

WAR AND SOCIO ECONOMIC DISRUPTION:A POLICY PERSPECTIVE

Socioeconomic Consequences of Ongoing Armed Conflicts and Their Implications for the Global Artificial Intelligence Era

Akanksha

ABSTRACT

Armed conflict imposes costs that extend far beyond the battlefield. This article examines the socioeconomic consequences of two concurrent, active wars - Russia's ongoing invasion of Ukraine, now entering its fifth year, and the United States–Israel–Iran conflict initiated in February 2026 - and analyses their implications for the emerging global artificial intelligence economy. Drawing on a literature review of previously published research, secondary data from international economic organisations, and expert commentary from policy analysts and technology researchers, the article finds that sustained geopolitical instability is already disrupting AI infrastructure investment, fracturing global supply chains critical to semiconductor and data centre development, and redirecting state resources from innovation toward military expenditure. It concludes by examining what the United Nations and the international community can and should do to arrest this trajectory.

KEYWORDS - ARMED CONFLICTS, RESILIENT ECONOMIES, ARTIFICIAL INTELLIGENCE , AI INVESTMENTS , UNITED NATIONS CHARTER

I. INTRODUCTION

The world in April 2026 is defined by war on two fronts. In Eastern Europe, Russia's full-scale invasion of Ukraine, launched in February 2022, has entered its fifth consecutive year - a war of attrition whose human and economic costs have mounted to a scale not seen on the

European continent since the Second World War.¹ In the Middle East, a conflict whose roots stretch across decades but whose current form was initiated on February 28, 2026, when the United States and Israel launched coordinated airstrikes against Iranian military and nuclear infrastructure, has within weeks reshaped global energy markets, disrupted critical maritime trade routes, and destabilised the investment environment across the Gulf region.²

These are not isolated events. They are concurrent shocks to a world economy that was already navigating the uneven recovery from a global pandemic, elevated sovereign debt, and the geopolitical reverberations of renewed great-power competition. Their combined effect is to impose simultaneous pressure on the supply chains, energy systems, capital flows, and institutional frameworks that underpin the global economy - and, increasingly, the global AI economy that has emerged within it.

Artificial intelligence has in recent years moved from the periphery to the centre of economic planning. Governments and corporations alike have staked trillions of dollars on the premise that AI will be the defining technology of the coming decades - the infrastructure of the next industrial age. The AI investment projected to reach approximately USD 500 billion in 2025 reflects this conviction.³ Yet it is precisely this nascent revolution - dependent on scarce minerals, vast energy supplies, complex semiconductor supply chains, and stable environments for data infrastructure - that ongoing armed conflict most directly threatens. This article examines that threat: the socioeconomic implications of war on society, and the specific mechanisms through which the current conflicts endanger what was, only recently, a confident new technological era.

II. RESEARCH METHODOLOGY

This article employs a mixed secondary research methodology. First, it undertakes a structured literature review of previously published academic research on the socioeconomic consequences of armed conflict, drawing on peer-reviewed contributions in economics, political science, and development studies. Second, it synthesises secondary data from international organisations including the European Bank for Reconstruction and Development, the International Monetary Fund, the World Economic Forum, and the World Bank, as well as specialist research institutions including the Centre for Strategic and International Studies,

RAND Corporation, and the Atlantic Council. Third, it incorporates expert opinion and commentary from analysts at leading policy institutions, particularly regarding the AI-specific dimensions of geopolitical disruption. The temporal scope of the analysis is 2022 to April 2026, with particular attention to developments in the period following August 2025 - the knowledge cutoff for AI-assisted research tools - which required live retrieval of current reporting and data.

III. FINDINGS: THE SOCIOECONOMIC IMPACT OF WAR

The historical record on the socioeconomic consequences of sustained armed conflict is well established. Wars displace populations, destroy physical capital, divert state resources from productive investment to military expenditure, and suppress the private investment on which growth depends. The current conflicts confirm and extend this record with data that are striking in their scale.

