*African Journal of Applied Research*
*Vol. 11, No. 1 (2025), pp.439-455*
*http://www.ajaronline.com*
*https://doi.org/10.26437/ajar.v11i1.*
*Received: July 5, 2024*
*Peer reviewed: October 8, 2024*
*Revised: November 28, 2024*
*Published: January 2025*

# FINANCIAL CONSEQUENCES OF GEOPOLITICAL TURMOIL AND TRADE RESTRICTIONS

**Oliinyk, O.[1], Grytsyshen, D.[2], Romanchenko, Y.[3], Tokarchuk, O.[4] and Sedliakivska, K.[5]**
[1]*Zhytomyr Polytechnic State University, Zhytomyr, Ukraine.*
[2]*Scientific and Pedagogical Work and Innovative Development, Zhytomyr Polytechnic State University, Zhytomyr, Ukraine.*
[3&5]*Department of Law and Law Enforcement, Zhytomyr Polytechnic State University, Zhytomyr, Ukraine.*
[4]*Department of National Security, Public Administration and Administration, Zhytomyr Polytechnic State University, Zhytomyr, Ukraine.*
[1]*oovzhitomir@gmail.com*

## ABSTRACT

**Purpose:** This article examines the economic ramifications of geopolitical conflicts, considering the pivotal role of contemporary sanctions policies on the global stage.

**Design/Methodology/Approach:** This study employs a qualitative methodological framework based on content analysis, using grounded theory toolkit elements. The research was carried out within a constructivist paradigm.

**Findings:** Due to the metamorphosis of the global political system, there has been a discernible increase in the prevalence of geopolitical conflicts. These conflicts exert an indirect influence on the global economy and a direct impact on national economies. Significant gaps exist in the existing research on the impact of sanctions, and the relationship between geopolitics and geoeconomics is complex, multi-layered and contradictory.

**Research Limitation:** This limitation highlights the inherent challenges in qualitative research while acknowledging the value of rich, detailed analysis provided by this methodological approach.

**Practical Implication:** Navigating between geopolitics and geoeconomics should be a strategic guide for international companies and industries. The implications of ongoing conflicts and tensions on financial and trade strategies should be comprehended, considering the interests of affected regions and various nations/politicians' stakeholders.

**Social Implication:** The research showed that the existing and potential impact of sanctions on the population of affected countries and the government's policy should be carefully studied and weighted when designing the strategy and roadmap for sanction imposition, with the double aim that sanctions should not lead to a violation of humanitarian law regarding population while being efficient in changing countries' aggressive politics.

**Originality/Value:** The research deepens the conceptualisation of the geopolitics/geoeconomics ratio, particularly regarding the effect of sanctions.

***Keywords:*** *geopolitical conflict, geo-economics, sanctions, trade. war*

## INTRODUCTION

Geopolitics focuses on political power related to geographical space, and it is usually just another way of referring to international political relations. Geopolitics concerns the political

African Journal of Applied Research
Vol. 11, No. 1 (2025), pp.439-455
http://www.ajaronline.com
https://doi.org/10.26437/ajar.v11i1.
Received: July 5, 2024
Peer reviewed: October 8, 2024
Revised: November 28, 2024
Published: January 2025

factors between countries or regions, such as the politics between the USA and China or Russia and Ukraine (Topalidis et al., 2024).

The geopolitical evolution from a bipolar to a unipolar system ("Pax Americana") and subsequently to a multipolar system has heightened the potential for conflict worldwide, fueled by several states' aspirations to alter their geopolitical standing. Consequently, China's assertive claims of global leadership, in tandem with Russia's revanchist ambitions, have revived geopolitical confrontations reminiscent of the bipolar era but within a new configuration (Cantalapiedra & Tejudi, 2022). The shift towards global confrontations within a highly interconnected globalised economy presents significant threats to the world (Prakash, 2017).

The globalised economy exhibits a degree of resilience, rendering not all conflicts equally impactful on its structural components. However, conflicts present substantial economic challenges for nations directly engaged in such disputes, manifesting in extensive destruction, currency devaluation, inflation, reduced production, and elevated unemployment. Simultaneously, the international community faces significant constraints in its ability to prevent and resolve conflicts, particularly when involving key member states of the UN Security Council responsible for decisions on military interventions against aggressors or the imposition of sanctions (KPMG, 2022). Consequently, economic sanctions emerge as a predominant non-military instrument to counteract aggressive policies. This dynamic has propelled the world into a novel phase of geopolitical confrontation, colloquially referred to by experts as the "second Cold War", posing considerable threats to the globalised economy.

## LITERATURE REVIEW

Exploring geopolitical conflicts in the context of their economic repercussions has recently gained notable relevance, becoming a focal point in numerous scholarly inquiries.

The abundance of conflicts in the post-bipolar world necessitates a refined conceptualisation of "geopolitical conflict" within the framework of globalisation processes. In this regard, Lee and Wang (2021) propose an inclusive perspective that considers geopolitical conflicts, along with geo-economic ones, as integral components of the overall geostrategic discourse. Conversely, Yang et al. (2022) posit that the amplification of the geo-economic factor in geopolitical conflicts is intricately linked to the escalation of their resource-centric dimension, gradually superseding the ideological facet.

In examining the economic repercussions of geopolitical conflicts, researchers Shahzad et al. (2023) argue that the complex nature of conflicts, influenced by numerous factors (variables), creates challenges in establishing clear patterns regarding their economic consequences.

The examination of conflicts' impact on the energy sector by Góes and Bekkers (2022), although it does not provide grounds for unequivocal statements regarding stable trends, reveals specific observable patterns, such as changes in pricing policies in global markets, which subsequently affect the revenues of oil-producing countries. In a comprehensive analysis

ISSN: 2408-7920

African Journal of Applied Research
Vol. 11, No. 1 (2025), pp.439-455
http://www.ajaronline.com
https://doi.org/10.26437/ajar.v11i1.
Received: July 5, 2024
Peer reviewed: October 8, 2024
Revised: November 28, 2024
Published: January 2025
of numerous international conflicts, Hossain et al. (2024) observed that a significant impact on world trade emerges predominantly in protracted conflicts. Nonetheless, this impact remains nonuniform and contingent upon various factors.
Insights from researchers in the world stock market, Ding et al. (2021), highlight its relatively modest susceptibility to contemporary conflicts: markets exhibit transient reactions lasting several days or weeks, followed by gradual recovery and subsequent growth.

The subject of sanctions finds ample representation within the scientific discourse. In particular, this discussion will centre on the investigation conducted by Morgan et al. (2023), who, in collaboration with their peers, have assembled a comprehensive database encompassing all global sanctions. Their study entails a thorough analysis of the efficacy of these sanctions, elucidating specific challenges inherent in their implementation.

