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THE RUSSIA-UKRAINE WAR AND THE GLOBAL BALANCE OF POWER

Perang Rusia-Ukraine dan Keseimbangan Kuasa Dunia

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ABSTRACT

This study examines the geopolitics and geoeconomics implications of the Russia-Ukraine war on the global balance of power. It investigates the impacts of the war on the global economy particularly the trade relations between emerging global powers and global demand for Russian, US and Chinese currencies. It also inspects NATO's ability to fulfil its purpose in the light of the Russian invasion in Ukraine. The study finds that the Russia-Ukraine war demonstrates signs of the world's political changes towards the formation of a multipolar international system. A comprehensive understanding of the dynamics of the global balance of power can help to guide strategic response in safeguarding national interests amid global power competition.

KEYWORDS:
Russia, Ukraine, US, NATO, Geopolitics, Geoeconomics

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ABSTRAK

Kajian ini meneliti implikasi geopolitik dan geoekonomi perang Russia-Ukraine terhadap keseimbangan kuasa dunia. Ia menyelidik kesan-kesan perang ini terhadap ekonomi antarabangsa terutamanya hubungan perdagangan antara kuasa-kuasa dunia baharu serta permintaan global terhadap matawang Rusia, Amerika Syarikat dan China. Kajian ini juga menilai keupayaan NATO untuk memenuhi tujuannya tatkala Russia mencerobohi Ukraine. Kajian ini mendapati perang Rusia-Ukraine menunjukkan tanda-tanda perubahan politik dunia ke arah pembentukan sistem antarabangsa multipolar. Kefahaman yang menyeluruh mengenai dinamika keseimbangan kuasa global penting untuk memandu tindak balas strategik dalam menjaga kepentingan nasional di tengah-tengah persaingan kuasa dunia.

KATA KUNCI:
Rusia, Ukraine, Amerika Syarikat, NATO, Geopolitik, Geoekonomi

1.0 Introduction

During the Cold War, the world was marked by bipolarity due to the presence of two opposing alliances, the Warsaw Pact and the North Atlantic Treaty Organization (NATO) led by two superpowers, the Soviet Union and the Unites States (US). At the end of the Cold War, the US emerged as a global hegemonic power after the collapse of Soviet Union. The second Russian invasion of Ukraine in 2022 has threatened the US political, economic and military influence not only in Europe but also around the world. This paper examines the implications of the Russia-Ukraine war on the global balance of power by not only considering traditional geopolitics based on military means but also the geoeconomics that relies on economic instruments which play an increasingly crucial factor in reshaping the global balance of power.

This study employs qualitative research method by gathering information about implications of the war from journal articles, expert commentaries, research and government reports as well as news articles. The data are organized and analysed according to four main themes consisting of the economics, political, international relations and military implications to assess the impacts of the war on the global balance of power. This study does not anticipate any future scenario but can help stakeholders to understand the implications of the war on the regional and global international order. Understanding the dynamic strategic environment and global power competition is important to guide strategic response to safeguard national interests and sovereignty.

This study finds that the sanctions has weaken the Russian economy and Ruble but has not successfully deterred Russia from its aggression. While the US and European countries struggle to reduce their dependency on Russian energy and food commodities, China and India benefited from the discounted embargoed commodities. Russia has managed to circumvent the sanctions by finding alternative means to participate in the global trade which have challenged the monopoly of the SWIFT international transaction system as well as the dominance of the US Dollar as the primary currency for international trade and reserve currency. In the short term, the trend of de-dollarization may be marginal but in the long term this would lead to regionalism where distinct economic and financial spheres of influence in different currencies and markets assume central roles.

The war has caused shocks in the global energy and commodity markets and disruptions of global supply chains consequently increasing inflationary pressures around the world which has been struggling to recover from the COVID-19 pandemic. Western efforts to isolate and weaken Russia comes at a high price as their own economies are negatively affected and they are also pressured to show their ability to support the world especially vulnerable countries in coping with the impacts of the war. At the same time, the war has strengthened Russia's relations with China, BRICS countries and Middle Eastern countries. Both BRICS and NATO have expanded with inclusion of new members but the expansion may not necessarily strengthen the blocs in the global power competition because BRICS is weakly institutionalized while NATO's unity is questioned due to NATO allies' divergent threat perceptions. In a nutshell, the US global democracy leadership and hegemony has been challenged while Russia and China carve stronger global leadership role, paving the way to a multipolar world system.

