

RUSSIAN-UKRAINIAN WAR AND THE GLOBAL ECONOMY

Essien Ukpe and Idara-obong Victor
Department of Political Science
Akwa Ibom State University
Obio Akpa Campus
essienukpe@aksu.edu.ng;
idaraobongvick@yahoo.com

DOI: <https://doi.org/10.60787/aasd.vol4no1.110>

Abstract

This paper examined the aftermath of the war between Russia and Ukraine on the world's economy, assessing how it has affected the growth of the economy, international trade, global commodity markets and financial systems globally. The study was analyzed based on the Global Political Economy (GPE) framework using a Mixed-Methods Approach to explore the impact of the war economically. Major findings showed that the war impacted negatively on the world's economy, especially in commodity markets. In addition, the war between Russia and Ukraine has sparked economic spill-overs that affect commodity and financial markets, trade, migration and the confidence of both investors and consumers. The findings recommend that the international community should support humanitarian efforts and get involved in the responsibility of providing for war-displaced refugees. The political backing for Ukraine has helped in the negotiation talks between Russia and Ukraine, especially in respect of NATO membership; it is equally important as it helps to assuage the invasion's aftermath. If Russia is still bent on resisting the Ukraine membership in NATO, then they have no option than to accept Ukraine's military empowerment for self-defense. Also, the accord to respect Ukraine's sovereignty, in respect of the principles of non-interference, should bind Russia. On their part, the United States of America ought to recognize and appreciate the Eastern Europe as a region of strategic importance to Russia. It is expected that at the global level, policy makers should focus on targeted aid to countries that are vulnerable and embolden their social safety programs as well as avoid carrying out measures that are disruptive as a response to increasing prices of commodities.

Key words: War, Global Economy, Financial Market, Commodity Market, Refugee Crisis.

Introduction

The intention of Ukraine to join the North Atlantic Treaty Organization (NATO) sparked off an unfriendly reaction from Russia. Russia had accumulated substantial military force around the borders of Ukraine and even Belarus, the neighboring country, right from early 2021 through February 2022. Russia was accused by NATO of preparing for an eruption, but their officials kept denying the accusation; and as pressure got built up, the President, Vladimir Putin, kicked against the expansion of NATO and insisted that Ukraine be barred permanently from joining the alliance. President Putin as well made expression of irredentist beliefs and queried the sovereignty of Ukraine.

The alliance between Ukraine and NATO started as far back as the early 1990s. Right from when Crimea was annexed by Russia in 2014, cooperation between Ukraine and NATO became intense, especially in areas that are critical. In the ongoing Russian-Ukrainian war, Ukraine has gotten a remarkable level of support from NATO and its Allies; with the latter defending the former's right to self-defense in spite of its not being a member of NATO. Critics have debated that strategic interest in the region is the driving force behind NATO's involvement.

Russia formally recognized the Donetsk and Luhansk People's Republics as independent states and deployed troops down there on February 21, 2022; and after three days, the Russian President Putin made a pronouncement of a "special military operation" with the aim to "demilitarizing and denazifying" Ukraine. This marked the onset of a full blown invasion as Russia launched its invasion with missile strikes and air raids across Ukraine and Kyiv which was followed by a large crowd offensive. Reacting to this invasion, the Ukrainian President Volodymyr Zelensky made a declaration of martial law and ordered a general mobilization of all Ukrainian men from age 18 to 60, preventing them from traveling out of the country.

The invasion was widely kicked against by the international community such that several nations imposed sanctions on Russia and increased the ones that already existed. Belarus was not left out in the sanctions and boycotts for getting involved. Consequent upon this, the United Nations General Assembly, in Resolution 2623, called for full withdrawal of Russia from Ukraine while Russia was ordered by the International Court to discontinue its military operations. In addition, Russia was expelled from the Council of Europe and these actions together with the sanctions have recorded enormous impact on both the Russian and world economies. Many countries as well supplied military and humanitarian support to Ukraine.

At first, Russia's target appeared to gain control over Kyiv loyalty by stopping the interim government from authorizing a trade agreement with the European Union, and this would have abated the economic dependence of Ukraine on Russia and given room for closer ties with NATO. Historically, Russia has sought to maintain political influence over Ukraine, largely through fostering economic dependence, a dynamic that remains crucial in the ongoing conflict, (Ukpe, 2020).

The invasion of Ukraine by Russia has intensified tensions globally. President Vladimir Putin of Russia nurses bitter feelings of resentment over the decline of power and influence of Russia since the dissolution of the Soviet Union in 1991. That was the same year that Ukraine, which was part of the Soviet Union, declared its independence. NATO was originally formed to counter the expansion of Russia in Europe after World War II, but the expansion became so exponential after the collapse of Soviet Union, admitting membership from many former Eastern European allies of Russia from the Warsaw Pact. There has been a prolonged argument by Russia that the expansion of NATO is a threat to its security and it vehemently countered Ukraine's efforts in joining with the fear that the alliance would be brought too close to its borders.

The Russian invasion is a continuation of a broader war that started as a "hybrid war" following the 2013-2014 "Revolution of Dignity," also known as Euromaidan. There were mass protests in Ukraine at that time by the citizens who sought closer ties with Europe. The protests led to the removal of the then President, Viktor Yanukovich, who ran to Russia for assistance to squash them. Russia in their reaction illegally annexed a strategic region of Ukraine (Crimea) that borders the Black Sea and from then onward, over 14,000 citizens of Ukraine have lost their lives as a result of the fight in Donbas region of eastern Ukraine.

At the time that Soviet Union was dissolved, the only part of Ukraine that had the existence of majority ethnic Russians was Crimea but despite that, up to 55 percent of the populace were in support of Ukraine's independence. It was erroneous for President Putin to think that annexing Crimea and inciting an armed protest in Donbas would cause the unity of Ukraine to break up and thereby resulting in its eastern and southern regions to fall apart and form alliance with

Russia under the name “Novorossiya” or “New Russia.” Unfortunately, this vision did not work out as expected.

The latest Russian invasion is an effort targeted at forcefully accomplishing the same purposes with the aim to quell resistance, displace hundreds of thousands to Siberia and the far north, and inflicts mass suffering, such as starving millions. History has it that Russia and other foreign authorities have fought hard to frustrate Ukraine’s efforts to gain independence. Putin, who has repeatedly dismissed Ukraine’s successful 1991 declaration of independence, appears determined to reverse it, a desire that culminated in Russia’s invasion of Ukraine on February 24, 2022. These actions stripped all disguises from Russia’s plan to perpetuate its domination of Ukraine (Ukpe, 2024, p.19).

