



Economic Consequences of Modern Warfare:

Analyzing the Russia–Ukraine Conflict

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Abstract ;

This paper investigates the link between war and economic systems, arguing that conflicts often originate from economic imbalances and resource scarcity. The study highlights how wars disrupt trade, increase inflation, and deepen global supply crises. Using the Russia-Ukraine war as a case study, it shows severe impacts on global energy, food security, and developing economies. The paper concludes that wars, while political on the surface, are frequently driven by underlying economic tensions and result in long-term global instability.

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1. introduction

The concept of war has long been intertwined with economic realities. Rarely does a conflict erupt without underlying economic motives, even if it initially appears to be driven by calls for democracy or international legitimacy. At its core, the primary driver of many wars is the economic problem namely, the growing divergence between the limitless needs and desires of individuals and the finite availability of fundamental resources.

A historical examination reveals that the incidence of wars at the international level significantly declined by a factor of ten between 1950 and 2000 compared to the earlier period from 1850 to 1949. This shift is largely attributed to a global political movement favoring peaceful conflict resolution, most notably embodied by the creation of the United Nations. However, the role of the UN has often been questioned, as it is perceived to have advanced the interests of major powers at the expense of smaller or less influential nations.

During the same post-1950 period, international trade expanded fourfold, which further suggests a strategic preference for economic cooperation over armed conflict.

This research paper seeks to explore the complex relationship between war and the economy, with a particular focus on contemporary developments. To this end, the following central research questions are posed: *How does war affect the economy? Why is there such a strong overlap between economic structures and armed conflict?*

To address these questions, the study is based on two primary hypotheses:

1. War and the economy are fundamentally interconnected two sides of the same coin as evidenced by the well-known adage, *"Money is the lifeblood of war."*
2. The outbreak of wars at the international level results in profound and far-reaching economic repercussions that are difficult to mitigate.

To explore these hypotheses, the paper is structured into two main parts:

- **Axis 1:** The economic causes and types of war
- **Axis 2:** The current economic impacts of war, with a specific focus on the Russia–Ukraine conflict as a case study

Although several previous studies have addressed this topic, they have often done so from alternative perspectives. This paper aims to build upon and complement existing literature by providing a focused and up-to-date economic analysis.

2. The Economic Causes of Wars

Wars often stem from a wide range of economic causes, which can be collectively traced back to a single, persistent issue: the economic problem. This problem lies in the increasing variety and intensity of human needs and desires, contrasted with the limited availability of wealth and resources.

Today, the economic problem holds critical importance at both national and international levels. It is widely acknowledged that such problems have profound political and social consequences, making it impossible to dissociate economic developments from the broader understanding of societal and political dynamics. In general terms, an economic problem arises whenever scarce resources are allocated to fulfill multiple objectives. Hence, scarcity requires prioritizing which goals should be pursued.

Since political economy examines human behavior within social contexts, it is essential to explore how the economic problem manifests in social activities. This leads us to consider the two central elements of the economic issue: human needs (goals) and resources (scarce means) (Hazem El-Beblawi , 1975,P21).Scholars often approach the economic problem through the following components:

2.1 Economic and Other Human Needs

While definitions of needs vary across disciplines, they share a common foundation: a need refers to anything essential for maintaining life, fulfilling desires, and supporting human development (Abdel Wahab Gouda Al-Hais,2017,P4). Economic activity emerges when individuals attempt to address the relative scarcity of resources. Needs are commonly categorized into essential vs. luxury, individual vs. collective, and present vs. future needs.

- Essential needs include necessities like food and water, without which survival is compromised.
- Luxury needs enhance life's comfort, such as fashionable clothing or entertainment.
- Individual needs concern personal wellbeing, while
- collective needs involve the broader community, such as public security.
- Future needs relate to anticipated demands, like infrastructure projects (e.g., land reclamation or dam construction).

Key characteristics of needs include:

- Satisfiability As a need is met, its urgency diminishes until fully satisfied.

- Endlessness Human needs constantly regenerate; fulfilling one often leads to another.
- Relativity Needs evolve based on shifting social and cultural contexts, especially under globalization.

2.2 Limited Economic Resources

Resources available to meet human needs are inherently limited, highlighting the problem of scarcity. These resources may be insufficient at a given moment or unevenly distributed—abundant in some regions and scarce in others.

Economic goods refer to items that possess utility and are available for use. Utility is defined as the capacity of a good or service to satisfy a specific human need. For a good to be classified as “economic,” it must:

- a) Address a tangible need.
- b) Possess utility either direct or indirect relative to its use.
- c) Be scarce compared to human demand (Bayoud Muhammad Al-Eid, 2022, p17).

2.3 Economic Laws

The importance of economic laws varies across different economic systems. A law that holds significance in a capitalist framework may have little relevance in a socialist one. In general, economic laws are characterized by their relativity of application changing across time, space, and socio-political context.

2.4 Production

Production entails the combination of natural resources, labor, and technology to create goods and services. It involves the transformation and transfer of economic inputs to meet consumption demands. Production can take the form of physical goods or intangible services.

