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9710 583 466



9710 583 466



ijmrset@gmail.com



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# Russia-Ukraine War: It's Impact on South Asia

Dr. Akanksha Dudi

Assistant Professor, Political Science, SRRM Govt. PG College, Jhunjhunu, India

**ABSTRACT:** The Russia-Ukraine war erupted when the world was still struggling with severe adverse impacts of the Covid 19 pandemic. The twin impact has convoluted the already feeble and transitional world order marked by several hotspots, unstable and failed regimes, climate change, terrorism and radicalisation, protectionism and ultra-nationalism, failed aspirations of the masses and geo-political, geo-economic and geo-religious contestations across the global spectrum. Sino-US and US-Russian rivalries are taking the international order to the bottom of the pit thereby creating havoc in the value and supply chains as well as inducing existential threats to peace, development and the sheer viability of the international liberal economic system which has been repeatedly knocked adversely, at least since the 2008 financial crisis later compounded by several wars and the pandemic. South Asia, with its huge developmental challenges and ongoing politico-economic challenges is no exception. Ukraine War has deepened that crisis even more.

**KEYWORDS:** Russia-Ukraine, political, impact, south asia, economic, challenges, religious, international

## I. INTRODUCTION

Speaking at the Davos Economic Forum, Ukrainian President Volodymyr Zelensky warned of famine and a hunger “catastrophe,” as he accused Russia of blocking grain exports from his war-torn country — which the U.S. has described as an effort “to break the spirit of the Ukrainian people.” Accusing Russian forces of blocking his country from exporting 22 million tonnes of food products and cereals including wheat, barley, sunflower and more. Russia, on the other hand, has blockaded the Black Sea ports of Crimea and Odessa, which has provided it with a negotiating leverage as it demands a quid pro quo through the lifting of crippling sanctions against Moscow when Putin even claimed that world oil prices could go up to USD 300 a barrel. Nearly every part of the world has been impacted by the 3F crisis i.e. food, fuel and fertilisers.

As the 4th month of this devastating war continues, its end does not appear to be on the horizon but collateral damage is far too visible on a daily basis for the developing countries which have nothing to do with it. The unique features of this war in the 21st century have clearly been weaponisation of financial instruments by the West through unprecedented sanctions against Russia; weaponisation of food and fuel by Russia especially against the Europeans as it tries to salvage and blunt the severe economic impact of its geo-political contestation with USA. Surge in fuel and food prices are impinging on the daily lives of the people from the most developed countries to the least developed ones. US has the highest inflation in decades, with Europe following suit. UK is struggling with the lowest standards of living after the post second World War times. Russian economy will have long term impact. Public disquiet and discontent are on the rise and may have damaging repercussions not only for the economy but also on domestic politics, especially of democracies. The Food and Agriculture Organization of the United Nations said in April that “Russia’s war on Ukraine was mostly responsible for the 17.1% rise in the price of wheat, barley, corn and other grains”.

USA and the Biden Administration which is being accused of precipitating this war and crisis continues with its policies of pumping in arms and propping up the Ukrainian government despite the ensuing destruction and displacement of more than seven million Ukrainian refugees. At a U.N. Security Council meeting on May 19, U.S. Secretary of State Antony Blinken, accused Russia of weaponising food and holding grain hostage “to break the spirit of the Ukrainian people.” Blinken accused Russia of seeking to control Ukraine’s ports and access to the Black Sea and the Sea of Azov since launching its invasion in February, calling it a “deliberate effort” to shut down shipping and block any safe passage.[1]

The devastating impact of this avoidable war is being felt all across the developing world. The impact in South Asia is visible in terms of economic turmoil as also in the political domain. Pakistan, Sri Lanka, Nepal, Myanmar, Maldives



and Afghanistan have particularly suffered while India, Bhutan and Bangladesh have fared better. But the adverse impact is there for all to see, since most regional economies are dependent on the 3F imports. Combined with devastating impact of the pandemic, the current situation continues to worsen especially in countries of South Asia which are heavily dependent on imports of costly energy. Several economies like Maldives and Sri Lanka, which were dependent on tourism, have their own tales of woes to tell.

