SSR
Social Science Review, Volume 3 (Issue No. 2), 136-149. August-December, 2024

Russia-Ukraine War and International Trade

Ubokulom Jossy Banigo[1] and Gogo Patrick Ibiamu[2]
Department of Political Science, Rivers State University[1] and Ignatius Ajuru University of Education[2], Port Harcourt
ubanigo@gmail.com[1] and gogoibiamu@yahoo.com[2]

Abstract
The study examines Russia-Ukraine war international trade. It used qualitative content analysis. The study revealed that Russia invaded Ukraine based sundry reasons; namely, expansionist ambition, ethnic conflict, quality of Ukrainian government, NATO expansion, economic considerations, Russian support for separatist rebels in eastern Ukraine; and intra-political divisions in Ukraine. It is revealed that the conflict has resulted in the disruption of the transit of goods through the Sea of Azov and the Kerch Strait, led to delays in the delivery of goods, as well as higher insurance costs for shippers. Besides, indirectly it caused imposition of economic sanctions by the EU and the US against Russian entities, which has in turn resulted in a decrease in the availability of Russian oil and gas supplies, as well as an increase in the cost of imported oil and gas. Thus, it is concluded that Russian-Ukrainian war has significant negative impact on the world trade relations especially the developing economies. Therefore, the study recommends an urgent need to engage in diplomatic efforts to foster a peaceful resolution to the ethnic and political divisions in Ukraine in order to reduce the potential for further military conflicts. This should include working to strengthen the Ukrainian government, improving dialogue between Russia and Ukraine, and engaging in negotiations to prevent the further expansion of NATO into the region.

Keywords: Russia-Ukraine War, International Trade, Global Responses, Security, Dilemma,

Introduction

When Ukraine declared its intention to join the North Atlantic Treaty Organization (NATO) in early 2008, Russia rejected it, sparking the start of the conflict between the two countries. Soon after, in 2014, Russia invaded the Crimean Peninsula, causing bloodshed along the Russian-Ukrainian border and conflict in the Donbas (Bebler, 2015). Additionally, it culminated in a Russian complete invasion of Ukrainian territory on February 24, 2022. Even while the entire effects of the Russian-Ukrainian war may not be understood until the battle is over, preliminary data points to some serious repercussions for the world economy. This study is intended to not only interrogate the causal factors but also appraise the impact of the war on international trade.

For the Ukrainian people, the war is a great personal tragedy, but it has worldwide economic ramifications. A massive humanitarian crisis is being caused by it. Over 12 million people are thought to have been displaced, and over 13 million of them require immediate humanitarian aid. The economy of Ukraine is in ruins (Stukalo & Simakhova, 2018). Through a variety of channels, including commodity markets, trade, financial flows, displaced people, and market confidence, the war is having an impact on the entire world. Meanwhile, a significant refugee exodus is placing strain on essential services in the neighboring regions. The initial global economic impact has been primarily through commodity markets, where prices for commodities that Russia and Ukraine supply, such as energy, wheat, fertilizers, and some metals, which are now in short supply, are sharply higher. Any damage to the massive Russian economy is sure to have an impact on remittance flows to many neighboring countries, just as disruptions to regional supply chains and financial networks, along with increased investor risk perceptions, threaten regional growth global economic prospects.

Rising food and energy prices in EMDEs are exacerbating poverty, food insecurity, and inflation. Financial markets are volatile due to uncertainty and geopolitical tension. Capital outflows and higher borrowing costs in commodity-importing EMDEs are exacerbated by anticipated monetary tightening. It could also intensify policy uncertainty and fragmentation of global trade and foreign investment networks channels, that had in the past (albeit fragilely) supported poverty reduction, price stability, and energy and food security. And since these risks are interrelated and mutually amplifying, they could possibly lead to a hard landing for the global economy. This paper examines the war's impact on lives, livelihoods, and economic growth, focusing on policies for refugees and integration into host communities. It also examines the war's implications for international trade and consumer prices.

Methodology

The methodology used in this paper is the qualitative and review approach. It is chosen because of its ability to capture the complex and nuanced effects of conflict on global trade. Qualitative and review were ideal for exploring individual experiences and varied perspectives, providing a comprehensive understanding of how the war influences the global trading system. The study population included the citizens of both belligerent countries, with Ukraine's population estimated at 42.2Million (Ukrainian Statistical Service, 2017) and Russia's at 144.5 million (Federal State Statistics Service, 2020). Data collection involved the use of secondary data came from textbooks, academic journals, newspapers, government publications, international resolutions, and reports from media outlets like CNN, BBC, and Al Jazeera, which provided cost-effective and time-saving resources. For data analysis, the study employed content analysis and critical review to interpret the information collected.

