

THE WAR IN UKRAINE AND ITS EXPANSION IN THE BALKANS: GLOBAL IMPACT ASSESSMENT AND OPPORTUNITIES FOR DIPLOMATIC SOLUTIONS

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Abstract

This paper aims to document the actuality of the war between Ukraine and Russia, as well as its global impact. The current event of war/conflict with immediate effect in our region and more widely imposes the evidence of the economic circumstances as well as efforts for solutions!

The war in Ukraine is causing a major humanitarian crisis. Ukraine's economy is collapsing and undoubtedly the range of economic consequences will affect the globe given the economic complexity. The trauma suffered by the population will have long-term consequences.

The above is the overture and this paper, based on the bibliography and references provided, aims to provide an overview of the chronology of the events surrounding the conflict, the history of the conflict, the consequences and impact of the crisis/war, of an economic, developmental nature, the response of international factors, as well as a perspective on the possibilities for a diplomatic solution.

The researched topic explains and provides data about the global implications and impacts, reflects on the economic effects, the effects to the food crisis and argues that carefully calibrated policies and diplomatic channels will be decisive in the unforeseen solution. Ominously, due to the pressure of higher prices for food and other essentials, governments may be tempted to implement price control and subsidy policies, but these may prove counterproductive in the global economy.

However, the last chapter underlines that what should not be neglected is the possibility of a diplomatic solution and that it should be based on the mutual acceptance of the parties to give hope for long-term peace.

We are limited about predictions, where it will end and what the situation will look like in the medium term, though, this should not stop us from the possibility of recording and evidence that will serve as a comparison for the future, and about the situation and global connections, in the world we live today.

The world has changed, and it is a fact that crises wherever they are, bring obstacles in communication and connections of a socio-economic nature, in other parts of the globe.

Introduction

On February 24, 2022, Russia invaded Ukraine in an escalation of the Russian-Ukrainian War that began in 2014. The invasion has killed tens of thousands on both sides. Russian forces are the occupier and have been responsible for mass civilian casualties and the torture of captured Ukrainian soldiers.

Russia's invasion of Ukraine, in addition to the destruction between the two countries, will destroy the lives of many people far from the battlefield, and to some extent even the aggressor may regret it. The war in Ukraine is hitting a global food system weakened by Covid-19, climate change and presents an energy shock.

The war in Ukraine is causing a major humanitarian crisis. More than 12 million people are estimated to have been displaced and more than 13 million are in need of urgent humanitarian assistance. Ukraine's economy is collapsing. The trauma suffered by the population will have long-term consequences.

Disruptions in regional supply chains and financial networks, as well as heightened investor risk perceptions, will weaken global economic growth. The invasion of Ukraine will have far-reaching economic and social impacts far beyond the immediate impact it already has on the lives and livelihoods of those in the country. The widely accepted idea of a cost of living crisis does not begin to capture the weight of what may lie ahead. As UN Secretary-General António Guterres warned on May 18 that the coming period threatens "the specter of global food shortages" that could last for years.

The high cost of basic foods has already increased the number of people who cannot be sure of enough to eat by 440 million, to 1.6 billion. Almost 250 thousand are on the verge of starvation. If, as is likely, the war drags on and supplies from Russia and Ukraine are limited, hundreds of millions more could fall into poverty. Political unrest will spread, children will be stunted and people will starve.

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The war is causing global ripple effects through multiple channels, including commodity markets, trade, financial flows, displaced people, and market credibility. In the surrounding region, a large wave of refugees will put pressure on basic services. Damage to Russia's world economy will weigh on remittance flows to many neighboring countries.

Mitigating the effects of war on lives, livelihoods and economic growth will require carefully calibrated policies, and diplomatic channels will be crucial to the anticipated solution. When the war subsides, a major mobilization of resources will be needed for reconstruction in Ukraine.

