Russia's Invasion of Ukraine and the Effect on the Global Supply Chain

March 16, 2022

While the trucking industry has suffered drawbacks relating to the COVID-19 Pandemic, another source of uncertainty has presented itself to the global supply chain—Russia's invasion of Ukraine. On February 24, 2022, Russian forces entered Ukraine after Russia formally recognized the Donetsk and Luhansk regions of Ukraine as sovereign, three days earlier.[1] The response from the West has largely been in the form of economic sanctions, which will have ripple effects on the worldwide economy and global supply chain.

Sanctions are "a penalty imposed by one country on another, often in order to stop it acting aggressively or breaking international law. . .[and] are often designed to hurt a country's economy or the finances of individual citizens such as leading politicians . . . [t]hey can include travel bans and arms embargoes [and] are among the toughest measures nations can use, short of going to war."[2] In response to the invasion, the West has responded with a score of sanctions. First, the United States and its allies have agreed to remove selected Russian banks from the SWIFT messaging system, which "enables the smooth transfer of money across borders.[3] Second, western countries have agreed to freeze the assets of the central bank of Russia, which will limit the country's access to the $630 billion it has in international reserves.[4] Third, the United States, the United Kingdom, and the European Union have banned their respective citizens and businesses from transacting with the Russian Central Bank, its finance ministry, and its wealth fund.[5] Moreover, all Russian Banks have had their assets frozen and are being excluded from the United Kingdom finance system.[6]

Additionally, the United States, the United Kingdom, the European Union and Canada have frozen the assets of Russian President Vladimir Putin and his foreign minister, Sergei Lavrov, and have also launched a transatlantic task force to identify and freeze the assets of sanctioned individuals and companies, targeting more officials and elites close to the Russian government, as well as their families.[7] This comes after initial sanctions from the US on February 22, 2022, which targeted "two Russian state-owned financial institutions and five Kremlin-connected elite [sic] [and] targeted the Bank for Development and Foreign Economic Affairs, which is known as Vnesheconombank (VEB), and Promsvyazbank Public Joint Stock Company (PSB)," and "42 of their subsidiaries."[8] All of these sanctions serve a common purpose: frustrating Russia's ability to engage in business, fund its defense and military pursuits, and effectively regulate its economy.

In terms of the global supply chain into Russia, the United States, United Kingdom, and European Union have each announced reductions on products that can be sent to Russia, including "dual-use goods" which can have both a civilian and military use, like computers, lasers, and chemicals.[9] In particular, on February 23, 2022, the United States enacted export controls seeking to prevent Russia from importing special technologies like semi-conductors and software, which it needs to develop its "high tech industries and the military.[10] The United States sought to block Russia from importing these technologies manufactured anywhere in the world, so long as they contain American-developed components."[11] Additionally, the Biden Administration "will end the exportation of luxury items to any person located in the Russian Federation."[12] This will ensure "that [the] U.S. [sic] [is] not providing luxury items, such as high end-watches, luxury vehicles, high-end apparel, high-end alcohol, jewelry, and other goods frequently purchased by Russian elites."[13] The annual market export value of these goods adds up to $550 million, which means that Russian consumers will be cut off from an expansive luxury-goods market, indefinitely.[14]

While Russia will feel the "reverberations" from the sanctions both in the short and long term, these sanctions will also impact the global supply chain elsewhere. Given Russia's status as a major player in the realm of oil exports, and the

global nature of the energy commodity market, the implications of sanctions will be, and already are, being felt around the world.[15] This is especially true in light of the United States' announcement on March 11, 2022 that it will ban all oil and gas imports from Russia; the UK has also pledged to phase out Russian oil by the end of 2022.[16] Hence, countries that are reliant on Russia for oil will need to look elsewhere—another great example of this being Germany's decision to halt further development of its Nord Stream 2 Pipeline, which would have doubled its oil importing capacity from Russia.[17] Further, given that Russia accounts for 10% of the global daily oil demand, the loss of supply will lead to a rise in price.[18] At a time where the world is experiencing heightened inflation, "a commodities crunch caused by a conflict could have knock-on effects that at least temporarily drive up prices for raw materials and finished goods."[19] This is already being felt in the US, with gas prices reaching record highs, with the average price per gallon set at $4.17 as of March 8, 2022.[20]

