

Russian Invasion in Ukraine and its Unfavourable Social and Economic Consequences

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Abstract: Assemble of Russian troops along the border of Ukraine escalated tension in east European region since December 2021. World had already been acquainted with Russian aggression when it annexed Crimea in 2014. Russian President Vladimir Putin nurtured a dream of bringing erstwhile Soviet republics under Russia. On February 24, 2022 Russia launched military strike as president Putin expressed desire of "demilitarisation and denazification" of neighbour Ukraine. Ukraine with limited military resources and insufficient assistance from the North Atlantic Treaty Organization (NATO) found it tough to put up a resistance or make a counterstrike. Geopolitical uncertainty and economic instability aggravated as world made sluggish recovery from COVID 19 driven pandemic crisis till beginning of 2022. Economic sanction on Russia by western power triggered supply chain disruption. As Russia remained major supplier of crude oil, natural gas, fertilizer and mineral resources, the ban on trade process caused shortage of fuel and other materials and led the price hike for oil and mineral resources. The supply setback remained detrimental as world witnessed significant inflation due to pandemic oriented supply constraint. Russia got China, Iran, Syria, Cuba by its side due to trade interest while majority of nations condemned Russian invasion. The world is gradually getting polarised into eastern and western power where combative tendency runs deep than cooperative inclination. The war in Ukraine aggravated world economy which grappled with energy price hike, decade high inflation, supply chain bottleneck, mounting debt, persistent stagnation and rising poverty level. Central banks started contractionary monetary measure which led to hike in interest rate, liquidity crunch and sent the stock market into a tailspin.

Keywords: Economic sanction, Global stagflation, Polarisation of power, Russian invasion, Supply chain disruption, War-ravaged Ukraine.

1. Introduction

Russia was not as big as USA with respect to GDP value or GDP per capita in 21st century but it had been definitely biggest nation on earth with enormous resource endowment. The eastern economic giant under authoritarian rule has harboured the dream of regaining its soviet era power and influence over liberated Caucasus states. Russian president Mr. Vladimir Putin remained keen on capturing erstwhile soviet republican territories and re-establish soviet dominance in Asia and eastern Europe and tilt the power balance of world geopolitics in favour of Russia. As Ukraine was not NATO member so Russia was quite sure since beginning that NATO troops would not come

to protect Ukraine territories when attack would be launched. Following the fall of the Soviet Union, many Russian leaders saw the breakup with Ukraine as a historical blunder and a danger to Russia's status as a great power. Many people believed that losing control of Ukraine and allowing it to fall into Western hands would be a severe blow to Russia's worldwide standing. Russia and Ukraine had a long history of profound ancestral ties. Kyiv, Ukraine's capital, was frequently referred to as "the mother of Russian cities," equalling Moscow and St. Petersburg in terms of cultural importance. Christianity was transmitted to the Slavic peoples from Byzantium in Kyiv in the eighth and ninth century. And it was Christianity that held Kievan Rus together, the early Slavic kingdom from which current Russians, Ukrainians, and Belarussians descended. Ukraine is located in Eastern Europe, north of the Black Sea, and has long been regarded as the "Breadbasket of Europe" because of its fertile black soil. Ukraine's political environment had changed dramatically in the eight years following the "Maidan" revolution in 2014. Rival business-political networks continued to have considerable power, but a generational shift remained underway. Volodymyr Zelenskyy, a political newbie, won the presidential election in April 2019 and his party earned an absolute majority in the legislative elections in July 2019. The unlawful acquisition of the Crimean Peninsula by Russia and the instability of the eastern Donbas area continued to harm the Ukrainian economy, which remained highly reliant on wheat production and industrial and energy exports.

Ukraine entered the conflict in good health, with an annualised quarter-on-quarter growth rate of about 7%, robust prices for grain, iron, and steel exports, a well-regulated banking sector, and a fiscal deficit of less than 3% of GDP in the year 2021. Its debt was barely under 50% of GDP, which majority of economists deemed to be less concerning. Even after Russian attack, the country depended on an exceptionally digitised tax and benefits system backed by seamless digital systems and a surprisingly unharmed internet that operated smoothly. But Russian invasion in Ukraine caused collateral damage to economy in 2022. As per World Bank estimation, Ukraine's GDP was expected to shrink by 45 percent by 2022. The size of the shrinkage will be determined by the length and severity of the war. Export routes to and from Ukraine's Black Sea ports of Mariupol and Odessa had been disrupted. Russian shelling had demolished Mariupol, and Russian naval forces

