

Geopolitical Implications of the War in Ukraine

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ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΩΣ

UNIVERSITY OF PIRAEUS

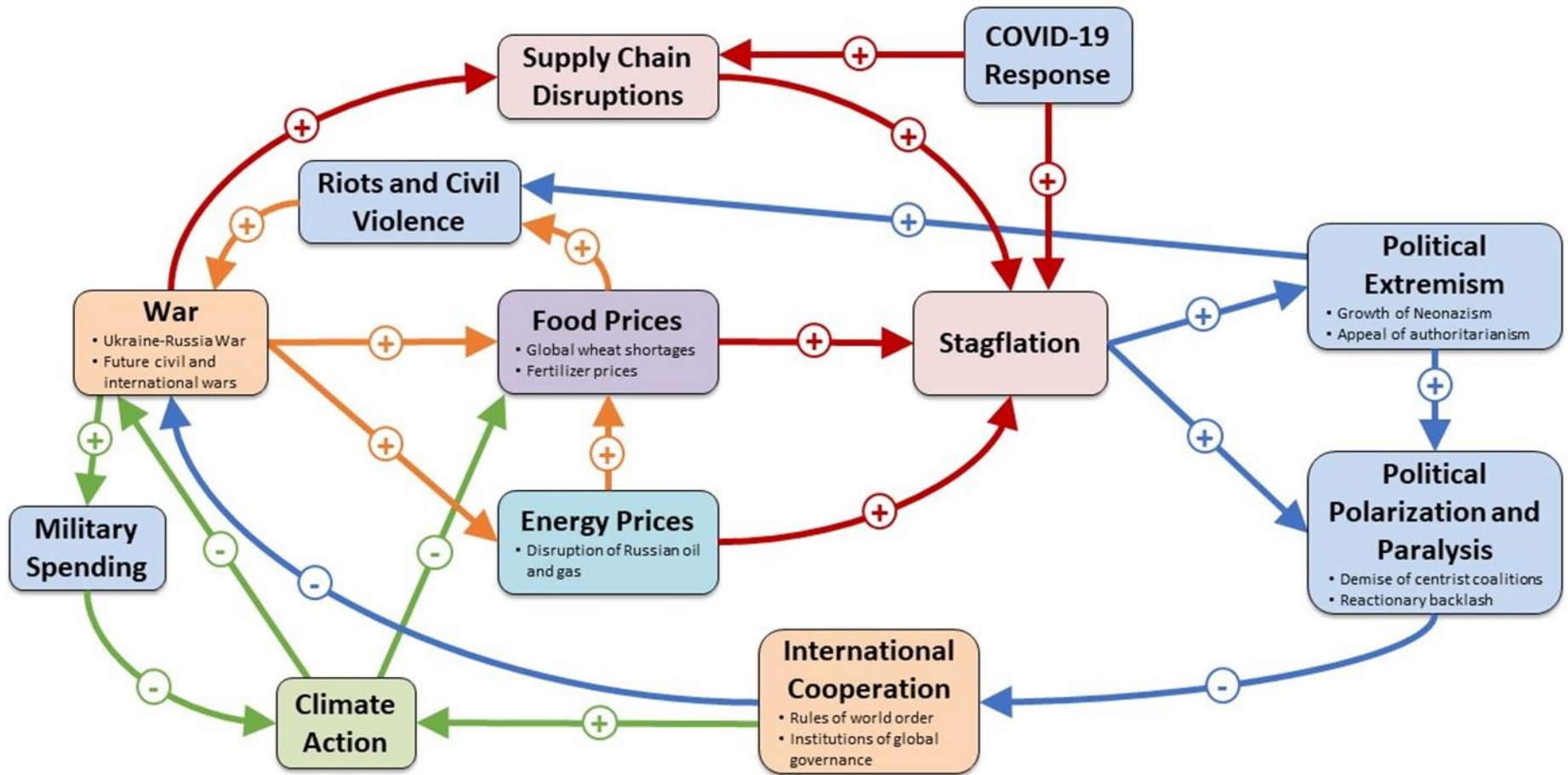
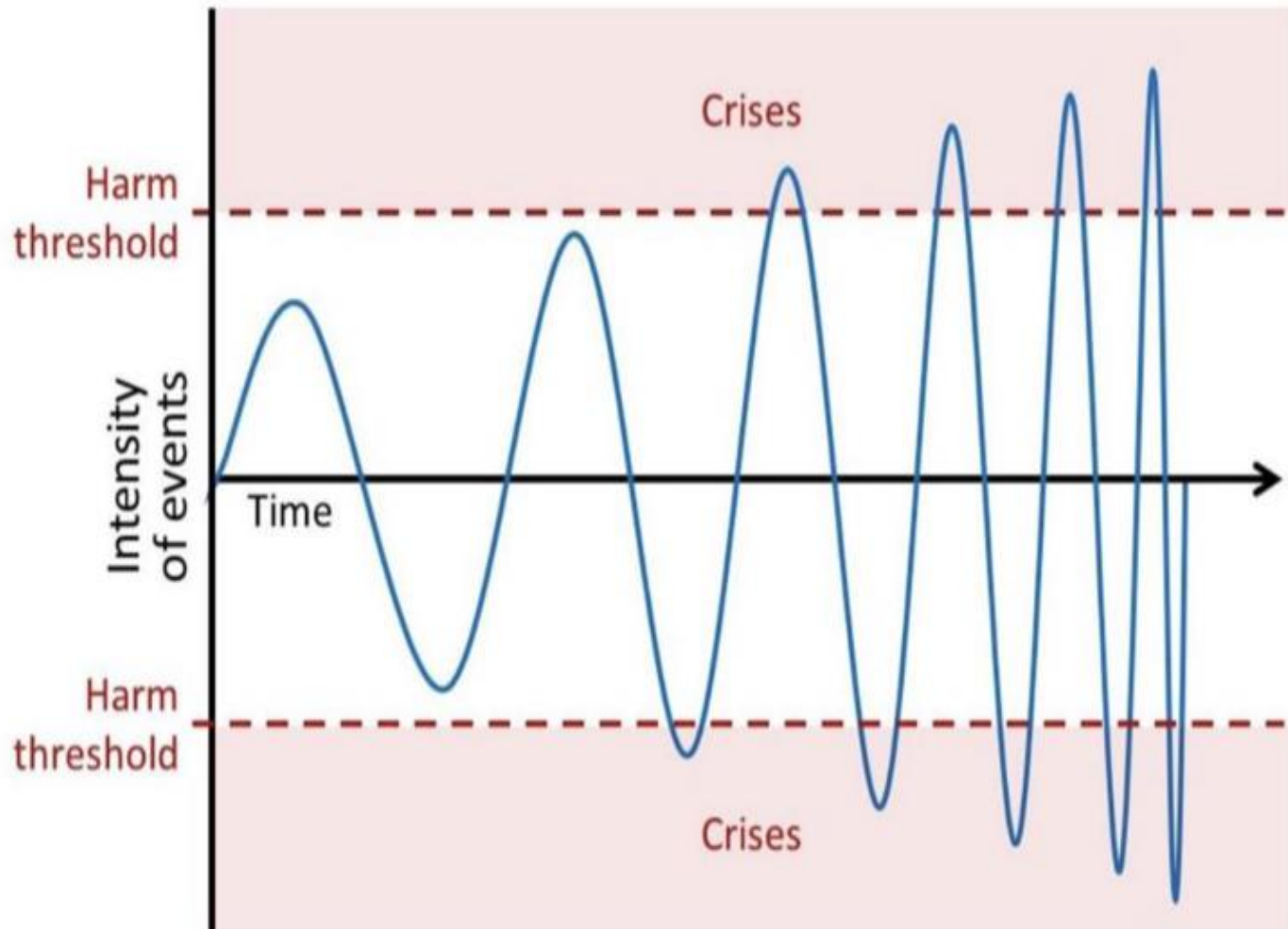


