

(<https://www.politico.com/news/magazine/2022/02/27/russia-weaponizing-food-supply-chains-00012130>, retrieved 2/28/2022)

Opinion | Why the U.S. Needs to Act Fast to Prevent Russia from Weaponizing Food Supply Chains

With help from China, Putin could use the war in Ukraine to upend the global economy.

Ian Ralby, David Soud and Rohini Ralby,¹ 27 February 2022

If it wasn't clear before, the image of Vladimir Putin and Xi Jinping together at the Beijing Olympics solidified for many the sense that Russia and China really are teaming up to strengthen their own relationship and weaken the global power of the United States and its allies.

That partnership is now a driving force behind Russia's brazen invasion of Ukraine. Amid the chaos of this conflict and the threat to Ukrainian lives and independence, one critical implication has been grossly underexamined: how Russia could rely on China's support to weaponize global food supply chains. Without a swift response from the West, Moscow and Beijing could soon have the capacity to upend the world's economy and significantly alter power dynamics across the globe.

The building blocks of this strategy are already in place.

Both U.S.-China and U.S.-Russia relations have hit new lows of mutual recrimination, and the global ambitions of Beijing and Moscow are filling the space left by Washington's retreat from the world, spurred by the Trump administration. The result is that the United States and Europe are relying on traditional pressure points that have less and less effect on international affairs. The recent Sino-Russian agreement on oil and gas will help shield Russia from the pain of further sanctions, thereby reducing the economic leverage NATO members can realistically apply.

Responding to this invasion with sanctions, therefore, is little more than offering thoughts and prayers, particularly given Russia's now unfettered access to certain Chinese markets, as well as its use of cryptocurrencies, illicit gold and other transnational criminal financing schemes, along with other sources of revenue that lie outside sanctionable and regulated systems. But it is actually the agricultural aspects of the pact with China about which the world should be most concerned.

The importance of Ukraine's remarkably fertile soil for global grain supply² has gained some attention, amid concerns the conflict will lead to sharp price increases. But the reality is Russia's control of Ukrainian grain shipments will likely have far greater consequences.

After just one day of the invasion, Russia effectively controlled nearly a third of the world's wheat exports, three quarters of the world's sunflower oil exports, and substantial amounts of barley, soy and other grain supply chains. Furthermore, Ukraine alone accounts for 16 percent of the world's corn exports and has been one of the fastest growing corn producers — a dynamic particularly critical to meeting China's rapidly growing demand for corn. Importantly, while hydrocarbon production can be immediately surged in different places to meet shifts in requirements, grain production cannot be

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² <https://www.wsj.com/articles/russia-ukraine-tensions-drive-global-wheat-prices-higher-11643630790>

surged in the same way, and even a major expansion cannot make up for the sheer volume of agricultural output that Russia now controls either directly or indirectly.

Most of the focus has rightly been on the invasion's impact on people in Ukraine's most populous cities — but in the background, Russia is completing a hostile takeover of the country's grain-rich regions and their associated transportation infrastructure. Critically, however, Russia does not even need to fully control Ukraine's agricultural lands to weaponize the food supply chains they anchor.

As the following map shows, there are only two points of maritime access that Russia needs to dominate in order to be in control of Ukrainian grain shipments: the Kerch Strait that connects the Black Sea with the Sea of Azov, and the 17 ports in and around Odessa.

