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Food, Fertilizer and Global Leverage: Stepping Out of Russia's Game

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Excecutive Summary

In the context of Russia's full-scale invasion of Ukraine, the Kremlin is – often successfully – using food security concerns as a tool for gaining political leverage. This is the case not least in the global South, where it plays into Russia's efforts to win countries over in the diplomatic game on how the international community should react to Russia's war.

The drivers of Western international engagement are not just security policy and international law imperatives, but also humanitarian and economic concerns. This creates vulnerabilities that Moscow has no qualms about exploiting. Russia's portrayal of itself as not only benevolent, but indispensable to quelling global hunger has been a cornerstone of its narrative. The pattern of Russia creating a problem and then presenting itself as central to its solution is a familiar one.

This notion of Russia's indispensability has also been an underlying assumption in much of the Western response, driven largely by short term humanitarian logic. At least in the longer term, this notion cannot go unchallenged. This paper provides suggestions for a more forward leaning approach to pursuing the range of Western interests: facilitating Ukrainian exports, denying the Kremlin political leverage through the weaponisation of hunger and addressing the global food crisis. This requires thinking ahead and being ready to step out of patterns that belong to the past. Seeing through the mind traps laid by the Kremlin today should mean that they can be avoided in the future.

Picture: Khalil Hamra, AP through TT Nyhetsbyrån.

Control of Ukraine's grain trade has historically been a bone of contention. The pattern continues today in the context of Russia's full-scale invasion of Ukraine. It includes Russian blockades of ports, attacks against installations, mining not only at sea but also arable land, and the theft of agricultural assets. Despite Russia's best attempts to disrupt Ukraine's agricultural exports, Ukraine is exporting roughly 70% of what was exported in the previous harvest season thanks to the grit of Ukrainian actors and international support efforts. At the same time, the Kremlin is using Russian food and fertilizer exports as a tool to gain political leverage.

The global food security crisis – the worst in 50 years – had been brewing long before Russia's full-scale invasion of Ukraine. The crisis is driven by multiple factors, from poor governance to climate change, growing demand and rising costs in the wake of the Covid-19 pandemic. While Russia's war was not the original cause, the abrupt reduction in the amount of Ukrainian grain on global markets and the uncertainty created by the war led to a spike in food prices and made markets more volatile around the world. At the same time, however, the impact should not be overstated. It is notable, for example, that global food prices have been in decline since the all-time high of February to March 2022 and prices are now back at the levels of late 2021.

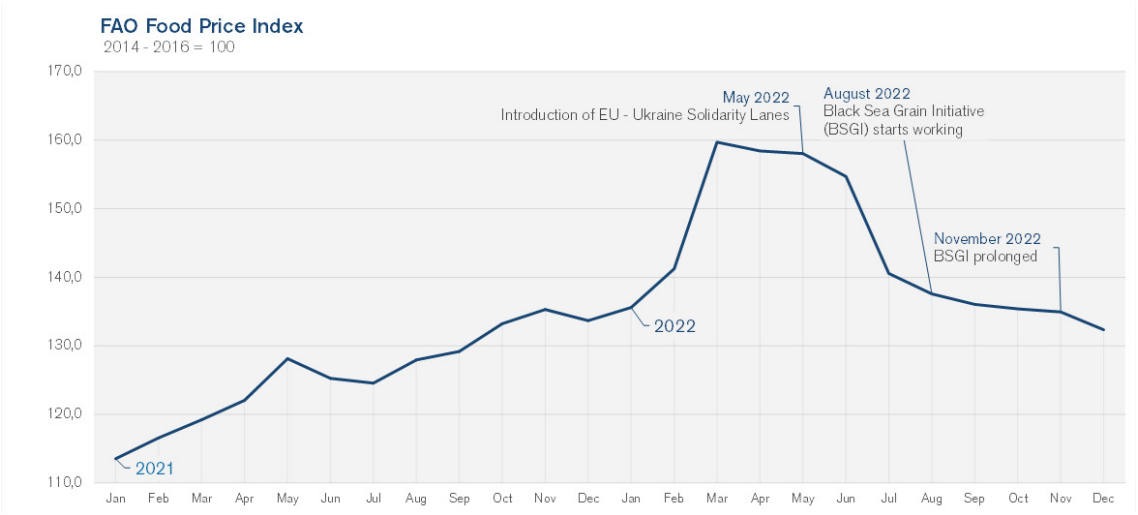

Figure 1. Food Price Index, January 2021 to December 2022

Source: Food and Agriculture Organisation of the United Nations

While global food prices are to an extent a product of the financial markets, and propaganda is based on political narratives rather than facts, there is a physical reality to what is going on. Three material components explain the situation: Ukrainian grain exports, Russian grain exports and Russian fertilizer exports.[1] All three flows are of global significance, especially