Offensive Neorealism

The offensive neorealism is a theory of international relations that was first introduced by American political scientist John J. Mearsheimer in his book *The Tragedy of Great Power Politics* in 2001. Offensive neorealism, also known as structural realism or hegemonic realism, is a variant of the broader realist perspective that focuses on the distribution of power in the international system. It suggests that states are driven by security concerns and seek to maximize their power relative to other states. Power maximization is in turn driven by the fear of being attacked by a competitor and the hope of achieving security through domination. The Theory shares the foundational assumption of realism, namely, that states exist in an anarchic international system, where there is no centralized authority. However, it places particular emphasis on the concept of security. States are seen as constantly preoccupied with their survival, as they perceive other states as potential aggressors. and are primarily motivated by the need to protect themselves and ensure their own survival. Offensive neorealism emphasizes the balance of power as a key mechanism in international relations. It contends that states strive to achieve or maintain a favorable balance of power. This balance is sought through the acquisition and projection of power resources, such as military capabilities, economic strength, and diplomatic influence. States engage in actions to increase their power relative to others, including alliances, military buildups, territorial expansion, and exerting influence over weaker states. Offensive neorealism recognizes security dilemma as a central element in inter-state relations. The security dilemma refers to the paradoxical situation in which states' efforts to enhance their security, such as increasing military capabilities, can inadvertently lead to heightened tensions and a decreased sense of security for other states.

The relevance of this theory to the Russia-Ukraine War is with reference to the trajectory of the conflict between two states, namely; vying for power and influence in their region. Mearsheimer's (2001) conception that the international system is anarchic in nature, means that states must rely on their own resources and capabilities to protect their interests and ensure their security. In this context, states must be prepared to use force, if necessary, in order to guarantee their security. In the extant case, Russia had a clear interest in maintaining its influence in the region by preventing Ukraine from aligning itself with the West. Russia used force to secure its interests in Eastern Europe by annexing Crimea and supporting separatist forces in Eastern Ukraine. This was done to prevent the US backing NATO's expansion to Ukraine, which Russia saw as a threat to its regional hegemony. As the war continues, Russia's depreciation on the battlefield may lead to nuclear weapons.

Concept of Warfare

War is defined as a fierce armed confrontation between states, governments, society, or paramilitary organizations like militias, mercenaries, and insurgents. Using conventional or irregular military troops, it is typically marked by great violence, damage, and fatalities. The term "warfare" describes the common practices and traits of conflicts in general or of particular war types. Total war can cause significant civilian or non-combatant casualties and is defined as conflict that does not limit itself to only legitimate military targets. Some researchers of war studies contend that war is a product of particular sociocultural, economic, or ecological conditions, while others view it as a universal and innate feature of human nature. There are additional requirements when using social science. Sociologists usually apply the term to such conflicts only if they are initiated and conducted in accordance with socially recognized form. Military writers usually confine the term to hostilities in which the contending groups are sufficiently equal in power to the outcome uncertain for a time (Zielinski et al., 2017). Wars can involve a wide range of tactics, from conventional military operations to guerilla warfare and terrorism. While the end goals of war vary, the different types of war share certain characteristics. Some of the most common typologies of war are as follows:

Conventional War: It is type of war is fought between two countries or groups using conventional weaponry such as tanks, aircraft, and infantry. Its warfare typically involves two or more opposing forces in direct physical combat, and it is usually used to achieve a specific political or military goal (Kilcullen, 2018).

Nuclear War: This type of war is fought between two countries or groups using nuclear weapons. The rules are designed to limit the destruction and casualties that can result from warfare. For example, the GeRussia-Ukraine War and International Tradernational laws that set out the rights of prisoners of war, the treatment of civilian populations, and the use of weapons. These rules are designed to reduce the suffering and destruction caused by warfare (Kilcullen, 2018).

Guerrilla War: This type of war is fought between two countries or groups using asymmetrical tactics such as sabotage, ambushes, and surprise attacks. This type of war is typically more protracted than conventional warfare and can be more difficult to win. Guerrilla warfare is a type of warfare conducted by small groups of fighters, typically operating outside of a traditional military structure, which seeks to disrupt, weaken, and ultimately defeat its opponents with surprise, speed, and mobility. It is usually characterized by long-drawn conflicts, as well as a high degree of improvisation and flexibility in its tactics (Kilcullen, 2018). Despite its effectiveness, guerrilla warfare is highly controversial and is often criticized for its brutality and the lack of international laws governing it.

Civil War: According to Belkin and Yuen (2015), civil wars can be divided into two categories: internal wars and external wars. Internal wars are fought between groups within a nation, while external wars are fought between two nations. The causes of civil wars are complex and varied, ranging from political and economic issues to ethnic and religious divisions (Mueller, 2017). Additionally, foreign powers can play a role in fueling civil wars, either by providing arms and supplies to one side or by intervening directly in the conflict. Furthermore, civil wars can lead to the emergence of new ideologies or the strengthening of existing ones (Mueller, 2017).

Asymmetric war: Asymmetric war is a type of conflict between two states or groups that uses tactics that are not equal or balanced. For example, one group may use conventional weapons while the other group uses unconventional tacties such as cyber warfare and psychological operations. This type of war is often more difficult to win than conventional warfare and can be more protracted. Asymmetric war is characterized by its unpredictability and the unpredictability of its outcomes, as well as its ability to rapidly escalate.