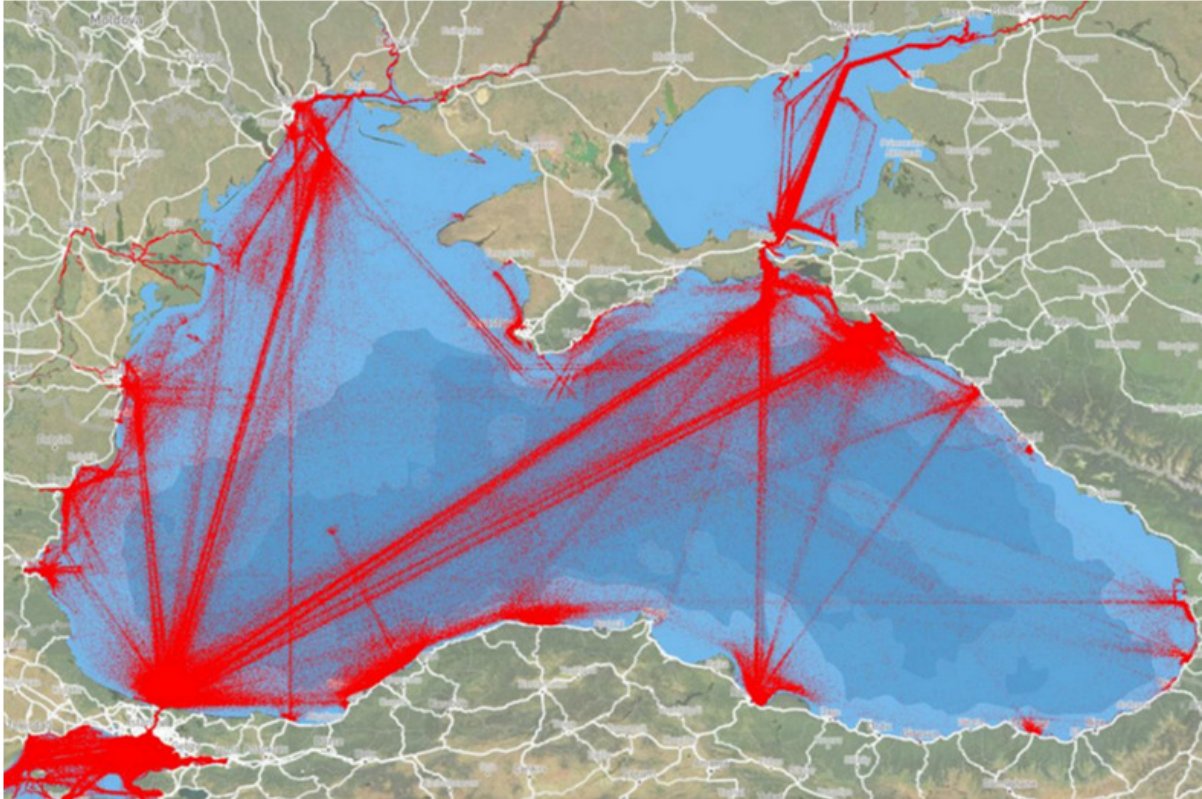


Image provided by Geollect's Geonius Platform, showing the volume of shipping across the Black Sea with ship movements over time highlighted in red. | Geollect's Geonius platform

As of Thursday,³ Russia had closed access to the Sea of Azov, and, irrespective of unsubstantiated Russian claims⁴ that two of its commercial ships have been attacked, Ukraine has closed all its commercial ports. Ukrainian grain is now offline.

Amid the shock of Russia's flagrant violation of Ukrainian sovereignty, this overlooked development — the de facto sanctioning of the global grain market — is cause for deep concern. The question is not whether there will be serious economic effects and critical food shortages in already fragile states. The question is what Russia will do with that.

Russia's Next Move

There seem to be several likely and not mutually exclusive paths for Putin:

³ <https://www.reuters.com/world/europe/russia-halts-vessel-movement-azov-sea-black-sea-open-2022-02-24/>

⁴ <https://www.maritime-executive.com/article/ukrainian-commercial-ports-closed-after-russia-reports-ships-attacked>

- 1) Use faux benevolence to expand Russian hegemony and secure recognition of its claims to Ukraine
- 2) Target certain states to fuel conflict as a distraction and drain on Russia's adversaries
- 3) Proceed to seize other non-NATO states and their supply chains
- 4) Leverage the pact with China to draw states away from Western influence
- 5) Seek China's recognition of Russian-invaded territories in exchange for Russian recognition of China's claims to Taiwan

1. Faux Benevolence:

Russia has already cut off critical grain supplies to countries that have hitherto relied on Ukrainian exports. With one of its well-documented false narrative campaigns, Russia will likely focus on selling to those states the notion that this increase in hardship is the fault of the West. In exchange for recognition of Russian claims to Ukraine and potentially elsewhere, the Kremlin would be willing to relieve that tension by providing the necessary grain.

