

Impacts of Geo-Political Conflicts on Global Trade: A Case Study of the Russia-Ukraine War

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Abstract

The Russia-Ukraine war has emerged as one of the most disruptive geopolitical conflicts in recent history, severely impacting global trade systems. This paper explores the multidimensional consequences of the conflict in key sectors, including energy, agriculture, and logistics, while examining the regional and global implications of these disruptions. Russia's role as a dominant energy supplier and Ukraine's position as a leading agricultural exporter have magnified the war's effects, leading to soaring energy and food prices, logistical bottlenecks, and a reconfiguration of global trade flows. Through an in-depth analysis of secondary data and case studies, the paper highlights the short- and long-term challenges faced by regions such as Europe, Africa, and Asia. Key findings include Europe's accelerated energy transition, the emergence of food security crises in developing nations, and the deepening economic ties between Russia and Asian markets. The study concludes by presenting actionable policy recommendations, including supply chain diversification, international cooperation, and investments in sustainable energy and agriculture. These measures are essential to strengthen global trade systems against future geopolitical shocks.

Key words: Geopolitical Conflicts, Global Trade, Russia-Ukraine War, Energy Markets, Sanctions, Supply Chain Disruptions, Trade Realignment, Economic Resilience.

Introduction

Global trade is a foundation of modern economies, allowing countries to exchange resources, goods, and services across borders. However, geopolitical conflicts present one of the greatest threats to this interconnected system. Export competition affects cross-border exchanges, disrupts value chains, and shocks markets beyond normal geographical borders. The Russia-Ukraine war started in February 2022. Geopolitical conflicts are complex, and they should always be expected to affect global trade networks. Russia and Ukraine are two of the world's largest and most important economies. Russia, one of the leading energy suppliers globally, has for long held a monopoly in the supply of natural gas and oil in Europe. Ukraine itself is an exporter of agricultural products, including wheat, corn, and sunflower oil. Together, these countries export one-third of global wheat and one-fifth of global corn. War has disrupted these sectors in a way that has made it difficult for countries dependent on these commodities to source them, let alone obtain them at an affordable price. As previously highlighted, this conflict extends beyond the energy and agriculture sectors. It has entrenched armed forces on strategically vital shipping channels, fueled

inflation, and revealed dependency in the supply chains. The imposition of sanctions, especially the sanctions against Russia due to the war, has even added more variables to the trade relations of different countries and is an added factor in global trade.

Research Objectives

This paper explores the impact of the Russia-Ukraine war on global trade, focusing on three key questions:

- How has the war disrupted trade flows in critical sectors such as energy, agriculture, and logistics?
- What are the short- and long-term consequences for regions dependent on Russian and Ukrainian exports?
- What strategies can nations adopt to enhance resilience in global trade systems during geopolitical conflicts?

By examining these questions, this paper aims to provide a comprehensive analysis of the multidimensional impacts of the conflict and offer practical solutions for policymakers and businesses.

Literature Review

These conflicts have long been recognized as detrimental to economic stability and commerce. The amount of work available on this topic helps the reader to understand ways and forms of how and why and when wars, sanctions, and trade disputes affect global systems of economic organization and development.

Historical Impacts of Geopolitical Conflicts on Trade

The Stringent Effect of Geopolitical Conflicts on Trade over Period Violence has disrupted international merchandise flows in the past, sometimes redirecting them for extended periods. For instance, the specification reveals that the Gulf War (1990–1991) resulted in a surge in oil prices, which in turn impacted energy markets and consequently inflated the prices of oil-importing countries. In the same way, the U.S.—China trade war (2018–2020) depicted the outcomes of non-kinetic conflict. The application of tariffs on \$234 billion worth of products shrunk the bilateral trade by a third, including compelling companies to redesign their structure and approach new vendors (Bown, 2020). Unlike the Gulf Wars, which mainly impacted the energy markets, or the trade war between the US and China, which was mainly triggered by tariffs, the Russia-Ukraine conflict impacts multiple sectors collectively at a time. Energy, especially agriculture, manufacturing, and logistics sectors, have all been affected in some ways, thus making this war quite different for analysis.

