



# Geopolitical Shocks and Supply Chain Disruptions in Pakistan

## Introduction

Supply chains have developed into intricate, interconnected networks that support commerce, industry and economic growth in today's international economy. Recent geopolitical shocks, however, have highlighted these institutions' vulnerability and revealed system flaws that were previously underestimated. Global supply chains have been severely affected by events like pandemic COVID-19 and the Russia-Ukraine War which have stopped manufacturing, raised transportation costs and created widespread uncertainty in trade flows. These shocks have shown how quickly localized crises can turn into worldwide economic disturbances.

Supply chain and logistics risks are a significant macroeconomic concern for developing economies like Pakistan which mostly depend on imported energy, industrial inputs and external trade routes. The effects of external shocks are amplified by persistent vulnerabilities such as poor logistics infrastructure, fluctuating exchange rates and reliance on a few trading partners. Global supply chain disruption consequently results in imbalance in the external sector, industrial slowdown and domestic inflation.

In the context of geopolitical shocks this essay explores the nature of supply chain and logistics risks, assesses their economic impact on Pakistan using current empirical data and suggests strategic policy solutions to improve resilience and long-term economic stability.

## Understanding Supply Chain and Logistics Risks

The interrelated systems involved in the production and distribution of goods including sourcing, manufacturing, transportation and final delivery are referred to as a supply chain. Transportation, warehousing, port operations and customs procedures are all part of logistics which is an essential part of supply chain. Any disruption to one of these components could have significant economic repercussions.

Transportation disruption which can result from a pandemic, geopolitical conflicts or regulatory disruptions, delay shipments increase lead time and raise operational costs for businesses. Another significant issue is supplier concentration risk, especially when nations rely heavily on a small number of suppliers for necessities. Because a disturbance in one area

might stop entire manufacturing operations this concentration increases susceptibility to external shocks.

Freight cost volatility has emerged as a key challenge in recent years, fluctuations in fuel prices, shipping demand and global trade conditions lead to sharp increases in transportation costs. For import-dependent economies this directly translates into higher production costs and inflation. Additionally, infrastructure bottlenecks such as inefficient ports, outdated transport systems and lengthy customs procedures further exacerbate logistics challenges reducing trade efficiency and increasing costs.



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## Geopolitical Drivers of Supply Chain Disruptions

Recent geopolitical developments have significantly altered the global supply chain landscape. Unprecedented disruptions such as labor shortages, manufacturing closures and limitations on foreign travel were brought on by the COVID-19 pandemic. The World Bank (2025) reports that during the early stages of the epidemic, global trade volumes drastically decreased underscoring the vulnerability of tightly integrated supply chains.

Supply chain disruptions have been worse as a result of the Russia-Ukraine War especially in the markets for gas, food and fertilizers. Major wheat and energy exporters, Russia and Ukraine, have experienced severe supply constraints and price volatility as a result of the conflict. By raising import prices and escalating inflationary pressure, these disruptions have disproportionately impacted emerging economies, according to the International Monetary Fund (IMF, 2025).

Global supply chains have also become more fragmented as a result of the US-China Trade War. Multinational firms have been compelled by trade restrictions and tariffs to shift supply chains and diversify their manufacturing, frequently at greater expense.

Global trade networks now have additional inefficiencies as a result of this shift toward "deglobalization" or regionalization.

Together, these geopolitical factors have raised market uncertainty worldwide increasing supply chains' vulnerability and unpredictability.

and after the pandemic due to an increase in global shipping prices. In addition to causing inflation, higher freight costs make exports less competitive in global markets. Another important factor is the volatility of exchange rates. The depreciation of the Pakistani Rupee raises the prices of imports especially necessities like machinery and petrol. The State Bank of Pakistan (SBP, 2025) claims that changes in

