

# How Does the Political Economy Affect the Macroeconomic Factors of a Country

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**Abstract:** *Though the Reserve Bank of India has been able to control inflation through monetary measures, other factors such as global trade and, indirectly, the state of international politics, also serve as indicators of a country's macroeconomic conditions and inflation. The increase in inflation rates following the pandemic, due to pent-up demand and supply chain disruptions, has been a growing source of concern. Thus, this essay will examine the issues facing India and the ways in which India is affected by the political unrest brought about by the trade war between the US and China and the Russia-Ukraine conflict.*

*This essay discusses the political economy, which has seen significant recent changes, and it identifies the main reasons for these changes, including the COVID-19 epidemic, the fierce conflict between Russia and Ukraine, and the ongoing trade spat between the US and China. It examines how trade affects other countries and what that means for India.*

*The main focus of this working paper is how the pandemic and the political economics of the global environment relate to the country's rising costs of goods and services and how this might be addressed.*

**Keywords:** political instability, Russia-Ukraine war, US-China trade war, international politics, Covid-19

## I. INTRODUCTION

Most economic models operate on the premise that governments maximize welfare, firms maximize profit, and consumers maximize utility. While any of these assumptions can legitimately be contested, the assumption about the conduct of a government may be the least likely to be accurate. The wellbeing of the people of a country is rarely the top priority for a single decision maker in a government. An individual who fit this description may be called a "benevolent dictator." While certain countries have seen dictators govern almost exclusively on their own, most dictators are hardly good people.

It's possible that utilitarian philosophical traditions are where the idea that governments behave as though they have a kind tyrant originated. Originating in Jeremy Bentham's works in the early 1800s, utilitarianism suggests that society's objective should be to maximize the good for the greatest number of individuals.

Being useful is what people want most in life. In economic analysis, we make

The assumption that people obtain all of their utility through the consumption of

Goods and services. This assumption drives the behavioral theory that holds that consumers aim to maximize their utility.

The same logic applies to the assumption that companies should maximize profit. Profit has an effect on business owners' pay. A person's utility increases with income since it gives them more possibilities for consumption. Therefore, profit is really a means to an end, with greater utility being the desired outcome. It makes sense to believe that if maximizing utility is the aim of people and businesses, then maximizing utility for everybody should be the aim of government.

It is still important to investigate which policies might have the most usefulness even in the event that governments make no effort to advance the wellbeing of the country. In fact, this is what most trade policy analysis does. By comparing the welfare consequences of several policies, policy analysis determines which will produce the highest level of total utility or wellbeing.

The value judgment that the greatest national welfare is the appropriate aim for a government is expressed when one suggests measures that maximize welfare for the country. Explaining why government decisions can be attributed to an effort to maximize national welfare is the problem at hand, assuming that governments make an effort to do so. Examining different factors that influence governmental actions is an alternate approach. In essence, political economics models serve this purpose.

The relationship between the political and economic systems is referred to as political economy. A lot of conventional economic models assume too much about how governments will behave. Maintaining the simplicity of the concept serves as one defense for the notion of a kind ruler. Models of political economy aim to provide a more detailed description of how governments make decisions. Today, most governments are best described as representational republics. This implies that elected individuals are chosen through some voting process to "represent" the interests of their constituents in making decisions about the government.

International trade is the cross-border exchange of goods and services.

International trade has become a challenging issue for both developed and developing nations due to a number of factors including the trade deficit, balance of payments deficit, GDP growth, high tariff rates, heavy import and export duties, higher foreign exchange rates, terrorism, government policies, crises like pandemics, and other issues. The economy of India is not an anomaly.

One term for international trade is the "engine of growth for competitive economies."

Governments that raise import and export tariffs in an effort to sabotage one another's trade engage in trade wars. This is a tit-for-tat system whereby nations hurt each other's economies by raising tariffs in response to one another. Political tensions between the parties can also be made worse by trade disputes.

