



The Impact of the Russian-Ukraine Conflicts on the Economy and Security of Nigeria, 2014-2023

Emmanuel Anbua Daniel^{1}, Ogah Achikare Peace², Abdullahi Umar Nasiru³, Abdulazeez Oluwadamilare Abdulsamad⁴, Dike Ndidi Pauline⁵, Iyanda Abiodun Ezekiel⁶*

¹Department of History and International Studies, Faculty of Arts, University of Ilorin, Kwara State Nigeria,

Email: 20-15ca133@students.unilorin.edu.ng

²Department of Management, Faculty of Administration and Management, Rivers State University, Rivers State Nigeria,

Email: Eddyp83@yahoo.com

³Department of Economic, Faculty of Social and Management Science, Yobe State University, Damaturu, Yobe State Nigeria

Email: nasiruabdullahiumar0@gmail.com

⁴Department of History and International Studies, Faculty of Arts, University of Ilorin, Kwara State Nigeria,

Email: 20-15ca004@students.unilorin.edu.ng

⁵Department of History and Diplomacy, Faculty of Arts, Niger Delta University, Bayelsa State Nigeria, Email: paulinendidi250@gmail.com

⁶Department of History and International Studies, Faculty of Arts, University of Ilorin, Kwara State Nigeria,

Email: 20-15ca170@students.unilorin.edu.ng

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ABSTRACT

Geopolitical conflicts as we have it today is nothing new as it goes far back as the Napoleonic era. This phenomenon has become a constant feature of the modern geopolitics with its adverse effect not just limited to the immediate neighbouring states, but countries from other regions especially developing countries from Asia and Africa. The Russian Ukraine conflict which has made the whole Western and Eastern Europe economy become weak, as expected it did not exempt the economy of the developing countries such as Nigeria as a result of the country's dependency on importation. The Nigerian economy which was quite unstable after the COVID 19 pandemic began to battle with the consequences of the various economic sanctions and bans placed on Russia, and the economic damage of Ukraine who both are long term trade partners with Nigeria. This research would therefore examine the economic and security impact of the Russian-Ukraine conflict on Nigeria. This research paper discovered that despite the long distance of Eastern Europe from Nigeria, the nation's economy still took a huge blow of foreign trade disruption due to the ongoing conflict. The methodology is both analytical and expository. The study suggests that in an attempt to improve the Nigerian economy, increased input in the agricultural sector should be considered by the authorities to reduce the heavy reliance on foreign goods, also high production drive is needed within the local manufacturing sector of the economy as well as improved budgetary allocation to education.

Keywords: Conflict, Economy, Underdevelopment, Migration, Security

Introduction

The concept of war

War is often said to be a state of organized and in most times prolonged conflicts between different groups or nations, typically characterized using extreme violence, including armed forces and weaponry, with the aim of achieving specific objectives. These objectives can vary widely and may include gaining or defending territory, asserting political dominance, or pursuing ideological, economic, or cultural goals (Olagbaju & Awosusi, 2020). Conflict is by nature is a natural phenomenon, and this stems from the fact that in every society, there are bound to be disputes, claims, counterclaims, contestation over resources (Agah & Ikenga, 2007), values, and wealth which are part and parcel of human interaction. However, when it's unchecked, it leads to war. Coser (2018) perceives war as a complex and evolving phenomenon that reflects changes in technology, geopolitics, and human societies. The key characteristics of war include violence, organized conflict, and the pursuit of political and strategic objectives. Wars may vary in duration, involve diverse participants, and may be subject to rules and conventions aimed at minimizing harm to civilians and combatants. According to Wilmot & Hocker (2019), War has profound social, economic, and humanitarian consequences, leading to displacement of populations, loss of infrastructure, and psychological trauma. It can involve nation-states, non-state actors, rebel groups, or other entities and may manifest as international conflicts or civil wars. Over time, efforts have been made to mitigate the devastating effects of war and promote peace through international organizations, treaties, and diplomacy.

