

---

## Challenges and Opportunities for India at the time of the Russo-Ukrainian War

**Balaram Pradhan**

*Lecturer in Political Science, Swanachud College, Balasore, (Odisha) India*

### Abstract

The ongoing crisis between Russia and Ukraine had a tremendous impact on the entire world, including India. The United States, Canada, and major European countries have cut off trade and economic ties with Russia. The impact of the conflict on the global economy is already being felt, with oil and gas prices increasing and stock markets becoming more volatile. With logistics and transportation being among the most energy-intensive industries, rising oil and gas prices and the geopolitical risks posed by the conflict will disrupt supply chains worldwide. However, the conflict presents India with both challenges and opportunities. The purpose of this paper is to outline the prospects and challenges briefly.

**Key Words:** Indo-Russian Relations, Russia-Ukraine War, Geopolitics, Challenges, Opportunities

### Introduction:

The Russo-Ukrainian conflict was an ongoing conflict between Russia and Ukraine in February 2014. Both were members of the Soviet Union until 1991 when Ukraine gained independence from the Soviet Union. From 1991 to 2013, Ukraine leaned pro-Russian at times and pro-European at other times. By 2013, the National Parliament and much of Ukraine desired deeper links with Western Europe, whilst President Viktor Yanukovich and his government desired tighter ties with Russia. The Russian-friendly Yanukovich was overthrown at the end of the conflict (Kudelia, 2018). As a result, Russia launched military action against Ukraine, focusing on the status of Crimea and the Donbas region initially. The annexation of Crimea distinguished the first eight years of the conflict by Russia in 2014 and the war in Donbas (2014–present) between Ukraine and Russian-backed separatists,

as well as maritime incidents, cyber warfare, and political tensions. The conflict escalated significantly on February 24, 2022, when Russia launched a full-scale invasion of Ukraine, following a Russian military build-up on the Russia–Ukraine border that began in late 2021. Between March and April 2021, Russia started a large military buildup along the Ukraine border, followed by a second buildup in Russia and Belarus between October 2021 and February 2022. The Russian government has denied having any plans to invade or attack Ukraine (Taylor, 2022). A few days later, Russia started its military operation on Ukraine, and by the end of May 2022, the war was not finished yet.

The continuation of war created a lot of challenges for the whole world. With each passing day, tensions between Ukraine and Russia reach unprecedented heights, with governments worldwide taking a stand

on the subject. In the conflict between Ukraine and Russia, the majority country has chosen a side. India is one of the few countries that have maintained a balanced approach to the present conflict, refusing to publicly back either Russia or Ukraine (DNA, 2022). The ongoing Russo-Ukrainian conflict has been consistently changing the outlines of world politics since February 2022. Here all nations want to secure their core interest. Ukraine has a desire to join the North Atlantic Treaty Organization (NATO) as a member state quest for security. On the other hand, Russia is concerned that any further eastward expansion of NATO will bring the US-led alliance to its doorstep is the crucial reason for the conflict. Hence, this conflict also creates some challenges for India's National Interest.

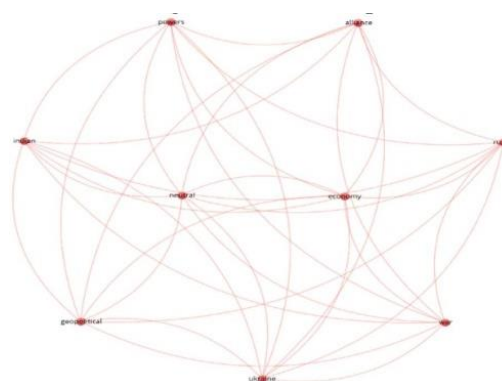
#### Review of Literature:

**Mridusmita (2022)**. She highlighted the implications of the Russia-Ukraine conflict on India in her paper. She claimed that the world had imposed severe economic sanctions on Russia due to its military action. The primary sanction is Russia's exclusion from the SWIFT system.

