

CHAPTER I

INTRODUCTION

A. Background

This thesis attempts to investigate the impact of the war between Russia and Ukraine which has shaken global politics and international markets so that this global crisis brings new challenges to international relations. This will certainly produce a long-term impact on the economy around the world. Russia's invasion of Ukraine became a global event that had major implications for all countries. Russia's invasion of Ukraine on 24 February 2022 marked a return to war between nations, which was something Europe had not experienced since 1945. Thus, a war between Russia and Ukraine has very serious implications for global markets, potentially producing a cascading impact on economies around the world. The Russian invasion of Ukraine certainly disrupted the global economy which has prolonged the consequences of the COVID-19 pandemic. Although some of the country's economies have bounced back quickly after COVID-19. But in Russia and Ukraine the war caused inflationary pressures and major supply chain disruptions.

The crisis that occurred between Russia and Ukraine had an impact on the economic sector and of course the conflict led to a restructuring of international trade, although it is not known when the restructuring occurred. However, countries that have relations with Russia or Ukraine will have a major influence on national interests. Based on research conducted by Aknolt Kristian Pakpahan, Russia can impose retaliatory sanctions or export bans, and other countries can be affected, and their interests harmed. This is what causes the restructuring of international trade to occur. Even though the war is over, these sanctions will continue to exist as the export process from Russia to the global market will

significantly affect and change the Russia and Ukraine war. Based on the explanation above, economic relations between countries around the world have the same influence on the Russia-Ukraine war, including countries in the European Union.

Europe is the largest consumer of Russian natural gas and is also a major export destination from other countries. European countries are generally industrial countries with large energy consumption. European countries whose gas supply is 100% dependent on Russia include: Latvia, Slovakia, Estonia, and Finland. While those who depend more than 80% are: Bulgaria, Lithuania, Czech Republic, while those who are more than 60% are: Greece, Austria, Hungary. This is due to the European demand for natural gas which is very high for household and industrial needs. Climatic conditions also greatly affect Europe's high demand for natural gas (News, 2009)

Russia is a country rich in natural resources. The country is listed as having the largest gas reserves in the world, the second largest coal reserves in the world, the eighth largest oil reserves in the world and uranium reserves of around 8% of the world's uranium reserves. In energy trade, Russia is one of the world's largest exporters of natural gas and the second largest oil exporter. The country is also the world's third greatest energy consuming country. Russia is a major producer and exporter of oil and natural gas whose economy is largely dependent on energy exports. The volume of proven oil reserves reaches 6.5 billion tons. That volume occupies 12 - 13% of the world's total reserves. The volume of proven natural gas reserves reaches 48 trillion cubic meters, including a third of the world's reserves and ranks at the top in the world. Under Putin's leadership, Russia has been aggressively exploiting its natural wealth, especially gas, as a new political and economic weapon (Lisdya, 2006).

Half the gas and a third of the oil used by countries in the European Union comes from Russia. According to the International Atomic Energy Agency (IAEA), Europe's dependence on Russian energy is increasing. Gas and oil supplies in the North Sea are running low. Europe's energy demand continues to increase from year to year due to the increasing number of industries that use gas in Europe. It is predicted that in the next three decades it will increase by up to 70% and this condition makes gas supply more important than oil for now. At the same time, it will cause an energy crisis if these natural resources are not maintained and managed effectively and efficiently. Russia, in 2008, held a third of the world's total gas reserves and supplied 35% of gas to the EU. More than half of all European countries import natural gas from Russia. It is recorded that 18 countries in the European region depend on gas exports from Russia, and 17 of them are members of the European Union (DW, 2009). This shows that for now the European Union cannot be separated from Russia, especially for its gas supply, although it is estimated that in the last 30 years, gas supply from the Middle East has been getting bigger, so that it is able to keep up with Russia. However, if one were to look at the unstable political situation in the Middle East region, Russia remains the main alternative supplier for energy needs, especially European gas, and oil.

Russia and the European Union establish a relationship as a very important partner for each other. This relationship can also be said to be a symbiotic relationship of mutualism, where Europe is dependent on Russian energy and Russia is dependent on Europe as its largest customer and dominant market for gas energy exports. The gas is routed through the Ukrainian transit pipeline to Europe. However, since the Russian invasion of Ukraine in February 2022, Russia liberated two Ukrainian territories controlled

by pro-Russian separatist groups without a diplomatic agreement. Russia's entry into Ukrainian territory with this military confrontation made Russia violate several global agreements that required world countries, such as the United States, Britain, Canada, Japan, Australia, and the European Union to impose sanctions on Russia. The sanctions are predominantly in the form of cessation of operational activities of Russian banks/financials in their country.

