

# Geopolitical Instability: The World under Tension, Recession and Uncertainty

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World geopolitics are changing. The nature of geopolitics has shifted drastically, showcasing a complexity that was never seen after WWII. The whole world is reeling from conflicts, diplomatic tension, recession and instability. The Covid-19 pandemic has paralyzed the world for the last two years. The impact of the pandemic hit really hard and shattered the economies around the world. Since then, the emergency evolved into global public health and economic crisis that affected the \$90 trillion global economy beyond anything experienced in nearly a century. On the heels of a devastating global pandemic that has upended lives and livelihoods alike, the Russia-Ukrainian conflict has dented the hope for smooth recovery, The UN stated that the conflict in Ukraine has severely affected the fragile economic recovery from the Covid pandemic, triggering a devastating humanitarian crisis in Europe while increasing food and commodity prices and globally exacerbating inflationary pressures. The Organization for Economic Cooperation and Development (OECD) forecasted that the global economy would pay a hefty price for the conflict in Ukraine; encompassing weaker growth, higher inflation, and potentially long-lasting damage to supply chains. Though the conflict zone is contained within Ukraine only, the cascading impacts spread worldwide, The prevailing uncertainty is deterring investment and business, and the inflation rate may go up to more than 14%. The conflict is causing financial conditions to squeeze and weaken many economies, and Bangladesh is no exception.

Russia and Ukraine have a long shared history that dates back to more than a millennium to the establishment of the first Slavic state, KyivanRus, in parts of Russia

and Ukraine today. After the collapse of the Soviet Union in 1991, Ukraine became an independent country, From the Russian point of view, Ukrainian ties with the West and ambition to join NATO, which would've brought a NATO country alongside its border, posed a dangerous threat to Russian national security, the world witnessed many deadly wars and conflicts in the last 50 years. So, what is exceptional about the Russia-Ukrainian conflict that shattered the whole world? From Falkland to Gulf, Bosnia to Afghanistan, Iraq-Syria-Yemen wars were fought, and some are continuing for decades. But none of these wars had such a severe impact on the global economy. The world has never experienced so much splitting up in axis in the past. It is an illusion nowadays, whether it is a unipolar or bipolar world. In terms of Military power, there might be some confusion, but in the economic sense, the world is already multipolar.

