



IMPACT OF COVID-19 AND UKRAINE-RUSSIA WAR ON THE INTERNATIONAL TRADE AND LOGISTICS

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Abstract

The COVID-19 pandemic has caused a series of disruptions in production and transportation. After the reduction in mortality from COVID-19, trade, and tourism began to accelerate sharply, which resulted in increased demand, primarily for air transport. And then, there came a special intervention of Russia in Ukraine. During the ongoing intervention, the transport infrastructure in Ukraine was damaged significantly. The EU actively joined the war and adopted a series of sanctions to undermine Russian economic and financial ability to wage war. That led to the closure of the EU airspace for Russian aircraft, the closure of the EU ports to Russian ships, the banning of Russian transport operators, and bans on the export of goods and technology to the aviation, maritime, and space sectors. Pipeline transport is also under attack. The United States and several countries introduced similar bans. The sanctions caused a backlash and also affected transport in the EU, leading to difficulties in traffic, gas, and oil supply. Western airlines also cannot fly to or through Russia. Bottlenecks emerged in supply chains and the need to bypass traditional routes. That increased travel time and costs significantly. Transport companies faced restrictions from both the Western countries and the Russian Federation. In connection with the 'special' operations in Ukraine and the Western sanctions, the transport situation in the Russian Federation has also deteriorated significantly. This paper will not deal in detail with the causes of crises but their effects on transport.

Keywords: transport, logistics, sanctions, COVID-19, war.

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1 INTRODUCTION

The COVID-19 pandemic has caused enormous problems in production and transportation. The problems caused by the lockdown affected the entire world trade. China responded to the spread of the coronavirus with harsh measures. It reacted to every case of infection with isolation, even in big



cities. One of the most significant cases was the closure of the port of Shanghai, which handles 20% of China's exports. (trans.info, 2022) The port operated with significantly reduced capacity for three months, so the transportation of goods was directed to other ports, which caused great difficulties in supply. During the pandemic, vaccination and air-travel games began. Western countries did not recognize Russian vaccines and prevented the travel of Russian citizens vaccinated with Russian vaccines. Countermeasures immediately followed. Even citizens vaccinated with Russian vaccines could not fly from EU airports to airports in Russia. For example, Serbian travelers could fly to Russia only from Serbian airports. A ban on passenger air traffic also appeared between the USA and the EU. If the pandemic limited passenger traffic and threatened global supply chains, the war in Ukraine has set them back. Each day of the war brings increasing challenges to supply chains on various grounds. The main characteristic of today is uncertainty. While the impact of the pandemic was considered a natural calamity, although opinions on the origin of the virus are divided, the war in Ukraine led to huge divisions in society that artificially led to a global economic crisis. Without considering other influencing factors, one can say that two large countries somewhere in Eastern Europe have gone to war, but this is unlikely to have a major impact on global supply chains since both countries express their desire to participate in world trade. Both countries could use land connections for road and rail transport, and the Black Sea for maritime transport. If there were no other factors, Ukraine and Russia could be at war without anyone noticing. But the ambitions of individual countries' governments have led to barriers being erected in supply chains, impeding the movement of goods such as auto parts, oil, and grain. Paradoxically, it seems as if they do not consider the consequences for their countries and their population, and ultimately for themselves. Every day there is an increase in prices, and this necessarily encourages inflation. As a result, most businesses and millions of consumers are suffering worldwide. All governments are talking about how the winter will be difficult and uncertain, without looking for realistic alternative solutions. It seems as if they are sweeping the problems under the rug, hoping that something will happen at the

right moment. However, the problem will not resolve itself satisfactorily. It may resolve itself as a result of big earthquakes. On the other hand, the population oppressed by the heat that swept Europe this summer does not pay attention to the announcements of the cold. No one knows how they will react when they become aware of the shortage.

Until recently, only experts were aware of the importance of the influence of the Ukrainian and Russian economies on the world economy. A recent Dun & Bradstreet report (Russia-Ukraine Crisis - Implications for the global economy and businesses, 2022) states that more than 600,000 businesses worldwide rely on Russian and Ukrainian suppliers, with just over 90% of them located in the US. These high numbers are partly due to the oil, gas, corn, wheat, sunflower seeds, other basic foodstuffs, and semi-finished iron exported from Russia and Ukraine. Because we cannot do without them, finding new ways for these products has become a priority task.

