

## **Editor's Note**

# **The Ukraine War and a World in Crisis**

**T**he Russian military operation against Ukraine and the US-led Western alliance's most severe world-wide economic sanctions on Moscow mark the return to a new Cold War whose consequences are uncertain but could be as deleterious as those caused by the previous one. A local war in Europe has been rapidly internationalised with far reaching impact on the rest of the world. It is a fateful moment in global geopolitics when the post-Cold War efforts to build 'a new world order'--based on interdependence, universally accepted norms and laws, strong and functioning multilateral institutions, comprehensive security, sovereign equality, and peaceful settlement of disputes—has finally collapsed and a new Cold War is being ushered in. If Presidents Trump and Xi Jinping can be credited with the formal launching of open rivalry in the Pacific in 2018, the Biden Administration and President Putin are architects of a dangerous contest in Eurasia in 2022. The fact that the US has not sent its troops directly into the war to help Ukraine is a silver lining, but it is providing extensive support to its war efforts and thus prolonging it, and no meaningful diplomacy to resolve the disputes are being conducted. While a direct US-Russia military conflict may not be imminent, escalation of the conflict can drag them into one. Diplomacy, constructive engagement, negotiations, compromise and responsibility that are essential in managing great power relations if there is to be peace, security and stability in the international system have been set aside as power struggle has been unleashed.

While Russia is clearly guilty of launching the war with all its ramifications for both the countries, it is not the only guilty party in this tragic saga; the United States, NATO, EU, and the Ukraine also are. Despite initial assurances by President Bush and also Clinton, and the many Russian appeals and warnings there has been a systematic eastward expansion of NATO from 1999. By 2004 itself it had reached the borders of Russia when the three Baltic States and four others, including Bulgaria and Romania adjoining the Black Sea were inducted. The same year NATO announced that the entry of Ukraine and Georgia was under discussion. The expansion would have taken NATO to cover the entire Western flank of Russia as well as the vital Black Sea region in the South, threatening not

only its land borders but also its maritime and naval lifeline to the Mediterranean. Russian military actions to protect Abkhazia and South Ossetia that wanted independence from Georgia on ethnic grounds, and the occupation of the Russian speaking Crimea in 2014 were the direct consequence of NATO's extremely ill-advised moves.

On its part Ukraine's efforts to distance itself from Russia, join Europe and NATO, and forcibly subdue the Russian majority in the Donbas region in the east seeking separation, steadily worsened relations. The conflict in eastern Ukraine in which Russia has backed the pro-Russia separatists, directly fed into the Russian plan to seize the region this year. Ties with Ukraine also worsened when Ukrainian nationalists staged country-wide agitation, including a raid on the Presidential palace that brought down the elected government of President Yanukovich, which preferred to build close ties with Russia rather than the EU. The US and Europe were more than sympathetic towards the nationalists. In March 2014, President Putin announced a new security doctrine that declared Russia had the right to intervene to protect ethnic Russians in break-away ex-Soviet states if under threat. The Minsk agreement signed in early 2015 by Russia, Ukraine, France and Germany to bring about a political agreement and a cease-fire in the eastern region was not implemented. Lines had been drawn, conflict was growing. US-Russia talks have been held but no assurance on NATO expansion was given. Instead, the US steadily built up the Ukrainian military, intelligence and backed the anti-Russian nationalists. Ukraine had become the focus of the growing great power contest in Europe.

Contests for hegemony, unilateralism, use of force and violation of global norms and international law by the leading powers pose the principal threats to the international system. Iraq, Afghanistan, Syria are burning examples of mass bombings, national destruction, human rights violations, and mass killings since the end of the Cold War with no political or peace agreements. Global institutions such as the United Nations and the UN Security Council, the World Trade Organisation (WTO), as well as arms control agreements are no more effective in an increasingly divided world. The deep cynicism with which the global powers have engaged in rivalry for geopolitical and economic dominance over the past two decades with little concern for the devastating impact on an interdependent world is now starkly visible to all. The mounting cost of a series of post-Cold war conflicts, rivalry, and economic downturn are sweeping through

the world, gripping economies and states, and human suffering is rapidly spreading in the poorer countries, especially in Africa and parts of Asia.

