



# Global Political-Economic Transformation in the Era of International Crisis: A Literature Review

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## Abstract

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The COVID-19 pandemic has fundamentally changed the direction of global economic and political development in the last decade. The impact of this crisis not only shakes the public health system but also causes structural disruptions to the world economy, international supply chains, and socio-political stability between countries. This study aims to analyze the relationship between global health crises, economic resilience, and international political dynamics through a literature review approach to various scientific literature published in the last five years. The results of the analysis show that the pandemic not only caused economic contraction and increased social inequality but also accelerated the process of deglobalization, expanded the dependence on digital technology, and strengthened the role of the state in the economy. In addition, this crisis shows the weakness of international governance and the limited effectiveness of multilateral institutions in responding to cross-border threats in a rapid and coordinated manner. The findings of the study confirm that future global resilience must be built on inclusive international cooperation, sustainable economic policies, and global governance that is adaptive to systemic change and uncertainty.

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## **1. Introduction**

The COVID-19 pandemic has become a global event that has shaken the world's social, economic, and political order simultaneously. Since its inception at the end of 2019, this pandemic has not only caused a public health crisis but also resulted in a multidimensional disruption to the global economic system. The World Health Organization (WHO) noted that quarantine efforts, social restrictions, and the cessation of cross-border activities have become massive policies that have an impact on the international economic slowdown (Kusno, 2020). The crisis shows how the close interconnectedness between the global economic system and international political stability can be a source of vulnerability when faced with systemic external shocks.

From an economic perspective, this pandemic triggered a growth contraction in almost all countries. According to Carlsson-Szlezak et al. (2020), the COVID-19 pandemic created a unique crisis because it simultaneously halted productive activities around the world, in contrast to the financial crisis that usually originated in certain sectors. This impact can be seen in the decline in international trade, the increasing unemployment rate, and the decline in global investment (Leiva-León et al., 2020). The IMF report also shows that various countries are adopting expansionary fiscal policies to maintain people's purchasing power and sustain the real sector (Meurs et al., 2019). However, the policy has had further consequences in the form of increased fiscal burdens and uncertainty of long-term recovery.

Politically, the pandemic has encouraged the revival of the state's role (state resurgence) in managing the crisis. Niewiadomski (2020) explained that COVID-19

shook the neoliberal paradigm that previously emphasized minimizing state intervention. Many governments have taken extreme measures in the form of restrictions on movement, control of supply chains, and large subsidies to corporations and communities. This phenomenon shows that in a global emergency, market mechanisms are not resilient enough to maintain systemic stability. The state has once again become the main actor in maintaining domestic economic and political sustainability.

In the context of globalization, this crisis is a test for the increasingly interconnected world economic order. Olivie and Gracia (2020) assess that the pandemic has the potential to accelerate the process of deglobalization, where countries begin to revisit their dependence on international supply chains. Some countries are pursuing diversification and reshoring strategies to reduce external risks. This indicates a shift from efficiency logic to resilience logic. However, Di Mauro and Baldwin (2020) emphasized that international cooperation is still needed due to the cross-border nature of the pandemic. Economic isolationism can actually worsen the long-term crisis.

The impact of the pandemic has not only changed economic and political dynamics, but also posed global institutional challenges. Phelan et al. (2020) stated that international coordination in dealing with the pandemic is still weak due to the limitations of global governance in the health sector. The absence of effective multilateral mechanisms slows the response to the spread of the virus and lowers public trust in international institutions. This situation shows that the institutional dimension is an important factor in maintaining global stability in the future.

Overall, the COVID-19 crisis underscores the importance of an integrative understanding between international economics, politics, and governance. Various previous literature has discussed economic or political aspects separately, but not many have linked the two within a single comprehensive framework of analysis. Therefore, this study aims to systematically review the scientific literature of the last five years to identify how the COVID-19 pandemic affects the global economic-political structure and the direction of globalization transformation in the future. With a literature study approach, this research is expected to make a theoretical contribution to strengthening the resilience of the global system in the post-pandemic era.