Cold war: The Cold War was a period of geopolitical competition ideological conflict between the United States and the Soviet Union and respective that lasted from the late 1940s until dissolution of the Soviet Union in 1991, (It characterized by hostile rhetoric and proxy wars, as well as an arms race that led to deployment of large numbers of nuclear In addition, a number of proxy wars were fought in different parts of the world, such as Vietnam, Afghanistan, Angola, and Nicaragua .These proxy wars were fought with funds and weapons provided by the two superpowers and their respective allies. It is also important to note that warfare is governed by certain principles. These include the principles of mass economy of force offensive action surprise (Liddell-Hart, 1954; Lang, 2019), manoeuvre and unity of command.

Concept of International Trade

International trade occurs largely within the vortex of international trade relations refer to the economic interactions between countries in terms of trade agreements, investments, and labour mobility (Gents and Scott, 2018). As the global economy has become increasingly integrated, the nature of these relationships has changed significantly, particularly with the emergence of regional trading blocs such as the European significantly, particularly with the emergence of regional trading blocs such as the European Union (EU). In recent years, there has been a growing emphasis on international trade relations in order to increase economic growth, reduce poverty, and promote global cooperation. One of the key aspects of international trade relations is the negotiation of trade agreements. These agreements, which are usually negotiated between countries or regional blocs, outline the terms and conditions under which goods and services are exchanged between them. These agreements can involve a range of issues, from tariffs and quotas to intellectual property rights and labor standards. These agreements are often complex and require significant levels of negotiation in order to reach a mutually beneficial outcome.

Another important aspect of international trade relation is the liberalization of trade. This refers to the removal of barriers to trade, such as tariffs and quotas, in order to promote increased global integration and economic growth. This process has been encouraged by the World Trade Organization (WTO) and other international bodies, as well as by regional trade agreements such as the North American Free Trade Agreement (NAFTA). The liberalization of trade has been credited with helping to reduce poverty and improve economic development in many countries (Gent and Scott, 2018) Finally, international trade relations involve the movement of people, both in terms of labor mobility and migration. Migration has become increasingly important in recent years, as countries seek to take advantage of low-cost labor and the benefits that come from having a diverse workforce. Migration has been shown to have both positive and negative effects on economies, with some studies showing that it can lead to increased economic growth, while others suggest that it can lead to increased inequality (Taran & Dabla-Norris, 2020).

Factors Responsible for the Russia-Ukrainian war

The Russia/Ukraine war began in 2014 when Russia annexed the Crimean Peninsula and the major reasons for the invasion of Ukraine by Russia are due to these factors:

Russian expansionism: Russian expansionism refers to the long-term goal of Russia to expand its influence and power beyond its borders. This has been a major contributor to the ongoing conflict in the region (Kotkin, 2017; Bumiller, 2017). Russia has a long history of expansionism in its foreign policy, which began with the reign of Peter the Great (Fay, 2015). The country has sought to extend its power and influence in its neighboring countries, particularly in Eastern Europe and the Caucasus (Galeotti, 2016). The 2014 annexation of Crimea was a major step in this direction, as it allowed the Russian government to extend its control over the strategic Black Sea region (Jonson, 2015). The move was widely condemned by the international community, as it was seen as a violation of international law (Kazianis, 2016). However, Russia has continued to pursue expansionist policies, such as its military intervention in the Syrian Civil War and its support for separatist movements in Ukraine (Laruelle, 2017). Russia's expansionist policies have led to increased tension in the region, and have been a major factor in the war. The Russian government has sought to increase its influence in the region by supporting separatist movements and by providing military assistance to pro-Russian forces (Mankoff, 2014). Its actions have destabilized the region and have led to the death and displacement of thousands of people (Nordland, 2015). Russia's expansionist policies have also caused alarm in the West, as it has sought to extend its control over strategic areas such as the Black Sea and the Caucasus region (Ollier, 2018). The United States and the European Union have imposed economic sanctions on Russia in response to its actions. As a result, the conflict in the region has become increasingly entrenched, and the war has become increasingly violent.

Ethnic conflict: Ethnic conflict is a major factor in the ongoing war in Ukraine, due to the country's multicultural composition of Ukraine (who are the majority) and Russians (who compose a large population). The tension between the two ethnic groups has been a long-standing issue, and has become increasingly difficult to resolve. The dispute between the two ethnic groups can be traced back to the breakup of the Soviet Union in 1991, when Ukraine became an independent nation. The fact that both groups have their own distinct cultures and language has caused a great deal of friction between them. As a result, there is a great deal of mistrust between the two communities and a strong sense of separate national identity among the Ukrainian population (Lefebvre, 2016).