The Russian-Ukrainian war is a pivotal contemporary conflict under scrutiny, primarily investigated in its repercussions on the global energy landscape. In this context, a collective of researchers, Zhao et al. (2023), substantiates that the comprehensive Russian invasion significantly affected Europe's economic challenges. However, their findings suggest that the conflict did not induce severe disruptions to the global energy sector.

Analysts from the Kyiv School of Economics, Nell et al. (2023), examined the influence of international sanctions on the Russian economy. Their study discerns that the EU's adoption of a moderate and partial approach to implementing energy restrictions enabled Russia to strategically redirect its exports, thereby diminishing the overall efficacy of the sanctions.

Despite the substantial body of existing studies, further analysis is warranted to comprehensively address the intricate relationship between geopolitical conflicts and their geo-economic consequences. This need is particularly evident in significant geopolitical conflicts, exemplified by the Russian-Ukrainian war.

The primary objective of this article is to elucidate the nuances of the economic ramifications stemming from geopolitical conflicts within the framework of the twenty-first century's dynamics, with a specific focus on the sanctions policies implemented by major global powers.

## METHODS

The study is based on a qualitative approach. It employs a content analysis method with elements of grounded theory tools. The study includes 53 literature sources, including scholarly articles, monographs (in particular, edited editions), research/consulting companies' reports, governmental statistical data portals, and analytical notes in online publications of a specialised political and financial nature.

The research is carried out within constructivism paradigm, namely constructivist geopolitics (Fard, 2021). Constructivism is defined as a meta-theory and alternative explanatory perspective that emerged from the ontological analysis of neorealism. The constructivists

African Journal of Applied Research
Vol. 11, No. 1 (2025), pp.439-455
http://www.ajaronline.com
https://doi.org/10.26437/ajar.v11i1.
Received: July 5, 2024
Peer reviewed: October 8, 2024
Revised: November 28, 2024
Published: January 2025

believe that the "Social Reality" does not open up to us immediately but is formed by shared beliefs (social) about the world. Constructivism moves the research object from the epistemological level, where knowledge is created, to the ontological level, where the world is constructed. From a constructivist point of view, "Social Reality" is the subjective notions that are formed via interaction processes (Pfadenhauer & Knoblauch, 2020).

The question of how new geographical structures of international relations and world politics have evolved in the twenty-first century is raised in order to recognize the structures of the emerging world order. This is particularly true with regard to: its geographical perspective, which is Eurocentrism or Sinocentrism; its shape, which is multilateral or asymmetrical multipolarity; its tendency, which is universal interculturality or multicultural coexistence; and its norms and values, which are cooperative or competitive multipolarity. Accordingly, implications for trade and finance are analyzed.

First, we applied conceptual analysis and then relational content analysis, revealing the relationships between the concepts, the context in which they appear in the content, and their interrelationships.

During content analysis, coding and categorization were applied to outline the final array of concept and relations.

Complementary general scientific theoretical methods included analysis, synthesis, and abstraction. The integration of analysis and synthesis ensured objective and comprehensive research. The analysis allowed for clarification of the essence of definitions and conceptual categories, understanding the nature and consequences of geopolitical conflicts, identifying their components in the modern world, and revealing their potential impact on the global economy. Analytical differentiation of the global concept into separate components made it possible to disclose the structure and specifics of the research object, aiding in distinguishing essential elements from non-essential ones.

The predominant methodological framework employed in our study is the synthesis of geopolitical and geo-economic approaches. Unlike analysis, synthesis combines individual components and properties identified based on analysis into a unified whole. The former elucidates the nature and essence of contemporary geopolitical conflicts, while the latter facilitates the analysis of their repercussions on global economic processes, collectively referred to as "geopolitical economy".

A case study method examined the Russo-Ukrainian war and the impact of sanctions on the Russian economy.

The abstraction method was used to identify theoretical generalisations, define main categories and concepts, and formulate conclusions. In this case, abstraction was applied to assess the potential practical impact of geopolitical dynamics, related concepts, and tools while highlighting the essential properties sought.

ISSN: 2408-7920

*African Journal of Applied Research*
*Vol. 11, No. 1 (2025), pp.439-455*
*http://www.ajaronline.com*
*https://doi.org/10.26437/ajar.v11i1.*
*Received: July 5, 2024*
*Peer reviewed: October 8, 2024*
*Revised: November 28, 2024*
*Published: January 2025*

The criteria for information acceptability were spatial-temporal indicators and the level of information reliability.
Methods used to assess bias risk in the included studies included brainstorming and causal analysis.

## RESULTS AND EDUCATION

From Campos et al. (2023) perspective, the advent of globalisation has temporarily relegated war to a secondary status, propelled by the internationalisation of the world economy and the dissemination of the Western market model. This evolution underscores the advancement of the geo-economic approach, advocating that geopolitics should consider economic realities within the spatial context (Klement, 2021).

Xie et al. (2023) consider the definition of geopolitical economy, encompassing the geopolitical order that regulates global economic production, trade, and consumption, as well as the geo-ecological consequences arising from this order. Aligning with this notion, Chiang (2022) contends that characterising modern geopolitical conflicts as geo-economic is appropriate due to their significant economic component. Li et al. (2021) expand on this thesis, emphasising the reduced role of ideological factors in contemporary conflicts (as opposed to conflicts in the bipolar world) and the simultaneous increase in their resource-based components, ending geopolitical conflicts with new characteristics.

Let us concentrate on three fundamental aspects concerning the economic consequences of geopolitical conflicts: the energy market, foreign trade, and the stock market.

The energy factor has been significant across the bipolar and unipolar worlds, and its pertinence persists in the contemporary polycentric world, where control over resources or their transportation routes assumes substantial importance. Kisswani and Elian's (2021) study of conflicts and their consequences allows for several important conclusions.

Specifically, the escalation of global oil prices is significantly influenced by panic-driven demand and speculative pricing. The impact of these conflicts on national economies varies; for oil-producing countries directly involved in the conflict, this impact is often highly vulnerable. However, indirect participants may, in some instances, benefit. Sanctions imposed on violators or the search for alternative suppliers by oil-importing countries may create new opportunities for them. Zhao et al. (2023) also emphasise that energy price volatility has a restraining effect on national economic growth, especially in the case of gas. Such volatility undermines social stability and accelerates political challenges.

An examination of the influence of military conflicts on international trade indicates that over an extended period of war, the foreign trade of primary adversaries tends to stabilise. Trade losses diminish from 85% in the initial year to 10% in the concluding years of the conflict. Other participants in the conflict and neutral countries may observe a modest upturn in trade

African Journal of Applied Research
Vol. 11, No. 1 (2025), pp.439-455
http://www.ajaronline.com
https://doi.org/10.26437/ajar.v11i1.
Received: July 5, 2024
Peer reviewed: October 8, 2024
Revised: November 28, 2024
Published: January 2025

after wars. Analysts highlight instances in global practice where wars had minimal impact on the foreign trade of involved parties, with export-import operations swiftly resuming after the conflict's conclusion (Demir et al., 2021; Kortukova et al., 2023; Kryshtal et al., 2023).

