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**MASTER THESIS**

**SECURITY AND ECONOMIC DEVELOPMENT IN A GLOBAL WORLD**

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**Thesis has been approved for the defence before the Examinations Commission**

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## метадані

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## Перелік можливих спроб маніпуляцій з текстом

У цьому розділі ви знайдете інформацію щодо текстових спотворень. Ці спотворення в тексті можуть говорити про **МОЖЛИВІ** маніпуляції в тексті. Спотворення в тексті можуть мати навмисний характер, але частіше характер технічних помилок при конвертації документа та його збереженні, тому ми рекомендуємо вам підходити до аналізу цього модуля відповідально. У разі виникнення запитань, просимо звертатися до нашої служби підтримки.

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## ACADEMIC SUPERVISOR'S REVIEW OF MASTER THESIS

by the Student at the Faculty of International Economics and Management  
MBA program "Global Business"

**Deepanshu Rawat**

Title Security and Economic Development in a Global World

1. Evidence of learning in accordance with the objectives of the assignments (0-5 points) \_\_\_\_\_ 5 \_\_\_\_\_
2. Depth of critical analysis (0-10 points) \_\_\_\_\_ 9 \_\_\_\_\_
3. Effectiveness of argumentation/analysis (0-10 points) \_\_\_\_\_ 9 \_\_\_\_\_
4. Accurate and coherent use of quantitative tools and language (0-20 points) \_\_\_\_\_ 20 \_\_\_\_\_
5. Compliance with master thesis written requirements (0-5 points) \_\_\_\_\_ 5 \_\_\_\_\_
6. Compliance with writing master thesis's schedule (0-5 points) \_\_\_\_\_ 5 \_\_\_\_\_
7. Attendance (0-5 points) \_\_\_\_\_ 5 \_\_\_\_\_
8. Published research work/Thesis (0-10 points) \_\_\_\_\_ 10 \_\_\_\_\_
9. Positive aspects of the thesis are in deep understanding of the topic, the correlation between security threats and economic development in a global world. The investigation is full of critical analysis and argumentation. The cases of Sri Lanka, China and UK, war in Ukraine and the impact of national threats on other countries in a global world are analyzed in detail.
10. Negative aspects of the paper There are some flaws in arguments of some points.
11. Total Supervisor's Grade of Master Thesis: \_\_\_\_\_ 68 \_\_\_\_\_

Academic Supervisor Associate Professor, PhD in Economics

Olena Fursova

\_\_\_\_\_  
"20" січня 2023

## External Review of Master Thesis

Deepanshu Rawat

### SECURITY AND ECONOMIC DEVELOPMENT IN A GLOBAL WORLD

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The study "Security and Economic Development in a Global World" highlights the growing importance of examining the role of enhancing economic security in the context of globalization. The study shows the connection between social, economic and political spheres of security. Due to the interconnection between these spheres, the lack of stabilization in one of the spheres can generate potential threats and negative aspects in other spheres. The importance of ensuring the state economic security and counter-acting the negative impact of threats that may harm it has been proved.

The Master's thesis Security and Economic Development in a Global World by Deepanshu Rawat is an independent investigation contains the signs of scientific novelty. The topic of thesis is relevant and meets the requirements of the Master's Degree

Reviewer

Director

(Position)

Kyiv

(Place of Work)

Seal



[Signature]

(Signature)

Kuldeep Kumar

(Name, Surname)

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## INTRODUCTION

**The relevance of the subject** is that the world needs to understand the dependency on each other and in this thesis on Globalisation and economic security we get a very clear idea of how globalisation is the backbone of any country's economy. Globalisation isn't just related to goods or trade of interest but most importantly the trade of culture, religion, and pieces of knowledge, therefore the list is endless.

There is a detailed case study of Sri Lanka, the UK, China's debt trap, Russia, and Ukraine's war. In these detailed case studies we understand the more profound importance of globalisation and most importantly how one country plays the geopolitical game to destroy the economy of a country, not only this but in these case sites, we understand the ways we can fix the issues or what other steps could have been taken. Therefore it's important for all world leaders to understand that war isn't a solution and country should focus on much bigger problems, and also bring each and every country together and connect humans from different nations with different religions.

**The purpose** of this master thesis is to study in detail the crucial role and origin of globalisation, also to study how UK, Sri Lanka, China, war between Russia and Ukraine can affect the economy and ways we can protect our future by not falling for debt traps, illogical policies and how war in today's ear can damage the whole world economy.

**The objective** of the study is to investigate the role of globalisation and its direct relation to economical security.

**The subject:** is detailed analysis of Globalisation and Secure Economic Development

**The method:** of the study: the main methods used to conduct the research and provide its finding includes theoretical, historical, graphical, analytical, systematical approaches, detailed article reading and YouTube videos.

**An information base:** for the study consists: Official website of international organisations, detailed study from articles and documentaries (DW Documentary).

**The structure:** of the study consist of introduction, three main chapters, conclusion and bibliography.

# CHAPTER 1. THEORETICAL, HISTORICAL AND METHODOLOGICAL BASIS OF GLOBALIZATION AND ECONOMIC SECURITY

## 1.1 The Essence of the Globalization

Understanding globalisation is essential before diving deep into secure economic development. We can really understand globalisation if we understand its roots. Globalisation is the interaction by which the world, recently separated through physical and innovative distance, becomes progressively interconnected. It appeared by the expansion in communication between people groups all over the planet that includes sharing thoughts, societies, merchandise, administrations, and speculation.

The process of Globalisation is what makes the world more connected than it was previously due to geographical and technological distance. It can be seen in the rise in global engagement between peoples, including the exchange of ideas, cultures, goods, services, and investments.

*"Globalisation is what we in the Third World have referred to as colonisation for many centuries." Martn Khor*

*The process of integrating all individuals into a single global civilisation is known as "Globalisation ." - Elizabeth King and Martin Luther King (sociologists)*

To put it another way, Globalisation is the transfer of goods, technologies, information, and jobs across national and cultural boundaries. It refers to the interdependence of countries throughout the world facilitated by free trade in economic terms. Globalisation has grown dramatically during the last 60 years, although it has been happening for much longer.

Since industrialised nations are believed to need to lower wages to compete with those in the developing world, globalisation has brought with it a fear of job loss and income loss, which are frequently referred to as the "race to the bottom." Fears over the extinction of culture are another result of globalisation. Many nations are concerned that American culture will supplant their own. A good illustration is France. Others worry that the cultures of Western countries may replace their

own. Nevertheless, history demonstrates that globalisation has been associated with rising national incomes and expanding opportunities.

The idea of globalisation has been studied before. Ancient traders traveled great distances to purchase expensive and rare goods to sell in their home countries. Trade across borders was made easier in the 19th century thanks to improvements in transportation and communication brought about by the Industrial Revolution. Although globalisation is sometimes described as a modern phenomenon, it may also be examined historically by drawing on the historical record that spans several centuries.

Many academics concur that understanding the historical background of globalisation is nowadays even more essential given the growing body of research on the topic and the various interpretations that it has received. The majority of the literature offered explains how the foundation and growth of established global trade and commerce serve as the basis for the global economy.

The Silk Road is one the best example and the starting of the globalisation era. Nearly since the beginning of time, people have exchanged products. But a strange event started to happen in the first century BC. For the first time in history, high-end goods from China began to show up in Rome, on the opposite edge of the Eurasian continent. After being transported hundreds of miles down the Silk Road, they arrived there. Trade had begun to become a worldwide issue rather than a local or regional one.

This does not imply that globalisation has begun in earnest. Both silk and spices that were introduced to the intercontinental trade between Asia and Europe were mostly luxury items. The value of these exports was small relative to the size of the entire economy, and there were numerous middlemen in the supply chain. However, connections for international trade were made, and for those engaged, it was a gold mine. The multiple increased by dozens from the initial buying price to the final sales price. Due in large part to the dominance of two powerful empires along much of the route, the Silk Road could prosper. When the trade was halted, it was typically due to embargoes set up by local adversaries of Rome or China. The

fall of the empires was the primary factor in the Silk Road's eventual closure, which occurred after several centuries. And it was due to the development of a new governing empire, the Mongols.

The globe was jolted by the Age of Discovery. Columbus' "discovery" of America, which essentially brought an end to pre-Colombian civilisations, is the most iconic. The Magellan voyage, however, was the most important exploration since it paved the way for access to the Spice Islands by bypassing Italian and Arab middlemen. Even if trade once more remained modest when compared to overall GDP, it undoubtedly had an impact on people's lives. In addition to the introduction of potatoes, tomatoes, coffee, and chocolate to Europe, spice prices dropped significantly.

It might be challenging to make sense of the world without knowing globalisation because it is among the most significant influences influencing the modern world. As an indication, many of the biggest and most prosperous companies in the world are actually truly global enterprises, with locations and supply networks spread out all over the planet. If not for the interconnected system of trade routes, worldwide treaties, and telecommunications networks that globalisation made available, these businesses would not be able to survive. Globalisation also has a direct impact on significant political developments, such as the ongoing trade dispute between the United States and China, Pakistan and India, and many more.

The economy of a nation can benefit from Globalisation in numerous ways:

- Promotes economic and social development:

Globalisation boosts economic growth for all nations involved in the global economy by enhancing international trade in goods, technical advancements, and information. A country's overall well-being, or improved living standards, higher incomes, increased wealth, and, frequently less poverty, are all indicators of economic growth.

- Enables more affordable manufacture:

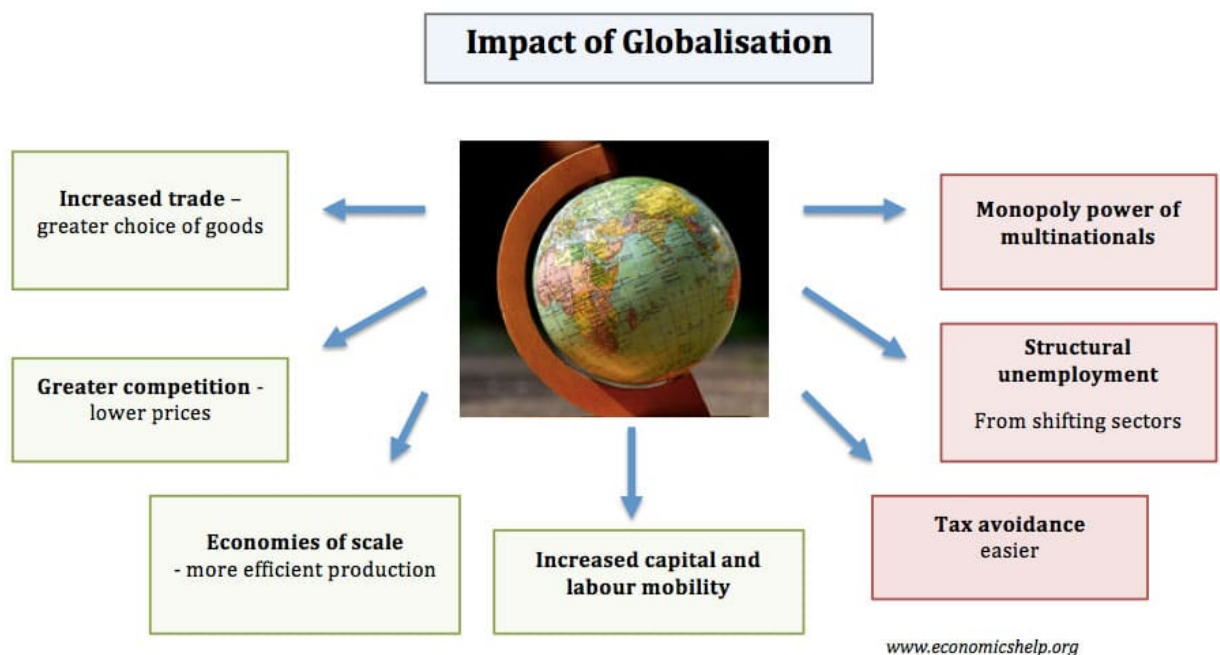
Because firms have greater access to consumers and production opportunities because, in a global market, more products are available at more affordable price points.

- Encourages collaboration:

They grow interdependent and frequently start to rely on each other to provide certain goods and services when different nations come together to trade and invest in a global financial market.

- Provides poorer nations with opportunities:

Due to globalisation, businesses can relocate their manufacturing from high-cost regions to less expensive ones abroad, which creates employment possibilities, access to information technology, and other economic benefits for nations with limited resources.



Picture 1.1. Impact of Globalisation <sup>1</sup>

Globalisation has a number of drawbacks in addition to its positive effects on countries. Globalisation has drawbacks, such as:

- Uneven economic expansion:

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<sup>1</sup> Tejvan Pettinger Costs and benefits of Globalisation // <https://www.economicshelp.org/blog/81/trade/costs-and-benefits-of-globalisation/>

Richer countries frequently gain more from globalisation than developing countries, even though it generally tends to enhance economic growth for many countries.

- Absence of local companies:

The policies promoting globalisation often favour businesses with the infrastructure and resources to operate their supply chains or distribution in numerous nations, which can exclude small local businesses. For instance, a neighbourhood hamburger stands in New York may find it difficult to compete with the prices of a multinational corporation that produces hamburgers like McDonald's, KFCs, Dominions, and many more.

- Possibility for worldwide recessions rises:

Because if one country's economy starts to struggle, this can start a chain reaction that can affect many other countries at once, triggering a global financial crisis, the probability of a global recession rises drastically as more and more countries' economic systems become interdependent. Examples like the war between Ukraine and Russia, which leads to an increase in fuel prices and wheat prices as they both are the top producer of wheat.

- Using less expensive labour markets:

Businesses can expand employment and economic prospects in emerging nations, where the cost of labor is frequently lower, thanks to globalisation. However, these nations' overall economic growth may be lethargic.

- Causes the loss of jobs:

Instead of creating more jobs, globalisation redistributes existing ones by shifting production from high-cost to low-cost nations. This means that as production shifts elsewhere, high-cost nations frequently experience job losses as a result of globalisation.

## 1.2 International Economic Security of the Countries in Global World

The concept of economic security can be used to describe how well people are capable of consistently meeting their demands. Its opposite, "economic insecurity," occurs when there aren't enough funds to pay for necessities like food, housing, medical care, and other necessities. One of the biggest examples is Sri Lanka.

Economic security, in its broadest sense, refers to a person's capacity to regularly meet their basic necessities. It is linked to the idea of economic growth as well as the modern welfare state, a body of government that claims to offer fundamental safeguards for the safety of its people. Economic security measures are intended to act as a safeguard against market fluctuations, as experts claim has grown more significant in the years following the collapse of the Soviet bloc and the rise of market capitalism. In view of the weakening labor bargaining leverage seen in post-industrial economies like the United States and the economic unpredictability brought on by COVID-19, it might even be more relevant now.

The list of necessities for economic security is influenced by cultural values, therefore both the parameters for what constitutes economic security and the methods for calculating it have evolved over time. Food consumption, food production, living conditions, income, and the ability of civil society organisations and the government to meet people's needs are five important livelihood outcomes that the International Committee of the Red Cross has highlighted as indicators of economic security.

Economic security, in fact, depends not only on measurable material or financial conditions but also on the impression of security. Depending on the level of analysis being used, there are many different ways to measure economic security, from the impact of foreign investments on a country's economy to the accessibility of health insurance for workers.

