

The Impact of Russia-Ukraine Conflict on Third World Countries: A Case Study of Nigeria

Uwoh, Michael Benjamin (Ph.D)¹, Ezugwu Kelechi², Anierobi O. Perpetua³, and Azowue O. Emmanuel⁴

¹Department of Political Science, Nasarawa State University, Keffi

^{2,3,4}School of General Studies, Social Science Unit, University of Nigeria, Nsukka

Abstract: The modern global economic system is so interconnected that a disruption in one area can have a domino effect on the political and economic systems of other countries very instantly. This is the fundamental character of today's interdependent, globalized world. The continuing crisis between Russia and Ukraine will inevitably have an effect on the international monetary system. Consequently, the effects of the crisis between Russia and Ukraine on Nigeria's economy are the focus of this article. The researchers in this study used a qualitative approach. Inflation is on the rise due to the rapid rise in oil and natural gas prices, and food prices are also on the rise in world economies like Nigeria's. The study shows that the conflict has had devastating effects on Russia's economy, but it is also having an impact on Nigeria and the rest of the global system. Household spending will take a hit due to increased volatility, unpredictable stock prices, supply chain disruptions, higher electricity costs, and less investment due to political concerns and economic restrictions. Policymakers in Nigeria and others should, according to the report, turn inward to cultivate food supply and other manufactured items in order to ensure the country's continued existence.

Keywords: Russia, Ukraine, Conflict, Economy, Effect, Nigeria

INTRODUCTION

Maintaining and working for the tranquilly of the international system is an obligation for state actors in the current world system, particularly for those who are members of the United Nations Organisation (UNO). The phrase "settle their international disputes by peaceful means in such manner that international peace and security, and justice are not endangered" is used to emphasise this point even further in Article 2(3) of the UNO Charter. We can determine if the war between Russia and Ukraine is lawful within this scope. Beyond questions of war legitimacy, however, is the paramount concern of preserving the territorial integrity of the warring states, which has imposed an unwarranted economic burden on the international community. Despite a popular vote for independence in December 1991, Russia's public and long-standing hostility meant that the sovereignty question in Ukraine would never be addressed (Dragneva-Lewers & Wolczuk, 2016). The fifteen satellite republics that sprang out of the crumbling Soviet Union (also known as the Union of

Socialist Soviet Republic, USSR) in Eastern Europe eventually became part of the European Union and NATO, two divisive Western organisations.

However, Russia vehemently opposed Westernisation in Ukraine and the Maiden Revolution's overthrow of the democratically elected Yanukovich government (Pabriks & Kudors, 2015). According to Charap and Darden (2014), the West has often stressed Russia's animosity towards Ukraine. The gulf was particularly wide-ranging because Russia considered Ukraine to be vital (Dragneva-Lewers & Wolczuk, 2016). Several eminent academics have argued that the relationship between Russia and Ukraine needs thorough consideration, especially from the Ukrainian point of view (Sol'anyk, 2001). Anomalies, insecurity, and conflict have defined the relationship between Russia and Ukraine (Kyiv and Moscow quarrel) since the end of the Soviet Union. Several issues have aggravated relations between Russia and Ukraine. These include the official sale of Soviet Union assets and debt, Ukraine's large energy debt, the prospect of a NATO eastward

expansion, the demarcation of the border, and the plight of Ukraine's Russian minority (Sol'anyk, 2001).

Protests in Ukraine in late 2013 over the government's reluctance to sign a new agreement with the EU garnered global attention and, due to growing domestic instability, presented significant challenges to the nation's statehood (Dragneva-Lewers & Wolczuk, 2016). The protests forced President Yanukovich to flee the country, and Russia responded by invading Crimea and arming separatist groups in eastern Ukraine to protect the country's ethnic Russian population (Korovkin & Makarin, 2019). During the turmoil in Ukraine in 2014, President Viktor Yanukovich—who had ties to Russia—was deposed. As a first step towards the country's eventual membership in the European Union, the pro-Western temporary administration in February also inked a trade agreement with the bloc. Germany, France, Russia, and Ukraine all ratified the Minsk Agreement between 2014 and 2015. Volodymyr Zelensky, a former comedian, was elected president of Ukraine in April 2019 (Bigg, 2022).

