

Research on the impact of Russia-Ukraine conflict on American economy

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Abstract. This research talks about the economic results caused by the Russia Ukraine conflict and how it keeps affecting America. As the Russia Ukraine conflict gets worse, there are not just negative impacts on the economy. According to the news, America keeps helping Ukraine. There may be some reason for America to help Ukraine, as our research shows there may be economic benefits to the economy. And this research will be talking about how the conflicts impact economy in America. This is important because the economy is really to any country. Finding out the factor that affects the economy can help the whole country's development. We are using case studies and literature research to prove our thoughts.

Keywords: Russia-Ukraine, Conflict, American, Impact.

1. Introduction

1.1 Research Background

The crisis in Ukraine is not only a happening between Russia and Ukraine or the conflict between Russia and the west. It is a multilateral force in international power transfer sensitive period between complex and profound international conflict, affecting global order reconstruction since the 21st century, Eurasia geopolitical landscape remaking, And a major rethinking of key issues in world affairs.

1.2 Literature Review

Xinmin Weekly has quoted that the U.S. is the only beneficiary from three facets: Political, economic, and Military. One is to bring Europe further under the thumb of the U.S. politically. As soon as the war started, Europe was in a panic and could only listen to the "leader" Of the United States. Europe followed what the United States said, from sanctions to no troops and then weapons delivery. Nord Stream 2, Germany's cherished gas pipeline, was said by America to be abandoned if it could not be used, though it had long struggled.

Second, economically, Europe fought, and America prospered. On March 7, European gas prices jumped to 3.6 euros, or 24.5 yuan, per cubic meter, a tenfold increase from a year earlier, while international crude oil prices peaked at \$140 a barrel. While Europe is short of oil and gas, the United States is the world's largest oil and gas producer. When the International Energy Agency coordinated the release of 60 million barrels of oil reserves during the oil price spike, the United States "contributed" up to 30 million barrels, earning money from The Europeans, who also helped the United States. As the war began, many countries increased their defense budgets, which is another good news for the United States, its largest arms "king". Third, after the war in Eastern Ukraine, the military coordination within NATO and between NATO and relevant countries will be greatly increased. As the largest military power, the United States will naturally have more opportunities to play a leading role in the war. In particular, American soldiers, once less popular in Europe as the E.U. matured, now seem to be in demand again.

IANA Liadze et al. analyzed the economic costs of the Russia-Ukraine conflict. They found that there have been several influences on Amethat the economic costs of the Russia-Ukraine conflict and found that there have been several influences on the American economy.[7]

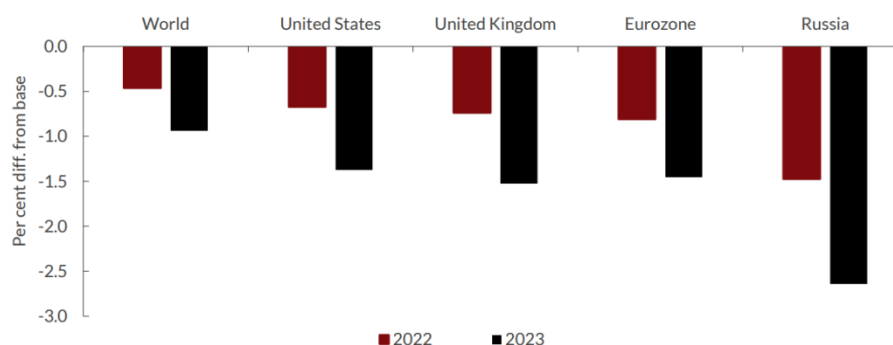


Figure 1. The cost in GDP for the global economy because of the conflict
(Source: NiGEM simulations)

Countries such as China, the US, Germany, France, and Italy are Russia's major import partners, where Russian demand accounts for between 1-3.7 percent of its GDP.[7]