As the "benevolent" global power providing relief from such food security pressures, Russia will expand its hegemonic influence. In this context, it is worth remembering that Russia has a long history of using starvation as policy.⁵ That tactic fits into Putin's larger quest to reinvigorate Russia's heritage as he envisions it.

2. Drain and Distract:

Notwithstanding the faux benevolence campaign, Russia may soon be in a position to decide not only who receives critical food supplies, but who does not. The resulting strategic gains for Russia could also mean deliberately creating targeted food security crises in some of the world's most fragile states and regions.⁶ With countries such as Yemen, Libya, Lebanon, Sri Lanka and Sudan — among others — heavily reliant on Ukrainian grain, even a short-term delay in supply may have drastic consequences.

Humanitarian emergencies, civil unrest, and even armed conflict across a number of regions are foreseeable consequences of Russian manipulation of the global grain market. Many analysts still argue that the Arab Spring in 2011 was most proximately caused by changes in grain prices.⁷

When large numbers of people struggle to afford the most fundamental of human needs, conflict and uprising are natural repercussions. Such instability will serve as a major distraction for the United States, Europe and other allies who will work to alleviate such conflicts and humanitarian crises. This drain of attention and resources to other parts of the world will create further space for Russia to operate unmolested.

3. Targeting Other Non-NATO Countries:

As NATO seeks to bolster its military presence in nearby NATO member states around the Black and Baltic Seas, the lesson from Ukraine for Russia may be: "As long as you do not attack the Alliance, we will not fight back." Consequently, Russia may decide that Ukraine is not enough. Moldova, the remaining independent parts of Georgia, and even some of the Central Asian states like Kazakhstan — which recently welcomed Russian "peacekeepers" and is a leading source of grain for Iran and Afghanistan — may also be in Russia's immediate sights.

⁵ https://www.washingtonpost.com/outlook/the-deliberate-starvation-of-millions-in-ukraine/2017/11/03/0999f2d0-b8bb-11e7-be94-fabb0f1e9ffb_story.html

⁶ <https://www.theglobeandmail.com/world/article-russian-invasion-will-trigger-surge-in-food-prices-for-the-worlds/>

⁷ <https://www.scientificamerican.com/article/climate-change-and-rising-food-prices-heightened-arab-spring/>

This approach may be particularly appealing if Russia can leverage relationships and economic drivers in those states while wielding the intimidation factor generated by its potential success in Ukraine. If, as many recognize, Putin's true goal is to reestablish Russian territory as it once was, this approach to reclaiming former Soviet Republics is not at all far-fetched.

4. Leveraging the China Pact:

Putin is not simply seeking to recover lost Soviet territory; he is intent on restoring Russian influence. Ironically, this is where China comes in. On Feb. 4 — the day after a cyberattack on European oil and gas terminals⁸ underscored the urgency of reducing dependence on Russia for energy supply chains — Putin and Xi reached a major new trade deal in Beijing. As noted, Russia can effectively use this deal to avoid both the economic pain of sanctions and the fallout from Europe choosing not to buy Russian hydrocarbons. As the world's largest energy consumer, China can buy up anything Russia wants to sell, thereby meeting Chinese demand, stabilizing the Russian economy and creating an interdependence that may inspire China and Russia to align on other global issues. It will also likely inspire China to avoid joining Western powers in condemning Russian aggression or sanctioning Russian institutions. But the oil and gas deal — while extremely important — is actually not as significant as the new agricultural deal.

China, one of the world's largest importers of grain, will now import wheat produced anywhere in Russia, the world's largest exporter of wheat (particularly with the added control of Ukrainian supplies). Previously, China restricted Russian imports to include only wheat and barley produced in certain regions, mostly in the eastern portions of the country. The remaining supply to meet China's demand largely came from France, Australia and Canada. This agreement now allows for grain from any Russian territory to be imported into China, potentially pushing the European Union, Canada and Australia out of the marketplace — a particularly hard blow for Canada, which after a tough production year was down more than 34 percent in output from 2020.⁹

And as significant as the wheat picture is, the dynamics around corn may be even more crucial. As mentioned, Ukrainian corn production has grown immensely in recent years to the point that it now provides 16 percent of global corn exports.¹⁰ More importantly, over the past few years Ukraine has been the chief supplier meeting China's growing demand for corn. To give a sense of the volume: In 2020, China imported nearly four times the corn it did the previous year. While the causes for that increase were complex, analysts have noted that Chinese demand is likely to continue growing,¹¹ with lasting strain on global supply. At first, that might sound like good news for U.S. farmers, since only the United States rivaled Ukraine as a corn exporter to China in 2020.