Observers estimate that the impact of the Ukraine war on South Asia will be far more and be felt longer than the adverse impact of the Covid 19 pandemic as it is directly affecting the logistics and standard and essential supplies from the same very sources. Trade linkages will be affected and that is being witnessed nearly on a daily basis as Russia squeezes the Ukrainian exports through the ports and otherwise while its own exports have come under severest sanctions. This is causing a major problem for many smaller countries in South Asia in continuing with business as usual for fear of provoking the American ire and secondary sanctions. But, as the sanctions are impacting in equal or greater measure the imposers themselves let alone the developing world, the stress in adopting more of the same approach would be difficult to sustain in the long run. Russia is claiming that the sanctions have not affected it. On the contrary, Russia has profited from its oil and gas sector due to increased prices and sales both to China, Europe, India and elsewhere. Efforts by the Europeans to wean away from the Russian oil and gas will take a while but their increasingly hostile stance could create greater opportunity for the Russians to deal with countries in South Asia and elsewhere on a bilateral basis and enable them to enhance and expand their trade basket. It is already visible with India which had refused to condemn the Russian aggression and even is looking to enhance its trade ties and imports of oil at discounted prices as the Russians continue to offer the same at competitive prices. Michael Kugelman avers that 'Russia doesn't currently have a deep footprint in the smaller South Asian states, but it has explored some trade and investment, especially in the energy sectors in Nepal and Bangladesh and in Sri Lankan tea, of which it is a major importer.' [2]

There has been umpteen instance where the impact of sanctions has been mixed and often dubious as countries find alternative means of survival. Gaddafi's Libya was under huge sanctions but their access through Malta and Tunisia not only helped them wade through but also helped the economies of those countries. Similar trade diversion was observed when the United States imposed sanctions against Iran. Iran shifted to trading with some European and Middle Eastern countries, while India and China conducted barter trade with Iran, exchanging crude oil for food. But such benefits may not be sufficient to offset the cost of higher commodity prices and lower external demand for South Asian countries claims Nandalal Weerasinghe, former Senior Deputy Governor of the Central Bank of Sri Lanka [3]. He further argues that the direct impact on South Asia will mainly occur through trade linkages, particularly through rising commodity prices as the region is a net importer of commodities. Even before the invasion, inflation in South Asian economies was rising relative to competitors in global markets. The additional shock in commodity prices will further widen the gap, increasing the relative cost of production in the region and eroding the competitiveness of cheap labour and energy-intensive industries. Moreover, lower global demand for goods and services from the region and increased volatility and uncertainty in financial markets leading to capital flight to safety will indirectly impact the region. The solution therefore is to resolve the crisis at the earliest.

Another major problem facing the world including South Asia, has been that of irreversible climate change. Summits after summits and COP26 targets may all go into a spin as the energy security at any cost becomes a major challenge for all the countries. Constrained supplies due to sanctions at a high cost will have unprecedented impact on economies and political approaches. Ordinarily, the countries would seek to diversify their sources of energy through renewables, such as nuclear energy, hydro power, wind and tidal energy and green hydrogen. But now countries are resorting to greater use of coal and hydro carbons, which will impact on global warming and may decelerate the desired objectives set out with much fanfare. On the other hand, the developed world might speed up its quest for alternate sources including renewables but for the resource restrained developing world the options will become further limited. One could, in the short term, witness 'energy hegemonism' acquiring greater salience leading to further carbonisation of the climate.

The Russia-Ukraine war is a wake-up call, not only for Europe but for all countries needing secure energy and food sources. Sky-high energy costs have led countries to realise that they can no longer depend on imported fossil fuels, which may drive a shift away from fossil fuels altogether.



### III. DISCUSSION

Writing on the issue, Han Phoumin, a senior energy economist at ERIA (Economic Research Institute for ASEAN and East Asia) stated that the International Energy Agency issued 10 measures to reduce the European Union's reliance on Russian natural gas imports[4]. These included jumpstarting renewable wind and solar projects and maximising energy generation from existing low-emissions sources such as bioenergy and nuclear power.[5] It would be useful to see how the adverse economic impact is being handled by some countries in South Asia.

