

# Geopolitical implications for EM economies

Ajay Shah

<http://www.mayin.org/ajayshah>

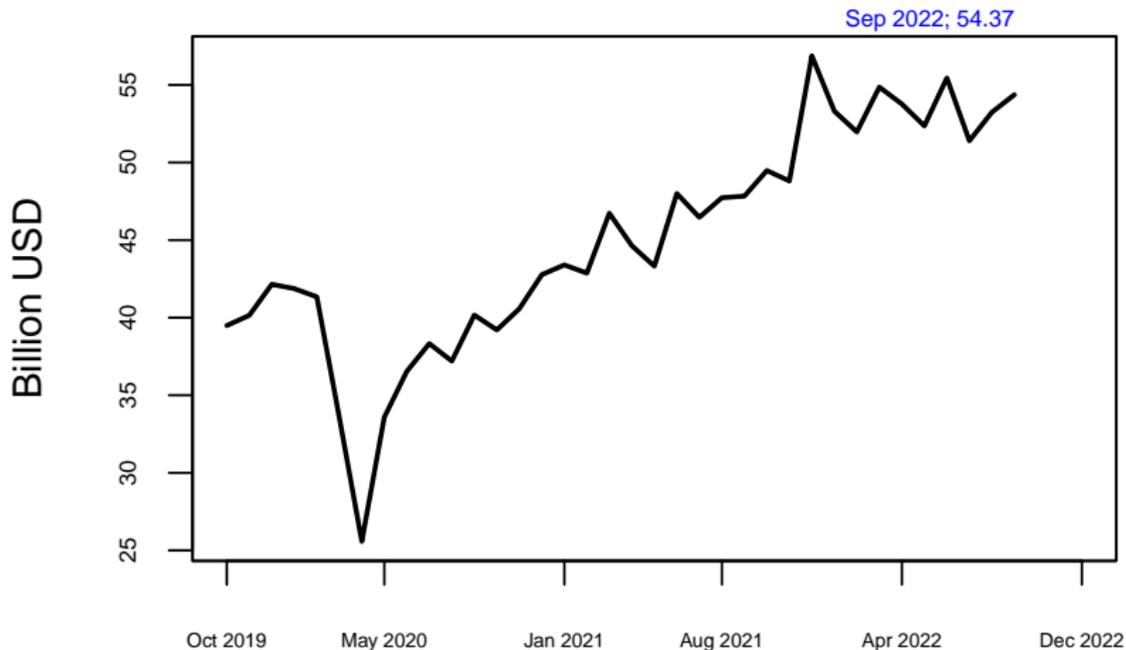
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{X}KDR



# Headwinds from overseas, an example

Monthly exports from India, nominal USD, ex oil and ex gold



# Problem 1: The war in Ukraine

- ▶ EU + UK add up to  $\approx$  \$19.8 trillion of GDP, a bit less than the US.
- ▶ Remarkable developments and stress in the European energy system
- ▶ Sanctions and war expenses are grinding away at the Russian economy, but it is not an important one, other than energy exports
- ▶ Energy markets spilling over into politics, fiscal stress, hesitation in fighting inflation.
- ▶ European purchase of LNG, rationed out buyers like Pakistan and Bangladesh.



## Problem 2: China

- ▶ Vaccine nationalism around low quality home-brewn vaccine
- ▶ In authoritarian countries, the people tend to mistrust the government, so greater vaccine hesitation
- ▶ Zero covid policy, protests, now being scaled back, so they are ready for the Indian second wave
- ▶ Will the protests step back?
- ▶ Western sanctions that hamper the economy
- ▶ Global firms retreating from China
- ▶ Unlike Russia, China is a big economy, and difficulties there harm the world economy e.g. through firms that export to China.



