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Climate & Sustainable Development | Geo-Economic Risks

Middle East Conflict and Securitization of Sustainable Development

Conflict escalation threatens global food security and elevates sustainability to a key dimension of international competition, alongside defense and industrial capabilities.



Crisis as Catalyst of Systemic Changes

For the past two decades, environmental protection, sustainability, and ESG agenda have been considered largely outside the direct context of financial performance and national security – putting the topic of self-sufficiency to the margin of strategic analysis. Globalization paradigm assumed that market activity would compensate for resources scarcity. However, current events in the Middle East indicate that supply chain and critical infrastructure disruptions push resource sovereignty to the center of the emerging global agenda.

Therefore, resilience of supply chains, control over critical logistics hubs, localization of agricultural technologies, reduced import dependence, and adaptation of water intensive industries to scarcity conditions may become a new tangible foundation of the ESG agenda.

In the sense, the crisis acts not merely as a geopolitical event, but as a stress-test for the entire logic of the recent decades: was the “green” agenda — particularly its resource component — truly optional, or was it always an undervalued element of national security?

Food security

The modern food system is not so much about production but rather about ensuring uninterrupted access to energy, commodities, and logistics, while optimizing costs to the maximum.

This fragile system is built upon continuous process optimization. In cases when major crises, like the one unfolding currently in the Middle East, create additional persistent costs, the market-driven food security model becomes unstable. Some countries, including Russia, possess the resources to support their agroindustry, even if international market interdependence collapses. Many others do not.

Today, the topic of food security is rising to the top of the agenda. More and more countries are recognizing the weakness of the basic assumption that for so long underpinned the global economic model: that international logistics architecture is permanent and that decentralized production, with facilities located in lower-cost countries, is inviolable.

As destabilization risks for these mechanisms grow, questions of not only economic but also strategic importance come to the fore:

Question 1

Does a country have enough of a resource base to ensure at least partial self-sufficiency when supply chains are disrupted?

Question 2

If not, does it have access to regional allies in order to compensate for this deficit?

Question 3

To which extent does the economy depend on export-import flows?

Question 4

Are there alternative sources of energy which do not rely on petrochemicals?

High food price inflation might erode food security, especially in low-income countries. A 10% increase in food prices is associated with a 3,5% rise in moderate or severe food insecurity, and a 1,8% increase in the proportion of individuals experiencing severe food insecurity[1].

The Middle East crisis should be interpreted as a catalyst of a new wave of food insecurity. At a time when the global system is already overburdened by conflicts, debt constraints, climate extremes, and high dependence on key cross-border agricultural supplies, an additional shock in the Gulf region increases the risk that a local disruption of fertilizer or energy logistics will escalate into a broader food affordability crisis.

Even if the Middle East conflict is resolved in the nearest future, the events of the recent weeks will shape the agenda of most countries that have been directly or indirectly affected by the crisis and have become disillusioned with partner support. A transition to an alternative alliance model – driven by rather necessity than by shared ideological vision – is likely to occur.

To understand how these structural vulnerabilities materialize in practice, it is important to examine a specific scenario – how exactly the Gulf crisis is translating into a food and resource shock.

The right to a “bad harvest year”

The closure of the Strait of Hormuz in late February 2026 combined with simultaneous destabilization of Red Sea shipping, created an unprecedented “double blockade” – triggering a cascading crisis in energy and agrochemical markets just when the planting season was underway. Before the conflict, up to one-third of seaborne fertilizer trade – approximately **16 million tons** per year – passed through the Hormuz, including almost half of urea exports and significant shares of ammonia, sulfur, and phosphates. Under the blockade, the market loses up to **3 to 4 tons** a month, and cargo is redirected to solvent countries, reinforcing the deficit in developing economies[2]. At the same time, rising oil and gas prices lead to a drastic increase in pesticide and fertilizer production costs, because they largely depend on petrochemical feedstocks and energy-intensive processes.