As a result of this military and political support provided by the European Union, Russia has cut its gas energy supplies to European Union countries. Gas supplies to Germany and Italy dwindled as the leaders of the two countries joined French President Emmanuel Macron in Kyiv to meet President Volodymyr Zelenskyy. They also support the status of EU membership candidate for Ukraine and other supports that make Russia indirectly retaliate against its sanctions by making it difficult for EU countries. This move made it difficult for the leaders of European countries to prepare energy for winter. In winter, gas demand exceeds normal demand due to increased use of space heaters. However, with the fact that this event occurred before winter preparations were complete, European countries had difficulty controlling their economies. Therefore, by knowing these facts, the author is interested in conducting research with the title **“The Impact of The Russian Invasion to Ukraine on The Economies of The European Union (EU) Member Countries”**.

B. Research Question

Based on the background of the problem described above, the research question that the author will discuss is “How did the Russian invasion on Ukraine disrupt the economy of the European Union (EU) member countries?”

C. Purpose of Research

The goal to be achieved by the author of this research is to find out how Russia's invasion and war on Ukraine can disrupt the economies of European Union (EU) member countries.

D. Theoretical Framework

In understanding the problem and answering the research questions above, it is necessary to have a framework of thinking. This framework of thinking includes theories and concepts that become the basis and guide in conducting research, for the research to be structured systematically and in accordance with scientific procedures. This study uses the conceptual definition of Interdependence Theory.

1. Interdependence Theory

In the era of globalization which is filled with cooperation between actors in current international relations, it has created a condition of interdependence of countries with one another, this is understood as the existence of interdependence. It is undeniable that every country needs each other to fulfill their needs.

Interdependence theory is a derivative of the perspective of liberalism, which has the assumption that mutually dependent cooperation will provide mutual benefits. Interdependence can occur in various issues such as economic, political, and social. Lexically, interdependence means interdependence between countries. This interdependence arises because each country has its shortcomings during its respective comparative advantages. These weaknesses and comparative advantages possessed by each country then encourage the birth of bilateral and multilateral cooperation. This

cooperation ultimately leads to mutual dependence between countries where they need each other (Affandi, 2020).

According to Robert O. Keohane and Joseph S. Nye in their book *Power and Interdependence*, interdependence theory can simply be interpreted as a reciprocal relationship or interdependence relationship with one another in international relations. In the theory of interdependence, a party will not be able to fulfill its own needs, therefore the role of the other party is needed as a complement to carry out an interaction. Interdependence considers that cooperation between international actors has existed for a long time in international relations. The increasing interdependence that occurs between countries will reduce the potential for these countries to be involved in armed conflict. According to interdependence liberals, modernization is a process of increasing the level and scope of interdependence between countries to give rise to wider cooperation (Keohane & Nye, 2012).

Yanuar Ikbar explained that interdependence is interdependence that brings together the shortcomings of each country through the comparative advantages of society. This opinion is based on the adoption of thoughts from Robert O. Keohane and Joseph S. Nye. An interdependence can occur in various issues, such as economics and politics. On economic issues such as trade and investment. Trade transactions have a greater influence on interdependence than international transactions in the form of intergovernmental information. Interdependence in this sector will bring losses if the relationship is terminated.

Robert Keohane and Joseph Nye explain that in an interdependent relationship there will always be costs, interdependence limits autonomy, but it is impossible to determine

the benefits of a relationship that exceeds the costs. This will depend heavily on the values of the actors such as the natural conditions of an interdependent relationship which is influenced by reciprocity. We must also be careful not to define interdependence only in terms of any balanced mutual-dependence relationship. This is an asymmetric thing in dependencies, when the actors provide sources of influence in the relationship between one actor and another. Less-dependent actors can usually use interdependence relationships as power resources in negotiating on an issue (Keohane & Nye, 2012).

Power can be understood as an actor's ability to make other actors do something they don't want. Power can be interpreted in the sense of being in control of results and goals. In other words, his judgment had become anything but simple. We can see that the power resources owned make actors have potential abilities, or we can see the influence of actors on the pattern of results. When we say that asymmetric interdependence derives from power resources, then we would think that power controls resources or has the potential to influence outcomes.

To understand the role of power in interdependence we must distinguish two things, namely sensitivity and vulnerability. Sensitivity involves the level of responsiveness in the policy framework, how fast changes in one country can bring changes to other countries, and how strong is the effect of the changes? Measurement depends not only on volumes crossing national borders but also on the costs of changing transactions that occur in society or government. Sensitivity interdependence is created from interactions through the policy framework. Sensitivity assumes that the framework has not changed. In fact, some policies that do not change reflect the difficulty of

formulating new policies in a short time, or it also reflects a commitment to patterns from the domestic and international systems.

