

Russia - Ukraine war - and its impact on Indian Economy

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Abstract: Despite India's limited direct exposure the combination of supply disruptions and ongoing terms of trade stock will likely weigh on growth, result in a sharper rise in inflation and (lead to) a wider current account deficit and a fallen rupee said Sonal Verma chief economist at Nomura Holdings in a report. The ongoing crisis in Ukraine is set to push the country's, import bills beyond the. USD 600 billion mark this fiscal, given India's import dependence on crude oil natural gas, germs and jewellery. Edible oils and fertilisers, which can lead to a spike in inflation and current account deficit and a falling rupee.

Keywords: Exposure, Inflation, dependence edible oil, disruptions.

Introduction -

The Russia –Ukraine conflict is a major security crisis in the Eurasian region, with the potential to escalate into a much broader conflict. Geopolitically, it might lead to further deterioration of Russian relations with the US and Europe.

The Ukraine conflict in the heart of Europe may look distant to India. But it has far reaching consequences not only for India's relations with the US, the European Union, Russia, and China but also the larger dynamic to Asian geopolitics.

Ukraine was a part of the Russian Empire for centuries before becoming a soviet republic. Russian and Ukraine share hundreds of years of culture, linguistic and familial links. It gained independence with the disintegration of the USSR in. (99) Since then, Ukraine has tried to shed the Russian legacy and improve its relationship with the west. Their shared heritage has been exploited for electoral and military purposes. In 2014, the then Russian leaning Ukrainian president decided to join the Russian led Eurasian Economic union instead of the EU. for the united states and the European Union. Ukraine is a crucial buffer between Russian and west. So they are determined to keep Ukraine away from the Russian control. They have made persistent efforts to induct Ukraine in to NATO for many years, and this has picked up pace recently. The conflict is now the largest attack by one state on another in Europe since the "Second world war and the first since the Balkan conflict in the 1990s. With the invasion of Ukraine, agreements, like the Minsk protocols of 2014, and the Russian-NATO Act of 1997 stand all but voided.

India did not join the western powers condemnation of Russian's intervention in crimea and kept a low profile on the issue.

More recently, India abstained on a deplors in the strongest terms "Russia" aggression" against Ukraine, with new Delhi saying dialogue is the only answer to settling differences and disputes and voicing "regret" that the path of diplomacy was given up.

3- What is international trade

International trade is the exchange of goods and services between countries. Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries or more expensive domestically. There are three types of international trade. Export trade, import trade and entrepote trade. Entrepote trade is combination of export and import trade is also known as Re-export.

International trade has exceptionally increased, which includes services such as foreign transportation, travel and tourism, banking, warehousing. Communication, distribution and advertising. Other equally important developments are the increase in foreign investments and productions of foreign goods and services in an international country. These foreign investments and productions help companies to come closer to their international customers, thus serving them with goods and services at a very low rate. Reasons for international trade are- It is not possible for every single country to produce equally at a cheap cost.

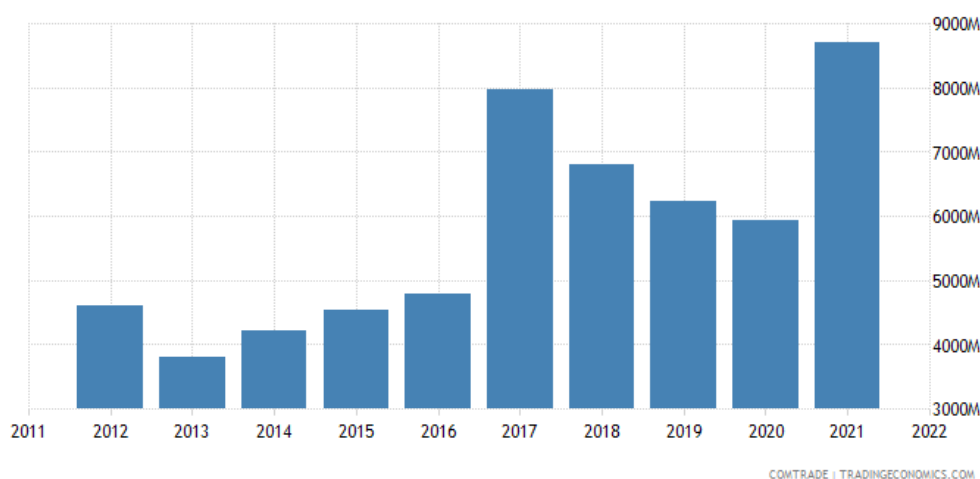
That is why international trade is taken into account.



