

Impact of the Russia-Ukraine Conflict and its Repercussions on South Asian Geo-economics

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In a highly globalized world, even limited conflict anywhere tends to generate ripple effects that have adverse global ramifications. History is testimony to our capacity for engaging in violence in the name of national interest. The Russia-Ukraine conflict is an ongoing example of how such a conflict generates a deleterious geo-economic ripple effect and affects different economies, near and far, and human well-being everywhere.

The Covid-19 pandemic that started in 2020, in combination with other variables such as the middle-income trap, had a very negative impact on previously robust economies, including the South Asian

economies that were prone to supply chain disruptions, rising inflation, falling external demand, and growing poverty rates because of being net importers of commodities. At the advent of this conflict, the world economy was at a crucial point, where the recovery phase from the COVID-19 epidemic had just started. In fact, before this conflict, supply chain disruptions and rising gasoline costs already made it difficult to control worldwide inflation and growth. Russia and Ukraine account for a large portion of the world's supplies of oil, gas and other commodities, so this tension has driven up commodity prices even more. In addition, global financial markets are

more volatile now than ever because of uncertainty over when and how much major central banks will tighten their monetary policies.

The Russia-Ukraine conflict has negatively impacted economies trying to recover from the COVID-19 pandemic related economic downslide in South Asia and worldwide. Countries, irrespective of size or economic strength, are struggling desperately in the throes of rising inflation. Coming as it did in the wake of a debilitating pandemic that had already vastly disrupted global value and supply chains, claimed hundreds of thousands of lives globally and pushed millions back into poverty; The conflict between Russia and Ukraine has had the effect of kicking a weakened global socio-economic system that is kneeling in many places.

conflict and the tension around the Black Sea has resulted in shipping costs shooting up and spreading into increasing costs of commodities and rising prices for all consumers. Disrupting the global energy and food grains value and supply chains has changed the dynamic of world politics and economics in many ways, including but not limited to the aspect of geo-economics.

The South Asian region, more than ever, needs to focus on macroeconomic stabilization, structural reforms, and regional monetary and financial cooperation. Many countries had already started their recovery from the pandemic, and many were en route with their policy recalibration in process or being implemented.



Ukraine is one of the largest exporters of wheat, corn, and sunflower oil/seeds, while Russia too has sizeable grain markets abroad. Russia is a major supplier of oil and gas to many countries, notably the EU, India and even the USA. The conflict and resultant disruption to production and shipment have resulted in a globally cascading disruption of energy and food supplies and an unfolding global supply crisis for which the poorest will pay the heaviest price. Lest we forget, this

It is challenging to examine the economic ramifications of the Russia-Ukraine conflict for South Asia, especially in a changing scenario. The conflict, for instance, is still ongoing, and no one can say with any certainty when it will end. Proxy wars by super/great powers do not quite quickly end, or they may morph into different (uncertain) alternative forms that are equally unpredictable-unless the main antagonists themselves decide to bury the hatchet. However, this seems unlikely as

of now in respect of the current conflict. For the time being, prudence and pragmatism dictate that we err on the bleaker assumption likely to prevail. The Covid-variants pandemic, in the meantime, continues to rage unbounded, and another deadly viral danger has reared its head menacingly with an offside chance of becoming a pandemic if not watchfully addressed. All these, whether singly or in unison, would render the current fragility more brittle and worsen the current global trade situation by causing yet additional disruptions to the teetering (although recently restored value and supply chains), triggering yet more shock waves to global trade channels, more unstable international financial markets and decreased worldwide demand, all of which can directly or indirectly adversely impact South Asia.

South Asia is directly impacted by trade connections, primarily through rising commodity prices because the area is a net importer of several of them. As a result, inflation in South Asian economies increased dramatically compared to their worldwide counterparts even before this conflict. The difference has become even wider due to the extra shock to commodity prices, which has also increased the relative cost of production in the area and reduced the competitiveness of energy and labor intensive sectors. Inflation in South Asian economies was growing in comparison to rivals in the international markets even before this conflict. However, the disparity will become much more expansive due to the extra shock to commodity prices, which will raise the region's relative cost of production and reduce the competitiveness of energy and labor-intensive businesses.

South Asia has a considerably larger dependence on fossil fuels for energy production than other parts of Asia. Two factors would cause the indirect effect to

spread: first, a decline in global demand would impair the demand for products and services produced locally abroad; second, increasing market volatility and uncertainty would cause capital to flee to safer havens. Moreover, Russia and Ukraine account for a sizable portion of the world's supplies of oil, gas, and other commodities like wheat and sunflower oil. Consequently, this conflict has had a negative influence on their supply networks across the world. India's imports of oil from Russian-origin crude accounted for 10 percent of India's total seaborne imports in April for the first time, rising from 0.2 percent throughout 2021 and Q1 2022, Bangladesh Bank stated that in the 2020-21 fiscal year, goods worth 800 million dollars (80 crore dollars) were imported from Ukraine and Russia that largely contain wheat. As a result, another immediate effect is a rise in inflation reading. At the same time, this conflict will indirectly negatively influence economic growth and cause stagflation in the area. Finally, the length of the conflict, the impact of Western sanctions on Russia, and the Russian response will all affect how hard South Asian nations will be hurt.

The relationship between Russia and India has been solid since the cold war era, while the US was on good terms with Pakistan. The economic scenario flipped in present times, where India trades more with the US than its old allies. However, India's armed forces, one of the largest in South and Southeast Asia, are heavily reliant on Russian military equipment and spare parts supplies. Bangladesh and Russia's relations also have a historic foundation. Lest we forget, but for two critically important Russian vetoes in the UN Security Council, Pakistani forces might have reconsolidated when they were in a weakened position, by the US navy being in holding position in the Bay of Bengal in 1971 ready to weigh in to force a cease-fire, Additionally, most of

Bangladesh's early defense equipment was of Soviet/Russian origin. Currently, Bangladesh is hoping to address the Energy Crisis when the Rooppour Power Plants, purchased from Russia, finally come on stream. Bangladesh has stood fast by its fundamental foreign policy tenet enunciated by our Founding Father Bangabandhu, of "Friendship to all and malice towards none." We have abjured being judgmental and pointing the accusatory or condemnatory finger at either combatant party with both of whom as well as their respective allies, we have friendship and cooperation. But at the same time, we have weighed in publicly against violations of human rights and principles of peace, justice, and equity to which we are unequivocally committed.

The South Asian economies should start extensive structural changes as soon as signs of economic stabilization appear to free up the private sector and markets and move toward low-carbon green growth. The South Asian economies could

also create an expert committee under the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation or the South Asian Association for Regional Cooperation (SAARC) to investigate measures to improve regional monetary and financial cooperation. All of this means the nations need to start adjusting their policy frameworks urgently to be on proper adjustment to the constantly changing scene. The governments of South Asian countries, especially those that are net oil importers, should search for alternative oil suppliers to ensure their energy needs to deal with the current situation brought on by disruptions in the oil supply due to the Russia-Ukraine issue.

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