Attribution-ShareAlike 4.0 International (CC BY-SA 4.0)
Vol. 03, No. 05, May 2023
e-ISSN: 2807-8691 | p-ISSN: 2807-839X

The Turmoil of Europe's Economy, Food and Energy Stability: Will It Ends Western Sanctions on Russia?

Yassar Nandana, Arthur Josias Simon Runturambi, Eko Daryanto
University of Indonesia, Indonesia
Email: yassarnanda@gmail.com

Keywords

Russia-Ukraine War; Economic Sanction; Europe Energy Crisis

ABSTRACT

Ukrainian and Russian War had a significant impact on the European economy, food, and energy. As one of the strategy to stop the war, the Western had imposed several sanctions on Russia that raised critical questions on whether or not this sanction is an appropriate and effective measure that should be pursued. Reflecting on history, economic weapons through economic sanctions are often ineffective against big countries that do have resilience. Not only that, the view that sanctions will suppress aggressive actions when material interests are disturbed is not always an appropriate case considering that countries and their leaders, especially autocratic ones, have other priorities. Through this articles, we're going to discuss how the turmoil of Europe's economy, food and energy stability may affect Western decisions to end their sanction to Russia. We concludes that the West, especially Europe, has no other way but to negotiate with Russia to carry out a ceasefire and negotiations regarding gas & oil supplies and in turns will end Western sanction to Russia gradually.

INTRODUCTION

After threatening political and military maneuvers and endless negotiations without agreement, on February 24, 2022, Russia launched a military attack on Ukraine, posing a security threat and military aggression that threatens global and European security after several decades. Attacks by Russian troops were happened on major cities across Ukraine, including Berdyansk, Chernihiv, Kharkiv, Odesa, Sumy, and the capital Kyiv. Before the attacks took place, on February 21, 2022, Russian President Vladimir Putin gave a speech that laid out a long list of Russian justifications for launching a special military operation that was announced the following day (Pereira & Gaspar, 2022). During his speech, apart from raising issues and concerns related to the expansion of NATO and Europe's post-Cold War security architecture, Putin also highlighted issues related to the legitimacy of Ukrainian identity and statehood from a Russian perspective. Putin's speech reflected fragments of Russia's historical view of the deep unity among East Slavic peoples—Russians, Ukrainians and Belarusians in particular—with the central view that Russia & Ukraine have a "political destiny" to unite both in the present and in the future, posing big questions & doubt to current Ukrainan statehood. Putin's view carries the justification that today's modern Ukrainian identity is only a form of Western political product and manipulation to deploy an anti-Russian project. During Putin's time, Russia carried out policies towards Ukraine based on the assumption that Ukrainian national identity was artificial and therefore a fragile identity. Putin argued that how the West promoted this fragile identity was a form of geopolitical agression against Russia which could not be tolerated. At the root of this view of Putin lies the idea of emphasizing the organic unity of the Russian Empire and its people—especially its Slavic, Orthodox core—which Historian Timothy Snyder refer as "politics of immortality". The importance Putin and other Russian elites attach to the idea of a Russian-Ukrainian-Belarusian union helps explain the origins of the current conflict, particularly on why Moscow is willing to risk a large-scale war on its borders when neither Ukraine nor NATO poses any direct military threat. These attacks nonetheless demonstrate that Moscow's ambitions go beyond

https://doi.org/10.46799/ijssr.v3i4.362

preventing Ukraine's NATO membership and encompass a more encompassing aspiration to dominate Ukraine politically, militarily, and economically.

After the attacks took place, the European Leaders and the European Parliament condemned this aggression in the strongest terms possible, because apart from violating international law, the aggression that occurred undermined European and global security and had great potential to have a significant impact on various dimensions. During the first month of fighting, the Ukrainians has repelled many Russian attacks, counterattacked, and liberated some territory, especially around the capital Kyiv. On March 2, the United Nations General Assembly (UNGA) adopted a resolution reaffirming the sovereignty and territorial integrity of Ukraine by a broad majority. This war has left thousands of Ukrainian civilians killed and injured, and parts of the city were destroyed without anything left. According to UNHCR, more than 5.2 million refugees, mostly women and children, have fled to neighboring countries (Etzersdorfer, 2022). Additionally, as of June 23, the International Organization for Migration estimates that more than 6.2 million people have been internally displaced. As a consequence of these actions, the European Union and its allies, within and outside NATO, have adopted harsh sanctions aimed at causing severe damage to the Russian economy in various ways.

Even though Russia's escalation of aggression against Ukraine in 2022 seems like short-notice and fastly-escalated, the events that occurred are inseparable from Russia's calculated planning. In mid-October 2021, social media and news outlets began reporting significant movements of Russian military forces, with minimal Russian transparency, on or near the Ukrainian border and in the Ukrainian-occupied Crimea region. Troop buildup is inevitable after the number of Russian troops on the border with Ukraine has consistently increased (Khodadady, 2023). Since 2014, Russia has created two new Combined Arms Armies (CAA), one in the Western Military District (20th CAA, headquartered in Voronezh) and one in the Southern Military District (8th CAA, headquartered in Rostov-onDon and Novocherkassk) on the border with Ukraine. Russia created this CAA to supervise, coordinate and manage the command and control of units transported to the border. The 8th CAA also reportedly commanded separatist units in two Russian-controlled areas of eastern Ukraine (the so-called Donetsk and Luhansk People's Republics, or DNR/LNR). Throughout December 2021, Russia continued to build up its strength in the region. Prior to the February 2022 invasion, Russia had mobilized between 150,000 and 190,000 personnel and 120 Battalion Tactical Groups (BTG) on its border with Ukraine, 2 in Belarus, and in the Ukrainian-occupied Crimea region, according to US government estimates (Bowen, 2022).

During this build-up period, analysts and observers documented the movement of Russian units from across Russia towards Ukraine. The 41st and 2nd CAAs were transferred from the Central Military District to Belarus and to Ukraine's northeastern border with Russia; 1st Guards Tank Army and 6th CAA move from the Western Military District to Ukraine's eastern border with Russia; The 49th and 58th CAAs were transferred from the Southern Military District to occupied Crimea and to Ukraine's southeastern border with Russia; and the 35th and 36th CAA (and parts of the 29th and 5th CAA) were transferred from the Eastern Military District to Belarus. Additionally, Russia is deploying elite units—such as Russian Airborne (VDV), Naval Infantry, and Spetsnaz (elite light infantry units used for reconnaissance and direct action)—around the Ukrainian border. These forces cover a wide range of Russian military capabilities, including artillery and support systems (Kofman, Migacheva, Nichiporuk, Radin, & Oberholtzer, 2017).

