

RUSSIA UKRAINE CONFLICT: ECONOMIC IMPLICATIONS FOR PAKISTAN

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ABSTRACT

The main goal of this research is to evaluate the primary cause of the Russia-Ukraine conflict and to examine how it affects the global economy and Pakistan's economy. The main purpose of the study is to analyse the impact of the conflict. The Russia-Ukraine conflict disrupted global peace and stability. It began with Russia's annexation of Crimea in 2014, which led to tensions between the two countries. Both countries had strong economic relations with Pakistan, which were disrupted after this conflict. This study explores the effect of the conflict on Pakistan's economy. The study uses a qualitative approach, and all data in this study have been compiled from books, articles, journals, and official reports of organizations.

Keywords: Russia, Pakistan, Ukraine, economy, conflict

INTRODUCTION

The Russia-Ukraine war is a transnational conflict. The war started in February 2014. It happened when Russia took control of Crimea and backed Pro-Russian separatists in the Donbas area. It is the largest military invasion since World War II. The initial year of this war was full of political tensions, international sanctions, naval incidents, and cyber warfare. In Feb, 2022, Russia did a full-scale invasion of Ukraine and began to occupy more of the country. Later on, Russia-backed militants seized the Donbas region and proclaimed that Donetsk and Luhansk as independent states and started a war. Russia builds up heavy military on its border with Ukraine and never wants Ukraine to join NATO and the Eastern blocs. But Ukraine get full support from European states that's why it was able to fight with Russia and was able to get back its territories from

Russia. Unfortunately, till now, this conflict still exists. This conflict created huge problems for both of the countries. From 2014-2021 there were more than 300 civilians died. A huge part of housing, institutions, schools, and medical centres were destroyed. According to various estimates, the war in Ukraine is costing Russia between \$500 million and \$1 billion per day. The subsequent economic sanctions affected a large part of Russian economy. On the other hand, Internationally Russia faced a lot of economic sanctions whereas Pakistan is connected with both states where the Pakistan face a lot of problems such as trade barriers, and economic sanctions. The oil and Gas projects between them were all banned which cause economic and social problems for both states.

This research analyses that the Ukraine-Russia war will be stopped when other states internationally come forward and impose a full-fledged boycott of Russian goods and support Ukraine to be a part of the United Nations, so that this matter will be peacefully resolved.

Literature Review

The Russia-Ukraine conflict is increasing uncertainty, which leads to disruptions in global commodity and financial markets; globally, food, oil, goods, and services are high in prices because of the sanctions imposed on Russia. Trade links were all banned in global trade, and international supply was cut off, so in this way, economic problems arose for countries like Pakistan. Meanwhile, Pakistan is the importer of oil, LNG, edible oil, and other goods from Russia. In 2022, a huge increase in oil prices rose about 59% as compared to 2021, so as long as the conflict continues, there will be more chances for prices to rise. (Qureshi, Rana, & Wajid, 2022) In 2022, the gas prices in Europe rose by about 50% because most of the European states are dependent on Russian goods. Over the past 24 years, bilateral trade between Russia and Pakistan has reached over \$711 million, with imports accounting for \$537 million in 2021. In comparison, the trade between Ukraine and Pakistan was approximately \$800 million, including \$739 million in imports during 2021. (Qureshi, Rana, & Wajid, 2022)

This research begins with a total investigation of economic growth in developing countries. There are several problems in between cross-countries to identify the link between the economic policy and growth as well. Economic growth is the most important factor for all countries. Pakistan's economic sector faced a lot of problems in the last few decades. For better relationships and trade links, states should utilise institutions to mediate the relationship between conflict and economic growth. Pakistan is about 70% based on foreign aid, so in any conflict or circumstance, it should react according to its needs because international support is important for every state in the world. (McCartney, 2011)

The rate of population in Pakistan increases continuously, where the social structure is associated with high income, wealth, and regional

disparities, which have led to the problems of unemployment and poverty. This led the country into serious problems such as hunger, law problems, terrorism, and other street crimes, which imposed heavy economic losses. Since 2008 the economic conditions have worsened. Pakistan is the 23rd country which went to IMF many times for loans, but for loans, Pakistan has to increase taxes and raise the prices of goods but for weaker states, where people have lower wages, would not be able to bear. About half of Pakistan's population is located in urban areas, so there is a huge need to utilise the urban areas for a better economic structure. (Pasha, 2018)