#### India

India is the largest and fastest growing economy in the region and has perhaps the greatest resilience with strong democratic foundations. It has handled the pandemic very effectively not only producing its own vaccine in record time but also provided the vaccine to the world, starting with her neighbours in the spirit of 'Vasudhaiv Kutumbakam'. In addition, India swiftly addressed the economic downturn, caused due to pandemic, through ongoing economic and structural reforms as well as pro-business policies and financial incentives embedded in the Production Linked Schemes (PLI). At the same time, the country remained focussed on the "Atmanirbhar (Self-reliance with a global outlook) campaign underwritten by 'Make in India for the world' and 'Local for Global' approaches to develop and secure regional and global value supply chains. Little wonder then, that India is being projected as the fastest growing major economy in the world with both the IMF and World Bank predicting India's GDP growth to be between 7.5 to 8%. The Ukraine war has no doubt impacted cyclically on the pace to a great extent as the fuel prices have hit the roof, leading to inflation and higher cost of living. But happily, India has been following the energy diversification policies for quite some time now and has acquitted itself creditably, especially in the renewable and solar energy sectors aiming to reach 500GW by 2030. But given the fact that India has 1/6th of the world's population, her demands are equally gigantic and challenges immense. Despite her own compulsions, India has emerged as a first responder in the region in any crisis.

India supplies oil and gas to Nepal, Bhutan, Afghanistan, Maldives, Bangladesh and Sri Lanka and others and has extended substantial lines of credit, grants and finance facilities to these countries to import food, fuel and fertilisers to cope with their economic challenges. Smaller economies, whose capacities and market size are not so developed, are bearing to a far greater extent the brunt of both the pandemic and the Ukraine war and do need urgent help as the politico-economic crisis threatens their social fabric.

In the Russia-Ukraine conflict, India has maintained a principled position and has abstained on an unprecedented dozen resolutions in the UN. It continues to work for early cessation of hostilities and professes peace, dialogue and diplomacy within the ambit of UN Charter as it continues to provide humanitarian assistance to Ukraine. While enjoying the Global Comprehensive Strategic Partnership with USA and Special and Privileged Strategic Partnership with Russia, India has still maintained a principled stance in the quest for global peace and in her enlightened national interest.

On the other hand, India has called out the hypocrisy and unilateralism of sanctions by the US and Europe when they expressed their displeasure against India for importing even a little bit of oil from Russia. But India has not budged from its position and gave a fitting response when External Affairs Minister Dr Jaishankar retorted at a press conference on the side-lines of 2+2 dialogue (April 13,22) in the US: "If you are looking at energy purchases from Russia, I would suggest that your attention should be focused on Europe... We do buy some energy which is necessary for our energy security. But I suspect, looking at the figures, probably our total purchases for the month would be less than what Europe does in an afternoon. So, you might want to think about that." Again, while in Europe (June 5 Slovakia) he reiterated that if Europe manages to procure oil and gas from Russia in a way to ensure that the impact on its economy is not traumatic, that freedom should exist for others as well. India's decisions will be guided by her energy security needs and not by the opinion of others.

#### Sri Lanka

Situation in Sri Lanka cannot be uniquely attributed to the Russia-Ukraine war, as the crisis in Sri Lanka is the result of a cumulative impact of bad policy decisions, accrual of non-performing assets, crippling and unproductive Chinese debt, political corruption, pandemic and extremist events. A further stimulus by the Eurasian situation can create havoc. The inflation rate in Sri Lanka stood at over twenty percent, with the island nation also experiencing power cuts of over 12-15 hours due to non-availability of fuel. In addition, there were crippling shortages of food and medicine. Civil war in such situations is assumed high probability. Wrath of the masses and continued demonstrations often turned violent



against the Rajapaksa Government, further accentuating the political and economic crisis. Sri Lanka, which used to get large numbers of Russian and Ukrainian tourists felt the immediate brunt of the war and its hopes of reviving the tourist inflows fell prey to the queer combination of external war and internal strife. Foreign cash inflows from tourism, which were in the region of USD four to seven billion dwindled considerably, [4]causing further economic stress, unemployment and popular discontent.