Sanctions and Their Role in Trade Disruptions

Sanctions and Their Impact on Interruptions to Trade Socio-economic warfare generally employs sanctions. Hufbauer et al. (2007) claim that comprehensive sanctions, like all other types, can reduce trade between the target and imposing countries to as little as 20%. In the context of the Crimean crisis in 2014, Western sanctions cut EU-Russia commodity trade by one-fifth, especially energy and technology goods (Dragneva & Wolczuk, 2015). In the current war, sanctions against the Russian oil, gas, and coal exports have drastically impacted the global energy market. While western countries, primarily in Europe, have sought alternative sources for this gas, Russia has similarly shifted its focus to the east in search of a market to sell the same gas. These shifts have unbalanced the classic patterns of exports and imports, opening new prospects and entrusting new problems to world economies.

Existing Gaps in Research

Despite an extensive amount of literature on the impact of conflicts on the economy, there are relatively fewer studies that look at the impact at the industry level as well as in the context of bilateral trade. Not much is known about how multi-sectoral disruptions, and particularly those as a result of the Russia-Ukraine war, impact complexity-enabling global systems. This paper fills these gaps by analyzing the war's extended consequences on energy, agriculture, logistics, and finance.

Analysis and Recommendations.

Sectoral Disruptions

Geopolitical crises, such as the Russo-Ukrainian war, impact multiple industries simultaneously and disrupt supply chain networks in both the short and long term. This section examines the impact of the war on various sectors such as the energy sector, agriculture and food security, logistics and supply chain, and other related areas. It provides a detailed explanation and elaboration on the effects of the war, which go beyond those highlighted in section 3.

Energy Markets

The war between Russia and Ukraine has imposed cuts on energy, highlighting the vulnerability of Western economies to single-source imports. Being a global energy giant that controlled 12 percent of the world's oil production and 40 percent of Europe's natural gas before the war, Russia's fluctuations in energy exports have a significant impact.

Short-Term Impacts:

The Western squeeze on the Russian oil and gas business has led to record disruptions in energy markets. For instance, European countries that rely on pipeline imports, such as the new Nord Stream pipeline, only receive supplies in the short term. The European natural gas prices have increased by more than 250% in 2022, thus placing inflationary pressure on every energy-sensitive industry, including manufacturing and transportation industries, among others. This rapid price escalation forced European governments to introduce energy subsidies and rationing plans to stabilize markets. At the same time, Russia began redirecting its energy exports to Asia, particularly to China and India, offering significant discounts. In 2022, China's imports of Russian crude oil increased by 50%, while India purchased over 1 million barrels of Russian oil per day, a sharp rise compared to pre-war levels. These shifts illustrate the emergence of a new global energy dynamic.

Long-Term Implications:

The crisis has accelerated Europe's transition away from fossil fuels toward renewable energy sources. By 2023, wind and solar power accounted for 25% of Europe's energy mix, up from 17% in 2021. New LNG investments also increased; Germany, for example, opened several new LNG terminals in an effort to diversify its supply sources. Nonetheless, Europe's transition remains unevenly distributed. Poland, Hungary, and other nations dependent on coal or newer to renewables have failed to meet their energy demands. However, Russia's move to Asia is a major shift in energy trading, making Europe's potential bargaining chip vulnerable to decreased clout in future deals.

Agriculture and Food Security

This paper seeks to examine the impact of the Russia-Ukraine war disruption on global agriculture, resulting in increased food insecurity in vulnerable regions. Ukraine, which is famous for being the "breadbasket of Europe," supplies wheat, corn, and sunflower oil products to over one hundred

countries. Together with Russia, Ukraine supplies nearly 30% of wheat, 20% of corn, and 80% of sunflower oil to the global market.

Global Wheat Shortages:

Black Sea blockades and destruction of Ukraine's agricultural complexes have significantly lowered its grain exportation rates. Growing by 60% in 2022, global wheat prices particularly worsened the situation in importing countries like those in North Africa and the Middle East. For example, Egypt, where the demand for wheat is greater than that in any other country, gets 70% of its wheat imports from Russia and Ukraine. Abrupt interruptions of these supplies led to high bread prices, which in turn led to inflation and civil instability. Similarly, the developing nations in the Sub-Saharan Africa region experienced food shortages, with the United Nations projecting that over fifty million people in this region will be in urgent need of food by 2022.

Fertilizer Crisis:

Restrictions on the exportation of Russian fertilizer have compounded the global food production challenge. Globally, it is the world's largest exporter of nitrogen and potash fertilizers, which are crucial for high-productivity agriculture. Such shortages have led to a more than 30% increase in fertilizer prices, resulting in a decline in agricultural productivity in many developing nations.