The Russian action shocked the Ukrainian economy. The World Bank reports that it will decrease by 45% this year. It could fall even lower depending on the severity and length of the war. The Russian economy has also sunk into a deep recession. Production will decrease by 11-12% this year. (Noble, 2022)

Due to difficult supply and difficulties in production and transportation, many producers have left Ukraine, and those who try to maintain business in Ukraine are fewer and fewer. However, from mid-summer, some of the companies that had left Ukraine began to return to western areas far from the battlefield.

2 SITUATIONS DURING THE PANDEMIC AND BEFORE THE WAR

In addition to passenger traffic, transportation between the EU and Ukraine, and Russia is largely related to the transport of basic products, especially food and energy. Russia and Ukraine are key suppliers of agricultural staples, including wheat, corn, and sunflower oil.

The top exports of Ukraine are Seed Oils (\$5.32B), corn (\$4.89B), wheat (\$4.61B), iron ore (\$4.27B), and semi-finished iron (\$3.03B), exporting mostly

to China (\$7.26B), Poland (\$3.26B), Russia (\$2.97B), Turkey (\$2.5B), and Egypt (\$2.39B) (OEC, Ukraine, 2022) The top imports of Ukraine are refined petroleum (\$3.59B), cars (\$3.35B), packaged medicaments (\$2.04B), petroleum gas (\$1.59B), and coal briquettes (\$1.25B), importing mostly from China (\$7.46B), Russia (\$6.31B), Poland (\$5.68B), Germany (\$5.25B), and Belarus (\$3.15B). (OEC, Ukraine, 2022)

The top exports of Russia are crude petroleum (\$74.4B), refined petroleum (\$48B), petroleum gas (\$19.7B), gold (\$18.7B), and coal briquettes (\$14.5B), exporting mostly to China (\$49.3B), United Kingdom (\$25.3B), Netherlands (\$22.5B), Belarus (\$15.8B), and Germany (\$14.2B). In 2020, Russia was the world's biggest exporter of wheat (\$10.1B), semi-finished iron (\$4.5B), non-fillet frozen fish (\$2.58B), raw nickel (\$2.26B), and pig iron (\$1.34B). (OEC, Russia, 2022) The top imports of Russia are Cars (\$7.75B), Motor vehicles; parts and accessories (8701 to 8705) (\$7.28B), Broadcasting Equipment (\$7.15B), Packaged Medicaments (\$7.06B), and Computers (\$4.1B), importing mostly from China (\$50.7B), Germany (\$26.1B), Belarus (\$12.8B), South Korea (\$7.93B), and Italy (\$7.71B). (OEC, Russia, 2022)

From Ukraine, cargo is transported by all modes of transportation, but the largest volume is delivered by sea. Before the war, Ukrainian Black Sea ports covered 90% of Ukraine's grain and oilseed exports.

When it comes to transporting passengers, air transport played a key role. According to data from 2021, 3.3% of European air passenger traffic was between Europe and Ukraine and 5.7% between Europe and Russia. (Kiss, 2022)

The coronavirus pandemic has had a significant impact on transportation worldwide. Many airlines have been grounded. Some maintained a minimum number of flights to keep their licenses and maintain contracts with airports. The volume of air passenger traffic in Ukraine decreased from 7,604,522 in 2019 to 1,790,621 in 2020. Most companies have reduced the number of employees to a minimum to reduce costs. The

reduction of employees had a particularly negative impact at the time of the abolition of sanitary measures followed by the sudden increase in the number of passengers, in the middle of 2022. Airline companies experienced record demand for personnel. The situation aggravated the absence of workers from work due to illness. And while passenger traffic was returning to normal, that was not the case with global supply chains, which were still disrupted. Road transport, which requires a lot of human resources, was hampered by sanitary and road restrictions. Meanwhile, rail freight transport between China and Europe achieved record results during the pandemic, which was positive for Ukraine and the promotion of the New Silk Road.

3 CRISES

The impacts of the conflict are forcing companies to rethink their existing supply chains and partner ecosystems. (Stackpole, 2022) In addition to problems in supply chains, there was also a reversal in the supply and demand of goods. Due to the various restrictions, there was a disproportion between the supply and demand for certain goods. The situation seen in Yugoslavia in the nineties is repeating itself. Now everything is at a quantitatively higher level. While Western Europe was not affected by the conflict in Yugoslavia, and while it observed events from a safe distance and realized the growth of its economy, it has now become an active participant in a conflict that shows no signs of abating. The number of refugees from Ukraine has exceeded the number of refugees from Yugoslavia multiple times. Combined with the already-arrived refugees from Asia, it represents a significant burden on the budget.

