



DEENS MODEL UNITED NATIONS 2022

WORLD TRADE ORGANISATION

BACKGROUND GUIDE

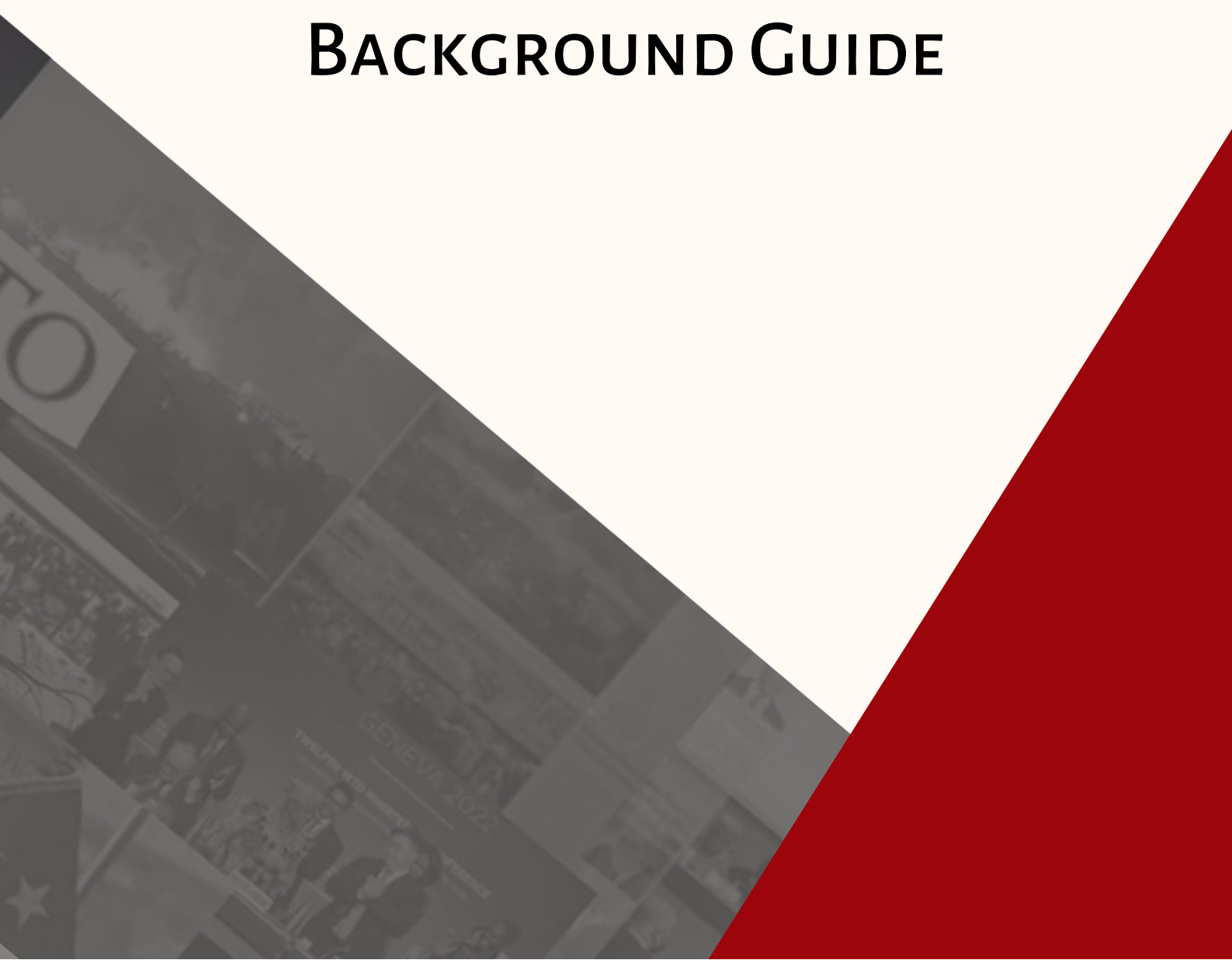


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THE DEENS
ACADEMY

DMUN

LETTER FROM THE EXECUTIVE BOARD

Dear Delegates,

It gives the Executive Board immense pleasure to welcome you to the World Trade Organization at DMUN'22! We look forward to hearing the intellectual members of the world community debate on our agenda of the global impact of the Russo Ukraine war on trade. We hope that fruitful discussion will lead to an innovative solution.

