

# Implications of Geopolitical Conflicts and their Impact on the Global Economy

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# Introduction

- Geoeconomic Ripple Effect: Exploring how localized disputes trigger widespread economic and humanitarian repercussions worldwide
- Case Studies: Examining geopolitical impact of conflicts like the Russia-Ukraine war and Houthi attacks on Red Sea shipping lanes
- Humanitarian Consequences: Examining humanitarian impact such as displacement, casualties, and infrastructure destruction, necessitating coordinated multilateral efforts for aid and response
- International Relations: Analyzing the interactions among nations and the impact on conflict resolution and humanitarian aid efforts
- Economic and Market Impact: Understanding the role of international relations to elucidate how geopolitical conflicts influence the global economy and markets

# Literature Review

## Geopolitics and Geoeconomics

- Shift from Geopolitics to geoeconomics
- Trade expansion over territorial expansion
- Economic sanctions as political tool
- Trade Integration > Political Integration

## Russia-Ukraine War: Global Economic Impact

- Disrupting global supply chains (food exports, raw materials)
- Displacement of Ukrainian civilians (international aid)
- Global commodity price increases

## Red Sea Shipping Crisis

- Major disruption to Suez Canal Route
- Re-routing losses to companies
- Spike in cargo insurance rates
- Suspended maritime trade in the region

## Russia-Ukraine War: Impact on India

- Revival of rupee-ruble trade
- Expanding Indian higher education (forex)
- FII inflows; lower oil prices

# Methodology

The paper uses secondary and exploratory analytical approaches.

## Analysis of KPIs



- GDP
- Inflation Rate
- Currency Exchange Rate
- Supply chain Disruptions (Foreign Investments)

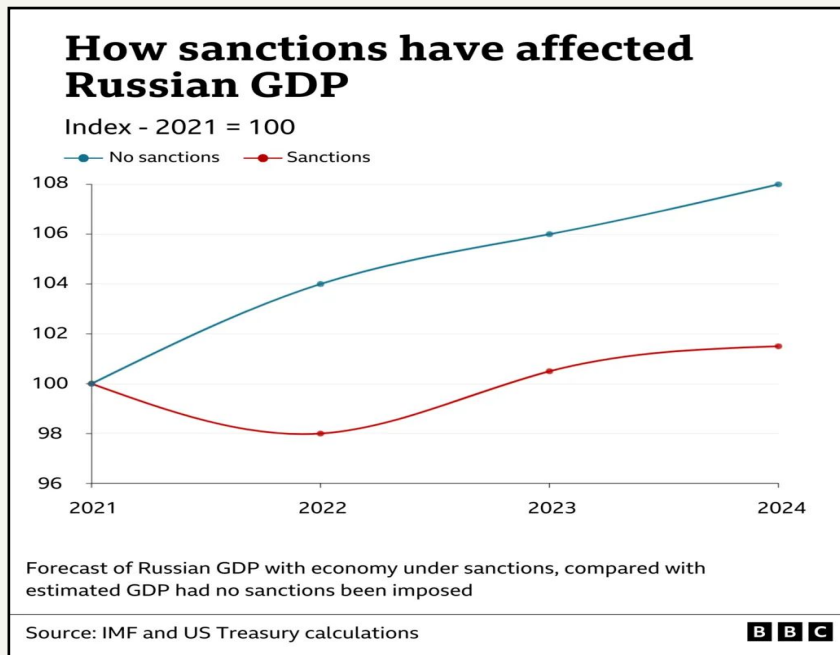
## Analysis of Case Studies



- Russia Ukraine war
- Houthi Red Sea attacks
- Rohingya Crisis
- The Black Sea Initiative

