

# HOW THE RELATIONS BETWEEN COUNTRIES IMPACT THE GLOBAL ECONOMY

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## Understanding Global Prosperity and Economic Stability

- How cooperation between nations can create prosperity worldwide
- Why conflicts and weak relations damage economies across borders

# INTRODUCTION: THE CONNECTED WORLD

**Global Interconnectedness:** The world today is deeply interconnected. No country can stand completely on its own. Goods, services, investments, and technologies constantly move across borders.

## Relation Impact:

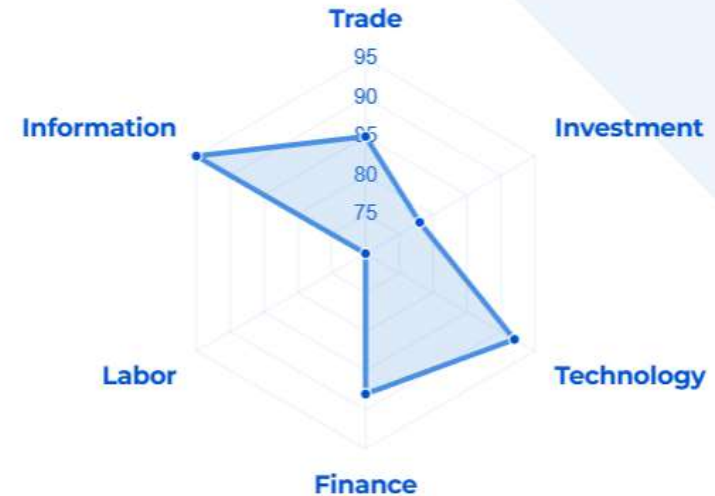
The way countries interact with each other—whether they build partnerships or enter into conflicts—has a huge impact on the global economy.

International relations directly affect trade volumes, investment flows, and market stability worldwide.

## Presentation Objectives:

- Demonstrate how positive relations boost global economic growth
- Show how negative relations create market instability

## GLOBAL ECONOMIC INTERCONNECTEDNESS



## CROSS-BORDER FLOWS

### TRADE

- Global trade exceeds \$25 trillion annually
- 60% of trade occurs within global value chains
- Trade represents 30% of global GDP

### INVESTMENT

- FDI flows exceed \$1.5 trillion yearly
- Multinational enterprises drive 33% of output
- Cross-border investments create millions of jobs

### TECHNOLOGY

### FINANCE

# POSITIVE RELATIONS – COOPERATION & GROWTH

**Cooperation Benefits:** When countries cooperate, everyone benefits. Positive international relations drive global economic growth and create prosperity for all nations involved.

## Key Economic Advantages:

- Trade agreements reduce tariffs, making goods cheaper and increasing exports and imports
- Friendly relations attract foreign direct investment, creating jobs and bringing new technology
- Knowledge and technology sharing accelerates innovation through research partnerships
- Stable diplomatic ties reduce business uncertainty and encourage long-term investments

## Case Study: US-Japan Cooperation

- Technology and automobile sector partnerships boosted both economies
- Created millions of jobs across both countries
- Accelerated innovation in electronics, robotics and manufacturing

## COOPERATION BENEFITS FRAMEWORK



### Trade & Commerce

Reduced tariffs  
Expanded markets



### Investment Flows

Capital mobility  
Economic growth



### Innovation & Research

Joint research  
Technology transfer



### Human Capital

Skills exchange  
Cultural integration

## MEASURABLE COOPERATION IMPACTS

**Trade Volume:** Countries with cooperative relations trade up to 40% more than those with tensions

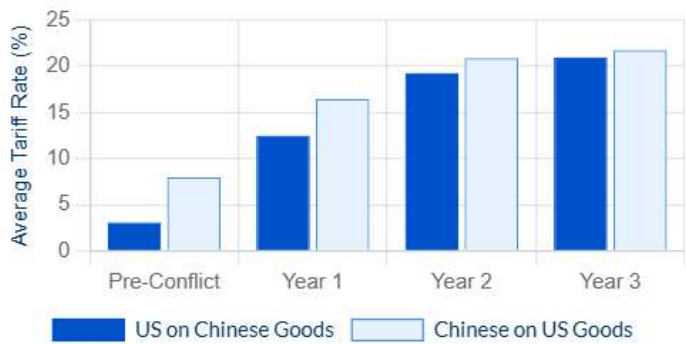
**Investment Growth:** Foreign direct investment can increase by 25-30% with improved diplomatic ties

