**[Trade with Russia](https://www.dawn.com/news/1695215/trade-with-russia)**

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PAKISTAN’S dependency on imported fuel represents a grave vulnerability to its energy security. This reliance on largely Western-adjacent sources of fuel raise concerns regarding the degree of influence this dependency accords foreign states over Pakistani policy, while compounding Pakistan’s exposure to market volatility.

In this context, recent discussions have revolved around Pakistan importing fuel from Russia in order to ensure that domestic demand is met and to manage inflation; this proposition has, however, raised concerns regarding the international [sanctions regime](https://www.dawn.com/news/1677130) applied on Russia and the risks to Pakistan should it decide to address its fuel needs through Russian supplies.

**Read:** [*The truth about Pakistan’s Russian oil deal prospects*](https://www.dawn.com/news/1693395)

While Article 41 of Chapter VII of the UN Charter empowers the UN Security Council to impose restrictions on economic relations in response to threats to international peace and security, these are unlikely given that Russia, being one of the five permanent members of the Security Council, enjoys the power to veto any binding UNSC resolution presented against it or a trading partner. In the absence of effective UN sanctions, therefore, the anti-Russian coalition has pivoted towards imposing more specific sanctions regimes.

The most burdensome of such sanctions have been levied by the EU on Russian oil imports by sea. These represent a non-trivial proportion of the bloc’s trade with Russia; however, the EU continues to import Russian petroleum through pipelines, and has been reluctant to be more aggressive in its sanctions regime — largely because it depends on Russia for 40 per cent of its regional gas requirements — though it has committed to ‘phasing in’ these sanctions, but in a way that minimises their impact on EU economies.

Concurrently, the US has banned all Russian petroleum imports, while the UK intends to phase out Russian oil imports towards the end of 2022.

None of Pakistan’s international law obligations preclude the country from purchasing essentials from Russia.

Financial [restrictions](https://www.dawn.com/news/1683815) have also been enacted on the international exercise of Russian wealth. Russia’s central bank assets have been frozen, preventing it from accessing its international reserves estimated at around $630 billion.

A complete transactions ban has also been imposed on four key Russian banks, with the country’s access to the Society for Worldwide Interbank Financial Telecommunications — a global communication system linking financial institutions — also cut off. Russia will also likely be subjected to MFN suspension by the US, a step that will probably be adopted by the EU as well, enabling Western economies to levy punitive import tariffs or quotas on Russian exports.

The US Treasury department’s Office of Foreign Assets Control is responsible for carrying out certain US sanctions against Russia imposed through a series of executive orders issued by the president and through federal legislation.

The US and the EU are also debating measures to prevent other countries from trading with Russia. The two principal measures under discussion are an attempt to develop consensus among Asian countries to put price caps on goods imported from Russia, with the aim of reducing Russian revenue, and the use of secondary sanctions meant to target countries and companies involved in trading with Russia.

These secondary sanctions, however, have yet to be imposed, as, firstly, the sanctioning countries do not wish to risk straining their ties with large, non-Western economies such as India and China. Secondly, imposing such second-order sanctions would contribute towards a global rise in the prices of essential commodities, which would impact the citizens of the very countries seeking to impose sanctions themselves.

It is in this context, therefore, that domestic discussions regarding trading in essentials — such as fuel or wheat — with Russia need to be embedded. This discussion necessarily cannot take place in a diplomatic vacuum, and Pakistan must consider the political capital to be gained — or lost — in dealing with Russia in this way.

From the international legal perspective, none of Pakistan’s international law obligations preclude the country from purchasing essentials from Russia — particularly to offset the domestic cost-of-living crisis. While Pakistan and the EU have signed bilateral agreements, such as a 2004 agreement to cooperate on partnership and development, and the [2019 Strategic Engagement Plan](https://www.dawn.com/news/1490471), and where all of Pakistan’s policy actions under these — and other — EU programmes should comply with EU restrictive measures (ie the sanctions), these measures are non-punitive and are intended as interventions to prevent conflict or to respond to incipient or current crises.

Regardless of how hawkish the EU may be feeling, purchasing essential commodities to stave off an emerging cost-of-living crisis domestically does not fall within the scope of the measures.

**Editorial:** [*Russian oil*](https://www.dawn.com/news/1692725/russian-oil)

The EU is one of Pakistan’s top export markets, and has granted Pakistan special trade status — ie the Generalised Scheme of Preferences — to lower entry tariffs to Pakistani exports. This GSP-Plus status for Pakistan, which is already being reviewed for 2024-2034 as the current grant ends in 2023, is, however, predicated entirely upon Pakistan’s status as a developing state and its compliance with international legal obligations relating to local issues of human rights, labour rights, environmental protections, narcotics control, and anti-corruption programmes. It is thus unlikely that Pakistan’s purchase of Russian essentials would be germane to the continued grant of GSP-Plus status to Pakistan.

Countries including the US, China, India, Sri Lanka and the EU bloc continue to engage in trade with Russia despite the sanctions imposed, and Pakistan should be able to do the same — at least in the foreseeable future.

Earlier this year, the White House itself [clarified](https://www.dawn.com/news/1680547) that India’s purchasing crude oil from Russia would not violate the sanctions regime; as recently as late May the EU has continued to engage with Russia over grain exports in an effort to reduce global food shortages.

While historically, Pakistan has geostrategically aligned itself with the West, this recent cost-of-living crisis will require Pakistani decision-makers to consider carefully the diplomatic costs of purchasing oil or wheat from Russia against the very real spectre of an economic meltdown.

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