Global leaders must take responsibility for meeting these expectations. Modern globalization patterns have had a cascading effect on economies around the world. The only way to effectively lessen the effects of this epidemic is to build stronger and more dependable public institutions across national borders. This calls for global collaboration and multilateral consensus. Governments must adopt an open approach to facilitate effective communication about their needs and weaknesses. Restrictions on international trade should be lifted in order to foster stronger economic ties that will lower costs and increase access to

Healthcare. Put another way, the norms for government accountability and openness must be upheld and improved, and collective enforcement must be established, all while allowing the international law that governs nation states to seep deeper into the system. But the COVID pandemic has spurred protectionism globally, hindering the free flow of essential goods and the distribution of relief supplies. The major trading nations' responses in terms of foreign policy are shaping these trade frictions. China and the US are caught up in assigning blame for the current state of affairs. The Directorate General of Foreign Trade of the Indian Trade Classification of Export Items has restricted the export of all personal protective equipment as well as other items like clothing, masks, sanitizers, and several pharmaceuticals, despite the fact that India has assumed the humanitarian obligation of providing relief to those in need. These restrictions were progressively loosened, though, which greatly alarmed the locals.

To accommodate domestic demand, 54 countries had imposed trade restrictions on the supply of certain medical supplies. Restrictions on foreign sales may, in the short term, make domestic products more readily available, but if other nations adopt similar policies, they may also negatively affect the entire supply chain. Important geopolitical alliances could be shattered by meddling in the global trade of medicinal supplies. Think about Serbia, which has long sought admission to the EU but has never been successful. Serbia was able to cover the holes created by Europe's absence during the pandemic by receiving aid from China and Russia; this, of course, will determine Serbia's future diplomatic goals. The general lack of coordination among EU countries disappointed even those that belonged to the European Strategic Group. The negative trend was felt much more keenly by those who did not belong to the European Union.

Similar to this, the United States is currently paying a heavy price for enacting tariffs on Chinese imports of medical supplies in 2018. Chinese manufacturers consequently established trade connections with other nations. China's current supply and demand responses to consumers can be explained by the fact that this has not only helped them find new customers but also helped them forge diplomatic ties and allies throughout the world.

It is also important to remember that restricting the availability of one kind of product could negatively affect the supply chain of another, and the person who started it might not be the best person to manufacture the other product. In this case, finding new suppliers becomes essential, and it might be a challenging task. The items must go through rigorous inspection and approval procedures prior to the establishment of any new trading links. And at times of global health emergencies, these tasks can be quite challenging. It is no longer a good idea to implement restriction laws mindlessly; instead, these rules ought to be closely linked to domestic demand and the supplier state's capacity for production. For instance, Vietnam, the third-largest rice exporter in the world, restricted rice exports during the pandemic. Similarly, export limits have recently been imposed by Kazakhstan, one of the world's largest producers of wheat flour. An Adequate policy response is crucial since these protectionist tendencies tend to exacerbate the current health issue.

A complete ban on export operations would be counterproductive, as the end of the world food price crisis in 2007–2008 demonstrated. Experience has shown that extensive techniques favorably regulate the domestic market's price mechanism and ensure unfettered

Accessibility. But this victory is short-lived because these measures reduce domestic production. Indeed, domestic markets cannot be solely operated by domestic industrial units, even with the most efficient ones.

Accessible capital as a result of a labor scarcity. In fact, imports and exports are an inevitable part of the economy since so many home products require foreign inputs of one kind or another.

States must therefore maintain a balance in order to maintain production and supply; if practices go unchecked, the price of food products on the global market could rise dramatically, which could have disastrous repercussions for low-income countries, particularly those that depend on other nations for the importation of basic foods. Customers would get nervous if foreign markets were insufficient, which would lead them to hoard food, hurting both local and foreign markets. In the worst-case situation, mutiny can result from trade rules that are too strict, causing political instability. The state's political and national security would be protected by allowing unrestricted commerce of goods, an important policy priority for allies and neighbors alike.

Wars have consistently shown to cause economic upheavals in the global economy. economic between rich and developing nations increased following the globalization process, however as the adage "a coin has two sides" applies, these economic interactions also exacerbated complex trade and geopolitical conflict politics. The consequences of political instability, whether internal or external to the nation, are carried by its citizens. In today's globalized economy, a multitude of factors influence the costs of goods and services. This essay will focus on how the political economy of global trade influences India's macroeconomics and provide empirical evidence supporting this claim.

Given the observations gathered throughout the protective policy's implementation, India's strategy to combating the epidemic might be characterised as cautiously comprehensive. It advances both the national and international interests of the nation. Countries will recover from the COVID-19 crisis more quickly if global supportive policies integrating micro and macroeconomic policy are implemented. Lastly, even while the epidemic has changed the nature of the international order, it has also unavoidably given people everywhere a chance to reevaluate and question the sustainability of current globalization tendencies.