The spike in U.S. corn exports to China, which allowed the U.S. to overtake Ukraine in 2021, is only partly accounted for by growing Chinese demand; it was also the result of a World Trade Organization ruling requiring China to change its administration of tariff rate quotas in a way that opened its markets further to U.S. grain. Unfortunately for U.S. farmers, that ruling was not exclusive to the United States, and can be similarly exploited by other major corn producers — including not only Ukraine but also the other two of the world's top four exporters, Brazil and Argentina. That fact alone sheds new light on Argentina's recent enrollment in China's Belt and Road Initiative,¹² as well

⁸ <https://www.france24.com/en/live-news/20220203-european-oil-port-terminals-hit-by-cyberattack>

⁹ <https://www.reuters.com/article/canada-crops-idAFL1N2QG172>

¹⁰ <https://www.reuters.com/markets/commodities/ukraines-unmatched-corn-crop-gains-encroach-rival-exporters-2022-02-17/#:~:text=Today%2C%20Ukraine%20accounts%20for%2016,the%20century%2C%20especially%20for%20corn.>

¹¹ https://www.mitsui.com/mgssi/en/report/detail/_icsFiles/afieldfile/2021/10/28/2108i_nozaki_e.pdf

¹² <https://thediplomat.com/2022/02/argentina-joins-chinas-belt-and-road/>

as Brazilian President Jair Bolsonaro’s visiting Moscow¹³ to talk agriculture and declare Brazil to be in “solidarity” with Russia while Russian forces surrounded Ukraine. One can easily imagine scenarios where enormous pressure is placed on entire economic sectors of the United States and key allies — both those who, like Canada and France, export corn, and those who, like Japan and South Korea, import it.

In essence, therefore, China’s agricultural arrangements with Russia, along with the hydrocarbons deal, formed the guarantee Russia needed to be able to attack Ukraine without fearing Western sanctions. Indeed, the *New York Times* reports¹⁴ that U.S. officials have intelligence showing Beijing explicitly informed Moscow that it would not interfere with Russia’s plans — while also passing on to the Kremlin intelligence that U.S. officials had shared in a failed attempt to convince China to try to thwart the invasion. In fact, China is also a major beneficiary of this Russian aggression, giving Beijing greater access to supplies to meet domestic demands in a fashion that weakens the economic standing of competitor states like the U.S., Canada, Australia, and those of the European Union. Effectively, therefore, China is allowing Russia to leverage their trade deal to perpetrate an assault on global food supply chains, as it advances both states’ ambitions for global influence.

5. Mutual Recognition:

Russia and China may also look to each other to exchange recognition of contested areas. Given that the Chinese foreign minister has simultaneously declared the importance of Ukrainian sovereignty while also warning the United States not to antagonize Russia¹⁵ in Ukraine, it seems that how China views what may constitute “Russia” could also change.

Russia’s move on Feb. 21 to recognize the breakaway portions of Ukraine as independent, as well as Putin’s argument that Ukrainian statehood is a “fiction,”¹⁶ could be setting up an exchange for mutual recognition as the invasion progresses: China for Russian-controlled areas of Ukraine, and Russia for Chinese sovereignty over Taiwan.

How the United States Should Respond

Defending the NATO alliance is and should be a priority for the U.S. and its allies. But if they do not also prepare to defend these global supply chains now, they may lose the ability to do so later. While it does seem that China may be in a tough position¹⁷ by claiming to respect both Russia’s concerns and Ukrainian sovereignty, talk is cheap, the situation is fluid, and the economic and strategic incentives remain strong for China to be Russia’s guarantor.

An effective response will need at least three main approaches:

1. Drive a wedge between Russia and China by making China uncomfortable in its relationship with Russia
2. Rally food supplies to provide resilience to the states most dependent on Ukrainian exports and, in the process, expressly guarantee Ukraine’s economic sovereignty and survival
3. Watch Russia’s maritime movements — naval and commercial — and be prepared to respond to them

All three must occur simultaneously.