Statement of the Research Problem

The Russian-Ukrainian conflict has caused a serious disruption in the global supply chains resulting in aggravating the economic uproar. A look at the world economy shows that the flow of electronics, raw materials and other major supplies such as energy and food imports from regions like China, Japan, India, South Korea, Taiwan and Thailand has been seriously interrupted as a result of the war. Global trade has been severely hampered by this disruption and this pushes some companies to consider overhauling their established supply chain and partnership networks thoroughly. The conflict has exacerbated delays in logistics, intermediate goods shortages, and a slow in energy commodity supply, which have been major causes of inflation the world over right from the onset of Corona Virus (COVID-19) pandemic.

As a result of disruptions in supply chain and costs of rising food and energy, the global inflation had increased steadily beyond the expectations of the central bank, such that rates shot up from 1.2 percent in May 2020 to 6.5 percent in February 2022. The peak of the inflation was expected in the first half of 2022 and then gradually goes down in 2023 with the aid of stable inflation expectations in most nations.

Already, before the war broke out, Ukraine and Russia were facing economic challenges. The economy of Ukraine that was gradually recovering from the COVID-19 pandemic was deriving some benefits from high export returns and growing domestic demand as COVID-19 restrictions relaxed, but the recovery was interfered with due to high energy costs and fiscal constraints. Growth sustainability depended on completing critical reforms to ginger private sector investment and job creation. In Russia on the other hand, the expectation was that its growth would drop to 2.4 percent in 2022 after a strong rebound in 2021, due to the rising inflation, tighter economic policies, geopolitical tensions and structural weaknesses but that was not the case. So in spite of these problems, Russia had built up remarkable macro-economic buffers in recent years that introduce an inflation target, exchange rate flexibility and a fiscal rule to direct excess oil and gas revenues into its National Wealth Fund.

The Russian invasion has as well resulted in a hike in energy prices and this has seriously affected agriculture, especially in energy-intensive territories like the developed world. Also, the inland transport infrastructure, seaports as well as storage and processing facilities of Ukraine have been destroyed halting commercial shipping operations from Ukrainian ports and increasing trade risks as a result of this invasion. In addition, food exports from both countries, have been hindered and this exposes global food markets to tighter supplies, unmet import demands, and rising international food prices. Ukrainian grain exports is the worst hit as the

blockade of Black Sea ports and limited alternative transport options, such as rail, river, or road, have hampered the export of seaborne shipments (Mankoff, 2002).

The prospects of short-term global economy have been worsened critically, resulting in generating wide range impacts through commodity and financial markets, trade and migration channels, thereby creating doubts in the minds of investors and consumers. Consequent upon the strong trade, financial and migration ties that exist among neighboring countries in the Eastern Europe, the South Caucasus, and Central Asia with Russia and Ukraine, these territories together with the world economy will likely come face to face with some negative economic realities.

So many European countries that depended so much on Russia for natural gas are equally experiencing the adverse effects. Though the wider world economy shares in the burden of the negative effects, the greatest brunt is borne by that region. Hike in prices of food and energy has heightened effect of inflation and raised expectations for a faster tightening of monetary policies globally. As both Russia and Ukraine are major exporters of essential commodities that constitute so many global value chains, reduction of these commodities would likely affect industries all over the world, including food production, construction, petrochemical and transportation.

The brunt of the geopolitical risks as a result of Russian invasion came heavily on global economic conditions throughout 2022 and beyond. It is obvious that the Russian-Ukrainian war has caused increase of the financial distress in Emerging Market and Developing Economies (EMDEs), unanchored inflation expectations, and widespread food and energy insecurity. A protracted war could worsen uncertainty of the global policy that results in a long-term break up of international trade, finance and investment networks. In addition, there will be a further strain on human capital, especially in neighboring regions such as Central Asia, where there is a spike in food insecurity affecting vulnerable households disproportionately. The serious disruptions on education that the war has caused could have perennial impact on human capital development, particularly in Ukraine.

The Russian-Ukrainian conflict has caused different harmful consequences on different people. For instance Ukraine is devastated; Russia suffers further isolation from the West while the global community suffers intensified economic instability. The global economy is severely dealt with, prices of food and energy hiked and the growth stifled. Being that Russia and Ukraine are key commodity producers, their conflict has triggered prices of commodities to skyrocket globally, most especially in oil and natural gas. There is also upsurge of prices of food, particularly wheat, because Russia and Ukraine constitute 30 percent of wheat production the world over. Being that the war has dealt a heavy blow on the global economy, it is expedient that individual countries be mindful of how they run their economies to guard against further breakdown and assuage the harm already inflicted as a result of the current conflict.

Theoretical Framework

Global Political Economy (GPE) Theory was the framework applied in carrying out the analysis of this study. The theory examines the partnership that exists between political and economic dynamics on a global level with the aim to come to the understanding of how political institutions, processes and ideologies frame economic systems and how political power is in turn influenced by economic structures. The Global Political Economy framework takes a look

at numerous topics such as the distribution of power, wealth and resources among nations, the role of international organizations, and the effects of globalization (Ukpe, 2012). It provides a complete framework for the analysis of the intricate interactions between political and economic forces on the global stage.

The proposition of the Global Political Economy Theory is not attributed to an individual or a school of thought, but rather framed by the contributions of different scholars such as Karl Marx, Vladimir Illich Lenin, John Maynard Keynes, and more recent thinkers like Susan Strange, Robert Cox and Immanuel Wallerstein. The GPE framework is suitable for this research because it tries to examine the political motivations behind invasion of Ukraine by Russia and its effect on the global political economy.

Methodology

Assessing the repercussion of invasion of Ukraine by Russia on the global economy, the paper made use of Mixed-Methods Approach, a technique that combines both quantitative and qualitative research methods to fully comprehend the topic. While quantitative data gathered helped to identify general trends and patterns, the qualitative data enhanced a deeper delve into the specific impact of the Russian-Ukrainian war on the global economy.

