

Impact of Ukraine War on Global Energy and Food Supply Chains: A Case Study of South Asia

Farah Naz* and Martin Kear**

Abstract

The damaging economic, political, and diplomatic effects of Russia's attack on Ukraine in February 2022 have not been confined to just continental Europe. The highly interconnected and interdependent nature of the global economy means that other regions are similarly, or even more negatively, affected by any outbreak of hostilities in states like Ukraine that prove integral parts of global food and energy supply chains. This is particularly the case with the South Asian region that has a predominance of developing economies already struggling to provide adequate basic services to their citizens, especially in the aftermath of the COVID-19 pandemic and other climate change related natural disasters like floods and wildfire. The aim of this paper is to analyse the ongoing economic and geopolitical effects of Russia's war against Ukraine in South Asia, highlighting how sustained disruptions in global food and energy supply chains exacerbate existing insecurity in developing economies. The corollary to this economic insecurity is increased inter-regional tensions as individual states compete against each other for increasingly scarce and costlier food and energy resources.

Keywords: Russia-Ukraine War, South Asia, Food Crisis, Humanitarian Crisis, Energy, Global Politics.

* The author is Assistant Professor, Department of Government and Public Policy, School of Social Sciences and Humanities, National University of Sciences and Technology, Islamabad, Pakistan. Email: farahnaz@s3h.nust.edu.pk

** The author is Sessional Lecturer, Department of Government and International Relations, Faculty of Arts and Social Sciences, The University of Sydney, Sydney, Australia. Email: martin.kear@sydney.edu.au

@2022 by the Institute of Strategic Studies Islamabad.
Strategic Studies, Winter Issue, Vol. 42, No. 2, 2022: 38-53.
<https://doi.org/10.53532/ss.042.02.00236>

Introduction

In Eastern Europe, Ukraine is the second largest country after Russia.¹ Ukraine is bordered to the east by Russia, to the southwest by Moldova and Romania, to the west by Hungary, Poland, and Slovakia, to the north by Belarus, to the south by the Black Sea, and to the northwest by Belarus.² Because it is a fertile plain, it is perfect for growing crops like wheat.³ It is additionally referred to as “Europe’s breadbasket.”⁴ Second, it ranks first in terms of coal production, which accounts for around 95 per cent of all hydrocarbon fossil fuels with 2.5 per cent coming from oil and gas.⁵ Also well-known is Ukrainian architecture. Since the Kievan Rus era, more than 900 churches and cathedrals have been constructed.⁶

The economic, political, and diplomatic fallout from Russia’s invasion of Ukraine on February 24, 2022, went far beyond Eastern Europe. In addition to having considerable political, ideological, and historical significance for the Russian state, the Ukraine is crucial to the world’s food and energy supply lines. These international food and energy supply chains have been negatively impacted by the protracted disruptions to Ukraine exports, particularly wheat and grains, as well as sanctions on Russian energy and food exports. The political and diplomatic attention has largely been on the consequences the scarcity of energy supplies will have on Western Europe as the northern winter draws near.

Looking more broadly, the concomitant disruptions to food supply chains brought on by the conflict in Ukraine have severely impacted many emerging economies, whose governments typically find it

¹ Ukraine, “A Country Profile-Nations Online Project,” Nationsonline.org, <https://www.nationsonline.org/oneworld/ukraine.htm>.

² Ukraine, “A Country Profile — Nations Online Project,” Nationsonline.org, www.nationsonline.org/oneworld/ukraine.htm.

³ “The Importance of Ukraine and the Russian Federation for Global Agricultural Markets and the Risks Associated with the War in Ukraine,” FAO, June 3, 2022. <https://www.fao.org/3/cb9013en/cb9013en.pdf>.

⁴ “The Importance of Ukraine and the Russian Federation for Global Agricultural Markets.”

⁵ “Ukraine Energy Profile — Analysis,” IEA, April 2020, <https://www.iea.org/reports/ukraine-energy-profile>

⁶ “Kievan Rus,” Encyclopaedia Britannica, <https://www.citethisforme.com/cite/sources/websiteautociteeval>.

challenging to provide their populations with adequate basic services, particularly food and energy. These states are now forced to compete with one another for more expensive and scarce food and energy resources, on top of already having to deal with the COVID-19 pandemic's economic effects. In turn, this has raised the possibility of escalating already-existing intra-regional tensions.