Under pressure from higher prices for food and other essentials, governments may be tempted to implement price control and subsidy policies, but these may prove counterproductive. Instead, properly calibrated safety net policies can protect vulnerable groups from much higher consumer prices. Monetary and financial authorities can communicate clear, data-driven strategies to control inflation, strengthening the macroprudential framework to protect against financial stress.

To offset the damage to long-term growth, including disruptions in global trade and investment networks, reforms are needed to improve the business climate, strengthen human capital and increase productivity. These policy interventions are all the more important in light of the ongoing negative impact of the pandemic on human capital formation.

The immediate reaction of the Western world was to impose sanctions on Russia, and these included a large number of asset freezes and travel bans targeting the personal wealth and activities of individual Russian officials, politicians and businessmen. In addition, more than 150 multinational companies have announced a complete withdrawal from Russia, while over 250 others have suspended operations or new investments. Entities and persons in Belarus linked to Russia's occupation, including financial institutions and defense and security sector companies, are subject to various travel bans, asset freezes and export bans. However, what should not be overlooked is that a diplomatic solution must be based on mutual recognition that "sovereignty" does not mean that "the government is free to make its own decisions, regardless of the effects on the security of other sovereign countries." NATO states continue to talk as if this is the meaning of "sovereignty" and therefore insist that Ukraine as a sovereign country should have a path to eventual NATO membership, adding that NATO cannot threaten Russian security because it is strictly defensive, however, ignoring that Russia does not see it that way.

1. Chapter One - Ukraine - the Ukrainian-Russian conflict and the history of relations

1.1 Ukraine – Country context: Ukraine, a country located in Eastern Europe, is the second largest in the continent after Russia. The capital is Kiev (Kiev), located on the Dnieper River in north-central Ukraine.

A fully independent Ukraine emerged only at the end of the 20th century, after long periods of successive domination by Poland-Lithuania, Russia and the Union of Soviet Socialist Republics (USSR). Ukraine had experienced a brief period of independence in 1918-20, but parts of western Ukraine were ruled by Poland, Romania and Czechoslovakia in the period between the two World Wars, and Ukraine then became part of the Soviet Union.

When the Soviet Union began to disintegrate in 1990–91, the legislature of the Ukrainian Soviet Socialist Republic (USSR) declared sovereignty (July 16, 1990) and then full independence (August 24, 1991), a move that was confirmed by popular approval in a plebiscite (December 1, 1991). With the dissolution of the USSR in December 1991, Ukraine gained full independence.

Land - Ukraine is bordered by Belarus to the north, Russia to the east, the Sea of Azov and the Black Sea to the south, Moldova and Romania to the southwest, and Hungary, Slovakia, and Poland to the west. In the far southeast, Ukraine is separated from Russia by the Kerch Strait, which connects the Sea of Azov to the Black Sea.

Relief - Ukraine occupies the southwestern part of the Russian Plain (East European Plain). The country consists almost entirely of level plains with an average elevation of 175 meters above sea level. Mountainous areas such as the Carpathians of Ukraine and the Crimean Mountains are located only on the borders of the country and make up barely 5 percent of its surface. However, the Ukrainian landscape has some diversity: its plains are separated by highlands - running in a continuous belt from northwest to southeast - as well as lowlands.



1.2 A chronology of pre-war escalation:

i) Russian annexation of Crimea (2014)

On February 20, 2014, Russia began annexing Crimea. On February 22 and 23, Russian troops and special forces began moving into Crimea through Novorossiysk. On February 27, unmarked Russian forces began their advance on the Crimean Peninsula. They took strategic positions and occupied the Crimean Parliament, raising a Russian flag. Security checkpoints isolated the Crimean peninsula from the rest of Ukraine and restricted movement within the territory.

