

THE RUSSIA AND UKRAINE WAR: IMPACT ON AFRICAN ECONOMIC DEVELOPMENT

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ABSTRACT

This study tries to locate the reason for the Russian invasion of Ukraine and the spillover effect on other countries across the globe. The outcome of this has led to a sudden surge in prices of crude oil and gas to which Nigeria as an exporter could receive increased revenue and expand its production capacity. The study revealed that Russia is the third-largest petroleum and liquid fuels producer in the world, after the United States and Saudi Arabia and it is also a major exporter of crude oil. But the geopolitical risk related to Russia's further invasion of Ukraine has contributed to higher crude oil prices where Brent, WTI, and OPEC reference basket prices skyrocketed due to fears of supply shortages. Therefore, this study recommended that Nigeria should increase its production and exports capacities in this period. It is becoming obvious that the end of this war is not near given the vested interest of Russia and its allies on one hand and America/NATO and their allies on the other. For Nigeria, the dilapidated local refineries should be revived and new ones should also be constructed and well equipped with sophisticated equipment in order to avoid exchange of crude oil for petroleum products with foreign refineries via third parties under DSDP.

Keywords: Russia, Ukraine, War, Oil prices, Nigeria, Economic Development.

Introduction

There is growing tension in the world today as the war between Russia and Ukraine escalates. The magnitude this can reach and the number of States that may be involved covertly or overtly cannot be easily determined but one thing is certain and that is, the consequences have attained a global dimension. A little background of this issue shows that Russia and Ukraine have had an age long relationship. In the former Soviet Union, it was the second largest country after Russia. After the Soviet Union's collapse in 1991, the successor States' bilateral relations have undergone periods of ties, tensions, and outright hostility. In the early 1990s, Ukraine's policy was dominated by aspirations to ensure its sovereignty and independence, followed by a foreign policy that balanced cooperation with the European Union (EU), Russia, and other powerful polities (Shyrokykh, 2018). The Russian Federation and Ukraine are currently in a state of war, which began in February 2022. Before this time, Russia and Ukraine had been involved in one form of conflict or the other. In recent years successive Ukrainian governments have forged closer ties with the European Union and NATO. In 2008, Ukraine applied to join NATO.

Ukraine has been a bone of contention between the European Union and Russia which makes it a geopolitical risk which can lead to a geographical split of Ukraine. Russia has had an upper hand until 2014 when Viktor Yanukovyeh was overthrown due to bad government and Russian resentment. The next administration leaned more on the European Union. However, Russia took advantage of political turmoil in the neighboring country to seize and establish

military control over Ukraine's southern Crimea Peninsula. Russia launched a full-scale attack from multiple directions on Ukraine on February 24, 2022, after several weeks of building up troops on the country's border. Since Russia invaded Ukraine across a broad front in February 2022, and by October 2022 an estimated 14,000 people have been killed and an estimated 1.5 million displaced (History Extra, 2022).

Economically, Russia is the third-largest petroleum and liquid fuels or natural gas producer in the world, after the United States and Saudi Arabia. It is also a major exporter of crude oil. Since mid-January 2022, the geopolitical risk related to Russia's further invasion of Ukraine has contributed to higher and more volatile crude oil prices. Stronger petroleum demand as the Covid-19 pandemic has begun to ease and slower crude oil production growth have also put upward pressure on global crude oil prices (Energy Information Administration (EIA), 2022). In 2020, the coronavirus pandemic resulted in crude oil prices hitting a major slump as oil demand drastically declined following lockdowns and travel restrictions. Initial outlooks and uncertainty surrounding the course of the pandemic brought about a disagreement between two of the largest oil producers, Russia and Saudi Arabia in early March (Statista, 2022). Bilateral talks between global oil producers ended in agreement on April 13th, with promises to cut petroleum output and hopes rising that these might help stabilize the oil price in the coming weeks. However, with storage facilities and oil tankers quickly filling up, fears grew over where to store excess oil, leading to benchmark prices seeing record negative prices between April 20 and April 22 (Statista, 2022).