2.0 The Impacts of Sanctions on The Russian Economy

Russia's invasion of Ukraine has resulted in a series of sanctions imposed by the US and its allies to weaken the Russian economy and end its aggression. Among the economic sanctions carried out is the freezing of the Russian central bank's assets, the restriction of export and import of commodities, the cancellation of trade agreements and the ban on the Russian banks to use the SWIFT transaction system. The impacts of the sanctions on the Russian economy are discussed below by considering the high dependency of European countries on Russia's energy, the strength of the Ruble as well as foreign investor confidence in Russia.

2.1 High Dependency of European Countries on Russia's Energy

Russia is one of the top exporters of crude oil and natural gas in the world especially to its neighbouring countries. Russia accounts for about 30% and 40% of the EU's petroleum and natural gas imports, respectively (Surwillo & Slakaityte, 2022). The war has prompted the EU to diversify its energy sources away from Russia but it is costly and difficult to do in a short period of time. The EU is vulnerable to energy blackmail as replacing Russian energy with other sources cannot be executed immediately due to limited infrastructures and market conditions. In addition, the EU Versailles Declaration of 11 March 2022 lacks credible execution plans despite EU's goals to reduce two thirds of gas imports from Russia by the end of the year (Surwillo & Slakaityte, 2022). While it is possible to tap into alternative energy supply such as from the US, Norway and Saudi Arabia, the world does not have enough capacity to replace Russian output. The substitution of Russian energy can also bring implications for many other countries. For instance, the release of the US strategic oil reserves may have repercussions for US-Saudi relations (Surwillo & Slakaityte, 2022). In short, although the war has caused a catastrophic disruption in the global energy market, the biggest oil cartel remains impartial regarding Russia's position in the OPEC+ arrangement.

2.2. The Strength of the Ruble

Russia has long maintained the stand to distance its economy from being dependent on the US Dollar by taking measures of stockpiling foreign currencies and pivoted itself to bond closer with China, especially after the Crimea conflict in 2014 (Lau, 2022). Since 2014, Putin made sure Russia had a currency reserve that is sustainable enough to prop the Ruble in any case of sanctions by diverting energy revenue to its reserve, which assisted in accumulating $631 billion, making its currency reserve equivalent to a third of Russia's economy. The US Dollar comprises only 16% of Russia's foreign currency reserves as they convert the US Dollar to alternatives such as the Euro, Renminbi and gold (Blackwell, 2022).

Following the Russian invasion of Ukraine, the Western financial sanctions aim to collapse the Ruble making it difficult to fund the war by placing severe limits on a number of Russian banks and freezing the foreign exchange reserve assets of the Russian central bank. These moves sharply reduced the value of Ruble immediately after the invasion. However, the Russian central bank responded by boosting its policy rate and imposing strict capital controls to limit capital outflows and prevented the collapse of Ruble (Davis & Patel, 2023). As shown in Figure 1 below, the Russian currency appreciated after the immediate depreciation following the invasion and the Ruble traded above the prewar levels by the summer of 2022.

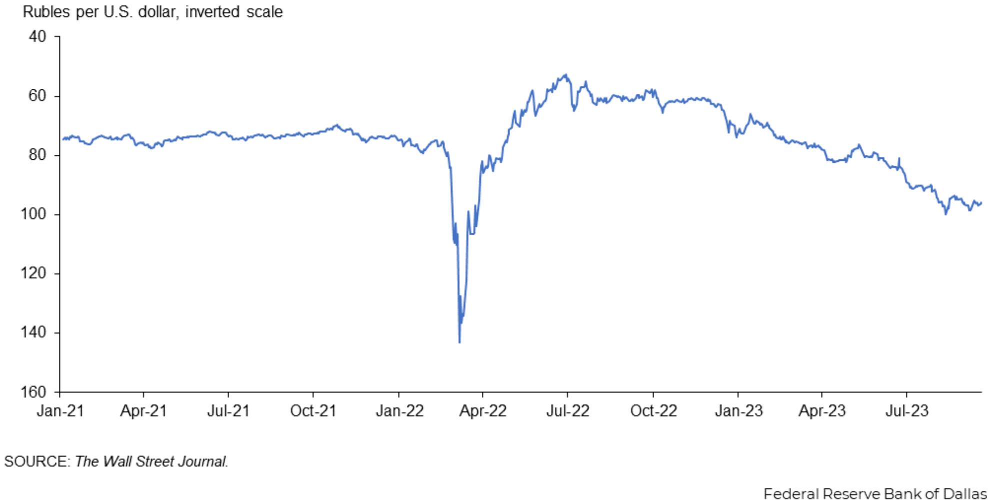

Figure 1: Russia's currency loses value after recovering from post-invasion low

Nevertheless, the Ruble has been losing value, declining 40% against the US Dollar since December 2022. The decline is attributable to trade sanctions and plunging export earnings. Although the total quantity of Russia's oil exports has remained fairly stable as other countries such as China, India and other emerging markets purchase the embargoed energy but the declining value of energy exports has driven overall exports lower. The limited number of potential buyers for Russian energy have greater bargaining power and demanded greater discounts to the global market. In other words, the trade diversion did not affect the volume of energy exports but the pricing discounts lead to a decline in the value of Russian energy exports thereby putting pressure to the country's balance of payments and leading to continuing currency weakness (Davis & Patel, 2023).

