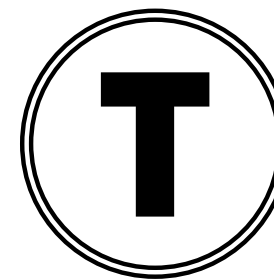




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OPPORTUNITIES DESPITE THE TURMOIL

THOUGH US HAS NOT PUSHED BACK RESOLUTELY ON **INDIA'S POLICY ON THE UKRAINE WAR** BECAUSE OF CONVERGENT INTERESTS ON CHINA, ITS DISCOMFORT IS ALL TOO REAL



The year 2022, like the two years preceding it, proved to be wretched and dispiriting. Although Covid-related mortality levels declined globally thanks to increased vaccinations and rising immunity from previous infections, the world remained stubbornly in the pandemic's grip, which bred diverse economic dislocations of

varying intensity. The liberal fiscal and monetary policies that most nations were compelled to pursue in response only complicated things further. While necessary to protect citizens from acute economic pain, they inevitably engendered problematic, even if anticipatable, blowback in the form of sharply increased inflation produced by too much money chasing too few goods.

While the international system struggled with these calamities, it was unfortunately dealt another body blow, this time entirely due to brazen political viciousness: a premeditated war of conquest initiated by Vladimir Putin's Russia against its immediate neighbour, Ukraine. In a blatant violation of Russia's own previous commitments to respect Ukraine's sovereignty and its borders, Putin's aggression aimed to decisively eliminate Ukraine as an independent state and absorb it once again into a reconfigured Russian empire.

That this belligerence represented a shocking violation of the UN Charter and the gravest threat to international order in recent years was not in any doubt. But the consequences of this unnecessary war went beyond the hardship caused to Ukraine and Russia: it engulfed the entire international community and brought in its trail a spike in energy prices

and severe disruptions in food supplies, while intensifying the problems of inflation previously caused by the Covid crisis. The imperative of arresting this runaway inflation inevitably prompted central banks around the world to sharply raise interest rates, which then produced the danger of a forced economic slowdown, if not an actual recession, in many countries.

The year 2023 has thus begun with unsettling forebodings and the promise of continuing tumult.

For starters, the Russian aggression in Ukraine shows no signs of ending. Despite the unexpected reverses suffered by Moscow, Putin seems determined to prosecute this war irrespective of its costs for the Russian people or the future viability of the Russian state. While India is not a party to this conflict—and has censured it with varying degrees of subtlety—New Delhi will nonetheless be affected, even harmed, by it. The immediate benefits of cheap Russian oil should not obscure the larger problems lying on the horizon: the interruption of Russian military spares because of Western sanctions on Moscow's military-industrial

**WORLDWIDE INFLATION
AND A GLOBAL ECONOMIC
SLOWDOWN WILL IMPACT
INDIA'S IMPORT BILL AND
CONSTRAIN INDIAN
EXPORTS—A DRIVER OF
GROWTH**



Illustration by SIDDHANT JUMDE

complex; Russia's deepening reliance on China as a strategic partner when Sino-Indian ties are themselves imperilled; and Russia's continuing enervation as a great power, which undermines India's desire for global multipolarity. If more Russian reverses in Ukraine precipitate nuclear weapons use—an unlikely but nevertheless plausible prospect—India's ties with Russia will be threatened dangerously, given Putin's already clear disregard of Prime Minister Narendra Modi's appeals for an end to the conflict.

Furthermore, the dangers of a global economic crisis persist and could produce discomfiting headwinds for India at a time when its own post-pandemic economic recovery has just begun. The problems of worldwide inflation promise to endure for a while longer,

still shadowed by diverse storm clouds that will not disappear in the current year—and the challenges could, in fact, be exacerbated if the Modi government pursues increased politically-motivated redistributionism in anticipation of the 2024 national election.

Finally, India's immediate threat environment promises to remain just as unsettled in 2023 as it was during the past year. The situation in Pakistan remains deeply troubled, with no respite in sight. Although Islamabad's problems are largely internal, the possibility of a pernicious spillover to India cannot be discounted. Sino-Pakistani strategic collaboration against India is also certain to intensify in more problematic ways at a time when the situation in Afghanistan, Sri Lanka

and India's foreign relations, beyond its immediate neighbourhood, are in fine fettle. Moreover, US-Indian strategic ties continue to improve steadily. Joe Biden's administration has doubled down on India in ways that demonstrate strong continuity with the policy first inaugurated by George W. Bush. During India's G20 presidency, the United States will showcase this continued support of New Delhi in myriad ways, including through Biden's presence at the G20 summit later in the fall. Bilateral relations, therefore, will continue to expand in different ways, driven in part by the common interest in balancing China, even though the uncomfortable questions about India's democratic backsliding, its weakening liberal credentials and its neo-mercantilist attitudes to trade will persist—occasionally producing political reactions in Washington that will test the partnership.

But the biggest danger on this count currently is India's policy toward Russia and its aggression in Ukraine. New Delhi's approach of running with the hares and hunting with the hounds—delicately condemning Russia's onslaught even as it benefits from the consequences—has worked thus far because the Biden administration has chosen not to push back resolutely because of the convergent interests on China. Yet US discomfort with India's policy is real and is already taking a toll. Although senior officials have bent backwards to preserve the productive relationship with New Delhi, the sympathy for India in other parts of the US government—where critical choices involving cooperation are assessed and triaged—is increasingly taxed and could be imperilled. Testing American forbearance, therefore, is not a great way to deepen US-Indian strategic cooperation. At a time when both countries must cope with multiple crises, carefully nurturing the opportunities for more robust collaboration through a productive “exchange of considerations” becomes all the more pressing. ■

FOR INDIA, TESTING US FORBEARANCE IS NOT A GREAT WAY TO DEEPEN STRATEGIC COOPERATION BETWEEN THE TWO COUNTRIES

with baleful consequences for India's import bill. Any sudden escalation in the Ukraine conflict could also send energy prices skyrocketing again as well as increase the cost of fertilisers, both of which matter disproportionately for India's macroeconomic stability. China's about-turn in its Covid management strategy also promises dramatically increased domestic infection rates, which only guarantee further global supply chain disruptions. These will affect India, too, given its substantial, and even increasing, dependence on Chinese inputs for a wide range of industries, from drugs to electronics and telecommunications. And a global recession, if that comes to pass, or even the almost inevitable economic slowdown, will constrain Indian exports, which remain a critical driver of India's economic growth. In many ways, then, India's return to higher growth is

and Burma remains disturbing. But, worst of all, despite China's increasing troubles with Covid at home, Beijing seems determined to sustain significant military pressure against India along its borders. Even if China finally completes the disengagement of forces from the last two disputed locations in eastern Ladakh, it is unlikely to withdraw the substantial combat forces it currently maintains along the frontiers to their peacetime locations. The burdens that this transformed Chinese military posture imposes on India, both financially and operationally, will therefore persist indefinitely.

The year 2023, thus, begins on a bleak note where New Delhi is concerned. Yet there are glimmers of hope. The Indian economy remains a bright spot in an otherwise dreary landscape; India's domestic politics continues to be remarkably stable;