Economic security on a national level refers to a nation's capacity to pursue its economic development objectives, and it is frequently directly tied to national security. This covers a wide range of worries about the trade balance, the effects of

foreign investments on domestic markets, and public-private partnerships. National economic well-being, a concept closely linked to financial stability, has expanded to encompass elements like national happiness while usually being measured in terms of gross domestic product (GDP). Economic security is linked to the idea of a welfare system, which is a kind of government committed to providing basic safeguards for the welfare of its people to guard against market dangers brought on by old age, adversity, or unemployment.

The effects of economic instability on poverty are a significant factor because, at its most basic level, security affords the chance of long-term survival. The issue with this is that poverty is an ambiguous concept since it refers to both an absolute quality of life and a set of relative criteria for well-being. Both of these definitions of poverty have grown more widespread in recent years as a result of Globalisation, and in this sense, we can say that, at least for a large portion of the worldwide population, economic insecurity has grown.

There hasn't been much of a dent in the number of people living in absolute poverty, despite strong rates of growth in many parts of the world, also rich are getting richer, and the poor are getting poorer. Sub-Saharan Africa, South Asia, and Central Asia are three regions where the number of people who are truly impoverished has increased dramatically as their involvement in the global economy has risen. But not just the absolute level of poverty grown. The same is true of relative poverty. The rise of the 'twin-peaks' distributional pattern has been a persistent characteristic of the post-war era.

### 1.3 Globalization An Engine Economic Development

The average global income rose significantly throughout growing international trade, while the percentage of people living in extreme poverty steadily decreased. A popular indicator for assessing national average incomes is GDP per capita. According to this metric, average incomes increased in a manner that was comparable to that of global commerce. Because technological advancement in the

pre-industrial era created more people than prosperity, the global GDP per capita experienced little growth for thousands of years. But this significantly changed during the 19th century, concurrent with the first wave of globalisation. Except for slower growth rates in the years between the two world wars, the pace of global GDP per capita growth has been steady for the past two centuries during this time.

According to the information that is currently available, the vast majority of people in the world up until 1800 lived in extreme poverty, with just a privileged minority enjoying improved levels of living. As we made progress in the 19th century, the percentage of people living in extreme poverty began to gradually decline. As we can see, less than 10% of people are living in extreme poverty today, two hundred years later and this is an accomplishment that our forefathers could never have dreamed of. And only by education, this poverty can be reduced, there was an era when education was free or it was cheap and wasn't considered a business but now the time has changed, education is one of the most expensive and is only a business, mostly middle and upper class can afford it. The reality today era that we all see but we all act as blind. Whose fault is it? Yours? Ours?

When we take into account that over this time, the world's population expanded seven times, we are even more shocked by the dramatic rise in the occurrence of poverty. Such a rise in the population would have reduced consumption for everyone in a society without economic progress. However, if you switch to the "absolute" perspective that during a period of enormous population increase, we were able to lift ever-increasing numbers of people out of poverty. By any measure, it is challenging to survive on less than \$1.90 a day, the term "extreme poverty" is accurate. The percentage of individuals living below any given global poverty line, according to the latest estimates, has decreased.

Of course, this does not prove that trade and average salaries increased in the same manner during the period of unprecedented poverty reduction. However, it appears from both the facts and the theory that what we see is not just a coincidence. Efficiency improvements that result in overall economic growth are made possible through trade. From a theoretical perspective, global commerce fosters economic

progress by enabling countries to specialise in manufacturing things that they are reasonably efficient at producing while importing other goods. The evidence suggests that globalisation has helped to reduce poverty worldwide when regarded as a whole.

On the whole, it's accurate to say that globalisation benefits the poor. In some countries and historical eras, the poor occasionally outperformed the average, and other times they underperformed. To create a judgment about broad trends, considering the long-run average influence is particularly beneficial. These broad patterns, however, may not be very instructive on how trade has impacted the way incomes are distributed generally or regarding how trade has affected particular racial groups over certain periods.

The same economic concepts that advise us to give serious thought to efficiency benefits from trade also advise us to do the same for the distributional effects of trade. It is fair to expect that, if globalisation promotes growth by allowing countries to specialise in the production of goods that extensively exploit locally abundant resources, variances in the availability of resources will translate into disparities in how benefits are obtained. Globalisation and prosperity that resulted in historically significant reductions in poverty were accompanied by a marked rise in income inequalities worldwide. Within-country wealth inequality and income gaps between nations are the two factors that may contribute to global economic inequality. Global inequality rose between 1800 and 1975 as a result of the early industrialising nations' greater economic growth.

Only a small number of nations experienced economic progress in 1800, and the vast majority of people were still living in poverty. The global income distribution became significantly more unequal in the century that followed, with a noticeable difference between early-industrialised nations. Early industrialised nations have continued to grow during the ensuing decades and up to today, but the largest improvements have been observed near the bottom of the distribution. Global income disparity has decreased since 1975. Unfortunately, despite the recent "catch-up growth," our world is still much richer and more unequal than it was in 1800. The

advantages derived from international trade were significant and usually evenly distributed among nations over the past century, but there was a rise in global inequality since early-industrialised nations had greater benefits to share with their citizens for a longer length of time.

Given the substantial evidence of rising inequality in many countries, including those that have ardently embraced trade liberalisation, globalisation has not appreciably lowered inequality. The US is a significant example, where income inequality has increased over the last 40 years, with the poorest 10% of earners experiencing substantially slower growth than the top 10%.

More than an increase in global trade, factors including automation, technical advancements, and market frictions have contributed to the rise of inequality. There are certain categories of people who have not benefited greatly from globalisation in recent years, even though it may not have been the main factor in the rise in inequality in many wealthy nations. Even while they do not necessarily imply that "Globalisation is terrible for the poor," these effects on particular groups are real and must be taken into consideration. Workers whose incomes are negatively influenced by globalisation should be protected and compensated by public policy. In fact, wealthy nations' public policies have already done this to some extent in the past. Even while job losses are terrible for the affected workers, it is because of unemployment insurance and other safety that we do not witness widespread extreme poverty caused by unemployment in wealthy nations.

Globalisation has had a significant impact on social and cultural issues as well. The presence of specific purchasing habits and lifestyles around the world is where it is most visibly displayed. These include to name a few of the more recognisable ones like automobiles, television, videos, fashion and designer apparel, popular music, movies, television and video shows, dance, alcohol, beverages, and fast food. Youth and rich minorities are two segments of the population who are most affected by social and cultural changes. While many consumer products and services in developing the nation are only accessible to wealthy minorities, others, including

television shows, movies, and fast food, are accessible to much larger segments of the public in these nations.

Such social and cultural globalisation has had several effects. The trend towards social and cultural standardisation at the expense of richness and diversity is the most visible. Even if the local and national equivalents are not destroyed by the worldwide spread of particular consumer goods and services and leisure activities, they are significantly weakened. The impact of dominant social and cultural practices on indigenous social relationships, behaviour, and values is related to this. These can have an impact on relationships between men and women, as well as between members of different social groups and extended families. They may also have an impact on how people view those in positions of power, including those in governmental, educational, or religious organisations. Tensions in various aspects of society are unavoidable when old relationships, attitudes, and behavioural patterns are altered or disrupted. The local effects of international movies, videos, and television shows are one aspect of this issue that has received a lot of media attention. It is claimed that the use of violence, criminality, and drugs in many of these programs has caused these issues worse everywhere, especially in industrialised nations.

Widespread resistance and protest have been sparked by cultural and social globalisation. This has happened in both developed and underdeveloped nations and has taken many different forms. States have made a variety of efforts to reduce the exposure of their citizens to imported goods and programs to both lessen their claimed harmful impacts and to protect and advance their own national cultures, social customs, and values. Other significant organisations, including political parties, cultural associations, and religious organisations, have encouraged or supported their acts. Fundamentalist and nationalistic movements' uncompromising rejection is merely an extreme illustration of the general worry about foreign impacts on local societies and culture.

The development of groups connected by shared interests or lifestyles around the world is another significant effect of globalisation. Thus, middle classes in the

industrialised world can relate to wealthy minorities in developing nations. Internationally dispersed teenagers are united by a shared culture. These interconnected networks of international trade, manufacturing, finance, and investment are strengthened by these cultural and social ties. All of these offer areas of shared interest that transcend national boundaries, thereby thinning national ties. Large populations of people in poor countries, but also increasingly in rich countries, are excluded from these circuits of spending and leisure activities, which is a basic component of social and cultural globalisation. The constant media exposure to the illusions and seductions of "the good life" lived by the lucky few feeds the sense of resentment brought on by poverty. It should come as no surprise that this occasionally gives rise to criminal activities like crime, the trade in weapons, and the manufacture and sale of drugs, which are frequently linked to freebie schemes. Cultural and social effects of globalisation.

Wide-ranging socioeconomic effects have been linked to the processes of Globalisation . The fact that the present phase of rapid globalisation since the 1970s coincided with a time of slow growth in the majority of industrialised nations and stagnation and decline in many Latin American, African, Middle Eastern, and some Asian nations has often made these problems worse. The formerly centrally planned nations of Europe have also undergone a structural transformation in recent years. Globalisation has also been linked to a number of other developments, including technical advancement, liberalisation, and deregulation. As currently characterised, it is impossible to separate the economic consequences of globalisation from those of the key variables. The medium-and long-term effects could be considerably different from the acute and short-term effects. Despite these drawbacks, it is essential to stress that globalisation processes frequently have particular socioeconomic effects.

Focusing initially on the consequences on the economy, the implications of globalisation on productivity, growth, and distribution are among the most important concerns. There is little doubt that globalisation has enabled efficiency improvements in a variety of ways. When market imbalances are minimised, static

gains result. Wide-ranging reductions in restrictions on the movement of products, services, and industrial inputs have been linked to globalisation. Through advancements in management and technology, the increased competition brought forward by globalisation has also provided dynamic efficiency gains. Similar gains in efficiency have frequently occurred when private firms have taken over government enterprises. Efficiency improvements clearly have more value when they take place when resources are being used to their maximum potential than when they actually increase excess capacity and unemployment. Unfortunately, because globalisation coincided with economic crises and recession, efficiency gains brought about by better utilisation of resources appear to have worsened the issues of poverty, unemployment, and inequality in the majority of countries. It could be claimed that these improvements have paved the way for longer-term, more fast and efficient growth, but this needs to be seen.

There can be a tension between short- and variable concerns in terms of growth once more. Globalisation has had a recessionary effect in the short term. Due to increased both domestic and international competition, businesses are under constant pressure to cut costs while also increasing productivity, also by reducing staff and pay. Moreover, this has increased people's uncertainty about their employment prospects. Overall consumer demand has decreased as a result. In order to lower public spending and control inflation, governments have also forced to cut back on public spending. The ability of the majority of nations to undertake ambitions to stimulate economic growth and advance employment has effectively been weakened by the deep collaboration of factor and product markets. At the same time, there is no efficient system in place on a global scale to coordinate national macro-policies. The consequences of market shrinkage have been very strong. Any effort to reduce interest rates, boost government spending, or enhance bank lending results in a "extreme reaction" from the market in terms of capital flows, changes to exchange and interest rates, trustworthiness, etc. Countries have essentially become prisoners of the global markets as a result of the fact that markets effectively have a power over governments' macroeconomic policy.

The consequences in the long run are less certain. It can be said that more efficiency, more competition, and the development of a business-friendly climate are likely to promote investment, enterprise, and technical advancement, which will help to accelerate growth on a more sustainable basis. Certain nations may be able to advance quickly, as seems to be the case for many in Asia. However, it remains to be seen whether the new environment and global market forces can counter the deflationary tendencies outlined above and offer a boost for sustained growth of the world economy in the absence of effective mechanisms for coordinating policy at the global level. Distribution concerns the gains and disadvantages of globalisation. More specifically, it raises the crucial issue of who stands to gain and lose from the changes brought on by globalisation. Changes in the level of economic activity, government taxation and spending, trade and resource flow, and factor and product pricing are only a few factors that have an impact on how income is distributed. Therefore, it is very challenging to predict the direction, nor the intensity, of changes in income distribution caused by globalisation. The only thing that can be tried here is to identify the key Globalisation related trends that have an impact on income distribution.

Most Globalisation related trends are expected to worsen income gaps in the short term. In most nations, higher interest rates and lower salaries, especially for unskilled workers, can be predicted due to the increased influence of market forces in the labor and capital markets. Because government regulation of these markets was meant to regulate interest rates and guarantee minimum wages. Changes in taxes and public spendings, such as shifts toward indirect taxes, lower marginal rates of individual and corporate taxes, and cuts to subsidies, social security, and welfare spending, are likely to amplify the effect. The effects of the deflation on economic activity, which can be made worse by technology advancements that save labor, may further drive employment and income.

Most nations are likely to experience an equally positive impact from increased competitiveness both domestically and abroad. The pace and amount of resource movements are predicted to rise, as well as trade and production are

expected to become more globally distributed. Rising employment and earnings, and perhaps a decline in inequality, are likely to occur in nations that are effective in attracting foreign capital, technology, and investment, as well as in improving production expansion and exports. However, less competitive and unstable nations may see a loss of money, investment, talent, and entrepreneurship. They are likely to fall victim to a slow decline in output, employment, and salaries, growing inequality, and poverty.

In most nations, the working class is expected to suffer as a result of these changes. Three factors are putting pressure on employment and salaries in industrialised nations: growing domestic and international competition, advancing technology, and globalisation of business. If there were no controls on labor migration, the condition of the working class in industrialised nations would have been much worse. The growing domestic and foreign competition may also hurt the owners of many small and medium-sized businesses. Large firms, owners of mobile capital, as well as professionals in the technical, managerial, and professional fields, are expected to earn the greatest benefits from globalisation. In the medium to long term, there are so many dynamic factors at play that determining how globalisation affects income distribution becomes incredibly difficult. The impact of globalisation on the rate of expansion of the global economy and its component segments is a central issue. The distribution of benefits and expenses is strongly influenced by the growth pattern. The degree to which different markets, including those for products, services, capital, and labor, are truly integrated on a global scale will be important. The distributional effects of globalisation will depend heavily on the economic policies implemented at the national level.

## **CHAPTER 2. THREATS TO THE ECONOMIC SECURITY OF THE STATE IN A GLOBE WORLD**

### **2.1 Enhancing Economic Security**

The causes of human insecurity are numerous and complicated. It has always been a component of human nature in some way, and it will never completely disappear. However, it's unclear if complete security would be a unique advantage of affairs. But, throughout history, people have worked to make instability bearable. Unquestionably, compared to the early post-war decades, economic insecurity has gotten worse in the majority of the world's regions in recent years. This insecurity results from high rates of unemployment, unstable employment, increasing poverty, and decreasing support from the government.

Simply going back to the conditions and policies of the past won't increase economic security and globalisation's effects can't be reversed. The world we live in has significantly changed due to technology alone. Therefore, it makes no sense to stop relying on private enterprise and free markets as the main engines of economic development. The key challenge for analysts, reformers, and leaders is to create institutions and policies that will enhance security in the new environment brought about by rapid globalisation and technological innovation. This is a difficult undertaking, and there hasn't been much progress achieved in this area so far, either in terms of thought. This section is limited to outlining the general aspects of institutional and policy transformation for improved human security.