Russia has also announced the pursuit of pegging Ruble to the gold standard as a measure to prevent the collapse of the currency. There is a predicament of lowering the price of gold since Russia's gold standard is based on gold trades of the US Dollar, which would affect international markets. The demand for Ruble to pay for Russian commodities would consequently create a flow of gold into Russia's reserves, helping to strengthen the Ruble when needed (RT, 2022). However, the viability of Russia maintaining a fixed rate of Ruble for gold is closely related to the demand for Russian energy and the confidence in Ruble (Mihailov, 2022).

2.3. Foreign investor confidence in Russia.

Since the beginning of the invasion, foreign multinational corporations (MNCs) have been leaving Russia or shutting down their stores and factories in Russia but the Russian government has been trying to revive its economy by replacing the MNCs with local companies. In March 2022, about 400 MNCs from different sectors have made the decision to reduce or completely halt their business activities in Russia and the sanctions were expected to lead to a 10% to 15% drop in economic activity in 2022 alone. The consequences of the global lack of investor confidence in Russia would continue to be felt for decades later (Pladson, 2022).

In May 2022, the Kremlin pushed for a new law to allow the nationalization of foreign MNCs if they are deemed to pose a threat to the local jobs or industry. Administrators may be appointed over companies owned by foreigners in 'unfriendly' countries that have imposed sanctions on Russia or assets of fleeing MNCs may be seized and redistributed to local companies willing to take over the management and operation of the fleeing MNCs. These moves would raise the stakes for MNCs trying to exit or disentangle themselves from Russia (O'Donnell, 2022). On one hand, it provides opportunities for local Russian companies to flourish since the competition from foreign companies weans off as they withdraw their investments in Russia (Finkel et al., 2022). On the other hand, the sanctions would still make it difficult for local companies to continue their operations and productions especially those that rely on imported inputs and foreign market (Pladson, 2022).

3.0 The Impacts of The War on The Global Economy

The global economy was in a parlous state even before the Russia-Ukraine war due to the COVID-19 pandemic. The war has made an already gloomy global economic outlook even more dire especially as both Russia and Ukraine are central to the global commodity markets. The fuel and food shortages caused by the war could be destabilising many parts of the world and the US and its allies were trying to show that they care about vulnerable countries and they can manage the global crisis (International Crisis Group, 2022). The impacts of the war on the global economy are discussed below by examining the implications of the war on the global commodity market and global supply chains as well as the implications of the war on the global demand for the US Dollar and Chinese currency.

3.1. The Impacts of The War on The Global Commodity Market

Russia and Ukraine are among the top five global exporters of several commodities such as wheat, barley, sunflower oil and maize. For instance, Ukraine supplies 50% of the sunflower oil in the global market followed by Russia who supplies about 23% (International Crisis Group, 2022). Russia and Ukraine also contribute 29% of global wheat supply while other major exporters account for 16% of global wheat supply (Trompiz & Hunt, 2022). Since the invasion, global wheat prices peaked due to fears of halted wheat export from Europe as Russian attacks on Ukrainian ports prevented the supply of wheat to exit the Black Sea (Lu et al., 2022). The export of Ukrainian wheat and grain commodities shrunk to 500,000 tons from 5 million tons in the previous year causing a massive loss of $1.5 billion as sea routes become extremely difficult to ship out its autumn's harvest while land routes face logistical issues (Balbi, 2022).

The shocks in the global commodity market caused by the COVID-19 pandemic followed by the Russia-Ukraine war could destabilize the world since economic hardship could translate into social and political unrest around the world. Many poor and middle-income countries especially those that import more than they export and whose debt loads increased during the pandemic struggle to cope with the rising commodity prices. It is urgent for the US and its allies to show their determination and capability to address the crisis while displaying their unity and power to oppose Russian aggression. The US has taken the lead on providing food aid by allocating about $2.5 billion in the first half of 2022 alone (International Crisis Group, 2022). The EU and UN also provide support mechanisms such as $15.5 million to fund the project to help sustain agricultural production in Ukraine (UN, 2023).