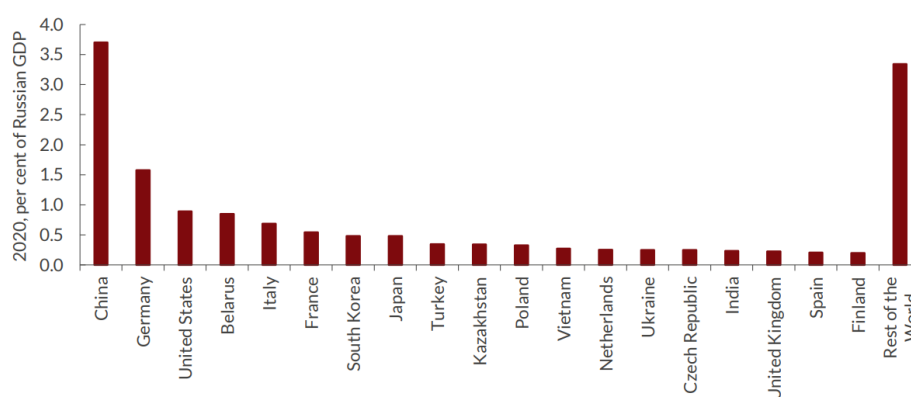


Figure 2. Russia imports by country
(Source: Authors' calculations based on data from Trading Economics)

Agricultural exports are a major source of trade spillovers. Russian and Ukrainian wheat exports account for nearly a quarter of worldwide wheat exports, according to the US Department of Agriculture (USDA, 2022).[7]

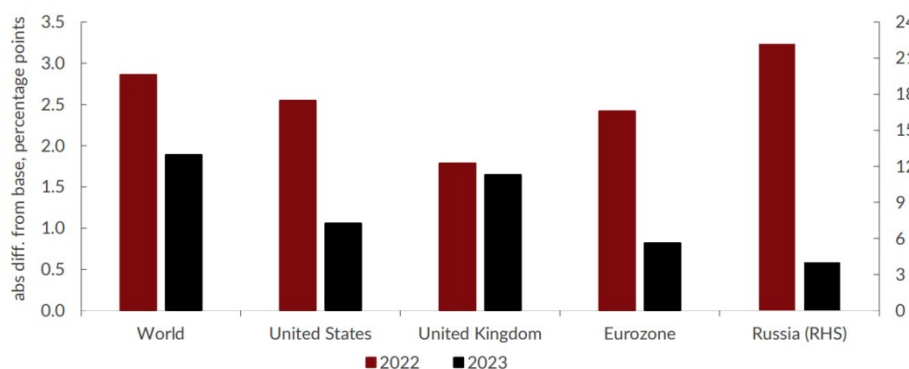


Figure 3. The cost of inflation of the conflict
(Source: NiGEM simulations)

Feng mentioned that the attitude of the United States to Russia is tough on the whole, but it changes from time to time; The E.U. wants to go it alone, but it has too many constraints. Russia's reluctance to cross the red line has deep motives. Behind these different attitudes is that the United States still has power over all the "players". Europe relies on the "soft skills" of organization and coordination to "play host", while Russia is like a trapped animal in a corner but still has the strong ability to fight tooth for tooth and continue to play the game. Therefore, the confrontation between Russia and the West on the Ukraine issue is due to ideology, largely due to the geopolitical struggle, and more importantly, due to the influence of the interlinked interests between various parties. Even if there are local issues or temporary changes in relations, a longer period of conflict seems unlikely to change.

1.3 Research Objective

To begin with, the objective of this research is to analyze the history of the Ukraine crisis and analyze the causes of the crisis. In addition, the advantages and disadvantages of the crisis on the global economy will be discussed. Furthermore, concentrating on the context of the United States, the impacts of this crisis on America will be analyzed and discussed.

2. Methods

2.1 Case study

We can objectively analyze the influencing factors and the real consequences through a case that happened in the event. In the case analysis process, reflect the main point of view to be expressed in the text and use cases to prove this point of view. By analyzing the appreciation of the U.S. dollar in the Russian Ukrainian conflict, this paper explains the most direct impact of the Russian Ukrainian conflict on the U.S. economy. This can be a simple and clear response to the advantages and disadvantages of the Russian Ukrainian conflict to the United States. This reflects the huge economic impact of the Russian Ukrainian conflict and its implicated impact on various markets. Therefore, it can more intuitively reflect the impact of the Russian Ukrainian conflict on the overall economy of the United States and the changes made to its future development.

2.2 Literature research

The literature research method can summarize and refine the literature on event analysis. This method can help us analyze different views and explanations at many levels. This paper will summarize and analyze different analyses of the conflict between Russia and Ukraine, whether economic or political. And combine their views to make an objective evaluation to draw out the real causes and consequences of things. Then the impact is summarized, and the good and bad effects and consequences are summarized. It also speculates and analyzes the future economic trend.