Human security issues differ in industrialised, transitional, and emerging nations, and consequently. One example is the recommendation of faster growth rates to combat poverty and unemployment. In the first three decades of the post-war era, the majority of industrialised nations were able to reach close to full employment thanks in large part to historically exceptional rates of economic expansion. The idea that this event can be repeated in the future is unreal. The growth rates of the previous two decades, which are more consistent with historical records,

are more likely to be successful in the future. Anyhow, due to both environmental concerns and the nature of technology innovation, serious doubts are raised as to whether higher growth is the best strategy to address the unemployment issues in wealthy nations. Policy changes to the labor market, as well as to the educational and training systems, may serve to increase employment opportunities. However, significant progress towards full employment would necessitate more creative policy and institutional changes in areas like technological advancement, novel fusions of work, learning, and leisure, work sharing, and creative financing schemes for socially and economically beneficial activities.

Rapid economic growth is essential for the creation of jobs and the reduction of poverty in the majority of developing and transitional nations. In the past, the economic conditions in industrialised countries had a significant impact on the growth rate in developing nations. This dependent connection may become more intense with further global economic integration. However, this connection appears to have weakened, if not completely broken, for many nations. Even during periods of recession or weak growth in wealthy countries, they were able to achieve high growth rates. Asia is a region where this is particularly true. The possibility of poor countries achieving high growth rates irrespective of the performance of the economies of affluent countries could arise if comparable patterns are observed in other developing regions. Ironically, the world might be heading in a direction where expansion in formerly underdeveloped nations becomes more and more dependent on growth in industrialised nations.

Some emerging nations can attain high growth rates by expanding their market share in prosperous countries, even during times of recession or poor development, as a result of their growing integration and competitiveness. For this to be achievable, it is critical that emerging nations be in a position to produce a variety of consumer or capital goods that find substantial customers in the industrialised countries at competitive prices. By establishing stronger economic and political ties with these emerging hubs of activity, other developing nations can

benefit from them. Globalization may therefore help with the challenging goal of boosting trade and economic cooperation among rising nations.

Unemployment and poverty cannot be significantly reduced by rapid growth alone. The growth pattern must be time-consuming to assure widespread distribution of the advantages of economic expansion. As a result, the macroeconomic, trade, technological, asset distribution, and human investment policies need to be appropriate. Numerous nations in South East Asia and elsewhere have been successful in merging rapid labor absorption with high rates of economic growth. There are however numerous instances of nations where rapid growth only partially helped poverty and unemployment. This was principally caused by a distribution of assets that were very unequal, notably land, and by a focus on capital-intensive technology.

Thus, pursuing economic policies that successfully produce a rate and pattern of growth that lowers poverty and unemployment to tolerable levels represents the first line of defence. If this is accomplished, there will be less demand for social support programs. Many nations have come very close to achieving these goals. Japan, Switzerland, and Austria are among the developed nations, whereas Hong Kong, Singapore, South Korea, and Taiwan Province of China are among the developing nations. Recently, additional nations like Chile, Malaysia, and Mauritius have joined them. To prevent or reduce secondary social issues that can be incredibly costly in terms of human misery and financial expenditures, social assistance programs will need to be implemented if economic policies continue to produce significant unemployment and poverty. The European nations, the Netherlands, Germany, and France have recently undertaken substantial social support systems for the underprivileged, the unemployed, and other vulnerable groups. A wide range of nations, including the Middle Eastern oil producers, Costa Rica, Chile, Cuba, Sri Lanka, and China, offer examples of social support programs with wide networks in emerging nations.

Programs for social security and welfare are under pressure practically everywhere. Stabilisation and structural adjustment programs aim to reduce social

spending in developing nations. The old systems of comprehensive social security have been abandoned in the former centrally planned economies and replaced with selected programs of varying degrees of success. The scope and magnitude of benefits are being reduced in industrialised nations. This outcome was influenced by several things. High levels of debt, issues with the balance of payments, budget deficits, reluctance to tax hikes, and demographic shifts are a few of these. Increased international competitiveness, diminished state autonomy to pursue independent fiscal and monetary policies, and market discipline were all factors linked to faster globalisation that are also significant contributors to the welfare state's issues.

In the age of market liberalisation, providing social support for the underprivileged, the unemployed, and other vulnerable populations involves significant queries. One of the problems is figuring out what basic demands the government should be in charge of the meeting. The interaction between the means of financing social support programs and their consequences on incentives to save, invest, and work is another crucial issue. It would seem ideal that social support programs, if possible, should promote socially and economically beneficial employment and make it easier for participants to acquire the skills and capacities that will increase their potential to contribute to the economy and society.

A significant issue relates to institutional and agency accountability in the area of social and economic policies. The duties and responsibilities of institutions at all levels need to be reconsidered in light of the market liberalisation and globalisation that have occurred over the past 20 years. There are two sides to this problem. The first is the distinction between public, private, and nonprofit organisations, the second is the scale at which they function local, national, regional, and international. One could argue that the state tended to take on an excessive amount of authority and responsibility in the years following the war. As a result, other governmental and private agencies frequently perform inefficiently and are unable to pursue their objectives. Therefore, it is likely that the best solution would require a more equal system of duty across several institutions. Non-governmental organisations and lower-tier public entities may easily take up some of the responsibilities and

functions currently carried out by the state. Decentralisation and participation would be promoted as a result. The other trend is probably in favor of institutions at the regional and global levels taking on more responsibilities. The amount of effective regulation of many social, economic, and political activities has risen outside national boundaries due to the constantly growing interdependence of these activities.

Accountability is a problem that affects institutions of all shapes and sizes. Institutional accountability is thus a crucial problem as responsibility for various tasks is divided among them. Accountability and the ideas of democracy and participation go hand in hand. The means and processes for guaranteeing public accountability of institutions, both corporate and public, at various levels, are thus a crucial component of the dilemma. Priority must be given in any global social policy to address the basic requirements of the global population. This covers necessities including food, clothes, shelter, literacy, early education, and healthcare. Priority must be given to addressing these demands in the allocation of resources at the international and national levels.

An increase in human insecurity has been one of the key effects of increased globalisation and the changes linked with it. This seems to have happened in a wide range of nations with different socioeconomic systems and degrees of development. Changes in the areas of the economy, society, politics, and culture can be linked to this insecurity. Any dynamic system causes human unease, but when changes happen suddenly, the whole effect can be rather terrifying. The effect is exacerbated when the institutions and systems put in place to cushion insecurity, then start to fall apart as a result of the same pressures.

People's feelings of insecurity are becoming out of hand as a result of rising economic uncertainty. Increased rivalry, globalisation of production, modifications to production processes, spikes in speculative financial activity, and the speed of technological advancement are the main contributing factors. Extraordinary stresses on the security of one's means of survival have been created by these dynamic elements, which exhibit themselves differently for various populations in various

nations. An escalation of the unemployment issue is a key component of economic insecurity in the majority of countries. The majority of the nations in Africa, the Middle East, and Latin America have this trait, as do many OECD (Organisation for Economic Co-operation and Development) nations, former centrally planned nations in Europe, and many other nations. Even those who are employed have seen a decline in their working conditions, as indicated by a loss of job stability, an increase in part-time and casual labor, increased employer pressure, and the requirement for ongoing adaptation to quickly changing circumstances. These pressures are increasingly felt by staff members in higher grades, such as technical, professional, and managerial groups, and less trained individuals. The stress and uncertainty brought on by increased competition and innovation can affect business owners. These factors have also influenced low-skilled job wage pressure. These have often decreased, remained the same, or increased more slowly than the incomes of those with more incredible abilities, expanding income disparities.

These sources of economic instability have been made worse by changes in state policies relating to social security and progressive taxation. Most states have reduced subsidies for goods of mass consumption, raised fees for social services, and decreased the quantity and scope of benefits under social security and welfare programs as a result of changing ideas and the mentioned circumstances. As a result, the majority of citizens are suffering from negative effects on their pensions, health insurance, and unemployment benefits. Family and community institutions are less effective at absorbing the effects of unfavourable economic developments because they are also experiencing significant changes as a result of globalisation and the changes it has brought about. Some new and existing institutions, such as religious organisations and local organisations, are making an effort to fill the gap, but their results have been, at best, modest.

Other spheres of human action also contain sources of insecurity. The tight relationships that once existed between political parties and their supporters have weakened recently in the political sphere. The established parties are not trusted by workers, the jobless, or other low-income groups to protect their interests. It's hardly

unexpected that people are becoming less interested in politics and more frustrated with it. In the social sphere, a feeling of personal insecurity is made worse by the breakdown of family and community structures. A significant new cause of fear for many is the alteration of long-standing relationships between generations, genders, and peer groups. Culture-related disputes and uncertainties are exacerbated by the tension between traditional values and those promoted by the media and consumer society. The increased social and individual insecurity brought on by these various causes has been linked to several negative outcomes. A rise in mental tension is the direct result for both the individual and the family. This shows up as a variety of mental and physical illnesses, such as depression, loneliness, suicidal thoughts, high blood pressure, strokes, and heart attacks. Rarely do decision-makers take into account the enormous societal, financial, and personal expenses arising as a result of these effects of insecurity.

People often look to institutions like the state, work organisations, communities, and families for support when they are dealing with the illness brought on by insecurity. Ethnic and religious organisations are increasingly filling the space so created. Such organisations provide for the material requirements, cultural identity, and stable ideals of their people through times of intense fear. Unfortunately, these organisations frequently promote radical ideologies marked by intolerance, exclusion, hatred, and violence. Entrepreneurs from different ethnic and religions, each with their level of authority and ideological goal, can thrive in an environment of economic misery and cultural instability.

In search of a stable source of income, people choose many different paths. Globalisation processes open up new and expanded opportunities, not all of which are lawful and beneficial. A growing number of people use illegal and hidden methods to make enormous fortunes or to supplement their low incomes. This expanding group of activities spans a variety of geographic scales, from the global to the local, and from thousands of teams to single-person enterprises. A complex network of small and medium manufacturing enterprises, traders, banking

institutions, retailers, and consumers are involved in the arms and illegal drug markets, which generate billions of dollars in revenue.

## 2.2 Inflation Relation with Globalization and its Effects on Economic Security (Case of Sri Lanka)

A rise in prices that lowers a country's purchasing power is referred to as inflation. As long as the annual percentage stays low, inflation is a natural economic development, once the percentage exceeds a set threshold, it is referred to as an inflation crisis. Before economic disputes regarding the connection between the money supply and price levels, the term "inflation" referred to increases in the money supply. However, it is now mostly used to refer to price inflation. Another way to think of inflation is as a drop in the real worth of money and a loss of purchasing power in the monetary unit of account that serves as the medium of exchange. Each unit of cash may purchase fewer products and services when the general price level increases.

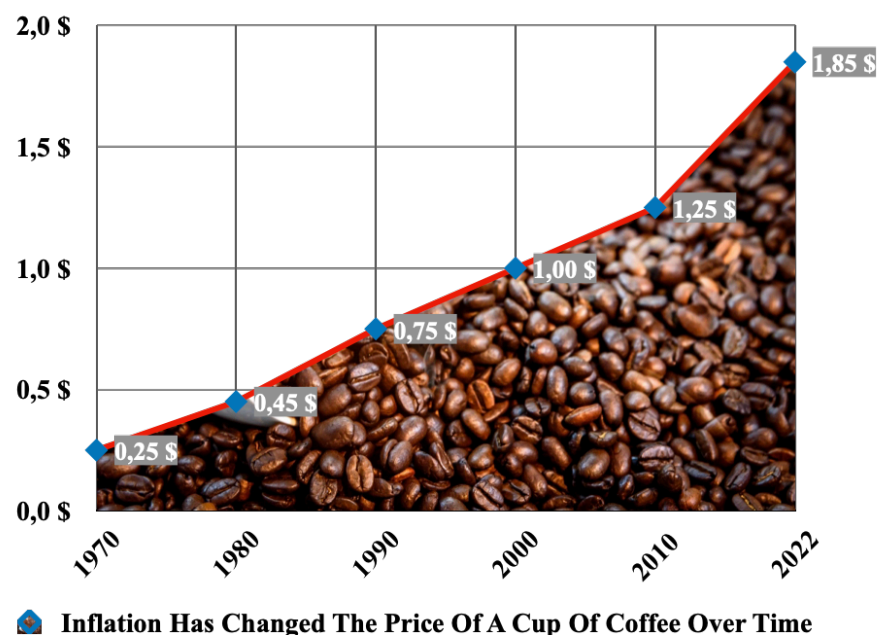
The general inflation rate, which is the percentage change in a general price index, typically the Consumer Price Index, over time, is one of the main indicators of general price-level inflation.

$$\text{Percent Inflation Rate} = \left( \frac{\text{Final CPI Index Value}}{\text{Initial CPI Value}} \right) * 100$$

$$\left( \text{CPI Index Value} = \left( \frac{\text{Value Of Market Basket In The Given Year}}{\text{Value Of Market Basket In The Base Year}} \right) * 100 \right)$$

The economy can be negatively impacted by inflation. For instance, doubts about future inflation may make it difficult to save money or invest it. If customers start warehousing items out of fear that prices will go up in the future due to high

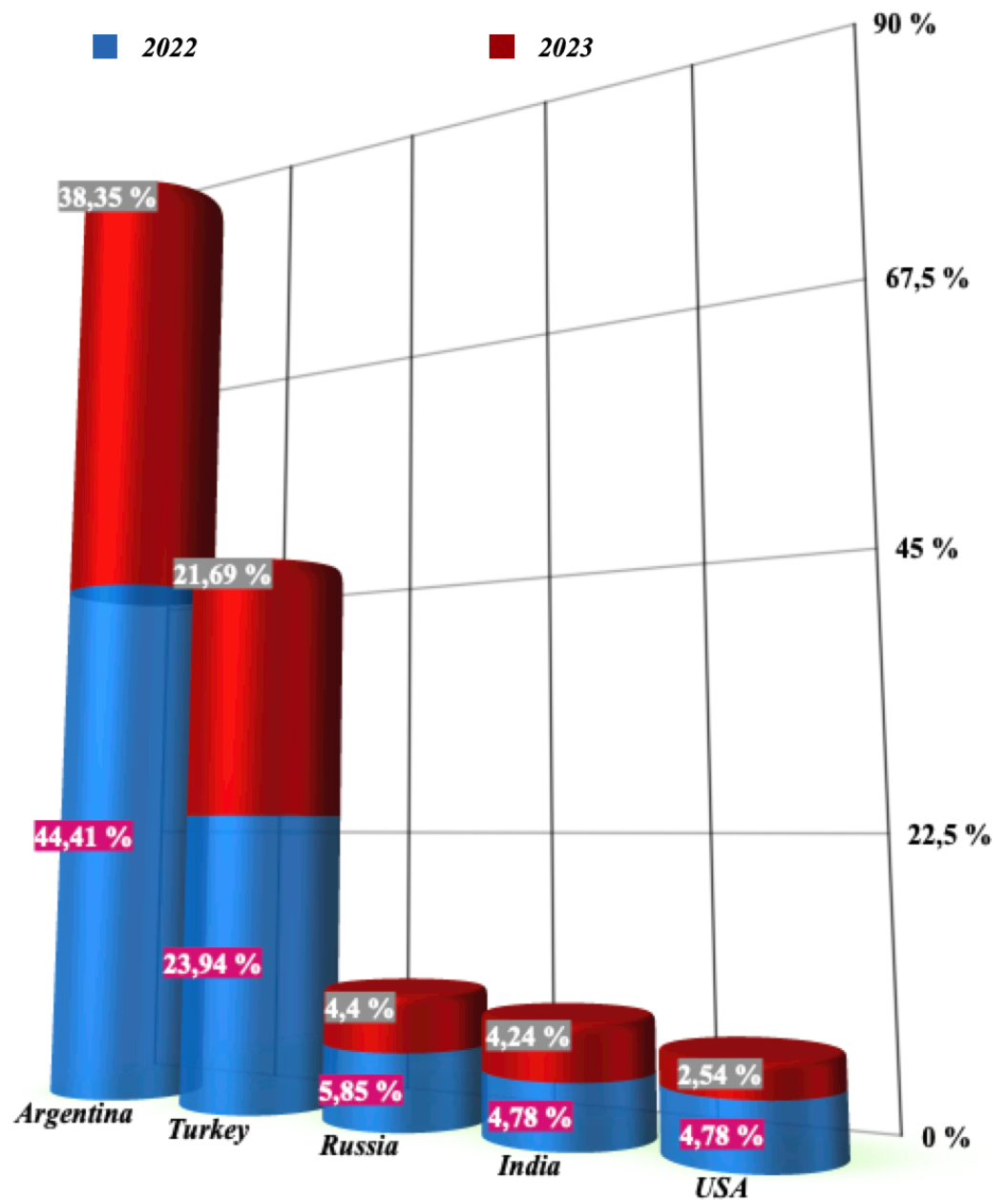
inflation, there may be shortages of such items. Low inflation may minimise the severity of economic recessions by allowing the labor market to respond more rapidly during a downturn and lowering the possibility that a debt crisis prevents monetary policy from stabilising the economy. Maintaining a low and stable inflation rate is typically delegated to monetary authorities. These monetary authorities are typically the central banks that set interest rates, conduct open market transactions, and establish banking reserve requirements to regulate the amount of money in circulation.