## II. METHODOLOGY

Secondary and theoretical data collection methods are implied in order to complete this research, and references to previously published research papers are used in order to link the various factors that impact the political trade wars and unprecedented situations like the COVID-19 on the political and Indian economy, as well as to form conclusions and form an opinion about the topic

Based on empirical evidence. Real information is obtained from numerous websites and sources.

### OBJECTIVE

1. The aim of this research is to ascertain the impact of COVID-19 on the political economy of global commerce.
2. To comprehend how the trade tensions between China and the United States have affected the Indian economy.
3. The objective of this research is to examine the impact of the Russian-Ukrainian conflict on India's macroeconomic indicators and the resulting supply chain disruptions caused by all three of these events.

### **The US-China Trade Conflict**

India's foreign commerce is strengthened by the trade dispute between the United States and China.

Global economies are at risk due to the trade war between the United States and China, which has resulted in rising tariff rates. China retaliated to US President Donald Trump's declaration of a trade war in January 2018 by enacting import tariffs. Two of the largest economies in the world are China's and the United States', and any interruption in either of these markets has the potential to upset the international financial system. A trade war between these two may also jeopardize the free trade system since many countries may decide to erect trade protectionist barriers, which impose import duties to shield domestic industries from foreign competition. India may be affected by the trade war. The ongoing trade war will hurt India to some extent; there is proof of this, including a decline in the value of the rupee, a drop in the stock market, and so forth. Even while the trade war has many detrimental effects on India, if the right actions are taken and preparations are created, there may be opportunities and prospects for her. India is capable of occupying the space that the US and China have left in their respective trading markets. It has to implement a strategic plan to make the US-China trade war a reality in order to stimulate its economy.

A full-scale trade war between the US and China seems likely as tensions between the two nations continue to rise as a result of additional tariff imposition. China increases its own trade tariffs in retaliation to trade charges raised by the United States. China's economy will be severely impacted by the trade penalties that the United States has already threatened to impose gradually. India is among the several nations that will suffer as a result of the trade war's effects on their economies. It will be up to India's clever and constructive measures to decide whether it gains opportunities for itself or loses from the trade war. This study aims to explore the implications of the trade war between China and the United States, as well as potential avenues for collaboration and possibilities for India.

### **Prospects for India**

The trade conflict may have an effect on the world economy. There's a danger that the effects of the trade war would hurt the Indian economy. Consequently, in order to prepare and act effectively, it is imperative to take into account all potential outcomes. The trade conflict may also reduce optimism in the Asian stock market. Trade protectionist policies are encouraged by the decline in positive sentiment in the Asian and global economies.

Trade may be more detrimental to India's economy because of shifting economic conditions. The reduction in demand for products owing to higher final product costs will cause a dip in India's exports since the total economic growth of all countries will slow down can lead to an increase in the cost of consumer products. This might challenge the basic idea of supply and demand in economics. Nearly 42% of India's GDP is made up of imports and exports, and the nation already has a current account deficit as a result of decreased investment flows.

The value of Indian currency, the rupee, has already reached an all-time low versus the US dollar. The trade war will have an even greater impact on the rupee. Trade war has put pressure on the Indian economy, despite the fact that India's internal market is vast. This type of disruption is also bad for Indian currency.

Because of the high taxes on imports, the costs of consumer goods in the United States may rise as raw material prices rise. This would also push the Federal Reserve to raise interest rates in the United States, which would have consequences for emerging economies such as India.

Furthermore, the duty increase applies to commodities exported from India to the United States, such as parts of military aircraft, valve bodies, pumps, passenger automobiles of 1500-3000 cc, and so on. In 2017, India's exports totaled \$50 million. The export potential of automobiles and auto components, transitional parts for machinery in the defence and aerospace sectors, and so on is greater for India than the United States. India can boost its exports to the United States in a variety of other industries, including cell phone manufacture, clothes and textiles, games, toys, and footwear.

There is a chance for India to serve as a substitute for the United States by replacing Chinese exports. It has the potential to become competitive and gain a foothold in the textile, garment, gem, and jewellery industries. Furthermore, China has imposed duties ranging from 15% to 25% on US product exports, whilst the Most Favoured Nations have received tax discounts ranging from 5% to 10%. India now has more competitive trade opportunities as a result of additional 6 to 35 tariff discounts under the Asia Pacific Trade Agreement, which it signed in 1975.