¹³ <https://www.washingtonpost.com/world/2022/02/16/bolsonaro-putin-brazil-russia-ukraine/>

¹⁴ <https://www.nytimes.com/2022/02/25/us/politics/us-china-russia-ukraine.html?referringSource=articleShare>

¹⁵ <https://www.rt.com/russia/549882-china-blasts-smokescreen-war/>

¹⁶ <https://www.nytimes.com/2022/02/21/world/europe/ukraine-history-russia.html>

¹⁷ <https://www.reuters.com/world/europe/china-says-it-respects-ukraines-sovereignty-russias-security-concerns-2022-02-25/>

1. Driving a Wedge Between Russia and China

If the U.S. and other major grain producers were to halt grain shipments to China to simultaneously protest Beijing's support of Moscow and help make up for the reduction in global supply heading to fragile or vulnerable states, it would significantly change the dynamics. China would feel an immediate impact over its choice to align its fortunes and food with Russia. Losing face as well as critical supplies over that relationship may induce China to end the guarantees on which Russia is relying.

2. Supporting Ukraine and Its Trade Partners

At the same time, the U.S. should expressly guarantee Ukraine's economic sovereignty and survival by rallying grain supplies (largely from what would have gone to China) to maintain trade orders to Ukrainian partners. If the main Ukrainian partners — such as Indonesia, Philippines, Vietnam, Malaysia, Thailand, South Korea, Egypt and Morocco — all back this effort, they can meaningfully support Ukrainian independence even without directly sending military aid.

Such a temporary measure would allow for Ukraine to hold its place in the market despite Russia's efforts at a hostile takeover, while also maintaining critical GDP flow. The Ukrainian government could work with the U.S. to negotiate the means by which that grain-based revenue would be paid — perhaps in the form of military equipment, for example.

With sufficient will, this rallying of states could take a step further and work to elbow Russia out of critical marketplaces, particularly in parts of the world where sovereignty concerns loom. While this may not harm Russia economically if China turns to Russia to make up for a loss of supplies from other partners, it would curtail some of Russia's hegemonic influence campaigns.

3. Watching the Seas

Finally, with regard to maritime movements, Russia seems to be gearing up to protect supply routes in different parts of the world. Anomalous naval movements by the Russian Navy have been reported for the last several months in several places, including off Norway¹⁸ and Ireland¹⁹ in Europe, the Gulf of Guinea²⁰ in Africa, and just this week with an odd formation of 16 Russian warships²¹ off Syria. Additionally, given the Russian commercial fleet's long history of maritime hybrid aggression, attention must also be paid to anomalies in its movements and behavior (by flag, management, ownership, and beneficial ownership).

Over the last two years, the pandemic has brought to light how fragile global supply chains really are. They are not just abstract concepts but physical realities, and as such they can be disrupted in any number of ways. When the Ever Given was stuck in the Suez Canal for just six days last year, it cost the shipping industry²² \$400 million per hour and caused shortages of critical goods. The inability to sort crew changes has left shippers scrambling to maintain routes and schedules, impacting accessibility of all sorts of goods.

The pandemic remains a challenge — but nefarious control of the global food supply chain could genuinely destabilize the world's economy and its power dynamics. Time is of the essence to foreclose the possibility of a China-backed Russian takeover of global food security.

¹⁸ <https://thebarentsobserver.com/en/security/2021/11/russian-warship-sailed-close-norwegian-naval-exercise-flotex-21>

¹⁹ <https://www.cnn.com/2022/01/31/europe/ireland-fishermen-russia-navy-intl/index.html>

²⁰ <https://navalpost.com/russian-assets-completes-counter-piracy-ops/>

²¹ <https://news.usni.org/2022/02/24/russian-navy-masses-16-warships-near-syria>

²² <https://www.businessinsider.com/boat-stuck-suez-canal-costing-estimated-400-million-per-hour-2021-3#:~:text=The%20Ever%20Given's%20blockage%20of,Asia%20and%20Europe%2C%20every%20day.>