Russia-Ukraine Crisis and Its Impact on South Asia

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ARTICLE DETAILS

ABSTRACT

On February 24, 2022, Russia invaded Ukraine under the pretense of national security. The Russia-Ukraine war is likely bound to give birth to severe issues including economic implications for the parties involved, and for the world's atomic states. The imposition of serious sanctions on a petro-state such as Russia will have long lasting terminal effects, one of which could be the surge in global oil prices. The economic impact of Putin's war on Ukraine is largely political when it comes to Russia. The economic sanctions imposed on Russia by Western politicians will determine the disruptions in the supply of Brent crude oil and other exports by Russia. While as far as Ukraine is concerned, the extent of the damage caused by the Russian strikes on its infrastructure and agricultural land, will determine the disruptions in the supply of wheat, sunflower oil, and other exports. The research paper is aimed to discuss consequences of Russia-Ukraine crisis generally on South Asia and specifically on Pakistan.

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1. Introduction

In February 2022, Russia launched a military operation into Ukraine sending a clear warning to the world about Russia's opposition against NATO's further expansion against Russia and Ukraine's intentions of joining NATO in the future. The war is devastatingly affecting the human population and will likely have long term effects on global trade, particularly the trade markets. This is a major conflict with the direct involvement of Russia after World War 2. Before Russia's invasion
of Ukraine, the US considered it an emerging threat to its sanctity. In this conflict, the involvement of big powers will have it obvious repercussions on international security.1

The impact of this war on Pakistan can be looked at from two dimensions: political view and economic view. Pakistan will have to take the heat from both sides. In a rush to prove to the world that Pakistan still has relevance, there is an adrenaline rush amongst different segments of the society to jump into the Russian ship. It would not be a wise decision for Pakistan which is already suffering from high inflation and low economic growth, and political instability.

The ongoing Russia-Ukraine conflict has a great potential to tamper with the post-COVID economic recovery of the South Asia. Its been five months since the war started, and the effects are already visible in different economic sectors, with the energy sector being the hit the worst. The war in Ukraine will have far-fetched economic consequences on Asian economies as Russia is the major source of energy drive for economic growth energy in the region. There has been a sudden rise in petroleum prices, especially oil, which has become fairly expensive, resulting in an increase of the producer and consumer price inflation in the region.2 The extent of the hit on South Asian countries would depend on the duration of the conflict, the severity of western sanctions on Russia and the Russian response.

2. Repercussions on Pakistan’s Economy

Both Ukraine and Russia are no significant bilateral trade partners of Pakistan. In 2020, both countries accumulated even less than a billion dollars from the trade of nearly $68 billion. However, the contrast could have a clear impact on Pakistan’s economy. There are export limitations on Russia and supply disturbance from Ukraine which are affecting the world economic market, trade and edible cost. With currently existing energy and food crisis, Pakistan is exposed to the negative impacts of these elements and more vulnerable as compare to other countries of this region.

Oil prices have reached the sky ever since Russia invaded Ukraine. The average weight of the OPEC basket oil prices has reached to $126.51 barrel, on 7 March, 2022. Despite after this price has fell down to about $100 per barrel, it is the topmost since 2014.

Earlier when the conflict began, in the starting of 8 months of present financial year, from July 2021 to February 2022, Petroleum import of Pakistan had risen from $6.5 billion to $13 billion, or 100%, in comparison with last year. If the price remains same, oil import cast would likely decline to $20 billion or even more than twice of that of the last years. Food consumption is also increased in our import cost. In 2020-21, their imports costed to $8 billion, or nearly 16% of the whole.3

Wheat production of Pakistan by 2021 and some other imports from Russia and Ukraine have fortunately created some stability in the produce prices. The harvest of the 2022 crop was likewise supposed to begin in April, however due to a fertilizer shortage, the crop's anticipated size may not be realised. The government intends to import around 2 million tones of wheat in order to increase supplies and prevent shortages. However, it could be difficult for the current year as Russia has already declared that all grain exports will be suspended until August 2022 in order to safeguard domestic edible items. This spring, Ukraine anticipates a 39 percent drop in wheat plantations, or 4.7

1 https://www.pakistantoday.com.pk/2022/05/16/impact-of-ukraine-crisis-on-international-security-options-for-pakistan/
Experts point out that Russia-Ukraine crisis can adversely impact the economy of Pakistan resulting in devaluation of country's currency, leading to increased account deficit and soaring high inflation rates.