**Table 1: Industries Affected by Supply Chain Disruption Risks (In the Context of Middle East)**

Product	Est. Global Supply Share	Importance	Industry Affected
<b>Crude Oil</b>	30 to 35%	Primary energy source; critical for transport, electricity and production	Transport, Power Generation, Manufacturing, Aviation and Logistics
<b>Liquefied Natural Gas (LNG)</b>	20 to 25%	Key fuel for power generation and industrial use	Cement, Energy, Fertilizer and Textile
<b>Petrochemicals</b>	25 to 30%	Essential for plastics, chemicals and industrial materials	Automotive, Packing, Textile and Pharmaceuticals
<b>Fertilizer (Ammonia and Urea)</b>	15 to 20%	Vital for agriculture and food industry	Agribusiness, Food Processing
<b>Polymer and Plastic</b>	20 to 25%	Used in packaging materials	Construction, FMCG, Health and Packaging
<b>Aluminum</b>	10 to 15%	Lightweight metal used in construction	Automotive, Aerospace, Construction, Electrical Equipment
<b>Steel (Via Energy)</b>	Energy Dependent	Production dependent on Middle East energy supplies	Construction, Engineering and Infrastructure
<b>Food Commodities via Trade Routes</b>	Strategic Routes Control	Supply routes crucial for food trade through Gulf shipping lanes	Food Industry
<b>Shipping and Logistics Routes</b>	Control of Key Sea Routes	Critical for global trade flow	All trade-dependent industries

*Source: Compiled by Author based on published studies and institutional guidelines*

### Pakistan's Supply Chain Vulnerabilities

Pakistan is especially vulnerable to interruptions in the global supply chain because of its economic structure. One of the main causes of vulnerability is the nation's over-reliance on imports. Petroleum goods, machinery and industrial raw materials continue to dominate imports, according to Pakistan Economic Survey (2025) rendering the economy extremely vulnerable to changes in global prices.

These vulnerabilities are made worse by limitations in the logistics system. The majority of Pakistan's trade is handled by major ports like Karachi Port and Port Qasim, although they constantly struggle with issues including congestion, capacity constraints and operational inefficiencies. Pakistan routinely scores lower than its regional counterparts on the World Bank's Logistics Performance Index (LPI) a sign of structural flaws in logistics effectiveness.

Pressure on freight costs has also increased recently. Pakistan's import expense increased dramatically during

exchange rates continue to be a major cause of inflation and volatility in the external sector.

Lastly, Pakistan is vulnerable to uncontrollable geopolitical risks due to its reliance on Middle Eastern oil routes. The nation's energy supply and economic stability may suffer rapid and serious repercussions from any disturbance in these areas, whether brought on by political unrest or conflict.

### Economic Impact on Pakistan

Disruptions to supply chains and logistics have a substantial and complex effect on Pakistan's economy. Inflation is one of the most noticeable consequences. Disruptions in the supply chain raise the price of imported items, especially food and fuel, which are vital parts of the consumption basket. Pakistan's reliance on imports is reflected in the SBP Inflation Dynamics (2025) which states that global commodity prices have a significant impact on the country's inflationary forces.

**Table 2: Industries Affected by Supply Chain Disruption Risks (In the Context of Pakistan)**

Product	Est. Pakistan Dependency on Middle East	Importance	Industry Affected
<b>Crude Oil</b>	70 to 80% of oil imports from Gulf countries	Backbone of energy supply; fuels transport and power generation	Transport, Power Generation, Textile, Cement and Logistics
<b>Liquefied Natural Gas (LNG)</b>	60 to 70% imported from Qatar	Key fuel for power generation and industrial use	Captive Power Units, Power Generation, Fertilizer and Textile
<b>Petrochemicals</b>	High import reliance	Essential raw material for manufacturing and packaging	Plastics, Pharmaceuticals, Textile and FMCG
<b>Fertilizer (Inputs)</b>	Gas linked imports	Supports agriculture productivity and food security	Agribusiness, Food Processing
<b>Polymer and Plastic</b>	Mostly imported	Used in packaging materials	Healthcare, FMCG, Health and Packaging
<b>Edible Oil (Palm Oil)</b>	80 to 90% imported via Middle East hubs	Essential food commodity	Food Industry
<b>Coal via Indirect Routes</b>	Partially via global routes influenced by region	Power and cement sector	Construction, Engineering, Infrastructure and Steel
<b>Shipping and Logistics Routes (Gulf)</b>	Majority of imports pass through Gulf routes	Critical for trade connectivity	All import/export dependent industries

*Source: Compiled by Author based on published studies and institutional guidelines*

There is also a negative impact on industrial output. Manufacturing processes are disrupted by shortages of intermediate goods and raw materials which lowers productivity and capacity utilization. Economic growth is directly impacted by this. According to the Government of Pakistan (2025) supply side issues continue to limit industrial performance even if GDP growth has shown signs of recovery.

