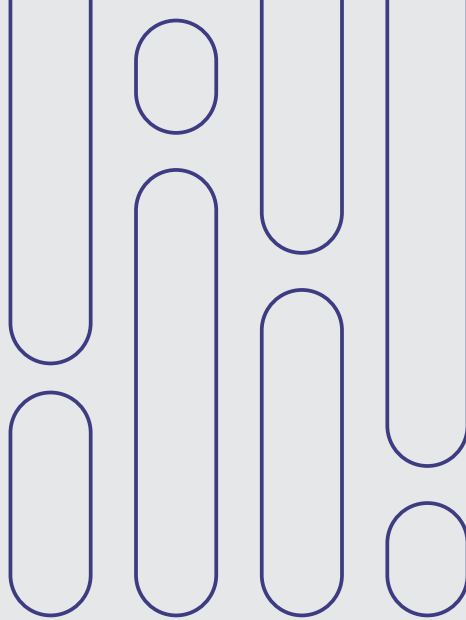


Study

The Economic and Demographic Dimensions of Ukraine in the Russian Strategic Perspective

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Contents

Introduction	3
Ukraine's Increasing Economic Significance	4
Ukraine's Standing in Russia's Economic Prosperity	8
Ukraine's Demographic Factor and Its Significance for Russia	14
Conclusion	19

Introduction

After the new Ukrainian government was installed in 2014, relations between Russia and Ukraine soared. The latter overlooks the Black Sea, which enables it to access the Mediterranean, which is of utmost importance for Russian trade and the passage of energy supplies to the entire region. This prompted Russia to annex the Crimean Peninsula in the same year to enhance its standing within the context of the ongoing global competition. Now it is invading the rest of Ukraine to extract more geopolitical, security and economic advantages.

In addition to its unique location militarily, geographically, and economically, Ukraine — a former Soviet republic—is an important maritime hub for Russia. It spreads over an area of 603 square kilometers — the second biggest country in Europe — with 44 million people.

Ukraine's economy plays an important global role — more than what one might think — which is proven by President Vladimir Putin's invasion of the country. In addition to its strategic location, Ukraine's strength lies in its natural resources, especially its agricultural and mineral sectors — plus its industrial strength inherited from the former Soviet Union. While Putin appeals to the common cultural, historical, and ethnic (Slavic) links between the two countries, he speaks little about the strategic and economic appeal of Ukraine.

Over the past three decades, hundreds of foreign companies opened stores all over Ukraine (mostly in the western parts of the country bordering Europe). The biggest investments were pumped into the IT sector, and German automobile companies made great inroads into the country. This made Ukraine an indispensable part of the automotive components supply chain in Europe, particularly in the absence of Russian investments. The increasing economic partnership between the Eu-

ropean Union (EU) and Ukraine made the country a successful Western liberal economic model. This model is opposed by the Kremlin, which wants Ukraine to enhance Russia's economic prosperity, not to align with its enemies.

This study analyzes the economic significance of Ukraine and how the Russians aspire through the invasion to make the country an economic hub contributing to the integration/diversification of the Russian economy which to a big extent depends on the revenues generated from energy exports. Finally, the study discusses the demographic dimension which Ukraine represents for the greater Russian strategy.

Ukraine's Increasing Economic Significance

Ukraine inherited a command-based economy when it became an independent country following the dissolution of the Soviet Union in 1991. In this economic system, all decisions related to production, investment and prices are determined by the central government. Ukraine had the same Soviet obsession with heavy industries and established monolith military complexes. In other words, the Ukrainian economy was pioneering in mining ores and building intercontinental ballistic missiles. But it was less important in terms of manufacturing different types of consumer items vital to a modern economy. Therefore, the Ukrainian economy collapsed shortly after independence, with GDP declining by more than 60 percent in the early 1990s. Inflation shot up to over 10,000 percent. For the ordinary Ukrainian people, this collapse meant destitution and suffering. Nearly 50 percent of Ukrainian households lived on \$5.5 per day.⁽¹⁾ This prompted the Ukrainian government to usher in a mass privatization program to transfer state-owned holdings into private hands, including small stores and massive factories such as giant steel plants. But at the same time,