Another source of tension between the two groups is political power. According to Wilson (2014), ethnic Russians have traditionally held more political power in Ukraine than ethnic Ukrainians. This has led to resentment among ethnic Ukrainians, who feel that they are being marginalized. The conflict in Ukraine can be seen as a struggle for political power between the two groups. In addition to the long-standing tensions between the two groups, the political situation in Ukraine has exacerbated the situation. Recent events, such as the 2014 revolution and the annexation of Crimea by Russia, have further heightened the tensions between the two ethnicities. In particular, the annexation of Crimea by Russia has caused a great deal of anger and resentment among the Ukrainian population, as it has been seen as an act of aggression by

Russia and a violation of Ukraine's sovereignty (Lefebvre, 2016). The conflict between the two ethnicities has also been fueled by the media, particularly in the West. Western media outlets have often portrayed the situation as a "clash of civilizations" between the two ethnic groups. This has led to a further deterioration in relations between the two communities and has made the situation even more difficult to resolve (Galeotti, 2015). Moreover, the war in Ukraine has also exacerbated the ethnic tensions between the two groups. As the conflict has intensified, so have the feelings of animosity and mistrust between the two ethnicities. The war has also had an economic impact, as it has caused significant economic hardship to both communities, especially to the Russian-speaking population (Lefebvre, 2016).

Ukrainian governmental failure: The Ukrainian government has been a major factor in the ongoing war in Ukraine. As a result of the government's corruption and failure to address the needs of the people, protests and unrest have arisen, which in turn have further fueled the conflict (Gonzalez-Enriquez, 2017). This is evidenced by the fact that the government has been unable to address the underlying economic issues, such as the lack of economic diversification, that have been a major factor in the conflict. Moreover, the government's lack of accountability and transparency has been a major source of dissatisfaction among the population, leading to protests and the mobilization of anti-government forces. Furthermore, the government's handling of the crisis has also been seen as problematic. The government has failed to take decisive action to address the conflict, but instead opting to rely on a weak ceasefire agreement that has been repeatedly violated (Grabbe, 2015) This has led to the further radicalization of the population and the deepening of the conflict. The Ukrainian government's role in the conflict is further underlined by the fact that it has failed to provide the necessary support to its citizens. The government has been unwilling to provide adequate resources to those who have been internally displaced by the conflict and has failed to provide adequate protection to those who have been targeted by the separatist forces; therefore, she has also been accused of manipulating the media and silencing those who oppose its policies (Gonzalez-Enriquez, 2017). Moreover, the government has been accused of using heavy-handed tactics against those opposing it, including human rights abuses (Grabbe, 2015). This has further alienated the population and exacerbated the conflict. According to Kuzio (2015), the Ukrainian government's corruption has been a significant issue for many years. The government officials have been accused of embezzlement, bribery, and other forms of corruption.

NATO expansion: NATO Expansion has been a major factor in the war in Europe, particularly within the region. The expansion of NATO into the region has been seen as a direct threat to Russian security, resulting in attempts at gaining more control of the region (Ehrman, 2019). This has been the result of a shift in the global balance of power, which has seen the United States, NATO, and other Western powers gain more influence in the region (Gómez-Reino, 2018). This has created a sense of insecurity in Russia, which has led to a desire to maintain control of its "near abroad" (Vasquez, 2020). In response, Russia has increased its involvement in the region and has sought to limit the influence of NATO and other Western powers. The expansion of NATO into the region has also resulted in increased tensions between Russia and the West, as well as increased military activity in the region on both sides (Ehrman, 2019). It has also led to an increase in diplomatic tensions, as Russia has sought to assert its influence in the region (Gómez-Reino, 2018).

Economic factors: Economic factors have played a role in the war in Ukraine. As stated by Kuzio (2014), "Russia's desire to control Ukraine's economy has been seen as a major factor in the conflict". This desire for control has been driven by economic and energy interests, such as the need to control Ukraine's vast energy resources and to increase Russia's influence in the region. The war in Ukraine has created a major economic disruption in the region, resulting in a substantial reduction in economic output and a 22% contraction in 2015 (Chernyshenko, 2016). Russia has used its economic leverage over Ukraine to further its interests in the conflict. For example, Russia has imposed economic sanctions on Ukraine and has used its control of natural gas supplies to put economic pressure on Ukraine (Baron, 2017). This has resulted in a drastic reduction in economic growth and a sharp devaluation of the Ukrainian hryvnia currency. In addition, Russia has continued provided financial and military support to the separatists in Eastern Ukraine, which Russia-Ukraine War and International Tradeeir fight against the Ukrainian government (Kuzio, 2014).

Historical animosity: The long history of animosity between Russia and Ukraine has been legendry. Russia has long seen Ukraine as a part of the Russian sphere of influence and has sought to exert its control over the region (Tsygankov, 2018). This is rooted in centuries of power struggles between the two countries. From the 16th century, when Ukraine was divided between Poland, Lithuania, and Russia, to the 19th century, when Russia annexed much of Ukraine, to the 20th century, when the Soviet Union controlled the region, Russia has sought to dominate Ukraine (Humphreys, 2004). The 2014 Ukrainian Revolution and the subsequent war in the Donbas region highlighted the deep-seated animosity between Russia and Ukraine (Mochulsky & Ivanytskyi, 2020). Russia's attempts to reassert its control over Ukraine have been weakened by the widespread anti-Russian sentiment in Ukraine, which has been fueled by decades of Russian domination and aggression (Humphreys, 2004). This has further exacerbated the animosity between the two countries, creating a cycle of distrust and hostility that has been a major factor in the war.