The purpose of the Background Guide is to help you with your research and preparation for our session. It will give you a starting point and a reference for your research work. You should take into consideration that this BG can not be the sole source of your research. Furthermore, please ensure that any points brought by you into the committee originate from credible sources, which are not biased to opinion.

We, the Executive Board, will guide, counsel and direct you on the right path. Therefore, do not hesitate to refer to any member of the EB with your questions and doubts.

We are open to queries about the formal procedure or the agenda, or anything related to the session throughout the conference. We look forward to hearing from you. We wish you the best of luck! Happy researching and preparing!

Warm regards,

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INTRODUCTION TO THE WORLD TRADE ORGANISATION

WTO was founded on the 1st of January 1995 with 23 members. The WTO has now grown to 164 member nations who have sworn to make trade around the world better for all countries involved. The member countries of the organization meet every 2 years to discuss flow of trade and each member nation has the power.

The main function of the World Trade Organisation is to deal with the rules, laws and regulations with respect to trade around the world. The treaties and papers signed are agreed upon, signed and negotiated by several of the world's countries and then ratified by the countries' respective parliaments.

The WTO ensures free, sustainable and smooth trade all around the world. The WTO stands to form the foundation of a multilateral trading system. The mandate of the WTO is to cooperate with international organisations like the International Monetary Fund and the world bank to achieve higher goals of economic policy creation.

The World Trade Organisation oversees the trade between the nations and acts as a platform for them to discuss and develop rules and laws that govern trade across the seas. Its mandate works on the reduction of trade barriers, tariffs imposed by countries and international quotas, while simultaneously maintaining and promoting trade freedom.

Trade barriers are restrictions on trade introduced by governments of countries. They exist in the form of tariffs and quotas. Tariffs are duties paid on imports on goods, appreciating the price of foreign goods and reducing their appeal. Quotas are limitations set on the money value of goods imported.

Both of these are perceived as diminutive to the world economy due to their regressive and restrictive nature. The WTO is working towards creating a global village of interconnectedness and openness.

The WTO aims to use trade to improve living standards and create economic opportunities. The Marrakesh agreement pushes for using trade to raise standard of living, 100 % employment, hike in real income and expansion of trade. It controls the creation of trade agreements that are signed and abided by member states.

These highlight the rules to be followed by international agencies and governments worldwide.

They aim to protect and help all parties involved in trade deals. WTO stimulates growth, employment, price changes, income increments through its open trade policy. Finally, WTO deals with conflicting interests in international trade. Issues are solved through neutral process based on WTO legalities

INTRODUCTION TO AGENDA

Discussing the global impact of the Russo - Ukraine war on trade

The Russo Ukrainian war has caused immense human strife, political tensions and damage to global trade. The ongoing war has resulted in disruptions in the supply chain across the world. Inflation, exchange rate fluctuations, skyrocketing fuel prices, downturn in stock markets are impacts of the crisis seen worldwide.

A food crisis is a most alarming possibility, there has already been a surge in wheat and other grain prices. Together, Russia and Ukraine exported 25 percent of the world's wheat and 14 percent of its corn in 2019. The two countries are also major exporters of fossil fuels, and therefore a price rise in the same has been seen in various countries. The war has negatively impacted other areas of the global economy, such as the rises in transportation costs and significant declines in exports of tourism. Many countries which are large producers of agricultural products purchase grains from Russia and Ukraine.

Countries have imposed a list of import and export restrictions and trade sanctions on Russia. These restrictions cause disruptions in global trade and limit the availability of resources to the involved parties. Countries struggle to find new sources of the imported raw materials and new exporters of produced goods.

