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Research Article

Effects Of Regional Wars on The Global Economy: The Example of the Russia-Ukraine War

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Abstract: Russia's comprehensive invasion of Ukraine in February 2022, combined with the strict financial sanctions imposed on Moscow, has not only had economic consequences for Russia but also affected the global economy. Inflationary pressures stemming from the Ukraine crisis are currently damaging most of the world's economies and are being exacerbated by significant increases in the prices of oil, gas, and both industrial and agricultural goods. Consequently, this study aims to investigate the economic consequences of the 2022 conflict between Russia and Ukraine on major players in the global economy, particularly the United States and Europe, which have imposed severe financial sanctions on Russia. The research hypothesis suggests that, in light of the political and military dimensions of the conflict in Ukraine, the country's leaders are prioritizing political rather than economic considerations in their decision-making processes regarding this crisis. This change has led to the re-entry of economic issues, previously seen as secondary during the Cold War, into the realm of primary policy concerns, resulting in the expected recessionary trends and rising global prices. The outbreak of the war has shown that the economies and markets of European countries that maintain significant economic ties with Russia and Ukraine and are more dependent on these countries for energy resources have experienced negative effects. While the conflict between Russia and Ukraine is expected to have negative effects on the global economy and financial markets, it is believed that its impact will not be significant on a global scale.

Keywords: War, Economy, Impact, Russia-Ukraine War, Global Economy
Jel Codes: N40, E44, O16

Bölgesel Savaşların Küresel Ekonomi Üzerindeki Etkileri: Rusya-Ukrayna Savaşı Örneği

Öz: Şubat 2022'de Rusya'nın Ukrayna'yı kapsamlı bir şekilde işgal etmesi, Moskova'ya uygulanan katı mali yaptırımlarla birleşince, yalnızca Rusya için ekonomik sonuçlar doğurmakla kalmamış, aynı zamanda küresel ekonomiyi de etkilemiştir. Ukrayna krizinden kaynaklanan enflasyonist baskılar şu anda dünya ekonomilerinin çoğuna zarar vermektedir ve petrol, gaz ve hem endüstriyel hem de tarımsal malların fiyatlarında önemli bir artışla daha da kötüleşmektedir. Sonuç olarak, bu çalışma, Rusya ile Ukrayna arasındaki 2022 çatışmasının, özellikle Rusya'ya karşı ağır mali yaptırımlar uygulayan ABD ve Avrupa olmak üzere küresel ekonomideki önemli oyuncular üzerindeki ekonomik sonuçlarını araştırmayı amaçlamaktadır. Araştırma hipotezi, Ukrayna'daki çatışmanın siyasi ve askeri boyutları ışığında, ülke liderlerinin bu krizle ilgili karar alma süreçlerinde ekonomik olanlardan ziyade siyasi düşünceleri önceliklendirdiğini öne sürmektedir. Bu değişim, daha önce Soğuk Savaş sırasında ikincil olarak görülen ekonomik sorunların, birincil politika endişeleri alanına yeniden girmesine yol açmış ve beklenen durgunluk eğilimlerine ve artan küresel fiyatlara neden olmuştur. Savaşın başlaması, Rusya ve Ukrayna ile önemli ekonomik bağlantıları sürdüren ve enerji kaynakları için bu ülkelere daha fazla bağımlı olan Avrupa ülkelerinin ekonomilerinin ve piyasalarının olumsuz etkiler yaşadığını ortaya koymuştur. Rusya ve Ukrayna arasındaki çatışmanın küresel ekonomi ve finans piyasaları üzerinde olumsuz etkiler yaratacağı öngörülürken, etkisinin dünya çapında bağımsız olarak önemli olmayacağına inanılmaktadır.

Anahtar Kelimeler: Savaş, Ekonomi, Etki, Rusya-Ukrayna Savaşı, Küresel Ekonomi
Jel Kodları: N40, E44, O16

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1. Introduction

Wars have always existed since the emergence of humanity. War has become a dynamic concept that has changed throughout history and whose methods and practices have varied. War, one of the basic tools used to protect national interests, takes place in the form of attack or defense. War is generally defined as “the act of using force to force the enemy to accept its will.” War is seen as an option when the demands of one side from the other are not accepted, when the will is not directly accepted by one side, or when the goals set by one side are desired to be achieved. War continues until one of the parties is defeated, surrenders, ends resistance, or a ceasefire is signed. It is known that war often results in human losses, social, economic and natural destruction. Despite this fact, war can be preferred when the other side is considered to have greater losses. The main reason why many wars have occurred in world history and wars continue today can be explained in this way. Wars, which were initially fought with simple weapons, have changed in form over time, firearms have begun to be used, and today nuclear weapons can be used for war. We are rapidly approaching the time when robots will be used for war and humans will be out of the picture.

Wars are generally seen as a means of gaining economic superiority. In addition to human losses, war leads to serious economic losses, infrastructure damage, and a decrease in the working population, inflation, famine, an increase in national debt, disruptions and uncertainty in normal economic activities. In other countries, war can also be seen as an opportunity for demand, employment, innovation and profit from the business world. Wars and political agreements between countries affect economies the most. Throughout history, countries that have pursued their interests and followed expansionist policies have dealt a major blow to the world economy through the wars they started. The Second World War is the best example of this situation. Countries that completed their industrialization with the industrial revolution aimed to expand their territories by searching for new raw materials. This policy led to the emergence of the Second World War and affected all countries that participated in the war and did not. Again, the invisible reason for the First World War, which broke out in 1914 and was the first great bloody war in human history, was economic (Pettinger, 2022).

Today's wars are no longer between two countries or regional. Many states that are not involved in a possible war are also affected materially and morally. The soldiers of the warring state groups and the civilian population living in the region where the war is taking place are the groups that suffer the most in war. In a globalizing world, war has been affecting not only the countries involved but all countries in the world for more than a century. So much so that when the rhetoric and possibility of war emerges, the economies and financial markets of the countries begin to sound the alarm.

In relation to this matter, the ongoing conflict initiated by Russia against Ukraine on February 24, 2022, continues to exert significant influences across various political, economic, and military spheres globally. The World Bank and the International Monetary Fund regularly issue alerts concerning the escalating repercussions of the war and associated sanctions on the worldwide economy (Bagis, 2022). Although the global economy has yet to rebound from the consequences of the Covid-19 pandemic, the effects of the Russia-Ukraine War—such as pressures on international commodity prices, disruptions to supply chains, impacts on trade and migration connections, and the exacerbation of inflation in numerous regions—are increasingly being experienced around the world.

Russia and Ukraine significantly influence the dynamics of the global economy, holding a substantial share in the world market for the production and export of oil and gas, as well as mineral, agricultural, and other products. The onset of Russia's aggression against Ukraine in February 2022 resulted in considerable repercussions for the international economy, particularly impacting the United States and the European Union. The crisis in Ukraine led to supply shortages and escalated energy and food prices, which in turn ignited inflation, affecting not only the regional nations but also countries across the globe.

