

# The Impact of Russia Ukraine War on the Global Economy

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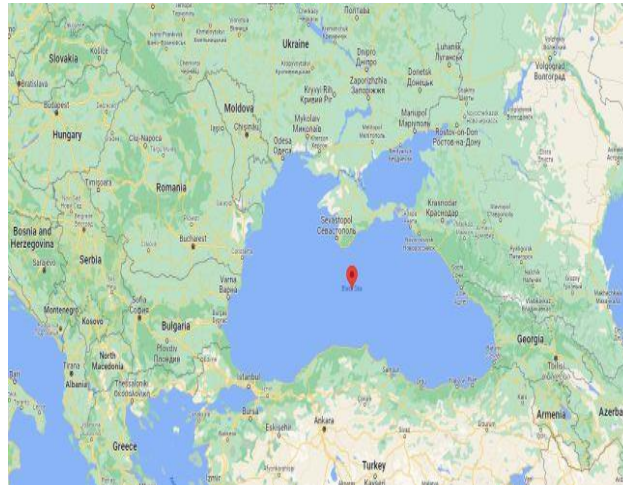
**Abstract:** Russia was originally part of the Soviet Union. The Soviet Union was one of the largest countries (area-wise) almost covering 1/6 of the earth's land area. Currently, Russia is still the largest country out there but it isn't as big as the Soviet Union. The Soviet Union was getting too hard to geographically manage hence it was divided into countries after World War 2. We have seen 2 gigantic world wars which had effects globally. There was a lot of loss in not only the economy but also in population. It is assumed that nearly 3 percent of the world population at that time perished which was nearly 70 to 85 million people. In this paper, we would be concentrating more on the economic impacts of the Russia-Ukraine war.

**Keywords:** *Global economy, Ukraine's war strategy, Global inflation, Russian economic crisis.*

## Introduction:

Russia invaded Ukraine on 24 February 2022. The current president of Russia is Vladimir Putin. According to Putin, the attack on Ukraine was to protect some of the citizens who were according to him being tortured in Ukraine for the past 8 years but the reality was Putin didn't like the fact that Ukraine was developing close relations with the western alliance NATO and didn't want to share its boundaries with a country who is a part of NATO. Some people believe that Putin wanted to reunite the Soviet Union (the Soviet Union was broken up after World War II as it was getting difficult to control such a large estate). (Why Has Russia Invaded Ukraine and What Does Putin Want? - BBC News, n.d.) In the following paper, we will be discussing the various economic impacts caused all around the world due to Russia's invasion. (World War II Casualties - Wikipedia, 2020)

Russia was the country that faced a major blow to its economy due to this war. Wars can't be fought without being completely invested in them. Countries need deep pockets to fund invasions like these. Russia had a GDP of 1.58 trillion dollars in the year 2021 which is nowhere near the Indian GDP of 2.6 trillion dollars. Russia stands at 11 places in the GDP table while India holds 5 places just overtaking the United Kingdom.



First one needs to understand the importance of the black sea. As we can see the black sea plays an important role in the import and export of various countries. There are half a dozen countries that are dependent on the black sea for their imports. The black sea helps in the transportation of goods across Europe and through Asia as well. Crude and refined oil products from Russia, Azerbaijan, and Kazakhstan pass through export terminals on the sea's eastern edge (The Black Sea - Google Search, n.d.) (Megan Durisin | Bloomberg, 2022).

There were many reasons why the Russian economy took such a blow while none of the countries directly took part in the war by defending Ukraine but tried to defeat Russia by trying to weaken its economic roots. None of the countries directly didn't take part in the war as they were either in an alliance or were dependent on Russia for its oil imports and didn't want to make Russia one of its permanent enemies (Russian Currency - Google Search, 2022,n.d.).

Later on, many countries took a stand against Russia when a motion was passed against Russia in the United Nations. The United Nations took various steps to help Ukraine by doubling its emergency fund etc. to help them but couldn't effectively stop Russia. India was throughout the war neutral on the entire agenda stating that it has relations with both countries and is effectively trying

to bring peace. In all this hassle India was able to rescue the Indians in Ukraine. This was also a big step where almost 20 000 refugees were rescued and brought safely back to India (India takes a neutral stand, 11 November 2020).