Nature of the Nigerian Economy in a globalized world

Globalization is similar to inter-dependence. According to theoretical perspective of liberalism, inter-dependence means that what happens inside one state can have significant effects on what happens in another state. It explains that state and their fortunes are connected to each other; they need one another to survive (James & Juliet, 2008). All states need one thing or the other for survival from another state(s). This is an aspect of dependency, but its extent varies among the states. The economy of Nigeria has been in a mess right from the colonial era to date. Successive governments seem not have commitment to its repositioning. The economy is fundamentally mono-cultural as captured by Anifowose and Enemu (1999); AKe (1981) and Ake (1996) that mono-culturally biased of the Nigerian economy is the bane of organic linkage between agriculture and industry; production and consumption. It is worth to note that more than 70% of Africans are rural dwellers, hence can largely participate in economic development in the primary production. Nigeria is one of the southern states of the global economic division. It is apparently underdeveloped. Once upon a time, Nigerian economy was agriculture-dependent. It was the highest contributor to GDP, foreign exchange earnings, and the largest employer of labour. In the 1970s, with the prominence of oil, Nigeria dramatically became mineral dependent economy where crude oil becomes more than 90% of its foreign exchange earnings. Okowa (1994) and Obi et al (2006) identify key features of the Nigerian economy: Dependent on foreign technology; mono-cultural; inadequate supply of skilled labour; low productivity and per capita; under-developed agricultural sector; high rate of unemployment; high rate of inflation; excessive government involvement; heavy external debt; systemic corruption and poor attitude to work in the public sector.

The conflict between Russian-Ukraine in view

It is evident that Russia and Ukraine have historical ties that could be traced to hundreds of years and some scholars argues it has been a peaceful one while other scholars say otherwise before 2014. The current conflicts between these two countries which could be said to have been caused by the Crimean invasion of 2014.; the conflict has degenerated into war that has led to the loss of lives of properties causing harm not just to the two countries involved but rather causing severe damage to the economy and security of many countries, especially third world countries like Nigeria. According to (Merezhko, 2015), he posited that before the Crimean invasion in 2014, Viktor Yanukovich the leader of the pro-Russian government had rejected the offer to become a member of the European Union in 2013.

This move was tagged by Putin as “denazification”. According to him, Kyiv the capital city of Ukraine has over the years be under the control of some American elements like the neo-Nazis. Properties worth millions of dollars as well as lives have already been destroyed due to the war, not just that, another feature of the conflict between these two countries is the strong media coverage as reports coming from the Russian side tends to be totally or slightly different to what is reported by people on the field from different countries and sometimes even international news outlets (Duho et al, 2020).

The Nigerian Economy in the Face of the Russian-Ukraine Conflict

Many scholars have argued that wars have never been good impact on struggling economy and the one between Russia and Ukraine is not any different, as it ensured that when the Nigerian government was still struggling with the aftermaths of the coronal virus that caused the socio-economic deterioration (Fasiku & Adebayo, 2023). Over the years, precisely 2006, Nigeria entered into a free trade agreement with Russia. In 2010, the two countries trade understanding signed on cooperation in oil and gas. Prior to 2014, Russia has been a big trade partner to Nigeria. In the vein, Ukraine is also a big trade partner to Nigeria (Splidsboel,2015). Thus, the long-standing conflict between these two big trade partners to Nigeria has brought about a major decline of wheat into the country (NBS, 2022). It is important to note that Nigeria is one of the biggest importers of wheat and fertilizer material from Russia.

Nigeria being an import dependent country has over the years heavily relied on importation of commodities that are priced in dollars. As a result of the high dependency on importation, dollar valuation increased leading to inflation of goods as these commodities are imported and paid for in dollars, making them to become more expensive for the holders of the Nigerian Naria.

The world is heavily reliant on Russia and Ukraine as they are the world’s largest exporters of wheat. According to (Cohen & Ewing, 2022), Russia and Ukraine export about a quarter of the entire wheat. Russia remains one of the main players in many areas in the international community. Russia accounts for second largest world supplier of crude oil, which has allowed her to play a key role in determining the prices of the commodity on the international market. Some scholars also claim that Russia is the one of the largest sources of energy and natural gas which is said to be clean and safe for the environment. Most European nations get their natural gas and coal from Russia. The conflict has made many countries in Europe to withdraw from all partnership and also cut all trade relations with Russia, this move has caused a major challenge in both the Russian and European economy; which has forced Moscow to respond by stopping every supply of its gas to Europe.

