

Rethinking IPE in the Age of Geopolitics

Authors

Saleem Azam¹, Dr. M. Munir² & Dr.Faheem Khan³

Abstract

The 21st century is a revolutionary century because of sophisticated technology, high-tech weapons, modern tactics used in terrorism in the 9/11 incident, industrialization, global warming, economic rivalry, and political upheavals. Technology and different philosophies have brought astonishing changes in the global political system. Therefore, it is very important to understand the International Political Economy (IPE), and the contemporary changes in the global economy and politics. It will also help to understand the effects of the illicit economy, and political uprising in the Middle East and other regions. There is a correlation between IPE and politics. International political economy IPE is impacting politics and politics impacting the IPE. The economy plays a pivotal role in power politics, economic rivalry, inventions, industry, and trade. Today the WTO and EU rules and policies benefit the developed rather than the developing nations. The research gap is that today's economic system is based on liberalization, equality, free trade, and prosperity but it is missing in the world. Economic interdependence, globalization, nearness, and WTO and EU rules could not resolve the traditional & nontraditional security threats. There is a need to bring reform to the present economic system. The political upheavals affect IPE and IPE causes political anomalies.

Keywords: IPE, Global economy, global politics, political anomalies, WTO

Introduction

Today 21st century challenges are different and complex as compared to the 20th century. The economy is impacting local and global politics, while at the same time, local and global politics impacting the local and international economy. Today traditional security threats and non-traditional security threats are creating a reciprocal threat to the global society, and economy. Different challenges are impacting the economy, International Relations, and international political economy. Various global challenges can be studied under the lens of IPE such as scarcity of resources, climatic change, migration, extremism, terrorism, and regional conflicts.

The IPE guides us to comprehend how the global economy impacts politics and how politics shape and impact the IPE. How the political actors achieve their political goals by the use of economic resources and political power? It also explains the political economic activities within

¹ PhD Scholar in International Relation, MY University, Islamabad

² Assistant Professor, Department of International Relations, My University, Islamabad

³ Assistant Professor, Department of International Relations, My University, Islamabad

and among the state's relations based on economic interest. IPE employs diverse theories and logical tools that help to acquire a better understanding and interrelationships between the state, market, and society in different nations. The theories of liberalism, mercantilism, Marxism, and constructivism help us to understand the state and global society's political, social, economic, and market behavior.

Directly and indirectly, states are seeking power and want to control the resources to enhance their military power and economic power. This has created strategic competition among the powers. In some cases, to gain benefits and resources they join each other in the form of alliances or through bilateral and multilateral agreements. The different political rising trends and political philosophies liberalism, Marxism, and constructivism, have influenced the idea of IPE. The different political ideas such as communism, socialism, democracy, and populism created the governments and shaped the political-economic relations with the different states. The Idea of communism was successful before the Cold War. In 2016 many populist leaders established their governments in different regions and vice versa. Populist governments shape the economy, trade, and relations differently, and they give different shapes to the politics and economy. The rising sophisticated technology has also changed the economy and trade trends. Now most economic transactions and business deals are made through digital technology.

The Arab Spring began on 17 December 2010 and ended in December 2012. The Arab Spring began in Tunisia and then spread to the five countries of the Middle East i.e. Libya, Egypt, Yemen, Syria, and Bahrain. The reasons were unemployment, poverty, corruption, undemocratic rule, injustice, lawlessness, and ruling elites' corruption. All that becomes the cause of political upheaval, violence, and civil war. The public came out on the roads to protest and demand for the civil rights. In the Arab Spring, youth played an active role in protests. The reason was poverty and the economy of the state. The GDP in all countries falls to the lower levels except Morocco. While oil production was also decreased, it affected the global market and the IPE. Political uprising not only affected the regional economy but also affected the International political economy IPE, and worse affected the political conditions in the Middle East.

In 2010-2011, Egypt had, a GDP of around \$250 billion, and its growth fell to less than 2 percent from over 5 percent in the previous year. In 2011, Jordan's growth rate was 6 percent per year and dropped to only 2.6 percent. Same as the growth rate dropped in Libya, Tunisia, and Yemen. Mohsin, K. (2014).