Europe's Brent crude oil, West Texas Intermediate (WTI) crude oil, and OPEC's reference basket are three of the most important benchmarks used by traders as reference for oil and gasoline prices. Brent crude oil is a type of crude oil from the North Sea in Northwest Europe that is commonly used as a global benchmark. WTI crude oil is used as a U.S. benchmark and OPEC's reference basket are three of the most important benchmarks used by traders as reference for oil and gasoline prices (Statista, 2022). Recent trading of these benchmarks has been more volatile lately than in the past. For example, on February 24th, 2022 the price of Brent crude oil ranged from a high of \$105.79 per barrel (b) to a low of \$97.56/b, an intraday price range of \$8.23/b that is nearly four times the average range during 2021. The Brent crude oil price decreased on February 25, but developments in the Ukraine-Russia conflict and new sanctions placed on Russia over the weekend contributed to an increase in the Brent price on February 28. Subsequent news about Russia's further invasion has had significant effects on crude oil trading throughout the past week (EIA, 2022).

Following reports that Russian forces further invaded Ukraine on Thursday, 24th February, 2022, the war between two countries has caused crude oil prices to skyrocket as fears of supply shortages mount (EIA, 2022). International benchmark Brent crude was trading as high as \$117.01 per barrel, a nine-year high for a 3.64% gain after closing the previous session at \$112.90 per barrel. The Brent crude oil price last rose above \$100/b in late 2014. American WTI traded at \$114.50 per barrel at the same time for a 3.53% increase after the previous session closed at \$110.60 a barrel (EIA, 2022). In a week since Russia first announced a military operation in eastern Ukraine, Brent surged to \$117/b, posting a 19.3% rise from around \$98/b on February 24. The oil price increase is driven by new sanctions imposed by Western countries against Russia, as well as possible counter-sanctions by Russia, heightening concerns over supply disruptions (Statista, 2022).

Over the last twelve months, the price has risen by 71.98% (Bradstock, 2022). The OPEC Basket is a weighted average of prices for petroleum blends produced by OPEC countries members such as Algeria, Angola, Ecuador, Gabon, Iraq, Iran, Qatar, Kuwait, Libya, Nigeria, Saudi Arabia, Venezuela, and the United Arab Emirates. It is used as an important benchmark for crude oil prices. The oil price for Brent crude oils in March was \$115.08 per barrel while the price was \$97.13 per barrel in February of 2022. Brent crude is extracted from the North Sea and is also known as London Brent, North Sea Oil, Brent Blend and Brent petroleum. It is a light crude oil, slightly heavier than WTI, and sweet because of its low Sulphur content and it is ideal for the refining of diesel fuel, gasoline. Brent oil makes up more than half of the world's globally traded supply of crude oil. Brent blend crude serves as a benchmark price for purchases of oil worldwide. It is traded electronically via the ICE futures exchange.

As the conflict in Ukraine continues, several African States could stand to benefit from rising oil prices as many countries look to develop their burgeoning oil sectors. With Big Oil Multinational companies eyeing several African countries as potential development areas for low-cost, low-carbon oil, this could be the opportunity they have been waiting for to develop their oil and gas sectors while demand for fossil fuels is still high (Bradstock, 2022). The Brent Crude benchmark has been steadily climbing from the beginning of the year and achieved almost \$101/b in February, 2022. With Russia contributing between 25 to 30 percent of the world's crude oil supply, experts are worried about a potential shortage should other States impose sanctions on Russia (Bradstock, 2022).