3. Results

3.1 Status Analysis

Russia's foreign ministry issued a set of demands in mid-December 2021, according to the global war tracker report. It demands that the US and NATO cease all military operations in Eastern Europe and Central Asia, commit to no further NATO expansion toward Russia, and prevent Ukraine from joining NATO. These suggestions were rebuffed by the US and other NATO allies, who warned Russia that if it attacked Ukraine, it would face serious economic consequences. Ammunition, small arms, and other defensive equipment were among the extra military supplies sent by the United States to Ukraine. President Joe Biden approved around 3,000 US troops to deploy to Poland and Romania (NATO countries bordering Ukraine) in early February 2022 to face Russian forces stationed near Ukraine's border and reassure NATO allies. [1] The US, Russia, and European countries, particularly France and Germany, have been unable to achieve a consensus. Russia was plotting an invasion of

Ukraine, the US warned in late February 2022, citing Russia's increasing military posture near the Russian-Ukraine border. Russian President Vladimir Putin then ordered troops to the rebel-held rebel territories of Luhansk and Donetsk in Eastern Ukraine, claiming the troops were needed for "peacekeeping." The US placed sanctions on the Luhansk and Donetsk regions, as well as the Nord Stream 2 gas pipeline, a few days later. At a United Nations Security Council meeting on February 24, Putin announced the initiation of a full-scale land, naval, and air assault of Ukraine in order to deter Russia from attacking Ukraine. The US has slapped more severe penalties on Putin and Russia's foreign minister, Sergey Lavrov, including the suspension of Russian institutions from the global SWIFT financial messaging system and a ban on US purchases of Russian oil and natural gas. Vice President Joe Biden pledged Ukraine an additional \$800 million in military help following Ukrainian President Volodymyr Zelenskyy's speech to Congress on March 16. Shortly after Russia's involvement, Biden approved the deployment of 7,000 US troops to Germany. [3] And the talks between Russia and Ukraine are still ongoing. As the research indicated, there were numerous significant economic developments during the crisis. Many European countries are affected by the crisis, but the United States is the most affected.

3.2 Reason Analysis

Putin's purpose, according to the BBC, was to "demilitarize and de-Nazify Ukraine" in order to protect those who had been subjected to "eight years of bullying and genocide" by Ukraine's government. The United States' assistance to Ukraine has come to an end, according to the US The State Department. The US has handed Ukraine about \$7.3 billion in aid since 2014, including security and non-security support. In addition, the US guaranteed three sovereign loans worth a total of \$3 billion. President Biden signed the bipartisan Ukraine Supplemental Appropriations Act on March 15, providing an additional \$13.6 billion in military, humanitarian, and economic help to Ukraine in response to Russia's unlawful invasion. It ensures that the Ukrainian government can function efficiently during the conflict and that the Ukrainian people will be protected when Russian soldiers assault them. [4] The Ukraine Supplemental Appropriations Act will provide assistance to countries affected by Ukraine's conflict. So, why does the United States continue to assist Ukraine in its conflict? According to our research, the United States favours Ukraine rather than Russia because it will help the American economy in a different way.

By the report from Global Times, Brent's crude prices jumped 4.4 percent to \$98.11 a barrel in London on Monday. The price of gold surpassed \$1,900 per ounce, while the euro and the pound plummeted 1.25 percent and 0.6 percent versus the U.S. dollar, respectively. The offshore Chinese yuan dropped 145 basis points versus the dollar, while the Russian ruble slid from 83 rubles to 117 rubles per dollar three days later. The crisis has resulted in a significant rise in U.S. natural gas shipments to Europe, which formerly purchased more than 40% of its gas from Russia. Russia's natural gas shipments to the E.U. totaled 192.6 billion cubic meters in 2021, accounting for 81 percent of the country's total exports. [6] The gas was mostly provided via pipeline through Ukraine and the Nord Stream 1 pipeline, which were cut off once the crisis erupted. In addition, the Nord Stream 2 contract is no longer viable. Gas exports to Europe would drop substantially due to the SWIFT sanctions against specific Russian banks, and the U.S., which has seen a spike in gas output in recent years, is ready to fill the void. As the research explains, America will benefit from the conflict between Russia and Ukraine, and there are not only negative impacts.