The IPE seeks the vibrant role of individuals, domestic groups, states, international organizations, NGOs, and transnational corporations (TNCs). It is an important feature of politics, i.e. how the private institutions and the public have the authority to chase different goals in the realm of politics. They are all involved in the decision-making about tangible things such as money and industrial products or intangible things such as security and health services. Inside the state politics significantly influencing each business of the state, it is involved in the process of rule-making and constitution. How can states and societies legally achieve their goals? States are functioning and keeping relations with other states according to the constitution. Some

criminal groups are present in different states and they use the law and constitution according to their need because they earn money in illegal ways and want to enhance their black business.

These organized crime groups are involved in criminal activities such as drug trafficking, prostitution, money laundering, tax evasion, and counterfeiting, cybercrimes. At the same time, these criminal actors make a profit from the illicit money. They use that money for illegal activities such as terrorism. To gain their objectives they are breaking laws, challenging government authorities, being involved in border smuggling, and being involved in violent terrorist activities such as 9/11.

International trade can bring Foreign direct investment (FDI), in the form of multinational corporations (MNCs). The MNCs can contribute to the development of the host state in which they bring investment in the form of technology, wealth, employment, and human capital. The MNCs can benefit their home state as well as the host state. On the other hand, it exploits resources, labor, and comparative advantage. (Thrasher, R. D., & Gallagher, K, 2008).

There is a correlation between the International Political Economy IPE and global politics. Global Economy has an impact on politics and politics have an impact on the global economy. Political actors play a crucial role in the global economy and global politics. For example, when influential political leaders make any political decision such as war, peace, trade, and agreements. These agreements are for a long time and they can bring good or negative impacts on the economy and politics. The economy and political decisions are changing the lives of citizens. If decisions are rationales the citizens in the state are growing. The development of the public is not only in one direction but the development of the state and public in multiple ways.

If the economy and politics are on the right track industries, education, law and order in the state evolve. The relations with other states also improved due to trade and economic development. Relations between the states are becoming cordial and beneficial. Nonetheless, if there is a conflict then the economy, and politics will move in the opposite direction. Therefore, there is a correlation between IPE and global politics. When states have peaceful cordial relations, the economy grows. If in case of any conflict, it's affecting trade and the economy So there is a correlation between the global economy and politics, and trade. So peace is the necessity of time for peaceful trade and prosperity. If there is peace there is prosperity.

Our economic system is based on liberalization, free trade, parity, harmony, and prosperity. While States are drawing their economic and foreign policies are based on realism, power, and control of resources, because the political system is anarchic, so policies are based on power, politics, and interest. States are rivals of each other than the friends. International trade activities are functioning under the current economic system, but this system is not giving benefit to the developing countries. Developing nations of Africa and Asia are facing poverty, and deprivation instead of equality, peace, and prosperity. So they will be prone to war, extremism, and terrorism.

Terrorism will mostly end in 2025 and 2030, but it may transform into any other destructive form and shift to other regions. Poverty is the mother of all types of curses and terrorism, ignorance is the fruit of poverty. So there is a need to improve the present international political and Economic system. interdependence, globalization, and WTO and EU rules may be good but not feasible to resolve the economic problems of the developing world, the system did not resolve the issues of food and water insecurity. It could not provide clean water and food to the developing communities. There is a need to bring reforms to the present economic system. Poverty and deprivation are the cause of many anomalies, movements, and political upheavals. The political upheavals affect IPE and IPE causes political anomalies. So the present economic system must be transformed.

Historical Background

The idea of international political economy IPE developed in the era of 1960-1970. The idea IPE developed with the notion of economic interdependence, in economic Interdependence states depend on each other to purchase and sell affordable goods. During the Cold War, the communist states were not trading with capitalist states, while the capitalist states of Western Europe and North America were trading with each other and it brought economic prosperity to Europe. After WWII economic institutions such as the International Monetary Fund, World Bank, and General Agreement on Tariffs and Trade, developed to run the global economic system according to the Liberal International Order. The three important views of IPE are economic liberalism, mercantilism, and structuralism are the important components of IPE. Each focuses on the relationships between a variety of actors, markets, and economies in the IPE. Liberalism, mercantilism, and structuralism are the theoretical tools significant to understanding the political, economic, and social issues, and they seek how power and wealth are distributed in the global world. IPE studies help to resolve the emerging issues in the past years and how to resolve issues in the contemporary situation.