Intervention in Ukraine in February 2022 may have been the final straw, but it is certainly not the only factor contributing to the current global supply chain crisis. The crisis became pronounced in the recent past due to Trump's trade war with the world in 2018 which involved multiple battles with China and American allies (Bown & Kolb, 2022). Kosovo's trade war with Serbia in 2018 was also noted. Kosovo¹ introduced taxes on products from

¹ The Autonomous Province of Kosovo and Metohija under the Provisional Administration of

the United Nations (UN) per United Nations Security Council Resolution 1244 (UN, 1999)

Serbia in the amount of 100% (Filipović, 2018). The crisis intensified during the COVID-19 pandemic and continues today, although not always in the same territories. Today, the focus is on the Russian invasion and sanctions. Interestingly, there is currently less and less talk about human sacrifices and tragedies. People have become numbers, and there is more talk about how many ships left Ukrainian Black Sea ports and how many thousands of tons of grain sailed from these ports. Sometimes it is mentioned to which ports the grain was sailed but, rarely, who are the end users and under what conditions they will receive the food. The possibility of global hunger is used for political propaganda purposes.

As if the war in Ukraine was not enough, instabilities are being fueled in Asia, first about North Korea and then about Taiwan and the People's Republic of China.

The situation with COVID-19 led to a major disruption in the flow of electronic components, but also raw materials and parts originating from China. Since it is a scarce commodity, the lack of electronic components very quickly affected the automotive and mobile phone industries. To overcome supply problems, even those who did not even think of producing electronic components started preparing their produce in their factories. But it is not that simple.

We have witnessed proclaimed globalization, the single market, and the international division of labor have begun to collapse. One can ask whether liberalism still exists and what its prospects are. It is difficult to answer this question unambiguously because liberalism in the American and European sense is quite different and even opposing philosophies. The first is socialism, and the second is its negation. (Novaković, 2021) We will not deal with that here, but as soon as artificial barriers are set up in the flow of goods and services, and other people's private property is frozen, it is clear that there is no mention of the freedom of movement of capital and goods.

Now, more than ever, "supply chain managers must think carefully about the opportunities and risks when looking for new sources and when thinking about how to coordinate a change from one source or method to another," said Joachim Arts (Stackpole, 2022).

3.1 Sanctions

In response to the Russian invasion of Ukraine on February 24, 2022, the EU adopted punitive measures with incredible speed. In the first set of sanctions, on February 25, 2022, the EU banned the sale of aircraft, parts, and equipment to Russian companies, including insurance and maintenance services. On February 28, 2022, in the third set of sanctions, the EU banned all Russian aircraft, including private jets, from its airspace. In return, Russia has banned all EU airlines and airlines from 36 other countries that have adopted similar sanctions. Air Serbia was granted flights to Russia, but it was sabotaged by daily reports of bombs planted in aircraft.

The fifth package of EU Sanctions, dated April 8, 2022, banned Russian-flagged vessels from entering EU ports, and EU ports are obliged to implement the ban. The ban does not apply to medical, food, energy, or humanitarian shipments. The sanctions package also banned Russian-based road carriers from transporting goods to the E. U., including in transit. A parallel list of sanctions the EU adopted against Belarus (with similar exceptions). They prohibit Belarusian road carriers from entering the EU. It banned EU exports to Russia of goods and technology for the aviation and space industry and jet fuel.

On April 16, 2022, Russia and Belarus responded by banning E.U.-registered goods transport vehicles from entering the Eurasian Economic Union unless they entered certain border crossings for formalities. Transport operators registered in the EU can enter Russia and Belarus only if they transport goods to destinations in Belarus or Russia.