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had effectively besieged Odessa. These channels made up the majority of Ukraine's overall foreign commerce and 90% of grain traffic before the war. Ukraine had been a significant producer of wheat, a key component of the economy, but the government had restricted the export of grains and other necessities in order to assure food availability for the country's 6.5 million internally displaced residents. Russia had been no better economically with declaration of war. According to a 2022 assessment by the Institute of International Finance (IIF), Russia's GDP would decrease 15% in 2022 and 3% in 2023. The impact of western sanctions, departure of companies, Russian brain-drain and decline in export would eclipse 15 years of economic progress. Russia's economy entered into a deep recession as a result of extraordinary sanctions, with production expected to decline by 11.2 percent in 2022. More than 10,500 limitations had been imposed on Russian people and businesses, as per the statistics site Statista. More than 7,500 of them had been enforced by international authorities since inception of war. Following international sanctions in reaction to Moscow's invasion of Ukraine, American credit card behemoths Visa, Mastercard, and American Express barred Russian banks from their payment networks in March 2022. This suspension would impact financial transaction of Russian people, government and organisations gravely. There would be bumpy road ahead in technology front for Russia. Russia had been disassociated from western technology import and China would not come forth to assist in fear of economic sanction. So, Russia would be saddled with substandard technology and inefficiency. According to the International Monetary Fund, the GDP would contract by 8.5 percent this year due to a drop in western imports. Russia maintained stocks of products that were necessary to keep its economy running, but they would be run down over time. If Europe scale back or discontinue oil import from Russia, revenue earning would deplete severely for Russia. Russian government would have to slash down government expenditure and consequentially Russia would head towards lengthy stagnation.

2. Historical Background of Russia Ukraine Conflict

Ukraine is a former Soviet nation with strong cultural, economic, and political ties to Russia. Ukraine, Europe's second-largest country, is a place of broad, rich agricultural plains in the east, with big concentrations of heavy industry in central, southern and eastern region. Empress Catherine the Great (1762-1796) of Russia integrated the whole ethnic Ukrainian area into the Russian Empire in the 18th century. Russification was a Tsarist programme that resulted in the repression of cultural traits and languages, notably the Ukrainian language. However, many Ukrainians ascended to positions of riches and power inside the Russian Empire, and a large number of them dispersed to other areas of the country. More than 3.5 million Ukrainians served for the Russian Empire in World War I (1914-18), although a lesser number fought for the Austro-Hungarians against the Tsar's army. Both the Tsarist and Ottoman empires fell apart as a result of World War I. Several tiny Ukrainian nations arose as a result of the emergence of a mostly communist-led Ukrainian national

movement. An autonomous Ukrainian People's Republic was declared months after the Bolsheviks won power in the October Revolution of 1917, but a civil war raged between different claims to authority, including Ukrainian groups, anarchists, Tsarists, and Poland. After the Russian Revolution in 1918, Ukraine proclaimed independence. Ukraine enjoyed a brief period of independence from 1918 to 1920, but areas of western Ukraine were administered by Poland, Romania, and Czechoslovakia in the interwar era, and Ukraine was absorbed into the Soviet Union as the Ukrainian Soviet Socialist Republic (S.S.R.). In 1921, the Russian Red Army conquered two-thirds of Ukraine, establishing Soviet government. While Ukraine and Russia have similar historical beginnings, the country's west has deeper links to its European neighbours, notably Poland, and nationalist feeling has been greatest there. Ukraine joined the Union of Soviet Socialist Republics (USSR) in 1922. During the Nazi occupation of Ukraine from 1941 to 1944, the country was devastated. The Allied victory in WWII results in the Soviet takeover of west Ukrainian regions in 1945. For a few years, demands for independence had been rising in Ukraine, and in 1990, over 300,000 Ukrainians formed a human chain in support of independence. The Granite Revolution erupted, with students attempting to block the signing of a proposed agreement with the Soviet Union. The parliament of Ukraine enacted the country's Act of Independence on August 24, 1991, following the collapse of a coup attempt to depose President Mikhail Gorbachev and restore the communists to power. Ukraine gained independence in 1991, when the Soviet Union proceeded towards dissolution. The presidents of Belarus, Russia, and Ukraine formally disbanded the Soviet Union in December 1991 and established the Commonwealth of Independent States (CIS). The Verkhovna Rada, Ukraine's parliament, never accepted the admission, hence Ukraine was never part of the CIS officially. Ukraine strived to build its own path as a sovereign state during the course of its three decades of independence, while also attempting to connect more closely with Western organisations such as the EU and NATO. Kyiv, on the other hand, struggled to maintain a balance in its external relations while also bridging profound internal differences. In the west, a more nationalist, Ukrainian-speaking populace backed deeper integration with Europe, while in the east, a predominantly Russian-speaking community favoured tighter connections with Russia. In 2014, Ukraine turned out to be a battlefield. In February 2014, protesters in Ukraine overthrew President Viktor Yanukovich. He had been supportive of Russia's goals. During the revolution, more than 100 people were murdered in protests concentrated on Maidan, the capital city of Kyiv's main plaza. Over a blocked European Union association treaty, the Maidan Revolution overthrew a pro-Kremlin administration. Following this, Russia annexed the Crimean Peninsula and began an insurgency in eastern Ukraine. Secessionists in eastern Ukraine, supported by Russia, declared independence and fought war against Ukraine in cooperation with the Donetsk People's Republic and the Luhansk People's Republic. In the eastern area known as Donbas, the separatist struggle raged on. It then expanded westward. Approximately 13,000 Ukrainian military and civilians were killed as a result