1 The focus here is on commercial chemical fertilizers, not least hydrogen fertilizer, the production of which traditionally involves converting atmospheric nitrogen into ammonia using natural gas. This makes gas extracting countries like Russia well placed to produce and export large quantities. There are however other, more sustainable methods of hydrogen fertilizer production, and efforts are being made to make these commercially viable on a larger scale. Russia is also a global exporter of potash (together with Canada and Belarus), used to make potassium fertilizer, as well as phosphorus fertilizer (together with Morocco, China, the US and Jordan). Potash and phosphorus are mined minerals available around the world in finite quantities. Fertilizers can also be produced using organic methods.

on today's tight markets. This can be illustrated by the fact that Ukrainian wheat accounted for 10% of global exports in 2016–2021 and Russian wheat accounted for 20% of global exports in the same period. Much has been said about the dependence of certain African and Middle Eastern countries on these flows, in terms of both trade and humanitarian aid procurement. Russian production accounted for 15–21 % of global fertilizer exports before the war,[2] and countries in the region and as far away as Mexico and Brazil are reliant on these products.

While the Kremlin makes much noise about Western sanctions being the driver of food insecurity worldwide, Russia's agro-exports are not subject to sanctions and do not, in spite of claims to the contrary, seem to have been significantly affected by the war or sanctions regimes. In fact, the past season has seen record harvests in Russia (supplemented by stolen Ukrainian grain) and has been highly profitable for Russian food exporters.

Russian Leverage and Russian Indispensability

In the 1990s, but also in Soviet times, Russia was dependent on food imports. In recent decades, strategic efforts have been made to grow Russia's agrobusiness and become a food exporter. This is now paying off as a source of not insignificant income, but even more so in terms of the potential for political influence. In the context of Russia's ongoing aggression against Ukraine, Russia has a rather strong hand to play and has not been shy to use this to its advantage. Blocking and attacking Ukrainian ports while also destroying or stealing Ukrainian agricultural assets and grain are not only causing immense human and economic suffering, but also creating opportunities for increased Russian exports, portraying Russia as a partner in food security. Russian narratives on Western sanctions being the reason for hunger and food insecurity in Africa, Asia and Latin America have undoubtedly gained some traction. Russia's "generous gifts" of shiploads of fertilizer to African states through the facilitation of the World Food Programme (WFP) and the United Nations Conference on Trade and Development (UNCTAD), as well as pressure on EU member states to facilitate the transfers, has become a way for Moscow to test the political commitment of the EU to excluding food and fertilizer exports from sanctions. One effect of the explicit carve outs in the EU's ninth sanctions package (December 2022) for sanctioned individuals involved in trade in food and fertilizer is that the notion of Russia's indispensability is reaffirmed, which also has ramifications for how sanctions and their limitations are conceptualized.

In addition to Russia's military aggression having consequences globally, Moscow has also taken steps in the economic sphere that have exacerbated the global food security situation. In 2021 Moscow introduced restrictions on exports of fertilizer outside the Eurasian Economic Union, and in December 2022 these restrictions were extended until May 2023. Implementation is difficult to assess, but these measures are thought to have removed 15% of the supply of fertilizer from already tight global markets, negatively affecting availability and affordability for struggling farmers and consumers around the world. This is clearly in contrast to Russia's public messaging and yet another example of how Russia is making use of its position.

2 In 2021: 14% of global nitrogen fertilizer exports, 14% of phosphates and 21% of potash.

The Hazards of the "Solutions Game"

Given the global food security crisis and the role of Black Sea grain trade for humanitarian actors, it is not surprising that the international community has put huge effort into finding solutions. Such solutions, however, do not come free of charge.

The much-lauded Black Sea Grain Initiative (BSGI) came into being in July 2022 facilitated by the UN and Türkiye. It has undoubtedly been successful in bringing Ukrainian grain to the world markets. This has included humanitarian shipments facilitated by WFP, both at the initiative of individual donor countries and through the Grain from Ukraine programme, announced by President Zelensky in late November 2022 on the 90th anniversary of the beginning of the Soviet man-made famine Holodomor in 1932–33.