Crude oil, LPG cooking gas, and wheat prices all rose worldwide. She said that the war had had little influence on India's export system because Russia is the country's 25<sup>th</sup> largest trading partner. The Article of Financial Express written by **Bloomberg (2022)** argued that Russia offered a discount on oil due to western sanctions. India and China bought massive amounts of oil during the period, and this purchase was record-breaking. India dumped OPEC countries, and Russia became India's 4<sup>th</sup>

largest oil supplier during this phase. **Nazeeruddin, M. (2022)** argued that Russia and Ukraine are the most significant commodity producers in the international market. This event led to 3 significant impacts: higher prices for commodities, the supply chain going to be disrupted, and tightened the financial conditions in many countries. **Meena, K.L. (2022)** argued that prices have risen for all commodities due to Russian military operations. Apart from that, raw material costs were also raised. The inflation problem may have been suppressed recently, but it can go to its peak due to ongoing military operations. **Jagtiani & Wellek (2022)** argued that India had captured attention worldwide due to its response to the Russia-Ukraine conflict. India abstained several times while voting in United Nations. The authors said this kind of response is not expected from a democratic and responsible country like India. India follows its non-alignment policy in the period of conflict, and this kind of policy leads to better relationships with China and Russia. This is when India needs to think about its balance strategy and its impact for a long-term period.

Fig.1: Research Gap



Source: Google Scholar & Elsevier Database

There are few works of literature

available on the topic, but these works are significantly fewer because this is an ongoing event now. Scholars have emphasized Economic Issues, War, Alliance, Neutrality and Power in their work, respectively, and economic impact is the top priority in available works of literature. There is a big gap on the issue of Political impact on India. Therefore, this paper aims to discuss the Economic and Political issues briefly.

### **Discussion**

The Russia Ukraine war significantly impacted India's politics, geopolitics, economics, etc. The researcher points out some crucial points from the Indian perspective. While the war in Ukraine may negatively influence international relations, India has an opportunity to take advantage of the crisis and strengthen commercial ties with Russia because Moscow's Western partners have refused to collaborate. This suggests that economic and business connections between India and Russia may strengthen.

### **Challenges for India**

*Increase nexus between Russia-China:* Since 2016, relations between the two countries have significantly increased, now China is its largest trading partner. In recent periods China has supported Russian action in every sphere and cooperating. This growing relationship can create several issues and tension for India.

*Neutral stand hurts Western countries:* India's neutral perspective regarding the Russia-Ukraine war also shows a side. When many countries condemned Russian military action, India and some other countries didn't condemn Russian military action or support it. On the other hand, increasing trade relationship with Russia hurts western countries because they expect India should stand against Russian military action, but India chooses a non-alignment policy.

*MIR Payment System:* Mir payment system is a Russian Military system which Russia uses as an alternative payment system to the western ban. This system helps Russia for curtailing its dependence on the western banking system. In recent period Chinese company Union Pay merged with Russian Payment System MIR. Through this system, Russia can receive Yuan currency. This system can promote the Chinese Currency system. Russia is also exploring the possibility of the Chinese Currency Yuan as a reference currency to value the Rupee- Ruble trade mechanism. It tries to promote Chinese currency hegemony in other countries, hampering India's interest (Seth & Ghosh, 2022).

*RBI's Foreign exchange reserve:* Since the beginning of the war, the Indian Foreign exchange reserve has been going down steadily. Massive import of oil is also a primary reason for the decrease in foreign reserves in India.

TableNo.1: Foreign Exchange Reserve

Week	₹ Cr.	US\$ Mn.
January 7 2022	4702360	632736
January 14, 2022	4707359	634965
January 21, 2022	4719835	634287
January 28, 2022	4727298	629755
February 4, 2022	4720099	631953
February 11, 2022	4752438	630190
February 18, 2022	4725881	632952
February 25, 2022	4755726	631527
March 4, 2022	4812292	631920
March 11, 2022	4765009	622275
March 18, 2022	4699321	619678
March 25, 2022	4707396	617648
April 1, 2022	4592504	606475
April 8, 2022	4583925	604004
April 15, 2022	4598531	603694
April 22, 2022	4592398	600423
April 29, 2022	4568295	597728

