

Grain under fire: agreement to unblock Black Sea ports

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On July 22 in Istanbul – after a series of negotiations initiated by Turkey with the participation of the UN – Ukraine and Russia agreed on the terms for the creation of a secure corridor for the transportation of grain, food and fertiliser from three Ukrainian ports on the Black Sea: Odesa, Chernomorsk and Yuzhne. The two ‘mirror’ agreements – one signed between Turkey, the UN and Ukraine, and the other between Turkey, the UN and Russia – will be valid for 120 days, and will only be subject to renewal if all parties agree to this. According to the documents, a Joint Coordination Center (JCC) will be established in Istanbul under the aegis of the UN to oversee the establishment and operation of the corridor. The JCC will include one representative each from Russia, Ukraine, Turkey and the UN, as well as the personnel required for effective management. The corridor will connect the aforementioned Ukrainian ports with Turkey’s territorial waters. Mixed inspection teams with members from Ukraine, Russia, Turkey and the UN will be established at Turkey’s ports to inspect the cargo of commercial vessels (for products not covered by the agreement) sailing to and from Ukrainian ports. All activities in Ukraine’s territorial waters (loading, unloading, maritime traffic) will be carried out exclusively by the Ukrainian side. The agreement does not foresee joint Russian-Turkish convoys from Ukrainian ports (as Russia had previously demanded) or the demining of the Black Sea corridors (unless necessary, in which case a ‘third party’ will be engaged for such activities).

In addition, in Istanbul, Russian Deputy Prime Minister Andrei Belousov and UN Secretary-General António Guterres signed a memorandum on facilitating Russian grain and mineral fertiliser exports. It commits the UN Secretariat to strive to remove any restrictions imposed by the US and EU on the supply of these products to the global market. The memorandum is to be effective for three years. Its signing preceded the publication of documents by the US and the EU emphasising that the supply of Russian agricultural raw materials and mineral fertilisers to third countries (other than the West) is not subject to any restrictions by the US and the EU. The EU has also removed all barriers to oil exports to third countries by selected Russian state-owned companies.

Ukrainian President Volodymyr Zelensky called the conclusion of the agreement an important achievement enabling the resumption of exports and thus thwarting Russia’s plan to destroy his country’s economy. He also stressed that the agreement will ‘keep Ukrainian ports protected,’ serving as an illustration of Ukraine’s ability to withstand the war. Prime Minister Denys Shmyhal assessed that the signing of the document is worth a billion dollars for Ukraine, and its implementation will contribute to significantly minimising the losses that Russian aggression has brought to the state budget.

A day after the agreement was reached, the Russian army fired rockets at the Odesa commercial port. Zelensky called these actions a cynical act of barbarism that will further motivate Western partners to increase military aid to Ukraine. In turn, Kremlin spokesman Dmitry Peskov said that the target of the shelling was military infrastructure (Russia has pledged only to refrain from attacks on grain infrastructure) and would not affect the implementation of the signed agreements.

The Russian Foreign Ministry said the agreement was concluded due to 'Brussels and Washington halting actions preventing the agreement from being reached.' Furthermore, according to the ministry, the memorandum serves as confirmation of Western falsehoods aimed at Moscow that accuse it of causing problems with grain supplies on the global market. On July 25, Sergei Lavrov began a tour of African countries (Egypt, Ethiopia, Uganda, Congo), during which he has portrayed Russia as a reliable economic partner and blamed the West for any difficulties in meeting existing supplies. During the meeting in Cairo, he provided assurances that Russia would abide by the agreement reached on Ukrainian grain exports.