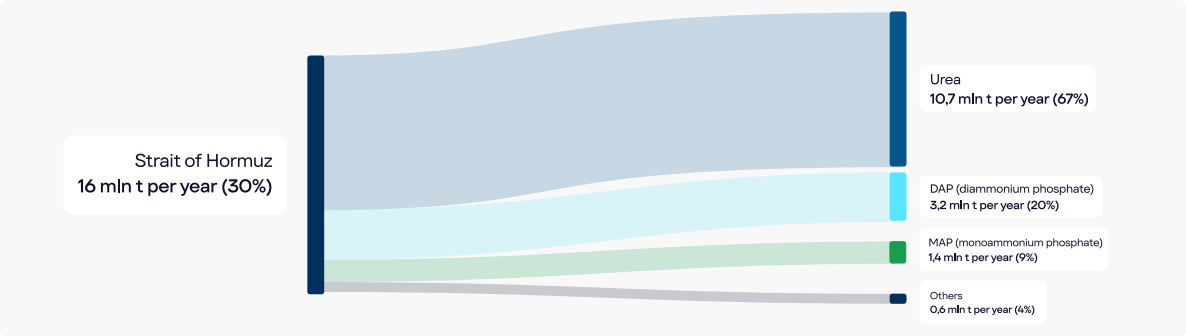


Fig. 1. Before the escalation, roughly one third of global seaborne fertilizer trade transited the Strait of Hormuz. Source: UNCTAD and Kpler data for 2025.

Restrictions on liquefied natural gas (LNG) shipments from Qatar are pushing gas prices in Europe higher – to more than **$600 per 1000 cubic meters**. For European fertilizer producers the profitability threshold is about **$500**[3]. Higher commodity prices inevitably lead to production cuts and increase costs of final goods. Today, cargo is rerouted to customers who are willing to pay premium – primarily to the US and Brazil – while countries with lower purchasing power (Tropical Africa, South Asia) risk being left with no fertilizers at all at a critical planting period.

Fertilizer and agrochemical shipment disruptions should be examined not only as a logistics problem but as a mechanism that redistributes food risks. The more expensive and harder to access key agricultural inputs become, the greater are the risks of lower yields, food inflation, and expansion of chronic dependence on external supplies.

At the same time, fully replacing the lost volumes through other exporters is impossible in the short term.

Egypt and Algeria are already tied by contract obligations. Production in these countries is operating to the maximum of their capacities.

China, the world's largest fertilizer producer, faces limitations to urea exports (export licenses for 2026 have not been issued) to ensure its own food security. China is also critically dependent on sulfur imports – needed to produce a range of fertilizers.

Russia, still the largest supplier, could provide support, but export flows are constrained by government quotas designed to protect the domestic market, and by handling capacities of port terminals.

In this situation, a cascading collapse of fertilizer and energy markets at the height of planting seasons could start unless shipping is restored quickly. The United Nations World Food Program (UNFP) estimates that 45 million people will face acute hunger if the conflict continues through to June 2026[4]. The conflict is unfolding when more than **670 million people** are already suffering from hunger[5].

Should deficits deepen further and pressure on food security intensify, we could expect stronger calls from states and international institutions to a more centralized and coordinated distribution of critical resources, including quotas, shipment prioritization, and interstate regulation of flows.

System fragility as a driver of change – what are the non-obvious consequences?

The key characteristic of the current crisis is that its impact is not limited by direct supply disruptions. The main risk comes from secondary and tertiary effects that propagate throughout the value chain – from resource extraction to final consumption. These effects tend to be undervalued at the outset, yet they define the depth and the duration of the shock waves.

Effect 1

Direct energy costs for food production

Rising oil prices or its scarcity threaten higher costs and possible disruptions in mechanized field works, irrigation, post-harvest processing, and transport of agricultural products. This also drives up the cost of fuel for machinery and for fertilizers produced from natural gas, and increases the demand on vegetable oil – soy, palm – as biofuel substitutes.

Most vulnerable markets: Pakistan, Bangladesh, India, Egypt, Kenya, and farms in the United States during spring planting season.

Effect 2

Collapse at the LNG market triggering drop in fertilizer production

The loss of Qatari LNG supplies sets off a chain reaction which will spill over the energy market to hit global food security. Natural gas is a basic feedstock for ammoniac synthesis and all nitrogen-based fertilizers. Concurrent hydrocarbon price rise multiplies the direct costs of diesel fuel, logistics, and machinery for the agricultural sector. The situation is worsened by the fact that expensive oil renders biofuel production profitable, thereby taking basic vegetable oils out of the food production. The result might be another simultaneous price shock across fuel, agrochemicals, and logistics market, creating powerful inflationary pressure that will inevitably lead to a global rise in food prices. Analysts forecast a potential doubling of nitrogen fertilizer prices from current levels and approximately a 1,5-fold increase for phosphates.

Most vulnerable markets: India, Bangladesh, Tropical Africa, Brazil.

