



A Conceptual study on the economic implications and changes towards war on Ukraine on global economy

1 Dr.Lakshman K

2 Dr. Raghvendra .G.S

3 Sreepal Singh

4 Urvi B, Pravan Reddy

5 Pooja M Oswal, Chetan MRaj

6 Mohit Jain

ABSTRACT

Russia's unilateral invasion of Ukraine in 2022 sparked one of Europe's bloodiest conflicts since World War II. As a former Soviet republic, Ukraine had deep cultural, economic and political ties with Russia, but the war could have caused irreparable damage to relations between the two countries. historical turning point. Six months later, many defense and foreign policy analysts said the war was a grave strategic mistake by Russian President Vladimir Putin and jeopardizes his long time rule.

Introduction

The war in Ukraine is causing a huge humanitarian crisis. It is more than 12 million people .it is estimated that they have been displaced and more than 13 million are in need of urgent humanitarian assistance.

Several economies in Europe and Central Asia (ECA) have been particularly hard hit by strong ties with Russia and, to a lesser extent, with Ukraine. Connections through trade, remittances, commodities, and trust channels are particularly strong in Eastern Europe, the South Caucasus and Central Asia. A sharp slowdown in Russia and Ukraine will affect neighboring countries and disrupt trade, financial and remittance flows. Disruption of supply chains and transportation links. Impact on Digital Connectivity and Related Services. Increased risk awareness by investors. Rising energy prices have important ramifications for the affordability and affordability of electricity and heating services. Remittances from Russia account for a large share of GDP in

economies such as Tajikistan and the Kyrgyz Republic. The real value of remittances from Russia is expected to drop significantly due to the contraction in economic activity and the fall of Rubbel.

Review of Literature

Services for Science and Education – United Kingdom

The Economic Impact of the Russia-Ukraine Crisis on the USA

Although Russia's attack on Ukraine is occurring several thousands of miles away from even the nearest American city, its economic impact will be felt by millions of USA households since the global economy and financial markets are interrelated (Egan, 2022). A reporter from CNN Egan (2022) reports the words made by RSM economist Joe Brusuelas who said, "The average American household is going to bear the burden of Vladimir Putin's invasion of Ukraine." Smialek and Swanson (2022) of the New York Times report that a potential consequence of the Russi-Ukrain crisis could be a rise in inflation due to an increase in the prices of oil and food worldwide and would increase uncertainty in the USA. They suggest that even though unlike Europe that imports a significant amount of its food from Russia (the world's largest wheat exporter), the USA imports very little from Russia but a "commodities crunch caused by a conflict could have knock-on effects that at least temporarily drive-up prices for raw materials and finished goods when much of the world, including the United States, is experiencing rapid

inflation." In other words, even though the USA imports an insignificant amount of oil from Russia compares to Europe, the energy commodity market is global, thus, a change in the price of oil in one part of the globe will eventually affect the prices of oil everywhere, including the USA. This report also reveals that such worldwide unrest could prompt Americans to cut consumption and other diverse economic activities leading to an impediment to the Federal Reserve's plans of increasing interest rates by March 2022. Ivanova (2022) a reporter for CBS News reports that the price of oil which has been on an increase over the past year has 'hit an eight-year high' due to the current Russia-Ukraine tension and this rise in the prices might escalate if the tension becomes uncontrollable or if USA policymakers push forward 'another round' of sanctions on Russia as predicted by experts. This report equally reveals Patrick DeHaan, head of petroleum analysis at Gas Buddy worry as he says "If Russia makes a run-on Ukraine, we could see [oil prices] over \$100 a barrel next week... That \$4 is something we haven't seen in so long — it would cause shock waves across America... If Russia's economy is going down the tubes, they're going to take the global economy with it." In the same light, JPMorgan equally warns that the price of oil could "easily" rise to \$120 a barrel because of this conflict (Egan, 2022). Analysts from Wall Street also expect USA stock indices to remain unpredictable during the length of this conflict while economists fear that the conflict will reduce the amount of money available to USA consumers for discretionary spending due to the rise in commodities (Ivanova, 2022). An analysis by RSM reveals that if oil hits \$110, the 'Year-over-year inflation rate could climb above 10%' which has not happened since 1981 when inflation climbed to 10% and not forgetting the fact that inflation is the 'biggest problem facing the US economy (Egan, 2022). A possible shortage in the global supply of vital metals like nickel, aluminium, and palladium is powering the fear of inflation in the USA (Cohen & Ewing, 2022).