Russia was not pleased when President Zelensky applied to join NATO in January 2021. Russia views NATO membership as a dangerous step towards more western influence in her area, especially from the United States of America. Because of this, Russia decided to conduct a drill along the border against Ukraine. Consequently, tensions have risen among the West, Russia, and the Ukrainian government. Russian special military operations in Ukraine started on February 24, 2022. The latest onslaught by the Western-backed Ukrainian government has resulted in harsh financial sanctions against Russia, including limits on the country's central bank and the removal of major financial institutions from the international payment system (Aloisi & Daniel, 2022). The Russian economy is now going through a rough patch as a result of President Vladimir Putin's administration's actions in the 2022 invasion of Ukraine and the harsh economic sanctions that followed. The world's economy is in jeopardy as a result, which has thrown financial markets into chaos and increased the risk of harm to everyone (Wiseman, 2022).

Russian and Ukrainian exports include oil, natural gas, coal, wheat, and many other goods. Neon, an essential ingredient in semiconductors, is produced by both nations to a greater or lesser extent than any other. This, on top of the fact that nations, and the automotive industry in particular, are currently experiencing a scarcity of computer chips, has caused some to worry. In addition, as pointed out by Zandi, the two nations possess a combined 30% of the world's palladium—a metal found in many everyday items including cars, cell phones, and dental fillings—and a combined 13% of the titanium—a metal utilised in the production of aeroplanes.

War has affected the global supply system, as shown by these numbers (Wiseman, 2022). Worldwide stock market expectations and economic recovery would be negatively impacted by the unpredictability brought forth by these conflicts and the barrage of sanctions. The war has also wreaked havoc on international finance, investment, and commerce. Threatening to use nuclear weapons is another terminology used by Russia's president. This will lead to greater uncertainty and disruption in the global economy. Like every unexpected incident that affects the country, the crisis has demonstrated how reliant Nigeria is on the international community for its existence. A results-driven diversification strategy needs to be put in place, and that means taking a long, hard look at oneself. Already mentioned as a possible necessity that could be phased down over the next several months is bread, the most popular pastry in Nigeria. This crisis is an opportunity for Nigerians to gain a better understanding of the dynamics of global power. As nations like Ukraine and Russia face existential crises, it's obvious that state actors care more about protecting their own interests than the wellbeing of their citizens. A number of EU member states still import food, gas, and oil from Russia, even though the EU has imposed export restrictions on Russia. Sanctions imposed by the EU on Russia are hypocritical given that many EU members depend on Russian goods for their very existence.

In addition, the continued turmoil in Russia is being closely watched by the countries that have levied heavy financial sanctions against Russia, including the US, Canada, the UK, and the EU. The crisis's effects on the sports business extend beyond monetary concerns. The war has had a devastating effect on the sports business, with many leagues coming to a standstill since it broke out, most notably the Ukrainian football league. The sports business generates riches globally due to its great economic value (Efebeh, 2020a). The purpose of this research is to gather up-to-date data on how the crisis between Russia and Ukraine is affecting the Nigerian economy at the moment.

LITERATURE REVIEW

Russia ranks among the top five producers of aluminium, nickel, steel, and natural gas and oil in the world. In addition, it accounts for about 20% of the world's wheat exports, making it the leading exporter of wheat. In contrast, Ukraine ranks high in some agricultural commodities, including sunflowers, maize, wheat, sugar beets, barley, soy, and rapeseed. It is also the world's sixth-largest producer of sunflowers. The world's stock markets plummeted the day following the invasion, sending the cost of food, metal, and natural gas soaring. Just recently, the price of Brent oil surpassed \$100 per barrel, a level not seen since 2014, while on

March 4th, the price of TTF petrol in Europe hit a record high of EUR 192. As the battle drags on, commodity prices will most likely remain up for quite some time. This increases the risk of stagflation, excessive inflation, and social instability in both industrialised and emerging nations (Malyarenko & Wolff, 2018).

The Russian invasion of Ukraine has already had a noticeable impact on global economic figures, according to preliminary data. However, the full extent of these effects may not become apparent until the crisis is resolved. The worldwide PMI and food ingredient prices have both risen, according to the data. A slump in the world stock market index occurred on the day of the invasion. The manufacturing purchasing managers' index (PMI) in the Eurozone decreased in the month of the invasion.

Additionally, petrol for intra-Eurozone transportation became more expensive because to the increase in the consumer price index's transportation component, which was caused by the scarcity of energy and fuel supplies during the invasion month. Russia and the entire Eurozone were less affected by the invasion than Ukraine. Core consumer prices in the Eurozone and Ukraine were closely tied throughout the invasion. The price of food in Russia and the European Union were significantly correlated. There is a positive and high association between the several food, oil, dairy, and cereal price indices throughout the invasion month.