Russian support for separatist rebels in eastern Ukraine: The conflict in eastern Ukraine between the Ukrainian government and the separatist rebels has been due to Russian support for the separatist forces. In 2014, Russia began providing support to separatist rebels in Ukraine's eastern regions of Donetsk and Luhansk. This has resulted in a war between the two countries that has caused thousands of casualties. Initially, Russia provided support to the rebels in the form of military training, weapons and supplies, and military advisors (De Waal, 2016). The international community, including the US and the European Union, has accused Russia of providing direct military support to the rebels, including the reported deployment of Russian troops to the region (Hampson, 2017). In 2015, the United Nations Security Council unanimously passed Resolution 2202, condemning Russia's actions and demanding an immediate withdrawal of its forces from Ukraine. Although Russia denied any involvement in the conflict, the resolution reaffirmed the international community's condemnation of the Russian support for the rebels (United Nations Security Council, 2015).

Impact of Russia-Ukraine War on International Trade

European trade has been significantly impacted by the ongoing Russo-Ukrainian conflict, both directly and indirectly. In the former, the conflict has caused delays in the delivery of products and increased insurance costs for shippers by disrupting the transit of commodities across the Kerch Strait and the Sea of Azov. Additionally, it has caused delays and increased expenses for European traders by interfering with the movement of commodities between the Danube River and Black Sea (Kolosov & Kuznetsov, 2019). In the latter, European trade has also suffered as a result of the fighting. Due to the conflict, the US and EU have imposed economic sanctions on Russian firms, which has resulted in a reduction in the supply of Russian gas and oil and an increase in the price of gas and oil imports. Businesses in Europe have been impacted because consumers now pay higheRussia-Ukraine War and International Trade of imported gas and oil (Gentz & Schott, 2018).

Commodity and energy price shocks versus global trade: Shocks to crop and energy prices lower international trade; exports overall drop by 1%, exports from developing nations drop by 1.06 percent, and exports from rich nations drop by around 1%. Differentiating between changes in trade flows' volume and value is crucial. Natural resource imports from outside the Black Sea region decreased by 2.3%, energy-intensive and trade-exposed goods (EITE) by 0.7%, and agricultural commodities by 0.1% to 0.2% in terms of volume. Due to their comparatively low energy intensity, imports from non-EITE sectors, such as light manufacturing and services, have increased from 0.2 percent to 0.4 percent in volume terms. At the same time, a different pattern of global trade-flow restructuring emerged as a result of rising agricultural and energy commodity prices, measured in terms of value. Energy exports rise 1.9% and agricultural commodity exports rise 7% when the price effect is taken into account. Exports of Energy Intensive and Trade-Exposed (EITE) sectors decreased by 1 percent; they drop 1.8 percent for non-EITE manufacturing sectors and 2 percent for services. Therefore, underdeveloped countries' imports decline by 0.7 percent, while imports of high-income countries fall by 1.1 percent. Global imports mimic exports; imports of agricultural commodities and natural resources increase slightly, while imports of services and all manufacturing sectors decline. Net exporters of energy or agricultural goods saw increases in overall exports and trade benefits. A number of nations are anticipated to increase the overall value of their exports; the largest growth rates were observed in the rest of the ECA region (1.5 percent), the rest of MENA (1.2 percent), Nigeria (1 percent), and the rest of SSA (0.7 percent). Turkey, Brazil, the rest of LAC, and Egypt saw lower increases. Agricultural exporters are encouraged by rising prices to increase production and partially replace Black Sea region exports. The countries that export the most wheat is the United States, India, the rest of the ECA region, Western Europe, and the other HICs. Other crop exports that replace wheat in consumption are growing in a number of nations, with the largest increases occurring in Western Europe, the rest of Latin America, Turkey, China, Brazil, the rest of MENA, India, and the United States. Some of the lost exports from Russia and Ukraine are replaced by a few nations (Western Europe, the United States, Brazil, and the rest of LAC) that have a comparative advantage in oil seeds. A change in the composition of agricultural trade is also observed. Large importers of wheat from the Black Sea region, such as Egypt and Turkey, increase their imports of other cereal grains and crops, substituting for declining wheat imports.