3. Effects of Sanctions Imposed on Russia by West

Post-Covid epidemic, the global market was still in the process of recovery when the Russia’s annexation struck the progress of global economy which caused inflation to rise tremendously. In the energy area sector, inflation rates are being uncontrolled. Russian state is a crucial provider of gas and oil. The United States and European Union has inflicted Russia with economic sanctions to stop it from further upsurge. Furthermore, to counter the sanctions imposed on them, Russia has partly or may be completely stopped to Europe the oil and gas supply. This has significantly accumulated costs because of decline within the availability of those merchandise.

Other plans being considered by Russia and Pakistan as part of the "Cooperation Roadmap 2021-26" may be derailed by the economic sanctions placed on Russia. This will have an impact on power engineering, modernization and repair of Pakistan’s railways, building, including the upgrading of industrial facilities in the metallurgical, chemical, and pharmaceutical industries, and supply and maintenance of transport planes and helicopters.

It will also have a severe effect on the Pakistan Army's intention to upgrade its tank fleet as well as the IL-78 aircraft overhaul programme for the Pakistan Air Force. The $2.5 billion Pakistan stream gas pipeline project might possibly be put off.

Alternatively, experts believe that the ongoing dispute between Russia and Ukraine can give Islamabad a chance to improve bilateral ties with Moscow by remaining neutral and finishing its long-term contracts for LNG, LPG, and crude oil at market-competitive pricing to meet its energy
needs.

4. Pakistan Facing Other Escalating Issues

Ukraine is considered to be the main importing country of Pakistan – importing food items besides carpets, machinery, paper, and other items. After this crisis, there was a difference in the supply and demand of other commodities – Pakistani industrialists seem concerned. Other raw material markets, including oil, wheat, and steel, closed higher. Many sectors will be directly affected.

The construction industry is very important in Pakistan’s economy at the moment. This war will not only increase the prices of raw materials but also lead to a shortage of exported goods, which is likely to directly affect the common man.

Pakistan is the most demanding country for steel and steel is imported from Ukraine which is good and cheap in terms of quality and price. But in these circumstances, the burden is increasing.

On the other hand, Pakistan also gets defense equipment from Ukraine, but the ongoing war between Ukraine and Russia has created a state of chaos and if this war continues like this, Pakistan will lose its military imports. Which, of course, doesn’t work for us.

A large number of Pakistanis, including students, are trapped in the war-torn Ukrainian region – the evacuation process is underway. The situation where these students were deprived of their education and there is a danger of wasting their academic year, many Pakistanis also became unemployed. In a country like Pakistan where unemployment is already rampant, young people are clapping their hands for employment. There will be a reduction, which will not put an end to the prospects of rising inflation.

5. Pakistan’s ‘neutrality’ on Russia-Ukraine crisis

Europe and America are exerting pressure on Pakistan on its foreign policy as a result of Russia's invasion of Ukraine. The first visit by Pakistan to Russia was interpreted as Western approval of Russia's incursion. They insisted that Pakistan back Ukraine unconditionally. They were making an effort to determine our foreign policy. Political unrest has spread to Pakistan as a result of the Ukraine crisis. It has had a significant impact on Pakistan's internal issues.

The invasion of Ukraine by Russia is putting Pakistan's diplomatic prowess to the test. It has been neutral thus far, refusing to either support Ukraine or expressly denounce the Russian military onslaught. As a non-NATO ally of the United States, Pakistan didn’t participate in the vote on the resolution passed by the U.N. General Assembly denouncing Russia's invasion of its neighbour. Additionally, 34 other nations performed as well, three of them were in South Asia: Bangladesh, Sri Lanka, and India. Russian security concerns were not addressed in the resolution, according to Pakistan's U.N. representative Munir Akram, who explained why his country abstained.