### **Review of Literature:**

Ukraine was attacked by Russia on February 24, 2022, as Peterson K. Ozil stated. Inflation increased as a result of the conflict-related price increase around the world. The economic impact of the crisis persisted in many regions of Europe and beyond Europe even after the conflict between Russia and Ukraine was resolved through mediation (Ozili 2022).

The commodities and financial markets, connections between trade and migration, and confidence, according to Ebru Orhan, are only a few of the international pathways via which the economic repercussions of the conflict have extended. The Russian-Ukrainian conflict will have an effect on the global economy primarily through three channels: financial sanctions, an increase in commodity prices, and supply chain disruptions (Orhan 2022).

In his essay, Tarek Ben Hassen explores the direct and indirect effects of the Russia-Ukraine conflict on world food security. Exports from Ukraine have ceased, there is a manpower shortage due to enlistment and population shifts, fertilizer supply is limited, and crop yields in the future are unknown. SDG 1 (No Poverty), SDG 2 (Zero Hunger), and DG 12 are among the SDGs that may be put at risk by war (Responsible consumption and production) (Hassen 2022).

Meihong Sun and Chao Zhang said that since the Russia-Ukraine conflict erupted, the financial markets throughout the world have fluctuated significantly. This study does a thorough examination of data from 86 nations to determine the contributions of geopolitical, economic, institutional, humanitarian, industrial, and firm-related aspects to the explanation of the diverse anomalous returns for listed businesses around the outbreak of the war (Sun & Zhang 2022).

The Russian invasion of Ukraine in February, in Kanhaiya Lal Meena's opinion, was the most significant conventional military assault since World War II and had the potential to trigger a financial meltdown on a worldwide scale. Given its longstanding strategic alliance with Russia, India had adopted a neutral approach. With this alliance, which is reminiscent of the Cold War era, Russia plays a crucial role in India's nation-building process, particularly in the early years. It covers multiple fronts, including diplomacy, defense, nuclear energy, and technology. India won't likely be protected by this from the devastation of a conflict of this magnitude. Particularly considering how tightly connected China and the US and other major nations like India and Russia are becoming in today's global geopolitical landscape (Meena 2022).

YiFang Zhiqian Shao's research article examines the direct and indirect effects of the Russia-Ukraine conflict on world food security. Exports from Ukraine have ceased, there is a manpower shortage due to enlistment and population shifts, fertilizer supply is limited, and crop yields in the future are unknown. SDG 1 (No Poverty), SDG 2 (Zero Hunger), and DG 12 are among the SDGs that may be put at risk by war (Responsible consumption and production) (Fang & Shao 2022).

According to Khudaykulova, Russia has been subjected to the toughest and most expensive sanctions against a major economy since the end of the Cold War. Regarding their speed, scope, and international cooperation, they seem to be without parallel. With cross-border financial and operational risk, there is now a greater sense of danger. The economy of Russia will depend on its existing export strategy, which may be difficult to weaken, even if future oil and gas embargoes are put in place. The opportunity cost of military investment, the humanitarian loss of the financial system, and the expense of mending post-war damage are crucial considerations at the start of a conflict. The economic effects of war are reviewed in this study. (Khudaykulova 2022).

According to Havlik and Peter, the Ukraine crisis is possibly endangering not just Europe's still-fragile economic recovery but also has major ramifications for Russia and Ukraine. This year, the economy of Ukraine, which is the conflict's primary casualty, might contract by up to 8%. The five industries with a greater than 3% share of overall exports from Russia to the EU are textiles, pharmaceuticals, electrical, mechanical, and transport equipment (Havlik 2014).

Uan Manuel Ramon Jeronimo and Raquel Flórez López claim that the Russian-Ukrainian conflict has negatively affected food supply chains, having a significant impact on production, sourcing, manufacturing, processing, logistics, and shifts in demand between countries that depend on imports from Ukraine. The study makes suggestions for reducing the impact of the supply chain, such as identifying new suppliers and partners in the supply chain as well as strategies for guaranteeing the quality and safety of food during battle conditions (Jagtap 2022).

According to Mariotti, The Russian-Ukrainian war is a dramatic effect of the growing imbalances and instability of the global economic and political order. This paper offers empirical evidence of a rampant "global protectionism", the slowdown of the world's economy in the long term, and the changing structure of global value chains. The aim of the paper is to open a discussion on the criteria that are needed to develop an economic and industrial policy (Mariotti 2022).