## **Global Impact of the War**

Three recent reports capture the devastating effects of the worsening geopolitical rivalry among the three leading powers. A paper published by the US Federal Reserve Board in late May stated grimly:

“Global geopolitical risks have soared since Russia’s invasion of Ukraine. Investors, market participants, and policymakers expect that the war will exert a drag on the global economy while pushing up inflation, with a sharp increase in uncertainty and risks of severe adverse outcomes.” It said: “The economies of Russia and Ukraine are contracting sharply as a direct result of the war and the sanctions imposed on Russia. Commodity markets are in turmoil and financial markets have been highly volatile since the start of the conflict.”

The paper sees “the war as reducing the level of global GDP about 1.5 percent and leading to a rise in global inflation of about 1.3 percentage points. The adverse effects of geopolitical risks in the model operate through lower consumer sentiment, higher commodity prices, and tighter financial conditions. Additionally, firm-level indicators suggest that a hit to the European economies will likely be greatest, especially in goods-producing industries.”<sup>1</sup>

In early June, the ‘UN Global Crisis Response Group on Food, Energy and Finance’ in a Brief on the situation emerging from the Ukraine war observed:

“The ripple effects of the conflict are extending human suffering far beyond its borders. The war, in all its dimensions, has exacerbated a global cost-of-living crisis unseen in at least a generation, compromising lives, livelihoods, and our aspirations for a better world by 2030. The largest cost-of-living crisis of the twenty-first century has come when people and countries have a limited capacity to cope. The war in Ukraine has trapped the people of the world between a rock and a hard place. The rock is the severe price shocks in food, energy and fertilizer markets

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<sup>1</sup> Caldara, Dario, Sarah Conlisk, Matteo Iacoviello, and Maddie Penn. “The Effect of the War in Ukraine on Global Activity and Inflation.” Federal Reserve Board, Division of International Finance, March 27, 2022. <https://www.federalreserve.gov/econres/notes/feds-notes/the-effect-of-the-war-in-ukraine-on-global-activity-and-inflation-20220527.htm>.

due to the war, given the centrality of both the Russian Federation and Ukraine in these markets. The hard place is the extremely fragile context in which this crisis arrived; a world facing the cascading crises of the COVID-19 pandemic and climate change. A shock of this magnitude would have been a significant challenge no matter the timing; now, it is of historic, century-defining proportions.”<sup>2</sup>

Finally, the World Economic Forum (WEF) in its June 30<sup>th</sup> report on the systemic risks posed by the Ukraine war and attendant geopolitical rivalries observed:

“The world is confronting multiple intersecting geopolitical events with highly unpredictable consequences. Coming in the wake of the global COVID-19 pandemic, the Russian-Ukrainian war is disrupting global financial markets, food security, and real economies. Escalating tensions between the US and China are compelling decision-makers to recalculate everything from their strategic alliances to the vulnerability of their supply chains. Making matters even more complicated, looming threats ranging from cyber-attacks to climate change and the mounting possibility of nuclear war, including the erosion of norms and rules around acquiring nuclear weapons, are forcing governments, businesses and international organizations to re-evaluate risk in fundamentally new ways.”

It notes that “the war and accompanying sanctions are dramatically unsettling energy and food markets, with ripple effects likely to extend well into 2023 and 2024. The effects of the war on food production, together with western sanctions on Russian financial institutions, prohibitions on the transfer of high-tech components, and oil and gas are exacerbating inflation in North America and will trigger stagflation, rising interest rates and very likely a recession in Europe and the US.”

Russia and Ukraine are among the primary suppliers to global commodity markets. Together they account for nearly 30 percent of the world’s wheat exports and 20 percent of corn exports. Ukraine is the world’s leading exporter of sunflower oil and a large producer of millet, barley, and other grains. Russia is a major oil and gas supplier and exporter of fertilisers. Dozens of lower and middle-income countries are highly dependent on imported energy, mineral and food commodities, fertilisers,

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<sup>2</sup> See: “Global Impact of the War in Ukraine: Billions of People Face the Greatest Cost-of-Living Crisis in a Generation - Global Crisis Response Group, Brief No. 2.” UNCTAD, June 8, 2022. <https://unctad.org/webflyer/global-impact-war-ukraine-billions-people-face-greatest-cost-living-crisis-generation>.

etc., from Russia and Ukraine. For instance, Nicaragua buys 89 percent of its wheat from Russia and Ukraine; the Republic of Congo 67 percent; and Egypt 46 percent. Russia supplies 94 percent of Algeria's coal and an identical share of Kyrgyzstan's natural gas needs.