3.3 Impact Analysis

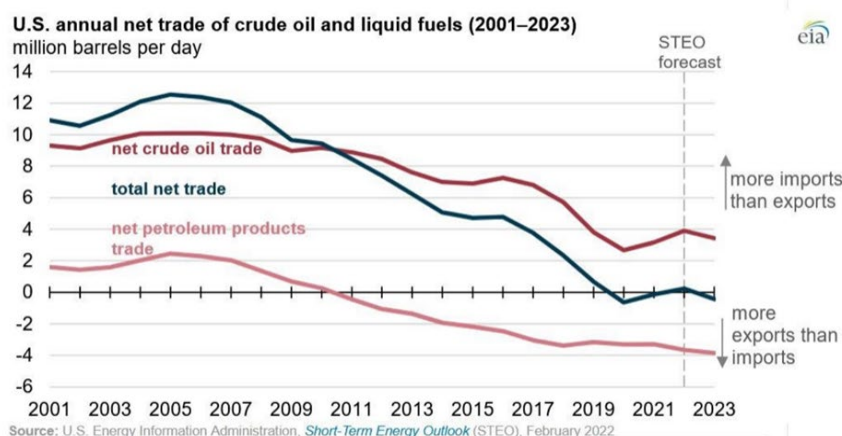


Figure 4. U.S. annual net trade of crude oil and liquid fuels (2001-2023)

The research from Shakil Ahmad states that while it is still true that a jump in oil would be inflationary in the U.S., a higher price of oil will benefit a big sector in the U.S., namely energy generating industries, as of roughly 2010. [2]

Table 1. Top 10 largest oil producers and share of total world oil production in 2020.

Country	Million Barrels per day	Share of world total
United States	18.61	20%
Saudi Arabia	10.81	12%
Russia	10.50	11%
Canada	5.23	6%
China	4.86	5%
Iraq	4.16	4%
UAE	3.78	4%
Brazil	3.77	4%
Iran	3.01	3%
Kuwait	2.75	3%
Total top 10	67.49	72%
World total	93.86	72%

Source: International Energy Statistics, December 8/2021

Table 1 shows above shows that Russia produces 11% oil. This also helps explain the benefits that America gets from the crisis. (Shakil Ahmad) [2]

According to Smialek and Swanson of the New York Times, a potential consequence of the Russia-Ukraine scenario might be an increase in inflation owing to worldwide increases in oil and food costs, which would heighten US anxiety. They claim that, unlike Europe, which gets a large portion of its food from Russia, the United States imports very little oil from Russia. Because the energy commodities market is global, a change in oil prices in one area of the world will eventually affect oil prices in other regions of the world, including the United States. This study also suggests that such global upheaval may cause Americans to cut back on consumption and other economic activity, jeopardizing the Federal Reserve's plan to raise interest rates by March 2022. According to Wall Street analysts, stock indices in the United States will stay volatile for the duration of the battle. At the same time, economists are concerned that rising commodity prices may limit the amount of money available for discretionary expenditure in the United States.

4. Discussion

4.1 The Impact of the Ukraine Crisis

The Ukraine crisis has lasted much longer than people expected at the time of its outbreak, and the confrontation and destruction brought about by the crisis have deeply affected all sides. Vicious competition among major countries will continue for a long time. First of all, the U.S. and E.U. have their backgrounds and considerations regarding Russia's strategies. Judging from the situation after the Ukraine crisis, there is an objective background for the United States to achieve strategic victory in Russia. Since the 2020s, it has been difficult for the United States to make further progress in its return to Asia because of the turmoil caused by its involvement in the Middle East.

Throughout the year. Cutting Russia's ties with the E.U. is also a deep strategic consideration for the U.S. Fierce debates among the American elite and think tanks have not prevented the rise of the neo-conservative and Democratic camps on anti-Russian issues. By contrast, the more moderate forces represented by Kissinger and Brzezinski advocated in Europe.

The traditional political view of maintaining the balance of power in the sensitive region of Asia has been marginalized, which cannot stop the U.S. hardliners against Russia. Although the Ukraine crisis has become a minefield for the United States' contradictory diplomatic principles, the United States cannot afford to fail in the Ukraine issue. Both in terms of its geopolitical interests in Eurasia and promoting the "freedom agenda" abroad as the cornerstone of its national interests. Even during his election campaign, He openly declared that Crimea should belong to Russia, but Trump could not shake the United States once in office.

