

Who's Winning and Losing the Economic War Over Ukraine?

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With the Ukraine war now reaching its one-year mark on February 24, the Russians have not achieved a military victory but neither has the West achieved its goals on the economic front. When Russia invaded Ukraine, the United States and its European allies vowed to impose crippling sanctions that would bring Russia to its knees and force it to withdraw.

Western sanctions would erect a new Iron Curtain, hundreds of miles to the east of the old one, separating an isolated, defeated, bankrupt Russia from a reunited, triumphant and prosperous West. Not only has Russia withstood the economic assault, but the sanctions have boomeranged—hitting the very countries that imposed them.

Western sanctions on Russia reduced the global supply of oil and natural gas, but also pushed up prices. So Russia profited from the higher prices, even as its export volume decreased. The International Monetary Fund (IMF) [reports that](#) Russia's economy only contracted by 2.2% in 2022, compared with the 8.5% contraction it had [forecast](#), and it predicts that the Russian economy will actually grow by 0.3% in 2023.

On the other hand, Ukraine's economy has shrunk by 35% or more, despite \$46 billion in economic aid from generous U.S. taxpayers, on top of \$67 billion in military aid.

European economies are also taking a hit. After growing by 3.5% in 2022, the Euro area economy is [expected](#) to stagnate and grow only 0.7% in 2023, while the British economy is projected to actually contract by 0.6%. Germany was more dependent on imported Russian energy than other large European countries so, after growing a meager 1.9% in 2022, it is predicted to have negligible 0.1% growth in 2023. German industry is set to [pay](#) about 40% more for energy in 2023 than it did in 2021.

The United States is less directly impacted than Europe, but its growth shrank from 5.9% in 2021 to 2% in 2022, and is projected to keep shrinking, to 1.4% in 2023 and 1% in 2024. Meanwhile India, which has remained neutral while buying oil from Russia at a discounted

price, is projected to maintain its 2022 growth rate of over 6% per year all through 2023 and 2024. China has also benefited from buying discounted Russian oil and from an overall trade increase with Russia of 30% in 2022. China's economy is [expected](#) to grow at 5% this year.

Other oil and gas producers reaped windfall profits from the effects of the sanctions. Saudi Arabia's GDP grew by 8.7%, the fastest of all large economies, while Western oil companies laughed all the way to the bank to deposit [\\$200 billion](#) in profits: ExxonMobil made \$56 billion, an all-time record for an oil company, while Shell made \$40 billion and Chevron and Total gained \$36 billion each. BP made "only" \$28 billion, as it closed down its operations in Russia, but it still doubled its 2021 profits.

As for natural gas, U.S. LNG (liquefied natural gas) suppliers like Cheniere and companies like Total that distribute the gas in Europe are [replacing](#) Europe's supply of Russian natural gas with fracked gas from the United States, at about four times the prices U.S. customers pay, and with the [dreadful](#) climate impacts of fracking. A mild winter in Europe and a whopping \$850 billion in [European government subsidies](#) to households and companies brought retail energy prices back down to 2021 levels, but only after they [spiked](#) five times higher over the summer of 2022.

While the war restored Europe's subservience to U.S. hegemony in the short term, these real-world impacts of the war could have quite different results in the long term. French **President Emmanuel Macron** [remarked](#),

"In today's geopolitical context, among countries that support Ukraine, there are two categories being created in the gas market: those who are paying dearly and those who are selling at very high prices... The United States is a producer of cheap gas that they are selling at a high price... I don't think that's friendly."

An even more unfriendly act was the sabotage of the Nord Stream undersea gas pipelines that brought Russian gas to Germany. **Seymour Hersh** [reported](#) that the pipelines were blown up by the United States, with the help of Norway—the two countries that have displaced Russia as Europe's two [largest](#) natural gas suppliers. Coupled with the high price of U.S. fracked gas, this has [fueled](#) anger among the European public. In the long term, European leaders may well conclude that the region's future lies in political and economic independence from countries that launch military attacks on it, and that would include the United States as well as Russia.

The other big winners of the war in Ukraine will of course be the weapons makers, dominated globally by the U.S. "big five": Lockheed Martin, Boeing, Northrop Grumman, Raytheon and General Dynamics. Most of the weapons so far sent to Ukraine have come from existing stockpiles in the United States and NATO countries. Authorization to build even bigger new stockpiles flew through Congress in December, but the resulting contracts have not yet shown up in the arms firms' sales figures or profit statements.

The Reed-Inhofe substitute [amendment](#) to the FY2023 National Defense Authorization Act authorized "wartime" multi-year, no-bid contracts to "replenish" stocks of weapons sent to Ukraine, but the quantities of weapons to be procured outstrip the amounts shipped to Ukraine by up to 500 to one. Former senior OMB official Marc Cancian commented, "This isn't replacing what we've given [Ukraine]. It's building stockpiles for a major ground war [with Russia] in the future."

Since weapons have only just started rolling off production lines to build these stockpiles, the scale of war profits anticipated by the arms industry is best reflected, for now, in the 2022 increases in their stock prices: Lockheed Martin, up 37%; Northrop Grumman, up 41%; Raytheon, up 17%; and General Dynamics, up 19%.

While a few countries and companies have profited from the war, countries far from the scene of the conflict have been reeling from the economic fallout. Russia and Ukraine have been critical suppliers of wheat, corn, cooking oil and fertilizers to much of the world. The war and sanctions have caused shortages in all these commodities, as well as fuel to transport them, pushing global food prices to all-time highs.

So the other big losers in this war are people in the Global South who depend on [imports](#) of food and fertilizers from Russia and Ukraine simply to feed their families. Egypt and Turkey are the largest importers of Russian and Ukrainian wheat, while a dozen other highly vulnerable countries depend almost entirely on Russia and Ukraine for their wheat supply, from Bangladesh, Pakistan and Laos to Benin, Rwanda and Somalia. [Fifteen](#) African countries imported more than half their supply of wheat from Russia and Ukraine in 2020.

The Black Sea Grain Initiative brokered by the UN and Turkey has eased the food crisis for some countries, but the agreement remains precarious. It must be renewed by the UN Security Council before it expires on March 18, 2023, but Western sanctions are still blocking Russian fertilizer exports, which are supposed to be exempt from sanctions under the grain initiative. UN humanitarian chief Martin [Griffiths](#) told Agence France-Presse on February 15 that freeing up Russian fertilizer exports is “of the highest priority.”

After a year of slaughter and destruction in Ukraine, we can declare that the economic winners of this war are: Saudi Arabia; ExxonMobil and its fellow oil giants; Lockheed Martin; and Northrop Grumman.

The losers are, first and foremost, the sacrificed people of Ukraine, on both sides of the front lines, all the soldiers who have lost their lives and families who have lost their loved ones. But also in the losing column are working and poor people everywhere, especially in the countries in the Global South that are most dependent on imported food and energy. Last but not least is the Earth, its atmosphere and its climate—all sacrificed to the God of War.

That is why, as the war enters its second year, there is a mounting global outcry for the parties to the conflict to find solutions. The words of Brazil’s President Lula reflect that growing sentiment. When pressured by President Biden to send weapons to Ukraine, he [said](#), “I don’t want to join this war, I want to end it.”

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Medea Benjamin and Nicolas J. S. Davies are the authors of [War in Ukraine: Making Sense of a Senseless Conflict](#), available from OR Books in November 2022. They are regular contributors to Global Research.

Featured image: Half a million tons of methane rise from the sabotaged Nord Stream pipeline. Photo: Swedish Coast Guard

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