2.5 Money

Money plays a vital role in resolving the economic problem by facilitating indirect exchange and enabling the smooth functioning of markets. It enhances transaction flexibility and acts not only as a medium of exchange but also as a store of liquidity (Faisal Al-Wafi, 2023, P33)

2.6 Consumption

Consumption refers to the process of satisfying economic needs through the use or depletion of goods and services. For example, bread is consumed to relieve hunger, while entertainment satisfies emotional or intellectual needs.

3. The Impact of the Russian-Ukrainian War on the Global Economy

The repercussions of the Russia-Ukraine war extend far beyond the battlefield, affecting countries around the globe in varying degrees depending on their economic ties with the belligerent nations. This section analyzes key economic sectors impacted by the war using relevant indicators.

3.1 Effects on Global Growth

Just as the global economy was beginning to recover from the COVID-19 pandemic, it faced a new crisis. The war disrupted monetary and fiscal normalization efforts, compounding instability. In 2023, global growth is projected at 2.7%, with anticipated slowdowns in major economies such as the U.S., EU, and China (Alwani Amar ,2023,P135)IMF forecasts also warn of a possible global recession if the conflict persists.

3.2 Effects on Global Trade

The war intensified global supply chain disruptions, shutting down factories in Germany and impacting steel production in Japan. Exports from Ukraine and Russia including vital commodities were severely affected, leading to rising prices.

Ukrainian ports, central to global trade routes, were paralyzed. Sanctions on Russia's banking system further hindered international financial transactions. According to the WTO, global trade volumes are expected to contract by up to 4.7% in 2023. (Marc Antoine Eyl-Mazzega ,2022,P35) With Ukraine and Russia being major exporters of wheat, fertilizers, and sunflower oil, the war threatens global food security, particularly in vulnerable developing nations.

3.3 Effects on Energy Supplies

Europe's energy crisis worsened as Russia—one of the world's largest energy exporters—reduced oil and gas deliveries. Prices surged, especially for natural gas, which rose nearly sixfold due to EU bans on Russian exports(Ahmed Sultan ,2022). Some countries (e.g., Austria, Finland, Lithuania) faced 100% dependence on Russian gas, pushing them to seek new suppliers amid growing energy insecurity.

3.4 Effects on Raw Material Supply

The suspension of wheat exports from both countries created severe shortages in emerging economies. Wheat, corn, and sunflower oil prices spiked dramatically. Countries like India halted their own exports, aggravating the crisis. Prices of fertilizers, pesticides, and fuels also soared, threatening food production globally.

Table 1 Increase in prices of selected raw materials (Jan–Feb 2022)

% change in price	Materials	% change in price	Materials
75	mystification	120	nickel
35	petroleum	80	wheat
30	palladium	80	coal
15	iron	50	maize
20	aluminum	35	Platinum

Source: www.cairn.info/review economic perspectives of the OCDE , p3 .

3.5 Effects on Food Security

The war has triggered a severe global food crisis. According to the UN Secretary-General, the conflict has negatively impacted nutrition, fuel, and fertilizer access (Sébastien Abis & Diane Madacq ,2022,P25)The FAO reports that Russia and Ukraine contribute around 14% of global wheat exports and 10% of barley. The IMF estimates that 48 countries most vulnerable to food shortages will see their import bills rise by \ \$9 billion between 2022 and 2023.

Table 2Wheat import dependency on Russia and Ukraine (selected countries)

Ukrainian exports	Russia's exports	The state	Ukraine's exports	Russia's exports	The state
10	35	To Iran	45	55	Eritrea
00	30	financial	00	100	Azerbaijan
00	65	Namibia	50	45	Somalia
10	50	Senegal	30	50	Türkiye
25	25	Saudi Arabia	60	15	Lebanon
50	5	Tunisia	30	45	Egypt

Source: impact of the Russian-Ukrainian conflict on the global security system

This table highlights the degree of dependency of several countries on wheat exports from Russia and Ukraine. It shows that many countries, particularly in Africa and the Middle East, rely heavily on these two nations for their wheat supply. For instance, Eritrea imports 55% of its wheat from Russia and 45% from Ukraine, while Azerbaijan is fully dependent on Russian exports. Countries like Somalia and Lebanon also show a strong reliance on Ukrainian wheat, with 50% and 60% respectively.

Such high levels of dependency make these nations extremely vulnerable to disruptions caused by the Russia-Ukraine conflict. The war has severely affected agricultural exports from both countries, leading to rising global food prices and potential shortages. For developing countries with limited alternative sources, this situation poses a serious threat to food security and economic stability.

4. Conclusion

This paper has analyzed the intrinsic link between war and the economy. We argued that most wars are rooted in the economic problem—scarcity of resources in the face of unlimited human wants.

In examining the Russia-Ukraine war, the study highlighted its severe economic repercussions: inflation, food insecurity, and energy crises. The impact is especially devastating for low-income nations, many of which face famine-level shortages.

As the conflict continues, it threatens to deepen existing inequalities, further strain international supply chains, and spark social unrest in fragile economies. The economic costs of war are global, and their consequences—if unresolved—will reverberate for years to come.

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