The sixth package of EU sanctions from June 3, 2022, contains a partial ban on the import of Russian oil. Most imports of crude oil and oil derivatives to the EU, transported by sea, will be banned until the end of 2022. A special derogation has been agreed upon for Bulgaria due to its geographical exposure allowing it to continue importing crude oil and derivatives by sea until the end of 2024. A similar exemption has been granted to Croatia for vacuum gas oil (VGO). There are also temporary exemptions that allow some EU member states to continue receiving Russian oil via pipelines. (Kiss, 2022)



Fig. 1 EU transport sanctions

Source: (Infographics, 2022)

3.2 Food supply in an ongoing crisis

One of the most pressing supply chain issues associated with the Russian-Ukrainian war is potential food shortages. It is particularly associated with low-income countries in Africa. Ukraine and Russia account for about a third of the world's wheat production and a quarter of barley production, and about 75% of the sunflower oil supply. (Stackpole, 2022) The Russian blockade of Ukrainian ports is considered so harmful that EU foreign policy chief Josep Borrell even called it a war crime. But it turned out that with a little goodwill food exports from Ukrainian ports can be ensured. However, there remained a problem with the export of Russian food and artificial fertilizers. The U.S. removed the blockade of those exports, but there are still obstacles to the export of Russian fertilizers and agricultural products. Those obstacles should be removed "because the risk of a world food crisis may threaten already next year" (Antonio Guterres in (Beta-AFP, 2022)). However, no one mentions that only in the USA 30 percent of all food, worth \$48.3 billion, is thrown away each year. It is estimated that about half of the water used to produce this food also goes to waste since agriculture is the largest human use of water. (FAO, 2013) According to FAO, the food currently lost or wasted in Latin America could feed 300 million people. United Kingdom households waste an estimated 6.7 million tonnes of food every year, around one-third of the 21.7 million tonnes purchased. (FAO, 2013) Also, the food currently wasted in Europe could feed 200 million people. It is similar to other regions. For example, inefficient processing and drying, poor storage, and insufficient infrastructure are instrumental factors in food waste in Africa. In

Sub-Saharan Africa, post-harvest food losses are estimated to be worth \$4 billion per year - or enough to feed at least 48 million people. (FAO, 2013)

There is no doubt that COVID-19 and the war crisis in Ukraine have led to the disruption of food flows, but it is also certain that these are not the only problems, there are also droughts and floods, fires, and many other negative factors. Analyzing the data shows that there is food, but that it is unevenly distributed and that it is necessary to change the way of thinking and find ways to cooperate. A completely new approach is needed that would involve establishing public-private partnerships and using advanced analytics to forecast food consumption and identify opportunities to reallocate resources globally. It is not just people in Africa who are hungry. There are also hungry people in the developed world.

3.3 Routes China - Europe

Transport routes connecting China to Europe have experienced a boom in recent decades and during the COVID-19 pandemic, this was especially true for the rail link, which was extremely popular to meet the needs of the automotive industry. The primary corridor passed through Russia, Belarus, and Poland, and then extended toward Germany, France, and other European countries. Due to the boycott of Russia, that route is no longer dominant. Some companies are re-routing products to an alternative rail route, but most are reverting to an ocean freight mode, which means more time to get goods to market. In the middle of 2022, it has become quite difficult to buy a new car because, for many cars, the waiting time for a vehicle has become longer than a year.

In Serbia, the wait for new Korean-made vehicles was the shortest.

The additional problem is that some Western countries, including the US, view China with suspicion and try to limit the purchase of certain Chinese products. Thus, the supply situation becomes even more complex. And the world began to return to local production. The almost forgotten phrase "import substitution" appears more and more often. In some areas, import substitution becomes an opportunity for SME development. Entrepreneurs and SMEs get a chance to fill gaps in the market, but this is not possible for all types of goods and services. In any case, producers must pay more and more attention to alternative sources.

Modeling can help optimize supply chain changes, but this approach has limitations. Most supply chain models assume a steady state, which does not apply to redesigning something that is in transition. Crises are our normality. Decision-makers need to think of systems and include crises when designing supply chain networks. The key to sustaining growth in uncertain times is adaptability. It is never possible to predict everything, but it is important to adapt to the new situation. (Stackpole, 2022)