The results of the crisis between Russia and Ukraine in 2014 have been the subject of previous studies. Shelest (2015) states that the takeover of Crimea by Russia was a direct outcome of the protests in Ukraine in winter 2014. To the Ukrainians, it seemed like a war between Russia and themselves. Russia, meanwhile, saw the situation as an opportunity to pit itself against the West, blaming NATO's ambitions to expand into an area beset by Russian interests as the root cause of the issue. Samokhvalov (2015) argues that the ideological dimension, economic international politics, internal political practices, and business elites and society at large are the four primary ways in which these groups impact the crisis in Ukraine.

Hoffmann and Neuenkirch (2017) looked at the period between November 21, 2013, and September 29, 2014, to determine how the pro-Russian violence affected the stock returns of Russia and Ukraine. Their research revealed that Russian and Ukrainian stock returns were negatively affected by the conflict. Stukalo and Simakhova argue that Ukraine needs a holistic approach to solve all of its social and economic problems (2018). The political climate and social cohesion of the country were unaffected by the sanctions imposed by the US and EU on Russia, the situation in Ukraine in 2014, and Russia's acquisition of Crimea, claims Wang (2015).

Research conducted in 2019 by Liefert, Liefert, Seeley, and Lee examined the aftereffects of Russia's 2014 agricultural commodity import restriction and the country's economic crisis. They show that Russian consumers felt the effects of the import embargo through reduced agricultural and food imports, significantly increased food prices, and decreased consumption.

However, the availability of basic staples in Russia was unaffected by the import prohibition. On the flip side, indigenous agricultural production was bolstered by the import restriction, which ensured food security during the prohibition. Dreger, Kholodilin, Ulbricht, and Fidrmuc (2016) state that the Russian ruble lost half its value compared to the US dollar due to the 2014 conflict between Russia and Ukraine. As a result of increased investment risk, the war cost Russia one percent of its GDP from 2014 to 2016, according to Havlik (2014). Russian invasion of Ukraine is a result of many things. The invasion has a pro-Russian rationale. A pro-Western or Western-motivated invasion is another possible explanation.

As far as the pro-Russian side is concerned, there are three main reasons to invade Ukraine: first, the country is under Western influence; second, the Ukrainian government is allegedly committing genocide against its own people; and third, the Ukrainian military is being used to suppress civilians in separatist regions that back Russia's government. Also, the Russian government has said that the Russian people and their government are in grave danger because of Ukraine's desire to join NATO. They say that this would allow NATO to expand eastward and draw closer to Russia's border, which would threaten Russia's national security and make it easier for Westerners to infiltrate Russia. Russia claims that these two issues led to its decision to intervene militarily in Ukraine. Following the overthrow of Petro Poroshenko's pro-Western Ukrainian government, a new one was established and a peace deal was inked with it.

But the Russian administration insisted that invading was the safest choice since Ukraine wouldn't talk. Despite a prohibition on Ukrainian membership in either NATO or the EU imposed by the Russia-Ukraine Peace Agreement, the Zelesky administration has chosen to join both organisations. Russia may see Ukraine's aspirations to become a democratic nation unencumbered by Moscow and a possible member of NATO and the EU as a danger. Russia views Ukraine's support for Western democracy and alliances with suspicion, fearing that Russia's national security could be threatened by Ukraine's affiliation with the Western bloc. Russia allegedly conducted a covert military operation in Ukraine with the goal of toppling the present government in Kyiv and the president of Ukraine in order to set up a pro-Russian one. China, Japan, India, South Korea, Taiwan, and Thailand are among the many Asia-Pacific

nations that import energy. As a result, the region felt the effects of increasing import prices, especially for energy, fairly quickly. Due to the limited nature of North American commercial and financial linkages with Russia and Ukraine, the conflict's impact has primarily been perceived through price changes and the stagnation of European GDP.

Recent geopolitical events may delay economic growth and increase inflation, but they are not likely to affect North American monetary policy right now (International Monetary Fund, 2022). Bread, noodles, pasta, cakes, and a host of other food items rely on wheat, which has become more difficult for Nigeria to import as a result of Russia's invasion of Ukraine. This has led to significant price increases for these goods. Worldwide, wheat prices have risen as a result of Russia's military intervention in Ukraine, adding to the already exorbitant cost of food. Ukraine and Russia together produce 14% of the world's wheat and 29% of its wheat exports. Russia is the world's leading wheat exporter right now, with Egypt, Bangladesh, and Turkey rounding out the top five. Ukraine is one of these countries.

