
Maritime Chokepoints and Macroeconomic Stability: Public Sector Responses to Disruptions in the Bab el-Mandeb Strait

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ABSTRACT

This article examines the economic implications of maritime disruptions from the perspective of the public sector rather than focusing on other research works where the emphasis was placed on their shipping and logistics perspective. The method is based on an analytical framework of stylized facts and identifies some key transmission mechanisms such as higher transport costs, slower delivery times, and higher insurance premiums, resulting in higher import prices, higher inflation, and policy responses. The findings indicate that marine chokepoint disruptions have characteristics similar to an economic shock that has a significant impact on the economy. This gives policymakers the understanding that they must plan their economies for the (potential) risks of maritime transportation routes.

Key Words: Bab el-Mandeb Strait, maritime disruptions, trade costs, fiscal vulnerability, inflation pass-through, and supply chain resilience

Introduction

Only a few major sea lines of communication carry substantial cargo and energy worldwide. One of the most important is the Bab el-Mandeb Strait. It serves as a doorway to the Gulf of Aden and the Red Sea, providing access for economies of Europe, Asia, and Africa. Although the area is relatively small compared with the whole Earth, disruptions there have far-reaching impacts. It underscores the fragility of international commerce because it depends on certain points of passage (UNCTAD, 2023; Wang et al., 2023). It needs to be recognized that fragility was especially highlighted in the last couple of years. Any difficulties arising in the region require re-routing of ships to avoid problems. Instead, ships can choose another route by going around the Cape of Good Hope. Although the above may seem like an operational issue, it also has economic aspects, such as greater duration of transportation, additional fuel expenses, and higher insurance rates. Recent events involving the Red Sea region show that the choice of a new path can have a major effect on shipping and the cost of trade (Notteboom et al., 2024; Sun et al., 2026). Such changes are usually considered in the context of logistics and maritime security issues; nevertheless, their potential importance and relevance to public policy are understated. In this study, disruption of key shipping channels is taken to mean disrupting more than just the shipping industry. Rather, these effects spill over into other domains, namely, price levels of imports, industrial output, and government finances. The Bab el-Mandeb Strait may be considered as a physical choke point as well as an economic channel in which the local instability spills into macroeconomic issues. It is consistent with many theoretical models, which highlight the importance of trade costs, and logistics in macroeconomic results (Anderson & van Wincoop, 2003; Ivanov & Dolgui, 2020). The current body of literature offers extensive knowledge on disruptions of shipping networks, rerouting activities, and trade losses due to maritime chokepoints. Previous studies have been conducted on disruptions and their effects on ship movements, networks and trade flows at a global level (Verschuur et al., 2025; Yap et al., 2024). However, much of this literature concentrates on the "how to" of the topic being addressed. Maritime chokepoint disruptions have impacts on inflation, budget deficits and policy decisions, which are less addressed. For economies that are highly dependent on foreign products and energy supplies, such an analysis can be even more important, as higher transport costs affect prices and budget spending in a timely fashion (Blanchard & Gali, 2007; IMF, 2023). The following research paper brings two important concepts. First, the study builds a mechanism to examine how disruptions of the Bab el-Mandeb Strait affect macroeconomic stability, in well-defined channels of transmission. Secondly, it shifts the lens of the study from

the private sector to the public sector and investigates the response of the government to these disruptions, and the fiscal impact it may have. In contrast to the paper which looked at global economic losses, the paper looks at the impact of maritime instability on macroeconomic and policy variables. The approach adopted in the paper follows the traditions of both international trade theory and macroeconomics approaches and relies on stylized facts based on the new developments in the Red Sea region. Therefore, it is an instrument which facilitates an adaptive manner of analyzing the complexity and dynamism of the phenomenon analyzed. The results show that different countries experience different economic impacts resulting from such disruptions, depending on trade route vulnerability, fiscal capabilities, and flexibility of countries to changing conditions. The results of this analysis are not just the conclusions themselves, but also the implications of the conclusions. Increased resilience is obviously linked to greater readiness, not just logistically, but also in policy-making, with disruption to strategic waterways wreaking havoc on the internal economy. The Bab al-Mandeb Strait is an example to this end.