3.4 The impact of hostilities and sanctions on transport

EU sanctions target the Russian economy with the idea of imposing problems on it that will force it to ... This is where the main problems arise, in defining the target. The EU has not clearly defined the final goal of the sanctions. The declaration "to increase direct costs, impairing its (Russian) economic and financial ability to sustain its war effort (Kiss, 2022)" is insufficiently clear. The goal to stop hostilities is not the same as the goal to withdraw the Russian army from part or all of Ukraine's territory or to ultimately destroy the Russian Federation. At the moment, it seems that the sanctions are intended to weaken the Russian Federation at the expense of Ukraine, which is borrowing money to buy weapons and whose people are dying, and whose economy is collapsing. The situation is in many ways similar to the situation in SFR Yugoslavia in the 1990s. The difference is only in the size of the countries participating in the conflict and in the fact that in the case of Yugoslavia, the attackers were

members of the NATO pact, and in the case of Ukraine, the Russian Federation, and nobody helped Yugoslavia defend itself. Even under those conditions, the situation in the territory of the former SFR Yugoslavia is not stable more than 30 years after the beginning of its disintegration. The current situation in Ukraine does not indicate an imminent solution, and if the events in the SFRYU are mirrored, some new transport corridors need to be established.

Only after the end of the conflict will it be possible to determine the actual state of infrastructure facilities. For the time being, figures are appearing in the public that cannot be trusted, so we will not even mention them here, but the results will be bad.

EU sanctions affect the Russian Federation, but the consequences also affect the EU to a large extent. The closure of Ukrainian airspace and sanctions against Russian aircraft significantly affect air passenger traffic. Bypassing Ukraine and Russia increases flight time, increases fuel and personnel costs, aircraft depreciation, and thus transport costs. Air freight rates have soared, to 120% above pre-crisis levels by March 7, and continue to rise. Sanctions and bans are expected to reduce flight capacity, particularly between Europe and Asia. In addition, more than 500 commercial aircraft owned by Western companies and leased to Russia are in Russia. (Kiss, 2022)

The EU sanctions also targeted Russian railways. Freight trains can still run through Russia, but they are not allowed to stop there. Many logistics companies transporting goods between China and the EU avoid transit through Russia for security reasons. This leads to increased use of the Middle Corridor causing longer journeys and additional costs.

Maritime sanctions limit seafarers' employability. Ukrainian and Russian seafarers make up 14.5% of the global shipping workforce, and EU fleets rely heavily on them. Fearing a possible shortage of seafarers, European shipowners have called on EU regulators to guarantee the mobility of seafarers and their rights as essential workers. Even before the crisis, the situation in Ukraine was difficult due to the COVID-19 pandemic.

The immediate consequences of the war also include damaged transport infrastructure,

transport disruptions, and a massive influx of refugees needing transport into the EU. The closure of Ukraine's borders meant that many truck drivers were trapped. The International Road Transport Union (IRU) estimated that at least 12,000 truck drivers of many nationalities were stuck in Ukraine and the region on February 25, 2022. Due to the sanctions, Russian road haulers are not allowed to transport goods to the E. U., and rising fuel prices further negatively affect commercial road haulers. Similarly, the sharp rise in bunker fuel prices has pushed up sea freight rates and is putting further pressure on international transport, logistics, and supply chains.

The maritime sector and ports have been hit hard. As commercial ships became targets in the conflict, operators were forced to divert ships and cargo. Most major shipping companies, citing unpredictable operational impact, have suspended shipments to and from Russia and Ukraine. Traffic in EU ports has increased. They are trying to keep supply chains operational and provide needed energy supplies, but increased transport volumes could lead to congestion at some port terminals, increasing maritime security risks.

The New Silk Road still works. It can be noted that freight forwarders are trying to find alternative routes to the Silk Road. More and more Western companies operating in Europe and Asia are actively seeking to switch from the China-Europe-China rail route to maritime routes. The railway line transports approximately one million containers per year. If all that volume moves to the sea corridors, there will be an increase in the price of transportation, especially for shipping from Asia to Europe. On the other hand, there will be a reduction in capacity in the transport market, which was already a weak link in the supply chain in 2021.

3.5 The impact of the war on some neighboring countries

Economists of the World Bank assessed the impact of the war in Ukraine on the work of companies in Kyrgyzstan, Tajikistan, and Uzbekistan based on a survey. The research aimed to study the business environment in

Central Asia, a region with strong trade and investment ties with Russia. The companies surveyed were facing increased production costs, reduced imports, and other problems that could eventually lead to the closure of the company.

According to the survey results, 65 percent of the companies faced rising production costs as of February 2022. That hit Kyrgyz companies to a greater extent (87%), as they buy more products and materials from Russia. In Uzbekistan, 56% of surveyed companies faced such problems.