The BSGI has set up a so-called humanitarian corridor for shipments out of the Ukrainian ports of Odesa, Yuzhny and Chornomorsk, as well as a Russian-Ukrainian-Turkish-UN inspection facility (the Joint Coordination Centre, JCC), located in Istanbul, to inspect cargo ships passing through the Bosphorus. The model of joint inspections means that Russia has the power to cause delays by holding up the process. Long queues of vessels waiting for inspection have been a regular occurrence in recent months, inflicting costs on both shippers and consumers. The Initiative can be extended at 120-day intervals and the current agreement is up for renewal in mid-March. The BSGI deal also includes a less publicised aspect, in which the UN (and specifically UNCTAD) is committed to facilitating solutions to difficulties emanating from Western sanctions regimes for the export of Russian grain and fertilizer.

While the BSGI has played an important role in humanitarian terms, its connection to the fall in global food prices is not straightforward. In addition, the arrangement represents the recreation of a pattern not unfamiliar to those who follow the dynamics of the region. Readers might recall, for example, the Minsk agreements. The playbook goes like this:

- Russia creates a problem, in this case a blockade of Ukrainian ports, with devastating effects on Ukrainian grain exports.
- The international community, motivated to a large extent by humanitarian concerns, devises a short term "solution"– in this case the BSGI, including the JCC and the UNCTAD agreement – which fails to hold Russia accountable and instead rewards Russia's violation of international law.
- Moscow's acceptance of this "solution" is perceived as a concession, while the elements of compromise are seen as inevitable and therefore downplayed – in this case both the notion that Russia should have a right to inspect shipments through the Bosphorus (the JCC) and the space created to problematise and possibly narrow the application of sanctions under UN auspices.
- Periodicity for prolongation of the agreement is set up, allowing reoccurring moments of Western nervousness with the potential for renegotiation and new concessions, in this case the need for a renewal of the Russian commitment to the BSGI every 120 days.

Thus, the problem created by Moscow has given birth to a new reality, now with buy-in from a solutions-oriented international community. The familiarity of this pattern and the humanitarian perspective make the situation comforting for many of those involved. This also, however, makes it harder to see that the concessions perceived as inevitable to achieve the deal play against the interests of both Ukraine and the West in the long run. Although co-created and based on good intentions, this pattern does not have to be the recipe for the future.

The Energy Parallel

Drawing parallels with Russian energy exports, and especially the logic behind the oil price cap, is analytically helpful. While Russian food and fertilizer exports may not play the same role as oil in filling Moscow's war chest, the leverage this export provides – not least in the global South – is considerable, especially in the context of the global food security crisis. Just as with oil, there may be a short-term rationale for keeping Russian exports flowing in order not to upset tight markets, which is why food and fertilizer are exempt from sanctions. In the medium and longer term, however, there is no such rationale.

In fact, there are few if any future scenarios where Russia will be a desirable trading partner or a country to depend on in the years to come – and this should be made increasingly clear outside the West. Weaning a state off a Russian product made with Russian gas (nitrogen fertilizer) should be as logical as weaning it off Russian fossil fuels, from both a security and a climate perspective. Increasing the number of suppliers of both grain and fertilizer globally makes sense in a context where adversaries of the West are weaponising dependencies.

Consequently, now is the time for ambitious efforts to create a future where Russian grain and fertilizer are no longer political or economic factors at the international level. Drawing from the logic of RePowerEU, diversification and greening should be the Leitmotiv of a transformative push for global innovation and investment in more efficient use of fertilizer and more sustainable food systems. This would not only make the world less dependent on Russian goodwill, but also bring other benefits.

Recommendations on Changing the Game

In the current situation, humanitarian logic and security policy imperatives need to be treated together rather than handled separately. One-sided responses weaken the Western hand and increase vulnerability to Moscow's narratives – as does the idea that we can return to the world as it looked before 24 February 2022. It is time to retake the initiative. This involves spelling out the breadth of Western interests: not only supporting Ukraine's export economy and alleviating world hunger, but also denying Moscow the fruits of its actions by upholding a principled stance. The following paths should be considered:

- **Prioritise the EU-Ukraine Solidarity Lanes, with a broader view of EU-Ukraine connectivity and integration**

The EU-Ukraine solidarity lanes for overland export of Ukrainian agricultural produce were set up in May 2022 through cooperation between the European Commission, Ukraine and its Western neighbouring countries. They represent a success story that has received less attention than it deserves. These arrangements not only bring Ukrainian products to the EU market, but also allow for transit onwards to other parts of the world through EU ports. Although exporting overland is more expensive, volumes through these routes now represent a significant part of Ukraine's total agricultural exports, comparable to volumes brought out through the BSGI. Crucially, these exports are not at the mercy of Moscow. Engaging a broader range of EU countries in these efforts while also ensuring stable funding and political commitment will be vital to overcoming existing bottle necks, bureaucracy and logistical

challenges, thereby increasing capacity and reducing costs. As long as there is war or threat of war, the ports are a vulnerability and optimising alternative routes overland is needed. Strengthening the solidarity lanes also makes sense, however, from a future peacetime perspective. In the context of Ukraine's and Moldova's status as EU candidate countries, this should be seen as a fast track to increased intra-EU connectivity.