Russia, being one of the top producers of oil, the conflict has definitely impacted not just the economy of European countries but many other countries especially developing countries like Nigeria. This is because developing countries in Africa and Assia like Nigeria are solely dependent on the importation from Ukraine and to a great extend commodities coming in from Russia which made them to be the worst hit by the outbreak of war between these two countries. The military attack of Ukraine by Russia has resulted to most western countries coming together to impose different restrictions on Russia which has included the suspension of every trade agreement and many other forms sanctions like economic isolation. The attack has so many economic, socio-political and security impacts on the international community especially as the conflict persist. The rising cost of import for gasoline, increased in gas theft, and the ever-increasing prices of energy. It has also significantly impacted the macro-economy leading to fiscal deficit, increased debt level, higher debt serving payments, exchange rate depreciation and higher inflation pressure (Ozili,2022).

Despite the far distance of Nigeria from the Eastern Europe, the war has had its consequences on both the economy and security of Nigeria. This is as a result of the very important position Russia holds in the global economic and security influence and being a major actor on the global stage, and Nigeria's over dependent on importation and foreign partnership has negatively impacted her economy and security. As a result of this, it is important that the economic and security impacts of the ongoing conflict between Russia and Ukraine is properly checked by the Nigerian government. The attack of Ukrainian territory by Russia has led to an unprecedented increase in the prices of crude oil with Brent selling above \$100 per barrel while Bonny is selling at over \$110. The Nigerian economy which survives on the importation of refined petroleum product is feeling the consequences of the whole hike of crude oil prices. As a result of the fragile state of power supply in Nigeria, there has been a force for diesel in the local market which led to the high cost of the product in the market. The nearest future however, is looking like a dark one as ships bringing refined petroleum products into the country can be attacked as the state of security in the country seems to be getting worse. As claimed by (Efebeh, 2018), the Nigerian petroleum industry is heavily crowded with corruption. Just like in most of the aspects, transportation has also gone higher in response to the prices of petroleum products (Majjama & Musa, 2022).

Most Nigerian states, especially states like Lagos and Abuja, the cost of inter-state transportation services has increased significantly during the period under review. It has been discovered that there is a considerable higher cost of transportation expenditure among Abuja and Lagos residence within the time surveyed. Also, it has been reported in Nigeria that the increase in the prices refined petroleum products on the international market has brought about higher cost of the commodity and higher subsidy expenditure, that has over time given rise to government borrowing and caused fiscal deficit to exceed projection. The situation has worsened the already fragile financial condition of Nigeria economy. The conflict between Russia and Ukraine has negatively impacted the federations' account because the NNPC (Nigerian National Petroleum Company Limited), would reduce its contribution to the federation account as a result of the increase in subsidy commitment. It also directly impacts the security of the nation as well as the how national allocations are distributed to the various levels of government, most especially states governments that relies mostly on the monthly allocation from the federation's account.

Given the important nature of oil in the international market, it has since over time played a key role in determining the prices of other commodities in the market, for instance, the airline industry, many airlines have resulted to the reduction in the frequency of their operations. Sadly, in February 2022, prices of airlines increased by at least a 100%, with the cost of just one-way economic class ticket starting from N50,000 and above. People who can afford to travel via air would have to pay more for both local and international travels. The conflict has also made people who work or have businesses in industrial and commercial states like Lagos, Port Harcourt, Abuja but live in neighbouring states to also be badly impacted by the rise of travel cost which has led to the reduction infrequency of travels thereby affecting their overall productivity and outputs.

Moreover, one of the products widely imported by Nigeria is durum wheat, an essential commodity is widely used in almost every home on a daily basis. The Nigeria has witnessed a major price increase since the invasion of Ukraine by Russia started in 2022, and this is one of the food crops Russia exports in large quantity just like crude oil and natural gas (Majjaji & Musa, 2022). The prices of wheat have reached its highest pick since the start of the conflict between Russia and Ukraine in 2022. Nigerian which consumes a significant ratio of world wheat is ranked as one of the major importers of the product.

