



Ukraine War, China's Growing Footprint in Asia and India's Stake



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The war in Ukraine has been ongoing for over three months, and its cascading impact on the already battered world economy is now becoming increasingly evident. A United Nations Conference on Trade and Development (UNCTAD) report projected that owing to the war, global GDP growth would be a full percentage point lower (from 3.6 to 2.6) than expected.¹ While the war's impact is reverberating in regions across the world, it will be most felt in the Global South, including the low-income countries of Asia, as it disrupts the already inadequate food, energy, and financial markets.

Russia and Ukraine are among the major grain suppliers of the world. Combined, they account for 30 per cent of wheat and barley, a fifth of maize, and more than half of the sunflower oil supply of the world. Russia is also the world's largest natural gas and second-largest oil exporter. The war was a veritable shock to these critical supply chains. This has led to a domino effect of rising oil prices, which in turn has increased freight costs, grossly impacted commodity prices, and therefore caused global inflation. Globally, there is a 34 per cent hike in food prices;² crude oil prices have risen by 60 per cent, while gas prices have more than doubled within a matter of months, causing an energy price crisis.

Ukraine Conflict: Asia Bears the Brunt

As the UNCTAD report concluded, the "weakening of global demand, insufficient policy coordination at the international level and elevated debt levels from the pandemic, will generate financial shockwaves that can push some developing countries into a downward spiral of insolvency, recession and arrested development" – creating a 'perfect storm'.³ In other words, since inflation has a severe impact on disposable incomes, vulnerable populations in developing states are especially exposed to financial and food insecurity. Southeast Asian states like the Philippines, Indonesia and Vietnam spend a significant portion of their incomes on food; therefore, inflation in these regions will be even higher. For low-

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income Asian states, which have limited capacity to tackle such challenges, the economic uncertainty will only add to socioeconomic stress and social unrest.

Simultaneously, the world is more geopolitically divided and polarised than ever today. This has enabled very little international coordination to mitigate the war's impact globally. Delays in collective action are especially worrying for low-income democracies, wherein global shocks can result in uncertain political outcomes.

The question then becomes: who will fill the gap created by the failure of multilateral frameworks and structures to emerge as a security provider for such regions? Will it be China or India (and its like-minded democratic partners) that will step in and assume a leadership position?

China's Expanding Footprint in India's Neighbourhood

For China, the Ukraine war has proved to be an opportune moment to point out its assertiveness and build upon its oft-touted focus on the Global South under Xi Jinping's signature philosophy of forging a 'Community of Shared Future of Mankind'. In this context, Xi has already put forth two initiatives: the Global Development Initiative (GDI) introduced at the UN in September 2021 to accelerate post-pandemic recovery, and the Global Security Initiative (GSI) introduced in April 2022 following the Ukraine crisis.

The GSI, according to Chinese Vice Foreign Minister Le Yucheng, is primarily aimed at constructing an overarching Asian security framework. In other words, modelling on the Belt and Road Initiative (BRI), which sought to position China as the foremost lender, the GDI and GSI seek to establish China as the sole security provider in Asia. The GSI, therefore, comes as Beijing's way to show that as Western-led liberal institutions and multilateral frameworks fail to guarantee security and stability for the developing world, China stands as the only power that has the capacity to assume this role. This narrative adds to Xi's longstanding campaign to frame the US as a threat to peace and tranquillity, and, by extension, China as the righteous leader striving for stability.

What makes China's moves particularly concerning for India is the fact that it is blatantly using the Ukraine crisis to shift its presence in India's backyard from a developmental and economic one to a security-focused one. In essence, the GSI forms a concrete initiative for China to oppose the Quad and the Indo-Pacific concept at large, thus undermining India's security role in the region.

In India's neighbourhood, South and Southeast Asia, as well as the Pacific Islands, are especially vulnerable to global economic flux resulting from the Ukraine war. Several Asian states are reliant on Russian energy (and other commodities from the resource-rich, conflict-ridden region) to drive

economic growth, making the markets of low-income Asian countries more vulnerable than ever. Vietnam, Thailand, Malaysia, the Philippines, and Indonesia, for instance, have all been directly impacted by the Ukraine crisis.

In South Asia particularly, the war has impeded the already uneven and fragile growth, and amplified challenges like supply bottlenecks, inflation, fiscal deficits, deteriorating real incomes, and other vulnerabilities in the financial sector. While the war in Ukraine has turned the Sri Lankan economic crisis into a full-fledged calamity, it has also exacerbated food insecurity in Afghanistan to inconceivable levels, reduced exports and heightened import costs for Bangladesh, and snowballed Pakistan's economic crisis and devalued its currency. The economic brunt of the war has been accompanied by mounting political implications, already visible in the toppling of governments in Pakistan and Sri Lanka.

While all Asian states may not be directly linked by trade to the conflict-ridden region, the global impact on the economy has a trickle-down effect, and several countries in India's neighbourhood are already standing on the brink of an economic crisis, if not collapse.