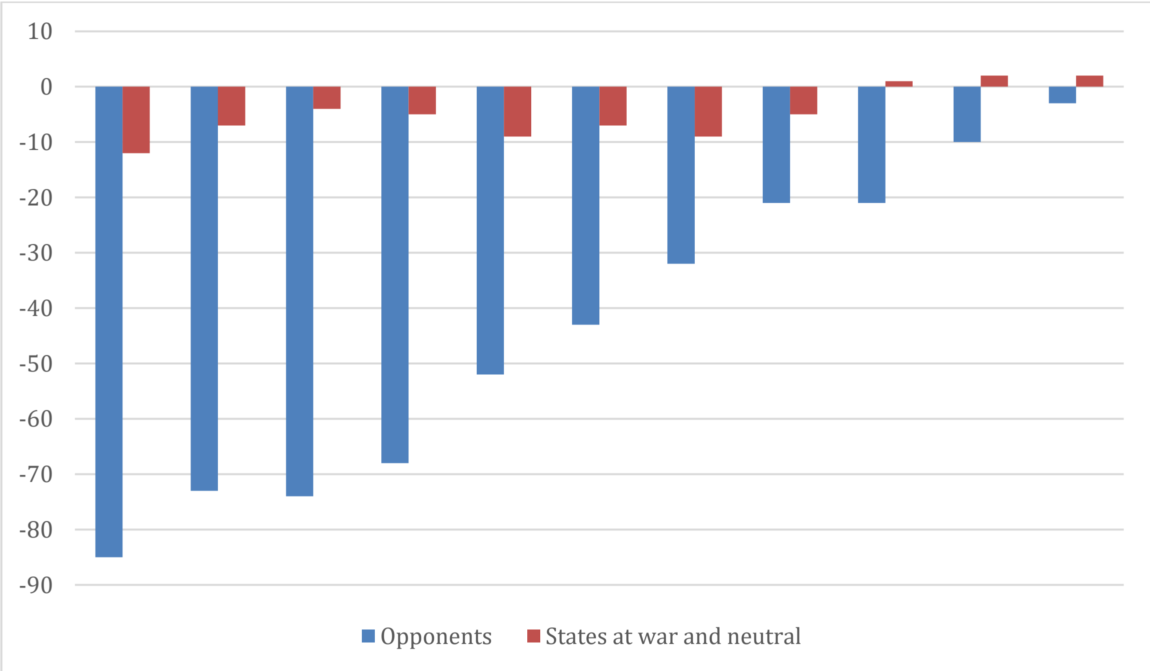


*Figure 1: The percentage impact of wars on the foreign trade of the involved participants*
*Source: (Demir et al., 2021; Kortukova et al., 2023; Kryshtal et al., 2023)*

The second pivotal metric assessing the economic impact of geopolitical conflicts is the stock market, which is susceptible to uncertainty. However, scholars contend that markets revert to pre-war levels over time. For instance, Russia's full-scale invasion of Ukraine initially led to a 7% decline in the S&P 500 index; nevertheless, within a few weeks, the markets initiated a recovery. A parallel scenario unfolded during another escalation of the Arab-Israeli conflict in the fall of 2023: initially, indices plummeted amid Gaza militants' bombardment of Israel, but within a few days, following a successful Israeli operation, the indicators exhibited significant improvement (D'Souza, 2023).

In the broader context of 2023, the global stock market exhibits notable performance, recording its most favourable results since 2019, with the S&P 500 index registering a 24% increase for the year (Global stock markets record best year since 2019, 2023). However, a dissimilar trend characterises Russia's national stock market, experiencing a substantial decline amid the ongoing conflict, with the Moscow Stock Exchange index plummeting by 44% in 2022. Despite the intuitive expectation that geopolitical uncertainty might extend into the stock market, this phenomenon has not consistently materialised, except for instances such as the Gulf War, during which volatility aligned closely with historical averages, as noted by Yu and Wang (2023).

ISSN: 2408-7920

*African Journal of Applied Research*
*Vol. 11, No. 1 (2025), pp.439-455*
*http://www.ajaronline.com*
*https://doi.org/10.26437/ajar.v11i1.*
*Received: July 5, 2024*
*Peer reviewed: October 8, 2024*
*Revised: November 28, 2024*
*Published: January 2025*

Simultaneously, Swiss researchers observe an intriguing aspect of the stock market's response to large-scale conflicts: when war commences abruptly, prices experience a decline that subsequently stabilises. In contrast, when extensive preparations precede conflicts, stock prices initially decrease but exhibit an upward trend during the outbreak (Bednarski et al., 2024; Kvasnii et al., 2023). The intensity of the conflict and the involvement of multiple factors also harm stock markets (Kovtunyk et al., 2023).

While analysing the economic impact of a conflict on an individual country poses relatively manageable challenges, identifying shared features and overarching trends for a group of countries or specific regions proves to be intricate. Numerous factors come into play, including whether a country experienced victory or suffered defeat and the geographical location where hostilities occurred, among other considerations. Even discerning changes in the Gross Domestic Product (GDP) pose.

In the contemporary world, one of the foremost instruments for conflict resolution is sanctions, encompassing various restrictions (diplomatic, economic, cultural, sports) designed to incentivise conflicting parties to de-escalate and gradually seek resolutions. However, as posited by numerous researchers, the efficacy of sanctions becomes significant only when their cost becomes prohibitively high for the targeted state (Lopatynskyi et al., 2023). Simultaneously, analysts observe that authoritarian regimes subjected to sanctions swiftly devise strategies to mitigate their impact (Semenets-Orlova et al., 2023). This has led to the emergence of the practice of “secondary sanctions” or “extraterritorial sanctions” imposed on individuals and legal entities in third countries aiding in circumventing sanctions (Wang et al., 2020). Such entities face restrictions, including denied access to financial or trade markets, thus constraining their economic activities.

The efficacy of sanctions hinges on several factors, including their extent, magnitude, and the resilience of the targeted nation's economy. A noteworthy aspect contributing to the limited effectiveness of sanctions is that the states implementing them often seek to minimise their impact on their economies (Khudaykulova et al., 2022). Among various categories of sanctions, military and financial sanctions emerge as the most effective, collectively accounting for nearly 65% of successful cases. Combining different sanctions enhances their effectiveness by approximately 60% (Morgan et al., 2023).

