

## What impact do armed conflicts have on international trade?

### Video transcription

In recent years, **military conflicts**, such as those in Ukraine and Palestine, have upended the geopolitical playing board. As far as international trade is concerned, these events **have demonstrated** that **a high concentration of** imports from a small number of supplier countries may be a source of **vulnerability for the importing country**.

With this in mind, we have studied **import concentration in OECD countries over the last twenty years**:

- Import concentration **declined** significantly in the years leading **up to 2008**, during the period of hyper-globalisation.
- **After 2008, this decline slowed,**
  - **except in** European Union countries. This was primarily a result of the **EU's internal market**, which plays a strategic role as a source of trade diversification.

We have also investigated **the impact of import concentration on prices**. This has allowed us to conclude that when imports are more concentrated in the hands of a few suppliers, import prices are usually found to **be higher**, probably on account of lower market competitiveness.

The conclusions of our study are as follows:

1. The **current tendency towards import diversification** may **mitigate upward pressures on prices**, although only slightly.
2. Signs of trade fragmentation, along the lines of geopolitical tensions, have already been detected. In this setting, the search for **alternatives to the most geopolitically distant suppliers** should go hand in hand with **effective import diversification**.
3. The **regionalisation** of imports (i.e. **sourcing imports from the same region**) may also lead to a scenario of lower competitiveness and **higher prices**.

Document: *Sourcing all the eggs from one basket: trade dependencies and import prices*

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