Review of literature

The issue of chokepoints in maritime routes within global commerce has garnered significant attention due to various geopolitical conflicts and supply chain complications. Much research has focused on the impact of disruption in strategic corridors for shipping and trade. Nonetheless, while these contributions provide valuable insights into the workings of maritime systems through an understanding of their operational and structural components, there is a lack of knowledge concerning their influence on macroeconomic stability and public policy. One stream of literature focuses on the importance of maritime chokepoints in global trade. Research, including Verschuur et al. (2025), shows the substantial economic costs when problems in critical areas disrupt well-established trade routes. In the context of such issues, the current study uses quantitative modeling to show the extent of possible global trade disruptions, stressing the interconnected nature of the systems. Such conclusions are extremely useful in understanding the scope of the problem, although the study tends to focus more on global trade than on national economic and fiscal policy.

The second category comprises studies concerned with operations-related issues as well as the consequences of disruptions on the network level. Studies by Notteboom et al. (2024) and Haralambides (2024) include an extensive discussion regarding the strategies adopted by ship owners to mitigate risks. In addition, Yap et al. (2024) and Wang et al. (2024) use network and AIS analysis techniques to detect any changes in vessel routing and port connectivity. The

contribution made by these studies is significant for the study of disruptions and their mechanisms. Nevertheless, they are oriented towards maritime logistics and transport geography. Further studies are dedicated to the effects of disruptions caused by conflict on the maritime traffic and its routing processes. Specifically, Rodríguez-Díaz et al. (2024) consider changes in shipping as a result of security threats in the Red Sea, while Sun et al. (2026) explore economic and ecological implications of vessel routing changes during such disruptions. These studies highlight the extent to which regional security concerns could affect global transportation networks, causing delays and higher costs for operations. In addition to the specific case of the Red Sea, there is also a range of studies analyzing the vulnerability of global trade to disruption at strategic maritime choke points. For instance, Pratson et al. (2023) and Wang et al. (2023) analyze the vulnerabilities of global trade networks to route disruptions. Further, (2022) uses modeling approaches to analyze disruption effects in the energy sector in relation to LNG. However, although these studies provide valuable information at the macro level, they do not cover macroeconomic policies extensively. A limited number of studies have looked at the economic impacts of disruption in specific national or sectoral contexts. Thus, Sarkar et al. (2025) examine the impacts of the disruptions in the Red Sea on the electronics industry of India, and Kassim & Osman (2026) analyze the topic of maritime security and ports in Somalia. It can be concluded that there are differences in the impacts of chokepoint disruption between countries and sectors; however, these differences are insignificant. The literature gives a thorough analysis of the effects of maritime disruptions on shipping activities, logistics, and the results of each sector. Despite all that, an essential question remains open: how are maritime disruptions translated into macroeconomic and fiscal issues? This paper seeks to fill this void by transitioning the focus from maritime logistics to public-sector economics. The paper examines the impact of disruptions on domestic economies and governmental reactions, rather than alterations in shipping behavior. It builds on previous research by connecting instability at maritime chokepoints to fiscal vulnerability and providing a systematic framework for evaluating policy responses to external trade shocks.

Theoretical framework

The impact of disruption in critical chokepoints in terms of economic implications can be explained by reference to trade theories, macroeconomic transmission channels, and public finance. Although literature regarding the Bab el-Mandeb Strait is rare within economic studies, it is important to have contemporary economic theory that will help us understand the spread of small problems to economic systems.

The economic implication of transportation cost on international trade is a logical starting point. According to the gravity model, trade volume will reduce as a result of rising trade friction (distance and transportation cost) (Anderson & van Wincoop, 2003). Here, disruption of a vital maritime route can be considered as the shock of increased transaction cost. Transaction costs will go up due to higher shipping costs because of increased insurance costs and the diversion of ships from their route, as well as delays in delivery. It affects not only the borders but also the patterns of trade for some time periods.