There is a rise in transport costs as more expensive and longer routes are taken mainly between East Asia and Europe due to the ban on access to airspace. The ban on shipping makes export to Russia difficult.

Increasing prices in the food and energy sector have resulted in inflation. Sudden spikes in inflation result in decreased purchasing power of a currency, internationally and intranationally. The citizens have to pay more for the same product and their ability to save or spend beyond basic necessities reduces.

In the current situation, food and energy - both necessities - are experiencing price hikes. This has greatly increased regular expenditures with great pressure on the incomes of households. The war has impacted everyone, developed and developing nations.

HISTORICAL BACKGROUND

Russia invaded Ukraine on 24th February 2022. It was claimed to be a 'special military operation'. The aim, as specified by Vladimir Putin, was to 'demilitarise and denazify' Ukraine. The president claimed that this action was required to stop the Ukrainian attacks on the regions of Donetsk and Lugansk.

He further claimed to feel threatened by the Ukrainian right wing government. He felt that the only way to reduce their influence was through this attack. It was important, in the eyes of Russia, to decimate this government as their policies were closely associated with those of Western countries.

Russia believes that Western countries are constantly promoting an ideology of 'Russophobia' worldwide. They vilify and isolate it through the media and portray it as an out of control country. Russia feels pressure from NATO due to its constant expansion towards Eastern countries, despite agreeing not to do so in the Warsaw pact. The final straw that enraged the superpower was when Ukraine entered serious conversations with NATO to become a member

After the dissolution of the Soviet Union in 1990, Ukraine was unified, with the eastern part from Russia and the western part from powers such as Poland and the Austro-Hungarian Empire. After its independence from the Soviet Union, Ukraine chose to transition to a market economy. Its political structure changed to a democracy.

However, while Ukraine was unified into a single country, the people was not united. The citizens of eastern Ukraine were pro Russia, while the western side supported the mindset of Western countries. Ukraine was modeling itself to the likes of a Western country. The change taking place was painful and chaotic. While this turmoil raged through Ukraine, the Russian President made statements claiming that Ukraine is not independent from Russia and they exist as one.

Moscow maintained a negative stance on Ukraine's independence. In a push for its sovereignty, Ukraine signed a deal to abdicate its nuclear arsenal for the recognition of its borders and territorial integrity. In 2004, the Orange Revolution took place. The country fought for clean elections, not influenced by Russian political agenda. For decades, Ukraine has been fighting for sociopolitical freedom from Russia.

Ukraine's biggest allies were found in the North Atlantic Treaty Organisation and other capitalist, democratic countries. NATO was formed in 1949 by 12 countries who promised to aid each other in times of military crisis. It aimed to curb Russian expansion in Europe. NATO and Russia had an agreement wherein the former would not expand its area eastward, closer to Russia's boundaries. However, NATO failed to honour this agreement, adding numerous member countries in the next few years. NATO stated that the agreement had been made with the existence of West and East Germany and in a different geopolitical set up. This justified their growth plans and setting up of military bases in countries bordering Russia.

TIMELINE OF RUSSO UKRAINE WAR

2014

2014 marked the beginning of the conflicts between Ukraine and Russia. Armed skirmishes along eastern Ukraine arose after Russia annexed Crimea in March 2014. The reason the Russian President, Vladimir Putin, cited was the need to protect the rights of Russian speakers and citizens in Crimea and the regions of Donetsk and Luhansk. Russia got political control over the regions through a referendum. Conflicts arose between Russia and Ukraine immediately after the annexation of Crimea. The conflict finally resulted in a stalemate with relatively minor shelling and skirmishes along the borders until February 2022

February 21st, 2022

Russia declared previously captured regions of Luhansk and Donetsk to be Russian states and sent troops to these territories.

February 22nd, 2022

The Moscow Parliament permits Putin to use military force in Ukraine.