### **Research question:**

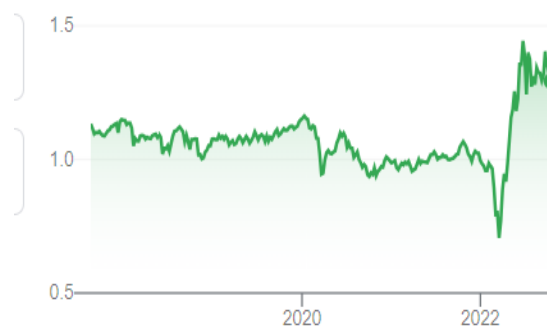
- Q1)** What were the major economic impacts faced by the entire world due to the Russia-Ukraine war?
- Q2)** How can Russia single-handedly force entire Europe into recession?
- Q3)** How has Ruble recovered despite being at war?

**Research objective:**

- To study the true intentions of Russia in invading Ukraine
- To study the economic impact of the Russian-Ukraine war all around the world.
- To study how the Russian economy survived when powerful countries like the USA and Europe were against them.

**Research Methodology**

This research is a qualitative and quantitative research study. The research primarily involved collecting data from research papers, Google search, and reading 3 quantitative reports which had detailed research about how many countries are dependent on Russia and Ukraine and how Europe is dependent on Russia for gas and petroleum which gave us the figures for the amount of gas consumed by Europe. The primary data was been extracted from the individual reports which are concentrated in individual sectors like the food economy etc. All such reports have been combined in a Google drive file and the link is provided at the bottom.

**Analysis and discussion:**

The official currency of Russia is the ruble. As we can observe that the value of Russian currency had been pretty consistent but it saw its majordownfall at the start of 2022 which was all because of the invasion, it did on Ukraine. The 8 Ruble recorded an all-time low on 18 March 2022 where 1 frozen Ruble was worth only 0.71 rupees. (*RUB/INR Currency Exchange Rate & News - Google Finance*, 2022) Photo 1 Before the war, Russia and Ukraine jointly were responsible for nearly ¼ of the globe's wheat export. According to some statistics, there were nearly 50 countries were affected in the food sector due to the following war. An increase in the price of a lot of products has been observed.

First one needs to understand the importance of the black sea. As we can see the black sea plays an important role in the import and export of various countries. There are half a dozen countries that are dependent on the black sea for their imports. The black sea helps in the transportation of goods across Europe and through Asia as well. Crude and refined oil products from Russia, Azerbaijan, and Kazakhstan pass through export terminals on the sea's eastern edge. (The Black Sea - Google Search, n.d.) (Megan | Bloomberg, 2022)

Now to truly understand the war we need to first understand that this war is being played on three criteria that are food, economy, and oil. All these three are explained in detail in this paper itself.

**FOOD:**

Egypt imports around 13 million tons of wheat annually. Wheat is around 40 percent of the average calorie intake of an average human being. Egypt annually spends over 3 billion dollars on its wheat imports and 3.2 billion dollars on the Tanween program to subsidize the cost of bread for more than 60 million Egyptians annually. Egypt was dependent on Russia for such Imports.

Now due to the war, the imports were reduced which therefore caused a rise in average spending of a normal person in Egypt as well hence the International Food Policy Research Institute (IFPRI) recommended diversifying its source of import so that it is no longer dependent on only Russia for import of Wheat since it's such a big part of their economy.

The Black Sea trade halt brought on by the Russia-Ukraine conflict affects a number of nations, including Yemen. Yemen depends on the Black Sea for its imports, and roughly 45 percent of its wheat imports come from Russia and Ukraine. Additionally, the conflict has increased the price of WFP's emergency food assistance by almost \$23 billion per month, thereby reducing the organization's ability to provide Yemen with life-saving aid. The import of wheat from the Black Sea is a major

source of income for many such nations, including Lebanon. (The Effects of Russia Invading Ukraine in the Middle East and North Africa, 2022).

Lebanon has not recorded growth in its economy since 2017. Lebanon has recorded one of the worst economic crises since the 19th century. The food prices in Lebanon have increased up to 400 percent from December 2019 to December 2021. the Lebanese government relies on domestic and foreign debt to subsidize up to 90 percent of the cost of wheat imports. Lebanon procures approximately 75 percent of its wheat imports from Russia and Ukraine.

