

Political situation and its influence on economy

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ABSTRACT

The main purpose of this research paper is to analyze is there any relationship or influence between politics and the economy. The research is constructed from two parts. The first part that is going to be analyzed is the political situation between two or more countries and its reflection to the economy of those countries. This includes also different types of agreements on bilateral bases and their participations in different organizations (WTO, APEC, NAFTA...). In that part we will present the FDI diversification according to the political situation between the countries. Also we will provide what kinds of risks are attached to the political situation. The second part of the study will be focused on the internal political situation of one country and its reflection to the domestic economy of that country. To answer the main question which is: "Does the political situation influence the economy?"- Different literature has been used. I decided to answer this question because there was no relevant study about this. Also, it is a good platform to analyze this topic more deeply in the future and find good relation between politics and economy. Through the study we will analyze different scenario cases which have been proven in the past and compare them with the findings of the study. I will also provide result that there is a certain relationship between politics and economy, depending at what kind of situation we have.