of the battle. For years, the front lines had scarcely moved. Between 2014 and 2015, Russia, Ukraine, France, and Germany signed a series of cease-fire agreements known as the Minsk Accords. These agreements were considered as vague by large mass. Volodymyr Zelensky, a former comedian, was elected president of Ukraine by a big majority in April 2019 on a vow to establish reconciliation with Russia and bring Donbas back to the country. Ukraine's President, Volodymyr Zelensky, encouraged NATO to expedite his country's membership since it looked to be the only option to halt conflict with pro-Russia separatists in April 2021. Russia branded such a move a "red line," fearful of the ramifications of US-led military alliances encroaching on its territory. As a result, Russia and Ukraine were at loggerheads.

3. The Gravity of Geopolitical Tension and Economic Uncertainty

Although Russia annexed Crimea in 2014 but war in Ukraine was not anticipated in post pandemic scenario. People of Ukraine and also civil society of the world was not prepared for sudden unprovoked invasion. Although from war analysis point of view, this was most advantageous timing for belligerent Russia under autocratic leadership to declare war since majority of economies were less likely to send troops or help financially or militarily to Ukraine when they started to come out of woods or remained busy to bring economy back on track after COVID 19 calamity. During COVID 19 predicament starting from March 2020 to end of 2021 world economy had been on firefighting mode as economic losses were humongous. It was practically true for less developed, developing and developed nations. There were economic contractions due to suspension of productivity, restrictions on physical market operation and limitations on cross border trade and transactions. Small scale business and medium size enterprises were worst affected and large corporations went into downsizing and cost cutting. The downsizing in business operation and decline in economic activities led to massive layoffs and rise in unemployment crisis. Inflationary trend observed due to supply chain disruptions. Purchasing power reduced for majority of masses across the globe, income inequality widened, and poverty level enhanced. Majority of central banks such as Fed Reserve, European Central Bank, Bank of England and others went into quantitative easing by reducing rate of interest. This expansionary monetary policy was to enhance liquidity, stimulate market sentiment and keep economy buoyant. Several governments across the world whether in North America, Latin America, Europe, Asia or Africa had to run down exchequer to address healthcare emergency and assist poor people to get basic necessities. Tax earning reduced for majority of economies and government expenses soared high to create fiscal imbalances. Massive vaccination drive across the globe despite variations in doses availability and administration started to provide sense of recovery after long drawn battle against invisible virus. Majority of nations started distancing China since Wuhan had been regarded as epicentre of crisis and blamed China for its inability to control virus spread that caused monumental chaos and catastrophe. In the backdrop of sluggish

economic recovery, Russian invasion in Ukraine appeared as bolt from the blue.

Ukraine economy, social and political stability was wrecked apart since war started in February 2022. The cities and towns, public places, commercial hubs, government establishments, residential areas, schools and academic institutions faced heavy missile attacks and bombardments. The physical infrastructure of the nation incurred massive damage. Scale of military and civilian casualties remained staggering high and humanitarian crisis unleashed by the war painted a gruesome tragedy. Millions of people were rendered homeless and scrambled to exit cities like Mariupol, Kharkiv, Donbas. As per UNICEF report June 2022, about two-third children of Ukraine had been displaced internally or externally and violence of warfare had led them to uncertain future. Women and elderly people also bore the burn in war ravaged country. War and displacement of huge civilians affected means of livelihood of people ominously, income opportunities were lost leaving many without adequate income to secure bare necessities. There had been appeal from UN Secretary-General to stop destructive conflict which crossed more than 100 days by June 2022 and showed no sign of culmination or peaceful resolution. Both the combative groups were steadfast in strategies and actions to defeat opponent and emerge victorious. Russia under leadership of Vladimir Putin wanted to demolish and devastate neighbour territories to confirm Russian dominance over it. Ukraine on the other hand continued fighting tooth and nail to withstand Russian attack and restore sovereignty, freedom and democracy. The loss of life, uncertainty about future, dented infrastructure, scarcity of basic necessities crippled lives of survivors in Ukraine. The consequence of war reflected in dismal economic performance of emerging economies located in Europe and Central Asia. As per World Bank report in April 2022, conflict in Ukraine and economic sanctions in Russia did not auger well for Eurasian location and sent a shiver down the economic spine of the world in Covid troubled time. Eurasian economy was predicted to contract by 4.1 percent in 2022 whereas Ukraine was estimated to degrow by 45.1 percent during the same period.

