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Influence of Russia-Ukraine Conflict on Indian Political System

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Abstract

The Russian invasion of Ukraine and subsequent sanctions slapped by the West on Moscow have played out in different ways for Indian trade. While our import and export to the two warring nations have been hit adversely, there are some sectors which stand to gain from it. Like the export demand for wheat and corn has shot up. India is also a big importer of phosphatic fertilizers from Russia. While on the other hand, Indian exporters to Russia and to the Commonwealth Independent States are reportedly facing uncertainty over goods worth 500 million dollars. This is because of three broad reasons. First, the withdrawal of credit guarantee protection on commodities. Second, the restrictions on Russian banks. And, third, the disruptions at Baltic ports amid the Ukraine war. Amid the raging Russia-Ukraine war, India's wheat harvest is expected to rise to 110 million metric ton in the crop year 2021-22, from 108 million metric ton a year ago, revealed an S&P Global Platts survey. In case India's wheat export increases, the country will be in a position to replace the lower supplies expected from both Ukraine and Russia, which account for more than 25 per cent share in global wheat trade. Russia is the world's top wheat exporter. Ukraine is fifth in the row, while India figures in the top 10 wheat-exporting nations. The Federation of Indian Export Organisations has said that export cargoes to Commonwealth of Independent States countries have been impacted because no shipping line is willing to take consignments there. This is because there is no movement of ships through the Black Sea. Indian exporters fear that payments worth about 400 million dollars might get stuck. This is because western nations have blocked many Russian banks from accessing the Society for Worldwide Interbank Financial Telecommunication, or SWIFT. Exporters have found that many buyers do not have the ability to make payments in any foreign currency or from a third-party or country.

Keywords: **Indian Foreign Trade**, Industry, Indian, trade, imports, IMF

Introduction

These policy decisions made a positive impact both on the quality as well as the economy of the cement industry. This has helped in reversing the situation of cement shortages to cement surplus. Cement is now available off-the-shelf. The cement industry has made phenomenal progress in terms of volume, technology and product upgradation. It has the state-of-the-art modern large capacity plants. The quality of Indian cement is at par with the best produced anywhere in the world. Today India is world's second largest cement producing country, with an installed capacity of 160.24 x 10 6 t/a. The energy consumption too-both thermal and electrical-per unit mass production was brought down, through productivity enhancement and modernization efforts on the part of cement plants. The quality of cement also improved impressively, with better strength and durability characteristics. The most significant aspect of this change is the shift in consumer preference from 'high strength' to 'high performance' or durable concrete, which was prompted by greater quality awareness among the consumers and high cost of structural repairs. This general improvement in the quality of concrete was achieved through greater use of mineral admixtures, which are industrial wastes, namely fly ash and blast furnace slag, in cement and concrete. The national standards and the codes of practice have also been revised and supported the change. The greater use of industrial wastes as mineral admixtures has led the cement and construction industry in India on the path of sustainable development. The Indian cement industry has evolved significantly in the last two decades, going through all the phases of typical cyclical growth process. After a period of over-supply and a phase of massive capacity additions, the industry is currently in a consolidation phase. With sound economic growth and infrastructure development, the demand for cement is on an upward trend. Further addition to capacity is coming up to cater to the increasing demand for cements. India is the second largest producer of cement, after China. With a capacity of 160 m.t. in 2007, it produced 142 m.t. in 2006. The per capita consumption of cement in India is 125 kg which is only about a third of the world average. It indicates the growth potential for this industry. The demand for cement mainly depends on the level of development and the rate of growth of the economy. In the post deregulation era, production of cement rose from 23.5 m.t.in 1983 to 44.1 m.t.in 1989 and to 142 m.t. in 2006.Deepak(2007).As of March 2007, the installed capacity of the cement industry stood at 160 m.t. but the capacity utilisation was 83 percent. Over a 5-year period, capacity has grown at six per cent as against eight per cent growth in cement consumption. Major players in the industry are in fact, operating at 90 to 100 per cent of capacity. Many have announced expansion plans to meet the growing demand. Major capacity additions will be completed by the end of the year 2008-09.The increase in demand for cement has attracted global majors to India. In a short span of one year (2005-06), four of the top five cement companies of the world entered into India either through mergers or acquisitions or joint ventures or green field projects. These include France's Lafarge, Switzerlands' Holicm, Italy's Italcementi and Germany's Heldelberg cement. The industry has witnessed flurry of mergers and acquisitions among domestic players also, bringing smaller players under the umbrella of large players, such as ACC, Gujarat Ambuja, Grasim Industries, Ultratech and India Cements which in turn have come under the leadership of global players like Lafarge, Holicm, Italcements and Heldelberg. Over the past three years, the share of the top five players in India has increased in each region due to the on-going consolidation in the industry. Now, the top five players share 58 per cent of the market.Srinivasan(2008)

Objective:

This paper intends to explore and analyze India's trade with Russia has been severely impacted by the rising tensions in the border region of Russia and Ukraine, also looming prospect that it could be impacted further with wider sanctions on Russia are announced. Leading to immediate **economic shock** of the **crisis** has been a sharp rise in commodity prices.