While Russia and Ukraine represent a mere 3 percent of worldwide exports, the ongoing conflict and imposed sanctions have diminished connectivity by interrupting trade routes and elevating shipping and insurance expenses. This situation compounds the existing strains on global value chains, significantly impacting various sectors such as food, automobiles, construction, petrochemicals, and transportation. The heightened pressures on these global value chains, along with surging commodity prices, have intensified inflationary challenges (World Bank Group, 2022).

The global economy, which is striving to recover from the pandemic's repercussions, has once again entered a challenging phase due to the potential military intervention by Russia against Ukraine anticipated at the outset of 2022. The longstanding crisis between Russia and Ukraine became formalized when President Vladimir Putin enacted a decree on the evening of February 21, recognizing the self-proclaimed administrations of pro-Russian separatists in eastern Ukraine. Following Putin's declarations, Russia announced its decision to deploy troops to safeguard the Donetsk People's Republic and the Luhansk People's Republic, both situated in eastern Ukraine, whose independence it acknowledges. Consequently, the international community began to assert that Russia had officially occupied Ukrainian territory. The statement made by Russian Foreign Minister Lavrov on February 22, asserting that "Ukraine has no right to sovereignty," indicated that the conflict would extend throughout all of Ukraine. On February 23, a draft was initiated for men aged 18 to 60 in Ukraine, and a state of emergency was proclaimed across all regions of Ukraine, with the exception of Donetsk and Luhansk. It was declared that the state of emergency would be in effect for a duration of 30 days. Following the publication of the North Atlantic Treaty Organization (NATO) declaration, civilian flights were prohibited from entering Ukrainian airspace. In the wake of President Putin's decision to initiate a military operation in Donbas on February 24, significant explosions were reported in various Ukrainian cities and regions, including Kramatorsk, Odessa, the capital city of Kiev, Kharkiv, Mariupol, and Kharkov. On that same day, Ukrainian President Volodymyr Zelenskyy announced the implementation of martial law in response to Russia's aggression against his nation. In a video message, Zelenskyy conveyed that the special operation launched by Russian President Vladimir Putin in Donbas had resulted in assaults on Ukraine’s military infrastructure and border guards. Subsequently, many Ukrainians began to evacuate Kiev. Meanwhile, Russian armored vehicles crossed into Ukraine from Belarus. The actions of Russia were met with condemnation from members of the United Nations (UN), NATO, and the European Union (EU). Later, the EU declared that Russian assets would be frozen, access for Russian banks to the European financial market would be halted, and measures would be taken to weaken the Russian economy. Ukraine officially announced the severance of its diplomatic relations with Russia. Ukrainian President Volodymyr Zelenskyy declared, “We will provide arms to anyone willing to defend the nation.” In a statement, the head of the Ukrainian Central Bank revealed that all cash withdrawals in foreign currency had been entirely prohibited. President Biden of the United States announced that the leaders of the G7, an international coalition of the seven largest economies globally, had reached an agreement to implement severe and damaging sanctions against Russia. In light of these events, numerous countries have stated their intention to impose various military and economic sanctions on Russia.

The United States has included Russian banks Vnesheconombank (VEB) and Promsvyazbank (PSB), along with 42 of their subsidiaries, on its sanctions list, resulting in the freezing of these institutions' US assets. An announcement confirmed that a total of four Russian banks have been incorporated into the sanctions measures. Meanwhile, the European Union has declared its intention to impose penalties on 351 members of the Russian parliament for their official recognition of the self-proclaimed independent Donetsk and Luhansk People's Republics, as well as on 27 individuals and entities associated with them. Furthermore, the EU has limited the Russian government's access to financial markets within the EU, prohibiting trade between the two breakaway regions and EU member states. In a related development, Germany has halted the certification process for the Nord Stream 2 pipeline. The government of the United Kingdom has opted to freeze the assets of five Russian banks implicated in the Ukraine crisis or those supporting Russia's defense sector, specifically Bank Rossiya, the Black Sea Bank for Development and Reconstruction, IS Bank, Genbank, and Promsvyazbank. Additionally, travel restrictions have been placed on three prominent members of Russia's elite: Boris and Igor Rotenberg, along with Gennady Timchenko, the sixth-richest oligarch in Russia. He also indicated intentions to penalize members of the Russian Duma and Federation Council who voted in favor of recognizing the independence of the breakaway regions of Donetsk and Luhansk.

From the outset, it has been recognized that the Russian invasion of Ukraine would adversely affect financial markets and the global economy, as evidenced by market reactions. With stricter sanctions and other punitive measures poised to be enacted against Russia, coinciding with a period when global supply chains and growth metrics have largely rebounded from the pandemic's detrimental effects, it is apparent that the world economy and financial markets are facing yet another challenging phase. The strategy employed by the West aims to escalate the costs of the war for Russia, incorporating a mix of military deterrence in Eastern Europe, arms deliveries intended to bolster the Ukrainian military, and a range of sanctions across various sectors. A more profound concern is that the authorities in Moscow are leveraging gas exports as a political tool against Europe, particularly as Washington and Brussels intensify their comprehensive sanctions on Russia. This scenario has significantly impacted the economies and security of nations worldwide, including those in America and Europe, resulting in rising prices for grain, food, energy, and metals, thereby intensifying the burden on low-income and impoverished households not only in America and Europe but also across the globe.

This study will investigate the economic and financial effects of the war between Russia and Ukraine. It will be tried to reveal how the war is reflected in inflation, energy and commodity prices, foreign exchange and gold prices, oil prices, stock markets, stock exchanges and cryptocurrency markets.

1.1. Literature Review

There have been many studies in different languages on the war between Russia and Ukraine and the consequences of this crisis. Below, only a few examples that are more relevant to the subject of the present research will be examined. Khorasani (2010) in his study titled Man, Weapons and War has investigated the association of productive efforts and scientific activities of mankind with weapons initiatives at every stage of history and the relationship of war with types of societies. Valizadeh et al. (2015), discussing the impact of the Ukrainian crisis on relations between the USA and Russia, state that although the tension between the two countries intensifies in the short and medium term, this crisis will not have a fundamental and deep impact on the nature of relations between the two countries because geopolitical and geo-economics concerns in this region prevent major powers from entering into serious conflicts. Wozniak (2017) examined the political developments in Ukraine and their impact on relations between the USA and Russia. In this study, it is stated that Russia has shown the world that it is ready to use force to prevent the former Soviet republics from joining Western organizations. For example, Georgia's desire to join NATO in 2008 caused Russia to declare war on this country. Ukraine has also been at war with Russia since 2014; because it is trying to join the European Union. The events in Ukraine force the US to monitor Eastern and Central Europe more carefully. Since the end of the Cold War, the region has once again been at the center of US policies and has brought Washington and Moscow face to face. Demir (2022) has examined the causes and effects of the Russia-Ukraine War. From this study, Ukraine not only has a special position in the eyes of Russia due to cultural, religious, historical, linguistic and ethnic similarities with Russia; It is also understood that Ukraine, which has these characteristics and capacities from the perspective of the US, serves Washington; To weaken Russia as a regional rival, to stabilize America's global hegemony, to establish global democracy and to create a larger, more secure and stable European Union. Wen et al. (2022) believe that the war in Ukraine is the beginning of the continuation of the global food security crisis. They emphasize that the global governance system must urgently address this issue; because it has the ability to turn into political unrest and deepen the gap between developed and developing countries. The important point in the aforementioned article is that it directly emphasizes that food will become a weapon to support the political interests of producing countries.