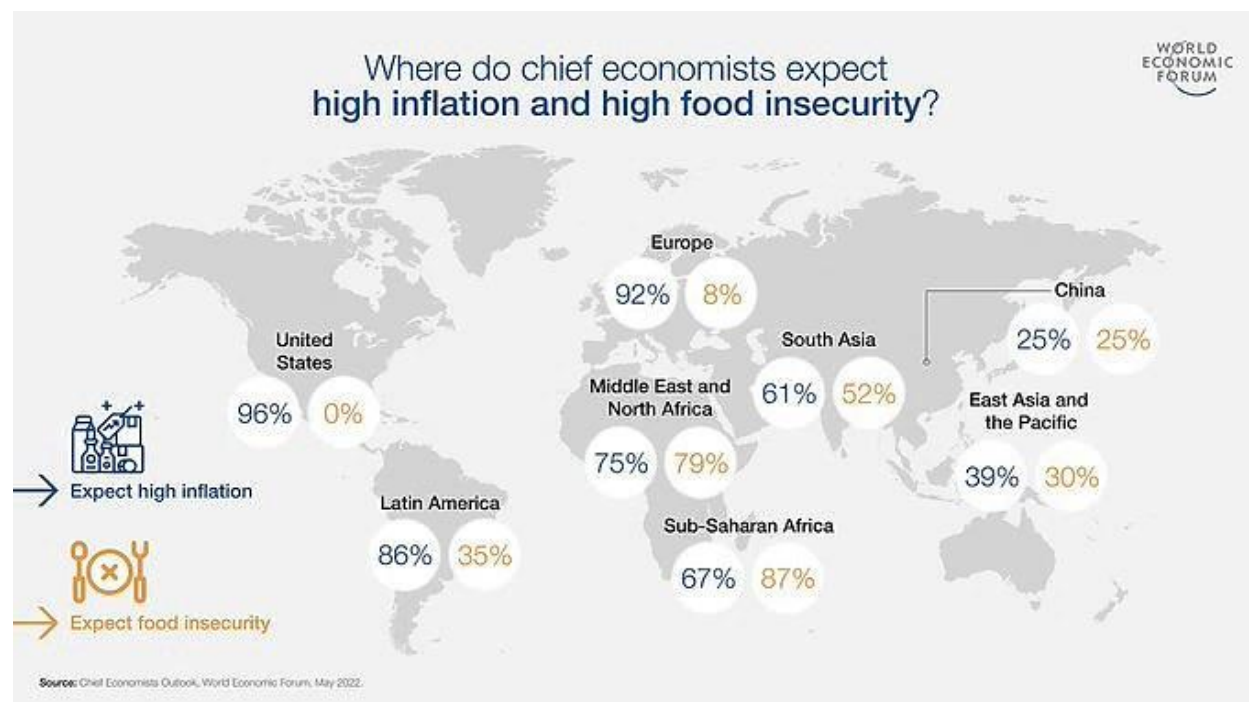
The Russian military operation in Ukraine which started on February 24, 2022, intensified the geopolitical tensions between the West and Russia, resulting in lower global growth than expected. The uncertainty arising from the outcome of this conflict has disrupted the global supply chain. Most western countries imposed economic sanctions on Russia to weaken its economy. The sanctions and restrictions imposed by the Western countries had a spillover effect on the global economy. Russia is the 11th largest economy in the world. As such, it has strong economic & military ties with many countries. But the prohibition of Russian banks from using the international payments system SWIFT made it impossible to trade with others. Many countries are now searching for an alternative channel and way to keep trade and commerce with Russia. In March 2022, the global inflation rate for the consumer price index reached 9.22%, compared with 7.47% in February 2022. The IMF already warned that the world could soon be on the brink of a global recession as the economies of the United States, China, and Europe slow more sharply than anticipated amid a collision of crises.

Russia is one of the world's top three crude producers and the second-largest natural gas producer. Due to the sanctions, Russia has reduced the supply of gas to Europe, which created a massive energy crisis. Consequently, the price of Crude oil and gas has been soaring across the globe. Energy crises around the world are causing political instability and unrest. The surging energy costs leading to power cuts have sparked strikes and demonstrations in Sri Lanka, Pakistan, Ghana, Cameroon, Afghanistan, Peru and many other countries.

The WFP warned that a global food crisis fueled by conflict, climate shocks and the COVID-19 pandemic is growing because of the ripple effects of the conflict in Ukraine, driving rising prices of food, fuel and fertilizer. Millions of people across the world are at the risk of being driven into starvation unless action is taken now to respond together and at scale. We need to remember that Russia and Ukraine export one-third of the world's wheat and barley, they are the providers of 70% sunflower oil and a prominent supplier of corn. Amid this crisis, prices of food and commodities are already climbing. Approximately 90% of wheat and other grain from Ukraine are shipped to the world market by sea, which is disrupted due to the prevailing situation. Moscow argues that Western sanctions on its banking and shipping industries make it impossible for Russia to export food and fertilizer and are scaring off foreign shipping companies from carrying

it. According to WFP, 690 million people do not have enough to eat, while 130 million additional people risks being pushed to the brink of starvation by the end of the year.

This conflict is causing worldwide disruptions to global trade and investment. Russia's networks to European ports have been cut, and commodity exports to other destinations have been constrained. Ukraine's Black Sea ports are not functional due to this tension, leaving the country few routes for its commodity exports. Air freight between Europe



and Asia must now be rerouted to avoid Russian airspace. Rail transit through Russia is slowing due to checks for sanctions compliance and further rounds of sanctions could risk halting rail transit entirely. Shipping costs have been on the rise. The UNCTAD report says that between February and May 2022, the price paid for transporting dry bulk goods, such as grains increased by nearly 60%. The shipping industry has been affected on multiple fronts. This industry also faces challenges in day-to-day operations, with knock-on effects for the crew, the cost and availability of bunker fuel, and the growing threat posed by cyber risk.

