

Global Economic and Political Ramifications of the Russian-Ukrainian War

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Abstract

The ongoing Russian-Ukrainian war, which began in February 2014, has escalated into a full-scale conflict, resulting in a significant humanitarian crisis, tens of thousands of deaths, and a substantial impact on the global economy. This paper uses a documentary data collection method to examine the economic consequences of the war on the world economy. Furthermore, it investigates the effects of the conflict on international politics, highlighting the tensions between Russia and Ukraine. The findings of this study suggest that the war has far-reaching implications for global stability, trade, and economic development. To mitigate these effects, this paper recommends that NATO adopt a more democratic approach to resolving the conflict and those mediation efforts by the United Nations and European Union be employed to end the war and prevent further bloodshed and economic consequences. Ultimately, this study contributes to our understanding of the complex relationships between conflict, economy, and international politics, and provides insights into the need for a multilateral approach to resolving the Russian-Ukrainian war.

Keywords: Russian-Ukrainian War, Global Economy, Political Ramifications, International Politics, NATO.

Introduction

The Russian-Ukrainian war, which began with Russia's full-scale invasion of Ukraine in February 2022, has become one of the most significant geopolitical crises of the 21st century. This conflict arose from longstanding tensions between the two countries, particularly after Russia's annexation of Crimea in 2014. It has led to extensive military engagements, economic sanctions, and a global humanitarian crisis. The war has disrupted global supply chains, particularly in energy and food, leading to rising prices and contributing to a worldwide inflation crisis (International Monetary Fund [IMF], 2022). Furthermore, millions of Ukrainians have been displaced, creating one of the largest refugee crises in recent history (United Nations High Commission for Refugees [UNHCR], 2023). The war has also impacted global security dynamics, with NATO and the European Union strengthening ties with Ukraine while increasing diplomatic tensions with Russia (Liadzel et al., 2022).

The Russian-Ukrainian war has affected neighboring countries and countries across the world politically and economically. Since Russian tanks rolled into Ukraine on February 24, 2022, the global community has become more and more fragile; widening the rifts in worldwide peace and security and worsening relations between Russia and the West. Particularly, the impact of the conflict is equally serious: not only for Russia (and, of course, first of all for Ukraine), but they also pose ominous threats to World economies.

Politics

In 1922, Ukraine and Russia were two of the founding members of the Union of Soviet Socialist Republics and were the signatories of the treaty that terminated the union in December 1991. The end of the Russian Empire also ended the ban on the Ukrainian language. However, there are currently no diplomatic or bilateral relations between Russia and Ukraine. The two states have been at war since Russia invaded the Crimean Peninsula in February 2014.

Economy

Hopes of seeing the global economy emerge out of the COVID-19 pandemic, which resulted in a severe collapse of GDP growth by an estimated -3.5% in 2020, are now being delayed due to the escalating conflict between Russia and Ukraine, thereby, compounding the woes of the global economy, and especially so, African economies in a 'pandemic-invasion' context. The war has accelerated inflation across the world, as well as blurred the global economic outlook. The International Monetary Fund (IMF) revised its projections in April, reflecting that global growth will be slow from an estimated 6.1% in 2021 to 3.6% in both 2022 and 2023, which are 0.8 and 0.2 percentage points lower than projected in January (IMF, 2022).

War

The ongoing Russo-Ukrainian War began in February 2014. Following Ukraine's Revolution of Dignity, Russia occupied and annexed Crimea from Ukraine and supported pro-Russian separatists fighting the Ukrainian military in the Donbas War. These first eight years of conflict also included naval incidents and cyberwarfare.

Discussions

Impact of the Russian-Ukrainian War on The World Economy

Economic relations between Russia and Ukraine are significant for both sides. Levels of interdependence at the moment of independence were high. Ukraine, for example, furnished over 65 percent of Soviet metallurgical capacity and 40 percent of agricultural resources, while nearly 80 percent of Ukrainian energy resources were derived from Soviet sources (Noah Berman, et al. 2024).