The annexation of Crimea disturbed the sovereignty of Ukraine. Russia and Western relations got worse, with European states-imposed sanctions on Russia, which resulted in a new cold war period. NATO's role in European states is still unclear, whether to support. Many International organizations were held where an International Organization at Brooking organised in order to overcome problems, manage competition, and resolve the issue by mutual concern. (Alcaro, 2015) After the collapse of the USSR, the overall political and economic structures were totally changed. But Ukraine gained independence as the new state faced difficulties, but Ukrainian leaders tried to build good relations with Russia, but all in vain. As the conflict gets worse, the economic structure faces downfall day by day. Ukraine and Russia both engaged in a serious conflict where neither wants to hand over. (Aslund, 2015)

This author highlights the basic themes between the Soviet Union's invasion of Afghanistan and Russia's invasion of Ukraine. This study suggests that the US and the International community should draw lessons from the invasion of Afghanistan and apply them to the ongoing situation in Ukraine. This invasion created problems for the Central Asia South Asia (CASA) region, and created problems such as economic disorder, hate, coercion, and political instability. To address the growing power imbalance in Central Asia and to face easily in modern (GPC) Great Power Competition. Moreover, the US trying its best to gain influence in this region and to promote US interest in this region by giving aid

and economic help.(Farhadi, Masys, & Grzegorzewski, 2023)

Ukraine is an independent state, it has a democracy and good economic markets. Aslund discusses the implications of Ukraine's history, where he describes its history into years such as (1991-1994), where President Leonid Kravchuk made achievements for nation building, but later on, the economy faced downfall in these years. The period (1996-99) was again a year of decline. In 2000, President Victor cleansed the economy from corruption, and economic growth returned. The period of (2001-4) resulted in a competitive oligarchy. The economy was getting better. After 2004 Russia threat become threat to Ukraine's sovereignty, causing new political instabilities and financial crises. Now the point arises, how European states react in this conflict, and how they will help in resolving the conflict. (Aslund, 2009)

This war causes a lot of disturbance in the region, which creates many issues for atomic states, such as economic implications. Russia is the biggest oil and Gas exporter in the world, but due to this conflict, many countries banned their trade with Russia, whereas the Russian invasion of Ukraine damaged the infrastructure of Ukraine, where both countries face economic downfall. (Ali Shah, Majeed, Ali, & Hussain, 2022)

The ban imposed on Russian goods such as shortage of fuel, food, and high prices of bread and gas. Export ban and high prices have become a new problem for Pakistan, where states already suffering had welcomed a new challenge. In COVID-19, high prices and climate change become very tough for weaker states. It is estimated that as long as the conflict continues, the prices will be higher. In 2022, European states face 50% high prices in oil and fuel and 100% high prices in wheat and palm oil. Pakistan and Ukraine's bilateral trade was 800 million in 2021, and Pakistan's trade with Russia was 711 million in 2021.(Mehmood, 2023)

The organization for Economic cooperation (OECD) is a forum in which 38 countries are involved whose purpose is to implement policies to promote sustainable economic growth. This war put great effect on (OECD). Trade ban between Russia and European states (member of OECD)

which reduce the GDP growth, disruption in energy supply and high prices. The GDP growth across European states fell by almost 60% due to sanctions on Russia. This conflict put different impact on different economies. The overall scenario shows that this conflict causes a very negative impact on the economy, GDP, goods, and services.(Abbasi, Falak, Aziz, & Ali, 2023)

The situation in Ukraine has a significant impact on Pakistan's Foreign policy. In this way, this consequence affects the nation's international relations. This conflict shows the real side of domestic and International politics. The effects of war were prominent in regional and global affairs. This incident disturbs the global food supply chain and the trade routes. Pakistan bought its military equipment from Ukraine, so clearly, Pakistan faces difficulties in foreign policy-making.(Arshad, 2023)

The Russia-Ukraine conflict causes a lot of destruction of lives and goods in both countries. This has potentially impacted the agriculture sectors and the global food supply chain. In 2022 and 2023, Ukraine's goods (Wheat, soybeans, and maize) production faced a loss; on the other hand, Russian production was on the positive side and faced no downfall. Low-income countries are dependent on these countries, so all states must consider the possibility that the achievement of sustainable development goals will be delayed.(Nasir, Nugroho, & Lakner, 2022)

Research Objectives

- 1- To explore the reasons behind the Russia-Ukraine war.
- 2- To analyse the impact of the Russia-Ukraine war on Pakistan's economy.
- 3- To analyse the consequences of war on the international level.