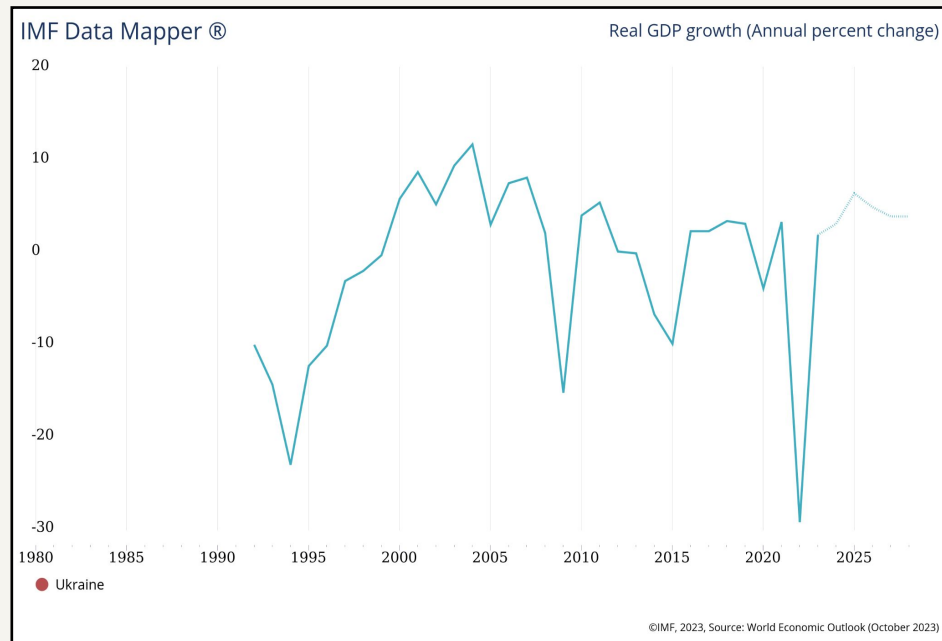
# Results

## Impact of sanctions on Russia's GDP



Sanctions have cut 5% of Russia's economic growth (2 years)

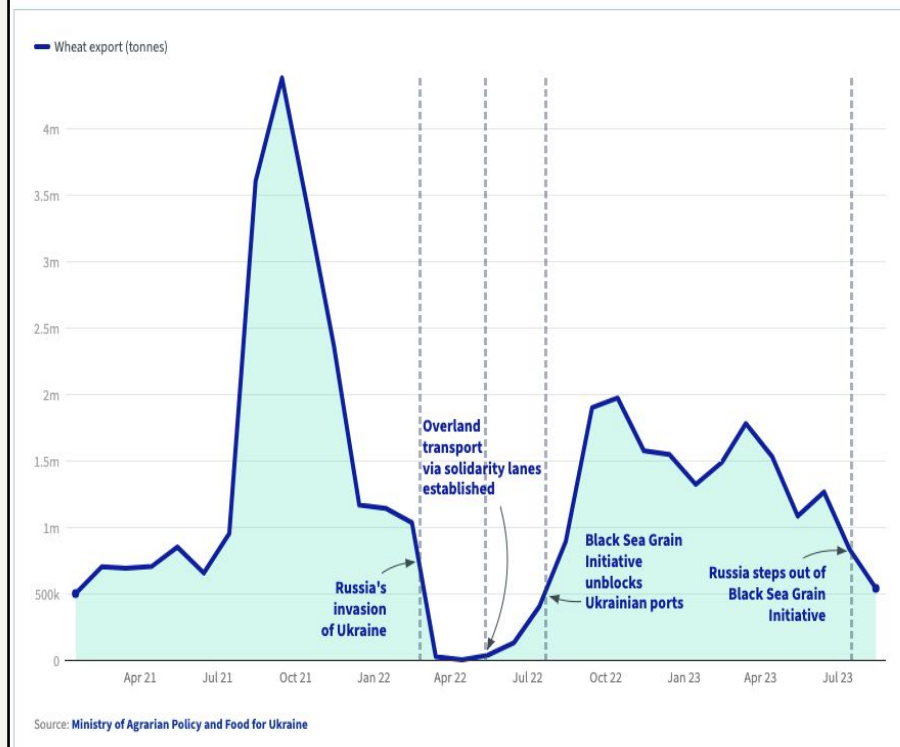
## Impact of the war on Ukraine's GDP



Ukraine's real GDP growth fell from 3.4% in 2021 to -29.1% in 2022.

