



**Discussing the economic  
consequences of the Russo-  
Ukrainian War**



**G20**

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## Introduction

On the 24th of February 2024, the Russian Federation invaded the east of Ukraine. This escalation of the Russo-Ukraine war shocked nations around the world. It was the largest invasion Europe has seen since the Second World War. Millions of people fled from Ukraine into countries all across the continent, but aside from the catastrophe the invasion was for Europe's peace and security, the impact of war was felt elsewhere. As a result of the ongoing battle between Russia and Ukraine, which hasn't stopped to this day, the supply of goods shifted, and the global economy changed. As organizations such as the European Union laid economic sanctions on Russia, and sent supplies to Ukraine, EU citizens felt a shift in their day-to-day life. However, Europe was not the only continent that had been affected by the disruption of peace. Whereas some economies flourish under the need for non-Russian products, others plummet. The economic consequences of the Russo-Ukraine war can be felt everywhere.

## Definition of Key Terms

### Economy

A country's economy refers to the system of production, distribution, and consumption of goods and services within its borders. It encompasses all economic activities conducted by individuals, businesses, and the government, and it is typically measured and analyzed through various economic indicators.

### Economic sanctions

Economic sanctions refer to a set of coercive measures imposed by one or more countries or international organizations on another country, government, or entities within that country. These measures are designed to influence the targeted entity's behavior by restricting or limiting economic

activities and trade. Since 2014, the European Union has imposed 11 rounds of economic sanctions on Russia.

### **Russo-Ukrainian war**

In 2014, Russia took control of the Krim region, which started the Russo-Ukrainian war. After the Russian invasion of Ukraine in 2022, the conflict was officially recognized as a war by the general public. This war has enormous consequences, especially economically.

## **General Overview**

Ukraine has turned into a state of severe economic distress. The World Bank concluded that between 2020 and 2023 the number of people living in extreme poverty globally increased from 100 million to 700 million, most living in conflict areas such as Ukraine. The war between Russia and Ukraine has scarred the global economy, despite having only been ongoing since 2022. This year is significant, however, as 2022 marked the end of the COVID-19 pandemic in many countries. The global spread of the coronavirus had countries forced to enter national quarantines for months at a time. This caused problems for many economies as stores had to close down, people lost their jobs, and governments had to invest more and more money into national and international health care. Right at the start of the rebuilding of said economies, the war in Eastern Europe created a dent in the global distribution of money again.

