

Global Economic Impact of the Russia and Ukraine War

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Abstract: *The most unexpected thing happened just as the globe was beginning to recover from the COVID - 19 pandemic and there was hope for the economy to be rebuilt. The Russian invasion of Ukraine on February 24, 2022, was seen by the entire globe. The day of the invasion saw a decline in stock values. Not just the economy of Russia and Ukraine suffered during the initial months of the invasion, many other nations also suffered greatly because of the conflict. Food prices increased dramatically worldwide because of the conflict between these two nations. The cost of food increased as well as there was an increase in the price of crude oil. Thus, resulting in Global inflation. Numerous European nations placed harsh sanctions on Russia to lessen the impact of the conflict. However, this did not create much of an impact since These sanctions had a serious impact on both the European nations and the nations that were not involved in the conflict. This resulted in a serious inflation issue that affected both combatant and noncombatant nations worldwide. This paper focuses on the global economic effect of the Russia and Ukraine war and how the actions of one country can create a serious impact on the globe.*

Keywords: COVID - 19, pandemic, Russia, Ukraine, War

1. Introduction

This article focuses primarily on the worldwide economic consequences of the conflict between Russia and Ukraine, with a particular emphasis on migration, the cost of oil and energy, and the cost of food all over the world. In addition to that, this paper discusses the war from a geopolitical standpoint and gives an account of the actions that various nations have made to bring the conflict under control. The United States of America, the United Kingdom, the European Union, and other countries are the primary focal points. It provides information regarding the effects of the war all over the world, particularly in countries like Egypt, Yemen, and North Africa, as well as a few countries in the East. A developing nation like North Africa, which had to face the wrath of the war as they are now dealing with hunger and starvation, is included in this paper. It provides us with detailed information regarding how war in one part of the world affects the entire globe, including very developed countries like the United States of America, which are experiencing inflation due to the prices of energy. In this work, we are provided with extensive evidence of the effects of the war in countries that were not involved in the conflict as well as those that were.

History of Russia and Ukraine War

Tensions have existed between Russia and Ukraine in the past. In fact, Stalin also destroyed the Ukrainian cultural elite and started promoting the tsarist notion of Ukrainians as the Russians' "younger brother. " The Russians' continuous annexation of Ukraine and their persistent refusal to accept Ukrainian culture and suppression of it through the imposition of Russian culture have been witnessed throughout history.

Despite being a part of Ukraine, Crimea was a part of Russia in 1921 due to the strategic significance of the Peninsula. There was no Russian or Ukrainian dominance in Crimea at that time. Stalin commanded the Tatars in Crimea to be deported after the communist army retook this area from the Nazis in 1944. Many historians consider Stalin's actions to be

genocidal. The Crimea region had most Russians overnight. The war had caused the peninsula region's economy to collapse.

In observance of Pereiaslav's 300th birthday, Khrushchev arranged for Crimea to be transferred to the Ukrainian SSR, where it would be rebuilt and supplied with fresh water via a huge waterway that would be built. The Ukrainian referendum ended in 1991 when the Soviet Union disintegrated. A treaty that was concluded in 1997 between Russia and Ukraine confirmed the boundaries of that country, which was acknowledged by Russia and the West in the Budapest Memorandum of 1994.

2014 saw a revolution in Ukraine that resulted in the overthrow of pro - Russian President Viktor Yanukovich. The nation's political upheaval and instability were caused by this revolution. Taking advantage of the situation, Russia annexed Crimea, an area under Russian dominance, and seized control of the two eastern regions of Ukraine collectively known as Donbas. 14, 000 individuals lost their lives in this war, while roughly 1.5 million were displaced. This conflict was ongoing until 2015, and it reopened in 2017 and 2020. On February 24th Russia carried out a full - scale operation against Ukraine.

There is a pro - Russian account on why Russia invaded Ukraine. Despite Ukraine's invitation to join NATO, Moscow sent warnings on multiple occasions (Sauer 2017). These are also a major factor in the rise of Russian aggression over time. The public debate on the Ukraine crisis has been described by Henry A. Kissinger as a "confrontation. " It suggests that Western powers control Ukraine. It asserts that Ukraine is committing atrocities against its own people who support the Russian government and is using its military power to oppress and control the people in the separatist regions. Given that NATO would expand its borders all the way to Russia, Russia's national security could be threatened by Ukraine's desire to join the NATO alliance.

