

RUSSIA-UKRAINE CONFLICT: SANCTIONS AND EFFECTS ON THE WORLD

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ABSTRACT

The beginning of the military action in Ukraine started in 2014 as well as swiftly changed to a lengthy stand-off, with recurrent bombardment and clashes taking place around the front line which deattaches Russian-and Ukrainian-goverened territories in the east. After Russian initiated a major attack on Ukraine on February 22, 2022, the invasion has led to over one hundred civilian casualties and forced tens of thousands of Ukrainians to flee to the neighboring states-particularly Poland, a member of NATO, where the military of the United States are making preparations to provide support. The invasion caused Russia with numerous sanctions by EU member states, US and some other major countries. These sanctions will effect the world economy as the prices of various commodities will rise. And eventually, "The world the would bleed if the sanctions continued for a more extended period."

Keywords: Russia, Ukraine, United States, Economic Sanctions, European Union.

Introduction

On February 23, 2022, Russian has launched a fatal strike on Ukraine by air, land, as well as sea. Ukraine is a European Democratic nation of around forty four million population. For a long haul President Vladimir Putin had rejected all the specultions regarding his invasion of his neighboring country Ukraine, yet he "ruptured" the peace accord, by sending his military forces around Ukrainain borders from all sides.

After the vicious attack directed by Vladimir Putin, the West has imposed various sanctions on Russia. Sanctions are merely imposed to force Putin to halt his invasion of Ukraine; however, the sanctions could affect other countries more than Russia if they imposed them for an extended

period.

This article will inform the readers about how the World would bleed if the sanctions continued for a more extended period.

Following a few days of tenseness, on February 24, Russia announced that the country was ready for military action in Ukraine. The aftermath of the attack, which numerous researchers and political scientists nicknamed as Third World War, reports, and images of the citizens of Ukraine fleeing Kyiv, the capital of the country, and the marching of the Russian armed force has surfaced.

The Ukrainian Minister, Dmytro Kuleba, has stated that the ongoing invasion is a "war of aggression," Ukraine will defend itself and will win. President Joe Biden on Thursday has declared that "President Putin has chosen a premeditated war that will bring a catastrophic loss of life and human suffering. Russia alone is responsible for the death and destruction this attack will bring." According to the United States, This invasion was "Unprovoked and Unjustified."

United States, E.U., the United Kingdom, Australia, along with Japan, imposed and issued sanctions on Russia along with Russian-supported separatist areas known as the Donetsk People's Republic ("DNR") as well as the Luhansk People's Republic ("LNR"). The United States made a start by establishing or imposing comprehensive jurisdiction-based restrictions on the two regions, identical to the sanctions in pre-existed against Ukraine's Crimea region, as well as followed up with further actions intended for Russia's banking system. U.S. treasury on February 22 also imposed sanctions ensuring that VEB and PSB and their 42 auxiliaries become insufficient in doing business in U.S. as well as disconnected from the United States financial framework; the two are very important for Russia's ability in raising finances and its defense system. The two institutions and their subsidiaries hold combined assets worth tens of billions of dollars. If relations worsen, it will definitely affect the United States' ability to access Russian energy and other types of resources. The U.S. is also a major buyer of Russian oil and gas. If these supplies become scarce, it will affect the U.S. economy and the markets. The United States has very little energy resources of its own and is heavily dependent on energy imports. When the supply of energy from Russia is cut off, the prices of energy will go up, which will have a direct impact on world economy.

Non-NATO states were engaged in stringent actions in close liaison with the members of NATO, comprising focused areas by the United Kingdom along with a restriction package by E.U. Such are merely a handful of actions; we hope U.S. along with its associates will implement in the coming days or weeks as Russia has continuously accelerated military tensions in the area.

Before going into deep, readers should know what sanctions are and how it affects the country.

What is a Sanction?

Sanctions are economical and financial punishments enforced by a country (or a group of countries) against another nation. For example, it could mean the United States bans the import of certain goods from Russia.

Sanctions can have grave consequences for receiving countries, and the hope is that the population in these areas becomes agitated enough to demand change from their governments.

Types of restrictions imposed or announced

The restrictions targeted various financial institutions, Russia's capability to issue sovereign debts on global markets, along with numerous peoples. Germany also halted the Nord Stream 2 Baltic Sea gas pipeline project, designed to double the flow of Russian gas direct to Germany.

The two financial corporations of Russia i.e., VEB and PSB will be targeted, as per the United States President Joe Biden. Britain has also exercised restrictions on five banks- Rossiya, I.S. Bank, GenBank, Promsvyazbank, and the Black Sea Bank.

Cutting Russia off from SWIFT (The Society for Worldwide Interbank Financial Telecommunication), a Belgium-based cooperative financial entity that links over 11,000 financial organizations across the globe, is one of the most extensive and stringent steps led by the United States along with its allies have reserved. It permits banks and financial institutions to advise and inform future transactions.