The impact of the war, according to the WEF, "are not evenly distributed: emerging markets are suffering disproportionately and rising prices are driving social and political unrest.... As prices for everything from cooking oil to flour rise, the vulnerable from India to Indonesia are hardest hit since electricity and food make up a major share of household expenditures. Already, countries such as Egypt, Tunisia, Peru, Yemen, and Sri Lanka are facing balance of payments problems, rising food prices and even protests. Pakistan is mired in a political crisis owing to rising food (and fuel) prices..."

Since then, both the governments in Pakistan and Sri Lanka have been forced to resign because of mass discontent. The situation in both the countries is turbulent and devastating for their peoples. Both are burdened by huge debt to multiple lenders-- prominently China-- that they are unable to pay. Instability and conflict pose new challenges to embattled states. Africa was already suffering the most from the impact of Covid-19 on health, economy, employment, food production, and disruptions in global supply chains. The war and the sanctions have further disrupted vital food grain imports even as prices have soared. The West has clearly decided to punish and isolate Russia, and stifle its economy without due care for the consequences, especially to the developing countries.

### **Gloomy Global Outlook**

Protracted wars and conflicts have a devastating impact on the people in the conflict zones. The consequences of Russia's military operation, though restrained, have been severe. By the end of August 5,663 civilians had died in Ukraine and some 6-7 million of its people had taken refuge in the neighbouring states, according to the UN High Commissioner for Human Rights. Significant destruction of infrastructure has taken place in the Eastern region of Ukraine due to the war. The negative consequences of the wider West-Russia conflict are being felt in the world economy, energy and food supplies, and efforts to mitigate climate change. A humanitarian crisis is underway in parts of Africa. Economic growth has fallen and inflation has grown to unprecedented levels in most countries. Europe and the US themselves face high inflation and impending

recession; unemployment and supply disruptions have spread, and many countries face political instability. The extension of sanctions to cover states who trade with Russia, denial of insurance cover for tankers and ships carrying goods to and from Russia, restrictions on shipping, freezing of Russian assets in Western banks and blocking of SWIFT transactions, the seizing of Russian properties in the West, etc., threaten not only global trade but also the fragmentation of the financial order as the affected states begin to restrict trade in US dollar and begin to lower their dollar reserves.

According to an analysis by the London-based Centre for Economic Policy Research (CEPR), some 20 countries have foreign exchange reserves above \$100 billion, most of them emerging economies. These countries “clearly face a new ‘tail risk’ of sanctions, with a very low probability but very high impact. The only way to buy insurance is to reduce one’s exposure. New forms of sanctions, even if very rare, may lead to a further retreat and segmentation of the world financial system. Ultimately, sanctions, and their implications, reveal a basic, and forgotten, truth: the movement towards greater financial globalisation has been underpinned by a long-term commonality of purposes, standards and understanding between countries.”<sup>3</sup>

In retaliation against European sanctions Russia has significantly reduced or halted its gas supplies to several European states that have refused to pay in Roubles. In recent days it has also halted gas supplies to Germany and much of West Europe through Nord Stream-1 pipeline for the second time on grounds that it needs ‘repairs’. Heavily dependent on Russia for its energy needs Europe faces a harsh winter and industrial closures. A desperate Germany has reopened its coal-fired power stations. People are restive and fearful of what is in store. Yet, the efforts by the EU to bolster Ukraine and deepen sanctions with the goal of defeating Russia continue. Western shipments of heavy weaponry - such as US HIMARS multiple rocket launch systems - have been rushed to the front line, enabling Ukraine to attack from a longer range. The US has committed over \$13 billion in military and other aid to support Ukraine and its war effort.

Meanwhile, in Asia, a crisis is building up in the Taiwan Straits with China stepping up military encroachments and air space violations to force Taiwan to accept China’s sovereignty and unification claims. There is widespread concern whether it would lead

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<sup>3</sup> Brunnermeier, Markus, Harold James, and Jean-Pierre Landau. “Sanctions and the International Monetary System.” CEPR, April 5, 2022. <https://cepr.org/voxeu/columns/sanctions-and-international-monetary-system>.

to another major military conflict with continental and global ramifications. Elsewhere along its long periphery, China has been on an expansionist course, with wolf-warrior diplomacy, virulent propaganda and righteous assertion as a cover for its actions. As Xi Jinping seeks a third term as the Communist Party General Secretary and China's paramount leader at the 20<sup>th</sup> Party Congress in October, the country is still grappling with the deleterious effects of its zero-Covid policy amidst a severe economic downturn. But that has not restrained Beijing from its large military build up across Ladakh and the Western Pacific, the repeated airspace and maritime violations by the PLA, and heightened military-diplomatic coercion aimed at Taiwan, India, Japan, the Philippines, and others.