Graph 2.1. Inflation Has Changed The Price Of A Cup Of Coffee Over Time

The above graph 2.1 concludes that many businesses are currently struggling while inflation remains stable. Some are exerting every effort to absorb the increased operating costs and maintain their price points. But for the time being, at least, some businesses have been able to do so without facing any resistance when passing on additional expenses to their customers. A good illustration of this problem is the coffee industry. Although the commodity benefits from persistent high demand, it is nonetheless vulnerable to the effects of changing consumer preferences and the feared post-pandemic supply chain problems. Simply see the price hikes overseas. Recently, news that coffee prices increased over 17% in the European Union

grabbed headlines as consumers and company owners throughout the world deal with rising costs. In this sector, staying ahead of consumer expectations while maintaining production flexibility might be crucial.



**Global inflation rate from 2022 to 2023**

Graph 2.2. Global inflation rate from 2022 to 2023

The graph 2.2 expresses that how the inflation spreader to even fully developed countries and if we look at Argentina, inflation has done a huge damage on it economy that has directly affect the growing poverty, jobs and many more factors. Argentina's inflation rate has historically been substantially higher. The yearly rate was an astounding 300% for the 15 years between 1975 and 1990, which meant that, on average, the price level doubled every few months. Prior to inflation being eventually brought under control in 1989, prices grew at an astounding yearly rate of more than 1,000%. Also many other countries might face same issues in future. According to analysts, the COVID-19 epidemic, the conflict in Ukraine, and Turkish President Recep Tayyip Erdogan's conviction that high-interest rates encourage inflation and raise prices are all contributing factors to the country's high inflation rates. And if we look at India and USA both fall in the category of infection because of huge COVID-19 crises as there were many cause and casualties in both the countries, which affect its trade, and made the economical imbalance in all its sectors.

Following are 6 main reason for the increase in inflation that can easily affect the any countries economy:

1. Demand-Pull Inflation:

Strong customer demand for a good or service can lead to demand-pull inflation. Prices of a variety of goods typically rise when demand for them surges across an economy. Long-term demand can ripple through the economy and drive up prices for other items, leading to demand-pull inflation, even if this is rarely a worry for short-term supply and demand imbalances. When unemployment is low and salaries are rising, consumer confidence is frequently high, which encourages increased spending. An economy's level of consumer spending is directly impacted by economic expansion, and this might result in high demand for goods and services. The amount of a certain commodity or service that is available decreases as demand rises.

According to the economic concept of supply and demand, people are prepared to pay more for an item when there are fewer of them available. As a result, demand-pull inflation raises prices. Businesses contribute to inflation as well, particularly if they produce well-known goods. Simply because customers are willing to pay the higher price, a business can raise pricing. Companies may also freely raise prices when the good being sold is one that consumers must have daily, like energy and gas. Consumer demand, on the other hand, is what gives businesses the power to increase prices.

## 2. Cost-Push Inflation:

Strong customer demand for a good or service can lead to demand-pull inflation. Prices of those goods typically rise when there is a surge in demand for a variety of them across an economy. Long-term demand can ripple through the economy and drive up prices for other items, leading to demand-pull inflation, even if this is rarely a worry for short-term supply and demand imbalances. When unemployment is low and salaries are increasing, there is typically a high level of consumer confidence, which encourages spending. An economy's level of consumer spending is directly impacted by economic expansion, and this might result in high demand for goods and services.

Price increases as a result of rising production costs, such as raw material and labor expenses, are referred to as cost-push inflation. Because production costs are greater, there is a drop in supply while the demand for commodities remains constant. Because of this, buyers pay more for the finished items, passing along the increased production expenses. Rising commodity prices, such as those for metals and oil, which are important manufacturing inputs, are one indicator of potential cost-push inflation. A company that uses copper, for instance, might raise the cost of its products if copper prices rise. Customers will be charged more for raw materials if there is a demand for the product that is separate from the demand for copper. Customer prices increase as a result, despite no change in consumer demand for the consumed goods.

Wages, which are often the single largest expense for enterprises, have an impact on the cost of manufacturing as well. In times of strong economic growth and low unemployment, labor or worker shortages can happen. In response, businesses raise salaries to entice suitable candidates, which drives up the company's production costs. Cost-plus inflation happens when a business increases prices as a result of rising employee wages. Natural catastrophes can also raise prices. For instance, as maize is utilised in many items, prices may increase throughout the economy if a cyclone destroys a crop like corn.

### **3. Built-in Inflation and Rising Wages:**

When enough people anticipate future inflation, built-in inflation occurs. People may begin to believe that prices will continue to rise at the same rate in the future as they do so now. Workers may begin to demand more pay as a result of these common expectations to prepare for rising prices and maintain their standard of living. Businesses would incur higher expenses as a result of higher wages, which they might then pass along to customers. In addition to raising consumer disposable income, higher earnings can boost demand for goods, which can lead to higher prices. As a result, a wage-price spiral might be created as one aspect feeds into another and vice versa.

### **4. The Housing Market**

One area that has experienced ups and downs over time is the property market. Prices for homes will rise if there is a demand for them as a result of the economy's expansion. The demand affects the supply of auxiliary goods and services that aid the housing sector. Because there is more demand for buildings, there may be an increase in demand for building materials like steel and lumber as well as for the nails and rivets used in dwellings.

### **5. Expansionary Fiscal and Monetary Policy**

The quantity of discretionary income for both enterprises and individuals might rise as a result of government fiscal expansion. Businesses can use the money saved on taxes to invest in new projects, pay employees more, or hire more people. Additionally, consumers might buy more products. Increasing investment in

infrastructure projects is another way the government may boost the economy. The outcome could be a rise in the demand for goods and services, which would raise prices. Both lax monetary policy and an expansionary fiscal strategy can fuel inflation. Central banks' expansionary monetary policies can bring down interest rates. Banks can lend money to individuals and businesses at cheaper costs when they work with central banks like the Federal Reserve. Money becomes more widely available across the economy, increasing expenditure and the need for products and services.

#### 6. Monetary Devaluation:

According to monetarists, inflation results from too much money chasing too few goods. In other words, there is now too much money available. This theory holds that the value of money is governed by the law of supply and demand, just like the value of any other item on the market. Value declines as the supply expands. When money's value declines, it loses some of its purchasing power, increasing the relative cost of goods.

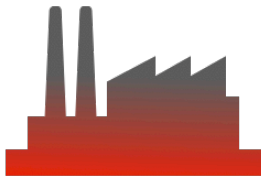
The equation of exchange, which states that the money supply multiplied by the velocity of money, equals the nominal expenditures in the economy, can be used to summarise the quantity theory of money (QTM). As a result, P (prices) can rise as the money supply and/or velocity of money both increase (given a constant quantity of goods in the economy).

## Causes Of Inflation:



### Overprinting of currency

- Inflation can occur when governments issue too much money to deal with a crisis but lack the means to back it up.
- Governments are only permitted to produce as much money as their country has in gold reserves.
- To keep up with the currency surplus, prices end up increasing at a very rapid rate, in which a great demand causes prices to be pressured up.



### High Cost of Production

- An increase in production expenses, which raises the price of the finished good, is another frequent driver of inflation.
- If the price of raw materials rises, the cost of production rises as well, which forces the company to raise prices in order to maintain consistent profits.
- Inflation can also be brought on by rising labour costs.



### National debt and foreign lending

- International lending and national borrowing can also be contributors to inflation.
- As nations borrow money, they must pay interest, which ultimately drives up prices as a way of paying off their loans.
- Examples like Sri Lanka borrowing billions of dollars from china to help their economy.



### Federal taxes

- Federal tariffs imposed on consumer goods like cigarettes and fuel may be the cause of inflation.
- When taxes go up, businesses frequently pass the cost on to the customer; however, once prices go up, they rarely come back down, even if taxes are later lowered.
- These taxes are imposed on manufacturers, who have the option to pass the cost of the tax onto buyers based on the price elasticity of demand and supply for their goods.

From the above data, we can conclude that inflation is a huge part of an economic downturn and the country should be present globally. A government shouldn't be just North Korea which is away from globalisation ear and is reserved

inside only. On the other hand, Sri Lanka was primarily dependent on other countries and tourism which led to its downfall. Counters policies play a very important role in developing the country and its citizen's life. Also, it is very crucial that a country is self-dependent and is exporting goods or services to countries more and not relying more on imports as they always have and will be expensive. Best example: recently Indian Airforce made an attack helicopter name PRACHAND, which had 45% indigenous content and 15 attack helicopters which cost cheaper, on the other hand, if India imported the helicopter then it would have been twice expensive. To raise exports while decreasing imports.

As a result of inflation, businesses will try to raise prices as much as possible to stay profitable and offset rising costs. Price limits are one strategy to combat this profit-push inflation. Here is where price rises are constrained by the government. The government can raise taxes (such as income tax and VAT) and reduce spending to lower inflation. This serves to lower demand in the market and improves the government's budget condition. Governments have few options for preventing inflation. Despite having the ability to set a price cap, they don't have a good track record of broad pricing rules. Today, stricter monetary policy is the best approach to manage inflation, but soft landings are challenging to achieve.

## **CASE STUDY OF SRI LANKA**

Sri Lanka is an island nation in South Asia that is formally known as the Democratic Socialist Republic of Sri Lanka. It is situated in the Indian Ocean to the southeast of the Arabian Sea and southwest of the Bay of Bengal. Nearly as many people live in Sri Lanka as there are in Texas, with a population of around 20 million. A diverse economy based on agriculture, mining, fishing, manufacturing, and tourism supports the island's wealth of natural resources. Sri Lanka is also well-known for its abundant biodiversity, significant exports of tea and cinnamon, and breathtaking natural beauty. It is often referred to as the Pearl of the Indian Ocean and is home to many different cultural and religious traditions.

Anger over Sri Lankan President Gotabaya Rajapaksa's handling of the island nation's over 20 million residents' worsening economic crisis erupted, as hundreds

of protestors engaged in several hours of scuffles with police. Rajapaksa's administration has been unable to buy fuel and other essential imports due to a severe scarcity of foreign cash, which has led to devastating power outages that can last up to 13 hours. The country sharply weakened its currency last month in preparation for talks with the International Monetary Fund (IMF) for a loan program, and as a result, ordinary Sri Lankans are now suffering from shortages and spiking inflation.

- Cause Of Crisis

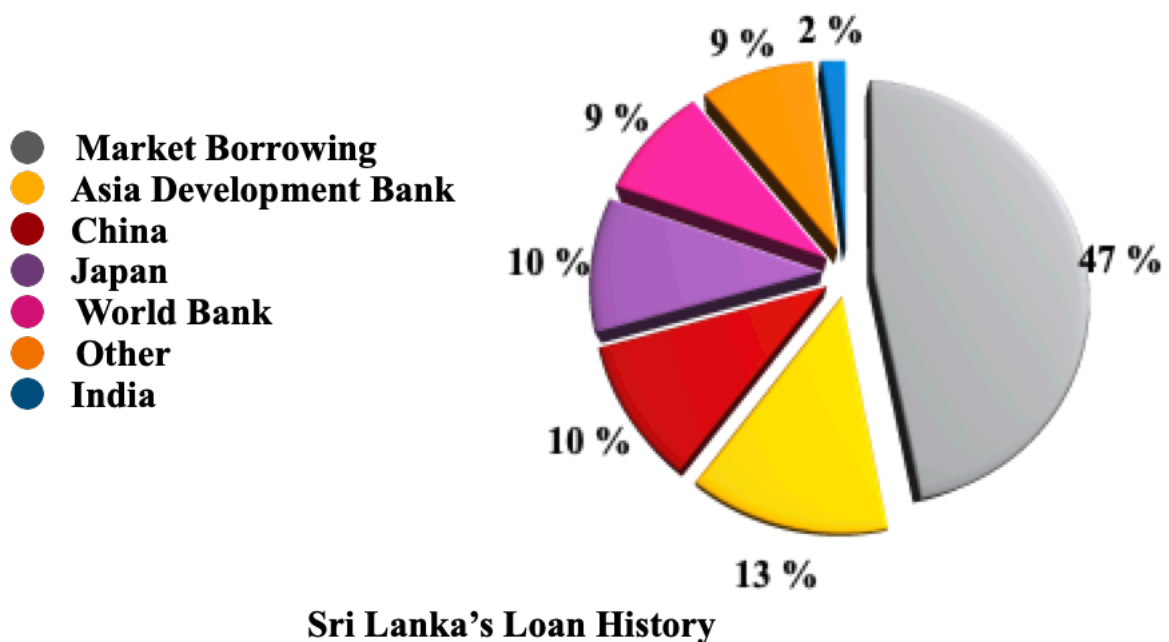
Due to poor economic management, corruption, and an agricultural catastrophe, Sri Lanka is currently experiencing an epic crisis. To begin with, several policy errors, such as enacting tax cuts, severely hurt government revenue. This was a component of a populist platform that was used to win the 2019 presidential election and the parliamentary elections that followed in 2020. To satisfy its many needs, including those for petroleum, food, paper, sugar, lentils, medications, and transportation equipment, Sri Lanka is significantly dependent on imports. The lack of foreign currency signifies that the nation lacks the resources to purchase these goods. A serious food shortage coexists with the economic crisis. Because of the currency decline, food prices increased. On August 31, 2022, the government was compelled to declare an economic emergency. Following a string of local protests, the army was called in to assist in better managing food shortages.

The Sri Lankan government's decision to ban all chemical fertilisers starting in 2021, a decision that was later overturned also hurt the nation's agricultural industry and caused a decline in the crucial rice crop. The war had reduced their arrivals; a large share of tourists to Sri Lanka come from Russia and Ukraine. These two countries are the two countries from which Sri Lanka exports tea, and it also imports practically all of its wheat and sunflower oil. Oil prices have increased as a result of the war, worsening the currency problem.