2. Conceptual Framework

2.1. The Impact of War on the Economy and Financial Markets

Inflation is frequently a consequence of war. This phenomenon results in the erosion of savings, an increase in uncertainty, and a loss of confidence in the financial system. Wartime typically sees a rise in public expenditures, particularly in defense, while public revenues experience significant losses. During such times, the debt incurred to cover deficits is financed at elevated costs due to the diminished credibility of the nation. The country grapples with a substantial external debt burden and interest obligations exacerbated by a decline in tourism revenues. In many instances, the deficit is financed through the resources of the Central Bank, rendering inflation unavoidable. The macroeconomic repercussions of war may stem from immediate oil price shocks, the impact of military expenditures funded by deficits, or the effects on future consumer confidence and investor sentiment. War influences and revalues all market assets, encompassing financial and commodity markets, oil prices, stock indices, options, and futures (Pettinger, 2022).

During wartime, there can be cost inflation in the economy due to shortages of goods and services and rising prices of raw materials such as oil. If a country is devastated during wartime and its ability to produce goods is severely reduced, governments will start printing money to fill the shortage. This can create conditions for hyperinflation. For example, Hungary and Austria experienced record-high hyperinflation rates in 1946 with devastated economies. In wars involving major conflicts, supply can be threatened. This can often lead to higher oil prices. For example, the 1990 Gulf War caused oil prices to rise. The price of oil, which was $21 per barrel in July, peaked at $46 after the invasion in mid-October. Prices fell again shortly thereafter. During wartime, there is usually a rapid increase in public sector debt. Governments tend to borrow much more than usual, taking into account the financial support provided by their citizens. Even if war provides a temporary boost to domestic demand, the costs of war, especially the opportunity cost of military spending, the human cost of lost lives, and the cost of rebuilding after the destruction of war, should not be ignored. In addition, the cost of war depends on the type of war, how long it lasts, where and how it is fought. For example, the United States has fought wars such as World War II, the Korean War, and the Vietnam War, and it has been revealed that these wars led to an increase in domestic demand and that some manufacturing companies were very successful. However, it should not be forgotten that these wars also took place in lands outside the United States. Because the real destruction was experienced in Asia and Europe (Pettinger, 2022).

It is essential to address the opportunity cost associated with warfare. Assuming a state allocates an additional $300 billion towards military expenditures, this amount represents $300 billion that could have been invested in the construction of hospitals and schools. A report from the Watson Institute indicates that the financial burden of the Iraq War on the United States amounts to $2 trillion. This substantial sum could have been redirected towards more constructive developmental initiatives within the country rather than being spent on conflict. While it is feasible to estimate the economic repercussions of war, quantifying the psychological toll—such as the anguish of death, suffering, fear, and disability—remains elusive. Warfare can inflict trauma that affects both soldiers and civilians for the entirety of their lives. Among the significant economic challenges that arise from war is the issue of unemployment (Pettinger, 2022).

2.2. Economic Wars

When we look at the studies conducted in the field of war and power in general, we see that there have been extensive changes in the concept of war, its types, the tools used, and the purposes and methods of its implementation. So much so that some researchers believe that after the Cold War, the nature of wars has transformed from physical wars, where all kinds of weapons of mass destruction were used to gain economic and international power, to invisible wars, where various economic, social, cultural and political tools were used. These researchers believe that resorting to armed physical wars is one of the last priorities in the new policies of those in power around the world (Bushkhor, 2021).

Economic warfare is an economic strategy whose aim is to weaken the economy of the opposing country. In military operations, economic warfare is an economic policy carried out in the form of covert operations, cyber operations, and intelligence operations before or during war. Economic warfare, especially in developing economies, targets sensitive areas of the economy (financial, monetary, and commercial). In fact, the measures and tools used in these wars against the country in question are increasing in a way that will cause significant negative consequences or intensify existing internal inefficiencies, including widespread corruption, mismanagement, social problems, and the outflow of wealth abroad. Class differences (economic, social, and political) and can generally disrupt the economic security situation of the sanctioned country and, as a result, it's national security, and bring those imposing sanctions closer to their goals.

Economic warfare means using or threatening to use economic tools to weaken a country's economy and, as a result, to reduce its military and political power. In the design of this war, the target country's economic and financial structure is usually examined, and the sensitive and fragile points of this structure and their connections with other economic, social and political variables are determined, and pressure is exerted on the fragile points, thus reducing economic resilience and exposing the economy's basic variables to shocks and wide fluctuations. For example, regarding the Iranian economy, the obvious and fragile characteristics of the economic structure include; high dependence on oil revenues, high dependence on primary inputs, intermediate goods and capital goods imports, underdevelopment of the financial structure, and limited diversity of export products. These characteristics have caused the foreign trade area (export, import and foreign exchange) to become one of the main areas of economic warfare against the country. Knowing the nature and structure of the Iranian economy, namely its dependence on the export of natural resources and raw materials (oil, gas, metals, minerals) and some other goods (peanuts, carpets, and caviar), the US has imposed sanctions on the export of these goods in order to reduce its access to foreign exchange earnings and the country's foreign exchange reserves (Sulaimani et al., 2018). For example, in the field of oil sanctions, the US has revoked almost all exemptions for countries regarding Iran's oil imports, and this has caused Iran, which used to export 2.8 million barrels of crude oil and condensate per day in April 2018, to have difficulty selling it after the US reinstated sanctions in May 2018, and the amount of oil it exports has fallen below 500 thousand barrels per day on average. These sanctions have deprived Iran of earning billions of dollars from these exports (Ebrahimi, 2020).