Implications of Russian Invasion of Ukraine

There are several consequences for the global economy arising from the Russian-Ukrainian war. Such include the following:

Regional and Global Impact

Reports gleaned from the World Bank (2022b) state that numerous economies in Europe and Central Asia (ECA) have suffered severe consequences as a result of their strong ties with Russia; and Ukraine (to a lesser extent). These ties are through trade, remuneration, commodities and confidence; and are greatly prominent in Eastern Europe, the South Caucasus and Central Asia. It is obvious that a substantial downshift in Russia and Ukraine would disrupt flows of trade, financial transactions and remuneration. This will also cause a break-up in supply chains and transport links as well as affect digital connectivity and related services while increasing investor risk perceptions. Higher prices of energy are causing monumental repercussion on the affordability and financial sustenance of electricity and heating services. For example, remittances from Russia contribute a significant portion of Gross Domestic Product (GDP) in countries like Tajikistan and the Kyrgyz Republic, with the real value of these remittances expected to dwindle sharply as a result of economic activity decline and currency devaluation. In addition, Russia and, to some extent (though lesser), Ukraine are major export markets and sources of tourists for several Europe and Central Asian countries and consequent on this fact, growth in this region remarkably declined from 7.8 percent in 2021 to 2.2 percent in 2022.

The World Bank (2022c) informs that direct economic exposure to Russia and Ukraine is relatively minimal outside the region of Europe and Central Asia. When they are put together, the countries outside Europe and Central Asia (ECA) region constitute approximately 2.2 percent of global GDP, 2.2 percent of global exports and 1.7 percent of global imports, with minimal contributions to global foreign direct investment assets and bank claims. Though nearly half of exports from Russia are energy products and fuels, and some governments plan to cut down on Russian energy imports, there is a limitation to direct sanctions on energy import bans by the United States, the United Kingdom, and Canada.

All the same, energy exports are indirectly facing the consequences of the conflict which include the transaction and insurance challenges. The economic relationships of the Euro area with Russia are restricted and had dwindled since 2014, while China's connections with Russia, though increased, remain limited. A substantial decline in Russian tourists will affect global tourism as the country was rated the sixth largest global tourism source by expenditure in 2019. It is observed that trade and financial relationships for most economies of Europe and Central Asia are very much stronger than those with Russia. Generally, exports to Russia and Ukraine do not account for up to five percent of total exports, while Russian and Ukrainian tourists usually account for up to one-quarter of total tourist arrivals.

The World Bank (2022e) has shown that in spite of the fact that Latin America and the Caribbean are net commodity exporters, they are likely going to face adverse impacts. The slow response in supply, difficulties faced by energy importers, and inflationary and monetary policy implications are expected to outweigh potential benefits from increased exports. On the contrary, there is a prediction from the World Bank (2022f) that the Middle East and North Africa are likely going to witness upgrading of growth in the short term as the benefits of rising prices of oil for oil exporters supersede the losses for oil importers in the region. The next section of this paper will assess these transmission channels and their potential long-term consequences if not checked by vigorous policy measures.

Global Trade Flows

According to the Organisation for Economic Co-operation and Development (2022), the war has caused interruption on trade and global transport routes, thereby aggravating the issues of existing supply chain. The mutual flight prohibition between Russian and European airspaces has threatened a disruption of global air cargo. This disruption will result in increased transport costs because of the need for longer and costlier rerouting, especially between Europe and East Asia. Approximately, 20 percent of global air cargo has been affected by these airspace bans and at the same time, shipping lines that account for almost 50 percent of global container shipping capacity have announced that they will stop bookings with Russia. This automatically poses a complication in the export processes for Russian businesses and trade via the Black Sea has also been affected, with the volume of dry bulk vessels at ports in Ukraine already dropping by 82 percent as at March 1, 2022, when compared to early February. At the same time, there are more than 20 percent reductions of visits to ports in Russia.

Energy and Agricultural Commodity Prices

Prices of agricultural commodity and energy have skyrocketed remarkably, and this hike is prominent in commodities that are majorly exported by Russia and Ukraine. Right from the outbreak of the war, prices of coal have increased by 60 percent; prices of natural gas from Europe have surged by 30 percent; while prices of wheat have risen by no less than 40 percent. Since early March, prices of Brent crude oil had reached the peak of 10 years of \$130 per barrel due to the UK and US restrictions on Russian oil imports, though prices later came down to around \$110 per barrel. Sanctions placed on financial middlemen have again increased costs that are linked with tradings that involve Russian oil, though Russia has strove to locate buyers, which has resulted in Urals crude (the Russian benchmark) trading at a discount of more than \$25 per barrel compared to Brent. The surge in prices of agricultural commodities and other input like fertilizers have aggravated the adverse effects on the impoverished and vulnerable

populace. These increments add to earlier spikes in prices right from January 2022, which are driven by rebounding global demand and weaker-than-expected production among the Organization of the Petroleum Exporting Countries (OPEC) countries. Inflated costs of energy have equally increased prices for commodities like aluminium and fertilizers that are energy-intensive, with industrial commodity inventories, particularly crude oil and tin, reduced significantly.

The dependence of Europe on Russian energy has made its economy especially vulnerable. According to Bachmann, Baqaee, Bayer, Kuhn, Löschel, Moll, and Peich (2022), there have been a 400 percent spike in prices of gas since January 2021, and prices of oil in the euro zone have doubled as well. In March 2022, it was observed that increments in prices of energy constitute two-thirds of the 7.5 percent surge in euro area annual inflation; and that has impacted production costs and purchasing power. Assuming there is a reduction of Russia's crude oil or natural gas exports to Europe, there is a tendency that regional prices would spike because Russian exports contributed more than 35 percent of the euro area's natural gas imports, over 20 percent of oil imports, and 40 percent of coal imports. Russia equally relies on the euro zone for its exports, with upto 40 percent of its crude oil and natural gas going to the euro area. If Russia chooses to divert part of its energy exports to somewhere else, it will be restricted by the present gas pipeline infrastructure.