Sanctions impact not only the national economies of the targeted states but also international economic processes, mainly when directed against states integrated into the global economic system. This influence becomes more pronounced if the sanctions are imposed on a state that serves as a significant supplier of energy or food to world markets. In our analysis of the impact of sanctions on a geopolitical conflict, we will scrutinise the case of the Russian-Ukrainian war within the context of the sanctions imposed on Russia.

According to the International Energy Agency (2022), Russia constitutes 11% of global oil production, ranking third globally after the United States and Saudi Arabia. The Russian

ISSN: 2408-7920

*African Journal of Applied Research*
*Vol. 11, No. 1 (2025), pp.439-455*
*http://www.ajaronline.com*
*https://doi.org/10.26437/ajar.v11i1.*
*Received: July 5, 2024*
*Peer reviewed: October 8, 2024*
*Revised: November 28, 2024*
*Published: January 2025*

Federation is the leading natural gas supplier, with exports reaching almost 247 billion cubic meters in 2021 (OPEC Annual Statistical Bulletin, 2022). The EU is the principal importer of Russian energy resources, receiving 47% of all oil and oil product exports and 40% of natural gas exports. Consequently, restrictions in this sector significantly impacted the European economy. Nearly 60% of Russia's export earnings stem from the sale of oil and gas resources, constituting an average of 40% of the Russian budget revenues (Nell et al., 2023).

The initial economic sanctions imposed by the United States and the European Union on Russia in 2014, after the occupation of Crimea and aggression in eastern Ukraine, were restricted in scope and yielded minimal impact on the Russian economy. Notably, Russian energy production and exports experienced growth during this period, which is attributable to increased exports to the EU. European researchers attribute this phenomenon to the targeted nature of the restrictions, primarily targeting Russian elites, and the absence of consensus among EU members owing to robust business ties with Russia (Helwig et al., 2020).

Following Russia's full-scale invasion of Ukraine in February 2022, the United States and the European Union have incrementally enforced unprecedented sanctions on Russia. The cumulative count of restrictions imposed on Russia since 2014 stands at 18.7 thousand, with more than 16 thousand being implemented since February 2022 (Russia Sanctions Dashboard, 2024). Consequently, Russia leads to restrictions imposed on all offending countries. However, it is noteworthy that two-thirds of these sanctions are directed against individuals.

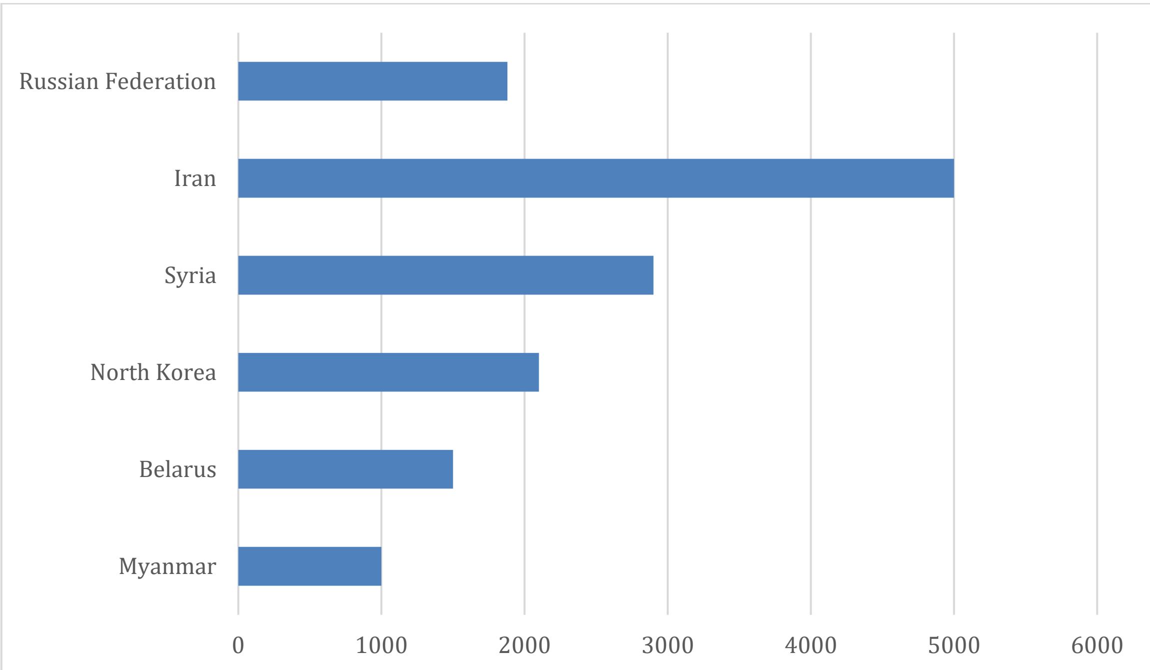


*Figure 2: The number of sanctions against offending states*
*Source: (Russia Sanctions Dashboard, 2024)*

ISSN: 2408-7920

African Journal of Applied Research
Vol. 11, No. 1 (2025), pp.439-455
http://www.ajaronline.com
https://doi.org/10.26437/ajar.v11i1.
Received: July 5, 2024
Peer reviewed: October 8, 2024
Revised: November 28, 2024
Published: January 2025

Financial sanctions were the initial measures enacted, involving freezing Russian assets abroad valued at $300 billion (equivalent to half of Russia's foreign exchange reserves) by the United States and the European Union. Additionally, significant Russian banks were disconnected from the SWIFT international system, leading to substantial challenges for Russia in managing payment flows (Palamarchuk et al., 2023). The subsequent measure involved constraining transportation connections with Russia. The European Union, the United Kingdom, the United States, and Canada collectively closed their airspace to Russian airlines, leading to a substantial 62% reduction in flights originating from Russia. Furthermore, ports were closed to Russian ships. According to the European Commission (Council Regulation (EU) 2022/5762022, 2022), 2873 Russian ships were subjected to sanctions.

Thirdly, Western nations are implementing sanctions on Russia's oil and gas sector, a sector of significant budgetary importance. Initially, the United States refrained from purchasing Russian oil, gas, and coal, later joined by the United Kingdom. In the spring of 2022, the European Union (EU) prohibited the importation of Russian coal, constituting an annual revenue of €8 billion for the Russian Federation (Horiunova, 2022). A year later, the ban extended to Russian oil delivered to the EU by sea, constituting the majority of oil supplies to the EU and 35% of all Russian oil exports. Starting in 2023, an agreement between the EU and the G7 stipulated a price ceiling of $60 per barrel for Russian oil. However, the EU encountered challenges in reaching a consensus on implementing a gas embargo.