China is India's greatest trading partner, yet the country's trade deficit with China is steadily increasing. In the previous fiscal year, India's exports to China totaled Rs. 86, 015 crore, whereas China's total imports into India were Rs 4.91 lakh crore. India's total trade imbalance with China is \$51.08 billion. However, it may benefit from the trade war if it takes the United States' place in the Chinese trading market. It will also help to reduce India's trade deficit with China. At least 100 products from India can replace US exports to China. The United States is selling commodities worth \$10 million, including flue-cured tobacco, cotton linters, lubricants, fresh grapes, and chemicals such as benzene. India has a variety of items such as corn, almonds, cotton, sorghum, and wheat that it may export to China in big quantities and replace the United States in the Chinese market; however, it is currently exporting some of them to China. Except for China, India exported \$143.6 million in grain to other countries. During the same time period, China imported \$600 million in grain. In exchange for APTA membership, member nations can receive up to 100 percent concessions on corn exports to China India can benefit from this.

Soybean fuels China's massive food processing industry, which is used to produce soybean oil and export meals. It purchases 100 million metric tonnes of soybeans for internal consumption each year; India can increase its soybean exports to China. China has already slashed duties on soybean imports from Bangladesh, India, Laos, South Korea, and Sri Lanka from 3% to 0%.

Other products with which the Indian government might expand its trade (export to) with China include walnuts, oranges, durum wheat, and so on; India is not already sending these to China but has a large market for them.

The rise in oil prices threatens India's current account imbalance, which can have an influence on the country's macroeconomic stability. However, the trade war between the United States and China can assist India by lowering energy costs, which will provide significant relief to the Indian government as well as the Indian macroeconomic industry. The United States, as one of the biggest oil producers, will struggle to compete in a massive market like China. In this case, India could potentially fill the hole left by the United States by serving as an alternate.

Following the start of the US-China trade war, China has taken a far more lenient position toward Indian goods. On October 22, 2018, China relaxed a ban on rapeseed meal imports from India, which is a positive sign for the Indian economy. Because of the Indian government's requests, China consented to this. Rapeseed, a crucial ingredient in animal feed, was prohibited by China in 2011 due to quality concerns. Over 5 lakh tonnes of the same can be sent to China by India. Another opportunity presented by the trade war is the reopening of Chinese markets for Indian non-basmati rice following a prohibition due to safety and quality concerns

### **The causes of Russia-Ukraine war in the economy**

Data sourced from the DGCIS showed, between April and May, India's imports of crude oil from Russia climbed 621% to \$3.2 billion, while those of petroleum products jumped 879% to \$509 million. Similarly, imports of coal, coke and briquettes, etc surged 210% to \$520 million During the time of war, it was the BFSI sectors that were vastly affected in the country, this is due to the macroeconomic and socio - political reasons. Trade is something that affects political relationships and ties between countries. In the case of Russia, India imports coal, coke, briquettes and most importantly crude oil which makes up to 2.1% of India's imports. Prices of goods and services tend to rise during war as the country is diverting its resources and finance towards the war and thus they are in dire need of financing themselves by way of higher taxes, so that the demand for goods in the economy falls. Eventually the load of price increase also falls upon the exports of the country at war.

### **Rising inflation**

A rise in global crude oil prices will result in higher domestic inflation in Indian markets.

According to the RBI, inflation would be 4.5% in FY 2022-23. Rising commodity prices for metals, fuel, edible oil, and other goods are early warning signs of this pattern Furthermore, rising consumer inflation can halt discretionary consumer spending and investment. This is also likely to exacerbate the current account deficit, weakening the rupee's value in relation to the dollar.



### **Share market volatility**

With the advent of this war, as inflation rises, another economic phenomena follows as a solution to control inflation. The step taken by the RBI to increase the interest rates would discourage lending and encourage savings. People will move away from the share market as the situation demands its volatility to increase, thus the people would divert their money from share markets to the banks as banks would be offering a higher interest rates in their savings accounts

### **Increased interest rates**

To defend the falling currency, the RBI reduced lending rates for banks. As a result, both secured and unsecured credit, such as home loans, auto loans, personal loans, and so on, have become more expensive. Simultaneously, rates of return on products such as fixed and recurring deposits increased, encouraging consumers to spend less and save more.