The Russian Federation's annexation of Crimea followed the Ukrainian revolution of 2014. On February 22-23, Russian President Vladimir Putin called an all-night meeting with security chiefs to discuss the withdrawal of ousted president Viktor Yanukovich, and

ultimately of that meeting Putin emphasized that "we must start working on the return of Crimea to Russia.". Russia sent troops on February 27, 2014. Crimea held a referendum. According to official Russian and Crimean sources, 95% voted for reunification with Russia. The legitimacy of the referendum has been questioned by the international community on both legal and procedural grounds. In the following days, Russian soldiers secured the main airports and a communications center. Russian cyberattacks shut down Ukrainian government-linked websites, news outlets and social media. The cyberattacks also allowed Russian access to the cellphones of Ukrainian officials and members of parliament, further disrupting communications.

On March 1, the Russian legislature approved the use of armed forces, leading to an influx of Russian troops and military equipment to the peninsula. In the following days, all remaining Ukrainian military bases and installations were surrounded and surrounded, including the southern naval base. After Russia formally annexed the peninsula on March 18, Ukrainian military bases and ships were attacked by Russian forces. On March 24, Ukraine ordered the withdrawal of troops; by March 30, all Ukrainian forces had withdrawn from the peninsula.

On April 15, the Ukrainian parliament declared Crimea a territory temporarily occupied by Russia. After the annexation, the Russian government increased its military presence in the region and made nuclear threats. Putin said a Russian military task force would be set up in Crimea. In November, NATO said it believed Russia was deploying nuclear-capable weapons in crimes.

ii) War in Donbas

The emergence of separatists in Donetsk and Luhansk began with a small group of protesters independent of Russian control. Russia took advantage of this, however, by launching a coordinated political and military campaign against Ukraine. Putin gave legitimacy to the separatists when he described the Donbass as part of "New Russia" (Novorossiia), and expressed bewilderment at how the region had ever become part of Ukraine.

Ukrainian authorities cracked down on pro-Russian protests and arrested local separatist leaders in early March. Those leaders were replaced by people with ties to the Russian security services and interests in Russian businesses. By April 2014, Russian citizens had taken control of the separatist movement, supported by volunteers and material from Russia, including Chechen and Cossack fighters. According to Donetsk People's Republic (DPR) commander Igor Girkin, without this support in April, the movement would have disintegrated, as it did in Kharkiv and Odesa. A contested referendum on the status of Donetsk Oblast was held on 11 May.

These demonstrations were part of a wider set of pro-Russian protests across southern and eastern Ukraine. They escalated into an armed conflict between the Russian-backed separatist forces of the self-proclaimed Donetsk and Luhansk People's Republics (DPR and LPR respectively), and the Ukrainian government. The SBU claimed that key rebel commanders, including Igor Strelkov and Igor Bezler, were Russian agents. The Prime Minister of the Donetsk People's Republic from May to August 2014 was a Russian citizen, Alexander Borodai.

After August 2014, all key positions in Donetsk and Luhansk were held by Ukrainian citizens. Russian volunteers were reported to make up between 15% and 80% of the fighters, with many said to be ex-military personnel. Recruitment for the Donbass insurgents was carried out openly in Russian cities using or privatevoyenkomatobjects, as confirmed by the Russian media.

The economic and material circumstances in Donbas created neither necessary nor sufficient conditions for an entrenched, internally fueled armed conflict in the country. The Kremlin's military intervention was essential to the start of hostilities.

1.3 Relations and Conflict between Russia and Ukraine (post-1991)

The post-communist history of the conflict between Russia and Ukraine, and the geopolitical ramifications that preceded the conflict and the ongoing war.

On February 24, 2022, Russia launched a "war of aggression" against a neighboring sovereign state that constitutes a crime against peace in accordance with the Agreement on the Prosecution and Punishment of European Axis War Criminals and the Charter of the International Military Tribunal of August 8, 1945. created and codified after World War II by Russia's predecessor, the Soviet Union. As the world awoke to news of explosions in various parts of Ukraine and tried to make sense of Putin's televised and widely distributed statement justifying Russia's actions, Russian military troops and aviation invaded Ukrainian territory from several directions with the plan of a quick seizure of power and the creation of an administration "friendly to Russia".