Effect 3

Transportation from field to port and from port to customer

Bunker fuel cost usually ranges between **50–60%** of a ship's operating cost[6]. A War Risk Surcharge for cargo shipment is currently about **$1,500 per TEU**[7]. Container freight rates surged by **30%** since the beginning of the conflict[8].

All net food importers dependent on seaborne supplies are vulnerable, especially island states and countries in East Africa, where freight surcharge accounts for a big share of the final price.

Effect 4

Processing & packaging

The food industry is energy-intensive: milling, sugar refining, and meat processing plants consume significant volumes of electricity and gas. The port of Jebel Ali (UAE) handles approximately **65%** of polymer export flows from the Gulf Cooperation Council (GCC) states. Latin American and other producers substituting for these materials have already raised prices in response to the growing demand. Increased gas prices in Europe will drive up the cost of each stage of converting raw materials into finished products.

Effect 5

Cold chain

Storage and transportation of perishable products require continued refrigeration. Fresh fruits and vegetables are the first category where price increases become noticeable. Their short shelf life makes them highly vulnerable to sudden spikes in logistics costs.

Effect 6

Cargo & infrastructure insurance

As of March 20th, 2026, ship's value to cover war risks varies between 5 to 10%[9]. The risks will be passed along the chain: first, into freight costs, then into producer prices, and ultimately into retail markups. Even when the situation has normalized, insurance rate will decline more slowly than commodities price, creating a "sticky" surcharge effect. It could take months for insurance to come back to normal.

Effect 7

Currency effects in importing countries

Oil importing developing countries might face two challenges: first, a rise in the dollar cost of imports; and, second, devaluation of their national currency due to trade deficit pressures. **For countries with weaker currencies, the effect will be multiplicative.** Food purchased in dollars becomes more expensive for the end customer not only due to global prices but also because of the weakening local currency.

Effect 8

Securitization of water resource agenda

Attacks on desalination infrastructure in Iran and Bahrain exposed the vulnerabilities of a water supply model based on energy-intensive and centralized technologies. The situation in the Gulf, despite its regional specificities, has revealed the fragility of a model that relies on import and technological fixes to compensate for resource scarcity. This might encourage other countries – even those that do not depend on desalination themselves – to revise their water management strategies. An additional risk is that population growth in the region was largely driven by the artificial expansion of the resource base. Destabilization could therefore trigger migration effects.

Against this backdrop, countries are already developing more sustainable resource management strategies. China, in particular, is combining large-scale infrastructure projects — such as cross-regional water transfers — with water-saving agricultural technologies and state regulation of consumption. There is also an increased emphasis on water reuse and water supply localization, thus reducing dependence on centralized systems. Other countries seeking to reduce their vulnerability to external and climate shocks are gradually adopting similar strategies: diversifying their water sources, digitizing management, and lowering the water intensity of their economies.

The combination of these effects produces a massive price shock, which redistributes access to food between countries. As a result, resilience is defined less by the production output than the ability to manage costs and logistics.

Prospects for Russia in the Middle East conflict scenarios

Russia demonstrated its ability to mobilize resources for ensuring its sovereignty at the global level. Drawing on experience from 2014 and 2022, it has enhanced its resource, digital, and economic sovereignty under external constraints. This suggests a high degree of state resilience in escalation scenarios. Constraints could manifest only through slow infrastructure development or insufficient diplomatic activity, as in crises, maintaining leading positions within regional resource blocs requires both material and political leverages.

Moreover, disrupted desalination infrastructure in the Middle East is strengthening the trend toward securitizing access to water resources, moving water from a long-term sustainability category to the sphere of strategic planning. Under these conditions, having domestic freshwater supply is now regarded not as a natural advantage but as a factor of food and agricultural chain resilience. Against this backdrop, countries with high degree of self-sufficiency in key resources – energy, water, and agrochemicals – gain new opportunities to reinforce their international economic and political influence. In this context, Russia could potentially act as one of the pillars of a new configuration, offering its partners raw material supplies but also relative stability in volatile global markets.

In some scenarios, unlocking this potential might face certain structural limitations. The current crisis, inter alia, brings to the forefront the importance of infrastructure and logistics component. Handling capacities of transport corridors, dependence on specific routes, as well as operational characteristics of railway system might affect the speed of scaling up export supply and the ability to rapidly fill in vacated niches in the global market.

The EAEU, of which the Russian Federation is a member, has the potential of becoming a full-fledged resource bloc – but with some reservations. Heterogeneity in some countries' influence and their ability to manage resources necessitates the development of differentiated regulatory tools. As deficits deepen and pressure on food security mounts, this could lead to reassessment of resource distribution policy within the union.