India has tried its best to rescue the Sri Lankan situation by providing lines of credit and deferring debt repayments to the tune of over USD 4 billion, while urgently supplying relief materials including food, fuel, fertilisers and medicines to help the people of Sri Lanka and stabilise the situation there. However, the extent and intensity of the impact is far too insidious to be turned around in a short term. The intervention of IMF, World Bank and the international community as well as improvement in external environment are a prerequisite over which the Sri Lankans have little control.

### **Afghanistan**

Since the 2020 departure of US military forces from Afghanistan, leaving the Afghan people high and dry to the mercy of Taliban,[5] the country has remained unstable economically and politically. The world was slow to respond to their urgent needs while the pandemic raged. Even worse, the impact of the Ukraine war was that Afghanistan fell from the global radar and remained a pariah state leading to greater isolation, which has caused further deterioration in the lives of the Afghan people. India, despite the initial set back, has come forward to help the people of Afghanistan through providing food supplies and critical medicines and has been requested by the Taliban government to restart various projects. A team visited Afghanistan to assess the ground situation. In this connection a MEA Press Release recounted “it may be recalled that in response to the humanitarian needs of the Afghan people, India decided to extend humanitarian assistance to the Afghan people. In this endeavour, we have already dispatched several shipments of humanitarian assistance consisting of 20,000 MTs of wheat, 13 tons of medicines, 500,000 doses of COVID vaccine and winter clothing. These consignments were handed over to the Indira Gandhi Children Hospital, Kabul and UN specialised agencies including WHO and WFP. Furthermore, India is in the process of shipping more medical assistance and food grains to Afghanistan.”[6] In continuation of India’s developmental partnership with Afghanistan, India has gifted one million doses of India-made COVAXIN to Iran to administer to Afghan refugees in Iran. India has also assisted UNICEF by supplying almost 60 million doses of polio vaccine and two tons of essential medicines.[7] The Taliban has highly appreciated India’s goodwill gestures and humanitarian assistance[8].

### **Pakistan**

Pakistan’s polity and economy have also been under tremendous stress with debt levels rising and poverty levels and cost of living increasing which have caused tremendous political discontent in the country. Former Prime Minister Imran Khan, in a rush to endear Russia, was at odds when he visited Moscow as soon as the invasion of Ukraine began. Pakistan depends a great deal on food and fuel imports hence the war had a direct impact due to high costs and limiting availability. It had maintained good relations with Ukraine in defence sector and was getting wheat and other supplies from there which were impacted immediately. As the Pakistani premier failed to manage the economy, the pandemic as also Pakistan’s foreign policy, he was forced out of office by the opposition, nudged by the deep state and military, which had decided that it was time for him to go. But the situation continues to worsen as structural issues combined with denial of the doles from Gulf monarchies are yet to be addressed. Even China, which had often paid up with increasing debt portfolio of Pakistan has also begun to understand the limitations of backing the wrong horse.[9] Islamabad has this uncanny ability to encash its nuisance value to the fullest, especially with regard to major powers like the US, Russia and China by playing the Kabul card. But for how long is the moot question.

Pakistan’s all-weather ally China along with nations like Saudi Arabia and the United Arab Emirates (UAE) are cautious towards disbursing loans to the crisis-hit nation, Bloomberg reported.[9] It quoted Pakistan finance minister Miftah Ismail that China, Saudi and the UAE urged Pakistan to speak first with the International Monetary Fund (IMF). “We went to Saudi Arabia, Dubai and spoke to other countries—they are ready to give money, but all of them say we need to go to the IMF first”[10]. It will be recalled that to tide over its fuel and financing issues, Prime Minister Shehbaz Sharif rushed to Riyadh and Abu Dhabi immediately after taking over. His foreign Minister Bilawal Bhutto Zardari went to China and Turkey. Islamabad is mulling over buying wheat from Moscow, defying the US and western sanctions.