Beyond the rise of geopolitical risks and humanitarian crises emanating from the Russia-Ukraine war, economic shocks are expected to remain rife, affecting the entire global economy, and manifesting through slower growth and higher inflationary pressures. The ongoing conflict is reflected in soaring commodity prices such as higher energy and food prices. This will in turn hike inflation further, eroding incomes, and subsequently reducing the purchasing power of consumers and households. Similarly, this reflects tendencies of increasing risks and uncertainties within the global financial and capital markets, leading to higher investor uncertainties and causing a downward spiral in investments in developing and emerging economies. With the emergence of the Russia-Ukraine war, GDP growth in world economies is expected to trend lower than expected.

Already, more than ten (10) million people have fled Ukraine (World Bank 2022) to neighboring countries, putting pressure on social and economic systems within the host countries. Specifically, problems such as overcrowding, insecurity, inadequate social amenities due to population influx, inadequate shelter, pressure on medical facilities, overcrowding of schools, and inadequate jobs are expected to remain elevated. This would, in many respects, delay the accelerated progress required in

meeting country-specific efforts towards the SDGs, firstly, in Ukraine and her neighboring countries, and then in other vulnerable countries, especially in Africa.

Russia and Ukraine's role in the global market is crucial. Both countries account for about 30% of global exports of wheat, 20% of corn, mineral fertilizers, and natural gas, and 11% of oil (Duho, et al 2022). Being major suppliers of a wide array of commodities, the conflict between Russia and Ukraine has disrupted trade flows, especially, among countries that depend on gas and oil exports from Russia, but also indirectly on net energy importers. Such countries are likely to face persistent hikes in the prices of natural gas which would in turn affect their heating bills, especially in winter periods (Corman & Boon 2022).

Russia and Ukraine have an important role in the global economy. Russia and Ukraine together account for about 30% of global wheat exports, 20% of corn, mineral fertilizer, and natural gas, and 11% of oil. In addition, supply chains around the world depend on exports of metals from Russia and Ukraine. Russia is a major supplier of palladium, used in catalytic converters for automobiles, and nickel used in steel production and battery manufacturing. Russia and Ukraine are also sources of noble gases such as argon and neon which are used in the manufacture of semiconductors and major producers of titanium sponge which is used in the aircraft industry. Both countries also have significant global reserves of uranium. Prices for many of these commodities have risen sharply since the war began, although there have been no significant interruptions in production or export volumes (Cormann & Boone, 2022)

With such a large export of wheat, the Russia-Ukraine war led to an acute shortage of wheat. Already, the effect of the conflict has shot up food prices: prices of wheat are soaring in various wheat-reliant industries and economies, as well as pushing up prices of fertilizer which is also seeping through prices of agricultural products. Countries such as Egypt, Turkey, Lebanon, and some countries in Asia, which are major importers of wheat from Russia and Ukraine together, experienced a rise in the price of products produced from wheat.

The slew of sanctions imposed on Russian products and by extension, those meted out on Russian Oligarchs, including the seizure of properties, and sanctions on Russian financial institutions set in motion a huge loss of jobs to Russian citizens. Moreover, people working in corporations owned by Russian oligarchs in other countries were also affected (World Bank 2022)

Rising oil and gas prices

Prior to the invasion, energy prices were rising due to multiple factors such as the COVID pandemic, limited energy supplies, and growing tensions between Russia and Ukraine. During this time, oil prices were stable within the price band of US\$80 to US\$95 before the invasion. After the Russian invasion of Ukraine, oil prices exceeded USD\$100 a barrel. The invasion made it difficult for European oil marketers and oil companies to receive energy supplies from Russia, as Russia is the world's second-largest oil producer and sells most of its crude to European refineries. The oil import ban placed on Russia during the invasion led to an energy shortage in Europe and a sustained rise in energy prices. Gas prices for household use also increased due to fears of a disruption to global energy supplies. There were concerns that a retaliatory export ban on energy supplies to Europe and the rest of the world by Russia would plunge the world into a lasting energy crisis and could make oil prices exceed \$150 a

barrel. This expectation reduced the global economic growth forecast (World Economic Forum, 2022)

