



**FRIEDRICH NAUMANN  
FOUNDATION** For Freedom.

South Asia

# **WAR IN UKRAINE AND ITS IMPACT ON SOUTH ASIA**

Bipin Ghimire

ANALYSIS

# Publication Credits

## **Publisher**

Friedrich Naumann Foundation for Freedom  
USO House  
6, Special Institutional Area  
New Delhi 110067  
India

 /freiheit.org/south-asia

 /FNFSouthaAia

 /FNFSouthaAia

## **Author**

Bipin Ghimire

## **Contact**

Phone: +91 11 41688149, 41688150

Email: southasia@freiheit.org

## **Date**

February 2023

## **Notes on using this publication**

This publication is an information offer of the Friedrich Naumann Foundation for Freedom. It is available free of charge and not intended for sale.

# Table of Contents

<b>FOREWORD</b>	<b>4</b>
<b>ABSTRACT</b>	<b>6</b>
<b>INTRODUCTION</b>	<b>8</b>
<b>NORMATIVE IMPACT</b>	<b>10</b>
<b>GEOPOLITICAL IMPACT</b>	<b>12</b>
<b>IMPACT OF THE UKRAINE CRISIS ON SOUTH ASIAN ECONOMIES</b>	<b>16</b>
4.1. Impact on the Indian Economy	17
4.2. Impact on Pakistan's Economy	18
4.3. Impact on Bangladesh's Economy	19
4.4. Impact on the Nepali Economy	19
4.5. Impact on Afghanistan's Economy	20
4.6. Impact on the Maldives' Economy	21
4.7. Impact on the Sri Lankan Economy	21
4.8. Impact on the Bhutanese Economy	22
<b>MITIGATION OPTIONS AND POLICY RECOMMENDATION</b>	<b>23</b>
5.1. Energy diversification	23
5.2. Diversification of weapon purchase	23
5.3. Prioritise Intra-regional Trade	24
5.4. Research and collaboration for technology transfer	24
5.5. Investment in Human Resources	25
5.6. Diversification of Trade Relations	25
<b>CONCLUSION</b>	<b>26</b>
<b>ABOUT THE AUTHOR</b>	<b>27</b>

## Foreword



It has been more than a year since Russia, in a blatant breach of international law, invaded Ukraine. With the economy and infrastructure in tatters, the war has had devastating effects on the people of Ukraine. It also upended the European post-Cold-War security architecture. Even though the physical war at present is limited to the territory of

Ukraine, its economic and political impacts are felt worldwide.

This paper offers a comprehensive and in-depth look at the war in Ukraine from a South Asian perspective and examines the numerous impacts it has on individual countries as well as on the region as a whole. The author has done an outstanding job of writing on complex issues like the war in Ukraine in a relatable manner, presenting viewpoints clearly and concisely. Whether a student, a professional, or simply someone interested in learning more about the war in Ukraine and its impacts on South Asia, you are certain to find this paper a valuable resource.

I wholeheartedly recommend this analysis paper to anyone interested in the South Asian perspective of the war in Ukraine. I have no doubt that it will be considered a reliable and reputable source for comprehension of the current state of the war.

This paper was presented during the round table conference on 'Unseen Consequences of the War in Ukraine for South Asia: Energy Security Challenges,' and inputs from all South Asian experts were incorporated. The Friedrich Naumann Foundation for Freedom (FNF) Regional Office, South Asia, also receives separate papers from experts in South Asian countries.

Enjoy reading the paper and do get in touch with us to share your thoughts.



Dr Carsten Klein  
Head, Regional Office South Asia  
Friedrich Naumann Foundation for Freedom South Asia

*Friedrich Naumann Foundation for Freedom (FNF) is a Liberal foundation working in the area of economic freedom, human rights, good governance and a free market economy across 65 countries worldwide. In South Asia, we have offices in India, Pakistan, Bangladesh, and Sri Lanka. Additionally, we work with partners in Nepal. We organize many activities, conferences and webinars on various issues that are in line with our core values and principles.*

## Abstract

The ongoing conflict in Ukraine is a complex and multi-faceted issue with historical origins. Ukraine has borne its devastating consequences for almost a year now. Russia attempts to justify the war by citing its national security interests and portraying the offensive as necessary for the protection of the ethnic Russian population in eastern Ukraine; however, it has violated several international normative principles. Like many unjust wars not approved by the United Nations, Russia's direct military intervention in a defenceless neighbour's territory violates Westphalian sovereignty and many provisions of the United Nations Charter. Additionally, the war violates international humanitarian laws and protocols as it targets critical civilian infrastructure such as homes, hospitals, schools and supermarkets.

The Russian act of aggression has threatened the balance of peace in Europe, creating concerns about territorial security, energy and food security. Europe is in a disadvantageous position and is forced to find alternatives to Russian energy. However, this new geopolitical reality has united the EU countries, causing them to put aside internal differences, condemn the war and implement crippling economic sanctions against Russia. The Russian economy has been severely impacted by these international economic sanctions, leading to a decrease in trade and a shortage of supplies, significantly reducing Russia's domestic production and export. An economically weak Russia could see its power projection decrease globally. This may be beneficial for NATO in the long term, allowing it to maintain its dominance in Europe. However, the US' increasing role in Europe through NATO should not be overlooked, as it can lead to the sidelining of the EU in shaping continental security in the long run.