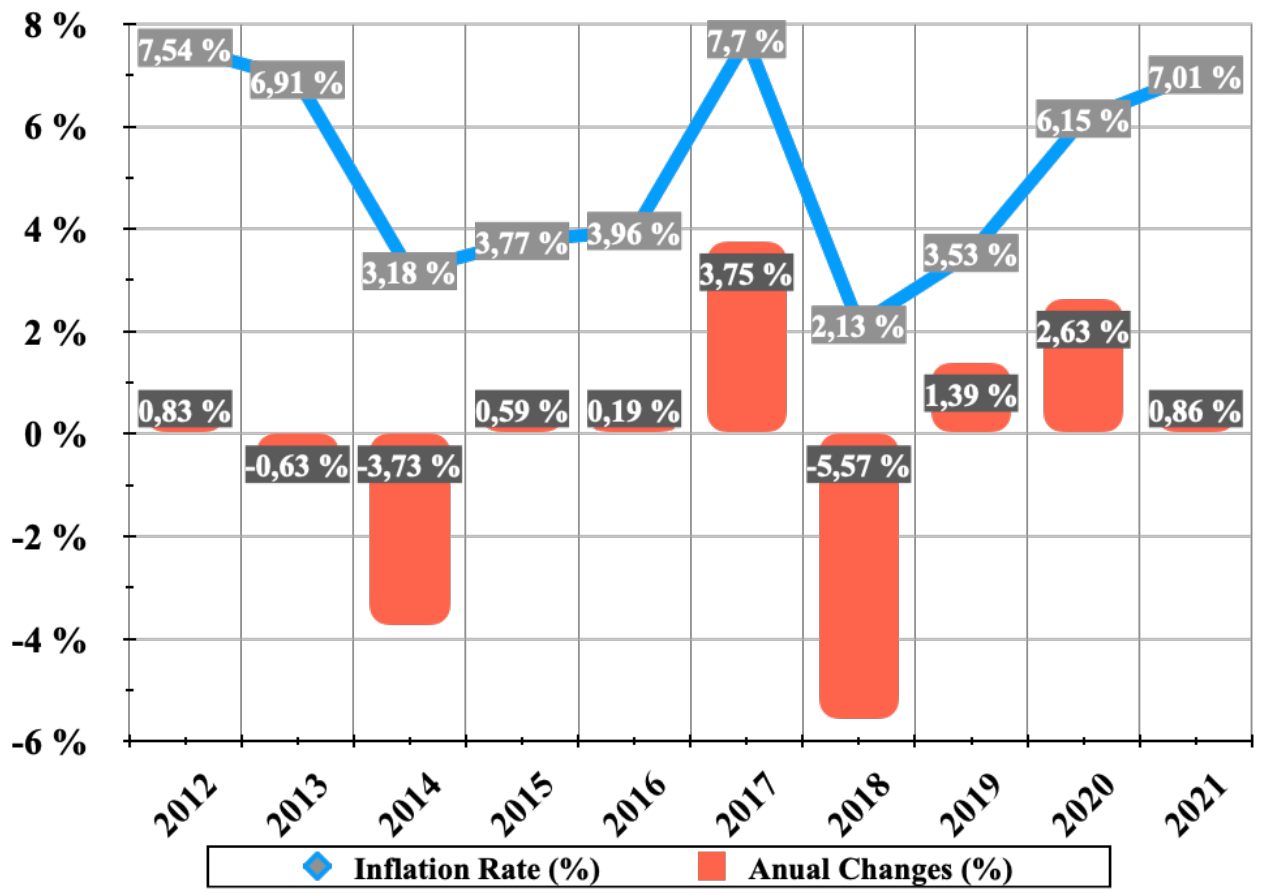
Due to the foreign exchange crisis, the nation is experiencing acute fuel shortages, which cause regular power outages and a lack of basic supplies including food, medication, cement, and other necessities. In several areas of Sri Lanka, there are long lines outside grocery stores, pharmacies, and petrol stations, which indicates

a shortage of basic supplies. Due to a scarcity of foreign currency in the nation, importers are having trouble getting Letters of Credit from the banks. Since payments have not been made, several of the containers are therefore left at the Colombo port for several days.

The country is experiencing a power crisis as a result of the need to keep numerous power facilities closed due to fuel shortages. Some power facilities utilise hydro energy, essentially using irrigation water for this purpose. Water deficit is predicted as a result of low rainfall and increased reservoir use for power plants, which experts say could negatively impact agricultural production and perhaps cause a food crisis. The international rating agencies' downgrade of Sri Lanka's sovereign ratings is another consequence of the loss of foreign reserves. Due to Sri Lanka being classified as having a "high risk" of collapsing on its financial obligations, it has affected investors' confidence to invest there.



Graph 2.3. Sri Lanka's Loan History



**Sri Lanka Inflation Rate 2012~2021**

Graph 2.4. Sri Lanka Inflation Rate 2012~2021

The Covid-19 Pandemic, which halted the travel sector. It represented ten percent of Sri Lanka's GDP.

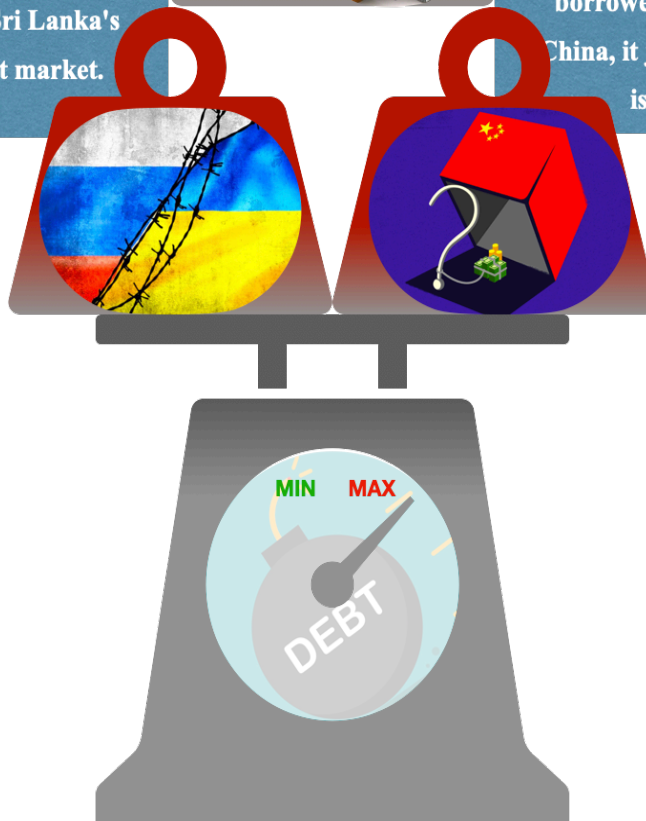
As a result, the foreign exchange reserve decreased (going from \$7.5 billion in 2019 to \$2.8 billion in July 2021).

The ongoing Russo-Ukrainian Conflict is another element that is having an impact on Sri Lanka's already vulnerable economic situation.

When it comes to tea exports, Russia is also Sri Lanka's second-largest market.



The Hambantota port was another waste of time and money undertaken by the current administration to ease its fiscal problems. Instead, since Sri Lanka had already borrowed \$1 billion from China, it just made the debt issue worse.



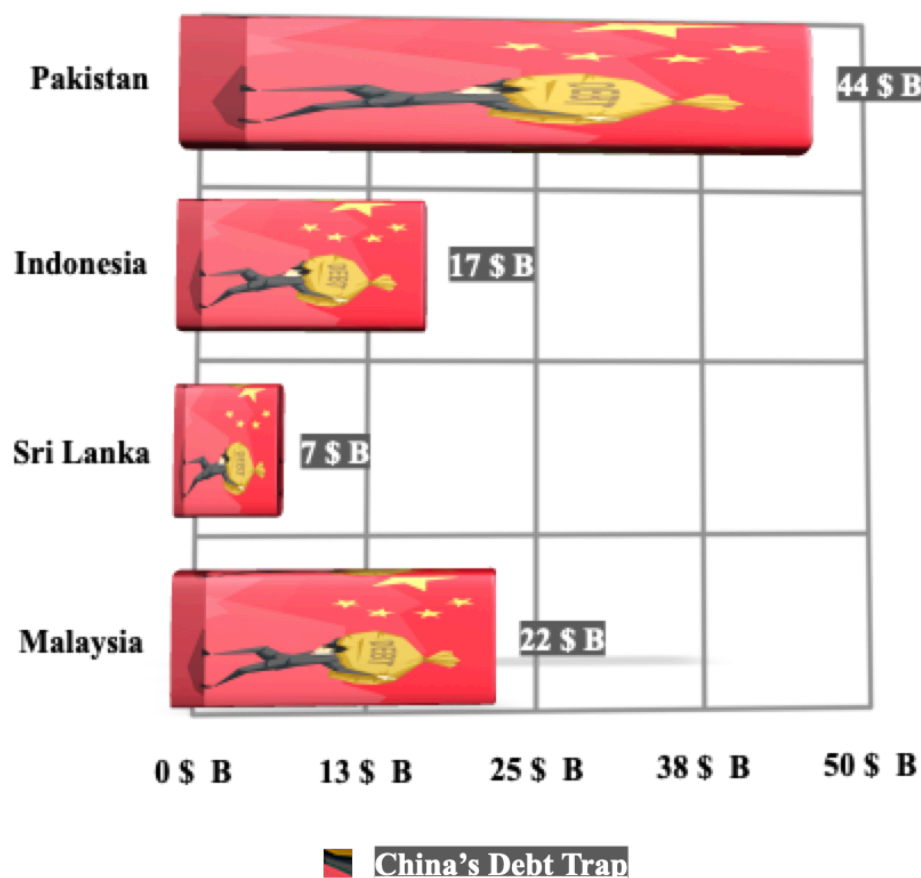
**Main Causes Of Sri Lanka's Economy Downfall**

Graph 2.5. Main Causes Of Sri Lanka's Economy Downfall

China provides about 10% of Sri Lanka's total foreign debt in the form of soft loans, however, Sri Lanka has also obtained commercial loans from Chinese state banks. Sri Lanka was forced to give up ownership of the southern region's Hambantota port to China for 99 years as part of the loan repayment process as a result of its failing financial status. Given the horrible state of Sri Lanka's economy, the port's construction was viewed as an unnecessary investment and was funded by

Chinese capital. To cover losses and lighten the financial load on its impoverished treasury, Sri Lanka had also considered licensing other infrastructure projects to nations aside from China at various stages. The nation has been cited as a leading illustration of the Chinese "debt trap" theory, in which China forcefully pressures emerging nations to finance major infrastructure projects using Chinese loans.

The infrastructure projects must be turned over to Chinese authorities if these countries are unable to repay their loans even though China has played a significant role in financing infrastructure projects in nations including Sri Lanka, Kenya, Djibouti, Laos, Zambia, Malaysia, and Kyrgyzstan, the idea of "debt trap" diplomacy has been disputed by many scholars, particularly in the case of Sri Lanka. Even without the Chinese loan, Sri Lanka would have faced worries about the sustainability of its external debt and ongoing balance of payment problems. Of course, there were substantial doubts raised about the viability and necessity of the Chinese-financed projects at the time they were launched.



Graph 2.6. China's Debt Trap

The experts stated that in addition to humanitarian organisations, international financial institutions, private lenders, and other nations that must come to the country's rescue, there is an urgent need for the entire world to pay attention to Sri Lanka's economic collapse. Every country should understand the depth trap of China as there is always a motive behind giving money. Also, China itself is going through a crisis and now are following a better system and the most shocking thing is that the banks are now being protected by army tanks. Therefore it's very crucial for a country to less rely on loans and if they want to take loans, then they should take them from IMF International Monetary Funds, which will guide them to overcome the crises and be a safer option.

### 2.3 UK Economic Crisis and its Influence on Global Economy

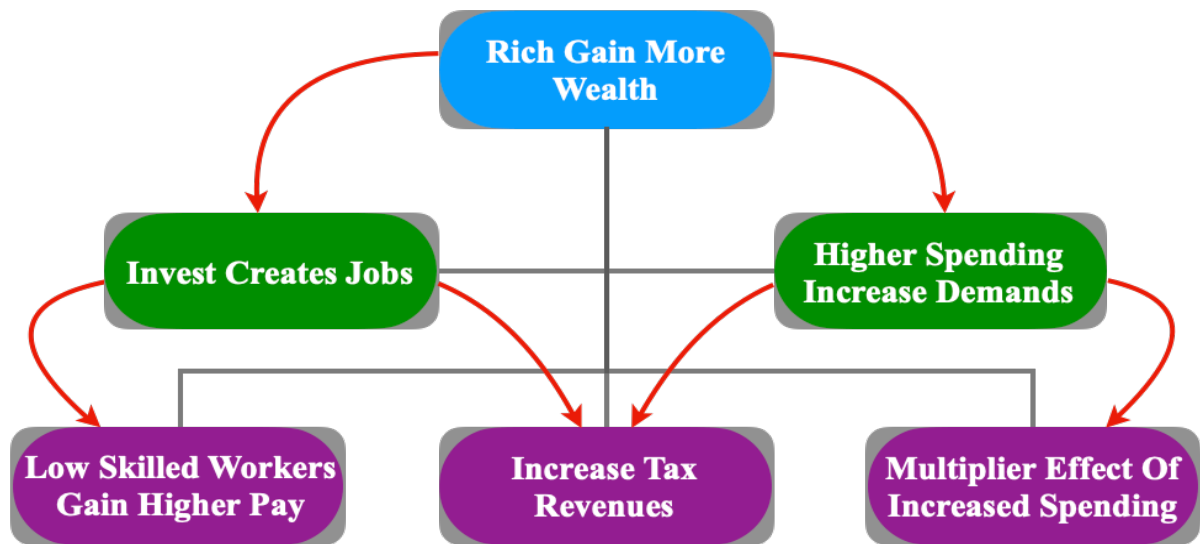
As soon as the Boris Johnson stepped down from his PM (Prime Minister) designation, there was a huge completions between two leaders that were Liz Truss and Rishi Sunak. Liz Truss failed in doing so and within 45 days she had to resign from her PM of UK post. And now the current PM of the UK is an Indian origin Rishi Sunak, that will hopefully guide the UK economy, correct the policies and bring some relief to the people. The UK currently faced the biggest downfall of all time and some role was also played by the war as the winters were coming and all the Europe will soon need the gas as it would be hard for them to survive in winter. Hopefully, now the people of the UK will elect the leaders according to their qualities and policies because now they have learned how one leader can push down economies in a few seconds and how one policy can destroy and affect the lives of the people.

There was a panic when British Prime Minister Liz Truss's administration unveiled the specifics of her first budget last week, which featured a sizeable tax cut for the nation's wealthiest citizens as its centrepiece. The pound fell to historic lows, the interest rate on the country's government debt rose, and the Bank of England was compelled to take emergency action by buying government bonds. In just the first

three weeks since Truss entered office, British financial markets have lost a combined \$500 billion, and analysts around the world have questioned whether this could be the beginning of an international disaster. But now forex reserves of the UK is standing currently low at \$86 Billion, which is currently very low, also its hard to save the currency as well as controls the damage that was caused in UK due to hot weather.

According to the idea behind trickle-down economics and its strategies, tax breaks and perks for businesses and the wealthy would eventually trickle down and benefit everyone. Large enterprises, investors, and entrepreneurs are provided with tools like decreased income tax and capital gains tax cuts to promote economic growth.