Even while it has been in discussions with its allies in the European Union, the United States might decide one-sidedly to cut. If sanctions are imposed on Russia, SWIFT will be breached to enable them to use their network.

Although numerous states, particularly Russia, have established their own financial messaging infrastructure, it is yet to be seen that whether disconnecting Russia from SWIFT infrastructure might have a similar effect as in the past.

Moreover, the United States warned Russia that it would face faster and far more severe economic consequences. The United States has implemented certain sanctions initially on February 22, focusing on people of Putin's inner circle along with two banks assuming their cruciality to the Kremlin's and Russian's armed forces operations. The U.S. has barricaded new

American investments in the separatist regions of Donetsk and Luhansk, banning the trade (import and export), sale or delivery of goods and services, or technology.

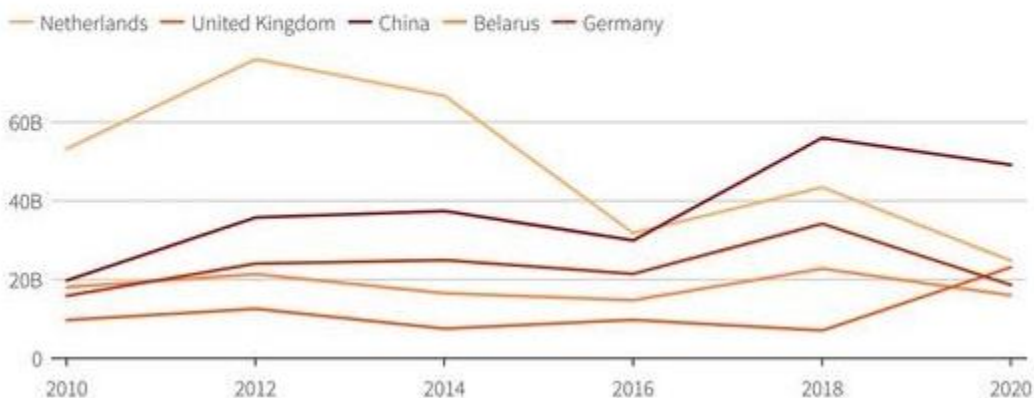
E.U. has delisted and slapped sanctions on Russia's defense minister, a top adviser to President Vladimir Putin and hundreds of Russian lawmakers who voted in favor of recognizing the independence of separatist areas in southeast Ukraine. According to the spokesperson of the European Union, "By restraining the ability of the Russian state and government to access the E.U.'s capital and financial markets and services, the E.U. aims to limit the financing of escalators and aggressive policies." A free-trade agreement may rule out Donetsk and Luhansk.

On February 24, the U.K. government imposed restrictions on VTB as part of a sweeping package of a sweeping package of sanctions targeting Russia's economy and wealthy individuals in response to the invasion of Ukraine starting with VTB Russian second-largest bank with total assets of 154 billion pounds. While Germany has halted the Nord Stream 2 natural gas pipeline running right from Russia to Europe. Other significant countries that imposed sanctions on Russia are- Australia, Canada, and Japan.

Nevertheless, according to some major media outlets, these fresh restrictions might encourage Russia to intensify its trade links with Beijing to dodge the sanctions. According to Harry Broadman, "The problem with sanctions, especially involving an oil producer, which is what Russia is, will be a leakage in the system."

Russia's top export destinations

China has surged into the top spot as an export destination for Russian goods



According to the experts, the two countries, in recent times, have negotiated a thirty-year gas supply agreement with China. Russia expected to transfer all of its energy along with other

products exports to China.

Several experts are concerned that Russia could undermine sanctions by utilizing cryptocurrencies to evade barriers. Moreover, the Russian regime is building its cryptocurrency, the digital ruble, which the central bank shall release. China, the nation's primary trading partner, already has its own cryptocurrency issued by the central bank.

Effects of these Sanctions

The World, at present, is looking the increment in the price of critical raw materials as well as wheat along with the supply-chain control. Brent crude prices exceeded \$105 a barrel, first time since 2014.¹⁷ Although Russia is a massive state with 146,037,535 (as of February 25, 2022) people living there, its economy plays a small part in the international economy. Nevertheless, it is the largest oil, gas, and raw minerals supplier. Russia's foreign exchange reserves are the fifth largest.

