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IMPACT OF RUSSIA-UKRAINE WAR





MNCs responding to the war

Airbnb: The room-rental service has suspended all operations in Russia and Belarus and has said its nonprofit subsidiary will offer free temporary housing to 100,000 Ukrainian refugees. It's also waived host and guest fees for bookings in Ukraine, as people worldwide use Airbnb as a way to provide income directly to Ukrainians by, as The Guardian put it, "paying but not staying."

Amazon: The online giant suspended shipments of all retail products to customers in Russia and Belarus, and suspended access to Prime Video for users in Russia.

Apple: The tech giant stopped selling its products in Russia and is halting online transactions, including limiting Apple Pay in the country. Additionally, it has disabled some Apple Maps features in Ukraine to protect civilians.

Epic Games: The maker of Fortnite said it will stop commerce with Russia in its games but wasn't blocking access to games "for the same reason other communication tools remain online: the free world should keep all lines of dialogue open."

PayPal: The online international payments company halted services in Russia over the weekend, with CEO Dan Schulman saying the company "supports the Ukrainian people and stands with the international community in condemning Russia's violent military aggression in Ukraine."

Disney: The entertainment company has halted all theatrical releases in Russia, including new Pixar film *Turning Red*. It has also paused content and product licensing, channels, local productions, National

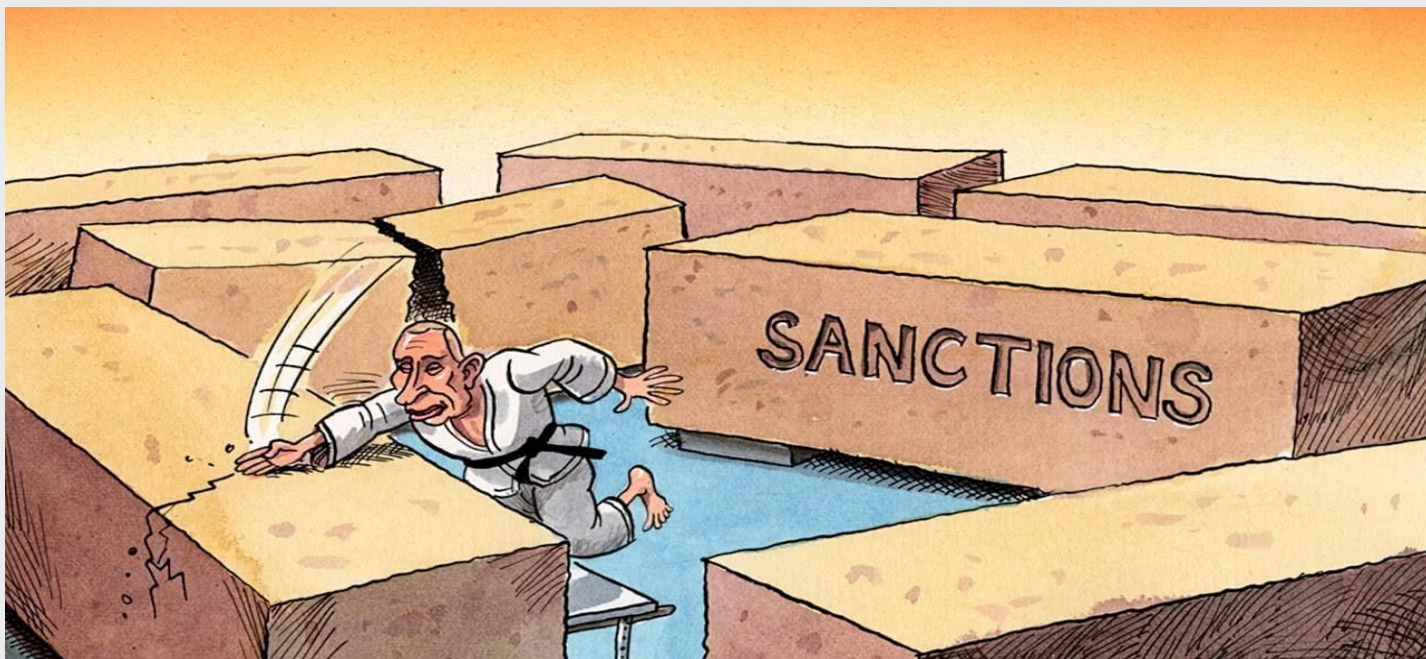
Geographic magazine and tours, and Disney Cruise Line activities.

