

Understanding the Roots of the Russo-Ukrainian Conflict and Its Global Economic Implications

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Abstract: The theme of this paper is to understand the root causes of the Ukraine-Russia conflict and its impact on the global economy. As Europe and the United States contributed to the crisis in Ukraine, this protest ultimately evolved into a regional conflict. If the Russia-Ukraine conflict continues to escalate, it may lead to tension and conflict in neighboring countries and regions. The Russia-Ukraine conflict may cause more complicated geopolitical games, challenges, and instability in financial markets. Sanctions have been imposed on Russia by many countries around the world, including many European countries and the United States. The world is now facing severe inflation with a significant impact on the energy market. This may have a ripple effect on global financial markets, leading to fluctuations. Therefore, governments and enterprises around the world need to take measures to mitigate negative impacts. Many countries are increasingly focusing on foreign exchange reserves to minimize the impact on trade.

Keywords: Russo-Ukrainian conflict, global economy, global trade, international politics

1. Introduction

The Ukrainian crisis is a major event that can have an impact on the international situation in the 21st century. This incident not only plunged Ukraine into ethnic division and social unrest, but also brought the political game between Russia and the United States, Russia and Europe to the forefront. Russia was subject to economic sanctions from the US European bloc. For China, the main economic impact of the Russia-Ukraine conflict is probably the rise in oil and gas prices [1]. Russia is a nuclear power, and its conflict with Ukraine may pose a threat to global security. If the situation continues to deteriorate, it may trigger military confrontation and war worldwide. Hence, the Ukrainian crisis has symbolic significance not only for Ukraine, but also for the geopolitical landscape of Europe and the entire world. On this basis, this paper conducts research on the root gives rise to of the conflict between Ukraine and Russia and its global economic impact [2].

Besides, War is an activity that burns money and disrupts the normal production activities of a country's society. The longer a war lasts, the more detrimental it is to the country's economy. In addition, naturally, the Ukrainian government also issued a large number of treasury bond. If the treasury bond was based on the economic level of Ukraine before the war, it would take several generations of Ukrainian taxes to repay it. The rise in fertilizer prices will in turn stimulate global food prices. At the same time, because Ukraine was involved in the war and missed the agricultural season during the war. Agricultural production has also been reduced due to the war.

The ongoing conflict may lead to a deterioration of the security situation in Ukraine and its neighboring countries, triggering an arms race and military confrontation. This may trigger intervention from other countries in the region, exacerbating regional tensions. Ukraine is an important geopolitical node, and its conflict may have profound impacts on international relations and global stability [3]. The global economic impact is also huge. The international monetary settlement system has undergone changes as a result. International energy supply and prices are deeply affected.

2. Analysis of Roots Leading to Conflicts

2.1. Geopolitical Tensions Rise Due to Russia-Ukraine Conflict

With the escalation of the Russia-Ukraine conflict, the vortex of geopolitics has become increasingly complex. In this situation, the statements and actions of various countries reflect their national interests and foreign policy considerations [4]. In addition, the deteriorating geopolitical situation leading to low consumer confidence and the prospect of a large influx of refugees means that 2022 and 2023 are difficult years for Europe. For the reason of the small size of the Russian economy, the impact of the Russia-Ukraine conflict on China's economy is relatively small. China is mainly faced with domestic problems, it is a serious problem how to stabilize growth and achieve the target of 5.5% economic growth.

The consequences of the conflict between Russia and Ukraine may be profoundly serious. This type of conflict not only affects the economic and political stability of the two countries, but may trigger regional conflicts and global security threats [5]. The Russia-Ukraine conflict has reached a critical juncture characterized by armed struggle, strategic sanctions and complex geopolitical games. The armed aggression of Russia and the influence of the United States on Ukraine have exacerbated the tension and caused significant losses to both countries. For Ukraine, this means that it may lose important trading partners and investment sources, while Russia may face sanctions and economic isolation from Western countries.

2.2. Economic Causes of Conflict – From Perspective of Ukraine and Russia

2.2.1. Wealth and Strength of the Warring Party

The reasons for this conflict are complex and diverse, involving multiple aspects such as territorial disputes, political differences, and economic pressure. Ukraine and Russia have close trade relations. Russia is one of Ukraine's largest trading partners, and the trade volume between the two countries accounts for a considerable portion of Ukraine's total trade volume. This has led European countries to seek alternative energy supplies and strengthened their energy dependence on the United States [6].

The profound impact of the Russo Ukrainian War on the global economy. The Russo Ukrainian War launched by the Putin administration has been ongoing for almost a year. A regional conflict had evolved into a strategic war between Russia and the NATO group. The conflict that was originally expected to be resolved quickly has evolved into a protracted war.