Therefore, even with a resource advantage, the key factor becomes not so much the volume of the available resources but the ability to efficiently mobilize them and deliver to external markets. In a wider sense, this confirms that the elements traditionally associated with the ESG agenda – resource

management, energy efficiency, localization, and infrastructure resilience – are transforming into tools of geo-economic competition and have a direct impact on the level of national sovereignty.

Key trends

Trend 1

Focus on resource sovereignty translates into an increased attention to self-sufficient countries as potential partners: in a new geo-economic model, globalization gives way to regional alliances.

Countries are now assessed not by the size of their economy but by their ability to provide themselves with critical resources – energy, food, commodities. This shifts priorities in international cooperation and investment.

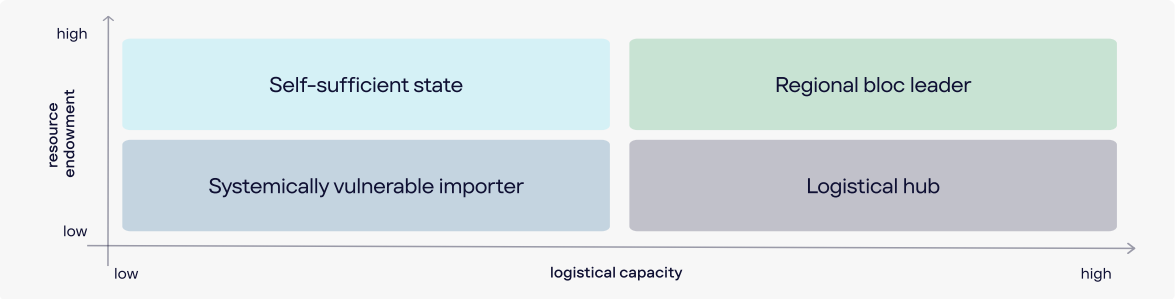


Fig. 2. Resource sovereignty combined with logistics generates four types of geo-economic players with varying levels of influence

Country's ability to provide itself with resources and manage their supply is becoming a key factor of geo-economic influence. The combination of resource sufficiency and logistical capacities yields four typical positions on the global map of power distribution (Figure 2):

1) Leader of a regional bloc

Such states not only control key resources but can deliver them to external markets. They create economic and political clusters around them, shaping regional economic architecture. Main risks include overloaded infrastructure, politicized export flows, and pressure exercised by competing blocs.

2) Potentially self-sufficient state

These are countries with rich resource potential but limited capacities to deliver them at scale. Their influence is limited by local resilience, while resource export and monetization rely on infrastructure and partnerships. Risks include dependence on intermediaries, lost profits, and vulnerability to internal overloads.

3) Logistics hub

These states control resource flows, acting as transit hubs and redistribution centers. Their influence is built not on resource ownership but on their ability to regulate access, gain transit profits, and flexibly adapt to changing suppliers. Main risks are: dependence on external resources, vulnerability to geopolitical shocks, and possible bypass routes.

4) Systemically vulnerable importer

This is the least secure position. Such states are entirely dependent on external supply, have limited ability to influence, and are extremely sensitive to price and political shocks. Risks include food and energy instability, currency crises, and heightened political turbulence.

Note: state's ability to assume one of these roles or move between the quadrants is determined not only by its technical and infrastructure capacities but also its political and diplomatic leverage. Strategic alliances, control over key political and economic hubs, as well as international legitimacy can largely enhance country's real weight on the global stage.

Trend 2

Regionalization of supply chains opens opportunities for new regional partnerships and alliances and stimulates de-internationalization.

Global supply chains give way to shorter, more controllable regional circuits, where not only economic efficiency but political congeniality, logistics, and resilience play a key role.

Current alliances may be reviewed. The future of European countries, for example, will largely depend on whether the idea of a "Greater Europe" will be further developed or whether the region will undergo an ideological segmentation. The position in countries with high purchasing power, such as Germany and France, will be determined by their willingness to establish a

resource bloc for centralized management of food and other critical goods in the event of conflict escalation. France is already seeking to play a prominent role in the political representation and articulation of a common European stance. If deficits deepen further, there will be calls for supranational governance, quotas, and supply coordination. In this context, Germany and France may unite with a number of European countries to discuss common rules designed to ensure food security. As for global allies, certain European countries remain committed to NATO, but China – as a possible alternative – is viewed in this configuration more as an element of strategic balancing: a factor that European countries could use to influence the US position and adjust the parameters of transatlantic interaction.