In this short contribution, I will contextualize this event in contemporary history by elaborating on the post-communist history of the conflict between Russia and Ukraine, and the geopolitical circumstances that preceded the ongoing conflict and war, and in particular, the history of relations after the collapse of the Union Soviet.

With the collapse of the Soviet Union in 1991, it was facilitated the creation of new independent states that were free from their colonial predecessors and independent of American (capitalist) or Soviet (communist) ideologies (Averre and Wolzok, 2016). Recently, the legacy of the cold war in the contemporary world has begun to manifest itself in the form of modern geopolitical conflicts. This is particularly evident when analyzing the ongoing conflict between Ukraine and Russia, in which it is clear that historical and cultural ties and gas disputes stemming from the Cold War have been influential components in recent geopolitical conflicts between the two nations. which then led to the annexation of Crimea.

Analysis of the recent geopolitical conflict between Russia and Ukraine

The end of the Cold War in 1991 sparked debate among commentators trying to make sense of the world. Fukuyama (1992) drew on the works of Karl Marx and developed the argument that the cold war could represent the 'end of history'. He elaborated on this statement by saying that the failure of communism and the dissolution of the Soviet Union meant that there was no longer any opposition to capitalism and liberal democracy, thus resulting in the end of history. Contrary to this, we see that there have been new meanings attributed to power, geography and world order (Barber 1996: P.16). Thus, leading a shift from the predicted geopolitics of territorial presence and spatial blocs to the current dominance by geo-economics, where countries are now competing spatially and politically for economic supremacy and resources (Vihma, 2018). This struggle for economic supremacy and resources is particularly evident when analyzing the recent 'Crimea crisis' where Russia illegally annexed the Crimean Peninsula. Where Crimea's geographical position and access to the 'Black Sea' is of strategic importance due to Crimea's access to offshore energy deposits (Bebler, 2015). Although the historical and cultural ties between the two nations were also influential in the recent annexation of Crimea. Ukraine's more recent desire to strengthen ties with Europe, especially after the Ukrainian revolution, has been a cause for concern for Russia and has been an influential factor in the recent conflict between the two nations. The

ongoing conflict between Ukraine and Russia has been at the center of recent geopolitical discourse.

Crimea was formerly within the territorial boundary of the Soviet Union and was under the control of the Russian Federation of Soviet Socialist Republics (RSFSR). In 1954, Crimea was transferred from the RSFSR to the Ukrainian Soviet Socialist Republic (UkrSSR) and Soviet leader Nikita Khrushov (Averre and Wolzuck, 2016). After the dissolution of the Soviet Union in 1991, Russia still held control over the Sevastopol seaport in Crimea, which had the Russian navy's fleet stationed in the Black Sea. With the formulation of the Budapest Memorandum act in 1994 it was also agreed to guarantee respect for Ukraine's sovereignty, and in return Ukraine transferred former Soviet nuclear weapons back to Russian territory (Poladian and Drăgoi, 2015).

Since Ukraine gained its independence in 1991, a series of ongoing conflicts between the two nations has resulted in Ukraine being unable to adequately implement the desired democratic format. Which is partly due to the country's economic weaknesses and foreign policy that tends to be pro-Russian or pro-European (Vihma and Wigell, 2016). It seems clear that in recent years, the conflicts between the two nations have intensified, thus leading to mass protests in Ukraine and the killing of civilians. In 2013, President Viktor Yanukovich rejected an EU trade deal and instead chose to join Russia's trade bloc that would help form a Eurasian Union. This sparked mass protests across Ukraine and in response to the mass protest, Yanukovich attempted to quell the protests by instructing Ukrainian forces to use violence which led to the deaths of up to 88 people (Bebler, 2015). In the events that quickly followed the rejection of the EU trade deal, Yanukovich was driven out of the country by anti-government protesters and Russia invaded the Crimean Peninsula in an attempt to restore its influence in Ukraine. This was then met with hostility among Ukrainian officials, who declared it 'illegal', questioning Russia's practical geopolitical methods. In response, the Ukrainian military was deployed to Crimea to fight against rebel forces. However, the Russian army invaded Crimea in support of the rebels who were already fighting against the Ukrainian army, and eventually overwhelmed the Ukrainian forces, resulting in Russia claiming Crimea as part of its territory (Poladian and Drăgoi, 2015). This was met with severe condemnation internationally by observers who saw the annexation of Crimea as a violation of territorial integrity and showing a complete disregard for international laws (Toal, 2016). This was followed by the imposition of restrictive measures and sanctions by the EU.