February 24th, 2022

Russia initiated a chain of wide ranging attacks on Eastern Ukraine starting from the 24th of February, 2022. Volodymyr Zelenskyy orders mobilisation of troops into the regions of conflict.

February 25th, 2022

Russia vetoes first Security Council draft resolution to hold the Russian Federation responsible for its actions in Ukraine.

February 27th, 2022

EU implements Russian air traffic ban increasing Russian costs for transport.

February 28th, 2022

A 500 million euro (\$537 million) aid package is set up and sent for the Ukrainian military from the European Union.

March 8th, 2022

The Russo-Ukrainian war caused a spike in the fuel prices worldwide. The European Commission created REPowerEU. It is a plan to reliance on natural gas from Russia by 66.67% by the end of 2022. Simultaneously, the United States banned crude oil imports from Russia.

March 11th, 2022

Member states of the EU were called to fortify defence spending and investment in the Versailles Declaration. A new round of sanctions were launched by the United States in collaboration with the G7.

May 31st, 2022

The sixth set of sanctions is rolled out against Russia, including a ban on Russian oil and petroleum products by the European Union. A temporary exception is allowed on pipeline oil because landlocked countries wouldn't be able to access oil via sea routes.

June 6th, 2022

Countries neighbouring Russia viz. Bulgaria and Hungary implement EU ban on Russian air traffic causing severe increase in transport costs for Russia.

June 13th, 2022

During the first 100 days of its conflict in Ukraine, Russia made \$98 billion from the export of fossil fuels. Exports to Europe accounted for 61% of total exports. According to researchers, the daily expense of the conflict equals the revenue from oil and gas by a billion dollars.

June 15th, 2022

By the end of 2022, the reduction in Russian gas exports to Europe through the Nordstream 1 pipeline to 40% of capacity will lead to a total decline of 16 billion cubic metres. Gas shipments from Russia to Poland, Bulgaria, Denmark, Finland, France, and the Netherlands were completely stopped. Two of Europe's top consumers of Russian gas are Germany and Italy. Austria, Slovakia, and the Czech Republic are all impacted by the most recent reduction.

June 17th, 2022

Russian President Vladimir Putin claimed that US-led sanctions against Russia would fail, stating that the economic blitzkrieg that the US tried to pull against Russia was doomed to fail from the start.

July 10th, 2022

Russian forces withdraw from Snake Island and the Bystre channel opens for Ukrainian grain exports.

July 11th, 2022

The major gas pipeline across Europe, The Nord Stream 1 gas pipeline shut down for a maintenance of 10 days with some officials fearing it would not restart, causing Europe to not have the opportunity to fill its gas storage by 85%. USA predictions see a 65% rise in European energy prices over the winter.

July 20th, 2022

The EU came to an agreement to ban all imports of Russian gold and to freeze the assets of 'Sberbank', one of Russia's top lenders to increase the sanctions. This promised to reduce the annual income of Russia by at least \$15.45 billion.

July 22nd, 2022

Ukraine and Russia with the aid and moderation of the United Nations signed an agreement allowing the export of Ukrainian grains through the black sea. Kyiv confirms that the agreement has been reached allowing Ukraine to export its harvest of 2021 and 2022.

July 26th, 2022

Russian backed company Gazprom stated that it would reduce the gas supply through the Nord Stream 1 pipeline to 20% capacity. EU ministers agree to reduce dependance of natural gas by at least 15% between the months of august of 2022 to March 2023.

GLOBAL IMPACT ON TRADE

The possibility of a food crisis is alarming but imminent. Both Ukraine and Russia are top exporters and producers of corn, wheat, barley, sunflower oil and sunflower seeds. This makes food security difficult for many countries dependent on them as the war rages on. Disruptions in trade routes have dire consequences for the countries trading with Russia and Ukraine.

Due to the war, the disruptions in supply chains are causing a surge in prices. The high prices of commodities and increased shipments and production help the exporters to gain more, but on the other hand importers are losing twice the amount. Commodity exports to other destinations have been limited due to cutoffs in Russia's connections to European ports. A number of Ukraine's Black Sea ports have been blocked or occupied, limiting the country's options for exporting commodities.

