The Impact of Geopolitical Conflicts on the Global Economy:

A Comparative Analysis of the Russia-Ukraine and Iran-Israel Conflicts

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ABSTRACT

This research paper seeks to examine the serious economic implications of the Russia-Ukraine war and the Israel-Iran conflict in comparison, concentrating particularly on their disruptive consequences for global economic activities. However, while most of the extant literature studies the abovementioned geopolitical situations separately, the current paper attempts to bridge a major research gap by comparing them in one single frame of reference. Using the qualitative approach based on the thematic analysis of secondary data from international sources, the paper reveals that regional tensions result in extensive economic instability in our highly interconnected world. Notable observations suggest that both the disputes have caused serious fluctuations in energy prices, congestion of the seas at key strategic chokepoints, and inflationary pressure across the globe. Moreover, it is important to note that the analysis highlights the significant vulnerability of the Global South, where dependency on food, fuel, and raw materials from other countries has made their currencies devalue and made them vulnerable to food shortages and debt repayment burdens.

Keywords: Geopolitical Conflicts, Global Economy, Russia-Ukraine War, Israel-Iran Conflict, Energy Market, Supply Chain Disruptions, Inflationary Pressures, International Trade Global South, Interdependence**.**

INTRODUCTION

We are living in an interconnected world where geopolitical conflicts no longer remain confined to the countries directly involved. These conflicts impact the whole world through global trade networks, energy markets, financial systems and supply chains. States are interconnected and dependent on one another, making economic disruptions in one region capable of producing consequences far beyond national borders. Recent conflicts such as the Russia-Ukraine war and the escalating Israel-Iran conflict demonstrate how geopolitical tensions can influence global economic stability and this paper will address how geopolitical crises impact the global economy.

The Russia-Ukraine war began in 2022 and since then it has disrupted global supplies of energy, grain and fertilizers leading to higher energy prices, inflationary pressures and supply chain disruptions across the world. It is a well known fact that Russia is a major exporter of oil and natural gas and Ukraine plays a significant role in global food exports, the conflict created shortages and price volatility that affected both developed and developing countries. For instance, following the outbreak of the war in early 2022, crude oil prices surged to a high of over $119 per barrel by March, which highlighted the global financial shock caused by these regional disruptions. Similarly, the Israel-Iran conflict has raised concerns over the security of the Strait Of Hormuz which is one of the world's most important oil transit routes. Due to uncertainty surrounding this strategic chokepoint , there has been an increase in volatility in energy markets and rise in transportation and shipping costs.

The economic impact of these conflicts has been more severe for the countries in the Global South, which are highly dependent on imported fuel, food and industrial inputs. Rising prices, inflation and disruptions to trade have placed additional pressure on already vulnerable economies. Very few studies have compared the economic effects of both Russia-Ukraine and Iran-Israel conflict within a single framework. Therefore, this study aims to comparatively examine how these conflicts have influenced the global economy through their impact on trade, supply chain and energy markets.

LITERATURE REVIEW

As conflict is inevitable in international relations, geopolitical conflict becomes key drivers influencing the stability of the international political economy. In modern day globalization, the interconnectedness of states prompt vulnerability in economic sectors such as trade, finance, energy, and supply chain networks. The theory of complex interdependence as proposed by Keohane and Nye (1973) claims that economic and political relations between states lead to dependence of states on each other, therefore conflict in one region has crucial implications on the global economy.

Prior to the Russia-Ukraine war, Russia was one of the biggest exporters of natural gas, crude oil, and coal in the world; it provided a large share of the energy throughout Europe (International Energy Agency, 2022). Following Russia's invasion in Ukraine in

2022, the sanctions on Russia and the disrupted supply of energy caused a rapid rise in oil and gas prices. Hamilton (2008) suggests that geopolitical conflict revealed the weakness of states due to globalization and the interconnectedness of markets. He further claimed that historically geopolitical conflict has proven to affect the prices of oil around the world whereas Caldara and Iacoviello (2022) argued that geopolitical conflict does not just affect oil prices but also investments and slower economic growth around the world. What both these literatures indicate is that the economic effects of conflict in one region have the capability to spill over to the rest of the world.

Transmission of energy shocks to general inflation has attracted substantial academic interest as well. According to Conflitti and Luciani (2019), an increase in energy prices impacts inflation through the mechanism of direct and indirect effects. The former includes higher prices for fuel and electricity, while the latter is related to the rise in prices due to higher production and transportation costs. However, Blanchard and Gali (2007) highlights the significance of secondary effects as inflation expectations have an effect on wages and production costs. Additional research on the Russia-Ukraine conflict implies that inflationary effects were especially strong since the crisis impacted energy, food, and financial sectors at once (Hilgenstock & Ribakova, 2022). All these literatures demonstrate that inflation caused by geopolitical conflict does not only affect fuel prices but also production cost, wages, and other economic activities, showcasing the implication of interconnectedness of global markets.