Additionally, while gas prices are expected to increase, so is the price of food. Ukraine is a major source of arable land for Europe, and "a conflict in Ukraine could further inflate global food prices, which were set to stabilize after skyrocketing last year;" due to issues caused by the Coronavirus pandemic.[21] Additionally, Ukraine is a massive exporter of wheat and corn, with many of its growing regions near the border it shares with Russia, which will likely increase the cost of corn and wheat and their respective shipping costs.[22] Notwithstanding, Ukraine plays a significant role in the production of barley and vegetable oil, and the conflict will likely effect the prices of these goods as well; this is especially true if other countries continue to add sanctions on Russia.[23] According to Christian Bogman, an economist at the International Monetary Fund, "[p]roduction might be interrupted, and shipping may be affected as well…[i]f other countries impose sanctions on Russian food items, that could further limit global supplies and inflate prices.[24] With the Biden Administration set to sign a bipartisan bill revoking Russia's "Most-Favored Nation" status with the World Trade Organization, which ensures Russian products receive favorable treatment in the United States economy and marketplace, costs will likely continue to rise.[25] MG+M continues to monitor the Russo-Ukrainian War.

[1] Madeline Fitzgerald, *Russia Invades Ukraine: A Timeline of the Crisis*, U.S. NEWS & WORLD REPORT (Feb. 25, 2022, 5:49 PM).
[2] *Ukraine: What Sanctions are Being Imposed on Russia?*, BBC NEWS (Feb. 28, 2022), [hereinafter "BBC - Russia Sanctions"].
[3] *Id.*
[4] *Id.*
[5] *Id.*
[6] *Id.*
[7] *Id.*
[8] *Id.*
[9] *Id.*
[10] *Id.*
[11] *Id.*
[12] Press Release, The White House Briefing Room, FACT SHEET: United States, European Union, and G7 to Announce Further Economic Costs on Russia (Mar. 11, 2022), [hereinafter "WH Press Release – Russian Sanctions"].
[13] Jenna Smialek and Ana Swanson, *What Does Russia's Invasion of Ukraine Mean for the U.S. Economy?*, THE N.Y. TIMES (Feb. 23, 2022), [hereinafter "NYT - Ukraine Invasion & US Economy"].
[14] BBC – Russia Sanctions, *supra* at note 2.
[15] *Id.*
[16] WH Press Release – Russian Sanctions, *supra* note 12.
[17] BBC – Russia Sanctions, *supra* at note 2.
[18] NYT - Ukraine Invasion & US Economy, *supra* at note 13.
[19] *Id.*
[20] Camila Domonoske, *Sticker Shock: Gasoline Tops $4.17 a Gallon, a New Record*, NATIONAL PUBLIC RADIO (Mar. 8, 2022); *see also* Ron Elving, *Surging Gasoline Prices Bring Back Memories of Past Energy War*, NATIONAL PUBLIC RADIO (Mar. 8, 2022), (discussing parallels between current conflict in Ukraine and subsequent oil price increase and the Arab oil embargo and subsequent effects therefrom).
[21] NYT - Ukraine Invasion & US Economy, *supra* at note 13.
[22] *Id.*
[23] *Id.*
[24] *Id.*
[25] WH Press Release – Russian Sanctions, *supra* at note 12.

Attorney Advertising. This material is for general informational purposes only and does not represent our advice as to any particular set of facts; nor does it represent any undertaking to keep recipients advised of all legal developments. Prior results do not guarantee a similar outcome. © 2026 MG+M The Law Firm