The annexation of Crimea then created a buffer zone. The creation of a 'buffer zone' between Ukraine and Russia has been compared to the beginnings of the Cold War, which saw the creation of buffer zones due to the spread of communism, which acted as a protective buffer zone for the USSR (Landovský, 2013). Commentators have used this to formulate the argument that this is a repeat of events that are similar to that of the Cold War, resulting in commentators referring to the recent Crimean conflict as the beginning of the 'new cold war' (Musiyenko and Abrahám, 2016).). The possibility of Ukraine opening up to European influence right on another of Russia's borders has been used in part as justification by Russia to invade Crimea and take control of parts of eastern Ukraine. Along with the ensuing international scrutiny came a discussion of the motives behind Russia's annexation of Crimea, with some commentators believing it was Russia's attempt to re-establish hegemony over territorial borders previously under Soviet rule (Bebler, 2015). The former US ambassador to the United Nations echoed this statement, in which he referred to the annexation of the Crimean peninsula as an attempt by Vladimir Putin to restore Russian dominance in territory previously occupied by the Soviet Union. . This act shows that Ukraine is Russia's greatest prize and that the recent invasion of Crimea is a step in that direction (Toal, 2016).

Russia's attempt to incorporate Ukraine into the proposed Eurasian Union demonstrates Russia's intent to re-Sovietize the former Soviet space. Ukraine would enable Russia to exert

economic and political influence further into Europe, thus making the Eurasian Union a more powerful entity (Bebler, 2015). The annexation of the Crimean Peninsula bears further similarities to the Cold War due to the use of strategic military tactics in the occupation of Crimea. President Obama referred to the occupation of Crimea as a state regressing to previous behaviors that were used in the context of the cold war to spread communism and occupy territory (Toal, 2016). These events have best illustrated how the Cold War continues to influence contemporary geopolitical conflicts.

1.4 How important are the historical and cultural ties between Ukraine and Russia.

Analyzing history, it becomes clear that Ukraine was an integral part of the USSR, during which Russian culture and language were at the forefront of Ukrainian life (Bebler, 2015). After the dissolution of the Soviet Union in 1991, Ukraine gained its independence and with that came the formation of the country's national identity. National identity is often defined as "belonging to a territory or country with a border or a common political system" (Andreouli and Howarth, 2012). Although this definition of national identity holds true, it overlooks the fact that one's national identity can also refer to a group that has shared beliefs, language or culture that transcends the boundaries of nation states (Jones et al, 2014).

When we look at the current conflict between Ukraine and Russia, we see how linguistic, cultural and historical ties are all intertwined components that are contributing to the conflict between the two nations. However, when analyzing the linguistic and cultural demographics in Ukraine, it becomes clear that there is a divide between Eastern Ukraine, which has close historical and cultural ties to Russia, and the rest of the country that identifies as Ukrainian. This is evident from the Crimean referendum that was held on March 18, 2018, where a vote was held in Crimea to determine whether the citizens of Crimea wanted to join Russia. The vote showed that the vast majority of people living inside Crimea supported the idea of joining Russia. Although the vote sparked controversy, with the EU labeling the vote illegal, the US also further emphasized the illegality of the vote. The result of the vote further emphasizes the close historical and cultural ties between Crimea and Russia (Bebler, 2015).

