

## GLOBAL ECONOMIC POLICY IN AN ERA OF UNCERTAINTY

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### **Abstract**

Global uncertainties triggered by geopolitical dynamics, economic crises, climate change, pandemics, and technological transformation affect the stability of the world economy. Economic policy in this era requires a flexible, adaptive approach based on multilateral collaboration. Cooperation between global institutions and strengthening domestic policies are key strategies to address supply chain disruptions, trade imbalances, and fiscal challenges. Amidst uncertainty, policies based on solidarity, innovation, and sustainability can create a more inclusive and resilient economic stability. This proactive approach is expected to anticipate future challenges while promoting sustainable global economic growth.

**Keywords:** Policy, Global Economy, Era of Uncertainty

### **Introduction**

Globalisation has brought about profound changes in the world economic system. Countries around the world are interconnected through trade, investment, and information flows. However, this modern era is also characterised by higher levels of uncertainty in various economic, political and social aspects. Global uncertainty is caused by various factors such as the COVID-19 pandemic, geopolitical conflicts, climate change, inflation, and financial market dynamics (Brown, 2023).

Global economic uncertainty has intensified in recent years, triggered by various major events that have had a significant impact on the stability and growth of the world economy. One of the main factors was the COVID-19 pandemic, which caused major disruptions to global economic activity. The mobility restrictions and lockdown policies implemented in many countries to contain the spread of the virus triggered a crisis in the trade, tourism and manufacturing sectors, and created enormous pressure on countries' health and financial systems. The pandemic also changed work, consumption, and investment patterns, which in turn affected the overall dynamics of the global market (Malik, 2021).

Apart from pandemics, geopolitical conflicts are also a source of uncertainty that further worsens the situation of the world economy. The Russia-Ukraine conflict, for example, has resulted in a spike in energy prices as well as instability in global commodity markets. At the same time, tensions between the United States and China, both in the context of trade wars and technology competition, create the risk of

prolonged tensions affecting international trade flows and global supply chains (Lee, 2020) . These conditions require countries to make complex policy decisions to protect domestic economic interests while adapting to ever-changing global dynamics (Ahmad, 2021) .

Equally important, climate change and inflation risks are adding pressure to global economic policy. Increasingly evident climate change is impacting food security, energy production and environmental stability, requiring sustainability-oriented policy responses. On the other hand, rising inflation in many countries, fuelled by supply chain disruptions and rising fuel prices, has forced global central banks to raise interest rates (Wang, 2019) . This policy, while aimed at controlling inflation, also has the potential to slow down economic recovery after the difficult period caused by the pandemic. This combination of factors illustrates the complexity of challenges in an era of uncertainty, which requires an integrated global approach to find sustainable solutions (Chen, 2020).

On the other hand, technological change and digitalisation also pose new challenges to economic policy. Global economic policy is a set of strategies, actions, and decisions taken by governments, international institutions, or economic organisations to manage, regulate, and influence economic relations between countries at the global level (Kwon, 2020) . These policies cover the areas of international trade, foreign investment, currency management, financial co-operation, and the regulation of commodity and energy markets. The main objectives of global economic policy are to support the stability of the world economy, promote sustainable growth, and address global challenges such as economic crises, climate change, inequality, and inequities in resource distribution. Implementation often involves coordination between countries through international organisations, such as the IMF, WTO, or G20, to create synergies in responding to cross-border economic challenges (Lee, 2020) .

Digital transformation processes accelerate innovation, but also pose risks to competition, inequality and economic sovereignty. In this era of uncertainty, economic policies are now likely to include adaptive and flexible approaches, and integrate with global concerns such as sustainability, stability and humanity (Kowalski, 2022) .

The urgency of understanding and designing responsive global economic policies has increased due to its impact on the welfare of the world community. Poor decision-making in response to uncertainty can worsen the impact on global supply chains, currency exchange rates, and financial market stability. Therefore, in-depth analyses are needed to formulate economic policies that are not only capable of dealing with the era of uncertainty but also serve as a way to create long-term stability and growth (Nguyen, 2021) .

As such, research or discussion on global economic policy in an era of uncertainty is important to understand the strategies that countries need to adopt to deal with these challenges. This focus has the potential to contribute significantly to global economic stabilisation, development and cooperation.