Figure 1: Crisis amplification and acceleration





Heartland Theory



East European Plain



RUSSIA'S SHRINKING SPHERE

USA &
CANADA

RUSSIA

BELARUS

KAZAKHSTAN

— WARSAW PACT BORDER

FORMER USSR

EURASIAN UNION

NATO MEMBERS



No limits Friendship



TOP 40 COUNTRIES IN

0% 1% 2% 3% 4% 5% 10% 20% 30%



Russia's spending has grown 9%, and it now has the third-largest military budget, overtaking India.



China increased its defense spending for the 28th consecutive year, the longest uninterrupted period of spending growth by a country.

UKRAINE
640%

out of top 40 Countries, 2021-2022

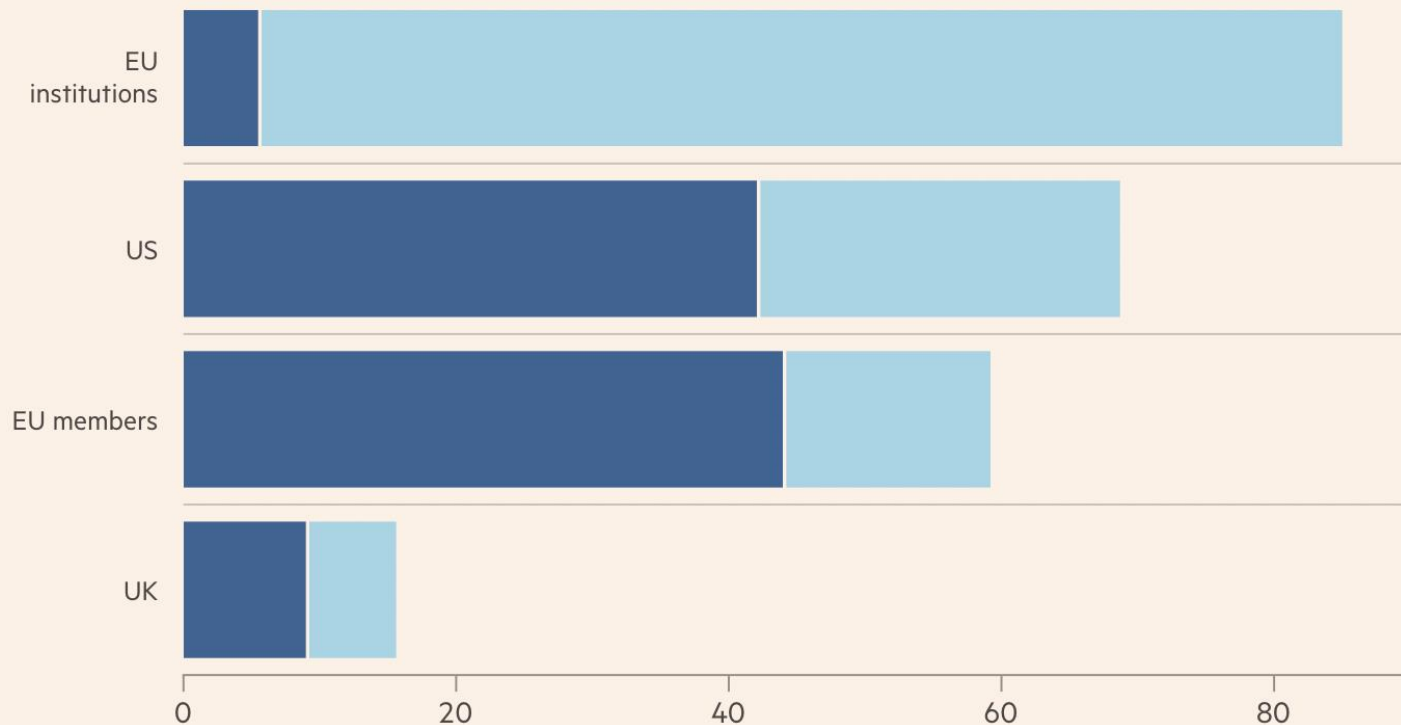
A year of war has ballooned **Ukraine's military spending to \$44 billion**. This is a more than sixfold increase from 2021, marking the highest single-year surge in military spending ever documented in modern history.


**VISUAL
CAPITALIST**

European assistance to Ukraine is far bigger than that of the US

Commitments of support to Ukraine up to January 2024 (€bn)

■ Military ■ Non-military



Energy and mineral prices rose sharply in 2022 with gas and lithium carbonate reaching record levels