The impact of the cold war on the historical, cultural and linguistic ties between the two nations is undeniable. The dissolution of the Soviet Union, as a direct consequence of the cold war, has resulted in eastern Ukrainian citizens and citizens of Crimea still showing a close connection to Russia, thus supporting the notion that one's national identity can transcend the borders of the nation. and also highlights how the aftermath of the cold war continues to be an influence on modern geopolitical conflicts. The result of the vote further emphasizes the close historical, cultural ties between Crimea and Russia (Bebler, 2015).

The ongoing gas dispute between the two nations has further contributed to recent geopolitical conflicts and has also had wider implications in the rest of Europe. Ukraine's current natural gas transmission system was originally built in 1940 - 1941 as part of a unified gas system for the Soviet Union and further developed into a gas export to Europe between 1970 -1980 (Randall, 2011). Both the EU and Russia have been heavily dependent on Ukraine due to 80% of the EU's natural gas traveling through Ukraine (Dalby, 2007). This reliance on Russian gas transiting through Ukraine from European countries means that any potential conflict between Russia and Ukraine could significantly slow down the amount of available gas that can be used for each country's individual consumption (Landovský, 2013).

This concern led to the eventual creation of the North Pipeline System. The pipeline transports natural gas from Russia to Europe through the Baltic Sea. Further discussions are now underway to build Nord Stream 2, which would transport natural gas from Eastern Europe to northern Germany. However, there has been much controversy surrounding the project, with both the Baltic states and former Soviet states arguing that it will increase Europe's

dependence on Russia (Huotari, 2011). Russia's current dependence on Ukrainian gas pipelines has been argued to be the reason why Russia will not risk a major war. And so, commentators have argued that the creation of the Northern Pipeline 2 could be the catalyst for another cold war (Randall, 2011).

The current 'gas' conflict between Ukraine and Russia has its origins in the Cold War period (Randall, 2011). The conflict is argued to be a direct consequence of the dissolution of the Soviet Union. The construction of the natural gas transmission system in the years 1940-1941 as part of the Soviet Union, and the further development of gas export to Europe between the years 1970-1980, shows how the construction of these pipelines during the spread of communism and during the war cold. the period continues to have an impact on current geopolitical conflicts. As seen by the ongoing dispute between Ukraine and Russia over natural gas. The breakup of the Soviet Union has meant that these two nations that were previously part of the same socialist state are now embroiled in conflict attributed to the breakup of the Soviet Union.

When analyzing the motives behind Russia's annexation of Crimea, Russia's critical naval base at Sevastopol, coupled with quick access to 'Black Sea ports' in the Balkans, the Middle East have been argued by commentators to demonstrate Russia's intention to exercised dominion over both countries. the former Soviet region and the countries around the Black Sea (Turkey, Bulgaria, Romania and Ukraine) (Bebler, 2015). The direct access to the Mediterranean Sea that the Sevastopol naval base facilitates will enable Russia to access the offshore oil and gas reserves owned by Crimea, thus cementing Russia's position as one of the largest energy producers in the world (Huotari, 2011). Similar to Russia's attempt to establish the Northern Gas Pipeline 2, the annexation of Crimea illustrates how Russia is trying to gain economic and resource supremacy (Vihma, 2018). Further demonstrating an opportunity for earlier Cold War conflicts.

The possibility of Ukraine opening up to European influence right on another of Russia's borders has been used in part as justification by Russia to invade Crimea and take control of parts of eastern Ukraine. The most recent accession to the DCFTA (Deep and Comprehensive Free Trade Agreement) in 2016 has highlighted Russia's justification for annexing Crimea. The DCFTA will enable Ukraine to access a part of the EU's single market, which will facilitate the movement of goods and the travel of people in Ukraine, thus making Ukraine more Eurocentric and less dependent on Russia (Musiyenko and Abrahám, 2016). This further supports the argument made by Vihma (2018) that countries are now competing politically for economic supremacy and resources.