Not only that, by February 2022, Russia had mobilized a large squadron of Aerospace Forces (VKS) fighter planes, fighter-bombers and helicopters, which some observers believed would play a key role in the initial invasion. On February 21, 2022, Russian President Vladimir Putin announced that Russia would recognize the independence of the DNR and LNR. Russia's claim appears to cover the entire Donetsk and Luhansk regions (collectively known as Donbas), which have remained largely under Ukrainian control since Russia's first invasion of Ukraine in 2014. Shortly after February 21, Putin announced Russia would send "peacekeepers" to Ukraine. " to the DNR/LNR, claiming that they would defend against the Ukrainian plot for an attempted invasion and sabotage. This suggests that Russia has spent months massing the bulk of its military capabilities around Ukraine. On February 24—after months of warnings and consternation from the Biden Administration, European allies, NATO, and several Members of Congress—Russia invaded Ukraine. Russia claims that its invasion was to carry out "special military operations" to protect the civilian population and to "demilitarize" and "de-Nazify" Ukraine; which many observers see as a political pretext to overthrow Ukraine's democratically elected government (Szejnmann & Umbach, 2016).

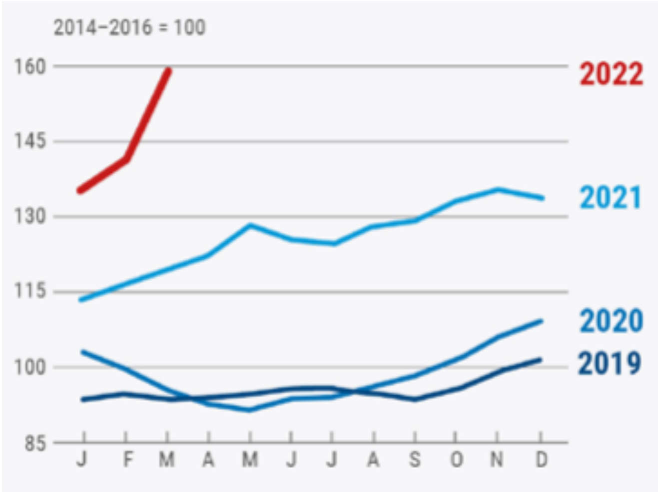

Figure 1. The Price of Natural Gas in Europe

Russia's aggression in Ukraine ultimately has a worrying cascading effect on the world economy which has been hit hard by COVID-19 and climate change. The UNCTAD projection predicts that world economic growth will grow lower than expected due to this conflict which will greatly disrupt food, energy and financial markets which were already tight before the war. As an actual example, Ukraine and Russia are the world's largest bread granary. They provide about 30 percent of the world's wheat and barley, a fifth of maize, and more than half of sunflower oil (Vernon, 2000).

At the same time, Russia is the world's largest exporter of natural gas, and the second largest exporter of oil. Together with neighboring Belarus and Russia it also exports about one-fifth of the world's fertilizers. As a result, commodity prices hit record highs overall. On April 8, 2022, the Food and Agriculture Organization (FAO) published a high record food price index (Pattipeilhy & Sitompul, 2023). Food prices are 34% higher than last year and have not been this high since FAO started keeping records (Citaristi, 2022). Similarly, crude oil prices increased by around 60%, and gas and fertilizer prices more than doubled. Ongoing disruptions in global supply chains and financial markets further complicate the current economic outlook. In the graph below it can be seen that there was an increase in the prices of commodities, grains and agriculture simultaneously as a result of Russian aggression in Ukraine (Rabbi, Ben Hassen, El Bilali, Raheem, & Raposo, 2023).