Research Questions

- 1- What are the factors behind the Russian attack on Ukraine?
- 2- How does the Russia-Ukraine conflict affect Pakistan's economy?
- 3- How does the Russia-Ukraine conflict affect the world economy?

Significance of the Study

This paper is of substantial significance by advancing knowledge, policymaking, and peaceful dialogue, overcoming issues, and using international support in a positive way. It helps in understanding the main cause behind the conflict. We came to know how other states react in this situation and how Pakistan's economy faces threats from this situation. This research further elaborates on the main causes and consequences of how international institutions peacefully resolve this issue.

Research Methodology

This basic research was based on the library review method. A qualitative research approach is used, which analysed government reports, policy documents, and academic literature on the Russia-Ukraine conflict. It was explanatory research, which explained Russia's annexation of Crimea and its impact on the world economy, especially Pakistan. The significance of this research in international relations is that it helps in understanding the geopolitical and economic implications of the conflict worldwide.

Russia-Ukraine Conflict: A Timeline

In November 2013, the Ukrainian government led by pro-Russian president Viktor Yanukovich opted not to sign an Association agreement with the European Union, provoking demonstrations in Kyiv, the nation's capital. At the start of 2014, the "Euromaidan" demonstrations escalated into violence. In February of that year, a pact brokered by various European Foreign ministers incorporated a unity government and early elections. After the breakdown of the power-sharing deal on February 22, 2014. President Yanukovich vanished from Ukraine, leading the nation's parliament to form a new administration. (Street, 2014) In late February 2014, the airports in Crimea, a predominantly Russian region in Ukraine, were encircled by unknown military individuals who were subsequently recognized as Russian troops. Pro-Russian forces took over the Crimean autonomous assembly. In March 2014, the assembly declared its independence, which was followed by a referendum regarding joining Russia.

Kyiv Protest

Ukrainian President Viktor Yanukovich decided to pause trade and association talks with the European Union and focus on strengthening economic ties with Russia. As a result, Ukrainian's gather in Kyiv's Independence Square (Maidan) for protest.

Tulsi Tymoshenko, the opposition leader, who is currently in jail, is calling on Ukrainian to protest against the government's decision not to sign the trade deal with the EU. In Kyiv, around 100,00 people gathered to rally against the government. While a pro-government rally attracted about 10,000 people. (BBC News, 2013)

The situation became tense when the Ukrainian police fired tear gas at the demonstrators, claiming they were being pelted with objects. Even though she is in prison, Yukon Tumoshenko went on a hunger strike to show support for the protestors. Whereas President Yanukovich refuses to sign the association agreement. Unfortunately, the situation turned violent with dozens of people getting injured as the police responded with tear gas, batons, and flash grenades. On the other hand, President Yanukovich had a meeting with Russian President Vladimir Putin, aiming to establish a new strategic partnership between their countries. On the other hand, protests continue to grow in size. (Walker, 2017). President Yanukovich tried to find a solution by holding redoubtable discussions with opposition leaders. (Walker & Grytsenko, 2017) But it seems like there was no breakthrough in the crisis. The situation remained intense and uncertain.

Constitutional Amendments

In 2014, the situation was still intense as a result of President Yanukovich signing new tough laws which ban all forms of anti-government protests. (Reporter, 2014) President Yanukovich is offering key government posts to opposition leaders and even suggesting legislative and constitutional amendments during a special emergency session of parliament. The opposition seems to be reacting cautiously. First, they rejected the initial proposal but later opened up for further negotiations, including the possibility of early elections. The Ukrainian minister is not happy about the situation, whereas after that, protestors managed

to take control of four buildings, including the city hall in central Kyiv, the justice minister is threatening to declare a state of emergency. The situation is getting worse day by day. Russia sees the situation in Ukraine as a significant danger to its interests. The prime minister of Russia, Dmitry Medvedev, claims that Ukraine's temporary leaders seized power through armed rebellion. Meanwhile, Ukraine's acting President forms a cabinet that includes important figures from the protest movement. They have scheduled presidential elections for May 25. (Walker et al., 2017).

