

War in Ukraine Deepens Divide Among Major Economies at G20 Gathering

Treasury Secretary Janet L. Yellen urged her counterparts at a summit in India to condemn Russia's actions, and she defended the cost of supplying aid to Kyiv.



By Alan Rappeport

Alan Rappeport traveled to Bengaluru, India, to attend the G20 meetings as part of a press delegation covering Treasury Secretary Janet L. Yellen.

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A year after Russia's invasion of Ukraine, the war is deepening the division among the world's major economies, threatening fragile recoveries by disrupting food and energy supply chains and distracting from plans to combat poverty and restructure debt in poor countries.

Those fissures were evident this past week as top economic policymakers from the Group of 20 nations gathered for two days at a resort in Bengaluru, a city in southern India, where efforts to demonstrate unity were overshadowed by flaring tensions over Russia. During the summit, Western nations imposed a barrage of new sanctions on Moscow and unveiled more economic support for Ukraine, while developing countries like India, which have been reaping the benefits of cheap Russian oil, resisted expressing criticism.

The differing views left officials struggling to cobble together the traditional joint statement, or communiqué, on Saturday, forcing senior representatives from the Group of 7 nations, the world's most advanced economies, to try to convince reluctant counterparts that defending Ukraine was worth the cost.

A summary of the meeting issued in the afternoon noted that "most members strongly condemned the war in Ukraine" but that "there were other views and different assessments of the situation and sanctions." The statement noted that Russia and China refused to sign on to the parts of the summary that referred to the war in Ukraine.

In a clear sign of the tensions surrounding the discussion, the statement said that the Group of 20 was "not the forum to resolve security issues," but that members

“acknowledge that security issues can have significant consequences for the global economy.”

Treasury Secretary Janet L. Yellen said on Saturday in an interview that she had tried to make the case for a joint response to the more reluctant countries. “Ukraine is fighting not only for their country, but for the preservation of democracy and peaceful conditions in Europe,” she said, adding, “It’s an assault on democracy and on territorial integrity that should concern all of us.”

The summit took place at a pivotal moment for the global economy. The International Monetary Fund last month upgraded its global output projections but warned that Russia’s war in Ukraine continued to cast a cloud of uncertainty. The fund also noted that increasing “fragmentation” in the world could be a drag on growth in the future.

Ms. Yellen was among the most forceful critics of Russia during the two-day meeting. At one point, she directly confronted senior Russian officials in a private session and called them “complicit” in the Kremlin’s atrocities.

The grappling over how to characterize Russia’s actions led Bruno Le Maire, the French finance minister, to publicly vent his frustration with some countries that would not assail Russia in writing. He noted that when the leaders of the Group of 20 nations met in November, in Bali, Indonesia, their statement had asserted that most members strongly condemned the war, and he said on Friday that he was opposed to watering down that sentiment.

“I want to make it very clear that we will oppose any step back from the statement of the leaders in Bali on this question of the war in Ukraine,” Mr. Le Maire, who declined to name the holdouts, said at a news conference. “We strongly condemn this illegal and brutal attack against Ukraine.”

India’s close economic ties with Russia have made its role as the host of the Group of 20 this year especially challenging. Moscow is a major supplier of energy and military equipment to India, while the United States is India’s largest trading partner.

To remain neutral, India has tried to avoid describing the conflict as a “war” and instead focused on other issues. In an opening address to the summit, Prime Minister Narendra Modi laid out the threats facing the global economy, but he made no mention of Russia, pointing instead to “rising geopolitical tensions in many parts of the world.”

Some of the resistance to condemning Russia is because of concern about the United States’ use of its economic might to isolate a member of the Group of 20.

“The fact that the U.S. clearly has so much power to take action against a geopolitical rival is a significant concern,” said Eswar Prasad, a trade policy professor at Cornell University who speaks to both American and Indian officials. “There’s clearly been a splintering of the G20.”

Mr. Prasad added that the aggressive use of sanctions by the United States had raised anxiety among other nations — even if they disagreed with Russia’s actions — that they could someday be exposed to Washington’s wrath.

That use of economic warfare was on display on Friday, when the United States imposed sanctions on more than 200 individuals and entities in Russia and other countries that are helping to financially support Moscow’s invasion of Ukraine. Sanctions were also placed on Russia’s metals and mining sector and on energy companies.

The war in Ukraine was not the only matter this past week that consumed finance ministers in India.

The United States and Europe continued to hash out differences over American subsidies for electric vehicles that European countries believe will harm their economies. A global tax agreement that was struck in 2021 continues to flounder, raising the prospect that it could unravel. And talks over restructuring debt burdens facing poor countries to avoid a cascade of defaults failed to bear fruit, largely because of resistance from China.

“There hasn’t been a significant change that I see,” said Ms. Yellen, who expressed frustration at China’s role as a roadblock this past week.

But it is the war in Ukraine that has left the world’s economic leaders most divided. In many cases, resistance to supporting Ukraine and confronting Russia is the result of complicated domestic politics in many countries, and the United States is no exception.

A growing number of Republicans, including former President Donald J. Trump, have been arguing in recent weeks that the United States cannot afford to endlessly support Kyiv. They contend that at a time when the United States is burdened by record levels of debt and a weakening economy, that money would be better spent on domestic problems.

In the past year, the United States has directed more than \$100 billion dollars of humanitarian, financial and military aid to Ukraine. The Congressional Budget Office projected last week that the United States was on track to add nearly \$19 trillion to its national debt over the next decade, \$3 trillion more than previously forecast.

For the Biden administration, scaling back aid to Ukraine does not appear to be an option.

In the interview, Ms. Yellen argued that the United States can afford to bear the costs and that supporting Ukraine was a priority for national security and economic reasons.

“The war is having an adverse effect on the entire global economy,” Ms. Yellen said, “and providing the support that’s necessary for Ukraine to win this and bring it to an end is certainly something that we really can’t afford not to do.”