Rising global inflation and cost of living

The monthly inflation rate increased in many countries due to the invasion. The rise in inflation increased the cost of living. In the United Kingdom, for instance, the Consumer Prices Index (CPI) rose by 5.5% in the 12 months to October 2024, up from 3.8% in September 2024 (ONS, 2024). According to the UK Office for National Statistics (ONS, 2024) implied that consumers spent more money on fewer goods. The invasion led to a further hike in the price of oil, gas, food, and food ingredients. It increased the cost of living as the cost of mortgage deductibles, cars, and lighting increased significantly. It generated spillover effects in developing countries that rely on energy imports from European countries. Developing countries paid a higher price for energy imports which translated to a rise in the local pump price of fuel, a rise in food prices, and a general rise in merchandise imports despite income levels remaining unchanged. The combined effect for developed countries and developing countries is that it led to a significant rise in global inflation and a higher cost of living.

How do the ongoing tensions between Ukraine and Russia influence World Politics?

Since Russia invaded Ukraine, the world has been broadly categorized into three camps countries allied with Ukraine, those impartial to the conflict, and the nations that have defended Russia. While the United States and European Union states have provided military assistance to Ukraine totaling more than \$100bn, other countries have chosen to make their positions known by imposing sanctions on Russia or with their votes at the United Nations.

One way of knowing where a country stands politically is by looking at how they vote at the United Nations. The United Nations General Assembly (UNGA) comprises 193 member states and is the most representative body of the UN system. Every member state is allowed an equal vote when deciding on resolutions. Resolutions passed by the UNGA are non-binding, which means they have no legal power. Rather, they are viewed as an expression of the will of the international community on a given topic. Following Russia's invasion of Ukraine, the UN convened its first emergency session in 25 years. The 193-member assembly has since voted on four special resolutions addressing various concerns with regard to Ukraine. 102 Countries voted in favor of all resolutions, 47 Countries voted in favor or abstained in at least one resolution, 16 countries voted to abstain in all resolutions, 19 Countries voted against or abstained in at least one resolution, 4 Countries voted against all resolutions and 4 Countries were absent in all resolutions (Mohammad, 2023).

The Russia–Ukraine conflict has not only profoundly affected the international system, the world order, and global geopolitics, but also has had a profound spillover on the reorganization of political blocs. This is because the conflict goes beyond political violence between Russia and Ukraine to encompass a complex struggle and game between Russia, the US, and Europe. Specifically, as the US strives to consolidate, adjust, and reorganize its global ally system through the Russia–Ukraine conflict, it is also turning the conflict into a special platform for repairing and maintaining American hegemony. Other countries have shown a range of reactions toward the US and Russia with regard to the Russia–Ukraine conflict. US allies in the Middle East,

Central Asia, South Asia, and other developing countries and regions neither followed the lead of the US, nor chose sides between the US and Russia, which to a large extent reflects a relative decline of the US and the West in world politics.

Meanwhile, the fear of Russia has risen because of Putin's aggression, and respect for Russia has declined. No one thinks of Russia anymore as a first-rate power, on the level of the United States or China. Putin has made it China's junior partner, possessed of one great asset nuclear weapons that may not even be useful. Putin's brief nuclear threats have not much affected European, US, or Ukrainian conduct so far. Russia's poor military performance has changed its position in the world; it is now dependent on Iranian and Chinese weaponry, and Chinese technology. In just one year he has managed to lose Russia's closest and best and richest customers (e.g Shell, Italian energy company Eni, Maersk, Mediterranean shipping company, etc)