In total, 43% of companies reported a reduction or complete cessation of imports from Russia and Ukraine. Rising production costs have forced businesses to raise product prices or face declining profitability. Businesses that sell their products to exporters or corporations from Russia or Ukraine reported an average 5% drop in sales, although some saw an increase. For companies that do not sell products in these countries, revenues increased by an average of 5%.

About a quarter of the surveyed companies encountered financial difficulties, which makes it difficult for them to adjust their loans and reduce their debt burden. These problems were felt most strongly in Kyrgyzstan (32%), while in Tajikistan and Uzbekistan these values were 24% and 17%, respectively.

In April 2022, the World Bank reported that Russian intervention in Ukraine would slow the economic growth of Uzbekistan to 3.6% in 2022, compared to pre-crisis estimates of 5.6%. However, in June it improved the forecast to 4.3%.

Military operations in Ukraine continue, and the conflict also affects Belarus, which is not an active participant in military operations. Ukraine has closed all checkpoints on the border with Belarus. It is not clear how the current situation will affect the international transport and logistics system in general, and how will it affect Belarusian business. "Pro-Business" collected comments from representatives of this market and summarized them (Avramenko, 2022):

1. Rail transport: there is no reason to stop freight flows. Due to the hostilities in Ukraine, Belarus remained the only land link between Europe and China in the communication of high-speed container rail transport. Dozens of logistics

railway chains connect Europe and China. The vast majority of them pass through the territory of Russia and Belarus. It is a huge amount of money

and the question is whether the political aspect will be a priority over the economic one.



Fig. 2 The New Silk Road - All main EURASIA rail connections
 Source: Authors' modification of (Avramenko, 2022)

In Ukraine, there are two strategically significant routes for the continent. They connect the Chinese cities of Xi'an and Chongqing with the Hungarian Budapest. No one will transport goods in a country where there is a war. This fact can benefit Belarus but also bring certain risks of overloading the railway infrastructure.

The container rail transport industry is out of danger for now. At the time of writing, none of the parties have made official statements to the contrary.

The New Silk Road is too important for Europe and China, so the two sides are likely to continue transiting goods under almost any conditions. If there were no events in Ukraine in 2014, this country could have become the center of the New Silk Road. But from that year, all transport went to the territory of Belarus.

2. International road transport: the main events are yet to come

Companies that transported goods to Ukraine were forced to adjust their plans by suspending all cargo deliveries from Belarus to Ukraine. Communication with Ukraine is not expected to be restored soon. On the border between Belarus and Poland, traffic is slow. Due to the slow work of the Polish border authorities and the detailed

verification of documentation, kilometer-long columns of freight vehicles are created. (Logistics, 2022)

3. Maritime transport

Belarusian companies whose business is related to maritime transport also have problems related to the organization of goods delivery. An example can be the container delivery of cars imported from the USA. The company dealing with it encounters numerous obstacles throughout the supply chain, from the demand for full advance payment to the fact that almost all European carriers refuse to carry cargo to Belarus without explanation. The company still has contracts with Russian and Belarusian carriers, but because the number of organizations ready for cooperation has decreased, and the transported goods are not, there is a risk that demand will exceed supply. This negatively affects both sellers from the US and Canada and buyers in Belarus. (Avramenko, 2022)

4 HOW TO ADJUST BUSINESS TO THE NEW REALITY

First, the COVID-19 pandemic, and then the war in Ukraine and sanctions against Russia and Belarus led to radical changes in supply chains. We should also not forget the tension between the

US and China, which has existed for a long time and was intensified recently by the crisis over Taiwan.

In today's environment, access to real-time supply chain and cargo location data is more significant than ever. Modern software allows monitoring of operations in real-time, and tracking algorithms take into account many data that allow the generation of expected delivery times. Currently,

disruptions in the markets are, as expected, the greatest in Ukraine and Russia. Deliveries to Russia have dropped significantly since February 22. By March 15, the weekly volume of imports into Russia by all modes of transport decreased by 59 percent compared to the week of February 16-22. It affected various industries: manufacturing, chemical industry, retail, food industry, and consumer goods.