Countries that used to rely on Russian or Ukrainian commodities have looked for alternatives to ensure their local supply remains stable. For example, Egypt started to import Romanian grain and secured trade with Argentina. India began to tap into the opportunity to export its wheat and has achieved record success in its wheat trade across Asia (Durisin et al., 2022). Some countries have started to improve their reserve system like Kenya which started to expand their maize reserve into other grains. Meanwhile, China's focus on its food security since the past one or two years allow it to hold the majority of the stockpile of grain, with 131 billion tons of wheat equivalent to 47% of global wheat (Trompiz & Hunt, 2022).

Before the invasion of Ukraine, Russia has prepared for the inevitable sanctions by consolidating itself to become self-reliant and self-sufficient in various sectors to fulfil local demand for consumer goods. Import of food products has declined since 2013 despite various challenges to compete with the quality of previously imported food products such as cheese, bread, and cereals (Valentine, 2022). Consequently, the sanctions on Russia do not affect the food supply in Russian-occupied territories because grain, wheat, and sunflower oil are to be distributed back to Moscow (Åslund, 2022; Reuters, 2022a). In addition, the surplus of Russian wheat production allowed higher export of Russian wheat to the Middle East and Africa to compete with the EU and Ukraine's wheat supply despite facing difficulties in shipping through the Black Sea (Reuters, 2022b). Russia continues to trade its harvest commodities through other means with friendly states but with fewer new deals due to the ban on Russian banks from using the SWIFT banking system which complicated payments for Russian wheat (International Crisis Group, 2022). However, by the end of July 2022, grain and wheat exports are expected to resume once more through the Black Sea with the signing of an agreement between Russia and Ukraine supervised by the UN and Turkey to allow the flow of Ukrainian harvest yields to the global market and prevent a catastrophic global food crisis (Boffey et al., 2022).

3.2. Disruption of Global Supply Chains and Raising Inflation

Heavier sanctions are placed on Russia to cripple Moscow's capability to prolong the war in Ukraine since its annexation of Crimea in 2014 but the sanctions have caused inflation and food crisis in other countries especially the US. Oil prices skyrocketed to $100 a barrel on the fifth day of invasion even though the sanctions excluded the energy sector because the war increased the instability of supply (Rai & Lane, 2022). US suffered a huge impact of the sanctions imposed on Russia due to its huge trade in energy with Russia. In 2020, Russia was the third largest oil supplier to the US accounting for 7% of imported oil in the US. Russia also exported $13 billion mineral fuels to the US in 2019, covering more than half of its mineral fuels import (Rai & Lane, 2022)

It was initially predicted that the US would suffer marginally from the sanctions on Russia, but a reassessment was made and by March 2022, Goldman Sachs calculated that the US's GDP would only increase by 1.75% between the last quarter of 2021 and the first quarter of 2022. The reassessment revealed a massive decline from 5.75% in 2021 and possible economic recession if its GDP were to drop in the next two quarters (Cassidy, 2022). Inflation has also become a glaring issue for the US as the IMF announced that the US inflation rate would increase by 7.7% (Ellyatt, 2022a). Food prices are increasing due to lower agricultural exports from two major global suppliers, Russia and Ukraine while metal prices also face similar hike because Russia has a monopoly on non-ferrous steels such as aluminium and nickel (Patel, 2022).

According to Deloitte (2022), the Russian-Ukraine war has worsened global supply chain disruptions since the COVID-19 pandemic due to the 'Great Resignation Phenomenon' which led to soaring global inflation The US inflation rate reached its highest in 40 years forcing the Federal Reserve to implement its largest interest hike in 20 years. The Federal Reserve has also highlighted that inflation in the US and around the world would not subside as long as the geopolitical risks continue to affect global economic conditions that eroded consumer confidence, caused the delay of hiring and investment as well as tightened financial conditions (Caldara, 2022).

3.3. Global Demand for US Dollar

Russia's search for an alternative payment method for imports and exports of its natural resources started since the sanctions during its annexation of Crimea in 2014. The sanctions on Moscow have raised the need to strengthen its currency and further isolate itself from the use of the US Dollar. Several deals with other countries such as China and India have seen recommendable success in mitigating the brunt of the sanctions on Russian economy while Russia is able to reorient and diversify their dependency on the US Dollar to other currencies.

De-dollarization has started even before the start of the Russian invasion of Ukraine as several other countries such as the EU, China, India and Iran have been reducing their dependency on the US Dollars in international trade. Trade disagreements with the US and the desire to reduce economic dependence on the US Dollar stimulated international trade transactions in national currencies (Lossan, 2020). China, for instance, understands the consequences of the war in Ukraine, as its oil refiners are forced to seek an alternative payment method when Russian banks are banned from using the SWIFT system (Evans, 2022).