Research methodology

The data for this research was collected from various articles and secondary sources on the internet, newspapers magazines and video clips In response to Russia's invasion of Ukraine and subsequent actions, a number of countries have imposed escalating financial, trade, and other sanctions. The extent of these sanctions is unprecedented for an economy of Russia's size and economic significance. They have been implemented on top of existing sanctions.

Financial sanctions

The United States, the European Union (EU), and other countries have imposed blocking sanctions on the Central Bank of the Russian Federation (CBR). These prevent the Russian authorities from accessing foreign exchange reserves in the custody of institutions in sanctioning countries, or the liquidation of which would require access to financial systems in sanctioning countries. This amounts to freezing about half of Russia's foreign exchange reserves. Transactions with Russia's National Wealth Fund and Ministry of Finance have similarly been blocked.

Trade sanctions

The United States, the EU, and other countries have enacted a growing list of export bans, import restrictions, and other trade sanctions on Russia. Restrictions on exports to Russia have focused on "dual-use" technologies, including semiconductors, goods and services related to aviation, aerospace and oil and gas production, and luxury goods. Measures to curtail imports from Russia include plans to reduce energy purchases, alongside a wide array of tariffs, import bans and restrictions on other Russian goods and services.

Other sanctions

A large number of asset freezes and travel bans have been introduced targeting the personal wealth and activities of specific Russian officials, politicians, and businesspeople. In addition, more than 150 multinational companies have announced complete withdrawals from Russia, while a further 250-plus have suspended operations or new investments. Entities and persons in Belarus associated with Russia's invasion, including financial institutions and defense and security sector companies, are subject to various travel bans, asset freezes and export bans.

Scope

Despite Volodymyr Zelensky's statements about Ukrainians fighting to the death, the Russian military has announced that the sale of Western weapons to Ukrainian government forces is a legitimate military goal going forward, The scope of war has expanded.

The war in Ukraine shows no signs of ending soon. The Ukrainian nationalists in power in Kyiv, encouraged by their Western allies and seemingly determined to hold on to the metropolis despite being surrounded by Russian forces, have a population of about 2 million. Ukrainians have already left the country. Tens of thousands of people are internally displaced. Russian officials say the government of Volodymyr Zelensky has denied the exit of civilians in large cities, especially those under the age of 60, and blames the Ukrainian government for rising civilian casualties. claim. The Russian military claims military equipment is hidden among civilians.

In the past few weeks, the Ukrainian military and paramilitaries have received over \$1 billion of her advanced military weapons. Advanced weaponry, including man-portable anti-tank and air defense systems, is flooding the country. Western military analysts say these weapons have had a significant impact on the ongoing military conflict. According to Western media reports, Russian tanks, armored vehicles and helicopters have come under attack with this state-of-the-art munitions. In the second week of March, the Russian military announced that Western arms supplies to Ukrainian government forces are now legitimate military targets. The Ukrainian military base in Yavoriv, near the border with Poland, was hit by a barrage of 30 Russian cruise missiles that same week. A base near the western city of Liev was used to train foreign fighters who flowed into Ukraine to fight Russia. At least 35 soldiers and militants were killed in the attack, according to the Ukrainian government.