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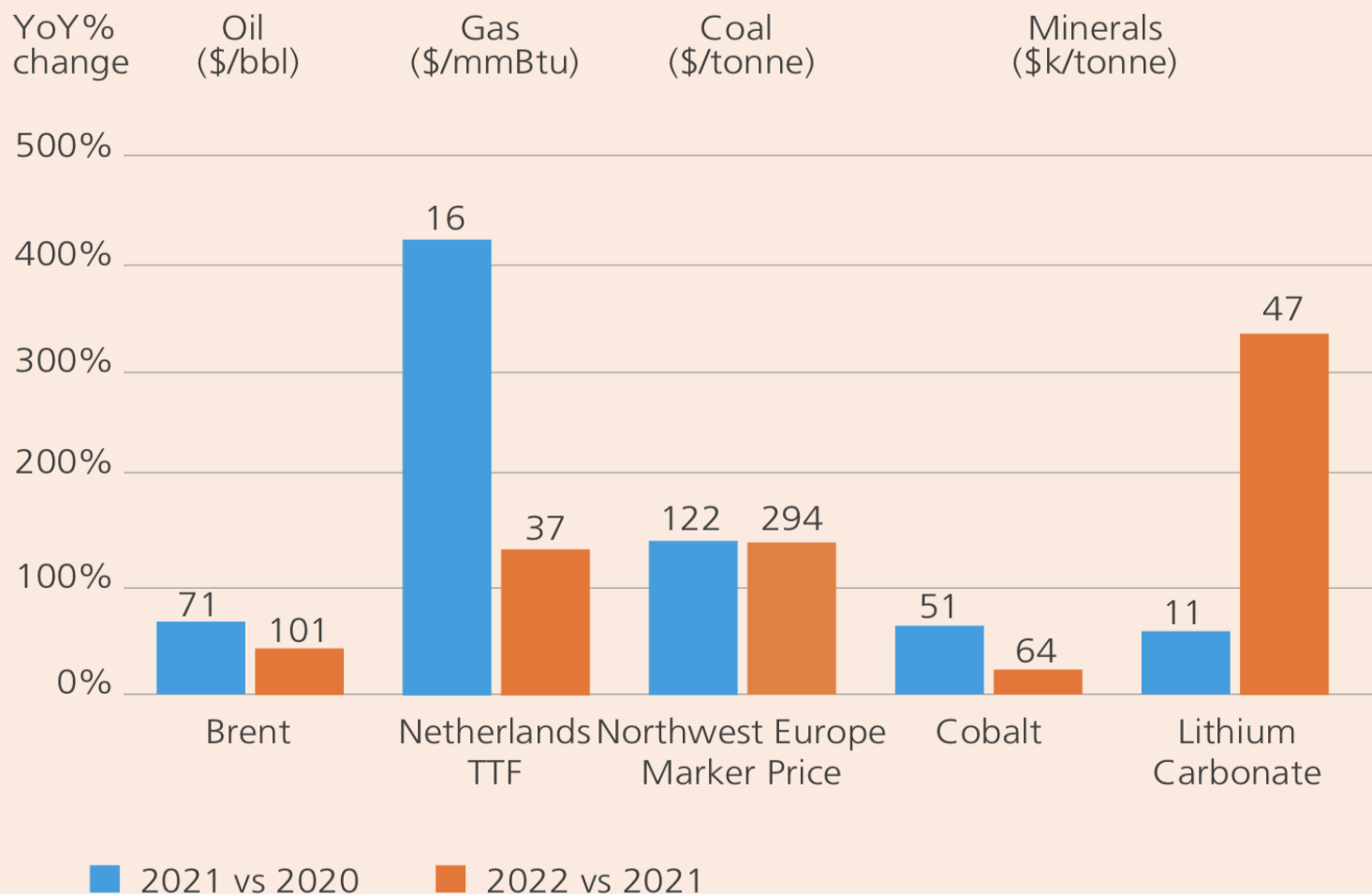
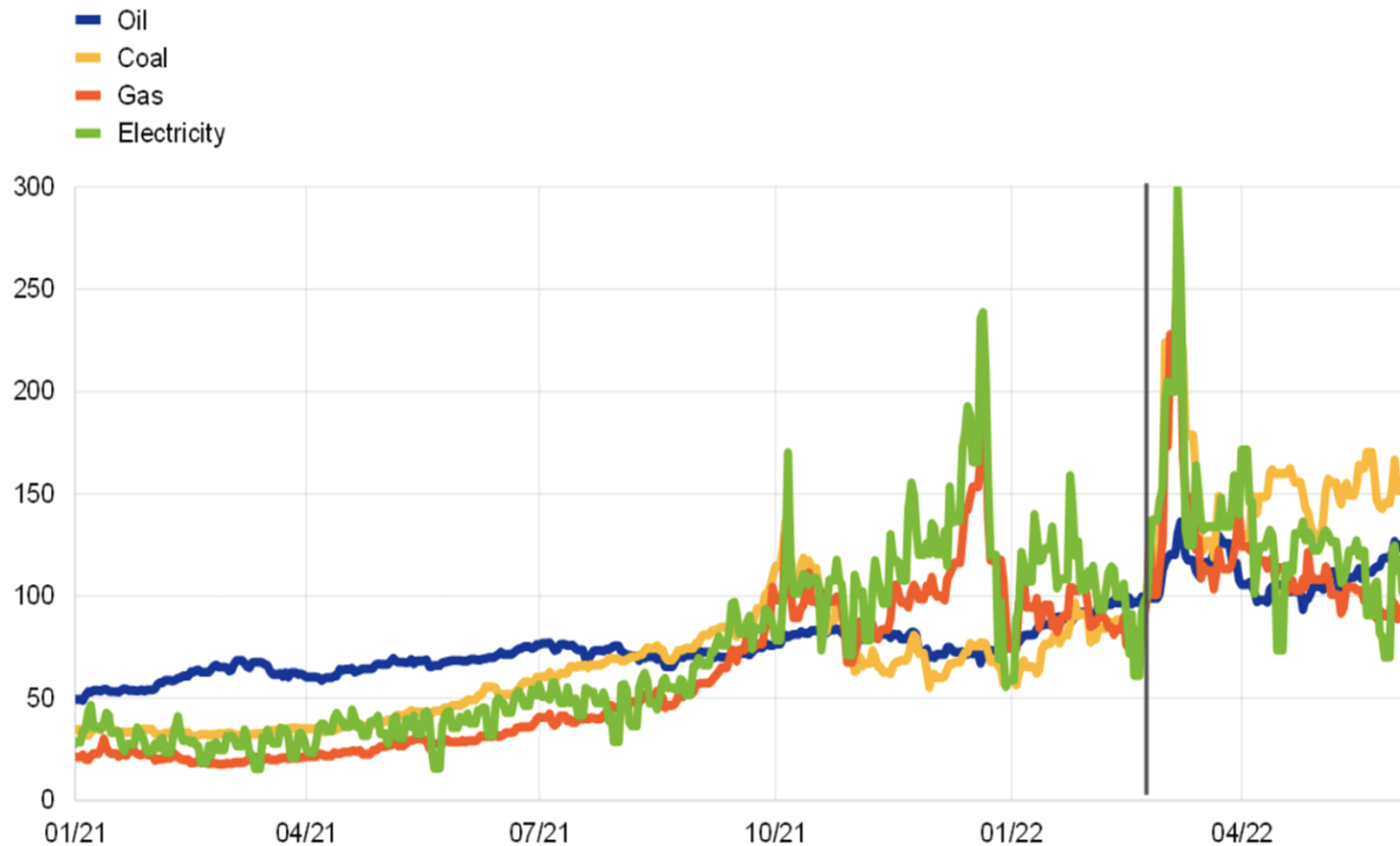