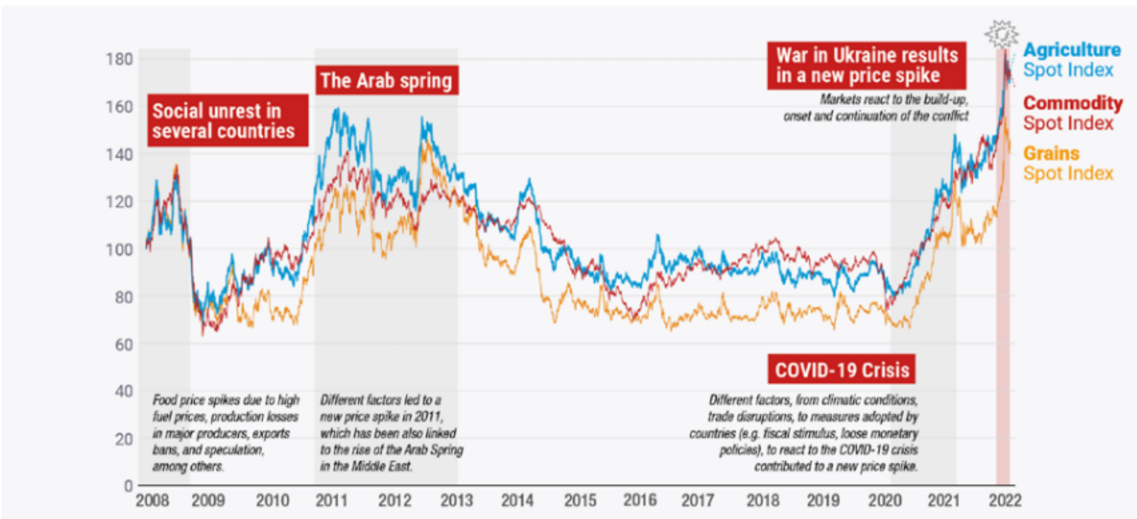

Figure 2. World Agriculture, Commodities, and Grains Spot Index Across Crises

Beyond its impact on the world, the Russian and Ukrainian War had a significant impact on Europe in terms of the European Economy, Food and Energy. Since the war in Ukraine began, economic growth projections for Europe have been revised downwards while inflation forecasts have increased dramatically. The latest forecasts, which take into account increasing uncertainty and shocks to commodity prices, suggest that real gross domestic product (GDP) growth in the European Union could fall well below 3% in 2022, falling by more than 1.3 percentage points compared to previous estimates. Further supply chain disruptions and economic sanctions are likely to push the European economy into recession. Higher food and energy prices will hit households in the European Union, especially the poorest households. Ukraine and Russia are the main suppliers of energy and agricultural products. As the war eroded production capacity, the prices of many hard-to-substitute core products would rise. War-induced inflation could reduce real private consumption in the EU by 1.1% in 2022, although the impact will vary by country. The impact will be more pronounced in countries where consumption is more sensitive to energy and food prices and where a large proportion of the population is at risk of poverty. Countries in Central and Southeastern Europe are likely to be more affected. European companies have also weakened during the COVID-19 crisis, especially the smaller ones. Their ability to survive without a withdrawal of policy support is uncertain at best. War will exacerbate corporate vulnerability through three channels: (1) reduced exports, (2) lower profits due to higher energy prices, and (3) difficulty finding funding because banks are risk averse. Company-level simulations conducted by the European Investment Bank (EIB) show that the proportion of companies that lose money will increase from 8% to 15% in one year, and the share of companies that are at risk of default will increase from 10% to 17% over the same period. Chemicals and pharmaceuticals, transportation, and food and agriculture were the hardest hit sectors. Companies in countries closer to Ukraine and Russia, such as Hungary, Poland, Latvia and Lithuania, will feel significant pressure. In addition, companies in Greece, Croatia and Spain will also be more affected than the EU average (Prohorovs, 2022).

Table 1 Consensus economics forecasts for 2022 *(growth in % and revision in percentage points)*

	Real GDP growth			GDP growth (2022 forecast)			Inflation (2022 forecast)		
	2019	*2020*	*2021*	*7 Feb.*	*9 May*	*Revision*	*7 Feb.*	*9 May*	*Revision*
Euro area	1.6	-6.4	5.3	3.9	2.7	-1.2	*3.9*	*6.8*	*+2.9*
US	2.3	-3.4	5.7	3.7	2.7	-0.9	*5.2*	*7.2*	*+2.0*
UK	1.7	-9.3	7.4	4.3	3.8	-0.5	*7.0*	*9.7*	*+2.7*

Figure 3. European Economic Growth Forecast 2022 (European Investment Bank)

Through this article, I will conduct a detailed discussion regarding the implications of the Russian and Ukrainian wars on the economy, food and energy of Europe and will it ends Western sanctions on Russia. The main objective of this article is to examine carefully how the Ukrainian-European war played a central role in the European economic situation, European food security, as well as European energy security, and discuss on how this situations might affect the Westerns and Europe responds to Russia. The author will divide this article into four parts: (1) first, the author will discuss the impact of the Russia & Ukraine war on the European economy; (2) second, the article will continue with a discussion of the impact of the war on European food security; then (3) the impact of the war on energy in Europe; and after that I am going to (4) discuss on the possibility of how the Turmoil of Europe’s Economy, Food and Energy Stability will ends Western Sanctions on Russia; lastly (5) I am going to conclude the article and recapping the bibliography.

METHODS

The research method in this article is qualitative research with a literature review approach obtained from articles and journals from pre-existing research. Literature review is a form of literature research by reading various types of books, journals, and the like related to the topic of discussion in research to produce a scientific paper, such as research articles, dissertations, theses, and others. Literature review is carried out with the awareness that knowledge will continue to increase along with the development of the era and technology (accumulate), that the topic of research discussion has been researched and carried out by researchers before. The main purpose of the literature review approach is to introduce new studies on certain topics that are important for researchers in the field of research to know, and at any time this article can be published in the public interest, secondly for the benefit of own research.

RESULTS

The Impact of the Russian and Ukrainian Wars on the European Economy Shocks of Price, Supplies, and Supply Chain

Consequences The war in Ukraine prompted shocks to supply chains and commodity prices with far-reaching long-term consequences. Commodity production, consumption and trade will undergo transformation as countries move towards greater self-sufficiency, creating opportunities for new suppliers. However, the Ukraine war led to a pattern of more expensive trade and major diversions in the energy trade. A war in Ukraine will trigger a massive negative supply shock in the global & European economies. Not only that, the war in Ukraine will exacerbate post-pandemic Europe's structural problems. Georg Zachmann of the Bruegel Think Tank notes that sanctions against Russia will have a dramatic long-term effect on prices, starting with energy which will have a domino effect across all dimensions of the economy. According to him, Lithuania, Latvia and Estonia remain more vulnerable than many other European countries and may be among the first whose economies will be hit. Vulnerability can be explained by the division and structure of the EU countries' international trade with Russia. For example, in 2021, Latvian exports to Russia account for 7.3% of total exports, while imports account for 9.1%. This is significantly higher than the EU country average of 4.1% and 7.5%, respectively (Stearns & Tirone, 2016).

The war between Russia and Ukraine exacerbated supply chain problems as it made commodity prices further increase. Sectors with long global production-supply chains and high dependence on energy and metals supplies will face significant challenges. Energy-dependent sectors, especially oil refining and power generation, transport services, metallurgy and chemicals, will be the most affected, as Europe is dependent on Russia as a supplier of resources to these sectors. An embargo on Russia's energy resources can lead not only to higher prices, but also to adjustments in energy consumption. According to the world's leading oil and gas analytical institute, Rystad Energy, global demand for Liquified Natural Gasses (LNG) in 2022 is expected to reach 436 million tons and supply is estimated to reach 410 million tons (GWN 2022). This means that demand will exceed supply by 6.3%, meaning that LNG is not enough to meet demand. For example, Austria receives about 80% of its gas supply from Russia and has warned that the closure of its biggest supplier would cause a recession in the country; Austria has also started holding tenders to replenish its storage facilities. In the first tender, Austria paid a 45% premium to the European floor price to create strategic gas reserves before the start of the heating season.

Rystad Energy noted that LNG may not be sufficient to replace Russian gas in freezing weather. They estimate that gas prices in the European Union will rise to $3500 per 1000 cubic meters, almost 300% higher than last year. Rystad Energy noted that "replacing most of Russia's gas will be extremely difficult, with far-reaching consequences for populations, economies and the role of gas in the region's energy transition" and that a balanced demand for LNG will only be possible after 2024. That is, due to supply shocks, if gas from Russia is discontinued, LNG prices in Europe will remain high for several years. As a consequence, high gas prices will contribute to a significant increase in prices for other energy sources, including affordable ones. For example, this year the price of firewood in Latvia, which is a major exporter of various wood products, has increased from 120 to 200 euros, although the heating season is still far away. Due to its high dependence on imports of raw materials from Russia and Ukraine, Europe is more vulnerable than any other major economy in the world. Continuous disruptions and prolongations in global supply chains and increasing transportation costs further complicate the situation. As a consequence there is an increase in supply chain costs, and also the need to reconfigure the supply chain to make it shorter and more reliable (Dunne et al., 2000).

