



COMMENT 232 - The 'Russian humbug' revisited Impacts in South Asia

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Information is a crucial element in war, and the present invasion of Ukraine is no exception. A successful disinformation campaign always contains a large dose of factual information. This is illustrated by the famous rule of thumb – 80% truth; 20% fiction – attributed to the Soviet intelligence (for instance in the novel on KGB operations in France by Vladimir Volkoff; 1982, p. 65).

In this war. both invading and invaded countries are key players on the global market for essential food staples such as cereals and oilseeds. According to the <u>Observatory of Economic Complexity</u> database website's latest figures, relating to 2020, Russia and Ukraine are the most important cereal exporters in the world after the United States. Both countries are also important players in the oilseed markets, dominating sunflower seed exports (see United States Department of Agriculture, May 2022, p.9.).

Modern agriculture is highly dependent on energy, through fertilizers and other inputs – and Russia is a key player in the energy sector, as regards both oil and on gas. Whatever happens to the energy global markets will exacerbate the impact of what happens in the food staples market.

The importance of Ukraine as a World food staples producer and exporter (through its Black Sea ports, namely the port of Odessa) widened throughout the nineteenth century (see Lyratzopouoou et al, 2014, pp 74-82). This was already the case in 1853, when Karl Marx authored a series of writings for the New York Daily Tribune on what was to become known as the war of Crimea. On June 22, 1853, under the title of 'Russian Humbug' (Internet Marxist Archive 2022), Marx addresses the information war preceding the official war, including ass regards the food market:

'Russian merchants, at the same time, despatch, or are reported to have despatched, orders to





their London agents 'not to press any sales of grain at the present juncture, as prices were expected to rise in the imminent eventuality of a war'.' (...) 'These, and a lot of similar reports, communications, etc, are nothing but so many ridiculous attempts on the part of the Russian agents to strike a wholesome terror into the Western world, and to push it to the continuance of that policy of extension, under the cover of which Russia hopes, as heretofore, to carry out her projects upon the East...'

Other than aiming at a demoralising effect, the economic rationale for this Russian policy linking war to increased food prices is straightforward and easy to understand. The demand for food products is rigid; therefore, convincing buyers that there will be a shortage due to the war is the most infallible way to provoke price increases (to the benefit of sellers). Russia remains as interested in 2022 as it was in 1853 to make a link between war and price increases in those commodities it exports, and for the same reasons.

However, whereas Marx considered the attempt in 1853 ridiculous, and whereas in 1853 said endeavour ultimately failed, to our surprise, the European Union's information apparatus in 2022 is actively contributing to the Russian price-hike strategy. We are committing this huge error in a variety of ways. For instance, the European Commission's website (on its Crops Market Observatory, which appears at the top in the research engine) is titled: 'Invasion of Ukraine: impact on agricultural markets'. This is followed by very colourful graphics showing widespread and sharp price increases in virtually all food staples. Furthermore, the European Union and its member states have announced the impossibility of exporting grains from Ukraine – a move with catastrophic consequences to world markets, and one which only reinforces Russia's goal to press for higher prices of its own export goods (as well as those expropriated from invaded Ukraine).²

The President of the European Commission correctly observed that: 'food has become now part of the Kremlin's arsenal of terror'. Furthermore, she also denied the persistent disinformation spread by the Russian authorities on food sanctions:

'Our sanctions do not touch basic food commodities. They do not affect the trading of grain, or other food, between Russia and third countries. And the port embargo specifically has full exemptions on agricultural goods.' (Von der Leyen, speech to the European Parliament, 8 of

¹ Marx's and Engels' writings on the Crimean war were reedited a century after their original publication by Paul Blackstock and Bert Hoselitz, and published by George Allen and Unwin, London, 1953, under the title 'The Russian Menace to Europe'. They are available to the public (pp 121-202) directly through the Marxist Internet Archive by Paul Flewers. The version we are using is connected to this one via a hyperlink.

² Social media is covered with crude propaganda regarding supposed massive supplies of arms by the European Union to Ukraine, claims that are at the very least grossly exaggerated, as we have seen (<u>Casaca, 2022</u>). This only increases the bewilderment among EU citizens regarding why the EU is unable to cope with the organisation of alternative routes to the export of Ukrainian cereals.



However, she did not seem to take into consideration that the Russian authorities' aims are not limited to blaming the European Union and Ukraine for whatever happens to prices and food availability. Russia is the second largest cereals exporter in the World, and Ukraine the third. An increase in prices, and the claim it is due to war, can only favour Moscow.

The absence of practical steps to overcome the impact on cereals exports due to the Russian blockage of Ukrainian ports adds to the general panic and favours the Russian information war logic.

The sanctions regime does not cover basic food, but it does cover energy – and most food production is heavily dependent on energy. For a sanctions regime of any export raw material to make sense, it must cause a negative income impact on the targeted exporting country. That is, the combined impact of a decrease in the amounts exported must not be compensated by an eventual price hike. This means such sanction regime can only be articulated through active cooperation among the most important actors in the markets under analysis – or the regime can become counterproductive.

Both the European Union and the North Atlantic Treaty Organisation have performed poorly in their internal capacity to act together both in this energy embargo and in the diplomatic arena (Casaca, 2022). Adding to this ineffective practice an endless stream of panicking declarations regarding the energy supply can only further aggravate the situation – and thoroughly serve the invading forces' goals.

The main suppliers of food staples (or energy and other raw materials), regardless of their nationality, also have a vested interest in the price increases – which translate into record profits, as Forbes (2022) points out in the case of oil and the Wall Street Journal (2022) in the case of food staples.

In parts of South Asia, the food crisis already existed, for internal reasons. According to the World Food Programme (2022) Afghanistan is facing hunger on a massive scale following the Taliban takeover. According to the International Red Cross and Red Crescent Societies (IFRC, 2022), Sri Lanka's economic crisis is spiralling into a food crisis. The integrated food security classification (2021) considers that in Pakistan 'nearly 4.66 million people (25% of the population analysed) will experience high levels of acute food insecurity'.

India is in a relatively favourable position; however, the country is concerned with the prospect of a food crisis related to the double strike in the food and the energy markets. New Delhi decided to restrict wheat exports (<u>Bloomberg</u>, 2022) and refused to adopt any embargo policy on <u>energy</u>.

India deserves special attention for its dimension and its key diplomatic role. However, we



must understand that New Delhi's options are those taken by a large spectrum of countries around the world. There are no understandable reasons why India should be singled out in European officials' criticisms. In fact, these criticisms only further damage the European diplomatic front of the war.

Publicly lecturing India for taking some export-restrictive measures instead of import-restrictive measures – as if the country should ignore internal food insecurity risks for the sake of defective perspectives in Europe! – does not serve European interests.

The European Union should instead completely revise its information policy and stop promoting a panic which fully plays in the hands of the invaders' propaganda. We need to promote reassurances on the food markets.

A European-led logistical and diplomatic operation aimed at channelling the million tons of cereals from Ukraine into the most food-threatened countries in the world – an endeavour with as broad and international a participation as possible – would be the most effective way for the European Union to do so.



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