Chart A

Energy prices before and after the invasion of Ukraine

Energy prices

(index: 23 February 2022 = 100)

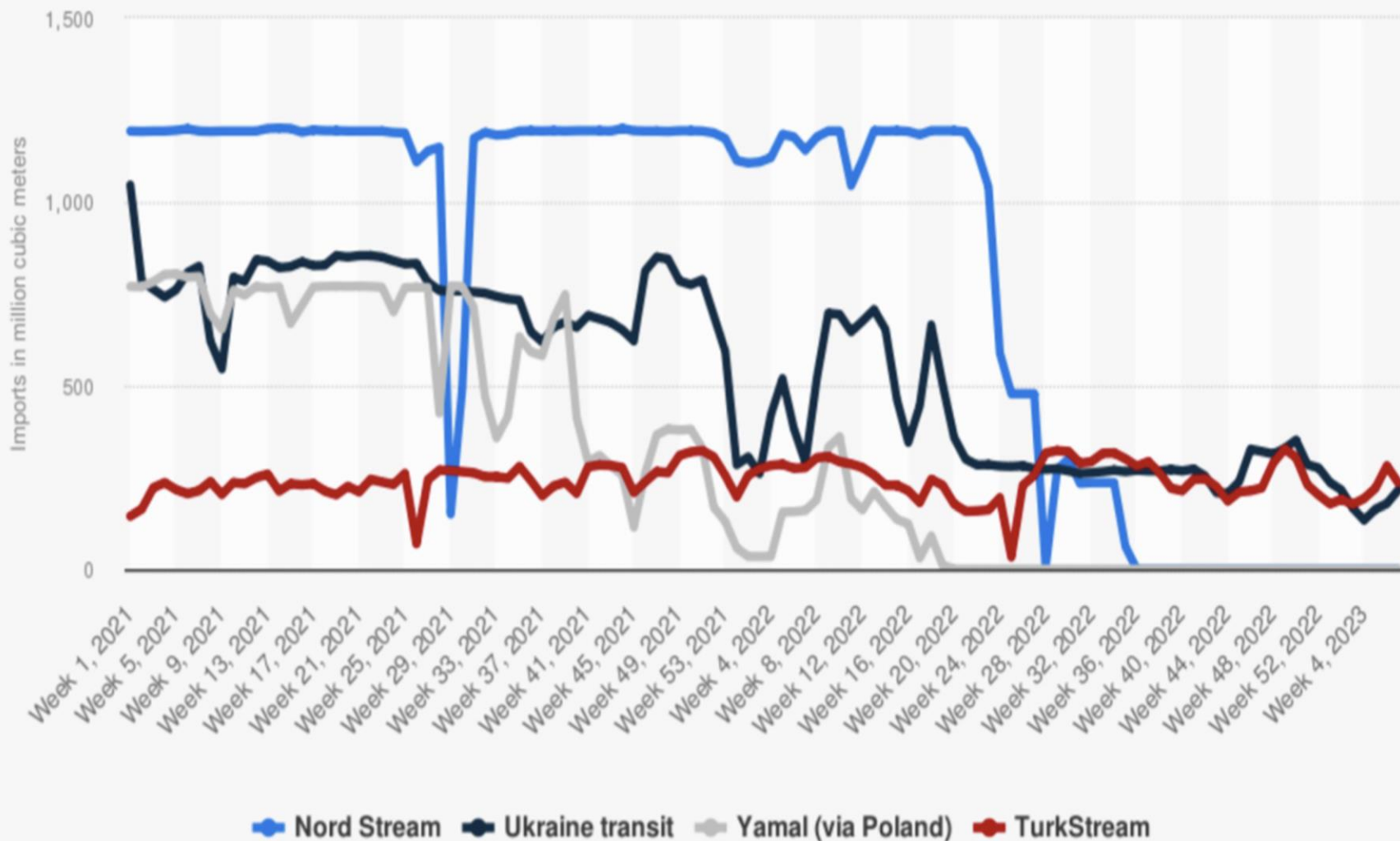


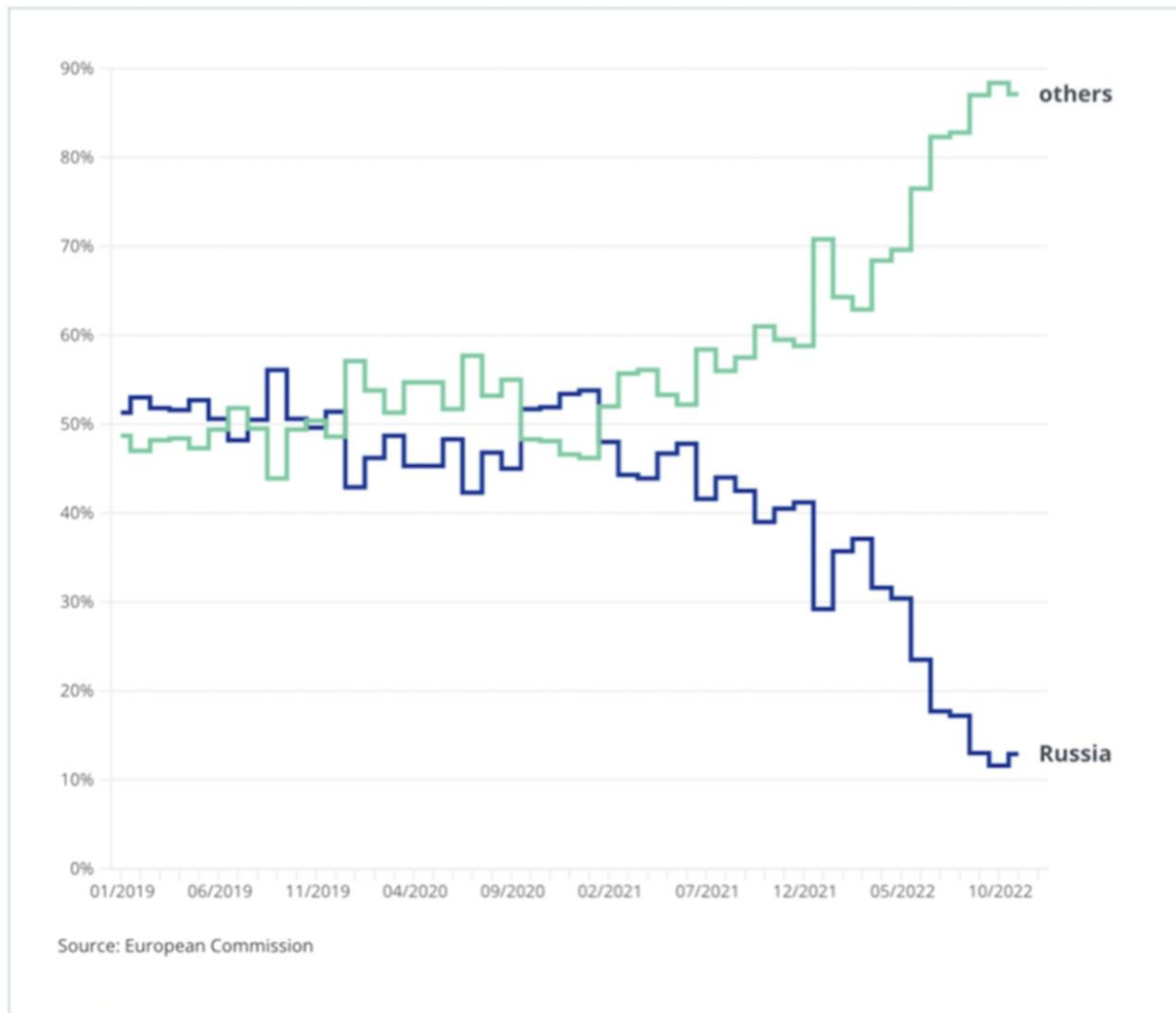
Europe's gas-pipeline network

Theoretical capacity of selected pipelines



Natural gas import volume from Russia in the European Union (EU) and the United Kingdom (UK) from week 1, 2021 to week 7, 2023, by exporting route (in million cubic meters)





The EU's diversification away from Russian gas

Russia oil exports to India and China

Thousands of barrels per day



Source: Kpler

BBC

How War in Ukraine Worsens Global Starvation

By **EDWARD WONG**
and **ANA SWANSON**

ISTANBUL — Hulking ships carrying Ukrainian wheat and other grains are backed up along the Bosphorus here in Istanbul as they await inspections before moving on to ports around the world.

The number of ships sailing through this narrow strait, which connects Black Sea ports to wider waters, plummeted when Russia invaded Ukraine 10 months ago and imposed a naval blockade. Under diplomatic pressure, Moscow has begun allowing some vessels to pass, but it continues to restrict most shipments from Ukraine, which together with Russia once exported a quarter of the world's wheat.