One of the methods of economic warfare and the most frequently used is covert operations. Any covert economic activity that puts one or more countries or individuals in a difficult economic situation and causes them harm, or on the contrary, provides them with economic support, falls within the scope of covert operations. Economic covert operations have many goals. The first of these is to force the enemy side to make extraordinary or additional expenditures from all its resources to protect its economic targets or facilities, the second is to increase or drag the external debt of the country or individuals and ensure their impoverishment through other economic methods and to trigger negative events such as rebellion, protest and coup by taking advantage of the worsening economic situation, and the third is to disrupt the economic balance by attacking the opponent's financial structure, to collapse the economic system and to damage the production-consumption capacity, which are among the most important covert economic operations (Süleymanlı, 2019). Economic warfare can also negatively affect many basic variables of the economy and cause strong shocks in the country's economy. Therefore, failure to create the right defense policy against this war can lead to the deterioration of economic security and national security.

3. The Effects of the Russia-Ukraine War on the Economy and Financial Markets

The conflict in Ukraine has resulted in a significant humanitarian crisis, displacing over 12 million individuals and leaving approximately 13 million in urgent need of humanitarian aid. The economy of Ukraine is in freefall, and the humanitarian repercussions are poised to have enduring effects. Developing nations, which have already been adversely impacted by COVID-19 and climate change, will bear the brunt of the war's consequences. Recent projections from the United Nations Conference on Trade and Development (UNCTAD) indicate that the global economy will face substantial disruptions in food, energy, and financial markets, all of which are already strained due to the conflict, leading to a GDP growth forecast that is one percentage point lower than anticipated. The Russia–Ukraine war influences the global economy through various channels, including commodity markets, trade dynamics, financial flows, and the influx of refugees. In neighboring regions, a significant surge of refugees has placed immense pressure on essential services. Additionally, the economic downturn in Russia has negatively impacted remittances to several surrounding countries. The disruption of regional supply chains and financial networks, coupled with heightened investment risks, is undermining regional economic growth.

From the initial days following Russia's invasion of Ukraine, the adverse impacts of the conflict between the two nations on the global economy and financial markets have become evident. The repercussions that will unfold in accordance with the war's progression will be analyzed under two distinct categories.

3.1. Economic Impacts

The conflict initiated by Russia against Ukraine has swiftly exerted a detrimental influence on the global economy. As a key global supplier, particularly in the energy, food, and commodity sectors, Russia plays a significant role. Prior to the onset of hostilities, data from the IMF ranked the Russian economy as the 11th largest worldwide. The assault on Kiev and various other Ukrainian cities has exacerbated uncertainty within the global economic landscape. In response to Russia's invasion of Ukraine, nations opposing this aggression have declared their intent to implement restrictive economic measures aimed at undermining Russia's financial system and adversely affecting its wealthiest citizens. On February 28, the United States unveiled a sanctions package directed at the Central Bank of Russia (CBR). Following this announcement, the European Union also opted to enact comparable sanctions. Measures implemented include the exclusion of certain Russian banks from the global payment system SWIFT, the freezing of assets belonging to Russian companies and oligarchs in Western nations, and limitations on the use of the CBR's foreign exchange reserves, totaling $630 billion, to circumvent these sanctions. Additionally, Russia has been barred from accessing its emergency sovereign wealth fund, known as the National Wealth Fund (NWF).

3.1.1. Impact on Energy Prices

As the world's first natural gas producer, second coal producer, third crude oil producer and fourth nuclear energy producer, Russia plays an active role in regional and global competition. Russia is one of Europe's largest oil and gas producers and exporters and a major energy supplier. Russia's military attack on Ukraine on February 24, 2022 brought about many changes and developments in global energy markets, especially oil and gas. One of the most important effects of Russia's attack on Ukraine is the rapid increase in energy prices, including oil and gas, in the world. In fact, while oil and gas prices increased in the last months of 2021 due to the recovery of the world economy and the increase in global energy demand after the coronavirus pandemic, Russia's attack on Ukraine also accelerated price increases. In addition, Western countries imposed comprehensive sanctions against the country due to Russia's attack on Ukraine; however, the gradual structure of the sanctions gave Russia and its partners a chance to prepare for new conditions. Following the coronavirus pandemic, which accelerated after Russia began attacking Ukraine, global oil prices have been on the rise, rising from $96.18 per barrel to $121.18 per barrel. Fears of potential supply disruptions in oil markets due to the war in Ukraine have pushed crude oil prices above $100 per barrel for the first time since 2014, with Brent crude reaching $105. UK and Dutch gas prices rose by around 40-50% on Thursday, February 24.

As the second largest crude oil producer globally, Russia supplies approximately 35% of Europe's natural gas and accounts for 50% of Germany's natural gas provision. Despite the imposition of stringent sanctions by the United States, the European Union, and other nations—particularly those opposed to the conflict—these measures have not specifically targeted the flow of oil and gas from Russia. Consequently, the principal purchasers of Russian oil have started to either seek assurances from Western financial institutions or to locate vessels for the acquisition of crude from the nation. Given Russia's significant role as an oil and gas supplier, the economic sanctions enacted in response to its invasion will likely diminish supply and exert upward pressure on gas prices. The invasion of Ukraine by Russia has prompted a rise in oil and gas prices, which has subsequently contributed to increased global fuel costs (Reuters, 2022).

Data from Eurostat indicates that in February 2022, energy prices in the EU experienced an annual rise of 27%. In certain European nations, such as Belgium, these increases soared to 67%. Following a period of negative energy inflation rates until February 2021, which reached its nadir at "-11" percent during the Covid-19 pandemic in May 2020, there was a resurgence in inflation. This increase was initially triggered by the energy crisis that Europe faced in the latter months of 2021 and subsequently intensified due to the Russia-Ukraine conflict. In February 2022, natural gas prices surged by 41%, while the costs of fuels like gasoline and diesel rose by 26%, and electricity prices increased by 24%. The war further exacerbated this already dire situation (Bağış, 2022). In 2021, coal, oil, and gas shipments constituted 18%, 12%, and 20% of global exports, respectively. Although there were declines noted in 2022, these shares remained relatively elevated at 15%, 9%, and 18%, respectively. The European Union relied significantly on energy exports from Russia, sourcing 45 percent, 25 percent, and 46 percent of its coal, oil, and gas imports from the Russian Federation in 2021, respectively. However, by 2022, these proportions decreased to 15 percent for coal, 15 percent for oil, and 25 percent for gas (FAO, 2022).

The uncertainty of the end of the war, along with the climate change problem, has led to increased concerns about the future of world energy. In this case, countries should have started moving away from fossil fuels decades ago to protect the planet, but now they are forced to do so at a time when people are exposed to increasing prices. One of the long-term consequences of Russia's military operation against Ukraine is the change in exports in the global oil market. This will have direct effects on actors in the Middle East. In the meantime, although it is said that Russia's OPEC+ membership may be suspended, the current cooperation between Moscow and other oil producing countries continued until after the agreement to reduce oil production expired in September 2022. In fact, considering that there are concerns about the stability of the oil market, the only way to manage this is to continue cooperation between member countries. Therefore, although

Russia's oil production capacity decreases, this country is considered one of the important elements and its role in Asia, which is an important consumption market for Persian Gulf oil producers, will increase. On the other hand, Western sanctions against Russia have changed the route of Russia's oil exports to Europe. For example, oil export terminals located in the west of Russia have increased the volume of oil exported to the east from 140,000 barrels per day in January 2022 to 900,000 barrels per day in April 2022. One of the main buyers of Russia's oil surplus is India. The country's oil imports from Russia increased from almost zero in February to 900,000 barrels per day in May; in recent years, India's average oil imports from Russia have not exceeded 200,000 barrels per day. In addition, demand for Russian oil is not limited to India and China; countries such as Indonesia and Sri Lanka have also expressed their desire to purchase Russian oil.