War can enable the country or organization that launched the war to obtain the resources of the attacked party, such as land, oil, metals, water sources, etc. These resources can increase the wealth and strength of the warring party, as well as reduce the competitiveness of the opponent. Many Western countries have chosen to support Ukraine's blockade of Russia's economy, which has had a significant impact on Russia.

2.2.2. Political and Economic Tensions Between the Two Countries

Russia and Ukraine have had strong connections in history, but after the dissolution of the Soviet Union, Ukraine chose independence and turned to the West, while Russia believed that Ukraine was part of its sphere of influence, sparking conflicts and disagreements. Finance, as the core of modern economy, also holds an important position in the international political landscape. Financial sanctions reflect the financial power of a country, which is not only a commonly used tool for maintaining national strategic security, but also an effective means for major powers to play games. As long as geopolitical conflicts exist, the existence of financial sanctions is long-term and inevitable.

The Russia-Ukraine conflict may lead to changes in energy trade, supply chain reconfiguration, payment network fragmentation, and urge countries to reconsider their foreign exchange reserves, which will fundamentally change the global economic and geopolitical order. The conflict between Russia and Ukraine has complex reasons, including imbalanced economic development, historical origins, ethnic conflicts, Neo-Nazi interference, and geopolitical changes. This conflict not only concerns the interests of both countries, but also involves significant adjustments in the international political landscape. War may also bring opportunities for territorial expansion and resource development, thereby providing new impetus for economic development. Although war may bring some economic opportunities, these opportunities are often short-lived and built on huge sacrifices and destruction.

2.3. Conflicts Between Different Ethnic Groups

2.3.1. Unbalanced Economic Development

Since Ukraine separated from the Soviet Union and became an independent country, its economic development has not grown as expected, but has instead shown a downward trend. Ukrainian officials believe that this is thanks to the loss of national resources, especially the heavy industrial base in the eastern theater, leading to economic recession [7]. This economic recession has led to hatred and confrontation among the Ukrainian people towards Russia.

As time goes by, the tense relationship between Russia and Ukraine continues to escalate. Both sides have continuously strengthened military deployments, exacerbating regional tensions. The United States and European countries have increased their support for Ukraine by providing weapons and other assistance. The main ethnic group in eastern Ukraine is Russian, with a pro Russian orientation and a desire to maintain reputable relations with Russia. Some even hope that eastern Ukraine will join Russia. And western Ukraine is mainly Ukrainian, pro Western, and eager to join the European Union and NATO. This ethnic difference has led to internal conflicts and has become an important factor in the Russia-Ukraine conflict.

2.3.2. Serious Pressure on Russia

The Russia-Ukraine conflict has had a great impact on the economy of Russia and Ukraine. This conflict has put serious trade and investment pressure on both countries, as well as pressure on fiscal and monetary policies. If both parties cannot peacefully resolve this conflict, then this impact will continue. Russia has geopolitical conflicts with neighboring countries, especially structural conflicts with Western countries. The Russia-Ukraine conflict has had a great impact on the economy of Russia and Ukraine. This conflict has put serious trade and investment pressure on both countries, as well as pressure on fiscal and monetary policies. There are no real winners in the Russo Ukrainian War. From a strategic perspective, whether it is the NATO group led by the United States or the Russian country, both Russia and NATO will face serious economic blows. The

impact of the Russo Ukrainian War on the global economy is enormous and far-reaching, especially with a particularly significant impact on foreign trade among countries.

Western countries are attempting to push Russia's threat to the border through NATO's eastward expansion to ensure their own security. On the other hand, the United States is attempting to leverage European countries' concerns about Russia and make significant progress in the confrontation between European allies and Russia, with the aim of controlling the geopolitical landscape in Europe [8]. The Russo Ukrainian War has had a significant impact on the world, not only on Russia and Ukraine, but also on other countries to varying degrees.

3. Global Economic Impact

Global economic impact is a collection of various trade frictions and disputes in international trade. Global economic impacts typically consist of a series of trade restrictions and sanctions, leading to changes in international trade and having profound impacts on national economies. Recently, the Russo Ukrainian War has once again pushed the global economic impact to the forefront, causing a series of negative impacts on the foreign trade economy.

3.1. Sanctions Against Russia, Inflation and Global Energy Market

Economic globalization has accelerated global cooperation and coordination, promoting the development of the world economy. The Russia-Ukraine conflict was born under this background [9]. The war between Russia and Ukraine appears to be a competition between Russia and Ukraine, with the core being a game between the United States and Russia, and the essence being a reshuffle of the international political landscape. Russia-Ukraine conflict may have an impact on the global energy market, leading to fluctuations in oil and gas prices.

In the midst of the stalemate of the war, residential areas, commercial areas, infrastructure, and other urban areas in the rear of Russia and Ukraine have been frequently attacked. This indicates that both Russia and Ukraine find it difficult to determine the outcome on the front battlefield, and are increasingly using methods of harassing the other's rear to spread panic and shake public support for the government.