The post-Cold War order has broken down. The leading powers that are principally responsible for bringing that about are unfortunately not in a position to build a peaceful, secure and stable new global order. Heightened insecurity, ultra-nationalism and unshakeable faith in the righteousness of their causes have made diplomacy and efforts to build a rules-based peaceful order increasingly difficult. Open rivalry in fact threatens the return of great power wars and instability. Global risks in multiple fields – geopolitics, trade, finance, energy, food, fertilizers, climate—are escalating with dangerous consequences. The worsening crises in Ukraine as well as in the Taiwan Straits are the most prominent symptoms of the deep malaise.

### **Picking up the Pieces**

The world needs a course correction. Major states such as India, Brazil, Mexico, South Africa, Turkey, Indonesia, could work together to bring this about. Their task would be to mediate a return to great power diplomacy in order to peacefully settle disputes and address mutual concerns. India, which will head both the G-20 and the SCO soon, is well placed to play a leading diplomatic role and actively engage with both sides—Russia and Ukraine, as well as US, Germany and France to end the war in Ukraine. They have to be persuaded to agree to an immediate ceasefire, halt the military build-up and nuclear sabre-rattling in Ukraine, and call off the sweeping sanctions that impact the world economy, especially the developing world. The peace agreement reached in March in Istanbul between Russia and Ukraine, but not followed up by Kyiv, could be the basis for a settlement. It is essential that further NATO expansion to include Ukraine and Georgia is called off and the Russian speaking areas of Donbas given the right to exercise self-determination as the ex-Soviet states, including Ukraine, have. It is also

important to guarantee the security, as well as the political, cultural and economic rights of the Russian populations now stranded in the neighbouring ex-Soviet countries because of the sudden and cataclysmic break-up of the Soviet Union. The civil war in Ukraine otherwise would continue and with it the conflict with Russia. NATO and Russia must give up their zero-sum approach, agree to respect the principle of equal and mutual security, and restore their Partnership for Peace and arms control talks. Russia also needs to provide security guarantees to Ukraine. Existing multilateral institutions need to be strengthened and Russia ought to be made an integral part of key European institutions. To be peaceful and stable the world needs to craft new thinking, new norms, laws, and institutional mechanisms.

The alternative, given the current state of conflicted relationship among the three leading powers, is a divided world and a new Cold War. The deepening strategic alliance between China and a beleaguered Russia and a reinvigorated Atlantic alliance are markers of the deepening divide and uncertainty about the world's collective future. Everyone suffers in such a future.

### **In This Issue**

The current special issue of *National Security* discusses a wide range of significant themes related to the Ukraine conflict. It begins with an essay by Arvind Gupta, India's former Deputy National Security Advisor and current VIF Director, laying out India's perspective on the conflict. He underlines that India has been deeply disturbed and impacted by the war, but has not called out Russia with whom it has had long years of deep strategic ties. At the same time India has a growing partnership with the US and major EU countries, especially France and Germany. It, therefore, abstained on a US-sponsored UN General Assembly resolution that condemned Russia. Nonetheless, India has expressed "deep concern" at the worsening situation and called for an "immediate cessation of violence and end to all hostility", an "urgent ceasefire" and a "safe passage" for stranded civilians. It has also extended humanitarian assistance to Ukraine. Prime Minister Modi has spoken to both President Putin and President Zelensky, as well as other world leaders. The West has taken a high moral ground but its own record of past interventions is not inspiring. In contrast, India's position on Ukraine has been designed not only to safeguard its national interest but also to articulate the unease felt by many countries who are suffering collateral damage due to the war and the sanctions.