In the book 'Introduction to International Political Economy' Balaam and Dillmangave have an interesting historical context of theories and economic evolution with Chronological dates to understand the subject matter. The international Economy is an important part of the study of International Relations, political science, Economics, and History. The discussion is based on the current economic situations on global and regional issues such as Brexit, recession, and economic rivalry among the global powers. The idea of IPE is discussed by past theorists' theories such as Adam Smith's, Marx's, Robert Keohane's, Joseph Nye's, and Robert Gilpin's. The authors discussed the economy in the view of capitalism, Marchentialism, global economy, and economic interdependence. Various theories developed with time such as Neomarchantilsim 1970-1980, Neoliberalism and globalization in 1990-2000. The authors described the IPE with special reference to World War II, the 1960,1970, economic interdependence, economic institutions such as the International Monetary Fund, World Bank, General Agreement and Trade, and the oil crisis in 1973. Today the World is a geo-economic political world. All policies begin and end with economic interest. International economic policies and trade relations are the core areas of study of IPE.

Different Theories of Trade

Different theories give us a framework to understand the political phenomena and happenings in the political world. The theories of liberalism, mercantilism, Marxism, and constructivism help us to understand the political, social, economic, and market behavior of the state and global market and society. Western powers believe in the open market and free trade. Different ideologies developed to support free trade and liberal order, such as *laissez-faire*, a French term that translates to "leave alone". It means that citizens can begin trade activities without government intervention, The Market is free and functions on the 'natural law of demand and supply', and there will be no tax or tariff regulations. That becomes the cause of finding new trade routes, and international trade. Adam Smith, David Ricardo, and Friedrich Hayek gave the idea of free trade. After WWII the U.S.A. and Western Europe promoted the Capitalist system in the global world. In the capitalist system, merchants continue and boost free trade but the state's role is to manage the micro economy, and welfare of the state and this is the responsibility of the government to take care of and correct the failure of the market by the trade laws. John Maynard, Keynes, and Karl Polanyi favored the idea of free trade and the government's role in trade. Balaam, D. N., & Dillman, B. (2018).

The key notion of Mercantilism is that a nation's wealth and power can be served by increasing exports by increasing trade with diverse countries. It is an economic principle to increase exports and earn more profit. After WWII it was organized and recognized as an economic policy to enhance exports, reduce imports, and bring gold and silver to the state. All the states struggle to achieve a trade surplus, which means the value of exports is greater than the imports, and avoid the trade deficit, which means the value of imports greater than exports. The objective of each country was to have a trade surplus, or a situation where the value of exports is greater than the value of imports, and to avoid a trade deficit, or a situation where the value of imports is greater than the value of exports.

Economic constructivism theory highlights that the international system is based on specific constructive features—various constructive norms, rules, and institutions, as well as societal and ideational meanings. (Balaam, D. N., & Dillman, B. 2018).

The economic Structuralism ideas are embedded in Marxist analysis and how the society's main economic structures impact or exploit class interests and relations. Marx's structuralism idea did not fade in the 21st century still it is an important, social, and economic political thought, though it is not famous in the capitalist system. Structuralism studies class division, and exploitation of the working class. A Marxist study of how the dominant economic structure of any society affects different social classes. The rich capitalist states earn more wealth in the form of profit from the labor of the poorer workers. A market cannot exist in a vacuum but there are some forces such as social, economic, and political force that establishes, regulate, and preserve the market. In the case of a global economic crisis, some forces in that structure dominate and create the crisis.

In the process of trade all the forces are functioning, these forces can resist the process of trade or boost the trade. However, customers, merchants, government rules, demand, and supply are very important factors because they keep the market in function. All the economic theories are based on the basic idea of demand, supply, consumer, profit, and market trend.