This is particularly true in South Asia, where there are most emerging nations and ongoing geopolitical tensions. The purpose of this article is to examine the effects of interruptions in the food and energy supply chains that flow into the region on the states within and between the South Asian region. To achieve the purpose, this study investigates the ongoing economic and geopolitical effects of Russia's war against Ukraine in South Asia, highlighting how sustained disruptions in global food and energy supply chains exacerbate existing insecurity in developing economies. The study begins with the background of the Russia-Ukraine conflict followed by an analysis that demonstrates the growing susceptibility of emerging nations to interruptions in international supply chains. The findings suggest that more zero-sum economic, political, and diplomatic decisions being made than net-sum regional collaboration, led to rising geopolitical tensions and global food/energy supply chain disruption at the global level. Since the topic is new and rapidly evolving, the authors used the secondary data available and used a thematic analysis tool to achieve the aim of this study.

Russia-Ukraine Conflict

The history of the Russia-Ukraine war dates back to November 8, 1989, and it is closely related to NATO's advance to the eastern border of Ukraine. With 12 initial members, NATO, a defence pact of 28 nations, was established in 1949.⁷ Now it includes two North American nations. It offers its member states with collective defence capabilities. NATO and Russia came to an unwritten agreement in 1990, following the collapse of the Berlin Wall, that NATO would not station forces in the formerly East German territory. But numerous recently independent governments expressed an interest in joining NATO after the collapse of the Soviet bloc in 1991. However, Russia took offence at such wish.

⁷ "NATO (2022) Member Countries," NATO, https://www.nato.int/cps/en/natohq/topics_52044.htm

In 1996, the United States of America (US) under the Warsaw Pact made NATO enlargement a key component of US foreign policy after five years. Poland, Hungary, the Czech Republic, Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, Slovenia, Albania, Croatia, Montenegro, and North Macedonia all joined NATO during the period from 1996 to 2020.⁸ Russia continued to monitor these nations and NATO's growth and was deeply outraged when, in 2022, NATO formally recognised Bosnia and Herzegovina, Georgia, and Ukraine as three additional states. The problem is that while Russia views NATO extension to its eastern borders as a security danger and a breach of the 1990 common understanding between Russia and NATO, Ukraine views joining NATO as its sovereign right. Since then, Ukraine joining NATO escalated serious tensions and became the bone of contention between Russia and Ukraine.

As neither side is able to come to terms with the other, the scope of the Russia-Ukraine war continues to grow. In terms of both money spent and lives lost, this conflict is indeed expensive. Serhiy Marchenko, the Finance Minister for Ukraine, estimates that the battle has already cost US\$8.3 billion in military and humanitarian expenses.⁹ While the number of deaths per soldier is substantially higher than in a typical modern combat. It appears that this fight will result in the greatest number of war deaths ever recorded and that it has already become one of the worst wars in post-World War II Europe. In light of the current state of the situation, NATO's extension into Ukraine would be more dangerous and expensive for everyone, not just Ukraine. Humanitarian and energy crises are being exacerbated by the war. Sadly, there is a chance that the Ukrainian conflict could rank among the deadliest wars of the last 200 years.

Currently, as of August 15, 2022, Russia is the subject of the greatest number of list-based sanctions worldwide.¹⁰ There are a total of 11,812 limitations placed on the citizens, businesses, automobiles, and

⁸ "Nato (2022), Member Countries."

⁹ Natalia Zinets, "Exclusive-War Forces Ukraine to divert \$8.3 Billion to Military Spending, Tax Revenue Drops – Minister," *Reuters*, May 13, 2022, <https://www.reuters.com/article/us-ukraine-crisis-marchenko-exclusive-idAFKCN2MY20I>

¹⁰ Published by Statista Research Department, "Most Sanctioned Countries Worldwide 2022," Statista, October 4, 2022, <https://www.statista.com/statistics/1294726/number-of-global-sanctions-by-target-country/>

aircraft of the nation. About 9.1 thousands of them were assigned after February 22, 2022.¹¹ According to Statista, 7,568 Russian citizens were subject to limitations in a total of 10 countries between February 22 and August 15, 2022.¹² These countries included Australia, Canada, the European Union (EU), France, Japan, Switzerland, the United Kingdom (UK), and the US. Additionally, at that time, the sanctions were directed against 1,452 entities. Sanctions were originally imposed because of the nation's recognition of the rebel Donetsk and Luhansk People's Republics (DPR and LPR), and then as a result of its military assault on Ukraine.¹³

Russian assets and stockpiles of foreign currency have been frozen by Western nations. The Russian Elites, Proxies, and Oligarchs Task Force (REPO) said in a joint statement that it has frozen US \$300 billion in assets belonging to the Russian central bank and barred US \$30 billion in assets of Russian oligarchs and politicians.¹⁴ Russian assets worth €13.8 billion,¹⁵ including yachts, helicopters, homes, and works of art, have been frozen by the EU, and another €196 billion worth of transactions¹⁶ have been halted. Additionally, the UK has frozen the assets of oligarchs and their family members totalling £150 billion (€175 billion) and frozen £500 billion (€583 billion) from Russian banks or firms, some of which are partially state-owned.¹⁷

¹¹ Yale, "New Rules and Limitations for Depreciation and Expensing under the Tax Cuts and Jobs Act," Internal Revenue Service, November 28, 2022.

