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## **GLOBAL ECONOMY: INSTABILITY AND DIFFERENTIATION**

Global economy is featuring a contradictory processes and changes – high growth rates are shifting to slowdowns and crises, globalization is accompanied with geoeconomic fragmentation, integration goes hand by hand with divergence, free trade occurs in environment of increasing protectionism. Shocks from military conflicts, trade disputes, market volatility are influence on instability followed by uncertainty are causing challenges for world and national economies.

Instability arises as a result of global economic and political shocks and risks, such as disruption of established processes, imbalance, contradictory changes, conflict in interstate economic relations. Instability manifests itself as a change in economic trends, significant deviations from predicted indicators, uncertainty and variability in the development of economic processes, excessive market and manifests itself under the influence of risks, shocks, random and unpredictable factors.

Instability by nature is an opposite to stability, balance and predictability of economic processes. Global economic instability appears as events and periods of significant and unpredictable changes of global economy, markets and supply chains, technological and digital transformations. Instability is enforcing by risks and shocks as a result of global turbulences – the COVID-19 pandemic, Russia's war in Ukraine, the energy crisis, inflation, trade wars.

Instability represents an integral characteristic of the state of the economy as a degree of its overall unbalancing and volatility. Instability appears as outcome of some processes and events – shocks and crises, slowing growth rates, the likelihood of recession, changes in supply chains, increased volatility in commodity and financial markets. The general consequence of instability is strategic uncertainty, which negatively affects the business and investment climate.

The main systemic factors and drivers of international and national economic instability are:

- Different stock of natural and economic resources between countries, the difference in economic potential.
- States of macroeconomic imbalances and volatility.
- The difference in the levels of integration of countries into the global economy and dependence on world markets.
- Asymmetric response of national economies to external and internal risks and shocks.
- Pre-crisis and crisis state of the economy and finance.

In modern conditions, the role of structural and competitive factors of international economic instability is increasing:

- The state of imbalance in trade and payment balances.
- Inequality of technological and innovative competitiveness
- Differences in levels of digitalization and digital inequality.

Instability affects the uncertainty of economic processes, their variability and probability, as well as market and investment risks. These processes lead to the growing of international competition, especially in digital technologies.

As a result of instability, uncertainty increases, it refers to the ambiguity and unpredictability of economic processes. Uncertainty affects the management decision-making, gives priority to solving current problems, leads to a revision of strategies and investments, and a reduction in employment. Such processes affect the international competition, application of trade and financial restrictions and protectionism.

The main driver of global instability and uncertainty under modern conditions has become the trade policy of the American administration. Such policy aims at reducing the US trade deficit, increase of import tariffs and unilaterally revising agreements with trading partners. Increasing of import tariffs is used as a method of pressure on other countries to obtain preferences, to encourage a transfer production of American company's affiliates in other countries to the United States, increase of investment and state budget revenues.

Increasing tariffs has an impact on global supply chains, applies to almost all countries foremost the largest trading partners of the United States – China, Canada, Mexico, the EU. Increasing tariffs apply to many goods – larger for product groups (steel, aluminum, cars, copper and others); basic for all countries and specific for each country depending on the trade deficit with the United States. The process of applying new American tariffs is unstable – there are changes in tariffs levels for individual countries, revisions, postponements, additional conditions, which increase uncertainty in world trade.

American tariffs and trade agreements negotiations now in fact enforcing global differentiation between American deal making approach and WTO-led trade policies based on common rules.

US trade policy and raised tariffs are influence for and impact on instability and differentiation of global economy. Protectionism has a contradictory impact on international economic relations, contributes to instability, uncertainty and intensive competition in the global economy. It is accompanied by an increase of geo-economic risks, economic slowdown, emerging trade conflicts. As a result of the increase in US tariffs, there are threats of instability and a slowdown in the international economy. According to IMF estimates, due to the uncertainty of US tariffs, a reduction in world GDP is expected by 0.2% in 2025 [1].

The instability and slowdown of the world economy is reflected in unevenness and differentiation of the rates of development of countries. Thus, in 2025, according to IMF estimates, such differentiation exists between global indicators and major groups of countries. In 2025, world GDP is expected in 3.2%, which is 0.3% less than in 2024 [2]. At the same time, GDP in the USA will grow by 2.0%, in the Eurozone by 1.2%, and in the group of emerging economies and developing countries – by 4.2% [2]. At the same time, world growth leaders China and India achieve consistently higher GDP growth rates of 4.8% and 6.8%, respectively. [1]. In the Eurozone, the largest economies show limited rates of GDP – Germany 0.2%, France 0.8% and Italy 0.5% in 2025, the best overall results are achieved due to the higher results of smaller countries [1].

The instability of the global economy creates additional challenges for the Ukrainian economy, which is under pressure from war-related losses, risks and needs for significant external assistance. Global stress due to US trade policy and uncertainty in Ukraine's main trading partners are superimposed on existing external risks and cause current challenges for the Ukrainian economy.

The main current challenges for the Ukrainian economy are:

- uncertainty of the continuation of the war and military spending, which causes a significant budget deficit and dependence on external financing;
- uncertainty of the impact of changes in the trade policy of major partners as a result of import tariffs and US policies;
- uncertainty of the continuation of geopolitical and geoeconomic risks;

- slowdown and volatility of the world economy, markets and supply chains;
- low economic growth of the main trading partner in the European Union and weak demand for Ukrainian exports;
- risks of political changes in specific countries and the strengthening of the influence of right-wing forces on the prospects for assistance to Ukraine.

Instability and differentiation as general features of the global economy has to be addressed with national economies resilience to shocks, adaptability to economic and technological challenges, fair trade policies and equal-based partnerships.

Supporting the liberalization and balance of international trade based on WTO rules is a prerequisite for stable global trade, effective competition and economic growth. It is necessary to strengthen international monitoring of trade agreements to maintain equality of countries and a fair resolution of trade conflicts.

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