Adobe: The maker of Photoshop and other software stopped all new sales and services in Russia, including its software for creative pros and its website analytics tools, citing "our civic and moral responsibility to support democracy and humanity" and government sanctions. In addition, the company cut off access to its cloud services for Russia's government-controlled media outlets.

Google: Though users in Russia can still use Google's search engine, the company has completely suspended its advertising business in the country. This includes ad revenue from YouTube, search and all other forms of Google-sponsored marketing. Some Google Maps features have also been disabled, though Google provides info on refugee resources for people fleeing Ukraine.

-Yashodhan Barve

"Only the dead have seen the end of war."



Impact of sanctions on Russian financial system

Sanctions on Russia are starting to wreak havoc on global trade, with potentially devastating consequences for energy and grain importers while also generating ripple effects across a world still struggling with pandemic-induced supply chain disruptions.

These sanctions include freezing the assets of Russian companies and oligarchs in western countries; and restricting the Russian central bank from using its US\$630 billion (£473 billion) of foreign reserves to undermine the sanctions. In response to these moves, several ratings agencies have withdrawn Russia's credit rating or signaled that they may do so soon.

In other words, they think the prospect of Russia defaulting on its debts is higher than before. Recently Russia breached the terms on two bonds by paying investors rubles instead of dollars; that pushed the countdown clock a step closer to default. S&P said that it had declared Russia in a selective default after it used rubles to make a payment on a dollar-denominated bond on April 4.

There's still uncertainty about what's next and further twists can't be ruled out. The dollar bonds that were serviced in rubles this week have 30-day grace periods and Russian finance minister said that payment was technically made, he said the rubles transferred in lieu of dollars can be converted for creditors just as soon as the reserves freeze is eased.

The U.S. Treasury threw up a major hurdle for the sovereign by blocking access to bank accounts, effectively torpedoing

a Treasury sanction carve-out that had allowed bond payments to go ahead from Russia's overseas accounts, despite the central bank reserve freeze.

SWIFT provides secure financial messaging services for the execution of financial transactions and payments across borders. SWIFT is the leading method for the provision of financial messaging. It is a member-owned — neither the United States nor the European Union controls SWIFT directly, but each can exert influence on its governing body that is subject to Belgian law. Within the SWIFT network, the 11,000 member banks communicate with each other through a standard language — the SWIFT message.

These SWIFT messages are used to initiate and execute transactions with unique bank identifiers called SWIFT codes. SWIFT itself does not settle payments, but it permits transaction-related communications from one bank to another that would otherwise have to go through error-prone emails or telex. SWIFT handles about 10 billion messages a year. The vast majority of any individual or corporate international transactions settled among banks relies on the SWIFT messaging system.

Another important sanction is removal of selected Russian banks from SWIFT banking system.

SWIFT-related sanctions were imposed on Russian banks. On February 26th, the United States, the European Commission, the United Kingdom and Canada announced a commitment to ensure that selected Russian banks are removed from the SWIFT messaging system or have their access restricted to permitted transactions.

On March 2, the European Union detailed those seven Russian banks would be excluded from the SWIFT messaging system in an action that would take effect March 12 and was coordinated with its international partners including the U.S. and the United Kingdom.

Banning a bank from SWIFT freezes, at least temporarily, its ability to transact with the rest of the world. It technically impedes the excluded bank from executing its and its customers' financial transactions with foreigners, meeting obligations, receiving payment for exports, or providing short-term credit for imports.

This can paralyze all sectors of the economy engaged in international trade and finance. Even a selective ban on Russian banks as the one enacted would have a major immediate economic impact on the Russian economy and its businesses.

The ruble tumbled about 30 percent, the central bank doubled interest rates to 20 percent and imposed controls on payments abroad. Russia's domestic payment system could also be disrupted to the extent that all transactions with any card issued by the major credit card networks (VISA, Mastercard, Amex, etc.) all operate through SWIFT.

