

The unfolding conflict between Iran and Israel has rapidly evolved from a regional military confrontation into a full-scale global economic disruption. At the heart of this crisis lies the Strait of Hormuz, a narrow maritime corridor (about 27km) that carries nearly a fifth of the world's oil and gas supply.

Its effective closure has triggered a chain reaction across global supply chains, financial markets, and energy systems, with consequences now being felt far beyond the Middle East, including in Uganda.

What makes this crisis particularly severe is not just the conflict itself, but the strategic targeting of energy infrastructure. Attacks on oil wells, gas fields, and liquefied natural gas (LNG) facilities have significantly reduced global supply. The destruction of critical assets such as Iran's South Pars gas field and disruptions to major LNG hubs have tightened energy markets almost overnight.

As a result, oil prices have surged past \$100 (Shs368,000) per barrel (from \$50 (Shs184,000) to \$70 (Shs258,000)), with some projections suggesting even higher levels if the conflict persists. This sharp rise is not merely a commodity story; it is a structural shock. As the renowned economist John Maynard Keynes once observed: "The difficulty lies not so much in developing new ideas as in escaping from old ones." The global economy, long dependent on stable Middle Eastern energy flows, is now confronting the fragility of that dependence.

The closure of the strait has also crippled global supply chains. Beyond oil, critical commodities such as fertilisers, pharmaceuticals, and even helium used in advanced manufacturing have been severely disrupted. Shipping traffic has declined drastically, with tanker movements dropping sharply due to security risks and direct attacks on vessels. The insurance premiums have also skyrocketed (above \$1m (Shs3.6b) per vessel) due to the risk. This has led to delays, rising transport

Effects of Iran-Israel/US war on Uganda economy

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Michael Jjingo
Iran-Israel/US war



costs, and ultimately, higher prices for goods worldwide.

Financial markets have not been spared. Stock exchanges across major economies have recorded declines, reflecting investor uncertainty and rising inflation expectations. At the same time, the US dollar has strengthened as investors seek safe-haven assets, further tightening financial conditions in emerging markets. For countries like Uganda, this appreciation translates into higher import costs, especially for fuel, and increased pressure on local currencies.

The energy crisis has also triggered a global scarcity of gas and petroleum products. Liquefied natural gas prices have surged dramatically, while supply shortages have forced countries to scramble for alternatives. In this shifting landscape, geopolitical winners are beginning to emerge. Russia, previously constrained by export restrictions, now finds renewed demand for its oil and gas as global markets seek alternative suppliers, due to the created crisis.

Equally significant is the evolving role of China and Iran. Reports indicate that selective access through the strait is being granted to certain allied or aligned nations, with China continuing to receive Iranian oil shipments despite the broader disruption. This emerging corridor of preferential trade signals a fragmentation of global energy flows, where access is increasingly shaped by geopolitical alignment rather than open markets.

For Uganda, the implications are immediate and tangible. Rising global oil prices have translated into higher fuel pump prices, increasing the cost of transport, production, and basic goods. Inflationary pressures are building, particularly in food prices, as fertiliser and logistics costs rise globally. The country's import-dependent economy makes it especially vulnerable to such external shocks.

Yet, beyond the immediate economic strain, this crisis offers a sobering lesson. It highlights the urgency of diversifying energy sources, strengthening regional supply chains, and investing in resilience. As Winston Churchill once remarked, "Never let a good crisis go to waste." For policymakers and businesses alike, this is a moment to rethink long-term strategies.

In conclusion, the Iran-Israel war has exposed the deep interconnections of the global economy. A disruption in one narrow waterway has cascaded into a worldwide crisis affecting energy, trade, finance, and livelihoods. The challenge now is not merely to endure the shock, but to adapt, innovate, and build resilience.

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