## **2. Literature Review**

### **2.1. Global Economic and Political Impact of the Pandemic**

The COVID-19 pandemic has become a multidimensional crisis that has shaken the global economic and political order simultaneously. The most obvious impact was seen in the world economic contraction which reached its lowest point since the Great Depression, with almost all sectors experiencing a sharp slowdown. Carlsson-Szlezak et al. (2020) assert that the pandemic created a global shutdown shock because the decline in economic activity occurred simultaneously in various regions, breaking production chains and disrupting the stability of international financial markets. This crisis not only lowers economic output, but also exacerbates social inequality, suppresses employment, and increases the risk of poverty in many developing countries. Economic linkages between countries have made the impact

of the pandemic even more widespread. According to Leiva-León et al. (2020), the shocks caused a sharp slowdown in global growth indicators, especially in countries with open economic structures and high dependence on international trade.

This instability shows the fragility of the globalization system when it is not balanced with institutional resilience and effective cross-border policy coordination. In the political context, the pandemic has also changed the orientation of national policies and re-strengthened the role of the state in the economy. Niewiadomski (2020) emphasized that this crisis marks a shift from a free market paradigm to more active state intervention, both in saving strategic sectors, guaranteeing public welfare, and strengthening the national health system. Thus, the COVID-19 pandemic has not only become a health crisis, but also a major test for the resilience of global socio-political institutions in the face of complex and sustained cross-sector shocks.

## **2.2. Deglobalization and the Challenges of International Governance**

The COVID-19 crisis has accelerated the trend of deglobalization while highlighting fundamental weaknesses in international governance. Olivié and Gracia (2020) argue that the pandemic has become a catalyst for the process of global fragmentation as many countries begin to revisit their dependence on global supply chains and rehor strategic industries that were previously dependent on other countries. This move is intended to strengthen the national economic independence and ensure the security of domestic supply. However, in the long term, such strategies have the potential to reduce the efficiency of the global economy, narrow the space for international collaboration, and create new imbalances in the structure of world trade. Kusno (2020) added that this global crisis has also exacerbated

political tensions between major countries, especially through the emergence of protectionist policies, export restrictions, and increasingly intensive trade wars.

These dynamics show that national interests often take precedence over global solidarity. The lack of strong coordination among key countries also shows the weak effectiveness of international institutions such as the WHO and the WTO in maintaining global stability and bridging cross-border interests. According to Phelan et al. (2020), the weakness of global governance in the health sector reflects the lack of international cooperation mechanisms that are responsive to cross-border crises. Therefore, a more adaptive, transparent, and collaborative global institutional architecture is needed in the face of the multidimensional challenges of the future. Thus, the COVID-19 pandemic is not only a test of the foundations of globalization, but also an important momentum to reform world governance towards a fairer, more resilient, and more sustainable system.

### **3. Method**

This research uses a library research method that is oriented towards qualitative analysis of various sources of scientific literature relevant to the topic of global economic and political crises due to the COVID-19 pandemic. This approach was chosen because the phenomenon studied is complex, multidimensional, and includes economic, social, political, and institutional aspects that interact with each other. Literature studies allow researchers to conduct an in-depth theoretical and conceptual exploration of the results of previous research, so that a comprehensive

understanding of global dynamics that occur during and after the pandemic can be obtained.

The research process begins with the collection of secondary data, namely scientific sources obtained through searching Google Scholar-indexed articles with a publication span of the last five years. The literature criteria used include reputable journal articles, reports of international institutions such as the IMF, World Bank, and OECD, as well as academic papers that discuss the impact of the pandemic on the global economic system, international political dynamics, and changes in world governance. Each literature was selected based on the relevance of the topic, methodological reliability, and conceptual contribution to the analytical framework of this research. From the results of the search, a number of main references were selected that were considered the most representative of the issue being studied, including previous reference texts as comparative materials and supporting arguments.