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Russia also claims that to find a peaceful resolution to the ongoing war between Russia and Ukraine, the Minsk Agreements were launched in 2014 and 2015. Russia asserts that the Ukrainian government failed to comply with these agreements. Additionally, it claims that Ukraine has turned its citizens into anti - Russian. This infuriated them to act in Ukraine, however they decided to even try to resolve these issues in various ways.

They also pointed out that prior to their invasion, they attempted to negotiate with Ukraine, but the country refused to engage in negotiations. This consequently resulted in Russia's annexation of Ukraine, with the primary goal being to overthrow of the existing government and the installation of a pro - Russian government with a peace treaty that prohibited Ukraine from joining the EU or NATO.

The pro - western account suggests that Russia is threatened as Ukraine is adopting Western democracy and is no longer under Russian influence. It also points out that Russia is threatened by Ukraine joining NATO as it comprises the national security of Russia. The Western media states that Russia's invasion of Ukraine as a special military operation that is aimed at removing the current government and establishing a new government that is pro - Russian.

Response to the Russia and Ukraine War

The Role of European Union:

Europe was faced with a difficult decision regarding how to react to Russia's annexation of Ukraine. Since the end of World War II, Russia has had the chance to protect the European security framework to keep the peace. The EU's primary vulnerability stems from its reliance on Russian oil, and since Russia invaded Ukraine in 2014, Europe has been subject to numerous economic sanctions. Several European officials have expressed serious concerns regarding the invasion. Several of them demonstrated their firm support of Kyiv and the Ukrainian people. To stop the situation from getting worse, French President Emmanuel Macron travelled to both nations to meet with their presidents. "Both leaders acknowledged that resolving the situation will take days, weeks, or perhaps months, and they agreed to respect the best measures to preserve Ukraine's integrity, " the statement reads after he met both presidents. If Russia keeps up its aggressive actions against Ukraine, the European Commission is ready to impose a broad range of financial and economic penalties. Peter Stano, the EU's spokesperson for foreign affairs and security policy, has also talked about diplomatic de - escalation strategies in nearby nations. The European Union is now holding diplomatic negotiations with Moscow to defuse the situation with the Kremlin. The EU is also evaluating the risks of rising gas costs, cyber security threats, and potential energy crises if the eastern border is breached. In reaction to potential border fallout, the EU and certain Member states have offered help in the form of lightweight weapons and other forms of assistance. With the ratification of a Deep and Comprehensive Free Trade Area (DCFTA) and an Association Agreement (AA), the EU and Ukraine have established strong and significant trading links.

International Sanctions Imposed

United States of America

US imposed sanctions on Russia on various sectors. Under Biden administration USA announces sanctions on the Russian development bank VEB, sovereign debt etc. It also imposed sanction on the company Nord Stream 2 which is a natural gas company connecting Russia and Germany. The treasury department froze all the assets of the Russian central bank and imposed severe sanctions on the Russian direct investment fund. During March, the US government under Biden administration declared that the Russian aircraft is ban from operating in American airspace.

The commerce department also introduced various restrictions which prevented the technology and software from being routed through Belarus to restricted sectors in Russia. On March 8th USA banned the importation of Russian oil. This included oil, coal, and natural gas. The US government aimed at 328 members of the State Duma.

The treasury also attacked various Russian technology companies.

The Commerce Department blacklisted 71 organisations to block Russia's military from importing key technology.

European Union:

The European union has imposed 27 various sanctions on individuals and entities which include military, business, finance etc. It had imposed a sanction against the Russian government from acquiring European union's capital and financial markets. EU also bans trade in Crimea and freezes the assets of three banks that are associated with separatists as well as of that of President Vladimir V. Putin and Sergey V. Lavrov. It has imposed a ban on exporting aircrafts, oil refining technology and semiconductors. EU declared that it will finance the purchase and delivery of various weapons for Ukraine and prohibited the transactions with the Russian central bank.