Moscow Trims Sale of Fertilizer and Limits Deliveries of Grain

And at the few Ukrainian ports that are operational, Russia's missile and drone attacks on Ukraine's energy grid periodically cripple the grain terminals where wheat and corn are loaded onto ships.

An enduring global food crisis has become one of the farthest-reaching consequences of Russia's war, contributing to widespread starvation, poverty and premature deaths.

The United States and allies are struggling to reduce the damage.

American officials are organizing efforts to help Ukrainian farmers get food out of their country through rail and road networks that connect to Eastern Europe and on barges traveling up the Danube River.

But as deep winter sets in and Russia presses assaults on Ukraine's infrastructure, the crisis is worsening. Food shortages are already being exacerbated by a drought in the Horn of Africa and unusually harsh weather in other parts of the world.

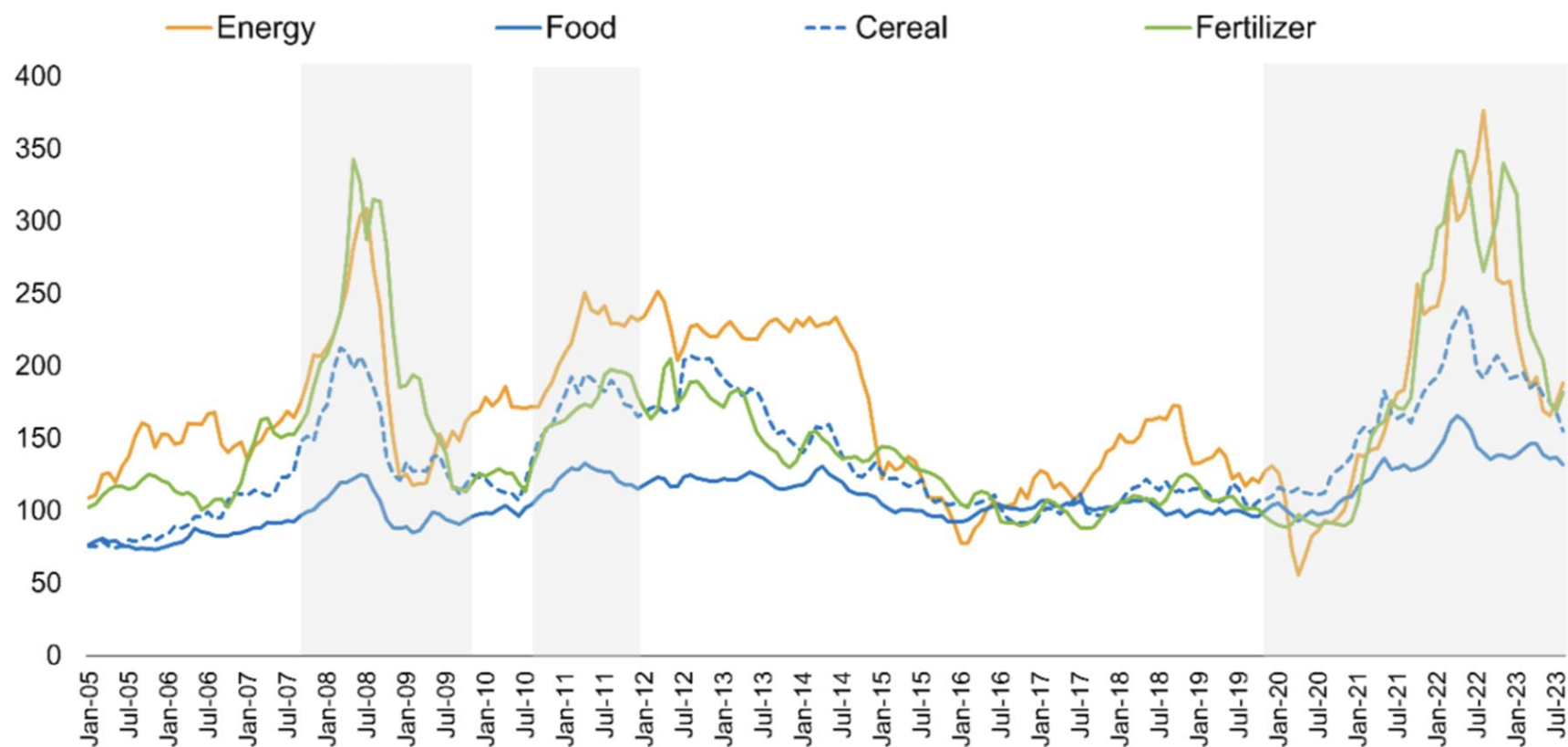
The United Nations World Food Program estimates that more than 345 million people are suffering from or at risk of acute food insecurity, more than double the number from 2019.