<https://www.irs.gov/newsroom/new-rules-and-limitations-for-depreciation-and-expensing-under-the-tax-cuts-and-jobs-act>

¹² Published by Statista Research Department, "Most Sanctioned Countries Worldwide 2022." Statista, October 4, 2022, <https://www.statista.com/statistics/1294726/number-of-global-sanctions-by-target-country/>.

¹³ "Donetsk and Luhansk: What to Know about Ukraine's Rebel Regions," *Al Jazeera*, February 22, 2022, <https://www.aljazeera.com/news/2022/2/21/donetsk-and-lugansk-heres-what-we-know-about-rebel-regions>

¹⁴ "Allies Freeze US\$330 Bn of Russian Assets Since Ukraine Invasion: Task Force," *France 24*, June 29, 2022, <https://www.france24.com/en/live-news/20220629-allies-freeze-330-bn-of-russian-assets-since-ukraine-invasion-task-force>

¹⁵ Baczynska Gabriela, "EU Has Frozen 13.8 Bln Euros Of Russian Assets," *Reuters*, July 12, 2022, <https://www.reuters.com/world/europe/eu-has-frozen-138-bln-euros-russian-assets-over-ukraine-war-official-says-2022-07-12/>

¹⁶ Alice Tidey, "Can the EU Or Ukraine Ever Use Russia's Frozen Assets?," *Euro News*, May 6, 2022, <https://www.euronews.com/my-europe/2022/05/06/can-the-eu-or-ukraine-ever-use-russia-s-frozen-assets>

¹⁷ "Can the EU Or Ukraine Ever Use Russia's Frozen Assets?."

Reports from the *BBC* state that among the other sanctions imposed on Russia is a prohibition on exports by the UK, EU, and the US of goods with dual uses,¹⁸ such as parts for vehicles. A ban on all aircraft from Russia into the airspace of the US, UK, EU, and Canada. Russian gold imports are prohibited.¹⁹ An embargo on the import of expensive goods into Russia. Vodka and other imported goods are subject to a 35 per cent tax in the UK.²⁰ In addition to these penalties, 600 or so foreign businesses have stopped doing business in Russia outright or discontinued their operations there.²¹ There are several of them, such as McDonald's, Coca-Cola, Starbucks, Marks & Spencer, etc.²² Since the sanctions have been put in place, Russia is experiencing greater isolation as Russia see the US-led NATO sanctions as an economic war.

Energy prices are rising because of the Russian invasion. In terms of global gas reserves, Russia ranks first with 1,688,228,000 MMcf, or 24.3 per cent of the total, followed by Iran, Qatar, the US, and Saudi Arabia.²³ The top producing nations are the US with 914.6 billion cubic feet per year, followed by Russia with 638.5 billion, Iran with 250.8 billion, China with 194 billion, Qatar with 171.3 billion, etc.²⁴ Russia is the top gas exporter in the world, shipping 201.7 billion cubic metres of gas through pipelines and 39.6 billion cubic metres of liquefied natural gas in 2021(LNG).²⁵ The US,

¹⁸ "Export Controls: Dual-Use Items, Software and Technology, Goods for Torture and Radioactive Sources," GOV.UK, 2022, <https://www.gov.uk/guidance/export-controls-dual-use-items-software-and-technology-goods-for-torture-and-radioactive-sources>

¹⁹ David Shepardson, Jamie Freed, and Foo Yun Chee, "US Follows Canada, Europe on Russian Aircraft Ban," *Reuters*, March 1, 2022, <https://www.reuters.com/business/airspace-closures-after-ukraine-invasion-stretch-global-supply-chains-2022-03-01/>

²⁰ "UK Announces New Economic Sanctions against Russia," GOV.UK, 2022. <https://www.gov.uk/government/news/uk-announces-new-economic-sanctions-against-russia#:~:text=alongside per cent20G7 per cent20allies>

²¹ "Over 1,000 Companies Have Curtailed Operations in Russia — But Some Remain," Chief Executive Leadership Institute, Yale School of Management, January 9, 2023, <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>

²² Race Michael and Lucy Hooker, "Which Companies Are Pulling Out of Russia?," *BBC News*, 2022. <https://www.bbc.com/news/business-60571133>.