Numerous Emerging Market and Developing Economies (EMDEs) depend heavily on Russia and Ukraine for food and fertilizers. There are many nations who get supply of more than 75 percent of wheat imports from Russia and Ukraine, particularly in Europe and Central Asia, the Middle East and North Africa and sub-Saharan Africa [World Bank (2020)]. Also, some countries normally obtain the supply of a good quantity of corn and seed oils from Ukraine but unfortunately that has been disrupted by the war. For instance, wheat, majorly produced in Southern and Eastern parts of Ukraine, has been disrupted by the conflict, most especially as those areas appear to be epicenter for the war. And spring planting of other essential crops like corn, barley and sunflowers may also be affected as a result of it. Transportation logistics for crops in Ukraine are facing some difficulties with a good percentage (say about 90 percent) passing through Black Sea ports that are presently not active. Back in Russia, the country has suggested that fertilizer exportation be put on hold. This will impact negatively on the global food production in that Russia is the largest exporter of fertilizer, who account for 13 percent of global exports.

On the contrary, there may be short-term benefits from higher commodity prices for net commodity exporters, particularly those in the energy sector. This effect will appear very conspicuous in some member states of Organization of the Petroleum Exporting Countries (OPEC) and other energy exporters, especially in Latin America. This has led to increase in export and fiscal revenues, although some gains may be offset by prior hedging activities. On the other way round, non-energy commodities exporters may witness benefits reduction from higher prices because of increased costs for energy and fertilizers.

The World Food Programme (WFP) (2022) indicator has shown that commodity production disruption will likely worsen food and energy insecurity. Russia and Ukraine are key exporters of agricultural commodities, especially to Emerging Market and Developing Economies (EMDEs) in the Middle East, North Africa (MNA) and sub-Saharan Africa (SSA). The war has affected the shipping of agricultural products via ports in Ukraine and Russia, and these disruptions are likely

to last for some reasonable period.

The protracted war can cause a severe reduction of Ukraine's agricultural output in the short term and also have adverse impacts globally on agricultural production through a surge of the costs of inputs like fertilizers. Food insecurity can be aggravated particularly due to the limited supply of wheat globally, thereby making food prices across Emerging Market and Developing Economies (EMDEs) to increase further. In such a situation, countries that mainly depend on imported grains and oilseeds are at risk of vulnerability. Imported cereals constitutes, over 30 percent of dietary energy in more than 40 countries, including Africa, that are supported by the United Nations World Food Programme.

Artuc, Falcone, Porto and Rijkers (2022) note that the current Russian-Ukrainian conflict could seriously exacerbate the already battered economy in which the COVID-19 pandemic and its economic consequences had raised the number of undernourished people globally beyond 120 million since 2019. Model estimates opine that if high prices for wheat and corn persist, it is possible that an average household earnings in EMDEs could drop by 1.5 percent, leading to greater inequality and poverty in many regions (Ukpe, 2012). Also, Mahler, Yonzan, Lanker, Wu and Yoshida (2022) have opined that about 10 million people could be pushed into abject poverty with just one percent increase in prices of food. In addition, reduction in oil and gas exports from Russia could spike energy insecurity across Europe and EMDEs, leading to further increases in energy prices.

Global Supply Chain Disruption

The military intervention during the Russian invasion of Ukraine will affect diverse sectors by disrupting supply chains the world over. Russia's ban on foreign imports, which include its blockade of waterways and airspace to prevent foreign cargoes passage during the conflict, as a reciprocal to restrictions placed on its exports, have brought about outstanding interruptions in supply chain. These disruptions in return can lead to shortages and increased prices for imported commodities. Companies are expecting that the block off and bans on trade will end in the hoarding of supplies thereby sky-rocketing costs. Besides, commercial flights, limitations near the Ukraine-Russian border and tightened security measures at refugee camps in neighboring countries will presumably cause disruption of cargo flows and border operations. Since border officials give priority to processing refugees, cross-border goods and supplies may face delays or halts, which will aggravate supply chain disruptions as well as hike import prices.

Rising Oil and Gas Prices

Prior to invasion of Ukraine by Russia, prices of energy had been escalating as a result of diverse factors such as COVID-19 pandemic, restricted energy supplies and rising tensions between Russia and Ukraine. During that period, there was relative stability in prices of oil, which ranged between \$80 and \$95 per barrel. But consequent upon the invasion, there was upsurge in prices of oil beyond \$100 per barrel. This invasion puts European companies and oil marketers at risk as they may face difficulties in getting energy supplies from Russia, the world's second-largest oil producer exporting most of its crude to European refineries.

Moreover, Russia, the largest natural gas supplier to Europe, supplies approximately 40 percent of its needs. With such an outstanding role in global oil exports, Russia's invasion is expected to spark disruptions of energy supply and a continued increase in energy prices. This situation could be worsened should Russia retaliate with a ban on export supplies of energy to Europe

and other regions, and this will automatically disrupt energy markets worldwide and further raise the price. The war could kick oil prices beyond \$140 per barrel, possibly dampening global economic growth and pushing some European and non-European nations into recession. Prices of gas for households may as well go up because of concerns over possible disruptions of global energy supply. While the United States could tap into its energy reserves to palliate some lacunae, it would take sometime to tackle the growing energy demand amidst the current trade negotiations, all while global energy prices continue to surge.

Effect on Global Stock Markets

The global stock markets witnessed a swift dwindling in share prices due to invasion of Ukraine by Russias' investors sought safer assets in response to the escalating war. Table 1 below shows the lowest trading prices in key stock exchanges when the invasion took place, highlighting that the most outstanding decline in share prices within the five-day window (February 18 to February 25) took place on February 24, 2022, the day that the invasion struck. It also shows that on that day which the invasion occurred, the Dow Jones Industrial Average crashed by over 100 points, the S&P 500 index declined by more than 250 points, the Euronext 100 index dropped by over 400 points, and the Shanghai Composite index fell by more than 150 points. Moreover, there was a rebound by the stock markets the next day after many countries had slammed stringent sanctions on Russia.

Table 1: Global stock markets (the lowest price at which stocks were traded during the invasion period)

United States	United States	Australia	Europe	United Kingdom	South Africa	China
Dow Jones Industrial Average	S&P 500 Index	S&P/ASX 200 Index	Europe Next 100 Index	FTSE 100 Index	JSE	SSE Composite Index
Lowest price	Lowest price	Lowest price	Lowest price	Lowest price	Lowest price	Lowest price

Rising Global Inflation and Cost of Living

Should the war persist, a lot of European countries including Germany and the United Kingdom will witness increase in the cost of living. For instance, information from the UK Office for National Statistics shows that inflation in the United Kingdom has already risen to 5.5 percent. This implies that consumers spend more money on fewer commodities. The war will further drive up prices for oil, gas, food and food ingredients, resulting to a higher cost of living as expenses for mortgages, cars and electricity could spike significantly. The effect will equally be felt by developing nations who rely on energy imports as the cost of energy will be higher. This could lead to increased pump price of fuel, hike in food costs and more expensive imports, even when the level of earnings remains unchanged. Such countries will possibly experience higher inflation resulting in higher cost of living. At the same time, both developed and developing nations could witness a spike in inflation and cost of living globally.