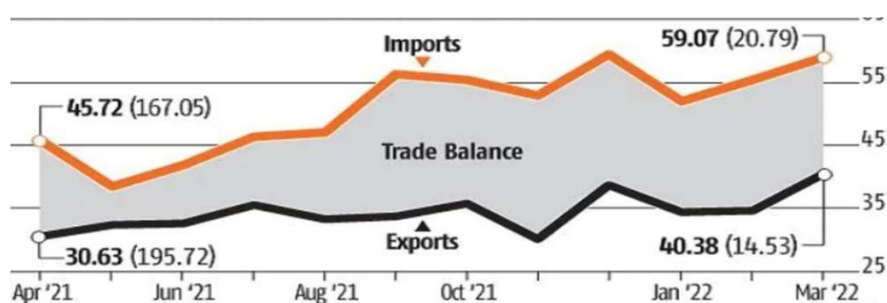
Source: RBI Foreign Exchange Reserve

Since the beginning of January, India's foreign exchange reserves have increased, with the most significant foreign exchange reserve in US Dollars recorded in the third week of January. It rapidly decreased after the Russo-Ukraine war in February. The last week of April shows that foreign exchange reserves have fallen below 600 billion

dollars (Reserve Bank of India, n.d). The markets have been drained of Rs 6,400 crore by foreign investors. In May, foreign investors pulled Rs 6,400 crore from the Indian market after the Reserve Bank of India (RBI) and the US Federal Reserve raised interest rates (PTI, 2022).

*Trade Deficit:*

Fig.2: Imports vs Exports value (\$ Billion) of India (Figures in Brackets, Growths in %)



Source: Department of Commerce

India's trade deficit widened to \$192 Billion in 2021-22 (FY 22) as imports hit a record high of \$ 610 billion because in bound petroleum shipments nearly doubled compared to a year earlier.

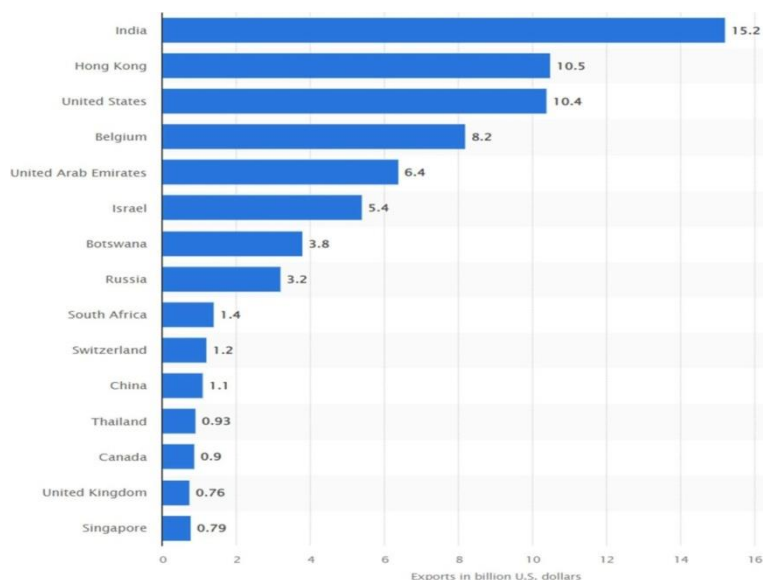
Fig.3: Last 3 Financial Year Trade of India

	Value in \$ billion			% growth	
	Apr21-Mar22	Apr20-Mar21	Apr19-Mar20	Apr 21-Mar 22-over Apr 20-Mar 21	Apr 21-Mar 22-over Apr 19-Mar 20
Exports	417.81	291.81	313.36	43.18	33.33
Imports	610.22	394.44	474.71	54.71	28.55
Deficit	192.41	102.63	161.35	87.49	19.25

This trade deficit raised the sharp 94.33% jump in petroleum imports value. Because of the rise in global crude oil prices due to the Russian invasion of Ukraine and Russia offering cheap crude oil to India, that's why trade deficit also rose. Apart from that other, India also imports many things other than Crude oil, which significantly impact India's trade balance system (Nandi, S. 2022).