"We're dealing now with a mas-

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Figure 1. International Energy, Fertilizer, and Food Prices

(Indices, 2016 = 100)

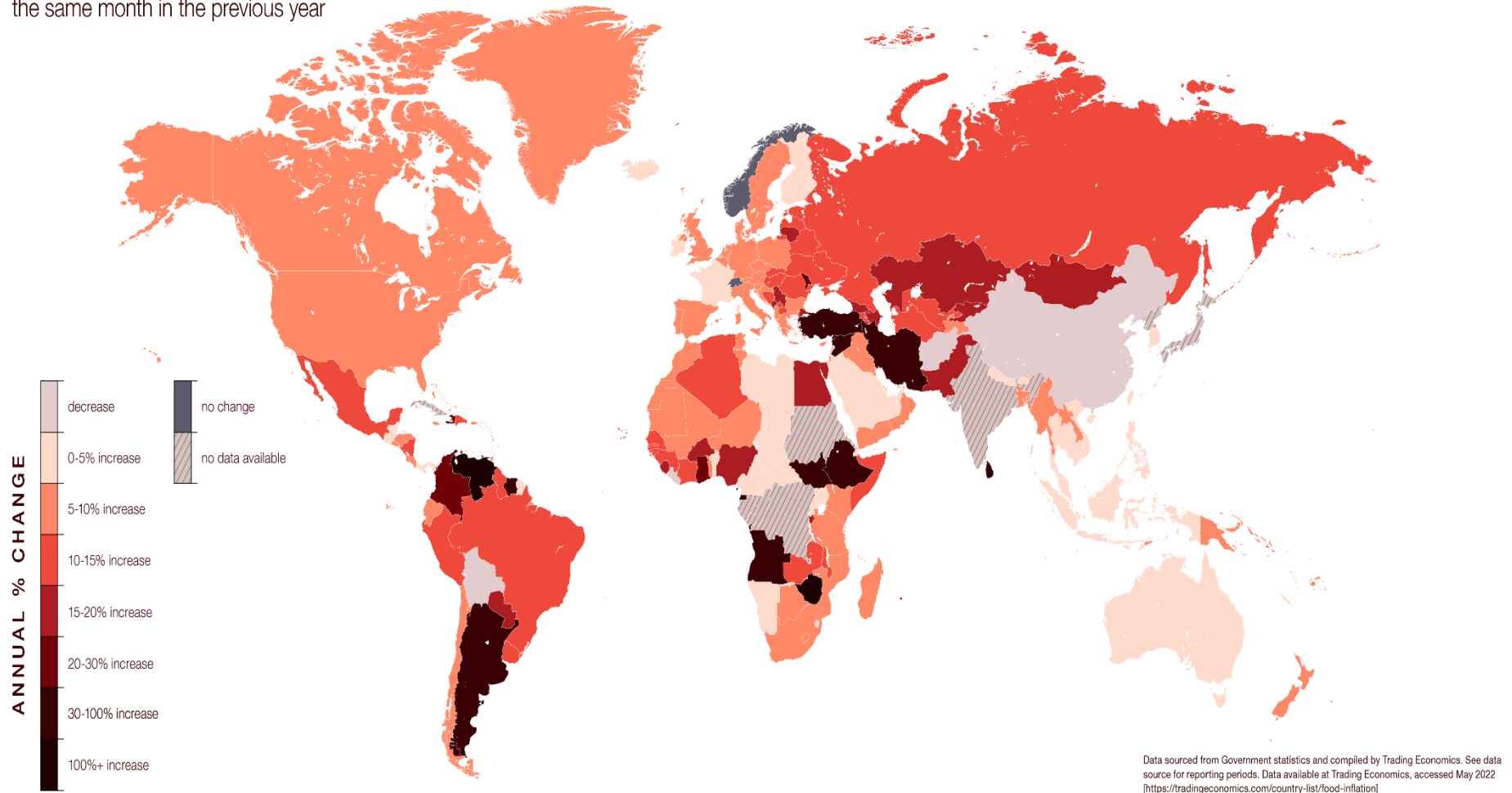


Source: IMF Primary Commodity Price Indices, as of July 2023.

Note: The shaded areas refer to the 2008–2010 global financial crisis, the 2011–2012 food crisis, and the COVID-19 pandemic followed by the current global food crisis.