Amidst the backdrop of international sanctions, global corporations are initiating a withdrawal from the Russian market. Among the over 1,500 international companies previously active in Russia, two-thirds have completely shuttered their operations (529) or temporarily suspended them (504). Another quarter continues to operate with restrictions, such as refraining from making new investments, while only 222 maintain normal operations, primarily represented by Chinese and Indian companies (Over 1,000 Companies Have Curtailed Operations in Russia, 2024). Consequently, prominent entities in the energy sector (Shell, Wintershall Dea, Enel), automotive industry (Mercedes-Benz, BMW, Volkswagen, Renault, Volvo, Ford, Nissan), and technology giants (Apple, Samsung, Amazon, Google), alongside well-known brands like Ikea, Prada, Nike, and Marks & Spencer, have curtailed operations in Russia.

Implementing multi-format sanctions has resulted in severe adverse consequences for the Russian economy. In 2023, the Russian trade balance witnessed a 68% year-over-year decline, accompanied by a 41% depreciation of the ruble against the US dollar and a 43% devaluation against the euro. Owing to constraints in the energy sector, Russia incurred a loss of $100 billion in oil exports and nearly $40 billion in gas sales (Sanctions Impact Exports and the Ruble, but Continued Effectiveness Needs to Be Ensured, 2023).

Simultaneously, due to a delay in the imposition of restrictions, Russia accrued substantial profits from gas sales to the EU in 2022, registering a 42% increase, and further augmented liquefied gas supplies to the EU in 2023 by 40% (EU imports of Russian liquefied gas leap by 40% since Ukraine invasion, 2023).

African Journal of Applied Research
Vol. 11, No. 1 (2025), pp.439-455
http://www.ajaronline.com
https://doi.org/10.26437/ajar.v11i1.
Received: July 5, 2024
Peer reviewed: October 8, 2024
Revised: November 28, 2024
Published: January 2025

The deferral of oil sanctions for a year enabled Russia to redirect its oil exports towards the East, specifically China and India, utilising its tanker fleet to circumvent the imposed restrictions. Nevertheless, this alternative approach incurs higher costs due to intricate logistics and concessions for new buyers. Additionally, the Russian Federation sells oil at elevated prices beyond the stipulated limits, employing various schemes to achieve this.

Hence, while the sanctions have exerted a notable influence on the Russian economy, they have not accomplished their primary objectives of halting the armed aggression against Ukraine. Furthermore, the Russian economy has demonstrated an ability to adapt to these new challenges progressively.

Simultaneously, in 2022, the European economy, the principal consumer of Russian energy resources, encountered significant challenges. The EU grappled with escalating costs for utilities and commodities due to Russia's unprecedented 221% surge in gas prices (CREA Report, 2023). Inflation reached 9.2% in 2022, with notable increases in energy costs at 18%, transportation services at 12%, and food at 12% (Annual inflation more than tripled in the EU in 2022, 2023). However, within a year, the situation ameliorated as the EU swiftly sought alternatives for Russian energy resources, primarily through increased imports of liquefied natural gas from the United States. Consequently, Russia's share in the composition of gas imports to the EU decreased from 40% to 12% (EU trade with Russia - latest developments, 2023). Correspondingly, the inflation rate receded to 3.1% in the EU and 2.4% in the eurozone (Annual inflation down to 2.4% in the euro area, 2023).

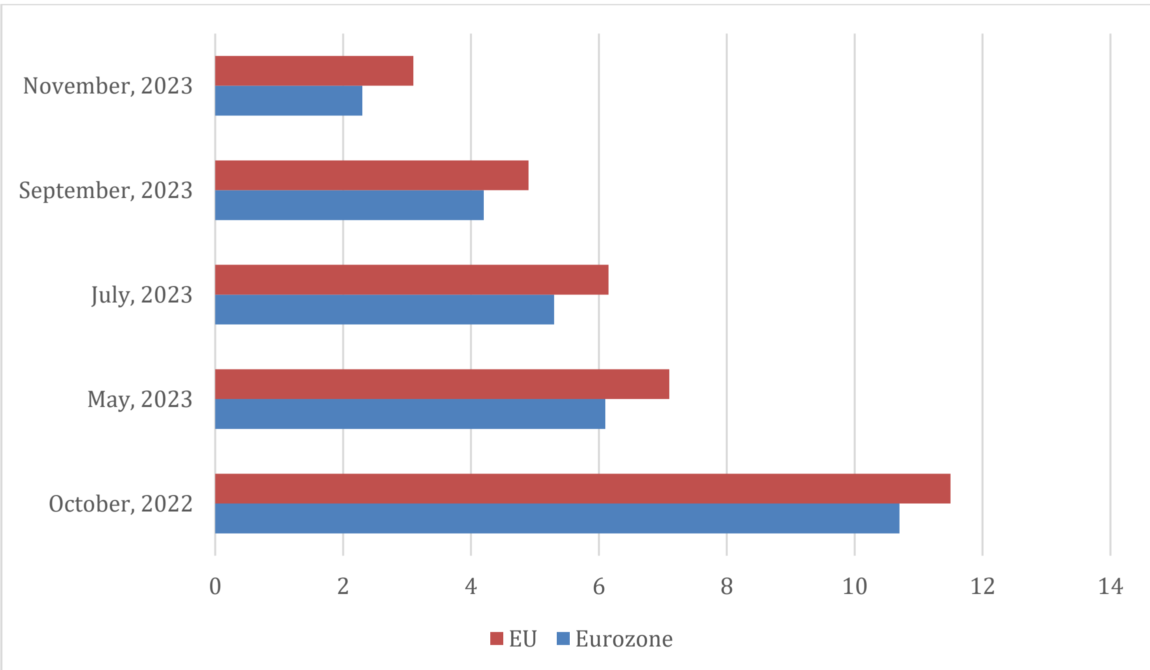


*Figure 3: Inflation dynamics in the EU (and the eurozone) in %*
*Source: (Annual inflation down to 2.4% in the euro area, 2023)*

ISSN: 2408-7920

African Journal of Applied Research
Vol. 11, No. 1 (2025), pp.439-455
http://www.ajaronline.com
https://doi.org/10.26437/ajar.v11i1.
Received: July 5, 2024
Peer reviewed: October 8, 2024
Revised: November 28, 2024
Published: January 2025

Hence, incrementally implementing energy sanctions in a restricted format, excluding a prohibition on gas imports, enabled the EU to avert catastrophic repercussions for the European economy. Nonetheless, it fell short of achieving the primary goal of the restrictions: putting an end to Russian aggression against Ukraine.

## DISCUSSION

The difficulties facing the global system are massive and extremely serious. The escalation of the US-China rivalry, the conflicts in Ukraine and the Middle East, and the resurgence of nuclear weapons have all occurred during a time when the return of geopolitics, the structural instability and inequality of global capitalism, the influence of new and disruptive patterns of social and political mobilisation, and new technologies have already put pressure on many seemingly stable international institutions and prevailing conceptions of global order. The interplay between the "old" and the "new" is a significant factor in the complexity of the current and most likely future world order. Global challenges have given way to planetary imperatives, and new technologies and scientific knowledge have impacted economics, weapons systems, and connectivity patterns. On the other hand, there are the "old" logic and dynamics, particularly those related to international political competition, geopolitical rivalry, regime insecurity, nationalist self-assertion, violence, and major war.