A large number of tourists in developing countries are accounted for by Russia and Ukraine. As scheduled flights are disrupted and consumers await more certainty before booking, a decline in global tourism could temporarily stall post pandemic recovery.

In response to the Russian invasion, the United States, the European Union, and other high-income economies have imposed unprecedented sanctions.

These sanctions from the US include Russian-specific restrictions like the banning of their goods, such as the import and export of certain goods to Russia, such as semiconductors. The effects of the conflict will also show in other parts of the global economy - for example, transport costs and remittances to developing countries.

Net exporters could benefit from the gain in terms of trade for agriculture and energy commodities, as long as production can be scaled up or redirected from domestic markets. When the price of commodities goes up, the profitability of businesses that make use of those materials in turn suffer. This can potentially lower the competitiveness of goods or services they offer and result in reduced production. In addition, the higher cost of fertilizer has been shown to reduce agricultural yields around the world.

This has a negative impact on agriculture exporters around the world and could even lead to trade deficits. On the other hand, net importers of agriculture and energy are worse off due to rising prices of final and intermediate products. Time sensitive goods are affected as trade costs are expected to increase as energy prices rise along with transportation costs.

CASE STUDIES

Nigeria

Due to the current situation of the war, Nigeria has seen a change in the crude oil market as diesel prices, which aren't subsidised, have risen dramatically and petroleum prices are rising as well. This resulted in the increase in the cost of transportation and subsequently the cost of living as well. Nigeria is in a position where it suffers from food shortage and inflation.

Recent trade sanctions will also affect imports as Russia is one of its top importers. Being a large consumer of wheat, Nigeria is facing inflationary and shortage consequences due to global supply disruptions from Russia. Nigeria also imports iron ore for producing steel and primary manufacturing hardware from Ukraine. The perpetuation of the war will cause Nigeria to suffer socio - economic difficulties. Analysts predict a steady increase in the price of staple foods such as bread and noodles as a result of the war.

The demand for fertiliser will increase worldwide, affecting agricultural products. Nigeria, which also produces fertiliser as a petroleum by-product, will cash in on the global demand at the expense of local consumption to meet the global demand. It is important that Nigeria takes other steps to stabilise their trade.

Japan

This South East Asian country is suffering from rising food and energy prices due to the Russo Ukraine war. Inflation at 2% has pushed up the prices of consumer goods, after the economy was in deflation for almost 20 years. Japan's economy has been hurt by the increased prices households and companies have to pay for daily objects and fuel.

Raw material costs have also soared, thereby pushing up wholesale prices for basic commodities. The war has reduced the disposable income of Japanese households. Rises in energy costs due to the war have also contributed to inflation. Japan is a resource poor island nation. It has a self sufficiency rate in the OECD of 11.2% in 2020. Russia is Tokyo's fifth largest supplier of crude oil and natural gas.

Therefore, Fumio Kishida (PM, Japan) has been hesitant to pull out of the Sakhalin natural gas projects. Japan has received criticism for this move but the country desperately requires the Sakhalin oil imports for its energy requirements. However, this crisis has provided momentum to accelerate investment in energy efficiency, renewable energy and electrification in Japan.

The Government is providing subsidies for the gasoline prices but it doesn't plan on increasing it if required. The Ministry is looking for more solutions to the problem.

USA

USA and other parts of the world are facing one of the highest inflation rates till date. The first quarter of the American fiscal year showed an inflation of about 8%, not a promising number for a world superpower like the United States. This war has its individual impact on the US economy alongwith an exacerbation of previous bad conditions from COVID.

Russia's attack on Ukraine has pushed up oil and grain prices all around the world. Though USA does not import a high percentage of its goods from Russia, the war's economic impact will shoot up prices of not only raw materials and therefore, finished goods as well. This will reduce the disposable income in the USA.