### **Jump in defence sector**

Every year, India accounts for 25% of Russia's arms exports. With the Russia-Ukraine conflict still far from over, the Indian defence sector is set to gain traction. The Government of India has budgeted more than \$70 billion on military spending in the current union budget. This would result in unprecedented growth in the defence sector, as well as lucrative investment prospects for retail and institutional investors.

### **Stricter banking rules for exporter**

With the Rouble in jeopardy and over \$400 million in exporter dues outstanding still stranded in Russia, exporters will face difficulties in FY 2022-23. Furthermore, banks have tightened corporate lending guidelines, fearing non-performing assets in a weak global economy. This could limit the growth of some sectors and halt the recovery of the stock market.

Finally, in a volatile market, the BFSI industry will benefit from interest shifts and growing industries. However, rising inflation and the diminishing value of the rupee may lead to a reduction in investment activity.

### **Oil prices**

The majority of Russia's exports to India include oil, gas, and coal, all of which are immune from sanctions, along with agricultural products (such as Ukrainian sunflower oil), pharmaceuticals, and medical gadgets. India's trade volumes with these two countries are minor. India is the third-largest oil consumer in the world with 85% of which is imported, after China and the US.

Russia contributes for 9% of world supply yet has a significant impact on prices. The immediate result of the invasion of Ukraine was a rise in crude oil prices, which reached as high as \$110 per barrel at one time before falling to less than \$105 later. The price at which the Indian economy suffered the full impact ranged from \$80 to \$100 a barrel.

Russia is now one of the top ten crude oil suppliers to India. India's imports from Russia have increased more than 50 times since April, out of all foreign crude oil purchases. As a result, Russian oil imports currently constitute 10% of India's overall crude import basket. Prior to the Ukraine crisis, Russian imports accounted for only 0.2% of all Indian oil imports. Notably, private refiners such as Reliance Industries and Rosneft-backed Nayara Energy have purchased over 40% of Russian oil.

Indian refiners bought around 25 million barrels of crude oil from Russia in May. Due to the conflict with Ukraine, fewer consumers for Russian Ural crude oil have emerged, as several foreign governments and firms have departed the country's energy exports, causing the price to fall. India has consistently defended its decision to acquire crude oil from Russia, despite the fact that major Western economies sanctioned President Vladimir Putin's country for its invasion of Ukraine. According to the article, Indian refiners took advantage of this and obtained Russian crude oil at discounts of up to \$30 per barrel. India has consistently defended its decision to acquire crude oil from Russia, despite the fact that major Western economies sanctioned President Vladimir Putin's country for its invasion of Ukraine

According to the Ministry of Petroleum and Natural Gas, India's energy needs are immense, with daily consumption of approximately 5 million barrels and a refining capacity of 250 MMTPA. To ensure energy security and to achieve its goal of providing energy justice to all of its residents, Indian energy corporations purchase from all major oil producers

around the world. Every day, India has the remarkable distinction of serving 60 million visitors at its gas pumps. Despite difficult economic circumstances, the government must ensure that our citizens have access to affordable electricity. Over the last several years, Indian energy corporations have been sourcing energy supplies from Russia on a consistent basis. Annual figures may have altered due to a variety of factors, including operating requirements. If India, as a large importer of crude oil, suddenly withdraws from its diverse sources, concentrating on the remaining, in an already constricted market, it will cause greater volatility and instability, raising international prices.

Despite efforts to portray it otherwise, Russia's energy purchases remain insignificant in comparison to India's total usage.

### **Effect of Sanctions**

Crude oil prices have soared since the price hike of 2008 and later on in 2014, thus creating inflation in domestic Indian markets. In case of inflation, consumers' discretionary spending reduces considerably resulting in the built up pressure in the current account deficit of the country. This also explains the fall in the rupee against the dollar.

The US economic sanctions imposed on Russia have a paramount effect on India's exports, more specifically the pharma companies. The industry relies on 90% of imports of a pharmaceutical ingredient but the tensions between the 2 countries have augmented the volatility in the sector.

However, the muddle doesn't end here, the pharma exports to Russia and Ukraine have been \$591 million and \$181 million respectively.

The well known SWIFT bank of Russia which facilitates international payments has faced sanctions from the US and the European nations, as a result of which India has to face the repercussions of export payments as far as pharma industry is concerned with relation to Ukraine and Russia trade. This affects the balance of payments of the country and not in a good way.