Unlike the Russian-Ukraine war, academic literature on the Israel-Iran war is scarce due to its recent development. The Middle East produces and exports significant amounts of oil worldwide thus remaining an important region for energy security. According to Kori (2026) and the New Lines Institute (2026), the uncertainties in the global oil market have been enhanced due to the dispute in the Strait of Hormuz since almost one-fifth of the global consumption of oil passes through the strategic waterway thus causing trade instability and supply chain disruption. These studies argue that the importance of economies at the center of the Israeli Iran war is mostly around uncertainty it caused in the global energy end shipment trade. Various works have been carried out to study the effect of the war between Russia and Ukraine, including export disruptions of wheat, maize, fertilizer, sunflower oil, and other essential industrial materials, which led to shortages and increased costs in the global supply chains (IFAD, 2022). The blockade of Ukrainian ports and the restriction in the sea lanes of communication in addition to financial sanctions imposed on Russia added to the supply disruptions. Altogether these studies indicate that geopolitical conflict destabilizes international trade due to interconnectedness of States and supply chain management thus causing geopolitical conflict to expose global south countries as they rely on import (IFAD, 2022).

While there have been numerous works that reveal the economic repercussions of each of the conflicts individually, there are still gaps that need to be filled. In most cases, researchers have considered only one of the conflicts, ignoring the opportunity to compare them. Moreover, the research concerning the Israel–Iran conflict is still at an early stage of development and revolves around the issue of regional security, not economics. Thus, it becomes apparent that a comparative analysis of the two conflicts needs to be conducted to comprehend how the geopolitical instability influences the energy market, trade, inflation, financial instability, and economic vulnerability of the Global South.

RESEARCH GAP

The existing literature around the global economic implications of the current armed confrontation between Russia and Ukraine since 2022 have integrated the economic impact of Russia-Ukraine war on the global economy particularly in financial uncertainty, global energy markets, inflation and trade flow. This conflict's disruption across Eastern Europe, particularly in the black sea region has led to high prices, supply-chain disruptions and various economic challenges affecting developed and developing countries.

In contrast, little to no attention has been paid to the ongoing conflict between the US Israel-Iran conflict, as a result of its recent development. Additionally, there's little analysis of the Israel-Iran war particularly around international trade, supply-chain disruptions and inflation crisis as most scholarly researchers are focusing on regional security and crisis speculating around global instability, whilst the conflict's impact on the global South is unattended. Not to mention, there's no attention paid to the comparative analysis of Russia-Ukraine war and Israel-Iran war within the confines of a solitary paradigm as researchers analyse them in isolation, underexploring or showing a sense of empathy on how these geopolitical conflicts across different regions impacts' the global economic order. This research aims to confront these omissions and integrate both conflict's economic consequences in a single framework.

METHODOLOGY

This study adopts a qualitative research approach to examine the impact of the Russia–Ukraine and Iran–Israel conflicts on the global economy. A comparative and qualitative approach is used to contrast, interpret and compare complex economic, political, and geopolitical developments of both the wars instead of establishing causal relationships through statistical analysis. Both the conflicts have aided to economic and social turmoil far beyond the involved countries; thus, a qualitative analysis ensures a comprehensive understanding of how geopolitical catastrophes influence interconnected global markets. The comparison focuses on the critical aspects in terms of fluctuations in energy prices, inflationary pressures, trade volatility, supply chain disruptions, financial uncertainty, and the broader implications for developing countries in the Global South.

The research rests exclusively on secondary data sourced from a wide range of credible documentations. These include academic articles and books, policy documents, and other publications from international agencies like the IMF, IEA, OECD, UNCTAD, and the World Bank. To ensure that the analysis reflects recent economic developments during the two wars, the study also incorporates contemporary scholarly articles examining the evolving economic impacts of the wars. In order to make sense of the collected data, thematic analysis was employed based on the method developed by Braun and Clarke (2006). The literature review was conducted, and its findings were categorized according to the emerging themes such as increasing prices for energy and inflation, unstable trade situation and supply chain disruptions, uncertain financial position, and the effects on the Global South. These themes have served as a foundation for the comparison of the economic consequences of the Russia-Ukraine and Israel-Iran conflicts.

This approach involved a literature review, identifying chronic patterns across the selected sources, encoding relevant information, and organising the findings into a broader analytical thread. To add up to the credibility and reliability of the findings, information was branched across multiple academic publications and reports from international institutions.