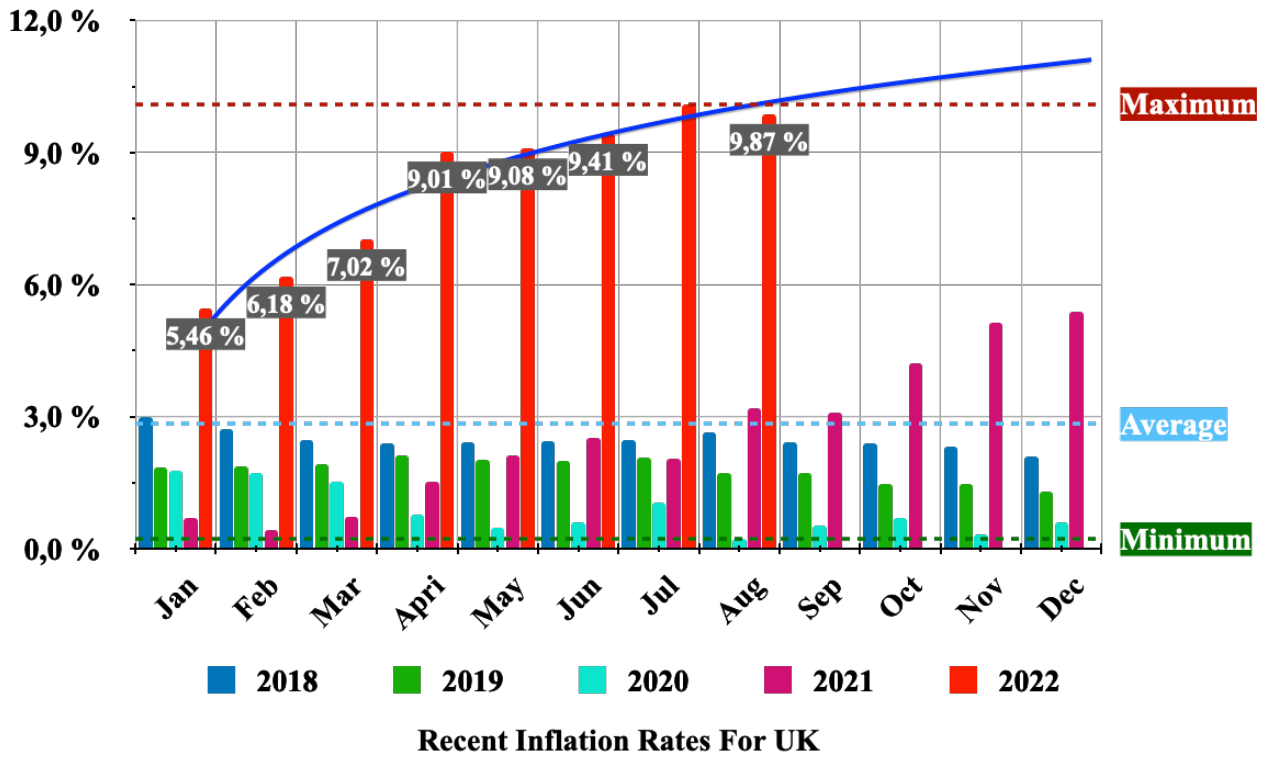
The first phases of a trickle-down program include deregulation, tax cuts for the wealthy, and reductions in corporate income taxes. With more money still in the corporate sector, company investment might result in new factories, improved technology, equipment, and jobs as well as increased spending. Wealthy people might spend more, increasing the economy's need for commodities. Growth is produced in a variety of industries, including real estate, transportation, consumer products, and retail, as a result of increased spending and investment. According to the trickle-down economic theory, the improved economy raises tax revenues, which will eventually pay for the initial tax reductions for the affluent and companies.



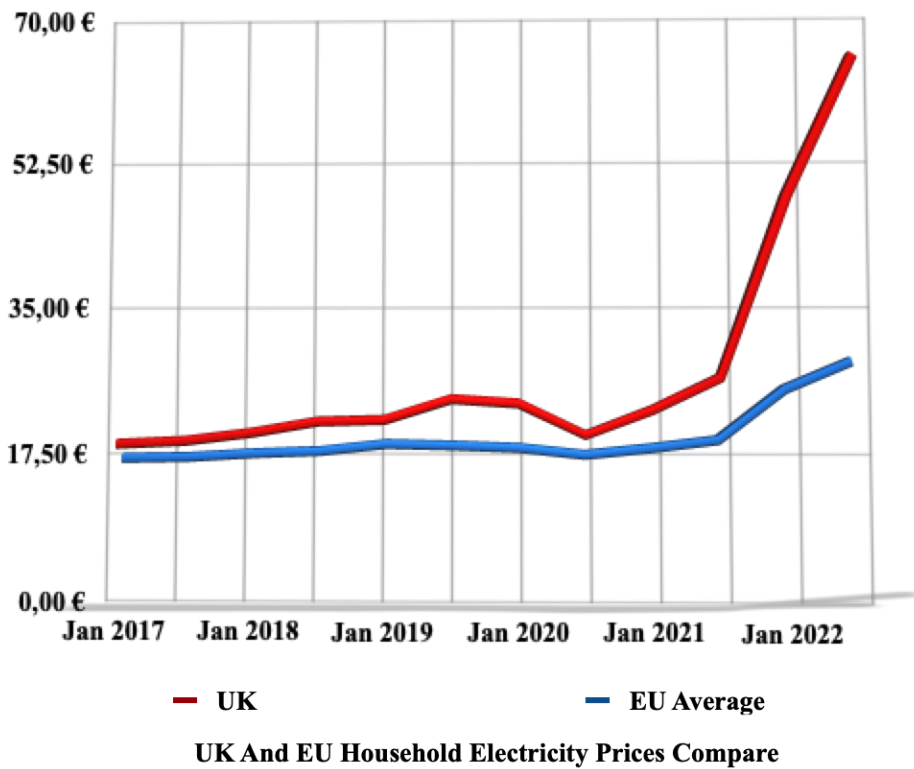
**Tickle Down Theory Diagram**

Graph 2.7. Tickle Down Theory Diagram

Despite the claim made by campaigners of the trickle-down theory, only government intervention can encourage spending and free-market capitalism and affluent individuals and corporations. Because lower-income taxpayers do not receive an equal tax cut, critics claim that the additional benefits the wealthiest receive can corrupt the economic system and increase income inequality. The tax reductions for low-income and working families strengthen the economy by encouraging consumer spending, but tax reductions for corporations may result in repurchases or higher savings rates for the wealthy. Growth is influenced by a variety of factors, including interest rate reductions and Federal Reserve monetary policies. The economy is boosted by trade, exports, sales made by American businesses to international businesses, and foreign direct investment from enterprises and investors abroad.



Graph 2.8. Recent Inflation Rates For UK



Graph 2.9. UK And EU Household Electricity Prices Compare

From the above case study, we can conclude that it's very crucial to know the positive as well as the negative side of any policies, and then according to the welfare of the people, we should apply the guidelines. Liz Truss failed in doing so and within 45 days she had to resign from her PM of UK post. And now the current PM of the UK is an Indian origin Rishi Sunak, that will hopefully guide the UK economy, correct the policies and bring some relief to the people. The UK currently faced the biggest downfall of all time and some role was also played by the war as the winters were coming and all the Europe will soon need the gas as it would be hard for them to survive in winter. Hopefully, now the people of the UK will elect the leaders according to their qualities and policies because now they have learned how one leader can push down economies in a few seconds and how one policy can destroy and affect the lives of the people.

## CHAPTER 3. CHAPTER 3. ACTUAL CHALLENGES OF GLOBALISATION

### 3.1 Impact Of War On Globalization and Economy

The dispute between Russia and Ukraine has caused instability in the financial markets and sharply increased anxiety about the future of the world economy. The World Trade Organization (WTO) has warned that the Russian invasion of Ukraine has caused "immense human suffering," adding that this war is also damaging international trade and likely will have the greatest impact on low-income countries. Additionally, the covid-19 case in China has recently grown alarmingly, impeding maritime traffic.

Conflict-affected nations' economies expand 1.6% less slowly than those of peaceful nations each year, but once the conflict is over, these nations' economic growth rates rise by 1%. It will typically take these economies 22 years to recover and return to pre-war revenue levels.

It has been said in our Hindu religion that:



It has been said in our Hindu religion that:

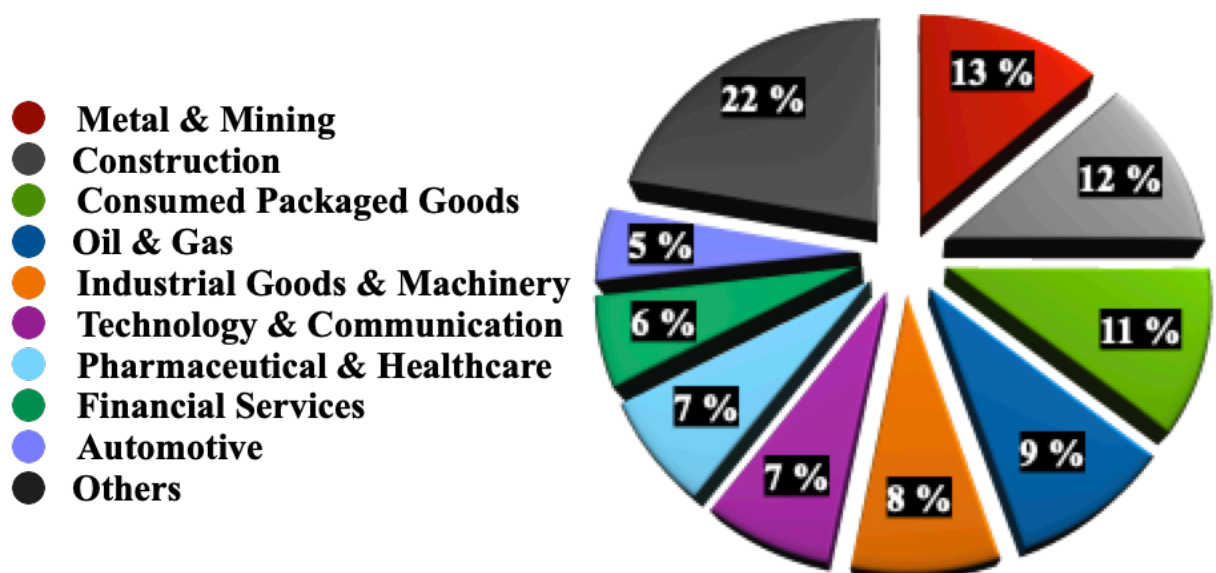
*"There are many sins in war, but killing comes first and foremost. Victory is never certain. It is subject to change. Even people who win battles must endure defeat."*

Picture 3.1: Impact Of War

## Global Price:

The International Monetary Fund (IMF) warned that the battle would be a significant blow to the world economy, slowing GDP and driving up prices before the war even broke out. Large-scale interruptions in Russia and Ukraine, two significant producers of commodities, have driven up prices everywhere, particularly for oil and natural gas. There will be a wheat shortage in the future, albeit it will undoubtedly have less of an effect on large, industrialised nations. Those in less developed nations will nonetheless suffer.

Food costs have increased as well because up to 30% of the world's wheat exports come from Ukraine and Russia. The International Monetary Fund (IMF) lowered its estimates for global growth in 2022 and 2023, stating that the war in Russia and Ukraine will undoubtedly have a negative economic impact that will "propagate far and wide, adding to price pressures and worsening important policy concerns." Even before the war, there had been a slowdown in global recovery due to rising geopolitical tensions, ongoing COVID-19 bursts, declining macroeconomic support, and ongoing supply bottlenecks.



### Most Impacted Sectors In Ukraine And Russia Crisis

Graph 3.1. Most Impacted Sectors In Ukraine And Russia Crisis

## **Energy Trade:**

Russia is a significant supplier of natural gas, which is the main overflow source for Europe. The World Bank observed that due to limited spare capacity, especially that of import and export terminals, and the necessity of transporting natural gas as liquefied natural gas, the price increase for natural gas in Europe has been particularly severe.

The World Bank reports that at the end of March, the price of Brent crude oil had "slightly eased, to above \$100/bbl., with the price lowering after the United States announced intentions to release from its reserves about 1 million barrels of oil per day over six months." On Monday, the price of a barrel of Brent crude dropped by 3% to under \$100. Russia ranks in the top 5 producers of steel, nickel, and aluminium and is the world's second-largest producer of natural gas.

Examples:

- Poland:

The gas supply was cut off by Russia because it wanted to be paid in rubles. By the end of the year, Poland intends to prohibit the import of Russian coal, oil, and gas.

- Saudi Arabia:

The United States has pressured Saudi Arabia to expand its oil supply to compete with Russia and lower rising oil prices.

- Canada:

As a countermeasure to Russian oil imports, the nation promised to increase its oil exports.

- Venezuela:

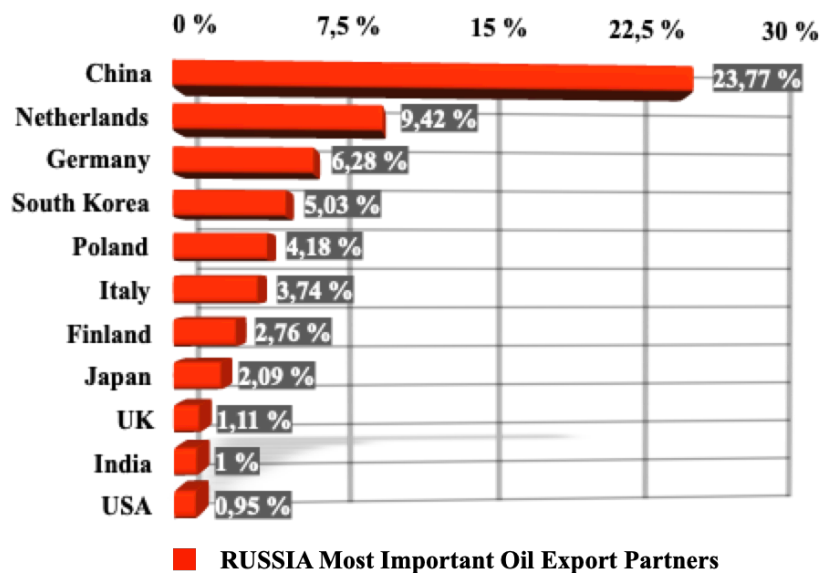
The Biden administration met with the Kremlin-friendly leader of this heavily sanctioned nation, Nicolás Maduro, whose presidency the US does not recognise, in a sudden policy change. The U.S. is looking for alternative oil suppliers to Russian oil, therefore the conference was the first in years.

- Bulgaria:

The gas supply was cut off by Russia because it wanted to be paid in rubles. Bulgaria currently looks to its reserves and other sources as it imports practically all of its gas from Russia.

- Germany:

Germany now only imports 35% of its gas from Russia, down from 55%, and 12% of its oil, down from 35%. In anticipation of a potential natural gas shortage, the government has initiated early planning.



Graph 3.2. RUSSIA Most Important Oil Export Partners

### Commodity Trade:

The financial organisation continues, "Even though together, Russia and Ukraine represent less than 3% of global exports and less than 2% of global imports, the conflict and resulting sanctions have weakened trade connectivity by disrupting transportation networks, particularly for air transportation traffic and container shipping. Additionally, rising fuel costs and healthcare costs have raised transport costs. High-value supply chains and those for essential parts, such as those for electronics and automobiles, suffered the most of the disruptions in the trade gateway between Europe and Asia. According to the World Bank, the conflict has prevented European automakers from supplying them with essential components like Ukrainian-made wiring systems. Some assembly lines have stopped as a result.