If inflation continues to be high and lasts too long, there may be a change in the Federal Reserve's tolerance for inflation, and the intensity and speed of the Federal Reserve's monetary policy tightening may once again become a major risk to the world economy. The military conflict between Russia and Ukraine has led to an increase in global risk aversion, and the exchange rate of European currencies has significantly depreciated relative to the US dollar, posing new problems for European monetary policy in terms of prices. Faced with the risk of import inflation caused by exchange rate depreciation, not just the rise in prices of imported commodities such as energy.

The Russia-Ukraine conflict and Western sanctions against Russia led to food, energy and fertilizer shortages, which led to a food security crisis, and the poorest people suffered the most. Since the escalation of the Russia-Ukraine conflict, international oil prices have risen significantly due to the impact of Western sanctions and market panic. During the Ukrainian crisis, Europe and other countries attempted to reduce their dependence on Russia, thus shifting towards other energy suppliers. These changes have had a profound impact on the world economy and prompted some countries to strengthen their energy security measures [8].

In addition, the conflict between Russia and Ukraine has also brought uncertainty and risks to Europe's trade and investment, further weakening the growth and stability of the European economy. Due to the continuous escalation of sanctions against Russia by economies such as the United States and Europe, the relief of supply chain pressure that has finally emerged globally may once again be reversed. The direct impact of the military conflict between Russia and Ukraine on

the world economy in the short term is the rapid rise in commodity prices such as energy and food, which will also exacerbate global supply chain bottlenecks and further push up prices.

3.2. Global Economic Impact Leading to Global Trade Instability

The global economic impact has affected multiple industries and regions around the world, and the outbreak of the Russia Ukraine war has only added uncertainty once again to the existing trade disputes. Governments and enterprises around the world are facing a more uncertain trade environment, which has had a certain impact on both foreign trade and national economies.

The intensification of the Russia-Ukraine conflict may lead to more complicated geopolitical games and challenges to the security of foreign exchange reserves. Foreign exchange reserves still have a significant risk exposure to the United States. Reducing risk exposure to the United States appropriately is crucial for maintaining the security of foreign exchange reserves. Gold has multiple advantages such as reliable value, not being a debt to any party, not being influenced by geopolitical factors, and being able to effectively respond to uncertainty.

Global economic impacts have led to changes in some countries' export markets. Before the outbreak of a global economic impact, some countries usually regarded exports as the main source of income, but the global economic impact changed this situation [9]. Some countries need to find new export markets in a more complex international trade environment, which has had a negative impact on the economies of some exporting countries. In addition to affecting trade relations, Western sanctions against Russia will also raise concerns among companies in various countries about geopolitical risks. Therefore, it is necessary to respond to potential disruptions in the supply chain through diversified supply channels and increased inventory, which will greatly increase business operating costs. The global economic recovery is already faced with many uncertainties caused by regional imbalances, uncoordinated policies and repeated epidemics. The Russia-Ukraine conflict has made the recovery process even more difficult.

3.3. Dealing with Changes in the International Economy

The global economic impact has had a profound impact on both the foreign trade economy and the national economy. The outbreak of the Russo Ukrainian War once again exacerbated the tense atmosphere of the global economic impact, causing a huge impact on the world economy [10]. In the context of global economic impacts, governments and enterprises around the world need to take measures to mitigate negative impacts. Some countries have adopted a strategy of diversified trade, seeking new export markets and trading partners to protect their economic interests. At the same time, some countries and international organizations are also promoting multilateral cooperation in trade and economy to maintain international economic order and stability.

When dealing with the challenges of global economic impacts, governments and enterprises of various countries need to remain calm and rational, avoid taking extreme measures, and avoid escalating trade disputes [10]. It is necessary to strengthen the formulation and implementation of international trade and investment rules to ensure a fair and equal trade environment.

More and more governments have realized that foreign exchange reserves should further increase their holdings of gold to maintain the safety of foreign exchange reserves. Gold may see a significant increase in investor demand for gold, leading to an increase in gold prices. In addition, the escalation of the Russia-Ukraine conflict will also lead to the intensification of geopolitical games, and the demand for central banks to increase their holdings of gold will also rise.

4. Conclusions

In general, the impact of the Russia-Ukraine conflict on the global economy is negative, and the international community needs to work together to promote peaceful solutions and reduce the impact of the conflict on the global economy. Russia and Ukraine are both important trading partners, so conflicts may have negative impacts on both countries and global trade. In addition, the economic sanctions imposed by Western countries on Russia may also have an impact on global trade. The comprehensive sanctions imposed by the United States and the West have not yet brought down Russia, but have had a significant impact on the global geopolitical landscape. The tightening of energy and food supply, as well as price fluctuations, have caused difficulties for many downstream countries in the supply chain. Due to rising energy costs and the outflow of manufacturing from Europe, global economic uncertainty has been exacerbated.

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