Russia has already developed its own transaction system known as the System for Transfer of Financial Messages

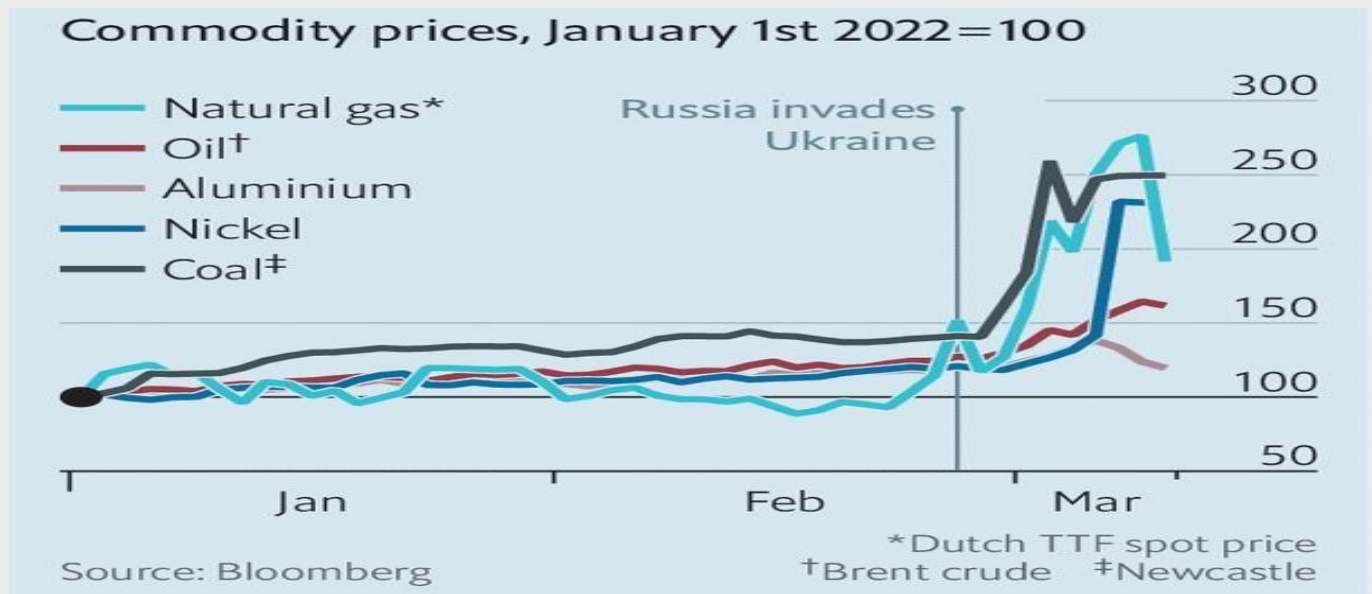
(SPFS), currently used only for domestic transactions.

SPFS was created after the United States attempted to impose a similar ban from SWIFT following Russia's annexation of Crimea in 2014. The Institute of International Finance (IIF), however, estimates that only 20-25% of the domestic messaging and card transactions within Russia currently take place outside SWIFT (see chart). In addition, Russian citizens would find traveling abroad much more cumbersome without access to credit cards.

The Russian public reacted to the sanctions with a run on banks. Amid fears that they may not be able to use credit cards for day-to-day purchases, Russian citizens dashed to the ATMs for rubles and dollars and tried to buy durable goods on the shelves to protect their savings and purchasing power from the sanctions. People withdrew close to a trillion Rubles (representing 6.5% of the monetary base) when the SWIFT sanctions were announced.

-Manasi Kadam

"I don't oppose all wars. What I am opposed to is a dumb war. What I am opposed to is a rash war."



Russia-Ukraine crisis fires up commodity prices

Prices had been supported by low metal stockpiles and strong, continuous demand. The Russian invasion of Ukraine means that the metal price boom still has a long way to go.

After weeks of geopolitical tensions, Russia's invasion of Ukraine caused a crisis that is slowly but steadily destroying every area of the global economy, either directly or indirectly.