4- What does India import from Russia -

India imports from Russia was US & 8.7 billion during 2021, According to the united Nations COMTRADE database on international trade. India imports from.

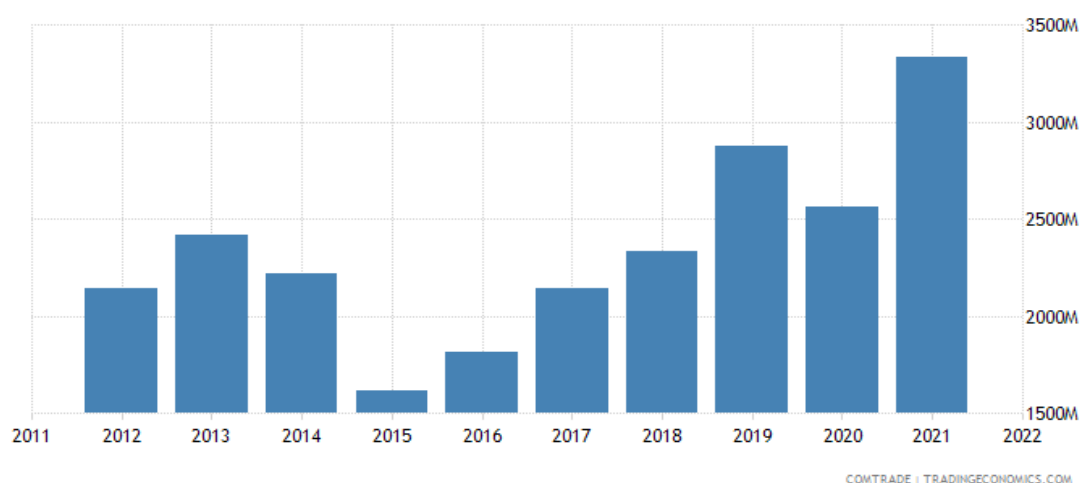
Russia- data, historical chart and statistics was last updated on May-2022



India imports from Russia	Value	Year
Coffee, tea mate and spices	\$ 4.10M	2020
Impregnated coated or laminated textile fabric	\$ 3.70M	2020
Lead	\$ 3.11 M	2020
Stone, plaster, cement asbestos, mica or similar materials	\$ 2.58 M	2020

5- What are the items India export to Russia?

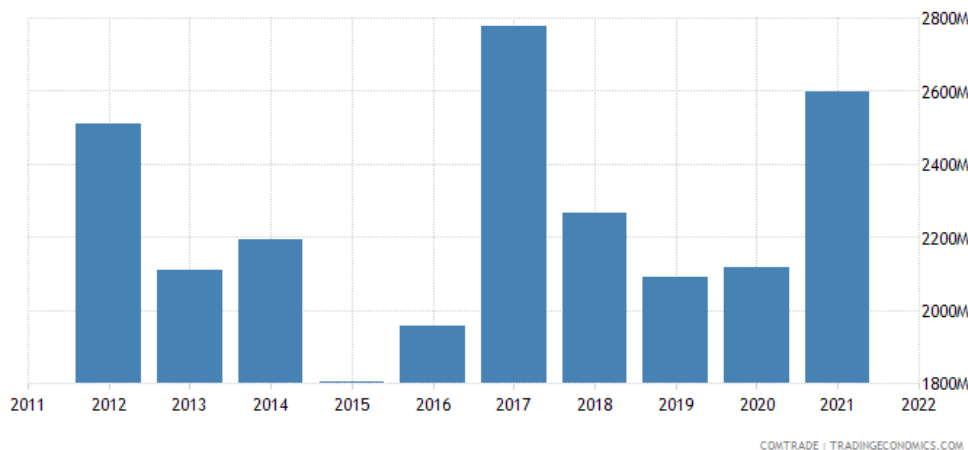
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India imports from Russia	Value	Year
Articles of Iron or steel	\$ 39.35M	2020
Plastics	\$ 38.92 M	2020
Edible fruits ruts feel of citrus fruit melons	\$ 38.46 M	2020
Meat and edible meat offal	\$ 38.22 M	2020

6- What India imports from Ukraine?