Economists predict only a 1.75 percent rise in GDP in the American economy. This is in stark difference from the 5.7% increase even in a COVID ridden 2021. With the war likely to drag on for a long period of time, the US economy is expected to deteriorate further. USA has responded with unprecedented sanctions on Russia causing oil prices to skyrocket to over 115\$ per barrel. The Russo-Ukraine war adds to the issues caused by the pandemic which shuttered factories, closed doors and threw off the world's supply chain.

However, the war has also positively affected the United States in terms of its exports. Russian oil accounts for 72 billion cubic metres of natural gas annually. The US dollar also is strengthened by the now volatile European currencies.

UAE

Two major exporters of wheat, with a combined market share worldwide of over 25%, were Russia and Ukraine. The war between them has impacted food security for their importers, a major one being the United Arab Emirates. The crisis has influenced both the supply and the price of grains in many areas.

In the UAE, imports from Russia and Ukraine increased from one third to almost half of the wheat in the country - \$154 million. The war has impacted the ability of the countries to export goods and raw materials due to closed off airspaces, invaded ports and closed land routes. While the UAE may face issues with food security, it seems to be faring well with its store of grains for now.

On a positive note, the spike in oil prices has been a boon to oil exporting countries. Gulf states have access to increased revenues which aid in economic diversification and deficit budgets.

Furthermore, countries that are not purchasing oil from Russia will look for other suppliers. They are highly likely to turn towards countries like Oman, Saudi Arabia and the UAE, who are working on green hydrogen projects

UN INTERVENTION

- Humanitarian aid partners and the United Nations started coordinated emergency appeals for an amount of \$1.7 billion on 1st March, 2022. It aimed at providing humanitarian assistance to Ukrainian refugees.
- On 2nd March, 2022, the United Nations General Assembly adopted a resolution condemning the act of violence committed by Russia.
- On 5th March, it set up an independent international commission of inquiry to look into Russia's actions.
- On 7th April, the UNGA called for Russia's suspension from the United Nations Human Rights Council. The resolution passed with a two thirds majority, holding Moscow completely accountable for its actions.
- The original emergency appeal was doubled to \$2.24 billion on 26th April due to the worsening condition of the war. The amount collected of \$980 million was utilised to provide aid to 3.4 million Ukrainians while the number of people in requirement of help rose from 12 million to 15.7 million.
- The UN has provided 6.7 million people food aid, 1.7 million people cash assistance and 8.1 million with humanitarian help and security.

- UN agencies were present in all of Ukraine's districts, providing assistance to 2.1 million people.
- The World Health Organisation has given 185+ tonnes of medical aid and 125 tonnes of basic requirements. to the most disaster stricken areas of Ukraine. 500 million people were treated with trauma, surgical and primary health care equipment

QUESTIONS A RESOLUTION MUST ANSWER (QARMA):

- What measures will improve the condition of the global supply chain?
- How will member countries battle with price volatility caused by the war?
- What changes will be made by the global community in terms of supply of energy and fuel?
- What trade and economy related decisions will negatively influence the Russian invasion of Ukraine?
- What role do grain producing countries play in the world economy and how can they influence trade?
- What is the impact of Russian trade sanctions on the rest of the world?

REFERENCES:

Credible websites for reference: BBC, Al Jazeera, CNN (non USA), Amnesty International, Human Rights Watch, Washington Post, Wall Street Journal, The New Yorker, Forbes Magazine, Bloomberg, UN branches' websites.

1. [Ukraine war in maps: Tracking the Russian invasion - BBC News](#)
2. [Russia-Ukraine war threatens prolonged effect on global economy](#)
3. [Russian Invasion to Shrink Ukraine Economy by 45 Percent This Year](#)
4. [Why has Russia invaded Ukraine and what does Putin want? - BBC News](#)

These links provide a general idea on what to research and only give you a starting point. None of these are country specific. We suggest that you research on the topics mentioned in the BG for your particular country as another push in the right direction.