Annexation of Crimea

In February 2014, Russia put its military on high alert, and President Putin gave the order for major military exercises in Crimea. It's become a cause of concern because a bunch of pro-Russia gunmen have taken over the government buildings and raised the Russian flag. President Oleksandr Turchynov specially told Russian forces not to venture beyond their naval base in Crimea. (MacAskill et al., 2017). Whereas the President of the UK and US give orders to Russia to withdraw their troops from Crimea but the government in Crimea which is leaning towards Russia, has voted in favor of joining Russia. (Traynor et al., 2017) They have announced that a referendum will take place on March 16th to determine a part of Russia, a significant decision that will shape the future of Crimea. The groups of International military observers tried to enter Crimea, but they were denied entry, and things escalated when shots were fired as a warning. The G-7 leaders issued a statement telling Russia to stop any actions that could change Crimea's status. (Street, 2014b)

Sanctions

The EU and the US imposed a trade ban on Russia and Ukraine because of the Crimea referendum. UK did not accept the Crimea referendum and considered it unlawful. They are strongly condemning Russia for not respecting Ukraine's sovereignty and territorial integrity. Pro-Russian protesters have taken control of government structures in Donetsk, Luhansk, and Kharkiv. They are urging a referendum on

independence by May 11. In retaliation, Ukraine's acting President, Olexander Turchynov, declared an "anti-terrorist operation" aimed at the pro-Russian rebels. Unfortunately, the opposition has not made substantial progress thus far. (BBC News, 2014)

Ukraine Crisis and Role of the West

In 2014, the UK foreign secretary William Hague was really pleased with the agreement that was made regarding the next steps in Ukraine (Office, 2014). He is arguing with everyone involved to move forward quickly and make progress. The UK just announced that an extra £1 million will be provided to support the OSCE (Organization for Security and Cooperation in Europe) monitoring mission. The UK is really showing its commitment to help Ukraine. On the other hand, Ukraine's acting President wants to resume military operations against the pro-Russian separatists. In the city of Odessa, 30 people were killed in violent clashes (Amos & Salem, 217). UK Foreign Secretary William Hague is calling on all parties to collaborate and bring back peace, calm, prosperity, and law (Office, 2014b). There were these "self-rule" independence referendums in Donetsk and Luhansk, the eastern parts of Ukraine. Ukraine describes the vote as a criminal act, and Western nations are expressing disapproval, while pro-European businessman "Petro Poroshenko" becomes the president of Ukraine (Walker & Luhn, 2017). The EU establishes a historic partnership agreement with Ukraine.

UK Prime Minister David Cameron stated that it is essential for President Putin to leverage his influence to resolve the conflict in Ukraine (Ukraine (Flight MH17) and Gaza - Hansard - UK Parliament, 2014). The PM requested a halt to supplies and training for the separatists. He likewise highlighted the importance of robust and enduring connections between Ukraine and Russia. Conversely, the United States is placing 8500 troops on heightened alert for possible deployment to Europe, while NATO is reinforcing its eastern frontiers with warplanes and naval vessels (Boffey et al., 2022). President Putin and President Joe Biden are experiencing significant disagreements. President Biden recently stated that additional US troops will be deployed to

Eastern Europe, while President Putin claims that the US and NATO have not responded to Russia's primary security issues. Russia has always opposed Ukraine's membership in NATO.

In February 2022, US Secretary of State Antony Blinken mentioned during a UN Security Council meeting that Russia is getting ready to invade Ukraine in the coming days and there is no evidence of troop withdrawal (Lock, 2022), and Russia expelled Bart Gorman, the US deputy chief of mission in Moscow, which is seen as an escalatory step by the US state department. Whereas the UK Secretary has expressed criticism of the Dumas request for President Putin to acknowledge Donetsk and Luhansk as an independent region in Ukraine (Foreign, 2022). On the other hand, Joe Biden has expressed his conviction that Russia's president had decided to invade Ukraine. However, he remains hopeful that diplomacy can still be effective in preventing war.

Financial and Humanitarian Aid

The G-7 leaders convened and issued a collaborative statement about the current circumstances in Ukraine (Street, 2014c). They all voiced their firm denunciation of Russia's unlawful annexation of Crimea. A fleet of 260 Russian trucks brought humanitarian assistance to eastern Ukraine, but it has aroused concern at the global level. French Foreign Minister Laurent Fabius warned that the convoy could be used as a pretext by the Russians to establish a presence near Luhansk and Donetsk, catching everyone off guard (BBC News, 2014b). Throughout this pandemic, the IMF approved a \$5 billion support package for Ukraine and implemented confidence-building measures to address this challenge. The UK has helped Ukraine for possible attacks; they mentioned that they have trained 22,000 soldiers, provided 2000 anti-tank missiles, and given £100 million for economic reforms and energy independence. They announced a new guarantee of up to \$500 million of development bank financing. The UK is stepping up to support Ukraine. Russia has strong allies with Belarus, Iran, North Korea, Syria, China, and India. Russia shares strong projects

and treaties with these states, and these states support Russia in the Ukraine war.