Supply chain economics brings additional implications for theories of international trade. Contemporary manufacturing processes are highly segmented and integrated; thus, firms depend on the timely delivery of intermediate products. In such a context, disruptions in maritime transportation can have a cascading impact on multiple sectors of the economy. According to recent studies on supply chain resilience (Ivanov & Dolgui, 2020), minor delays can lead to decreased productivity, shortages in inventories, and reduced levels of output. From this perspective, disruption at chokepoints should be regarded as a source of trade frictions, as well as a shock to interconnected manufacturing networks. In terms of macroeconomics, disruption in maritime transportation can be viewed as a supply shock affecting price levels and output simultaneously. In general, when transportation costs increase, the prices of imported commodities also rise, contributing to inflationary pressure in an open economy (Blanchard & Gali, 2007). Additionally, delays in receiving supplies could reduce production, leading to short-term economic recessions. Ultimately, the cumulative effect can be interpreted as macroeconomic instability in nations that lack the capacity to absorb external shocks. In such circumstances, the function of the public sector assumes great importance. As mentioned before, public sector economics highlights that governments are responsible for making changes in their expenditure and tax structure (or any other policy measure such as subsidies) in response to the external shocks. Nevertheless, maritime disruptions provide an additional challenge. Chokepoint disruptions are exogenous shocks that are not easily predictable, thus further complicating the ability of policymakers to anticipate their actions. This research paper provides a systematic approach towards understanding the impact of maritime disruptions on the macroeconomic and fiscal results of the state via chokepoint-induced transmission mechanisms.

One possible example of such a mechanism would be:

$$F_t = f(TC_t, t, Y_t, G_t)$$

Where $F_t F_t$ is the fiscal pressure faced by the economy at time t , $TC_t TC_t$ represents trade costs, $\pi_t \pi_t$ indicates the inflation dynamics, $Y_t Y_t$ represents the output effects, and finally, $G_t G_t$ stands for the government responses. In other words, the fiscal results are not the cause of the shock; instead, they result from the process described above.

Firstly, one needs to look at the effect on trade costs. Indeed, the Bab el-Mandeb strait features relatively long shipping distances and a higher risk of accidents. This translates into higher shipping and insurance expenses, which are subsequently charged to the importing economy via higher import prices. How frequently such an effect takes place depends on the degree of competition in the market, exchange rate policies, and openness of trade (Obstfeld & Rogoff, 2001). Secondly, the issue at hand relates to the effect on inflation. In this regard, cost-push inflation can emerge in an economy with imported goods because of an increase in the costs of delivering these products. Particularly, this phenomenon applies to the situation of importing energy products, since the effects of changes in prices have been extensively studied and are quite predictable (Hamilton, 2009). In addition, these processes can be exacerbated due to expectations, as businesses adjust their pricing policy under conditions of uncertainty. Finally, it refers to the output dynamics associated with problems in logistics. If the process of production gets delayed due to issues in the supply chain, the effect will be greater in those industries that have little inventory or rely on just-in-time manufacturing. Therefore, in the absence of any changes in the demand dynamics, economic production will decrease. This demonstrates how chokepoints impact the supply side of the economy. Finally, there are fiscal implications of the above impacts, since governments may respond by providing additional financing for businesses, reducing taxes, and increasing fiscal expenditure. These actions might help governments stabilize the situation in their domestic economies. However, such a reaction might exacerbate the situation in terms of budget deficit and public debt, since such impacts will depend on the state's capacity to respond, structural composition of the economy, and available financial resources (Ghosh et al., 2013). Another crucial point is that chokepoint disruptions have different implications for different countries. Economies where various trade routes exist, fiscal reserve funds are large, and supply chains are flexible are likely to be more resistant to disruptions. In turn, nations whose trade corridor is unique and fiscal capacity is low become vulnerable to the negative consequences, both in terms of economics and finance. Considering this, the disruption occurring in the Bab el-Mandeb Strait may be viewed as a foreign challenge for the domestic economy. The framework delineated in this paper offers a systematic methodology for examining these interactions, correlating maritime instability with

macroeconomic consequences and public-sector responses, independent of a singular empirical model.

Methods

The present study adopts a qualitative, analytically structured approach in studying the economic and financial consequences of disruption in the Bab el-Mandeb Strait. As opposed to an econometric approach based on a specific statistical model, the theoretical study employs a theoretical transmission model based on stylized facts. Such an approach is appropriate considering the unique characteristics of the subject matter, characterized by periodic shocks, changes in geopolitical conditions, and data constraints, which make it impossible to employ standard time-series and panel approaches. The method involves two phases. The first phase focuses on establishing the relationship between maritime disruption and macroeconomic variables. Then, it proceeds to illustrate the channels of transmission using secondary data and documented facts.