Indian Diamond Business under threat

Fig.3: Diamond export value worldwide in 2020 by Country



Source: Internet

Indian produce and prepare many finishing goods, among them finishing good Diamond export is one of the important businesses. Fig.3 shows that India is the largest diamond exporter in the world. India is not the largest Diamond producer, but it imports raw Diamonds and cuts it, polishing them for export worldwide. A large amount of raw diamonds India imports from Russia. During the Russia-Ukraine war, many western counties rejected Indian Diamond based on Russian Origin Diamond, impacting the Indian economy significantly.

*Economic Slowdown:* Indian Economy witnessed the lowest growth rate in the first three months of 2022-23. It is approximately 4.1%, while the previous year's growth rate is 8.7%.

Due to inflation, the Ukraine war and many more causes, it gradually declines, which is a major concern for India (Adil, 2022).

*Effect of War on fertilizers:* India is dependent on the state of Ukraine for fertilizer mainly. Due to war, the fertilizer cost is growing high day by day due to the war effect. India is trying to search for alternatives for it but for now, and it is an issue for India (Gera, 2022).

*Price rise:* due to war, many products' prices rise because shipment movement from one place to another takes time and the high rate of oil price is also a reason for that. India bought Sunflower Oil from Ukraine, but it was not possible due to war. Therefore India purchased sunflower oil from other countries at a high price. Similar sunflower oil case, many other products' prices have risen worldwide.

*Food Crisis:* Russia and Ukraine export wheat and other food items to many parts of the world. They are known as the Bread Basket of the world. Due to war, there is a shortage of wheat and many other products, which creates a situation like a food crisis. India exports wheat to some countries, but it stopped right now due to the heat wave.

In this way, the Russia Ukraine war impacted India significantly. Still, India has a relatively better position than many counties, but this war leads to many challenges shortly.

### **Opportunities for India**

*China wants closer ties with India:* During the war, the Chinese Foreign Minister visited India after attending the OIC (Organization of Islamic Cooperation) Conference as part of the South Asia tour. It's the first high-level meeting of two countries after the border conflict 2020. Chinese Foreign Minister Wang Yi held talks with National Security Adviser Ajit Doval during their tour. In their visit, the Chinese foreign minister aimed to discuss the Ukraine issue but failed to meet with the Indian Prime Minister (Liskonih, 2022). In another incident, China came forward to defend the Indian wheat ban decision after G7's criticism and argued that blaming India for its wheat ban did not solve the food problem (ANI, 2022). These two significant events show that the Chinese Government wants to build a strong relationship with India.

*Pakistan wants to revive trade with India:* Recently, Pakistan appointed a new Trade Minister to India because Pakistan already suffers from financial issues. To solve this issue quickly, India

is a good option for Pakistan. This step was considered a significant step by the newly-appointed prime minister toward trade revival, which was blocked due to removing article 370 (Hindustan News Hub, 2022).

*Strengthen India's Position:* The Russian government applauded India's government for taking a balanced approach, while the Ukrainian government has asked Indian Prime Minister Narendra Modi to mediate the crisis (DNA, 2022). Ukraine's President also tried several times to approach India for a conversation with Vladimir Putin to stop the war (Sibal, 2022). Apart from that, various other countries' leaders also visited India to discuss the Russia-Ukraine issue. They tried to convince India to condemn the Russian Military Operation, especially during the Bucha Genocide. All these things present the view that gradually India's influence increased worldwide.

*Impact of Strong Leadership:* In the time of war, when many nations are trying to pressure India to condemn Russian Action, India shows its strong leadership and maintains its neutrality policy. It is possible only with strong leadership at the centre. It also provides a way to deal with strong nations and how to sustain own stance under challenging situations.

