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# ECONOMIC IMPACTS OF RUSSIA-UKRAINE CONFLICTON INDIA AND PAKISTAN: AN ANALYSIS

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**Abstract**

*The Russia-Ukraine war initiated in 2022 caused major worldwide economic impacts resulting in specific financial consequences for Pakistan and India. The price of energy continues to increase in both nations because they depend on importing oil and gas and the global supply chains disruptions from the war have propelled food and energy costs through the roof. Pakistan's financial condition remains unstable because rising inflation together with a declining currency value has raised the expenses for its residents. The inflationary situation in India remains less severe but disruptive grain exports from Ukraine have led to agriculture price increases. Increased defense spending because of geopolitical tensions has stressed both economies to beyond their economic capacity. Global markets demonstrate a negative response to the war-caused uncertainty thus affecting foreign investments. The ongoing conflict creates economic problems such as rising living costs along with inflation and economic slowdown in both India and Ukraine.*

## INTRODUCTION

The Russian military invaded Ukraine on February 24th of 2022. Russian military intervention serves as a major escalation of tensions since Russia established control over Crimea during 2014. After the Soviet Union collapsed in 1991 several nations which used to follow Russia began pursuing their independence from Russian leadership in what experts believe started this ongoing conflict. The Russian security interests in Ukraine become evident through Russia's continued military pressure toward acquiring Ukrainian territories. Since 2014 until 2022 (~ 8 years) Ukraine demonstrated insufficient preparedness to confront Russia during their ongoing confrontation. Military and human resource differences demonstrated the tough spots Ukraine had to overcome in its defense. Ukrainians remained surprised upon the Russian military invasion because they did not expect a Russian war until that decisive day. The conflict between Russia and Ukraine created extensive effects which spread throughout political structures and social dimensions together with economic systems. The conflict spread global consequences beyond Ukraine and Russia while producing international effects. The research focuses exclusively on the economic impact of the Russia-Ukraine conflict on Asian nations throughout 2022. The discussion assesses economic factors that result from the conflict which affects commodities . The Indian economy demonstrated optimism regarding growth through three main factors that emerged from past COVID-19 challenges and bull prices during the last financial year. These included stock market recovery while reserves strengthened and production and manufacturing activity improved with both the demand and supply market forces healing along with controlled interest rates and volatility. The influence of this conflict affects Pakistan through two major aspects which are political and economic aspects. The situation will challenge Pakistan as each faction places pressure on it. The different segments of Pakistani society create excitement as they attempt to align themselves with Russia to prove their international significance (Shrivastava & Pillai, 2024)

**Literature Review**

The article How the Russia-Ukraine conflict affects Indian energy strategy by Vikas Sharma in The Economic Times (2024) According to author The Russian Ukraine War has greatly influenced the global energy dynamics and india being a rapidly growing economy and one of the largest energy importer facing some serious challanges .India imports over 80% of it's crude oil and this make it more vaulnerable to the prices increases.indian government is seeking to reduced it's dependence on Russia and finding some alternative like in Middle East ,the United States and Africa .This War force indian government to strengthen its relations with Western nations including United states which is key supplier of energy crisis. (Sharma, 2024)

The article The Economic Effects of Sanctions on Russia and Pakistan Response by Muneeb K.Aslam in The Nation (2024) According to author The imposition of economic sanctions on Russia by Western world and United states due to it's invasion of Ukraine has great impact on world economy especially developing countries like pakistan .These sanctions targets the sectors like finance ,energy and defense .pakistan has seek to balance it's diplomatic relations with Russia .pakistan strong relations with china and it's efforts to strengthen the ties with Russia maybe provide it with strategic benefits .pakistan economic conditions may limit it's ability to have good relations with Russia .pakistan need to have a balance relations with both Western and Non Western counties . (K.Aslam, 2024)

The article Economic and Geopolitical concequences of Russia -Ukraine war on Indian Foreign Policy by Nisha Patel (2023) According to author The Russia Ukraine war has economic and geopolitical impacts which are reshaping indian foreign policy .india as a one of the largest importer of crude oil ,facing various challenges in managing it's energy security . After this crisis india need to reasses it's relationships with both Western and Non western countries .This war raised many questions on the effectiveness of the international institutions to adress this issue .Due to rising tentions in the Indo Pacific region,india now focusing to enhance it's defence .indian government facing both challenges of maintaining foreign policy and strengthen economy . (Patel, 2023)

The article How rising oil prices impact india due to Russia -Ukraine war by Sanjay Jha in India Today (2023) According to author Russia -Ukraine War has disrupt the global energy markets this disruption cause increases in oil prices .This caused challenges for countries like india which are heavily dependent on oil imports,high oil prices caused the to increased costs of production and transportation which led to inflation .india now looking to increased imports from countries like the united states and Sudia Arabia .As global oil crisis india need to invest in alternative energy sources ,such as solar and wind power,this will not just help to mitigate this economic crisis but also help in reduced carbon emissions and combat climate change . (Jha, 2023)

The article Indian energy security in the context of the Russia-Ukraine war by Radhika Singh in The Hindu (2023) According to author Russia -Ukraine war brought energy security and had negative impact on the countries like india which are heavily dependent on imported engery resources . This conflict caused high increase in crude oil prices,had great impact on india's energy expenditure and inflation rates.india need to invest in renewable energy technologies .india could strengthen its ties with other countries like in the Middle East and Africa to compensate the risks related to this particular conflict .According to author global disruption in energy markets especially in gas and oil markets pose negative impact on countries like india which imports a significant amount of oil from Russia and other countries of world . (Singh, 2023)

Research Questions

1) How changes in the prices of oil ,gas and grains impact the economies of Pakistan and india ?
2) How the war influenced foreign direct investment (FDI) in Pakistan and india particularly from western nations ?
) What are the long term economic implications of the Russia –ukraine war for Pakistan and india ?

**Research Methodology**

The research explores economic implications created by the Russia - Ukraine conflict specifically for the nations of India and Pakistan. Research data collection depends on secondary sources which include trade statistics together with energy prices and inflation rates obtained from government reports and international organizations and financial databases. The collected data permits performance evaluation of economic metrics through both periods of conflict through comparison analysis to create actionable policy recommendations. Statistical techniques and thematic analysis will be used to examine economic outcomes from the Russia-Ukraine war within the South Asian context through analysis of data. Researcher use online websites together with Wikipedia journals and published articles accessible online to collect information. The study operates using quantitative data.

**Economic Impact on India**

India is estimated to be the fifth largest economy in the world come 2025 with a high rate of growth of 6.2% expected in the year. This is enhanced by a diverse economy that has strong divisions such as technology, services as well as manufacturing. Other factors that contribute to economic stability include domestic demand, which is escalated by a rising middle class and an improved level of foreign direct investmen. Of particular importance is the geopolitical instability which frequently leads to uncertainty in the financial markets thus forcing the foreign investors to withdraw capitals. This capital flight pressurizes the Indian rupee to go down, making imports expensive. India relies excessively on crude oil imports where it covers 83% of the demand from outside. A weak rupee worsens the price of oil while an increase in conflict can affect global supply chain and lead to spike in prices of oil. Such dynamics exert upward pressures on the input costs in such industries as transport and manufacturing, thus, raising the general price and depleting household purchasing power. (Ahmed S. , 2022)

Increased geopolitical risks will most likely trigger additional defense expenditures, which might be detrimental to the state of the budget of the country. In India's case, the defense budget for the year 2025 is ₹6.81 lakh crore ($78.8 billion), and almost half goes into covering personnel costs, including pensions and salaries. This leaves little room for agile military operation or modernisation. In addition, deflection of resources to defense might have to be at the expense of essential social initiatives like education, healthcare, and rural growth. This trade-off will worsen socio-economic inequalities and indirectly cause inflation since it will restrict the government from extending subsidies and raise the cost-burden felt by the consumers. (Deore, 2024)

Although the immediate impact of geopolitical conflicts can be seen in the market's fluctuations, the subsequent economic effects may be still more serious and persistent. Poverty and chronic conflict situations such as those with Pakistan can derail the economic planning, compromise investor's confidence, and distort the national focus on sustainable gains. Incessant hostilities and impending threat of war are likely to erode market sentiment measures which in turn will slow or reverse transfer of foreign direct investment (FDI) inflows. This drain of capital weakens financial markets and deters money to be used on infrastructure and industrial development. Trade too can be adversely affected as a result of border tensions and the increased security measures can mean sanctions or closing of the bilateral trade routes to the disadvantage of the agriculture, textiles, drugs among others. In addition, additional military allocations mean a great cost opportunity – money spent on the defense could have been channeled into long-term growth enablers such as education, healthcare, digital infrastructure, and innovation ecosystems.

Monetary policy formation requires understanding the large real impact on the economy since the rise in fuel prices distort the inflation level above crude oil price changes. Bloomberg reports that while crude oil trade at $100 per barrel the people who do not operate refineries face higher economic pressure because crude oil trades at $150 to $275 per barrel. The real economy primarily buys refined petroleum products like petrol and jet-fuel rather than crude oil and that is why oil refineries remain the main entities for crude oil acquisition. The normal correlation between Brent crude oil prices and petroleum products pricing breaks down because of ongoing conflict even though these markets usually demonstrate symmetry through an average markup of approximately $10 per barrel. Worldwide diesel price currently stands at $170 per barrel alongside petrol being sold at $150 per barrel because profitability from oil refining activities has substantially increased. This, is in turn, happened due to the following factors:High demand-supply gap of petrol and diesel, US and allied nations released large amount of Crude oil from their strategic reserves, which helped in controlling oil prices, however only a small fraction of emergency release was in the form of refined products and thus have not addressed rising prices of refined products.Russia was a major exporter of not only the crude oil but also of diesel and semi-processed oil that were turned into fuel by western refineries. (Mehta, 2024)

**5.2 Economic Impact on Pakistan**

The impact of Russia-Ukraine war on the economy of Pakistan has been two fold, adversely impacting different sectors, piling up prevailing issues. Having an economy in the making, Pakistan had a lot of headwinds such as the rise in cost of input and breakings in supply chains which were aided by the ongoing conflict.

The war has also spiraled some devastating effects on the trade dynamics in Pakistan. Although the general value of trade in agriculture and foods rose to over 91 billion USD, in Pakistan, the exports remained exposed to disruption due to the war. Inspite of hitting record outturns for exports of $25.6 billion this fiscal year, the widening trade deficit ($31.8 billion; FY2018), indicates ongoing issues to achieve balance in the trade equation. There has been a particularly high demand for petroleum products with the combined demand for the same having risen to 23.1 million tonnes in FY2022, while the country's imports of crude oil and petroleum products stood at about 12.9 million tonnes, worth more than $11.1 billion. The dependence on imports has been accentuated further by increasing cost of imported goods due to the war pressures, making further burden on the national budget. (Mehmood, 2023)

As such, the war has brought an increase in the inflow of foreign direct investment (FDI) into Pakistan since net FDI rose by 12.4% and stood at US$1.6 billion, over a nine-month period. Such an inflow is a pointer that Pakistan makes firm on the foreign investors' radar, meaning some element of resilience in attracting foreigners' investment even under global uncertainties. Mergers between the local and foreign companies have also been on the rise, a sign of confidence on the future of the Pakistan economy.

Rising energy prices which resulted from the war increased economic complexities for businesses. The price of petrol rapidly reached more than PKR 250 per liter while starting at PKR 150 per liter during a short period. Consumer electricity fees rose by more than 40% during 2022 because of this situation which created increased financial stress for both households and commercial entities. The increased energy expenses diminished productivity significantly because numerous establishments faced operational challenges which together weakened economic growth. The economic vulnerability of Pakistan increased as its trade deficit reached $48 billion during FY2022 while remaining at $37 billion in the previous reporting period. The depreciation of the Pakistani rupee from PKR 170 to approximately PKR 240 against the US dollar along with rising inflationary pressures became worse due to elevated import costs. (Khan, 2023).

The Russia-Ukraine war has caused severe economic repercussions which hit Pakistan through a massive devaluation of its currency. The conflict distress in worldwide markets together with rising commodity costs caused Pakistani rupee prices to fluctuate disproportionately leading to PKR 170 devaluation which evolved into PKR 240 against the US dollar during the first months of 2023. A sizable decrease in rupee value brought severe economic changes that triggered inflation together with enhanced expenses for everyday life. The main force behind rupee value decline arises from mounting import costs. The war-driven increase in oil and gas prices caused Pakistan's import expenses to explode beyond its foreign exchange reserves capacity. Global crude oil prices exceeding $120 per barrel forced Pakistan to increase its import demand while simultaneously expanding the trade deficit since the nation depends on foreign energy imports for its requirements. During FY2022 the trade deficit rose to reach $48 billion after recording $37 billion in the prior year. The continuous currency devaluation occurred because foreign currency needs exceeded the available supply thereby intensifying Pakistan's economic troubles. The decreasing value of the rupee led to steep price increases for both necessary food products as well as energy items that required importation. The increased costs of imported goods between January and February 2023 resulted in inflation rates exceeding 30%. The decline in the Pakistani rupee ended in higher costs for household necessities including wheat and sugar which deepened food-related distress and strained family finances (Ahmed F. , 2023).

**Comparative Analysis**

The impact of the Russia-Ukraine war on the economy of Pakistan and India is a complex scenario that is shaped on the basis of each country's economic structure, trade policies, and debt owed to other states. Both countries also have suffered from the conflict and their responses and vulnerabilities differ greatly.

The twofold strains that Pakistan's economy has been under due to its overpopulation and substandard management of its economy have had the effect of making the public debt interest burden high as well as facing the wall of external debt that is due in the near-term future. These problems have been worsened by the constant conflict that has led to drastic import restrictions and significant rise in interest rates paining the economy badly. By mid-2023, the foreign exchange reserves of Pakistan were in the doldrums and fell to less than $4 billion, barely covering two weeks out of imports and not forgetting the looming external debt payments of $15-20 billion a year for the next five years. India, which also is under inflationary pressures from the soaring cost of commodity prices because of the war is more resilient. A wide economic base, underpinned by strong manufacturing activities and comparatively comparatively higher foreign exchange reserves, have acted as a shield to outside shocks. However, India's economic growth has been slow because of the disruptions of the war on global supply chains and trade. (Mirza, 2022)

The consequences of the Russia- Ukraine war are differently mitigated by the trade policies in the two countries. Pakistan has also been chronically challenged by openness to trade and engagement in global value chains, weighing it down from benefiting from trends in globalization. Export orientation of the country is further complicated by widespread non-tariff barriers and Negative List that limits a great many imports and that can potentially finance the export-oriented growth. On the other hand, the Indian trade policy has implied a high level of liberalization that allowed India to have a better position in the world markets. The government has also put in place measures in supporting exports and these are duty exemptions and access to export processing zones. India has then been in a good leverage to adapt to the adverse effects of the war, but with difficulty to maintain growth rates in an unstable global economy.

The two countries have seen the level of inflation increase during the war, with increased prices in oil being a real issue for both countries. Inflation in Pakistan rose, putting pressure on the currency and requiring giant fiscal adjustments. The stabilization efforts had led to the reduction of inflation to below 3% by end of January 2025 but the underlying vulnerabilities were of concern because of lack of fiscal space and need for concessional financing from international creditors. India has also experienced a lot of inflation, but the measures that have been taken by the government to control the prices of commodity and boost domestic production have reduced some impact of inflation. The policy framework in India has enabled better management of inflation through less than desired rates of economic growth even though India has not been attractive enough to the investors. In the case of Pakistan, increased reliance on the imports act as compounders of the challenges. (Dr.Vinita Shrivastava, 2024)

**Conclusion**

The Russia-Ukraine war, that started in February 2022, is one of the most significant geopolitical and economic disruptions since the end of the Cold War. Its ripples were felt globally- in the third world, which already has teetering economies struggling with post – pandemic solutions. In the countries affected, India and Pakistan, the most populous and geopolitically relevant countries in South Asia, the economic consequences, of different magnitudes and organization, exposed profound vulnerabilities and unique adaptive powers The comparative analysis of the economic impact of the war on India and Pakistan highlights on the whole truth that, although distant, world conflicts can have immediate and diverse effects on developing economies through trade routes, energy market, financial system and domestic economic policy systems.

India with its more robust and diversified economy and that had a lot to do with the vicissitudes in national economy experienced turbulences mainly on the import bills, inflationary pressure and shifting trade alliances. Direct effect was an abrupt surge in prices for crude oil and gas — commodities which India relies strongly on, for energy requirements. But, the pragmatic foreign policy and strategic neutrality, which India enjoyed, gave it an opportunity to enjoy discounted oil from Russia which, though, helped soften the stab of the current account deficit and inflationary pressures to a certain degree. The rupee was under depreciation pressures occasioned by capital flight out of the country, but the Reserve Bank of India (RBI's) proactive measures in managing forex reserves and confidence of the investor staved off financial crisis. In addition, India does not miss the opportunity to recompose its energy basket, diversify its agriculture exports, and explore the alternatives in defense purchases – all of which reflect its resilience and strategic retooling.

In turn, Pakistan experienced an even greater and destabilizing set of economic impacts. With an external economy that was very much at risk, the war strongly exacerbated Pakistan's dependence on energy imports and its existing positions of fiscal weakness. Due to world energy and food prices increase, inflation risen to multi-decade highs, thus worsening the buying power of an already economically-stressed population. Forex reserves took a sharp hit as the import bill went berserk and Pak rupee depreciated hugely. This economic chaos lead to political disorder and threat of debt default since the external financing requirements went out of control without foreign bailout. Compared with India, Pakistan could not gain much from the new trade realignments or discounted energy relations with Russia because of a weaker negotiating strength overseas and its less flexible foreign policy.

Recommendations

Work towards greater diversity in energy imports, put more money into renewable energy and improve existing infrastructure. Build up solar, wind, hydro and nuclear energy and encourage more efficient energy usage ahead.

Strengthen modern farming, make irrigation better and grow crops that are highly productive. Better preserve and supply food from stores, put away a surplus of staple foods and not depend on a single kind of plant.

Establish the reputation of your central bank, keep inflation in check and change how your taxes are imposed. Adopt digital solutions for public finance, lessen the use of subsidies and create powerful plans based on data.

Have a diverse network of countries trading and develop your transport system. Order important products using trade pacts and boost valuable domestic areas with resources.

Adopt responsible debt policies and select preferably those loans that are more affordable.

Work on becoming financially responsible, invest more in the financial system and keep public finances clear of tentative deals.

- Use average principles in international relations to protect agreements on trade, energy and defense. Forge stronger bonds with varied nations and look after the country's economic welfare.
- Make sure to spend on education, health and training to increase your skilled workers. Help innovations in environmental, artificial intelligence and digital areas to develop a knowledge-driven economy.
- Support nearby countries by assisting with trading, sharing energy and ensuring enough food. Re-energize SAARC/BIMSTEC in order to face common economic and humanitarian issues together.
- Support the use of clean energy, environmentally friendly development and that can weather climate change. To support green growth, use fees for carbon, plant forests and use efficient planning.
- Make sure you have early alerts and changing emergency plans. Maintain savings, have plans for disaster funding and regularly run simulations to get ready.

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