Despite hostilities being limited to Ukrainian territory, the war has had a significant impact on countries in the Global South, particularly in terms of economic stability and meeting energy needs. The rising fuel prices resulting from the war destabilized their economies and increased inflationary pressure. Countries in the Global South now face difficulty in balancing their stance on principles of international

law and order with measures to counter the effects of the pandemic. The ongoing Ukraine crisis has negatively impacted most South Asian economies. It has challenged India's efforts to safeguard its economy from external shocks in critical sectors i.e., its self-reliance campaign. Even though India has been able to shield its economy to an extent from the energy crisis by avoiding Western sanctions and purchasing Russian oil at a more affordable price, it has still been affected by rising global food prices, resulting in inflation, reduced tourism revenues and challenges in accessing international capital markets. Pakistan has seen a sharp increase in the prices of semi-conductors, food, commodities and gasoline, leading to economic turmoil. Bangladesh has seen severe inflationary stress, a decline in foreign exchange and a current account deficit. The diversion of international attention from Afghanistan to Ukraine has allowed the Taliban to consolidate its power in the country, with its actions and atrocities going largely unreported in the media. Nepal and Bhutan have also been affected by the war, experiencing a decline in the value of their currencies, an increase in food prices, and a decrease in foreign remittances and European tourists. The decline in tourists from Russia and Ukraine has dramatically affected the Maldives' and Sri Lankan tourism industries, negatively impacting their tourism revenue and foreign reserves.

To summarise, the Ukraine and Russia conflict has far-reaching legal and economic consequences. It has prompted countries to re-evaluate their relationships and seek alternative food and energy sources. Collaboration between South Asia and Europe could help mitigate the adverse effects of the war by increasing trade and cooperation in areas such as food and technology.

# 1 Introduction

The history of Ukraine is replete with stories of its fight for its identity. Ukraine was a part of the Russian Empire in the 18th and 19th centuries. The Empire crumbled with the Bolshevik revolution of 1917, causing civil war at many distant peripheries. The birth of the Ukrainian republic resulted from this civil war of the early 20th century. However, the newly independent country with poor defence and economy couldn't protect its separate identity. It was yet again annexed by the Soviet Union to become part of the Union of Soviet Socialist Republics (USSR). Ukraine remained a part of the Soviet Union until it collapsed in 1991, leading to the birth of modern Ukraine.

As the inward-facing socialist economy crumbled, an attraction towards a capitalist economy, democracy and common defence guided the policies of Ukraine. The decades-long popular will to be closer to Europe led the Ukrainian government to agree to the European Union–Ukraine Association Agreement in 2014. However, at the eleventh hour of the signing of the agreement, the Ukraine government decided not to sign the deal but chose closer relations with Russia.

This last-minute withdrawal from the deal triggered a mass protest at the centre of Kyiv with demands of adherence to the agreement and the resignation of President Viktor Yanukovich, whom protesters accused of corruption. The incident triggered a crackdown by the state security forces, leading to the death of more than 100 protesters. As the tragic incident unfolded, President Viktor Yanukovich resigned from his post and fled the country. In the aftermath of the protest, Russia invaded Crimea, annexed the peninsula in 2014 and backed separatists in east Ukraine's Donetsk and Luhansk regions. This was the initiation of Ukraine's conflict with Russia, resulting in thousands dead and millions displaced. It was from November 2021 that Russia began ramping up its military on the border surrounding Ukraine on three sides<sup>1</sup>, opposing the EU-Ukraine summit and demanding cessation of NATO's enlargement. NATO rejected Russia's

---

<sup>1</sup> Schwirtz, M., Reinhard, S. & Holder, J., 2022. How Russia Has Increased Its Military Buildup. [Online] Available at: <https://www.nytimes.com/interactive/2022/01/27/world/europe/russia-forces.html>



demand and began conducting military exercises. In an escalating move, Russia recognised the independence of Ukrainian regions Donetsk and Luhansk as independent countries, giving itself a pretext to enter Ukraine whilst calling its troops 'peacekeeping forces,' beginning full-scale war in Ukrainian territory.

The war in Ukraine shows no sign of abating after almost a year, despite international condemnation and levels of international economic sanctions against Russia. Whether the result of Russia's 'expansionist' tendencies or a response to the perceived threat of NATO enlargement, the war in Ukraine has multifaceted consequences for Europe and the World.

Apart from direct physical hostilities, the Ukraine conflict has brought about a war of rhetoric at different levels, personal and institutional. Western countries consider Ukraine a referent object under threat from Russian aggression, to be protected to save democracy. To them, this war was unprovoked and unnecessary; they adopted a language and policies that positioned Russia as a clear threat to the European vision of a free, peaceful and democratic Europe. On the other hand, Russia considers the Ukrainian government a 'racist organisation' that systemically discriminates against and violates the rights of ethnic Russians in eastern Ukraine. To Russia, military means were justified to protect its ethnic population in Ukraine. Such excessive hyperbole helps both sides legitimise extraordinary measures to contain threats. The proliferation of fake news, selective media coverage for targeted audiences and extreme vilification and glorification have constituted a pattern of narration.

## 2 Normative Impact

Russia's attack on Ukraine is a clear normative violation of various provisions of the UN Charter, which provides for the peaceful settlement of disputes without endangering international peace and security<sup>2</sup>. The Charter also restrains its member states from the 'use of threat' or 'use of force' that impugns a nation's territorial integrity or political independence<sup>3</sup>. Russia argues that the people of Donetsk and Luhansk provinces have the right to self-determination, inscribed in the UN Charter. However, the right to self-determination<sup>4</sup> was inscribed in the UN Charter to allow people to determine their political status and pursue the economic, social and cultural development of their choice. The Charter is silent on seceding from a state. The international community has adopted the majoritarian formula of recognising the whole people of any country as an undivided self-determining unit. No state has recognised remedial secession and external self-determination by a sub-state's population. Such secession happens only in the rarest of cases. Hence, the Russian allegation that Ukraine committed genocide in Donetsk and Luhansk<sup>5</sup> has insufficient backing and is inadequate for a mandate for aggression or a push for self-determination.