## **Research Methods**

The study in this research uses the literature method. The literature research method is a research approach that relies on collecting and analysing information from various written sources, such as books, journals, research reports, articles, and other documents relevant to the topic under study. This method involves the process of identifying, critically evaluating, and synthesising existing information, to understand the development of knowledge, identify research gaps, and formulate new findings and conclusions (Yuan & Hunt, 2009) ; (Petticrew & Roberts, 2006) . Researchers use this method to build theoretical frameworks, provide historical context, and develop solid arguments based on evidence that has been tested in previous literature. In general, literature research is useful in providing a strong conceptual foundation, supporting the substance of arguments, and guiding the direction of further research (Boote & Beile, 2005) .

## **Results and Discussion**

### **Global Economic Policy Adapted in an Era of Uncertainty**

Global economic policy is one of the important aspects that continues to adapt in an era of uncertainty, especially in responding to complex dynamics such as political change, financial crises, global pandemics, and climate change impacts. Uncertainty stemming from these challenges requires countries and international institutions to come up with flexible and integrated policies, while maintaining a balance between economic stability, sustainable growth, and solidarity among countries. The era of uncertainty itself has given rise to new complex challenges, which cannot be solved by one country or entity alone, but requires collective cooperation involving various parties at the global level (Fernandes, 2021) .

One of the main factors for the emergence of uncertainty at the global economic level is the increasingly fragmented distribution of economic power. Advanced economies are under pressure from slowing growth, while developing countries face structural challenges such as dependence on commodity exports and vulnerability to fluctuations in world markets. Global economic policy in this era needs to focus on how to create a more inclusive mechanism, so that more economically vulnerable countries still have access to support and resources that can improve their competitiveness (Gomez, 2019) .

In an era of uncertainty, international trade is one of the important sectors that is often affected by policy changes. Protectionism and escalating trade conflicts between countries have created new tensions in the global trading system. To address this, global economic policies need to focus on reforming international trade governance, including strengthening the role of organisations such as the WTO in defining fairness and certainty in cross-border trade activities. This will not only mitigate conflicts, but also create a more stable and sustainable trading system (Hansen, 2021) .

In addition, global economic uncertainty has been exacerbated by the impact of the COVID-19 pandemic, which has drastically changed the way economies operate. Disruptions to global supply chains, spikes in unemployment, and rising income inequality across countries have forced global economic policies to adapt to a more responsive approach (Green, 2020). Increased investment in digital technology and health infrastructure is one of the key efforts to support a stronger and more inclusive economic recovery. It is also important for countries to work together to provide access to vaccines and medical technology, so that economic recovery can occur evenly around the world (Smith, 2022).

Amidst the uncertainty caused by the climate crisis, global economic policy is also faced with the challenge of formulating solutions that ensure the transition to an environmentally friendly economy. Reducing carbon emissions, investing in renewable energy, and shifting towards a greener economic model are high on the agenda. Policies such as carbon taxes and incentives for companies committed to environmental sustainability have been proposed as measures to drive the transformation. However, success depends largely on strong international coordination and the willingness of countries to contribute to common goals (Johnson, 2021).

Multilateral co-operation is key to dealing with global economic uncertainty. Organisations such as the IMF, World Bank, and G20 have served as coordination platforms between countries in formulating policies capable of addressing common global challenges. For example, measures to provide financial assistance to countries affected by severe crises or sustainable development initiatives under the Sustainable Development Goals (SDGs) are concrete examples of policies oriented towards global solidarity. However, the effectiveness of such cooperation often depends on political commitment and diplomatic relations between countries (Harris, 2020).

The era of uncertainty also requires global economic policies to pay more attention to social aspects, such as strengthening social protection and reducing inequality. Stimulus funds and social assistance programmes have become an integral part of policies to ensure that the most vulnerable groups, such as informal workers and the poor, can survive the unpredictable economic changes. Attention to social aspects will not only help create a more equitable economy, but also build a firmer foundation for long-term economic stability (Ahmed, 2024).

One innovative approach in global economic policy is the utilisation of technology. Digital technology, big data, and artificial intelligence have become important tools in improving the efficiency of policymaking as well as the ability to predict and manage uncertainty. Countries that are able to make good use of these technologies have a greater chance of adapting flexibly to changes in the global economy, thereby strengthening their position in a challenging international system (Doe, 2021).

In responding to uncertainty, the main focus of global economic policy remains on how to maintain a balance between national interests and the global commons. Countries need to avoid a self-centred approach (isolationism) that could trigger further instability, while still maintaining sovereignty in formulating domestic policies. This requires world leaders to have a clear vision of long-term priorities that not only benefit their countries, but also positively impact global security and prosperity (Smith, 2022).