As Western governments endeavor to address climate change while simultaneously aiming to lower high energy costs and reduce their dependence on Russia, there is a growing interest in the utilization of nuclear energy. Presently, nuclear energy ranks among the largest sources of carbon-free power globally, accounting for 25 percent of electricity generated in the European Union. Unlike many renewable energy sources, including solar and wind, nuclear energy can consistently produce substantial quantities of electricity throughout the entire year. However, in the immediate future, Europe's reliance on nuclear energy will not eliminate its consumption of Russian fuel. Furthermore, numerous nations globally rely on Russia for the essential materials required for nuclear energy production. Russia possesses nearly half of the world's uranium enrichment capacity for nuclear fuel, and 40 percent of nuclear energy generated in Europe depends on uranium sourced from Russia or from Kazakhstan and Uzbekistan, both of which maintain close ties with the Kremlin. Approximately half of the nuclear power plants in the United States—representing about 10 percent of the nation's total electricity generation—receive supplies from these three countries. This context elucidates why the U.S. nuclear industry is advocating for the removal of uranium from the sanctions list imposed on Russia.

Russia holds a dominant position in the export sector and the development of nuclear power facilities, particularly in emerging economies. China's proximity as a competitor in this domain is notable. Nations entering into agreements with either China or Russia may find themselves reliant on these countries for nuclear fuel and associated services for many years. Over the last twenty years, Russia has established itself as a global provider of nuclear technology, especially for nations initiating their inaugural nuclear endeavors. With considerable expertise in both the construction and upkeep of nuclear power plants, Russia offers a range of services essential for their establishment, including reactors, fuel supply, financing, and training for personnel. Since 2000, Russia has entered into bilateral nuclear cooperation agreements with 47 nations and is currently overseeing significant power plant constructions in Bangladesh, Belarus, and Turkey. Additionally, the country is engaged in nuclear initiatives across Africa, Asia, the Middle East, and South America, as well as in Eastern Europe. For decades, Ukraine has been one of Russia's primary customers in the nuclear sector. The strategy put forth by the European Commission to decrease imports of Russian gas does not explicitly reference nuclear energy. Meanwhile, Germany is dedicated to decommissioning its last three nuclear reactors by the conclusion of this year. In contrast, nations like Belgium and Japan have committed to making new investments in nuclear energy as a means to lessen their reliance on Russian gas.

Even if countries cancel their nuclear projects with Russia, China will soon overtake France to become the second largest producer of nuclear energy. In fact, it should not be forgotten that modern energy production systems, especially those based on vital minerals that are not evenly distributed around the world, are complex and interconnected. These systems show that true energy independence, where governments produce electricity entirely on their own, is no longer practical. Instead, Western countries should focus on strengthening their energy interdependence with reliable partners. While the war in Ukraine continues and the West insists on more sanctions against Russia, the energy sector in Europe is faced with problems that seem likely to continue in the future and that will bring them great costs. Europe, which plans to get rid of fossil fuels and has imposed an embargo on Russian oil and gas, needs to focus more on renewable energy, including nuclear energy, but it is also heavily dependent on Russia and its allies in this area.

3.1.2. Impact on Commodity Prices

Russia plays a significant role in the global commodity market, encompassing energy, food, and both precious and industrial metals. Additionally, Russia is a key producer of several primary metals, including aluminum, titanium, palladium, and nickel, all of which are expected to experience price increases. Following the price surges observed in these markets last year, it is anticipated that prices will remain elevated if the ongoing conflict persists. This situation will notably affect various industrial sectors worldwide, particularly the automotive industry. Furthermore, prices for agricultural commodities such as wheat, corn, barley, and rapeseed are projected to rise. As the repercussions of the conflict between Russia and Ukraine, two of the largest exporters globally, on grain and oilseed supplies are assessed, wheat prices have reached their highest point since mid-2008. Collectively, Ukraine and Russia contribute to over a quarter of the global wheat trade and account for 12% of the calories consumed worldwide. The disruption of trade routes in the Black Sea is expected to exert additional pressure on grain prices. Examining the export contribution of precious metals to global production reveals that Russia plays a significant role, accounting for 45% of palladium, 15% of platinum, 9% of gold, and 8.5% of oil. According to the production statistics from 2020, the country provided 398 million tons of coal, 100 million tons of iron ore, 74 million tons of steel, and 694 billion cubic meters of natural gas (Bloomberg, 2022; Reuters, 2022; Demarais, 2022).

3.1.3. Impact on Inflation

Currently, inflation is on the rise in numerous countries; however, until recently, the European Central Bank (ECB) viewed this uptick in inflation as temporary, though it was deemed more persistent than initially anticipated. This increase in inflation rates was attributed to base effects, supply chain disruptions, and shifts in demand, all of which were linked to the pandemic, with expectations that these temporary influences would diminish throughout the year. Provided that long-term inflation expectations remain stable, it was anticipated that headline inflation would also stabilize, remaining close to the targets set by the central bank. Nevertheless, the assessment could be fundamentally altered by the economic disruptions stemming from the Russian invasion of Ukraine. Both Russia and Ukraine serve as significant suppliers of essential raw materials, including energy, metals, and agricultural products, for the global market. The conflict has impacted the availability of these resources and has accelerated price fluctuations. There are rising concerns that further increases in the costs of these inputs could lead to heightened operational and production expenses, which may, in turn, result in increased prices and a lasting rise in inflation expectations (D'Acunto and Weber, 2022). This apprehension arises from the historical tendency of oil shocks to drive inflation expectations, thereby displacing the anticipations of consumers and price setters alike (Coibion and Gorodnichenko, 2015; Coibion et al., 2018).

The invasion of Ukraine by Russia is poised to result in significant suffering and a humanitarian crisis, with repercussions that will reverberate throughout the global economy, leading to slower growth and heightened inflation. These consequences will be evident in three primary ways. Firstly, escalating prices for commodities, including food and energy, will exacerbate inflation, subsequently diminishing the purchasing power of incomes and intensifying demand pressures. Secondly, trade disruptions, particularly among neighboring economies, will result in longer supply chains and increased remittances, alongside an unprecedented surge in the number of refugees. Thirdly, diminished business confidence and heightened uncertainty among investors will negatively impact asset prices, tighten financial conditions, and may even prompt capital outflows from emerging markets. In addition to these global repercussions, nations facing direct risks related to trade, tourism, and finance will experience further strains. While certain exporters, notably those in the Middle East and Africa, might gain from elevated prices, economies reliant on oil imports are likely to confront larger fiscal and trade deficits, along with increased inflationary pressures (Kammer et al., 2022).