Global Food Price Inflation

Annual change in average food prices over
the same month in the previous year

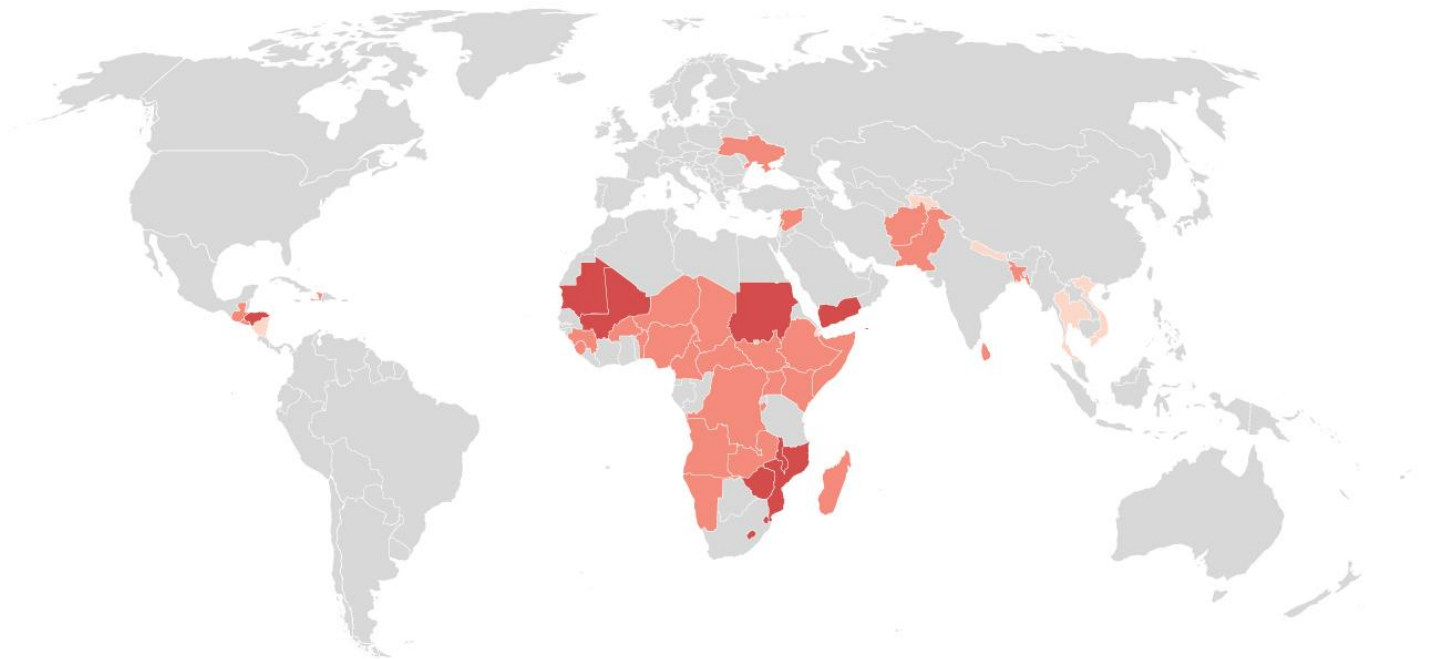


Hunger hotspots

Suffering is worst in 48 countries, many of which depend on food imports from Ukraine and Russia.

(countries highly exposed to food insecurity)

- FAO-WFP hunger hotspot or a major food crisis by the UNGRFC
- Cereal and fertilizer price impact of $>0.3\%$ of GDP
- Meets both criteria



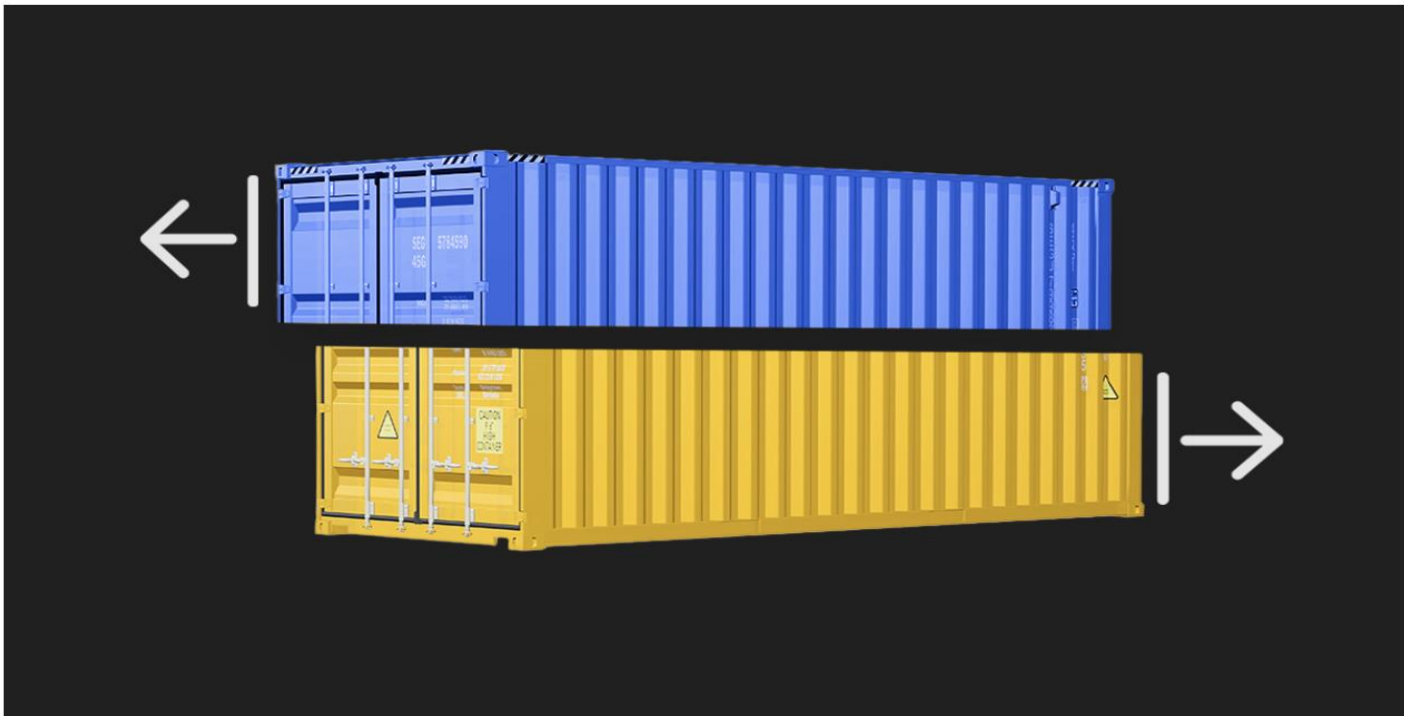
Sources: WFP, FAO, UNGRFC, UN Comtrade, USDA, WEO, Staff calculations.

Note: Countries classified as (i) suffering from acute food insecurity by the FAO-WFP or in a major food crisis by the UNGRFC, or (ii) facing a negative impact on the current account of at least 0.3 percent of GDP from international food and fertilizer prices. The boundaries, colors, denominations, and any other information shown on the map do not imply, on the part of the International Monetary Fund, any judgement on the legal status of any territories or any endorsement or acceptance of such boundaries.

How the War in Ukraine Is Further Disrupting Global Supply Chains

by David Simchi-Levi and Pierre Haren

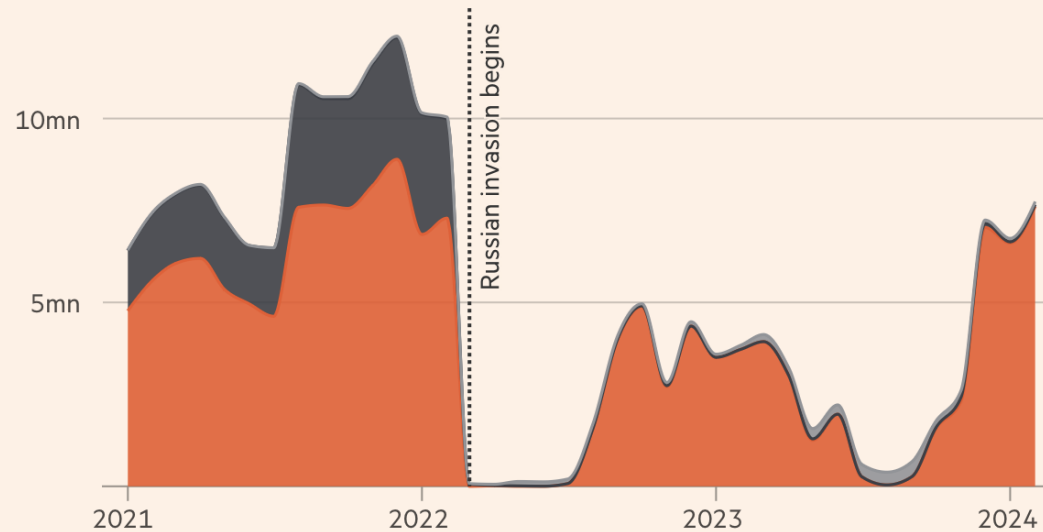
March 17, 2022



Shipping out of **Greater Odesa** now makes up nearly all Ukrainian dry bulk exports, with **eastern ports** inaccessible