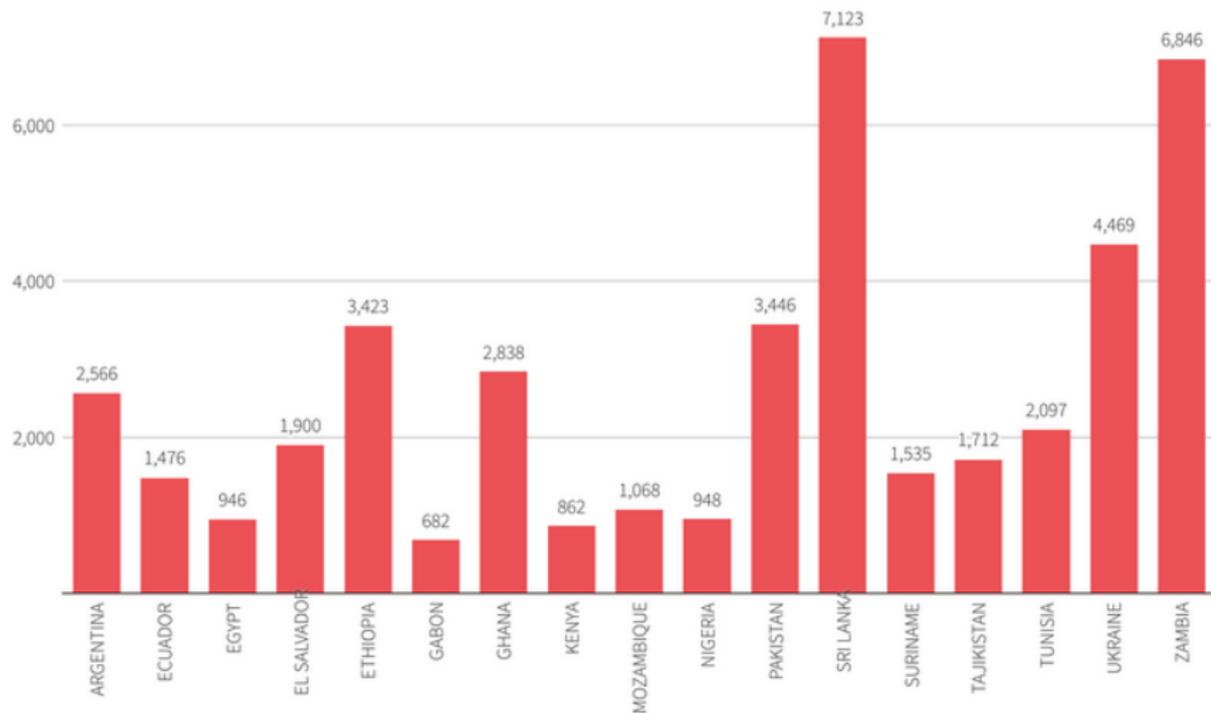
## Problem 3: Political system instability

- ▶ Sri Lanka
- ▶ Iran?
- ▶ China?
- ▶ Russia?
- ▶ In South Asia?

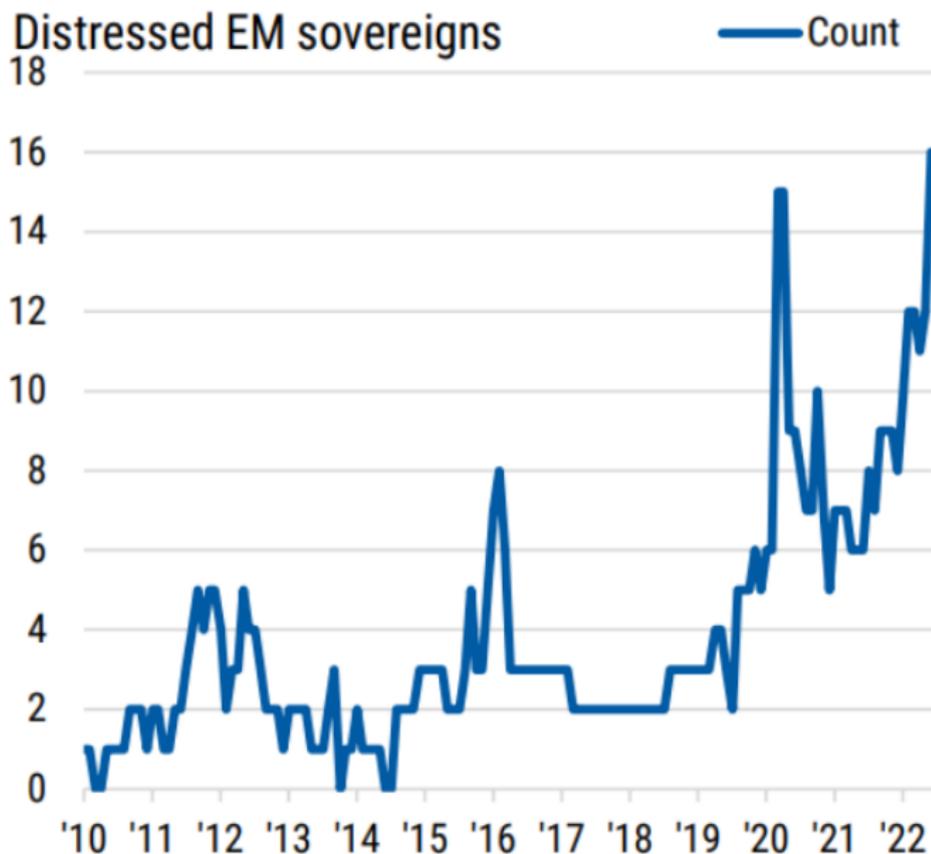
And if the regime is toppled, what will be the economic consequences?



# Countries with a sovereign spread of above 1000 bps



# Counting countries with a spread above 1000 bps



# Questions

- ▶ How might the war in Ukraine play out?
- ▶ What are the forces at work in China's difficult times, and how might things play out?
- ▶ What are the other geopolitical flashpoints?
- ▶ (And when you can, link these to economics and finance.)

Thank you.

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