Refugees and remittances: The fighting has led to a major refugee crisis. As of April 15, 2022, the UNHCR reports that 4.7 million people are refugees (to neighboring countries), while over 7 million people have been displaced within Ukraine (IOM 2022; UNHRC Data Portal, 2022). Women and children make up a significant portion of refugees. 4.3 million (57 percent) of Ukraine's estimated 7.5 million children have been displaced, of which 1.8 million (24 percent) are thought to have fled as refugees to neighboring countries and another 2.5 million (33 percent) are internally displaced (IOM 2022; UNHRC 2022). The economies of Central Europe will be impacted by the Ukrainian refugee crisis. The economies of Central Asia will be impacted by a Russian recession. Furthermore, it is estimated that hundreds of thousands of Russians have left their country, and many migrant workers in Russia will probably experience income losses or be compelled to return home. In addition to causing financial difficulties for households, this will have a negative effect on the reserves of some Central Asian nations that rely significantly on remittances. The war is magnifying other vulnerabilities, including high debt distress risks in the Kyrgyz Republic and Tajikistan. Both countries are expected to experience a contraction in output this year, wider deficits, and sharp exchange rate devaluation. The effects of the war will also be felt in the South Caucasus. Due of its close economic ties to Russia, the South Caucasus region will be severely impacted. Georgia and Armenia depend on Russia as a major export market as well as a source of remittances and tourism revenue. Due to its heavy reliance on Russian wheat imports, the South Caucasus has suffered as a result of Russia's declared limits on a number of agricultural products. The influx of Russian migrants, especially those with education and skill, may help to offset some of these pulls. This might have a favorable impact on domestic demand in the short term and the labor supply in the medium to long run. Russia and Ukraine are significant exporters of a number of commodities according to the profile of the world's commodity markets. Consequently, the war has caused significant spikes and fluctuations in these commodities' prices. With 18 percent of worldwide wheat exports, Russia is the world's top exporter, followed by Ukraine with 7 percent. In addition, Russia is the world's top exporter of fertilizers (14 percent), nickel (22 percent), palladium (23 percent), and natural gas (25 percent). Additionally, it is responsible for 18 percent of the world's coal exports, 14 percent of platinum exports, 11 percent of crude oil exports, and 10 percent of refined aluminum exports. Ukraine is the fourth-biggest exporter of corn, making up 13 percent of global exports, and the largest exporter of seed oils, mostly used in cooking, accounting for two-fifths of global production.

Additionally, Ukraine supplies up to 50% of the world's neon gas, a vital component needed in the production of chips. The cost of agricultural and energy commodities has increased. Commodities that Russia and Ukraine are major exporters of have seen significant price hikes. Coal prices have increased by 60% since the start of the war, European natural gas by over 30%, and wheat prices by almost 40%. When the US and UK banned the import of Russian oil in early March, the price of Brent crude oil hit a 10-year high of $130 per barrel, but it later dropped to about $110 per barrel. With sharp intraday fluctuations and, in the case of oil, changes in futures curves, prices have been incredibly volatile. Additionally, the cost of settling deals involving Russian oil has increased due to sanctions on financial intermediaries. Russia has struggled to find buyers for its crude as a result, and the price of Urals (the Russian benchmark) has been trading at a discount of more than $25/bbl relative to Brent crude. Commodity prices have surged since January 2022, causing harm to vulnerable populations.

The global economy's improvement and geopolitical risk matrix contribute to the price increase. Additionally, OPEC+ countries' production has been lower than anticipated. Other energy-intensive commodities like fertilizers and aluminum have seen price increases due to rising energy costs. Industrial commodity inventories have drastically decreased, especially for tin and crude oil. Europe's economy is at risk due to Russia's reliance on energy, with oil prices doubling and gas prices increasing 400% since January 2021. Rising energy prices negatively impact production costs and purchasing power, contributing to a 7.5% annual inflation increase in March 2022. Russia heavily relies on the euro area for 40% of its natural gas and crude oil exports, and over 75% of wheat imports in several EMDEs, including ECA, MNA, and SSA.

Ukraine also supplies a significant portion of other nations' imports of corn and seed oils. The South and East of Ukraine, where the fighting is most severe, produce the majority of the nation's wheat, and other important crops including corn, barley, and sunflowers are anticipated to have some disruptions in their spring planting season. Crop transportation logistics continue to be a problem; approximately 90% of Ukraine's grain commerce passes through Black Sea ports that are not yet functioning.

Since Russia is the world's largest fertilizer exporter, making up 13 percent of worldwide exports, the country has advised fertilizer firms to stop exporting fertilizer, which will impede food production in some regions of the world. On the other hand, increased commodity prices may provide short-term advantages to net commodity exporters, especially energy exporters. Although some of the windfall may be constrained by prior hedging activities, the impact is expected to be greatest in certain Organization of Petroleum Exporting Countries (OPEC) and other energy exporters, particularly in Latin America, which will witness greater export and fiscal revenues. However, rising input costs for energy and fertilizer will offset the price increases for several non-energy commodity exporters.

Global trade flows: In addition to causing stress to already-existing supply problems, the war has hampered trade, particularly international transportation lines. Global air cargo might be disrupted by the reciprocal restriction on flights between Russian and European airspace, increasing transportation costs worldwide as rerouting takes place through costlier and time-consuming routes, particularly between Europe and East Asia. It is estimated that airspace restrictions impact about 20% of the world's flying cargo. Furthermore, shipping lines that account for about half of the world's container shipping capacity have declared their intention to halt reservations with Russia, which will make exporting more challenging for Russian companies. Black Sea trade has already been impacted; on March 1st, dry bulk boats in Ukrainian ports were down 82% compared to the beginning of February. More than 20 percent fewer calls were made to Russian Ports.