The next stage is content classification and analysis. All literature sources are carefully read to identify key themes, key concepts, and relationships between concepts that emerge in scientific discourse. The analysis was carried out in a descriptive-analytical manner with a focus on three main dimensions, namely: (1) the impact of global economic and political issues due to the world health crisis, (2) the process of deglobalization and changes in the international institutional architecture, and (3) the direction of global policy transformation in the post-pandemic era. This approach provides an opportunity for researchers to synthesize a wide range of

academic views and discover common patterns that explain the interactions between global economics, politics, and governance.

The last stage is the interpretation of the results of the literature synthesis. At this stage, conceptual findings are critically analyzed to build a cohesive and contextual theoretical argumentation framework. The purpose of this study is not to produce statistical generalizations, but rather to develop a reflective understanding of structural changes in the global system based on published empirical and conceptual evidence. The validity of the research is maintained through the process of triangulating sources, comparing research results, and tracing logical consistency among the arguments studied. Thus, this literature study is expected to be able to make a scientific contribution in enriching academic understanding of the impact of global crises on the world economic-political order, as well as offering a conceptual basis for more resilient and adaptive public policy-making to global changes.

#### **4. Results**

The COVID-19 pandemic has had a tremendous impact on the global economic, social, and political structure. In various countries, policies of social restrictions, regional quarantines, and the cessation of cross-border activities have led to a sharp decline in economic output and disruption of global supply chains. Kusno (2020) explained that this pandemic is the most complex crisis since World War II because it affects all aspects of the lives of the global community. Not only the health sector is under pressure, but also international trade, financial markets, and world socio-political stability. These conditions show that the global economic



system is highly vulnerable to external shocks, especially when interdependence between countries is high and is not balanced by effective coordination mechanisms.

Economically, the pandemic triggered a widespread contraction in Gross Domestic Product (GDP) in almost all countries. Leiva-León et al. (2020) found that the global economic weakening during the first quarter of 2020 marked the sharpest decline since the 2008 financial crisis. The main impact is a decline in aggregate demand, a decline in export-imports, and an increase in unemployment in the formal sector. Developing countries are facing significant fiscal pressures due to declining tax revenues and increasing social spending needs. Meurs et al. (2019) emphasized that almost all governments in the world implement expansionary fiscal policies to protect low-income people, but these policies have significantly increased the public debt burden. A large economic stimulus does maintain people's purchasing power, but on the other hand prolongs long-term fiscal uncertainty and poses risks to future macroeconomic stability.

In addition, the pandemic has also revealed the deep dependence of the global economy on cross-border trade and investment networks. Bryson and Vanchan (2020) explain that intercountry connectivity through international trade networks creates a domino effect when one country experiences production disruption. Countries with central positions in global supply chains are under greater pressure as disruptions in exports of raw materials and manufactured products impact various sectors in other countries. This phenomenon shows that economic globalization, which has been considered to strengthen growth, can actually be a crisis transmission channel. Barro et al. (2020) assert that the pattern of the COVID-19 crisis bears

similarities to the 1918 Spanish Flu pandemic, where public health shocks caused prolonged economic contractions due to declining labor productivity and aggregate demand.

The social impact of this crisis is also very significant. Mauro and Baldwin (2020) stated that the pandemic widened social inequality as low-income groups and informal workers were most vulnerable to income loss. On the other hand, technology-based companies and the digital sector have experienced rapid growth during times of crisis. This digital inequality strengthens the socio-economic gap between countries and between community groups. Leigh (2020) added that if inequality is not balanced with fair and effective redistribution policies, social tensions can increase and worsen global political instability. This phenomenon shows that economic sustainability cannot be achieved without paying attention to aspects of social justice, inclusion, and equitable distribution of welfare.

In the political context, the COVID-19 pandemic has shifted the paradigm of the relationship between the state and the market. Before the crisis, most countries adopted a neoliberal approach that emphasized efficiency and limited government intervention in the economy. However, the crisis proves that the role of the state is again central in maintaining stability and public welfare. Niewiadomski (2020) emphasized that this pandemic marks a state resurgence, namely the revival of the state's role in managing crises and directing the national economy. Governments in various regions are expanding interventions through loose monetary policy, direct cash assistance, tax incentives, and support for strategic industries. This shift reflects

a new direction towards a more protective, resilient, and domestic-interest-oriented economic model.

