

Russia-Ukraine Conflict: A Global Crisis

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Introduction

The Russian invasion of Ukraine has caused the loss of hundreds of Ukrainian lives. In addition, millions of Ukrainians left their homes in order to seek refuge from the destruction that the Russian army is causing. Along with the mass destruction in Ukraine, this war has had a major effect on the global economy, which was already deteriorating in the aftermath of the global Covid-19 pandemic. In order to understand the situation that arose between the two former members of the Soviet Union, it is important to look at the background history leading up to this catastrophic event.

Background

Ukraine was a cornerstone of the Soviet Union during the cold war and was the second most populous and powerful of the fifteen Soviet republics. It was home to a large part of the Union's agricultural production, defence industries, and military installations, including the Black Sea fleet and some of its nuclear arsenal. Ukraine has sought to forge its own path as a sovereign state and its inclination towards forming ties with the European Union and the North Atlantic Treaty Organisation (NATO) has raised Moscow's security concerns. Kyiv has, thus, struggled to balance its foreign relations and to bridge deep internal divisions.

The nationalists, the Ukrainian-speaking population in the western parts of the country, generally supported greater integration with Europe, while the Russian-speaking community in the east was not in support of that. Ukraine's improved ties with the EU brought tensions to a head with Russia in 2013-14. In 2014, Russia annexed Crimea, using Ukraine as the battleground, and began arming and abetting separatists in the Donbas region in the country's southeast. Over the years, Ukraine enhanced its ties with NATO and Kyiv

affirmed its goal to eventually gain full NATO membership.

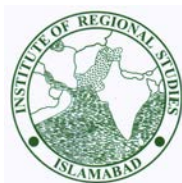
In the weeks leading up to its invasion, Russia made several demands of the United States and NATO, including that they cease expanding the alliance, seek Russian consent for certain NATO deployments, and remove the US nuclear weapons from Europe. Alliance leaders responded that they were open to new diplomacy but were unwilling to discuss shutting NATO's doors to new members. While all of this was in process, Russia was increasing its troops near the Ukrainian borders and on the territory of Belarus. In February 2022, Russia embarked on a full-scale invasion of Ukraine. This invasion is the culmination of the Kremlin's growing resentment towards NATO's post-cold war expansion into the former Soviet sphere of influence.

Present Situation

Unexpectedly, after Russia embarked on the full-scale invasion, its forces met stiff resistance. There are casualties on both sides while bombing and shelling have continued to escalate. Over 816 civilians have been reported killed and 6.5 million people have been reportedly displaced within Ukraine.¹ There is a shortage of food, electricity, and fuel. Different health facilities have been destroyed due to the bombing and missile attacks. Since the Russians were using Ukraine as a battleground to annex Crimea, the people in these areas were already suffering for the past 8 years.

According to Putin, the main goal was not to conquer Ukraine but to meet its objectives of the invasion. The United States wants to restore Ukraine's territorial integrity and sovereignty and does not recognise Russia's claims over Crimea or the Donetsk and Luhansk Republics. Weapons and humanitarian assistance are being supplied to

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Ukraine by The West. The Western countries have also imposed sanctions on Russia, covering much of its financial, energy, defence, and technological sectors as well as the assets of the wealthy oligarchs. The United States and some European governments have also banned Russian banks from the SWIFT interbank transactions system and placed restrictions on Russia's ability to access its vast foreign reserves and have blacklisted Russia's central bank.

Finland and Sweden are also looking for NATO membership. Russia has also been excluded from G-8 (now G-7), an inter-governmental political forum which includes Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. Several states have chosen to remain neutral including Pakistan, the Arab Gulf states, and India. But these states are facing pressure from the West to openly condemn Russia.

International Views

There are two international viewpoints. One is that the Russian intrusion is unjust and against the international law. Second is that NATO expansion is illegal and violates the guarantees that the United States had given to Russia. Since all the neighbouring states have joined NATO, Ukraine is the only remaining potential partner for Russia in Europe. Therefore, Russia is getting paranoid about its security.

Most developing countries are not ready to concede to the Western demands of condemning Russia because of their requirements of energy imports from Russia. It was reported in 2020 that Russia made up 39% of the gas used in the European Union, 23% of its oil imports, and 46% of its coal imports.² India, France, China, the United Arab Emirates, and Saudi Arabia increased imports and India became a significant importer of Russian oil, buying 18% of the country's exports.³ Furthermore, supporting Russia in Ukraine also does not complement their respective foreign policies.

The only way out of this crisis is putting an end to the hostility. Negotiations should be held to re-establish respect for bilateral treaties, halt NATO expansion, and end Russian interference in European affairs.

Russian Viewpoint

Putin feels that the United States and NATO have repeatedly violated pledges made in the early 1990s to not expand the alliance to include the former Soviet bloc. It has crossed the red line and the Russian invasion is a measure to halt NATO expansion at the Russian border. Russia also feels that a political transformation is necessary where the Russian speaking population seeks succession and a necessary creation of a buffer zone in Eastern Ukraine to ensure security of Russia. Putin also fears that Ukraine would continue to develop into a modern Western style democracy that would inevitably undermine his rule in Russia and dash his hopes of rebuilding a Russia-led sphere of influence in Eastern Europe.