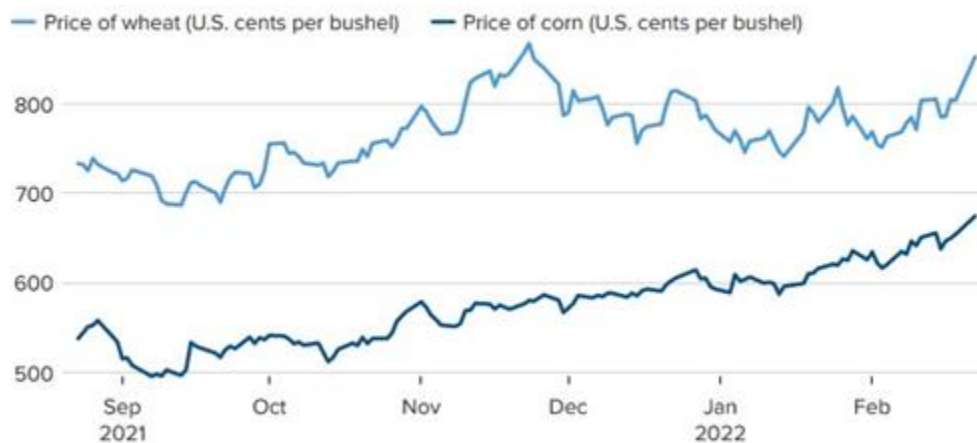
Russia's economic effects on European countries tend to be considerably higher than that of the U.S., in particular. As per the researchers, Russia is the leading E.U. exporter of crude oil, natural gas, and solid fossil fuels.



In 2020, 41.1% of EU natural gas imports came from Russia. Russia also supplied 26.9% of crude oil and 46.7% of coal imports to the European Union. However, Putin has already been blamed for hindering the supplies by European Politicians.

Food prices have increased to the highest possible level for more than ten years due to the pandemic supply limitations and will rise during the conflict. Russia is the world's largest exporter of wheat, accounting for more than 18 per cent of international exports. Wheat and corn prices were already rising. Wheat futures traded in Chicago have bounced about 12% since the beginning of 2022, while corn futures have risen to 14.5% in the same time frame.

Prices of wheat and corn traded in Chicago



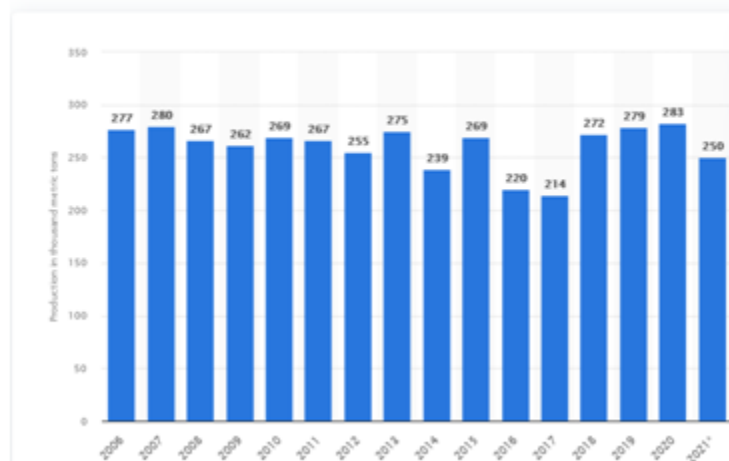
Food inflation has increased and might exacerbate if the armed conflict continues.

The World would Bleed if the sanctions issued on Russia continued for a more extended period – Here lies the reason.

1. Russia produces about 6% of the World's aluminum and accounts for about 7% of global nickel mine supplies.
2. Russia was the World's third-largest producer of petroleum and other liquids (after the United States and Saudi Arabia) in 2022. In 2020, it had an annual average of 10.1 million barrels per day (BPD) of crude oil and natural gas condensate.
3. Russia produced 2.6 million troy ounces of palladium last year, or 40% of global mine production, and 641,000 ounces of platinum, or about 10% of total mine production.
4. Russia is the second-largest producer of barley globally.
5. 21% of world diamond production comes from Russia. Most diamonds are mined in Siberia in extreme temperatures and conditions.

- Russia is the third largest producer of nickel from mines, following Indonesia and the Philippines. In 2020, the value of nickel and nickel products exported from Russia was the highest worldwide at approximately \$3 billion.

Mine production of nickel in Russia from 2006 to 2021
(in 1,000 metric tons)



Conclusion

Recently, there have been many speculations concerning the restrictions and sanctions packages that would be uncovered if Russia attacked Ukraine. Numerous foreign regimes have previously abstained from labeling Russia's acknowledgment of the two regions and the stationing of the Russian armed forces to them a complete invasion. It might somewhat ease tensions or provide room for further sanctions if the situation deteriorates.

Although, fresh actions provide western states with more power to implement further sanctions if the situation escalates, a recent executive order allowing sanctions against peoples involved with Ukraine's separatist areas and a financial services area perseverance permitting sanctions against people working in Russia's financial department.

As tensions arise, NATO members and their allies will possibly utilize various ways to place economic pressure on Russia to reduce the present situation in Ukraine and retreat its military from the country.

Corporations must watch over the recent affairs and analyze their threat of being victims of the punishments and penalties as well as trading controls steps being suggested.

NATO members are involved in close cooperation and talks in the run-up to the new sanctions, reporting that they are "engaged" and "unified" on possible sanctions packages to be exercised.

Although, the sanctions that every country could apply following Russia's attitude changed rapidly. We anticipate subsequent attempts at collaboration and intersection in each jurisdiction. However, we closely monitor the dissimilarities in sanctions imposed in various jurisdictions and the subsequent acquiescence effect on the international market.

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