Industry bottlenecks have also impacted the food, building, petrochemical, and transportation sectors.

As international travel was affected by airspace shutdown, travel restrictions, sanctions, and higher fuel prices, the World Bank also suggested the global impact on the trade in services. Russia and Ukraine are among the top 10 nations for total international departures, and they are a significant source of income for nations in Europe, East Asia and the Pacific, the Middle East, North Africa, and South Asia that rely heavily on tourism.

Examples:

- India:

India, the second-largest producer of wheat in the world, has increased grain shipments to other countries to make up for supply delays caused by Ukraine and Russia.

- Egypt:

The central bank reduced the value of the Egyptian pound, which worried investors. For tourism and wheat imports, the nation is dependent on Russia and Ukraine.

- Syria:

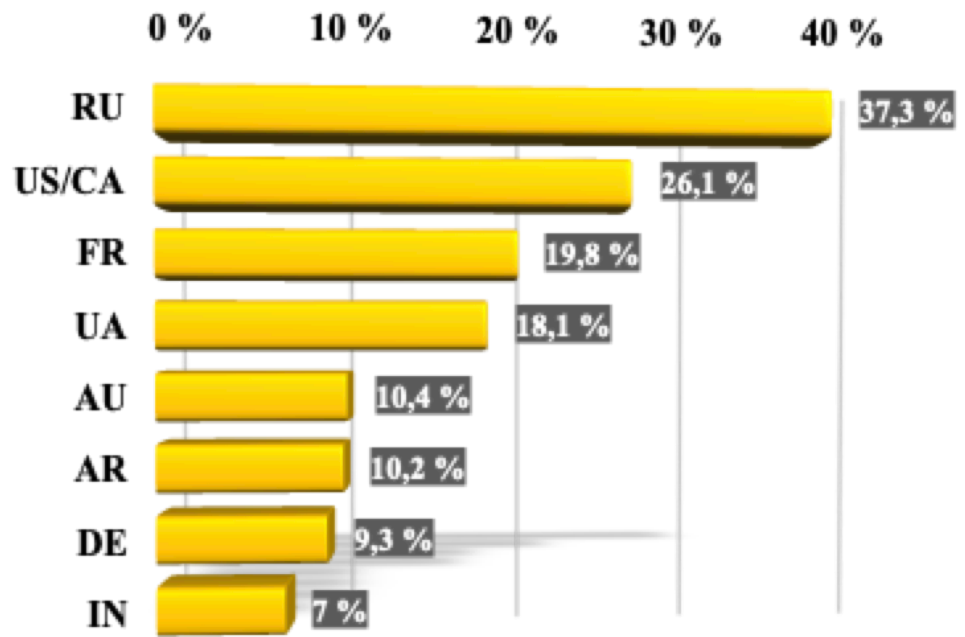
Fearing shortages and price increases, the administration prepared to control supplies of basic goods including wheat, sugar, and cooking oil.

- Brazil:

Brazil is a global agricultural powerhouse, but its farmers are concerned about fertiliser shortages and skyrocketing costs. Brazil is the world's largest fertiliser importer, and more than a fifth of those imports come from Russia.

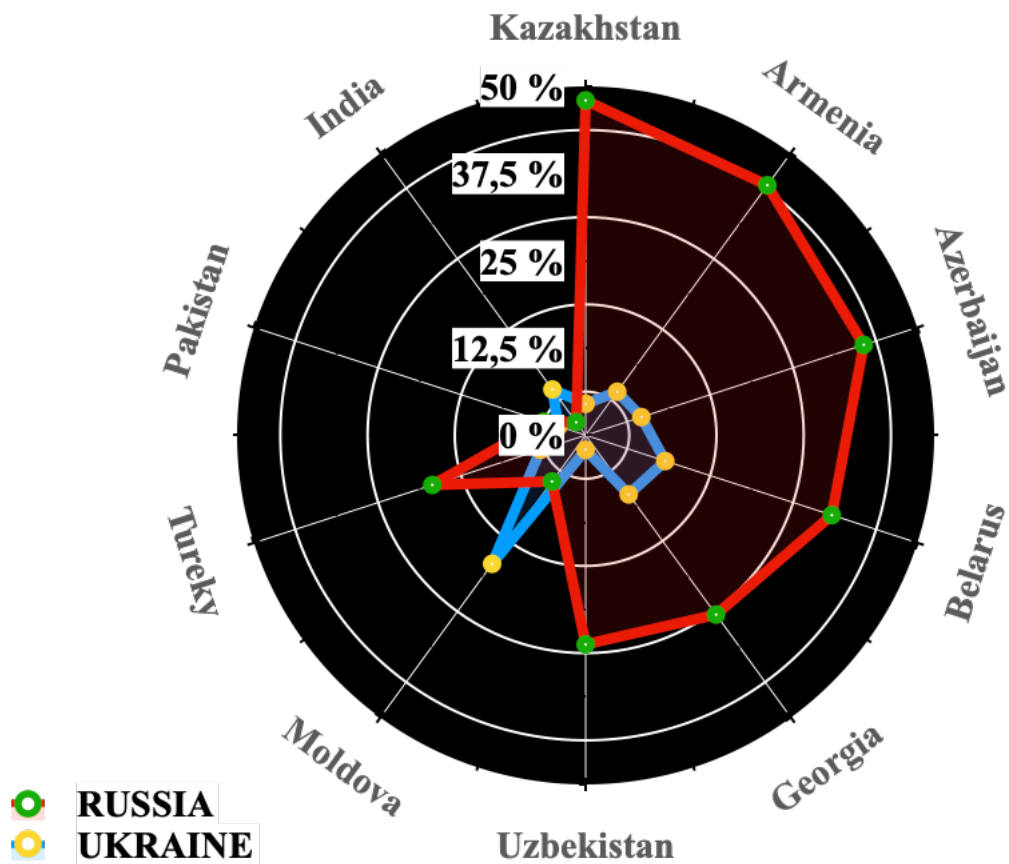
- Ethiopia:

The cost of fertiliser increased by 200% in March.



■ The World Largest Wheat Exporters (Before War )

Graph 3.3. The World Largest Wheat Exporters (Before War )



**Countries That Are Dependence On Russia And Ukraine Food Imports**

## **Displaced People:**

In one of the fastest-expanding refugee crises in recent memory, more than 5.8 million individuals have emigrated from Ukraine. With their resources already limited by crises elsewhere, humanitarian organisations have jumped into action. In light of the potential departure of 8.3 million people from Ukraine, the U.N. refugee agency has appealed for increased financial assistance for both refugees and their surrounding countries, as both confront difficulties in gaining access to resources including food, housing, transportation, education, and money.

Examples:

- Poland:

More than 3.2 million individuals, or nearly twice as many as the population of the country's capital Warsaw, have fled their country as Ukrainian refugees. Due to the possibility of 700,000 additional students, the nation eased restrictions on classroom sizes.

- India:

India demonstrated its support for Ukraine as the two countries continue to be at war by sending an ambassador to the country. On Monday, Harsh Kumar Jain gave Oleksii Yaremenko, the deputy minister of health, 7,725 kg of humanitarian aid for the people of Ukraine. The 7,725 kg of aid were made up of necessary medications and medical supplies.

- Romania:

More than 880,000 Ukrainian migrants, predominantly women, and children have been accepted into Romania.

- Georgia:

In the first few weeks after the invasion of Ukraine, over 30,000 Russians came there, many of them escaping new rules in Moscow that severely restricted the expression of anti-war emotions.

- Afghanistan:

The humanitarian disaster in Afghanistan, where assistance supplies were already stretched, has been clouded by the conflict in Ukraine. Hunger and poverty are getting worse as a result of rising food and gasoline prices. Afghan migrants in Europe compare their asylum experience to that of Ukrainian refugees, some Afghans claim they were forced to relocate so that freshly arrived Ukrainian refugees could take their place.

- US:

The nation has promised to accept up to 100,000 Ukrainians and other people displaced by the war, and has established a new scheme for Ukrainian refugees to travel directly to the US with assistance from an American-based partner.

- Sri Lanka:

The war's increased cost of food and gasoline made Sri Lanka's economic situation worse. Inflation reached a high of 29.8% in April. The government stopped making payments on its foreign debt and applied to the (International Monetary Fund) IMF for assistance. India and China are battling with one another for influence in the debt-ridden nation.

- Bangladesh:

The disruptions caused by fashion firms leaving Russia, shipping chaos, and rising energy prices are affecting the textile industry, the motor of this economy. As the cost of basic goods increased, the government established a program of food subsidies.

- Kenya:

Fuel prices in Kenya reached their highest level in over ten years.

- Italy:

Italy is seeing its biggest inflation in three decades as a result of rising energy costs.

- Lebanon:

Wheat prices rose 47% and sunflower oil prices rose 83% in the first month of the war. A basic food basket now costs more than three times what it did a year ago.

### **Security:**

Russia is the nation with the most nuclear weapons in the world. NATO, a military and political union of the US and European countries, has been significantly revitalised by its military assault on Ukraine. Governments worldwide have urgently increased their military budget or have started reevaluating their defences as a result. Like German or Finland used to focus more on its people

Examples:

- Finland:

Russia's northern neighbour, which has long maintained its neutrality, is thinking about joining NATO. If such occurred, the Russian Foreign Ministry threatened "military and political consequences."

- Poland:

With plans to more than double the number of personnel in the Polish army, Warsaw accelerated an increase in the federal defence budget.

- Syria:

According to reports, Syrian militants who have received Russian training have agreed to fight with Russian forces in Ukraine.

- US:

US military assistance to Ukraine has now surpassed \$3 billion. To deliver weapons to Ukraine, restock American arsenals, and provide cybersecurity and other support in the area, the White House has asked Congress for \$20 billion.

- Sweden:

In order to supply Ukraine with anti-tank weapons, body armour, and other supplies, the nation violated its long-standing military neutrality.

## **Geopolitics/Sanction :**

The world is being pushed toward a possibly major restructuring by a nuclear-powered war in Europe in the twenty-first century. Significant international players like the European Union and the United Nations have been rocked by it, and it has compelled nations to take sides in interesting ways that have sparked rising tensions and historic diplomatic shifts.

Examples:

- **China:**

The nation is forced to strike a careful diplomatic balance between its improving relations with Moscow and external pressure to condemn the Kremlin's military adventurism. A "no-limits partnership" between China and Russia was declared around three weeks before Russia invaded Ukraine. By strengthening its economic connections with China, Moscow now seeks to counteract some Western sanctions.

- **Japan:**

Russia withdrew from long-running talks with Tokyo to formally terminate tensions from World War II, including a negotiation over four islands, known in Russia as the Southern Kurils and in Japan as the Northern Territories, in reaction to Japan's sanctions.

- **Israel:**

In an unsuccessful attempt to broker a peace agreement, Israel's prime minister has maintained tight ties with the presidents of both countries, positioning his country as a prospective mediator between Russia and Ukraine. Israel has taken in thousands of refugees from both Russia and Ukraine who are leaving their nations.

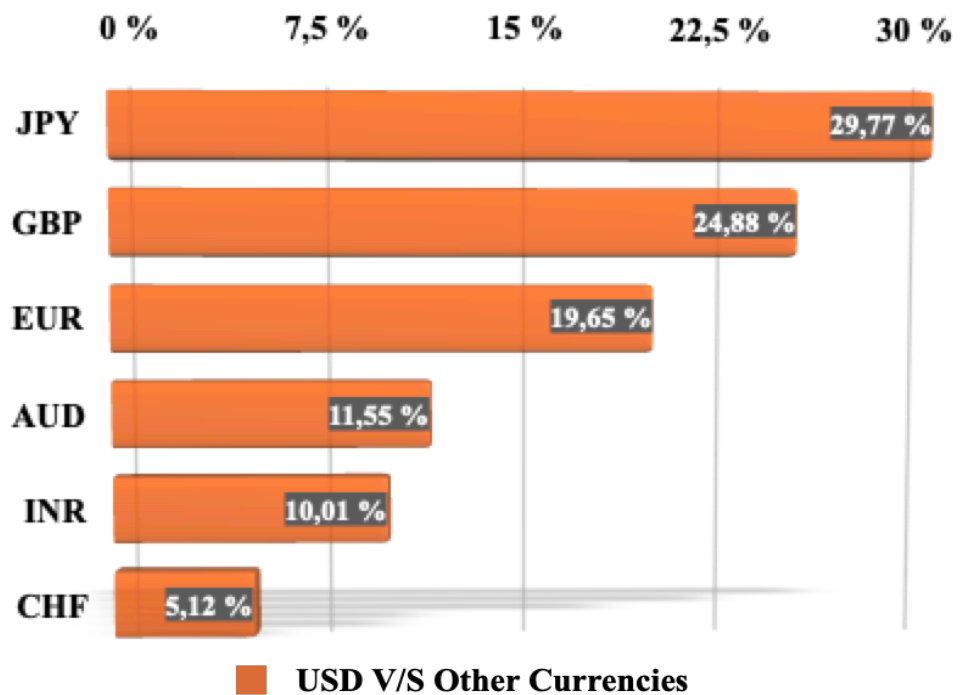
- **Brazil:**

Due to its reliance on imports of fertiliser, of which Russia is its largest source, Brazil maintains its neutral position in the conflict between Russia and Ukraine.

## **Growth, Debt, And Exchange Rate Risks:**

Early in March 2022, the Ukrainian Hryvnia hit a record low against the US dollar (USD), which is likely to have an impact on Ukrainian agriculture by increasing export competitiveness and reducing imports. Although the amount of the war-related harm to Ukraine's infrastructure and economic capability is currently unknown or more than 75 Billion dollars, it is anticipated that recovery and reconstruction expenditures would be extremely high. Significant swings in the value of the Russian currency as a result of the economic sanctions placed on the Russian Federation. The ruble saw a dramatic initial decline against major currencies, which was followed by a noticeable increase, rising up to 40% against the US dollar since January, which has reduced the competitiveness of Russian exports of agricultural commodities. The decrease in capital inflows caused by the Russian Federation's economic slowdown is likely to have a negative impact on the Central Asian nations. Remittances make up a considerable portion of the gross domestic product for several of these nations (GDP).

There may be worldwide repercussions from the ongoing conflict. At a time when the world is still working to recover from the economic slowdown brought on by the COVID-19 pandemic, slower economic development and higher prices are predicted to have a particularly negative impact on the most disadvantaged countries and populations. Many developing nations, the bulk of which depend on the US dollar for their borrowing needs, have economies built around agriculture. Therefore, a sustained strengthening in the value of the dollar relative to other currencies would be detrimental to these nations' economies, particularly their agri-food industries. Additionally, the projected slowdown in GDP growth across a number of regions of the world will have a negative impact on the demand for agriculture food products globally.



Graph 3.5. USD V/S Other Currencies

The people that believe or even support this war aren't humans they don't have any religion, because no religion teaches us to take away human lives of innocent people, instead, it teaches us to value others, to take care of each other, and to spread love and kindness. And in 2022 there is a war going on, it's heartbreaking to see your loved one going to war, to protect their country. These top leaders don't even send their children or their loved ones to the army, if they did they would have understood the horrifying tragedy a family goes through. It's easy to declare war but what it takes none of us can even imagine. This war has drunk the blood of so many innocent lives, a mother losing her son, a father losing a friend, a sister losing a brother, it's just unpredictable, neither you, nor I can understand it. It takes 9 months for a mother to give birth to her child and this war is killing their children and future generations in just a few seconds. I don't know and want to know who the winner of this war is but peace and humanity have been lost.