This global health crisis is also accelerating the process of deglobalization. Olivié and Gracia (2020) argue that many countries are beginning to revisit their dependence on global supply chains and seek to strengthen economic independence through strategic production reshoring. The policy is intended to increase national resilience, although in the long run it can reduce the efficiency of globalization. However, the process of deglobalization is not always negative. In the medium term, diversification of production can strengthen the stability of the international economic system by reducing the risk of extreme dependence on one particular region or sector. This phenomenon shows the transition from the logic of efficiency to the logic of resilience, which is now a new paradigm of post-crisis economics.

From the perspective of international relations, the pandemic has also changed the dynamics of global geopolitics. Barro et al. (2020) and Phelan et al. (2020) highlight the weakness of coordination between countries in dealing with global crises. International organizations such as the WHO and WTO face limitations in mandates, funding, and coordinating capacity. On the other hand, major countries prioritize national interests over global solidarity. Kusno (2020) observed that geopolitical tensions have increased sharply, especially between the United States and China who accuse each other of the origins and response to the pandemic. This rivalry reflects a shift in the world order towards a multipolar system, in which the dominance of one great power is diminishing and multilateral cooperation is becoming weaker.

This crisis also affects global investment flows. Carlsson-Szlezak et al. (2020) revealed that cross-border investment has declined drastically due to market uncertainty and mobility restrictions. Capital-intensive sectors such as energy, transportation, and manufacturing contracted, while investment in information technology, pharmaceuticals, and the digital economy increased rapidly. This change in investment patterns indicates that the crisis is accelerating the transition to an economy based on innovation and high technology. A similar point is conveyed by Chica et al. (2021), who affirm that the interdependence of the global economy is now determined by the ability to adapt to health risks and technological advances. Countries with innovation capacity and strong digital infrastructure recover faster than countries that depend on primary commodities.

From the socio-political side, the pandemic also shows the limitations of the global system in protecting vulnerable communities. Phelan et al. (2020) emphasized that the unpreparedness of the international health system and weak solidarity between countries lead to inequality in access to vaccines, medicines, and medical devices. These limitations undermine the legitimacy of international institutions and raise fundamental questions about the effectiveness of global governance. Mauro and Baldwin (2020) added that global solidarity failed to materialize because each country focused more on domestic protective policies. As a result, the gap between countries is widening and increasing the risk of long-term socio-political instability.

However, in the midst of a widespread crisis, there has also been an adaptive and transformative policy innovation. Meurs et al. (2019) noted that many countries used the momentum of the crisis to accelerate the digitalization of public services,

strengthen social security systems, and adopt sustainable fiscal policies oriented towards green recovery. A number of countries are also using the crisis as an opportunity to improve economic structure through green investment and increased energy security. These efforts show that while the pandemic has had a devastating impact, the crisis has also served as a catalyst for global policy reform towards a more inclusive and socially just economy. Carlsson-Szlezak et al. (2020) even view this crisis as a momentum for the world to build a new economic paradigm that is more resilient, humanistic, and sustainable.

Overall, the results of the literature review show that the COVID-19 pandemic is not just a temporary disruption, but a turning point in the history of the global economy-politics. Patterns of production, consumption, trade, and relations between countries are undergoing fundamental restructuring. The world is now moving towards a new balance between globalization and national self-reliance, between efficiency and resilience, and between growth and social justice. These findings reinforce the view that the global crisis can serve as a catalyst for a more sustainability- and solidarity-oriented restructuring of the international economic-political system. Thus, understanding the multidimensional impact of the pandemic is an important foundation in formulating adaptive, inclusive, and sustainable global policies in the future.

