopolitical instability shapes in the customer preferences of the business and if the business is not qualified for adapting to the changing customer preferences then it will lead to negative public perception that can hurt the brand image and the consumer loyalty.

There is an investment certainty that happens due to the trade wars and the geopolitical instability on the business is that businesses may deal or delay or cancel their expansion plans due to uncertainty as the



investors often pull back in times of political tension leading to reduced capital availability. Tariffs raise the cost of imports and the exports and companies need to invest more in the compliance, security and the logistics. The companies may be blocked from entering or continuing in foreign markets as there will be a loss of market access that happens due to the trade wars and geopolitical instability in business. Companies may diversify supply chains, invest in regionalization or reshore production to reduce the exposure in unstable regions. The countries need not to be dependent on other and should develop multiple relationship with others to face the problem of supply chains. The Businesses should take precautionary measures and should make necessary strategies by forecasting the future to protect themselves from such situations and carry out their business operations in an effective manner.

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