*Vacuum in Russian Market:* After the Russia-Ukraine war started, many companies pulled out of Russian Market, among them McDonald's, Starbucks, Heineken, Coca-Cola, L'Oreal, and Estee Lauder important companies that left Russian Market. Apart from that, many European and American companies also closed their

shop in Russia. This time there is ample space in Russian Market in every sector. This is a golden opportunity for Indian Companies to start their business in Russia (Race & Hooker, 2022).

*Record-Breaking Crude Oil Purchase:* Earlier, Russia is the 10<sup>th</sup> largest country for India in crude oil import, but in recent days India has imported a huge amount of oil, nearly nine times the previous month's average. Nowadays, Russia has become the 4<sup>th</sup> largest Crude Oil Supplier to India. When European and America ban on Russian Oil, Russia offered crude oil to India at a discount price. India grabbed this opportunity very significantly. In this sense, Russia became one of the largest partners, and this purchase was record-breaking than earlier (Madhok, 2022).

*India emerged as an important wheat supplier:* India is the world's second-largest wheat producer. Earlier, European Nations were not like Indian wheat, but after Ukraine's supply was blocked, demand for Indian wheat rise. The Indian Market has sufficient stocks, and India is comfortable meeting requests from wheat importing countries. Due to some issues now, India banned wheat export, but it can resume very soon, strengthening the Indian position and economy globally.

*Lesson for Self-Sufficient:* The whole world learns one thing from this kind of conflict that is the lesson of self-sufficiency. This issue creates many problems for many countries, including Natural gas shortages in European countries and food shortages worldwide. This issue teaches all countries that they have to develop their self-sufficiency capacity, and all need to diversify their

need to reduce their dependency on one country. The quest for alternatives is an important issue on which all nations should focus in the upcoming period.

### Conclusion:

Apart from the possibilities mentioned above, India has a lot more potential. Some moves will assist India, such as introducing the RuPay payment system in Russia, and Indian pharmaceutical companies will have a

fantastic opportunity to expand their market, bolstering India's position in Russia. Of course, the war presents many obstacles, but it also offers India some chances. It's probably time to seize this opportunity and strengthen India's global status. Western countries are concerned about India's expanding engagement, but like any other country, India should focus on its national interests.

### References:

- Adil, A. (2022, June 6). *Pandemic, Russia-Ukraine war accelerate economic slowdown in India: Experts*. Asia-Pacific. <https://www.aa.com.tr/en/asia-pacific/pandemic-russia-ukraine-war-accelerate-economic-slowdown-in-india-experts/2606488>
- ANI. (2022, May 16). Chinese media defends Indian wheat export curb after G7 criticism. *The Economic Times*. <https://economictimes.indiatimes.com/news/international/world-news/chinese-media-defends-indian-wheat-export-curb-after-g7-criticism/articleshow/91593213.cms>
- Bhardwaj, M., & Jadhav, R. (2022, April 12). Record wheat crop, high stocks to help India meet rising global demand. *Reuters*.
- Bloomberg. (2022, May 27). Impact of war in Ukraine: More Russian oil than ever before is heading towards India and China. *Financial Express*. <https://www.financialexpress.com/market/commodities/impact-of-war-in-ukraine-more-russian-oil-than-ever-before-is-heading-towards-india-and-china/2539982/>
- Chinoy, S. Z., & Jain, T. (2022). What Does Oil in Triple Digits Mean for India? Macroeconomic Implications and Policy Trade-offs. In *Indian Public Policy Review* (Vol. 2022, Issue 2).
- Dole, M. S. (2022). Russia- Ukraine War: Impact on Indian Economy. *International Journal of Novel Research and Development*, 7(4), 303–309.
- Gera, N. (2022, April 19). *Case Study – Effect of Russia-Ukraine war on the Indian Economy*. Jagannath International Management School. <https://www.jagannath.org/blog/international-business/case-study-effect-of-russia-ukraine-war-on-the-indian-economy/>
- Ghosal, S. (2021, June 2). India's diamond exports surpass \$20 billion: Crisil Report. *The Economic Times*. <https://economictimes.indiatimes.com/industry/cons-products/fashion/-/cosmetics/-/jewellery/indias-diamond-exports-are-expected-to-surpass-20-billion-crisil-report/articleshow/83175653.cms>
- Hindustan News Hub. (2022, May 10). Pakistan's big step for trade with India cabinet appointed trade minister. *Hindustan News Hub*. <https://hindustannewshub.com/world-news/pakistans-big-step-for-trade-with-india-cabinet-appointed-trade-minister/>
- Jagtiani, S.L., & Wellek, S. (2022). In the Shadow of Ukraine: India's Choices and Challenges. *Global Politics and Strategy*, 64(3), 29–48.