Another area of concern is the trade balance. A growing trade deficit is a result of both rising import prices and relatively slow export growth. In FY 2025, Pakistan had a brief current account surplus, however this was mostly due to remittances rather than structural export growth performance (SBP, 2025). This emphasizes how vulnerable the foreign sector is. Pressure on the balance of payments is also a result of supply chain disruptions. According to IMF, foreign exchange reserves are strained by rising import costs and falling capital inflows, increasing reliance on outside funding. Persistent external imbalances continue to be a major threat to Pakistan's macroeconomic stability (IMF, 2025).

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### Evaluation of Pakistan's Current Response

The majority of Pakistan's governmental responses to supply chain disruptions have been temporary and reactive. The management of foreign exchange pressures has often involved the use of import restrictions. Although these actions offer short-term relief, they impede economic activity and upset industrial supply lines.

Another important element of Pakistan's response strategy has been its reliance on outside funding, especially from the IMF and bilateral partners. Such funding raises external debt and while ignoring underlying structural flaws, even if it is required to stabilize reserves.

In recent years, there have been some encouraging developments. The SBP's macroeconomic stabilization policies have assisted in lowering inflationary pressure, maintaining exchange rate stability and replenishing foreign exchange reserves. There have been little structural changes in supply chain management and logistics nevertheless. The need for a more proactive approach to supply chain risk management is highlighted by the lack of a comprehensive forward-looking plan.

### Strategic Way Forward

Pakistan needs to implement a comprehensive and forward-thinking economic plan in order to increase resilience against geopolitical shocks. Diversification of the supply chain is an essential first step. Pakistan can lessen the effect of outside disruption and guarantee supply continuity by lowering its reliance on a small number of trading partners.

Infrastructure investment in logistics is similarly crucial. Adopting digital technology, updating ports and enhancing transportation networks can all greatly increase productivity and cut expenses. The World Bank (2025) states that trade competitiveness and economic growth can be significantly impacted by improvements in logistics performance.

Initiatives for regional connectivity like the China-Pakistan Economic Corridor (CPEC) have substantial chances to improve trade routes and logistics networks. When such initiatives are implemented well, they can improve regional connectivity and lower transportation costs.

Another crucial tactic is to encourage home manufacturing of necessities. Targeted import substitution can lessen susceptibility to external shocks and promote industrial development even when total self-sufficiency might not be possible.

Lastly, creating a strong foundation for risk-management is crucial. This entails boosting data-driven decision-making, maintaining strategic stocks of essential commodities and strengthening institutional crisis response capabilities. Economic resilience can be greatly increased by taking a proactive approach to risk management.

### Conclusion

The global economic landscape has undergone a fundamental transformation due to geopolitical shocks which have elevated supply chain logistics concerns to the forefront of policy discourse. Pakistan's structural vulnerabilities such as its significant reliance on imported energy and industrial inputs, inadequate logistics infrastructure and ongoing imbalances in the external sector make these problems especially severe for the country. This article demonstrates how disruptions resulting from international events like pandemics, geopolitical wars and trade tensions quickly spread to the local economy through increased import prices, inflationary pressure and limitations on industrial production.

Pakistan's overall reaction is still primarily reactive, concentrating on crisis management rather than long-term readiness even though recent fiscal stabilization measures have enhanced short-term resilience. The underlying inefficiencies in supply chain systems are not addressed by policies like import restrictions and reliance on outside funding although they offer short-term relief. This emphasizes how crucial it is to make strategic changes in order to increase adaptability and resilience in the face of an increasingly unpredictable global environment.

Pakistan has to implement a comprehensive and forward-thinking economic plan that places a high priority on improved regional connectivity, modernizing logistics infrastructure and diversifying its supply chain. Strengthening trade networks and cutting down on logistical inefficiencies can be greatly aided by utilizing programs like the China-Pakistan Economic Corridor (CPEC). The impact of exogenous shocks can also be lessened by encouraging selective domestic production and creating strategic reserves of necessities.

In conclusion, Pakistan must develop a robust supply chain as a strategic imperative as well as an economic need. The nation may better handle geopolitical uncertainty and set the groundwork for inclusive and sustained economic growth by shifting from volatile policymaking to a proactive and coordinated approach.

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