the oligarchs, consisting of former individuals belonging to the Communist political elite and others who had links to the Soviet regime, maintained control over the giant factories and other production units at a very low cost. Though the oligarchs in the beginning helped companies in Ukraine restore their production capacity and push up the economy, they quickly began to use their links to choke competition and exclusively seize economic gains. Some estimates suggest that more than 50 percent of the country's GDP was controlled by this oligarch minority. In light of the rampant corruption, the economy was struggling to grow or diversify beyond the production of basic commodities and equipment like steel, iron ore and mining equipment. In 2006, for example, base metals accounted for 43 percent of Ukrainian exports, followed by mineral products (10 percent) and chemical materials (8.8 percent).⁽²⁾ GDP amounted to about \$200 billion in 2021. Foreign exchange reserves reached nearly \$31.6 billion, while exports surged to approximately \$68.24 billion in 2020. The economic growth rate was about 3.4 percent.⁽³⁾

Agriculture is the second most significant sector for the Ukrainian economy. Ukraine was previously described as the Soviet Union's food basket and is now known as the "breadbasket of Europe" or the "food basket of the world." It is capable of ensuring food security for European countries and others. At the global level, Ukraine contributes significantly when it comes to the supply of agricultural products. Agricultural exports constitute 45 percent of total Ukrainian exports. The area of cultivated land reaches more than 40 million hectares.

Ukraine has a suitable climate for agriculture and its lands are highly fertile — qualities which Russia does not possess. Agricultural lands account for 70 percent of the country's total area while the forests make up 15 percent of the country.

Overall grain production amounted to 50 million tons, including 28 million tons of wheat, with 18.1 million tons exported which contributed to the country ranking sixth globally in terms of wheat exports. It was expected that Ukraine's wheat exports would constitute 12 percent of wheat exports worldwide in 2022. The country is ranked fourth globally in terms of corn exports and holds second position in terms of its production quantity. Globally, Ukraine holds second position when it comes to barley production and fourth position in terms of its exports. The country is the world's number one exporter of sunflower oil. Fruit exports reached 55,000 tons, meat 450,000 tons and poultry 431,000 tons.⁽⁴⁾

As for the mining sector, the country produced approximately 60 million tons of iron — ranking it sixth among the world's biggest iron producing countries. It is ranked second in terms of iron reserves, which reached \$30 billion. Across Europe, it occupies second position in terms of mercury reserves. It occupies second place in terms of sulfur reserves. Globally, Ukraine is ranked 10th in terms of titanium reserves. It is the biggest country in Europe in terms of uranium reserves. Ukraine also ranks second in the world in terms of explored reserves of manganese ores (2.3 billion tons, or 12 percent of the world's reserves).

In relation to industry, Ukraine is fourth in the world when it comes to the export of nuclear power plant turbines, and 12th in the field of arms exports, totaling nearly \$1 billion. The country inherited from the former Soviet Union about 30 percent of its power plants, able to recruit nearly 700,000 employees.⁽⁵⁾

The IT industry is considered another growth engine in Ukraine. In 2021, it accounted for nearly 26 percent of total Ukrainian revenues. This is because the country produces

neon gas. It is an inert gas and a major component of lasers used in manufacturing chips. IT services represented the biggest Ukrainian exports to the United States in 2021. Nearly 90 percent of neon-based semiconductors used in the United States originate from Ukraine.⁽⁶⁾