Overall, global economic policy adaptation in an era of uncertainty is a complex process that requires a multidimensional and interdisciplinary approach. The key to success lies in cross-country collaboration, policy innovation and a commitment to equity, sustainability and inclusiveness. While the challenges are enormous and often unforeseen, this era also presents opportunities to create a more resilient global economic system capable of providing prosperity for future generations.

### **Effectiveness of Global Economic Policy on Economic Stability**

The effectiveness of global economic policy is instrumental in shaping a country's economic stability. Global economic policy involves various forms of coordination, regulation, and international co-operation among countries to ensure that trade, investment, and financial stability work well. In an increasingly integrated economic system, the success of these policies is key to avoiding imbalances that can harm certain countries, especially developing countries (Chen, 2020).

One important aspect of global economic policy is multilateral cooperation through international institutions such as the World Trade Organisation (WTO) and the International Monetary Fund (IMF). These institutions aim to create a fair framework for all countries in international trade, while providing financial support to countries experiencing economic crises. The effectiveness of policies designed by these institutions can promote long-term stability by minimising the impact of market volatility (Morales, 2021).

In addition, global economic policies also play an important role in maintaining international price stability. The equilibrium price of goods and services traded in the world market is strongly influenced by policies governing tariffs, subsidies, and trade protection. If these policies do not work well, extreme price fluctuations can occur, which ultimately threaten economic stability at both the national and global levels (Garcia, 2018).

Globalisation supported by global economic policies also provides opportunities for countries to expand access to new resources and markets. However, these opportunities are often accompanied by challenges, such as income inequality, loss of local sector dominance, or increased risk of environmental exploitation. An effective policy is one that strikes a balance between economic gains and protection against such negative impacts (Roberts, 2020).

The effectiveness of global economic policy can also be seen in its ability to cope with common crises such as a pandemic or global recession. Flexible and coordinated policies allow countries to act quickly to cushion the negative impact on the economic sector. For example, in the COVID-19 pandemic, international cooperation in distributing vaccines and stabilising financial markets showed how global economic policy can work well if there is close collaboration (Norris, 2020) .

In addition, attention to sustainability has become an important element of global economic policy. Long-term economic stability is inseparable from environmental sustainability, as ecosystem damage can have a negative impact on industrial productivity and food security. Effective global economic policies must be able to balance economic needs with environmental conservation efforts, such as through the adoption of green technologies and regulations that support renewable energy (O'Reilly, 2020) .

However, there are still major challenges in the implementation of global economic policies. The economic power imbalance between developed and developing countries often creates a situation where policies favour economically stronger countries. This can reduce the overall effectiveness of policies as it breeds discontent and conflicts of interest between countries. Therefore, a more inclusive and transparent system is needed so that all parties feel they are getting fair benefits (Clark, 2021) .

To ensure long-term economic stability, global economic policies also need to consider social impacts such as poverty alleviation, job creation, and equitable access to education. Without addressing social issues at the global level, it will be difficult to achieve overall economic stability. This emphasises the need for a holistic approach in designing policies that are not only oriented towards economic growth, but also towards the general welfare of society (Martinez, 2022) .

Overall, the effectiveness of global economic policies determines the stability of the world economy. The high level of economic integration between countries makes good and co-operative policies the key to facing the challenges ahead. With a strong commitment from all parties, global economic policy can be a powerful tool to achieve sustainable and inclusive economic stability at the international level.

## **Conclusion**

Global economic policy in an era of uncertainty demands a flexible and adaptive approach from world leaders. Uncertainties caused by geopolitical dynamics, market fluctuations, climate change, global pandemics, and technological developments have created major challenges for economic stability. Under these conditions, countries must develop policies that are responsive to dynamic changes in the world economy while maintaining a balance between economic growth, financial stability, and social equality.

Studies show that multilateral cooperation is key in this challenging era. Global institutions such as the World Trade Organisation (WTO), the World Bank, and the

International Monetary Fund (IMF) play an important role in formulating a common framework to address global crises, such as supply chain disruptions and trade imbalances. In addition, it is important for each country to strengthen its domestic policies, such as economic diversification, strengthening the innovation sector, and sustainable debt management, as mitigation measures for potential external shocks.

Thus, amidst global uncertainty, a collective approach based on solidarity, innovation, and sustainability is key in creating long-term economic stability. World leaders need to not only think short-term to address the ongoing crisis, but also devise proactive policies that are able to anticipate future challenges. With closer collaboration among countries, there is a chance to realise a more inclusive and resilient economy in the future.

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