In parallel, efforts are needed in the context of Ukraine's reconstruction to rebuild infrastructure and restore agricultural land, and also to green the Ukrainian agricultural sector to prepare it for full integration into the EU Single Market.

Be clear-eyed on BSGI: and be prepared to be bold

Understanding the perils of the concessions that underpin the BSGI should make the West less of a demandeur in relation to upcoming prolongations of the initiative, especially if preparatory measures are taken. This could include, in addition to a scale-up of the Solidarity Lanes, a readiness to continue traffic even in the event of Russia withholding its explicit acceptance. The lesson from the November prolongation, when Russia overplayed its hand by its unilateral suspension, is exactly that: credibly communicating that exports will continue regardless of whether Russia makes use of the privilege afforded by the BSGI to inspect shipments is a tactic that works. In order take this tactic beyond a few days, appropriate insurance arrangements need to be made well before mid-March. Planning for sea convoys that include humanitarian shipments as well as ships from recipient countries such as Egypt and Türkiye will raise the bar for Russian sabotage. A freedom of navigation operation by military means should not be ruled out. Russia should be made the demandeur.

Don't exaggerate the role of Russia: question the notion of indispensability

The idea that Russia's actions alone have caused the global food crisis is as misconceived as its ugly twin: the idea that only Russia can fix it. The fact that Russia in recent years has been among the larger international exporters of food and fertilizer does not mean that this will always be the case, or that this will be a desirable situation in the years to come. The fact that the international community today has built a system in which Ukraine's maritime exports are at the mercy of Russian willingness to participate in the BSGI scheme does not mean that it is in any way normal for Russia to have a say in what passes through the Bosphorus. Nobody gains more from Western statements placing the full and sole responsibility for a multifaceted food crisis on the Kremlin than the Kremlin itself, as it implies that the Kremlin is the solution. Words matter because they shape thoughts, and thoughts shape action. Rhetorically exaggerating Russia's role prepares the ground for concessions based on Western nervousness about perceived Russian indispensability. This both plays against long term Western security interests and disregards the possibilities that exist to develop resilient and sustainable food systems that minimise dependencies on a country that has clearly shown a readiness to use food as a weapon.

Set out a visionary course of action for a world without Russian food and fertilizer exports

Increased collaboration between experts from different fields is likely to open up horizons for all the things that can be done to overcome both the security challenges emanating from Russia and hunger and high food prices, while denying Moscow leverage and the power of veto. It is not realistic to count on Russia to show goodwill in the foreseeable future. Solutions must be found that do not give Moscow the upper hand.

Both the June 2022 EU Team Europe Response to Global Food Insecurity and US Climate Envoy John Kerry's Global Fertilizer Challenge are promising starts to the extent that they address the innovation and transformation needs of low- and middle-income countries. They need to be further sharpened and broadened. For the West, it is important to be seen as taking action for the benefit of the global South with a clear future vision in mind; this already in itself weakens Russia's hand. Countering the Kremlin's food security narratives in the global South must include accelerating ambitious alternatives to dependency on Russia. The same is true for the West – building resilience by breaking destructive dependencies is the smart way to lower food prices and build food security for the future.

Expose Russian grain theft and explore countermeasures

There are credible reports that Russia's war of aggression against Ukraine, including its purported annexation of Ukrainian territory, has not only involved the taking and destruction of agricultural land, but has also included the theft of Ukrainian agricultural machinery, infrastructure and grain. This means that a proportion of the grain that is being sold on world markets as of Russian origin really belongs to Ukrainian farmers. As a minimum, stating this fact should be a mainstay of political communication with potential buyers of Russian exports. More tangible efforts should also be pursued, possibly by setting up a dedicated international facility for this purpose. This could involve increasing transparency and establishing facts through systematic tracking of shipments, as well as countermeasures such as preparing for legal action and the sanctioning of enablers.

Summing up, in the context of the global food security crisis, Russia has been able to use food and fertilizer for political gain, not only in terms of building and cementing relationships, but also in the sphere of ideas. Moscow has managed to capitalise on humanitarian concerns about hunger as a way to reinforce the often implicit notion of Russia's indispensability to resolving global challenges. In the short term, this idea has implications for how the West thinks about the limits of sanctions and other responses to Russia's aggression. In the longer term, it risks having implications for how the West thinks about the war endgame and the future of Russia. Casual and passive acceptance of the notion of Russia's indispensability could in fact be a political trap with serious implications.

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