This conflict has triggered, not caused, a dramatic new phase in the long-term reshaping of our world, It has underlined preexisting global divisions. USA and EU or the West are more united than ever. On the other hand, few governments outside Europe and North America have been reluctant to censure Russia and many more have refrained from joining multilateral sanctions.

China has tacitly supported the Kremlin since its February affirmation of a Sino-Russian friendship with "no limits." A few others have backed Russia vocally, among them Belarus and Iran. Bangladesh, India, South Africa and a few countries have reaffirmed their policy of non-alignment. Beijing's stance on the Russian military operation in

Ukraine could define future ties with Washington. Nevertheless, Washington has warned Beijing of consequences should it provide military or financial assistance to Moscow. The US continues to grow pressure on China. The potential flashpoint between US and China in the South China Sea soared to unprecedented levels after US House Speaker Nancy Pelosi visited Taiwan. The trip led Beijing to suspend US-China climate talks, cut off some high-level military communication channels and conduct massive military drills in the South China Sea. So far, this conflict has caused seismic waves radiating from the epicenter and impacting far and wide. Other than these, land and air skirmishes took place between India-China and India-Pakistan. Armenia and Azerbaijan engaged each other over the disputed Nagorno-Karabakh region, triggering tensions of another major war in Europe. NATO expansion with the membership process of Norway and Sweden, QUAD expansion, new momentum of Indo-Pacific Strategy, strengthening CIS and CSTO and building a bigger BRICS is the sign of power politics and changing horizon of geopolitics. As such, UN Secretary-General Antonio Guterres warned, "Today, humanity is just one misunderstanding, one miscalculation away from nuclear annihilation," at a UN conference on the non-proliferation of nuclear weapons in New York City.

The evolving contours of modern geopolitics are still in a state of flux and the conflict in Ukraine heralds the most significant geopolitical shift since the end of the Cold War. The world order has become increasingly volatile, which began a shift from a unipolar to a multipolar world, from one global super power to several great powers, the global impact of the Russia-Ukraine conflict is also being felt in Bangladesh. Geo-economics increasingly influence modern geopolitics, and Bangladesh's economy heavily depends on Western countries, collectively, the export earnings of Bangladesh from Russia and Ukraine are less than 2% of the total export earnings. However, Ukraine conflict has affected Bangladesh in three products: the wheat market, vegetable oil and fertilizer. Besides, Bangladesh is also engaged with Russia with a few mega projects like the Rooppur Nuclear Power Plant and a few Railway projects. So, Bangladesh's response to the Ukraine crisis was a diplomatic persuasion of its long-standing policy driven by its non-alignment stance. Bangladesh always wants to stay at a safe distance from great power races and reaffirm the constitutional vindication of its foreign policy of "Friendship to all and malice towards none".

In many ways, Bangladesh is feeling the heat of this conflict. The business community predicts that the impact will be heavy if this continues for a more extended period. Already we see a reduction in exports and a rise in import bills. The BPC reported that it is losing about Tk 19 crore per day. With high crude oil prices, the chain effect is being felt through a hike in the prices of gas, fertilizer, and other essentials. The government had to adjust the fuel price to stop the incurring losses of BPC. Rising fuel prices have already had an impact on all commodity prices. Additionally, the cost of other imported products has also gone up significantly. Apparently, it will push the production cost of commodities resulting in higher prices for the consumers. In this context, Bangladesh needs to watch and manage the situation prudently. Pragmatic budget allocation and cautious import and monetary policy may help the country ride out the situation and continue its development. Adequate funds are to be allocated for social safety net

programs to address the poor and low-income families. Efforts should be made to utilize funds for ongoing projects properly rather than initiate new ones. The government should carefully use its foreign currency as import payments continue to rise in the uncertain period of conflict and beyond. Finally, prudent diplomacy in this volatile geopolitical environment will be the crux of navigating this rough sea.

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