As a result, China and Russia have agreed to use alternative payment methods such as using the Chinese Yuan or Renminbi for the import and export of oil. Russia's VTB Bank participated in the China National Advanced Payment System (CNAPS) which allows transactions in Renminbi to bypass the SWIFT system. Russian firms also have accounts in Chinese state banks and able to make transactions via Chinese depositories (Greene, 2022).

India also faces similar issues in relation to its trade with Russia. India’s export to Russia is growing and diversifying beyond the pharmacy and agricultural products. The trade arrangement of Rupee-Ruble exchanges surged from 6% in 2014 to 30% in 2019 (Hussin, 2022). The Countering America's Adversaries Through Sanctions Act (CAATSA) is a Rupee-Ruble arrangement between Russia and India to bypass US sanctions on arms deals. The arrangement involved a transfer of $5 billion of air defence systems in 2019 and removed the reliance on the US Dollar in arms transactions by 2021 (Liu, 2022). Similarly, oil trade between Russia and India has also been arranged whereby oil imports from Russia are to be paid in dollars or euros while other trade commodities would be paid according to the Rupee-Ruble arrangement (Srivastava & Chakraborty, 2022). Russia also demand payment in United Arab Emirates dirhams for oil exports to India (CNBC, 2022).

Before the start of the Russia-Ukraine war, the dominance of the US Dollar as an international currency reserve has already started to be challenged. The holding of US Dollar reserves by central banks around the world fell to their lowest level in 25 years. Data of the Currency Composition of Official Foreign Exchange Reserves (COFER) from the International Monetary Fund (IMF) shows that the share of US dollar assets in central bank reserves around the world has decreased by 12% since 1999, from 71% to 59% in the fourth quarter of 2020 (Arslanalp & Simpson-Bell, 2022). In the fourth quarter of 2022, the share of the US Dollar in central bank reserves around the world was 54% (IMF, 2023). This downward trend is expected to continue due to the implications of the Russia-Ukraine war.

3.4 Global Demand for Yuan

Russia struggled to float the Ruble with its currency valuing less than one US cent in March 2022 and considered using bitcoin and cryptocurrency as a backchannel for transactions. Moscow then decided to use China’s Yuan and the Chinese Cross-Border Interbank Payment System (CIPS) for cross-border trade, which further boosted the global demand for Yuan after China’s international infrastructure project, the Belt and Road Initiative has helped to introduce the Yuan overseas (McGleenon, 2022). China’s ambition of supplanting the US Dollar is getting closer as an oil deal between Saudi Arabia and

China was agreed to be paid in Yuan instead of the US Dollar. Saudi Arabia is sceptical about the Dollar's future and
wants to further expose and diversify its hedge on other currencies (Rosen, 2022).

As the global demand for Yuan has increased, China has been unwilling to allow free trade of Yuan in order to not lose control over its value. There is also a concern that a new global economic system based upon Yuan will emerge (McGleenon, 2022). The Yuan as a reserve currency has seen a longstanding battle with the US Dollar, but, with the sanctions on Russia, other countries are expected to purchase more Yuan as a reserve currency to avoid the mistake of relying on the US Dollar. In 2019, 70 central banks around the world have adopted the Renminbi as a reserve currency in their portfolios contributing to appreciation of the currency with 85% of foreign exchange managers in favour of investing in the Yuan (Robertson, 2022). With the stable politics of the one-party state, China can gradually move away from a social market economy to a private market economy, though cautiously as to not destabilize the economic infrastructure it has domestically developed whilst managing the value of its currency by controlling the flow of the currency in the international market (Moak, 2022).

The digitalization of the Yuan has demonstrated its capability and value against the US Dollar. Its capability to challenge the Dollar would rely on the weakness of research and development in digitalizing US Dollar for international trade along with the desire for other countries to reduce their reliance on the US Dollar. Yet, in terms of supporting the Russians, the value of China's digital currency remains weak due to the national interest of China to protect its digitization project from reputational crisis as it aims to have its digital currency widely accepted (Huang, 2022). Nevertheless, the dominance of the US Dollar in the global economy is difficult to weaken as the US has a long-standing extensive network of alliances and partnerships all over the world. The trend of de-dollarization is marginal not rapid but in the long term it would give rise to regionalism where distinct economic and financial spheres of influence in different currencies and markets assume central roles (JP Morgan, 2023).