As the Russo-Ukrainian conflict continues, Indian markets are reacting and in red. Before the conflict started NSE's benchmark stock index — NIFTY 50 — was at 17,063. It went down to around 15,000 mark to again rise to just cross the 16,000 mark. The markets would have to face more brunt if this conflict continues. This raises a question: Is Russia and/or Ukraine India's significant trading partner that a conflict with them can hurt the Indian economy?

After analysing the data, it is observed that both Russia and Ukraine are not significant trading partners. As highlighted in Table 1, India's imports from Ukraine in FY 2022 and 9 months of FY 2023 was $2.14 billion and $1.98 billion respectively. This is around 0.54 percent and 0.45 percent of India's total imports. Russia stands at a relatively better position having 1.39 percent and 1.56 percent share in India's total imports in FY 2022 and 9 months of FY 2023 respectively, importing goods worth $5.49 billion and $6.89 billion respectively. On the exports front, again both these countries are minuscule partners of India. India exported goods worth $450 million and $372 million to Ukraine in FY 2022 and 9 months of FY 2023 respectively, and $2.66 billion and $2.55 billion to Russia for the same period respectively. This also shows that we are running a trade deficit with both the countries.

Further analysis of the import and export data of both these countries gives us an interesting picture. India imported 1.74 million tonnes of crude sunflower oil in FY 2022 and 0.97 million tonnes in 9 months of FY 2023. Ukraine has a disproportionately significant share in India's total crude sunflower oil imports. India imported 2.2 million tonnes of crude sunflower oil in FY 2022 and 1.4 million tonnes in 9 months of FY 2023. Thus, Ukraine had an 80 percent share in total imports of crude sunflower oil in FY 2022, which was reduced to 72 percent in 9 months of FY 2023. This is a minuscule reduction in India's dependence on Ukraine, as India's imports of crude sunflower oil from Argentina doubled from 6.3 percent in FY 2022 to 12.3 percent in 9 months of FY 2023.

MSME exports

It is pertinent to note that Ukraine is the world's largest exporter of sunflower oil with total exports of around 5.5 million tonnes between September 2020 and Aug 2021 marketing year and around 3.5 million tonnes in 7 months. It is understood that India is the second largest export market for Ukrainian sunflower oil, first being China. With the Russo-Ukraine conflict, sunflower oil importers in India are heavily hit due to shipments they have booked and are unlikely to get delivered. It is again important to note that crude sunflower oil imports' share in total imports is extremely insignificant at 0.5 percent.

The other product India imported from Ukraine is fertilizers. Rest all commodities imported are a minuscule portion in the total trade.

Pharmaceuticals top the list of products exported from India to both Ukraine and Russia. India's total pharmaceuticals exports stood at $19.4 billion in FY 2022 and $14.4 billion in 9 months of FY 2023. Pharmaceuticals' share in total exports of India is 6.6 percent in FY 2022 and 4.7 percent in 9 months of FY 2023. The US tops the list and is an extremely important market for Indian pharmaceutical products. Russia ranks fourth in the list of exports markets for India, with a 2.4 percent share in FY 2022 and 2.7 percent in 9 months in FY 2023. Ukraine is again an extremely small market for India, ranking 29th with 0.9 percent share in FY 2022 and 0.8 percent share in 9 months in FY 2023. We have observed that many pharmaceutical companies are impacted due to this conflict.

Russia is India's major trading partner in mineral fuels, oils, and products and diamonds, precious metals, etc. Mineral fuel and oil imports top the list followed by diamonds and precious metals. India imported mineral fuels and oil worth $99.7 billion (25.3 percent share of total imports) in FY 2022 and $136.3 billion (30.1 percent share of total imports) in 9 months in FY 2023. Russia ranked 10th largest exporter of mineral fuel and oil to India and its share in India's imports has increased from 2.1 percent in FY 2022 to 2.8 percent in 9 months in FY 2023. This also shows that India's dependence on Russian crude oil has increased marginally.

Commodity Imports

Another major group of commodities that India imports from Russia is diamonds and precious metals. India is the 3rd largest market for Russian diamonds, with Antwerp ranking 1st and UAE ranking 2nd. Russia ranks 11th largest exporter of diamonds and precious metals into India, with around $1 billion of imports which is 1.7 percent of the total imports of diamonds and precious metals. Russia sold around 19.7 million carats to Belgium (Antwerp), which is the global capital for diamond trade, followed by 14.1 million carats to the UAE, and thereafter India ranked 3rd at 4.1 mn carats in 2020. Then too for India, Russia is not a significant partner and the trade is not heavily impacted due to this conflict. This data only highlights that Russia and Ukraine have a very small share in India's foreign trade and this conflict doesn't heavily impact India except pharmaceuticals and sunflower oil refining industry. However,

Conclusion

The foreign reserves have fallen over 2-3 per cent from its peak. The Russia-Ukraine military conflict may have an implication on the country's trade in that region as it would affect the movement of consignments, payments and oil prices, according to exporters. The Federation of Indian Export Organisations (FIEO) said they have asked exporters to hold their consignments to the region or goods that take the Black Sea route. A depreciated rupee helps exporters in the short term as they earn more money (rupees) for the goods exported. But this holds true for those exporters too who do not import any raw material for production. For instance, car manufacturing companies such as Maruti and Mahindra import some electronics parts from other countries (like computer chips from Taiwan), manufacture the car in India and then export it to other countries.

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