- Johannesson, J. (2017). *NDLI: Russia-Ukraine War Is Not a Simple Riddle*. Institute of Strategy and Leadership. <http://ndl.iitkgp.ac.in/document/SFZtTIBcCmZuSHdLYnZnTnx2NaSno0YzIFN0NzelhNM012ZCs4M3dWY1FyRHJxdklaZmtjZjNWUXN6d2EwVg>
- Kasturi, C. S. (2022, April 11). Can India keep the shine on Russia's diamond industry? *Aljazeera*. <https://www.aljazeera.com/economy/2022/4/11/can-india-keep-the-shine-on-russias-diamond-industry>
- Kudelia, S. (2018). When Numbers Are Not Enough: The Strategic Use of Violence in Ukraine's 2014 Revolution. *Comparative Politics*, 50 (4),501–521.
- Liskonih, O. (2022, May 25). Chinese Foreign Minister visits India to discuss Ukraine. *World News*. <https://www.rt.com/news/552672-chinese-minister-visits-india/>
- Madhok, D. (2022, June 1). India shows no sign of slowing its purchase of Russian oil. *CNN Business*. <https://edition.cnn.com/2022/05/31/energy/india-snapping-up-russian-oil-intl-hnk/index.html>
- Meena, K.L. (2022). Impact of Russia Ukraine War on Indian Economy: //creativecommons.org/licenses/by/4.0. *Academic Journal of Digital Economics and Stability*, 16. <https://academicjournal.io>
- Mridusmita. (2022, February 27). *Impact of Russia-Ukraine War on India*. Economyria.
- Nagarjuna, B. (2022). Russia's invasion of Ukraine: Impact on Indian Economy strategies to mitigate and sustain. *EPRA International Journal of Multidisciplinary Research (IJMR)-Peer Reviewed Journal*, 8 (3), 204–209. <https://doi.org/10.36713/epra2013>
- Nazeeruddin, M. (2022). The Russia-Ukraine War crisis - It's Impact on Indian Economy. *International Journal of Research and Analytical Reviews (IJRAR)* www.Ijrar.Org,346. <https://ssrn.com/abstract=4080234>
- PTI. (2022, May 8). FPIs have withdrawn ₹ 6,400 crores from equity markets in May so far. *Hindustan Times*.
- Race, M., & Hooker, L. (2022, March 11). Which companies are pulling out of Russia? *BBC News* <https://www.bbc.com/news/business-60571133>
- Reserve Bank of India. (n.d.). *Weekly Statistical Supplement*. Reserve Bank of India.
- Seth, D., & Ghosh, S. (2022, March 16). Russia, India explore opening alternative payment channels amid sanctions. *Mint*. <https://www.livemint.com/politics/policy/russia-india-explore-opening-alternative-payment-channels-amid-sanctions-11647371750761.html>
- Shreya Nandi. (2022, April 5). The trade deficit widens to \$192 billion in FY22; imports are record high. *Business Standard*.
- Sibal, S. (2022, March 6). Ukraine F Murges PM Modi to reach out to Russian President Vladimir Putin to stop the war. *Zee News*. <https://zeenews.india.com/india/ukraine-fm-urges-pm-modi-to-reach-out-to-russian-president-vladimir-putin-to-stop-war-2442534.html>
- Taylor, A. (2022, February 24). Russia's attack on Ukraine came after months of denials it would attack. *TheWashingtonPost*. <https://www.washingtonpost.com/world/2022/02/24/ukraine-russia-denials/>