Cross-referencing evidence from diverse sources helped minimise the influence of individual biases and strengthened the validity of the study's conclusions. This type of research allows gaining insights into the similarities in economic consequences of the geopolitical conflicts that take place in different areas but affect an interconnected world. Despite the limitations of the study in terms of using secondary sources and recentness of the Israel-Iran conflict, credible and contemporary literature is used for the analysis of the available evidence.

FINDINGS AND ANALYSIS

The research findings indicate that both Iran, Israel and Russia, Ukraine conflicts have had significant impacts on the global economy, particularly in the areas of energy prices, trade stability, supply chains, and financial markets. Equally, these conflicts have hindered major energy producing and energy transporting regions, which has resulted in the price increase of oil and gas. The rising energy costs have contributed to inflation by increasing transportation cost, manufacturing cost, electricity generation, and food production. The study further reveals that global trade and supply chains have been severely affected. For example, the Iran, Israel conflict has created uncertainty surrounding the Strait of Hormuz, a critical route for global oil and gas exports. The Russia- Ukraine war disrupted trade through the Black Sea region, which has caused shipping delays, increased freight, higher insurance costs, shortages of important raw materials and industrial products. As a result, businesses around the globe have faced higher production costs and reduced efficiency. Another important finding is that developing countries, particularly those in the Global South, have been disproportionately affected by these conflicts. For example, many of these countries rely heavily on imported fuel, food, and agricultural fertilizers, making them highly vulnerable to global price increases. The rise in inflation has reduced household purchasing power, increased food insecurity, and placed additional pressure on government budgets. The United Nations estimated that between 19 and 24 million additional people were pushed into severe food insecurity in 2022 alone, largely driven by the conflict in Ukraine tightening financial conditions and exponentially driving up localized food and energy costs in vulnerable nations. Furthermore, currency depreciation, rising debt servicing costs, and declining foreign direct investment have weakened economic stability in many developing economies.

The findings concerning Iran, Israel conflict depicts how a regional military confrontation can lead to consequences extending far beyond the battlefield. Although military operations and security concerns have dominated international attention, the study suggests that some of the most substantial aftereffects of the conflict have emerged through economic channels. One of the important impacts of this conflict has been on global energy markets. For example, the conflict between Iran and Israel should be viewed not only as a regional security crisis but also as a global economic challenge. Its effects on energy markets, inflation, investor confidence and international trade demonstrate the close relationship between geopolitical stability and economic security. The conflict serves as a reminder that instability in economically developed regions can have far reaching consequences extending beyond their demographics, resulting in economic disruptions across the globe.

Similarly, the Russia and Ukraine conflict has generated profound global economic repercussions. Although the conflict has primarily occurred within Ukrainian territory, its effects have extended far beyond Eastern Europe, disturbing energy markets, global trade networks, food security and financial stability across both developed and developing economies. The conflict has exposed the extent to which the global economy is dependent on interconnected supply and the uninterrupted flow of strategic commodities such as oil, natural gas, wheat, maize, fertilizers, and critical industrial raw materials. From an International Relations perspective, the conflict emphasises the continued importance of economic security in global politics. Moreover, it illustrates the complexities of economic interdependence, where disruptions in one region can rapidly affect economies across the world. Despite the fact globalization has created opportunities for economic growth and international cooperation, it has simultaneously increased the vulnerability of states to external shocks and geopolitical instability.

Overall, the Iran, Israel and Russia, Ukraine conflicts serve as a reminder that the consequences of modern warfare extend far beyond the battlefield. For example, its effects on energy markets, inflation, trade, food security and financial stability demonstrates how geopolitical developments continue to shape the economic conditions across the world with the intention of strengthening energy security, diversifying supply chains, investment in domestic production capacity, and enhancing economic resilience against future geopolitical crises. More importantly, it highlights the need for both developed and developing countries to adopt long term strategies that improve their ability to withstand external shocks in an increasingly uncertain international environment.

DISCUSSIONS

Based on research, the conflicts between Russia and Ukraine, as well as Israel and Iran, have far-reaching ramifications for the global economy. As no state can exist in isolation, international relations have historically and continue to illustrate that violence in one region impacts the other, as states are interconnected in the new globalised international relations due to their dependency on one another for survival (Keohane & Nye Jr., 1973). Conflicts in the Middle East and Eastern Europe impacted the global economy by disrupting energy markets, trading routes, and creating financial uncertainty. These findings are consistent with earlier studies on the relationship between geopolitical conflict and global economic instability. For example, Caldara and Iacoviello (2022) claim that the geopolitical risks raise the commodity price volatility, hinder investment and slow economic growth, whereas the International Energy Agency (2022) points out that the Russia-Ukraine conflict has damaged global energy markets.