## Fall in Ukraine's wheat exports

### Ukraine's wheat exports suffering from the war



By May 2022, global wheat exports from Ukraine dropped by over 90%

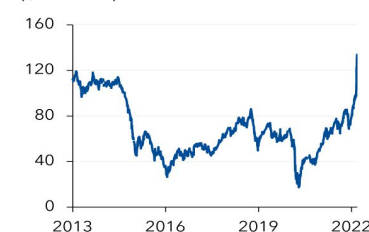
## Rise in global export prices

### Growing pressures

Prices for energy, grains, and metals soared since the invasion of Ukraine, signaling that inflation rates are poised to accelerate.

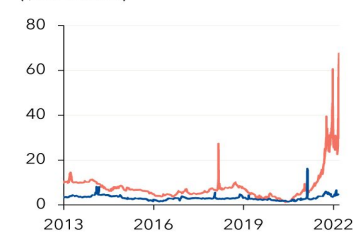
#### Brent Crude Oil

(\$US/barrel)



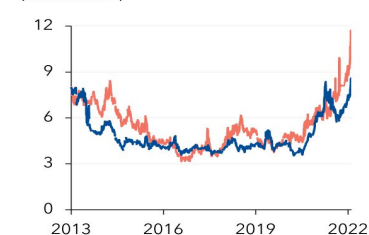
#### European & US Natural Gas\*

(\$US/MMBtu)



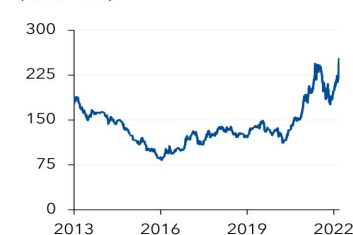
#### Corn, Wheat

(\$US/bushel)



#### Metals Index\*\*

(2016=100)



Source: Bloomberg, USDA, Datastream, and IMF staff calculations.

Note: \*European & US natural gas prices use the Dutch TTF and Henry Hub as proxies, respectively. \*\*Base Metals Price Index includes aluminum, cobalt, copper, iron ore, lead, molybdenum, nickel, tin, uranium, and zinc.

IMF

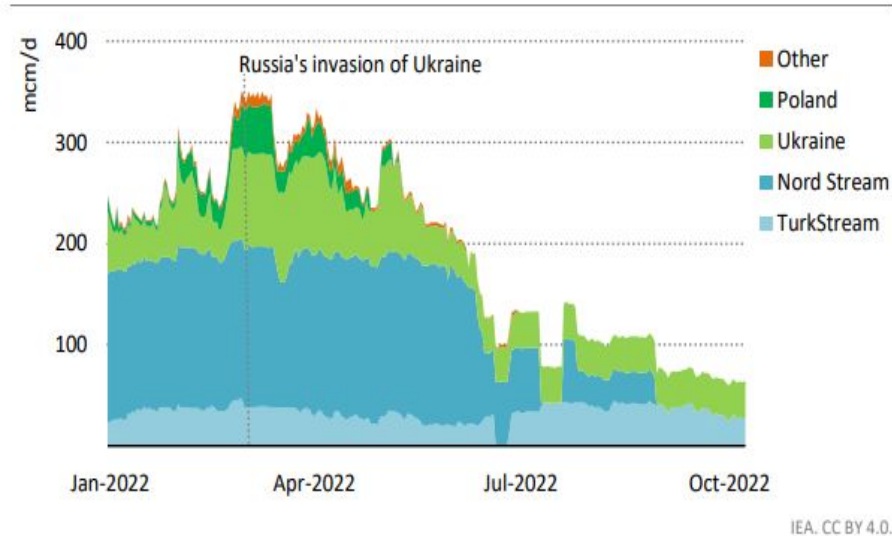
Basic commodity prices soared after the outbreak of the war