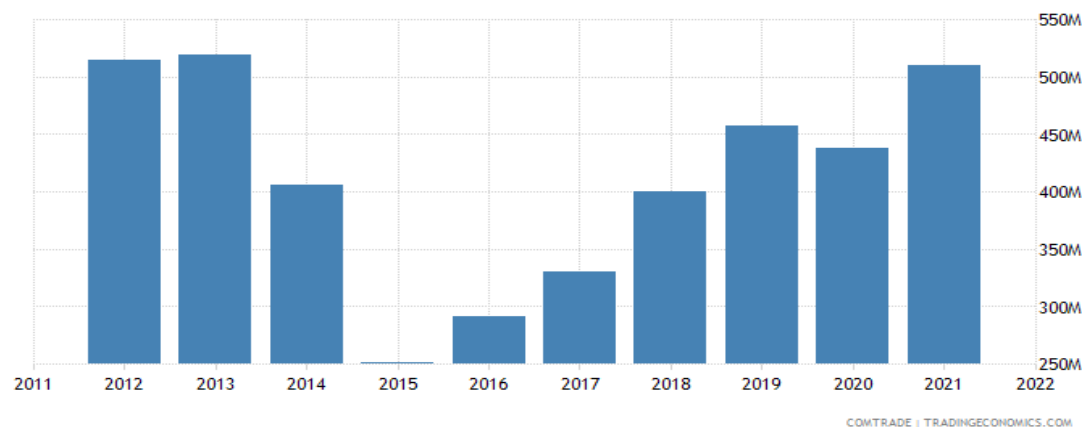
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India imports from Ukraine	Value	Year
Inorganic chemicals, precious metal compound isotope	\$ 73.89 M	2020
Plastics	\$ 44.68 M	2020
Machinery nuclear reactors, boilers	\$ 24.64 M	2020
wood and articles of wood, wood charcoal	\$ 23.08 M	2020

7- What India exports to Ukraine?

Ukraine- data, historical chart and statistics was lost updated on May -2022



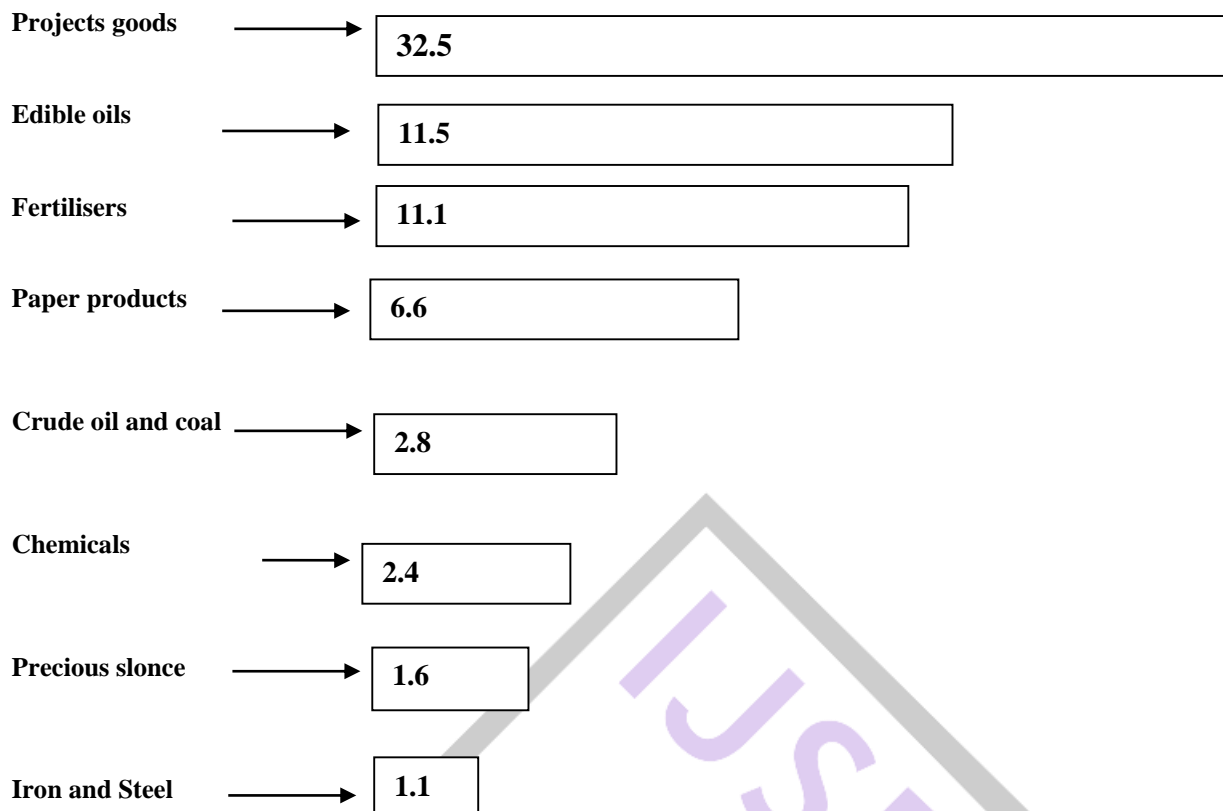
India exports to Ukraine	Value	Year
India exports to Ukraine	\$ 158.11 M	2020
Electrical, electronic, equipment	\$ 32.53 M	2020
Plastics	\$ 20.71 M	2020
Oil seed Oceanic fruits grain, seed, fruits	\$ 20.31 M	2020