Analytical Strategy

The analytic approach is focused on the theoretical framework presented in the previous section, which consists of a sequence of cause and effect. The main point being that strategically important choke points make disruptions in the transportation sector, and the impacts of transportation impacts the public sector. The method is implemented by following one of the most widely used methods used in empirical economic and policy research that involves complex causal sequences, process-tracing (George & Bennett, 2005). This technique can be effectively used when it is hard to quantify the effects, but their relationship can be found theoretically or observed empirically. There are four steps to analysis. The first step is identifying causes of trouble in the transport industry, such as security issues or alterations in the routes of ships' navigation. In the second stage, the mechanism of the cost increase of transportation, insurance and delivery time is studied. Thirdly, attention should be paid to the consequences for the macroeconomy. The fourth phase is the fiscal phase, in which attention is given to the government's policy response to these challenges and the fiscal implications of these policy responses. This organized method guarantees consistency in the analysis but allows humans to view real-world events in various ways as well.

Data Sources and Empirical Evidence

While no econometric model has been created within the paper itself, different types of data sources have been drawn upon to support the transmission mechanisms proposed by the paper.

The World Bank and the International Monetary Fund supply macroeconomic data; the International Energy Agency provides data on the energy markets, while the policy and fiscal data come from both national and international databases. The United Nations Conference on Trade and Development provides information on trade and shipping. This data serves an illustrative purpose in identifying trends rather than testing statistical connections between variables. Adjustments to shipping routes, increased costs of freighting, and changes in energy prices serve as signs of disruption and trade-cost phases.

The approach is consistent with the empirical techniques of analyzing macroeconomic policy studies aimed at explaining causality rather than quantifying the impact of certain variables (Romer & Romer, 2010). In the case of the study at hand, the author utilizes examples of the recent developments in the Red Sea area as proof of ways to enhance the effectiveness of the analytical framework. The selected examples are not considered to be independent phenomena but are provided as examples demonstrating the operation of the proposed mechanism. Case-based analysis allows studying the behavior of shipping companies (for example, by analyzing their actions related to rerouting cargo carriers), market performance (by evaluating freight rates and insurance premium fluctuations), and policy responses (through considering various measures such as subsidies, strategic reserves, and fiscal policy changes). Such an approach is consistent with the literature review devoted to the issues of applied macroeconomic policy in which the method of case-based analysis is applied.

Scope and Limitations

There can be multiple explanations for the selection of the analytical approach in the investigation rather than econometrics. First, the major objective of the research involves the analysis of the impact of disruptions in sea traffic on the economy in terms of its qualitative evaluation and not in relation to quantification of their effect on it. It should be noted that there are several limitations related to the usage of the chosen methodological tool. In particular, there is no statistical model used, which makes it necessary to consider the outcomes of the research only as illustrative. Additionally, the utilization of secondary information sources could result in contradictions in different datasets. Finally, political events occur regularly, which means that some relationships tend to vary with time.

Contribution of the Methodological Approach

The methodology brings together theory, stylized facts, and case study approaches to develop an integrated methodology for understanding the relationship between disruptions at sea and financial implications. This method ensures that there is no gap left between modeling

approaches and purely descriptive analysis. Hence, the paper makes a contribution to the methodological tools used in public sector economics in that it demonstrates how to analyze the impact of shocks to the economy, even without a proper empirically defined model of the economic system.

Results

Applying the analysis mentioned above demonstrates the existence of a relationship between disruptions of the Bab el-Mandeb passage and the occurrence of economic impacts that go far beyond the transport sector in that they affect the country through various mechanisms. These impacts differ in intensity depending on the situation.

Trade-cost escalation as the primary transmission channel

The first and most direct result of disruption is an increase in trade costs. The periods of increased threat in the Red Sea route have often been succeeded by changes in the behavior of ships, which may include detouring through the Cape of Good Hope route. As a consequence of this change in behavior, there is bound to be an increased cost due to distance and time traveled, as well as increased consumption of fuel. Additionally, the increase in risks is usually accompanied by increased war insurance premiums, as a result of increased danger (Notteboom et al., 2024; Sun et al., 2026). It can therefore be seen that initially, disruption does not result in the stoppage of trade; it simply results in higher prices for it.

Inflationary pass-through in economies that depend on imports

The second insight relates to the consequences of increased trade costs for domestic prices. Countries relying significantly on imports, particularly of energy and intermediate products, experience increases in their import prices when transport costs increase. Such an outcome causes cost-push inflation, which can persist even after the initial shock disappears (Blanchard & Gali, 2007; Hamilton, 2009). The magnitude of such pass-through is determined by multiple variables, including exchange rate shifts, market structure, and competition in the domestic sector. Yet, it appears that the connection between transport costs and consumer prices can be quite strong, causing visible inflation pressure. Energy transportation disturbances amplify this result due to their fundamental importance. The third insight is related to the impact of disruptions on production processes. The second insight is associated with the impact of energy prices on production and consumption.

