

THE RUSSIAN ECONOMY

Oil exports and the high price of oil in 2022 have helped Russia withstand the pressure of sanctions. However, in 2023 the sanctions imposed on Russia's oil exports will begin to have an effect. This will lead to a decrease in Russia's oil revenue.

The self-imposed sanctions by international businesses, such as leaving Russia, have hit the Russian economy faster than the sanctions imposed by national regulations.

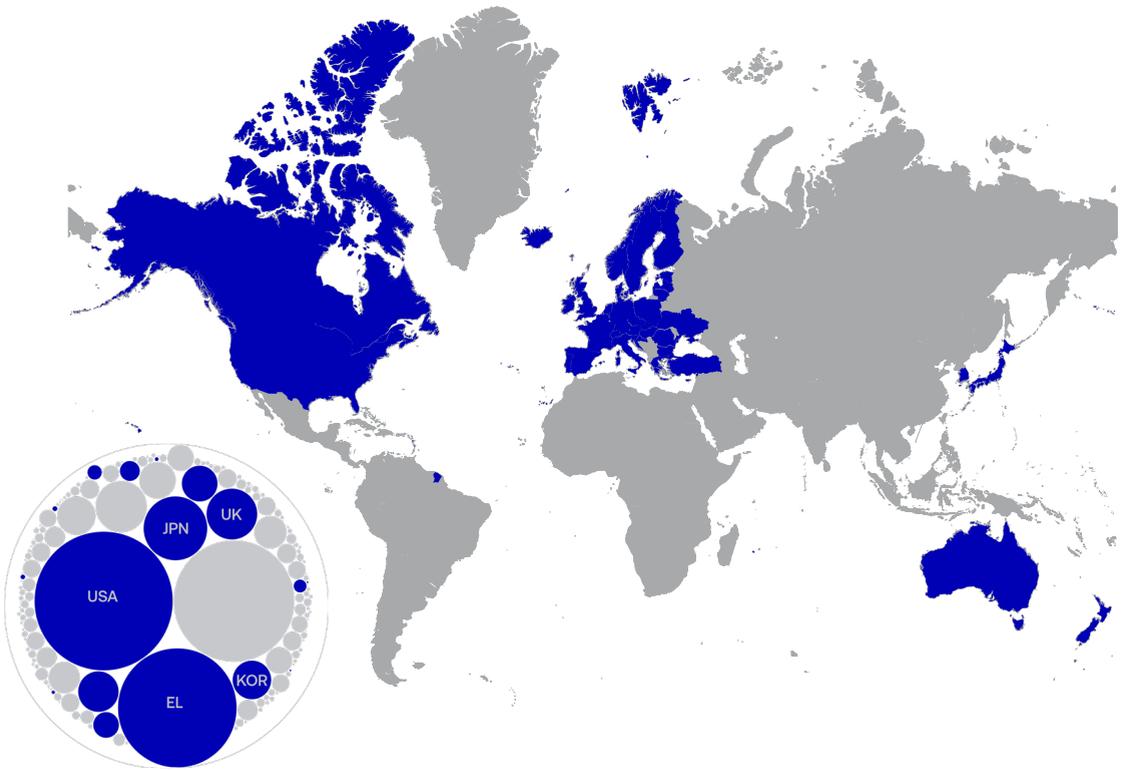
Russia is exploiting the issue of food security to promote the narrative of peace at any price in Ukraine.

From time to time, Western media reports on the state of the Russian economy, citing a slight recession and rather modest inflation. These reports tend to rely uncritically on the estimates of the Bank of Russia or Russia's finance ministry. The sources of these estimates are classified, which makes these forecasts essentially nothing more than propaganda. Making economic assessments is complicated by the fact that due to sanctions, Russia's imports slowed down in the second quarter of 2022, while export volumes were maintained for some time; the combined effect of these two factors has led to a strengthening of the rouble's exchange rate. A paradoxical process occurred when artificial restrictions and measures were combined – the currency gained value while the economy was in recession. Therefore, the macro indicators of the Russian economy should be taken with a grain of salt.

SANCTIONS

Russia's kinetic war in Ukraine, launched on 24 February 2022, has significantly changed the sanctions against Russia. The previous principle of sanctioning *specific persons for specific actions* was replaced by outright sanctions affecting the country's

economy as a whole. Financial sanctions, a ban on the provision of payment services by major banks (or what is known as “exclusion from SWIFT”), a restriction on the purchase of petroleum products and the freezing of foreign reserves are a set of tools with a very strong impact.