Inflation

Inflation is one of the unavoidable economic impacts of Ukraine-Russian War for Europe. One of the main causes of rising inflation is the increasing demand for natural resources since the economy began to recover in 2021. Supply shocks will reduce growth and further increase inflation, at a time when inflation expectations are already unsustainable (Roubini 2022). A surge in oil and food prices will raise already too high inflation rates (Krugman 2022). According to estimates by one of the world's largest investment firms, BlackRock, by 2022 European Union countries will spend more than 9% of their GDP on energy. This is the highest share in 40 years and more than double the level predicted in the US, even though, two years ago, the predicted figure for energy consumption for the two economies was around 2% (Zachmann, Weil, & von

Cramon-Taubadel, 2022). Higher commodity prices exacerbated already high inflationary pressures around the world including in Europe.

According to the European Central Bank, half of the recent rise in inflation was driven by higher energy prices. As a result of the sharp increase in commodity prices, the industrial production price growth index in Germany in March 2022 was 30.9%, and in April it increased to 33.5%. At the end of March 2022, inflation increased for a month by 7.8% in the EU, 15.6% in Lithuania, 14.8% in Estonia, 11.5% in Latvia and 7.6% in Germany (Statista 2022). Consumer prices in Germany in March 2022, compared to February, seasonally adjusted, rose 2.5%. The last such inflation rate in Germany was seen in 1981, during the First Gulf War. However, despite being high and rising in March 2022, the inflation rate continued to rise in April—to 8.1% (by 0.3 percentage points) in the EU, to 16.6% (by 1 point) in Lithuania, to 19, 1% (by 4.3 points) in Estonia, to 13.1% (by 1.6 points) in Latvia, and by 7.8% (by 0.2 points) in Germany (Eurostat 2022a). Among eurozone countries, Estonia, Lithuania, Czech Republic and Latvia have significantly higher inflation rates than other EU countries. The war in Ukraine has exacerbated the dilemma faced by central banks on both sides of the Atlantic, namely how to tighten financial conditions quickly and intensively in an inflationary environment that can no longer be seen as temporary and reversible, and at the same time. time does not reduce the pace of economic activity and does not provoke financial turmoil (Gümüş, 2015)

The impact of inflation shocks on real income was uneven between countries across Europe. The 2 to 2.5 percentage point rise in European inflation is the result of different pressures across EU countries. The impact on food and energy prices depends on the composition of the consumption basket in each country. The European Investment Bank estimates that inflation will increase more in countries with high levels of consumption. To predict this, the European Investment Bank takes the deviation of each country's share of food and energy in the EU country's average consumption basket, and weighs the inflation shock according to this deviation. The resulting adjusted inflation differs for each country according to the relative impact of these goods in the consumption basket.

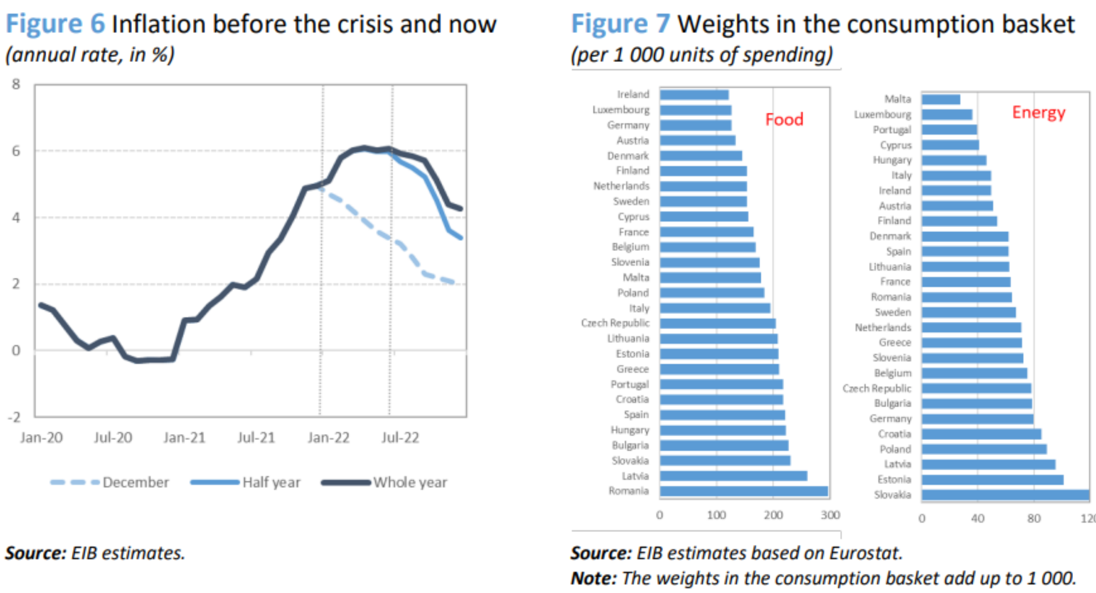

Figure 4. Inflation Rate and Consumption Basket in Europe after Ukraine-Russian War

In each EU country, the ability of individuals to use savings varies from country to country and will affect the impact of price increases on their level of consumption. People in the lower income group (lower quintile) are less able to save, and therefore have less ability to cope with rising prices. Therefore, it is their spending that is most affected by the crisis. European Investment Bank analysis, poorer households tend to save less, and inflation causes them to reduce consumption. Therefore, the impact of inflation on consumption, which is calculated as a ratio, depends on the saving rate per country and the position of the household in the income distribution. Along with inflation, this ratio, which is specific to the country and position in the income distribution, allows the European Investment Bank to calculate the impact of inflation on consumption across the income distribution. The results of this "back of the envelope" calculation show that an increase in inflation of 2 to 2.5 percentage points can reduce European private consumption by 1.1%.