The "political correctness" is the mainstream politics in Ukraine. While Zelensky sought to bypass Crimea in favor of eastern Ukraine and detente with Russia, Trump was caught up in Russia-related issues, hounded by Democrats and the media, and unable to do much about his original goal of defusing the conflict. As a stakeholder in the Ukraine crisis, the United States has tried to control the level of conflict with Russia while putting pressure on It after Biden became president. The Crisis in Ukraine remains a key issue in U.S. policy toward Russia. Under the premise that the United States has not won the trust of Russia, it is difficult to expect a major breakthrough on the Ukraine issue in the short term.

After the Crimea incident, Europe followed the U.S. in joining in the sanctions against Russia, which was not only out of necessity after the PRESSURE from the U.S. But also, because the E.U. itself was facing the pressure of "Italicization" of public opinion, it could find a source for strengthening its stance against Russia. Of particular note is the change in Germany's position. After the 2008 financial crisis, with

With Germany playing a more and more leading role in European affairs, the Mesozoic political elite became dissatisfied with the trend of Russia's conservative domestic politics. Under the catalysis of the Crimea incident, Malaysia Airlines incident, and so on, German-Russian relations deteriorated rapidly, which became an important background for the trend of the United States and Europe to join hands. The Association Agreement between Ukraine and the E.U. came into force in September 2017. Mr. Poroshenko had offered to move quickly to sign political and economic agreements with the European Union. However, the then French Foreign Minister Fabius stressed that "when Poroshenko said that the association agreement was the first step towards Ukraine becoming a member of the European Union, I discussed it with our European partners, and it was clear that most people did not think that way". Mr. Fabius here said the "most people" refers to disapprove of Ukraine to join the European Union's most E.U. countries, the first refers to the "old Europe" countries such as Germany and France. They not only worry about Ukraine joining too much stimulation of Russia, and now more concerned about the E.U.'s internal stack up. However, once the level of development is far from optimistic and Ukraine joins, it would be a recipe for more trouble and a big dent in the E.U.'s decision-making capacity. The new members of the European Union, by contrast, take a very different attitude

Poland, a neighboring country with close trade relations, is an example. If Ukraine can “join the E.U.”, it will be conducive to Poland’s market expansion and economic capacity improvement. Coupled with the special influence of the United States on Ukraine, it has naturally become Poland’s national policy to support Ukraine “joining the E.U.”. At least for now, however, Ukraine’s membership will be decided by a majority of the members of “old Europe”. For the E.U., the more pressing issue is Russia and the E.U.’s energy relationship with Ukraine. While the E.U. has helped Ukraine pay many of its gas arrears to Russia, it is only a small part of the total. At the same time, successive trilateral energy dialogues are far from resolving the key issue of gas prices, and the E.U. has to bear more pressure from Russia. More importantly, the “Nord Stream 2” natural gas pipeline has been opposed and obstructed by the United States during the construction period. Although Biden became somewhat relaxed after taking office, he continued to pressure Russia, Germany, and the United States are still uncertain about implementing the “Nord Stream 2” natural gas pipeline project agreement. On other regional issues, whether it is the six-party talks on Iran’s nuclear program or the Crisis in Syria, the E.U. can only deal with Russia, and there is no room for Ukraine.

5. Conclusion

The study discusses the economic consequences of the Conflict between Russia and Ukraine and how it continues to affect the United States.

The Crisis in Ukraine reflects a major problem at the beginning of the third decade of the 21st century: how to view the interrelationship between crisis and world order. There are three attitudes.

One is to allow the crisis to develop when the international balance of power is reversed, and the international transformation takes a fundamental turn, and to be solved together. Second, those who cannot wait for the reversal of the balance of power and the arrival of a fundamental turning point in international transformation are already eager to take advantage of the crisis to win. In fact, given the current situation of the Ukraine crisis, such a position is both risky and practically impossible. The third way is to handle the crisis with a positive and rational attitude, aiming at promoting the benign and steady process of international transformation. Given the uncertain and uncertain outlook for the overall crises, we face today -- COVID-19, great-power relations, the world economy, and internal political crises in several countries. It is clear that any hasty action and inaction at the whim of events are not an option, but a rational mediation of the crisis, It is possible to create conditions for the steady progress of international transformation.

Finally, from the point of view of the crisis itself, the Ukrainian crisis is not only a simple regional crisis, but a comprehensive crisis involving national political construction, national cultural identity, regional and global governance model, and the relationship between great powers under the conditions of the contemporary information society. It can be argued that this is an important rehearsal for the current global crisis. Therefore, this crisis cannot be addressed simply with a regional crisis solution but must an overall solution that includes all parties’ interests and willings and considers the complicated needs in various fields.

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