Global Economic Challenges and International Political Economy

The changing dynamics of politics impacting ' International Political Economy' and ' International Political Economy' affect global and regional politics. For example, the rising populous governments in different countries such as the U.S.A., UK, France, Russia, and Pakistan. It has brought different changes in foreign policy, International Relations, trade ties, etc. Same as politics shapes the global economy and the global economy shapes politics. The political upheaval in the Middle East impacted the international political economy of the regional states, and IPE impacted regional and global politics. Natural calamities, immigration, refugees, and climatic change are nontraditional security threats to human society and they also have an impact on the global economy. (Azam, S,2023). Currently, the different rising global changes and IPE reciprocally impact each other. (Azam.S,2021).

Rising Populism, Impact on Changing International Trade Dynamics and IPE

In the book, the “international political economy” Balaam and Dillman interestingly discussed, how politics forms and impacts the global economy, and how the global economy impacts and gives different shapes to politics on local, regional, and global levels. There is competition among the political powers to win the economic victory in the global economy. It has created competition among the political powers according to their capabilities. Many features of capitalism are under normative attack because the capitalist society is profit-oriented, free exchange and the market-based allocation of resources, exploitation of the working class, corrupt moral values, and destruction of the climate, undermine, institutions and overall legitimacy and social injustice in developing and developed democracies. Chiapello, E. (2013). Azam.S.(2023). The economic competition leads to extreme rivalries and climate degradation. In contemporary politics, there is economic and trade competition among the global powers. Mildenberger, O. (2021). Such as America and China; India and China, Russia and U.S.A. Azam.S.(2021). Ergen, T., & Kohl, S. (2022).

The populist governments were established around in 26 countries including America, England, Russia, Brazil, India, and Pakistan. Various reasons made way for the populist leaders to come into power and establish their governments. The basic reasons were high inflation, lack of job opportunities, and political resentment that allowed the populist political leaders to gain power. Populists occur in democratic countries where the mainstream political parties' leadership cannot offer the public due demands, which creates frustration in the public. Populist leaders created a narrative that the mainstream leadership was responsible for the corruption and failed to produce economic progress and prosperity. That frustration was used by the populist leadership to gain more votes than the mainstream leadership. (Jones. K, 2022).

Populist leadership mostly used forceful national slogans with emotionally fiery speeches. They criticized the trade and trade policies with foreign intervention in the state, and it created favor for the populist leader and more anger in the public. In 2016, Donald Trump argued in his speeches that he would reduce Chinese imports and impose tariffs on Chinese products, and after becoming the president he challenged China during his speeches. He declared China as a rival state and a threat to the U.S. economy. The other point that was emphasized by Trump, was the immigration and refugee problem in the U.S.A. Wahl-Jorgensen, K. (2018).

Donald Trump highlighted that immigrant inflow from Latin America, the Middle East, and other parts of the world is a burden on the state economy and a threat to state security because there is a threat of terrorism from members of terrorist organizations. Trump was famous in the U.S. public but he was not a completely populist leader he was successful but could not achieve the maximum votes against Hilary Clinton. In the 2020 elections, he lost the popular *vote* and the electoral *vote* against Biden. Trump had a mixed characteristic he got the votes as a popular leader and in the name of white supremacy, great America, and national slogans and he also used religious sentiments. The same traits are also present in popular leaders such as Putin, Tayyip Erdogan, and Imran Khan. (SHAKIL, K.,2022). (Seijts, G., & de Clercy, C.,2020).

Trump, imposed tariffs against, Chinese imports, but that was against the policy of globalization, free trade, and the free market. Populist leaders develop constructive narratives like Putin and Tayyip Erdogan, and their narrative is closer to nationalism. Same Imran Khan did in Pakistan, he used a constructive narrative against the mainstream political parties. He used fiery speeches against the Muslim League and the People's Party. In speeches, he used the title of corrupt leadership and held them responsible for the corruption. On one side COVID-19 and terrorism hit the Pakistan economy and on the other side government strict policies crippled trade activities. Wherever the populous leadership ruled their policies were based on a constructive narrative, emotional speeches, strict policies, slogans based on nationalism, and a narrative against globalization. (Jones, K, 2021).(Balaam, D. N., &Dillman, B.,2018).