4. Discussion

World grappled with virus outbreak driven pandemic and went through economic slowdown due to pandemic induced lockdown, reduction on mobility of resources and suspension of production. Vaccination across world worked well to prevent infection and death toll. There had been rolling out of relief measure and stimulus package to bring economy back on track. Before world recuperated from pandemic onslaught, cloud of uncertainty gathered over horizon with news spread on Russian troops assembled at the border of Ukraine since end of 2021. Unruly ambition of Russian president to bring previous Soviet republics under its dominance created tension. World already witnessed war between Armenia and Azerbaijan during the hight of pandemic in 2020. There was shocking uprising of Taliban militia who captured Afghanistan in absence of much resistance in 2021 as US and other western nations started withdrawing troops. In reality, pandemic wreaked havoc for

US, Europe and other advanced economies and caused drain on exchequer. Western power didn't have financial muscle to confront Russia. It tried to convey its resentment with stern warning. When Russia didn't pay heed to it and invaded Ukraine in February, 2022, Western power put unprecedented heavy sanction and dislodged Russia from SWIFT payment facility. There had been attempt to seize properties of Russian oligarchs who had close ties with central command. Popular payment gateway Visa and Mastercard suspended their services to Russian banks to put a restriction on Russian banking transactions. Russia maintained its military operation and rained missile attack at multiple cities of Ukraine. There was mass exodus of local people and foreigners who wanted to evade lethal attack and carnage. Lives had been thrown out of gear in war torn Ukraine and economic prospect became gloomy with every passing day. People, government and even military outfit in Ukraine was caught off guard and shaken to brutal realities as Ukraine military strength was no match for mighty well-equipped belligerent invader. Civil lives were troubled immeasurably in Ukraine as constant artillery firing snapped supply line, stopped market facility, jeopardised movement, devastated civic amenities and life lines. Desperation, destitution and despondence among Ukrainian magnified to great extent.

5. Conclusion

Russian aggression and unprovoked military operation in Ukraine have multiple effect in local and global economy, social set up and also in political atmosphere. Ukraine received massive bombardment and artillery firing since war broke out on 24th February, 2022. Vulnerable local people, immigrants and students from other nations started fleeing and mass exodus took place as Ukraine did not appear safe. As Ukrainian left their homeland in great numbers and sought shelters in nearby European nations such as Poland, Slovakia, Moldova, Hungary, Romania etc. There had been millions of Ukrainian refugees who were accommodated in eastern Europe and some found asylum in far west of Europe. The influx of huge refugee caused excess burden for European host economies and considerable uneasiness in social life. The war in Ukraine have dealt a severe blow to food supply to the world. Ukraine had been regarded as 'Bread basket of Europe' since it provided wheat, and other food grains, sunflower to Europe and US for a long time. The endowment of black soil and access to port to transport goods to international market remained favourable for Ukraine to gain competitive edge. Since war started between two Eurasian nations, crude oil supply into international market plummeted sharply. Russia faced severe economic sanctions owing to violation of international order. Western Europe remained highly dependent on Russian oil, mineral and gas resources for prolonged period of time and could not afford to discontinue as there had been no alternative source in sight. The earning from oil export to Europe kept Russian war machine active. Since

production and transportation remained oil dependent for majority of organisations and economies of the world, cost of production kept on increasing due to supply shock of mineral resources and crude oil. There had been inflationary trend since COVID-19 started in March 2020 which intensified further due to war driven scarcity and uncertainty. There had been severe crisis of food and other essential commodities due to supply constraints. Majority of the oil dependent nations faced huge current account deficit and balance of payment crisis. The inflationary trend in the economies triggered currency devaluation and dented foreign exchange reserve. Fed Reserve of USA and other central banks went onto hike in interest rate to tame inflationary trend. This monetary tightening measure led to stock market crash across the globe and made cost of borrowing exorbitant. The contractionary monetary policy had not been favourable for industry and market as it reduced liquidity in the market and affected effective demand adversely. The family budget for inflation ridden economies were under strain and people struggle hard to make both ends meet.

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