THEORETICAL FRAMEWORK

The theories of interest groups and the social contract form the basis of this study. Several prominent figures in modern political philosophy, including Jean Jacques Rousseau (known for *The Social Contract*), Thomas Hobbes (known for *Leviathan*), and John Locke (known for *Two Treatises of Government*), established a long-standing political theory or philosophy called *The Social Contract* (Mbah, 2021a). In *Leviathan*, Thomas Hobbes paints a picture of a state of nature that is both lawless and chaotic, where people are perpetually in "fear of death," and where the only way to achieve peace is to form a social compact that guarantees the protection of individuals and their possessions. In return for a sovereign power guaranteeing the safety of its citizens and their property, citizens voluntarily give up all of their freedoms and rights (Mbah, 2021a).

But, John Locke disagrees with Thomas Hobbes' pessimistic assessment of nature. Locke thinks the State of Nature is a more peaceful place because there are no institutions to keep the peace in case of a war. The legislative branch, which is responsible for keeping the peace, cannot function without the Social Contract. Lawmakers, as trustees enshrined in Locke's Social Contract, have a duty to protect the votes of their constituents (Ebenstein & Ebenstein, 2000: 430). Neither as gloomy nor as hopeful is the State of Nature by Jean-Jacques

Rousseau and Locke, though. In his natural state, people act independently until they learn the hard way that this won't work and come up with a social contract to address the problem.

Rousseau, in contrast to Locke, thinks that people must give up some of their liberties and rights to the community (social organisations) in order for them to be protected (Elahi, 2014; Ebenstein & Ebenstein, 2000 cited in Mbah, 2021a). In exchange for laws and regulations meant to safeguard lives and property, people in every nation engage into what is essentially a "Social Contract" by giving up some or all of their rights to the state. As a result of each side's desire to safeguard its own citizens' interests (Social Contract), the animosity between Russia and Ukraine has persisted for a long time. While nationalism did not directly cause the 2014 Russia-Ukraine conflict, it was a major component in its escalation and continues to be a problem in resolving the conflict (Harris, 2020). Moscow maintains that its national defence, military drills, weapon systems, and security agreements are at the heart of this confrontation.

You can look at the Russia-Ukraine conflict from two different theoretical angles: the Social Contract theory and the system theory. Systems theory draws heavily on the fields of biology and engineering; it focusses on the mechanics of how a system is designed to achieve a purpose. A political system's resilience to stress and its ability to adjust to internal and externally imposed changes can be better understood with the use of system theory. The theory goes on to state that all preexisting political units engage in predictable and visible patterns of interaction with one another. An independent unit of complicated elements that can adapt to its own environment is a system, which is defined as an interconnected set of elements that interacts with itself.

These components include people, groups, associations, countries, and states. This is what Easton (1953) meant when he said that the political system is coexistent with other systems, such as the physical, biological, social, and psychological systems, among others, and that these systems impact the political system and the other way around through constant interaction and trade. There is a reciprocal relationship between the environment and the way the political system works, as the former shapes the latter. The output may take the form of requests for a specific distribution of values or it may be an endorsement of a specific course of action. The political system takes environmental inputs, processes them, and then produces authoritative decisions, such as government policies and decisions, as an output.

Typically, the environment is impacted by these authoritative outputs, which trigger feedback in the form of changes in the

amount and severity of demands and support from the environment. In the international political environment, the actions of one state are dependent on the actions of other states. To use a game analogy, the moves or "strategy" of one player are dependent on the moves of every other player. Consequently, when we talk about a human being's system, we're referring to an abstract perspective on a subsystem within reality.

Since a country is a subsystem, her actions can either disrupt or sustain the global balance, as seen in the previous analysis. When it becomes unstable, war is likely to break out, as it has between Russia and Ukraine recently. Global food shortages, skyrocketing petrol prices in Europe, and energy crises everywhere are all results of the duo's feud, which lends credence to systems theory, which views the world as a collection of interconnected units where events in one part can have a domino effect on the rest.