The European Investment Bank then estimates the impact of inflation on vulnerable households (those at risk of poverty). The weighting of goods included in the consumer price index in various countries reflects differences in income per capita. However, in every country food and energy account for a larger share of spending for low-income households. The European Investment Bank uses the share of food and energy in the consumption basket of each decile of the population to evaluate the impact of price increases due to war. Considering that income at 60% of the median level is considered to be at risk of poverty, the European Investment Bank derives the percentage of individuals potentially driven by inflation into poverty. Increases in food and energy prices hit low-income households disproportionately, but to varying degrees across EU members. In Estonia, the impact of price increases on the bottom 10% of income earners is twice that of the top 10%. In Denmark, the differences are much smaller, mainly because savings and income rates tend to be higher.

The Impact of the Russian and Ukrainian Wars on the European Food

There is growing international concern that the Russo-Ukrainian war will trigger a global food crisis similar to, or worse than, that experienced in 2007 and 2008. This is because this war took place at a time when the global food system was unstable, even before these events occurred. As previously mentioned, Russia and Ukraine are major agricultural players, together exporting nearly 12% of globally traded food calories. The two countries are major providers of basic agricultural commodities, including wheat, corn and sunflower oil, and Russia is the world's largest exporter of fertilizers. Several regions depend heavily on imports from the two countries for their staple food supply. The impact of a war on global food supplies will depend on its duration and the development of various scenarios, centered on three factors:

(1) The significant decline in exports and production of important commodities from the two countries was caused by the war and the economic sanctions imposed on Russia. Overall, the European Commission estimates that 'up to 25 million tons of wheat will need to be replaced to meet world food needs in the current and next seasons'
(2) Global surge in prices of food supplies and inputs needed for the production of agricultural food (fertilizer and energy), which were already reach all-time high before the war happened
(3) The international response to the above, which can strengthen the impact of the crisis (especially by uncoordinated export bans or speculative measures) or mitigate it (applying lessons from the 2007-2008 food crisis).

There are several challenges and the short-term impact of the Ukrainian-Russian war on European food security. Firstly, almost all Ukrainian ports were blocked for almost six months from February to July 2022. Fortunately, the Ukraine-Russia 'grain corridor' agreement brokered by Turkey and the United Nations in late July made it possible to export grain from Odessa port , Chornomorsk, and Pivdennyi Seaport. However, clearing requirements & insurance still weigh heavily on grain export volumes and margins. Additionally, Ukraine's other major ports, including Mykolayiv, Mariupol and Kherson remain closed. On October 28, 2022, Russia suspended the grain corridor, only to reopen it on November 2, and on November 17, a deal to extend the grain corridor by 120 days was announced. Some grain leaves Ukraine by land via the European Union (eg via Poland and Germany to ports such as Gdynia and Rostock, and via the port of Constanța in Romania). However, land freight can only handle around 10-15 percent of the volume normally exported through Black Sea ports. Moreover, despite promises to streamline border formalities and facilitate overland routes, truck queues at the border have been up to 30 kilometers long, causing waiting times of four to five days or more, which can erode margins by as much as €100 per tonne. As a result of this bottleneck, large amounts of the 2021 and 2022 harvests are reserved in Ukraine. This situation resulted in delayed food supply and delivery and a more costly delivery process (Schmelzing, 2023). The war also affected Ukraine's ability to produce new crops by 2022. The conflict-torn region was an important part of Ukraine's pre-war production. Kherson and Zaporizhzhia in southeastern Ukraine and Odessa in the south together account for 25 percent of barley production, 16 percent of sunflower seeds, 20 percent of rapeseed, 20 percent of wheat. In February 2022, before the Russian attack, the USDA estimated that Ukraine would harvest around 87 million tons of grain in 2022, but the estimate from November was just under 60 million tons, a reduction of 27 million tons. The war has made it difficult for farmers to use fertilizers and other applications. In the fierce battle zone, farmers cannot access their fields at all. Elsewhere, retreating Russian troops left minefields and stole equipment such as tractors and combine harvesters. The war also greatly affected the planting of summer crops such as corn and sunflowers, which usually lasted from March to May. In addition to that fact, the 2021 harvest sabings in Ukraine hinders farmers from saving the 2022 crop properly. Substandard storage leads to a reduction in quantity and quality. These factors will affect the next harvest in 2023. The downward trend can be seen in the chart below:

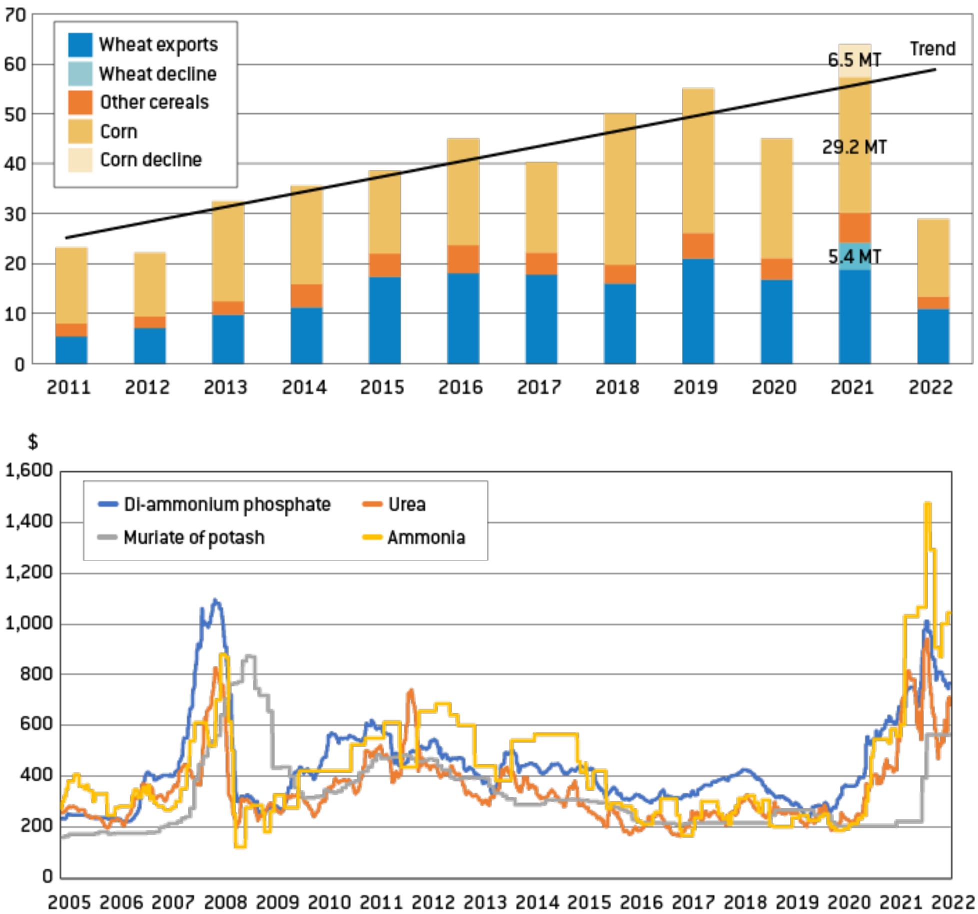

Figure 5. Downward Trend on Wheat and Corn as Commodities

Second, Europe's food security is also badly affected by rising prices. Although currently the prices have fallen from their highs immediately after the Russian attack on Ukraine. However, because of the dollar's strength, prices have not fallen as much as other currencies, such as the euro. The fact that the 2022 harvest was generally good in most major exporting regions has been a significant source of relief. The success of the Black Sea grain corridor has also provided some relief. Additionally, high grain prices have sparked some response from the demand side. For example, weft use is on the decline in the EU as animal numbers have fallen in recent months (deLisle, 2023).

Overall, the situation in European grain markets remains critical, but has not worsened as much in the months following Russia's attack on Ukraine. However, prices remain high, and the market anticipates that, for example, wheat prices will remain above €250/ton for at least the next two years, after averaging €175/ton in the twenty years to 2022. The World Bank also forecasts prices will begin to decline from 2023 (World Bank, 2022a), but remain significantly higher into 2024 than they were in 2020-2021. Price pressures could continue if input prices continue to increase, according to the World Bank. And looming over everything is uncertainty about the ongoing military conflict (Ryan, 2023).

Fertilizer prices are at historic highs, especially for ammonia-based fertilizers which are mostly produced using natural gas. This increase was compounded by higher energy prices, which affect the operating costs of agricultural machinery, grain drying and cooling milk and other perishable products. The loss of income is especially problematic for small farmers, who produce a third of the global food supply. Higher fertilizer prices will limit the use of fertilizers, reducing crop yields. Ultimately, higher input prices reduce the incentives that farmers have to produce more cereals when cereal prices are high. This dampens the supply response that usually results from high output prices, and thus feeds the anticipation of long-lasting high prices (Woo et al., 2023).

There are several strategies that Europe could use to reduce the food impact of the Ukrainian-Russian War. The EU can formulate policies to (1) increase agricultural production, (2) shift agricultural production to food, (3) reduce domestic consumption, and (4) increase global food allocation. Increasing production can be done by relaxing policies in fallow land management considering that currently the European Union encourages not to use some potentially productive agricultural areas (fallow land) to protect biodiversity and other reasons; innovation in terms of the use of fertilizers can also be done as a means of intensifying production. Shifting production to view can be done by reducing incentives for energy crops and curbing meat production and consumption. In terms of reducing domestic consumption, the consumption of hight input foods needs to be reduced while the management of fod waste needs to be made more stringent. Finally, a better global food allocation can be planned by opening new channels and reducing protectionist efforts in trade policies (Scott Jones & Watt, 2010).

The Impact of the Russian and Ukrainian Wars on European Energy

For years, EU countries have relied on cheap Russian oil and gas as the backbone of their energy strategy that will allow the European Union to become carbon neutral for the foreseeable future. For example, Germany, as the European Union's largest economy, relies on Russia for most of its oil, natural gas and coal, having advanced more than a decade towards a target of 100% renewable electricity by 2035. Russia's energy system has also adapted to this partnership because Russia's economy relies on revenues from exporting fossil fuels, although they need a modernization and restructuring that also includes the appraisal of renewable energy projects (Ryan, 2023).

In summary, Europe is very dependent on Russian energy supplies, because of that sanctions, or the expectation that sanctions will be applied to Russian energy will only tighten the market and make the prices of all fossil fuels soar. The recent crisis highlighted the need for the European Union to reduce its dependence on imported fossil fuels, and of the actions needed to be taken to address high energy prices and dependence on imported Russian oil and gas, few have had an immediate positive effect on the energy transition. Ironically, the end of the peaceful situation in the European Union occurred in the context of an energy transition. The situation of sovereign states in Europe has exposed how fragile our energy security can be when linked directly to oil and gas. Russia's invasion of Ukraine has rattled geopolitical and energy markets, pushed oil and gas prices to their highest levels in nearly a decade, and forced many countries to reconsider their energy supplies. On the other hand, Russia is looking for alternative ways to effectively spend or sell oil and gas.

The Ukraine crisis highlighted some clear weaknesses in EU energy security which have been exacerbated by rising geopolitical tensions with Russia. This weakness was emphasized by a number of academics in the pre-crisis period. Urganci and Gumus (2010), for example, note that EU member states consume large amounts of energy, and produce very little of their own energy. In 2010, the European Union imported 82% of its oil and 57% of its natural gas. Moreover, it is anticipated that these figures will increase dramatically over the next quarter century. Most of this supply comes from Russia, leading to a situation of energy dependency. As (Gümüş, 2015) "In this market, Russia has the lion's share." Butler (2014. p. 14) agrees, arguing that "(the crisis) Ukraine has put energy security high on the agenda and forcibly reminded Europe of its dependence on Russia, especially for gas. However, it is important to note that dependence is not uniform across the European Union. Germany is the most dependent, followed by Turkey and Italy.

There are five points on how the Russia-Ukraine conflict will ultimately impact the energy crisis in Europe. First, as discussed in the previous sub-section, rising energy prices contribute to access to more expensive energy. The most striking change for Europeans is the rise in energy prices. The IEA says high fuel costs account for 90% of the average cost increase for power plants worldwide including Europe. Coupled with the impact of the global pandemic, the energy crisis has made 70 million people who have just had access to electricity no longer able to afford it. And 100 million people may no longer be able to make food with clean fuels. One potential positive aspect of higher fossil fuel prices is that they provide a compelling reason to accelerate towards sustainable alternatives. Nonetheless, the need for energy security may encourage further investment in fossil fuel projects.