At the moment, the African continent produces just fewer than 10 percent of the world's crude oil, with the oil-rich states of Nigeria and Libya providing the lion's share. Of course, rising crude oil prices could negatively impact African oil-producing states, but it also offers many the opportunity to push their crude oil exports at a time when there is little alternative. This is being seen in Nigeria, which has been struggling to increase its crude output to pre-pandemic levels as OPEC has increased its crude oil quotas (Bradstock, 2022). The Nigerian President stated in February that there is hope to reap the gains of the increase in crude oil price, building on recent work on the country's oil industry. Nigeria has introduced new reforms to support its energy sector, with the incorporation of the Nigerian National Petroleum Company Limited (NNPCL) as a limited liability company, which it hopes will become the largest and most profitable in the region (Bradstock, 2022), a time when high crude oil prices meant a lot to the Nigeria government and then it meant a massive boost in the country's foreign reserves. Oil theft in Nigeria has gradually become institutionalized. It began during the past Military governments and has reached alarming proportions in the current democratic dispensation. Before this period, the country was able to meet its foreign trade obligations more comfortably without having to ration forex and could also boost its Excess Crude Account (ECA), where the difference between the crude oil budget price and the actual income is saved for the rainy day. And, of course, there would be plenty to share at the monthly meeting of the Federation Account Allocation Committee (FAAC). The fortune is so bad today that even if crude oil sells for \$200, there is no guarantee that the unit States would be able to pay salaries which doesn't make sense (Kolawole, 2022).

Indeed, the question to ask here is when was the last time high crude oil prices really made sense to Nigerians? Looking at this question in terms of foreign reserves, revenues and savings, there is need to narrowly go back to the periods of 1999-2007 under President

Olusegun Obasanjo and 2007-2010 under President Umaru Musa Yar'Aduwa which are politically elected Presidents (Kolawole, 2022). In the first eight years of Obasanjo from 1999 to 2007, crude oil price averaged \$44/b, the lowest average being \$17.9/b in 1999 and the highest being \$72.52/b in 2007. Production averaged was 2million barrels per day (mbpd), with a height of 2.7mbpd sometime in 2005. Obasanjo paid \$12 billion to settle foreign debts and still left the country with \$43.13 billion in external reserves, \$9.43 billion of which was in ECA. The exchange rate, which was N80/\$, became N125/\$ (Kolawole, 2022).

Again, 2007-2010 administration under Yar'Adua, when the country also enjoyed relatively high prices with a peak of \$147/b and hit a rock-bottom of \$31/b, reserves went as high as \$62 billion the highest in country's history while the ECA component exceeded \$20 billion. Crude oil production averaged 2.2mbpd. But the exchange rate shifted from N125/\$ to N146/\$ as the CBN tried to manage the country's reserves in the midst of a major global economic crisis of 2008-2009 (Andudu, 2022).

Moreover, from 2015 to date under President Muhammadu Buhari, crude oil has averaged \$61 per year so far and met the average of \$52.32/b in 2015. It went down to \$43.47/b in 2016, moved to \$54.25/b in 2017, up again to \$71.34/b in 2018, down to \$64.30/b in 2019, dropped to \$41.96/b in 2020 (remember Covid-19 pandemic), recovered to \$70.68/b in 2021 and has averaged \$86.51/b thus far in 2022 which is for the first time since 2014, crude oil price hit \$100/b at the commencement of the Russian attacks against Ukraine in February, 24. Given the country's 2022 budget benchmark of \$62/b, the country should be saving almost \$38/b. Rather than boost the income of the country and foreign reserves, oil revenue and ECA gaining weight the country is in pains.

Nigeria ought to take this great advantage of higher oil prices, but on the contrary, it cannot produce enough crude oil to take this advantage. The crude oil price is high but quantity is low. Since Buhari came to office in 2015, the country has consistently been averaging less than 2mbpd production capacity (Andudu, 2022). There was even a time when the country was producing less than 1mbpd because of frequent attacks by the Niger Delta Avengers at a time prices were also low. The country's OPEC quota intended to shore up crude oil prices is currently 1.683mbpd but produces only 1.46mbpd in January. The country's budget is projected based on a production of 1.88mbpd and this makes the budget in a peculiar mess (Kolawole, 2022).

