

The First Year Since the Russo-Ukraine War (the Struggle of the Invincible Against the Undefeated): Social, Political and Economic Implications both for Russia and Ukraine

**Dr. Rovshan Ibrahimov, Professor
Hankuk University of Foreign Studies**

Introduction

On February 24, 2023, a year has passed since Russia started the military intervention (or special operation, as it is called in Russia) against Ukraine. Last year, few believed that Russia would launch a military invasion of a neighboring country. Even though since 2014 Russia has annexed the Crimean Peninsula (March 18, 2014) and supported the separatist regimes in the east of the country, which unilaterally announced the creation of the Donetsk People's Republic (DPR) and the Luhansk People's Republic (LPR), declaring their independence, Russia has always denied its direct military intervention.

The situation began to change from the end of 2021. Even though many experts did not assume Russian intervention, intelligence from the United States and several other countries that leaked to the media told a different story. It was very difficult to believe that the war would start, since Russia and Ukraine have common ethnic roots and religion, to imagine that the two fraternal peoples would fight, it was from the realm of fantasy.

When and why relations between Russia and Ukraine have spoiled?

The main reason for the complication of relations between Russia and Ukraine was Ukrainian pro-Western orientation, which became clearly visible after the "Orange Revolution". On November 22, 2004, after the presidential elections in Ukraine, mass protests took place after the announcement of the first results of the second round. Immediately after that, supporters of candidate Viktor Yushchenko took to the streets, believing that the election results were rigged.

On December 3, 2004, the Supreme Court invalidated the results of the second-round presidential election and scheduled a repeat round for December 26. On January 10, 2005, the CEC of Ukraine declared Yushchenko the winner of the presidential election, who received 51.99% of the votes, 44.2% voted for Viktor Yanukovich.

The new government of Ukraine immediately announced a course for full integration into NATO and the EU. The pro-Western course of Ukraine was negatively perceived by Russia, which back in 1993 announced the foreign policy doctrine of the "near abroad" or unofficially the Yeltsin Doctrine, according to which the former Soviet republics (except for Latvia, Lithuania and Estonia)

were declared as “a zone of special interests of Russia. The crisis of statehood and economy in these countries is a serious threat to its national security”. Curiously, the West accepted this doctrine with understanding and never offered full NATO and EU membership to the former Soviet republics. Moreover, in the case of NATO, in April 2008 Ukraine and Georgia were denied membership candidate status.

Relations between Russia and Ukraine moved into an open escalation later. On November 21, 2013, the government of Ukraine (at that time Yanukovich was the president of the country) ordered to suspend the process of preparing for the conclusion of an Association Agreement with the EU. This was motivated by the need to develop economic relations with Russia and the CIS. After this step of the leadership, a political crisis erupted in the country. Mass protests, called “Euromaidan”, took place throughout Ukraine. The head of state was removed from power and Yanukovich was forced to leave the country, heading to Russia.

On March 21, 2014, the EU and Ukraine signed the political provisions of the EU-Ukraine Association Agreement. On May 25, 2014, the presidential elections in Ukraine were held, Petro Poroshenko became a new president and announced a course towards Euro-Atlantic integration.

“Euromaidan” and the change of power motivated Russia to act. Russia contributed to the fact that a referendum on accession was held in Crimea (March 16, 2014). Two days later, the annexation of the region was announced. Next, the process of creating republics in Donetsk and Lugansk began. Hostilities between Ukrainian troops and separatists, supported by Russia, have become an integral part of reality in Ukraine.

The beginning of the war and the unjustified expectations of Russia

On February 21, 2022, Russia recognized the independence of the DPR and the LPR, completely ignoring the territorial integrity of Ukraine and the principles of international law. A few days after, on February 24, 2022, Russia launched a full-scale operation. Apart from the Yugoslav crisis and the occupation of Azerbaijan by Armenia (1991-2020), this is the largest military intervention by one European country in another since the Second World War. Russian troops crossed the border and penetrated the eastern regions of Ukraine: Chernihiv, Kharkiv and Luhansk regions and began to land troops from the sea in the south.

After recognizing the independence of the DPR and LPR on November 22, 2022, Russia announced that it was launching a special operation to restore the territorial integrity of these new entities. At the same time, hostilities went far beyond the regional borders of these two separatist regimes.

In Russia, it was believed that the control of the territories of Ukraine, including the capital of Ukraine, and then the change of power would not be very difficult. Russian experts believed that

the military operation would last long. This assumption was made since in 2014 the annexation of Crimea, Donetsk and Lugansk did not cause any serious resistance from the local population. It was supposed to happen this time as well. However, Russia did not see the processes and changes that have taken place in Ukraine since 2014, which contributed to the acceleration of the formation of common values and the building of a nation.

In short, Russia also faced serious resistance in one of Ukraine's largest cities in the east of Kharkiv, where, according to the 2001 census, 33% of the inhabitants were ethnic Russians. Understandably, the percentage of the Russian population in the region has decreased significantly over 20 years, but before the Russian attack, a significant number of Russians still lived in this city. Russian troops never managed to control this city.

It is important to note that the West did not believe in Ukraine's resistance either. A good example is the evacuation of embassies to the west of Ukraine to the city of Lviv and even to Poland. The West, represented by the US, European countries, NATO and the EU, at the first stage reacted rather sluggishly to Russia's military operation. However, as Ukraine successfully resisted, the West began to support Ukraine more and more.

It is worth noting that there was no direct Western intervention on the side of Ukraine, however, Western countries began to support Ukraine both financially and with military weapons and equipment. Ukrainian militaries are receiving training to use new weapons. Along with this, the leaders of many Western countries visited Ukraine, demonstrating support for Ukraine and its President Volodymyr Zelinsky. One of the memorable visits was done by US President Joe Biden on February 20, 2023.