Both countries are major producers of commodities, particularly oil, gas, and metals, both basic metals and specialty metals. Food commodity prices have risen as a result of the conflict, which has hampered Russia's and Ukraine's imports of completed goods from other areas of the world.

Share of Russia in commodities market

Because Russia is one of the world's top producers and suppliers of oil and gas, the crisis' impact was immediately clear in the sharp jump in crude prices. Since Russia and Ukraine are large producers of agricultural products like wheat, barley, and maize, as well as a big producer of metals, commodities prices are rising as well.

Russia is a major player in the commodities market, which includes everything from coal to precious metals. Russia produces 35% of palladium and 10% of platinum on a global scale. Rusal, the Russian aluminum producer, supplies 6% of worldwide aluminum, while Norsk Nickel satisfies over 5% of global nickel demand. In addition, Russia is a major coal exporter. Over the last four years, it exported over 18% of world thermal coal and more than 10% of coking coal. Its steel exports made up 6.5% of all steel shipped by sea.

Sanctions against Russia are likely to raise commodities prices, which are already soaring because of supply disruptions during Covid-19. For example, worldwide thermal coal export volumes in calendar year 2021 are expected to be 992 MMT (Million Metric Tonnes), a 10% decrease from 2018-19. As a result, a disruption in Russian coal supply might have a significant impact on worldwide coal prices.

As supply of steel, copper, aluminium, and precious metals is impacted by the prolonged conflict, increasing energy and carbon costs, particularly in Europe, will push the global cost structure higher.

The geopolitical issue has caused a spike in commodity/metal prices, and with supply from two of the world's top metal exporters stopped, Indian enterprises have grabbed the opportunity to expand their export markets. Metal prices have risen 10 to 50 % as a result of this. So far this year, Jindal Steel & Power has achieved the greatest returns of 49.47 %. In comparison to the competition, its captive coal has served it well. Other equities that have gained more than 20% this calendar year include NMDC, Vedanta, Tata Steel, and Hindalco.

Ukraine and Russia both contribute significantly to world food grain supplies, particularly wheat and corn. According to US Department of Agriculture (USDA) data, Russia and Ukraine contributed roughly 56 MMT of wheat in 2020 -21, accounting for around 27.6% of global exports. According to the data, both countries shipped roughly 27.9 million metric tonnes of corn in 2020-21, accounting for 15.4% of global

exports. Any disruption in Russia's and Ukraine's food grain exports will raise the price of commodities like wheat and corn.

Beneficiary:

The prolonged dispute has the potential to benefit both pricing and volumes, as domestic steel producers will have access to an unrestricted export market in Southeast Asia, where Russia has established itself as the region's price setter.

If Russian exports are restricted, combined with continuing maintenance at Far East mills and China's focus on lowering steel exports, Indian steel mills such as JSW Steel and Tata Steel are likely to gain market share in the export market. A rise in Aluminium prices will benefit Hindalco the most. Higher nickel prices are expected to benefit Jindal Stainless.

-Darshan Mahakal

""Wars are not paid for in wartime, the bill comes later.""



EFFECT OF WAR ON CRUDE OIL

Russia began a special military operation in Ukraine on 24th Feb 2022. It has been described as the largest military conflict in Europe since the second world war. It has also caused the biggest refugee crisis in Europe since World War 2. Many experts also argued that this military operation might escalate into a third world war.

This has led to several sanctions being imposed on Russia by many countries. One of the most significant decisions taken by us to combat Russia was to ban all oil imports from Russia. The same policy has been followed by other countries like Canada and UK. Several countries have halted their imports of Russian oil amid the Russia-Ukraine crisis.

This was because the world feared the war would lead the west to ban Russian oil. Even before the us and the UK banned Russian oil and gas imports, some countries had halted their purchases, while others went into panic-buying.

Russia produces the third-largest amount of oil in the world (behind the us and Saudi Arabia). It supplies 7-8 million barrels of crude oil per day to global markets, accounting for 14% of global production. The ban on import of Russian oil will highly affect countries as the supplies were already tight.