In the January 2024 Iowa Causes elections, Trump won with 56,260 votes with the highest percentage 51.0%. This election has proved that Trump is a very famous and popular leader in America. The American public has a liking for Trump. It is expected that the general elections will be held on 5 November 2024 and maybe Trump will be the next presidential candidate. If he

contests, he will win because of his vote bank, though the voters' opinion is changing with the leader's vision, speeches, and political objectives. During the previous government, Trump created many jobs for the American public and he facilitated the American public, so many people like him in America. In July (Republicans) will nominate presidential candidates. In August (Democrats) will nominate the presidential candidates. According to some analysts, the Democrats will win the election of 2024. However, we need to wait and see. It needs to see what will impact global politics and the economy because each leader has their political vision and leaders work according to their vision. (Walker, D. A., 2023).

The populist regime brought extraordinary changes in politics and global trade agreements. The British government wanted to exit from the European Union because the UK government was bound to accept the EU policies. While the UK did not want to compromise on its identity and its sovereignty unchallenged. England faced political Chaos, and loss in economy, trade, and investment, but favored Brexit. The UK decision was against the policy of free trade, free market, and globalization. While the UK's influence enhanced in the European Council, it encouraged the other populist parties and governments in other EU countries, such as Hungary, Italy, and France. Trump used protectionist policies to protect home industries. He chose Robert Lighthizer, as a US Trade Representative because he was acquainted with the WTO rules. He implemented the national security exception (GATT Article XXI), to pronounce that imports of steel and aluminum are a threat to the domestic jobs in these industries. At the same time, he violated Article 21, because imports can be stopped if it's a threat to security or if it is linked with military threats. (Jones, K, 2021). (Dattu, R., & Boscariol, J, 1997).

The Arab Spring began on 17 December 2010 and ended in December 2012. The Arab Spring began in Tunisia and then spread to the five countries of the Middle East (M.E) i.e. Libya, Egypt, Yemen, Syria, and Bahrain. The reasons were unemployment, poverty, corruption, undemocratic rule, injustice, lawlessness, and ruling elites' corruption. All that becomes the cause of political upheaval, violence, and civil war. The public came out on the roads to protest and demand for the civil rights. In the Arab Spring, youth played an active role in protests. The reason was poverty and the weakened economy of the state. The GDP falls in the ME to the lower levels except Morocco. While oil production was also decreased, it affected the global market and the IPE. The state failed to provide due rights and prosperity to the citizens. Political uprising not only affected the regional economy but also affected the International political economy and IPE affected the political conditions in the Middle East. (Qadir Mushtaq, A., & Afzal, M., 2017). (PHAM, J. P., & LARÉMONT, R. R., 2014).

International Trade Dynamics

International traded dynamics are connected with peace, openness, a stable economy, and stable politics. Trade is the exchange of goods and services between people or entities in two different countries. States are conducting trade for the benefit through export, import, and Entrepot. Entrepot is a different kind of trade. The imported goods and chattels are re-exported with or without processing or repackaging. The process of trade is not simple, it involves theory, policy,

trade strategy, rules, and laws and agreements. Different trade theories are involved in the trade PHAM, J. P., & LARÉMONT, R. R. (2014).

The dynamics of trade change in the 21st century, trade among nations augmented swiftly, through the multilateral trade liberalization rules. Since 1948, the process of international trade has been functioning, according to the rules of the General Agreement on Tariffs and Trade (GATT). In 1995, GATT was replaced by the World Trade Organization. In ancient times trade was conducted through the barter process, and then gradually the concept of free trade developed. In the 21st century, the idea of globalization and technology spread abruptly, due to which the global world comes closer to each other. Trade spread around the world due to Information and technology. Trade is proceeding online under the rules of WTO, and the reason is internet WIFI and the knowledge of E-commerce, which has increased global trade. Now the order of consignments and transactions are proceeding in clicks. Baldwin, R. E. (2011).

The modern structure of trade is characterized by high-tech machines, capital, human skill, and bilateral and multilateral agreements. The developing states are importing modern machines to gain a high yield, and it removes the traditional industrial methods from the industries. Dymond, W. A., & Hart, M. (2000). Technology has changed the expression of the industry, market, and trade.