# Russia's Flow of Oil and Natural Gas

## Europe

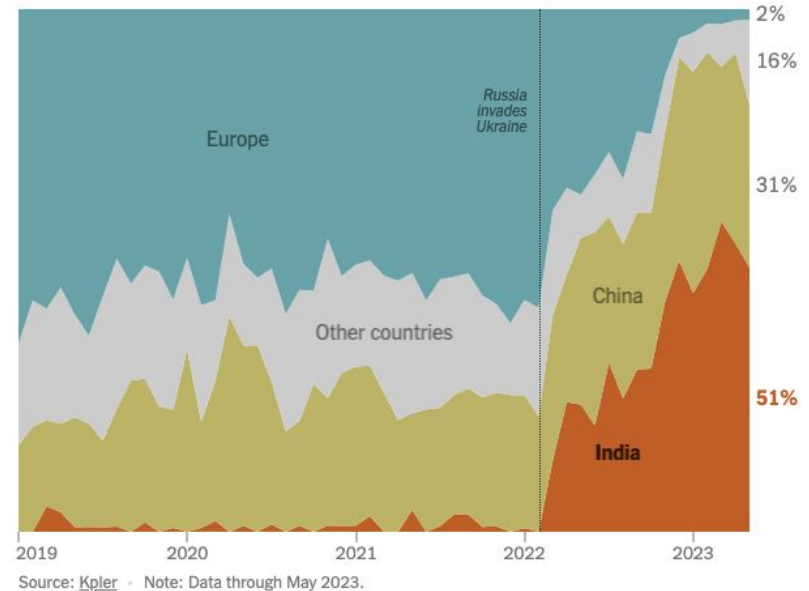
**Figure 2.3** ▶ Natural gas pipeline flows from Russia to the European Union and Türkiye since January 2022



Russia cut gas flows to the EU by 80% by October 2022.  
[Source: International Energy Agency]

## India

Where Russia's seaborne oil exports go



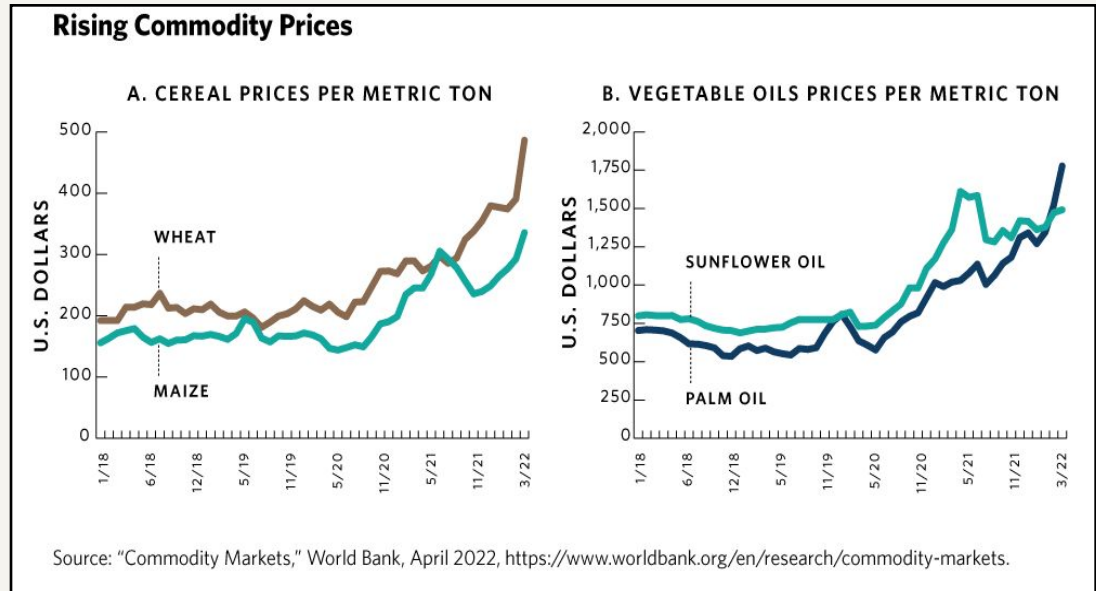
India purchased over 50% of the total Russian seaborne oil exports as of May 2023.

## Impact on Africa

Inflation Rate and Average consumer prices increased to **14.3%** in 2022.

Africa faced severe food shortages as it heavily depended on Russia and Ukraine for food grains.

Prices of staple commodities like wheat, vegetable oil or barley showed a monthly increase of 12.6% in 2022.