Since 2014, when Russia annexed the Crimea Peninsula and stirred up rebellion in the eastern region of the country, the Ukrainian economy began to increasingly turn to the West. These events to a big extent precipitated the Ukrainian desire to establish political and economic ties with Europe while reducing trade with Russia. The government in Kyiv immediately resumed negotiations with the EU on a trade agreement and concluded it, which led to reducing or removing custom tariffs for most commodities. This led the EU to become the country's biggest trading partner. Nearly 40 percent of the country's shipments exported overseas go to the EU. Hence, Ukraine has become a vital part of the global economy due to the important role played by its commodities in the global market. Ukraine possesses at least 21 kinds of minerals out of 30 kinds deemed by the EU as of utmost importance for the future. The country's vast resources are one of the reasons that made it a top destination for the European Investment Bank (EIB) and the biggest recipient of investments from it. In 2021 alone, the EIB invested €554 million in vital infrastructure throughout the country, making up 60 percent of the bank's lending portfolio in the region. Hence, the Ukrainian economy started to grow rapidly as of 2018, with its size increasing to 80 percent more than its size in 2008.⁽⁷⁾ It switched from an imbalanced Soviet economy to a diverse modern economy. This made Brussels see massive potential in expanding bilateral trade with Kyiv in the medium and long run. This indicates that the economic motive behind the Russian invasion

of Ukraine is at the heart of the Russian strategy. It is no less important than the security and military motives.

Ukraine's Standing in Russia's Economic Prosperity

To understand the enormity of the economic threat that Moscow felt as a result of losing its economic exchange with Kyiv, it is necessary to understand the nature of trade relations between the two countries. Except oil and its exports, Russia does not enjoy economic flexibility. Economic hardships in mid-2010, along with the progress made by powerful Western entities in Ukraine, prompted Russia to seek to develop its economy through annexing the Crimea Peninsula. This plan seemed sensible in the short run. But it failed in the long run to secure the required economic stability to boost the Russian economy and maybe it contributed to further deterioration. In early 2014, the price of crude oil began to decline, which caused the Russian government — whose essential export is oil — to lose billions of dollars. In addition, GDP growth declined. Recession was imminent due to several factors, including economic contraction.⁽⁸⁾ Russia was in need of a swift solution to preserve its economy and the Russian regime's control. At the same time, Ukraine rebelled, and Russia feared this would prepare the groundwork for the EU to seize the lion's share of trade with Ukraine or completely integrate it into its economy.

Russia and Ukraine have always been trading partners. More than one-third of Russian gas exports flow through Russian-owned pipelines in Ukraine. Additionally, the imports and exports to and from Russia accounted for most of Ukraine's trade before 2013, which contributed to the country depending on Russian trade.⁽⁹⁾ At the end of 2013, the Ukrainian government prepared itself to sign a partnership and free trade

agreement with the EU, which would have opened the door for Ukraine's integration into European trade, hence reducing its dependence on Russia. If Ukraine joins the EU, it will not be able to join the Eurasian Economic Union, a body led by Russia. This union is designed to counter the EU, display Russia's strength and enhance the integration process among its republics in the post-USSR era.⁽¹⁰⁾ To maintain its economic control over Ukraine, Russia managed to dissuade Ukrainian officials from signing the agreement, which led in turn to the downfall of Viktor Yanukovich's government, an ally of Russia.

Thereafter, in 2014, when a pro-West government took over in Ukraine, it became important for Russia to work to protect its interests. A short while after Russia's annexation of the Crimean Peninsula, the Russian Federation Council agreed to withdraw from the Kharkiv Agreement signed in 2010. The agreement required Russia to offer concessions on the flow of gas via Ukraine in return for hiring a naval base on the Black Sea in Sevastopol. The agreement would be extended for 25 years as of 2017.⁽¹¹⁾

Given the decline in oil prices at that time, Russia was not ready to squander nearly \$4 billion per year on the agreement. In addition, Russia's annexation of the Crimean Peninsula enabled it to access the rich natural resources in eastern Ukraine. The water surrounding the Crimea Peninsula alone, which Russia considers part of its territories, contains billions of cubic meters of oil and gas reserves.⁽¹²⁾ By annexing the Crimean Peninsula, Russia became capable of enhancing its production of natural energy while curbing Ukraine's access to the territories over which it imposed control in the past. However, Ukraine cut off water supplies to the Crimea Peninsula, which led water levels to ebb. This forced the Russian authorities to

spend additional money to provide its population with water. The Russian movements in the Crimean Peninsula came in response to Russia's economic contraction. This was an instinctive solution to the economic decline Russia was experiencing. Maybe such movements were sensible at that time. But when the dispute evolved, it led to nothing but aggravating the economic collapse of Russia. This was exacerbated by the economic sanctions imposed by the West on it.

