



Implications of Russia's Ukraine War on South Asia

Russia's war on Ukraine began in February, 2014 and escalated following a full-scale invasion in February, 2022. It is now primarily focused on the status of Crimea and the Donbas, which are internationally recognised as a part of Ukraine.

Russia and Ukraine combined have a significant share in global supplies of oil, gas and other commodities such as wheat, sunflower oil. Thus, this war has adversely impacted their supply chains across the globe. This profound impact on supply chains comes with attendant near-weekly price increases, fueling the fires of inflation. Beyond uncertainty, it creates barriers in the market, disrupting the movement of commodities like auto parts, oil, and grain. As a result, most businesses and millions of consumers worldwide are in economic pain.

The war has also impacted the economy of South Asia. Its direct impact on South Asia occurs through trade linkages, particularly through rising commodity prices as the region is a net importer of many of them. Even before this invasion, inflation in South Asian economies rose significantly as compared to their global peers. The additional shock in commodity prices has further widened the gap, increasing the relative cost of production in the region and eroding the competitiveness of cheap labour and energy-intensive industries.

Furthermore, the reliance on fossil fuels for energy generation is higher in South Asia. Thus, another direct impact is an immediate increase in inflation reading, while indirectly the conflict would lower economic growth, leading to stagflation in the region. The extent of the hit on South Asian countries would depend on the duration of the conflict, the severity of western sanctions on Russia and the Russian response.

Therefore, this Occasional News Wrap (ONW) has reviewed and compiled various relevant articles in print and electronic media on the implications of this war on South Asian economies.

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1	<p>Food protectionism fuels global inflation and hunger</p> <p><i>By Oliver Telling, Benjamin Parkin, and Emiko Terazono</i></p> <p>Financial Times</p> <p>May 10, 2022</p>	<p>Rising protectionism is exacerbating chaos in global food markets brought on by the war in Ukraine, with governments clamping down on exports of staples including grains, cooking oil and pulses. These protectionist steps have only driven up the food import bill further for countries' dependent on international markets for important food commodities, hitting some of the poorest in the world.</p>
2	<p>BDT falls more against US\$</p> <p><i>By Siddique Islam</i></p> <p>The Financial Express</p> <p>May 10, 2022</p>	<p>The exchange rate of Bangladesh Taka (BDT) again dropped against the US dollar (US\$)- mainly due to higher demand for the greenback for settling import-payment obligations. Owing to higher prices of essential items, including fuel oils, in the global market - following the ongoing Russia-Ukraine war.</p>
3	<p>Steel prices to fall, says report</p> <p><i>By Press Trust of India</i></p> <p>The Telegraph Online</p> <p>May 10, 2022</p>	<p>Crisil in its report stated that price corrections in steel are due at the onset of monsoon next month. Steel prices are still holding high because of the continuing uncertainty over supply disruptions, decarbonisation measures globally, and geopolitical risks stemming from the Russia-Ukraine war, which has driven up raw material costs.</p>
4	<p>Sri Lanka is the first domino to fall in the face of a global debt crisis</p> <p><i>By Larry Elliott</i></p> <p>The Guardian</p> <p>May 09, 2022</p>	<p>Across the world, low- and middle-income countries are struggling with a three-pronged crisis: the pandemic, the rising cost of their debt, and the increase in food and fuel prices caused by Russia's invasion of neighbouring Ukraine.</p> <p>The south Asian country is the first to buckle under economic pressures compounded by Russia's war on Ukraine, but it won't be the last.</p>
5	<p>After Pakistan, Sri Lanka, is Nepal Next? Why South Asia's Economic Woes are Structural</p> <p><i>By Monica Verma</i></p> <p>News 18</p> <p>May 09, 2022</p>	<p>Nepal is showing classic symptoms of a brewing economic crisis. Its foreign exchange reserves have fallen, inflation is at the highest, and crop loss due to recent floods adding to its food-fuel inflation already exacerbated by the Ukraine-Russia war.</p>

6	<p>Australia looks to fill Asia's energy gap amid Ukraine crisis</p> <p><i>By Liam Gibson</i></p> <p>Al Jazeera</p> <p>May 09, 2022</p>	<p>Australia is seeing increased demand for its LNG and coal as war and sanctions upend energy supplies. Australia's largest exporter of liquefied natural gas (LNG), has reported soaring demand from democratic Asia. While American and Qatari LNG exports were redirected to Europe in March, Australia sent nine additional cargoes to South Korea and Japan and could yet gain more market share from Russia.</p>
7	<p>The Russian invasion of Ukraine affects Nepal's exports to Europe, the Americas</p> <p><i>By Onlinekhabar</i></p> <p>Online Khabhar</p> <p>May 06, 2022</p>	<p>The export industries that were severely troubled by the Covid pandemic are receiving another blow. The Russian invasion of Ukraine has affected Nepal's exports to Europe and the Americas. Orders from European and Asian countries have been affected as they have been hit hard by the war.</p>
8	<p>Global inflation straining Nepal's forex reserves</p> <p><i>By Prithvi Man Shrestha</i></p> <p>The Kathmandu Post</p> <p>May 05, 2022</p>	<p>Nepal's external economic situation isn't worsening to the level of Sri Lanka but warning signs are visible. Fuel and commodity prices have surged internationally in the wake of the Russia-Ukraine war. Surging imports have contributed to a significant depletion in foreign exchange reserves and ballooning of the balance of payment deficit.</p>
9	<p>Russia-Ukraine war to hurt South Asian economies</p> <p><i>By APA</i></p> <p>The Express Tribune</p> <p>May 03, 2022</p>	<p>Russia and Ukraine combined have a significant share in global supplies of oil, gas and other commodities, so the invasion has increased commodity prices. The direct impact on South Asia would mainly occur through trade linkages, particularly through rising commodity prices, as the region is a net importer of commodities.</p>
10	<p>Russia war on Ukraine threatens Southeast Asia's economic recovery</p> <p><i>By Juthathip Jongwanich</i></p> <p>East Asia Forum</p> <p>April 21, 2022</p>	<p>Russia's unprecedented invasion of Ukraine is threatening Southeast Asia's post-COVID economic recovery. Although these countries have few direct economic links to Russia or Ukraine, the conflict is causing various commodity prices — especially oil, nickel, wheat and corn — to surge. This is particularly concerning for Thailand, Vietnam and Singapore as net importers of these commodities.</p>