The Ukraine-Russia war also has International Humanitarian Law (IHL) implications. Russia is a signatory to the Geneva Conventions and is directly obligated to safeguard civilian populations, non-combatants, prisoners of war and civilian infrastructure. However, this law has had a little deterrent effect on Russian aggression in this case; numerous attacks have occurred on critical civilian infrastructure like health centres<sup>6</sup>. The World Economic Forum estimates that 16 million people will need humanitarian assistance as a result of the

---

2 See UN Charter Article 2(3) and Article 33(1). Available at: Available at: <https://www.un.org/en/about-us/un-charter/full-text> [Accessed 17 November 2022].

3 See UN Charter Article 2(4).

4 See UN Charter Article 1 (2).

5 Aljazeera, 2022. 'Smells of genocide': How Putin justifies Russia's war in Ukraine. [Online] Available at: <https://www.aljazeera.com/news/2022/3/9/smells-of-genocide-how-putin-justifies-russias-war-in-ukraine> [Accessed 17 November 2022].

6 Su, J., 2022. Current Events | International Humanitarian Law Amid Russia's Invasion of Ukraine. [Online] Available at: <https://www.culawreview.org/journal/international-humanitarian-law-amid-russias-invasion-of-ukraine> [Accessed 17 November 2022].

conflict<sup>7</sup>. The UN Security Council has repeatedly raised concerns about the blocking of emergency relief channels, which will worsen the humanitarian crisis<sup>8</sup>. Among the 159 articles of the Fourth Geneva Convention are Articles 13, 32 and those from 79 to 135, which protect civilians from murder, torture, brutality, discrimination, deportation and internment, and Article 14, which establishes hospitals as safety zones for injured and vulnerable communities<sup>9</sup>. The attack on a maternity hospital and the targeting of the city of Mariupol in March raised concerns about the accessibility of humanitarian aid in Ukraine<sup>10</sup>. Likewise, Article 8 of the Rome Statute of the International Criminal Court (ICC) has established the ICC's jurisdiction with regard to bringing perpetrators of war crimes to justice. Incidents involving civilian casualties, such as in the case of Bucha, could attract the invocation of this statute.

---

7 Kirn, A. & Ossenbrink, L., 2022. The Humanitarian Impact of the Crisis in Ukraine Will be Long-lasting. [Online] Available at: <https://www.weforum.org/agenda/2022/03/the-humanitarian-impact-of-the-crisis-in-ukraine-will-be-long-lasting/> [Accessed 17 November 2022].

8 United Nations, 2022. Alarmed by Targeted Attacks on Civilians Fleeing Violence, Massive Humanitarian Crisis in Ukraine, Speakers Briefing Security Council Reiterate Strong Calls to End Conflict. [Online] Available at: <https://press.un.org/en/2022/sc14823.doc.htm> [Accessed 17 November 2022].

9 American Red Cross, 2022. Summary of the Geneva Conventions of 1949 and Their Additional Protocols. [Online] Available at: [https://www.redcross.org/content/dam/redcross/atg/PDF\\_s/International\\_Services/International\\_Humanitarian\\_Law/IHL\\_SummaryGenevaConv.pdf](https://www.redcross.org/content/dam/redcross/atg/PDF_s/International_Services/International_Humanitarian_Law/IHL_SummaryGenevaConv.pdf) [Accessed 17 November 2022].

10 POLITICO, 2022. State Dept. Cable: U.S. Officials Concerned Russia is Targeting Civilians in Ukraine. [Online] Available at: <https://www.politico.com/news/2022/03/11/ukraine-is-on-the-brink-of-a-humanitarian-catastrophe-00016578> [Accessed 17 November 2022].

### 3 Geopolitical Impact

The Russian act of aggression has threatened the balance of power as well as that of peace on the European continent. It could endanger the peace Europe has achieved after two world wars. Russia's action-induced insecurity and trust deficit have left European countries anxious about their territorial security, economy, fuel security and food security. Such anxiety in European countries is natural, as the continent is heavily dependent on imported oil and gas from Russia. European Parliament Reports show that, in 2021, two-fifths of the gas Europeans consumed came from Russia. More than a quarter of the EU's imported crude oil came from the same<sup>11</sup>. The EU was spending USD 1 billion each day to pay for Russian fuel. With such fuel dependence, there is a constant fear in Europe that Russia can turn off the pipelines, creating a severe fuel crisis and bringing it to a standstill. Zachmann, et al., argue that Russia could also use Europe's energy dependence to extract concessions on Ukraine's sovereignty by threatening the former's energy supplies<sup>12</sup>. In either case, Europe lies in a disadvantageous position both economically and strategically. The Euro fell hard against the US dollar after the Russian attack on Ukraine<sup>13</sup>. This forces Europe to opt for the urgent and painful process of finding an alternative to Russian energy.

However, as Ernst Haas argues, the existential threat from an external power became an incentive for European countries to overlook minor differences for the greater common cause<sup>14</sup>. This has led them to put up a united front in condemnation of the war and imposition of economic sanctions against Russia. Even Scandinavian countries such as Finland and Sweden now seek NATO membership, fearing a Ukraine-like attack on their territorial integrity, hastening their integra-

11 European Parliament, 2022. The Ukraine War and Energy Supply. [Online] Available at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/729360/EPRS\\_BRI\(2022\)729360\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/729360/EPRS_BRI(2022)729360_EN.pdf) [Accessed 17 November 2022].