Russia's reaction to these sanctions was to step up its attempts to strangle the Ukrainian economy. In 2018, Russia began encircling the Kerch Strait which links the main port in Ukraine in Mariupol to the rest of the world. This blockade significantly curbed Ukraine's ability to export materials, leading to \$400 million in losses and impacted the country's overall economic growth.⁽¹³⁾ Russia engaged in a zero-sum game. In case it failed to engage in profitable trade with Ukraine, no other country in the world should take its place.

In 2020, economic forecasts related to Russia appeared to be bleak again. Over the past few years, Russian economic growth significantly slowed down. In 2019, Russian GDP grew only 1.3 percent compared to 2.5 percent in 2018.⁽¹⁴⁾ When oil prices went down earlier in 2020, the ability of Russia to meet its spending objectives seemed difficult to achieve. This came at a time when the Russians believed that their control over the Crimean Peninsula and the incessant dispute in eastern Ukraine represented a burden on the Russian economy, hastening its economic decline.⁽¹⁵⁾ The Donbas region was bursting with economic life. But it is now hit by economic recession. The dispute led industrial production to decline by 60 percent in Donetsk and 80 percent in Luhansk. By 2017, exports from the region declined to 10 percent of total Ukrainian exports compared to 25 percent three years earlier. As many

as 25 facilities and factories and 41 coal mines were shut down in the parts controlled by the separatists in the two regions. Meanwhile, the production activity of some other facilities was scaled down. The unemployment rate in both regions is far higher than the national rate of unemployment. In 2021, unemployment surged to nearly 14.5 percent in Donetsk and 15.2 percent in Luhansk, compared to a national unemployment rate of 9.2 percent. The displaced from the Donbas region reached 1.4 million people. Two major international airports in Donetsk and Luhansk were also shut down.⁽¹⁶⁾

Moscow directly pays the pensions and salaries of the public sector in the two separatist regions in eastern Ukraine. This has added more costs for the Russian government. After the conflict broke out in 2014, Ukraine suspended the payment for public sector workers registered as residents in the areas controlled by the separatists. Many heavy industries which the Donbas region depends on for generating revenues were disrupted. The two separatist regions abandoned the Ukrainian currency hryvnia, embracing instead as an official currency the Russian rouble. Local schools now teach the Russian national curricula, not those taught throughout Ukraine. In late 2021, Russian President Vladimir Putin ordered his government to lift the restrictions imposed on the exports and imports between Russia and parts of Donetsk and Luhansk. The decision was classified by Moscow as compensation for the economic blockade separating the two regions from the rest of Ukraine.⁽¹⁷⁾

Given that Ukraine is diversifying its trading partners, it has become less submissive to Russian control. Hence, it has become more open to Western influence. Putin feared that the Russian economy's decline would impact his popularity, which he is keen to strengthen. Ukraine's release of recent data sug-

gests that the country's dependence on Russian imports has significantly declined further irritating Putin. The country is now more in harmony with the EU through diversifying its trading partners and exports. This economic recovery in Ukraine versus the economic recession in Russia sends a message to Putin that the citizens of Crimea who are enduring recession under Russian control could also desire to diversify their economic partnerships with the EU — moving away from Russia. In the face of this Russian state of affairs which seems bleak, the Kremlin should look for new economic opportunities through which Russia can enhance its economy and Putin can restore public confidence in his persona.