Trade spread out due to the industrial fast production, interconnectedness, and interdependence economies. Industries developed in Western Europe in the 16-17th, centuries and gradually spread to other countries. With the passage of time, the number of industrial trading nations enhanced in the world. The industrial nations' trade links increased with each other to get the benefit of comparative advantage. The Global Supply Chains (GSC) played an active role in the global trade. The (GSC) facilitated the consumer nations or groups at the lower tariffs, it has reduced transportation and communication costs. Baldwin, R., & Freeman, R. (2022).

In the past few decades, there has been a big shift in international trade due to technology, growing political policies, interconnectedness, globalization, and liberalization of trade policies. Since 1950 the level of trade has increased three times. The volume of trade increased due to the rapidly emerging market economies (EMEs). The expansion of trade was due to information and technology, machines, and liberal policies. Riad, N., Errico, M. L., Henn, C., Saborowski, C., Saito, M., & Turunen, M. J. (2012).

Impact of Digital Technologies on Global Markets

Digital technology developed due to the easy availability of the Internet and Internet devices. Large numbers of data can be stored and processed through computerized devices. Smart touch phones and tablets helped to make the trade fast and quick. Digital technologies have changed the pattern of trade in the 21st century. It has improved efficiency, and productivity, reduced costs, and enhanced customer experience. Digital technology not only boosted businesses but it changed market conditions that are more beneficial for the customer and the producer. Digital technology not only transforms the business but the owner invests in digital technology to

improve it more and bring digital machines into the market. Digital technologies have increased sales volume, economic growth, and employment.

With time digital technologies are becoming easy to use but expensive and complicated in their structural formation. Social and business communication become easy due to the different apps and services provided by the internet network such as WhatsApp, Instagram, Twitter, etc. Digital technology has transformed the society and economy at the local and global level. As Information and technology developed at the end of the 20th century, different terms were introduced in the world such as "digital economy". Don Tapscott used this term for the first time in 1994. He used that term in his book "The Digital Economy. Promise and Peril in the Age of Networked Intelligence,". The first digital electronic cash was recorded in the 1970s. The first online shopping was recorded in 1990 and after that, it became popular all over the world. The interesting thing is that now in the 21st century, highly developed states are getting the benefit of E-commerce and digital technology but still developing countries are not getting the maximum benefit of digital trade. Vorobiova, V. V., Krupskyi, O. P., & Stasiuk, Y. (2023).

Bitcoin or Cryptocurrencies are introduced in the global market but mostly it is in the use of the European public. It is a digital asset and the person who contains the Bitcoin can interchange for goods and services, as a substitute for a local currency or into the US dollar or the British Pound. Bitcoin is not issued by the central bank or the government so it is a decentralized currency.

Digital technology has connected the world and it is used all over the world. It is used all over the world in different fields and different applications make the work much easier. Artificial intelligence (AI) is very helpful in science and technology, in machines, weapons, banking, etc. (AI) has made trade easier and possible.

Correlation in the Global Economy and Global Politics in 2024.

The study of International Political Economy IPE provides a very clear idea that there is a correlation between the global economy and global politics. Any kind of change in the IPE or global economy can bring change in global politics and local politics. For example, a change in the prices brings a change in the local politics of a state. During COVID-19, prices rose due to a shortage in the market. It brought a change in global politics and regional politics. Many industries were paralyzed due to COVID-19, and because of that poverty increased in many countries. The global economy is under pressure due to the various multi-layered and unified crises. This is because of complex issues such as COVID-19, terrorism, the War on terror, climate change, the war in Ukraine, conflict in the Middle East, and the Houthi rebel's attack on the supply chains. The global supply chain shipping was affected due to the Houthi conflict in the Middle East. If the service of the global supply chains stops it will affect the prices and global politics.

COVID-19 severely impacted the global economy, and global community health, in Europe, Asia, the Pacific region, and Africa in 2020. More than 80 million people were infected with the coronavirus, and 17% of cases were registered in Asia. Asian Development Bank (ADB) made

assessments on the global economy and developing economies, it showed that the graph of the economic development falls, and many people lost their lives. In 2020, estimated global losses were 5.5%–8.7% of the world, and GDP loss was 3.6%–6.3% of the world. (Sawada, Y., & Sumulong, L., 2021).