Other economic effects

Table 2 below illustrates varying economic indicators for February 2022, the month that the invasion occurred, comparable to January 2022 and highlights measures taken by the central

bank as a response to the invasion of Ukraine by Russia.

Table 2: Country-specific Economic Consequences after the Invasion in February

Selected countries	Some economic indicators	Direction
The Netherlands	Business confidence dropped to 8.5 points in February 2022 from 9.0 points in January 2022.	Negative
Turkey	Economic confidence index declined to 98.2 points in February of 2022 from 100.8 points in January 2022. Also, manufacturing PMI dropped to 50.4 points in February of 2022 from 50.5 points in January 2022	Negative
Denmark	Manufacturing confidence index took a downward turn to -2 point in February 2022 from -1 point in January 2022	Negative
France	Annual inflation rate expected to increase to 3.6% in February of 2022 from 2.9% in January of 2022.	Negative
Ukraine	The PFTS stock exchange remained closed as a result of the war between Ukraine and Russia.	Negative
Italy	Manufacturing confidence index fell to 113.4 points in February 2022 from 113.7 points in January.	Negative
European Union	Consumer confidence index in the EU dropped, to 10.20 points in February from -10 points in January 2022.	Negative
Slovakia	Consumer confidence index declined by 0.9 points to -22.3 in February 2022 from 21.4 in January.	Negative
Iceland	The annual inflation rate in Iceland increased to 6.2 percent in February 2022 from 5.7 percent in January.	Negative
Sweden	Business confidence index rose to 114.8 points in February of 2022 from 109.9 points in January	Negative
Russia	The IHS Markit Russia manufacturing PMI fell to 48.6 points in February 2022 from 51.8 points in January	Negative
Kyrgyzstan	Central bank increased rate by 150 points to 10% on February 28, 2022 in response to COVID-19 pandemic, inflationary pressures and rising geopolitical risk in eastern Europe.	Negative
Taiwan	Consumer confidence index in Taiwan dwindled to 73.19 points in February 2022 from 73.67 points in January 2022	Negative
Myanmar	The IHS Markit Myanmar Manufacturing PMI dropped to 47.3 points in February 2022 from 48.5 points in January	Negative
Ireland	The AIB Ireland Manufacturing PMI fell to 57.8 points in February 2022 from 59.4 points in January.	Negative
Indonesia	The IHS Markit Indonesia Manufacturing PMI declined to 51.2 points in February 2022 from 53.7 points in January.	Negative
Japan	The au Jibun Bank Japan Manufacturing PMI dropped to 52.7 points in February 2022 from 55.4 points in January	Negative
Belgium	Annual inflation rate rose to 8% in February 2022 from 7.6% in January	Negative
Sri Lanka	Annual inflation rose to 15.1% in February of 2022 from 14.2% in January	Negative

Belarus	The Central Bank increased refinancing rate by 275bps to 12% on February 28, 2022, to maintain financial stability and limit risks of rising inflation arising from the sanctions imposed against its neighbouring Russia.	Negative
---------	--	----------

Source: Trading economics

Effect on Global Commodity

Table 3 presents the effect of the invasion on prices of goods globally.

Table 3: Effect on Global Commodity

Commodity	Economic effect
Natural gas	EU natural gas prices reached close to €100 per megawatt-hour.
Oil	Brent crude futures rose close to \$100 a barrel on 28th February. Also, WTI crude oil rose to above \$96 a barrel on 28th February after Western nations imposed fresh sanctions on Russia, raising fears of supply disruptions.
Gold	The price of gold almost reached \$1,900 an ounce on 28th February
Palm oil	Palm oil increased to an all-time high of 6291 MYR/T
Uranium	Uranium futures traded at a high price above \$46 per pound amid Russia's threat of using nuclear energy following the Western sanctions on Russia for invading Ukraine.
Mineral	Palladium futures rose to \$1834 an ounce due to the ongoing conflict in Ukraine.
Silver	Silver futures traded above \$24 per troy ounce on February 24th, due to rising demand for precious metals following the Ukraine conflict
Cocoa	Cocoa futures traded at around \$2527 an ounce on 28th February due to lower global demand and supply constraints caused by Russia's invasion of Ukraine. Border closures placed curbs on travel which in turn prevent the sale of chocolate and coffee
Coal	Newcastle coal futures traded at a high price of \$274.5 per tonne on February 28 due to soaring demand for electricity and power, particularly from European countries affected by the ongoing Russia-Ukraine war.

Source: Trading economics

Other Effects of the War include:

Higher Inflation and Tightening Accelerated Monetary Policy

Increase in prices of food is triggering inflationary pressures and this may speed up tightening of monetary policy, raise stagflation risk and worsen poverty and inequality situation [Ha, Kose and Ohnsorge (2022)]. Market-based indicators of long-term inflation expectations are all-time high in both the United States and Germany.

Though the United States Federal Reserve had earlier made plans for assorted hikes on interest rate a year before the outbreak of the conflict, it is possible that the inflation upsurge and expectations result in a more severe monetary policy tightening. The same dynamics may likely occur in the eurozone and in Emerging Markets and Developing Economies (EMDEs). Financial situations all over the world had remarkably tightened since February, and tightening it

further could even make financial stress for EMDEs to be worse given the present vulnerabilities like high debt levels, large foreign currency-denominated liabilities, substantial short-term debt rollover needs, and twin deficits in their current accounts and fiscal balances. The most vulnerable to the financial pressures surge are Emerging Markets and Developing Economies that import goods and whose credit ratings are lower.