By annexing the Donbas region in eastern Ukraine, Russia believes that it may have made major economic gains, which will contribute to its economic prosperity in the long term. Russia has long aspired to annex the Donbas region, given the massive economic and commercial potential it holds. This region is located in southeastern Ukraine, spreading over an area 52,300 square kilometers. Until 2014, the Donbas region was described as the food and industry basket of Ukraine due to its natural resources, heavy industries, and vast swathes of cultivable lands — in addition to iron and coal mines used in the factories, energy generation and heating plants. The region's population is officially 4 million. Up to 56.8 percent of the population is Ukrainian while 38.2 percent of them are of Russian origin. But the prevailing language in the region is and always has been Russian. Therefore, the region, plus Crimea, was a main factor behind the ascent of pro-Moscow politicians to power before the events of 2014 and what followed them. The Donbas region was the main cradle of popularity of the pro-Russia Regions Party's figures, which ruled Ukraine between 2010-2013.⁽¹⁸⁾

Donbas consists of two syllables. *Don*, derived from Donetsk and *bas* from basin in Russian, meaning “the basin of Donetsk.” It was named after the coal basin discovered in 1721, which was also named after the Donets River flowing across the region. The exploitation of the basin of Donetsk began earlier in the 19th century. By 1913, it was producing 87 percent of Russian coal.⁽¹⁹⁾

The Donbas region includes Donetsk and Luhansk bordering Russia. The two pro-Russia separatist regions, whose independence was recognized by Moscow, are located in the Russian-speaking Donbas basin in eastern Ukraine. Since 2014, they have been out of Kyiv’s control. Donetsk is the main city for mining and one of the main hubs for steel production in Ukraine. As for Luhansk, it is an industrial city. The Donbas basin bordering Russia on the northern shore of the Black Sea contains massive reserves of coal.

Russia is always focusing on the ports, considering them of huge geostrategic and economic benefit. Provided the Russians succeed in controlling Mariupol and Odessa port, they will control more than 80 percent of the Ukrainian coast on the Black Sea. This will enable them to cut off Ukraine’s maritime commercial activity, hence isolating it from the outside world. As for Odessa Commercial Sea Port overlooking the Black Sea, it is considered one of the biggest deep ports along the coast of the Black Sea and the world’s busiest port with ships. Russia’s control of this port seems tempting for its economy. At the same time, it will weaken the Ukrainian economy. Therefore, Odessa city was among the first and foremost targets of the Russian military campaign against Ukraine.

In addition to its significance as a port, Odessa is also considered a home to several IT companies— primarily a company called Crayon IT. The company plays a major role in the global

production of semiconductors and electronic chips. The company manufactures neon gas along with other gases. But neon gas is of particular importance for the company's production since it is a material used in operating the laser that engraves electronic chips. The Ukrainian company provides several European economies with neon gas — along with Japan, South Korea, China, and Taiwan. It is among the essential resources used in making electronic chips. But the company's chief customer to whom most of the production is exported is the United States. Ukraine produces 90 percent of the semiconductors used in the United States.⁽²⁰⁾

Ukraine's Demographic Factor and Its Significance for Russia

Most of the factors behind Russia's interest in Ukraine are well-known. But in-depth research reveals an essential reason: the fear that Central Asia will one day swallow Russia, causing it to suffer from a lack of demographic security. As the population in Russia decreases, the population in Central Asia surges. In case Russia loses Ukraine, this would represent a loss of Slavic territory.

Russia considers Ukraine to be part of the scope of its natural influence. For centuries, most of Ukraine had been part of the Russian empire. A considerable part of Ukrainians are Russian-speaking. The country was part of the USSR before gaining independence in 1991. There are huge numbers of Russians in Ukraine, nearly 8 million Russians are living in Ukraine, mostly in the south and east. In addition to Russian sentiment toward Kyiv, there is a demographic reality that is quite significant for Russia: at least one-third of the populace of Ukraine, mostly living in the eastern part of the country close to the Russian borders, speak the Russian language

and feel that they are part of the Russian nation. On the other hand, the Ukrainians living in the western and northern parts of the country extensively speak Russian.

The Kremlin has issued a law making it obligatory for the Russian government to protect the Russian race — whose definition is too broad. It even includes people who slightly speak a little Russian. To justify its support for the regions demanding secession from Ukraine in the southeast of the country, Russia has used the pretext of protecting the interests of the Russian race. It went on to describe the entire region as Novo-Russia or the New Russia.