There are other issues some induced under the Buhari administration and others before him which have combined to lace injury with insult. For one, even the 1.46mbpd that is currently produced is not so much to the country's advantage. According to NNPC's financial report for August 2021 (its latest), Nigeria's share of production from June 2020 to July 2021 was a mere 28% of the total of 682.55 million barrels. That came to 129,981,717 barrels for the 12 months. By contrast, we used to get about 40% share when production levels were close to 1 billion barrels in a year, out of which the country had for export and domestic allocation (Andudu, 2022). The share of crude oil production is divided into two: federation export and domestic crude allocation. It is from federation export we are supposed to earn foreign exchange while domestic crude allocation is supposed to make fuel available locally through the refineries. Because NNPC has been saddled with the full responsibility of making fuel available at N165 pump price per litre by all means necessary, domestic crude allocation now takes priority over export (Andudu, 2022). Thus, more than half of Nigeria's share of

crude oil production is allocated to the NNPC for the dead refineries. That leaves us with just about 200,000bpd to export on a good day and it could be less than that if crude oil production is disrupted (Andudu, 2022).

NNPC uses the domestic allocation to import petrol under the direct sale direct purchase (DSDP) scheme. DSDP is the sophisticated name for trade by barter: please give me petroleum products worth \$1 billion in exchange for crude oil worth \$1 billion and it's done through third parties. The immediate benefit is that DSDP guarantees a steady supply of products fair enough, since the country's refineries are not working and will never work, no matter the sweet-coated promises made by every government since 1999 (Andudu, 2022; Ige, 2022). Unable to build our reserves as a result of the country's low share of production despite high crude oil prices, we have fallen head over heels for petrol subsidies. It is expected to gulp N3 trillion this year alone (Ige, 2022). In a country that is spending most of its revenue on debt service, where the government is borrowing massively to finance its budget, where many states cannot pay salaries, Nigeria spent N210 billion on petrol subsidy in January 2022. Because of this huge bill, NNPC remitted zero revenue from domestic crude to the federation account as all went into subsidy. NNPC had also deducted N270 billion in December 2021 for subsidy (Ige, 2022).

Therefore, it is against this background that this paper intends to look at whether high crude oil prices caused by Russia-Ukraine inversion can be of great advantage to the Nigerian economic development to increase its production capacity and earn more from crude oil exports. The rest of the study is divided into theoretical/conceptual framework, review of past studies, conclusion and recommendation.

Theoretical Framework

Theory of Marginal Productivity

The theory of marginal productivity was developed in 1890 by J.B. Clark in line with the works of the classical political economist David Ricardo. He argued that a business firm would be willing to pay a productive agent only what he adds to the firm's well-being or utility; that it is clearly unprofitable to buy, for example, a man-hour of labour if it adds less to its buyer's income than what it costs. This marginal yield of a productive input came to be called the value of its marginal product, and the resulting theory of distribution states that every type of input will be paid the value of its marginal product.

Many different function forms have been used for the econometric estimation of productivity growth. The choice among different functional forms is generally based on the type of analysis to be carried out. Some functions simplify computation of elasticity formulas and specification of constraints such as constant returns to scale, some facilitate consideration of dynamic interactions, some allow curvature conditions to be directly imposed, and some enhance the ability to identify the difference between short-run and long-run behavior. Most modern studies of production technology, however, do rely on some type of flexible functional form, which allows generality in terms of interactions among arguments of the function, such as substitution among inputs. The essence here is to apply this theory to crude oil production and the income received by the State. The diminishing returns to production here are not embedded in the production process or low productivity rather it is due to corruption and other sharp practices.

Results and Discussions

Consequences of the Sanctions

From Langenhorst (2011) views, there are three Social factors that can influence outcome greatly in this conflict; they are; the Government, the Society and the Business Elites. A balance of these preferences rather than rational choice will determine decisions. Based on these, each of the actors, that is, the EU, or Russia tries to introduce into Ukraine its political values, visions and interests. The West responded to Russian aggression with unprecedented economic force. Freezing Russian central bank reserves and limiting the access of Russian banks to the Western payments' system was another reaction that showed unity and strength. Sanctions have been deployed incrementally over the last years and increasingly appear to be the economic weapon of choice, as demonstrated by Gallea and Rohnern (2021).