At the same time, new geopolitical realities create a new "geometry" of global trade (Seong et al., 2024). Hurell (2024) discusses "the return of geopolitics", contending that the international political system must be seen independently of contemporary capitalism and following its unique logic and dynamics. Additionally, he moves the emphasis from the modern international to the modern global, contending that the "we" that is currently involved in geopolitics and global economic governance has undergone fundamental changes and that the spread of power and agency as well as the uprising against Western domination are much more extensive than China's rise.

Our study confirms this is indeed true. However, the effect of sanctions, both in geopolitical and global trade sense, has not yet been appropriately discovered. Our study demonstrated that, in particular, sanctions against Russia did not reach their intention, and the Russian economy still manifests growth even in conditions of tremendous military expenditures. However, it should be noted that the sanctions on Iran are still the most severe in the world and apply to Iranian organisations, industries, and individuals under many authorities, including terrorism, nuclear proliferation, and human rights concerns.

Rapid currency depreciation, significant trade and budget deficits, high inflation, and growing poverty rates are detrimental macroeconomic effects these sanctions have caused or contributed to. Iran has been unable to effectively lessen or withstand the sanctions' economic strains. Iran and its citizens have undoubtedly been punished by the severe sanctions placed on the nation. Western governments have also been able to respond to domestic constituencies who have called for decisive action against Iran's human rights abuses thanks to these sanctions (Farzanegan & Batmanghelidj, 2023). Nevertheless, the sanctions have not altered the Iranian government's actions. Iran continues to violate several international standards. It still supports

ISSN: 2408-7920

*African Journal of Applied Research*
*Vol. 11, No. 1 (2025), pp.439-455*
*http://www.ajaronline.com*
*https://doi.org/10.26437/ajar.v11i1.*
*Received: July 5, 2024*
*Peer reviewed: October 8, 2024*
*Revised: November 28, 2024*
*Published: January 2025*

proxies throughout the Middle East, runs an unchecked nuclear program, and represses its own population at home. Iran is supplying Russia with deadly weapons during the Russo-Ukrainian War. Furthermore, some Western businesses continue to circumvent sanctions by sending weaponry components to Iran and Russia. There are significant gaps in the existing research on the impact of sanctions, and the relationship between geopolitics and geoeconomics is complex, multi-layered and contradictory.

Moreover, contemporary scientific discourse lacks a precise understanding of "geopolitical conflict", traditionally viewed in geospatial confrontation as posited by twentieth-century theorists. However, the contemporary manifestation of this process extends beyond spatial dimensions and demands the incorporation of other components, particularly economic ones. Addressing these contradictions can be achieved by considering the geo-economic approach.

Secondly, in-depth investigations into the repercussions of geopolitical conflicts on the global economy encounter significant challenges, primarily stemming from the inability to establish distinct patterns of this impact. Consequently, discussions on the economic consequences of geopolitical tensions between states are constrained to dealing with specific trends, subject to alteration by the influence of novel factors. Addressing this issue necessitates adopting novel methods or approaches, enabling the incorporation of additional factors and facilitating a comprehensive analysis of the subject matter.

Thirdly, the endeavour to discern specific patterns of economic impact on participants in geopolitical conflicts, even when they share the same status (e.g., an oil and gas state), proves challenging. This difficulty arises, among other factors, from diverse external and internal variables that curtail the capacity to generalise and systematise the effects of conflicts.
Lastly, the effectiveness of sanctions designed to address geopolitical conflicts remains a subject of ongoing debate. Consequently, refining the efficacy of sanctions to accomplish their objectives necessitates researchers to identify the "weak links" in introducing and implementing international restrictions.

Meanwhile, our study highlights diverse problematic issues that necessitate further exploration within interdisciplinary research.

## CONCLUSION

The evolution of the contemporary system of global relations, marked by a gradual shift from a more defined bipolar world to an increasingly multipolar world characterised by uncertainty, augments the prevalence of conflicts and reshapes their essence. In the current global landscape, there is a discernible shift from the ideological component towards the resource component in geopolitical conflicts, which may coexist with the ideological element, as observed in events such as the war in Iraq. As the resource deficit continues to grow, the frequency of geopolitical conflicts is expected to rise, extending into new geographical areas, such as the Arctic.

ISSN: 2408-7920

African Journal of Applied Research
Vol. 11, No. 1 (2025), pp.439-455
http://www.ajaronline.com
https://doi.org/10.26437/ajar.v11i1.
Received: July 5, 2024
Peer reviewed: October 8, 2024
Revised: November 28, 2024
Published: January 2025

Given that geopolitical conflicts are intricately interwoven within the geo-economic coordinate system, their influence on economic processes in the globalised world is heightened. Nevertheless, this impact on the global economy in contemporary circumstances tends to be transitory, primarily due to the peripheral nature or asymmetry of conflict processes. Simultaneously, the repercussions of conflicts for national or regional economies are considerably more profound.

In the contemporary geopolitical landscape, one of the principal instruments - especially in the case of nuclear powers - for addressing geopolitical conflicts is the imposition of sanctions. These measures, involving economic restrictions, incentivise non-compliant states to fulfil their international obligations. However, the effectiveness of the current sanctions mechanism is imperfect, as exemplified by the Russian-Ukrainian war. The states imposing sanctions often seek to minimise the impact on themselves, while third-party states not participating in the sanctions endeavour to capitalise on opportunities presented by those under sanctions. Consequently, the intended impact on violating states is not fully realised, contributing to the prolonged duration of conflicts.

**REFERENCES**

Annual inflation down to 2.4% in the euro area. (2023). https://ec.europa.eu/eurostat/documents/2995521/18177878/2-19122023-AP-EN.pdf/c7145685-45c0-a05e-fd20-c677e3cf15f3#:~:text=European%20Union%20annual%20inflation%20was,%25)%20and%20Italy%20(0.6%25) Accessed on 21.12.2023.

Annual inflation more than tripled in the EU in 2022. (2023). Eurostat. https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20230309-2#:~:text=In%202022%2C%20EU%20annual%20inflation,level%20ever%20measured%20at%209.2%25 Accessed on 25.11.2023

Bednarski, L., Roscoe, S., Blome, C., & Schleper, M. C. (2024). Geopolitical disruptions in global supply chains: a state-of-the-art literature review. *Production Planning & Control*, 1-27. https://doi.org/10.1080/09537287.2023.2286283

Brzezinski, Z. (1998). *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives.* Basic Books. 240 p.