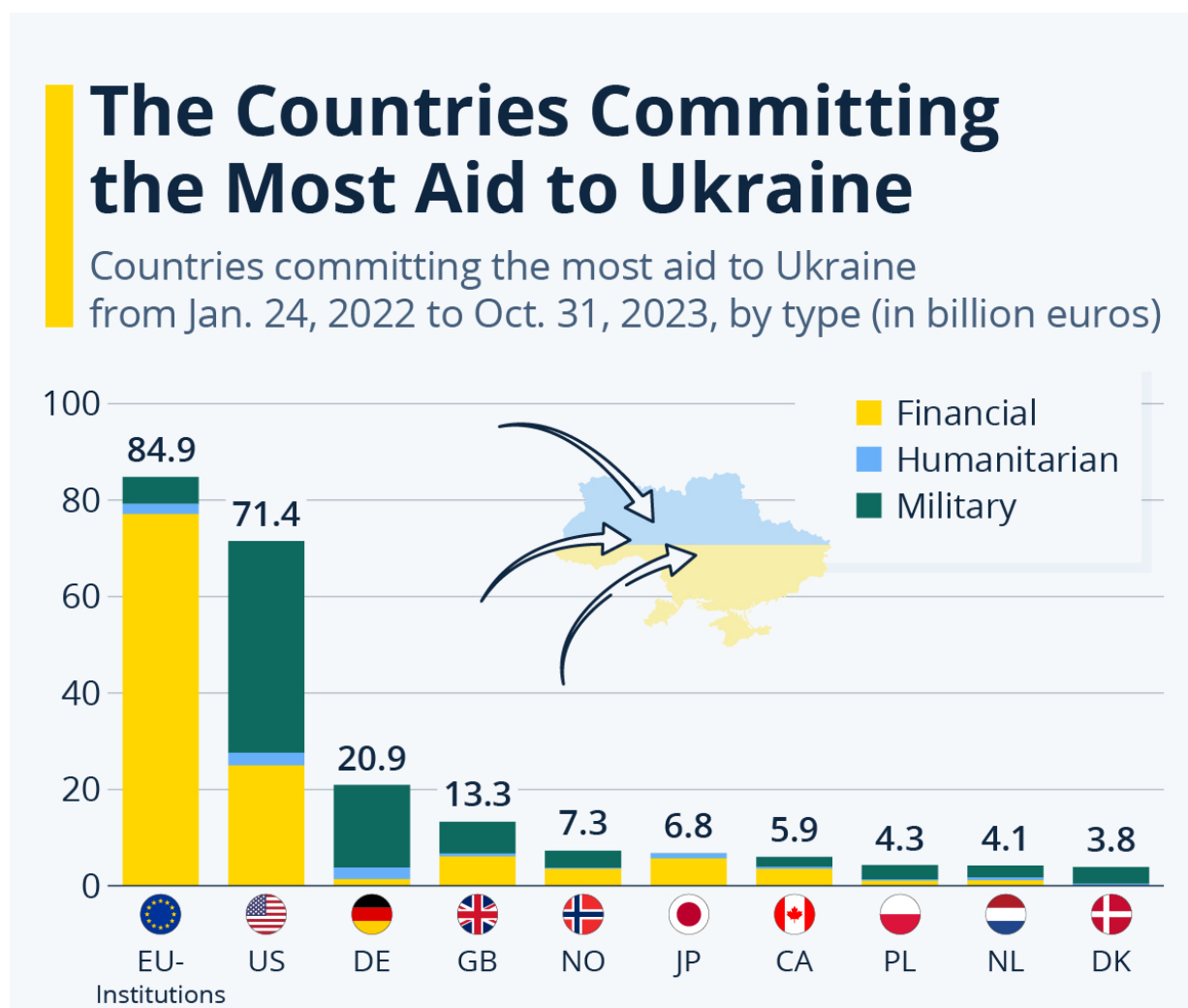
### **The involvement of countries/NGOs/IGOs**

From the start of the war, the United States of America has supplied Ukraine with the most military aid of any country globally. In total, the USA has invested 71.4 billion euros into the war, via military, humanitarian and financial aid. This does not make them the biggest supplier of aid, as the European Union has invested 84.9 billion euros. The EU has focused much on financial aid for the area. Despite being in the EU, countries like Germany, the United Kingdom and the Netherlands have also invested billions into resources for Ukraine's side of the war.

Organizations like the United Nations and the North American Organization Treaty are in a difficult position to provide aid. The UN cannot provide military aid, as the UN army can only take action when all member states of the Security Council approve. Russia being one of the permanent members with veto rights in said council, the United Nations cannot send their army to the

battlefield created in Europe. However, the UN is providing humanitarian aid via its many councils, and the debates on the moralities of the war are still ongoing.

A rumored reason for the moment of invasion is the chance that Ukraine was applying to join NATO. If the nations were a part of this organization, Russia would not only be facing the Ukrainian army once they invaded, but the army of all NATO-member states, including the USA, the largest military power on the planet. Therefore, the Russian army invaded before the application was considered. NATO will not intervene in the war as Ukraine is not a member state and is therefore not under their protection. Since the invasion, countries like Sweden and Finland have joined NATO to be in protection against a Russian invasion furthering into Europe. Ukraine has also officially applied to become a member state.



### Economic consequences in Europe

The Euro area depends heavily on the gas supplies coming from Russia. Since the war, the EU and many of its members decided to boycott Russian energy sources, leaving them with the need to find an alternative supplier. This has increased the cost of gas massively all throughout Europe.

Ukraine and Russia were also a large supplier of fertilizers for the entire Euro area. This loss in supply has increased the price of food throughout the European continent. All these factors combined resulted in high inflation in nearly all European nations, resulting in a decline in economic growth. In combination with the billions of investments, many European countries are starting discussions and debates on whether or not they should limit their supplies to Ukraine, also as a means to improve their economies.