Objectives

- The purpose of the study of the economic impact and changes resulting from the war between Russia and Ukraine is to analyze the potential economic impact of such a conflict on both countries and the world economy.
- It may include an assessment of the potential costs of war, such as spending and lost economic activity, and the long-term economic impact, such as changes in trade and investment patterns.
- The study can also examine the potential impact of war on key economic sectors such as energy, agriculture and manufacturing.
- The ultimate goal of this research is to provide a comprehensive understanding of the economic impact and changes posed by the Russian-Ukrainian war, and to educate policy makers and other stakeholders about the potential economic risks and implications of such a conflict. to inform about opportunities.

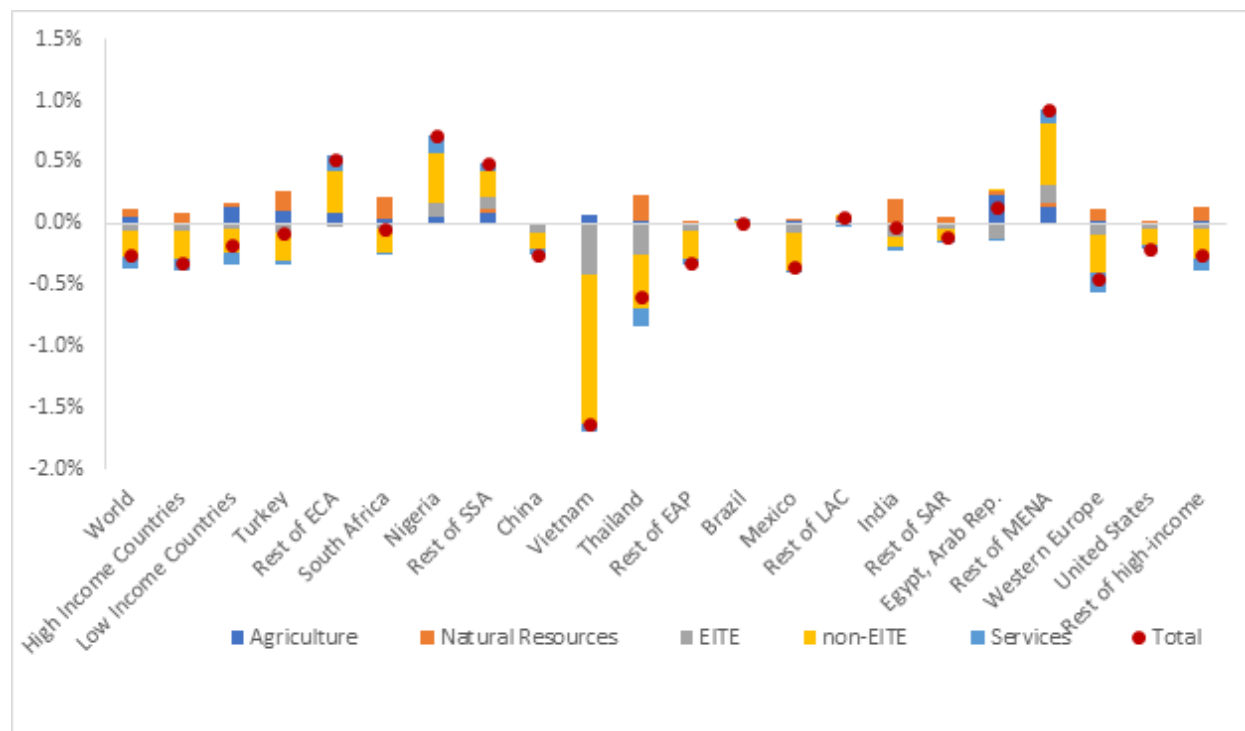
Analysis and Statistics

Food and energy

Potential food crises are among the most worrying concerns. Wheat and other grain prices have already skyrocketed. In 2019, Russia and Ukraine together accounted for 25% of global wheat exports and 14% of global corn shipments. Many countries around the world rely heavily on these flows. For example, the Republic of Congo relies on imports from the Black Sea region for 67% of its wheat consumption.