In his unique essay on the factors that have shaped the conflict, the Director General of the Russian International Affairs Council, Andrey Kortunov places it in a wider Eurasian context by comparing the Russia-Ukraine relationship with India's troubled relations with Pakistan. Both Russia and India, he argues, confront extremely sensitive and 'arguably existential challenges from their smaller and yet quite important neighbours'—Ukraine and Pakistan respectively. It is the closeness of the “cultural and historical codes” of the two pairs of nations that is behind the desire among the new political elites in Pakistan and Ukraine to distance themselves from their larger neighbours as much as possible. He also draws parallel between the extreme violence and all-out efforts by Pakistan to retain control over the pro-independence East Pakistan province in 1971, and the way Ukrainian leadership attempted to suppress separatists in Donbas from 2014 onwards. Further, both relationships demonstrate that internationalisation drives up the costs of conflict for the stronger party. Pakistan and Ukraine, he says, need to find some other—positive—foundations for their identity and stop pitting themselves against their stronger neighbours. He argues that the only way Moscow-Kyiv and New Delhi-Islamabad relations could normalise is within a broader international context. For this to happen, new multilateral security systems in Eurasia and Europe respectively need to be built. For India, this means a stable and mutually acceptable agreement with China, for Russia, it entails significantly improved relations with the United States. Despite the very different historical trajectories of the two relationships and the restrained and peaceful way in which India has dealt with extreme hostile behaviour of Pakistan and its alliance building with the US and then China, this is an important contribution in comparative conflict studies that brings a fresh approach to understanding the nature of the two sets of conflicts and their possible resolution.

The article by Tomiko Ichikawa, the head of the prestigious Japan Institute of International Affairs (JIIA), is on the other hand a scathing attack on Russia for its violation of international law and sovereignty of Ukraine. She argues the world has entered a new era in which the post-Cold War security assumptions no longer hold. Even the foundation of the United Nations-based security architecture is threatened. The invasion and its severe impact on the rule based order will have major implications for the security in the Indo-Pacific where China poses a similar challenge. She calls upon the US and the Quad nations to step up their collaboration to enhance the stability

and security in the Indo-Pacific region. India, the world's largest democracy, she says, needs to take a firm position against aggression and play a significant role in promoting a rules-based order. Facing an expansionist China and a Russia with whom it has unsettled territorial disputes, Japan's concerns and emphasis on sovereignty, peaceful settlement of disputes and observance of law are understandable.

In his analysis of the course of the war in the initial five months, Lt. Gen Rakesh Sharma emphasises that since the 2014 annexation of Crimea, war was on the horizon. For the past eight years Ukraine with NATO military support and training, was preparing for it. The concentration of Russian forces over months prior to the war was also clearly discernible. The invasion underscores that conventional wars are here to stay, and can commence with limited preparations or notice. They are also likely to be protracted. He argues that this has lessons for India which has faced large Chinese forces ready to invade across its northern borders for the past two years, and a hostile Pakistan allied with China on the western front.

The remaining two articles explore the impact and response to the conflict by the developing world. In his analysis of Southeast Asian response, strategic analyst Vinod Anand observes that the impact of the strategic contestation between Russia and the US-led Western alliance in Ukraine and the ongoing US-China rivalry in the Indo-Pacific, are being felt in Southeast Asia, as in other regions. With China supporting Russia on the Ukraine issue, some of the ASEAN states have become even more concerned about a plausible attempt by Beijing to consolidate its territorial expansion in the South China Sea or invade Taiwan. The regional states are also concerned about the rising costs of the conflict to their trade, tourism and oil dependent economies. Barring Singapore, which has supported the US position on the war, and Myanmar which has backed Russia, the other states have taken a middle position of neither supporting nor openly criticising Russia, and have called for a cessation and peaceful resolution of the conflict.

In the Africa Watch series, scholar Samir Bhattacharya argues that most African states seem to be wary of taking any partisan position on the Ukraine crisis and are reacting in keeping with their national interests. Public health and the economy in Africa were already suffering from the negative impacts of the pandemic. The ongoing conflict in Ukraine has given rise to fresh challenges that can further stifle the growth and development of the continent. The war has profound implications for Africa's access

to food, energy, and defence equipment—much of it from Russia and also Ukraine. With the West engaged in supporting Ukraine, development finance is likely to be diverted to it rather than Africa. Instead of supporting Africa to overcome the catastrophic consequences of the pandemic, the food shortage and inflation caused by the sanctions, the Western focus seems to be to counter Russian influence in Africa.

Finally, on a very different theme, PK Hangzo reviews a recent book on the enormous changes underway in India's north-east region and how they are being seen and assessed by the academics in the region.

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