**Innovation Rate:** Joint research initiatives produce 65% more patents than isolated research programs



# NEGATIVE RELATIONS – CONFLICT & BARRIERS

## TRADE WAR IMPACT



### US-China Trade Conflict:

Tariff increases have led to \$550B in additional costs for businesses and consumers globally, with average tariff rates rising 8.2% since 2018

## INVESTOR UNCERTAINTY



### Investment Impact:

Political tensions between major economies caused a 24% drop in cross-border investments in affected regions during conflict periods

## CONFLICT DISRUPTION



### Russia-Ukraine Impact:

The conflict led to global energy price increases of up to 42% and food price increases of 34% in the first six months after invasion

## GLOBAL ECONOMIC CONSEQUENCES



# ROLE OF GLOBAL INSTITUTIONS & DIPLOMACY

**Global Governance:** International institutions help manage relations between countries and provide frameworks for cooperation, trade, and dispute resolution.

**Key Global Institutions:**

- World Trade Organization (WTO) - Sets fair trade rules and resolves disputes
- International Monetary Fund (IMF) - Stabilizes economies during financial crises
- United Nations (UN) - Promotes peace and facilitates international cooperation
- World Bank - Provides financial and technical assistance to developing countries

**Diplomatic Relations:**

- Effective diplomacy builds trust between nations
- Formal agreements help codify expectations and obligations
- International summits create forums for multilateral problem-solving

## INTERNATIONAL ORGANIZATIONS

 <b>World Trade Organization</b> Trade rules & dispute resolution	 <b>IMF</b> Economic stability & crisis support	 <b>United Nations</b> Peace & international cooperation
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## BENEFITS OF STRONG DIPLOMACY

<b>Conflict Prevention:</b> Early resolution of tensions through dialogue
<b>Economic Stability:</b> Reduced uncertainty for markets and investors
<b>Global Challenges:</b> Coordinated response to crises like pandemics

## GOVERNANCE EFFECTIVENESS FACTORS

<b>Trust</b> Between nations & institutions	<b>Cooperation</b> Multilateral frameworks	<b>Accountability</b> Transparent governance
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# IMPACT ON GLOBAL SUPPLY CHAINS

**Global Interconnectedness:** In today's world, supply chains span multiple countries, with a single product often containing components from over 20 different nations.

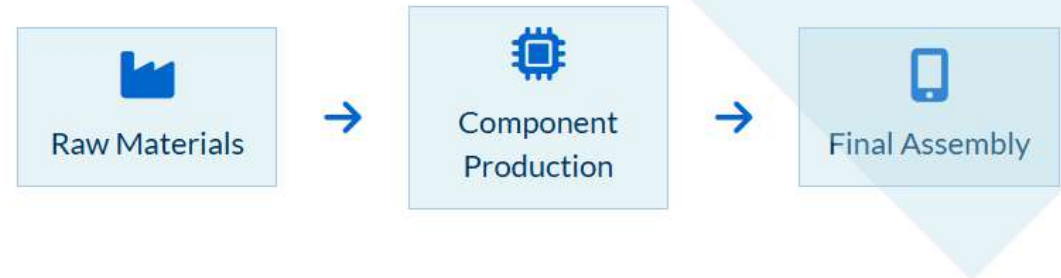
## Key Impacts of International Relations:

- Trade agreements and tariffs directly affect component costs and availability
- Diplomatic tensions can disrupt established sourcing networks
- Political conflicts may force companies to rapidly restructure supply chains
- Cooperation agreements facilitate smoother cross-border logistics