12 Zachmann, G., Tagliapietra, S., McWilliams, B. & Sgaravatti, G., 2022. Can Europe Manage if Russian Oil and Coal are Cut Off? [Online] Available at: <https://www.bruegel.org/blog-post/can-europe-manage-if-russian-oil-and-coal-are-cut-off#:~:text=While%20stopping%20Russian%20gas%20imports,like%20Europe%27s%20gas%20import%20pipelines> [Accessed 17 November 2022].

13 Meredith, S., Smith, E. & Reinicke, C., 2022. Euro Reaches Parity Against the Dollar, Hits its Lowest Level Against U.S. Currency Since December 2002. [Online] Available at: <https://www.cnbc.com/2022/07/12/euro-testers-on-the-brink-of-parity-with-the-us-dollar-on-recession-fears.html> [Accessed 17 November 2022].

14 Haas, E. B., 1958. The Challenge of Regionalism. *International Organization*, 12(4), pp. 440-458.

tion into the EU, contrary to Moscow's anticipations.

As the war progressed, Russia and Ukraine's conventional warfare began to involve the use of modern technology, such as drones and artificial intelligence<sup>15</sup>. Russia even used its nuclear rhetoric to deter Western military support to Ukraine. Russia's flexing of its nuclear ability and its rhetoric that Ukraine was planning to use the 'dirty bomb' on its soil could provide a dangerous pretext for the use of a weapon of mass destruction (even though Russia's public position is against it<sup>16</sup>). This security dilemma, created by conventional warfare and the threat of its unconventional form, also made a case for Europe to increase its military spending. Nearly 200 billion euros were raised for the EU's defence budget, with investments in research on modern technology, such as AI and biotechnology, that could be applied to defence and security<sup>17</sup>.

On the global front, this could also lead to the elevation of the importance of the nuclear proliferation agenda as a strategic defence mechanism in medium-power states. States that are nuclear powers seemed to have avoided such attacks on their territory: North Korea and Iran are examples. Ukraine, which gave up its nuclear status, faced multiple threats and territorial aggression. Therefore, states could feel a need to rethink their non-nuclear stance.

Layers of international economic sanctions, primarily from Europe and the US, have crippled the Russian economy, which is increasingly isolated from the world economy. More than 1000 international companies curtailed operations in Russia to the value of some 40% of its GDP<sup>18</sup>. The disturbance in export-import was evident, caused by the supply shortage, whereas domestic production slowed because of a shortage of missing parts owing to supply chain disruption. Un-

---

15 Corfield, G., 2022. Ukraine Drone Warfare Reignites the Race for Killer Robots. [Online] Available at: <https://www.telegraph.co.uk/business/2022/06/05/ukraine-drone-warfare-reignites-race-killer-robots/> [Accessed 17 November 2022].

16 Reuters, 2022. Russia Says 'no need' to Use Nuclear Weapons in Ukraine. [Online] Available at: <https://www.reuters.com/world/europe/defence-minister-shoigu-says-russia-has-no-need-use-nuclear-weapons-ukraine-2022-08-16/> [Accessed 17 November 2022].

17 Finkbeiner, A. & Noorden, R. V., 2022. Ukraine War: A New Era For European Defence Research?. *Nature*, Volume 608, p. 467.

18 Yale School of Management, 2022. Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain. [Online] Available at: <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain> [Accessed 13 November 2022].

## 14 WAR IN UKRAINE AND ITS IMPACT ON SOUTH ASIA

precedented capital and population flight have occurred, and gas exports to Europe are at a record low<sup>19</sup>. Even though Russia's pivot to Asia (primarily to China and India) for the sale of gas has provided some breathing space, these buyers are bargaining tough. The Russian economy is severely weakening, which could shrink its power projection in Europe, the Middle East and other parts of the world. In the long term, such weakening of a rival is strategically beneficial for NATO as it could remain the dominant defence organisation across the European region. However, one should not forget that the role of the US in Europe has grown significantly, and it continues to shape European security through NATO. A glimpse of this increased influence was caught when Russia marked its intention to talk directly to the US and the latter bypassed the EU nations and established a direct communication channel to Russia. In the short run, US commitment to the territorial security of NATO countries will benefit European interests. However, in the long run, it can sideline European interests and diminish the EU's weight in shaping continental security.

Another exciting development to be noted is the global transition towards a multipolar economic order with the rising importance of BRICS countries, contributing to global production and trade. This is a move resulting in a shift in the global balance of power.

Though the war is being waged in European territory, its geopolitical effect is not limited to the European continent. The Global South bears the brunt of the war more intensely, especially after the unprecedented global pandemic. Rising fuel prices impaired their balance of payments, destabilising their economic and fiscal conditions and increasing inflationary pressure, leaving them struggling to meet their energy requirements<sup>20</sup>. With their stakes being high, they struggle to affirm their international stance on principles of international law and order. Normally, it should have been the moral obligation of every

---

19 The Times of India, 2022. From flight of Capital to Plummeting Imports: How Sanctions are Destroying Russia. [Online] Available at: <https://timesofindia.indiatimes.com/business/india-business/from-flight-of-capital-to-plummeting-imports-how-sanctions-are-destroying-russia/article-show/93336274.cms> [Accessed 13 November 2022].

