**Cryptocurrencies and geopolitical events: directions and opportunities**

[**Rasheed Shakur**](https://www.nation.com.pk/columnist/rasheed-shakur)

February 26, 2023

Cryptocurrencies such as Bitcoin and Ethereum have started to become an increasingly popular method of payments over the past few years, bringing in innovative methods to transfer, receive and withdraw capital. Cryptocurrencies have the ability to surpass regulations, government-imposed sanctions and financial hurdles that are found in traditional methods of payments, and this makes them more attractive to those that advocate the switch from traditional currencies.

The underlying power of cryptocurrencies lies within the technology of utilising the blockchain to provide an open, transparent network, where decentralisation is the mast that keeps the ship afloat. This has been evident in the past few years, as the correlation between the major cryptocurrencies and the traditional markets have been on the rise, which in turn affects the direction of where the general trend is heading. However, as the exposure of cryptocurrencies grew with the masses, especially during the hectic lockdown periods of Covid-19, retailers sought for alternative high-risk assets that could balance out the lost income that was incurred. As the world started to breathe once again, Bitcoin lost 66 percent from its All-Time-High (ATH), leaving investors wondering whether the frenzy for crypto was over.

[Saudi Arabia gifts 100-ton dates to Pakistan](https://www.nation.com.pk/27-Mar-2023/saudi-arabia-gifts-100-ton-dates-to-pakistan)

Geopolitical events play a significant role in shaping investor appetite in technology, and we can safely assume that throughout the COVID-19 pandemic, the technology sector boomed with companies such as Amazon. Amazon’s stock has risen by more than 60 percent since the beginning of the pandemic, with its share price currently trading at around $3,000 per share as of February 22, 2021.

In 2023, three main geopolitical events bear close watching because they could alter the course of cryptocurrencies and their future direction. No one can deny that the Ukraine-Russian war has had a devastating effect on supply chains across the world, ranging from staple goods all the way to aircraft fuselage parts, and as major world indexes took a nose-dive, so did cryptocurrencies, indicating that investors were quick to make an exit from the market due to the volatility in traditional markets. The war will certainly have a major impact on investors’ risk appetite, and as inflation is still rife in many parts of the world, cryptocurrencies are looking to follow the pattern of traditional markets, where the period of recovery will be short-lived, but continue on a downward spiral until better conditions present themselves.

[Imran appeals CJ IHC to take notice on abduction of 3 children](https://www.nation.com.pk/27-Mar-2023/imran-appeals-cj-ihc-to-take-notice-on-abduction-of-3-children)

The second potential geopolitical event that could affect cryptocurrencies is the possibility of an escalation of a trade war that has already been building up prior to Covid-19 between the USA and China. In December 2022, China has finally decided to lift all of its zero-covid policy restrictions, including travel, trade and tourism restrictions. Now that China is looking towards a hasty economic recovery, this would no doubt strain and add a new layer of complexity to international trade. Cryptocurrencies could be affected by the amplification of competitive strategies of China to regain its market share in major sectors including manufacturing, financial services and technology, as aggressive monetary policies, that only China can afford to adopt, could prolong inflation across the globe, making cryptocurrencies an unfavourable investment alternative.

As the world is preparing for COP28, which takes place in November 2023, the topic of reducing overall CO2 emissions is expected to dominate the summit. Bitcoin accounted for 86.3 million tons of CO2 emissions in 2022, growing from 56.8 million tons in 2021, and as the pressure grows, we can see more cryptocurrency chains migrating from Proof-of-Work (PoW) to Proof-of-Stake (PoS). Ethereum has successfully halted and terminated all of its CO2 emission activities as of 2023, and for many climate activities, cryptocurrencies could be seen as one of the causes of CO2 emissions. For this, cryptocurrencies could be facing some volatility pre and post COP28, as new treaties could include initiatives that are aimed at reducing PoW activities which include mining tokens at the cost of CO2 emissions.

[Saeed Ghani slams JI chief for demanding mayorship](https://www.nation.com.pk/27-Mar-2023/saeed-ghani-slams-ji-chief-for-demanding-mayorship)

Going forward, we expect 2023 to be full of surprises, and whilst the geopolitical events could cause some drawdown in the short term, cryptocurrencies and their underlying blockchain technologies will continue to evolve, solving more issues, and presenting new ones as the field progresses. Whilst the focus in 2023 would be to reduce inflation, investors are looking to accumulate cryptocurrencies over a prolonged recessional period, in what’s about to look as the most turbulent year of modern times!