

# Do Wars Stop Markets, or Do Markets Stop Wars?

There has not been a shortage of discussions relating to the Ukraine, Russia and the Crimea. There is a central theme: the impact the geopolitical tensions will have on energy supplies for Western Europe. At the core of these discussions is a simple question: do wars stop markets or do markets stop wars...

From one perspective, do wars stop markets? In response to the escalating tensions, Brussels and Washington have both threatened "targeted measures". In response, Moscow has made it clear it will consider tit-for-tat sanctions. With state-owned Gazprom controlling nearly one-fifth of the world's gas reserves and Russia supplying 30% of Europe's gas, natural gas represents a particularly potent economic and diplomatic weapon [Russo-Ukrainian War](#). This situation is not without precedent. In the winter of 2006, Russia cut off supplies over a dispute with Ukraine over gas prices, resulting in many parts of Europe running out of gas. Bulgaria shut down its main industrial plants, and Slovakia declared a state of emergency.

Alternatively, do markets stop wars? "Market deterrence" is the belief that financial markets will punish countries for military adventurism [russia ukraine news](#). Europe accounts for one third of Gazprom's total gas sales. Half of Russia's total budget revenue comes from oil and gas. Whatever political ambitions Moscow may have, the stark reality is that it needs this source of revenue.

So what does this mean...

Firstly it is March 2014, not December 2006. Western Europe has built greater reserves and with winter over there is a significantly lower demand, although this situation differs across Europe, with Eastern Europe having significantly lower storage capacity. So whilst the current tensions may not see the lights go out tomorrow, they have (re-)focused public attention on the security of our domestic energy and may yet provide the rationale for significant investment in nuclear new build, large scale renewables or the even exploration of shale gas.

More broadly, the situation in Crimea highlights the extent to which Europe relies upon some of the most unstable and volatile parts of the world - not only for our energy security but also for the natural and social resources which power our industries and stock our supermarkets.

With the 21st century "resource scramble" becoming an ever more present reality, far greater attention needs to be paid (at both the policy and general public level) to where our resources come from and how secure and sustainable they are [ukraine news](#). Today we are discussing gas and Russia. But the case can quite easily be made for rare earths and China or computer chips and East Asia.