Commentary

- The agreement reached is of importance to Ukraine's economy, as it will potentially allow the resumption of exports of its agricultural goods via the key sea route (until the outbreak of the war, more than 90% of the sector's output was exported via this route). Ukraine estimates that the successful implementation of the arrangements will enable the sale of an additional 3 million tonnes of goods and increase state revenues by \$1 billion per month. This scale of exports will not solve all of Ukraine's agricultural production export problems (prior to February 24, 5–6 million tonnes passed through its ports each month). It could, however, significantly improve the situation, as alternative routes for the foreign sales of grain and oilseeds across the land border in the EU – although this has successively been expanding since the beginning of the invasion – still cannot meet the country's entire export needs. Consequently, the Istanbul agreement is assessed in Kyiv as posing no risk to national security. During the negotiations, it was this aspect that was considered to be of utmost importance, as the authorities did not want to allow Russian ships or personnel to have the right to be in Ukrainian territory or territorial waters.
- The establishment of the JCC is expected to take place on 27 July, and Ukraine has already begun preparations to resume grain exports with the aim of sending the first shipment later this week. At present, however, it is difficult to predict the extent to which the implementation of the provisions in the agreement will actually take place and how effectively the corridor to Turkish ports will function. The main problem with the practical implementation of the agreement will be Russia's attitude. The shelling of Odesa port does not guarantee the stability of shipments, but rather indicates that the Kremlin intends to counter a significant increase in Ukrainian agricultural exports and consequently diminishing Kyiv's earnings. Russia's conduct is expected to discourage shipowners from operating in Ukrainian ports, raise the cost of freight and its insurance, and to make it easier for Moscow to influence developments on the global food market. As a result, questions have been raised regarding the effective implementation of the

Istanbul agreements, and it is currently only this, along with the extension of the corridor for months to come, that can help regulate the global food crisis.

- The Kremlin's agreement to sign a deal on Ukrainian grain exports across the Black Sea was most likely a direct result of the US and EU loosening restrictions on Russia. It will allow it to increase its income from grain and mineral fertiliser exports as a result of an anticipated drop in freight and insurance costs. Although foodstuffs were not subject to direct restrictions, the ambiguities associated with the sanctions regime discouraged international business (shipowners, insurance companies, banks) from doing business with Russian entities. A crucial element that convinced Moscow to sign the agreement was the EU's approval of oil exports to third countries, which is Russia's main source of revenue. This will make it easier for Moscow to redirect crude oil supplies from Europe to Asian markets. Previously, major European traders (Glencore, Vitol) had essentially stopped handling Russian oil shipments.
- The easing of restrictions, already another concession to Russia (after, among other things, the restoration of the transit of sanctioned goods to the Kaliningrad oblast and the return of turbines for the Nord Stream 1 pipeline), reinforces the Kremlin's strategy that aims to further escalate its demands from the West. The signed agreements also create a valuable legal precedent for Moscow, as they actually allow Russia to impose an embargo on arms shipments by sea to a sovereign state that is the victim of its aggression. Furthermore, the embargo would be recognised by the UN and enforced with the help of that organisation.
- Lavrov's message suggests that the signing of the agreement to export Ukrainian grain can be seen as a gesture to the countries of the global South. Although they are hit directly by the food crisis – being the main recipients of Russian and Ukrainian raw materials – they have not officially criticised Russia for starting the war with Ukraine. For the Kremlin, cooperation with countries outside the Western coalition is now crucial to stabilise the economy and circumvent Western sanctions. It is also counting on support from these countries in future UN votes. In the case of relations with Turkey, grain issues are treated as an important bargaining chip in other areas, such as the Turkish operation in Syria.
- The agreement is a diplomatic success for Ankara, confirming its role as an initiator and mediator in the creation of a corridor to the Black Sea ports. Although the agreement itself provides for only limited Turkish involvement (in the form of inspections of merchant vessels and the establishment of the JCC in Istanbul), it is certain that Turkey will use this opportunity to highlight its success on the international stage, especially given Ankara's tense relations with the West. It may be expected that in order to ensure effective implementation of the signed agreements, Turkey will continue to be an active advocate for a further calming of the situation in the Black Sea. This is also important for its economic and financial interests, as the corridor enhances the country's role as a transportation hub.