8- Impact on India-

The Russia- Ukraine crisis has stoked uncertainty in global trade and will impact oil and other commodities, according to Sunil Sinha, research director and principal economist at India ratings. India may not have a significant merchandise trade with Russia, never the less, it stands to lose economically due to supply disruptions caused by western sanctions.

“Despite India’s limited direct exposure, the combination of supply disruptions and the ongoing terms of trade shock will likely weigh on growth, result in a sharper rise in inflation and wider current account deficit,” Said Sonal Verma, Chief Economist at Nomura Holdings in a report.

India’s direct trade exposure to Russia – Ukraine- Belarus is just 1% of total exports and 2.1% of total imports, but its supply dependence on specific products is much higher.



The Russia- Ukraine crisis will send cooking gas, petrol and other fuel bills soaring for Indian households and businesses. Higher oil prices add to right/ transportation costs. Depending on how long global oil. Prices remain elevated, the tensions could raise questions on the RBI's credibility in making inflation perceptions and upset the government budget calculations particularly fiscal deficit. The surge in crude oil prices will lead to an increase in India's oil imports bills, and gold imports could jump back up. Keeping the rupee under pressure. India's imports of petroleum products from. Russia are only a fraction of its total oil import bill and, thus, replaceable. However, getting alternative sources for fertilisers and sunflower oil many not be as easy.

Exports to Russia account for less than 1% of India's total exports, but exports of pharmaceuticals and tea could face some challenges, as will shipment to CIS countries. Freight rates could make overall exports less competitive too.

9- An opportunity for India-

Russia and Ukraine together exported more than a quarter of the world's wheat in 2019. This crisis may give India an opportunity to export more wheat in the global markets. Egypt and Turkey are the world's biggest importers of wheat.

10- Economic Aspect-

The Russia - Ukraine war, which started about three month ago, is impacting the stability of global order. Mint analyses the effect the conflict could have on the Indian economy's nascent recovery from the pandemic.

The Russia - Ukraine war and the consequent supply chain disruptions have only aggravated this concern in India. Sanctions on Russia, one of the world's largest wheat and sunflower oil producers, have led to spike in wheat and edible oil prices in India a well. The impact in terms of increased crude oil prices on the global front can have a spillover effect in terms of cost – push inflation. The war has also resulted in disrupting India's edible oil market as the country imports more than 90% of its sunflower oil from Russia and Ukraine combined.

On the fiscal side the Government, which has been conservative in its revenue assumptions in the Budget, has the room to preemptively cut domestic fuel taxes to nip inflationary expectations. Stoke faltering consumption levels and sustain India's fragile post covid-19 recovery through this global churn.

The ongoing crisis in Ukraine is set to push the country's import bills beyond the USD 600billion mark this fiscal, given India's import dependence on crude oil, natural gas, gems and jewellery, edible, oils and fertilizers, which can load to a spike in inflation and current Account deficit and a falling rupee. Falling rupee will rise the cost of our imports but helps exporters in short term as they earn more money (rupees) for goods exported. But this holds true for. Those exporters too, who do not import any raw material for production.

11- Conclusion –

The ongoing conflict between Russia and Ukraine may impact certain high- frequency indicators like financial market, exchange rate and crude prices in the short- term. However, it noted that this moment will not have any lasting impact on the Indian economy. Experts believed that there could also be cascading impact of the war on trade as India is among the strongest allies of

both Russia and US. In 2021 the US was India's top merchandise trade partner with a value of \$ 112.3 billion. Some factors like oil and gas and both ferrous and non ferrous metals can gain through this trend, while the ones which depend on oil as a key input, like chemicals fertilisers, gas utilities, refining and marketing will have a negative impact

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