20 Kammer, A. et al., 2022. How War in Ukraine Is Reverberating Across World's Regions. [Online Available at: <https://www.imf.org/en/Blogs/Articles/2022/03/15/blog-how-war-in-ukraine-is-reverberating-across-worlds-regions-031522#:~:text=Increased%20geopolitical%20tension%20further%20raises,especially%20for%20trade%20and%20technology.&text=The%20toll%20is%20already> [Accessed 13 November 2022].

signatory of the UN Charter to call out an act of aggression. However, vital national interest always determines how states formulate their policies. Buying cheaper Russian fuel would be a wiser choice for countries reeling from the pandemic. It becomes a Cold War-like scenario wherein states have to choose between aligning with the West and Russia and openly condemning Russian action and prioritising their national interests. Major South Asian economies (India, Pakistan, Sri Lanka and Bangladesh) abstained from voting on UN General Assembly Resolution ES-11/1, which demanded Russian forces withdraw from Ukrainian territory. South Asia countries such as Afghanistan, Bhutan, Maldives and Nepal voted to support the UN resolution condemning Russian aggression. South Asia is divided in this regard.

# 4 Impact of the Ukraine Crisis on South Asian Economies

Global economies have been experiencing an unprecedented slow-down because of the global pandemic, and the war in Ukraine worsening the global economic crisis. The International Monetary Fund (IMF) predicts a global growth slowdown from 6% in 2021 to 2.7% in 2023. It is the weakest growth profile since 2011, with the exception of those seen during the global financial crisis and the acute phase of the COVID-19 pandemic. The inflation rate forecasted by the IMF for 2021 was 4.7%, up to 8.8% in 2022<sup>21</sup>. While the popular narrative paints Russia as the culprit worsening the economic crisis, Russia in turn blames the West's sanctions preventing it from exporting Russian fuel and grains for the downturn<sup>22</sup>. Irrespective of the side one chooses, the poorest countries face the direst consequences of these events.

The World Bank had predicted that 60% of the poorest countries were already in debt distress or at high risk because of the global pandemic<sup>23</sup>. In South Asia, states such as Pakistan, Sri Lanka, Nepal, the Maldives and Afghanistan have particularly suffered, while India, Bhutan and Bangladesh have fared better. As South Asia is dependent on 3F imports (Food, Fuel and Fertilisers), the adverse impact is evident<sup>24</sup>.

---

21 International Monetary Fund, 2022. World Economic Outlook. [Online]

Available at: <https://www.imf.org/en/Publications/WEO>

[Accessed 14 November 2022].

22 Aljazeera, 2022. Putin: West's Russia Sanctions Triggering Global Economic Crisis. [Online] Available at: [aljazeera.com/economy/2022/5/12/putin-wests-russia-sanctions-triggering-global-economic-crisis](https://www.aljazeera.com/economy/2022/5/12/putin-wests-russia-sanctions-triggering-global-economic-crisis) [Accessed 14 November 2022].

23 Esteveao, M., 2022. Are We Ready For the Coming Spate of Debt Crises?. [Online] Available at: <https://blogs.worldbank.org/voices/are-we-ready-coming-spate-debt-crises> [Accessed 14 November 2022].

24 Trigunayat, A., 2022. The War in Ukraine: Impact on South Asia. [Online]

Available at: <https://indiafoundation.in/articles-and-commentaries/the-war-in-ukraine-impact-on-south-asia/> [Accessed 14 November 2022].



## 4.1. Impact on the Indian Economy

The COVID-19 pandemic led India's economy into a contraction of 7.3% in the fiscal year 2021<sup>25</sup>. Even before COVID affected the world, India was already struggling with slow economic growth, which plummeted to its lowest during the pandemic. Further, the Ukraine war resulted in the Indian economy losing momentum because of rising global energy and food prices<sup>26</sup>.

Increasing food prices, higher fuel prices, lower tourism revenues and increased difficulty accessing international capital markets are driving up India's inflation, already at the maximum limit of the central bank's target range. Household commodities such as essential oils and sunflower oils have emerged as the biggest sector affected by this developing economic crisis<sup>27</sup>. Furthermore, investors chose safer havens like the US, which collectively led to the Indian rupee plunging to an all-time low against the US dollar.

As India is directly affected by the global geopolitical scenario and depends on other countries for critical goods (such as fuel), its self-reliance campaign to protect its economy from external shocks is being tested ever more. Yet, India has maintained a neutral position in the crisis and abstained from many UN resolutions. Its ambassador to the UN said that India is not passive but playing a constructive role in the conflict by maintaining communication with both sides. It also engages with the great powers by continuing with its Global Comprehensive Strategic Partnership with the US and Special and Privileged Strategic Partnership with Russia<sup>28</sup>. It continued purchasing oil from Russia and questioned the West's double standards on the purchase of Russian fuel. Russia, whose supply made up just 0.2% of all oil imported by India between January to March 2022, provided 9,35,556 barrels per day (bpd) of crude oil to India in October, making

---

25 World Bank, 2021. The World Bank in India. [Online] Available at: <https://www.worldbank.org/en/country/india/overview> [Accessed 14 November 2022].

26 OECD, 2022. India Economic Snapshot. [Online] Available at: <https://www.oecd.org/economy/india-economic-snapshot/> [Accessed 14 November 2022].

27 Banerji, A., 2022. The Impact of the War in Ukraine on the Indian Economy. [Online] Available at: <https://southasianvoices.org/the-impact-of-the-war-in-ukraine-on-the-indian-economy/> [Accessed 14 November 2022].

28 Trigunayat, A., 2022. The War in Ukraine: Impact on South Asia. [Online] Available at: <https://indiafoundation.in/articles-and-commentaries/the-war-in-ukraine-impact-on-south-asia/> [Accessed 14 November 2022].

it the highest ever. It replaced Saudi Arabia as India's top oil supplier with a 22% market share (ahead of Iraq's 20.5% and Saudi Arabia's 16%)<sup>29</sup>. This could also be an opportunity for India to increase the export of its agricultural products, especially grains like wheat, maize, millets and processed foods, as the global supply of grains has been hit since the major suppliers, i.e., Russia and Ukraine, are unable to do so. India could, in addition to being a major South Asian economy, become one of the major global food suppliers.