Ukrainian dry bulk exports (metric tonnes)

Greater Odesa Eastern ports All other ports



Source: [VesselsValue](#)

Greater Odesa ports = Odesa, Chornomorsk and Yuzhny



Attempts to make supply chains “resilient” are likely to fail

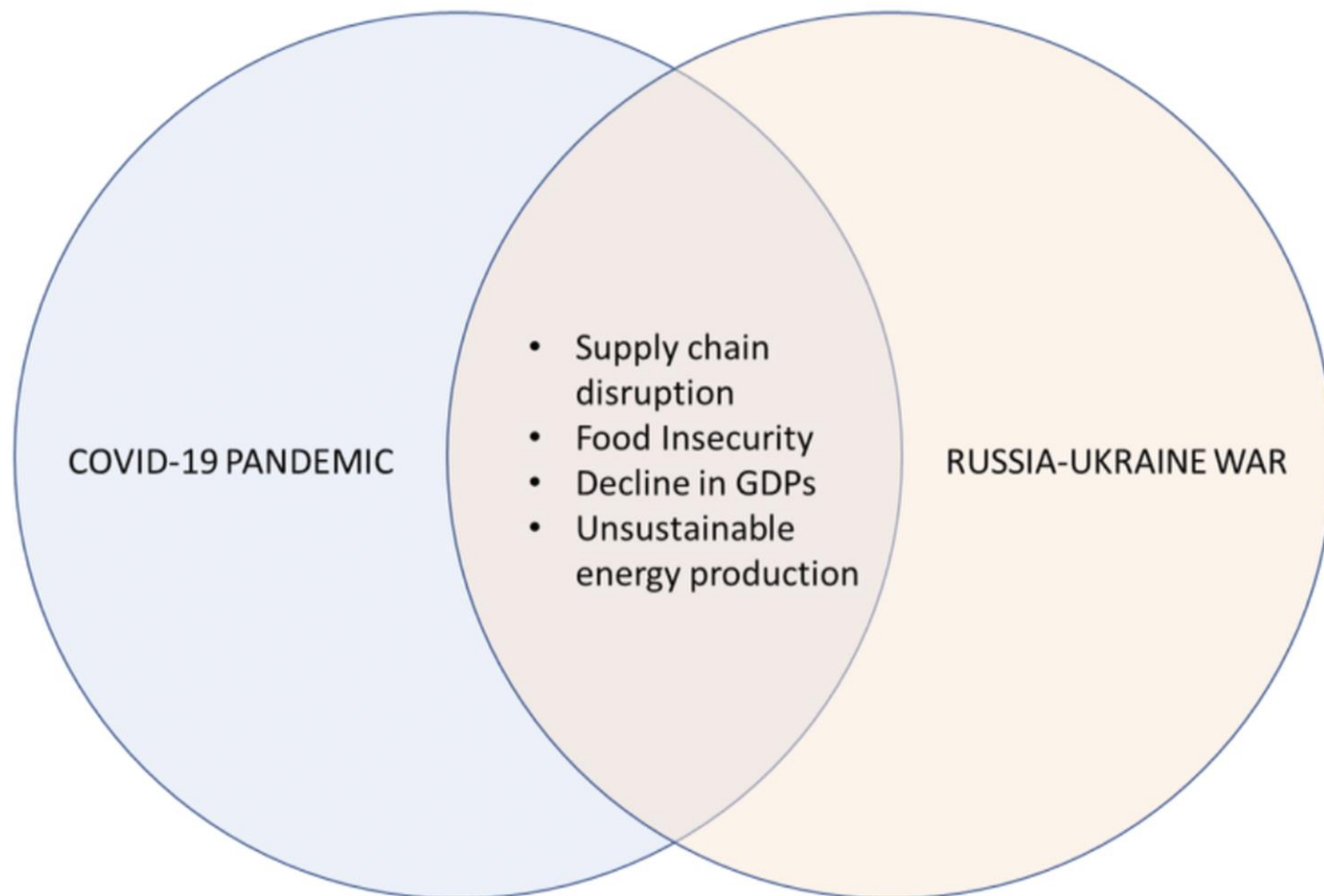
And they are likely to be costly



Give Feedback

IMAGE: EDWARD BURTYNSKY/COURTESY FLOWERS GALLERY. MANUFACTURING #14, BIRD MOBILE, NINGBO, ZHEJIANG PROVINCE, CHINA.

Figure 1. Venn Diagram describing some emerging global crises arising from the COVID-19 Pandemic and the Russia–Ukraine war.



A Long War Ahead, Intensity Of Fighting To Subside

2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033

Current Phase

The current phase of the conflict can be described as a **high-intensity** or full-scale war.

This refers to a situation where the maximum deployable resources of the belligerents, including weaponry, manpower and financial capital are engaged in the war.

This phase is characterised by large-scale mechanised offensives, involving fighter jets, tanks, artillery and other heavy vehicles.

Protracted Stalemate

We believe the emerging 'stalemate phase' of the war will closely resemble the 2015-2021 period of the Russia-Ukraine war.

In a military stalemate, the frontlines tend to remain relatively static. A military stalemate does not necessarily mean a cessation of fighting. **Battles may still occur, but they do not significantly change the balance of power or overall strategic situation.**

As stalemates are less resource-intensive, **we believe the war will be locked in this state for several years.**

Outcome – Frozen Conflict

Akin to the situation between North and South Korea after the Korean war (1950-1953).

Active armed conflict has ended, but no formal peace treaty or peace agreement has been signed between the parties involved, resulting in a de facto situation of 'cold peace'. The demarcation line between Ukrainian and Russian forces could evolve into a quasi-permanent structure within Ukraine, **potentially analogous to the 'Demilitarized Zone' (DMZ) that separates the two Koreas.**

Both governments would refuse to recognise territory held by the opposing force but refrain from undertaking new military offensives to capture territory. This phase could emerge with or without a formal ceasefire.

Fragmented Globalisation



Thank you for your attention!