The effectiveness of financial sanctions on Russia has been disputed. An often cited indicator of ineffectiveness has been the ruble exchange rate. Russia's currency depreciated sharply, losing almost half of its value in March, but has since recovered to the pre-war level. Gallea, Morelli and Rohner, (2022) argue instead that the ruble appreciation is the result of the effective sanctions on Russian imports, which lowered demand for foreign currency, as well as financial repression. Similarly, Mukhtarov, Humbatova, Mammadli and Hajiyeu, (2022) argues that import sanctions are effective, since Russia is unable to spend its growing export revenues and is simply accumulating financial claims on Western economies through energy sales which it cannot use.

Financial sanctions on Russia have been imposed sequentially since the annexation of the Crimea in 2014. Studies on the real and financial effects of these previous sanctions support a more sceptical view. Agbo, (2021) found that Russian banks largely anticipated global sanctions and not sanctioned banks were partly able to compensate for them. Alesina, Reich and Riboni, (2020) showed that those sanctions had some measurable effects on Russian firms but that they are rather small. In fact, according to Nigmatulina (2021), the sanctions exacerbated misallocation and hit the 'wrong' firms, as the ones close to power were shielded.

Payments for Russian oil and gas were exempt from sanctions. Nevertheless, Russia started to restrict the flow of gas to various European countries in the spring, partly claiming technical problems and partly non-compliance with their new payments policy. Why Russia suddenly demanded payment in rubles was a puzzle, since it needs foreign currency, not rubles, to pay for imports or to support the exchange rate. The suspicion was that it was just a pretext to be able to allege non-compliance by buyers and cut supplies while claiming to be sticking to contracts. Moreover, Gazprombank had been exempted from sanctions precisely to ensure the flow of payments. Mukhtarov, Humbatova, Mammadli and Hajiyeu, (2022) suggests that the 'rubles only' policy may have been a move to protect MICEX, the main foreign exchange platform, from any sanctions. The intention of economic sanctions was to increase the cost of the war to Russia while at the same time limiting the cost to the West. The high dependence of many European countries meant that they continued to buy gas and oil from Russia while at the same time attempting to refill their storages and diversify energy suppliers. The result was a sharp increase in prices (from about €20/MWh in 2021 to about €180 in mid-July 2022) as well as a more than 30% increase in Russian fiscal revenue. Thus, part of the cost of war is being paid through higher prices charged to citizens around the world, even if they are opposed to the war.

World Trade War and Disrupted Supply Chains

The belief that increasing international trade and lengthening global value chains would secure not only economic prosperity but also a peaceful world has been one of the underpinnings of the great globalization of the last decades. This belief is now in doubt. Most of the existing literature supports the view that interdependence and trade reduce the scope for conflict (Polachek 1980, Martin et al. 2008, Rohner *et al.* 2013, Gallea and Rohner 2021). Higher interdependence and more business increase the opportunity cost of conflict, and hence warrant peace. In dynamic settings, however, vicious and virtuous cycles can arise. Rohner *et al.* (2013) show that a conflict may deplete mutual trust and drive down trade between conflict parties, which may then find it cheaper to engage in future conflict, leading to a 'war trap'. The world seems currently in the middle of such a spiral of conflict, destroying trust and trade and potentially making future wars more likely.

A distinction that this existing literature has not made is the difference between trades in general versus trade in fossil fuels and other precious natural resources such as rare metals and minerals. While for all types of trade the ensuing interdependence is in principle a force of peace, for trade in fossil fuels there is a second, countervailing effect: resource wealth may enrich autocrats and prop up belligerent regimes in petrostates. Gallea *et al.* (2022) showed that leaders of countries that are central nodes of the international gas network manage to cling to power for longer, among other things by fending off international sanctions. More generally, resource wealth tends to hollow out democracy and to favour autocratic regimes (Acemoglu *et al.* 2004).