This makes the region significantly more vulnerable to Chinese machinations. Through the GSI, Beijing will seek to step in and provide assistance while gaining a strong foothold in the region.

India's Response

While Southeast Asia was already a major focal point in China's foreign outlook, it is now increasingly turning to South Asia and the Pacific for immense opportunities. Beijing's engagement with states on India's periphery will have implications that extend into the strategic and security domains, with consequences for India, and the world at large.

In the coming months, India's aim must be to work with like-minded countries to rise to the occasion and ensure they can assist and fulfil the needs of the smaller states in South Asia (and the Indian Ocean), Southeast Asia, and the Pacific. Over time, India has successfully developed a well-instituted Indo-Pacific network of various trilaterals and mini-laterals, including the Supply Chain Resilience Initiative (SCRI), the Quad, the Quad Plus, the Indo-Pacific Oceans Initiative (IPOI) and the recently-announced Indo-Pacific Economic Framework (IPEF). It will be critical for New Delhi to mobilize these channels to deliver tangible benefits to low-income regional states and ensure that they do not become further dependent on China.

To some extent, India has already demonstrated how it can be a valuable partner and a net security provider. For instance, on the fringes of the Quad, India announced that it would work with

Japan to assist crisis-ravaged Sri Lanka. This comes in addition to the millions of dollars' worth of food supplies that India recently provided to Colombo.

Furthermore, the Quad's public health initiatives, such as the last-mile vaccine delivery program, were instrumental in demonstrating the real impact that the group can have and the common good that it can do in the region. India's contribution is visible in the disaster reduction sector, where the Quad has announced plans to work with the New Delhi-based Coalition for Disaster Resilient Infrastructure (CDRI) and provide US\$ 50 billion in sustainable infrastructure financing for strengthening regional infrastructure and communities.⁴ Additionally, Quad's recent maritime domain awareness initiative further looks to satisfy the requirements of regional states and thereby showcase the group's value.

In other words, the Quad has grown from a fringe group to a premier regional grouping with a wide profile and scope covering issues from maritime security to COVID-19 and humanitarian assistance. Now, in the absence of an effective international response, the Quad must look to do more and work with greater urgency to assist struggling states in the region and realise its critical mission of collective peace and stability.

With the introduction of the IPEF and a pledge of US\$ 50 billion in investments and infrastructure aid over the coming five years, it is clear that the Quad states recognise that the economy is inherently intertwined with traditional security. The challenge will now be to deliver on their promises under the IPEF framework and work hand in hand with IPEF member states and other regional powers to actively devise and implement solutions. Similarly, the India-led IPOI, with its focus on capacity building, resource sharing, disaster risk reduction, and connectivity, can bring significant benefits to the Indian Ocean Region and the Indo-Pacific at large. Yet, the purposive partnership envisioned under IPOI remains in nascent stages. Now, the IPOI can be a pathway for India to play a significant and constructive role in the region's revival.

Additionally, while supply chains suffer from global shocks, the India-Japan-Australia-led SCRI can help low-income states reconfigure their value chains to ensure their resiliency and security. SCRI is already developing mechanisms for sharing best practises on resilience and is working on buyer-seller matching events that help diversification. Here, inviting small states to the fold can provide them with significant benefits both in the short and long-term and help them navigate global supply shocks. Only by mobilising the region towards such practical cooperation in tackling the debt issue and bringing prosperity can the Quad states effectively act as a counterweight to China.

New Delhi must recognise that while the Ukraine crisis persists, China will have ample opportunity to use it to its advantage and gain further ground in the region. Although China may vehemently object to the Indo-Pacific concept and condemn India's actions as attempts to establish an 'Asian NATO', it is looking to set up its own security blocs in Asia. India must, therefore, work with its partners to become a proactive actor in the pursuit of well-coordinated regional solutions to the crisis. The race for greater influence and leadership in the Global South is afoot, and in the Indo-Pacific, who wins the competition will depend on who can quickly and effectively fulfil the needs of smaller states.

(Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of the Centre for Air Power Studies [CAPS])

Keywords: Ukraine war, economic fallout, China, South Asia, India, Indo-Pacific

Notes

¹ UNCTAD, *Tapering in a Time of Conflict*, Trade and Development Report Update (Geneva: UNCTAD, March 2022), https://unctad.org/system/files/official-document/tdr2021-update1_en.pdf. Accessed May 23, 2022.

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³ "Ukraine war cuts global growth prospects by 1%," UNCTAD, March 24, 2022, <https://unctad.org/news/ukraine-war-cuts-global-growth-prospects-1>. Accessed May 25, 2022.

⁴ Pradeep Thakur, "Quad to work with CDRI to cut disaster risk in Indo-Pacific," *Times of India*, May 27, 2022, <https://timesofindia.indiatimes.com/india/quad-to-work-with-cdri-to-cut-disaster-risk-in-indo-pacific/articleshow/91821516.cms>. Accessed May 28, 2022.