3.2. Financial Impacts

3.2.1. Impact on Stock Exchange and Stock Markets

The initial impact was felt in the stock market as investors responded to the military conflict between Russia and Ukraine. Following a day of volatile trading on Tuesday, the S&P 500 experienced its first correction since the pandemic began. On Wednesday, stocks continued their downward trajectory after U.S. President Joe Biden announced sanctions against Russia, resulting in a decline of approximately 0.5% for the S&P 500 in the morning session. The Dow Jones Industrial Average decreased by around 0.3%, while the Nasdaq Composite saw a reduction of about 0.8%. The market crash on February 24 led to a loss of approximately $1 trillion in global stock market value, further intensifying the decline of major indexes this year as investor anxiety grew over significant rate hikes from central banks. These recent fluctuations in prices occur during an already tumultuous period for stock markets. Despite the adverse effects in other markets, U.S. markets managed to close higher (Money, 2022; Reuters, 2022).

On Thursday morning, local stock markets experienced a decline of over 3%. This downturn mirrored the global stock market sell-off, driven by escalating tensions between Russia and Ukraine, coupled with increasing crude oil prices that negatively impacted market sentiment. At one point, the benchmark Sensex plummeted by 2,000 points and ultimately registered a decrease of 1,668 points, settling at 55,563.92, while the NSE Nifty fell by 488 points to reach 16,574.80. In contrast, US markets showed signs of recovery following President Joe Biden's announcement of new sanctions in response to Russia's military actions in Ukraine. Earlier in the day, investor concerns regarding the potential disruption of the global economy due to the conflict had led to subdued stock performance. Following sharp declines on Thursday, stock markets in the UK and Europe rebounded, with increases exceeding 3%. In the United States, stocks also rose, with Britain’s FTSE 100 index climbing by 3.9%, while indices in Germany and France each rose by more than 3.5%. In the US, the Dow Jones Industrial Average closed with a gain of 2.5%, the S&P 500 increased by 2.2%, and the NASDAQ rose by 1.6%, building on gains from Thursday. Asian markets also concluded the trading day on a positive note (IndianExpress, 2022; CBSNEWS, 2022).

On Friday, London’s FTSE 100 index concluded the day down 251 points, reflecting a decline of 3.5%, and settling at 6,998. The German and French stock exchanges experienced drops exceeding 4%, which resulted in Frankfurt’s DAX reaching its lowest point since the conclusion of 2020, while the Italian index decreased by 6.2%, marking its lowest level in over a year. Europe’s Euro Stoxx 600 index also finished at its lowest point in nearly a year. Despite prevailing uncertainties regarding Ukraine, inflation, and pandemic-related issues, Wall Street’s recovery overnight provided a lift to both Asian and European stock markets. In early trading, France’s CAC 40 advanced by 0.6% to 6,562.96, and Germany’s DAX increased by 0.2% to 14,083.92. The FTSE 100 index in Britain rose by 1.2%, reaching 7,295.52. On Monday, February 28, the Russian ruble declined to 0.9 US cents, notwithstanding the central bank of Russia's decision to raise interest rates in an effort to stabilize its currency. In the U.S., the S&P 500 fell to 4,306.26, while the Dow Jones Industrial Average experienced a loss of 1.8%, closing at 33,294.95. The NASDAQ composite dropped by 1.6%, ending at 13,532.46. JPMorgan Chase saw a decrease of 3.8%, and Bank of America fell by 3.9%. Over 70% of the stocks within the S&P 500 concluded the day lower, with technology, industrials, and communications companies being among the most significant declines in the benchmark index. Energy stocks experienced an increase, with Occidental Petroleum witnessing a rise of 7% (BBC, 2022a, The Guardian, 2022; Zeebiz, 2022).

The Nikkei 225 index in Tokyo experienced a decline of 1.7%, closing at 26,386.69, while the Shanghai Composite Index decreased by 0.4% to reach 3,474.45. In Hong Kong, the Hang Seng index fell by 1.1%, settling at 22,518.18. Conversely, the Kospi in Seoul saw an increase of 0.5%, finishing at 2,712.97. Following the release of government data indicating a quarter-on-quarter growth of 3.4% in the Australian economy during the last three months of 2021, coupled with robust consumer spending, Sydney's S&P-ASX 200 index rose by 0.1% to 7,106.40. Meanwhile, India's Sensex opened 1.6% lower at 55,330.77, and markets in New Zealand and Southeast Asia also registered declines (Zeebiz, 2022).

As these events unfold in global stock markets, the Russian stock market experienced the most significant impact on Thursday. The MOEX exchange in Moscow plummeted by over 1,000 points, reflecting an unprecedented decline of 33%. The MSCI Russia index also saw a decrease of 38%. Analysts indicate that this event ranks among the three largest stock market crashes in history. In a parallel situation, Ukraine's currency premium and government bonds similarly faced steep declines (Reuters, 2022).

Since the onset of the war, there has been an elevation in government borrowing costs. A notable increase in the yield of 10-year U.S. government bonds has occurred, indicative of various factors, including anticipated higher inflation. In terms of emerging market and developing economies (EMDE), bond issuances during February and March were weaker than in any year since 2016; however, on average, bond spreads have not experienced significant widening (Akbulak, 2022).

Even before the beginning of the crisis, developing countries were spending an average of 16 percent of their export revenues on debt obligations. After World War II and after the restructuring of Germany's debt by the Allied powers in 1953, debt payments never exceeded 3.4 percent of export revenues (UN, 2022).

3.2.2. Impact on Foreign Exchange, Gold and Cryptocurrency Markets

The ongoing escalation of the conflict between Russia and Ukraine has resulted in the US dollar index reaching its highest point since May 2020, as investors gravitate towards safer assets. Last week, the US dollar index climbed to 98.92 against other indices, marking the peak level since the onset of the war in May 2020. The week concluded with a notable increase of 2.1%, one of the most significant rises in five years. Heightened investor anxiety has emerged as Russia's military actions in Ukraine have disrupted global markets, prompting traders to seek refuge in assets perceived as safer, including gold, US government bonds, and the dollar. The US dollar, in particular, is frequently regarded as the quintessential safe haven asset, owing to its designation as the world's reserve currency. During periods of instability, traders typically pursue dollar liquidity while moving away from riskier investments (WSJ, 2022).