# Houthi Attacks Case Study

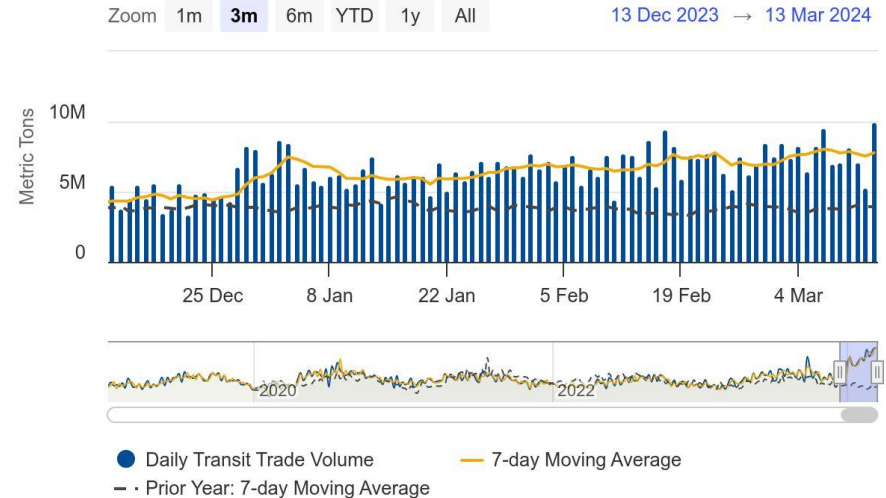
## Impact on trade volumes due to attacks on Red Sea shipping lanes