According to the Nigerian Bureau of Statistics (NBS, 2022), the importation of wheat to Nigeria in the first nine months of 2021 was over N128.1 billion, which was more than the entire importation in 2020. Given the heavy reliance of Nigerian economy on importation, local demand is now struggling with the high increased in inflation rate which has disrupted in the food and other commodities into the country. The impact of the conflict is not just felt by Nigeria alone as it has also affected the supply of wheat to the international market, which has given rise the rise in the price of the commodity on the international market (Ozili, 2022). Consequently, the negative impacts occasioned by the invasion of Ukraine by Russia, which has caused a major conflict between these two neighbours has led to a major rise in the prices of flour and as thus leading to the increase of similar products in Nigeria. The price of a big sized bread which sold initially for N450 and now sells for N1,200, while a small sized bread that was sold for N200 now sells for N700. Since the conflict started between these two major producers of wheat in 2022, Nigeria has spent a large percentage of her budget on food commodities importation. If the price of food products continues to go high, Nigeria would loss her purchasing power which would negatively affect the economy of the country.

The Central Bank of Nigeria (CBN) have often tried to intervene in the market to solve the problem of currency rate in Nigeria to control the unstable exchange rate affecting the economy in recent times. However, the large sum of money that is traded in an unreported and unmonitored manner at the parallel market. The activities of the black market as well as Nigeria's heavy reliance on importation of most of her daily essentials, the lack FPIs and FPDs have added to the difficulties already experience by the country's foreign liquidity, and most importantly diaspora remittances from Nigerians living in these two countries has drastically reduced as the conflict have rendered many Nigerians jobless and also about 70% of Nigerians in Ukraine have had to leave for neighbouring countries like Poland without any source of income or even evacuated back to Nigeria.

It is worthy to note at this point that, the conflict between Russia and Ukraine did not only affect the economy of Nigeria but also the security of the country. Nigerian evacuated from the warring area who come back without any means of income can become agents of crime in the society causing security threat the nation. Crime has also increased as some people who depended on their relatives in Ukraine for source of income have been forced to find alternatives and sometimes these alternatives result to crimes. Nigeria as a country despite the lack of close proximity with Russia and Ukraine, the warring nations have witnessed a significant impact of their conflict on her economy and security.

Conclusion

In summary, the conflict between Russia and Ukraine which started with the invasion of Ukraine by Russian in 2022, has had a major impact on third world or developing countries with Africa and Asia being the worst hit economies. Many African countries, particularly countries like Nigeria, Egypt, Mali, and Kenya, and Zambia heavily rely on imports for most of their domestic needs such as in the areas of energy, food, and power, automobile among other things

The economic consequences of this conflict are broad, including higher energy costs, increased fuel imports and subsidies, disruptions to government finances, reduced regional wheat exports, trade disruptions, and reduction in diaspora remittances to the Nigerian government. These factors worsen existing challenges, such as inflation and fiscal stability. At a broader scale, the conflict is leading to rising budget deficits, increased debt, higher debt servicing costs, food insecurity, currency depreciation, and mounting inflation in Nigeria.

The Russian-Ukraine conflict and its impacts in the global economy highlights the interdependence of the global economy and emphasizes the importance of diversifying economies, reducing over reliance on trading partners, and formulating strategies for resilience. As the globe contends with these challenges, it calls for collaborative efforts to address immediate humanitarian needs and long-term economic issues.

Recommendations

With the finding made from this research and conclusions drawn, this paper therefore suggests that:

Improve agricultural input/output; The Nigerian government must heavily invest in domestic agricultural production to diminish dependence on imported food items, especially grains like wheat. Promote policies that support local farmers and increase food security. Explore alternative energy sources to diminish dependence on fossil fuels.

Another important action the Nigerian government must urgently take to tackle the advance effects of geopolitical conflicts on the economy of the country is to invest in improving educational system and structure of Nigeria. This would provide the country with sufficient trained man power needed to drive production leading to reduction in over reliance on other countries.

Promoting Public Awareness: Inform the public about the potential impacts of international conflicts on the local economy, such as inflation and price hikes, aiming to foster conscientious consumer behavior, Ekoko, (2024)

These suggestions aim to serve as guidance to the Nigerian government in lessening the negative impacts of external shocks like that of the conflict between Russia and Ukraine while promoting economic stability and resilience amid global uncertainties in Nigeria.

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