The significant losses and extreme fluctuations observed in various asset classes in recent weeks have also affected currency markets. In response to Russia's invasion of Ukraine, strategists are reassessing their strategies. On Tuesday morning, the Deutsche Bank Currency Volatility Index surged to 10%, marking the highest level since April 2020, during the initial phases of the Covid-19 pandemic in Europe. As some of the movement towards safe-haven assets began to ease, the euro appreciated by 0.4% against the dollar on Tuesday. However, it experienced a decline of over 4% against the dollar as attention shifted to the risks posed to European energy resources following the onset and escalation of the conflict. The common currency suffered a loss exceeding 1% on Monday, representing its most significant three-day drop since March 2020 (CNBC, 2022a).

Following the onset of the war, Russia's currency, the ruble, began to experience substantial devaluation. On Thursday, February 24, it reached an unprecedented low of 118.35 against the US dollar. As financial markets reopened in Asia on Monday, February 28, the ruble's value plummeted dramatically. This collapse was attributed to stringent Western sanctions enacted over the preceding weekend, which resulted in the freezing of

Russia's foreign exchange reserves and the exclusion of Russian banks from the SWIFT network, essential for international transactions. Consequently, the US dollar surged by as much as 40% in relation to the ruble, escalating the Russian currency to a new record high of $118, compared to the closing value of $84 on Friday. The extent of the ruble's decline mirrored the severe one-day drops witnessed during the peak of the 1998 financial crisis, when Russia defaulted on its debt. This decline represents one of the most significant one-day depreciations in the contemporary history of the Russian currency. In an effort to halt the depreciation of the ruble, the Russian central bank increased its key interest rate from 9.5% to 20%, while the finance ministry mandated that companies with foreign currency revenues convert 80% of their earnings into rubles (Economist, 2022). The subsequent rise in geopolitical tensions and the recent implementation of economic sanctions against Russia resulted in a marked decline of the Russian ruble, which has been increasingly disconnected from other commodity-linked currencies since the start of the year (Capital, 2022).

The Russian invasion of Ukraine had a substantial impact on currency prices; however, the response did not consistently align with the typical patterns observed during crises. For instance, the favorable sentiment towards the dollar during this crisis was less pronounced than in previous instances of turmoil. This phenomenon can be attributed, in part, to central banks' assurances to the markets that they would prevent the emergence of a new systemic crisis (Euromoney, 2022). The conflict between Russia and Ukraine may lead to a depreciation of the euro against other reserve currencies, primarily due to the Eurozone's reliance on Russian energy. Additionally, the Swiss franc might exhibit stronger performance; nevertheless, the Swiss National Bank may curtail its appreciation through intervention (JPMORGAN, 2022).

The conflict between Russia and Ukraine has significantly influenced gold prices. Following a peak of 15-month highs on Thursday, February 24, gold prices have taken a downturn as investors remain apprehensive while evaluating the ramifications of Russia's invasion of Ukraine alongside the associated Western sanctions. As of 11:40 a.m. on Friday, spot gold had diminished most of its weekly gains, decreasing by 0.9% to $1,885.11 per ounce. Concurrently, U.S. gold futures experienced a decline of 2.0%, settling at $1,887.40 per ounce in New York (Mining, 2022).

The significance of cryptocurrencies, particularly Bitcoin, has emerged as a contentious issue in light of the Russian invasion of Ukraine, the implementation of sanctions, and the ensuing turmoil within financial markets. Following the invasion, Russia encountered a series of economic sanctions designed to sever its ties with the global financial system. Major Russian banks were barred from accessing the SWIFT system by the US, EU, and Canada, alongside various other sanctions. As a result of these measures, the value of the Russian ruble declined. The decentralized nature of Bitcoin and other digital currencies, which are not issued or governed by a central authority such as a central bank, has sparked discussions regarding the potential for cryptocurrencies, particularly Bitcoin, to serve as a means of circumventing sanctions. It is understood that transactions involving cryptocurrency do not adhere to conventional financial pathways (CNBC, 2022b).

On Thursday, February 24, Bitcoin experienced an initial decline of approximately 8% before recovering its losses by the end of the day, as investors divested from riskier assets following Russia's military actions against Ukraine. On Monday, February 28, it surged by 14.5%, marking its most significant increase in a year. Since February 24, Bitcoin has appreciated by 12%. Proponents of cryptocurrency regard Bitcoin as "digital gold," considering it a practical option for storing wealth during times of war or crisis. This perspective is based on the notion that Bitcoin possesses a finite supply and operates on a decentralized global computer network, making it more secure than conventional currencies. In Russia, crypto trading has significantly increased as the ruble has suffered due to Western sanctions designed to pressure the Russian economy and sever its ties with the global financial system. According to the crypto platform Crypto Compare, trading volumes between the ruble and major cryptocurrencies reached 15.3 billion rubles ($140.7 million) on Monday, February 28, which represents more than a threefold increase compared to the previous week. On that same day, transactions in Tether, a stable coin aimed at preserving a consistent value, surged to 3.3 billion rubles—an increase of nearly fivefold compared to the previous week and marking the highest amount recorded this year, as indicated by the data. These figures illustrate a growing trend among individuals in Russia who are resorting to cryptocurrency as a means of discreetly safeguarding their assets (BusinessToday, 2022).

If the initial effects of the Russia-Ukraine war are to be summarized in items (BBC, 2022b):

- The price of crude oil rose to $101 a barrel.
- Investors looking to protect the value of their assets loaded onto the safer dollar and gold, which they considered safer, and the dollar and gold prices rose.
- The price of gas to be delivered in the coming months rose by 24%.
- European markets fell at the opening as financial stability fears mounted, but losses were later pared as the FTSE 100 in London closed up 0.4%. Paris fell 1.3% and Frankfurt fell 0.7%.
- BP's share price fell more than 6% after it decided to exit its Russian oil and gas operations at a cost of up to $25 billion. Shell also said it would abandon its Russian ventures.
- Russian gold producer Polymetal was the biggest loser on the FTSE 100, down 56%, while shares in steelmaker Evraz, controlled by Roman Abramovich and Alexander Abramov, fell 29%.
- The Dow increased by 0.5%, the S&P 500 rose by 0.2%, and the Nasdaq saw a gain of 0.4%. US markets exhibited a mixed performance. Major exchanges suspended trading in Russian stocks temporarily to assess the effects of the sanctions.
- Among the most significant detractors was the US bank Citigroup, which experienced a decline exceeding 4.4% following the announcement of a nearly $10 billion deficit in Russia, encompassing over $5 billion in loans, securities, and funding commitments.
- The Norwegian government-owned energy firm Equinor initiated the process of divesting its joint ventures in Russia.
- Wheat prices experienced their most significant single-day increase in ten years due to concerns regarding supply from Russia and Ukraine. Additionally, Switzerland has deviated from its longstanding policy of neutrality by announcing its intention to monitor sanctions imposed by the European Union.