What does this mean for the future of the international trade regime? Will world trade remain to a large extent global, involving different political systems, or will there be 'clubs' where democracies trade with each other and non-democratic states interact in separate trade networks? One aspect that makes the latter scenario not too likely is that many key natural resources are concentrated in autocratic countries. Consequently, it may not be so easy for democracies to fully cut trade links with non-democracies. However, accelerated regionalization and restoring of supply chains may still be unintended outcomes of the aggression. In the short term, the war is adding to the stress of global value chains, which have still not recovered from the pandemic shock – whether manufacturing or agricultural. Dube and Vargas, (2013) study the position and role of Russia in global value chains. They point out that the country sits very high in those value chains – exporting raw materials (mostly metals) and chemicals and energy (notably, coke and petroleum). Hence, disruptions to trade with Russia have a global impact through price hikes, notably for energy goods, which affect transportation costs and virtually all global value chains.

Anderton and Brauer, (2021) worried about the impact of policy interventions in terms of worsening the war-related losses due to trade disruptions. Focusing on the escalating reactions to the fear of loss of food exports from Ukraine and Russia, they show that as countries impose export restrictions to protect themselves against the loss of imports, a 'multiplier effect' is induced: export restrictions mitigate pressures on domestic food markets by diverting supplies from the world market, and the surge in world prices that results from these measures leads other governments to retaliate by imposing new export restrictions, leading to a further surge in prices. Thus, supply chain distortions multiply as they extend. McGuirk and Burke, (2020) notes that inertia is likely to preserve supply chains, and that even

when substitution takes place from one country to another, it is unlikely to affect costs significantly. It is only the misguided reactions by governments, inducing autarky and reshoring, that lead to very significant losses in productivity and high economic costs.

Impact on Developing Countries

Poverty is a main driver of conflict. This has been shown in dozens of studies exploiting adverse income shocks (Miguel et al. 2004, Jia 2014, König *et al.* 2017, Ighosewe, Akan and Agbogun, 2021). This body of evidence stresses that bad productivity shocks fuel the scope for conflict, including by reducing the opportunity cost of engaging in appropriate activities. Commodity price shocks can also have adverse effects (Bazzi and Blattman 2014, McGuirk and Burke 2020).

There is a significant and growing risk that we will soon see soaring food prices in developing countries that will impoverish parts of the population and trigger a heightened risk of social unrest. As McGuirk and Burke (2020) note, Ukraine and Russia combined account for over a quarter of global wheat exports, and Ukraine alone accounts for 14% of global corn exports. As a result, prices have soared and are expected to remain high. Using a simulation tool, McGuirk and Burke (2020) estimate welfare impacts of up to a 10% loss (Armenia's case) for the poorer 40% of the population, with an average of almost 2% loss in welfare for that population. The burden is large, and the impact is disproportionately in the South. In a separate simulation, also including energy prices, Mukhtarov, Humbatova, Mammadli and Hajiyev, (2022) found drops of a similar magnitude in real income in developing countries of around 1% of GDP on average. Whereas energy is the main driver of the impact in high-income countries, more expensive food is the main source of the impact on poorer countries.

The direct impact of food and energy restrictions on low-income countries is accentuated by the potential sudden stop of lending from one key and common lender to all developing countries – China. Using a new data set, Sarmah and Bal, (2021) shows that China has become the most important official player in international sovereign debt renegotiations but that, except for symbolic debt cancellations of small zero-interest loans, Chinese lenders almost never provide deep debt relief with face value reduction. They also show that China's multi-year overseas lending boom had mostly come to an end before the war and was further hit by it.

Political Fallout and Long-Run Impact on Multilateralism and the Global Order

Political economists and political scientists have long stressed the harmful political side effects of the world's addiction to fossil fuels (which adds to their devastating environmental impact). Fossil fuels are associated with a greater risk of civil wars (Ross 2012, Dube and Vargas 2013, Morelli and Rohner 2015), inter-state wars (Caselli *et al.* 2015), mass killings (Esteban et al. 2015), corruption (Caselli and Michaels 2013), and hollowing-out of democracy (Ross 2012). External threats and wars often act as catalysts to promote nation-building (Sambanis *et al.* 2015, Alesina et al. 2020). Several chapters in the book address the long-run consequences of the conflict for the world order; specifically on the trading system, the monetary system, and the identity of the European Union. Concerning the trade architecture, the main potential consequence, as Rohner, Thoenig and Zilibotti (2013) argued, is the division of the world into two blocs: a Western centric bloc and a China-centric bloc. How costly would such a division

be? Using a simulation, the authors show that the costs are significant – 5% of world GDP on average and up to 10% for poorer countries. Hence, they argue, preserving the current trading system is essential.