Ukraine perspective

Ukraine is making preparations for the potential of a catastrophic conflict. The legislature approved a state of emergency declaration, allowing authorities to enforce curfews, limit movement, prohibit gatherings, and even outlaw political parties and organizations. This order will commence on February 24, 2022, and remain in effect for 30 days. The airports in Kharkiv, Dnipro, and Zaporizhzhia in eastern Ukraine also closed their airspaces, which became a challenge for people to travel. On the other hand, President Putin expressed that Russia is willing to explore diplomatic solutions for the situation in Ukraine. However, he strongly emphasized that Russia's interests and the security of its citizens are non-negotiable. It's crucial to have direct and honest dialogue when dealing with complex issues.

Confidence-Building Measures

On 19 February, the Prime Minister of the UK, Boris Johnson, met with Ukrainian President Zelenskyy at the Munich Security Conference. (Street, 2022). During their meeting, Prime Minister Johnson emphasized the UK's strong support for Ukraine's sovereignty and territorial integrity. Countries need to stand together for their support. The member of parliament, UK foreign minister "Liz Truss," cautioned at the conference that Ukraine could be at risk of a "worst-case scenario" with the possible Russian invasion happening as soon as next week. It's definitely a critical security situation for Europe. (Lock, 2022) The G-7 foreign ministers made a United statement urging more diplomacy, but they also made it clear that they will judge Russia based on its actions. They want to see concrete steps before making any judgments. (Foreign, 2022)

President Macron of France has asked both Putin and Biden to join a summit aimed at calming down the situation in Ukraine. The US administration is open to finding a diplomatic solution, but they are also sticking to its belief that Russian forces have been given orders to invade Ukraine. President Putin has formally

acknowledged the sovereignty of the Donetsk people's republic in eastern Ukraine and the Luhansk people's republic. Additionally, Russia has entered into treaties of friendship, collaboration, and mutual support with the heads of LPR and DPR. This is significant progress in the current scenario. However, Russia asserts that its soldiers are present solely for peacekeeping missions, not for any violations. (Signing of Documents Acknowledging the Donetsk and Lugansk People's Republics, 2022).

Role of NATO

NATO has reported that Russian troops have withdrawn significantly from eastern Ukraine, although there are still some remaining forces. Gen Philip Breedlove, the NATO commander, has warned that Russian military equipment and troops have been observed entering Ukraine over several days (BBC News, 2014). He specifically noted the existence of Russian tanks, artillery, air defense systems, and military personnel. It's certainly a matter of worry that Ukrainian forces are responsible for the assaults. The Ukraine commission and NATO are quite distressed about the rising violence in eastern Ukraine. They emphatically denounce it and are urging all stakeholders to continue striving for a peaceful resolution. "Assistance to Separatists 'Erodes Russia's Claims of No Military Involvement in Ukraine" (2015). They desire that all parties adhere to the Minsk Agreement and seek a method to establish enduring peace in the region; however, a new ceasefire agreement for Eastern Europe was signed, referred to as the Second Minsk Agreement. (BBC News, 2015) Russia is issuing significant requests to ease tensions in Europe and address the crisis concerning Ukraine. They desire Ukraine to remain outside of NATO, and they are urging NATO to cease all military operations in Eastern Europe and Ukraine. These requests are creating a significant buzz and igniting extensive debate.