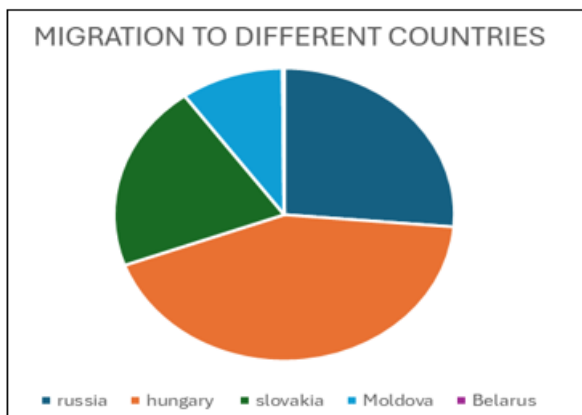
United Kingdom:

In the UK, the government had imposed sanctions on 5 Russian banks and 3 rich people who are close with Putin and froze all their assets in the UK. Britain prime minister Boris Johnson declared an expansion of the sanctions imposed over 100 different companies, entities etc. The government also banned its financial institutions from carrying out any transactions with the Russian central bank. British foreign secretary Liz Truss also announced the imposition of sanctions on four senior defence officials and two military enterprises. The British government also declared a ban on importing oil from Russia which was a collective move along with the USA. In April UK, froze all the assets against Sberbank, Russia's largest bank, and Credit Bank of Moscow and prohibited new investments of Russia. During May. The UK government introduced various measures like import tariffs on products like platinum and palladium. it also imposed export ban on materials like plastic and rubber.

2. Results

People Fleeing to Different Countries:

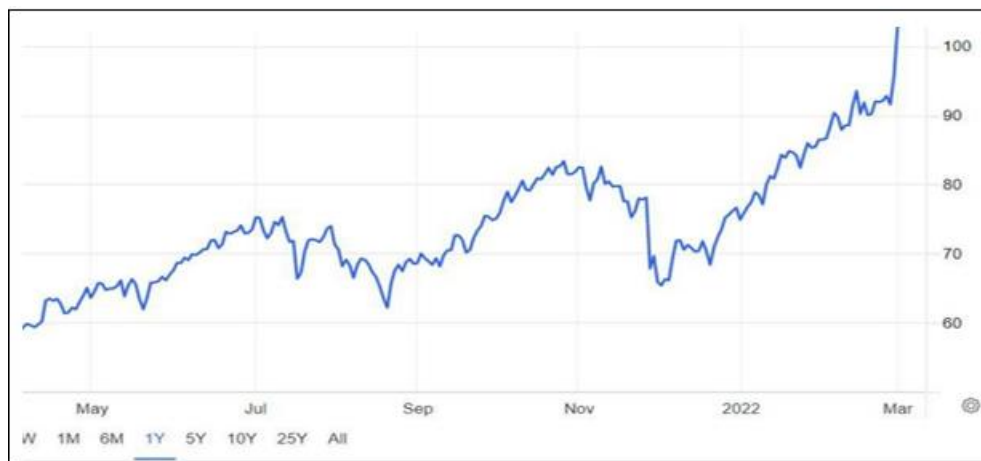
17, 293, 618 border crossings into Poland, 4, 319, 930 into Romania, 2, 852, 395 into Russia, 4, 662, 990 into Hungary, 2, 239, 665 into Slovakia, 1, 060, 615 into Moldova, and 16, 705 into Belarus are shown in the most recent data. It has been mostly women and children who have been relocated. Men between the ages of 18 and 60 are being requested to battle on in Ukraine.



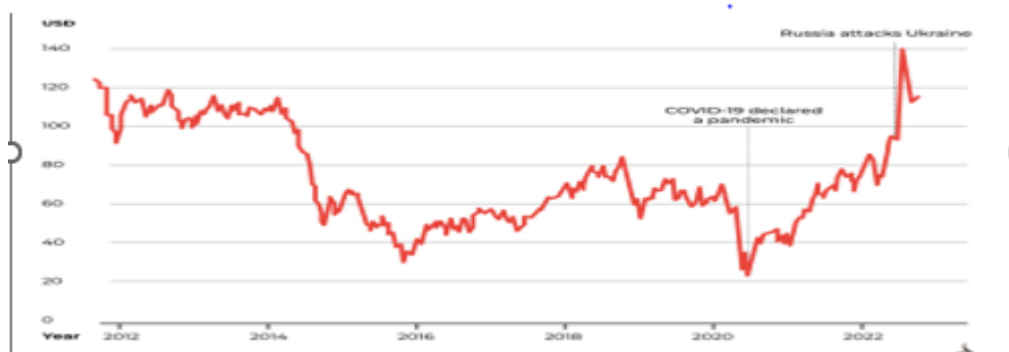
Energy Crisis

Oil and gas prices have increased up to \$110 in the first week of the war. This has led to serious inflation across the globe. This inflation has led to a 15% increase in the prices as compared to one week before the war. Russia is the second largest exporter of oil in the world and has one of the largest oil reserves at 80 billion barrels and the war has affected the markets around the globe due to severe sanctions imposed by various countries. Russia supplies about one third of natural gas to Europe and because of the sanctions imposed by us, this disrupted the supply thus leading to Europe's energy crisis.