Director General and CEO of the Federation of Indian Export Organisations. "There is about \$400 million in unrealised receipts for exports that have already been shipped." Most of that is from Russia.

There is an indirect effect on the global commodity prices and the energy markets, the macroeconomic landscape has been shifting due to the invasion as well as the political battle between the nations which can further also result into proxy wars, may be not in the "nuclear weapons" sense but in the "economic trade war" sense

### **Trade Disruptions on Global Supply Chain**

Since globalisation, the world's engines have never stopped, even during periods of unrest in some regions of the world. However, for the first time, the COVID-19 epidemic was observed to have brought not a few, but all of the world's engines to a halt. Unavoidable lockdowns, rigorous border controls, and travel suspensions were just a few of the underlying causes that rendered the operation of the world engines impossible. Other considerations include the disease's global morbidity and the unthinkable fear that it has instilled in humanity and governments, especially the most powerful, such as those in the west and the north.

The world's problems began in China, where the coronavirus spread slowly at first, but within days, it had spread extensively and at unprecedented levels, necessitating the shutdown of all economic activity, including manufacturing sectors and industries. The disruptions in China had an immediate impact on the rest of the world, especially given that China has long been the world's industrial capital. The disruptions occurred at a time when consumer demand for various products in other countries from around the world was high and rising, as shown in a "United Nations Conference on Trade and Development" report showing that exports in 2019 grew by 9.7% in 2018, with China being the world's leading merchandise trader of the year. On this basis, developed economies alone exported commodities worth \$877 billion, while least developed economies exported goods worth \$193 billion. During the same time period, the global gross domestic product increased to US\$ 135.178 trillion due to favourable trade. This number reflects a 26% rise in GDP growth from 2008 to 2018, with no interruptions. Surprisingly, following the professional and management consulting sectors, pharmaceutical exports have performed the best. The United States was the world's greatest exporter in 2018, spending more than US\$ 2.5 trillion.

When the coronavirus broke out in China, other countries tried to fill the market gap that it left, but this was also short-lived, due to the speed with which the coronavirus spread from China to the rest of the world, particularly to Europe, which is a major exporter of manufactured goods, particularly pharmaceuticals. The virus's spread caused lockdowns, border restrictions, and travel bans, making even available supplies difficult to transfer to different regions of the world. On the same day, demand for various products fell dramatically, with medical supplies and personal protective equipment reaching an all-time high due to scarcity, hoarding, and export restrictions. Even after China recovered from the virus and began production, it became difficult to transfer manufactured goods, first due to travel restrictions, and second, due to poor economic landscapes in many economies, with a significant number of people losing their employment globally.

According to a report by China's National Bureau of Statistics, the country's production recovery has been significantly superior to the recovery in product demand. This might be explained by the fact that, aside from China, other major exporters, like the United States, were still dealing with extraordinary COVID-19 issues and had yet to reduce lockdown limitations, let alone open their borders or stop visa bans.

The disturbance in the supply chain also put enormous demands on existing products on the market, with some encountering exponentially high demand that could not be satisfied, while demand for others fell precipitously. Pharmaceuticals, personal protective equipment, ventilators, and other health-related products saw a rise in demand, owing to the widespread effects of Coronavirus. According to WHO estimates, 89 million medical masks, 76 million examination gloves, and at least 1.6 million goggles are required each month. There have been reports of severe shortages in most economies, prompting the WHO to encourage countries with production capacity to assist in producing these commodities in significant quantities. In other nations, such as the United States, it was stated that the government was driven to compel big corporations such as General Motors to produce ventilators in order to help bridge the gap produced by the growing confirmed cases of coronavirus. Later, other corporations such as Ford and Tesla joined the effort to assist the government by mass producing the desperately needed ventilators and other medical supplies. In Europe, automakers banded together to help construct ventilators, which were in high demand but had limited supply.

In other locations, like oil-producing countries, notably the United States, the effects of COVID-19 on various economic sectors such as transportation and manufacturing saw demand for oil and oil products plunge at rates not seen in recent history. This resulted in a 55% drop in oil prices in the Organization of Petroleum Exporting Countries, with prices in the United States falling below US\$0 for the first time in history. The drop in oil prices even forced OPEC to consider decreasing production capacity to avoid losses and overproduction. This approach, however, was not welcomed by other countries, particularly Russia, which has previously rebuffed such calls.