Violation of the Minsk Peace Agreement

On February 22, 2022, the UN Security Council is conducting an urgent meeting at the request of Ukraine's Foreign Minister, Dmytro Kuleba. NATO Secretary General Jens Stoltenberg

recently informed reporters that it appears Russia is still intending to carry out a large-scale assault on Ukraine. President Putin breached the Minsk peace accord by acknowledging the so-called People's Republics of Donetsk and Luhansk as sovereign entities. Consequently, sanctions were placed on Russia. (Ukraine - Hansard - UK Parliament, 2022) The foreign office summoned the Russian Ambassador to officially express its discontent with Russia's actions. They are quite unhappy regarding Russia's acknowledgment of the so-called "people's Republic" and the deployment of their military forces in Ukraine. The UK government and other EU countries are displeased that Russia is openly ignoring its international obligations and commitments. (Policy Paper, 2022)

Implication Of Russia Ukraine Conflict for Pakistan's Economy

Before the war began, Pakistan was already struggling with two major issues: a balance of payments crisis and political instability. To manage the economic situation, the country was working with the IMF, but the required reforms were not easy to implement. Measures like interesting exchange rates and increasing energy prices slowed down the economy and pushed inflation higher. By February 2022, inflation had reached 12.4%, the highest in the region. At the same time, the political environment was tense due to a vote of no confidence against the PTI government. The uncertainty led to short-term decision-making. Instead of preparing for rising global oil prices and food prices after World War II, the government chose to reduce petroleum prices and freeze electricity tariffs until the new budget in June 2022. When the war started, the government said it would help people by lowering petrol prices by Rs. 10 and electricity costs by Rs. 5. This helped people for a while, but it caused problems with the IMF program because Pakistan had already promised to reduce assistance and increase the petroleum tax.

After that, on March 8, the people who opposed the government officially asked for a no-confidence vote, which made the political situation worse and created economic problems. A new government started working on April 11.

They decided to keep giving people the help that was introduced earlier. Even though oil prices were going up around the world because of the Russia-Ukraine war, petrol prices in Pakistan did not change from March to May 2022.

This decision caused problems. It stopped the IMF's review and made the energy market unstable. After waiting for a month, the new government changed its mind. On May 27, 2022, they stopped giving subsidies and increased fuel and energy prices to follow the IMF rules.

The Pakistan government and the people of Pakistan had to pay a price for these decisions. Pakistan saw high inflation, the currency lost a lot of value, the country had less money in foreign exchange reserves, and the difference between what they earned and what they spent became very big, making it a very tough time for the Pakistani economy and the people of Pakistan.

Pakistan-Russia Economic Connection

Pakistan has upheld stable economic ties with Russia over the years. In 2020, Pakistan exported goods worth about \$279 million to Russia, although this dropped to around \$175.2 million in 2021. Such fluctuations are common in trade and can happen due to changing global and domestic conditions. Pakistan's main exports to Russia include citrus fruits, women's non-knit suits, and knitted sweaters. Over the past two decades, these exports have generally increased, growing at an average annual rate of about 13.6%, which shows a positive long-term trend. On the other hand, Russia exports more to Pakistan. In 2020, Russia's exports to Pakistan were valued at around \$699 million, mainly consisting of wheat, dried legumes, and coal.

Despite international sanctions disturbing Russia, trade between the two countries has continued. In fact, both countries have also signed agreements for natural gas imports, which is important for Pakistan as its own gas reserves are declining. Russian exports to Pakistan have also shown consistent growth over time, increasing from \$67.6 million in 1996 to \$699 million in 2020, with an annual growth rate of around 10.2%. In addition to goods, Russia provided services to Pakistan worth \$20.5 million in 2018, mainly in business services, transportation, and IT-related

services. Pakistan has recently shown interest in strengthening its relationship with Russia. However, for this to be successful, careful political and economic planning is necessary. Rising global oil prices, especially above \$100 per barrel, can create serious economic pressure for Pakistan. To manage this, the country may need to reduce imports, increase exports, and possibly adjust interest rates or manage the exchange rate to stabilize the rupee. Russia plays a major role in global commodity markets, particularly in oil, gas, wheat, steel, and metals. It accounts for about 12% of global oil exports. Due to the Russia-Ukraine conflict, oil prices have risen sharply, crossing \$100 per barrel and potentially reaching \$120. This rise directly affects Pakistan by increasing fuel costs, inflation, and overall economic pressure. If the situation worsens, it could lead to serious challenges for Pakistan's economy, making it important for policymakers to respond carefully and proactively.

Pakistan-Ukraine Economic Connection

Over the past 2 decades, Ukraine's exports to Pakistan have grown steadily. Starting from just \$18.1 Million in 1996, they reached about \$573 million in 2020, with an impressive annual growth rate of 15.5% (OEC, 2022). This shows that economic ties have strengthened over time and still hold strong potential for future growth. In 2020, Pakistan exported goods worth \$82.1 million to Ukraine. The main products included Light Synthetic Cotton Fabrics (\$28.2 million), Citrus (\$7.17 million), and Rice (\$6.66 million). By 2021, the total trade between Pakistan and Ukraine reached about \$800 million, with Pakistan exporting much larger share, about the worth of \$739 million.