Second, there are changes in trade patterns and supply shortages. Russia cut gas flows to the EU by around 80% between May and October 2022, leaving the bloc with a significant energy shortage, and an urgent need to find energy alternatives from elsewhere. While many of Russia's former international partners have reduced or cut ties with the country, Russia has broadly kept its oil production and exports near pre-invasion levels by increasing exports elsewhere, including to China, India and Turkey.

Next, changes to traditional energy trade routes mean that affected countries will have to move quickly to create new energy policies that not only prioritize long-term energy security, but also enable short-term fulfillment of existing energy demands. Governments are also developing a plausible path to net-zero emissions by 2050, so the problems created by the current energy crisis need to be addressed with that in mind. Fourth, higher energy costs tend to lead to higher prices for goods and services. Higher interest rates coupled with falling real incomes are pushing Europe into recession, and the number of people falling back into extreme poverty is increasing, making the energy crisis worse.

Finally, to a somewhat positive effect, the strained relationship between Russia and Europe as its energy "customer" has led to a rapid focus on maintaining energy security. This makes robust and diverse energy dispersion as a core part of Europe's energy security policy going forward and can accelerate the move to more sustainable fuels. Even so, the impact of this is still being debated, given the negative economic outlook and short-term policy options to ensure energy for current needs could slow the momentum in moving towards renewable energy. The world's energy problems did not start with Russia's invasion of Ukraine, but the ensuing energy crisis created a number of seismic changes in the energy sector. Some changes will be temporary, some will be permanent, but the decisions made today are reshaping the energy sector forever.

Discussion: Western Sanction on Russia and The Turmoil of Europe's Economy, Food and Energy Stability

In addition to the economic, food and energy instability that haunts Europe as a result of the Ukraine/Russia war, sanctions from the West also add to the long list of complexities of the Ukraine war for the West especially the Europe. The Western as we know imposed several sanctions to Russia as a response to their aggression to Europe. Western countries are trying to limit Russia's access to financial infrastructure, for example, the US has prohibited Russia from making debt payments using foreign currency kept in US banks; On the other hand, large Russian banks have been excluded from Swift's international financial messaging system, this has prompted slower payments to Russia for its oil and gas exports. Another sanction which is also quite central is the sanction against the Russian oil and gas industry, this is where it gets tricky, since Europe are really dependent with Russian oil & gas, the sanctions includes:

- The European Union (EU) banned imports of Russian oil brought by sea from December 2022
- The European Union banned all imports of refined petroleum products from Russia in February 2023
- The United States bans all imports of Russian oil and gas
- Britain will phase out Russian oil at the end of 2022. Britain will no longer import Russian gas
- Germany has frozen plans to open the Nordstream 2 gas pipeline from Russia
- The European Union has stopped importing Russian coal

Starting from December 2022, the European Union and the G7 also want to create a price limit cap to pay for Russian oil. They tell importers of Russian crude that western insurance companies will not cover shipments of oil if they pay more than the price limit. Even so, the European Union did not impose sanctions on Russian gas, since, as previously discussed, the European Union still depends on Russia for around 40% of its gas needs.

Among various sanctions that the West seeks to apply to Russia, sanctions on gas & oil are the most dilemmatic ones. According to the International Energy Agency Europe, although currently has sufficient stocks this year (paid at a heavy price), in their latest analysis the IEA says that Europe could face a shortage of as much as 30 billion cubic meters (bcm) of natural gas during the summer period next year to refill its gas storage site. In their report entitled "Never too early to prepare for next winter: Europe's gas balance for 2023-2024" the IEA warns that the safety afforded by current levels of storage, as well as the recent lower gas prices and unusual temperatures, should not lead to overly optimistic conclusions about the future. They note that with the recent mild weather and lower gas prices, there is a danger of complacency creeping into the conversation around Europe's gas supply.

Against the United States, Russia's sanctions have not had a significant impact. This is because the United States never had substantial economic relations with Russia. Russia (and the USSR prior to 1992) has accounted for less than 3% of annual U.S. exports and imports since World War II. However, sanctions may have significant effects on specific U.S. companies and sectors engaged with Russia. For example, there may be concerns about the exposure of a particular U.S. financial institutions to Russia, the availability of raw materials from markets outside of Russia, and the competitiveness of the U.S. firms.

Europe on the other hand has the potential to face big problems if sanctions continue to be imposed and there are no meaningful negotiations. If Russian affordable oil and gas are permanently removed from Europe, the impact on the EU economy will be permanent – unless it provides adequate alternative supplies at comparable prices, which is an unrealistic scenario given the current context. One solution is for the EU to import liquefied natural gas (LNG) from the United States. However, the cost of shipping American LNG to Europe and the UK has increased since the political tensions between Europe and Russia began. According to the US Energy Information Administration, the US exported 74% of its LNG to Europe in the first four months of 2022, up from 34% the previous year. But this is apparently not enough to keep Europe's energy prices stable. This raises a fundamental issue: whether the European Union is actually able to maintain its sanctions against Russia. The economic model of EU members simply does not correspond to the reality created by their sanctions, and this is already hurting people's well-being and causing social and political unrest.

Reflecting on history, economic weapons through economic sanctions are often ineffective against big countries that do have resilience. Second, the view that sanctions will suppress aggressive actions when material interests are disturbed is not always an appropriate case considering that countries and their leaders, especially autocratic ones, have other priorities like what Russia is currently doing. Third, economic blockades that are not fully tended to be ineffective. In fact, the main challenge for Europe and the West to continue implementing sanctions against Russia lies in Russia's own resistance and resilience to sanctions. Russia's abundant natural resources make it extraordinarily resilient to external economic pressures. According to international trade expert Simon Evenett, for every country that imposes sanctions on Russia, there are several countries that do not, for example, China and India. Roughly half of Russia's exports go to these countries, whose share of exports has increased sharply over the last decade, leaving Russia with an alternative, while Europe remains dependent on Russian energy. Over the past three months, Russian imports have fallen faster than exports, resulting in a record trade surplus. If we look at the existing bargaining power, Russia is currently in a more advantageous position compared to Europe. Therefore, according to the author's observations, the West, especially Europe, has no other way but to negotiate with Russia to carry out a ceasefire and negotiations regarding gas & oil supplies.