4.0 The Relations between Russia and China, BRICS countries and the Middle East

Sanctions on Russia may have inflicted a blow to its economy, trade, and war capability, yet Russia manages to stabilize its position. In the last few years, Russia has strengthened its ties with China, in anticipation of difficult circumstances - namely the war in Ukraine - as a means to deter total isolation from international markets and to sustain a stable economy. In addition, several other countries have become increasingly interested in Russia's defiance of the US hegemony. Economic exchanges between Russia and the Middle East have been increasing while its long-standing, friendly relationship with the BRICS countries is being tested over the repercussions of the Ukraine invasion.

4.1. The Creation of Alternative Financial Transaction Systems

The weaponization of the Euro and the US Dollar against Russia would see China and other countries in the Organization of the Petroleum Exporting Countries (OPEC) to increase their trust in alternative currencies in their foreign reserves (Krein, 2022). The US Dollar has shrunk in comparison to other currencies such as China's Yuan as many countries tried to avoid or circumnavigate the sanctions imposed by the EU and the US to trade with Russia (Norton, 2022; Wheatley & Smith, 2022). In 2014, Russia and China have launched alternative cross-border messaging services for banks such as the Chinese Cross-Border Interbank Payment System (CIPS) and the Russian System for Transfer of Financial Messages (SPFS). India and Saudi Arabia are ready to trade with China and Russia using Yuan or Ruble as China aims to improve Yuan internationalization (Tan, 2022a); Adinolfi, 2022). The

CIPS payment system has the potential to replace SWIFT as it is cooperating with a network of 1,280 financial institutions around the world compared to SPFS which has a network with 400 institutions. However, Russia's Ruble is still not ready for internationalization because trade with China would still be processed in Yuan, not in Rubles, thus, the US Dollar remains in power (Hess, 2022).

The sanctions on Russia have pushed for an integration of the BRICS payment system and the establishment of a new international reserve currency that would challenge the US Dollar and the IMF as an international institution (Al Arabiya English, 2022). BRICS members were urged to end dependence on the US Dollar and the enactment of a new reserve system would allow countries distrusting the US system to enter the BRICS' sphere of influence (Glover, 2022). Turkey, Egypt and Saudi Arabia have already expressed interest to join BRICS (Redman, 2022). Other than business dealings, relations between BRICS members have also strengthened due to the common understanding of Western weaponization of currency (McCarthy, 2022).

4.2. Energy and Arms Trades

Russia has close relations with China and India since the Cold War. Following the Russia-Ukraine war, Russia's oil exports to the Western countries declined but Russia has become the centre of attraction for China and India as the emerging global powers vying for energy security. President Vladimir Putin announced in late June that Russia has seen its trade routes reoriented from the West to the East and other 'friendly' international partners, mainly China and India. Both India and China are also the biggest importers of Russian weapons, with arms sales contributing to almost half of Russia's export sales between 2016-2020 (Shankar, 2022). Trade between Russia and BRICS countries have also increased by 38% in the first three months of 2022, reaching up to $45 billion, and Moscow's export revenues expanded to $20 billion in May (Chernova & Liakos, 2022).

China's import of Russian crude oil heavily outweighed Saudi Arabia's, importing 55% more in 2022 compared to the previous year and reached record level by May due to discounted supplies offered by Moscow (Reuters, 2022c). China's willingness to trade with Russia stems from its energy and food security goals. The development of an additional pipeline, the Power of Siberia 2, will further increase the flow of oil and gas into China on top of the previous pipeline that currently stands around $400 billion (Wang & Song, 2022). India also seized the opportunity to buy discounted Russian oil as the price of oil spiked to a whopping $100 per barrel due to the sanctions on Russia (Ellyatt, 2022b). India's purchase of Russian oil quadrupled, accumulating a total of 13 million barrels in two months and by April, almost 60 million barrels, a sharp contrast to India's purchase of Russian oil in 2021 of only 12-16 million barrels (Winck, 2022; Pathi & Kurtenbach, 2022). India has also made efforts to deepen ties with Russia as it allows investors from Russia to purchase debt securities from Indian companies (Bochkov, 2022).

India and China continue to be the cushioning force behind Russia's export sanctions with the massive purchase of energy commodities and financial deals (Intellinews, 2022). It is predicted that Russia has profited $285 billion in oil and gas sales in the first half of 2022, a 20% increase from its sales in 2021, which stands at around $235.6 billion (Tan, 2022b). The deals between Russia, China and India were scrutinised by the US and the West as Russia is able to prolong the war despite the heavy sanctions but Russia still need to tread carefully in its oil exports as to not isolate its Middle Eastern counterparts in OPEC Plus (Krauss et al., 2022).