Furthermore, the findings confirm that Hamilton's (2008) argue that the conflicts involving significant energy-producing regions frequently result in a sharp rise in oil prices. The present study has added to this literature by demonstrating that, despite the fact that the Russia-Ukraine and IranIsrael conflicts occurred in different geographical regions, they had similar economic implications in terms of disruptions in energy markets, international trade, and global supply chains. Both conflicts have contributed to the increase in energy prices and inflation pressures due to the disruption of Russian oil and gas imports, thus causing uncertainties in the Black Sea region, the decrease in global supply that boosted costs in Europe (IEA, 2022; IMF, 2023). Furthermore, the tensions in the Strait of Hormuz have caused unpredictability in global oil delivery routes thus weakening the market stability and boosting the risk of prices. Such energy shocks had increased shipping, manufacturing and food supply expenses, resulting in inflation in developed economies as well as developing economies. The finding has revealed serious disruptions across the global trade and supply chains. The Russia-Ukraine war has hindered the grain and fertilizers imports of Ukraine which led to the shortage in African and Middle Eastern marketplaces (UNCTAD, 2023).

However, the conflict between Iran and Israel has exposed dangers to the Middle Eastern marine trade routes, resulting in shipping holdups and insurance expenses. For instance, the increasing freight prices and vessel redirection has delayed the delivery times and reduced efficiency for global enterprises. All this highlights how conflict in crucial regions can immediately influence interconnected global transportation systems.

As both conflicts persist, countries within the Global South face increased vulnerability due to economic uncertainties, rising commodity prices and financial instability that often accompany prolonged periods of conflict as they highly depend on imported goods such as fuel, food and other industrial inputs. Countries across Africa, Asia and Latin America remain overwhelmed by such external pressure leading to high food and fuel prices and monetary depreciation. For example, Ukraine is a major global exporter of grain, and ongoing conflict in the region has disrupted agricultural exports. Somalia, which relies significantly on wheat imports from Ukraine, has seen wheat prices rise as a result of the disruptions, which has led to higher food expenses and a rising cost of life (MarketMinute, 2025). Simultaneously, the blockade in the Strait of Hormoz and the Black Sea region had caused an increase in oil and electricity costs, demonstrating that global South countries are the most vulnerable to the effects of global conflicts (World Bank, n.d.) From a theoretical perspective, the findings significantly support Keohane and Nye's (1973) Complex Interdependence Theory, which contends that states are linked by numerous economic and political relationships. The study has shown that no country is economically isolated in an increasingly globalised society. The disruptions in one region quickly spread throughout the international trade networks, energy markets, and financial systems, affecting countries not directly involved in the conflict. The experiences of countries in the Global South had shown how economic interdependence can generate vulnerabilities, especially for economies that rely significantly on imported fuel, food and industrial inputs. The findings have important policy implications. That had to reduce dependence on conflict-prone regions and the governments should also promote energy diversification and strengthen the domestic and regional supply chains. International organisations such as the IMF, World Bank, United Nations, and the World Trade Organization should also continue to help vulnerable developing countries with financial support, facilitation of trade, and food security programs. Greater international cooperation is necessary to reduce the economic implications of future geopolitical conflict and strengthen global economic resilience.

CONCLUSION

In conclusion, this research highlights the deep and wide-ranging impact on the economy caused by the Russia-Ukraine and Iran-Israel conflicts. Despite being completely unrelated and occurring in distinct geopolitical settings, both conflicts have led to instability in energy markets, increased inflation rates, and the disruption of international trade relations. Also, the research highlights the disproportionate suffering of the Global South as an effect of the severe vulnerability of developing nations to the imports of food, fuel, and fertilizers. The research fills an important gap in current International Relations and political economy academic discourse. Instead of focusing on separate cases, this paper provides an innovative comparative perspective that looks at the Russia-Ukraine and Iran-Israel conflicts side-by-side. The findings from this research provide strong support for the theory of complex interdependence. In a highly globalized economy, any military conflict in one region turns into a global economic crisis.

Since geopolitical clashes constitute a major threat to global economic security, proactive measures need to be adopted. It is suggested that both developed and developing countries: Shift from renewable energy sources and diversify fossil fuel sources to avoid dependence on strategic choke points (e.g., Strait of Hormuz and the Black Sea). Switch their production system from "just in time" manufacturing to "just in case" inventories and also invest heavily in local agricultural and industrial capacity. The international financial institutions must undertake restructuring and offer subsidies to help safeguard the developing countries from currency devaluation and food insecurity. While this qualitative analysis outlines the similarities in the conflicts being discussed here, future research needs to focus on adopting quantitative methods to quantify the macroeconomic cost in terms of GDP loss caused by these overlapping crises to specific countries within the Global South.

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