4. Conclusion

Conflict is detrimental to all parties involved, and its repercussions are catastrophic. Throughout human history, war has emerged as an inevitable consequence of social, economic, or national conflicts of interest. The onset of war indisputably disrupts the economic conditions and financial frameworks of the nations engaged in the conflict. In the contemporary interconnected world, the ramifications of war extend beyond the nations directly involved, impacting the global economy and financial markets as a whole. It is well-documented that during times of war, public spending, particularly on defense, escalates, while substantial losses in public revenues are also incurred.

The invasion of Ukraine by Russia presents significant threats to the global economy and financial markets as they seek to recover from the pandemic. It is highly likely that the ongoing conflict will exacerbate high inflation and increase tensions within financial markets. Additionally, the war introduces numerous uncertainties for global trade, multinational corporations, national economies, and financial markets.

The duration and extent of the conflict between Russia and Ukraine, along with Russia's reaction to the sanctions implemented, will significantly influence the adverse effects on the global economy and financial markets. A swift resolution to the war would undoubtedly present a favorable opportunity for rapid recovery within the global economy and markets. In such a scenario, the stringent financial measures enacted would help avert a decline in global markets. Conversely, should the conflict endure for an extended period, Russia's limited reductions in oil and gas exports in response to the severe sanctions imposed will likely precipitate a significant energy crisis, ushering in a more challenging phase for global markets. One potential outcome of prolonged warfare is a complete cessation of gas supplies by Russia. In this eventuality, the global economy and financial markets would confront considerably more severe challenges.

From Europe's standpoint, which relies heavily on energy supplies from Russia, it is evident that the duration of the conflict will have increasingly severe consequences. The extended nature of the war is expected to heighten global inflationary pressures, directly impacting consumers' purchasing power. Both Russia and Ukraine play vital roles as producers of essential raw materials across various sectors, including construction, automotive, and agriculture. The conflict that erupted between these nations has exacerbated an already high level of commodity prices. While this surge in prices may benefit commodity-exporting regions such as Latin America and South Africa, it poses significant challenges for commodity-importing areas, notably Europe and Asia. The economic forecast for European nations appears to be bleak, with low-income households particularly vulnerable to the sustained high inflation resulting from the ongoing war. Governments will likely seek to offset some of the rising costs and alleviate the adverse effects of inflation, which will, in turn, impose additional financial burdens on state treasuries. Furthermore, European countries will incur expenses related to addressing the needs of refugees fleeing from Ukraine.

The sanctions imposed on Russia are aimed at isolating the country from the global economy and creating a deep recession. However, the isolation of one of the world's major economies and largest commodity producers is expected to have global consequences in the short term, leading to higher inflation and lower growth. It is also expected that there will be some disruption in financial markets if more severe sanctions are imposed. The long-term expectation is that the global supply chains and integrated financial markets system that dominated the world economy after the collapse of the Soviet Union will be further weakened. The economic impact of this will be felt by people living all over the world to varying degrees. The sharp increase in the prices of everything from oil and metals to wheat is expected to increase the cost of many everyday products, from food to fuel and heating.

Wars, which exert a macroeconomic influence on significant economies, are also believed to have a profound and enduring effect on global financial markets. Consequently, the liquidity, security, and relative energy independence resulting from the Russia-Ukraine conflict will sustain the demand for the US dollar for the duration of this war. The unfortunate developments stemming from the war in Ukraine have instigated substantial transformations in global financial markets, including foreign exchange. As the conflict persists, the currencies of European nations that maintain extensive trade and financial ties with the involved parties, Russia and Ukraine, are expected to depreciate, while the demand for the US dollar remains strong. Additionally, gold is regarded by investors as a safe haven during periods of financial instability and economic uncertainty. Thus, it is anticipated that, as long as the war endures, the already rising demand for gold will continue to escalate.

If the war situation is evaluated in terms of stock markets, it can be said that the length of the war is very important in terms of the course of this market. During the Afghanistan war, which lasted for about 20 years in the past, it will be seen that the stock market sometimes experienced deep declines and sometimes reached historical peaks. It can be stated that the long-lasting wars, which have become a kind of routine, will have a limited effect on stock and bond markets.

While short-term crises experienced by the financial system cause short-term results, long-term conflicts or wars can have more permanent effects. Therefore, it is estimated that the effect of a short-term war on the stock markets will be limited. When we look at the effects of some wars in history on the stock markets, we see that the stock markets initially fell during World War II, but recovered before the war ended, that it did not have a major effect during the Korean War, and that the stock markets followed a horizontal course from the end of 1964 to 1982 during and after the Vietnam War.

The global economy and financial markets have been adversely affected by the Russian-Ukrainian war, as elaborated upon previously. The International Monetary Fund indicates that the Russian economy constitutes merely 1/20th of that of the United States and 1/15th of China's, positioning it as the 11th largest economy worldwide. Thus, it can be asserted that while the sanctions imposed by the US and numerous other nations may inflict significant damage on the global economy, such repercussions alone are unlikely to substantially influence global markets or the economy at large. It is anticipated that the sanctions' global ramifications will be constrained, with the most pronounced effect of the Russia-Ukrainian conflict on the world economy being an escalation in commodity prices. Concerns regarding supply disruptions, destruction of physical infrastructure, and the sanctions themselves are believed to contribute to potential surges in commodity prices. Furthermore, it is acknowledged that Russia accounts for 10% of the world's energy supply and approximately 50% of Europe's energy consumption. In this light, it is essential to recognize that the war introduces risks that extend beyond the confines of the two nations, including elevated energy prices and heightened volatility in financial markets.

The research indicates that warfare generates detrimental effects on the economy and financial markets on a global scale. Even if one assumes that the repercussions on the global economy and markets may not be substantial, it remains evident that the adverse conditions resulting from war cannot be swiftly remedied in affected nations. The ramifications of war extend beyond economic and financial turmoil; they also inflict severe human costs. Numerous soldiers and civilians lose their lives, families are torn apart, thousands suffer disabilities, and potentially millions endure psychological trauma. The process of restoring the post-war economy in nations embroiled in conflict and facilitating their return to normalcy demands the sacrifice of at least one generation. War severely disrupts education and training, causing countries to lag behind in fields such as science, art, and sports. Additionally, the devastation of the environment, the inaccessibility of natural resources, and the destruction of historical landmarks rank among the most significant adverse outcomes of warfare. It is undeniably more rational and beneficial to allocate the resources—both labor and finances—currently devoted to weapons, bombs, missiles, and defense systems towards fostering the welfare, peace, and health of humanity, rather than expending them on the reconstruction of cities ravaged by conflict.

No matter how you look at it, war has negativity in every sense. No matter where it happens and who it happens between, it is certain that war is a disaster for humanity and the world. Depending on its global impact, war also means a minor or major disaster for the world economy and financial markets.

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