In Ukraine, the economic toll after four years of full-scale war is staggering. The country's economy at the end of 2025 was approximately twenty percent smaller than in 2021.⁴ Ukraine is allocating over thirty percent of its GDP directly to the military budget - a figure that, as the Bank of Finland has noted, is probably a current world record.⁴ Total reconstruction costs are estimated at USD 588 billion over the next decade - nearly three times Ukraine's projected nominal GDP - with direct physical damage already surpassing USD 195 billion.⁵ Fourteen percent of all housing in the country has been damaged or destroyed, displacing more than three million households.⁶

The costs to Russia, while less publicly acknowledged, are accumulating with comparable severity. Russia's war economy is under mounting strain: manufacturing is declining, growth slowed to 0.6 percent in 2025, and the country has no globally competitive technology firms capable of driving long-term productivity.⁶ Military expenditure now consumes eight percent of GDP, while energy revenues dropped by approximately one-fifth in 2025.⁷ The social consequences are equally serious: a shrinking working-age population, rising inflation officially acknowledged at six to seven percent but likely higher, and a Transparency International Corruption Perceptions Index ranking of 157th out of 182 countries - Russia's worst result on record.⁷

The Middle East conflict, by contrast, is an acute rather than chronic shock - but its structural consequences may prove more globally significant in the near term. The near-total closure of the Strait of Hormuz, through which approximately twenty million barrels of crude oil per day transited in 2025, has driven Brent crude prices above USD 126 per barrel - an increase of more than forty percent from pre-conflict levels.⁸ The closure has been described by the head of the International Energy Agency as the greatest global energy security challenge in history.⁹ Beyond oil, the conflict has disrupted the supply of helium - critical for semiconductor manufacturing - and constrained global fertilizer supply chains, raising warnings of a food security crisis comparable to 2022.⁹ European gas storage levels of just thirty percent capacity following a harsh winter have compounded the vulnerability, driving Dutch TTF gas benchmarks to nearly double.¹⁰

The broader macroeconomic picture confirms the drag these conflicts impose. Global growth is forecast at 3.2 percent in 2025 - significantly below the historical average of 3.7 percent for 2000–2019 - and is projected to slow further to 3.1 percent in 2026 amid sustained geopolitical instability.¹¹ The societal and cultural dimensions of this disruption - mass displacement, demographic shrinkage, the erosion of civic institutions and social trust - compound the purely economic costs in ways that are harder to quantify but no less significant.

IV. DATA-BASED ASSESSMENT: THE IMPACT OF ONGOING WARS ON THE AI REVOLUTION

The AI economy is not insulated from war. It is, in several respects, acutely vulnerable to precisely the disruptions that the current conflicts are generating. Three channels of impact deserve particular attention.

Investment disruption and investor confidence. The Gulf region had, in the period preceding the Iran conflict, emerged as one of the most significant sites of AI infrastructure investment in the world. Gartner projected IT spending in the region would reach USD 169 billion in 2026.¹² The OpenAI Stargate campus in the UAE - a joint venture with Emirati firm G42 spanning ten square miles and representing a five-gigawatt capacity - exemplified the scale of commitment.¹³ Iranian retaliatory strikes damaged three Amazon data centres in the UAE and

Bahrain within days of the conflict's initiation.¹³ Analysts at Hilco Global have warned of a potential shift in where the next wave of AI capacity gets built, toward Northern Europe, India, or Southeast Asia, where security conditions are more predictable.¹³ At a moment when AI investment was projected at USD 500 billion globally in 2026, the combination of physical infrastructure risk and investor uncertainty represents a material threat to the pace and geography of AI development.³

Supply chain fracture. The semiconductor supply chain - the physical backbone of AI computation - depends on materials and components whose supply is now actively disrupted by both conflicts. The Middle East conflict has constrained helium supply, critical for chip manufacturing. The tungsten price surged over fifty percent in March 2026 - tungsten being essential for semiconductor, aerospace, and high-precision manufacturing - after China restricted exports amid broader geopolitical tensions amplified by the Iran conflict.⁹ The Russia–Ukraine war, for its part, had already severed supply chains for neon gas - used in lithography for chip production - with Ukraine previously supplying approximately sixty-five to seventy percent of the world's semiconductor-grade neon.⁴