“Non-partisan countries like Pakistan are in a position to play a helpful role in reinforcing efforts for cessation of hostilities and a diplomatic solution.” Mr. Khan said in a telephonic discussion with Volodymyr Zelensky, the president of Ukraine. The PM expressed concern for the ongoing armed confrontation to Mr. Zelensky and repeated Pakistan's unequivocal support for an immediate halt to hostilities and a diplomatic settlement to the crisis.

4 https://blogs.dunyanews.tv/Impact-of-Russia-Ukraine-conflict-on-Pakistan
He said that he had been persistently highlighting the adverse economic impact of the conflict on developing countries as manifested in rising prices of oil and other commodities.

The PM stated that the foreign ministers of Islamic nations had urged for an immediate end to hostilities in response to the deteriorating security and humanitarian crisis brought on by the conflict in Ukraine.

While speaking at the OIC meeting, Mr Khan had asked China and countries in the Muslim bloc to mediate an end to the Russia-Ukraine war.

6. The “Politics of No Camp” Logic
The current ambitions of Pakistan to develop bilateral ties with major powers is primarily based on its experience of Cold War, when the decision to be part of US bloc antagonize its relations with USSR.

Geopolitical and geoeconomics realities also follow the policies for neutrality in the region. Without cutting ties with Washington, Pakistan can make better relationships with Moscow when India is tying with United States and on the other hand Russia is making a better relationship with India and Pakistan. The circumstances of Afghanistan are giving a good chance to make a closer
relationship between Pakistan and China. The terrorist organizations from Afghanistan are creating a huge concern for Russia.

Russia and China both will not replace the importance of US and European Union for the geoeconomic interest of Pakistan. Pakistan is heavily dependent on the international financial aid so its fragile economic condition can not take a fight with western capital. Pakistan exports huge amount to the United States (20% percent of total exports), the European Union (nearly 28% of total exports) and the United Kingdom (about 8% of total exports) markets.

Pakistan has a huge challenge to make a good tie with Russia and maintain its relationships with China keeping its position for United States.5

7. South Asia Economic Difficulties due to Russia-Ukraine Conflict

In a regional update, the World Bank found that South Asia’s growth is unbalanced and delicate, and can even slow-going than forecasted before. A solid recovery has been experienced by few states as Pakistan tackle a political dilemma, Afghanistan faced plight of humanitarian crisis and Sri Lanka saw an upheaval of imbalance payments.

The latest ‘South Asia Economic Focus Reshaping Norms: A New Way Forward’ conducted an economic research that projected the regional growth to be 6.6% in the year of 2022 would likely decrease by 6.3% in 2023. The estimate by 2022 showed a descending influence of one point percentage as contrast with that of January projection is done.6

The review forecasted that South Asian countries had struggling with increasing prices of commodity, supply blockages, as well as susceptibility in economical areas. The Ukraine war could create negative influence and intensify the difficulties, causing further increase in inflation, rising fiscal shortfalls and also worsening the balances of current account.

Hartwig Schafer, The President of World Bank from South Asia stated: “South Asia has faced multiple shocks in the past two years, including the scarring effects of the Covid-19 pandemic. High oil and food prices caused by the war in Ukraine will have a strong negative impact on peoples’ real incomes”.

8. Assessing South Asia’s responses to the Ukraine crisis

Despite taking different stances, the South Asian states’ response to the Ukrainian crisis is primarily moulded by their national interests. Russia’s invasion of Ukraine has prompted South Asia to respond seriously to this crisis. The realpolitik issue of India and Pakistan has often been discussed, however, the realpolitik dimension of Russain Invasion of Ukraine has been least talked about among other South Asian states. The responses from South Asia has been characterized ranging from neutrality to calling out Russia’s aggression, and are largely influenced by a shaped by a State’s individual interests. On March 2nd 2022, The United Nations General Assembly (UNGA) voting on the matter further explained this division (as referenced in Table 1). Nevertheless, the differing responses from several South Asian states are tactical in nature and incapable to pave a way for states to navigate through the new systematic and strategic shifts emanating from Russia-

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5 https://southasianvoices.org/the-ukraine-crisis-can-pakistan-truly-follow-no-camp-politics/
Ukraine crisis.