## **5. Discussion**

The results of the study show that the COVID-19 pandemic has not only caused a global economic crisis, but also a turning point that shows the instability of

the international political and institutional system. This pandemic has exposed the fragility of the globalized architecture that for decades has been built on the principles of efficiency and economic liberalization. In line with the views of Olivie and Gracia (2020), the event marks a shift from the era of borderless globalization to a new form of globalization that is more careful, adaptive and selective. Countries are beginning to revisit their dependence on global supply chains and tend to strengthen national independence as an economic resilience strategy in the face of increasingly frequent global shocks. In this context, there is an awareness that globalization that is too open without adequate institutional safeguards actually creates systemic vulnerability to cross-border crises.

On the other hand, this global crisis has revived the classic debate about the role of states and markets in the economic recovery process. Niewiadomski (2020) explained that the pandemic has shifted the orientation of public policy from the efficiency paradigm to a stronger and more targeted form of state intervention. The state has again become a central actor in economic rescue through expansionary fiscal policies, monetary stimulus, and various social protection programs. This intervention has proven effective in containing the pace of economic contraction and maintaining social stability. However, it is important to realize that the role of the state that is too dominant can also create new structural dependencies, hinder private sector innovation, and reduce long-term efficiency. Therefore, a balance between state intervention and market dynamics is an important prerequisite for building a more sustainable global economic order.

The crisis also shows an increase in social and economic inequality between countries. Mauro and Baldwin (2020) emphasized that the pandemic widened the gap between developed countries with large fiscal capacity and developing countries with limited resources. Developed countries are able to pour out massive economic stimulus, while developing countries struggle to provide social safety nets and equitable access to vaccines. This inequality has the potential to slow down the global economic recovery and exacerbate the imbalance in the world economic structure. In this situation, international solidarity and multilateral cooperation should be the main foundation for addressing the crisis collectively. However, as stated by Phelan et al. (2020), weak global governance makes coordination between countries slow, fragmentative, and often hampered by their respective domestic political interests.

In addition to economic and health aspects, the pandemic also has significant geopolitical implications. Kusno (2020) noted that this global crisis has intensified the rivalry between the world's major powers, especially the United States and China, which are vying to show influence in the provision of vaccines, technology, and trade policies. Such rivalries create fragmentation of international politics and hinder the formation of effective collective policies. Competition between new economic blocs is also increasingly visible, reflecting a shift towards a multipolar order in which no single dominant power is able to control the direction of global policy. In such conditions, the world needs a multilateral collaboration mechanism that is more inclusive, adaptive, and free from certain political domination in order to be able to guarantee long-term stability and create a balance of interests between countries.

Thus, the COVID-19 pandemic provides an important lesson that global resilience is not only determined by economic strength, but also by institutional capacity, solidarity between countries, and trust in global cooperation mechanisms. International governance reform is an urgent need to build a more resilient, equitable, and sustainability-oriented system. This crisis should not only be seen as a disaster, but also as a historical momentum to reform the world economic-political order towards a more humane, collaborative, and socially just direction.

## **6. Conclusion**

The COVID-19 pandemic has left a profound mark on the world economic, political, and social order. This crisis proves that a global system built on economic efficiency and connectivity is highly vulnerable to external shocks. Strong interdependence between countries without international institutional readiness makes the response to crises slow and uneven. As a result, the pandemic is not only a global health event, but also a test of the ability of world governance to maintain economic stability and social solidarity. Economically, the pandemic has resulted in slowing growth, increasing social inequality, and a shift in policy direction toward greater state intervention.

Meanwhile, from the political side, the pandemic accelerated the process of deglobalization and encouraged a transformation towards a more selective and national interest-based pattern of international relations. In this situation, a new awareness emerges that global economic resilience must be built on the foundation of fair, transparent, and sustainable collaboration. This research emphasizes the



importance of a multidisciplinary approach in understanding the impact of the pandemic on global dynamics. Literature review shows that the future sustainability of the world's economic-political system depends on the ability of countries and international institutions to balance economic efficiency and social justice. Therefore, the COVID-19 pandemic must be a collective lesson to build a more resilient, inclusive, and well-being oriented global governance as a whole.

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