### 3.2 Peculiarities of International Businesses in the Condition of a Full Scale Invasion of the Russian Federation into Ukraine

We are very well aware of the fact that currently Ukraine and Russia are at war, the war started on 22 February 2021 and today is 1 November 2021, over 10 months this war is going on. The eight-year-old confrontation between the two countries was dramatically escalated by Russia's invasion of Ukraine in February 2022, and this event marked a pivotal moment in European security history. After six months, a lot of defense and international policy experts have labeled the conflict as a significant strategic blunder by Russian President Vladimir Putin that has jeopardized his decades-long leadership. Most importantly innocent people are losing their lives and suffering because of this war. 2014 saw Russia invade Crimea and start supporting separatists in the southeast of the country in the Donbas region, turning Ukraine into a battlefield. For the first time since World War II, a European state acquired another state's territory when Russia seized Crimea. The Donbas conflict, the worst in Europe since the Balkan Wars of the 1990s, claimed the lives of over 14,000 people between 2014 and 2021. The conflicts singled the end of the United States' unipolar era of world domination and the beginning of a new era of great power rivalry.

Ukraine has a sizeable consumer market, a highly skilled labor force that is also price competitive, and an abundance of natural resources. The administration keeps advancing measures to take advantage of this opportunity. Particularly in the industries of consumer goods, technology, and agriculture, many American businesses have excelled in Ukraine. The second-largest exporter of grains in the world is Ukraine, which is a major player in agriculture. In the fields of IT services and software R&D, Ukraine has long had a talented labor force. The Ukrainian government has intensified its targeted hiring of top IT professionals in Ukraine in recent months. For developing a country there is a crucially needs for its economy to grow because there is a huge requirement of money needed to fight against

Russian invasion. And where can this money come from? Most of this money comes from agriculture, tourism, and also international businesses that heavily invest in the country, its people, and its presence globally. Many such companies are currently worried to invest in the country because recently there over 75 missiles were launched in Ukraine and day by day the stains are getting worse between Ukraine and Russia. Whenever companies invest, then a country gets funding, the area around where the companies are staying gets developed, more people get employment, the standard of living will increase, the buying power of people will increase and, in the end, the country's economy will develop.

Whenever this war ends then would it be able to give back to the mother that has lost her son in this war or people that have lost their loved ones in this war? No, is the only answer. One thing both sides should understand that is some people are earning millions of dollars from this war, they don't care how many people die, they are all making profit and promotion. Hard to absorb but it's the harsh reality that some can't even accept. There is only one answer diplomacy and peace because war never was, never is, and never will be an option. Think again. Lives are more important than Power?

International supply chains are still being disrupted as a result of the Russian invasion of Ukraine. As a result, the cost of basic goods like food and petrol has gone up everywhere. For instance, nearly one-third of the world's wheat exports come from both Russia and Ukraine. Due to shortages brought on by the war and rising food prices, there is now more food insecurity. Poor nations that are already battling other problems like climate change are those that are most impacted. Particularly following the increase in the Fed benchmark rate, the dollar has been strengthening against other currencies. For poor nations that previously relied on dollar-denominated loans to finance operations, especially capital-intensive ones like building roads and other transportation networks, this means higher debt servicing costs. Therefore, the most impacted countries must be granted financial and material support to help them cope with these converging crises as inflation

continues to bite and fiscal space continues to erode as a result of other macroeconomic issues.

As executives considered the ramifications of a Russian invasion on a large scale as well as the influence of sharp swings in stock and commodities prices, multinational firms started to shut down their operations in Ukraine and relocate personnel to safety. Also, the crisis between Russia and Ukraine has had a tremendous impact on the world logistics sector. When the Russia-Ukraine war began to influence the sector, the impacts of the epidemic on storage capacity and container availability had just recently begun to fade. The conflict slowed down trade, fueled price hikes and commodity shortages, and led to disastrous food shortages all across the world. Russia has been attacking Ukraine's agricultural infrastructure, which has disrupted the entire supply chain. In the early months of the campaign, Russian blockades of the Black Sea and Azov Sea resulted in the capture of Ukrainian grain supplies. To alleviate shortages, however, Russia and Ukraine agreed to a UN agreement in July that would allow Ukraine to export grain from three Black Sea ports. Hours after the agreement was signed, Russia launched a cruise missile attack on Odesa's port.

Global supply chains will inevitably be destroyed by the rising cost of oil and gas as well as the geopolitical concerns brought on by the conflict, particularly in the energy-intensive logistics industries. Following the war, the black seaport and several other channels ceased to be active, cutting off the supply of several goods and commodities, including transport machinery, electronics, metals, chemicals, fertilizers, and food items. The availability of these energy sources and the substantial price increase have been problems for the European Union as well. Russia is the major source of energy imports for the EU. Additionally, 35% of its imports of natural gas, 20% of its imports of crude oil, and 40% of its imports of coal come from Russia. The global impact of the increase in oil and gas prices is devastating. Supply chain operations companies must take proactive steps to reduce risks and lessen the impact of rising prices and energy shortages.

In a short-term "fast recovery stage," Kyiv is also appealing to investors to assist reconstruct bridges, roads, and houses. This year, Ukraine's economy is predicted to contract by 35–45%, far more than Russia's, as a result of the destruction of industrial facilities and infrastructure, the closure of export routes, a workforce exodus, and the interruption of activity brought on by Moscow's attack. Additionally, Kyiv needs \$5 billion each month from foreign partners to cover its deficit. The government is attempting to convert the outpouring of western goodwill for Ukraine into foreign direct investment despite the economy being on its knees. To make projects more accessible to new investors, the government claims to be streamlining and accelerating regulatory processes and has canceled 500 distinct permit requirements. Furthermore, it will provide large tax credits.

## CONCLUSION

My thesis on Globalisation and Secure Economic Development main motto of the thesis is to acknowledge the world about the importance of globalisation and its importance in economical development. After a detailed background of Globalisation and secure economic development. The thesis also describes how the world is connected to each other and its very important to function together as a team. Manufacturing expenses go down as a result of globalisation. In turn, businesses can charge customers less for their products. Increases in the level of life are largely influenced by the average cost of commodities. The range of products available to consumers has likewise increased. Globalisation isn't just a word but a combination of different sectors to understand why its such an important concept in economy and some explain are globalisation in business, globalisation in food, globalisation in culture and globalisation in technology.

There has been a datelined study of globalisation and secure economic development which can be seen in the current case studies like Sri Lanka and UK. Also how Sri Lanka went under the debt trap of China, which made their economic fall and was leading to a bigger inflation rate, in fact it is still recovering from its losses. Taking about UK case study, the thesis covers the detailed analysis and statical analysis of how UK the developed nation that used to rule over 65 is now collapsing. Also there is a detailed reason due to which UK economy is falling and is entering into an inflation sooner or later. Since we all are linked each other, the inflation in UK and the economic collapse in Sri Lanka is directly and indirectly affection each and every country in different economic sectors. The thesis also covers the impact of war on different countries economy, for the food sector or the trade sector as both Russia and Ukraine are the biggest wheat producer. The war didn't just have the impact on economy but also on innocent civilians as well, their lives got shifted as well.

There is a deep analysis on the current war as it might be a little shocking to know that the war between Russia and Ukraine is affecting every country all over the globe because one break in the supply chain can easily lead to many problems. The thesis also shows statically that Ukraine and Russia are the top 5 producer of wheat and because of this the wheat prices richer the sky. And if we look on the other hand Russia, its is the bigger exporter of petrol and gas, due to war these day to day supplies have become expensive. Many countries have started to use their reserve as buying petrol from Russia can cost them even strong sanction. Due to increase in fuel and for prices a innocent civilians faces the problem. All detailed case studies wouldn't be possible without the knowledge go IR (International Relations), reading articles by Bloomberg, MINT and many other sources surely helped me to know the importance of globalisation and how the country's economy is linked together.

In this thesis, I was able to explore myself and was excited to know about geopolitics and the way it is funded. Surely this thesis helped me to prepare for my government exam, due to this thesis I was able to clearly understand the importance of being independent and at the same time focusing on globalisation to develop the economy of any country.

On the way to making theirs, I also felt that the youth should be very well educated about geopolitics and world affairs, as it is very important to be aware and find solutions according to it because at the end of the day we are the citizens of our country and if we aren't going to care about our country then who will?

## **Abstract**

Globalization refers to the integration and interdependence of economies, societies, and cultures across the world. It is driven by advances in technology, transportation, and communication, and has led to increased trade, investment, and cultural exchange. Secure economic development, on the other hand, refers to the creation of sustainable and inclusive economic growth that also addresses issues of security and stability

In this research, we examine the relationship between globalization and secure economic development. Through a thorough analysis of case studies and data, we explore the ways in which globalization can both promote and hinder economic development, and how policies and actions can be implemented to ensure that economic growth is sustainable and inclusive.

Our findings show that while globalization can bring economic benefits, it also has the potential to create economic inequality and instability. Therefore, it is essential for governments and international organisations to adopt policies and strategies that promote secure economic development, such as investing in education and infrastructure, reducing poverty and inequality, and fostering inclusive economic growth.

Overall, this research highlights the importance of balancing the opportunities and challenges of globalization with the need for secure economic development. It is crucial for policymakers to take a holistic approach to economic growth and security, in order to ensure sustainable and inclusive development for all.

**Key words:** Economic Security, Economic Development, Globalisation, Inflation, Global World, Threats

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**МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ  
КИЇВСЬКИЙ НАЦІОНАЛЬНИЙ ЕКОНОМІЧНИЙ УНІВЕРСИТЕТ  
ІМЕНІ ВАДИМА ГЕТЬМАНА**

**ФАКУЛЬТЕТ МІЖНАРОДНОЇ ЕКОНОМІКИ І МЕНЕДЖМЕНТУ**

**РОЗВИТОК ЕКОНОМІКИ УКРАЇНИ  
В НОВИХ РЕАЛІЯХ МІЖНАРОДНИХ  
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**PECULIARITIES OF THE INTERNATIONAL BUSINESS IN THE  
CONDITION OF A FULL-SCALE INVASION OF THE  
RUSSIAN FEDERATION INTO UKRAINE**

We are very well aware of the fact that currently Ukraine and Russia are at war, the war started on 22 February 2021 and today is 1 November 2021, over 10 months this war is going on. The eight-year-old confrontation between the two countries was dramatically escalated by Russia's invasion of Ukraine in February 2022, and this event marked a pivotal moment in European security history. After six months, a lot of defense and international policy experts have labeled the conflict as a significant strategic blunder by Russian President Vladimir Putin that has jeopardized his decades-long leadership. Most importantly innocent people are losing their lives and suffering because of this war. 2014 saw Russia invade Crimea and start supporting separatists in the southeast of the country in the Donbas region, turning Ukraine into a battlefield. For the first time since World War II, a European state acquired another state's territory when Russia seized Crimea. The Donbas conflict, the worst in Europe since the Balkan Wars of the 1990s, claimed the lives of over 14,000 people between 2014 and 2021. The conflicts singled the end of the United States' unipolar era of world domination and the beginning of a new era of great power rivalry.

Ukraine has a sizeable consumer market, a highly skilled labor force that is also price competitive, and an abundance of natural resources. The administration keeps advancing measures to take advantage of this opportunity. Particularly in the industries of consumer goods, technology, and agriculture, many American businesses have excelled in Ukraine. The second-largest exporter of grains in the world is Ukraine, which is a major player in agriculture. In the fields of IT services and software R&D, Ukraine has long had a talented labor force. The Ukrainian government has intensified its targeted hiring of top IT professionals in Ukraine in recent months. For developing a country there is a crucially needs for its economy

to grow because there is a huge requirement of money needed to fight against Russian invasion. And where can this money come from? Most of this money comes from agriculture, tourism, and also international businesses that heavily invest in the country, its people, and its presence globally. Many such companies are currently worried to invest in the country because recently there over 75 missiles were launched in Ukraine and day by day the stains are getting worse between Ukraine and Russia. Whenever companies invest, then a country gets funding, the area around where the companies are staying gets developed, more people get employment, the standard of living will increase, the buying power of people will increase and, in the end, the country's economy will develop.

International supply chains are still being disrupted as a result of the Russian invasion of Ukraine. As a result, the cost of basic goods like food and petrol has gone up everywhere. For instance, nearly one-third of the world's wheat exports come from both Russia and Ukraine. Due to shortages brought on by the war and rising food prices, there is now more food insecurity. Poor nations that are already battling other problems like climate change are those that are most impacted. Particularly following the increase in the Fed benchmark rate, the dollar has been strengthening against other currencies. For poor nations that previously relied on dollar-denominated loans to finance operations, especially capital-intensive ones like building roads and other transportation networks, this means higher debt servicing costs. Therefore, the most impacted countries must be granted financial and material support to help them cope with these converging crises as inflation continues to bite and fiscal space continues to erode as a result of other macroeconomic issues.

As executives considered the ramifications of a Russian invasion on a large scale as well as the influence of sharp swings in stock and commodities prices, multinational firms started to shut down their operations in Ukraine and relocate personnel to safety. Also, the crisis between Russia and Ukraine has had a tremendous impact on the world logistics sector. When the Russia-Ukraine war began to influence the sector, the impacts of the epidemic on storage capacity and

container availability had just recently begun to fade. The conflict slowed down trade, fueled price hikes and commodity shortages, and led to disastrous food shortages all across the world. Russia has been attacking Ukraine's agricultural infrastructure, which has disrupted the entire supply chain. In the early months of the campaign, Russian blockades of the Black Sea and Azov Sea resulted in the capture of Ukrainian grain supplies. To alleviate shortages, however, Russia and Ukraine agreed to a UN agreement in July that would allow Ukraine to export grain from three Black Sea ports. Hours after the agreement was signed, Russia launched a cruise missile attack on Odesa's port.

Global supply chains will inevitably be destroyed by the rising cost of oil and gas as well as the geopolitical concerns brought on by the conflict, particularly in the energy-intensive logistics industries. Following the war, the black seaport and several other channels ceased to be active, cutting off the supply of several goods and commodities, including transport machinery, electronics, metals, chemicals, fertilizers, and food items. The availability of these energy sources and the substantial price increase have been problems for the European Union as well. Russia is the major source of energy imports for the EU. Additionally, 35% of its imports of natural gas, 20% of its imports of crude oil, and 40% of its imports of coal come from Russia. The global impact of the increase in oil and gas prices is devastating. Supply chain operations companies must take proactive steps to reduce risks and lessen the impact of rising prices and energy shortages.

In a short-term "fast recovery stage," Kyiv is also appealing to investors to assist reconstruct bridges, roads, and houses. This year, Ukraine's economy is predicted to contract by 35–45%, far more than Russia's, as a result of the destruction of industrial facilities and infrastructure, the closure of export routes, a workforce exodus, and the interruption of activity brought on by Moscow's attack. Additionally, Kyiv needs \$5 billion each month from foreign partners to cover its deficit. The government is attempting to convert the outpouring of western goodwill for Ukraine into foreign direct investment despite the economy being on its knees. To make projects more accessible to new investors, the government claims to be

streamlining and accelerating regulatory processes and has canceled 500 distinct permit requirements. Furthermore, it will provide large tax credits.

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