### III. CONCLUSION

There has been little relative global government-led action of meaningful significance in the face of increased trade pressure, which has prompted governments to take unprecedented and drastic actions such as those discussed earlier, all aimed at safeguarding local health, social, and economic stability. It has been emphasised, in particular, that each government has developed and executed their own distinct policies and measures, regardless of what their neighbours, trade partners, or competitors are doing or whatever policies they have in place. The remarkable feature of each government's strategy is that they are all trying to address a shared enemy, which could be beaten much more easily if there was global coordination and unity. On the contrary, governments' unilateral stance has been proven to exacerbate local, regional, and worldwide conflicts and disharmonies, posing a threat to global security. For example, prior to the development of the coronavirus in Wuhan, China, the US and China were involved in trade battles, which resulted in the US banning Chinese items and placing severe levies on others.

However, the discovery of the coronavirus reawakened rivalry between these global economic heavyweights, with the US blaming China of concealing information, harming US readiness. The conflict erupted when the US withdrew its financing from the World Health Organisation (WHO), accusing it of working with China in misinforming the world about the virus's development.

With no end date for the COVID-19 problem, as well as several challenges such as health-care shortages, massive job loss, social tension as people grow bored of sitting at home, and other issues, there are fears that more harsh measures



will be required. It would not be unusual to see individuals, groups, or even governments utilise disproportionate force in order to obtain agreement on a number of urgent issues. Indeed, such incidents have occurred in China, where people have been reported on several occasions to have brutally attacked minority groups (mostly Africans) by evicting them from their flats and blocking them from accessing restaurants, food stores, and other essential services. In China's Heilongjiang province, there is also increased tension between the local government and the Russian government as a result of the suspension of the Suifenhe land port due to coronavirus cases alleged to be from Chinese people returning from Russia. Suspending the port meant restricting commerce mobility between the two countries' border towns; as a result, the Russian side threatened to expel Chinese citizens.

While these examples illustrate the precarious situations that existed in various parts of the world, an immediate global solution and guidance on various issues were required.

The WHO is one of the organisations that is taking the lead on this front, particularly in terms of global collaboration in the health sector, but its close relationship with the United States, which is also its major financier, is proving difficult. Similarly, its image was questioned when its Director-General openly accused Taiwan of racism and personal attacks on him, prompting Taiwan to launch a stinging reaction, calling the WHO chief's accusation "imaginary and irresponsible." Others who would have been expected to provide leadership included the United States, as a superpower and the largest economy, but their solitary approach to fighting the coronavirus, including suspending flights, barring noncitizens, and prohibiting the export of medical supplies from its territory, demonstrated the contrary. The European Union fell short when it implemented severe export regulations on health goods in the midst of scarcity in other areas, particularly in vulnerable nations. As a result, it is incumbent on a worldwide neutral body to take responsibility and ensure that geopolitical tensions do not escalate into events or situations that risk global peace. And, in this regard, the UN body was properly established for such a noble objective, especially given that it was established to safeguard global peace. While the UN Secretary General has repeatedly appealed for global unity to find a sustainable solution, the strong arm of this body, the UN Security Council, has been conspicuously absent from the front lines, especially to guarantee that peace is not jeopardised.

With the UN Security Council's present hesitant stance to this global issue, there are fears that the crisis could worsen and lead to conflict. To put this in context, as previously said, the United States had already withdrawn its money to the WHO, and it had already ceased its financial support to UNESCO, another UN entity. If the COVID-19 situation worsens, producing further economic, social, and even political stresses, other significant financiers of these international agencies may follow the United States' lead and withdraw their financial assistance, redirecting the cash internally to help alternative sectors locally. In such a scenario, the UN would be left with little resources, making it unable to carry out its responsibilities or even protect the progress it has already accomplished in various areas throughout the world. Unfortunately, stopping financial support for such organisations during the COVID-19 epidemic has an influence not only on the health sector but also on other connected industries. This will also set a dangerous precedent in global diplomacy and international relations. In this regard, it is worth mentioning that, aside from the coronavirus, the globe is still facing major concerns such as climate change and starvation. And, already, the World Food Programme has predicted that by the end of the year, as a result of the introduction of coronavirus, the number of people facing severe hunger globally will have doubled to over 265 million. Similarly, if history were to repeat itself in terms of climate change, the gains already made, particularly under the Paris Agreement, and others would be watered down as nations attempted to rebuild their economies.

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