Global financial markets: The volatility of the equity market has significantly increased, particularly in Europe. Early in March, the European VSTOXX index experienced a brief surge to over 50 and is still abnormally high. Although it has since somewhat decreased, equity volatility in the US (as measured by the VIX Index) also increased significantly in the month after the war began. On the one hand, spreads on EMDE bonds have not widened significantly on average, but bond issuance by EMDEs during February-March was weaker than in the same period of any year since 2016. On the other hand, U.S. 10-year government bond yields have increased significantly, reflecting a variety of factors, including higher expected inflation. Global stock prices fell sharply in early March but have mostly recovered. EMDE-wide averages reveal significant differences between groups, with commodity-exporting EMDEs having lower sovereign spreads and higher importers, while debt and equity flows remain positive in LAC and MNA regions.

Financial stress: The war may exacerbate risk-off sentiment in a variety of EMDEs, and increased market volatility may intensify into broader financial stress. Market-specific disruptions are a persistent risk, as evidenced by the high margin calls that have already resulted in trade cancellations and trading suspensions for large companies due to extreme intraday price movements in certain commodities and financial assets (LME 2022). Undervalued exposures to

Russia, such as leveraged non-bank financial institutions, could lead to financial institution losses. Increased investor risk aversion could cause financial instability, capital flight, currency depreciation, declining equity market values, and increased bond market risk premiums.

Increased food and energy insecurity: Disruptions to commodity production could exacerbate food and energy insecurity. Both Russia and Ukraine are major exporters of agricultural commodities, especially to EMDEs in Middle East and North Africa (MNA) and Sub-Saharan Africa (SSA). The fighting is seriously impacting the shipping of agricultural commodities via ports in Ukraine and Russia and these disruptions could endure for an extended period. A protracted conflict could significantly reduce Ukraine's agricultural output in the short term and have a significant impact on future global agricultural output by raising the cost of inputs, such as fertilizer. The decreased global supply of grain, particularly wheat, could lead to further price increases for food across EMDEs, which would increase food insecurity. Countries with a large proportion of imported grains and oilseeds in their consumption basket are especially vulnerable; in fact, in more than 40 countries supported by the World Food Programme of the United Nations, including numerous African nations, imported cereals account for more than 30% of dietary energy (WFP, 2022).The number of undernourished people worldwide has already increased by over 120 million since 2019 due to the COVID-19 pandemic and its economic effects; the war could significantly worsen this trend. Model-based estimates indicate that high prices for corn and wheat could increase poverty and inequality in many countries and reduce average real household income in EMDEs by 1.5 percent if they continue (Artuc et al. 2022). More generally, up to 10 million people may fall into extreme poverty if food costs increased by an extra 1%. Reduced Russian oil and gas exports, meanwhile, may increase energy insecurity throughout Europe and the EMDEs more generally, leading to additional increases in energy prices.

Conclusion

The paper focuses on Russian/Ukrainian effect on global trade. It is revealed that the conflict has resulted in the disruption of the transit of goods through the Sea of Azov and the Kerch Strait, led to delays in the delivery of goods, as well as higher insurance costs for shippers. Besides, indirectly it caused imposition of economic sanctions by the EU and the US against Russian entities, which has in turn resulted in a decrease in the availability of Russian oil and gas supplies, as well as an increase in the cost of imported oil and gas. Thus, it is concluded that Russian-Ukrainian war has significant negative impact on the world trade relations especially the developing economies. Based on the major findings, we are wont to make the following recommendations: There is need to engage in diplomatic efforts to foster a peaceful resolution to the ethnic and political divisions in Ukraine in order to reduce the potential for further military conflicts. In addition, the European Union and the United States should work together to ensure the safe and secure transit of goods through the Sea of Azov and the Kerch Strait. Consequently, they should work to ensure the safe and secure transport of goods through the Black Sea and Danube River, to minimize delays and costs. Furthermore, they should work to reduce the impact of economic sanctions by ensuring that Russian entities are not unduly impacted and that the availability of Russian oil and gas supplies is maintained. Finally, they should work to reduce the cost of imported oil and gas, either through negotiation with suppliers or through the implementation of renewable energy initiatives.

References

Baron, D. (2017). *Russia's economic leverage over Ukraine.* Oxford University Press.

Bebler, A. (2015). Crimea and the Russian-Ukrainian conflict. *Romanian Journal of European Affairs, 15*(1), 35-54.

Bumiller, E. (2017, March 9). Trump's Ukraine policy reveals a president who is all alone. *The New York Times.* https://www.nytimes.com/2017/03/06/world/europe/ukraine-trump-putin.html

Chernyshenko, S. (2016). *Ukraine Economic Update*. World Bank.

De Waal, T. (2016). *The conflict in Ukraine: What everyone needs to know*. Oxford University Press.

Ehrman, J. (2019). *The European Union and the expansion of NATO*. Oxford University Press.