Ukraine's choice to join the DCFTA will impede Russian access to and influence over Ukraine's economy and resources, and thus prevent Moscow from bringing further influence deeper into European territory. The conflict between Ukraine and Russia has illustrated how the cold war still continues to shape current geopolitical conflict, and further refutes Fukuyama's (1992) theory that the end of the cold war represents the end of history. In contrast, we see that the cold war continues to be influential in current geopolitical conflicts and further refutes Fukuyama's (1992) theory that the end of the cold war represents the end of history.

In conclusion, in the analysis of the conflict between Ukraine and Russia, it becomes clear that the cold war continues to be influential in contemporary geopolitical conflicts. The historical and cultural ties coupled with the ongoing gas conflicts between the two nations show how the cold war has shaped the conflict between the two nations. The shift from the projected geopolitics of territorial presence and spatial blocs to a focus on geo-economics is evident when analyzing the annexation of Crimea, which would provide Russia with access to Crimea's oil and gas reserves and enable Russia to become one of the largest in the world. energy producers (Vihma, 2018). In addition, when looking at the former Soviet state, the

notion of nationalism is called into question, with Crimea and eastern Ukraine containing a high Russian population, thus enabling Russia to justify the annexation of Crimea.

2. Second Chapter – Economic and Social Impact of the War (Ukraine – Russia)

Implications of the war in Ukraine for the global economy

2.1 Global economic conditions before the war: The global economy was already slowing before the outbreak of hostilities. After reaching around 5.5 percent in 2021, global growth was expected to slow to 4.1 percent in 2022 and 3.2 percent in 2023 (figure 1.A; World Bank 2022a). The anticipated slowdown reflected persistent outbreaks of COVID-19, the depletion of pent-up demand, reduced monetary and fiscal policy support, and ongoing supply disruptions. These forecasts masked uneven prospects, with Developing Markets and Economies (DEEs) lagging significantly behind advanced economies (figure 1.B).

Before the invasion, Ukraine's economy was slowly recovering from the pandemic, as drag from high energy prices and fiscal consolidation partially offset boosted exports from a strong harvest and improved domestic demand amid the easing of COVID-19 restrictions. A broad-based recovery depended on the completion of key reforms to stimulate private-sector-led growth and job creation by addressing obstacles to investment. After strong recovery in 2021, growth in Russia is set to moderate to 2.4 percent in 2022. The ongoing recovery was hampered by high inflation, tighter macroeconomic policy support, rising geopolitical tensions and ongoing structural issues. Despite these headwinds, Russia had accumulated significant macroeconomic headwinds in recent years. After the annexation of Crimea and the collapse of oil prices in 2014-16, Russia introduced an inflation target, exchange rate flexibility and a fiscal rule that directs excess oil and gas revenues to the National Wealth Fund. It had also accumulated substantial foreign reserves while running a large current account surplus, which reached a record \$159 billion on a trailing 12-month basis in February 2022.

2.2 The impact of the war on both countries in the conflict (Ukraine and Russia): The war has caused a major humanitarian crisis in Ukraine. Urban centers in many parts of the country have been severely damaged, sea, road and rail transit has been severely disrupted and vital infrastructure of economic and social services including power generation, digital infrastructure, bridges and ports have been destroyed or rendered unusable. As of the end of March, nearly 6 million Ukrainians had little or no access to safe water. About 12 million people are estimated to have been displaced since mid-April, and a similar number of people—especially the elderly and vulnerable—are in urgent need of humanitarian assistance (UNHCR 2022). The war is also eroding human capital significantly. It is likely to have a particularly sharp impact on children by increasing malnutrition and stunting, reducing years of schooling, and worsening labor market outcomes (Akresh, Caruso, and Thirumurthy 2022; Acosta et al 2020).

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