## Real-World Example:

- US-China technology tensions disrupted semiconductor production
- Caused widespread shortages in electronics and automobile industries
- Companies faced delayed production and increased costs

## GLOBAL SUPPLY CHAIN DYNAMICS



## RELATIONSHIP IMPACTS

✓ **Strong Relations:** Efficient production, lower costs, faster innovation cycles

⚠ **Weak Relations:** Component shortages, higher prices, production delays

## SMARTPHONE SUPPLY CHAIN

 **A single smartphone contains:**

 Processors: Taiwan, USA

 Batteries: China, South Korea

 Memory: South Korea, Japan

 Displays: South Korea, Taiwan



# CASE STUDIES: REAL-WORLD ECONOMIC IMPACTS

**Key Examples:** The following case studies demonstrate how international relations significantly impact economic outcomes on a global scale.

## US-CHINA Trade Relations

Cooperation between these economic giants historically boosted global trade volumes. Recent trade wars and technology bans have disrupted supply chains and increased market volatility.

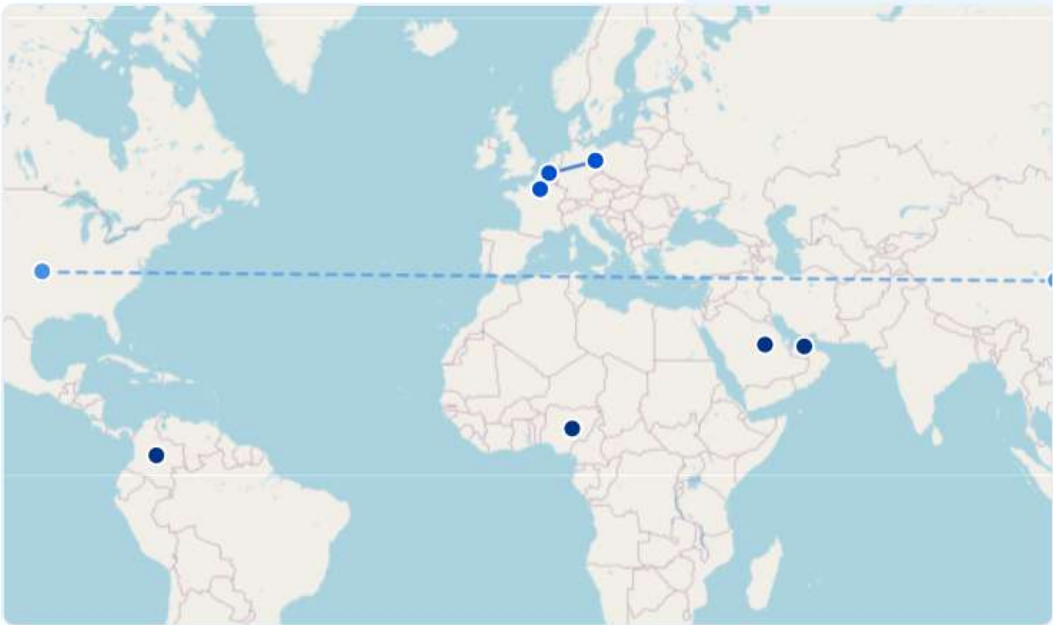
## EU Economic Integration

The European Union's single market and common currency have strengthened economic growth among member states, increasing intra-European trade by over 15% since formation.

## OPEC Oil Price Influence

Decisions by oil-exporting countries directly impact global energy prices, affecting inflation and economic growth worldwide. Price fluctuations of 5% can shift global GDP by 0.5%.

## GLOBAL ECONOMIC RELATIONSHIPS



## ECONOMIC IMPACT METRICS

### US-CHINA TRADE

Trade Volume: \$690 billion (2019)  
Tariff Impact: -0.5%

### EU SINGLE MARKET

GDP Increase: +9% overall  
Intra-EU Trade: 60%

### OPEC INFLUENCE

Price Control: ~40% of oil market  
Price Volatility: High

# OPPORTUNITIES IN STRONG RELATIONS

**Economic Growth:** Strong international relations create numerous opportunities for businesses, governments, and citizens, driving sustainable global prosperity.