²³ "Natural Gas by Country 2022," *Worldpopulationreview.Com*, 2022, <https://worldpopulationreview.com/country-rankings/natural-gas-by-country>

²⁴ "Natural Gas by Country 2022."

²⁵ "Leading Gas Exporters," *Statista*, 2022, www.statista.com/statistics/217856/leading-gas-exporters-worldwide/

Qatar, and Norway were the top three natural gas exporters worldwide. Russia is also one of its largest oil producers.

Many nations, especially China and Europe, depend on Russia for their oil and natural gas needs.²⁶ When Russia invaded Ukraine in 2022, the EU nations imposed an embargo on Russian goods, which further complicated the energy situation in the EU. To continue importing Russian oil and gas, many nations, like Germany, carved out exceptions.²⁷ However, the EU also worked to find other trading partners and develop their energy-processing skills in order to lessen their dependency on Russian commerce. However, since February 2022, western nations have attempted to stifle the US and its European allies' imports of oil and gas.

In terms of removing Russian banks from the Society for Worldwide Interbank Financial Telecommunications, or SWIFT, Russia faces problems and roadblocks in the international payment system established by the West.²⁸ The EU's 27 members currently rely on Russia for nearly 38 per cent of their imported natural gas.²⁹ So far, European infrastructure and global supply have weathered a 60 per cent decrease in Russian gas deliveries since June 2021.³⁰ Europe is completely reliant on Russian gas. Currently, they are struggling to find energy alternatives to Russian gas imports. If different energy policies are not implemented, the European Union's reliance on Russia is expected to increase by 50 to 60 per cent of all gas imports within the next two decades.³¹ Because of sanctions, European countries are unable to pay in ruble while still requiring Russian gas to meet their basic needs. According to Han Phoumin, the International Energy Agency issued ten recommendations to reduce the European

²⁶ "Europe Population 2022 (Demographics, Maps, Graphs),"

Worldpopulationreview.Com, 2022,

www.worldpopulationreview.com/continents/europe-population

²⁷ "Germany Population 2022 (Demographics, Maps, Graphs),"

Worldpopulationreview.Com, 2022

www.worldpopulationreview.com/countries/germany-population

²⁸ Richard J. Anderson, "Europe's Dependence on Russian Natural Gas:

Perspectives And Recommendations For A Long-Term Strategy,"

Marshallcenter.Org, 2022, <https://www.marshallcenter.org/de/node/1276>

²⁹ Anderson, "Europe's Dependence on Russian Natural Gas."

³⁰ Mark Flanagan et al., "How A Russian Natural Gas Cut-off Could Weigh on Europe's Economies," July 19, 2022, <https://blogs.imf.org/2022/07/19/how-a-russian-natural-gas-cut-off-could-weigh-on-europes-economies/>

³¹ Anderson, "Europe's Dependence on Russian Natural Gas."

Union's reliance on Russian natural gas imports.³² These included accelerating the development of renewable wind and solar projects as well as maximising energy generation from existing low-emissions sources such as bioenergy and nuclear power.³³ But this requires time.

According to the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), "sustained fighting and hostilities continue to destroy critical infrastructure and have a serious impact on civilians in Ukraine, adding to an already unprecedented humanitarian crisis."³⁴ OHCHR reported 13,212 civilian casualties in the country as of August 15, including 5,514 killed and 7,698 injured.³⁵ Since February 24, more than 10.8 million refugees have crossed into neighbouring countries, and there are 6,645,000 internally Displaced Persons (IDPs) in Ukraine, accounting for 15 per cent of the general population.³⁶ The number of IDPs has increased by nearly 370,000 (six per cent) since June 23. As of August 17, Ukraine had over 5 million COVID-19 cases and 108,713 deaths. The ongoing conflict and the COVID-19 pandemic are exacerbating chronic mental health issues.³⁷

Energy and Global Food Security Issue

Sustaining and maintaining the global food supply chain is crucial to food security. The global food supply chain theory highlight that a food supply chain is a process that all food products go through from production all the

³² "War in Ukraine and Rising Energy Costs Risk Hampering Asia's Decarbonisation Efforts," ERIA, April 19, 2022, www.eria.org/news-and-views/war-in-ukraine-and-rising-energy-costs-risk-hampering-asias-decarbonization-efforts/

³³ Anil Trigunayat, "The War in Ukraine: Impact on South Asia," India Foundation, July 2, 2022, <https://indiafoundation.in/articles-and-commentaries/the-war-in-ukraine-impact-on-south-asia/>

³⁴ Entcheva Ruja, "Ukraine Humanitarian Crisis," Center for Disaster Philanthropy, September 29, 2022, www.disasterphilanthropy.org/disasters/ukraine-humanitarian-crisis/?gclid=Cj0KCQjwuuKXBhCRARIsAC-gM0ihLijIY9rQMkKTPrf4afZKWySMaT816dZ28RFd7ZwggghzgB6hosaArAEEALw_wcB

³⁵ United Nations, "Ukraine: Civilian Casualty Update 15 August 2022." August 15, 2022, <https://www.ohchr.org/en/news/2022/08/ukraine-civilian-casualty-update-15-august-2022>

³⁶ "Worldometer,2022," www.worldometers.info/coronavirus/country/ukraine/

³⁷ Relief web, "Ukraine: Situation Report," [EN/RU/UK], May 19, 2022, www.reliefweb.int/report/ukraine/ukraine-situation-report-19-may-2022-enruuk

way through consumption.³⁸ The way that most food is produced, distributed and consumed is unsustainable in every sense of the word, contributing to unsustainable economies.³⁹ There are various stages involved in the food supply chain such as production; handling and storage; processing and packaging; distribution; retailing; and consumption.⁴⁰ Along with, that there are around six supply chain models such as continuous flow; fast-chain; efficient; agile; flexible; and custom configured. For a better analysis of this paper, we will not get into the details of both the stages and models of the supply chain but will highlight why is it important.

The global food supply chain is directly connected with food demand and supply. It is vital for both food safety at the manufacturing and consumer ends. Just one disruption in the global food chain either at any stage or model level will lead to global food shortages. If we look at the five biggest wheat exporters at global levels, Russia stands at number one with US\$7.3 billion (13.1 per cent) of total wheat exports followed by the US with the US\$7.29 billion (13.1 per cent), Australia with US\$7.2 billion (13 per cent), Canada US\$6.6 billion (11.9 per cent) and Ukraine US\$4.7 billion (8.5 per cent).⁴¹ They provided about three-fifths (59.5 per cent) of the overall value of international shipments for nourishing cereal food.⁴² Both Russia and Ukraine export nearly one-third of the world's wheat and barley, as well as more than 70 per cent of its sunflower oil and corn.⁴³ Russia is the world's largest producer of fertiliser. Food prices around the world were already rising, and the war has exacerbated the situation by preventing 20 million tonnes of Ukrainian grain from reaching the Middle East, North Africa, and parts of Asia.⁴⁴ Weeks of dialogue on secure routes to get wheat out of Ukraine's Black Sea ports have yielded little progress, with the warmer months of harvest season rapidly approaching. The World

³⁸ Addie Lewis, "Food Supply Chain: Importance & Management Strategies," Hub, May 20, 2022, www.highspeedtraining.co.uk/hub/what-is-the-food-supply-chain/.

³⁹ "Sustainable Food Chains," Sustain, <https://www.sustainweb.org/pdf/briefing1.pdf>

⁴⁰ Lewis, "Food Supply Chain."

⁴¹ Daniel Workman, "Wheat Exports by Country," World's Top Export, 2022, www.worldstopexports.com/wheat-exports-country/.

⁴² Workman, "Wheat Exports by Country."

⁴³ "How did the Russia-Ukraine War Trigger a Global Food Crisis?" *Al-Jazeera*, June 18, 2022, www.aljazeera.com/economy/2022/6/18/explainer-how-did-russia-ukraine-war-trigger-a-food-crisis

⁴⁴ "How did the Russia-Ukraine War Trigger a Global Food Crisis?." *Al-Jazeera*.

Food Programme has called for a “political solution” as the closure of Ukrainian ports on the Black Sea threatens global food supplies.⁴⁵

Russia and Ukraine export 21.6 per cent of the world’s wheat, making them the world’s largest wheat exporters. Russia’s war in Ukraine is preventing grain from leaving the world’s breadbasket and raising food prices worldwide, potentially exacerbating shortages, hunger, and political instability in developing countries.⁴⁶ Ultimately, this will result in a serious humanitarian crisis.

According to the United Nations Development Programme (UNDP), early data suggests that “90 per cent of the Ukrainian population could face poverty and Extreme economic Vulnerability if the war escalates, setting the country and the region back decades and leaving deep social and economic scars for generations to come.”⁴⁷ Ukrainians, particularly those living in rural areas, rely heavily on the agricultural sector for a living.⁴⁸ Prior to Russia’s invasion of Ukraine, the agricultural sector contributed 11 per cent of the country’s GDP and nearly 40 per cent of total exports.⁴⁹ According to reports, the Khersonska oblast (south) has started exporting grain to the Russian Federation.⁵⁰ Fires have been reported in the central Dnipropetrovsk oblast, affecting agricultural facilities.⁵¹ The escalation of the attack will almost certainly cause significant harvest disruption and have a direct impact on food security.

⁴⁵ Operational Data Portal. UNHCR, 2022, <https://data.unhcr.org/en/situations/ukraine>

⁴⁶ “How Did the Russia-Ukraine War Trigger a Global Food Crisis?,” *Al Jazeera*, June 20, 2022, <https://www.aljazeera.com/economy/2022/6/18/explainer-how-did-russia-ukraine-war-trigger-a-food-crisis>

⁴⁷ “Women and Girls in Ukraine and Neighbouring Countries Require Urgent Support,” UNFPA EECA, April 21, 2022, www.eeca.unfpa.org/en/news/women-and-girls-ukraine-and-neighboring-countries-require-urgent-support?page=3

⁴⁸ Ratushnyak Oleksandr, “The Development Impact of the War in Ukraine: Initial projections [EN/UK],” Reliefweb, 2022, <https://reliefweb.int/report/ukraine/development-impact-war-ukraine-initial-projections-enuk>

⁴⁹ “Agriculture Fact Sheet [EN/UK],” Reliefweb, 2022, <https://reliefweb.int/report/ukraine/agriculture-fact-sheet-enuk>

⁵⁰ “Russian-controlled Kherson Region in Ukraine Starts Grain Exports to Russia – TASS,” *Reuters*, 2022, <https://www.reuters.com/markets/commodities/pro-moscow-kherson-region-starts-grain-exports-russia-tass-2022-05-30/>

⁵¹ “Ukraine: Situation Report,” [EN/RU/UK], 2022, <https://reliefweb.int/report/ukraine/ukraine-situation-report-13-jul-2022-enruuk>

Hence, Russia and Ukraine are considered as the breadbasket and global energy providers cannot sustain/maintain their day-to-day food supply chain mechanism due to war and international sanctions. As a result, along with energy shortages, the world is facing serious food dearth due to the Russia-Ukraine war.

Impacts on South Asia

When taken in conjunction with the pandemic's widespread destruction, the Russia-Ukraine dispute serves as a wake-up call for all nations that require safe food and energy sources, not even just Europe. High energy costs have made countries recognise that they can no longer count on imported fossil fuels, presumably resulting in a complete transition toward non-fossil fuels. It will be fascinating to see how various South Asian countries come to terms with the negative economic implications. The destruction wrought by this needless war is being started to feel throughout the developing. In this context, South Asia is experiencing the consequences both politically and economically. As resultantly, the detrimental effect on all South Asian countries exacerbates, especially in nations that depend extensively on costly energy imports. Several tourism-dependent economies have suffered setbacks, such as the Maldives and Sri Lanka. However, this raises the question of which nations could be affected by the crisis and ensuing sanctions. To respond, we will consider studying the impact of the Russia-Ukraine conflict on South Asian states with a particular focus on Pakistan.

India

If we look at 2021 statistics, Russia exported US\$6.9 billion to India, while India exported US\$3.33 billion to Russia.⁵² But India has to see its demands and follow the rules accordingly. Other than trade Russia and India are also in partnership with nuclear energy expansion. In 2017, the two countries have already signed a comprehensive nuclear cooperation agreement — the Kudankulam nuclear power plant is a critical collaboration. In turn, India represents a potentially enormous market

⁵² Palanisamy Balachander, "Why South Asia is Divided over Russia-Ukraine," *Deccan Herald*, March 15, 2022, <https://www.deccanherald.com/opinion/in-perspective/why-south-asia-is-divided-over-russia-ukraine-1089811.html>

that Moscow cannot afford to undercut.⁵³ India also imports a large number of Russian-made weapons. The most recent example is India's acquisition of S-400 Triumf air defence systems in the face of the US opposition and sanctions threats.⁵⁴ With this India becomes the prime beneficiary of the conflict. India can continue its diplomatic and trade relations particularly energy deals with Russia unlike many other countries both within the region and outside that struggle with the energy crisis and food security.

Nepal

Nepal had received approximately \$5.6 million in Foreign Direct Investment (FDI) from Russia as of July 15, 2020. Though, politically it looks like Nepal stands with the US in recent years and supports its policies. This could be the reason that with US\$109 million in FDI, the US is one of the country's largest investors in Nepal.⁵⁵ However, Kathmandu is concerned that massive developmental aid may be reduced as a result of the war, in addition to the direct impact of rising commodity and fuel prices. Currently, Nepal imports 40 per cent of its consumer goods and 100 per cent of its fuel which may be affected by the war continuation. Its foreign exchange reserves are declining as remittances from the 3-4 million Nepalese expats have decreased.⁵⁶ Nepali students in Ukraine, like those from other countries, had a negative impact. The war and its ongoing sanctions will have a draconian impact on Nepal which depends on the US on one hand but cannot ignore the emerging energy and food security problems due to the war. Nepal cannot leave behind its partnership with the US but may have to pay for food security in the years to come.

Maldives

Elsewhere in the region, the tourist-dependent Maldives faces similar pressures as Sri Lanka, whereas India and Bangladesh are better positioned, with considerably higher foreign exchange reserves, more

⁵³ Palanisamy, "Why South Asia is Divided over Russia-Ukraine," *Deccan Herald*.

⁵⁴ Palanisamy, "Why South Asia is Divided over Russia-Ukraine," *Deccan Herald*.

⁵⁵ Palanisamy, "Why South Asia Is Divided over Russia-Ukraine," *Deccan Herald*.

⁵⁶ Anil Trigunayat, "The War in Ukraine: Impact on South Asia," India Foundation, July 2, 2022, <https://indiafoundation.in/articles-and-commentaries/the-war-in-ukraine-impact-on-south-asia/>

diverse foreign exchange sources, and lower external debt. We cannot claim that Maldives can remain safe from the rising challenges surrounding food security. Being a tourist destination, the heat of food security will be felt here as well. Which may lead to a decrease in the tourism industry affecting the economic stability of Maldives.

Sri Lanka

Looks like Russia may not have deep footprints in South Asia but trade and partnership with South Asian developing countries is evident in the field of energy and food supply chains such as energy sectors in Nepal and Bangladesh and in Sri Lankan tea, which is a major importer.⁵⁷ The export figures highlight that the value of tea exported to Russia in 2020 will exceed US\$142 million.⁵⁸ However, Sri Lankan Foreign Secretary Jayanath Colombage stated that the conflict would have a “severe” economic impact on Sri Lanka, adding that we would have to pay more for fuel and gas, and our tea market would suffer.⁵⁹ The economic stability can be further affected with a decrease in tourism sector due to both its political instability at home and the war in Ukraine. It used to remain one of the favourite tourist destinations for Russian and Ukrainians. But since the war broke out Sri Lanka is facing the brunt of it. Foreign cash capital flows from the tourist industry, which was in the range of USD four to seven billion,⁶⁰ have reduced significantly, adding to financial hardship, joblessness, and popular discontent. But it still hopes to revive its tourism industry.

Afghanistan

Since the withdrawal of the US forces from Afghanistan in 2020, leaving the Afghan people at the tender mercies of the Taliban, the region has remained economically and politically unstable. However, due to the Russia-Ukraine dispute, Afghanistan’s emergency aid has been put on hold. The local Afghans complain that there is no longer any media coverage of Afghan suffering, including issues of human

⁵⁷ Palanisamy, “Why South Asia is divided over Russia-Ukraine,” 2022.

⁵⁸ “Most Sanctioned Countries Worldwide 2022,” Statista, October 4, 2022, <https://www.statista.com/statistics/1294726/number-of-global-sanctions-by-target-country/>

⁵⁹ “Most Sanctioned Countries Worldwide 2022,” Statista.

⁶⁰ Anil, “The War in Ukraine: Impact on South Asia,” India Foundation.

rights involving women and children in desperate need of humanitarian assistance.

Pakistan

Pakistan has maintained bilateral relations with Russia and Ukraine. But blockage in the global food supply chain will affect Pakistan like many other countries across the globe and South Asia. Since the war broke out, trade value with Ukraine reached USD 800 million, including USD 739 million in imports.⁶¹ Pakistan and Ukraine's imports amounted to \$739.51 million USD in 2021.⁶² Respectively in July and November 2020, Ukraine was Pakistan's foremost wheat supplier, exporting 1.2 million tonnes (MT). Within the same time period, Russia provided 0.92 MT to Pakistan. Between 2020 and 2021, wheat shipments from both states surpassed 2.1 MT. The blockade of Ukrainian ports by Russia has made it even harder for Ukrainian agriculture and other essential export markets to reach a variety of countries including Pakistan. That may lead to serious food security issues in Pakistan in times to come.

As a matter of fact, numerous countries already have observed shortages of food, forcing Pakistan to pursue a substitute wheat supplier. Pakistan's staple crop is wheat, but still it requires imports to supplement domestic production, and Sri Lanka's ban on fertiliser imports has harmed the country's food production.

Another serious issue Pakistan facing is the high rise in global oil prices. After the Russian-Ukraine war erupted, global oil prices skyrocketed to more than US\$120 per barrel, but have since fallen to below US\$100 per barrel, as supply and development have slowed. Pakistan's imports of fossil fuels from Ukraine, including oil, LNG, and coal, have ceased. As a result, Pakistanis will face frequent and prolonged power outages, exorbitant utility bills, and impediments to other services in the coming months. The crisis would also have a direct impact on Pakistan's import of wheat because it comes from Ukraine and made up 39 per cent of the country's entire import demand for

⁶¹ Ayesha Mirza, "Ukraine, Russia War: Implications for Pakistan," *Express Tribune*, July 5, 2022, <https://tribune.com.pk/story/2364775/ukraine-russia-war-implications-for-pakistan>

⁶² Mirza, "Ukraine, Russia War: Implications for Pakistan." *Express Tribune*.

wheat during the previous fiscal year.⁶³ A prolonged period of high fuel prices combined with lower foreign exchange receipts and wheat shortages will quickly deplete any reserves and available food stockpiles. Due to rising prices, Pakistan will have to tighten their economic belts for an extended period of time which will have spill over effects on the masses.

Conclusion

It becomes evident from the above discussion that geopolitics is shaping geo-economics, and its impact on South Asia is clear in the Russia-Ukraine conflict. The war in Ukraine has political and economic ramifications for South Asia in the short to medium term. Inflationary concerns may exacerbate developing countries' concerns following COVID-19. Furthermore, rising fuel and energy prices can have a negative impact on their quality of life and ability to cope with a competitive world. Consumption and manufacturing issues can have serious ramifications for the countries involved. In this context, it is critical to comprehend Moscow's desire to emulate the Soviet Union's glorious international position. However, we must not forget that Ukraine's historic right to self-determination is a source of concern for the modern nation-state system. Furthermore, we cannot continue ignoring China's stance on the issue.

Indeed, Russia's relationship with Ukraine becomes a matter of Russian national interest and a necessary step toward regaining Russia's glorious international position, but it also has a direct impact on global politics, food security, and energy security, notably for the undeveloped and developing nations. Liberty to decide and prioritise national interests over foreign interests may pose a threat to South Asian developing countries. Unfortunately, South Asian countries cannot source their energy needs directly from Russia for fear of provoking the world superpower and its allies. Russia, on the other hand, claims that perhaps the sanctions have had little impact on it, and we have seen it in the case of Russia-India energy deals post-February 2022.

⁶³ Mujeeb ur Rehman, "Ongoing Ukrainian Conflict: Inverse Economic Impacts on Pakistan," Global Village Space, 2022, <https://www.globalvillagespace.com/ongoing-ukrainian-conflict-inverse-economic-impacts-on-pakistan/>

The above discussion highlights that Russia has taken advantage of global higher oil and gas prices. It has increased its sales to China, Europe, India, and other markets. Russia is using it as a tool to keep Europe dependence on Russian energy higher. To completely wean off from Russian oil and gas Europe require alternate means of energy resources but all these arrangements require time and patience that European cold weather does not allow. European increasingly hostile stance may provide more opportunities for Russian trade deals with developing countries such as in the South Asia region on a bilateral basis. Such as allowing those developing nations to improve and expand their energy needs and food basket. The world has already witnessed the way India refused to condemn Russia's aggression in its energy trade. It does not stop here as India continues to further enhance its trade relationship with Russia, particularly on imports of oil at lower prices. On the other hand, it is in the best interest of Russia to continue offering oil and energy supplies at competitive prices. With this arrangement, India remained the prime beneficiary of Russian oil buying at cheap prices, refining it, and selling at higher prices. Despite the fact, the Europeans wish to avoid Russian gas they still cannot do so.

In terms of the Russian-Ukraine war, respecting International Law, sovereignty, and territorial integrity becomes critical, but war is causing serious disruptions in global energy and food supply chains exacerbate existing insecurity in developing economies. This disruption is demanding states particularly the struggling economies like Pakistan to balance their choices (for or against the war) based on variables such as national interest and geopolitical arrangement. Freedom to make decisions on the world stage must be questioned in light of the fact that independence in the real polity is far more complex. In the context of the preceding discussion, Pakistan must consider both sides of the Russia-Ukraine conflict and strive to prioritise its national interests above all else.