### 4.2. Impact on Pakistan's Economy

Pakistan's economy was already in bad shape because of the COVID pandemic, as was the rest of the world's. The war in Ukraine has added to Pakistan's economic troubles. Because of the war, Pakistan faces a sharp increase in prices of semiconductors, food, commodities and gasoline<sup>30</sup>. Pakistan enjoys bilateral trade with Russia and Ukraine, now affected by the war. In 2021, Pakistan's trade with Russia was valued at USD 711 million, including USD 537 million in Russian imports<sup>31</sup>. With Ukraine, trade touched USD 800 million, including USD 739 million in imports. The US, the EU and other countries have introduced or expanded sanctions on certain important individuals in the Russian Federation. Russia has responded to sanctions by banning exports of various products<sup>32</sup> and has also threatened to shut off gas supplies in response to the oil sanctions<sup>33</sup>. The result is that fuel prices have shot up and created a detrimental economic impact on Pakistan, an oil importer state. Unlike its neighbours, i.e., China, India and Bangladesh, who have successfully bought Russian oil at a concessional rate, Pakistan pays for fuel at inflated prices, leaving it unsuccessful in shielding its population against the price hike. The crisis has also directly affected Pakistan's wheat imports as Ukraine

---

29 The Hindu, 2022. Russia Becomes India's Top Oil Supplier in October. [Online] Available at: <https://www.thehindu.com/news/national/russia-becomes-indias-top-oil-supplier-in-october/article66103845.ece> [Accessed 14 November 2022].

30 Kamal, M. A., 2022. Impending Economic Repercussions of Russia-Ukraine Conflict on Pakistan. [Online] Available at: <https://www.pakistantoday.com.pk/2022/03/06/impending-economic-repercussions-of-russia-ukraine-conflict-on-pakistan/> [Accessed 15 November 2022].

31 Kamal, M. A., 2022. A Crisis in the Making. [Online] Available at: <https://www.thenews.com.pk/print/943504-a-crisis-in-the-making#:~:text=In%202021%2C%20the%20value%20of,receiving%20%24739%20million%20in%20imports> [Accessed 16 November 2022].

32 BBC, 2022. Russia Hits Back at Western Sanctions With Export Bans. [Online] Available at: <https://www.bbc.com/news/business-60689279> [Accessed 17 November 2022].

33 Available at: <https://www.theguardian.com/world/2022/mar/08/russia-threatens-europes-gas-supplies-as-west-mulls-oil-import-ban-over-ukraine-invasion> [Accessed 17 November 2022].

accounts for around 39% of the country's total imported wheat<sup>34</sup>.

### 4.3. Impact on Bangladesh's Economy

Bangladesh, with 2.1% of the total world population, is the 8th largest country in terms of the same. Growing more than 6% the entire decade and surpassing India in GDP per capita, it is under severe inflationary stress, experiencing a rapid decline in foreign exchange and a current account deficit. On 9 November, 2022, the IMF announced a USD 4.5 billion support package to help it cope with soaring energy and food prices<sup>35</sup>. The Bangladeshi taka has depreciated 25% against the greenback, and inflation has crossed 10%. Furthermore, the natural gas shortage induced by the Ukraine crisis led to the shutting down of all 10 of its diesel power plants. Similarly, work hours in social sectors such as schools and offices have had to be reduced to save electricity.

### 4.4. Impact on the Nepali Economy

Even though it has no embassy in Kyiv, nor has it fostered solid diplomatic ties with Ukraine in the past, Nepal supported the UNGA resolution against Russia, stating that it believed territorial integrity to be 'sacrosanct'<sup>36</sup>. Apart from its moral stance on international legal provisions, its decision to support the UN resolution was also driven by its economic realities. Multilateral development partners accounted for more than 70% of the total foreign aid disbursement. The top disbursing multilateral partners in 2019-20 were the Asian Development Bank, the World Bank, the International Monetary Fund, the European Union and the United Nations<sup>37</sup>. The US, UK, Japan and Germany are Nepal's top bilateral donors. With most of its foreign aid coming from western countries and the multilateral organisation

---

34 Research Society of International Law., 2022. The War in Ukraine and the Potential Impact on Pakistan's Trade. [Online] Available at: [https://rsilpak.org/2022/the-war-in-ukraine-and-the-potential-impact-on-pakistans-trade/#\\_ftn3](https://rsilpak.org/2022/the-war-in-ukraine-and-the-potential-impact-on-pakistans-trade/#_ftn3) [Accessed 17 November 2022].

35 Wen, P., 2022. Bangladesh, IMF Reach Deal on \$4.5 Billion Aid Package. [Online] Available at: <https://www.wsj.com/articles/bangladesh-imf-reach-deal-on-4-5-billion-aid-package-11667996284> [Accessed 15 November 2022].

36 Trigonayal, A., 2022. The War in Ukraine: Impact on South Asia. [Online] Available at: <https://indiafoundation.in/articles-and-commentaries/the-war-in-ukraine-impact-on-south-asia/> [Accessed 14 November 2022].