After 9/11 America decided to attack Afghanistan because the al Qaeda mastermind Usma bin Laden was hidden there, after about twenty years U.S. troops evacuated Afghanistan in 2021. In twenty years' war on terror, America spent more than \$2 trillion in Afghanistan. (Cordesman, A. H., 2017). According to Brown University research, the estimated cost was over \$300 million a day for 20 years in Afghanistan. (Biden, J. R., 2021). The U.S. attacked Iraq on 19 March (2003), with the Coalition forces and evacuated from Iraq in 2011. Brown University research depicted, that the cost of war on Iraq was about 1.1 trillion. (Belasco, A., 2011). War is becoming very costly, if future U.S. goes to war like in Afghanistan and Iraq, the cost could be more than 8 trillion. (Lambert, L. A., & Elayah, M. Eds., 2023).

During COVID-19, the gross domestic product (GDP) of China fell to 6.8%, in the first quarter of 2020. In the initial stage of the pandemic, hotels, restaurants, airlines, and markets were closed, and due to that reason the (GDP) decreased. Wholesale and retail businesses were adversely affected by COVID-19; it contracted by 17.8%. (Habibi, Z., Habibi, H., & Mohammadi, M. A., 2022).

The U.S. economic loss due to the COVID-19, pandemic was about, \$ 14 trillion by the end of 2023. About 1.1 million people died because of COVID-19, and many were hospitalized. In the first 30 months of the pandemic, the most affected business areas were air travel, dining, and health and social services. The Airline business was affected by 57.5%, loss in travel was 26.5% and dining was 29.16%. (Walmsley, T., Machado, J., Rose, A., Wei, D., John, R., Hlavka, J., & Byrd, K., 2022). (Rose, A., Hlavka, J., 2023).

On 24 February 2022, Russia's invasion of Ukraine pushed millions of people into poverty and life threat, many people died and migrated to other cities and countries due to war. Putin securitized Western Europe and America because they wanted to Install missiles in Ukraine. Putin argued that the missiles are a direct threat to Russia's sovereignty and identity. Therefore, he justified Russia's attack on the Ukraine. Russia's attack on Ukraine not only debilitated Ukraine's economy but also badly impacted the regional and global economy. Though the Russian government has justified, the attack on Ukraine. However, Putin's harsh political decision can lead the region into a long-run bloody conflict. It can turn into a civil regional war as the Arab Spring or the Afghan War of 1979. It can destabilize the region but at the same time, it can destabilize the Russian Economy and society (Brandreth, S., 2024) (Orhan, E., 2022).

Russia and Ukraine are exporting around about 40% of world grains, and the conflict has severely hit the global economy because both states are exporting (36%) of wheat and half of the world's sunflower oil. Those countries that are dependent on both states are facing the rise in prices of wheat, corn, and oil. While the developing countries are facing the problem of food insecurity and inflation. (Lin, F., Li, X., Jia, N., Feng, F., Huang, H., Huang, J., ... & Song, X.

P.,2023) In Asia and Central Asia, Africa and some European countries are dependent on Russia and Ukraine for food and energy. The problem of food insecurity has been increased in 2021-2022 and 2023. In 2021, 193 million people, in 53 countries were the victims of food insecurity. While in 2022 and 2023 the problem has increased due to the war. In 2022, about 258 million people, in 58 countries are the victim of food insecurity. Wheat prices rose 8.2%, on the European stock exchange, to €253.75 (£220; \$284) per ton, while corn prices increased 5.4%. While in America wheat prices increased by 8.5%. In the first two weeks of the war, oil prices increased in Europe by more than 25%. As compared to last year gas prices also increased by around 580% by the end of March. (Ben Hassen, T., & El Bilali, H.,2022).

Hamas attacked Israel on 7 October 2023, in reaction Israel attacked Gaza and on the members of Hamas. In that conflict, many innocent citizens were killed from both sides. Conflict in the Middle East between Israel and Palestine, and Houthi's attacks on the global supply chain have created a tough time for the global economy, global politics, regional economy, and politics. Houthis are rebels in Yemen and they are backed by Iran, Houthi attacked the Global Supply Chain Ships, civilians, and Military ships in the Red Sea. As a superpower, it is the responsibility of America to provide security to the trading ships and civilians. On 12 January 2024, the U.S., UK, Canada, Australia, and Bahrain attacked the Houthis in Yemen. So the rebels will not be able to attack or resist the global supply Chains, civilians, or military ships. At the same time, Iran and Turkey criticized America and Saudi Arabia for the Yemen attack. (Hamasaed.S.,2024).