RUSSIA AND UKRAINE'S CONFLICT AND ITS EFFECTS ON WORLD TRADE

As a result of the digital revolution, international economic interactions have become increasingly intertwined in recent decades. Any disagreement, no matter how minor, in such a highly linked system will inevitably cause ripple effects throughout the whole. As a result, the global economic consequences of Russia's invasion of Ukraine are felt even though the conflict is hundreds of kilometres distant. Millions of American households will feel the effects, according to Egan (2022), because to the interconnectedness of the global economy and financial systems.

Smialek and Swanson (2022) state that the typical American family will have to pay more for the costs associated with Vladimir Putin's invasion of Ukraine, which could lead to higher inflation as a result of higher global food and oil prices. This, in turn, could heighten uncertainty in the US. Despite the fact that the US imports relatively little wheat from Russia, the biggest wheat exporter in the world, they claim that at a time when the US and most of the world are facing fast inflation, the "commodities crunch" caused by a war could temporarily increase the price of raw materials and finished goods. The energy commodities market is worldwide, so a shift in oil prices anywhere will have an impact on oil prices everywhere, including the US, even if US oil imports from Russia are very tiny compared to EU imports. It is revealed in this article that if there is worldwide instability, Americans would cut back on consumption and other economic activity, which might hinder the Federal Reserve's ambitions to raise interest rates. As said by Mbah and Wasum in 2022.

As a result of the conflict between Russia and Ukraine, oil prices have "hit an eight-year high." Oil prices might skyrocket if tensions escalate or if US officials implement contradictory "another round" of sanctions against Russia, as predicted by experts. If Russia's economy collapses, the global economy will follow suit. On the same note, Egan reports that JP Morgan has projected that oil prices will "easily" reach \$120/barrel as a result of this conflict (Egan, 2022).

Experts on Wall Street expect US market indices to remain volatile, despite economists' concerns that the conflict would limit consumers' disposable income due to rising commodity prices (Mbah & Wasum, 2022). Year-over-year inflation might surpass 10% if oil prices hit \$110, according to RSM. This would be the first occurrence since inflation peaked at 10% in 1981. The "greatest concern facing the US economy" according to RSM is inflation (Egan, 2022). U.S. inflation fears are being stoked by global supply chain concerns about possible shortages of nickel, aluminium, and palladium (Cohen & Ewing, 2022).

Over the last three decades, prices in the UK have risen at an alarming rate, mirroring the experience of many other Western countries. Experts say that the Bank of England had no choice but to raise interest rates in response to rising inflation caused by Russia's persistent aggression against Ukraine (United Kingdom Parliament, 2022). Unlike the US, Russia does not ship gas to the UK, despite the fact that it ships a lot of gas to other European countries. Uncertainty has spread around the world, including to the United Kingdom, as a result of the dramatic spike in oil prices.

According to analysts, annual household gasoline usage could exceed £3,000 (Jones, 2022). Worries that food prices may rise, putting further pressure on UK household and business budgets, are compounded by the fact that both Russia and Ukraine are major producers of wheat and other agricultural goods (United Kingdom Parliament, 2022). Fertiliser is one of Russia's most valuable exports (Jones, 2022) and a major input for the UK's wheat production (90 percent). As pointed out by Nick Allen, CEO of British Meat Processors, two-thirds of the ammonium nitrate fertilisers used by farmers worldwide originate from Russia (Lanktree, 2022). Famous supply chain expert Chris Rogers has predicted that the greatest economic effect of this conflict on the UK and Europe will be inflation in supply chain costs (Lanktree, 2022).

The crisis appears to be having the greatest impact on Europe, a continent that relies on Russian gas and oil. At the current price levels, it will be very difficult, if not impossible, to replace Europe's reliance on Russian natural gas supplies, and this will have a major influence on inflation. The Russian invasion of

Ukraine in February 2022 will disrupt supply chains and lead to greater prices in several countries, including the UK and Europe, according to experts. If Russian exports fall, the global price of oil would be severely affected because Saudi Arabia has refused to release more oil supplies to compensate (Lanktree, 2022). According to a report from the European Council on Foreign Relations in 2022, the public perception of European governments as divided, weak, and absent has dominated public discourse on the conflict. This, in turn, would change how Europeans perceive their safety in the event that Russia were to attack Ukraine (Krastev & Leonard, 2022).