After fuel & power crisis, debt-laden Pakistan is grappling with major wheat supply disruption. Prime Minister Sharif slammed the chief minister of Khyber Pakhtunkhwa province over the cost of 10 kg. wheat flour bag. Sharif said, 10 kg wheat flour bag cost shouldn't exceed PKR 400, else "I'd sell clothes to ensure cheap grain". Pakistan's wheat stocks will further slide due to mid-march heatwave, unavailability & high cost of fertilisers & water scarcity.[11] A lot of it is directly attributable to the Russia-Ukraine war, as imports become more burdensome.

### Nepal

Nepal has been facing a political crisis that has economic moorings worsened by the pandemic. At the UNGA, Nepal supported the US resolution against Russia stating that it believed in territorial integrity to be 'sacrosanct'. Of late, US has become far more interested and influential in South Asian region especially Nepal, as its Millennium Challenge Corporation (MCC with a \$500 million grant for infra projects) finally was able to make a head start. Soon after the UN vote on the Ukraine war, US Secretary of State Antony Blinken spoke with Prime Minister Sher Bahadur Deuba on the phone and thanked him for his government's decisions to endorse the MCC and the UN resolution[12]. But Kathmandu fears that huge developmental aid may get reduced due to war apart from the direct impact of the rising prices of commodities and fuel. Nepal imports more than 40% of its consumer requirements and 100% of its fuel needs. Its foreign exchange reserves are declining as the remittances have also reduced from the 3-4 million expat Nepalis. Like other countries, the Nepali students in Ukraine also had an adverse impact. Its tourism sector has been impacted due to pandemic and now war impinging on foreign exchange situation. Nepal would find it difficult to overcome the domino effect.[13]

## IV. RESULTS

A divisive geo-political context:

Although adverse economic impact of the Ukraine war is clearly evident in a real time manner, what was of no less significant importance was the reactions and approaches of the South Asian governments at the UNGA and other international organisations where western countries went in a missionary mode to force and persuade countries to condemn the Russian aggression. The resolution also demanded that Russia immediately, completely, and unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognised borders[13]. South Asian reaction was instructive and was nearly evenly divided. India, Pakistan, Bangladesh and Sri Lanka abstained on the UNGA resolution while Bhutan, Nepal, Afghanistan and Maldives went along with the US led resolution. Like Myanmar, the Afghan UN Representative was of the previous government but Taliban advised both sides to exercise restraint. It does reflect the underlying concerns of the Asian countries who are badly impacted domestically and would rather not get embroiled in the geopolitical contestation between USA and Russia. Despite consistent western pressure, India, exercising her strategic autonomy, singularly held on to her principled position and abstained 12 times at the UN on various resolutions while decrying the invasion and humanitarian catastrophe caused by the war.

Exercising her strategic autonomy in the War and otherwise, India will take a lead and regain its relationships with the neighbours as a substantial first responder. While In Slovakia (June 22) FM Dr S Jaishankar reiterated that India would not accept any "construct" based on choosing between a Western camp and a Russia-China camp, adding that India was entitled to make its choices after examining the issues "This is the construct that you are trying to impose on me and I don't accept it... My choices will not be cynical or transactional. There will be a balance of my values and my interests. There is no country in the world that disregards its interests. I am not sitting on the fence. I am sitting on my ground. The world cannot be that Eurocentric as it used to be in the past." [14]

## V. CONCLUSIONS

No doubt, the impact of the Eurasian crisis is causing higher inflation, high input costs with economic deprivation resulting in lower economic growth which might lead to stagflation and recession at a later stage if the War continues for few more months. Excessive sanctions on Russia and the policy choices it will make will have a direct impact on the South Asian economies among others, but the extent will be relative to their economic linkages with Russia and Ukraine. The negative political fallout of the worsening economic situation will have to be carefully watched. Perhaps is time for the most disconnected South Asia to work on regional connectivity and mutually beneficial dependencies.[14]



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