Suez Canal: Transit Trade Volume

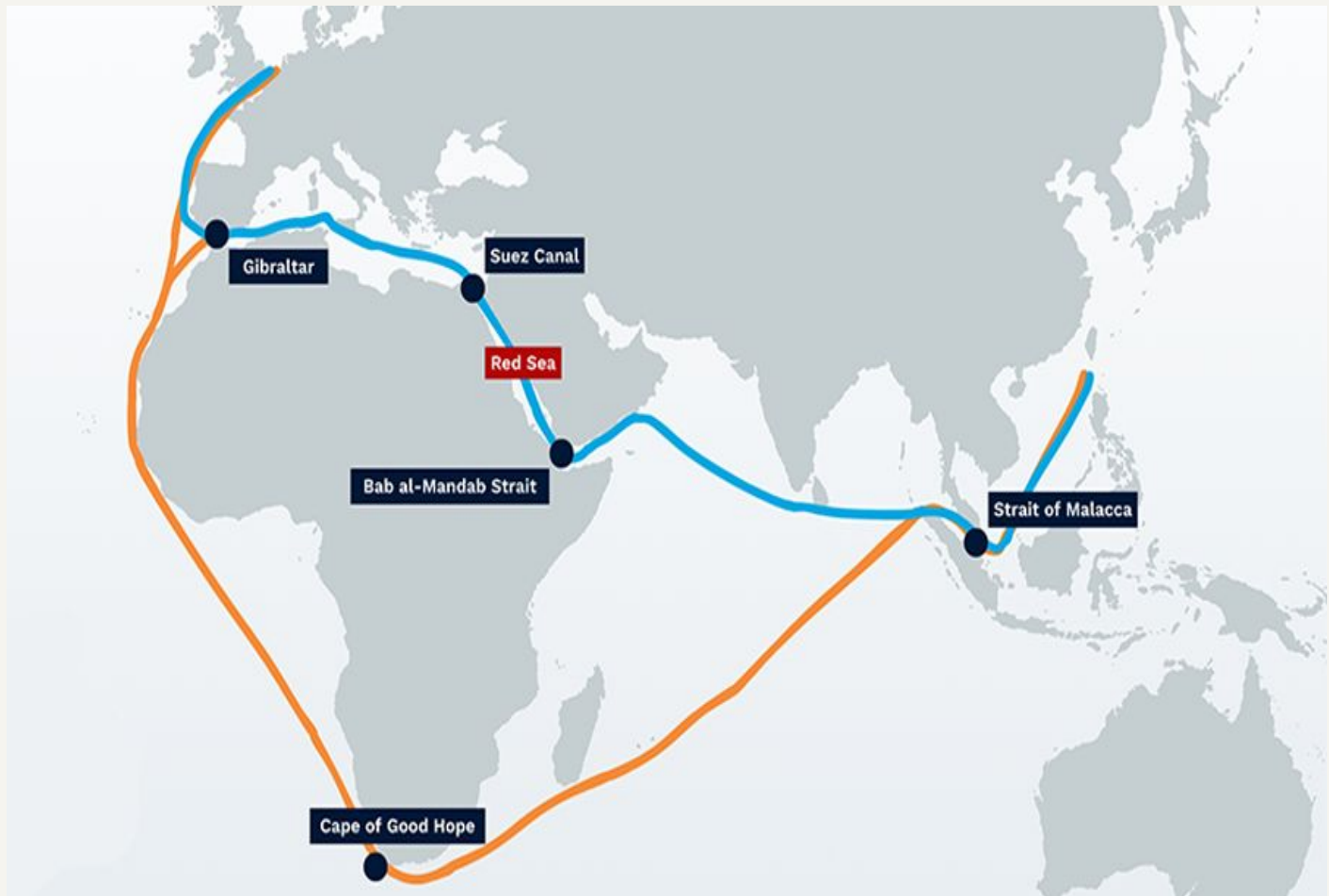


Suez Canal: Daily transit trade volume decreased from 5,317,283 to 2,173,613 metric tons in a year

Cape of Good Hope: Transit Trade Volume



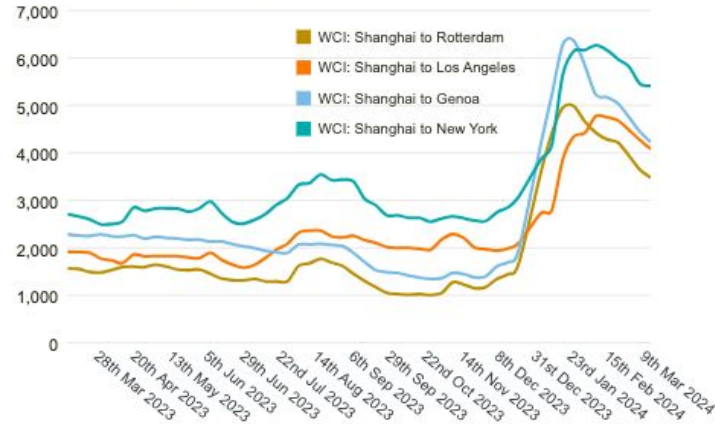
Cape of Good Hope: Daily transit trade volume increased from 5,569,930 to 10,020,378 metric tons in a year



Re-routing of ships on the Map. Suez Canal route(blue) abandoned for Cape of Good Hope route(orange)

# Impact on China, India and Egypt

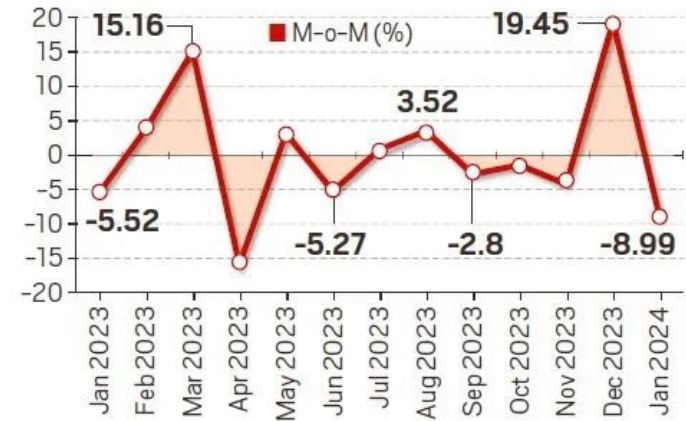
Drewry WCI: Trade Routes from Shanghai (US\$/40ft)



CHINA: A sharp rise in container prices from \$1956/40ft to \$6365/40ft in the shipping routes from Shanghai to the West in 2024

EGYPT: Suez Canal revenues fell by 40%, exacerbating Egypt's foreign exchange shortage amid public debt.

## INDIA'S NON-OIL EXPORTS LOG STEEPEST FALL IN 9 MONTHS



M-O-M: month-on-month

Source: Ministry of Commerce

INDIA: Cost of Indian exports doubled post the attacks. India's non-oil exports via the Red Sea showed a 9% decline in January

# Rohingya Crisis

As of 2023, there are 1 million Rohingya refugees registered in **Bangladesh** from the onset of the crisis in 2017 (UNHCR, 2023).