### Economic consequences in Asia

The Asian continent is less reliant on Russian supplies than Europe is. However, this does not mean Asia has felt no consequences of the war. Besides the obvious increase in fuel prices, interestingly enough some economies have flourished. Due to the economic sanctions from Europe, Russian consumers have been forced to find goods elsewhere. Armenia has seen an economic growth due to their car supply which is now largely bought in to by Russian customers.

## Timeline of Key Events

Date	Event
<b>24th of August 1991</b>	Ukraine becomes independent from Russia
<b>20<sup>th</sup> of February 2014</b>	Russia takes control of the Krim island, starting the Ukraine war
<b>17th of March 2014</b>	the USA, EU and Canada impose the first economic sanction on Russia
<b>24<sup>th</sup> of February 2022</b>	Russia invades Ukraine
<b>22<sup>th</sup> of July 2022</b>	The Black Sea Grain Deal is drafted
<b>30<sup>th</sup> of September 2022</b>	Ukraine officially applies to join NATO
<b>June 2023</b>	The 11th round of economic sanctions is imposed on Russia
<b>17<sup>th</sup> of July 2023</b>	The Black Sea Grain Deal expired.

## Major Parties Involved

### Russia

Russia has a long history spread across different territories. Despite the capital being Moscow, the Russian people find their origin in Kyiv, Ukraine. After being a part of the Soviet Union, parts of Ukraine are inhabited by a majority Russian population. The history and cultural ties make the Kremlin wish to reclaim power in Ukraine again, as they still view the country as a part of Russia despite their independence being declared in 1991. The Russian Federation has been taking over power in Ukraine for nearly 10 years now. As a result of this, countries and organizations have limited their international trade, damaging their war economy. Russian citizens are forced to find goods elsewhere in the world.

### Ukraine

Ukraine was a former Soviet nation that gained their independence in 1991. Since then, the country has been interested in gaining closer bonds with the West by requesting to join organizations like the European Union and NATO. Ukraine has been getting billions of euros in military, financial and humanitarian aid since Russia first invaded. However, their economy is still fragile and their international trade has fallen behind.

### Poland

As their neighboring country, Poland has taken in the most Ukrainian refugees out of any country. This combined with the high food and energy prices, and the billions of euros they send in aid, has resulted in a declining economy.

### European Union

The European Union is the highest contributor in aid to Ukraine and has put economic sanctions on Russia since they first disturbed the European peace with their invasion of the Krim in 2014. As a Union created to keep the peace on the continent, this war is a threat to their cause.

## Previous attempts to solve the issue

Ukraine is one of the world's leading powers in the export of grain. This grain was transported via the Black Sea. Due to the war, many ports and infrastructure have been harmed, or are under Russian control. This damages the Ukrainian economy, but also the situation in all nations who rely on Ukraine for their grain supply. Food prices all over the world rose and lower income countries were facing famine. To solve this issue, the **Black Sea Grain Deal** was established in July of 2022. The deal allowed Ukraine to export grain and fertilizer from 3 ports, Odessa, Chornomorsk, and

Pivdennyi. It was not a direct agreement between Ukraine and Russia, but between the UN, Turkey and Ukraine and a mirror agreement between the UN, Turkey and Russia. The involved parties expanded the deal a few times, but on the 17th of July 2023 the deal expired and the ports of Ukraine were open to Russian attacks once again.

Since the collapse of the so-called Grain Deal, the World Food Programme has initiated many missions to transport Ukrainian products to low income countries, but none have been extremely successful.

## Possible Solutions

To limit the impact of the war, EU leaders called for further diversifying energy supply sources and routes, accelerating the deployment of renewables, further improving energy efficiency and the interconnections of gas and electricity networks. The need to switch to alternative energy supplies has been voiced many times before as a solution to climate change, but now it is being seen as a key component to solving countries' economies. Another solution to the economic challenges would be to open up the Ukrainian harbors in the Black Sea, and to stop the attacks on Ukrainian infrastructure. EU leaders are asking to allow food exports especially from the Ukrainian city of Odessa.

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