European Commission (2017). *EU-Ukraine Association Agreement.* https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/

European Commission. (2018). *Energy security and the EU-Russia energy relations.* https://ec.europa.eu/energy/en/topics/international-energy-relations/energy-security-and-eu-russia-energy-relations

European Parliament. (2017). *EU-Russia trade relations: Effects of sanctions and opportunities for trade diversification.* https://www.europarl.europa.eu/RegData/etudes/STUD/2017/596828/IPOL_STU(2017)596828_EN.pdf

Fay, S. (2015). *Peter the Great's foreign policy*. Encyclopaedia Britannica. https://www.britannica.com/biography/Peter-I-emperor-of-Russia/Peter-the-Greats-foreign-policy

Federal State Statistics Service. (2020). The population of Russia as at 01.01.2020 amounted to 144,526,912 people. http://www.gks.ru/en/free_doc/doc_2020/demo/popul-01-2020.pdf

Galeotti, M. (2015). *Ukraine's war: Understanding the conflict and its implications*. Routledge.

Galeotti, M. (2016). Russia's expanding zones of influence. *Chatham House*. https://www.chathamhouse.org/expert/comment/russia-s-expanding-zones-influence

Gentz, F. & Schott, M. (2018). Trade and economic impacts of the Russia-Ukraine conflict. In E. G. Carayannis, & D. F. J. Campbell (Eds.), *The Russia-Ukraine crisis and the West: Politics, economics and sanctions* (277-295). Palgrave Macmillan.

Gómez-Reino, C. (2018). NATO expansion and the Russian security dilemma. *International Studies Review, 20(1),* 10-30.

Gonzalez-Enriquez, C. (2017). The war in Ukraine: Causes, course and consequences. *International Affairs, 93*(2), 341-357.

Grabbe, H. (2015). *The crisis in Ukraine: What it means for Europe and the US*. Routledge.

Humphreys, R. (2004). Between Russia and the West: Ukraine's uncertain course. *International Affairs, 80(3),* 463-476.

International Monetary Fund (2019). Russian federation: Staff concluding statement of the 2019 Article IV Mission. https://www.imf.org/en/News/Articles/2019/06/28/mcs062819-russian-federation-staff-concluding-statement-of-the-2019-article-iv-mission

Jonson, L. (2015). The annexation of crime: Understanding Russia's motivations. *Small Wars Journal, 3*(7), 23-43. https://smallwarsjournal.com/jrnl/art/annexation-crimea-understanding-russia%E2%80%99s-motivations

Kazianis, H. (2016). *Russia's annexation of Crimea and the West's response*. The Diplomat. https://thediplomat.com/2016/03/russias-annexation-of-crimea-and-the-wests-response/

Kolosov, V. & Kuznetsov, A. (2019). Trade, transport and logistics in the Black Sea region: The impact of the Russia-Ukraine conflict. *International Maritime Economic Law, 17*(1), 1-25.

Kuzemko, C. (2016). Energy security, uncertainty, and European Union-Russian relations. *Journal of Common Market Studies, 54*(4), 933-949.

Kuzio, T. (2015). *Ukraine: Democratization, corruption, and the new Russian imperialism*. Santa Praeger Press.

Laruelle, M. (2017). Russia's geopolitical resurgence: From the near abroad to the Middle East. *The Washington Quarterly*. https://journals.sagepub.com/doi/full/10.1080/0163660X.2017.1338287

Lefebvre, V. (2016). *Waging war: A comparative analysis of conflict in Ukraine*. Springer.

Mankoff, J. (2014). Russia's latest land grab: How Putin won Crimea and lost Ukraine. *Foreign Affairs, 6*(93), 60-81.

Mearsheimer, J. J. (2001). The tragedy of great power politics. W. W. Norton & Company.

Mochulsky, V. A. & Ivanytskyi, M. (2020). War in Ukraine and its implications for the European security. *A Russian Journal on International Security, 26*(1), 68-75.

Nordland, R. (2015). Russia's intervention in Syria: The geopolitics of an escalation. *The New York Times.* https://www.nytimes.com/2015/10/05/world/middleeast/r

Stukalo, N., & Simakhova, A. (2018). Social and economic effects of the war conflict in Ukraine for Europe. *Geopolitics under Globalization, 2*(1), 11-18. https://doi.org/10.21511/gg.02(1).2018.02

Tsygankov, A. P. (2018). *Russia's foreign policy: Change and continuity in national identity.* Johns Hopkins University Press.

Ukrainian Statistical Service. (2017). Ukraine's population, as at 01.01.2017, amounted to 42,212,764 persons. *Journal of Development Economics, 7*(12), 47–68.

Vasquez, J. A. (2020). *Russia and the expansion of NATO*. Routledge.

World Bank (2023). *Russia's invasion of Ukraine and cost-of-living crisis dim growth prospects in emerging Europe and Central Asia*. https://www.worldbank.org/en/news/press-release/2023/04/06/russian-invasion-of-ukraine-and-cost-of-living-crisis-dim-growth-prospects-in-emerging-europe-and-central-asia

World Bank. (2022a). *Global Economic Prospects.* World Bank Group.