

Impact of Russia-Ukraine conflict on global economy

Ana Kurtanidze

Georgian Aviation University, Georgian Aviation University 16, 0103, Queen Qetevan av.,
Tbilisi, Georgia

Maia Chinchladze

Georgian Technical University, 77, Kostava Str., 0160, Tbilisi, Georgia

Irakli Bakradze

Georgian Civil Aviation Agency, Beginning I, 0114 Kheivani III St, Tbilisi, Georgia

Abstract

In March 2022, the Versailles declaration was developed, within the framework of which the leaders of the 27 EU countries agreed to gradually overcome the EU's dependence on Russian fossil resources as soon as possible. At the European Council, measures were set to reduce the impact of high prices on energy resources and ensure supply of energy resources.

Also, on June 23-24 2022, EU leaders discussed the causes of rising energy prices. Ways of containment of energy prices were outlined, the possibility of introducing a temporary price limit was discussed. In 2022, on July 26, EU energy ministers reached a political agreement on a voluntary reduction in demand for natural gas by 15% this winter.

On August 5, 2022, the council adopted a regulation on reducing gas demand by 15% by written procedure.

Russia is also responsible for the global food crisis.

The actual problem is the supply of fuel and the increase of fuel prices, as well as logistical challenges associated with border crossings and airspace restrictions. In addition, the import of goods and the large flow of Ukrainian refugees to the EU countries caused some difficulties.

Keywords: economy, economic crisis, import of goods, rising prices, inflation, escalation of the conflict.

Introduction

The Russia-Ukraine conflict has caused turmoil in financial markets and sharply increased uncertainty of the recovery of the global economy. The world has changed, as well as risks.

High prices for commodities heighten the threat of long-term high inflation, which increases the risks of stagflation and social mess.

Russia ranks 3rd in the world by oil production. Natural gas production is on the 2nd place and is 5th top producer of steel, nickel and aluminum. It is also the largest exporter of grain in the world (almost 20% of global trade). Ukraine, on the other hand, is the producer of corn (6th), grain (7th), sunflower (1st) and is in the top ten in terms of sugar beet, barley, soy and rapeseed production.

Since the beginning of the war, prices of oil, natural gas, metals and food products have risen in financial markets in whole world. After the latest features, the price of oil for the first time since 2014 has gone beyond \$ 100 per barrel, while the European gas price on March 4 increased to a record - 192 euros.

Despite the global challenges and the risks arising from the war in Ukraine, Georgia's strategic location and the new perspective of the middle corridor, combined with high economic growth and irreversible stabilization, make the country a kind of gateway for investors seeking to secure supply chains between Europe and Asia.

An important detail is the optimistic attitude towards the medium and long - term prospects of the country's economy, according to official data, 70% of investors interested in Georgia are optimistic about the economy, which is significantly higher than the global average - 55%. This indicator shows that decision-makers give even higher assessments of the country's investment opportunities.

According to the same study, 57% of global investors allocate an average of more than \$ 50 million for each investment project. This figure is higher for investors interested in Georgia - 23% of them consider USD 100-200 million for a separate project.

Main part

The escalation of the conflict increases the probability that commodity prices will remain high for much longer.

The crisis is clearly having a strong impact on the already strained automotive sector due to various shortages and high prices for goods and raw materials: metals, semiconductors, cobalt, lithium, magnesium... Ukrainian automobile factories supply major automakers to Western Europe: the war led to the suspension of factories in Europe. Many factories around the world are already experiencing a shortage of raw materials. Herewith a large Ukrainian aviation engine manufacturer company "Motor Sich" has signed an agreement with the Turkish UAV manufacturer company "Baykar". Based on it, the UAV equipped with Ukrainian engines would have been able to stay in the air continuously for 24 hours, but due to the conflict, the implementation of this project has been postponed at this stage.

Airlines and shipping companies will also be affected by high fuel prices, with airlines most at risk. Fuel accounts for a third of their total costs. The air transport industry is a vital engine of global socio-economic growth and catalyst for economic development. The industry creates direct and indirect employment and supports tourism and local businesses as well, thereby stimulating foreign investment and international trade as well. ICAO's aviation data/Statistics program provides accurate, reliable and consistent aviation data, and states, international organizations, the aviation industry, tourism and other stakeholders should be able to:

- Making accurate predictions;
- Control of costs and risks;
- Improvement of business quality;
- ensuring the fulfillment of plans.

European countries, the US and Canada have banned Russian airlines from accessing their territories, and Russia has also banned European and Canadian aircraft from entering its airspace. This has led to higher costs as airlines take longer routes. Transportation of railway freight is also affected: European companies are prohibited from doing business with Russian Railways, which hinders freight activity between Asia and Europe through Russia.