India is the world's third-largest oil consumer, behind the United States and China, with 5.5 million barrels per day. The country's oil demand is increasing at a rate of 3-4% per year.

According to this estimate, India could consume about 7 million barrels of oil per day in a decade. India imports about 85% of its oil from about 40 countries, the majority

of which come from the middle east and the United States.

On the 15th of march, the price of crude oil fell below \$100 per barrel, following a two-week rise to \$139 per barrel, its highest level in 14 years. Brent crude rose to \$102.7 per barrel on March 16th, up about 32% from \$78.11 per barrel at the start of the year.

However, oil marketing companies (OMCs) have held the price of petrol and diesel constant since November 4, despite the price of crude oil rising by about 27 per cent during the period.

India's concern is related to the slowing of the economy. The majority of crude oil trade is conducted in us dollars. This means that more dollars will be spent from India's foreign exchange reserves on oil, or that fewer dollars will be available for other imports. More than 100 countries import petroleum products from India.

These items account for more than 13% of India's total exports. Rising crude oil prices have an impact on this as well.

An oil crisis will also have an impact on industries such as petrochemicals and plastics, as well as power generation, and will exacerbate the job crisis.

Indian oil corporation (IOC), Bharat petroleum corporation ltd (BPCL) and Hindustan petroleum corporation ltd (HPCL) haven't changed petrol prices for a record of up to 4 months. This

despite the cost of raw material jumping over 60 percent.

Oil marketing companies will take their decision (on fuel prices). They will proceed once they can no longer bear it. If they don't have the margin or cushion, they will take the appropriate step.

Sanctions might have benefited India as Russia is

prepared to offer oil at cheap prices to its friendly countries.

The Indian Oil Corporation (IOC), the country's largest oil company, is believed to have purchased up to 3 million barrels of crude oil from Russia at a steep discount to current international prices.

-Arnav Apte & Rushiraj Joshi

“The only excuse for war is that we may live in peace unharmed.”



Sanctions Imposed by American and European countries due to war.

Sanctions Declared by Governments on Russia-

A major sanction imposed on Russia currently, is the SWIFT block. The Russian banks have been cutoff from the SWIFT system. SWIFT stands for Society for Worldwide Interbank Financial Telecommunications. It is a payment system used internationally by more than 11,000 financial institutions. More than 200 countries use this globally. Since Russian banks have been cut off from SWIFT, it means that neither can Russian banks accept money from international sources nor can they send money.

But the interesting thing is that, Russia isn't the first country this has been done to. Before this, Iran was blocked from SWIFT access. It resulted in Iran losing one-third of its foreign trade. Another major example of these sanctions is freezing the assets (Foreign Exchange) of Russia's central bank.

Like every country, Russia's central bank maintains reserves in US Dollar. It keeps some amount with

itself in US currency. America and other countries have freeze these dollar reserves. They have said that they wouldn't accept the USD Russia has. The Forex it has will now be a complete waste. It amounts to \$630 billion. These measures are so harsh that the Russian Ruble, Russia's currency, is crashing at a rapid rate.

In 2012, \$1 was equal to ₹30. At the beginning of 2022, \$1 was around ₹70, but since this war began, as of the day of this recording, \$1 is poised to cross ₹150. Their currency is losing its value this rapidly. The money that peoples had earned and saved is now losing value. There's high inflation. People are fearing hyperinflation. Apart from this, people can't use the basic payment systems. People are trying to get cash from the banks but can't. It has a terrible impact on the common citizens of Russia. People are going to supermarkets and are buying electronic items like laptops and smartphones, because these are the assets whose value isn't depreciating.

The money they have with the banks is losing its value, but the currency is losing its value. But if they hoard the electronic items at home, they'd be sure that they wouldn't lose value. They'll be able to sell it in a foreign country at the same price. People literally started doing this. In the near future, the standard of living of an average Russian would fall. Many people would be pushed into poverty because of this. Unemployment and inflation are rising.

-Kadambari Suryawanshi & Pradyumna Patil

“Every gun that is made, every warship launched, every rocket fired, signifies in the final sense a theft from those who hunger and are not fed, those who are cold and are not clothed.”



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“War is never a solution; it is an aggravation.”