Supply chain frictions and output constraints

The third discovery concerns the effects of expectations on price. Even in the absence of any disruption, an increase in prices as an attempt to hedge against uncertainty is observed. It can

provoke inflationary pressure because of increased probability and cost of potential risks. Shipping delays can result in interruptions in the delivery of intermediate goods, particularly in manufacturing operations based on complex coordination in supply chains. Here, the firms may be forced to suspend production and thus reduce output or face adjustment expenses (Ivanov & Dolgui, 2020). The reaction to disruptions is not similar among all sectors. Just-in-time production industries with a minimum stock of goods are most vulnerable to shipping delays since they cannot withstand delays well enough. Diverse sectors where goods are not required immediately will experience minimal inconveniences. Despite some differences between sectors, one may state the common influence of maritime chokepoint instability on the supply side of the economy.

Fiscal pressure as a secondary but persistent effect

As far as the public sector is concerned, the critical finding emerging from the paper is fiscal pressure that becomes one of the downstream results of trade and macroeconomic shock events. If the price for imports increases while the problems with supply intensify, governments tend to become active in stabilizing the situation on the domestic market through subsidization, reduction of indirect taxation, and increased government expenditure aimed at assisting the particular sectors of the economy. All these strategies can prove to be effective in the short term, although in the long run they are likely to bring negative consequences for countries. Particularly, in the case of prolonged use of subsidies and expenditures, deficits could worsen, especially in developing nations (Ghosh et al., 2013; IMF, 2023). Thus, shocks generated by chokepoints have an external nature, yet their outcomes are internal to the country.

Asymmetric vulnerability among nations

Yet another key insight from the analysis is that the aforementioned impact will differ across various economies. As has been shown previously, different countries can be exposed to maritime transport risk in terms of the volume of their trade flows, geographic position, and institutional capabilities. In this respect, for instance, economies that rely extensively on trade flows that transit via the Red Sea corridor will be more impacted by increased shipping costs and delays. Furthermore, economies with a poor fiscal position will be less capable of mitigating the discussed shock through implementing certain policies. By contrast, countries that have access to alternative transportation routes or greater production potential can cope with risks better. Consequently, there can be significant heterogeneity across countries in terms of their susceptibility to external shocks.

Table 1

Country Vulnerability to Chokepoint Disruptions

Country Type	Trade Dependence	Fiscal Capacity	Exposure to Bab el-Mandeb	Vulnerability Level
High	High import dependence	Limited fiscal space	Direct reliance on Red Sea routes	High
Medium	Moderate dependence	Moderate fiscal flexibility	Partial reliance	Medium
Low	Diversified trade structure	Strong fiscal capacity	Limited reliance	Low

Note. Vulnerability levels are classified according to the interaction of trade dependence, fiscal capacity, and exposure to the Bab el-Mandeb chokepoint.

The role of uncertainty and expectation-driven effects

Finally, it is also shown that uncertainty is another key channel of transmission. Disruptions at the Bab el-Mandeb Strait do not need to persist for long periods of time, nor do they have to have an immediate negative impact to affect economic behavior. On the contrary, even minor disruptions or the expectation thereof can prompt shipping firms, insurance companies, as well as merchants to apply additional measures in order to protect their assets from such disruptions. This creates a cost of anticipation which, by nature of the problem, increases due to the expectations of disruption, regardless of whether it actually occurs or not. In this context, it appears that the impacts of chokepoint disruption are magnified through their effect on macroeconomics and extend beyond the period of actual disruption.

Policy implications

Conclusively, the findings of this research suggest that the disturbances at the Bab el-Mandeb Strait should be regarded not only as disruptions affecting the shipping industry, but also as shocks directly affecting macroeconomic stability and fiscal policies. Therefore, the adequate responses would require more than mere logistical efforts, but also a proper policy framework.