North America's trade and financial ties with Russia and Ukraine are rather limited, the impact of the conflict is less felt. Despite slowing economic growth and the prospect of higher inflation, it is not expected that the Russian-Ukrainian war will hamper monetary policy in North America at this stage. Russia became opposite by the Western countries, which produces more than 40% of the gross domestic product of the world economy, actually determines the world order, and until now Russia's regional success was only the result of total ignorance by the west rather than the desire to restore the Russian neo-Empire.

Openly supported by the West, both financially and militarily, we are getting Ukraine as a sharply anti-Russian European state, which can become even a new face of Europe in the near future.

Conclusion

The depth of the impact on the global economy depends on how long the war will last and the extent of destruction caused by it. Russia's unjustified and motiveless war against Ukraine has greatly affected the energy and food markets. Shortage of raw materials and increased transportation costs greatly affect production. EU countries are actively working to regulate rising prices and to deal with shortage of supplies. In particular, these directions are:

- Energy prices and supply security;
- Food markets;
- Mobility of people and goods;
- Energy prices and security of supply;
- Further diversification of energy supply sources and routes;
- Accelerating the spread of renewable energy;
- Further improvement of energy efficiency;
- Improving the interconnections of gas and electric networks;
- Strengthening the sustainability of the transport sector;

References:

- [1] <https://www.consilium.europa.eu/en/policies/eu-response-ukraine-invasion/impact-of-russia-s-invasion-of-ukraine-on-the-markets-eu-response/>
- [2] <https://www.coface.com/News-Publications/News/Economic-consequences-of-the-Russia-Ukraine-conflict-Stagflation-ahead>

რუსეთ-უკრაინის კონფლიქტის გავლენა გლობალურ ეკონომიკაზე

ანა კურტანიძე

საქართველოს საავიაციო უნივერსიტეტი, ქეთევან დედოფლის გამზ. 16, 0103, თბილისი,
საქართველო

მაია ჩინჭლაძე

საქართველოს ტექნიკური უნივერსიტეტი, კოსტავას ქ. 77, 0160, თბილისი, საქართველო

ირაკლი ბაქრაძე

საქართველოს სამოქალაქო ავიაციის სააგენტო, I დასაწყისი, ხეივანის III ქ. 0114, თბილისი,
საქართველო

ანოტაცია

2022 წლის მარტში შემუშავდა ვერსალის დეკლარაცია, რომლის ფარგლებშიც ევროკავშირის 27 ქვეყნის ლიდერები შეთანხმდნენ, რომ რაც შეიძლება მალე ეტაპობრივად დაძლიონ ევროკავშირის დამოკიდებულება რუსეთის წიაღისეულ რესურსებზე. ევროპის საბჭოზე დაინიშნა ზომები ენერგორესურსებზე მაღალი ფასების ზემოქმედების შესამცირებლად და ენერგორესურსების მიწოდების უზრუნველსაყოფად.

ასევე, 2022 წლის 23-24 ივნისს, ევროკავშირის ლიდერებმა განიხილეს ენერჯის ფასების ზრდის მიზეზები. გამოიკვეთა ენერგორესურსების ფასების ზრდის შეკავების გზები, განიხილეს ფასის დროებითი ლიმიტის შემოღების შესაძლებლობა. 2022 წელს, 26 ივლისს, ევროკავშირის ენერჯეტიკის მინისტრებმა მიაღწიეს პოლიტიკურ შეთანხმებას ბუნებრივ აირზე მოთხოვნის ნებაყოფლობით შემცირებაზე 2022 წლის ზამთარში 15%-ით.

2022 წლის 5 აგვისტოს საბჭომ მიიღო დებულება წერილობითი წესით ბუნებრივი აირის მოთხოვნის 15%-ით შემცირების შესახებ.

რუსეთი ასევე პასუხისმგებელია გლობალურ სასურსათო კრიზისზე.

აქტუალური პრობლემაა საწვავის მიწოდება და საწვავის ფასების ზრდა, ასევე ლოგისტიკური გამოწვევები, რომლებიც დაკავშირებულია საზღვრის გადაკვეთასთან და საჰაერო სივრცის შეზღუდვასთან. გარდა ამისა, გარკვეული სირთულეები გამოიწვია საქონლის იმპორტმა და უკრაინელი ლტოლვილების დიდმა ნაკადმა ევროკავშირის ქვეყნებში.

საკვანძო სიტყვები: ეკონომიკა, ეკონომიკური კრიზისი, საქონლის იმპორტი, ფასების ზრდა, ინფლაცია, კონფლიქტის ესკალაცია.