Trend 3

Accelerationism means conflict escalation amid resource scarcity, overloading and resetting of financial markets.

Modern economic and financial systems are already operating at their limits. Volumes of capital required to maintain liquidity and stability across various markets, have reached unprecedented levels, making them highly sensitive to external shocks. Even relatively localized crises can set off a chain reaction, unleashing sharp swings in commodity and financial instrument prices.

In this context, the conflict acts not only as a mirror of the existing tensions but also as a catalyst – an accelerator of crisis dynamics. Some analysts suggest that such escalations may encourage a rethinking of the way markets are functioning, potentially leading to a practical "reset". Here, the idea of accelerationism reflects a dual effect: on one hand, the de-facto acceleration of processes caused by resource scarcity and market overload; on the other, potential strategic role of the conflict as a trigger of systemic transformation.

Trend 4

Domestic market protection. Countries with higher degree of resource sovereignty will prioritize domestic customers and restructure their export policy.

Export will be more widely used as political, not only economic leverage, inter alia, through supply restrictions, quotas, and price regulations in order to stabilize domestic markets.

Trend 5

Migration effect

In case the conflict escalates amid growing resource constraints, forced migration — both internal and cross-border — will rise.

Pressure on food and social systems in vulnerable countries will push population toward more resilient regions, increasing the burden on infrastructure and social stability of the recipient states.

Trend 6

Amplification of climate risks

Climate extremes and resource base degradation will exacerbate vulnerabilities of production chains and deficits.

From a background factor climate is transforming into a driver of disruptions in agriculture, energy, and logistics architecture, increasing frequency and scale of crises.

Trend 7

An enhanced role for state means expanded direct control over resources and markets to ensure resilience, greater importance of B2G consistent communication, emphasis on the efficient use of natural resources and alternative energy.

While state is playing a key coordinating role in resource distribution and the establishment of the rules of play, access to markets and opportunities is becoming increasingly dependent on institutional integration of businesses.

Implications for businesses in Russia

Implication 1

Access to resources will be determined not only by the market itself but by institutional mechanisms. This requires building comprehensive B2G

communication frameworks to ensure priority access to government support, quotas, infrastructure, and export-import regulations.

Implication 2

A window of opportunities is opening for companies that are able to integrate into new regional supply chains. Restructuring of global flows is generating the demand on alternative suppliers and partners. Winners are those who can rapidly scale up supplies and join emerging alliances.

Conclusion

Disruptions in fertilizer and agrochemical supply, rising gas and petrochemical prices, increased costs of transport, insurance, and processing inevitably drive up the cost of agricultural production and reduce access to key resources during the most sensitive planting periods. Consequently, not only are global prices on agricultural products rising, but also the zone of chronic vulnerability is expanding – affecting countries that are already heavily dependent on imported food, fertilizer, and energy. In this way, the Middle East crisis can accelerate shifting from the current instability of the global food system to a deeper phase of structural strain.

At the same time, the crisis shows that resilience of supply chains can no longer be analyzed in isolation from resource security. Disrupted operations of waterways, broken contracts, limitations of alternative routes, and dependence on specific hubs have revealed the limits of the former globalization model designed to minimize transaction costs. Against this backdrop, there will be an enhanced trend toward diversifying suppliers, regionalizing chains, creating state reserves, and shifting to more expensive but less vulnerable supply frameworks, as well as forming interstate food and resource alliances. Taken together, this means that the Middle East crisis sets off not a temporary adjustment but a long-term restructuring of global agricultural and logistical markets.

The Middle East crisis demonstrates that water scarcity in the twenty first century can no longer be examined separately from other challenges. When regional water supply largely relies on energy-intensive desalination activities, water itself becomes a critical infrastructure element. This moves the issue of water scarcity into the sphere of security. Water supply sustainability is now linked to energy, logistics, physical protection of infrastructure, and overall territorial manageability. Over the long run, this will

strengthen the global demand on the models of economic resilience which are based on access to freshwater, low dependence on desalination, and high availability of basic resources. In this way, the crisis truly accelerates securitization of the water agenda and enhances strategic value of countries with large freshwater resources.

Therefore, in the long term, the Middle East crisis accelerates the global economy's shift toward a new model where food, fertilizers, water, energy, and logistics become elements of a single resource security framework. Within this model, countries' competitiveness is defined not only by production costs or access to markets but also by their ability to ensure resilience of critical supply chains amid geopolitical turbulence.

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