37 Prasain, S., 2021. Annual foreign aid to Nepal surged 26.87 percent to \$2 billion last fiscal year. [Online] Available at: <https://kathmandupost.com/money/2021/04/08/annual-foreign-aid-to-nepal-surged-26-87-percent-to-2-billion> [Accessed 14 November 2022].

dominated by the same, Nepal chose not to go against these donors on the UN platform. Nepal's total foreign exchange reserves fell to USD 9.75 billion by mid-February, down 17% from the fiscal year 2021; foreign income decreased because of the shortfall in tourist arrivals, as did remittance, and the current reserves are estimated to be merely enough to support imports for about six months<sup>38</sup>. In such a dire economic situation, donors need to be taken into confidence.

Despite this policy decision, the hike in the prices of commodities such as soybean and palm oil and increasing fuel prices have led price-based inflation to rise to almost 8%, a five-year high with consequences for the country's overall economic performance.

### 4.5. Impact on Afghanistan's Economy

Soon after the country underwent a state collapse and the subsequent economic crisis, the Ukraine crisis took the world's attention away from Afghanistan. Since the Taliban takeover, the country has been reliant on humanitarian support from major powers like the US and multilateral organisations like the World Food Programme. As a bread-eating population with low domestic agricultural input, Afghanistan is affected by the curtailment of grain shipments from Ukraine. Despite the Taliban's efforts to mitigate its impact by increasing the import of grain from Russia, grain price remains high in the country. The combined impact of the US withdrawal from Afghanistan and the Russian-Ukraine war is evident in the flow of foreign aid. The European Union's aid to the war-torn country declined in 2022 (Euro 115 million) from that in 2021 (Euro 222 million) by 48.1%<sup>39</sup>.

Furthermore, decreasing remittance from the US, Persian Gulf states, North America and Europe led the country into deeper economic chaos. As of 2020, more than 600000 Afghans were living in Europe, around 11% of the total Afghan diaspora worldwide. The rising cost of living in Europe and the decrease in values of the Euro and

---

38 Koirala, R. P., 2022. Prolonged Russia-Ukraine War will Impact Nepal in More Ways Than One. [Online] Available at: <https://myrepublica.nagariknetwork.com/news/prolonged-russia-ukraine-war-will-impact-nepal-in-more-ways-than-one/> [Accessed 14 November 2022].

39 Commission, E., 2022. European Civil Protection and Humanitarian Aid Operations. [Online] Available at: [https://civil-protection-humanitarian-aid.ec.europa.eu/where/asia-and-pacific/afghanistan\\_en](https://civil-protection-humanitarian-aid.ec.europa.eu/where/asia-and-pacific/afghanistan_en) [Accessed 16 November 2022].

Afghani against the dollar impacted the remittance to Afghanistan from Europe. However, no exact data exists indicating the change in said remittances following the Russia-Ukraine war.

#### 4.6. Impact on the Maldives' Economy

The Maldives' tourism, already affected by the global pandemic, became a victim of the Ukraine crisis. The conflict drastically reduced tourist arrivals, especially from European countries. Europeans constitute 62.7% of the total share of tourist arrivals in the Maldives. Russia contributes the second-largest number of tourists to the archipelagos (11.1% of the total share, which is 60,000 tourists annually). Ukraine, in the top ten of this list, originates almost 2% of the share (10000 tourist arrivals per year)<sup>40</sup>. Similarly, European countries like Germany and France also have a considerable share. With the Ukraine crisis, tourist arrivals from Russia and Ukraine almost entirely ceased, drastically reducing the numbers from Europe and negatively impacting the Maldives' economy.

#### 4.7. Impact on the Sri Lankan Economy

Even though the economic crisis in Sri Lanka cannot be attributed to the Russia-Ukraine war, the latter certainly had an effect as the foreign cash flow dwindled with the declining number of Russian and Ukrainian tourists. Russians constitute 34% of Sri Lankan tourists, with more than 64000 tourists arriving in 2019<sup>41</sup>. The drop in revenue from tourism added to the existing economic stress, unemployment and popular discontent. Already dwindling Sri Lankan foreign reserves felt the squeeze as tourism's revenue dropped drastically. The country was declared bankrupt and faced an acute fuel shortage, resulting in the shutting down of non-essential public services to conserve fuel. The IMF expects Sri Lanka's economy to shrink by 7% and its inflation to cross 60%, threatening citizens' livelihoods and social stability<sup>42</sup>.

---

40 Ministry of Tourism Maldives, 2021. Tourism Yearbook 2021, Male: Ministry of Tourism Maldives. P 17-20.

41 Ministry of Tourism and Aviation, 2019. Annual Performance Report and Accounts 2019, Colombo: Ministry of Tourism and Aviation.

42 The Hindu, 2022. Sri Lanka Admits Bankruptcy, Warns of Crisis Through 2023. [Online] Available at: <https://www.thehindu.com/news/international/sri-lanka-admits-bankruptcy-warns-of-crisis-through-2023/article65603395.ece> [Accessed 15 November 2022].

### 4.8. Impact on the Bhutanese economy

Although Bhutan does not have direct economic relations with Russia or Ukraine, it faces inflation, financial setbacks and increasing unemployment because of the Ukraine crisis. As a landlocked country, the roadway is its only medium of transportation. The increasing prices of petrol and diesel have affected the cost of all commodities. Moreover, as the Indian rupee depreciates, Bhutan's ngultrum follows suit because it is pegged with the former.