Russia is a major supplier to Europe and the world's leading producer of natural gas and oil (Bhattarai et al., 2022). Despite claims to the contrary made by senior EU financial authorities, the current Russian invasion of Ukraine has the potential to impede EU economic development owing to increased energy prices and decreased business confidence (Thomas & Strupczewski, 2022). Additionally, these writers imply that the EU's primary energy provider would react to EU sanctions by cutting off supplies of coal, oil, and gas to the EU. This would lead to a spike in commodity prices, uncertainty, and reduced consumption, regardless of the repercussions for Russia. According to Wiseman (2022), European nations rely on Russia for approximately 25% of their oil and 40% of their natural gas.

Although commerce between Russia and the Eurozone is very limited, the energy, price, and confidence/uncertainty channels are more likely to have a significant influence on the Eurozone economy. Persistent uncertainty will likely hinder growth since it discourages investment and consumption (Thomas & Strupczewski, 2022). Europeans are paying about six times as much for natural gas now as they did at the start of 2022, all because of Russia's invasion of Ukraine. Reason being, as a result of the attack, energy costs skyrocketed, inflation increased, and the price of natural gas spiked by 20% (Wiseman, 2022). The European Commission predicts that all euro-using EU member states' economies will develop at a slower rate of 4.0% by the end of 2022 compared to the 4.3% predicted in November 2021, due to the effects of COVID-19, supply chain restrictions, and rising energy prices (inflation). After Russia attacked Ukraine, the accuracy of this latest prediction became much more doubtful (Thomas & Strupczewski, 2022). Similarly, the head economist of Berenberg Bank has said that the Eurozone's real GDP growth for 2022 would be reduced from 4.3% to 3.7% due to the drag from increased prices and the negative confidence effect (Wiseman, 2022).

Since December 2, 1992, when Canada was the first Western country to acknowledge Ukraine's independence, the two

countries have maintained amicable bilateral relations. Canada has provided almost \$890 million in aid to Ukraine since January 2014 in various forms, all based on this connection. Experts are concerned about the potential economic impact of a Russian attack on Ukraine in 2022 on Canada, specifically regarding food prices and immigration. Prime Minister Justin Trudeau's government is 'prioritising immigration applications,' as reported by Neustaeter (2022). Canada currently has the highest concentration of Ukrainian immigrants outside of Russia, with 1.3 million people having made the journey. As a result, Canadians are concerned about the potential impact of the conflict on their already-shaky supply chain, especially regarding food prices (Mbah & Wasum, 2022).

Financial tradings fell and markets fluctuated dramatically in the days after the attack due to the uncertainty of the conflict, which caused panic in the global financial market. To illustrate the point, on Wednesday the Canadian currency was trading at 78.63 US cents, but on Thursday it was 77.93 US cents due to the conflict (Neustaeter, 2022). The Canadian Association of Petroleum Producers reports that Canada buys approximately \$550 million worth of oil from Russia annually. As a result, experts predict that Canadians should brace themselves for a significant spike in petrol prices. The crisis has the potential to damage economic relations between Ukraine and Canada, according to the head of the Canada-Ukraine Chamber of Commerce. He said that investors would be wary of conducting business in Canada due to the high level of political risk. Given the extensive Western caution against investing in Ukraine, investors are keeping a careful eye on developments (Bharti, 2022).

The Russian invasion of Ukraine has disrupted global supply networks, which has affected operations across several enterprises. Businesses have predicted that supply hoarding and price increases will ensue as a consequence of trade restrictions and cross-border blockades, which could be caused by Russia's export embargo and reciprocal ban on foreign imports, as well as its refusal to let foreign cargoes pass through its airspace and waterways during the conflict. Restrictions on commercial flights near the Ukraine-Russia border and heightened security checks at refugee camps in bordering nations will further affect freight movement and border operations. This is because, in order to prioritise helping refugees, border officials may halt or postpone the shipment of commodities and supplies that pass the border. As a result, import costs will rise and the global supply chain will see even greater disruptions. The global economy will be most affected by the increase in commodity prices, which will amplify inflationary pressures that are already in place. There is a high probability of major supply

disruptions if the conflict escalates, which will have a disproportionate effect on countries that rely on imports for energy and food.