Second, the unprecedented use of sanctions, as Raifu, Aminu and Folawewo, (2020) argue, will have a long-term impact on the international monetary system, although it will leave the central role of the dollar unchanged, given its unique set of advantages. Instead, the changes will have to do with the demand for reserves by third countries, who now see that reserves do not provide the advantage in terms of cushioning potential shocks that they had anticipated. Instead of using reserves in that role, countries will choose to protect themselves by reducing their integration with the global financial system, leading to increasing fragmentation of financial markets and accentuating an existing trend – the almost complete stop in global financial integration.

Finally, the war is having profound effects in the European Union. In the face of adversity, different factions may close ranks and move closer together. This is surely something that has been observed for the European Union since the beginning of the war. Indeed, the chapter by Raifu, Aminu and Folawewo, (2020) shows that the Russian attacks on Ukraine in 2014 increased European identity and trust in European institutions. Of course, as he also points out, the jury is still out on whether this effect of closing ranks in Europe and the West will be permanent or will crumble if the costs of a prolonged war, winter energy insecurity, spiraling energy prices and inflation become more apparent. It is worth noting this closing of ranks has been limited to the West. China has sided with Russia and Asian or many lower-income countries have chosen to abstain from condemning Russia's aggression. As a result, the entirety of UN multilateral institutions, from the Security Council to the World Bank and IMF, are now hobbled because their shareholders are split. The G20 can no longer be the prime forum for international agenda setting either. So right now, the multilateral order seems broken, and it is unclear how it can be fixed.

Conclusions

Based on the study, one can safely posit that the Russia and Ukraine war may last for some time and this will lead to an increase in global hunger, not only for the belligerent States but will have a spread effect on States not directly involved in the conflict. Secondly, the war will have a devastating effect on Ukraine, leaving most of the country in ruins and poverty at the end. This will make it more dependent on either Russia or the EU than when the war began. Nigeria may not benefit much from the soaring crude-oil prices and increase in oil production due to systemic corruption that had lingered for a long time without sufficient effort to address it. Presently Nigeria is finding it difficult to meet its OPEC oil quota due to crude-oil theft. It might even get worse with the coming of the 2023 elections and the desperation of some members of the political class to grab as much as they can from the national economy. The world economy may nose dive into a dismal low, given global security challenges especially in the third world. The adverse effect of COVID-19 and the current war in Ukraine will further compound inflation. We therefore make the following recommendations.

Recommendations

We suggest that the Ukrainian government should look for a middle way to escape by seeking a window to end the war through making some concessions to Russia, and also

accommodating the EU. That Putin the Russian President should sheath his sword on time, if not he may run into economic crisis and domestic violence given the affinity of the Russian people with Ukraine in blood, language and culture. The Nigerian government should create an independent body whose sole aim is to find out within the past twelve years or so, people and organisations involved in looting and selling Nigerian petroleum products illegally in the international market. Such persons should be prosecuted and made to return the money. Next, the names of their foreign collaborators be it individuals, organisations or States, should be made public and legal redress sought from international courts while reparation should be made.

Based on that, the study concluded that despite high crude oil prices in the international energy market, the country is not smiling because its crude oil export is low as a result of low crude oil production leading to inability to even meet its OPEC quota. Besides that, NNPC should take the bulk of Nigeria's share to exchange for petroleum products with foreign refineries via third parties under DSDP. This option should come if the country cannot earn substantial foreign income from federation exports. Lastly, the country should increase its production and exports capacity in the periods of higher crude oil prices (especially now that crude oil prices have reached above \$100/b). Furthermore, local refineries should be revived and new ones should be constructed with sophisticated equipment in order to avoid exchange of crude oil for petroleum products with foreign refineries via third parties under DSDP which is not a better option. This implies that the country can earn substantial foreign income from federation exports.

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