Countries that have imposed sanctions against Russia constitute over 60% of the world's economy.

As another important variable, the self-imposed sanctions by international businesses, meaning the avoidance of business with Russia without express legal regulation, have also begun to have an effect. Public opinion has been largely shaped by Ukraine's interpretation of the events, which has been corroborated by the information disclosed by Western intelligence services about Russian attack plans. By the time Russia attacked, Western consumers had a well-developed understanding of who the victim and the aggressor were, that what was happening was a war and not an “operation”, and that Ukrainians were fighting for their freedom rather than undergoing an anti-fascist clean-up. The influence of Western consumer sentiment and the realisation of the decline of Russia's business environment has forced businesses to leave, and the consequences of their departure have hit the Russian economy faster than the sanctions imposed by national regulations.

The countries that have imposed sanctions on Russia (EU member states, US, UK, Canada, Australia, Norway, etc.) account for more than half of Russia's current exports and about 60% of the world economy, oil consumption and the global defence budget. Outside the “sanctioning world”, there are two major economies – China and India,

representing 18% and 3.3% of the global GDP, respectively – and the remaining 20% consists of many relatively small economies. Although Russian rhetoric strongly addresses the subject of “new markets”, no plausible solutions exist for continuing Russia’s foreign trade as it was before. The impact of international isolation is deepening, and even in relations with China and India, which are presented as a way out, Russian businesses are being cynically exploited.

The scope of sanctions has changed, and the current modus operandi for avoiding sanctions, which is essentially based on illicit trade, is no longer sufficient, as the number and quantities of goods that need to be hidden have increased. An industrial economy cannot be kept going with ad hoc supply chains and improvised solutions.

FOOD SECURITY AS PART OF AN ANTI-SANCTIONS CAMPAIGN

The war closed the shipping routes out of Ukraine. Before the war, Ukraine was a major grain exporter, supplying corn and wheat mainly to Mediterranean and Middle East countries. Marine transport allows for the cheap and fast export of large quantities of grain (up to 100,000 tonnes per vessel, compared with 60 tonnes in a rail wagon). Ukrainian ports – Odesa, Chornomorsk and Mykolaiv – had the modern infrastructure for receiving grain from rail wagons and quickly transferring the cargo to ships.

Within a few months of the start of the war and the imposition of sanctions, alarming opinions began to spread in the world media, stating that because grain was held up in Ukrainian warehouses due to blocked shipping routes, African and Asian countries would soon starve. Parallels were repeatedly drawn with the Arab Spring riots, which were also allegedly sparked by high grain prices. It is true that the prices of grain, as well as many other commodities, rose sharply after Russia invaded Ukraine, but the world market prices of grain did not remain at the peak level reached at the beginning of the war.

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It should be noted that Russia attempted to take advantage of the public concern about food security and to maximise the spread of an exaggerated narrative about a food shortage. On the one hand, Russia wanted to use this topic to influence the international community. This was probably done in the hope that the prospect of the global socioeconomic effects of a drawn-out conflict would push the West to support peace at any price in Ukraine, prioritising a speedy ending of hostilities over achieving a just and sustainable peace from Ukraine’s point of view.

On the other hand, Russia attempted to use food security-related fears to criticise and undermine the sanctions policy. For example, according to the Russian narrative, to compensate for the undelivered grain, EU sanctions on Russian food products and fertilisers, which allegedly would have saved the lives of hundreds of millions of people in developing countries, would have to be removed. Russian diplomats, Western-oriented propaganda channels and several current and former politicians with good connections in EU institutions worked to amplify this narrative. In doing so, they were not distracted by the fact that the EU sanctions do not actually concern

Russian grain or fertilisers. Russia has enough resources and infrastructure to export these goods to third countries without using EU ports. However, *personal* sanctions are in place against several oligarchs involved in fertiliser production with close ties to the Kremlin's power circles, whose profits and lifestyle suffer significantly from the sanctions. The dramatic interviews with them in Western media channels confirm this.

In cynically exploiting the issue of food security, the Kremlin did not limit itself to the above activities. Advancing its interests by exploiting a vital concern for many of the world's poorest countries and by inciting fear, Russia tried to present itself as an advocate for these countries, which are the most vulnerable in the event of a global food shortage.