Almost 48 countries rely on the oil produced in Russia. countries like Belarus, Cuba, Curacao, Kazakhstan, Latvia import about 99% of oil from Russia. In 2021, the US imported an average of 209,000 bpd of crude oil and 500,000 bpd of other petroleum products from Russia, according to the American Fuel and Petrochemical Manufacturers trade association. This is almost 3% of US'S crude oil imports and according to reports it is said that this 3% is something that the USA cannot afford.



Source: world economic forum



Global Food Crisis

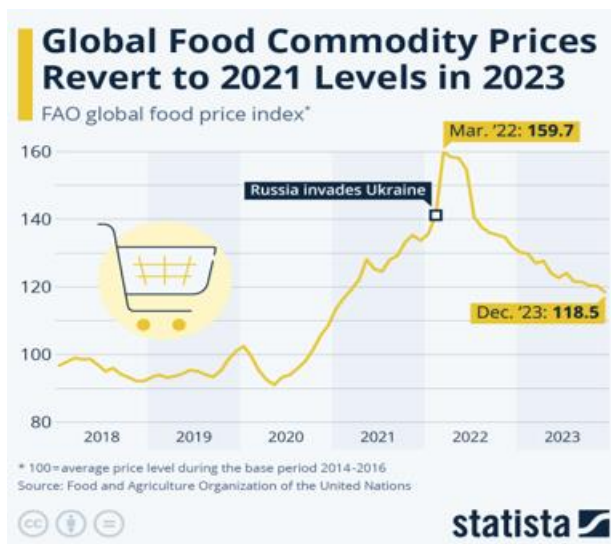
The food prices were already increasing before the war took place. However, the war worsened the situation. Russia and Ukraine alone supply a third of the world's wheat and barley, including 70% of sunflower oil and are also big suppliers of corn. However, due to the war, the food grains are not able to leave Ukraine. This is mainly because the Russian government blocks the coast area of the black sea thus

preventing the grains from reaching the middle east, north Africa, and parts of Asia. 3

About 400 million people rely on the Ukrainian market for food supplies and according to the Agriculture Organization (FAO) about 181 million people across 41 countries may face a food crisis. Ukraine was able to only supply 1.5 - 2 million grains every month after the war started. Even the Russian

government claims that it is not able to export food and fertilisers as many foreign shipping companies are scared to carry it due to various sanctions imposed.

Russia and Ukraine mainly export food grains to developing countries. Due to the war Countries, such as Somalia, Libya, Lebanon, Egypt, and Sudan, are heavily reliant on wheat, corn, and sunflower oil from the two warring nations. Due to the high food prices, it is causing political instability among these countries. A country like Egypt can bear high food prices but however a country like Yemen or countries in the Horn of Africa require serious humanitarian aid. The International Food Policy Research Institute said that if the war continues this way it may further lead to even more export restrictions thus further increasing the price of the food grains, and this may lead to hunger and starvation across the world.



3. Conclusion

This paper described the various aspects of the war, starting from a decrease in stock values on the day that the invasion took place. During the first few months of the invasion, not only did the economies of Russia and Ukraine suffer, but the economies of a significant number of other countries also suffered greatly as a direct result of the fighting. Because of the struggle between these two countries, there was a significant increase in the cost of food consumption all over the world. Both the price of crude oil and the cost of food went up, and both factors contributed to the overall increase. Therefore, leading to inflation on a global scale. The article describes how a great number of European nations imposed severe sanctions on Russia to mitigate the effects of the conflict. This resulted in a significant inflation problem that affected nations all around the world. This paper proved that the acts of a single nation can have a significant influence on the entire world. It places a particular emphasis on migration, the cost of oil and energy, and the cost of food all over the world. This article also covers the war from a geopolitical perspective and provides an overview of the efforts that many nations have taken in trying to bring the conflict under control. In addition to that, the article explores the war from a diplomatic perspective. The United States of America, the United Kingdom, the European Union, and several other nations are the principal focal points of attention.

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