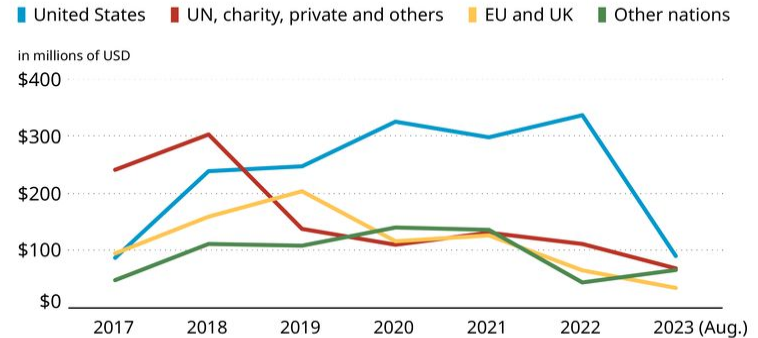
Bangladesh received

- More than \$2.2 billion from the US (U.S. Dept. of State)
- €68 million in humanitarian aid from the European Union (European Commission)
- \$876 million under the UN 2023 annual response plan (UNHCR)
- \$590 million grant financing from the World Bank in 2023.

## International humanitarian aid for the Rohingya in Bangladesh

(by government agencies, years)

The drop in this year's assistance is mainly due to a substantial reduction in support from the United States.



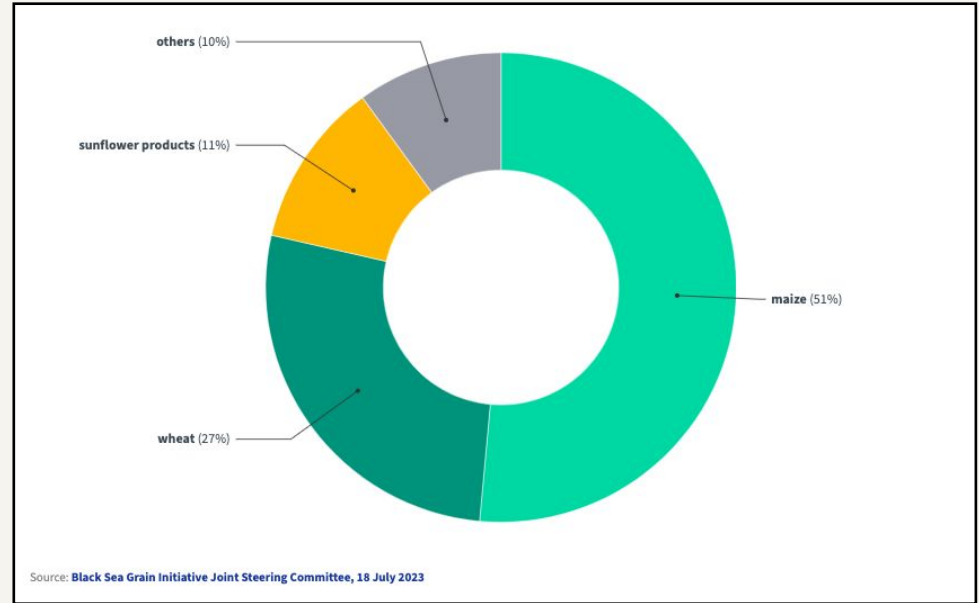
Source: United Nations

# The Black Sea Initiative

Agreement between **UN**, **Russia** and **Turkey** to allow exports via a “safe maritime humanitarian corridor in the Black Sea”.

In July 2023, Russia withdrew from the deal and demanded reintegration to the SWIFT payment system.

Illustrate the challenge of prioritising national interests over collective humanitarian needs during conflicts, thus hindering the role of international assistance.



Food exports from Ukraine allowed under the Black Sea Initiative up till July 2023.

# Conclusion

In conclusion, the above explained geopolitical conflicts highlight how politics dominate world economics. Battles are no longer just fought on battlefields, but also through the realm of economic markets, currencies and trade networks. This makes us ponder on the question,

IS ECONOMICS THE NEW FORM OF WARFARE?

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THANK YOU