The vulnerability aspect of interdependence depends on the relative ability and cost of the possible alternatives that the actor will face. In terms of dependency costs, sensitivity is an act of increasing costs from outsiders in order to change the situation. Vulnerability can be explained as an actor's attachment to costs incurred by external parties even after the policy has been changed. This indicates that sensitivity interdependence will be slightly less important than vulnerability interdependence in providing power resources for actors. If one actor can reduce cost risk by changing its policies, both at the domestic and international levels, then the pattern of sensitivity cannot be used as a good guide for power resources. Vulnerability interdependence is also included in strategic aspects where political sensitivity is not so important. (Keohane & Nye, 2012)

The fact that Russia is the largest oil and gas supplier in the European region and Ukraine as a third party that distributes these energy sources through their country's pipelines, shows that these three countries have interdependent relationships related to economic issues. Where in this case, Europe relies on Russian energy sources for the welfare of its countries and Europe is also Russia's largest market in oil and gas sales. Without gas payments from Europe, the Russian state treasury is in big trouble. Meanwhile, to achieve the fulfillment of both needs, a third party is needed, namely Ukraine as a country that facilitates the channel of these energy sources.

This cooperation shows that there is a mutual agreement between Russia, Europe, and Ukraine that results in a relationship of mutual dependence. Of course, this

agreement also has consequences if one country is more concerned with its national interests to the point of disturbing the welfare of other countries. As Russia's invasion of Ukraine and Europe also opposed Russia's actions, Russia stopped its oil and gas supplies to Europe because the pipelines in Ukraine were temporarily closed. This made it difficult for Europe and threatened to have to exploit oil and lose its biggest oil and gas supplier, namely Russia. To solve this problem, Europe is trying to explore renewable energy and the three countries are looking for solutions so that previous cooperation can be carried out properly again, which will re-establish interdependence interactions (Tepavcevic, 2022).

E. Argument

Based on the background and support from the framework and also the research question that has been put forward, the argument of this research is: Since Russia, Ukraine and the EU have an interdependent relationship with one another, the Russian invasion of Ukraine and the war had a very significant economic impact on the EU economy. In addition, Russia is the largest energy supplier for Europe and Ukraine. Therefore, the conflict between Russia and Ukraine greatly disrupts the economy of the European Union as a whole.

F. Research Method

1. Research Approach

The approach used in this paper is qualitative and the type of research approach used is descriptive. This method seeks to describe and interpret existing conditions or relationships, developing opinions, ongoing processes, consequences, or effects that occur or about ongoing trends that can be adapted to concepts known in International Relations and drawn to a conclusion.

2. Data source

The data sources used in this paper are primary data sources in the form of official documents issued from the Russian side and from the European Union and secondary data sources originating from previous research in the form of books, articles from various scientific journals studying Relations. Other sources of data include International, magazine articles available on internet sites.

3. Data collection technique

Data collection techniques used in writing by using literature studies in the form of library research, namely by collecting data and information related to the problems studied in the form of books, articles, documents, internet, magazines, and newspapers.

4. Data analysis technique

The data analysis technique used by the author in analyzing the data obtained from the research is descriptive qualitative. Describing the problem based on the existing facts and then connecting the facts with one another. While the writing method that the author uses is the deductive method, where the author begins the discussion by describing the problem in general and then describes specifically the effect of the problems previously described.

G. Range of Research

In writing this scientific paper, the author limits the focus of the discussion so that the objectives in writing this scientific paper can be achieved and remain in line with the title that has been presented. The scope of the research determined by the

author is the disturbing economic conditions of European countries after the Russian Invasion in 2022.

H. Writing Systematic

The writing of this thesis is arranged systematically based on the rules that apply in scientific writing and is divided into chapters, with discussions in their own but interconnected areas. The aim is to make it easier to interpret the topic of the problem. This thesis is divided into four chapters, namely:

CHAPTER 1 INTRODUCTION

This chapter will describe the reasons for choosing the title, research objectives, background of the problem, problem formulation, theoretical basis, hypotheses, research scope, research methods, and writing systematics.

CHAPTER 2 THE ECONOMIC RELATIONS BETWEEN RUSSIA, UKRAINE, AND EU MEMBER COUNTRIES

This chapter will describe about the economic relations between Russia-European Countries, Ukraine-European Countries, and Russia-Ukraine.

CHAPTER 3 THE IMPACT OF RUSSIAN INVASION ON EUROPEAN ECONOMY

This chapter will describe how Russian invasion in Ukraine could affect the European Economy.

CHAPTER 4 CONCLUSION

This chapter concludes the discussion from the previous chapters.