The conflict in the Middle East is a threat to global trade and economy because Israel is the major trader of the global supply chain—an important trade center in the Middle East. Israel has established a semiconductor industry, and almost all major chip makers have set up production base centers in Israel and some are near Lebanon and the Gaza Strip. Israel is also a major global exporter of chemicals and minerals such as potash and phosphate. Israel is extracting minerals through mining from the Dead Sea and phosphate rock from the Negev Desert. Israel is the sixth-largest producer of potash fertilizer. (Xu.L.,2023).

The Red Sea is a very important sea route because it links Asia to Europe and the Mediterranean, through the Suez Canal. At present, about 12 percent of the world's delivery is made through ships through the Red Sea. Every day about 50 ships in a day, carrying \$3bn to \$9bn worth of cargo. Every year about one trillion dollars' value of goods are transported through the Red Sea. Mostly the Red Sea is the major sea route for global trade. In Asia, China and India are major exporters and provide the goods at lower and cheaper prices. The same as the European goods are reaching to Asia through the Red Sea. In case this trade sea route stops, it will affect the global supply chain delivery. If this sea route halts then the prices of the goods will also increase because the expenses on shipping will also rise, so it will affect the prices of commodities.

Global Economy has an impact on politics and politics have an impact on the global economy. When political leadership makes any political decision such as war, peace, or trade, it will affect the relations. It will impact the economy. When states have peaceful cordial relations, the

economy grows. If in case of any conflict, it's affecting trade and the economy So there is a correlation between the global economy and politics, and trade. So peace is the necessity of time for peaceful trade and prosperity. If there is peace there is prosperity.

Conclusion

The idea of IPE guides us to understand how the global economy impacts politics and how politics shape and impact the IPE. There is a direct correlation between the global economy and global politics, and both variables directly impact each other. The political actors achieve their political goals by the use of economic resources and political power. The study of IPE, also explains the political and economic activities within and among the states. The theories of liberalism, mercantilism, Marxism, and constructivism help us to understand the link between the state and global society; and the connection in society, economy, and market behavior.

The 21st century is a century of surprise and wonder due to the dramatic changes in the world. Different incidences like 9/11, terrorism, COVID-19, U.S-China rivalry and arms race, Middle East conflict especially the conflict between Israel and Palestine and then among other states. Different political changes and policies impact the global economy and the global economy impacts and shapes politics.

It is significant to understand the contemporary changes in the global economy and politics. These changes can be understood by understanding the impact of the International Political Economy on global politics. It will also help to understand the different challenges such as political uprising in the Middle East, illicit economy, global warming and climatic changes, different traditional and nontraditional threats in the form of climatic change, food and water insecurity, traditional military threats, and wars. All these factors are interlinked and significantly affect each other. Different political challenges are impacting the international political economy, and IPE is impacting politics. The economy plays a pivotal role in power politics, economic rivalry, inventions, industry, trade, and climatic change (negative and positive changes).

Currently, the WTO and EU rubrics and policies benefit the developed nations rather than the developing nations. This is the gap in the present economic system. The current economic system is based on liberalization, free trade, equality, peace, and prosperity. State policies are based on realism, power, and control of resources. States are rivals of each other than the friends. Developing nations are facing poverty, and deprivation instead of peace and equality. So they will be prone to war, extremism, terrorism, or destructive activities. Terrorism will mostly end in 2025 and 2030, but it may transform into any other destructive form and shift to other regions. Poverty is the mother of all types of curses. Economic interdependence, globalization, and WTO and EU rules may be good but not feasible to resolve the economic problems of the developing world, it could not provide clean water and food to African and Asian communities. There is a need to bring reforms to the present economic system. Poverty and deprivation are the cause of many anomalies, it is the cause of different movements and political upheavals. The political upheavals affect IPE and IPE causes political anomalies.

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