Increased Financial Stress in EMDEs

According to Chuku *et. al.*(2023),the impacts of the COVID-19 pandemic alongside the invasion of Ukraine by Russia have brought intensity on the existing debt vulnerabilities in low-income countries across Latin America, Africa and developing regions in Asia. LME (2022) notes that the conflict could further depress risk appetite across various Emerging Markets and Developing Economies (EMDEs), while increase in market volatility could spread into widespread financial stress. With excessive intraday changes in prices of some commodities and financial assets, market-specific is at continuing risk of disruptions. As it stands, some big companies have already faced remarkable margin calls as a result of the nickel market fluctuations, which prompt cancellations and suspensions of trade.

Financial institutions are likely to encounter very great losses because of unexpected exposure to Russia, either through leveraged non-bank financial entities or the Russian institutions' failure with cross-border implications. More broadly, financial instability could escalate internationally as increasing investor risk aversion can result in capital flight from EMDEs, currency devaluations, dwindling stock market values, and higher bond market risk premiums. The fact that levels of debt are extremely high and the pandemic had dwindled the prospects for long-term growth; investors may start taking a critical look at how certain countries' debt can be sustained.

Conclusion

The invasion of Ukraine by Russia had swift and severe lasting effects on commodity markets causing a surge on the prices of goods, which regions and businesses who are into production may stand to benefit from the disruptions.

Moreover, the surging costs for agricultural input, food and energy have created some new challenges for net-importing regions, supply chains and consumers. Though the long-term consequences of the war are unpredictable, they could result in the current disruptions and sustained high prices. The conflict and sanctions imposed on Russia have much impact on economies the world over, such that emerging markets and developing economies, especially in Europe, Central Asia and Africa are the worst hit. The war has created adverse impacts which have spread all over the world, particularly in commodity markets, with economic consequences causing disruptions in commodity and financial markets, trade, migration and a drop in investor and consumer confidence.

As a result of their close relationships through trade, finance and migration, countries in Eastern Europe, the South Caucasus and Central Asia are witnessing very harsh damage economically. The world food market risks have been intensified because of disruptions to food exports from Russia and Ukraine, which now results in tighter supplies, unmet demand and higher prices of commodity. Exports of grains from Ukraine have particularly suffered the damage due to blockage of Black Sea ports, coupled with restricted choice of routes such as rail, river, or road transport that are not sufficient to make up for the loss of seaborne shipments.

In the meantime, the priorities in focus, regionally and globally, are humanitarian aid, with reconstruction efforts to go by as the war recedes. Giving war-torn Ukraine humanitarian

assistance is the most immediate and pressing priority for the international policy community.

Recommendations

Based on the findings from the research, the following recommendations are made:

- i.) A concerted national, regional and global response is necessary to tackle and proffer solution to the conflict. There is need for the international community to wade in and assist with humanitarian aid as well as join hands in giving support to refugees displaced by the war.
- ii.) As the global community offers political support to Ukraine to assist in alleviating the impact of Russian invasion, it should as well push for negotiations between the two countries as it concerns Ukraine's potential NATO membership.
- iii.) In case Russia remains adamant against Ukraine's NATO membership, it should consent to full militarization of Ukraine in order to enhance its self-defense.
- iv.) Also, Russia should be committed to respecting the sovereignty of Ukraine in consonance with the universal principles of non-interference and non-intervention.
- v.) The United States of America should recognize and respect Eastern Europe as part of Russia's sphere of influence.
- vi.) On an international level, policymakers should avoid enacting policies that distort markets in response to rising commodity prices. Instead, they should focus on providing targeted aid to vulnerable nations and strengthening social safety nets.

References

- Acosta, P., Baez, J. E., Caruso, G., & Carcach, C. (2020). *The scars of civil war: The long-term welfare effects of the Salvadoran armed conflict* (Policy Research Working Paper No. 9430). World Bank.
- Akresh, R., Caruso, G., & Thirumurthy, H. (2022). Detailed geographic information, conflict exposure, and health impacts. *World Development*, 155, 105890.
<https://doi.org/10.1016/j.worlddev.2022>
- Al Jazeera. (2022a). *UN resolution against Ukraine invasion: Full text | Russia-Ukraine war*.
<https://www.aljazeera.com>
- Al Jazeera. (2022b). *Ukraine President Yanukovich impeached*. <https://www.aljazeera.com>
- Al-Nashif, N. (2022). *An address by Deputy High Commissioner for Human Rights, 47th Session of the Human Rights Council, Item 10: Oral report on Ukraine*. Office of the United Nations High Commissioner for Human Rights.
- Armantier, O., Goldman, L., Kosar, G., Topa, G., van der Klaauw, W., & Williams, J. C. (2022). *What*

are consumers' inflation expectations telling us today? Federal Reserve Bank of New York, Liberty Street Economics.

- Artuc, E., Falcone, G., Porto, G., & Rijkers, B. (2022). *War-induced food price inflation imperils the poor*. Centre for Economic Policy Research. <https://cepr.org/voxeu/columns/war-induced-food-price-inflation-imperils-poor>
- Azevedo, J. P., Hasan, A., Goldemberg, D., Iqbal, S. A., & Geven, K. (2020). *Simulating the potential impacts of the COVID-19 school closures on schooling and learning outcomes: A set of global estimates* (Policy Research Working Paper No. 9284). World Bank.
- Bachmann, R., Baqaee, D., Bayer, C., Kuhn, M., Löschel, A., Moll, B., & Peichl, A. (2022). *What if? The economic effects for Germany of a stop of energy imports from Russia* (EconPol Policy Report No. 36). ifo Institute–Leibniz Institute for Economic Research at the University of Munich.
- Becker, T., Eichengreen, B., Gorodnichenko, Y., Guriev, S., Johnson, S., Mylovannov, T., Rogoff, K., & Weder di Mauro, B. (2022). *A blueprint for the reconstruction of Ukraine*. Centre for Economic Policy Research.
- Caldara, D., & Iacoviello, M. (2022). Measuring geopolitical risk. *International Finance Discussion Papers*, 1222(1). Board of Governors of the Federal Reserve System. <https://doi.org/10.17016/IFDP.2022.1222r1>
- Chavez, D. (2022). *COVID-19 trade policy database: Food and medical products*. World Bank.
- Chernova, A., Cotovio, V., & Thompson, M. (2022). *Sanctions slam Russian economy*. CNN. <https://www.cnn.com>
- Chuku, C., Samal, P., Saito, J., Hakura, D., Chamon, M., Cerisola, M., Chabert, G., & Zettelmeyer, J. (2023). Are we heading for another debt crisis in low-income countries? Debt vulnerabilities: Today vs. the pre-pandemic period. *IMF Working Papers*, 2023(79). International Monetary Fund. [https://www.elibrary.imf.org/configurable/content/journals\\$002f001\\$002f2023\\$002f079\\$002farticle-A001-en.xml](https://www.elibrary.imf.org/configurable/content/journals$002f001$002f2023$002f079$002farticle-A001-en.xml)
- Cohen, P. (2022). Within days, Russia's war on Ukraine squeezes the global economy. *The New York Times*. <https://www.nytimes.com>
- Coibion, O., Gorodnichenko, Y., & Weber, M. (2021). *Monetary policy communications and their effects on household inflation expectations* (NBER Working Paper No. 25482). National Bureau of Economic Research. <https://doi.org/10.3386/w25482>
- Cortney, C., David, R., & Thomas, R. C. (2022). *Turmoil in commodity markets following Russia's invasion of Ukraine*. Federal Reserve Bank of Kansas City. <https://www.kansascityfed.org/agriculture/turmoil-in-commodity-markets-following-russias-invasion-of-ukraine/>
- Cowley, C. A., Regmi, M., Featherstone, A. M., & Taylor, M. R. (2021). Big banks versus agricultural banks: Has too-big-to-fail regulation affected efficiency and scale economies measures? *American Journal of Agricultural Economics*, 103(3), 1164–1178.

