

Project Proposal: Asymmetric Economic Resilience

A Comparative Analysis of 12 Nations Across Conflict Lifecycle

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1 Introduction

This project analyzes the economic divergence between First and Third World nations across three stages of conflict: Pre-War (Baseline), During-War (Shock), and Post-War (Recovery). By examining 12 countries, we isolate how development levels, trade dependencies, and geopolitical involvement dictate economic survival.

2 Target Countries (N=12)

The study utilizes a 2×3 matrix to ensure comparative depth:

- **Group A (Directly Involved):** Israel, USA (First); Vietnam, Ethiopia (Third).
- **Group B (Indirectly Involved):** Germany, Poland (First); Nigeria, Egypt (Third).
- **Group C (Uninvolved Control):** South Korea, Norway (First); Bangladesh, Brazil (Third).

3 Data Collection Strategy

1. **Macroeconomic (World Bank/IMF):** Annual GDP growth, CPI (Inflation), FDI inflows, and Unemployment rates.
2. **Trade (UN Comtrade):** Import/Export values for Crude Oil, Food, and Technology (HS Codes 27, 10, 84).
3. **Conflict (UCDP/PRIO):** Binary markers for war years and a "Distance from Conflict" variable.
4. **Sentiment (GPR Index):** Monthly geopolitical risk scores to measure market fear.

4 Data Cleaning & Pre-processing

- **Temporal Alignment:** Standardizing all data to a common annual or quarterly frequency.
- **Outlier Mitigation:** Using *Winsorization* at the 5th and 95th percentiles to handle hyperinflation spikes in developing nations.
- **Missing Data:** Applying Linear Interpolation for Third World datasets with gaps in labor statistics.
- **Stationarity Checks:** Conducting Augmented Dickey-Fuller (ADF) tests to prepare for VAR modeling.

5 Hypotheses for Testing

- H1: The Resilience Gap.** First World nations recover to pre-war GDP levels within 5 years, while Third World nations suffer permanent trajectory shifts.
- H2: Trade Volatility.** Uninvolved Third World nations face higher inflation spikes during conflict than uninvolved First World nations due to lack of commodity hedging.
- H3: FDI Flight.** Geopolitical risk triggers capital flight from Third World "Involved" nations to First World "Uninvolved" nations (Safe Haven effect).

6 Stepwise Analysis Workflow

- **Step 1 (Descriptive):** Compare mean indicator values across Pre, During, and Post-War phases for each of the 12 countries.
- **Step 2 (Econometric):** Run a *Difference-in-Differences (DiD)* model to compare Group A (Involved) against Group C (Control).
- **Step 3 (Forecasting):** Utilize a *Vector Autoregression (VAR)* model to predict recovery timelines based on pre-war infrastructure levels.

7 Timeline (8 Weeks)

| Weeks | Milestone |
|-------|---|
| 1–2 | API-based data extraction and harmonization for 12 countries. |
| 3–4 | Exploratory Analysis and Data Cleaning (Outlier handling). |
| 5–6 | Execution of DiD and VAR models in Python/Stata. |
| 7–8 | Interpretation of results and final report compilation. |

** illustrating how a conflict in one region (e.g., Eastern Europe) disrupts supply chains to uninvolved nations (e.g., Nigeria or Bangladesh).

**** from your VAR model to show how a single "War Shock" ripples through GDP over 10 years.

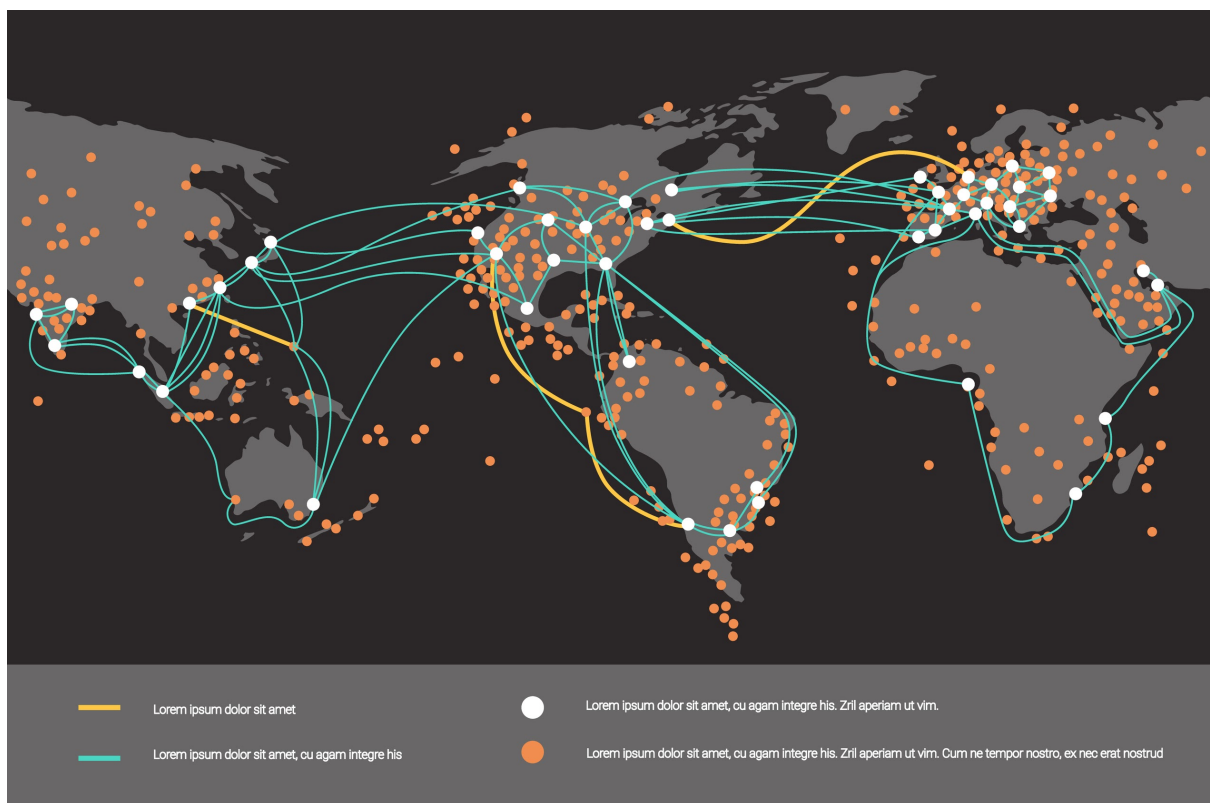


Figure 1: