

DOUBLE-EDGED SWORD OF THE ECONOMIC SANCTIONS HARMS THE REGIONAL ECONOMIC CONNECTIVITY AND GLOBALIZATION AND DISTURBS THE INTERNATIONAL ECONOMIC RELATIONS

KAMRAN KHAN

Research Engineer

Pakneftegaz, Islamabad, Pakistan,

Email: kamrankhan.azerbaijan@gmail.com

ORCID ID: 0000-0002-2470-1296

Abstract: The country that imposes sanctions and the sanctioned country both face significant economic losses in miscellaneous sectors of the economy, employment shrinkages, and in many cases create obstacles for projects of an economic nature. Economic sanctions make it difficult to achieve the United Nations sustainable development goals.

Pakistan cannot start construction work on the 56-inch diameter Iran-Pakistan gas pipeline because of United States sanctions fear. The result will be the 18 billion dollar penalty, which will seek Iran from Pakistan in the future if Pakistan fails to complete the project. Forty percent of Pakistani people are living below the poverty line. The imported pipeline gas is the cheapest option for poor Pakistanis than an imported liquefied natural gas pipeline. No United Nations member state has the right to impose economic sanctions on other United Nations member states as per the United Nations Declaration on the Inadmissibility of Intervention in the Domestic Affairs of States and the Protection of Their Independence and Sovereignty.

The Republic of Moldova joined the Vertical Natural Gas Corridor. Diversification of gas supply sources is a good approach from Moldova's energy security point of view. The natural gas received from the Vertical Natural Gas Corridor will be the combination of costly liquefied natural gas and cheap Azeri Trans-Adriatic Gas Pipeline. A Russian pipeline gas through the territory of Ukraine is another dimension of energy security, and the government of Moldova needs to benefit from this opportunity. The Iasi-Ungheni pipeline from Romania to Moldova is the third source of gas supply diversification.

Regional economic interdependence and globalization are the key instruments for economic growth. Economic sanctions harm the economies of not only the sanctioned country but the economies of multiple other countries. Sanctions on Belarusian potash negatively impact the food security of the world. It increases fertilizer prices and food prices. The economies of Belarus and Lithuania are not only suffering but also multiple other nations of the world are caused harm by this sanction.

Keywords: economic sanctions, Iran-Pakistan gas pipeline, United Nation's Declaration, vertical natural gas corridor, Moldova's energy security, globalization

JEL Classification: F51, F02, F6

Introduction

The world's population is 8.2 billion. Resource sharing, regional economic connectivity, regional economic interdependence, and globalization are the key instruments to achieve the United Nation's sustainable development goals, eradicate poverty, reduce hunger, and generate employment opportunities.

Economic sanctions are called a double-edged sword because it harms the economies of both target and sender countries, and it also affect multiple other nations of the world. The United Nations Security Council has the basic responsibility for maintaining peace and responsibility worldwide as per the United Nations Charter. Sanction can be classified into three categories. Type of sanctions: Arms sanctions, travel restrictions, financial sanctions, trade sanctions, arms sanctions, economic sanctions, etc.

Objectives of the sanctions: Destabilize regime in any country, democracy, territorial conflict, prevent war or end war, terrorism, human rights, political objectives, and other miscellaneous objectives.

The success of Sanctions: Settlement by negotiations, Partial or full success/achievement, failure, etc.

Sanctions are failed and ineffective because of globalization. Russian Federation is bypassing more than 21,000 miscellaneous sanctions, and it has high-income economy as per the World Bank.

Pakistan’s pipeline projects and regional economic connectivity

The energy requirements of Pakistan are increasing day by day. Pakistan is working on miscellaneous gas import projects. These are three gas import pipeline projects, but Pakistan’s Ministry of Energy (Petroleum Division) has failed to execute these important projects of a purely economic nature.

- Turkmenistan–Afghanistan–Pakistan Pipeline Project. It is 1,814 kilometers long pipeline, and the pipeline diameter is 56 inches.
- Iran-Pakistan gas pipeline project. The pipeline length is 2,775-kilometre, and the pipeline diameter is 56 inches. Iran already layed the gas pipe to the border of Pakistan.
- Pakistan Stream Gas Pipeline Project (formerly known as the North-South gas pipeline). It is a 1,100-kilometer-long pipeline. The operator and contractor will be the Russian Federation company Gazprom. It will transport Russian Liquefied Natural Gas (LNG) from Pakistan’s port city of Karachi to Pakistan’s city of Kasur in Punjab Province.

Pakistani Engineer Kamran Khan proposed two crude oil (including heavy oil) pipeline routes in Russian Federation’s Ukhta State Technical University in an international conference in November 2023.

Pipeline Route No.1: A large diameter pipeline for transporting crude oil through the Russian part of the Caspian Sea, Turkmenistan, Afghanistan, and Pakistan.

Pipeline Route No.2: A crude oil pipeline from Russia through Kazakhstan, Uzbekistan, Afghanistan, and Pakistan.

In the future SAARC (South Asian Association for Regional Cooperation) countries will also be able to join this pipeline. SAARC has a population of over 1.7 billion people and a much bigger market than the European Union.

Russian Federation ranks first, and Iran ranks second in natural gas reserves in the world. Iran is already supplying a 2,577-kilometer-long natural gas pipeline from Iran’s city of Tabriz to Türkiye city of Ankara. Iran is also pumping natural gas to the landlocked country of Armenia through the 140-kilometer-long pipeline.

In the case of Pakistan, the United States needs to consider that Pakistan is a lower middle-income country and its industry and agriculture is declining because of natural gas shortages. In addition, the common people of Pakistan are suffering because of gas load-shedding and high gas prices. Pakistan’s Ministry of Energy (Petroleum Division) is in a very difficult situation. If Pakistan cannot execute the Iran-Pakistan gas pipeline project, Iran has the right to impose a penalty of 18 billion dollars as per the contract. If Pakistan executes the project, there is continuous fear of United States sanctions, and this is the other dimension.

Pakistan strongly believes in regional economic connectivity and globalization. In addition, Pakistan is enjoying good relations with Iran, the Russian Federation, other regional countries, and the United States.

Moldova’s pipeline projects and regional economic connectivity

Moldova is working on a good energy security strategy and regional economic connectivity plans. There are three energy source diversification projects.

- Iasi-Ungheni pipeline from Romania to Moldova. This pipeline is operational.
- A Russian pipeline gas through the territory of Ukraine to Moldova is another dimension of energy security.
- Vertical Natural gas corridor. This pipeline project connects the economies of regional countries of Greece, Bulgaria, Romania, Hungary, Slovakia, and Ukraine with Moldova. It involves the Transmission System Operators (TSO) of seven countries.

Russian Federation’s offshore gas pipelines to Germany and economic interdependence

Mentioned below two pipelines were constructed to transport cheap offshore pipeline gas from the Russian Federation to Germany.

- Nord Stream 1 pipeline. It is 1,222 kilometers long pipeline and has a diameter of 48 inches.
- Nord Stream 2 pipeline. It is 1,234 kilometers long pipeline and has a diameter of 48 inches. Both gas pipelines are run under the Baltic Sea from the Russian Federation to Germany. Pipeline gas is always cheaper than liquified natural gas (LNG).

Despite United States sanctions and continuous opposition, both Germany and the Russian Federation completed the construction of Nord Stream 2 in September 2021. Presently both the offshore gas pipelines are not operational. United States is the dominant liquified natural gas (LNG) supplier in Germany. Why the Russian Federation’s gas is low cost for Germany and other regional European countries?

First reason: Both onshore and offshore pipeline distances are not very far from the Russian Federation to European Union countries including Germany. The shipping distance of the United States and other suppliers (excluding Norway) to Germany is far as compared to the shipping distance of the Russian Federation to Germany.

Second reason: Pipeline gas has always low cost as compared to liquified natural gas (LNG). Germany or other European Union countries can switch to liquified natural gas (LNG) as a second option to the Russian Federation, Norway or Azerbaijan. Russian Federation gas transmission pipeline infrastructure is already available in European countries. European countries need to benefit their economy from low-cost Russian gas.

Regional economic interdependence is necessary for the sustainable development of the European Union and the rest of the world. Russian Federation and Iran strongly believe in natural resource sharing with regional countries and interdependence in the global economic system.

Sanctions on Belarusian potash and rest of the world

The sanctions on Belarusian potash fertilizers badly affect the economy of Lithuania (the sanctions sender country). While the Belarus (the sanctions target country) will build a multimodal port for its cargo in the Murmansk region of the Russian Federation to bypass sanctions. This is the way to bypass sanctions.

The South Asian Association for Regional Cooperation (SAARC) countries market is the biggest for Belarusian potash fertilizers as compared to the European Union. The population of SAARC countries is 1.93 billion while the population of the European Union is 448 million. Pakistan ranks fifth in the world in terms of population and more than 235.8 million people are living in Pakistan. That’s why Engineer Kamran Khan proposed the construction of the “Potash Hub” in the Kech district (old name Turbat District) of Pakistan’s Province of Balochistan at the international conference at Belarus State Economic University, Minsk in April 2024.

Belarus potash reserves rank second in the world and its global share is 22.73%. There are multiple negative effects on the global economy as the result of imposed sanctions on Belarus potash. These are given below.

- Infringement of human rights.
- Increase of potash prices in the world market.
- Disturb agriculture and increase hunger in many countries of the world.
- Threat to global food security.
- Threat to economic interdependence, regional economic connectivity, and globalization.
- Threat to United Nation’s sustainable development goal No.1 (no poverty).
- Threat to United Nation’s sustainable development goal No.2 (Zero hunger).
- Threat to United Nation’s sustainable development goal No.3 (Good health and well-being).
- Threat to Belarusian’s natural resource-sharing commitments to other nations of the world.
- Lithuanian port of Klaipėda on the Baltic Sea is experiencing cargo drop and economic difficulties.

Conclusions

(i) More than 1.5 million Ukrainian citizens entered Moldova because of the Ukraine crisis, and 120,000 are residing there. The population of Moldovan is 2.5 million. Moldova is a small landlocked country and small economy. There is tremendous pressure on the economy of Moldova, because of the Ukrainian refugee influx. It is recommended that Moldova needs to avoid sanctions against the Russian Federation and Belarus. This is essential for its economy.

(ii) Pakistan needs to quickly start work on Iran-Pakistan gas pipeline project. Pakistan must prepare the detailed plan to counter the potential threat of United States sanctions on this economic project. Presently, the Russian Federation is the most sanctioned country in the world

after Iran. Pakistan can seek the help of Russian Federation which have extensive experience to counter the sanctions. In addition, Pakistan needs to engage the United States administration and brief the economic benefits of gas pipeline project to achieve the United Nation’s sustainable development goals in Pakistan.

(iii) Germany and other European countries need to get benefit from its closest regional country Russian Federation in terms of low-cost pipeline gas and low-cost liquified natural gas. Sanctions politics will negatively affect the industry, agriculture, and people of small sovereign European countries. In addition, the Russian economy is also badly impacted.

(iv) If we study the scenario of landlocked Belarus and Lithuania, sanctions are targeting the other countries of the world. Lithuania must protect its economy and play its role in global food security and lift the sanctions on Belarus and the Russian Federation.

(v) Company Pakneftegaz provides consultancy services to bypass miscellaneous types of sanctions.

References

1. Kamran. K., Vladimirovna, B., & Evgenievna, Y. 2023. Ways to expand energy cooperation between the Russian Federation and Pakistan on Russian heavy oil, other types of crude oils and oil refining). Scientific and technical conference Problems of geology, development and exploitation of deposits, transportation and processing of hard-to-recover reserves of heavy oils, Ukhta State Technical University, Russian Federation. pp.112-113, https://www.ugtu.net/sites/default/files/Pages/file/sbornik_vvn-2023.pdf
2. Kamran, K., 2024. Sanctions against Belarusian potash industry and proposed role of Pakistan’s Balochistan as a Belarusian potash hub. 2nd International Student Scientific Conference ‘ECON-2024: World Economy and International Business’, Belarus State Economic University, Minsk.
3. Christine, A., 2024. The Russia Sanctions: The Economic Response to Russia's Invasion of Ukraine. first ed. London: Cambridge University press.
4. Brendan. T.,2009. American Sanctions in the Asia-Pacific. first ed. United Kingdom: Routledge, Taylor & Francis Group.