

Moscow All Too Clearly Not Keen on Maintaining July Agreement

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On October 29, Moscow suspended its adherence to the July agreement allowing both Ukraine and Russia to freely export their grain and other agricultural products, including fertiliser. Moscow justified its stand by saying the move is in retaliation for Ukrainian drone attacks on the Russian fleet based at the Crimean port of Sevastopol. Consequently, Russia said it cannot guarantee the safety of commercial shipping carrying grain from the Black Sea ports to Turkey and beyond. The deal is set to be renewed on November 19.

Although the UN and Turkey have pledged to continue shipping Ukrainian grain from the Black Sea ports, a few well-aimed armed drones or missiles would put a stop to commercial voyages. Ukraine will be the main loser as the sale of grain provides urgently needed hard currency while grain prices are certain to rise across the globe.

Following Russia's suspension, Reuters cited Singapore traders who said, "Hundreds of thousands of tonnes of wheat booked for delivery to Africa and the Middle East are at risk following Russia's withdrawal, while Ukrainian corn exports to Europe will get knocked low." Chicago wheat futures jumped a few points for fear that supplies will be tight.

Before Russia's suspension, the UN trade and development organisation had reported that 8 million metric tonnes of Ukrainian grain were exported under the deal. "The UN-led initiative has helped to stabilise and subsequently lower global food prices and move precious grain from one of the world's breadbaskets to the tables of those in need," the UN claimed despite what has actually happened.

Russia has expressed dissatisfaction with the UN-brokered deal because the primary beneficiaries have not been poor countries dependent on wheat, barley and corn from Ukraine. Indeed, The Financial Times cited UN data which "shows that [under the deal] rich countries received more than half of the shipment volumes, led by Spain [due to drought]. Middle-income countries including Turkey and China accounted for about a quarter of the

total, while lower and lower-middle income countries such as Egypt and Ethiopia received just over a fifth”.

Therefore, 80 per cent of the exports under the UN deal have not gone to reduce hunger in poor countries but to replace shortages in Europe and other moderately wealthy countries and bring down prices in these countries.

Al Jazeera has revealed just how dramatic the shift direction of grain exports has been under the July deal. During 2021-early 2022 Turkey was the largest importer of Russian and Ukrainian wheat; Egypt which was usually first, came second, followed by Bangladesh. Next in line were Nigeria, Yemen, Azerbaijan, Sudan, Senegal, Vietnam, Indonesia, Tunisia, Thailand, Morocco, the Philippines, the UAE, South Korea, Spain and Israel. Turkey and the last five countries on this list are not afflicted by widespread hunger.

The true reason for Russia’s suspension, which was predicted before the attack on its fleet, was discriminatory implementation of the deal. Shortly after the deal was agreed, the volume of Ukrainian grain exports was about 50 per cent of pre-war levels and climbing. However, the same was not true for Russian grain exports which fell by 22 per cent in July and August.

Sanctions are responsible. While sanctions are not meant to hinder the delivery by targeted countries of essential food and medicine, bankers and insurance companies are reluctant to do business with Russia, ship owners do not want their vessels to carry Russian cargoes and port handlers boycott Russian arrivals. This is true also for Russian exports of potassium fertilisers, which have fallen by 25-30 per cent this year.

Since Russian exports are being shunned and Moscow demonised while a huge hullabaloo is being made over potential cuts in Ukrainian grain exports, Moscow is all too clearly not keen on maintaining the deal. Nevertheless, Russia did not stop a dozen grain laden ships setting sail from Ukrainian ports on Monday, the first day after Russia’s withdrawal.

Russia may also be frustrated by the spin the world media has adopted. Newspapers and broadcasters have argued that the absence of Ukrainian grain alone is a major disaster for the poor and a driver of inflation. This has been refuted by the UN data cited by the Financial Times and is pure propaganda.

Russia is the world’s top exporter of wheat, followed by the US, Canada and France. Ukraine comes fifth. Russia exports 37.3 million tonnes (18 per cent of the world’s wheat supply) compared with 18 million exported by Ukraine (7 per cent). Together they export 25 per cent of global wheat supplies.

The imposition on countries other than Russia of sanctions on both exports and imports have had the same material and political impact as on Russia. For example, Washington provides a waiver to permit heavily sanctioned Iran, which exports natural gas and machinery to Iraq. On Iranian imports, companies producing food, medicine and other essential goods, which are meant to be exempt from sanctions, do not sell to Tehran because they fear US secondary sanctions. Banks, shipping companies, insurers and potential investors shun Iran. As a result, Iranians have been subjected for decades to collective punishment which is illegal under international humanitarian law.

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