On the other side, Central Asia is caught in the crossfire. The region was an important part of the Russian empire and the Soviet Union, which allowed Russia to assert its dominance over a multinational and multiethnic space. The legitimacy of imperial Russia is essentially dependent on Moscow keeping its dominance over Central Asia. This dominance helps it obtain superpower status and be part of “the great game” with the Western powers. Although Russia ostensibly does not mind seeing Islamic and Christian coexistence in Central Asia, Russian public opinion holds that the region is a sphere for Islamist and terrorist outfits, and there has been a decline in the historical and cultural bonds between the region and Russia. As soon as Ukraine slips from Russia’s hands, this means the Slavic influence will significantly diminish — compared to the Muslim-majority populations of Central Asia and the Caucasus. Only Russia and Belarus will remain as the two Slavic nations versus five Islamic countries in Central Asia.

Here, it is clearly obvious that Russia is facing a challenge of divergent demographic directions. On the one hand, there are the Central Asian countries, where the Islamic identity is prevalent. On the other, there is Slavic Ukraine which wants

to switch to the West. The countries of Central Asia (Tajikistan, Uzbekistan, Kazakhstan, Turkmenistan, and Kyrgyzstan) are inhabited, according to tallies published in 2011, by more than 64 million people. The average percentage of Muslims among them is about 78 percent. Most of them are in Tajikistan, where the proportion of Muslims is 90 percent, and the least is in Kazakhstan where Muslims make up about 47 percent.⁽²¹⁾ The imbalance in population growth between the Islamic and Slavic republics will pose a challenge to the legitimacy and authority of the Russian rulers. That is because the population growth in Central Asia is far higher than that of Russia. Additionally, the number of Muslims in Russia itself is increasing for two reasons. The first is the high birth rate among Muslims, and the second is the arrival of Muslims from Central Asia to live in Russia. Today, nearly 25 million Russian Muslims live there. Russia's population peaked at 148 million in 1992 and has been declining since then. The natural balance (births/deaths) posted an unprecedented loss of 1 million people in 2021. Thus, the natural population of Russia declined by more than 12 million people between 1992 and 2010. The Russian population stands at 146 million people today. It is expected that the country's population will reach about 140 million people in 2035 and 130 million people in 2050. By contrast, the working-age population in Uzbekistan is expected to surge by more than 6 million by 2050, and the population of Tajikistan by nearly 3 million.⁽²²⁾

In the face of this difficult demographic situation and a declining workforce, Putin has adopted a two-pronged approach. First, he has relied on naturalization. Between 1991 and 2016, 8.6 million people were granted Russian citizenship, 92 percent of whom were from the former Soviet Union republics, including Kazakhstan and Ukraine. Second, Putin opened

Russia's borders to a large number of immigrants, especially from Central Asia. Indeed, Russia's population of immigrants increased to reach nearly 11.6 million in 2017, half of them from Central Asia. The largest number came from Uzbekistan and Tajikistan. The Kremlin spokesman Dmitry Peskov said, "We urgently need these immigrants to implement our ambitious plans. With the shortage of migrant workers in construction alone between 1.5 and 2 million workers, it is still very difficult to find workers despite doubling their salaries. Agriculture is also at risk of having to stop some work due to a shortage of 38,000 migrant workers who usually do seasonal jobs." He demanded that Moscow open its borders to them.⁽²³⁾

As the door for immigration from Central Asia opens, it is no longer heading to Russia only. It is also heading quickly to the EU at a rapid pace not seen 20 years ago. The experience of previous economic crises has shown that the decrease in the number of foreign workers does not lead to an equal increase in local appointments in Russia. Workplaces filled by foreigners are often not wanted among Russians. Even in times of crisis, unemployed Russian citizens prefer to wait until difficult times pass, depending on social payments or savings. They do not accept lowering their social standing by agreeing to clean streets or becoming handymen.