## Key Opportunity Areas:

- Market access expansion and trade barrier elimination for businesses
- Cross-border investment flows and joint venture partnerships
- Tourism growth and cultural exchange programs
- Collaborative research and innovation partnerships

## Global Challenges Cooperation:

- Coordinated responses to climate change and environmental issues
- Shared resources and knowledge in pandemic management
- Financial system stability through coordinated monetary policies
- Mutual support mechanisms during economic crises

## OPPORTUNITY FRAMEWORK



### Economic Growth

Trade expansion  
Market diversification



### Cultural Exchange

Tourism growth  
Educational programs



### Global Solutions

Climate initiatives  
Health cooperation



### Crisis Support

Financial stabilization  
Emergency assistance

## TANGIBLE BENEFITS

**Economic Growth:** Nations with strong international ties experience 2-3% higher annual GDP growth

**Crisis Recovery:** Countries with strong partnerships recover 40% faster from economic downturns

**Innovation Impact:** Cross-border research initiatives generate breakthrough solutions to global challenges



# CHALLENGES OF BAD RELATIONS

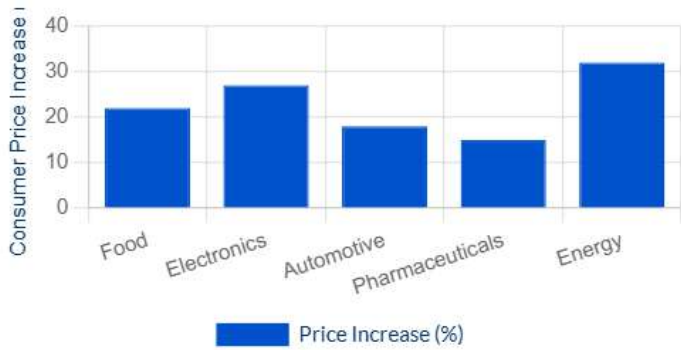
## CURRENCY INSTABILITY



### Sanction Impact:

Currency values can fluctuate by up to 35% in the first month after significant sanctions, creating market volatility and trade uncertainty

## CONSUMER PRICE IMPACT



### Disrupted Supply Chains:

When international relations deteriorate, supply chain disruptions lead to an average 22% increase in costs of essential goods for consumers

## PROTECTIONIST IMPACT



### Trade Barriers:

Countries implementing protectionist policies experience 18% slower growth over five years compared to those maintaining open trade relations

## ECONOMIC CONSEQUENCES

-28%

+62%

-3.5%

+47%

# CONCLUSION & KEY TAKEAWAYS

**Global Economic Drivers:** International relations between countries are among the most significant factors influencing the global economy today.

**Relationship Outcomes:**

- Strong ties lead to economic growth, innovation, and stability
- Weak ties result in inflation, supply shortages, and financial crises
- Conflicts disrupt global markets and raise consumer prices

**Future Outlook:**

- Global prosperity depends on effective international cooperation
- Building fair and sustainable trade systems is essential
- Diplomatic solutions to conflicts have economic benefits
- Managing tensions between major powers is critical for stability

## ECONOMIC IMPACT SUMMARY

 <b>Strong Relations</b> Growth, Innovation, Stability	 <b>Weak Relations</b> Inflation, Shortages, Crises
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## KEY TAKEAWAYS

<b>Interconnectedness:</b> No country's economy operates in isolation
<b>Cooperation Value:</b> Collaborative relationships yield economic benefits for all parties
<b>Conflict Cost:</b> Tensions and hostilities have measurable economic consequences

## FOCUS FOR THE FUTURE

 <b>Cooperation</b> Strengthening alliances	 <b>Fair Trade</b> Equitable systems	 <b>Dialogue</b> Conflict resolution
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