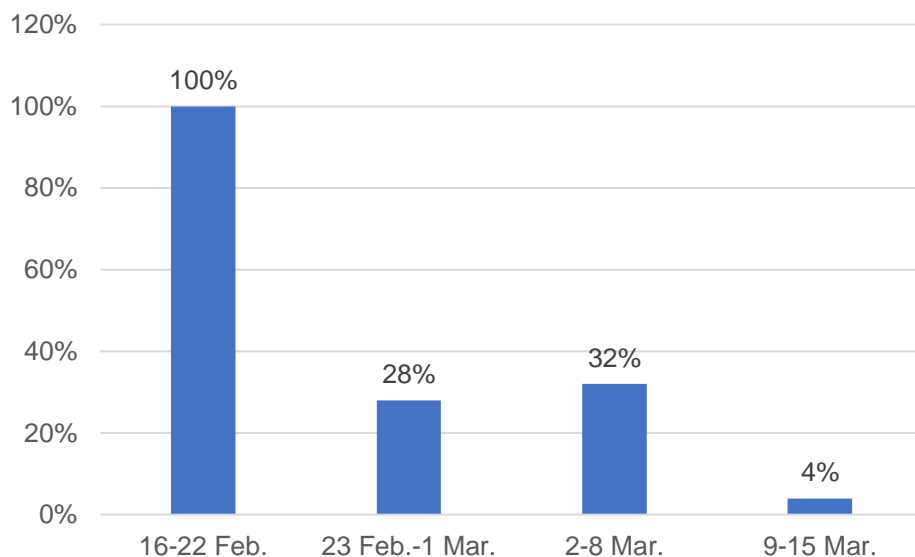


Fig. 3 Decrease in imports to Ukraine

Source: FourKites (Koepke, 2022)

In Ukraine, at the same time and by the same standards, the volume of imports decreased by 96 percent. (Koepke, 2022)

In Central European countries, there were import disturbances, but at a low level.

Due to the state of war, the specific position in the case of Ukraine, and sanctions against Russia and Belarus, companies from Western Europe are forced to cancel orders and look for new suppliers worldwide. Exports from the west to the east (to Russia and Belarus) have decreased to a great extent. But as in the case of sanctions against Yugoslavia, so-called *parallel imports* are taking place. In May, Russia published a list of Western goods that are acceptable for parallel import. Some of the brands on the list were Mercedes-Benz, Volkswagen, Continental, Ferrari, Apple, Samsung, Microsoft, Siemens, Duracell, Canon, and PlayStation. Between May and July 2022, Russia imported goods worth about 6 billion euros through parallel imports or purchases on the black

market. (Pandey, 2022) Sanctions have made goods available but at a higher price.

5 CONCLUSIONS

The COVID-19 pandemic and the special military intervention of the Russian Federation in Ukraine have led to fundamental changes in world trade, and the circulation of goods and services. Considering the duration of the pandemic, we cannot say that the change occurred suddenly. And the special military operation was not a surprise but was anticipated much earlier. The acceleration in delivering goods to the Russian Federation in the weeks before the operation and, also, the speed with which the otherwise bureaucratic EU introduced sanctions against the Russian Federation and Belarus speak of that. But, observed over a longer period, we will see drastic business and transport changes. Participants in trade and transport are forced to manage as best they know how to deal with the new situation. Further disruptions in supply chains

can be expected, especially in Poland and countries bordering Belarus and Ukraine.

The question is how the EU countries will behave in the winter period, when the lack of energy sources is felt and when road and rail transport conditions become difficult. Fuel prices are already very high, and will probably continue to rise together with the service deterioration.

There is no end to the war in Ukraine in sight, and probably no end to the sanctions against Russia and Belarus. Although the US complicates the situation with China and Taiwan, it is difficult to expect that the sanctions will now be extended to China, with which Russia has strong economic relations. That would be an economic war for which the Western economy is not ready. It allows Russia to overcome the current sanctions challenges more easily.

Some Western governments intend to continue to impose harsh sanctions that will stifle the Russian economy to force it to end the war, but this is a dangerous approach. They did not define what they mean by a reasonable end to the war and what is an acceptable solution. War can end in many ways. If the war ended today, the consequences of the war Europe and Russia would feel for years and Ukraine for decades. It is a false assumption that the longer the war lasts, the longer it will take for Russia to regain its position in world trade after the war because this assumption considers world trade as trade with the West. We think it would be much better for the world if there was no war at all, but when it has already started, it should end as soon as possible.

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