Short-term stabilization: managing price and supply shocks

After the disruptions, the first challenge for the government will be to stabilize the domestic market. With the rise in the cost of transportation and delays in the delivery of goods, prices for the imported commodities will rise sharply, especially those that relate to necessities and

fuels. Therefore, the government can use methods such as providing subsidies, reducing taxes, and utilizing stockpiles to maintain the equilibrium in the market (IMF, 2023). The above actions require financing; however, they provide only temporary relief to the people and firms. From the above case, one can understand that such interventions are bound to increase fiscal pressure in any economy, especially where fiscal room is absent. Clearly, there exists a direct contradiction between market stabilization and fiscal sustainability. Considering the above findings, one can deduce that such a policy approach will fail miserably if it is not applied judiciously and temporarily. This means that fiscal strains will continue even though the prices remain stable.

Medium-term adaptation: reducing structural exposure

From the above analysis, it is quite clear how necessary it is to reduce the reliance on weak transport routes. Countries that depend on goods transported through the Red Sea route are vulnerable to difficulties encountered in the Bab el-Mandeb strait. This means that countries relying on these transport routes have to explore different alternatives for transporting goods internationally as well as exploring different sources of supply. This can be done through the development of new routes for shipping, increased trade within the region, or increased resources to produce goods locally. While all these alternatives involve high costs and time, they substantially decrease future risks.

Fiscal resilience: strengthening policy capacity

Another significant finding refers to the issue that vulnerability to external shocks is primarily dependent on fiscal strength. Those states with favorable fiscal conditions can conduct stabilization policies without harming their sustainability in the future. On the other hand, those governments that face problems with their budget have no choice but to adopt a proactive policy since any reaction to a shock may include shifting resources from one area to another. It is implied that fiscal strength should be considered an integral element of economic security. Fiscal policies may include the minimization of debt, strengthening of the tax system, and efficient spending. Moreover, some alternative measures may also be adopted in order to solve unexpected problems.

Governance and coordination: addressing institutional gaps

As was found out from the above analysis, the institutions have some problems as well. As important as it is strategically for the region, the Bab el-Mandeb Strait does not have any institution or mechanism for effective cooperation between regional entities in case there is anything wrong. Even though it is strategically significant for such countries as Djibouti,

Eritrea, and Yemen, these nations differ greatly in terms of political and institutional stability. Thus, the regional strategy for dealing with the problem will hardly be helpful in this situation. Instead, a hybrid model should be taken into consideration by paying enough attention to the role of international institutions within the framework of cooperation, coordination, data exchange, and capacity development. The International Maritime Organization and the United Nations Conference on Trade and Development are examples of the institutions that could contribute to finding a solution to the problem. At the same time, the control of this chokepoint regionally is very important for each region and therefore should not be ignored, although assistance from outside is crucial. This paper analyzes economic issues of the problem, focusing on the public sector.

Conclusions

The research reveals that instability associated with maritime choke points has various implications ranging from trade expenses, supply disruptions, rising inflation, to the ultimate fiscal challenges. Such implications have been considered using the framework of analysis. The results yield three important insights. First of all, problems faced within strategic maritime routes should be treated as macroeconomic exogenous shocks rather than purely logistical challenges. The effects of such challenges may be clearly identified using various channels that include higher transportation costs, delayed supplies, and increased levels of uncertainty, which altogether lead to greater economic instability. Secondly, the state plays an important role in addressing exogenous shocks. Any policy aimed at maintaining stability in terms of price and supply levels may bring temporary relief yet will negatively affect the budget of the country in the long run. Finally, the influence of the exogenous shocks will vary among countries depending on their trade openness, budget constraints, and institutional strength. Thus, the disruption experienced by the Bab el-Mandeb Straits represents the tendency of the contemporary global economy towards growing preference for risks associated with foreign markets. Thus, it is critical to include external threats in consideration within the framework of policy-making in the public sector. The relevance of this work consists in redefining chokepoints as factors contributing to fiscal instability and connecting disturbances in international trade corridors to public sector economics.

Contrary to many previous works, which focused solely on transport networks and trading volumes, this study aims to analyze the consequences of such shocks and their impact on fiscal policies. In doing so, this allows for building a logical model through which one can analyze the effect of external factors on the domestic economy. The findings obtained in this paper will be of great significance when developing new policies. In order to make the economy more

resistant to shocks, it is vital to use both stabilizing measures and structural changes. Additionally, it should be noted that since there are no well-functioning regional institutions, it is necessary to involve international actors.

Future research may improve on this model by measuring the economic impact that disruption at chokepoints causes and analyzing the differences between countries in their policies. In light of the continuing role of geopolitics in the world of international business, it is likely that the study of economic implications of maritime instability will remain an important topic in public sector economics.

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