

INDIA MUST STAY NEUTRAL AS COLD WAR II WORSENS

Relevant for: International Relations | Topic: Effect of policies and politics of developed & developing countries on India's interests

The West is up against not just Russia but other adversaries too with a convergent interest in ending US dominance of the world. How it'll play out is uncertain. We should hedge our risks

The end of Cold War I in 1991 was momentous. The Soviet Union cracked up, the US claimed victory in a moment Francis Fukuyama called "the end of history", and India adopted market reforms in a move spurred by a Gulf War oil-shock but endorsed by the clarity of an open economy's advantage over autarky. Does the start of Cold War II, as Russia's invasion of Ukraine presages, mark a 'return of history' that may call for another big strategic shift? On Tuesday, US President Joe Biden's state-of-the-union address sought to convey America's "resolve that freedom will always triumph over tyranny", with Russian aggression held up as the example of what had to be defeated. The US-led West's arsenal is composed of sanctions aimed at hitting Russia's economy, which had integrated itself with the Western world's over three decades. Clamps on reserves held in the West by Russia's central bank deprived Moscow of a currency prop as money began to flee, its rouble got scrunched, imports turned inflationary and asset values dropped; rate hikes and capital controls may be unable to restore stability. Yet, we have seen no sign of a Kremlin back-down, despite the quagmire it might find itself in as it eyes Kyiv, and domestic discontent stirred by financial hardships may take too long to shake its authority. Critically, Russia could decouple itself from the West at a lower cost than the US estimates.

If global geopolitics differs vastly from what it was 30 years ago, China's rise is the big reason. Invasion-eve talks between Moscow and Beijing had bound both of them closer together. The barring of big Russian banks from the main mechanism for moving funds around the globe has since converged Russia's interest with China's in the activation of alternatives that could get around curbs enforced by the US. Technology enablers do exist. In some ways, crypto transfers had already put old systems on notice, and a Chinese-run digital yuan being given such a role is not beyond the realm of plausibility. While the scope of sanction-foiling cooperation across the great Asian landmass remains hazy, its very possibility could also restrain Russia from using an oil-export embargo as a retaliatory weapon, given China's vulnerability to it. The stance adopted by the world's original weaponizer of oil, Opec, which effected a drastic price spike in 1973, could also prove significant. After a recent attempt by Moscow to play its own game was met by a Saudi oil glut that throttled its revenues into complying with the cartel's calculus, Opec+ has stuck to an uneasy truce, but the Ukraine war's impact on this club's unity defies easy analysis.

No less shrouded in a thick fog of war were Pakistan's confabulations with Russia soon after hostilities broke out. While Moscow's relations with Islamabad have blown hot and cold over the past few years, our neighbour's tilt away from the West—a bet on Chinese domination of Asia in time to come—was visible in the sordid episode of America's withdrawal from Afghanistan. Speculation has also arisen of the four-way Quad's function being taken over by a new Aukus alliance of Australia, the UK and US aimed at glaring China down. All these developments could make us wonder if New Delhi's long-held neutrality is the best way to secure our future as this Cold War II worsens. As we found after 1991, the Western model is a good assurer of prosperity. But we live in Asia. And the dictates of security mean we must hedge our bets. Let's stay non-aligned

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