Adaptive Measures:

In a bid to manage the crisis, countries have looked for substitutes. Being mostly dependent on the production and distribution of those grains, Brazil and Argentina began to export more wheat and corn to international markets, and India expanded its exports of rice and other grains to meet supply chain shortages. Furthermore, Hungry (2013) has witnessed a surge in domestic programs aimed at producing food crops. For instance, the authorities in Kenya initiated a \$200-million irrigation project to boost wheat yields, while in Egypt, they increased domestic production of this cereal by 20%.

Logistics and Supply Chain Disruptions

The war has also impacted the global supply chain, with the militarization of the Black Sea significantly impacting shipping. The Black Sea represents a critical transit hub for grain and energy exports; therefore, a partial blockade has led to critical chokepoints.

Rising Transportation Costs:

Customs charges for products exported from the Black Sea region have risen by 20%, while the insurance costs of ships that navigate through conflict areas have increased by over 100%. This has increased the financial pressure on both exporters and importers, leading to a rise in the global costs of goods.

Emerging Trade Corridors:

Some other transport routes, like the Middle Corridor, connecting Central Asia with Europe through Turkey, have received more cargo. However, these routes only offer a temporary solution to the problem, lacking the sophisticated logistics network and effectiveness of the original Black Sea corridors. These corridors have the potential to provide long-term solutions, but they require significant financial resources and organizational support.

Manufacturing and Technology

Despite the focus on energy and farming, the conflict has impacted sectors that rely on strategic mineral imports from Russia and Ukraine. For instance, the most recent example, as it possesses the majority of Europe's neon gas, a crucial component in

the production of semiconductors. compounded global chip shortages affecting manufacturing in the automotive and electronics industries.

Regional Impacts

Europe

Due to its reliance on Russian oil and its proximity to the war theater, Europe has suffered the most from the war's economic costs. Energy prices have contributed immensely to the level of inflation, with rates above 10 percent in most EU nations. Manufacturing has declined, with a sharp reduction in production by heavy users, such as the steel and chemical industries. However, Europe associates the Russian full-scale aggression with resilience by advancing the renewable energy mix and deepening regional integration.

Africa and the Middle East

Food insecurity has been the primary concern for the African and Middle Eastern region. Somalia and Yemen, which continue to suffer political upheavals, are among the hardest-hit nations that have experienced famine-like situations as wheat and corn prices go up. As previously mentioned, the international community's assistance hasn't fully averted the problem to the necessary extent.

Asia

India and China have benefited from cheap Russian oil that has enhanced their energy security and industrial capability. This new economic interaction with Russia presents a new map of the world trade order, in which Asia holds a strategic position.

Long-Term Implications for Global Trade

Trade Realignment:

The war has accelerated a shift in global trade dynamics. Western nations are reducing reliance on Russian exports, while Russia is deepening economic ties with Asia. These changes could lead to a more fragmented global trade system, with distinct Western and Eastern blocs.

Supply Chain Diversification:

Consumer countries are diversifying their supply chains and importing goods and services domestically to steer clear of risky areas. It is this trend that will transform global supply chains over the next ten years.

Global Inflation:

Increases in energy and food prices have led to global inflation, which may take several years to reduce. Developing nations cannot afford such costs because they lack the capital to cover oddities.

Policy Recommendations

Diversify Supply Chains:

I suggested promoting regional tendering to reduce the use of single-source supplies. Develop additional transport connections to adapt to situations when infrastructure for the traditional sea-river supply route is blocked.

Enhance Global Cooperation:

Establish international funds to support countries facing food and energy crises. Strengthen frameworks for equitable resource distribution during conflicts.

Accelerate Investments in Sustainability:

Invest in more renewable sources of energy for the purpose of decreasing fossil-based energy consumption.

The initiative is aimed at promoting agricultural treatment and food security intervention areas in other regions that are most affected.

Develop Rapid-Response Trade Frameworks:

Supply chain conflict management involves sectoral strategies. Supply chains need contingency plans to handle conflicts.

Improve the prospects of electronic systems for tracking and managing trade-related risks.

Conclusion

The ongoing Russia-Ukraine war has also vividly brought out the issues associated with defending global trade systems against sudden geopolitical disruptions. The war affected many sectors, primarily energy, agriculture, logistics, and manufacturing, thereby impacting areas that rely on Russian and Ukrainian imports. Though the adaptive procedures established temporarily eased the pressure, the conflict defined the necessity of sustaining the long-term strategies of constructions of resilience. Through the decentralization of supply chains, advancement of interaction between countries, and promotion of long-term environmentally friendly measures, the global society reduces threats of future wars and sustains reliable global networks of commerce.

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