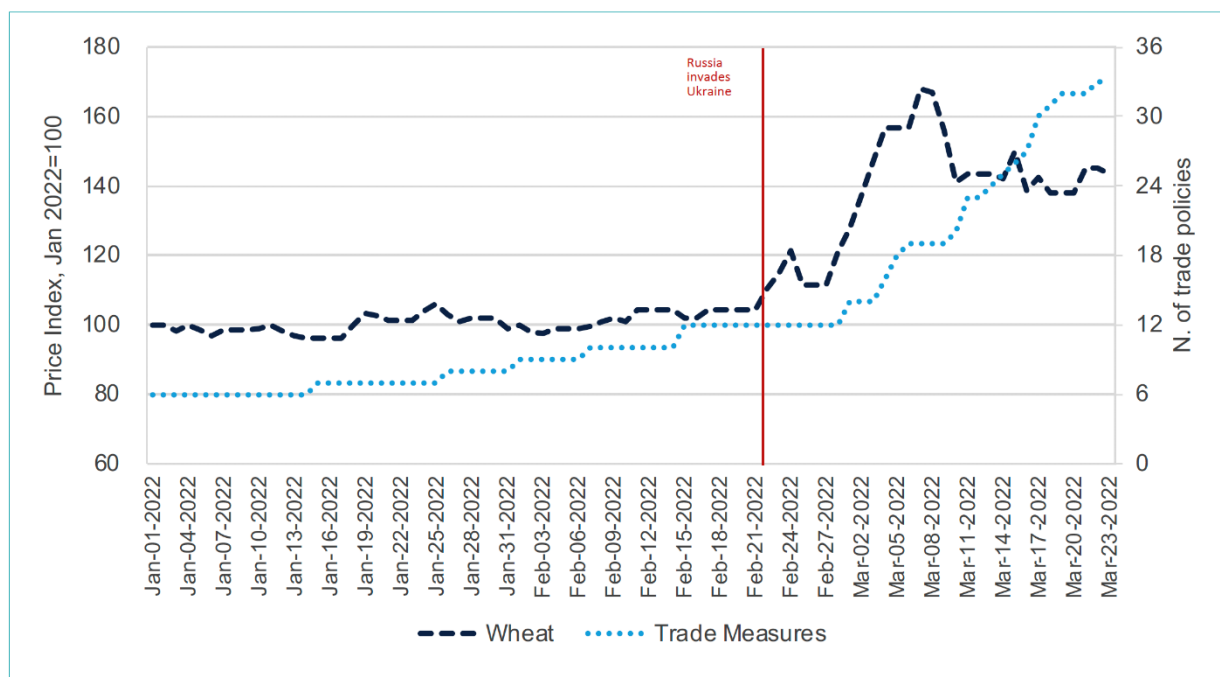
Next to food prices, energy prices are most directly affected. Russia is one of the world's largest energy suppliers, supplying 14% of the world's crude oil and her 9% of natural gas. In our simulation, oil prices rise by 7%, resulting in higher transport and production costs in manufacturing and lower exports (Figure 1). Higher prices for natural gas, the main raw material for ammonia fertilizers, will drive up costs for farmers, reduce yields and exacerbate food shortages.

Figure 1: Change in exports relative to reference year as a share of real GDP



Trade policy intervention risks exacerbating a bad situation (Figure 2). Export restrictions further reduce global supply, while import liberalization measures and subsidies increase demand. Sixty seven new trade policies have been imposed or announced since the war began in late February, export restrictions alone have pushed wheat prices up by 7% and risk an escalation of rebellion.

Figure 2: International wheat prices and trade policy measures



Suggestions & Findings

It is difficult to predict exactly how the global economy will recover from the ongoing conflict between Russia and Ukraine. This depends on the duration and severity of the conflict, the actions of governments and international organizations, and the global economic situation.