<https://ideas.repec.org/a/wly/ajagec/v103y2021i3p1164-1178.html>

- Dan, B., Richard, P., & Eric, N. (2022). *Tensions between Ukraine and Russia have been simmering since 2014*. *The New York Times*. <https://www.nytimes.com>
- Denis, A. (2022). *UN High Commissioner for refugees calls for immediate end to Ukraine war, which has uprooted over 10 million people*. United Nations High Commissioner for Refugees. <https://www.unhcr.org/news/press/2022/3/6245d8574/un-high-commissioner-refugees-calls-immediate-end-ukraine-war-uprooted.html>
- Firmansyah, M., & Anggraeni, S. D. (2021). China's energy diplomacy towards Russia in the Eastern Siberia pipeline development during President Xi Jinping's period. *Dinamika Global*, 6(2), 129–151.
- Forbes, K. J., & Warnock, F. E. (2012). Capital flow waves: Surges, stops and retrenchment. *Journal of International Economics*, 88(2), 235–251. <https://doi.org/10.1016/j.jinteco.2012.03.006>
- Gent, S. E. (2021). *Market power politics: War, institutions, and strategic delays in world politics*. Oxford University Press.
- Govind, H. (2022). *Russia cut to selective default by S&P after ruble payments*. Bloomberg.
- Guénette, J. D. (2020). *Price controls: Good intentions, bad outcomes* (Policy Research Working Paper No. 9212). World Bank.
- Guenette, J., Kenworthy, P., & Wheeler, C. (2022). *Implications of the war in Ukraine for the global economy*. World Bank.
- Ha, J., Kose, M. A., & Ohnsorge, F. (2019). *Inflation in emerging and developing economies: Evolution, drivers, and policies*. World Bank.
- Ha, J., Kose, M. A., & Ohnsorge, F. (2021). *One-stop source: A global database of inflation* (Policy Research Working Paper No. 9737). World Bank.
- Ha, J., Kose, M. A., & Ohnsorge, F. (2022). *From low to high inflation: Implications for emerging market and developing economies* (CEPR Policy Insight No. 115). Centre for Economic Policy Research.
- Hall, G. E. L. (2022). *Ukraine: The history behind Russia's claim that NATO promised not to expand to the east*. The Conversation.
- Haralambos, M., & Holborn, M. (Eds.). (2020). *Sociology: Themes and perspectives* (8th ed.). Collins.
- Huileng, T. (2022). *Business Insider Africa*. <https://africa.businessinsider.com/author/huileng-tan>
- International Energy Agency. (2022a). *How Europe can cut natural gas imports from Russia significantly within a year*. <https://www.iea.org/news/how-europe-can-cut-natural-gas-imports-from-russia-significantly-within-a-year>

- International Energy Agency. (2022b). *Oil market report*. International Energy Agency.
- International Organization for Migration. (2022). *Ukraine internal displacement report: General population survey*. International Organization for Migration.
- Kammer, A., Azour, J., Selassie, A., Goldfajn, I., & Rhee, C. (2022). *How war in Ukraine is reverberating across the world's regions*. International Monetary Fund.
<https://blogs.imf.org/2022/03/15/how-war-in-ukraine-is-reverberating-across-worlds-regions/>
- Kose, M. A., Nagle, P., Ohnsorge, F., & Sugawara, N. (2021). *Global waves of debt: Causes and consequences*. World Bank.
- Kose, M. A., Ohnsorge, F., & Sugawara, N. (2021). *A mountain of debt: Navigating the legacy of the pandemic* (Policy Research Working Paper No. 9800). World Bank.
- Laborde, D., Lakatos, C., & Martin, W. (2019). *Poverty impact of food price shocks and policies* (Policy Research Working Paper No. 8724). World Bank.
- London Metal Exchange. (2022). *Nickel market update: 10 March 2022*. HKEX Group.
- Mahler, D., Yonzan, N., Lakner, C., Wu, H., & Yoshida, N. (2022). Pandemic, prices and poverty. *World Bank Blogs*. <https://blogs.worldbank.org/opendata/pandemic-prices-and-poverty>
- Maloney, W. (2022). *Consolidating the recovery: Seizing green growth opportunities*. World Bank.
<https://openknowledge.worldbank.org/handle/10986/37244>
- Malpass, D. (2020). *Global economic prospects*. World Bank.
<https://www.worldbank.org/en/publication/global-economic-prospects>
- Mankoff, J. (2002). *Russia's war in Ukraine: Identity, history and conflict*. Center for Strategic and International Studies.
- Martin, F. (2022). *Russia cut to junk rating by S&P, Ukraine's rating lowered*. *The Wall Street Journal*.
- Marx, K. (1977). *Capital: A critique of political economy*. Vintage.
- Mishan, E. J. (1982). *Introduction to political economy*. Hutchinson.
- Ndagi, J. O. (1984). *Essentials of research methodology for Nigerian education*. University Press.
- Ndiyo, N. A. (2005). *Fundamentals of research in behavioural sciences and humanities*. Wusen Publishers.
- Office of the United Nations High Commissioner for Human Rights. (2021). *Arbitrary detention, torture and ill-treatment in the context of armed conflict in eastern Ukraine, 2014–2021*.
<https://www.ohchr.org/en/documents/country-reports/arbitrary-detention-torture-and-ill-treatment-context-armed-conflict>
- Organisation for Economic Co-operation and Development. (2022a). *OECD economic outlook, interim report March 2022: Economic and social impacts and policy implications of the*