Militarisation of AI and resource diversion. Both conflicts are actively accelerating the militarisation of AI technology, diverting AI research and development capacity toward autonomous weapons systems, drone warfare, and cyber operations.¹⁴ This has two consequences for the broader AI economy: it redirects public and private research investment from civilian applications toward military use cases, and it creates regulatory pressure - including export controls on advanced chips - that fragments the global AI development ecosystem. The risk of an AI investment bubble is also heightened: USD 360 billion spent on data centres in 2025 was already raising concerns, and war-induced supply chain constraints and rising energy costs add further stress.³

V. EXPERT RECOMMENDATIONS AND THE ROLE OF THE UNITED NATIONS

Expert opinion on how the international community should respond to these converging crises converges on several consistent recommendations. The Council on Foreign Relations has argued that placing large parts of the AI supply chain in geopolitically unstable regions is

structurally unsound, and that hyperscalers and sovereign AI investors should diversify infrastructure location toward jurisdictions with stable regulatory and security environments.¹³ The Atlantic Council has noted that the Gulf states' attractiveness as AI partners depends on their continued security, and that the conflict, if prolonged, could fundamentally alter the strategic calculus of the US–Gulf technology partnership.¹³

On the macroeconomic dimension, the EBRD has recommended that the international community sustain committed external financing for Ukraine - with over EUR 110 billion committed for 2026–27 - as the minimum condition for maintaining economic stability in a country still at war.¹⁵ The IMF and World Bank have called for coordinated multilateral responses to food and energy price pressures arising from the Middle East conflict, warning that less-wealthy food- and fuel-importing countries face acute stress if disruptions persist.

The United Nations occupies a critical but constrained position in relation to both conflicts. UN human rights experts have condemned the US–Israel strikes on Iran as violating the fundamental prohibition on the use of force under Article 2 of the UN Charter, calling for immediate de-escalation and accountability.¹⁶ At the ICJ, Ukraine's case against Russia - alleging violations of the Genocide Convention - remains active, with the Court having ruled Russia's counter-claims admissible and proceeding to merits; Ukraine has been authorised to submit a Reply.¹⁷ The ICJ issued a legally binding order in March 2022 requiring Russia to immediately suspend its military operations - an order Russia has continued to violate.

What the UN can credibly do extends across three tracks. First, the Security Council - despite the structural constraint of the veto - should convene emergency sessions to formally demand ceasefire negotiations, creating a diplomatic record even where enforcement is blocked. Second, the General Assembly, which has demonstrated its capacity to pass resolutions condemning Russia's aggression by substantial majorities, should adopt resolutions specifically addressing the humanitarian and economic spillover effects of both conflicts on third states. Third, and most directly relevant to this article's subject matter, the UN High-Level Advisory Body on Artificial Intelligence - whose 2024 report on governing AI for humanity had already identified the governance gap affecting 118 countries - should be tasked with specifically examining how geopolitical conflict is reshaping the global AI development landscape, and with

proposing governance frameworks that can function under conditions of sustained inter-state conflict.¹⁸

VI. CONCLUSION

Wars do not pause for technological revolutions. The Russia–Ukraine war, now in its fifth year, and the US–Israel–Iran conflict, barely weeks old at the time of writing, are already demonstrating that the AI era is not immune to the oldest and most destructive of human activities. The socioeconomic consequences - for Ukraine's shattered economy, for Russia's overheating war state, for the Gulf's disrupted AI ambitions, for the global food and energy systems now under simultaneous pressure - are well documented and deeply serious.

The specific threat to the AI revolution is not hypothetical. Data centre infrastructure has been physically struck. Semiconductor supply chains have been disrupted. AI investment is being redirected and deferred. The minerals and energy on which AI computation depends are flowing through conflict zones. And the governance institutions charged with managing these risks - the UN Security Council, the ICJ, the international AI governance architecture - are operating under the strain of great-power disagreement that limits their effectiveness precisely when it is most needed.

The appropriate response is hope and urgent action . The expert consensus points clearly toward multilateral de-escalation, sustained economic support for affected populations, diversification of AI infrastructure away from conflict-exposed regions, and a renewed commitment to international law as the only alternative to a world in which force determines outcomes. Whether the political will exists to pursue that consensus is, as always, the harder question !

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