Having changed all its principles, on June 24, 2022, the EU granted the status of a candidate member to Ukraine and Moldova. Although this is rather a symbolic step and Ukraine is very far from full membership, the EU thus demonstrated solidarity with Ukraine and its struggle for territorial integrity.

From the military invasion until mid-January 2023, the total international community assistance to Ukraine amounted to about 113 billion US dollars. About 40 countries of the world helped Ukraine. The largest aid was provided by the EU - \$52 billion and the US - \$48 billion.

Along with this, the West imposed economic sanctions against Russia, also limiting the supply of several strategic goods and, in fact, refused to import energy resources from this country. Thus, the G-7 countries and the EU have introduced a price ceiling for oil from Russia at the level of \$60 per barrel. The conflict in Ukraine has become a kind of impetus for the EU countries to quickly abandon fossil energy sources and form a closer common energy policy.

Military assistance is very significant. Thus, the US has sent and continues to send to Ukraine various types of weapons (air defense systems, tanks, MLRS, air defense, shells, etc.) worth over \$8.4 billion. Germany provided Ukraine with grenade launchers, Stinger air defense systems and

anti-tank weapons, IRIS-T air defense and agreed on a fund of 2 billion Euros for the purchase of German weapons. The UK supplies anti-tank systems, air defense systems, armored vehicles, etc.

It is worth noting that Western equipment played a significant role in the resistance of Ukraine and even in several successful operations. In a word, Ukraine managed to liberate large territories previously occupied by Russia and stall its offensive. However, Russia still controls the southeastern part of Ukraine. Ukraine is asking for more help from the West in the form of new types of weapons, which these countries are in no hurry to provide. Thus, it is difficult to expect any qualitative change at the front without this help.

Instead of conclusion: evaluation of current situation and what next?

Now, the confrontation between Russia and Ukraine has moved into the stage of a war of resources: human, economic, military potential. Somehow it's the struggle of the invincible against the undefeated. Considering the reaction of the international community, Russia can only rely on its own capabilities, while Ukraine depends on the level of support from the West. Ukraine refuses to start negotiations until the complete liberation of its territories, while Russia also has not achieved its goals.

On September 6, 2022, the Ukrainian armed forces succeeded in a successful counteroffensive, because of which they managed to regain control over 8370 square kilometers in the Kharkiv region. Things got to the point that Russia was forced to conduct a partial mobilization. On September 21, 2022, Russian President Putin issued a corresponding decree. The conscription plan was 100 thousand people.

Along with the introduction of unsuccessful hostilities, the reason for the mobilization also lies in the huge losses. According to The Center for Strategic and International Studies (based in Washington DC), at the end of February 2023, the total losses of the Russia in killed and wounded are 200-250 thousand, including Wagner PMC mercenaries.

Another important aspect is citizens who left Russia. Two waves were observed here: those who did not agree with the military operation carried out by the authorities, and those who wished to avoid mobilization. The number of Russians who left the country varies. According to the most conservative estimates, as of January 2023, 500,000 people left the country. However, the number of migrants is probably much higher.

On September 30, 2022, the ceremony of joining four regions of Ukraine to Russia was held: Donetsk, Lugansk, Zaporozhye and Kherson, which is more than 90 thousand km² or almost 15% of the total area of Ukraine. The region is highly industrialized and only Donetsk and Lugansk accounted for up to 20% of Ukraine's GDP. Nevertheless, after declaration Russia was forced to withdraw troops from Kherson.

If we compare the economic condition of the two countries, then given that the war is taking place on the territory of Ukraine, this country suffered the most losses. In a word, Ukraine's GDP in 2022 decreased by 30.4% (!). As for Russia, the fall was 2.1%.

Some experts believe that with the current level of sanctions, the fall of the economy will increase. Signals confirming this circumstance have already begun to arrive. In a word, in January the Ministry of Finance of Russia for the first time since the beginning of the military operation sold gold from the National Wealth Fund to cover the sharply increased budget deficit. In total, 3.6 tons of gold were sold. In addition, 2.3 billion Chinese yuan (309 million Euros) were sold for the same purpose. In total, 38.5 billion rubles were received from the sale. In February, the Ministry of Finance planned to sell three times more Chinese yuan in the amount of 160 billion rubles.

The Russian budget deficit in January amounted to 1.76 trillion rubles. Budget expenditures increased by 59% - up to 3.117 trillion rubles. Revenues amounted to 1.356 trillion rubles, which is 35% less than in January 2022. The sharp increase in the budget deficit in the Ministry of Finance was explained by a five-fold increase in public procurement spending, as well as a decrease in oil and gas revenues to 426 billion rubles, which is 46% less than in January last year.

The exchange rate of the ruble against major international currencies has also changed. For comparison, if the average annual exchange rate of the ruble against the US dollar in 2022 was 68.55 rubles per dollar, then in March 2023 the rate was already 75.40 rubles per dollar. At the same time, Russia managed to stabilize the dollar over the year, since at the end of March 2022, one dollar had to pay 93.71 rubles. However, if the budget deficit persists at its current level and Russia must keep selling its reserves to pay off the deficit, the ruble could fall again.

It is worth noting that the fall in Russia's GDP in January 2023 was 3.2%, and the consumer price index was 11.8% (in 2022 - 11.9%). The Russian economy still does not yet reflect in the short term the possible deterioration associated with the military operation and the sanctions imposed against this country. Apparently, a complete analysis of the general situation can be carried out after the recent sanctions and restrictions on oil prices, as well as the migration of highly qualified specialists and the export of capital from the country, begin to affect the macroeconomic indicators of this country.

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