4.3. Russian influence in the Middle East

Russia's relations with Middle Eastern countries have especially seen positive outcomes in finding the replacement of importers which enable Russia to continue its oil and gas exports. For instance, Iran's national oil company, the National Iran Oil Company (NIOC), signed a $40 billion memorandum of understanding (MoU) to allow Russia's Gazprom to complete Iran's liquefied natural gas (LNG) projects, develop six oil fields which include the Kish and North Pars gas fields along with the construction of gas export pipelines. This MoU also allow Iran to export its gas after US sanctions hindered the development of Iran's gas exports (Reuters, 2022d).

Russia is encouraging the BRICS members to allow the admission of Iran into the economic bloc which means access to the world's second-largest reserve of gas and a boost for Iranian commodities in the international market (MercoPress, 2022). Iran's bid to join BRICS also drew the attention of several Middle Eastern and North African countries such as Egypt, Saudi Arabia, Ethiopia and Turkey which offer more resources to enlarge the economic bloc and seek to become the West's new competitors. As the top producer of oil and a member of the G20, Saudi Arabia wishes to establish an economic system beyond the control of the US and its allies (O'Connor, 2022). The admission of these countries into BRICS may potentially enlarge the BRICS economic capacity that is currently accountable for 40% of the world's population as well as a quarter of global GDP (Covert Geopolitics, 2022). Nevertheless, expansion of weakly institutionalized BRICS may not empower BRICS to challenge the US hegemony for now but if the US continue to under-invest in diplomacy especially in the developing world, China can carve a stronger global leadership role (Dizikes, 2023).

5.0 Rejuvenation of NATO

NATO has an identity crisis and has lost its original purpose from the post-Cold War era. The dissolution of the Soviet Union means the alliance no longer face a unifying threat. NATO has increasingly involved with out-of-area operations to ensure stability and well-being in Europe. At the same time, foreign policies of member states have increasingly diverged from one another (Luce, 2023). Russia's invasion of Ukraine saw NATO rejuvenates to uphold its principles as a collective defence organization and uphold a rule-based order. The 2021 summit in Brussels showed NATO's plan to ensure its capability of achieving deterrence and defence against any potential threat by 2030 (NATO, 2021). The 2022 Madrid Summit pointed toward a new strategic concept that would define NATO's security priority and potential threats to its allies as determined in the Brussels summit with a focus on Russia's aggressive policies and China's threat in the South China Sea, along with other key security challenges such as cyberspace, climate change, and terrorism (The White House, 2021).

The Russian invasion of Ukraine and Ukraine's failed accession to NATO raised some questions; would NATO's expansion by including Finland and Sweden disrupt relations with its biggest ally, Turkey? Or would it worsen the already tense relations between NATO and Russia? NATO needs to pay attention to several strategically important factors that would deter Russia's aggression.

5.1 Defence, Economic and Humanitarian Aid from Western Countries to Ukraine

The supply of Ukraine's armed forces with weapons capable of deterring Russia were affected when Russia annexed Crimea and moved its military assets into Russian separatists-controlled Luhansk and Donbas from Ukraine in 2014. Ukraine has been getting support from Western countries to help fend off Russian forces advancing into its territories such as Denmark's supply of Harpoon Anti-Ship Missiles and howitzers (Reuters, 2022f) and M270 multiple launch rocket systems from the UK to level the playing field of Russia's artillery in Eastern Ukraine (Sabbagh, 2022) on top of 6,000 missiles, and £30 million for BBC's affected branch in Ukraine to help tackle disinformation and to help pay the wages of Ukrainian troops (Reuters, 2022g). The Group of 7 (G7) and the EU agreed to send $26.5 billion in cash to commit to Ukraine's war effort (TN World Desk, 2022).

NATO pledged €15 million to help Ukraine modernize its military and obtain lethal and non-lethal weapons to counter Russian attacks in Eastern Ukraine following the Crimea crisis (Bermingham, 2014). NATO has delivered about €150 billion worth of aid to Ukraine on top of military equipment and training since the start of the Russia-Ukraine in 2022 (Luce, 2023). The military aid from NATO has made a difference in the war but not enough to strike a decisive blow to end the Russian invasion of Ukraine. The percentage of NATO members contributions relative to their GDP shows that eastern NATO members contribute three times more than western NATO members. This indicates that disproportionate threat perception still divides NATO and it remains to be seen how long NATO can keep giving aid without losing interest (Luce, 2023).

The US has also seen its fair share of aid and supply to Ukraine with almost 90% of Ukraine's military assistance coming from the US (Kim, 2019), with almost $1.5 billion in security assistance since 2014 (U.S. Department of Defense, 2019). Other than military support, the US also provides health and medical support for Ukrainian refugees (Collins, 2022). In addition, the US provided an additional $1.7 billion in aid to Ukraine which is part of the already approved $7.5 billion deal in May 2022 through USAID to boost Ukraine's economic and healthcare capabilities (TN World Desk, 2022).