Putin wants to see Russia as great again, according to analysts. They also feel that by seizing Crimea in 2014, Russia solidified its control of a strategic foothold on the Black Sea. With a larger and more sophisticated military presence there, Russia can project power deeper into the Mediterranean, the Middle East, and North Africa, where it has traditionally had limited influence.

Western Viewpoint

The West fears Russian expansion and its revival as a great power. It seeks to expand the role and revival of NATO but alongside fears the shortage of energy supplies as Russia is a significant exporter of energy, as mentioned above.

Impact of Russia-Ukraine Conflict

The conflict in Ukraine has far reaching repercussions for the world economy, which has been hammered by the Covid-19 as well as climate change, affecting energy, geo-economics, food, and currency. Russia and Ukraine supply over 30% of the world's wheat and barley, one fifth of its maize, and more than half of its sunflower oil.⁴ Russia is also the world's largest gas exporter and second largest oil exporter.⁵ Together, Belarus and the Russian Federation export over one-fifth of the world's fertiliser.⁶ Therefore, there could be significant disruption of food, energy, and financial markets.

The GDP of developing nations is being severely affected. As a result of the conflict,

commodities' prices are reaching an all-time high. The United Nations Food and Agriculture Organisation issued its third straight record food price index on 8 April 2022. Food prices are 34% higher than this time last year.⁷

Since supply from Russia is suspended due to war with Ukraine, European countries are also buying gas from anywhere it's available. As a result, LNG, which was priced at \$4 two and a half years ago, is no longer available for even \$40.⁸

Impact on Pakistan

Regional

Pakistan and India have a similar approach towards the Russia-Ukraine crisis, that is, both favour a diplomatic solution to the problem. Both stress on the end of hostilities on both sides. But due to the US-India strategic partnership and its huge domestic market, India could take the liberty of flaunting European sanctions against Russia. India not only continues with its energy imports from Russia but has also purchased arms (S-400 air missile system) from the latter. On the other hand, the US withdrawal from Afghanistan has reduced Pakistan's significance for the US. The other two neighbours, China and Iran, are more inclined towards Russia. Another effect of the conflict is that it has diverted attention from Vienna talks on the Iran nuclear deal.

Diplomatic

Pakistan is trapped between two great powers, i.e., China and the US. Its neutrality irks the West and the US which wants Pakistan to condemn the Russian actions. As Pakistan stays the course, its relation with the US and EU can best be described as tense and the US could exert more pressure on Pakistan. The fear of sanctions has also hampered Pakistan in concluding any arms or energy deals with Russia because it could impact the prospective IMF loan program for the country. Balancing relations with the US, China, and Russia is a great challenge for Pakistan at the moment, especially since it is after all a developing country and needs to look into what is best for the already declining economy.

Economic

The conflict directly impacts Pakistan's wheat imports from Ukraine, which accounted for 39% of the total imported wheat in the preceding fiscal year.⁹ This does not bode well for Pakistan which is already suffering from high inflation, low economic growth, and political instability. In the last 24 years, Pakistan's exports to Ukraine increased at an annual rate of 15.5% from \$18.1 million in 1996 to \$573 million in 2020, while Ukraine's exports to Pakistan have increased at an annual rate of 14.8% from \$2.98 million to \$82.1 million in 2020.¹⁰

Due to sanctions on Russia, energy prices have risen which impacts Pakistan's current account deficit as Pakistan imports nearly all of its energy requirements. In the last 24 years, Pakistan's exports to Russia have increased at an annual rate of 13.6% from \$13.1 million in 1996 to \$279 million in 2020, while Russia's exports to Pakistan have increased at an annual rate of 10.2% from \$67.6 million in 1996 to \$669 million in 2020.⁹ In 2021, Pakistan's trade value with Russia was \$711 million, including \$537 million in Russian imports.¹¹ With Ukraine, the trade value reached \$800 million, including \$739 million in imports.¹²

To date, Pakistan enjoys friendly, albeit modest, trade relations with Ukraine, a large component of which is the agricultural sector, particularly wheat. In recent years, Pakistan and Russia have agreed to promote bilateral cooperation in all sectors including trade, defence, economy, and energy. This conflict has the potential to disrupt Pakistan's new strategic pivot of geo-economics.

Conclusion

The spike in global prices has pushed Pakistan's electricity costs by more than 100%¹³ and this pressure along with the issue of food security has led to high inflation in excess of 20%,¹⁴ which eventually has led to issues of governance. This conflict is likely to continue until and unless negotiations take place to reach an agreement and settle this dispute. Pakistan, already suffering from its own governance issues and high inflation, needs to remain neutral in all cases to be on the safe side. If Pakistan goes in support of Ukraine, it could annoy the Russian leadership and if Pakistan goes in the

support of Russia rather than the US, the latter could impose sanctions. Keeping this in mind, Pakistan needs to base its foreign policy on its national

interest all the while keeping acceptable relations with all the states.

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