Diplomatic efforts to resolve conflicts and establish lasting peace
 Economic sanctions and/or assistance to affected countries and regions
 Support for infrastructure and development projects to stimulate economic growth
 INVESTMENT Measures to Support Small and Medium Enterprises Hardly Impacted by the Economic Recession
 Coordination and cooperation between international organizations and major economies to reduce the impact on global trade and finance.

It is also important to note that this recovery is likely to be a long process and will require significant coordination and cooperation between the countries concerned.

It is difficult to predict exactly how the global economy will recover from the ongoing conflict between Russia and Ukraine. This depends on the duration and severity of the conflict, the actions of governments and international organizations, and the global economic situation.

Diplomatic efforts to resolve conflicts and establish lasting peace
 Economic sanctions and/or assistance to affected countries and regions
 Support for infrastructure and development projects to stimulate economic growth
 INVESTMENT Measures to support small and medium-sized enterprises, which are often hit hard by the recession
 Coordination and cooperation between international organizations and major economies to reduce the impact on global trade and finance .

It is also important to note that this recovery is likely to be a long process and will require significant coordination and cooperation between the countries concerned.

Conclusion

The 2022 Russia-Ukraine war can be summarized in the words of Antony Blinken, the US Secretary of State as he stated, “it’s bigger than a conflict between two countries. It’s bigger than Russia and NATO. It’s a crisis with global consequences, and it requires global attention and action” (U.S. Department of State, 2022). The global intensity of this crisis can be felt in President Biden’s speech on March 08, 2022 as he said, “Russia’s aggression is costing us all, and it’s no time for profiteering or price gouging” (The White House, 2022). Several articles have focused on the impact of the Russia-Ukraine tension on both nations, with a primary focus on Russia given the intense global financial sanctions currently plaguing its economy. Thus, to deviate from the current trend of write-ups, this study is focused on the economic impact of the recent 2022 Russia-Ukraine war on major global economic actors, specifically, those who have unleashed intense financial sanctions on Russia like the USA, Canada, Uk, and the EU. We used the Social Contract Theory and the Interest Group Theory in an attempt to explain the origin of this conflict using a political philosophy lens. It is

evident that each party Russia, Ukraine, and NATO seek to secure the lives and properties of its citizens/members (Social Contract Theory)

Limitations

Some limitations may arise when studying the economic impact and changes of the Russian-Ukrainian war on the global economy. Some of these limits are listed below.

Data Availability: Available data on the economic impact of virtual warfare may be limited, making accurate predictions and assessments difficult.

The Complexity of the Global Economy: The global economy is a complex system with many interrelated parts, making it difficult to isolate the specific effects of the war between Russia and Ukraine.

Uncertainty: Due to the inherent uncertainty of war and the difficulty of predicting the outcome of war, it is difficult to accurately predict the economic consequences.

Political and Geopolitical Factors: Political and geopolitical factors also play a role in shaping the economic consequences of the war between Russia and Ukraine, but it is difficult to predict and quantify these factors. It Is difficult.

Time: Research is limited by the model's knowledge limit and the current date, ignoring all events that occur after that date.

Overall, in studying the economic impact of the war between Russia and Ukraine on the world economy, taking into account these limitations, the potential economic risks and opportunities associated with such a conflict should be: It should provide a differentiated understanding.

References

[How the war in Ukraine is reshaping world trade and investment \(worldbank.org\)](https://www.worldbank.org/)

[Implications-of-the-War-in-Ukraine-for-the-Global-Economy \(2\).pdf](#)

<https://daviscenter.fas.harvard.edu/events/economic-impact-war-ukraine-russia-and-africa>

<https://www.eib.org/en/stories/ukraine-trade-inflation>

<https://www.jpmorgan.com/insights/research/russia-ukraine-crisis-market-impact>

<https://www.mfat.govt.nz/en/trade/mfat-market-reports/market-reports-global/potential-impacts-of-the-russia-ukraine-conflict-on-the-new-zealand-economy/>