A major part of Pakistan's imports from Ukraine is agriculture, especially wheat. In 2021, Pakistan imported wheat and meslin worth proximately four \$77.78 million from Ukraine (UN Comtrade, 2022). This highlights how important Ukraine is for Pakistan's food supply, particularly in meeting wheat demand. However, the Russia-Ukraine conflict has increased and created serious concerns for global agriculture. Russia is the world's largest wheat exporter, and together with Ukraine, both countries play a major role in global

wheat supply. Any disruption in their export can push prices higher worldwide. Since Pakistan relies heavily on wheat imports, around 39% coming from Ukraine in the previous fiscal year, rising global prices have forced Pakistan to spend more on imports to meet domestic needs.

At the same time, the crisis also affects global energy and commodity markets. While Pakistan may face direct trade losses, some indirect effects, such as shifts in global supply chains, could partially balance its losses. Still, the situation remains uncertain and requires careful monitoring. If the conflict intensifies further, all prices could rise to \$120 per barrel, which would increase economic pressure on Pakistan by raising fuel costs, inflation, and overall economic instability.

Overall impact on Pakistan

- The Russia-Ukraine conflict has caused both geopolitical and economic challenges for Pakistan, affecting its overall stability and policy direction.
- Pakistan needs to find effective solutions to deal with grain shortages and growing food security challenges caused by the conflict.
- The situation poses a serious threat to Pakistan's previously improving economic outlook and future growth prospects.
- It resulted in higher global oil and food prices, disrupted international trade, and increased pressures on imports, exports, and government revenues.
- Pakistan should remain in a neutral position and continue working with the United Nations to avoid criticism from either side.
- It is essential for Pakistan to explore alternative options to overcome food and energy shortages.
- In situation of sanctions on Russia, Pakistan will have to reduce their negative impact on its economy and food supply.
- The World Bank has warned that Pakistan is likely to face continued economic challenges in the upcoming years.
- Recent floods have caused major destruction and are threatening future crops and soil fertility in Pakistan.

- The conflict could impact the \$2.5 billion natural gas pipeline project between Pakistan and Russia, which can worsen Pakistan's energy crisis.
- The IMF may reconsider permitting loans to countries that trade with Russia, which can lead to pressuring Pakistan to take a tougher stance.
- Pakistan needs to address the food and fuel crisis caused by the conflict, as well as the challenges posed by the floods.
- It's important for Pakistan to carefully consider its options and find solutions to these complex issues.

Conclusion

Pakistan is confronted with a challenging diplomatic scenario as the aim to preserve positive ties with Russia and the West, which includes the United States.

Yet, Pakistan may find it challenging to maintain its neutrality and adopt a firm stance against Russia at the UNGA, given its history with camp politics.

The scenario is made more complicated by the possibility that Pakistan will be under pressure from the West to change its position regarding Russia. For geopolitical considerations, Pakistan must maintain diplomatic relations with China and Russia in these trying times.

Since it appears that this crisis won't be resolved anytime soon, the decision maker and the government of Pakistan must keep a careful eye on this situation and take measures to minimize the potential impacts. The ongoing conflict between Ukraine and Russia has a serious impact on Pakistan's economy. Some of the effects are:

Increased energy and goods import bills

Pakistan is strongly dependent on imported energy to fulfil its energy needs; in this way, importing energy from others has resulted in high energy prices of energy across the globe. Industries and manufacturers face high costs in energy production. Energy prices are increased, such as high prices of goods and services, and High prices of energy cause a burden on low-income consumers.

Disruption of the global supply chain

Russia and Ukraine are important trade routes for Pakistan; the ongoing conflict has disturbed their relations. The ongoing conflict caused port closure and shipping restrictions resulting in cargo delays. Alternative routes are very expensive which increased the cost of goods, and the disturbance in the trade system causes serious economic loss, which becomes a reason for poverty and hunger, whereas the oil prices have increased in a massive way.

The unemployment rate increased

Decline in export and import causes job losses, where increased prices caused inflation, which reduced the purchasing power of consumers, and the demand for goods and services reduced. The ongoing conflict affects the flow of remittance for Pakistani workers in Russia and Ukraine; in this way the flow of foreign exchange is reduced, which affects the families that depend on these remittances.

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