THE EFFECTS OF THE CRISIS BETWEEN RUSSIA AND UKRAINE ON THE NIGERIAN ECONOMY

Efebeh (2020b) states that the world economy is still recovering from the COVID-19 pandemic and its subsequent lockdowns. As a result, the invasion of Ukraine by Russia has made matters worse by increasing commodity prices and stifling food supply lines worldwide. The world's two greatest wheat exporters are Russia and Ukraine; together, they ship out about a quarter of the world's wheat (Cohen & Ewing, 2022). However, in many sectors of the international economy, Russia is still a major actor. Since Russia is the world's number two crude oil supplier, its oil reserves are a major factor in setting global oil prices. In addition, it has the title of being one of the biggest natural gas and clean energy sources in the globe. Oil, natural gas, and hard coal are among the many fossil fuels supplied by the Russian Federation, which ranks high among EU exports.

The war has led to most European economies cutting off all trade with Russia, which has put a huge dent on Russia's economy and prompted Moscow to cut off gas supplies to Europe in response. Nigeria is the leading oil producer on the African continent, therefore any disruption to its oil supply would have a profound effect on the country's economy. Additionally, the supply of cereals is dependent on Ukraine and, to a lesser degree, Russia, making both countries particularly vulnerable to the consequences of a conflict. Western countries have punished Russia for its invasion of Ukraine by isolating it economically and suspending commercial ties. The economic effects of Russia's invasion are far-reaching, and they will only grow as long as the war continues. Petrol smuggling has increased, the price of energy (diesel, jet fuel, kerosene and petrol) has risen, and the cost of petrol imports and subsidies has risen as well. Budget deficits, debt levels, interest payments, money supply growth, currency depreciation, and increased inflationary pressures are all major macroeconomic repercussions (Ozili, 2022).

Russia has a significant impact on the world economy, and Nigeria depends on international trade and imports, so even if it is far from the conflict zone, it will still feel its effects. Therefore, it is essential to stress how the continuing conflict has affected Nigeria's economy. With Brent reaching \$100/barrel and Bonny Light at \$110/barrel, crude oil prices

have soared since Russia attacked Ukraine. Due to the country's reliance on imported refined petroleum products, Nigeria is seeing a significant spike in crude oil prices. As a result, the unsubsidised cost of diesel has surpassed N800 a litre and is now selling at some stations for over N830. The local market for diesel has experienced a forced surge due to Nigeria's precarious power generating and distribution infrastructure, driving up the landing cost of refined products to unprecedented heights. Since most firms in the country use generators to power their operations, the recent spike in fuel prices has created a huge obstacle for conducting business there.

Also, as of January 29, 2023, the price of petroleum products has increased from N175 per litre to between N450 and N500 per litre, a 300 percent increase in just a few months; this, in turn, has caused a domino effect on the prices of goods and services all over Nigeria, which is currently experiencing a fuel shortage that may be caused by the conflict. Problems with ships transporting petroleum products into the country are likely to escalate in the coming months (Efebeh, 2018). Corruption is rampant in Nigeria's petroleum industry, but the most recent crisis has thrown a wrench into the works. The rising cost of petroleum has led to a general rise in transport costs across Nigeria (Maijama'a & Musa, 2022).

The last six months have seen a tremendous spike in the price of ride-hailing services in Nigeria, especially in the state of Lagos. Lagosians would rather not see transit costs go up, especially considering the everyday devastation caused by the state's heavy traffic. In Nigeria's particular case, the government's borrowing costs have gone up, leading to a larger fiscal deficit than expected, as a consequence of higher petroleum product and subsidy expenditures caused by rising international oil prices. This has exacerbated a financially precarious situation. The Nigerian National Petroleum Company (NNPC) Ltd will not contribute as much money as before because of an increase in subsidy commitment, which is one way in which the Russia-Ukraine war impacts the Federation Account. In states whose monthly distributions from the Federation Account are substantial, this could affect the distribution of funds to various levels of government.

Air travel costs have skyrocketed over the past few weeks as a direct result of the extremely volatile global oil market, which has caused oil prices to respond with skyrocketing jet fuel prices. Airline companies in the country have cut back on how often they fly. An economy one-way ticket now costs more than N50,000, a price rise of at least 100% in February according to airlines. Airline fares are going up, which means well-off Nigerians will have to shell out more money to travel throughout the country and the world. This would force people to cut back on how often they travel, which impacts not only

those who live in industrial districts but also those who work in places like Lagos State and Port Harcourt. Russia exports huge quantities of durum wheat and crude oil, two basic crops that Nigeria mostly imports and whose prices have risen dramatically since the invasion began (Maijama'a & Musa, 2022). Because of the conflict between Russia and Ukraine, wheat prices have soared to a week-high. Nigeria imports a lot of wheat goods because it uses wheat more than any other grain.