CONCLUSION

It can be concluded that the Ukrainian and Russian Wars had a significant impact on the European economy, food and energy. From the economic side, first of all, the Ukrainian and Russian wars caused shocks to the supply chain, supply and prices of European commodities. Post-War commodity production, consumption and trade underwent a transformation as countries sought to move towards more significant self-sufficiency, creating opportunities for new suppliers, however with more high cost. Currently, the current Ukraine war is driving more expensive trade patterns and major diversions in energy trading. In addition, economic sanctions against Russia will have a dramatic long-term effect on prices, starting with energy prices which will have a domino effect on all dimensions of the European economy. FAO also recorded food prices 34% higher than last year and reached its highest point after the Ukraine & Russia War. Next, from the economic side, the wars in Ukraine and Russia also triggered higher inflation, leading to lower economic activity due to reduced consumption. In terms of trade, there was a significant decline in exports and production of important commodities from the two countries, caused by the war and economic sanctions imposed on Russia. In terms of food, the wars in Ukraine and Russia affected food security as an economic impact from rising energy prices and the supply of basic commodities and commodities, the majority of which were exported by Ukraine & Russia. Last but not least, in terms of energy, the Ukraine & Russia War triggered an energy crisis that has the potential to contribute to a prolonged energy crisis in Europe.

The Europe energy and economic crisis as consequences of the war posed central questions on whether or not The Western especially Europe keep this sanction. Reflecting on history, economic weapons through economic sanctions are often ineffective against big countries that do have resilience, this seems to be what happened with Russia right now. Secondly, the view that sanctions will suppress aggressive actions when material interests are disturbed is not always an appropriate case considering that countries and their leaders, especially autocratic ones, have other priorities like what Russia is currently doing. Third, economic blockades that are not fully tended to be ineffective. In fact, the main challenge for Europe and the West to continue implementing sanctions against Russia lies in Russia's own resistance and resilience to sanctions. Russia's abundant natural resources make it extraordinarily resilient to external economic pressures. Over the past three months, Russian imports have fallen faster than exports, resulting in a record trade surplus. In terms of bargaining power, we conclude that Russia is currently in a more advantageous position compared to Europe. Therefore, according to the author's observations, the West, especially Europe, has no other way but to negotiate with Russia to carry out a ceasefire and negotiations regarding gas & oil supplies and in turns will end Western sanction to Russia gradually.

REFERENCES

Bowen, Andrew S. (2022). *Russia's War in Ukraine: Military and Intelligence Aspects*. Congressional Research Service.

Citaristi, Ileana. (2022). United Nations Conference on Trade and. In *The Europa Directory of International Organizations 2022* (pp. 177–181). Routledge.

deLisle, Jacques. (2023). Rethinking a Liberal International Order for Asia? The United States and the Impact of the Ukraine War. *KEI Editorial Board*, 22.

Dunne, Eileen F., Fey, Paul D., Kludt, Pat, Reporter, Roshan, Mostashari, Farzad, Shillam, Pam, Wicklund, Julie, Miller, Corinne, Holland, Ben, & Stamey, Karen. (2000). Emergence of domestically acquired ceftriaxone-resistant Salmonella infections associated with AmpC β-lactamase. *Jama*, *284*(24), 3151–3156.

Etzersdorfer, Irene. (2022). Jeffrey Mankoff: Russia's War in Ukraine. Identity, History and Conflict. Washington, DC: Center for Strategic and International Studies (CSIS), April 2022. *SIRIUS–Zeitschrift Für Strategische Analysen*, *6*(4), 439–440.

Gümüş, Yasin Kerem. (2015). How Secure is the EU Energy Policy after the Ukraine Crisis? *International Journal of Energy Economics and Policy*, *5*(4), 1016–1021.

Khodadady, Ebrahim. (2023). Self and Its Actualization: Panoramic Validity. *Journal of Nursing & Healthcare*, *8*(2), 172–182.

Kofman, Michael, Migacheva, Katya, Nichiporuk, Brian, Radin, Andrew, & Oberholtzer, Jenny. (2017). *Lessons from Russia's operations in Crimea and Eastern Ukraine*. Rand Corporation.

Pattipeilhy, Shary Charlotte Henriette, & Sitompul, Yuveline Aurora C. (2023). Perang Rusia-Ukraina, Gangguan Transportasi Multimoda, dan Kerawanan Rantai Pasokan Pangan Global. *Jurnal Transportasi Multimoda*, *20*(2), 56–68.

Pereira, José Alberto Maia, & Gaspar, Fernando. (2022). Impact of pandemics and war in EU's cohesion policy: problematics and challenges. *Third Joint EU Cohesion Policy Conference*.

Prohorovs, Anatolijs. (2022). Russia's war in Ukraine: Consequences for European countries' businesses and economies. *Journal of Risk and Financial Management*, *15*(7), 295.

Rabbi, Mohammad Fazle, Ben Hassen, Tarek, El Bilali, Hamid, Raheem, Dele, & Raposo, António. (2023). Food Security Challenges in Europe in the Context of the Prolonged Russian–Ukrainian Conflict. *Sustainability*, *15*(6), 4745.

Ryan, Katie. (2023). Russia's search for ontological security and the Ukraine invasion. *Australian and New Zealand Journal of European Studies*, *15*(1), 82–93.

Schmelzing, Paul. (2023). *Edward Chancellor: The Price of Time: The Real Story of Interest Atlantic Monthly Press, 2022*. Springer.

Scott Jones, Julie Ed, & Watt, Sal Ed. (2010). *Ethnography in social science practice.* Routledge/Taylor & Francis Group.

Stearns, Jonathan, & Tirone, Jonathan. (2016). Europe's Refugee Crisis. *Bloomberg, June*.

Szejnmann, Claus Christian W., & Umbach, Maiken. (2016). *Heimat, Region, and Empire: Spatial Identities under National Socialism*. Springer.

Vernon, R. (2000). United Nations Conference on Trade and Development, Trade and Development Report, 1997. *ECONOMIC DEVELOPMENT AND CULTURAL CHANGE*, *48*(2), 421–424.

Woo, Chi Keung, Zarnikau, Jay, Tsai, Chen Hao, Cao, Kang Hua, Qi, H. S., & Li, Raymond. (2023). Regional revenues of solar and wind generation in Texas. *Energy Policy*, *178*, 113586.

Zachmann, Georg, Weil, Pauline, & von Cramon-Taubadel, Stephan. (2022). *A European policy mix to address food insecurity linked to Russia's war*. Bruegel.