# 5 Mitigation Options and Policy Recommendation

## 5.1. Energy diversification

It is necessary for South Asian countries to identify and develop alternative sources of energy in the region. Countries like Nepal and Bhutan, which have a vast potential for hydropower, could invest in the same to provide alternatives to fossil fuels. Cross-country electricity transmission infrastructure and integrated energy markets could be viable options for South Asian energy security. It could help resource-rich landlocked states like Nepal achieve the economic objectives of becoming a regional energy supplier and helping South Asia protect itself from global shocks like this war. Bilateral and regional cooperation is vital for the distribution of the energy produced. In this matter, apart from bilateral arrangements, sub-regionalism can play an important role. South Asian countries, especially India (which relies heavily on coal for its energy production), can cooperate with European countries like Germany, which are leaders in clean, green technology. Furthermore, Europe is also a technology leader in electronic vehicles, which can provide an alternative to fuel-run vehicles. Research and developmental collaboration in solar energy through bilateral and regional platforms could be promoted.

## 5.2. Diversification of weapon purchase

South Asia's current reliance on Russian military hardware is high. Russia has been the source of nearly two-thirds of all Indian arms imports, and India has been the largest Russian arms importer<sup>43</sup>. This arms supply ranges from small arms, helicopters and tanks to submarines and surface-to-air missiles (including the purchase agreement of the S400 missile system). This dependence stems from the reluctance of Western countries to supply weapons to India during

---

43 The Economics Times, 2021. Indian Military Cannot Operate Effectively Without Russian Supplied Equipment: CRS Report. [Online] Available at: <https://economictimes.indiatimes.com/news/defence/indian-military-cannot-operate-effectively-without-russian-supplied-equipment-crs-report/article-show/87293784.cms?from=mdr> [Accessed 16 November 2022].

## 24 WAR IN UKRAINE AND ITS IMPACT ON SOUTH ASIA

the Cold War<sup>44</sup>. Other countries, such as Pakistan and Bangladesh, also buy a considerable section of their inventory from Russia. However, with Russian tanks and military hardware performing poorly in the Ukrainian war<sup>45</sup>, South Asia may re-evaluate the reliability of Russian-made heavy weapons and reconsider its dependence on the Russian inventory. However, countries could face sanctions if they choose to purchase weapons from any other country. Hence, a balance between the diversification of arms purchases and the prevention of international sanctions is required.

### 5.3. Prioritise Intra-regional Trade

South Asia has less than 5% of intra-regional trade compared to more than 35% in ASEAN and more than 60% in Europe. This is a very discouraging state of trade cooperation. Better regional trade mechanisms can only benefit the region in tackling the impact of events like this war. For example, Pakistan usually imports 39% of its wheat from Ukraine, an arrangement interrupted by the war. On the other hand, India produces its own wheat and can readily export the same; it is logical and wiser for both these countries to have a mechanism to help each other. Peace and stability are prerequisites for a positive environment for bilateral and intra-regional trade. Similarly, as mentioned earlier, Nepal and Bhutan have immense hydropower potential, whereas Bangladesh and India with their formidable electricity generation infrastructure would do well to support the former nations' economic progress. Better intraregional trade will help the region deal with the negative impacts of extra-regional events and promote regional growth.

### 5.4. Research and collaboration for technology transfer

South Asian countries could explore the option of research collaboration with leading European actors to accelerate indigenous technology development and bolster their technology transfer. Technol-

---

<sup>44</sup> The Hindu, 2022. Russian Imports | West Did Not Supply Weapons to India for Decades: Jaishankar. [Online] Available at: <https://www.thehindu.com/news/national/west-did-not-supply-weapons-to-india-for-decades-jaishankar/article65992003.ece> [Accessed 16 November 2022].

<sup>45</sup> BBC, 2022. Ukraine Conflict: Why is Russia Losing So Many Tanks?. [Online] Available at: <https://www.bbc.com/news/world-61021388> [Accessed 16 November 2022].



ogy agreements between the leading universities of both regions (Europe and South Asia) could be promoted to facilitate technological development in the region.

## 5.5. Investment in Human Resources

European states could accelerate their investment in promoting their languages in South Asia so that they can utilise the vast pool of skilled and semi-skilled labour in South Asia to make up for their own dwindling labour force across multiple sectors. Investments could also be made to provide advanced technological training to semi-skilled workers to address skilled labour requirements. Such collaboration could also translate to increased manufacturing in South Asian countries by European companies, given the vast availability of labour in South Asia.

## 5.6. Diversification of Trade Relations

Free trade agreements, liberal labour policies and ease of migration could help Europe and South Asia meet each other's demands, i.e., a supply of labour for Europe and an increase in foreign remittance for South Asia. Another area of diversification could be the agricultural sector. Most South Asian countries are agrarian and have the potential to meet Europe's grain supply demands (currently unfulfilled because of the Ukraine war). For example, India, a major wheat producer, can be an alternative grain supplier to Europe and the world for food security and a stable world economy.

## 6 Conclusion

The Ukraine-Russia war has multifaceted global impacts ranging from normative and geopolitical to purely economic. If not resolved, this conflict could continue for a long time, violating various humanitarian laws, human rights and other international law provisions. This has pushed the world into introspection, forcing it to ponder the existing legal and non-legal structures on which it functions. It has also forced states to find alternatives for food and energy supplies. The reshuffling of international, political, economic and trade relations has become imperative for the world. South Asia and Europe could work together to tackle the detrimental impact of this war, address each other's demands, ensure a supply of food, technology and labour and cooperate on trade-related matters.

# About the Author

Bipin Ghimire



Bipin Ghimire is a Doctoral Candidate at the Department of International Relations, South Asian University. He holds two Master's degrees –Master of Arts in Conflict, Peace and Development Studies from Tribhuvan University Nepal, and Master of Arts in International Relations from the University of Colombo, Sri Lanka. He has more than eight years of working experience in many national and international organiza-

tions, including with the United Nations. He has presented and published in various national and international journals and conferences. He has also published different opinion pieces in reputed news outlets.