The Nigeria Bureau of Statistics reports that during the first nine months of 2021, the country imported durum wheat valued at more than N128.1 billion, surpassing its total imports for the entire year of 2020. Commodity price increases exacerbate problems in Nigeria's already-struggling economy, which is highly dependent on imports to satisfy domestic demand and is plagued by high inflation and food supply chain disruptions. Wheat supplies on the international market have also been affected by the fighting. Wheat prices could go up, which would have an effect on flour prices and, in turn, on the prices of bread and other baked items (Ozili, 2022). Bread and other baked items in Nigeria have seen their prices skyrocket due to the unpredictable disruption in the wheat supply caused by the conflict between Russia and Ukraine. Since their feud began in February of 2022, the prices of the large loaf of bread—which had previously sold for N450—and the little loaf, which had previously sold for N200—have risen to N1,200 and N700, respectively. Food already accounts for over 50% of Nigeria's budget, and if the current rate of inflation persists, the buying power of Nigerians would further decline.

Under Nigeria's managed floating exchange rate system, the central bank frequently steps in to fix currency rates. Nevertheless, a substantial quantity of money is transacted in the black market in a way that is neither reported nor monitored. Nigeria is susceptible to more naira devaluation because Nigerians would acquire foreign currency from any source to satisfy their business commitments. The rich world is not immune to inflationary pressures; in February 2022, the US inflation rate hit a level not seen in 40 years. We would be adding foreign inflation to an already weak economy in Nigeria, given the country's penchant for imports. Due to a shortage of foreign direct investments (FDIs) and foreign portfolio investments (FPIs), as well as a decline in remittances from Nigerians residing in neighbouring countries like Russia and Ukraine, Nigeria's foreign exchange liquidity will be further stretched, making the country susceptible to additional devaluation. It would be unfortunate if the upward trend of the current account and world trade balance were to be reversed due to a shortage of foreign money. Notably, thousands of Nigerians have joined the thousands of young Nigerians who have stayed

home due to the months-long ASUU strike and the disruption, making it impossible to continue attending lectures in Ukraine.

CONCLUDING AND RECOMMENDATIONS

The impact of the crisis on other countries having trade and other relationships to both Russia and Ukraine was the focus of this paper. Because of this result, it is now more apparent than ever how a war between two countries on opposite sides of the globe could suddenly affect other parts of our interdependent and globally linked modern world (Efebeh & Okereka, 2020). The United States, Canada, the European Union, and the United Kingdom have all put heavy economic sanctions on Russia due to her invasion of Ukraine, and this has been the subject of recent studies.

But the effects on Nigeria's economy of the crises in Russia and Ukraine are the main subject of this research. It's probable that Russia's 'retaliatory' measures will continue for a long time. Importers of food and energy in Africa will still encounter difficulties. Rising energy prices, higher fuel imports and subsidy bills, government fiscal operations, petroleum product smuggling, reduced wheat exports from the region, and impacts on regional and international trade are some of the negative risks and challenges that the Nigerian and global economies are facing as the conflict continues to spread.

The Russian invasion of Ukraine has the potential to have far-reaching and varied economic consequences. The budget deficit, debt levels, debt payment costs, money supply, currency value, and inflationary pressures in most African countries, especially Nigeria, increase due to this, among other significant macroeconomic repercussions. Ukraine has appointed certain persons, like Obiageli Ezekwesili, as "Ambassadors of Grain from Ukraine," as part of its efforts to assist the international community and, in particular, African nations hit hard by export restrictions on grain from the area. Because of the war with Russia, several countries are experiencing a serious food scarcity; the Ukrainian government has launched this scheme to help alleviate this problem.

Nigeria should stay neutral when important players in a crisis are asking for help. Our leaders and the people must stand up to smear campaigns and propaganda mills that try to gain sympathy. Despite the terrible existential suffering of the victims, Nigerians should keep in mind that the war is a product of Western ideology.

All Africans, and Nigerians in particular, need to be aware that this conflict is based on policies that hurt their interests. As the history of racist treatment of Africans shows, Nigerians do not

require any further instruction that they are alone in these challenging times. If Russia chooses to retaliate by penalising the rest of the world through export restrictions, Nigerian officials will have to start talking about other ways to survive.

They should also, if at all feasible, encourage local manufacturing of these vital goods that are currently imported from places like Russia and even Ukraine.

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