# Pakistan and the Russian-Ukraine conflict

Hamza Kamal

On **Mar 5, 2022**

**Share**

The conflict between Russia and Ukraine has wreaked havoc on global financial markets, with inflation expected to spike sharply in the short term unless a diplomatic solution is found. This is because Russia is one of the world’s largest energy suppliers. As a result, tightening sanctions against Russia risks reducing energy supply at a time when oil prices are already on the rise. Furthermore, aggression against Ukraine may exacerbate global supply chain bottlenecks, contributing to rising commodity prices. Major stock market indices around the world fell as a result of the uncertainty surrounding the future outlook of economies, with the Pakistan Stock Exchange’s (PSX) KSE 100 Shares Index closing 313 points lower last week.
As per Russian President Vladimir Putin, aggressive steps taken by his nation are in response to threats posed by Western nations to the sovereignty of Russia in the form of the eastward expansion of NATO. Due to this potential expansion, military infrastructure being placed by NATO forces is moving closer to Russia’s borders. In one of his speeches, he added that the decision to take military action in Ukraine was made after multiple attempts to come up with a mutually acceptable agreement with countries included in NATO to come up with a strategy that would ensure indivisible and unbiased security within the European region. However, such an agreement could not be reached, and it left Russia no choice but to act now and secure its independence before it was too late.
On the other hand, Ukraine, ironically, was looking forward to joining NATO in order to have a strong military to defend it against any Russian aggression. Another reason behind Ukraine’s interest in NATO was to enter the European Union and build stronger ties with the United States. Consequently, steps taken by Ukraine to be included in NATO led Russia to take drastic measures and order its troops into its neighbour.
Following the conflict in Ukraine, Western nations criticised Russia’s actions and imposed stringent sanctions to put tremendous pressure on its economy and prevent it from carrying out military operations in other countries. One of the moves taken by the Western leaders is to exclude select Russian banks from the global SWIFT system, which is utilized by financial institutions throughout the world to execute transactions worth trillions of dollars. Furthermore, the Russian central bank’s assets have been frozen, and a number of multinational corporations, including Shell and BP Plc, have decided to leave the country. Many nations, including Australia and Germany, have also declared that they will provide Ukrainians with weapons so that they can defend themselves. So the question that we should ask ourselves is how are the events and sanctions imposed on Russia likely to affect the Pakistani economy?
What Pakistan’s leaders should understand is that international relations are rapidly shifting, with relations between major economies becoming extremely sensitive. At this juncture, Pakistan must play its cards carefully, given its current economic situation and programmes with the IMF and FATF, both of which have Western ties. Pakistani leaders should follow the example of their two neighbors, China and India, who have taken neutral positions and created a buffer zone between themselves and the Russia-Ukraine conflict.
In addition to international relations, a prolonged conflict in Ukraine is negative for Pakistan as it imported 39 percent of wheat from Ukraine in 2021 and is dependent on Ukraine for imports of commodities such as seeds, barley, and grain. Hence, the current conflict in Ukraine may disrupt supply chains of these essential items and push inflation in the country even higher.
Moreover, if Western countries impose sanctions on Russian oil supplies, oil prices are likely to rise even further, as demand for oil has been outpacing supply even without the dispute. Resultantly, the conflict may likely exacerbate the situation and contribute to higher inflation in Pakistan. If such a scenario sees the light of day, the Pakistani rupee would come under fire and potentially depreciate rapidly, forcing the State Bank of Pakistan (SBP) to tighten its monetary policy. These occurrences will have a negative impact on Pakistani citizens’ standard of living.
Hence, considering the potential consequences of the Russia-Ukraine conflict, we as a nation should hope for a diplomatic solution between the two countries. Furthermore, war is never a win-win situation in which both sides lose valuable lives. Nonetheless, Pakistan should proceed with caution and implement policies that lighten the load on the average citizen.