- war in Ukraine*. OECD Publishing.
- Organisation for Economic Co-operation and Development. (2022b). *Rights and support for Ukrainian refugees in receiving countries*. OECD Publishing.
<https://doi.org/10.1787/09beb886-en>
- Overland, I., & Fjaertoft, D. (2015). Financial sanctions impact Russian oil, equipment export ban's effects limited. *Oil and Gas Journal*, 113(8), 66–72.
- Perrigo, B. (2022). *How Putin's denial of Ukraine's statehood rewrites history*. *TIME*.
<https://time.com>
- Reifenschneider, D., & Wilcox, D. (2022). *The case for a cautiously optimistic outlook for U.S. inflation* (PIIE Policy Brief No. 22-3). Peterson Institute for International Economics.
- Ritzer, G. (2022). *Modern sociological theory* (7th ed.). McGraw-Hill.
- Ritzer, G., & Goodman, D. J. (2004). *Sociological theory* (6th ed.). McGraw-Hill.
- Sarna, A. (2013). *Kyiv's gas strategy: Closer cooperation with Gazprom or a genuine diversification*. Centre for Eastern Studies. <https://www.osw.waw.pl/en/publikacje/osw-commentary/2013-07-15/kyivs-gas-strategy-closer-cooperation-gazprom-or-a-genuine>
- Scheffer, D. J. (2022). *Can Russia be held accountable for war crimes in Ukraine?* Council on Foreign Relations. <https://www.cfr.org/article/can-russia-be-held-accountable-war-crimes-ukraine>
- Strohecker, K., & Do Rosario, J. (2022). *Credit committee asked about Russia government bonds after railways ruling*. Reuters. <https://www.reuters.com/world/europe/credit-derivatives-committee-says-failure-pay-has-occurred-russian-railways-2022-04-11/>
- The White House. (2022). *G7 leaders' statement*. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/03/24/g7-leaders-statement/>
- Tooze, R. (2014). *The progress of international functionalism*. Cambridge University Press.
- Tursa, A. (2022). *Central and Eastern Europe advisor at consulting firm Teneo Intelligence*. Al Jazeera. <https://www.aljazeera.com>
- United Nations. (2022). *Security Council resolution 2623 (2022): On convening an emergency special session of the General Assembly on Ukraine*. United Nations Digital Library. <https://digitallibrary.un.org/record/3958818?ln=en>
- United Nations High Commissioner for Human Rights. (2021–2022). *Report on the human rights situation in Ukraine*. Office of the United Nations High Commissioner for Human Rights. <https://www.ohchr.org/en/documents/country-reports/report-human-rights-situation-ukraine-1-february-31-july-2022>
- United Nations High Commissioner for Human Rights. (2022). *Conflict-related sexual violence in Ukraine*. Office of the United Nations High Commissioner for Human Rights. <https://www.ohchr.org/en/documents/country-reports/report-human-rights-situation-ukraine-1-february-31-july-2022>

- United Nations High Commissioner for Refugees. (2021). *Global trends in forced displacement – 2020*. UNHCR Global Data Service.
<https://www.unhcr.org/statistics/unhcrstats/60b638e37/global-trends-forced-displacement-2020.html>
- UNHCR Data Portal. (2022). *Operational data portal: Ukraine refugee situation*. United Nations High Commissioner for Refugees. <https://data2.unhcr.org/en/situations/ukraine>
- Ukpe, E. (2012a). Globalization and state sovereignty. In V. A. Danso, A. E. C. Ogunna, S. E. Addoh, K. Hamwaka, J. Muchado, & C. N. Ugwuegbalam (Eds.), *International Journal of Art and Humanities*, 6(5). Kandid Gold.
- Ukpe, E. (2012b). Poverty and the crisis of democracy in Nigeria. In V. A. Danso, A. E. C. Ogunna, S. E. Addoh, K. Hamwaka, J. Muchado, & C. N. Ugwuegbalam (Eds.), *International Journal of Development Studies*, 6(5). Kandid Gold.
- Ukpe, E. (2024). *Relics of colonialism: An introduction to African politics*. Robertminder International Limited.
- Ukpe, E. U. U. (2020). The European Union and the future of the United States as a major super power in global politics. In M. Mboho, B. E. Bassey, P. E. Umoren, & D. C. Akarika (Eds.), *AKSU Journal of Communication Research (AJCR)*, 6. Department of Mass Communication, Akwa Ibom State University.
- Waxman, O. B. (2022). *Historians on what Putin gets wrong about “denazification” in Ukraine*. TIME. <https://time.com/6154493/denazification-putin-ukraine-history-context/>
- Wiseman, P., & McHugh, D. (2022). *Economic dangers from Russia’s invasion ripple across the globe*. AP News. <https://apnews.com/article/russia-ukraine-vladimir-putin-coronavirus-pandemic-business-health-9478a9825c9abfde5f6505bd34b2998c>
- World Bank. (2022a). *Braving the storms: East Asia and Pacific economic update*. <https://www.worldbank.org/en/publication/east-asia-and-pacific-economic-update>
- World Bank. (2022b). *Reality check: Forecasting growth in the Middle East and North Africa in times of uncertainty*. <https://erf.org.eg/events/report-launch-reality-check-forecasting-growth/>
- World Bank. (2022c). *Reshaping norms: A new way forward. South Asia Economic Focus*. <https://openknowledge.worldbank.org/handle/10986/37121>
- World Bank. (2022d). *War in the region: Europe and Central Asia economic update*. <https://www.worldbank.org/en/region/eca/publication/europe-and-central-asia-economic-update>
- World Food Programme. (2022). *Food security implications of the Ukraine conflict*. <https://www.wfp.org/publications/food-security-implications-ukraine-conflict>
- Worldometer. (2022). *Ukraine population*. <https://www.worldometers.info>