Campos, R. G., Estefanía-Flores, J., Furceri, D., & Timini, J. (2023). Geopolitical fragmentation and trade. *Journal of Comparative Economics*, *51*(4), 1289-1315. https://doi.org/10.1016/j.jce.2023.06.008

Cantalapiedra, D., & Tejudo, R. (2022). *NATO and the Greater Maghreb: Geopolitics, Threats, and Great Powers*. Lexington Books. 172 p.

Chiang, T. C. (2022). The effects of economic uncertainty, geopolitical risk and pandemic upheaval on gold prices. *Resources Policy*, *76*, 102546. https://doi.org/10.1016/j.resourpol.2021.102546

***African Journal of Applied Research***
***Vol. 11, No. 1 (2025), pp.439-455***
***http://www.ajaronline.com***
***https://doi.org/10.26437/ajar.v11i1.***
*Received: July 5, 2024*
*Peer reviewed: October 8, 2024*
*Revised: November 28, 2024*
*Published: January 2025*

CREA Report. (2023). https://energyandcleanair.org/wp/wp-content/uploads/2023/06/CREA_Briefing_Renewables-helped-the-EU-save-14-of-gas-in-underground-gas-storages_Final_UA.pdf Accessed on 02.01.2024

D'Souza, D. (2023). How War Affects the Modern Stock Market. https://www.investopedia.com/solving-the-war-puzzle-4780889#citation-12 (Accessed on 22.12.2023).

Demir, E., & Danisman, G. O. (2021). The impact of economic uncertainty and geopolitical risks on bank credit. *The North American Journal of Economics and Finance*, *57*, 101444. https://doi.org/10.1016/j.najef.2021.101444

Ding, Q., Huang, J., & Zhang, H. (2021). The time-varying effects of financial and geopolitical uncertainties on commodity market dynamics: A TVP-SVAR-SV analysis. *Resources Policy*, *72*, 102079. https://doi.org/10.1016/j.resourpol.2021.102079

Document 32022R0576 (2022). Council Regulation. (EU) 2022/576 of April 2022 amending Regulation (EU) No. 833/2014. https://www.consilium.europa.eu/en/press/press-releases/2022/04/08/eu-adopts-fifth-round-of-sanctionsagainst-russia-over-its-military-aggression-against-ukraine/ Accessed on 13.11.2023

EU imports of Russian liquified gas leap by 40% since the Ukraine invasion. (2023). *The Guardian.* 30 Aug 2023. https://www.theguardian.com/business/2023/aug/30/eu-imports-of-russian-liquified-gas-leap-by-40-since-ukraine-invasion Accessed on 12.12.2023

EU trade with Russia – latest developments. (2023). https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_trade_with_Russia_-_latest_developments#Latest_developments Accessed on 22.12.2023

Farzanegan, M. & Batmanghelidj, E. (2023). Understanding Economic Sanctions on Iran: A Survey. *The Economists' Voice*, 20(2), 197-226. https://doi.org/10.1515/ev-2023-0014

Fard, R. (2021). Towards a New Concept of Constructivist Geopolitics. Bridging Classical and Critical Geopolitics. *Central European Journal of International and Security Studies*, 15(1), 26-57.

Fukuyama, F. (1992). *The End of History and the Last Man.* Free Press. 418 p.

Global stock markets record best year since 2019. (2023). *Financial Times*.

Global stock markets record best year since 2019. (December, 30, 2023). https://www.ft.com/content/c123ab88-9040-41d5-a43b-ac8f97b5d34a Accessed on 04.01.2024

Góes, C., & Bekkers, E. (2022). The impact of geopolitical conflicts on trade, growth, and innovation. *arXiv preprint arXiv:2203.12173*. https://doi.org/10.48550/arXiv.2203.12173

Helwig, N., Jokela, J., & Portela, C. (2020). Sharpening EU sanctions policy for a geopolitical era. Helsinki, Prime Minister's Office. https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/162257/VNTEAS_2020_31.pdf Accessed on 18.12.2023

Horiunova, Ye. (2022). EU foreign policy regarding the Russian-Ukrainian war (2014–2022). *Politicus: special edition*, 4-2, 45–51. https://doi.org/10.24195/2414-9616.2022-spec.7

*African Journal of Applied Research*
*Vol. 11, No. 1 (2025), pp.439-455*
*http://www.ajaronline.com*
*https://doi.org/10.26437/ajar.v11i1.*
*Received: July 5, 2024*
*Peer reviewed: October 8, 2024*
*Revised: November 28, 2024*
*Published: January 2025*

Hossain, A. T., Masum, A. A., & Saadi, S. (2024). The impact of geopolitical risks on foreign exchange markets: Evidence from the Russia–Ukraine war. *Finance Research Letters*, 59, 104750. https://doi.org/10.1016/j.frl.2023.104750

Hurrell, A. (2024). Geopolitics and global economic governance. *Oxford Review of Economic Policy*, 40(2), 220-233. https://doi.org/10.1093/oxrep/grae013

International Energy Agency. (2022). https://www.iea.org/reports/russian-supplies-to-global-energy-markets/oil-market-and-russian-supply-2 Accessed on 07.22.2023

Khudaykulova, M., Yuanqiong, H., & Khudaykulov, A. (2022). Economic consequences and implications of the Ukraine-russia war. *International Journal of Management Science and Business Administration*, 8(4), 44–52. https://doi.org/10.18775/ijmsba.1849-5664-5419.2014.84.1005

Kisswani, K. M., & Elian, M. I. (2021). Analysing the (a) symmetric impacts of oil price, economic policy uncertainty, and global geopolitical risk on exchange rate. *The Journal of Economic Asymmetries*, 24, e00204. https://doi.org/10.1016/j.jeca.2021.e00204

Klement, J. (2021). *Geo-economics: The interplay between geopolitics, economics, and investments*. CFA Institute Research Foundation. http://surl.li/kvbxyj

Kortukova, T., Kolosovskyi, Y., Korolchuk, O. L., Shchokin, R., & Volkov, A. S. (2023). Peculiarities of the legal regulation of temporary protection in the European Union in the context of the aggressive war of the russian federation against Ukraine. *International Journal for the Semiotics of Law*, 36(2), 667–678. https://doi.org/10.1007/s11196-022-09945-y

Kovtunyk, I., Ishchenko, Y., Yuvsechko, Y., Tychyna, V., & Datso, T. (2023). Social Changes that Occurred on the European Continent Due to the War in Ukraine. *Revista de Cercetare si Interventie Sociala*, 82, 38–49. https://doi.org/10.33788/rcis.82.3

KPMG (2022). Geopolitics and politicaluncertainty — thegreatest risk to business growth? https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2024/05/managing-todays-geopolitical-risks.pdf. Accessed on 26.11.2024

Kryshtal, H. O. (2023). The Role of Logistics in the Development of Agriculture of Ukraine in the War Conditions. *Science and Innovation*, 19(2), 73–82. https://doi.org/10.15407/scine19.02.073

