

Guterres's 'chilling' reference



CLINT FLORES

When Russia invaded Ukraine, a sequence of packages of sanctions on the former was announced on a biweekly basis by the European Commission

Back then, I was criticising the approach and clearly outlined that this was a recipe for disaster from a diplomatic and economic point of view. Clearly, my economic intuition came from the very same room where sanctions are discussed and approved. When I represented Malta in the PSC Committee, we used to have endless, and I hasten to add, relentless discussions about the effects of sanctions on countries and their citizens on the ground.

Despite the discussions, at times with third party participants and experts in the subject, unprecedented sanctions were still imposed in the hope to deter Russia from advancing and eventually retreat from Ukrainian territory. Whether the approach was hasty is still debatable, as some commentators still believe that the EU needed to act. However, five months down the line we all know the results, inter alia the increase in food and energy prices and shortages in other essential commodities.

Indeed, sanctions were not imposed on fertilisers and other basic commodities like wheat or corn. Nevertheless, the complexities of compliance and due diligence to adhere to the sanctions' regime, wrought havoc to many western economies, as economic operators were left in the dark about what to consider when



The Brave Commander bulk carrier makes its way from the Pivdennyi Seaport near Odesa, Ukrain. According to Ukraine's Ministry of Infrastructure, the ship under Lebanon' flag is carrying 23 thousands tons of Ukrainian wheat.

assessing a Russian client. As a result, economic operators in the US were going back and forth to the Office of the Foreign Assets Control (OFAC) – the same office that oversees the adherence of the implementation of sanctions – to primarily pursue information when dealing with importations from Russia. Regrettably, the OFAC left it in the hands of the economic operators to screen and implement sanctions, which resulted in over due diligence that eventually halted international trade.

On Saturday, the Secretary General of the United Nations, Antonio Guterres said that the UN is in talks with the United States and the EU to unblock the trade hindrances, so that Russian food and fertilisers unimpededly reach the world markets. Certainly, if this doesn't occur, we will experience a global famine, on one hand due to supply shortages and on the other hand due to high food inflation.

Last month, the United Nations managed to negotiate a deal and agreed in Turkey to resume grain exports from Ukraine. Since then, around 650,000 metric tonnes of grain

and other basic food commodities were exported. However, an essential part of the package deal relates to the unhindered access to the global markets of Russian food and fertiliser, even though the same commodities were not sanctioned. The Secretary General of the UN stated that notwithstanding that these commodities were not sanctioned, nonetheless, there had been a "chilling effect" on exports.

The diplomatic message that the Secretary General of the UN is trying to pass to the rest of the world is quite clear. Crucially important is to read between the lines of Guterres's message. The only interpretation of the "chilling effect" is that the imposition of sanctions was not properly studied and the effects were counterproductive on the rest of the world economies. I was in touch with some colleagues to see what their interpretation of the statement is and they all agreed that the Secretary General of the UN is trying to deliver an important diplomatic message to the EU.

In my humble opinion, the EU mishandled the entire

process and there are only a few characters to blame for this diplomatic chaos. In fact, Russia's topmost diplomat Sergey Lavrov has been selling the narrative, especially to African countries, that the result of the increase in food prices and the shortages of food supply all relate to the sanctions imposed on the Russian economy. Lavrov is a cunning diplomat and for the past four months he managed to tour some parts of the world targeting vulnerable economies. Why? Because disinformation sells better to vulnerable societies.

Unquestionably, the EU bought into the Russian narrative when they reversed some of the restrictive measures on Russian banks in the last package of sanctions. Understandably, the reversal was proposed in good faith to primarily ease the global trade flow of wheat and fertilisers. However, Guterres's statement outlining that the sanctions sent a "chilling effect" to exports is a clear blow to the credibility and diplomatic image of the EU, as he simply echoed the Russian narrative.

Regrettably, it will take quite

some time for the EU to recover this setback and to reposition itself as a diplomatic block and an honest broker. On the other hand, if the EU is considering positioning itself as a defence Union, it will take longer to convince its citizens and the electorate to finance and strengthen the block's military capabilities, if they do not correct the negative economic effects of the sanctions. People are feeling the tension on the ground. Inflation is pinching on people's pockets and in return ruining the lives and livelihoods of many.

Certainly, government assistance is desperately needed to cope with utility bills and food prices, especially this winter. If the EU is not going to step in to correct and lessen some of the economic hardships, we are going to experience destitution and subsequently social unrest in our main European squares.

To conclude, the EU must take note of Guterres's chilling reference, which is a diplomatic message to correct for the economic problems inflicted on the European continent and the rest of the world.

Clint Flores is an economist