In the face of the decline in the Russian population, especially among the youth, and the low demand for immigration to Russia, the Kremlin has tried new approaches. In the first approach, the Russian government granted passports to the residents of the occupied or disputed regions (Abkhazia, South Ossetia, Transnistria, Crimea, Donbas, and Nagorno-Karabakh). At present, nearly 90 percent of the residents of Abkhazia and South Ossetia hold Russian passports. Since 2018, at least 650,000 citizens of Donbas have obtained Russian passports.

The second approach depends on facilitating the naturalization of Russian-speaking people. After the 2014 reform, the 2019 Russian action plan aimed to grant about 5 million to 10 million people citizenship by 2025, targeting Russian-speaking people in the Old Russian Federation. In 2020, Russia welcomed a record number of new citizens – nearly 660,000 – including 410,000 from Ukraine, and 145,000 from Central Asia.⁽²⁴⁾

Finally, the annexation of Crimea made it possible for an additional 2.5 million people to become Russian citizens. At the same time, Russia was quickening the pace of publicly allocating its citizenship to the residents of Donetsk and Luhansk. In July 2021, Dmitry Kozak, the Deputy Kremlin Chief of Staff, announced that nearly 1 million Ukrainians obtained Russian citizenship between 2016 and 2020 alone. This demographic context confirms the real geopolitical disaster for Russia in case it loses Ukraine as a reservoir for the Slavic population. It explains why the Russians feared the latter's independence and turning to the West, as if it will cut off an actual part of the Russian body.⁽²⁵⁾

Thus, Putin's aim behind the annexation of Ukraine is that it will help Russia solve its demographic problems. It will allow the Russia-controlled Ukraine to export Slavic laborers — who will turn eastwards instead of westwards — in far higher numbers, especially given the fact that Ukrainians are ideal immigrants. As Eastern Slavs, it is easy to integrate them into Russia, particularly as they bring with them the necessary skills for the Russian labor market.

This in no way means that the demographic factor is at the heart of the Russian strategy toward Ukraine. But paying no heed to this dimension — on the other side — will amount to turning a blind eye to a historical, cultural, social and political

element of the Russian national identity and the geopolitical vision of the Kremlin and the Russian economy.

Conclusion

It can be said that Ukraine possesses abundant natural and human resources and an educated workforce at competitive prices. This makes the country a region for cutthroat economic competition between Russia and the West. This also means that Ukraine will achieve more economic diversity for Russia and will contribute to its economic prosperity in case Moscow succeeds in controlling the policies of its government and preventing it from turning to the EU. Despite the gains made by the Ukrainian economy, it is possible that such gains will be at risk in case Russian military operations continue. During the first days of war, the Ukrainian Central Bank estimated that GDP decreased by half. The Ukrainian government estimates that Russia has already destroyed \$500 billion in economic assets. The severe damage to airports, seaports, and bridges crippled the country's infrastructure and the ability to trade with other countries.

To a big extent, Ukraine turned into a war economy with the Russian invasion. For example, a women's shoemaker uses Italian leather to make military boots; a construction company's trucks have been converted into anti-aircraft launchers; and a group of steelworks and mining plants make anti-tank weapons and concrete shelters. Many IT workers have joined the Ukrainian hacker army to protect infrastructure from cyberattacks, or for the purpose of launching an attack against Russia. Yet many factories and companies still operate in Ukraine, such as those in the IT sector. They continue to operate from areas far from the direct firing line.

The Russian attack on Ukraine took the stock markets by sur-

prise. Its consequences are already taking a severe toll on energy, transportation, and logistical services, as well as on the price of shares, and assets. It is also possible that the dispute will have a strong impact on global supply chains, energy, and food markets, as well as on the manufacturing and the medical sector.

This leads to the forecast that as the Russian-Ukrainian crisis continues to escalate, uncertainty and fluctuations in the global market will be the hallmark of the next phase. The future of Ukraine and its direction will be determined by the military solution therein. Either Putin wins the war and snatches Ukraine — or at least the eastern part of it — as a new economic lever that contributes to enhancing the comprehensive force of Russia, or he loses the war and Ukraine continues its partnership with and integration into the EU.

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