Kvasnii, L., Moravska, O., Malyk, L., Shulzhyk, Y., Orlova, O., & Scherban, O. (2023). Scenarios of the Development of Enterprises of the Tourist Industry of Ukraine in the Conditions of the War and Post-War Periods. *Financial and Credit Activity: Problems of Theory and Practice*, 2(49), 313–325. https://doi.org/10.55643/fcaptp.2.49.2023.3999

Lee, C. C., & Wang, C. W. (2021). Firms' cash reserve, financial constraint, and geopolitical risk. *Pacific-Basin Finance Journal*, 65, 101480. https://doi.org/10.1016/j.pacfin.2020.101480

Li, F., Yang, C., Li, Z., & Failler, P. (2021). Does geopolitics have an impact on energy trade? Empirical research on emerging countries. *Sustainability*, 13(9), 5199. https://doi.org/10.3390/su13095199

Lopatynskyi, Y., Belei, S., Kapelista, I., & Pavlyshyn, M. (2023). The Effectiveness of the Management System in the Conditions of War and its Influence on the Development of Agribusiness. *Review of Economics and Finance*, 21, 932–940.

ISSN: 2408-7920

African Journal of Applied Research
Vol. 11, No. 1 (2025), pp.439-455
http://www.ajaronline.com
https://doi.org/10.26437/ajar.v11i1.
Received: July 5, 2024
Peer reviewed: October 8, 2024
Revised: November 28, 2024
Published: January 2025

Morgan, T., Syropoulos, C., & Yotov, Yo. V. Economic Sanctions: Evolution, Consequences and Challenges. *Journal of Economic Perspectives,* 37(1), 3–30. https://doi.org/10.1257/jep.37.1.3

Nell, J., Hilgenstock, B., Dodonov, B., Pavytska, Y., Shapoval N., Vlasyuk, A., …, & Ivanchuk, V. One year of war: sanctions impact assessment and action plan (2023). https://kse.ua/wp-content/uploads/2023/03/KSE_One-year-of-war_Sanctions-impact-assessment.pdf Accessed on 03.01.2024

OPEC Annual Statistical Bulletin. (2022). https://asb.opec.org/data/ASB_Data.php Accessed on 28.11.2023

Over 1,000 Companies Have Curtailed Operations in Russia – But Some Remain (2024). https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain Accessed on 04.01.2024

Palamarchuk, M., Bobrovytskyi, A., Gavrylenko, N., Goncharuk, A., Us, I., Shyrokyi, G., & Yuldashev, R. (2023). *International sanctions as a tool of containment Russian aggression against of Ukraine. Analytical report. International sanctions as a tool to deter Russian aggression against Ukraine.* Kyiv: National Institute for Strategic Studies. https://niss.gov.ua/publikatsiyi/analitychni-dopovidi/mizhnarodni-sanktsiyi-yak-instrument-strymuvannya-rosiyskoyi Accessed on 02.01.2024

Pfadenhauer, M., & Knoblauch, H. (Eds.). (2020). *Social Constructivism as Paradigm?: The Legacy of The Social Construction of Reality*. Routledge. 354 p.

Prakash, A. (2017). Next Geopolitics: The Future of World Affairs. GRIN Verlag. 156 p.

Russia Sanctions Dashboard. (2023). https://www.castellum.ai/russia-sanctions-dashboard Accessed on 22.12.2023

Sanctions Impact Exports and the Ruble, but Continued Effectiveness Needs to Be Ensured. (2023). KSE Institute’s Russia Chartbook. https://kse.ua/about-the-school/news/kse-institute-s-russia-chartbook-sanctions-impact-exports-and-the-ruble-but-continued-effectiveness-needs-to-be-ensured/ Accessed on 03.01.2024

Semenets-Orlova, I., Kushnir, V., Rodchenko, L., Chernenko, I., Druz, O., & Rudenko, M. (2023). Organisational Development and Educational Changes Management in Public Sector (Case of Public Administration during War Time) [Desenvolvimento Organizacional e Gestão de Mudanças Educacionais no Setor Público (Caso da Administração Pública em Tempo de Guerra)]. *International Journal of Professional Business Review,* 8(4). https://doi.org/10.26668/businessreview/2023.v8i4.1699

Seong, J., White, O., Borshan, M., Woetzel, L., Lamanna, C., Condon, J., Devesa, T. (2024). *Geopolitics and the geometry of global trade*. McKinsey. 56 p.

Shahzad, U., Mohammed, K. S., Tiwari, S., Nakonieczny, J., & Nesterowicz, R. (2023). Connectedness between geopolitical risk, financial instability indices and precious metals markets: Novel findings from Russia Ukraine conflict perspective. *Resources Policy,* 80, 103190. https://doi.org/10.1016/j.resourpol.2022.103190

Topalidis, G., Kartalis, N., Velentzas, J., Sidiropoulou, Ch. (2024). New developments in geopolitics: A reassessment of theories after 2023. *Social Sciences*, 13(2), 109. http://dx.doi.org/10.3390/socsci13020109

ISSN: 2408-7920

***African Journal of Applied Research***
***Vol. 11, No. 1 (2025), pp.439-455***
***http://www.ajaronline.com***
***https://doi.org/10.26437/ajar.v11i1.***
*Received: July 5, 2024*
*Peer reviewed: October 8, 2024*
*Revised: November 28, 2024*
*Published: January 2025*

Wang, Y., Liu, C., & Wang, G. (2020). Geopolitical risk revealed in international investment and world trade. *Risk Management*, 22, 133–154. https://doi.org/10.1057/s41283-020-00058-z

Xie, H., Khurshid, A., Rauf, A., Khan, K., & Calin, A. C. (2023). Is geopolitical turmoil driving petroleum prices and financial liquidity relationship? Wavelet-based evidence from middle-east. *Defence and Peace Economics*, 34(6), 810–826. https://doi.org/10.1080/10242694.2022.2039525

Yang, C., Niu, Z., & Gao, W. (2022). The time-varying effects of trade policy uncertainty and geopolitical risks shocks on the commodity market prices: Evidence from the TVP-VAR-SV approach. *Resources Policy*, 76, 102600. https://doi.org/10.1016/j.resourpol.2022.102600

Yu, M., & Wang, N. (2023). The influence of geopolitical risk on international direct investment and its countermeasures. *Sustainability*, *15*(3), 2522. https://doi.org/10.3390/su15032522

Zhao, J., Wang, B., Kangyn, D., Shahbaz, M., & Ni, G. (2023). How do energy price shocks affect global economic stability? Reflection on geopolitical conflicts. *Energy Economics,* Vol. 126, 127–151. https://doi.org/10.1016/j.eneco.2023.107014

ISSN: 2408-7920