The invasion of Ukraine in 2022 stimulated changes in countries with close proximity to Russia and Ukraine such as Sweden and Finland, as they are threatened by Russia's aggression. Sweden changed its stance of neutrality to support Ukraine through economic and military aid (Reuters, 2022e) and applied for NATO accession with Finland (Global Defense Corps, 2022). While NATO members bilaterally send aid to Ukraine's defence, the application of Sweden and Finland into NATO adds pressure on Russia who is seeking to bring Iran and Saudi Arabia into BRICS (O'Connor, 2022).

5.2 Consolidation of Defensive Capabilities and NATO Readiness

The US risks its global democracy leadership being questioned as the pressure for the US to "step up" its role in stopping the Russian invasion increased since the US refused to implement the no-fly zone and rejected Poland's plan to supply MiG fighter jets to Ukraine (Mclean, 2022). On the other hand, NATO urged its members in the World Economic Forum in Davos to increase cooperation to secure energy and resources as Germany joined the Netherlands, Denmark, and Belgium in wind turbines construction in the North Sea (Feldscher, 2022).

Western think tanks proposed that the US, EU and NATO work closely to pose stronger and more cohesive sanctions against Russia and increase support for Ukraine (Atlantic Council, 2022). The NATO Summit in Madrid showed confidence in US leadership as the US is expected to strengthen NATO's left flank in the next few years as well as update NATO's strategic concept in deterring threats and guarantee the security of Europe-Atlantic interests (The White House, 2022). Russia may perceive greater threat from NATO as the US opens its headquarter base in Poland (Tilles, 2022; U.S. Department of Defense, 2022).

Another breakthrough in NATO which shows the EU's confidence in US leadership is the ascension of Finland and Sweden to finally join NATO, with the assurance from NATO's secretary-general to convince Turkey to accept Finland and Sweden (Wilson, 2022). The new 'Madrid Concept' would require peace and stability in the Indo-Pacific to safeguard the Euro-Atlantic cooperation. The concept also specifies that the EU and NATO will cooperate to increase their resilience and readiness to address the threat from China (Monaghan & Wall, 2022).

G7 members have planned a new goal of raising $600 billion in private and public sectors to counter China's growing influence through the Belt and Road Initiative (BRI) in the developing countries (Shalal, 2022). The NATO Summit in Madrid saw an update of NATO's strategic concept for its allies in Europe, the Atlantic, and those supporting NATO's aspiration for security and rules-based order of international affairs. The approval for Finland and Sweden to join NATO would strengthen the bloc to deter and isolate Russian aggressive expansion but complicate its relation with its biggest ally, Turkey, due to the conflict between Turkey and Sweden and Finland. (NATO, 2022; Casert, 2022).

Russia's failure to successfully invade Ukraine could see Sino-Russian relations become stringent because the economic dependence of Russia on China would affect China's economic and diplomatic image on the international stage (Kaczmarski, 2022). Yet, Southeast Asia countries generally keep quiet in the ongoing global power rivalry as some of them are still dependent on Russia's military exports or fear that the rivalry would arrive on their doorstep. Only Singapore has officially condemned the invasion (Kurlantzick, 2022). The rivalry between the US and China has to consider the limitations of their foreign policies to fully attain their objectives. Both sides would similarly see an all-out war is not a viable option for their regional or international ambitions (Mazarr, 2022).

6.0 Conclusion

Russia has been able to prolong the war as it circumvents Western sanctions by finding alternative means to participate in the global trade. The US and its allies have been trying to support vulnerable countries in the face of fuel and food shortages following the war but at the costs of their economies. On the other hand, China and India have become the biggest benefactors and financiers of Russia's economy. More Middle Eastern and African countries are interested to join BRICS as their trust in the US Dollar deteriorate. This would enlarge the BRICS economic capacity and provide the opportunity to establish an economic system beyond the control of the US and its allies. In addition, the Russia-Ukraine war has challenged the monopoly of the SWIFT international transaction system as well as the dominance of the US Dollar as the primary currency for international trade and reserve currency. This would give rise to regionalism where distinct economic and financial spheres of influence in different currencies and markets assume central roles. The war has also revived NATO as Finland and Sweden join NATO and reviewed their strategic concept to face the new security reality as well as reaffirm their purpose and values. However, a semi-unified response due to NATO allies' divergent threat perceptions have not successfully contain Russia's aggression. In short, the US global democracy leadership and hegemony has been challenged while Russia and China strengthen their global leadership role, paving the way to a multipolar world system.

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