There was a growing alliance between Russia and Iran (e.g. when Iran voted against United Nations resolutions condemning Russia and has regularly delivered loitering munitions, chiefly the Shahed 131 and Shahed 136). That alliance is of great significance in the context of the Iranian nuclear weapons program. In the past, there were moments of considerable unity among the US, China, and Russia and the EU-3 against Iran's nuclear weapons program. This new Russia-Iran alliance has changed that; it is questionable now whether Russia opposes the Iranian program and how it would react if the UK, France, or Germany tried to invoke snapback, for example. Second, Russia's debilitated position means that in the Middle East, it is devalued as an ally. Is anyone wondering now whether Gen. Sisi will reorient Egypt away from the United States and to Russia? There can of course be cooperation with Russia on certain issues and Putin can send the Wagner group to fight in small wars, but Russia is no one's idea now of a permanent and valuable ally and world power.

In Asia, one could say Ukraine is far away and the impact of the war is slight but I think that would be inaccurate. Russia's aggression, and the leadership of the United States to resist it, have added to the impact of China's aggressive stance under Xi Jinping and have pushed Japan, South Korea, the Philippines, and Australia closer to the United States (Richard Maude, 2023). India to a country that for decades was closer to Russia. We see a new choreography of coalitions such as the Quad Australia, India, Japan and the United States become even more significant same for AUKUS, the US-UK-Australia security arrangement (Richard Maude, 2023).

As for China, it has gained from having Russia more dependent on it for oil sales (at a big discount, one has to add) and for geopolitical support. But that alliance is now with a devalued Russia, a military ally that is still very important but today has the ability only to make trouble, not to shape the world of the coming decades.

And of course, one has to wonder what Xi makes of the failures of the previously untested Russian military, and of US-EU solidarity in sanctioning Russia, as he contemplates military action against Taiwan (Addressing the Hertog Forum in Tel Aviv on February 24, Elliott Abrams summarized his view of the implications of the Russia-Ukraine war on a panel with Natan Sharansky)

Conclusion

Ukraine has experienced long periods of partial or total Russian rule, which contributes to the fact that one in six Ukrainians is of ethnic Russian descent, and one

in three speaks Russian as their first language. Additionally, much of the country's media is Russian-controlled. This historical context makes discussions about Russia particularly divisive in Ukraine. Many in the country view Moscow as the source of Ukraine's historical oppression and advocate for resistance against it. In contrast, others hold a more favorable view of Russia, feeling a sense of shared heritage and history despite the close similarities between the two nations.

The paper analyzed the economic and political impacts of the Russian-Ukrainian war, outlining how the ongoing conflict has destabilized the global economy and detailing the responses of major world powers to Russia's aggression towards Ukraine.

Recommendations

- i. NATO should deploy a more democratic approach towards ending the war. Mediation from the U.N and European Union should be allowed for the stoppage of the war and to put an end to unnecessary bloodshed, and economic consequences faced by other countries in part of the world.
- ii. Ukraine should reconsider its aspiration to join NATO, recognizing that it shares little common ground with most of the organization's member nations. Instead, it should collaborate with Russia to seek a resolution and establish peace, as the ongoing conflict impacts not just Ukraine and Russia but also a significant portion of the global community. Additionally, both Russia and Ukraine are facing economic turmoil, which will likely lead to unfavorable outcomes not just for them but for other nations as well. This underscores the importance of reaching a peace agreement.
- iii. Political leaders are encouraged to actively work towards discouraging conflicts, such as the Ukraine-Russia conflict, owing to their potential spillover effects on other countries. They should prioritize negotiation as the best option for conflict resolution. Additionally, national authorities need to implement measures to alleviate inflationary pressures caused by global supply chain disruptions, particularly when trade partners are engaged in war.
- iv. National authorities should implement fiscal and monetary policies to protect their economies from the adverse effects of war, particularly rising inflation.

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