The gulf countries are also dependent on the black sea for 90 percent of their imports Unlike other countries the gulfs have multiple sources like investing in technology to enable food production in arid climates, and engaging in the controversial practice of purchasing agricultural land in foreign countries and also its extensive diversification that the above-mentioned countries were unable to perform. Since the gulf countries have extensive oil money which has made their pockets deep, they have allowed them to absorb the increase in price in the required imports.

These were the countries dependent only on wheat like this Russia and Ukraine together are responsible for almost 20 percent of the world's corn export and more than 80 percent of the world's sunflower export which can also not be ignored hence the food industry took a major hit due to this war(Gabriel Di Bella, Mark Flanagan, Karim Foda, Svitlana Maslova,Alex Pienkowski, Martin Stuermer and Frederik Toscani,The Potential Impact of Disruptions to Supply, International Monitor Fund, July 2022 ,Report no WP/22/145).

### **ECONOMY:**

We can never underestimate the power of Russia. All the countries expected a major downfall in the Russian economy but as a matter of fact, it is performing a lot better than expected. Russia has a humongous chain of gas supply and with the same gas supply, Russia can alone push Europe into recession. The main war is between Russia and Ukraine but there is another war of economy occurring between Russia USA and Europe. Russia faced many problems due to the following reasons:

- The economic sanctions  
Russia at the moment is still the most sanctioned country in the world. To cut Russia's leg to stop it from advancing in the war countries sanctioned many sanctions on Russia.
- Russian goods being a band  
Russian goods were being banned all around the world and there was a high rate of tax being charged on Russian vodka.
- Many billion-dollar companies stopped their operations in Russia  
Russian accounts all around the world were frozen and many Russian businessmen who had international accounts, their accounts were frozen which means they are no longer in operation.
- Forex accounts are being frozen(the USA alone has frozen up to 300 billion dollars of forex),
- They have been banned from the swift network  
(Ting Lan, Galen Sher and Jing Zhou,The Economic Impacts on Germany of a Potential Russian Gas Shutoff, International Monetary Fund, July 2022,WP/22/144).

### **PETROLEUM:**

Russia is a country that no one can defeat in the oil game. Russia alone was responsible for 42 percent of Europe's gas. This was possible because of the Nord Stream 1 pipeline. This is an underwater pipeline. It is one of the world's most important pipelines and it runs for almost 1224 km. It connects Russia (Vyborg) to Europe (specifically Germany). This pipeline itself transports around 55 billion cubic meters of gas throughout the year. All the gas gets further distributed from Germany to all around Europe.(*Ukraine Conflict affects India's Telecom, Tea Exports: Centre in Parliament*, 2022).

As soon as Europe declared sanctions on Russia, the Russian ministers cut the supply of gas by 60 percent and made a condition that in case European countries wanted to continue buying gas they must do the transactions in rubles:

The effects of these were that the:-

- 1) The entire world observed a hike in petroleum prices. As we can observe that the prices have been going up continuously.
- 2) Since the trades were made in ruble the currency itself became stronger which explains why Russia was able to play the long game despite having so many economic sanctions. This made the ruble one of the best-performing currencies in the world and since petroleum prices increased there was an increase in the cost of production of all the goods and services produced in Europe and Europe as a result faced a 9.1% inflation. The average human being is being affected due to this as basic commodities like electricity were getting expensive.

A question may arise why is Europe dependent so much on Russia for oil and gas? the reason for this is no one can supply the amount of gas as Russia does because it already has established pipelines. If other countries try to export oil to Europe even working at full capacity will only be able to fulfill ⅓ of Europe's demand.

The Russians made almost 3 times the amount of money that they would ideally make and were not facing any loss (there was ideally a 60 percent cut in the supply to Europe) as India and China supported Russia. India did it by replacing Europe in consumption which means that the amount of gas Europe used to take the same amount of gas was being utilized by India and the European companies became desperate and were ready to pay extensive prices for the same amount of gas (Gabriel Di Bella,



Mark Flanagan, Karim Foda, Svitlana Maslova, Alex Pienkowski, Martin Stuermer and Frederik Toscani, Natural Gas in Europe, International Monitor Fund, July 2022, Report no WP/22/145).

### **Conclusion:**

The Russia-Ukraine war had an extensive impact on the entire world. If wars like these continue, it will be difficult to survive economically and physically. Wars might be fought between two countries but it is important to understand that at the end of the day it is the residents of all around the world who are being affected. Today's inconsistent relations between countries are not safe and can lead to any conclusion which might not be in the best interest of everyone.

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