Table 1: South Asia’s policies and voting at the UNGA

<table>
<thead>
<tr>
<th>Country</th>
<th>Policy</th>
<th>UNGA vote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>Neutral (by the Islamic Emirate)</td>
<td>in favour (represented by the Islamic Republic)</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Unofficially neutral</td>
<td>abstain</td>
</tr>
<tr>
<td>Bhutan</td>
<td>Criticised Russia</td>
<td>in favour</td>
</tr>
<tr>
<td>Nepal</td>
<td>Criticised Russia</td>
<td>in favour</td>
</tr>
<tr>
<td>The Maldives</td>
<td>Neutral; later criticised Russia</td>
<td>in favour</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Neutral</td>
<td>abstain</td>
</tr>
</tbody>
</table>

Source: Authors’ own; Washington Post

Afghanistan and Sri Lanka have refused to take sides in this conflict and have embraced neutrality in their official statements. The Islamic Emirate of Afghanistan has asked both parties to resolve the crisis through dialogue and peaceful means. Sri Lanka has urged the concerned parties to maintain peace, security, and stability through diplomacy and dialogue. The Taliban’s statement of peace and neutrality is related to their broader project of seeking international legitimacy and aid. Similarly, the economic crisis in Sri Lanka has shaped its neutrality. Sri Lanka has been battling a severe forex crisis and debt problem, and evidently, the outflow and inflow of each dollar matters to the island state.

On the other hand, Bangladesh has embraced an unofficial policy of neutrality. It has urged both parties to return to dialogue and diplomacy. This stance is likely a compromise between its national interests and the discomfort of Russia’s violation of the UN Charter. Russia is a significant development partner of Bangladesh. This partnership has been important for Bangladesh to graduate from its Least Developed Country (LDC) status and sustain its economic growth and energy security. Their trade was worth nearly US $2.4 billion in 2020 alone.

Nepal, Bhutan, and the Maldives have taken a different stance. Nepal has been strongly critical of Russia’s actions since the invasion began. India is asserting to resolve the conflict by diplomatic means and trying to maintain a neutral role. India is continuing the strategic partnership with United States and at the same time also importing the oil from Russia. This is to protect her national interest along with prolonging relations with the global powers. India abstained to vote despite heavy pressure from West to vote against Russia in United Nations.

9. Conclusion

The excerpts from the addresses of both the presidents make their thought processes and motivations crystal clear. But it goes without saying that Putin of Russia could have chosen a smart strategy to minimize the security risks, Zelensky of Ukraine could have adopted a balanced strategy vis-à-vis Russia and the West, and Biden and Johnson of the West could have realized that their ideology-driven and provocative otherization of Russia can escalate tensions in the region and provoke Putin.
Pakistan now could not afford to be allied with Russian camp when there is a time that global politics is again turning back to bloc system. This is in Pakistan's national interest to stay neural and not becoming a part of Great Powers old rivalry. Losing its neutrality will corner Pakistan in a spot and it can do without this added pressure. It needs to stress upon use of diplomatic means to resolve the crisis.7

Strong sanctions on Moscow will likely complicate South Asian states’ trade, tourism, economic growth, connectivity, energy security, forex generation, and military modernisation policies. Similarly, this crisis has also sparked and reinitiated the debates of the relevance of spheres of influence, reliance on geoeconomics for security, prospects of neutrality, alliances, and the West's capabilities. For these states, accommodating these changes and challenges would be more of a challenge than taking a stance on Russia and its aggression.

The Russia Ukraine conflict has exacerbated and immensely threatens the world peace. It would not be resolve easily. But it should be settled soon. By the passage of time this is not seem to resolve effortlessly. The prompt diplomatical solution between Russia and the West will also be an approximation of uniformity causing to the internationally available oil and other prices of commodity.

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